CHAPTER-V

Summary and Conclusions

The agriculture and rural development are highly inter-related. Agriculture has been considered as crucial sector to generate major proportion of employment. Productive job opportunities are to be created in rural areas through development of agriculture, irrigation facilities, rural infrastructure and promotion of village and cottage industries for rural development by providing cheaper bank loan.

In a planned economy like India, which primarily aims to ameliorate the conditions of the rural poor through creation of employment opportunities, improvement of skills and productivity of land and labour, banks are expected to play an active role in development irrespective of how they come up, who own them and what they were doing up till now. The organization of co-operative credits system, the conversation of Imperial bank of India into State Bank of India, introduction of social control over banks and later the nationalization of major banks all were to ensure that the banks no longer remain unconcerned with the needs of planned development. They are required to play an active role in improving the productivity of human and natural resources in India, for the development of rural areas and uplift the poor sections of society. The role of the banks in the present context has to be viewed from this basic consideration.

In the rural areas most of the households are illiterate and tradition bound. Adding to this difficulty is the uncertainty about farm production owing to dependence on rainfall and weather conditions. All these factors mean that where as many of the low-income households are not in a position to borrow at a higher rate of interest, the risk involved and the cost of servicing such a large number of
small loans in remote and far-flung villages would necessitate the credit agencies to keep themselves at an arm’s length. In an adverse situation like this, the lending agencies are generally reluctant to finance the poorer groups.

In the rural areas most of poorer sections, do not have adequate assets base to improve their productivity and income. The first task of any credit institutions is therefore, to assist these target groups to acquire and build up their land and non-land based assets. In the development context, implies that the role of banks should contribute to promote various development programme and resources mobilization in the rural sector. Development efforts would call for primarily lending for creation of assets and secondly for augmenting production from the existing assets as also from additional assets created through lending. So that banks should help the socially backward groups not only by providing money but also arranging for supporting services, so that the borrower gets all the inputs required and technical guidance to make proper use of the bank loan.

The study entitled, "A Comparative Study of the Role of Punjab National Bank (PNB) & Central Co-operative Bank in the Development of Rural Haryana-A Case Study of the District Jhajjar" has been carried out during the financial year from 1998-2002. The study aimed to find out a comparative role of PNB and CCB in rural development. The role of both the bank has been studied in context to asset, income, employment generation, proper utilisation of bank loan, recovery of loan, advances to agriculture and allied activities etc. has also been studied. The main objectives of the study were as follows:

(i) To examine the comparative performance of central Co-operative bank and PNB in terms of deposits, advances, NPAs, C-D ratio, recovery rate, profitability etc. with special reference to rural areas.
(ii) A comparative study of the extent of supply, utilization and recovery of loans etc. of both the banks.

(iii) To compare the impact of bank loans on the income, employment and asset generation by both the banks.

The present study has been based on primary data as well as secondary data. Primary data has been collected from the fieldwork (survey) while, the secondary data has been collected from various financial Institutions and their publications. The findings of the study are based on an intensive inquiry of 420 households, 210 from each bank (60 households from each village and 30 beneficiaries of each bank from each village) selected randomly from 7 villages of district Jhajjar. The researchers selected the district Jhajjar for the research, because it is neither advanced nor backward and it is also convenient for research. A stratified random sampling technique has been adopted to determine the sample and composition for the proposed study. The inquiry has been conducted by survey method during the year 2003. The beneficiaries of both the banks from the selected villages were classified into 5 categories i.e. landless, marginal (less than 2.5 acres), small (2.5 to acres), medium (5 to 10 acres) and big farmers (above 10 acres) as per the government norm. The primary data were collected by direct personal interview method from the selected beneficiaries with the help of a questionnaire. The main findings of the proposed study could be summarized as under:

**MAIN FINDINGS**

**Analysis on the Basis of Primary Data (Main Findings of the Study)**

**Social Status:**

In both the banks PNB and CCB, agriculture sector is the main source of household's income. But CCB has relatively higher (48.10%) percentage of
households, whose main source of income is agriculture in comparison to PNB (39.52%) households. (table 4.2)

In case of PNB, the highest (31.90%) percentage of bank beneficiary’s households lies in the category of Rs.25001-50000 amount of bank loans. While in case of CCB, the highest (32.90%) percentage of bank beneficiaries related to the category of Rs.0-25000. It shows that CCB is providing higher amount of loan to the poor people in comparison to PNB. (table 4.3)

The study shows that out of total sample households of PNB’s the highest (35.24%) percentage of households borrowed for the allied activities. While in case of CCB the highest (39.05%) percentage of households borrowed for the agriculture. (table 4.4)

The study finds out that PNB has relatively higher average bank loan Rs.80695 to sample households in comparison to CCB Rs.76872. (table 4.5)

