CHAPTER VIII  
SUMMARY, CONCLUSIONS AND SUGGESTIONS

The present study titled ‘Performance Evaluation of State Agricultural Development Banks in Punjab’ has the following dimensions:

- To study the Growth of Agricultural Development Banks in Punjab.
- To examine the loan Policies of the Punjab State Agricultural Development Bank.
- To analyze the financial performance of Agricultural Development Banks in Punjab.
- To assess the opinion of borrowers regarding working of PADBs in Punjab.
- To assess the perception of managers of PADBs regarding functioning of State Agricultural Development Banks.

For the purpose of study, Punjab State Co-operative Agricultural and Rural Development Bank and its 89 member Banks i.e. Primary Co-operative Agricultural and Rural Development Banks in Punjab have been taken. Two sets of data have been collected, i.e. primary and secondary data. The secondary data for the study pertaining to the period from 1999-00 to 2012-13 has been taken from various sources like annual reports of the Bank, Bye- laws of the bank, Official records, Financial Statements of Cooperatives, Statistical Abstracts of Punjab, Statistics on Co-operatives, Statistical Statements published by NABARD, Annual reports of NABARD, RBI Bulletins, various Reports on Trend and Progress of Banking in India etc. The primary data has been collected through a sample survey with the help of two structured questionnaires. To know the opinion of borrowers regarding functioning of the PADBs, primary data has been collected from 240 borrowers divided equally between three divisions of the Bank in Punjab viz., Patiala, Ferozepur and Jalandhar. The borrowers have been selected from the selected PADBs on the basis of convenient sampling. Important information has also been collected through personal discussions and observations. The data collected from borrowers has been analysed with
respect to two variables, viz. division-wise and land holding size-wise. Division-wise data has been classified into three categories, viz. Patiala Division (D₁), Ferozepur Division (D₂), and Jalandhar Division (D₃). Land holding size-wise, data has been classified into three land holding size categories, viz., ‘less than 2.5 acres’ (L₁), ‘2.5 acres but below 10 acres’ (L₂), and ‘10 acres and above’ (L₃). Further, to assess the perception of managers of PADBs regarding working of the State Agricultural Development Bank, a sample of 60 managers taking 20 from each division was selected. The managers were selected for survey from each division on the basis of convient sampling. To ascertain the satisfaction level of managers, they were asked to register their extent of satisfaction on a five-point scale regarding various aspects of the functioning of PSCAD Bank. The collected data has been analysed with the help of statistical tools like percentages, Chi-square test, F-ratio, ANOVA, KMO (Kaiser-Meyer-Olkin Measure of Sampling Adequacy) and Bartlett’s Test, Principal Component Analysis, Step wise Multiple Regression analysis has been used, and t-value significant at 5 per cent level is calculated.

The growth of the Punjab State Co-operative Agricultural Development Bank and its member i.e. PADBs has been studied on the basis of the selected indicators like membership, share capital, owned funds, borrowings, loans and advances, total deposits, investments, number of employees, volume of business and working funds. The loan policies of the Punjab State Co-operative Agricultural Development Bank have been examined and the analysis has been done on the basis of selected indicators like farm sector loans, non-farm sector loans, scheme–wise loans, position of non-performing assets and recovery of loans. The financial performance of the Punjab State Co-operative Agricultural Development Bank and PADBs has been analysed on the basis of interest earned, interest expended, spread, manpower expenses, other expenses, non interest expenses, non interest income, burden, total income, total expenses and net profits and also studied on the basis of the selected ratios. The collected data has been analysed with the help of statistical tools like averages, percentages, exponential growth rate,
co-efficient of variation, trend coefficient, future projection in absolute and relative terms and ratio analysis.

The major findings of the study are summarised below:

**GROWTH OF AGRICULTURAL DEVELOPMENT BANKS**

**Section-I Growth of PSCADB**

The number of member banks in State Co-operative Agricultural Development Bank i.e. Primary Co-operative Agricultural Development Banks in Punjab increased from 83 in 1999-2000 to 89 in 2012-2013 during the period. The PADBs have been divided in three divisions i.e. Patiala, Jalandhar and Ferozepur. The Growth rate of Patiala, Jalandhar and Ferozepur divisions was 0.15 per cent, 0.60 per cent, and 0.65 per cent respectively. The growth of total member banks was 0.42 per cent during the period of study.

The share capital of PSCADB increased from Rs. 57.83 crore in 1999-2000 to Rs. 71.23 crore 2012-2013 and registered a marginal growth rate of 1.25 per cent. The share capital of the bank was contributed by PADBs and the State Government. The share of PADBs in share capital was 99 per cent and of Govt. was 1 per cent in the year 2012-13. The growth rate of the govt. share and PADBs was 0.09 per cent 1.26 per cent respectively during the period of study.

The owned funds of the PSCADB consist of shares, debentures, grants, subsidies, fees, deposits, loan from govt. and Reserve Bank of India. However, the main source of raising funds with the banks was by way of floatation of debentures. The borrowings of the bank have increased from Rs.
1507.64 crore in 1999-00 to Rs.2334.94 crore in the year 2012-13 and registered a growth rate of 3.25 per cent during the period. The share of special debentures was highest (50%), followed by NFS debentures (41%), unadjusted debentures (9%) and normal debentures were (nil) in the year 2012-13. The trend analysis indicates that the total debentures would increase to the level of Rs. 2833.75 crore in 2019-20. This would be an increase of 21.36 per cent over the year in 2012-13.

The total Loans increased from 1390.15 crore in 1999-00 to 2187.54 crore in 2012-13 and the growth rate was 3.54 per cent during the period. The total loans consist of farm sector loans and non farm sector loans (NFS). The share of farm sector loans increased from 88 per cent in 1999-00 to 97 per cent in 2012-13 while the share of NFS loans decreased from 12 per cent to 3 per cent during the same period.

The total deposits of the bank increased from Rs.58.82 crore in 1999-00 to Rs. 322.29 crore in the year 2012-13 and recorded growth rate of 16.44 per cent during the period. The share of fixed deposits was higher (58%) as compared to that of deposit account with PADBs (42%). The growth rate of fixed deposits was 24.25 per cent, of deposit account with PADBs was 15.04 per cent and thrift deposits were 0.04 per cent. The trend analysis indicates that total deposits would increase Rs. 374.72 crore in 2019-20 and reveals increase of 16.27 per cent over the year 2012-13.

The investments of the bank increased from Rs.146.57 crore in 1999-00 to Rs. 535.47 crore in 2012-13 and recorded growth rate of 10.63 per cent. The share of general investments (93%) was higher as compared to that of investment of staff GPF (7%). The growth rate of general investments and investment of staff GPF was 12.19 and 6.88 per cent respectively while growth rate of investment of pension fund was negative (-23.87%). The trend coefficients revealed that the total investment in PSCAD would increase by 23.05 percent in 2019-20 over the year 2012-13. Similarly, the general investments and investments of staff GPF would also increase in future, but investment of pension fund would decline to zero level in a few years.

The number of employees of the bank decreased from 400 in 1999-00 to 338 in 2012-13. Growth rate of employees was negative i.e. (-4.26 per
cent) which is significant at 5% level. The trend analysis indicates that the number of employees in PSCAD would decline to 152 in 2019-20 and reveals decline of 18.44 per cent over the year 2012-13.

The volume of business of the bank increased from Rs. 1448.97 crore in 1999-00 to Rs. 2425.16 crore in 2012-13 and registered growth rate of 4.25 per cent. The share of loans was higher (87%) as compared to that of deposits (13%) in the year 2012-13. The growth rate of credit and deposits was 3.54 per cent and 16.44 per cent respectively. The business would increase to Rs. 3073.26 crore in 2019-20 and reveals increase of 22.45 per cent over the year 2012-13. The analysis revealed that trend in business was encouraging in PSCAD which needs to be continued.

The working funds of the bank increased from Rs. 1448.97 crore in 1999-00 Rs. 2509.83 crore in 2012-13. The growth rate of volume of working funds was 4.31 per cent. The variability was higher in contra entries (CV=86.22) as compared to that of total assets (CV=17.92). The working funds in PSCAD would increase to Rs. 3901.78 crore in 2019-20 and reveals increase of 19.89 per cent over the year 2012-13. The share of working funds decreased from 99.93 per cent in 1999-00 to 99.44 per cent in 2012-13.

The correlation analysis revealed that loans and advances of the bank were highly correlated with owned funds. The loans and advances and all other variables were not correlated with profits. Further, all variables were positively correlated with each other except number of employees.

The step-wise regression of Punjab State Cooperative Agricultural Development shows that the owned funds, investments and loans and advances were positively correlated, regression coefficient of investments was negative which was due to multicollinearity.

