Chapter-2

REVIEW OF LITERATURE

This chapter provides an overview of various aspects and issues of the current study through the review of existing literature. An attempt has been made to identify the gap in the area of research. The existing knowledge available on the subject is helpful to understand the problem area. Some of the relevant studies undertaken for review are discussed as hereunder:

Kumar (1990) examined the role of banks in Indian agriculture, especially in prosody with priority sector, adequacy of borrowed funds with large-scale industry and the significance of banks in the development of small-scale industry during the period 1969-88. The study revealed that after nationalisation, the share of bank credit towards the agriculture and SSI was more than that of large and medium-scale industry. Multi-agency approach was adopted as a national policy for agriculture credit system. The study emphasized on post-disbursement supervision, simplified procedure of loan and direct involvement of banks in the process of identification.

Bali and Bali (1990) studied the interstate disparities in banking services in rural India among twenty-one states during the years 1975, 1980 and 1985. The indicators selected were number of rural population served per rural branch, cropped area served per rural branch, per capita rural deposits, rural deposits per rural bank branch, per capita rural credits, rural credits per rural branch and rural credit-deposit ratio. For standardizing and analysis techniques, like Z-sum method, mean, standard deviation, coefficient of variation and principal component analysis were used. The study was based on secondary sources of information. It was found that commercial banks made a good progress in credit deployment in rural credit per rural area. Both per capita rural credit and rural credit per rural branch showed an increasing trend. It was also revealed that credit activity in rural areas increased at a much faster rate than mobilization which
led to increase credit/deposit (C/D) ratio. There was also reduction in regional disparities in C/D ratio and it showed significant association with branch expansion.

Pasricha (1991) evaluated the performance of lead bank scheme in the districts of the Punjab during the period 1977 to 1989. The study analysed Lead Bank Schemes by focusing on the role of scheme in rural development in Punjab; performance of scheme; difficulties faced by beneficiaries and bank officials with regard to the scheme. The study revealed that all the districts showed growth in credit deployment, but there were disparities in credit deployment under the scheme. There was increase in credit per branch and per capita credit while growth rate in credit deployment was the highest in rural areas followed by urban and semi-urban areas during the study period. It was also found that credit increased at a lesser rate than population growth rate and position of Credit/Deposit (C/D) ratio was even below the national C/D ratio. It was the worst in rural areas. The study further revealed that substantial number of beneficiaries was benefited from the scheme among which Scheduled Castes/Scheduled Tribes represented a sizeable proportion.

Sarma (1991) examined the development of commercial banks in the North-Eastern region since nationalisation in terms of branch expansion, deposit mobilization, and credit deployment. It was revealed that number of bank offices increased nearly by 18 times in the north-eastern region, and bank deposits also increased manifold due to opening up of banks in rural and unbanked areas. Volume of credit deployment also showed a phenomenal rise during the study period. It was observed that the performance of commercial banks in the area of priority sector in the north-eastern region was satisfactory; however, public sector commercial banks were able to enlarge their priority sector target.

Kabra (1991) examined the credit policy of India. It was revealed that money policy had been further tightened by reducing the total
amount of credit supply into the economy and increased the cost of credit. It was revealed that Reserve Bank of India (RBI) took some selective measures to tighten the credit flow like tightened credit in low priority areas like consumer durables, shares and debentures, real estate, etc., but exception had been made to expert credit. RBI provided larger refinance against export credit. It was found that there was no difference between the hikes imposed on biggest size-class of borrowers. The study suggested the need for other policy in addition to dear and restrictive monetary policy in order to guard against the danger of stagflation.

Patel (1994) examined the growth and the concept of priority sector lending by the commercial banks in Gujarat during the period 1983 to 1991 and 1993. The study analysed the progress of commercial banks towards the various sectors of priority lending, viz. agriculture, SSI and other priority sector advances comprised of rural artisans, transport operators, education etc. It was revealed that repayment of outstanding agriculture term loan was declined with the increase in operational holding group of households, however, the group of marginal farm households were able to repay their whole amount, whereas other group households were unable to repay the outstanding loans. It was found that loan availment procedure was very time consuming as it involved lot of formalities; and banks were also unable to provide advances to weaker sections of the society in particular. The study suggested to increase the volume of loan and to reduce the rate of interest on loan for improving the agriculture loaning operations of commercial banks.