The study concluded that beneficiaries of CCB have visited the bank more number of times in comparison to PNB, for taking the loan. (table 4.6)

**Borrowing Cost:**

The present study draws a conclusion that CCB has relatively higher (Rs.0.052) per rupee borrowing cost in comparison to PNB (Rs.0.048). In both the banks PNB and CCB, big farmers have the lowest (Rs.0.022 and Rs.0.024) per rupee borrowing cost and labourers have the highest (Rs.0.074 and Rs.0.091) per rupee borrowing cost respectively. But in the higher and lower costs, CCB is leading in comparison to PNB. It shows that labourers had to pay more bribes and cost for bank loans, perhaps, because they mis-utilised the more loans in comparison to other categories. It also shows that CCB has more corruption and beneficiaries had to pay more cost and number of visits to CCB, in comparison to PNB in district Jhajjar.
The study also finds that out of total loan CCB has relatively higher percentage amount of borrowing cost (5.17%) in comparison to PNB (4.75%). (table 4.8)

We find that in both the banks PNB and CCB bribe to bank employees constitutes the highest percentage to total loan. However, CCB has relatively higher average (Rs.1956) amount of bribe in comparison to PNB (Rs.1782). The study also finds that out of total borrowing cost CCB has relatively higher (2.55%) percentage of bribe amount in comparison to PNB (2.21%). It shows that CCB has more corruption in comparison to PNB. (table 4.10)

**Asset Generation:**

The present study finds that out of total loan, PNB has relatively higher (34.10%) percentage amount of total loan used in asset generation in comparison to CCB (27.71%). Not only that PNB has also relatively higher (67.62%) percentage of households, who generated the asset from bank loan in comparison to CCB (60.48%). PNB also performing better (Rs.40697) in average amount of asset generation in comparison to CCB (Rs.35228). It shows that beneficiaries of PNB have relatively more positive attitude towards development in comparison to CCB beneficiaries in district Jhajjar (table 4.13).

**Proper Utilisation of Bank loan:**

The study finds that out of total sample households PNB is performing better (38.10%) in proper utilising households in comparison to CCB (32.86%) (table 4.15). In absolute amount also PNB (average amount of Rs.68250) is performing better in comparison to CCB (average amount of Rs.59167) (table 4.16). The study also finds that CCB is performing better with 34.66 percent proper utilization of total bank loan amount of sample households in comparison
to PNB as 31.43 percent (table 4.17). It has been found that CCB is utilizing relatively higher (64.84%) percentage of total loan in small business activity in comparison to PNB (63.93%).

**Diversion of Mis-utilised Loan in Productive and Unproductive Purpose:**

The present study clearly shows that PNB has relatively higher (36.92%) percentage of households who diverted the mis-utilised bank loan in productive use in comparison to CCB (29.08%) (table 4.19). The study also finds that PNB is also performing better (36.07%) in the diverted mis-utilised bank loan in productive use in comparison to CCB (29.48%) (table 4.20).

The study further finds that CCB has relatively higher (57.14%) percentage of households who diverted the bank loan in unproductive use in comparison to PNB (52.38%). But, both the banks PNB and CCB have the highest percentage of households who diverted the bank loan for the purpose of repayment of loan. It is a dangerous situation for both the banks in district Jhajjar. (table 4.21)

The study finds that PNB has relatively higher (22.86%) percentage of households who diverted the mis-utilised bank loan in productive activities in comparison to CCB (19.52%) (table 4.23). The study also finds that in case of lending of bank loan by the beneficiaries to other people, both the banks PNB and CCB have the highest percentage. It comes out to be 46.34 and 33.33 percent of total households who misutilising bank loan. But CCB has relatively higher (69.53%) percentage of mis-utilised amount diverted into lending activities in comparison to PNB (54.09%). It may be vary dangerous situation for the financial health of the banking sector, when the beneficiaries are using a significant proportion of bank loan in the purpose of lending. (table 4.24)
Use of Kissan Credit Card (KCC):

The study finds that CCB has relatively higher (34.76%) percentage of KCC user households in comparison to PNB (32.86%). In both the banks PNB and CCB, big farmers and marginal farmers have relatively higher and lower percentage of KCC users respectively. It indicates that big farmers have their influence on the banking system (table 4.25).

Income Generation:

We find that PNB has relatively higher (48.10%) percentage of total income generating households in comparison to CCB (40.48%). Because the beneficiaries of PNB has relatively higher percentage in asset generation and low borrowing cost in comparison to CCB beneficiaries. Due to higher proportion of PNB’s in income generation, it shows that PNB has relatively higher contribution in rural development in comparison to CCB. (table 4.27)

Employment Generation:

The study finds that PNB has relatively higher (27.62%) percentage of employment generating households in comparison to CCB (22.86%) (table 4.28). It shows higher contribution of PNB’s in rural development in comparison to CCB.