The analysis revealed that in PSCADB, owned funds influence the loans and advances the regression coefficient explains that one unit increase in owned funds will increase the loans and advances by 2.822 units.

**Section-II Growth of PADBs**

The members of PADBs increased from 719515 in 1999-00 to 849928 in 2012-13 and registered a growth rate of 0.48 per cent. The borrowing
members decreased from 420241 in 1999-00 to 201263 in 2012-13 and the
growth rate was negative (-8.03 per cent) during the same period. On the
other hand, the number of non-borrowing members increased from 299274
in 1999-2000 to 648665 in 2012-13 with growth rate of 8.51 per cent. The
share of non borrowing members was more (76 per cent) than borrowing
members (24 per cent) in 2102-13. The number of non-borrowing members
would increase to 912746 in 2019-20 which would be an increase of 40.71
per cent over the year 2012-13.

The share capital of PADBs increased from Rs. 109.45 crore in 1999-
00 to Rs. 145.02 crore in 2012-2013 and registered a growth rate of 1.89 per
cent. The share of government was negligible. The share capital of PADBs
would be Rs. 163.34 crore in 2019-20 and reveals an increase of 12.63 per
cent over the year 2012-13.

The owned funds of PADBs include share capital, reserves and
undistributed profits. Owned funds increased from Rs. 250.95 crore in
1999-00 to Rs. 705.06 crore in 2012-13. The Growth rate of owned funds
was 8.15 per cent. The share in owned funds was highest of reserves (62%),
followed by share capital (20%) and undistributed profits (18%). The trend
analysis indicates that owned funds of PADBs would be Rs. 975.00 crore in
2019-20 and reveals an increase of 34.47 per cent over the year 2012-13.

The borrowings of PADBs have increased from Rs.1394.21 crore in
1999-00 to Rs 2191.04 crore in 2012-2013 during the same period. The
growth rate of normal loans, schematic loans and NFS loans was negative i.e.
(-23.95%), (-0.33%) and (-6.12%) respectively while in total loans was 3.52
per cent. The average level of normal loans, schematic loans, NFS loans,
Rural housing loans and total loans was Rs. 45.26 crore, Rs. 1325.59 crore,
Rs. 133.75 crore, Rs. 709.70 crore and Rs. 1859.96 crore respectively. The
share of farm sector loans was highest (58%), followed by rural housing
(39%) and NFS loans (3%) in the year 2012-13.

The loans of PADBs increased from Rs. 1406.50 crore in 1999-2000 to
Rs. 2299.13 crore in 2012-13 after witnessing minor fluctuations. The
increase was found to be significant at the rate of 3.68 per cent. The share of
farm sector loans decreased from 87 per cent in 1999-00 to 62 per cent in
2012-13, NFS loans decreased from 13 per cent to 3 per cent during the same period. The share of normal loans decreased from 13 percent in 1999-00 to 3 per cent in 1012-13 while the share of schematic loans increased from 87 per cent to 97 per cent during the same period. The share of rural housing loans was 34 per cent in the year 2012-13.

The investments of PADBs have increased from Rs. 87.36 crore in 1999-00 to Rs. 346.80 crore in 2012-13 and growth rate of investments was 10.89 per cent. The growth rate of investment of deposits, investment of shares and total investments was 1.42 per cent, 20.92 per cent and 10.89 per cent respectively. The share of investments of shares (21%) was lower as compared to that of investments of deposits (79%) in the year 2012-13 during the same period.

The working funds of PADBs increased from Rs. 1788.92 crore in 1999-00 to Rs. 3052.64 crore in 2012-13. The growth rate of working funds was 4.15 per cent. The share of working funds reduced from 98 per cent to 89 per cent of total assets during the study period. Average level of working funds was Rs. 2498.12 crore during the period.

The number of employees has decreased from 1024 in 1999-00 to 595 in 2012-13 and growth rate was negative (-4.58 per cent). The number of employees would decrease to 311 in 2019-20 and reveal a decline of 47.68 per cent over the year 2012-13. Keeping in view the increasing unemployment in Punjab, the PSCAD needs to formulate such policies and business ventures which may boost the employment generation in PSCAD.

The number of PADBs in profit increased from 73 in 1999-00 to 77 in 2012-13, amount of profits increased from Rs. 22.60 crore in 1999-00 to Rs. 54.93 crore in 2012-13 with a growth rate of 6.95 per cent. The net profit would increase Rs. 56.07 crore in 2019-20. The number of PADBs in losses increased from 10 in 1999-00 to 12 in 2012-13, amount of losses increased from Rs. 1.54 crore in 1999-00 to Rs. 22.12 crore in 2012-13 and recorded the growth rate of 22.39 per cent during the period. The share of number of PADBs in profits was more (87%) than number of PADBs in losses (13%) in the year 2012-13. Increase in profits and losses are due to increase in number of PADBs only, but ratio of increase in profits is more.
The correlation analysis for Primary Co-operative Agricultural Development Banks in Punjab revealed that the loans and advances were highly correlated with borrowings, followed by working funds, share capital, owned funds and investments while the number of employees were negatively correlated. The loans and advances and all other variables were not correlated with profits.

The Step-wise regression analysis of Primary Cooperative Agricultural Development Banks highlighted that the regression coefficient explains that one unit increase in borrowings will increase the loans and advances by 1.113 units.

**LOAN POLICIES OF STATE AGRICULTURAL DEVELOPMENT BANKS**

The basic objective of the State Co-operative Agricultural Development bank at the time of set up in the year 1958 was to eliminate exploitations of the farmers by the money-lenders, by providing the farmers long-term loans at cheaper rates of interest, repayable in easy installments for redemption of mortgages. Over the period, the bank introduced many schemes and diversified its lending operations with repayment period ranging from 5-15 years, depending upon the purpose of the Loan. The State Cooperative Agricultural Development Bank in Punjab provides long-terms loans to their member borrowers i.e. Primary Cooperative Agricultural Development Banks in Punjab. The bank provides these loans under 79 categories.

The total loans of the PSCADB consist of farm sector and non-farm sector loans. The loans issued by the PSCADB increased from Rs. 401.45 crore in 1999-00 to Rs. 431.64 in 2012-13 and registered growth rate of 1.36 per cent. The total loans issued by the bank were Rs. 5802.27 crore during the study period. On an average level bank issued Rs. 414.45 crore loans during the period.

The loans issued by the PADBs increased from Rs. 375.94 crore in 1999-00 to Rs. 465.43 in 2012-13 and registered growth rate of 1.82 per cent. The bank issued 6.10 per cent of total loans in the year 1999-00, which increased to 7.55 per cent in the year 2012-13 with minor fluctuations during the study period. On an average level, PADBs issued
loans worth Rs. 440.29 crore during the period. The variability in the total loans was 29.98 per cent.

The farm-sector loans of PSCADB increased from Rs. 357.66 crore in 1999-2000 to Rs. 423.73 crore in 2012-13 and registered growth rate of 2.1 per cent during the period. The non-farm sector loans decreased from Rs. 43.79 crore in 1999-2000 to Rs. 7.91 crore in 2012-2013 and registered negative growth rate of (-12.49 per cent). The percentage of normal farm sector Loans reduced and Schematic farm sector loans increased. The proportionate share of farm sector loans to total loans increased from 89.09 per cent in 1999-00 to 98.17 in 2012-13 and non-farm sector loans reduced from 10.90 per cent to 1.83 per cent during the study period. Farm sector loans were more consistent (CV=30.06) as compared to that of non-farm sector loans (CV=61.19).

The farm-sector loans of PADBs increased from Rs. 288.52 crore in 2000-2001 to Rs. 455.94 crore in 2012-13 at registered growth rate of 2.4 per cent during the period. The non-farm sector loans decreased from Rs. 29.98 crore in 2000-2001 to Rs. 9.49 crore in 2012-2013 and registered a negative growth rate of (-9.69 per cent). The percentage of normal farm sector loans reduced and Schematic farm sector loans increased. The proportionate share of farm sector loans to total loans increased from 90.59 per cent in 1999-00 to 97.96 in 2012-13 and non-farm sector loans reduced from 9.41 per cent to 2.04 per cent during the study period. Farm sector loans were more consistent (CV=31.79) as compared to that of non-farm sector loans (CV=45.01).

The minor irrigation loans issued by PADBs reduced from Rs. 25.82 crore in 2001-02 to Rs. 9.53 crore in 2012-13 and negative registered a negative growth rate (-10.20%) during the period. Minor irrigation loans reimbursed by PSCADB reduced from Rs. 29.77 crore in 1999-00 to Rs. 8.93 crore in 2012-13 and the growth rate was negative (-10.45%) during the study period. Proportionate share of minor irrigation loans of total loans issued by PADBs reduced from 7.71 per cent in 2001-02 to 2.05 per cent in 2012-13. Proportionate share of minor irrigation loans of total loans
reimbursed by PSCADB reduced from 7.42 per cent in 2001-02 to 2.07 per cent in 2012-13 during the study period.

