Chapter 6

Summary of findings & suggestions
The Indian economy has grown manifold since independence, but the growth has not been uniform in all the sectors. The vast rural population of the country, which forms the backbone of the Indian agricultural economy, has not adequately benefited from this growth. The basic objective of economic planning is 'growth with social justice & self reliance'. Banks are expected to play a pivotal role in the achievement of these broad objectives by providing credit assistance to various schemes, projects & ventures. Evolution of the concept of 'Priority Sector' & 'Weaker Section' in bank lending has facilitated enormous increase in the flow of bank credit.

This research study has been undertaken with an object of conducting an in-depth enquiry into the Priority Sector Lending of the HARCO Bank and its role in credit structure, credit disbursement and recovery position in Haryana. The problems encountered in the implementation of the scheme were also a subject matter of the study, so that viable suggestions can be offered to overcome these problems & thereby enable the HARCO Bank to act as effective instrument of credit structure in Haryana.

Findings

- During the study period the total branches of HARCO Bank has increased from 356 to 594, at annual growth rate of 6.68% while on the other hand the total branches of all banks of Haryana has increased from 1999 to 4428, at annual growth rate of 12.15%. But all banks of Haryana have expanded their branches majorly in urban sector (at annual growth rate of 17.13%) than the rural & semi-urban sectors whereas HARCO Bank has expanded its branches more in rural sector (at annual growth rate of 8.84%) than the urban & semi-urban sectors. HARCO Bank has increased its presence in rural areas (from 65.45% to 73.91%)
in comparison to all banks of Haryana whose rural expansion has decreased in rural areas (from 48.02% to 43.65%).

- **During the study period, the total deposits of HARCO Bank has increased from Rs.2421 cr. to Rs.5702 cr., at annual growth rate of 13.74% while on the other hand due to rapid expansion of banking facilities the deposit mobilization of all banks of Haryana has increased from Rs.34844 cr. to Rs.197828 cr. , at annual growth rate of 42.27%. But in case of all banks of Haryana, due to more branch expansion in urban areas, the share of urban sector in deposit mobilization has increased from 33.03% to 69.57% (more than double) and neglect of rural areas resulted in decrease in the share of rural sector in deposit mobilization from 24.72% to 13.79% (nearly half). On the other hand, in case of HARCO Bank, although there is slight increase in share of urban sector in deposit mobilization from 44.08% to 45.33% but due to its emphasis on expanding banking facilities in rural areas, rural sector still contributes more than one third (37.06%) of the total deposit mobilization.**

- **During the study period though the total advances of HARCO Bank have increased from Rs.4025 cr. to Rs.9028 cr., at annual growth rate of 12.43% while on the other hand due to increasing education, rapid expansion of banking facilities etc. the advances disbursement of all banks of Haryana has increased from Rs.24480 cr. to Rs.168670 cr., at annual growth rate of 61.83%. However, during the study period, in case of all banks of Haryana, there is more emphasis on advances disbursement in urban areas which led to increase in the share of their urban advances to total advances from 50.36% in 2004-05 to 63.40% in 2013-14 and neglect of rural areas which led to decrease in the share of rural advances to total advances from 25.49% in 2004-05 to 21.05% in 2013-14. On the other hand, the HARCO Bank has given more emphasis on advances disbursement in rural areas which led to increase in the share of rural advances to total advances from 56.00% in 2004-05 to 71.70% in 2013-14 and in turn reduces its disbursement in urban areas (from 20.92% to 13.27%).**

- **During the study period the ratio of Credit + Investment to deposits has increased which can be ascertained by C.D. Ratio. The total C.D. Ratio, in case of HARCO
Bank has increased from 154% in 2004-05 to 158% in 2013-14 while in case of all banks of Haryana the same has increased from 55% in 2004-05 to 85% in 2013-14.