Bank Defaulters:

We find that CCB has relatively higher (55.76%) percentage to bank defaulters in comparison to PNB (41.90%) (table 4.29). It is not good for the health of CCB. Being a huge number of defaulters the situation is very serious for the banking system, particularly the CCB.
We also find that in case of both the banks PNB as well as CCB have the highest percentage of defaulters lies in the category of labourers (71.74% and 84.78%) respectively. It happened mainly because beneficiaries think that government would again write-off their bank loans. It also shows that due to higher percentage of labourers, it happened that loan which was given under anti-poverty programme and without mortgage was not being repaid.

It is also finds that in case of both the banks PNB as well as CCB marginal farmers have the lowest (25.53% and 38.30%) percentage of the bank defaulters respectively. Because, marginal farmers feel shame in the society, more as they are found more conscious of their social status.

**Bank Loan Repayment:**

The study finds that PNB has relatively higher (58.10%) percentage of loan repaying households in comparison to CCB (44.29%). It happened mainly, because PNB has relatively higher percentage in asset, income and employment generation in comparison to CCB.

A very crucial finding of the study is, CCB has relatively higher (21.43%) percentage of households, who repay the bank loan from the source of new loan in comparison to PNB (12.39%). While PNB has relatively higher (21.43%) percentage of households who repay the bank loan from the source of new income in comparison to CCB (13.81%). It is a mis-utilisation of CCB’s resources. It is an alarming bell for the CCB’s bright future and higher growth rate of rural development. It shows that contribution of CCB’s in rural development relatively less in comparison to PNB in district Jhajjar. (table 4.29)

The study further finds that PNB is also leading with 72.86 percent in providing satisfactory bank services to households in comparison to CCB.
(57.14%). It is also noted that in case of CCB, big farmers are fully satisfied from the bank services (table 4.30).

It is also noted that CCB has relatively higher percentage (83.81%) of beneficiaries who deserved to take loan in future in comparison to PNB (74.76%). In both the banks big farmers have the highest percentage (88.46% of PNB and 100% in CCB) and labourers have the lowest percentage (65.22% of PNB and 71.74% in CCB) that deserves for loan in future. It is good for the future of the CCB.

The study brings out that all bank branches of PNB in rural areas are partially computerized, while in case of CCB not even a single bank branch in rural areas is computerized in district Jhajjar.

**Findings: On the Basis of Secondary Data**

The study also finds that there is difference between CCB and PNB in case of appointment of employees, leaves and salary allowances. The structure of rate of interest is also different for various schemes.

**Bank Branches in Rural Areas:**

The study finds that CCBs, which have been established mainly for financing agriculture relatively, have higher growth rate (4.03%) of bank branches in rural areas in comparison to PNB (0.14%) during the time period from 1998-2002. But it is less than, the growth rate of all banks (6.86%) in rural Haryana during the same time period. The study further depicts that CCB has relatively higher percentage (64.30%) of bank branches in rural areas in comparison to PNB (56.35%) and to all banks (45.41%) in rural Haryana.

While in case of district Jhajjar PNB has relatively higher percentage (81.25%) of bank branches in rural areas in comparison to CCB (73.33%) during
the above said time period. On an average PNB is operating 6 villages per branch while CCB is operating 8 villages per branch in rural Jhajjar.

**Bank Deposits in Rural Areas:**

The study shows that CCB has relatively higher growth rate of total deposits, i.e. 18.58 percent in comparison to PNB, which is 14.06 percent in Haryana during the time period 1998-2002. The study further shows that in case of rural areas CCB has relatively higher growth rate (18.80%) of bank deposits in comparison to PNB (13.34%) and all banks (11.34%) in rural Haryana during the same period.

The study also shows that CCB has relatively higher growth rate of total deposits 20.55 percent in comparison to PNB 13.61 percent in district Jhajjar during the above said period.

**Bank Advances in Rural Areas:**

We find that CCB has relatively higher growth rate 18.30 percent of total bank advances in comparison to PNB 17.64 percent in Haryana during the period 1998-2002. The study further finds that advances of PNB to rural areas have higher growth rate (18.37%) than that of CCB (18.05%). If we see the advances in absolute amount in rural areas, in case of CCB it has increased from Rs.849.23 crore in 1998 to Rs.1649.22 crore in 2002. Which is greater than the amount increased of PNB Rs.293.86 crore to Rs.576.83 crore in the same time period in Haryana.