The loans issued by PADBs in land development increased from Rs. 14.81 crore in 2001-02 to Rs. 24.61 crore in 2012-13 and registered a negative growth rate of (-1.26%) during the period. Land development loans reimbursed by PSCADB increased from Rs. 10.39 crore in 1999-00 to Rs. 21.80 crore in 2012-13 at registered growth rate of 0.35 per cent during the study period. Proportionate share of land development loans of total loans issued by PADBs increased from 4.42 per cent in 2001-02 to 5.29 per cent in 2012-13. Proportionate share of land development loans of total loans reimbursed by PSCADB reduced from 2.59 per cent in 2001-02 to 5.05 per cent in 2012-13 during the study period. On an average level, land development loans reimbursed to PADBs by PSCADB were 4.43 per cent of total loans and issued by PADBs were 4.59 per cent of total loans issued by PADBs during the study period.

The loans issued by PADBs in farm mechanization decreased from Rs. 63.10 crore in 2001-02 to Rs. 21.94 crore in 2012-13 and registered a negative growth rate of (-12.30%) during the period. Farm Mechanisation loans reimbursed by PSCADB decreased from Rs. 74.89 crore in 1999-00 to Rs. 19.17 crore in 2012-13 and registered a negative growth rate of (-11.21 per cent) during the study period. Proportionate share of farm mechanisation loans of total loans issued by PADBs decreased from 18.84 per cent in 2001-02 to 4.71 per cent in 2012-13. Proportionate share of farm mechanisation loans of total loans reimbursed by PSCADB reduced from 18.65 per cent in 2001-02 to 4.44 per cent in 2012-13 during the study period. On an average level, farm mechanisation loans reimbursed to PADBs by PSCADB were 42.76 per cent of total loans and issued by PADBs were 41.67 per cent of total loans issued by PADBs during the study period.

The loans issued by PADBs in plantation and horticulture increased from Rs. 3.38 crore in 2001-02 to Rs. 4.43 crore in 2012-13 and registered a negative growth rate of (-2.14%) during the period. The loans reimbursed by PSCADB increased from Rs. 4.08 crore in 1999-00 to Rs. 4.30 crore in 2012-13 and registered growth rate of 2.82 per cent during the study period.

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Proportionate share of plantation and horticulture loans of total loans issued by PADBs decreased from 1.01 per cent in 2001-02 to 0.95 per cent in 2012-13. Proportionate share of the plantation and horticulture loans of total loans reimbursed by PSCADB remained one per cent with fluctuations during the study period. On an average level, loans reimbursed to PADBs by PSCADB were 1.40 per cent of total loans and issued by PADBs were 1.52 per cent of total loans issued by PADBs during the study period.

The loans of animal husbandry issued by PADBs reduced from Rs. 184.90 crore in 2001-02 to Rs. 131.20 crore in 2012-13 at negative registered growth rate of (-7.02) during the period. Animal Husbandry loans reimbursed by PSCADB reduced from Rs. 237.69 crore in 1999-00 to Rs. 11.82 crore in 2012-13 at negative registered growth rate of (-7.26) during the study period. Proportionate share of animal husbandry loans of total loans issued by PADBs reduced from 55.19 per cent in 2001-02 to 28.19 per cent in 2012-13. Proportionate share of animal husbandry loans of total loans reimbursed by PSCADB reduced from 59.21 per cent in 2001-02 to 25.91 per cent in 2012-13 during the study period. Animal husbandry loans issued by PSCADB were more consistent (CV=42.70) as compared to that of loans issued by PADBs (CV=56.21) during the period.

The storage loans issued by PADBs reduced from Rs. 35.22 crore in 2002-03 to Rs. 6.83 crore in 2012-13 at negative growth rate of (-17.90) during the period. Storage loans reimbursed by PSCADB reduced from Rs. 40.46 crore in 2003-04 to Rs. 7.60 crore in 2012-13 and negative registered growth rate of (-17.59) during the study period. Proportionate share of storage loans of total loans issued by PADBs reduced from 10.54 per cent in 2002-03 to 1.47 per cent in 2012-13. Proportionate share of storage loans of total loans reimbursed by PSCADB reduced from 8.84 per cent in 2003-04 to 1.87 per cent in 2012-13 during the study period.

The farm forestry loans issued by PADBs increased from Rs. 2.61 crore in 2001-02 to Rs. 5.89 crore in 2012-13 at a registered growth rate of 9.99 per cent during the period. Farm forestry loans reimbursed by PSCADB increased from Rs. 0.74 crore in 1999-00 to Rs. 5.84 crore in 2012-13 and registered growth rate of 8.44 per cent during the study period.
Proportionate share of farm forestry loans of total loans issued by PADBs increased from 0.77 per cent in 2001-02 to 1.26 per cent in 2012-13. On an average level PADBs issued farm forestry loans of about Rs. 2.27 crore, out of which Rs. 1.99 crore reimbursed by PSCADB during the study period.

The non-conventional energy sources loans issued by PADB and PSCADB during the study period was negligible. On an average level Rs. 1.27 crore loans were issued by PADBs out of which only Rs. 0.21 crore were reimbursed by PSCADB during the period. Variability in loans issued by PSCADB was more (CV=189.07) as compared to that of loans issued by PADBs (CV=79.58) during the period.

The rural housing loans issued by PADBs recorded an increased growth rate of 7.88 per cent during the period. These loans reimbursed by PSCADB increased from Rs. 14.98 crore in 2003-04 to Rs. 114.99 crore in 2012-13 at a registered growth rate of 11.53 per cent during the study period. Proportionate share of rural housing loans of total loans issued by PADBs increased from 5.24 per cent in 2003-04 to 24.76 per cent in 2012-13. Proportionate share of rural housing loans of total loans reimbursed by PSCADB increased from 3.27 per cent in 2003-04 to 26.64 per cent in 2012-13 during the study period.

The bee keeping loans issued by PADBs decreased from Rs. 2.07 crore in 2001-02 to Rs. 1.59 crore in 2012-13 registered a negative growth rate (-10.50 per cent) during the period. These loans reimbursed by PSCADB increased from Rs. 0.10 crore in 9999-00 to Rs. 1.26 crore in 2012-13 at a registered growth rate of 10.01 per cent during the study period. Proportionate share of bee keeping loans of total loans issued by PADBs decreased from 0.62 per cent in 2001-02 to 0.34 per cent in 2012-13.

The Swarojgar Credit Card Scheme loans issued by PADBs increased from Rs. 0.03 crore in 2003-04 to Rs. 1.34 crore in 2012-13 and registered growth rate of 19.52 per cent during the period. These loans reimbursed by PSCADB decreased from Rs. 4.25 crore in 2003-04 to Rs. 0.83 crore in 2012-13. Proportionate share of Swarojgar Credit Card loans of total loans issued by PADBs increased from 5.24 per cent in 2003-04 to 24.76 per cent
in 2012-13. Proportionate share of Swarojgar Credit Card loans issued of total loans was negligible during the study period.

The AEZ/Contract farming loans issued under this scheme by PADBs decreased from Rs. 3.96 crore in 2003-04 to Rs. 3.46 crore in 2012-13 on an average level of Rs. 6.46 crore during the period. These loans reimbursed by PSCADB increased from Rs. 2.17 crore in 2004-05 to Rs. 2.83 crore in 2012-13 on an average level of Rs. 5.77 crore during the study period. On an average level, proportionate share of these loans of total loans issued by PADBs and reimbursed by PSCADB was 1.5 per cent during the study period.

The KCC loans issued by PADBs increased from Rs. 37.40 crore in 2008-09 to Rs. 129.30 crore in 2012-13 on an average level of Rs. 96.95 crore during the period. These loans reimbursed by PSCADB increased from Rs. 1.32 crore in 2007-08 to Rs. 123.79 crore on an average level of Rs. 80.05 crore during the study period. Proportionate share of these loans of total loans issued by PADBs increased from 11.03 per cent in 2008-09 to 20.65 per cent in 2012-13. Proportionate share of KCC loans of total loans reimbursed by PSCADB increased from 0.52 per cent in 2007-08 to 28.68 per cent in 2012-13 during the study period.

The education loans issued by PADBs were negligible during the period. On an average level Rs. 0.09 crore and Rs. 0.18 crore education loans were issued by PSCADB and PADBs during the study period. Proportionate share of education loans of total loans was 0.02 per cent in PSCADB and 0.04 per cent in PADBs during the period.