Bilgrami (1995) studied the interregional and interstate variability in credit-deposit ratio (C/D). Regional analysis showed that in 1992, in comparison to 1969, the C/D ratio variation range reduced considerably. The same trend was followed in the state/U.T. The study found that out of 26 states / U.T., 21 showed improvement in their C/D ratio but few states such as Meghalaya, Uttar Pradesh, and Goa.
were considerably poor in terms of C/D ratio as reflected it further deteriorated in 1992. Chandigarh reflected very sharp changes. In 1969, C/D ratio of Chandigarh was 185.61 per cent which was reduced to 65.66 per cent in 1992, whereas Orissa showed an appreciable improvement in C/D ratios. The study concluded that public sector banks were succeeded in minimizing the disparities. The researcher stated that if the same trend is followed then the disparities among regions and the states will sharply decline.

Dutta (1998) studied the Indian Banking in the Post-Reform Era. The study revealed a spectacular growth of 280 per cent in terms of bank deposits from 1991 to 1998, whereas advances failed to grow to that extent. It also observed an increase of 162 per cent in advances during the study period. But the advances to priority sector could not reach the stipulated target of 40 per cent. The study revealed that the bank credit to agriculture was much below the set target of 18 per cent; it lied between 10 and 13 per cent during the study period. Further, the study depicted that the deposit rate does not seem to be favourable for the small depositors as well as the lending rate also not favourable for the borrowers under priority sector.

Shajahan (1999) found that the share of priority sector in total lending by public sector banks declined from 40.9 per cent in the year 1991 to 37.8 per cent in 1996. Thereafter, in 1997, they crossed the set target of 40 per cent and reached at 41.7 per cent. In 1999, advances to priority sector touched 43.5 per cent. The study found that the increase in priority sector lending was mainly due to increase in its scope. Banks were allowed to park their funds in new areas. Indirect finance to agricultural sector was widened by classifying finance extended to State Electricity Board for system improvement in rural areas; investment limit of tiny enterprises was raised; definition of SSI sector was widened; and Rural Industrial Development Fund (RIDF) was created. The study further revealed that there was a
decline in priority sector NPAs, whereas major share of NPAs was accounted by non-priority sector.

Gill (2000) evaluated the public policy in agriculture credit in four sections; section 1 dealt with case study, section 2 discussed the role of institutions in rural credit in the pre-nationalisation and post-nationalisation phase, section 3 presented views and recommendations of some experts, and section 4 included observations regarding credit reforms with conclusions. For the case study, Patiala district of Punjab covering three blocks Patiala, Ghanaur and Samana, and total six villages i.e., two from each block (one developed, one less developed on the basis of productivity) having both cultivators (small, medium, large and extra-large) and landless labourers were selected. It was found that informal credit sector played a major role in agricultural sector and was preferred ahead of formal institutions. The formal institutions were less favoured due to their lengthy, cumbersome process, taking land at less value as collateral, limited access to credit, high interest rate determined sometimes by market forces, decrease in priority sector lending, etc. The study suggested measures to improve agriculture credit flow of formal institutions like easy and timely access to credit, linking credit with crop, delinking credit institutions from politics, adopting some features of informal sector to provide them competition, etc.

Nair (2000) reviewed the trends in rural financial intermediation by public sector commercial banks in post-nationalisation period and also examined banks’ role in newly emerging institutional forms with major emphasis on micro finance services. It was found that reach of commercial banks to rural sector improved between 1971 and 1990, and share of both rural deposit and credit almost doubled during this period. However, recent trends revealed that there was a decline in growth of commercial bank credit to rural areas in both disbursal and outstanding during late 1980s & early 1990s. There was also a decline in bank credit flow to priority sectors especially agriculture since mid-80s.
Narayana (2000) analyzed the trends in credit deployment by various groups over a period from 1990-97. A shift in credit deployment from agriculture, trade, other industries and small-scale industries to large and medium industry, personal loans and professional services was observed during the study period. Nationalised banks as a group have been losing out their share of deposits and credit during the study period, whereas the foreign banks have increased their share in total deposit and credit. The study further revealed that branch expansion into rural and non-banked area has stopped; and withdrawing from lending to agriculture, small enterprise and such activates have an adverse impact on the investment and output in agriculture and small industry.