The study depicts also that in agriculture and weaker section advances of PNB has relatively higher growth rate 21.86 percent and 22.91 percent in comparison to CCB 14.94 percent and 22.74 percent in Haryana. But in absolute amount CCB is performing better than PNB. The amount of CCB in these sectors
has increased from Rs. 334.77 and Rs.672.87 crore in 1998 to Rs.584.20 and Rs.1303.37 crore in 2002 for the agriculture and weaker section advances. Which is greater than the advances of PNB amount increased from Rs.284.94 and Rs.115.76 crore, to Rs.628.37 and Rs.319.44 crore in Haryana in the above said time period.

The study finds that PNB has relatively higher growth rate (22.32, 21.74 and 29.03 %) of all priority sectors (primary, SSI and tertiary sector) in comparison to CCB (15.51, 13.44 and 6.48 %) respectively in Haryana. But in absolute amount CCB is performing better then PNB, in primary sector advances. The amount of this sector increased from Rs.295.40 and Rs.1117.55 crore in 1998 to Rs.661.22 and Rs.1989.54 crore in 2002 for PNB and CCB respectively. While, PNB is performing better than CCB in the SSI and tertiary sector in the same time period in Haryana.

We find that CCB has relatively higher growth rate 19.90 percent of total bank advances to all sectors in comparison to PNB 19.41 percent in district Jhajjar during the period 1998-2002.

The study further depicts that in agriculture and weaker section advances of PNB has relatively higher growth rate 28.89 percent and 47.25 percent in comparison to CCB 17.97 percent and 4.35 percent in district Jhajjar. But in absolute amount CCB is performing better than PNB. The amount of CCB in these sectors increased from Rs.26.06 and Rs.22.16 crore in 1998 to Rs.59.01 and Rs.26.27 crore in 2002 for the agriculture and weaker section advances. Which is greater than the advances of PNB amount increased from Rs.14 and 3.92 crore to Rs.31.95 and Rs.18.43 crore in district Jhajjar in the above said time period.

We also find that PNB has relatively higher growth rate of bank targets of advances, as a whole under credit plan (44.63, 49.73, 28.81 and 27.91%) in comparison to CCB (32.76, 33.16, 27.66 and 21.12%) for overall (total),
agriculture, SSI and tertiary sector in district Jhajjar respectively. In agriculture sector also CCB has relatively lower growth rate (33.16%) in terms of PNB (49.73%) as well as all banks (36.93%). But if we see in absolute amount CCB has relatively higher amount in the agriculture sector in comparison to PNB. The amount of PNB and CCB increased from Rs.5.01 and Rs.35.44 crore in 1998 to Rs.25.18 and Rs. 111.42 crore in 2002 respectively in district Jhajjar.

The study further finds that PNB has relatively higher growth rate of bank achievements of bank advances under credit plan (40.01,41.69,36.78 and 21.50%) in comparison to CCB (30.22, 30.86,17.41 and 12.37%) for overall, agriculture, SSI and tertiary sector respectively in district Jhajjar. But in case of agriculture sector CCB has relatively lower growth rate (30.86%) in comparison to PNB (41.69%). While, if we see in the absolute amount CCB has higher amount of bank advances achievements during the period 1998 to 2002, in comparison to PNB.

**Per Employee Transaction:**

The study depicts that CCB has relatively higher growth rate (18.44%) per employee transaction in comparison to PNB (15.23%) in Haryana during the time period 1998-2002. But, if we see in absolute amount PNB has relatively higher per employee transaction Rs.84.50 lakh and Rs.149 lakh in comparison to CCB Rs.33.90 lakh and Rs.146.3 lakh in the period 1998-2002 per employee respectively in Haryana. Further, on an average CCB has relatively higher (20) number of employee per branch in comparison to PNB (14) in Haryana.

The study depicts that CCB has relatively higher growth rate 33.33 percent per employee transaction in comparison to PNB 15.80 percent in district Jhajjar during the time period 1998-2002. But, if we see in absolute amount PNB has relatively higher per employee transaction Rs.88.30 lakh in 1998 and Rs.158.80
lakh in 2002, in comparison to CCB Rs.46.30 lakh and Rs.146.30 lakh in the same period in district Jhajjar. Further, on an average CCB has relatively higher (14) number of employee per branch in comparison to PNB (11) in district Jhajjar. In case of CCB having higher number of employees per branch and low transaction per employee shows that it has low productivity of employees. It happened mainly, because CCB is performing better in the ACGR of deposit and advances and number of employees in comparison to PNB.

**Credit-Deposit (C-D) Ratio:**

The performance in terms of C-D ratio shows that in absolute figures CCB has been performed better than PNB in Haryana during the period 1998-2002. As on 31\textsuperscript{st} March 2002, PNB has very low C-D ratio in comparison to national goal (60) in the rural Haryana (46.86) and total Haryana (46.55) respectively. While during the same time period CCB has relatively higher C-D ratio in comparison to national goal as well as PNB in rural Haryana (306.33) and total Haryana (176.80) respectively.