The demand for recovery made by the bank was of Rs. 327.68 crore in 1999-2000 and it increased to Rs. 619.83 crore in the year 2012-2013 and registered growth rate of 4.92 per cent. Recovery made by PADBs was Rs. 327.68 crore in 1999-2000 which increased to Rs. 518.48 crore in 2012-2013. The growth rate of recovery was 3.24 per cent. The average recovery of overdues during the study period was Rs. 443.49 crore. The recovery of overdues as to demand was 100 per cent in 1999-00 and decreased to 83.65 per cent in 2012-13. There were no overdues in 1999-2000, overdues in 2000-2001 are Rs. 12 crore and increased to Rs. 101.35 crore in 2012-2013.
and registered growth rate of 19.21 per cent. Ratio of overdues to demand was more inconsistent (CV=46.27) than ratio of demand to recovery (CV=9.42).

The demand for recovery made by the PADBs was of Rs. 498.54 crore in 1999-2000 and it increased to Rs. 1201.80 crore in 2012-2013 and registered growth rate of 6.60 per cent. Recovery made by PADBs was Rs. 399 crore in 1999-2000 which increased to Rs. 763.96 crore in 2012-2013. The growth rate of recovery was 4.46 per cent. The average recovery of overdues was Rs. 580.30 crore during the study period. The recovery of overdues as to demand was 80 per cent in 1999-00 and decreased to 63.57 per cent in 2012-13 during the same period. The overdues in 1999-2000 are Rs. 99.54 crore and increased to Rs. 437.84 crore in 2012-2013 and registered growth rate of 11.09 per cent. Ratio of overdues to demand of overdues increased from 20 per cent in 1999-2000 to 36.43 per cent in 2012-2013. On an average level total recovery was 63.22 per cent, followed by recovery of kharif 49.68 per cent, and recovery of rabi 46.75 per cent.

The non-performing assets were zero in 1999-2000 and 2000-01. Non performing assets were Rs. 3.81 crore in 2001-02 and decreased to Rs. 2.14 crore in 2012-13 and recorded a negative growth rate (-40.79 per cent). The NPA fund in PSCAD bank in the year 2001-02 was Rs. 3.81 crore and increased to Rs. 14.53 crore in 2012-13 and recorded a growth rate of 68.17 percent during the same period. The trend analysis revealed that the provisions for NPAs would increase to Rs. 16.28 crore in 2019-20 and record an increase of 12.04 per cent over the year 2012-13. The banks are still facing NPAs and provisions for NPAs. It would adversely affect the financial viability of the bank.

The NPAs increased from Rs. 6.31 crore in 1999-2000 and to 14.29 crores in 2012-13 and recorded a growth of 3.18 per cent. The provisions made for NPAs were Rs. 11.44 crore in 1999-2000 and increased to Rs. 180.8 crore in 2012-13 at a significant growth rate of 20.47 per cent during
the study period. The increasing trends in NPAs and provisions for NPAs are a discouraging signal for the financial viability of the PADBs in Punjab.

**FINANCIAL PERFORMANCE AGRICULTURAL DEVELOPMENT BANKS**

The Agricultural Development Banks are banks of long-term finance to rural people at Taluka level. The PADBs advances loans to their members against the security of simple mortgage of agricultural land. The loans so advanced by the PADBs are reimbursed by PSCADB against these mortgage deeds and in turn PSCADB borrow money in the form of debentures/loans from NABARD, State Government and Government of India. The main income and expenses for these banks are interest income and interest expenses.

The interest earned in PSCADB increased from Rs. 173.15 crore in 1999-00 to Rs. 243.81 crore in 2012-13 and registered a growth rate of 1.53 per cent. The interest expended increased from Rs. 141.39 crore to Rs. 189.85 crore during the same period and the growth rate was 1.25 per cent. The spread increased from Rs. 31.76 crore in 1999-00 to Rs. 53.95 crore in 2012-13 and registered a growth rate of 2.72 per cent during the period. The average value of interest earned was relatively higher (Rs.190.01 crore) as compared to that of interest expended (Rs.147.90 crore). The average value of spread was Rs.42.02 crore during the study period.

The interest earned by PADBs increased from Rs. 200.64 crore in 1999-00 to Rs. 288.25 crore in 2012-13 and registered a growth rate of 2.16 per cent. The interest expended increased from Rs. 146.32 crore to Rs. 1192.73 crore and recorded a growth rate of 1.50 per cent during the same period. The spread increased from Rs. 54.32 crore in 1999-00 to Rs. 95.52 crore in 2012-13 and registered a growth rate of 3.46 per cent during the study period. The average value of interest earned was relatively higher (Rs.230.14 crore) as compared to that of interest expended (Rs.169.08 crore). Coefficient of variation was least in interest expended (CV= 7.80), followed by interest earned (CV=12.76), and spread (CV=37.21) during the period. The interest earned, interest expended and spread of PADBs was more as compared to that of PSCADB during the study period.

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The non-interest expenses in PSCADB increased from Rs. 11.35 crore in 1999-00 to Rs. 26.94 crore in 2012-13 and registered a growth rate of 6.58 per cent. The non-interest income increased from Rs. 0.01 crore in 1999-00 to Rs. 1.76 crore in 2012-13 and registered growth rate of 49.12 per cent during the study period. The burden increased from Rs. 11.34 crore to Rs. 25.18 crore and growth rate was 6.25 per cent during the same period. The average value of non-interest expenses was relatively higher (Rs. 16.25 crore) as compared to that of burden (Rs. 16.00 crore) and non-interest income (Rs. 0.23 crore) during the study period.

The non-interest expenses in PADB increased from Rs. 38.06 crore in 1999-00 to Rs. 59.03 crore in 2012-13 and registered a growth rate of 3.52 per cent during the study period. The non-interest income increased from Rs. 4.80 crore in 1999-00 to Rs. 24.75 crore in 2012-13 and registered a growth rate of 14.35 per cent during the study period. The burden increased from Rs. 33.26 crore to Rs. 34.28 crore during the same period and growth rate was 0.73 per cent. The average value of non-interest expenses was relatively higher (Rs. 54.35 crore), as compared to that of burden (Rs. 45.16 crore) and non-interest income (Rs. 9.19 crore) during the study period. Coefficient of variation was least in non-interest expenses (CV= 7.13), followed by burden (CV=16.69) and non-interest income (CV=16.75) during the period of study. The burden in PADB was more as compared to that of PSCADB during the study period.

The total income increased from Rs. 173.16 crore in 1999-00 to Rs. 245.57 crore in 2012-13 and registered a growth rate of 1.56 per cent during the period. The total expenses increased from Rs. 152.80 crore in 1999-00 to Rs. 216.79 crore in 2012-13 and growth rate was 1.76 per cent during the study period. The net profit decreased from Rs. 41.62 crore to Rs. 28.78 crore and growth rate was negative (-3.93 per cent) during the same period. The average value of total income was relatively higher (Rs. 190.26 crore) as compared to that of total expenses (Rs. 164.16 crore) and the net profits (Rs. 26.10 crore) during the study period.

The total income of PADB increased from Rs. 205.44 crore in 1999-00 to Rs. 313.00 crore in 2012-13 and registered a growth rate of 2.61 per
cent during the study period. The total expenses increased from Rs. 184.38 crore in 1999-00 to Rs. 280.19 crore in 2012-13 and registered a growth rate of 2.20 per cent during the same period. The net profit increased from Rs. 21.06 crore to Rs. 32.81 crore during the same period. The average value of total income was relatively higher (Rs. 239.33 crore) as compared to that of total expenses (Rs. 225.64 crore) and net profits income (Rs. 13.69 crore) over the period. Total income and total expenses were more in PADBs as compared to that of PSCADB, due to this variability in net profits in PADBs was more over the period.

The interest earned to working funds in PSCADB decreased from 9.40 per cent in 1999-00 to 7.50 per cent in 2012-13 on an average level of 7.76 per cent during the study period. The interest expended to working funds decreased from 7.68 per cent to 5.83 per cent on an average level of 6.05 per cent over the period. The spread to working funds decreased from 1.72 per cent to 1.66 per cent on an average level of 1.71 per cent during the study period. Coefficient of variation was least in ratio of interest earned to working funds (CV= 14.14), followed by spread to working funds (CV= 15.69) and interest expended to working funds (CV= 16.75) during the study period.

The interest earned to working funds decreased from 11.22 per cent to 9.44 per cent on an average level of 9.35 per cent over the period. Interest expended to working funds decreased from 8.18 per cent to 6.31 per cent on an average level of 6.92 per cent over the period. The spread to working funds increased from 3.04 per cent to 3.13 per cent on an average level of 2.46 per cent. Variability in ratio of interest expended to working funds was least (CV= 12.84), followed by interest earned to working funds (CV= 13.22) and spread to working funds (CV= 31.52) during the study period. The financial margin in PADBs was more as compared to that of PSCADB over the period.