Kunjukunju (2001) analysed the role of commercial banks, primary agricultural credit societies, and primary co-operative agricultural and rural development banks in rural upliftment of Kerala. The study revealed that the proportion of rural credit by the commercial banks in Kerala increased from Rs. 4 crore in July, 1969 to Rs. 1008 crore in March, 1999. The share of rural credit to the total credit increased from 4 per cent to 7.3 per cent during this period. The study further revealed that the loans advanced by banks are inadequate for the respective activities undertaken by the borrowers; and they are not getting credit on time. Borrowers are facing many problems in obtaining the credit from institutions; and there is a lack of supervision and guidance by the banks.

Ghuman (2001) studied the overall loans disbursed by the commercial banks to farmers at two points of time; one from pre-liberalisation phase and another from liberalisation phase. The study reveals that both short-term and long-term loans to agricultural sector have perceived phenomenal growth overtime in the northern states of India. Among the selected states, Delhi registered the highest growth in bank loan to agricultural, whereas Jammu & Kashmir was negatively affected. As far as categories of farmers were concerned,
medium and large farmers attracted the major share of bank loan, whereas small and marginal farmers were bound to be relied on informal sector for their credit requirements. The benefits of bank loans are not evenly distributed among all strata of farmers. It resulted into increasing dependence of marginal and small farmers on commission agents for financial support. The study further recommended that commercial banks should extend liberal loans to small and marginal farmers, and should strike a balance between distribution of loan and size of holdings.

Nag and Das (2002) analysed the impact of imposition of uniform capital requirement norms on flow of credit to the business sector by the Indian Public Sector Banks (PSBs). The study observed that during 1980s, the Credit-Deposit ratio of PSBs was around 60 per cent which came down to 48.4 per cent in March, 2000. For the purpose of this study, the author classified the PSBs in four capital classes according to their capital to risk asset ratio (CRAR), i.e., i) less than 4 per cent, ii) 4 per cent to 8 per cent, iii) 8 per cent to 12 per cent, IV) more than 12 per cent. During 1996, undercapitalized banks recorded a very low credit growth as compared to well-capitalized banks. This position worsened further in 1997. Majority of well-capitalized banks also recorded a very low credit off-take.

Mathur (2002) examined the public sector banks in India and scope of their privatization. The indicators selected for comparison were assets, deposits, advances, and net profit. The study was based on secondary data covering a period from 1994-95 to 2000-01. It was selected for study. It was found that share of nationalised banks decreased on all parameters except net profit; share of state bank group remained almost the same on all parameters; share of old private sector banks remained consistent on all indicators except net profit which showed a decrease. Share of foreign banks decreased in the case of deposits, net profit and remained constant on rest of the indicators. The study suggested that privatization is not a preferred
solution. The need of hour is to bring a more strong legal system and regulatory framework, reduced fiscal deficit and reduction in controls on flow of foreign capital.

Varshney (2002) evaluated the role of SBI in financing priority sectors including agriculture, small-scale industries & other priority sectors; and also studied the problems faced by banks in advancing credit and borrowers in availing credit in Aligarh district during the period 1991-2001. The study found that priority sector lending declined mainly due to NPAs; and targets of lending were not achieved in blocks especially in the case of small-scale industries and other priority sectors. It was also revealed that most of the beneficiaries considered their farm loan especially crop loan more adequate than term loan. Their income increased after investing loans but formal procedure in availing loans was found time consuming by beneficiaries especially in the case of small-holding group. The study suggested measures like increasing quantum of loan amount, reducing interest on loan, linking priority sector lending with net bank deposits rather net bank credit, appointing computer engineers in districts and blocks, etc.