- During the study period although the total working capital of the HARCO Bank increases in a constant manner from Rs.2876.22 cr. to Rs.6604.68 cr., at annual growth rate of 12.96% but during the same period out of total working capital, the percentage of borrowings has increased from 47.56% to 59.68%, the percentage of deposits has decreased from 38.53% to 31.15% and the percentage of owned funds has also decreased from 12.76% to 08.14%. This shows the gradually increasing excess dependence of HARCO Bank on borrowings which may prove dangerous to the financial viability of the HARCO Bank in the long run.

- During the study period, the total loans and advances issued by the HARCO Bank has increased in a constant manner from Rs. 3311.91 cr. in 2004-05 to Rs. 5627.14 cr. in 2013-14, at an annual rate of 6.99%. But study shows that the main emphasis of the HARCO Bank has always been on providing short term loans & advances for various agriculture & non-agriculture purposes which increases from Rs. 3163.86 cr. in 2004-05 to Rs. 5593.38 cr. in 2013-14, at annual growth rate of 7.67%.

- During the study period, except for the year 2008-09 the total loans and advances outstanding of HARCO Bank are constantly increasing from Rs. 2094.22 cr. in 2004-05 to Rs. 5184.58 cr. (at annual growth rate of 14.75%) which is negatively affecting the HARCO Bank’s credit worthiness.

- In 2004-05, the HARCO Bank earned the average yield of 6.99 on its total working capital which reduces to 6.07 in 2013-14. On the other hand, in 2004-05, the HARCO Bank incurred overall an average cost of 5.09 for all kinds of its functions which increases to 5.24 in 2013-14. Thus the overall average cost of the HARCO Bank is gradually increasing and the corresponding average yields on various kind of funds is gradually decreasing which may become problematic to the financial viability of the HARCO Bank in the long run.
Findings, Suggestions and Conclusion

- After taking into account various types of costs the net margin earned by the HARCO Bank on average balances in 2004-05 was 1.48 which reduces up to 0.36 in 2013-14. This shows that during the study period due to cumulative effect of various financial, infrastructural, political, and management failures the net margin of the HARCO Bank is continuously decreasing and there is an urgent need for various kinds of reforms.

- During the study period the profits of the HARCO Bank increased in a constant manner from Rs. 29.29 cr. in 2004 to Rs. 37.00 cr. in 2006 but since 2006-07 the profits of the HARCO Bank started decreasing and in 2009-10 the bank even suffered a loss of Rs. 17.94 cr. Later due to adoption of various reforms the profit trend gradually starts increasing from Rs. 5.01 cr. in 2010-11 to 21.98 cr. in 2013-14.

- In Priority sector lending, different banks are collecting processing fee at different proportions. No uniform policy is adopted by all the banks in this regard.

- During the study period, the total advances of HARCO Bank to priority sector has increased from Rs. 3941 cr. in 2004-05 to Rs. 8446 cr. in 2013-14, at an annual growth rate of 11.43%. Out of total priority sector advances, although primary sector (Agriculture & Allied) is still the main emphasis but the tertiary sector is also gradually getting more and more share while the secondary sector (SSIs & Cottage Ind.) is lagging behind.

- During the study period the total priority sector advances recovery percentage of the HARCO Bank decreases from 78% in 2004-05 to 72% in 2013-14, this adversely impacted the profits of the bank also. Reasons of poor recovery performance under Agriculture and allied sectors are unpaid dues, natural calamities like flood, lack of crop insurance schemes etc.

- HARCO Bank gave more emphasis to direct agriculture credit than indirect agriculture credit. During the study period the amount disbursed as direct agriculture credit has increased constantly from Rs. 1842 cr. in 2004-05 to Rs. 6365 cr. in 2013-14 (at annual growth rate of 24.55%) and the amount disbursed as
indirect agriculture credit has decreased constantly from Rs.1614 cr. in 2004-05 to Rs.540 cr. in 2013-14 (at annual growth rate of -6.65%).

- During the study period, the total crop loan targets of the HARCO Bank for kharif crop has increased from Rs. 1768 cr. in 2004 to Rs.3750 cr. in 2013, at annual growth rate of 11.21%. Except for the year 2006, 2008, 2009 & 2010 HARCO Bank was successful in achieving a more than 80% of the Kharif crop loans targets in both cash and kind although the loan achievements in cash are always higher than the loan achievements in kind.