The non-interest income to working funds of PSCADB has increased from 0.001 per cent in 1999-00 to 0.054 percent in 2012-13 on an average level of 0.008 per cent during the study period. The non-interest expenses to working funds increased from 0.62 per cent to 0.83 per cent on an average level of 0.64 per cent over the period. The burden to working funds
increased from 0.62 per cent to 0.77 per cent on an average level of 0.64 per cent during the study period. Variability in non-interest income/working funds was highest (CV=192.05), followed by non-interest expenses/working funds (CV=18.33) and burden/working funds (CV=17.66) during the study period.

The non-interest income to working funds of PADBs has increased from 0.27 per cent in 1999-00 to 0.81 per cent in 2012-13 on an average level of 0.35 per cent during the study period. The non-interest expenses to working funds decreased from 2.13 per cent to 1.93 per cent on an average level of 2.19 per cent during the same period. The burden to working funds decreased from 1.96 per cent to 1.12 per cent on an average level of 1.84 per cent over the period. Burden to working funds in PADBs was higher as compared to that of PSCADB.

The total income to working funds of PSCADB has decreased from 9.40 per cent in 1999-00 to 7.55 percent in 2012-13 on an average level of 7.77 per cent during the study period. The total expenses to working funds increased from 8.30 per cent to 6.67 per cent on an average level of 6.70 per cent over the period. The net profits to working funds increased from 1.11 per cent to 0.88 per cent on an average level of 1.07 per cent during the study period. Variability in non-interest income to working funds was highest (CV=14.07), followed by total expenses to working funds (CV=15.02) and net profits to working funds (CV=27.51) during the study period.

The total income to working funds has decreased from 11.48 per cent in 1999-00 to 10.25 per cent in 2012-13 on an average level of 9.70 per cent during the study period. The total expenses to working funds decreased from 10.31 per cent to 9.18 per cent on an average level of 9.16 per cent during the same period. The net profits to working funds decreased from 1.17 per cent to 1.07 per cent on an average level of 0.54 per cent over the period. Coefficient of variation was least in total expenses to working funds (CV=11.67), followed by total income to working funds (CV=12.05), net profits to working funds (CV=172.33) during the study period. Net profits to working funds in PADBs were more fluctuating as compared to that of PSCADB.
The non-performing asset to loans outstanding decreased from 0.26 per cent in 2001-02 to 0.10 per cent in 2012-13 on an average level of 0.06 per cent during the period. The interest earned on advances to loans outstanding decreased from 12.44 per cent in 1999-00 to 8.91 per cent in 2012-13 on an average level of 9.57 per cent during the period. The loans outstanding to working funds decreased from 75.48 per cent in 1999-00 to 67.22 per cent in 2012-13 on an average level of 75.11 per cent during the period. Variability in loans and advances to working funds was least (CV=7.13), followed by return on advances (CV=22.87) and non-performing assets to loans outstanding (CV=178.20) over the period.

The non-performing assets to loans outstanding increased from 0.51 per cent in 2001-02 to 0.62 per cent in 2012-13 on an average level of 0.91 per cent during the period. The interest earned on advances to loans and advances decreased from 11.48 per cent in 1999-00 to 12.08 per cent in 2012-13 on an average level of 9.57 per cent during the period. The loans outstanding to working funds decreased from 78.62 per cent in 1999-00 to 75.32 per cent in 2012-13 on an average level of 79.54 per cent during the period. Variability in loans and advances to working funds was least (CV=2.90), followed by return on advances (CV=12.97) and non-performing assets to loans outstanding (CV=75.44) over the period. The analysis indicated that return on advances in PSCADB and PADBs were reducing but rate of reduction was more in PSCADB.

In PSCADB, the volume of business per employee increased from Rs. 3.62 crore in 1999-00 to Rs. 7.42 crore in 2012-13 on an average level of Rs. 6.30 crore during the period. The credit per employee increased from Rs. 3.48 crore to Rs. 6.47 crore on an average level of Rs. 5.89 crore during the same period. The spread per employee increased from Rs. 0.10 crore to 0.16 crore on an average level of Rs. 0.13 crore during the same period. The burden per employee increased from Rs. 0.05 crore to Rs. 0.07 crore on an average level of Rs. 0.06 crore during the same period. The net profits per employee increased from Rs. 0.05 crore to Rs. 0.09 crore on an average level of Rs. 0.08 crore during the same period. Thus, the analysis revealed that human efficiency of the bank was improving during the study period.

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In PADBs, the volume of business and credit per employee increased from Rs. 1.37 crore in 1999-00 to Rs. 3.86 crore in 2012-13 on an average level of Rs. 2.55 crore during the period. The spread per employee increased from Rs. 0.05 crore to 0.16 crore on an average level of Rs. 0.08 crore during the same period. Burden per employee increased from Rs. 0.03 crore to Rs. 0.06 crore on an average level of Rs. 0.06 crore over the period. The net profits per employee increased from Rs. 0.02 crore to Rs. 0.06 crore on an average level of Rs. 0.02 crore during the same period. Variation was highest in net profits per employee (CV= 157.15), followed by spread per employee (CV=54.60), total burden per employee (CV= 43.07) and volume of business and credit per employee (CV=33.38).

In PSCADB, the credit deposit ratio decreased from 2363.40 per cent in 1999-00 to 678.76 per cent in the year 2012-13 on an average level of 2319.93 per cent over the period. The variability in credit deposit ratio was high (CV=52.98) during the period. In PSCADB, debt-equity ratio decreased from 740.76 per cent in 1999-00 to 554.40 per cent in 2012-13 on an average level of 588.87 per cent over the period. Table-6.9 also showed that in PADBs debt-equity ratio decreased from 605.65 per cent in 1999-00 to 337.62 per cent in 2012-13 on an average level of 447.05 per cent over the period. The variability in debt-equity ratio in PADBs was more (CV=18.32) as compared to that of PSCADB (CV=13.88) over the period. In PSCADB, coverage ratio increased from 11.90 per cent in 1999-00 to 15.28 per cent in 2012-13 on an average level of 14.70 per cent over the period. In PADBs coverage ratio increased from 13.70 per cent in 1999-00 to 19.40 per cent in 2012-13 on an average level of 16.13 per cent over the period. The variability in coverage ratio in PSCADB was more (CV=10.44) as compared to that of PADBs (CV=9.93) over the period. In PSCADB cost of deposits increased from 2.99 per cent in 1999-00 to 4.50 per cent in 2012-13 on an average level of 3.74 per cent over the period. The variability in the ratio was CV= 32.16 during the period.

The correlation analysis of PSCADB of the selected variables, with the profit as percentage of working funds as dependent variable and other variables as independent variables were taken for the period 1999-00 to
2012-13. Spread as percentage to working funds, followed by debt as percentage of equity, loans and advances as percentage of working funds, return on advances, interest income as percentage of working funds, total income as percentage of working funds, debt as percentage of equity, interest expenses as percentage of working funds and total expenses as percentage of working funds were highly correlated with bank’s profitability. Other variables namely, non-interest expenses as percentage of working funds, burden as percentage of working funds, non-interest income as percentage of working funds, coverage ratio, non-performing assets as percentage of loans and advances, interest paid on deposits as percentage of total deposits have negative correlation with PSCADB profitability. It also emerges from that few independent variables are significantly correlated with one another.

The step-wise regression analysis for Punjab State Cooperative Agricultural Development Bank shows that an increase in one unit of spread as percentage of working funds will increase the profitability of PSCADB by 1.021 units, one unit decrease in burden as percentage of working funds will increase the net profits as percentage of working funds by 0.597 units. one unit decrease in non-performing assets as percentage of loans will increase the net profits as percentage of working funds by 0.491 units.

In PADBs, the spread as percentage to working funds was highly correlated with bank’s profitability, followed by total income as percentage of working funds, return on advances, interest income as percentage of working funds, non-interest income as percentage of working funds, and coverage ratio. Other variables namely, non-performing assets as percentage of loans and advances, non-interest expenses as percentage of working funds, burden as percentage of working funds and loans and advances as percentage of working funds have negative correlation with PADBs’ profitability.

The Step-wise regression results for Primary Cooperative Agricultural Development Banks in Punjab explained that an increase in one unit of spread as percentage of working funds will increase the profitability of
PADBs by 0.900 units, and one unit decrease in burden as percentage of working funds will increase the net profits as percentage of working funds by 0.851 units.