Raju (2002) studied the growth of operation of SBI, and examined the financial and operating performance of the bank with reference to deposit mobilization, deployment of credit and profits during the period of 11 years from 1990-91 to 2000-01. The study revealed that percentage of standard asset to total standard asset for all the segments in Vijayawada zone of SBI was high in agriculture and personnel advances. NPAs were high for small-scale industries and agriculture which revealed that for SSIs standard asset position is low. NPAs have been significantly high in advances above Rs. 1 crore which means large borrowers pose more problems. It was highlighted that there was a need to reduce the NPAs to improve the profitability of banks and compliance with capital adequacy norms. And for that pre-credit and post-credit appraisal, timely follow-up, and monitoring
should be done by the banks. The study also showed need for the involvement of top management and senior officers for counselling the individuals for ensuring quicker recoveries.

Rao (2002) analysed the cost of credit of commercial banks in a deregulated environment. The study revealed that as subsidization of interest rates with either reference to priority sectors or with size of loans has almost disappeared during the year 1999-00. It was recognized that there is a need of suitable information system in respect of small borrower accounts and large borrower accounts. It was observed that the share of credit at interest rate over 16 per cent was relatively high in respect of credit limit sizes up to Rs. 1 crore. The average rate of interest was generally, low in the case of public sector banks, while the average cost of credit to the household sector was similar to the private corporate house.

Das (2002) evaluated the performance of public sector banks with regard to expansion of banking services to the non-banked areas in regional perspective and priority sector lending during the pre-reform and post-reform period. The study revealed that the existence of regional disparity in the distribution of bank offices resulted into inadequate services in different regions. Regional distribution of per capita deposit and credit in India were rising, whereas the credit-deposit ratio showed a downward trend; and priority sector’s share in bank credit was also declining. Further it was found that priority sector lending by public sector banks was positive in all sectors during the period 1981 to 1990. But the growth rate of three sectors, viz. setting up industrial estates, small road and water transport operations, and professional and self-employed were found to be negative during the period 1991 to 1997.

Vimla (2002) examined the concept of priority sector lending and analyzed the credit utilization pattern by the borrowers. It was revealed that the commercial banks in Kerala achieved significant progress in deposit mobilization and credit deployment as compared
to national level. The growth rate of rural deposits and rural lending is at a low pace as compared to the national level. Credit-deposit ratio is also comparatively lower than the all India level. Further, it was observed that nationalised banks in the state met the priority sector lending targets. She suggested improving the Credit-Deposit ratio by realizing the conservative and out-dated lending policies of the commercial banks.

Shete (2003) studied the impact of policy measures introduced by the RBI during the last 10 years, i.e., from 1991 to 2001 on priority sector advances. The study revealed that the process of financial sector reforms has by-passed the agriculture in general and weaker sections in particular. The flow of credit to priority sector has come down substantially in spite of expansion of its scope. Public sector banks are not able to meet the given target of lending to agriculture and weaker sections. Funds provided by the government for encouraging banks to lend to agriculture and other weaker sections were seemed to be aimless. The purpose of deregulation of interest rates for the priority sector does not seem to have served its purpose. In order to achieve the policy measures the banks should revive their programmes at the macro and micro level.

Sahoo (2003) studied the composition and ownership pattern of deposits and advances of SEBs in India. Composition and ownership pattern of deposits is based on the survey data compiled by the Centre for Monitoring Indian Economy (CMIE) for a period of 4 years, i.e., from 1997-96 to 2000-01. The study revealed a growth of 15.71 per cent in outstanding deposits, whereas credit deployment showed a growth of 14.18 per cent of scheduled commercial banks (SBIs). Sector-wise ownership pattern of Bank Deposit showed a significant growth in household sector and as far as group-wise population was concerned, metropolitan centres comprised a major share of bank deposit as well as share of credit deployment also showed an increasing trend. The study further revealed that states like
Maharashtra, Andhra Pradesh, Karnataka, Delhi, and Tamil Nadu showed an increasing trend in credit deployment, among them Maharashtra continued to be at the top position.