- During the study period the total crop loan targets of the HARCO Bank for Rabi crops has increased from Rs. 1997 cr. in 2004-05 to Rs.4150 cr. in 2013-14, at annual growth rate of 10.78%. Except in 2006-07& 2008-09 HARCO Bank is successful in achieving more than 80% of the total rabi crop loans targets in both cash and kind.

- During the study period the recoveries to demand percentage of both Kharif crop loans and Rabi crop loans is hovering around 50 only. This poor recovery percentage is one of the main reason of growing NPAs of the HARCO Bank and resultantly have a negative impact on profits of the bank.

- In order to cater to the short term credit requirements of the farmers for cultivation purposes the HARCO Bank adopted the Kissan credit card scheme during the year 2000. Since inception of the scheme the HARCO Bank has issued 1332256 kissan credit cards with a sanctioned amount of Rs. 614111 lakhs.

- There are huge imbalances between accounts being maintained by PACs and DCCBs. These imbalances are arising out of un-reconciled entries and can be overcome only when full recovery is made in KCC accounts, otherwise the un-reconciled accounts prevails and the problem persists which will come in the way of successful implementation of KCC scheme.

- With the introduction of KCC scheme by the PACs, the delay in disbursement is considerably reduced but DCCBs are not following cash credit method of lending. Instead once the borrower pays part/full amounts in to his account, DCCB is not
going to release that amount during that particular season, as a result the main purpose of issuing a kissan credit card is defeated.

- During the study period total Small Scale Industries Advances of the HARCO Bank are constantly fluctuating and have only marginally increased from Rs.201.76 cr. in 2004-05 to Rs.215.00 cr. in 2013-14 (an increase of only 6.5%).

- Reasons for poor recovery performance for Small Scale Industries are utilisation of long term finance for short term purposes like for maintenance & replacement of existing assets, obsolete methods of manufacturing process or other operations.

- During the study period the total credit disbursed to various minority communities by the HARCO Bank has increased from Rs. 26208.70 lakhs in 2004-05 to Rs. 42122.63 lakhs in 2013-14 (at annual growth rate of 6.07%).

- During the study period the amount disbursed by the HARCO Bank to women beneficiaries increased from Rs. 30 lakhs in 2004-05 to Rs. 1365.56 lakhs in 2008-09 but thereafter it is constantly decreasing, although there are signs of improvements in the year 2012-13 & 2013-14 but it is still below par.

- During the study period the amount disbursed by the HARCO Bank to various weaker sections has shown constant fluctuation in consonant with the policy objectives of the Government.

- In some instances the Cooperative banks felt that the recovery mechanism is not proper. The clerk responsible for collecting the recoveries from the borrowers does not remit the amount in to the branch immediately after recovery, which results in inordinate delay in crediting the amounts in to the branch account as a result interest burden increases for the borrower.

- The research reveals that majority of the managers (34.7%) used Circulars and Block Officials (32%) as mode for communicating the PSL Scheme.

- In case of 78.7% of the respondents, branches are having a special liaison officer for PSL Scheme and in 73.3% cases staff undergoes special training programme for PSL Scheme.
54.7% managers revealed that they assist borrowers as per Government’s guidelines only and very few provides relief in the form of waiving of penal interest, rescheduling of loans, providing repayment holidays etc.

The research reveals that 84% of the bankers conduct per-sanction visits and in 69.3% cases post sanction visits are regular.

In 53.4% cases more time taken for disposal of application of loan is more than two weeks and 50.7% of the managers considered improper documentation as the main reason for delay in disbursal of loan.

57.3% of the managers accept that there is interference in the selection of the beneficiaries of the PSL Scheme and as per response of 90.7% of the managers the interference is from political/ local leaders.

72% of the managers noticed mis-utilisation of the PSL loans and in 59.3% of the cases they just reported the same to higher authorities while in 5.6% cases managers even do not bothered for mis-utilisation if the loans are repaid properly.