**WORKING OF AGRICULTURAL DEVELOPMENT BANKS: AN OPINION SURVEY**

**Section-A: An Opinion Survey of Borrowers**

Large number of respondents (40.83 per cent) belong to category \(L_2\), that is small farmers, followed by category \(L_1\) (31.25) and \(L_3\) (27.92). Division-wise, equal number of respondents were taken from each division i.e. \(D_1\), \(D_2\) and \(D_3\).

Majority of respondents became borrowers due to personal factor, due to advise of a friend/neighbourer/relative/advertisements, due to proximity of place of residence/familiarity with the bank employee and due to ‘persuasion by marketing staff of the PADBs’. The loan amount was significantly higher in Patiala division as compared to that in Ferozepur and Jalandhar division. There is significantly positive relationship between the amount of loan taken and the landsize. The average time taken to sanction the loan was same in division-wise and landsize-wise distribution i.e. 6 days. The tenure of long-term loan in PADBs is not less than 5 years, further it depends upon the need of borrower, repayment capacity and purpose of loan etc., policy about tenure of loan is uniform in PADBs in Punjab; division or landsize does not make any difference in this regard. The average time taken to disburse the loan was same in division-wise and landsize-wise distribution i.e. 9 days. Respondents made upto 10 visits to the bank for getting the loan sanctioned and disbursed. This revealed that marginal land owners had to wait more for getting the loan sanctioned and disbursed as compared to the large land owners. Division-wise excessive documentation was the main reason of delay of sanctioning and disbursement of loan. Landsize-wise unnecessary queries was the main reason of delay of sanctioning and disbursement of loan. The bank officials made more visits to the farm/house/other places of marginal land owners as compared to small and large land owners prior to disburse the loan. The bank officials made proper visits to their farms/houses/other places at the time of
sanctioning and disbursement of loan. This revealed that bank officials are sincere enough to the bank business.

Majority of respondents said that the loan disbursed to them was sufficient. The sufficiency of disbursed loan was significantly less among landless & marginal, this revealed that larger land owners have easy and greater access to co-operative loan as compared to marginal and small land owners. Majority of respondents asked that major sources of filling the gap of insufficiency of loan amount came to be own funds, sale of assets and relatives and friends. Money lenders’ source was less used for loan. Owned funds’ source was mainly used by the landless & marginal small land owners, while relatives and friends emerged as the major source of loan for large land owners. This showed that source of loan to fill the gap between required and disbursed loan is related with the land size. Income from agriculture emerged as the major source of repayment of loan.

Majority of respondents adopted half-yearly repayment schedule, due to agricultural income based on rabi and kharif. Majority of respondents asked that the repayment schedule was pre-scheduled and finalized with their consent. Majority of respondents from all divisions and in different land size made regular repayment of loans. The analysis indicated that inadequate income emerged as the major reason of irregular repayment of loan installment in Patiala division, while it was unsuitable repayment schedule in Ferozepur and Jalandhar division. Similarly, inadequate income emerged as the major reason of irregular repayment of loan installment for landless & marginal land owners, while the same was unsuitable repayment schedule for small land owners and domestic needs for medium & large land owners. Majority of respondents utilized the loan for which it was taken in all divisions. The incidence of diversion of loan was significantly higher among landless & marginal land owners as compared to that among medium & large land owners, which revealed that diversion/utilization of loan is significantly associated with the land size. This may be due to the scarcity of owned resources with the landless & marginal land owners. Majority of respondents used the loan for the repayment of old debt, social ceremonies in all the divisions while diversion of loan for repayment of old
debt is inversely related with the land size. Similar was the trend in case of diversion of loan for domestic needs.

Majority of respondents prefered PADB for loan in future, while the extent of remaining switching over to other banks was significantly higher among marginal and small land owners as compared to that among large land owners. This may be due to the easy and greater access of large land owners to the PADB as compared to the marginal and small land owners.

The extent of satisfaction on processing time of loan, repayment schedule and grievances handling was significantly higher in Patiala and Jalandhar division as compared to that in Ferozepur division. The extent of satisfaction on processing time of loan and grievances handling are significantly higher among large land owners as compared to that among marginal and small land owners. In Patiala division, higher the educational level, lower is the level of satisfaction because people with high education are more ambitious than the people with low level of education. Similarly, an increase in time taken for disbursement of loan would lead to a decline in the level of satisfaction of borrowers. In Ferozepur division more the tenure of loan, higher the level of satisfaction of borrowers. On the other hand, an increase in time taken for disbursement of loan would lead to a decline in the level of satisfaction of borrowers. In Jalandhar division higher the educational level, lower is the level of satisfaction because people with high education are more ambitious than the people with low level of education and general caste borrowers were more satisfied than the other caste borrowers. Similarly, an increase in family income also leads to an increment in the level of satisfaction of borrowers. In all respondents higher the educational level would lead to a decrease in the level of satisfaction of borrowers. In marginal farmers, older borrowers were more satisfied than the younger borrowers. In small farmers and large farmers increase in the tenure of loan would lead to an increase in the level of satisfaction of borrowers. In large farmers increase in time taken to disburse the loan would lead to a decline in the level of satisfaction of borrowers.
respondents increase in the land size would lead to an increase in the level of satisfaction of borrowers.

In total sample, the contribution of 6 non-significant variables was only 0.50 per cent towards satisfaction. The regression coefficient of education was significantly negative. This revealed that higher the educational level, lower is the level of satisfaction. The negative coefficient of time taken to disburse the loan indicated that an increase in time taken to disburse the loan would lead to a decline in the level of satisfaction of borrowers. On the other hand, the regression coefficient of land size was significantly positive. This indicated that an increase in the land size would lead to an increase in the level of satisfaction of borrowers.

Section-B: An Opinion Survey of Managers

The mean values of average weighted scores clearly reveal that all respondents have expressed their agreement with regard to the statements like ‘PSCADB meant for long-term finance for rural, poor and weaker section of society at Taluka Level’, ‘Sufficient support is given to PADBs by PSCADB’, ‘Special training programmes are amended time to time to provide guidance to PADBs about new loan policies of the Bank’, ‘PSCADB helped in reducing dependence from money lenders/commission agents’, ‘Security requirements of PSCADB for advancement of loans are appropriate’, ‘Loans are advanced timely by PSCADB’, ‘PSCADB accepts the Govt. waiver given to the PADB’s Borrower Members’, ‘PSCADB encourages the women beneficiary to become a borrowers member of PADB by giving them benefits in the form of rebate in share money and loan fee’ and ‘One time settlement and buy-back schemes enhanced the recovery position of PADBS’. Majority of respondents express their agreement with regard to the statements like ‘PSCADB advances more than 70 per cent loans to small farmers’, ‘PSCADB adopts better appraisal system for reimbursing the loans of PADBs’, ‘New Loan polices are introduced by the PSCADB at appropriate time’, ‘Special training programmes are amended time to time to provide guidance to PADBs about new loan policies of the Bank’, ‘Soft loans schemes provide appropriate support to meet the credit needs of the weaker PADBs’, ‘Proper legal action is taken by PSCADB against willful defaulter’, ‘Pre-sanction
visits are done by PSADB Frequently’, ‘Post disbursement follow up is frequently done by PSADB’ and ‘PSADB advances loans on the principle of first cum first serve basis’. Majority of respondents are disagree with regard to the statements like ‘PSCADB is not facing any competition with other banks’, followed by ‘Stamp duty on registration of property to be mortgaged is appropriate’, ‘Share money (3%) is nominal and not very high’ and ‘Deposit mobilization scheme of the PSCADB is running effectively and successfully’. Respondents are neutral on the statements like ‘Adequate staff is available at PSCADB to sanction the loans’ and ‘PSCADB adopts modern technologies and computerization’.

Division-wise the F-value revealed that the extent of agreement was significantly higher on the statements ‘loan procedure of PSCADB is quite simple’ (S17), ‘loans are advanced timely by PSCADB’ (S22), ‘PSCADB advances more than 70 per cent loans to small farmers’ (S23), ‘less rate of interest in charged on reimbursement of loans’ (S25), ‘easy repayment schedule are adopted by PSCADB’ (S26) and ‘attestation authority given to managers of PADBs helped in reducing the chances of malpractices in advancement of loans’ (S28) in Patiala division as compared to that in Ferozepur and Jalandhar division. The extent of agreement is significantly higher on ‘adequate staff is available at PSCADB to sanction the loans’ (S21) and ‘the scheme of 40 per cent loan amount as security in case of NFS loans is taken positively by the landless borrower members’ (S27) in Jalandhar division while it was significantly higher on ‘proper legal action is taken by PSCADB against wilfull defaulters’ (S35) in Ferozepur division as compared to the other divisions. The extent of agreement was similar on all other statements among the three divisions.