Ramachandran and Swaminathan (2004) analysed the banking policy in rural areas and they found that after nationalisation there was an expansion of bank credit in rural areas which continued up to 1980s. Afterwards, it declined from 15 per cent in 1987 to 10.2 per cent in 2002. The Credit-Deposit ratio rose after nationalisation, but it fell sharply in 1990s. The study revealed that micro-credit is not widespread, but banks are better than private micro-credit organizations to offer a wide range of financial services to borrowers. The study observed a high level of indebtedness in all the village studies. It study indicates that the share of formal sources of credit is extremely low in commercial banks, regional rural banks, and cooperatives. Further, the authors suggested some measures for the survival of the working people in rural India which include special loans-cum-subsidy schemes for all landless and poor & middle peasant households; priority sector norms must be enforced; differential interest polices reinstated; and geographical and functional reach of public sector banking must be restored and extended.

Shetty (2004) examined the distributional issue in bank credit. He found that after nationalisation the share of agriculture in total bank credit had regularly increased, but thereafter it started declining. The share of small-scale industries in total bank credit also fell down from 12 per cent in March 1992 to 5 per cent in March 2003. Moreover, the proportion of small borrower account in total bank credit had a drastic decline from 25 per cent in the late 80s to 5.4 per cent in March, 2003. Credit-deposit ratio of undeveloped states was improving during the post-nationalisation period and reached 18 per cent towards the end of 1980s, but after that it showed a reverse trend because banks used their additional resources including commercial investment in metropolitan areas.
Raju (2005) found that banks and financing institutions were not fulfilling their obligation to provide the requisite finance in time. The percentages of Small-Scale Industries (SSI) in net bank credit is 15.99 per cent, 16.6 per cent, 17.5 per cent, 17.33 per cent, and 15.63 per cent during the years 1996, 1997, 1998, 1999, and 2000 respectively. There was an annual growth of 11 present in the outstanding credit for the SSIs from the Public Sector Banks during the study period but the number of accounts were declining by 33 per cent approx.; and NPAs in SSIs were also growing. The author recommended that the banks have to set up information banks on different products; and working capital should be assessed on the projected cash flows.

Ghosh (2005) evaluated the ratio of agriculture credit to GDP arising from agriculture which increased from 5.4 per cent in the early 1970 to 8.7 per cent in 2001-02, but the share of agriculture credit to total credit declined from 20.5 per cent to less 10 per cent in 2003. The author found that only five public sector banks and two private sector banks meet the target of extending 18 per cent of the net credit outstanding to agriculture. The study suggested the Public-Private collaboration for making agriculture and allied operations productive and viable.

Bhattacharya and Sivasubramanian (2005) analysed some aspects of the composition and distribution of bank credit in India over the period ranging from 1971 to 1999. The study found that the overall growth rate of bank credit has slowed down in the post-reform period. There is a significant reduction in the share of credit extended in the lower interest rate range and an increasing trend of credit in the upper credit size ranges. There was a significant change in the sectoral distribution of credit. The share of the industrial sector was increasing in the total bank credit, whereas study showed a declining trend in the case of agricultural and tertiary sectors. The study also highlighted the growing imbalances in the regional credit flow in the post-reform period as well.
Sahu and Rajasekhar (2005) analysed the trends in credit flow to agriculture by Scheduled Commercial Banks (SCBs) during the period 1981 to 2000. They found that the proportion of credit to agriculture in net bank credit had significantly declined from 16.44 per cent during the pre-reform period to 10.39 per cent during the reform period, while the proportion of credit to non-agriculture sectors continuously increased between these two periods. Further, Scheduled Commercial Banks provided larger volume of funds to activities earning higher interest income. Despite deregulation of interest rate and simplified credit delivery system; the banks could not achieve the targets set for agriculture lending because of increasing lending rates. Moreover, credit flow to agriculture was negatively associated with investments in government securities, credit supply and proportion of credit provided by the cooperatives. Credit supply to agriculture was positively associated with the incidence of rural bank branches.