In response to profile of the defaulters, managers revealed that 50.7% of the defaulters are educated and around one-third (33.3%) defaulters are having large land holdings. Further 56% of the defaulters belong to high income group and 53.3% of the defaulters belong to the forward class. This shows lack of scientific selection of beneficiaries and default in the loans is not due to lack of income/earnings but mainly due to political underscoring.

In case of default in payment of loan, 60% of the managers responded with notice and personal visit and in 33.3% of the cases initiate legal proceedings.

90.7% of the bankers feel hardship in recovery of loans and 54.4% bankers feel lack of Government support as the main hardship and around one-third of the bankers even experience mental & physical assault during recovery.

In response to reasons for NPAs in priority sector, 38.7% of the managers considered mis-management of funds as the main reason and 30.7% considered socio political pressures as the main reason for the NPAs.
In response to reason for availing PSL Loan, 47.3% beneficiaries considered lower rate of interest, 21.3% considered starting a new activity and 20.7% considered low family income as the main reason for availing PSL Loans.

79.3% of the beneficiaries responded that the PSL Loan was sufficient for the purpose for which they avail loan and 20.7% of the beneficiaries considered the loan amount insufficient and they have to borrow from other sources also for achieving the purpose.

Research reveals that only 68% of the beneficiaries are fully satisfied with the behaviour of the bank staff; only 54.7% are fully satisfied with the guidance received from the bank and 43.3% are partially satisfied, while 2% of the beneficiaries do not receive any guidance from the bank.

Majority of the beneficiaries i.e 63.3% are only partially satisfied with the promptness in receiving the PSL Loan.

84.7% of the beneficiaries utilized the loan for the purpose for which it was provided but 15.3% of the beneficiaries accepted the diversion of the loans for other purposes. In 73.9% cases diversion is for family consumption and in other cases loan was diverted for marriage festivals, medical treatment, purchase of household articles, repayment of debts etc.

The research reveals that 84.7% of the beneficiaries are repaying the loans and 15.3% of the respondents accepted that they are not repaying the loans. Majority of the beneficiaries considered loss in the project as the main reason for not repaying the loans.

In response to source to repay the loans, only 61.3% respondents are repaying the loans by income generated from the project while other are repaying the loans by taking loan from other financial agencies, money lenders etc.

The research shows that 42.7% of the beneficiaries are utilizing the income from the project in reinvesting purpose while other are utilizing the income for clearing the previous debt, improving living standards etc.
Findings, Suggestions and Conclusion

- The research shows that only 62.7% of the respondents felt that their socio-economic status has risen after availing the PSL Loan and 10% felt that their socio-economic status has even lowered while 27.3% respondents felt that there is no change in their socio-economic status after availing the PSL Loan.

- In response to problems faced in getting the loan and implementing the project, 31.3% of the beneficiaries considered lack of infrastructure support, 29.3% considered cumbersome procedure, 24% considered exploitation by middlemen while others faced various problems like improper utilization of loans, cumbersome procedure, inadequate credit limits, lack of sympathetic attitude of the bank officials etc.

Suggestions/ Recommendations:-

Based on the findings drawn from the study, the following suggestions are made for making PSL Programme more effective & successful. These findings & suggestions are highly useful to the banking authorities to identify and rectify the defects of the scheme. With the implementation of these suggestions, the HARCO Bank should be able to play a more important role in the credit structure of Haryana.

- It is observed that HARCO Bank has gradually increased its presence in rural areas. By providing various direct and indirect advances, HARCO Bank should maintain its emphasis on increasing rural loans and advances by spreading and developing banking habits in rural areas.

- In order to improve the quality of the working capital of the HARCO Bank, the Government should make more investment to increase the owned funds of the bank. In addition bank should make efforts to increase the deposits by providing attractive rates of interest and by improving financial literacy in rural areas.

- Bank should introduce Differential Rate of Interest Scheme on some new income criteria as existing criteria is quite old.