Age-wise F-value revealed that the extent of agreement was significantly higher on the statements ‘Share money (3%) is nominal and not very high’ (S16) among managers in ‘the age group of above 55 years’ as compared to ‘younger age groups’, while the extent of agreement on all other statements was similar in all age groups.

Total job experience-wise F-value revealed that the extent of agreement was significantly higher on the statements ‘adequate staff is
available at PSCADB to sanction the loans’ (S21) and ‘proper legal action is taken by PSADB against willfull defaulters’ (S35) among managers with ‘job experience of 10-15 years’ as compared to managers with ‘higher job experience’ and the extent of agreement is significantly higher on ‘borrower members of PADBs prefer to borrow loans from LADBs’ (S11), ‘PSCADB helps in reducing dependence from money lenders/commission agents’ (S12), ‘easy repayment schedule are adopted by PSCADB’ (S26), ‘attestation authority given to managers of PADBs helped in reducing the chances of malpractices in advancement of loans’ (S28), ‘borrowers of PADB are free to purchase agricultural Machinery and implements etc from other firms of their own choice’ (S29) and ‘one time settlement and buy-back schemes enhanced the recovery position of PADBs’ (S33) among managers with ‘job experience of more than 25 years’ as compared to those with ‘lesser job experience’, while the extent of agreement on all other statements was similar in all age groups having different job experience.

Qualification-wise t-value revealed that the extent of agreement is significantly higher on the statements ‘PSADB meant for long-term finance for rural, poor and weaker section of society at Taluka Level’ (S1), ‘deposit mobilization scheme of the PSADB is running effectively and successfully’ (S6), ‘attestation authority given to managers of PADBs helped in reducing the chances of malpractices in advancement of loans’ (S28) and ‘one time settlement and buy-back schemes enhanced the recovery position of PADBs’ (S33) among managers having ‘professional qualification’ as compared to managers having ‘academic qualification’, while the extent of agreement on all other statements was similar in all the managers.

Principal Component Analysis clearly showed that 8 contents emerged out of 35 statements like ‘proper persuasion of the loan cases by PADBs’, ‘timely and economical loan sanction and disbursement to the beneficiaries’, ‘adoption of modern technology for effective implementation of various loan schemes’. ‘encouragement to the beneficiaries’, ‘support of PADBs by the PSADB in terms of funds for effective implementation of various loan schemes’, ‘simple procedure of security and documentation’, ‘skill
development of PADBs staff through training and development programmes’ and ‘provision of funds for PADBs for diversification of loan from farm to other sectors by PSADB’ collectively explained 79.57 per cent of the variance in the overall performance of PSCADB and PADBs. Overall level of satisfaction among managers is not affected by division, age and qualification but it is significantly influenced by the job experience. Higher the total job experience, higher is the level of satisfaction. This revealed job experience makes a man highly skilled and knowledgeable.

**CONCLUSIONS**

Thus, the following main conclusions emerged from the study:

There is slow progress of growth of number of PADBs in Punjab, Presently whole of the state of Punjab is covered by a network of 89 PADBs in 19 districts operating in their respective areas of operation. As such whenever need arises for opening of a new PADB, the new bank is created out of an existing PADB by bifurcating the area of operation of the existing PADB. Although PADBs are not available in all districts of Punjab yet PADBs are inevitable segment of rural co-operative banking in the state at Taluka level. Growth rate of number of PADBs in Ferozpur division and Jalandhar division is higher as compared to Patiala division during the study period.

Growth rate of share capital is significant and growth rate of member PADBs is higher than government contribution. Growth rate of reserves and surpluses and owned funds is significant but in profits there is negative growth rate. Growth rate of non-farm sector debentures/loans is significant and normal farm sector loans/ debentures will not be issued by the bank in future’ Growth rate of special debenture/loans is negative. This revealed that total debentures would further increase in future but its component, special debentures would depict a decline in future in PSCAD bank. Deposit mobilization scheme of the Bank worked to reduce dependence of the Bank on NABARD. There is significant growth in total deposits and will increase in future growth rate of fixed deposits is higher than deposit a/c with PADBs, but both are significant. The trend in general investments and investment of provident fund was encouraging while the investment of pension fund was
discouraging. There will be increase in investment in future. Therefore, the bank should focus on blocking the declining trend in investment of pension fund. The growth rate regarding employees in the bank is negative. Growth of credit and deposits was encouraging which means volume of business was encouraging in PSCAD and it needs to be continued. Woking fund of the bank showed positive and significant growth rate. There was negative growth rate of net profits in PSCAD bank. The growth in loans and advances was mainly affected by the owned funds of the banks.

There was a stagnate trend in growth of total membership of PADBs in Punjab, which is a matter of concern for the agrarian economy of Punjab. The growth rate regarding share capital, reserves and surpluses, owned funds, investments, volume of business and working funds was encouraging. Growth rate regarding borrowings was also positive and significant. There was negative growth rate of number of employees in PADBs also as they are appointed by PSCAD Bank. There was no definite trend in undistributed profits of PADBs in Punjab. Growth rate in net profits and number of PADBs in profits was significant, The net loss was in correspondence with the number of PADBs in loss. It can safely be concluded that in order to minimize loss, the number of PADBs in loss should be curtailed. In PADBs, the borrowings was the most significant factor in explaining the growth of loans and advances.

The study has revealed that in PSCADB, the negative growth rate in normal farm sector loans was higher than non-farm sector loans issued but growth rate in schematic farm sector loans issued was important. Number of total loans issued were decreasing. On one hand it is encouraging to note that normal farm sector loans outstanding and non-farm sector loans outstanding would touch the zero level in the near future but on the other hand, the schematic farm sector loans outstanding registered an increasing trend. The bank should take special steps to tackle the ever increasing trend in schematic farm sector loans outstanding. There was negative increasing trend in loans issued in all schemes except rural housing and kisan credit card scheme. Share of loans issued to animal husbandry was highest. Growth rate of demand for recovery was higher than actual recovery of overdues.
There was positive growth of overdues. The increasing trends in NPAs and provisions for NPAs are not a good sign for the financial health of PSCAD bank.

The study reveals that although overall growth of loans of the Bank during the study period is good, but growth of total loans is inconsistent due to chronic over dues, Govt. waiver and increase of big and willful defaulters’ loans outstanding. The total Farm Sector advances show increase of 33 per cent. The share of advances for redemption of Mortgaged land is minimum. The growth rate is negative for loans for installation of tube wells, purchase of tractors, purchase of agricultural implements, building cattle shed and redemption of mortgaged land respectively while the growth rate is positive for loans for other development purposes related to land during the study period. The recovery position has improved. There is positive correlation between recovery and loans disbursed and loans outstanding.

The PSCADB and its members were found to be efficient in earning capacity as there is increase in income from other sources, increase in spread is more than burden, but non-interest expenses had reduced. They are utilizing their working fund efficiently. The profit performance of these banks was satisfactory. The operational efficiency of these banks is up to mark as deposits and credit in PSCADB increases, so is the volume of business. The employee productivity has improved and it may be due to reduction in number of employees during the period. The financial productivity of the banks is also improving. The spread, burden, and non-performing assets were found to be the main factor that affect the profitability of the PSCAD Bank and PADBs.

Majority of respondents have chosen the bank due to personal factor, due to advise of a friend/neighbour/relative/advertisements, due to proximity of place of residence/familiarity with the bank employee and due to ‘persuasion by marketing staff of the PADBs’. The loan amount was significantly higher in Patiala division as compared to that in Ferozepur and Jalandhar division. There is significantly positive relationship between the amount of loan taken and the landsize. The average time taken to sanctioning and disbursing the loan was same in division-wise and landsize-
wise distribution. The tenure of long-term loan in PADBs is not less than 5 years, further it depend upon the need of borrower, repayment capacity and purpose of loan. The policy about tenure of loan is uniform in PADBs in Punjab. Respondents have to make many visits to the bank for getting the loan sanctioned and disbursed. This has been observed that marginal land owners had to wait more for getting the loan sanctioned and disbursed as compared to the large land owners. Division-wise excessive documentation was the main reason of delay of sanctioning and disbursement of loan. Landsize-wise unnecessary queries was the main reason of delay of sanctioning and disbursement of loan. The bank officials made more visits to the farm/house/other places of marginal land owners as compared to small and large land owners prior to disburse the loan. Bank officials made proper visits to their farms/houses/other places properly at the time of sanctioning and disbursement of loan.