Ghosh (2006) studied the reaction of loan supply to a monetary shock covering the period ranging from 1992 to 2004. The study found that prudential norms, particularly capital adequacy ratio play an important role in influencing lending decisions of banks. It was further revealed that large and well-capitalized banks were able to protect their loan portfolio from monetary contraction.

Rao et al. (2006) analysed the trends in commercial banks’ credit to small-scale industry sector visa-a-vis non-small scale industry sector of total industry during the post-liberalisation period. It was found that the share of SSI sector in total bank credit varied from 12.9 per cent in 1991-92 to 13.9 per cent in 2001-02. It further declined to 8.1 per cent in 2003-04. The growth rate in credit to small-scale industry sector lies in 5.5 per cent and 19.8 per cent except 21.7 per cent in 1994-95 and -3.6 per cent in 2002-03. Non-SSI sector’s share in total bank credit varied from 24.7 per cent in 1991-92 to 30.3
per cent in 2001-02. Thereafter, it decreased to 21.4 per cent in 2003-04. Growth rate in credit to the small-scale industry sector was lower than the non-SSI sector of total industry for all bank groups.

Roy (2006) reviewed the bank lending to priority and retail sectors. During the study period, structural shift was found in credit delivery toward sectors other than agriculture and industry, i.e., services and retail sector. The study revealed that the share of industry in the total loan portfolio of commercial banks declined; share of agriculture remained almost stagnant, whereas retail sector increased at a faster pace. The study observed that housing loan had the fastest growing class of advances on banks’ balance-sheet. Other personal loans which include education loans, credit cards, etc. have also recorded a sharp increase. This structural shift would also result into an increasing risk. The study further revealed that the Reserve Bank has already taken several steps to respond to potential risks.

Deb and Rajeev (2007) examined the sources of credit for the farmers of Hooghly district of West Bengal. A sample of 150 households was chosen from two blocks of the district, i.e., Tarkeswar & Chanditala. The farmers were divided into three categories (marginal, small & medium) for the study. It was found that all the medium farmers availed loan from formal sector within a period of one month, whereas small and marginal farmers availed 83 per cent and 75 per cent respectively of loan requirement from the formal sector. It was observed that only 35 per cent of the total households depend on commercial banks for credit because Hooghly comprises a large percentage of marginal farmers, whereas cooperative banks are observed as a vital source of credit for the small and marginal farmers in availing loans in the area of study. The study further found that small and marginal farmers in West Bengal depended on a new class of lenders for their working capital who provides credit in terms of inputs on timely basis and without any formal collateral.
Arabi (2007) made an attempt to study the performance of credit delivered to different sectors and also analysed the flow of credit to various sectors. Overall bank credit from scheduled commercial banks as a proportion of GDP strangled during the 1990s. However, there are signs of substantial increase from 2000 onwards. Down flow of credit by commercial banks is due to their investment in government securities. Liberalization process permitted the banks to subscribe the shares and debentures of corporate sector. Bank credit-GDP ratio in India is lower than that of the East Asian region. The share of industry and agriculture in overall bank credit has declined. However, personal loans emerged as a significant category. The proportion of bank credit going to the services sector has increased, but it has not kept pace with the increase in the share of the services sector in economic activity.

Namasivayam and Ganesan (2008) analysed the performance of financing small-scale industries by commercial banks in Madurai district of Tamil Nadu, covering a period of seven years from 1998-99 to 2004-05. The researchers found that the State Bank Group exhibited a high record of achievement in financing small-scale industries, whereas nationalised commercial banks occupied a second place. But private sector banks have the poor achievement of financing SSI. Their performance scores are 50 per cent, 49 per cent and 33 per cent in the case of State Bank Group, Nationalised Banks and Private Sector Banks respectively.