Further, study also shows that CCB is performing better in comparison to PNB in district Jhajjar during the period 1998-2000. As on 31\textsuperscript{st} March 2002, CCB has relatively higher C-D ratio (114) in comparison to national goal (60) while PNB has relatively lower C-D ratio (42) in comparison to national goal in district Jhajjar respectively.

**Recovery:**

The study observed that PNB has relatively higher growth rate (5\%) of bank recovery rate in comparison to CCB (-2.03\%) in Haryana during the time period 1998-2002. The study also observed that PNB has the highest growth rate (6.54\%) of bank recovery rate in SSI and the lowest (1.03\%) in tertiary sector.
While CCB has the highest growth rate (0.43%) in agriculture sector and the lowest (-1.82%) in tertiary sector during the same time period. The study further finds that CCB has relatively lower growth rate of bank recovery in all sectors in comparison to PNB as well as all Banks in Haryana. PNB has relatively higher growth rate (3.74%) in comparison to CCB (0.43%) in agriculture sector also during the above said same time period.

**Profits & NPAs:**

We find that CCB has relatively higher growth rate (48.36%) of NPAs in comparison to PNB (9.50%) in Haryana during the time period 1998-2002. It is an alarming bell for the CCB. But CCB has relatively higher growth rate (11.42%) of profit in comparison to PNB (-2.82%). The study further shows that CCB has relatively higher growth rate (11.13%) of profit per employee in comparison to PNB (-2.73%) in Haryana during the time period 1998-2002. While if we saw in absolute amount during the time period 1998-2002, PNB has relatively higher per employee profit Rs.97200 and Rs.87000 in comparison to CCB Rs.20000 and Rs.30500 respectively in Haryana. But the higher growth rate of CCB in profits happened mainly because profit of Harco bank is also included in it.

**Suggestions and Implications:**

In the state Haryana, PNB is performing in the capacity of a lead bank and CCB were established for the agriculture, particularly rural development. As a lead bank PNB has achieved much success in the planning at the district or block levels. In the first phase it carried out impressive surveys in their lead districts to have a view of the districts economy. In the second phase, it prepared district credit plans/annual action plans synchronizing with the annual development plan in their respective lead districts. But CCB does not prepare such type plans.
First, it is generally observed that almost one to three months is taken in sanctioning the loan. In case of both the banks PNB as well as CCB, seven and five percent of households have reported that fifteen to thirty days were taken. Fourty two and thirty six percent households have reported that thirty to sixty days were taken and twenty eight and forty two percent households have reported that above two months were wasted respectively in taking the sanctioned amount of loans. Most of the households have pointed out that the rural households victimized due to procedural difficulties, as the majority of the households (47%) are illiterate. So that there are procedural delays, harassment and arbitrariness in disbursement the amount of loans.

The government has tried to stream line the procedures, yet the situation does not seem to have improved much. As per instructions of RBI, no loan proposal should be kept pending with the bank for more than 15 days, and within the prescribed period of two weeks the concerned bank branch should clear the case.

It is therefore, 82 percent households suggested that loans and security norms should be simplified for attracting more and more needy and deserving households towards the bank finance. The banks should take lenient view of this problem of the households and deal with sympathetically with a human approach. They have also to complete the legal formalities in preparing some documents to be filed with their applications.

Secondly, it has also been observed that the given loans are misused by a number of households. Out of total disbursed loans to the sample household's only 30.91 percent bank loans are used in asset generation. In case of the banks, PNB as well as CCB, 34.10 percent and 27.71 percent respectively asset is generated to total loans. It shows that asset generated by both the bank beneficiaries is very low level. They avail credit to undertake some specific
schemes but in reality, they did not utilize the same for concerned purpose. The basic purpose of providing financial assistance is to produce productive assets and to increase productivity of existing assets particularly of land, to the households and to reduce under employment and bring about a sufficient spurt in their income so that they may cross the poverty line. But instead of generating or purchasing assets they misuse the amount raised through loans.

In order to prevent misuse of bank loans, out of total households 11 percent suggested that more loan should be given for productive and labour intensive schemes, loans must be given to groups in place of individuals and most of loan should be given in kind in form of inputs (fertilizers and raw-materials). Twenty three percent households suggested that banks should introduce the provision of post credit supervision. So they should maintain a close and continuous touch with the beneficiaries, because responsibility of banks does not come to end by just advancing the loans.