It has been observed that the loan disbursed to majority of respondents was sufficient. The sufficiency of disbursed loan was significantly less among marginal, this revealed that larger land owners have easy and greater access to co-operative loan as compared to marginal and small land owners. The major sources of filling the gap of insufficiency of loan amount came to be own funds, sale of assets and relatives and friends. Money lenders source was less used for loan. Owned funds source was mainly used by the marginal small land owners, while relatives and friends emerged as the major source of loan for large land owners. This showed that source of loan to fill the gap between required and disbursed loan is related with the land size. income from agriculture emerged as the major source of repayment of loan.

The repayment schedule was pre-scheduled and finalized with the consent of borrowers. It has been observed that majority of borrowers from all divisions and in different landsize made regular repayment of loans. The analysis indicated that in inadequate income emerged as the major reason of irregular repayment of loan installment in Patiala division, while it was unsuitable repayment schedule in Ferozepur and Jalandhar division. Similarly, inadequate income emerged as the major reason of irregular
repayment of loan installment for marginal land owners, while the same was unsuitable repayment schedule for small land owners and domestic needs for the large land owners. It was found that majority of respondents utilized the loan for which it was taken in all divisions. The incidence of diversion of loan was significantly higher among marginal land owners as compared to that among large land owners, which revealed that diversion/utilization of loan is significantly associated with the land size. This may be due to the scarcity of owned resources with the marginal land owners. It was seen that the loan was used for the repayment of old debt, social ceremonies in all the divisions while diversion of loan for repayment of old debt was inversely related with the land size. Similar was the trend in case of diversion of loan for domestic needs. On the whole, it was observed that majority of borrowers preferred PADBs for loan in future.

The extent of satisfaction on processing time of loan, repayment schedule and grievances handling was significantly higher in Patiala and Jalandhar division as compared to that in Ferozepur division. The extent of satisfaction on processing time of loan and grievances handling were significantly higher among large land owners as compared to that among marginal and small land owners. In Patiala and Jalandhar divisions, higher was the educational level, lower was the level of satisfaction may be because people with higher education are more ambitious than the people with low level of education. Similarly, an increase in time taken for disbursement of loan led to a decline in the level of satisfaction of borrowers. In Ferozepur division satisfaction level of borrowers was directly related to the tenure of loan. On the other hand, an increase in time taken for disbursement of loan led to a decline in the level of satisfaction of borrowers. In marginal farmers elder borrowers were more satisfied than the younger borrowers. In small farmers and large farmers increase in the tenure of loan led to an increase in the level of satisfaction of borrowers. In large farmers increase in time taken to disburse the loan led to a decline in the level of satisfaction of borrowers. In all respondents increase in the land size led an increase in the level of satisfaction of borrowers.
All the managers have expressed their agreement with regard to PSCADB meant for long-term finance for rural, poor and weaker section of society at Taluka Level. Sufficient support is given to PADBs by PSCADB. Special training programmes are amended time to time to provide guidance to PADBs about new loan policies of the Bank. PSCADB helped in reducing dependence from money lenders/commission agents. Security requirements of PSCADB for advancement of loans are appropriate. Loans are advanced timely by PSCADB. PSCADB accepts the Govt. waiver given to the PADB's Borrower Members. PSCADB encourages the women beneficiary to become a borrowers member of PADB by giving them benefits in the form of rebate in share money and loan fee. One time settlement and buy-back schemes enhanced the recovery position of PADBS. Majority of respondents express their agreement with regard to 'PSCADB advances more than 70 per cent loans to small farmers', 'PSCADB adopts better appraisal system for reimbursing the loans of PADBs', 'New Loan polices are introduced by the PSCADB at appropriate time', 'Special training programmes are amended from time to time to provide guidance to PADBs about new loan policies of the Bank', 'Soft loans schemes provide appropriate support to meet the credit needs of the weaker PADBs', 'Proper legal action is taken by PSCADB against willful defaulter', 'Pre Sanction visits are done by PSADB Frequently', 'Post disbursement follow up is frequently done by PSADB', 'PSADB advances loans on the principle of first cum first serve basis'.

Majority of respondents disagree to the statements 'PSCADB is not facing any competition with other banks', followed by 'Stamp duty on registration of property to be mortgaged is appropriate', 'Share money (3%) is nominal and not very high' and 'Deposit Mobilization scheme of the PSCADB is running effectively and successfully'. Respondents are neutral towards 'adequacy of staff', 'effectiveness of the deposit mobilization scheme', 'adoption of modern technologies and computerization'. It has been observed that division, age and qualification have not affected the overall level of satisfaction among managers but it has been significantly influenced by the job experience. Higher the total job experience, higher is the level of
satisfaction. This revealed job experience makes a man highly skilled and knowledgeable.

**SUGGESTIONS**

1. The numbers of PADBs in Punjab are less which appear to be the main reason for slow progress of land development banks. So, there is need to open more PADBs in the State. This can be done by bifurcation of the existing PADBs to increase the number of PADBs in the state.

2. The deposit mobilisation scheme of the bank does not seem to be effective as it should be. This may be due to the reason PADBs are not allowed to accept the deposits independently. If the PADBs are allowed to accept deposits on their own like other banks it will help the banks to raise their volume of business. Further, the Punjab State Agricultural Development Bank should design the diversified saving products and make the deposits of the banks more attractive. The bank should educate the rural people about the benefits of deposits and create awareness among them regarding effective use of deposits.

3. The loans and advances in PSCADB and its member banks has shown a declining trend over the period of study. So the bank is required to increase its credit disbursement. The bank should make loan policies by keeping in mind the requirement of different socio economic segments in the state. There is a wide scope for lending to the non-farm sector. The bank should develop varied credit products for the non-farm sector along with the farm-sector loan products. Further, the banks should be given targets as regarding the issue of Kisan Credit Cards (KCCs) in their area of operation. This will help in increasing the credit disbursement and hence the business of the bank will also increase.

4. The study found that there is shortage of staff in the PSCADB and the PADBs. The survey of managers also revealed that the inadequacy of staff in these banks. The shortage of staff led to the workload and ineffectiveness. Therefore, it is suggested the bank to make recruitment of more staff. It is also recommended the bank to
introduce a proper system of training and development for the human resources so as to enable them to meet the challenges of the current environment.

5. It has been found that the non-performing assets (NPAs) in the bank has increased over the period. The increasing NPAs has an adverse impact on the financial condition of the bank. The bank should take it seriously and need to take appropriate steps to control the NPAs. The bank should put restraint on the loan waiver. Further, the government should streamline the policy of loan waiver and necessary legislative measures are also required providing for stern action against the willful defaulters. The survey of managers revealed that the political interference in these banks has an adverse impact on the functioning of these banks. Therefore, the government should put also restraint on undue interference in the functioning of the bank. This will help the bank to increase the recovery of loans and in improving its assets.

6. It has been found that the growth of loans and advances of the PSCADB is significantly associated with the capital funds. Therefore, it is recommended for the bank to strengthen its capital base. This can be done by wider participation of the public or the institutional participation in its equity.

7. It has been observed that the agricultural development banks in the State do not have adequate infrastructure facilities and most of them are in bad condition. This has an adverse impact on moral of the employees and affect the progress of the bank in many ways. Therefore, there is immediate need for these banks to improve their infrastructure like buildings, furniture, computer and overall outlook of the bank.

8. The survey of beneficiaries has shown that loans taken by most of the borrowers are not used for the purpose for which they are meant. This resulted in overdue and non payment of the loans. There is need to educate the borrowers through proper seminars for the proper use of
loan amount. This will help the bank in improving its recovery position and financial efficiency.

9. Most of the beneficiaries surveyed has revealed their dissatisfaction regarding the rate of interest charged by the bank. The bank should develop some soft loans schemes so as to encourage the borrowers. This may affect the bank’s business positively in the long run.

10. The satisfaction level of the beneficiaries surveyed was found very low as regarding the security requirement in the bank. The mortgage of immovable property is the generally main security for taking loan from these banks. It has been found that high registration cost occur as an obstacle in availing the loan from these banks and it enhances the costs of the borrowers. Therefore, it is recommended that the borrowers should be given a discount in the registration charges by the Government. This will surely encourage the potential borrowers to avail the loan facility from the bank and will reduce the overall cost of the loan and increase the satisfaction level of the borrowers.

11. The loan procedures of the bank should be simplified as most of the borrowers feel that the complex procedures involved in valuation of land and loan procedures act as a restraint for availing the loan facility from the bank. The potential customers should be tapped by the bank through proper field survey in the rural areas and by proper counseling through road shows, seminars, workshops and self-help groups.

The above mentioned suggestions are based on the conclusions drawn from the study which is limited in scope. The emerging conclusions suggest the ways in which the Agricultural Development Banks need to focus. Further, the above findings can be taken as tentative hypothesis for conducting further studies on ADBs in other states, inter-state comparison of SCADBs, comparative study of selected PADBs, human resource management in ADBs etc.