Sharma (2008) examined the performance of banks in the area of priority sector lending. The study revealed that both public as well as private sector banks achieved the target of 40 per cent of net bank credit as per the RBI stipulation. The private sector banks have done better progress as compared to the public sector banks towards the priority sector advancers. The study also shows that there is a fluctuating trend in the area of agricultural advances and other priority sector advances. Both public sector banks and private banks
have given lesser weightage to weaker sections of the society. The study further suggested some measures to improve the working of banks for ensuring more rapid and healthy growth in private sector financing in the coming years. More branches should be opened in rural areas; bank officials should be specially trained to meet out the requirements of the weaker sections; simple interest should be imposed instead of compound interest; and banks should take stringent measures to ensure repayment of loan, etc.

Swain and Parida (2009) analysed growth and changes in the banking sector during the last two decades. It was revealed that number of loan accounts for agriculture, SSI and small borrower accounts have reduced. Credit deposit ratio of many underdeveloped regions has also decline despite credit absorptive capacities. Although there were important concerns for financial inclusion which led government to set up two funds, Financial Inclusion Fund (FIF) and Financial Inclusion Technology Fund to promote financial inclusion and make financial services available at proper rates.

Sohani (2009) analysed the changes in credit allocation policy and role of regulators in credit management. It was revealed that the public sector banks played a major role in credit deployment as compared to other banks. The study further revealed that sectoral flow of credit has been increasing to real estate and NBFCs besides exposure to industrial and agricultural sectors. The bank group-wise share of advances of Scheduled Commercial Banks revealed that nationalised banks contributed about half of total bank credit. This was followed by State Bank Group, with a share of about 25 per cent and domestic private banks contributing 19 per cent, whereas foreign banks’ contribution is about 7 per cent.

Nair (2010) reviewed the trends in the services of commercial banks in the north-eastern states and also spread of micro finance in the region in context to financial inclusion during the period 1997-2007. He found that although credit outstanding and deposit
increased in the region, but growth was not sufficient. It was revealed that credit-deposit (CD) ratios for the region declined over the decade of 1990s till middle of current decade; and the CD ratio for individual states within the region showed very high year to year variation. Trends in sectoral deployment of credit over decade 1997-2007 also reveal that credit share of agriculture across the states, except in Manipur has come down substantially by 7 to 10 percentage points. The share of credit for industry reduced from 33 per cent to 25 per cent of total bank credit and that of trade from 21 per cent to 14 per cent.

Singh and Kaur (2010) studied and analysed the trends in advances of selected 24 banks, i.e., 12 each from public and private sector banks. The study revealed that all the banks have shown increasing trends during all the six years of study, i.e., from 2002-03 to 2007-08; and AXIS Bank was on the top with the highest growth rate in the deployment of credit. The study suggested the banks to reduce the Non-Performing Assets (NPAs) to improve their profitability. The credit should be provided after thoroughly checking the financial soundness and repayable capacity of the borrower.

Vohra (2010) evaluated the lending performance of five private banks, viz. ICICI, UTI, HDFC, Kotak, & Centurion Bank covering a period of six years from 2002 to 2007. He found that all the selected private banks showed a steady increase in their term loan during the study period except Centurion Bank in 2003. The relative increase in term loan was 259 per cent, 893 present, 854 per cent, 514 per cent, and 756 per cent by ICICI, UTI, HDFC, Kotak, & Centurion Bank respectively which indicated a better operational efficiency regarding performance of loans. A similar increasing trend was followed in cash credit, overdraft & Bill discounted during the study period except Centurion Bank of Punjab which showed mixed results. Further, the study suggested certain general principles of lending, i.e., safety, liquidity, diversification of risk, profitability and purpose of loan.
Silony and Kaur (2011), in their paper, studied the role of public and private sector banks in priority sector lending during the period 1990-91 to 2007-08. The study found improvement in the priority sector advances and agricultural advances of both the banks. But the banks were still lagging behind to achieve the targets set by RBI in agriculture sector. It was further revealed that the performance of private sector banks was better than that of public sector banks. The study suggested both the banks to concentrate further on the priority sector of the economy.