- Bank should reform the recovery procedure by adopting following suggestions which ensure the good recovery performance:
  
i)   Bank should monitor the progress of current dues separately.
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ii) The pre-lending appraisal system should be thorough and updated from time to time.

iii) Repayment schedule for loans should coincide with the time when the borrower generally sells his produce & is in possession of funds.

- Bank should adopt any of insurance schemes introduced by Government of India for agriculture sector to improve the recovery performance, which is given below:-

i) Crop Insurance:-

The Govt. of India has introduced this scheme commencing from the Kharif season of 1985. Its objective is to provide a measure of financial support to the farmers in the event of the crop failure as a result of natural calamities like droughts and floods.

ii) National Agriculture Insurance Scheme (NAIS):

Government of India has launched this scheme w.e.f. Rabi Season 1999 and the main objective of Scheme is to provide Insurance coverage and financial support to the farmers in the event of failure of any of the notified crops as a result of natural calamities, pests and diseases. This scheme is wider in the scope, so it will be better for the bank to adopt this scheme.

- Government should not interfere in the day to day work of the bank and bank should have autonomy in deciding policies as per its requirement and it should not act as an instrument to achieve political objectives.

- In addition to primary sector (Agriculture & Allied), the HARCO Bank should emphasize on secondary and tertiary sector also, so that overall objective of PSL can be achieved fully.

- Women must be encouraged by giving credit support in their self-employment ventures and thereby enabling them to participate at par with males in the socio-economic development. The government should engage voluntary agencies, NGOs, SHGs etc. in order to identify and develop women entrepreneurs.
By implementing KCC scheme, the banks cannot solve the problem relating to huge imbalances between accounts unless a procedure is adopted for better and immediate reconciliation of accounts.

Audit of the bank should be done by a chartered accountant and chartered accountant should also advise the bank in financial management.

Proper Human Resource Development policy in Cooperative bank (like recruitment/promotions) should be implemented and RBI/NABARD should take necessary steps in this direction.

Any employee involved in misappropriation should be adequately punished in time bound manner (suspension, dismissal etc.).

Professional Banker should be appointed as CEO of the DCCBs and PACs.

Regular training programme should be introduced for the staff which deals in priority sector lending scheme of the bank (esp. sensitivity training).

Minimum qualification should be fixed for the members of the Board of Management, in order to avail the benefits of specialist services for the success of the Priority Sector Lending scheme.

NABARD/Other government departments should take initiative in conducting awareness camps among farmers to popularize the priority sector lending scheme.

The procedure of the Priority Sector Lending scheme should be simplified so that beneficiaries received the loan in less time and with lesser formalities.

Currently in order to communicate PSL Scheme HARCO Bank is mainly dependent on block officials, circulars and wall posters/brochures etc. In addition to that bank should utilize visual media and mass media for popularizing the PSL scheme. HARCO Bank can also utilize the services of voluntary agencies and can appoint ‘Bank Mitras’ for a cluster of villages which can provide banking facilities on the door step of the villagers. Bank should organize regular loan melas, folk dances etc. to communicate the benefits of the PSL Scheme in rural areas.
• Interference of political & local leaders is prevalent in the selection of the PSL borrowers in the state. Banking schemes should be made completely free from political clout and the PSL Scheme should not be used as instrument to achieve political goals of the party in power. Banks should be given sufficient discretionary powers and latitude to sanction the loan or reject the same depending on the merit of each case.

• There is deterioration in customer services of banks. They should fulfill the rising needs & expectations of the masses specifically those with marginal incomes. The banks should not disown their responsibilities.

• Availing of loans for enjoying subsidies destroy the socio-economic significance of the scheme. Various social evils like bribing, sharing of subsidies etc. must be strictly checked. A good interpersonal relationship between banker, borrower and Govt. official should be developed.

• The branches are seen with dearth of staff. All the branches suffer from inadequate manpower. This seriously, retards such activities as field visits, follow up and recovery. Sufficient manpower to absorb the additional workload is to be provided to the branches. In addition ‘Bank Mitras’ should be appointed to take banking at the door steps of the villagers.