Thirdly, due to the absence of systematic publicity, there is a lack of awareness among the rural people about anti-poverty programme and various schemes introduced for their development. The majority of the households (67%) complained that they have come to know about the programme from secondary sources. That is friends and relatives and no official agency ever contacted them to impart necessary information. This percentage has comes to 64 and 70 percent from the PNB and CCB respectively. A large number of people do not even know that there has been any such programme in existence for their uplift since the last decade.

It is, therefore, essential that rural people must be aware of the various schemes, which aim at their multi-dimensional development. Banks should advertise their loan schemes through different communication methods, as they done in urban areas. And at the same time rural people should also come for the
help to implement the rural development schemes in practical. The banks should organize camps in the rural areas to educate and make the rural people aware about the existing schemes relating to their development.

Fourthly, it also observed that borrowing cost of both the banks is very high. But in relative terms CCB has higher (Rs.0.052) per rupee borrowing cost in comparison to PNB (Rs.0.048). Out of total, 64 percent households complained for the higher per rupee borrowing cost. In case of both the banks PNB as well as CCB it comes to 61 and 67 percent of households respectively. The main cause of higher borrowing cost has been attributed to the bribes as well as more (many) time’s visits to the banks. Out of total households, 53 percent complained that the bank employees take the bribe and 23 percent households accepted that they have given bribe for the bank loan. In case of both the banks PNB as well as CCB, 48 and 58 percent households complained for the bribe and; 19 and 27 percent households accept this respectively. While out of total households 60 percent; 55.71 percent from PNB and 64.29 percent from CCB, complained that they had visited more than five times for the bank loans. Most of the household complained against the unnecessary delay in sanctioning loans particular in case of big amount.

Banks should cooperate in reducing the borrowing cost of bank loans. For this, 82 percent household suggested that bank should abolish the unnecessary delay to sanction and disbursement of loan. It is not possible to eradicate bribe completely but it may be reduced. Corrupt officials should be treated strictly to the extent of termination of their services and honest officials should be rewarded in the form of promotions, special increments and other benefits. In other words both the banks should provide loans adequately, timely and at a cheaper rate.

Fifth, both the banks at present are providing the consumption loan only for some durable goods. Out of total households 73 percent; 71 percent from PNB
and 75 percent from CCB, suggested that banks should also provide loans for social functions. The main reason for misutilisation of loans is the scarcity of resources to meet social functions under this head loans are given to the weaker sections for productive purposes with some consumption component and house construction so that productive efficiency does not suffer to the lack of adequate maintenance income.

Six, it has also been observed that the number of bank branches in the rural areas are inadequate. In case of both the bank PNB as well as CCB has been operating in, on an average 6 & 8 village respectively per branch in rural area of district Jhajjar. So that there is requirement in rural areas to open more bank branches by both the banks.

Seventh, it is observed that number of defaulters has been increasing. Out of total households 48.80 percent (41.90 percent from PNB and 55.71 percent from CCB households) are bank defaulters. Due to high percentage of bank defaulters, recovery of bank loan is very low. Out of total household only 51.19 percent are repaying their bank loans. PNB has relatively higher percent (58.10%) of the repaying household in comparison to CCB (44.29percent) in district Jhajjar. And the main cause of the low recovery rate is mainly the highest growth rate (48.36%) of NPAs in comparison to PNB (9.50 %) in Haryana. It is not good signal for bank’s future.

For the rural development it is necessary to reduce the percentage of bank defaulters, NPAs and they should increase the bank recovery. To increase the bank recovery government should also under-taken the CCB under new NPAs Ordinance as PNB and other commercial banks are being considered and banks should implement this Ordinance as soon as possible. Further, in case of genuine difficulties from unforeseen calamities such as crop failures and sickness or death
in the family, failure of business, the grace period for the repayment should be granted. In such cases the short-term loans may be converted into long-terms.

The loan should also be given for the adoption of modern farm technology in agriculture as well as SSI, gardening and allied activities as daring. Due to increase in their bank loans in these sectors income of the rural households would also increase and the recovery of bank loan will be increased.

In the rural areas supply of electricity is not regular, which hampers the productive use of bank loans and the production of agriculture and other activities. So that govt. also made a procedure of regular supply of electricity.

The bank employees have genuinely complained that in case of recovery of loans, the government and their officials do not cooperate and help the bank employees in the process of the recovery of dues. Therefore, taking simple action like Jail of 14 days and some payment of bank loan the banks have been to punish only 13 percent of households. To prompt recovery of dues the state government should help the banks. One of the main reasons of non-taking action against the defaulters is that government provides protection to the known people. In this situation banks find themselves helpless to take any legal action against the influential peoples.

Out of total 29 percent households suggested that govt. interference must be abolished for the bright future of the banks, particularly CCB; and banks may be independent for taking any decision to increase the bank recovery.