Raina (2012) studied the policy developments regarding bank credit in terms of financial sector reforms and its policy implications on the banks credit and also the policy developments related to agricultural credit. The study revealed that the reforms initiated in 90s turned the banking system from highly regulated system to one with a remarkable degree of freedom; and there was a significant shift in the sectoral deployment of credit with increase in category of personal loans, large and medium industry and professional services as compared to agriculture, transport operators, trade and other industries. Further, the RBI took several initiatives to improve credit delivery like increase in credit flow to agriculture and other priority sectors, simplification of procedures, use of information technology, setting up of various committees to look into issues relating to credit delivery for agriculture, etc.

Kaur (2012), in her paper, studied the priority sector advances by the public and private sector banks and foreign banks during the period 1997-1998 to 2008-09. The study found that lending to priority sectors was higher in public and private sector banks as compared to foreign banks. The foreign banks were lending more to the small-scale industries and export credit.

Kumar and Gambhir (2012) revealed that public sector banks have progressed remarkably and achieved their targets, whereas
Private sector banks were lagging behind in priority sector lending target. The study observed that over dues, bad debts and NPAs have been a serious problem faced by the banks in respect of advances made to the weaker sections of the society. Further, the study suggested the need to revise the targets and sub-targets set of PSL from time to time by RBI. The study concluded that the overall impact of priority sector lending scheme seems to be positive; and the banks deploying credit in the desired direction would help in developing rural economy.

Vohra and sehgal (2012) investigated the factors influencing the loan policy of private banks. The study brought out that capital position, earning requirement, deposit, state of local & national economy, monetary policy, and competitive position affect the loan policy of the banks. The loan performance of selected Indian private banks during 2002 to 2007 revealed that the amount of term loans increased by 367 per cent, whereas cash credit, overdraft and bills discounted increased by 523 per cent. Further, the study suggested the banks to make rational rules to retrieve true and detailed information of their customers.

Shiralshetti (2012) examined the overall performance of banks in Belgaum district with regards to deposit and credit services over a period of six years. The study revealed that the growth rate of credit deposit ratio of Nationalised Banks, Private Sector Banks, Regional Rural Banks, and Belgaum District co-operative Banks was declined during the study period. The study suggested some measures to improve the credit deposit ratio viz. adopting liberal lending policy; developing competitive spirit among employees; cordial behaviour with borrowers; periodical training to employers for updating the knowledge; job rotation to minimize monotony; and researcher also suggested the banks to provide more services under one umbrella.

Kumar (2013) revealed that the proportionate share of priority sector advances was been increased from 14.60 per cent in June, 1969 to 37.24 per cent in the end of March, 2012 and number of
priority sector accounts increased from 2.60 lakh in June, 1969 to 71.29 Lakh in March, 2012. The study found a rapid growth of priority sector lending after nationalisation but later on the rate of progress was modest. The study exhibited the worriedness of banks regarding the poor and unsatisfactory recovery performance of the agricultural and small sector. Researcher depicted various problems with regards to priority sector lending viz. external political pressure on banking sector to lend to weaker section; inability of the public sector banks to monitor the distribution, follow-up and recovery of tiny loans; inability to meet the credit needs of other sectors; profitability of the banks suffers from huge losses; and lack of uniformity in all states regarding priority sector lending.

Tiwari (2013) studied the performance of Banking since independence. Study revealed that number of scheduled bank has been increased from 96 in 1947 to 296 in 2001 but after 2001 it declined to 171 due to consolidation of banks. Study recorded an increase of 1.78 times in the number of scheduled banks whereas number of bank offices registered an increase of 25 times during the study period. Centre wise distribution of branches revealed that the thrust of banks expansion in rural and semi-urban area in between 1969-97 but after liberalisation and banking sector reform, the percentage of rural branches has been declined. Study further recorded an increase of 2960 times in terms of deposits and 3969 times in term of credit whereas credit deposit ratio has been declined from 77.5 per cent in 1969 to 73.9 per cent in 2008. Advances to priority sector registered an increase of 1639 times and net NPAs as percentage of scheduled commercial banks was decreased from 7.68 per cent to 1 per cent which indicates that scheduled commercial banks are improving their asset quality.