• The attitudinal orientation of the bankers towards the borrowers must change. The bank personnel should shed their mis-conceptions, suspicions, wrong impressions, bias and apprehensions about the poor. They should deal with the borrowers with sympathy, understanding and a pure mind. Their positive attitude, helping tendency and proper understanding will go a long way in the successful implementation of the PSL scheme.

• Mis-utilisation or diversion of loans leads to low income, low savings and no repayment. Before sanctioning the loans, the banks should improve the prospective skills of the borrowers through training. They should also be motivated to use the credit properly and to keep up the credit discipline.
Findings, Suggestions and Conclusion

- Unless adequate financial assistance is available, the borrowers may not be in a position to implement their projects. The banker should scientifically appraise the project, properly estimate the financial needs and accordingly assistance must be provided. Bankable and viable proposals must be accepted for sanction of the loans in adequate quantity.

- Quick expedition of loan application is essential to save time & energy. The research concluded that there is a long gestation period in sanctioning the loans to the PSL borrowers. The concerned officer should ensure that the loans proposals are disposed off within the stipulated time period.

- Debt waiving & loan write-offs have eroded the repayment ethics & have brought an element of willful default. Loan write-offs are against the productivity ethics of credit. It should not be accepted as a state policy; instead concessions may be thought of in genuine cases. Flexibility in deserving cases and strict enforcement of law on willful default can be a good policy.

- Overdues can be minimized if political interference in the functioning of banks is ruled out. An environment has to be created where banks compete on the basis of quality of services.

- It is found from the survey that the Governmental agencies are not providing adequate support in the matter of debt recovery. At the policy level, there is need for legislation, which will make recovery process smoother & quicker. Banks may be given the power of seizure of assets in case of default and they may also be empowered to collect the loan dues as revenue arrears.

- Existence and survival of banking industry depends on its strength of loan recovery. Recovery camps should be organized with the active assistance and cooperation of local Govt. functionaries. The objectives of such camps should be not only to recover the dues from the borrowers but also to create awareness among them about the importance of prompt repayment.

- In order to avoid the overdues, the system of collecting the loan installments at the door steps of borrowers may be encouraged.
• Publication of defaulter’s list helps in expediting the recovery. Law must be amended to this effect.

• Recovery can also be improved by fixing recovery targets, recovery planning & budgeting.

• Credit extended by banks should be tied up with technical extension. To tackle this problem expeditiously, a technical cell may be set up for a cluster of branches or provide expert staff including technical personnel to look into the technical aspect. Banks should act not only as a provider but also as facilitator.

• Overhead cost for the processing of PSL is high. The cost of credit can be reduced by avoiding un-necessary expenditure & also by simplifying the process of appraisal, sanction & disbursal of credit.

• Majority of bank staff are urban oriented and they are reluctant to work in rural areas. For motivating the bankers, some financial or non-financial incentives may be offered to them either in form of better promotional avenues or in form of special allowances. They should also be trained, devoted and committed to manage the rural branches.
Priority sector is the sector which is entitled to financial facilities in preference to others. Priority sector includes mainly agriculture, small scale industries etc. HARCO bank mainly advances loan to priority sector. The segments covered by the bank under priority sector lending comprises of agriculture, small scale industries, small road transport, retail traders, students, minority communities consumption loans, professional and self employed persons and weaker sections of the society. Bank does not provide loan on differential rate of interest for poor people. Recovery performance of the bank’s priority sector lending is low. To improve the recovery performance bank conduct pre and post sanction visits of the sites. There is political interference in the selection of beneficiaries which should be corrected by reducing the interference of the government in PSL scheme. There are only 66.7% of banks having recovery cell which should be increased to reduce bad debts. Even then majority of beneficiaries are satisfied with PSL scheme of cooperative bank and majority of beneficiaries want that this scheme should be continued with some improvements in it. It is believed that PSL scheme of Haryana state cooperative bank is helpful in economic and social upliftment of the people of Haryana but with some improvements in it.