Eight; in case of bank recovery it is necessary that most of the recovery should come from the new income generation and not from the new loans and sold assets. It is noted that only 17.62 percent to total sample households repaid the bank loans from new income. While in case of repaid the bank loan from new income 21.43 and 13.81 percent household’s comes from the PNB and CCB respectively. While 16.91 percent to total sample households; 12.39 percent from
PNB and 21.43 percent from CCB, households repaid the loans from the new loans. It is a very dangerous situation for the banks.

For the rural development it is necessary to increase the contribution of new income and asset generation in the recovery of bank loans. So that banks should increase productive job opportunities, which are to be created in rural areas through development of agriculture, allied activities, irrigation facilities, rural infrastructure and promotion of village and cottage industries (SSI).

**Some Suggestions for Co-operative Bank:**

1. The study finds that as on 31st March 2002 CCB has relatively higher number (20 and 14) of employees per branch in comparison to PNB (14 and 11) in Haryana as well as district Jhajjar respectively. While on the above said time period, PNB has relatively higher transaction (Rs.149 Lakh and Rs.158.80 Lakh) per employee in comparison to CCB (Rs.66.70 Lakh and Rs.146.30 Lakh) in Haryana as well as district Jhajjar, respectively. It shows low productivity of CCB employees in comparison to PNB. So that CCB may increase the productivity of employees by adopting new technology and reducing excess staffing.

2. In case of PNB all bank branches in urban areas are fully computerized and in rural areas all branches are partially computerized. If CCB wants to increase the productivity, efficiency of employees, saving the time and money, better services and to make themselves in competition CCB must to adopt new technology.

3. As regards to Co-operative credit agencies, particularly in the DCCBs and SCBs; the elections are fought on political party lines. Often, the state government supercedes the elected bodies when another party comes into power. The party in power/ruling party meddles with appointments in Co-operatives. In Haryana Co-operative banks 101 employees of state govt. are appointed as on 31st
Dec. 2003 on deputation. And in the Co-operative banks dual control system are found. These banks come under the co-operative registrar (state govt.) and on the other hand they had to (meet) fulfill and obey the instruction of RBI. So that increasing the efficiency of these banks government interference must be abolished and they should obey the rules and regulations and control of RBI only. If these steps should not be taken, these banks could not make an ideal bank.

4. The study found that 58 percent beneficiaries of CCB complained against the bribe taken by bank employees and 27 percent accepted that they have given bribe for the bank loans. It shows that there is a lack of honest employees and majority of them is corrupt. So that for the bright future of Co-operative movement, honest foresighted, cautious, capable, diligent men of knowledge with sufficient training, good salary and with a missionary spirit of selfless service are required for the success of the movement.

5. The study finds that CCB has relatively lower percentage (41.29%) of repaying the bank loans in comparison to PNB (58.10%). And the CCB has relatively higher percentage (55.71%) of bank defaulters in comparison to PNB (41.90%). It is an alarming bell for the CCB for the bright future of these banks they must increase the recovery and reduce the defaulters and NPAs (48.36%), which is greater than the national average of NPAs (16.00%). So that CCB should also be empowered to deal with bank defaulters strictly.

6. The study finds that 14 percent of CCB beneficiaries complained against the lack of resources. There should be a provision as they can get cheap and direct finance from the RBI and NABARD. In case of co-operative, NABARD and RBI provide the finance to SCB, and SCBs provides to DDCB. SCB make it costly because they increase the rate of interest. This difference between SCB and DCCB are found 2 percent.
7. The study finds that CCB has relatively higher (Rs.0.052) per rupee borrowing cost in comparison to PNB (Rs.0.048). It is necessary for the CCB to reduce the borrowing cost.

8. The study also shows that a beneficiary of CCB has relatively low (Rs.0.277) per rupee asset generation in comparison to PNB (Rs.0.341). The CCB are required to make efforts to monitor loan utilization properly, and new assets could be generated. It is necessary to enhance the bank recovery.

9. According the RBI, out of total 419 banks, 16 DCCB in Haryana have not got license till 31st Dec 2003, but they are functioning. It is a dangerous situation for the CCB. It is noticeable that CCB are running in loss and some are in the situations that they can be closed at any time. Mainly, because their liabilities are greater than their assets. It comes in the case of Dujana branch in year 2003. It has reamed the faith of the people from the co-operative banks. Therefore, to win the faith of the people enhancement in the recovery is required. Government should take a decision to include Co-operative banks in the new NPAs ordinance and implement it strictly as soon as possible.

Area for Further Research:

As stated in the study, the development of rural areas depend on the proper utilization of bank loans in productive activities like new asset generation and augmenting production from the existing assets which in turn would increase the production, income and employment in rural areas. If adequate infrastructure were not available then misutilistion of bank loans as well as scarcity of resources would enhance. Therefore debts would prove burden some instead of beneficial to borrowers. The results and implications of the study have been confined within the boundaries of its objectives. However, the results of the study point to a few imperative areas, which require further research. Overall households leave an
urgent need to investigate the operation of the overall bank recovery, NPAs and repayment methods of all the banks, which have been adopted. Another need is left to investigate whether the farmers are in the loan trap or not because recently many suicide cases of farmers have appeared in the state like Tamil Nadu, Karnataka, Andhra Pradesh and Punjab. The reason for their suicide is pointed out as failure of crops and huge amount of bank loans. Whether farmers are in the clutches of the bank and weather compel them to take such decisions.

Conclusion:

The concept of rural development is very broad. We cannot consider all the components of rural development in present study. Mainly, because, it is a comparative study of the role of PNB and CCB's in rural development. So, there are some limitations of present study. Therefore we have taken some indicators for rural development, which are mentioned earlier. On the basis of these indicators we will draw conclusions of our study. In principle, if the deposits, advances, C-D ratio, recovery rate, bank profit, bank transaction and profit per employees, asset, income and employment generation, proper utilisation of bank loan, diversion of mis-utilised bank loan in productive activities, recovery of bank loan particular from new income etc. are increasing and the size of NPAs, recovery from new loans and sold assets, defaulters and borrowing cost particularly bribe to bank employees are decreasing, it would show the higher contribution of banks in rural development.

Apart this, if the borrowing cost of bank loan, NPAs, bank defaulters and recovery from new loans and sold assets have low proportion then rural development will be enhanced and if above said indicators have the higher proportion (growth rate) bank could not recycle the huge loans, consequently growth of rural development will be decreased.
If we see the performance of banks on the basis of secondary data, we conclude that in case of rural Haryana, excluding bank deposit, profit and NPAs, PNB is performing better in growth rate of bank advances, advances to weaker section and agriculture, bank recovery etc. In case of C-D ratio PNB could not achieve the national goal as 60. While C-D ratio for CCB have relatively higher than the national goal. At present C-D ratio for PNB is increasing so that it is performing betters in Haryana as well as district Jhajjar. As far as recovery rate, which is the main indicator to determine the bank performance, is concerned, that PNB is leading ahead to CCB. In case of CCB, ACGR of bank recovery has gone negative, it is an alarming bell for CCB. The policies on account off loans by Haryana govt. also played a significant role in enhancing the overdues (NPAs). It increased by 48.36 percent in the time period 1998-2002. So that it is a serious problem particularly CCB. Hence it is notable that CCB have relatively higher growth rate of per employee profit in comparison to PNB. The main reason for such performance is that profit of Harco bank also included in it. CCB has relatively higher growth rate per employee transaction and profit in comparison to PNB, but if we see the absolute amount PNB has relatively higher transaction and profit per employee in comparison to CCB in Haryana as well as district Jhajjar.

Further, it is also clear that increase of deposit and advances to agriculture and weaker section, CCB in performing better than PNB in district Jhajjar. But in case of growth rate of total advances, bank targets and achievements under credit plan, PNB is performing better than CCB. While in absolute amount in agriculture and C-D ratio CCB is performing better in comparison to PNB.

Apart this the study finds that PNB has been performing better in the asset, income and employment generation, proper utilisation of bank loan, diversion of mis-utilised bank loan in productive use, repayment of bank loan from new
income etc. in comparison to CCB. These indicators show the higher contribution of PNB in rural development in rural Haryana.

In nutshell, we can say that PNB has been contributing relatively more in the growth rate of rural development in comparison to CCB. At the same time we should not forget the role played by CCB in the development of agriculture as well as rural development may improve if above said suggestions are implemented properly in the CCBs.

Though the credit is only one of the components of rural credit delivery system designed to bring about rapid socio-economic changes along with rural development, it is never the less a very crucial component. A component is as important as the right dose of medicine for a patient. The illness is a sign of deficiency in the body, which has to be remedied. For the patient's recovery the right dose of medicine at the right time is vital. Too much medicine can be harmful while too little can delay recovery. And for this, the patient has to trust the doctor implicit. A poor patient cannot afford costly medicines and if the medicine is not taken he/she may die.

Similarly, credit has to be administered in the right doses, at the right cost (interest + borrowing cost) and at the right time. If this is not done, there is a chance of the project failing. Also, the borrower has to trust the banker's prescription with the banker too trusting the borrower for repayment. These confidence-building measures are must for any rural credit delivery system to perform efficiently.

At last on the basis of above information's we may conclude that PNB is performing better in the development of rural Haryana as well as district Jhajjar in comparison to CCB. Therefore, PNB has relatively higher contribution in rural development in comparison to CCB in rural areas.