CHAPTER VII

SUMMARY OF THE FINDING AND CONCLUSIONS

1. Introduction

2. Summary of Findings

3. Suggestions for improving the lending performance of Banks

4. Conclusion
1  INTRODUCTION

Since Nationalisation in 1969 the banking activities in our country have showed a phenomenal growth in terms of deposits advances and services. There are three sectors operating in the organised section of the Indian Money Market. They are the Public Sector, the private sector and Co-operative Sector. The public sector occupies the top position controlling about 90% of the banking resources. Still private sector banks have an important role in mobilising deposits and channelising the funds to the various sectors of the economy. Though quantitatively their role has been reduced since nationalisation in 1969, in fact, in many regions a stiff competition between the Public sector branches and private sector branches can be observed. Co-operative sector banks, mainly the branches of the District Central Co-operative banks and a few urban Co-operative banks have their own role to play in the urban and rural economies. Though they do not envisage any competition with the public sector and private sector banks, in towns and cities their operations are comparable to the other sector banks. Therefore a comprehensive study may reveal which sector among the three performs better than the other two. Though a comparison of the performance in terms of all their functions such as deposits, advances, and services can be studied, due to paucity of time, in this study a comparison of the lending performance of the banks in the three sectors in the selected district has
been attempted. A brief summary of the finding along with suggestions to improve their performance is described below.

2 SUMMARY OF THE FINDINGS

In India the banking has an all-round progress in terms of number, branches, deposits and advances during the last two decades since their nationalisation.

The lending performance of public sector banks in Salem district has shown an overall increase during the period of study between 1985 and 1988. The crop loans sanctioned during the period of study have increased in 1986 and 1987 from the year 1985 but declined in 1988. Retail and small business loans have increased in 1986 and 1987 from the year 1985 but a marginal decline is found in 1988. The priority sector loans have declined in 1986 and increased in 1987 and again declined in 1988.

The lending performance of private sector banks in Salem District has also shown increasing trend during the period of study. The crop loans sanctioned during the period of study by this sector showed an increasing trend in 1987 but declined in 1988. Loans to allied activities of agriculture also showed the same trend. The amount of loans to Transport operators increased in 1986 but declined in 1987 but a marginal increase is found in 1988. The same trend is prevailing in the case of loans to Retail and small business men. In the case
of loans to priority sectors an increasing trend prevailed throughout the study period.

The lending performance of Co-operative sector banks in Salem District also has shown improvement during the period of study. The crop loans sanctioned by the banks have increased in 1987 but declined in 1988. A steep increase is found throughout the period of study in case of providing term loans to farmers. Loans to Small Scale industries showed a declining trend, whereas the loans provided to priority sector increased in 1987 but declined in 1988.

A comparison of the lending performance of banks in the public, private and Co-operative sectors has showed the following trend. The average amount of loans sanctioned per account has been taken as the index. The public sector banks' lending performance is the best in case of providing oil seeds loans, jewel loans, sheep loans, Bio-gas loans, Engineering purpose loans, Retail trade loans, Consumption loans, loans under Integrated Rural Development Programmes and loans under Differential interest Rate Schemes. The lending performance of private sector banks ranks first in the case of providing crop loans, irrigation loans, power tiller loans, Food processing loans, textile loans, chemicals loans, other category loans, Truck/Lorry loans, loans to Transport operators, loans to Retail and small business, professional and educational loans and small and marginal farmers loans. The Co-operative sector has made a mark in providing the following viz plough/pumps loans, poultry loans, other category loans to agricultural operation, taxi loan and loans to scheduled castes/scheduled tribes.
3 SUGGESTIONS FOR IMPROVING THE LENDING PERFORMANCE OF BANKS

The lending performance of public sector banks seems to be inadequate in the case of providing crop loans, irrigation loans, power tiller loans, Food processing loans, textile loans, chemical loans, loans to Transport operators, loans to small business men, loans to professional and retail Traders, loans to educational purposes and loans to Small and marginal farmers.

In order to increase their lending efficiency their lendable resources must be channelised to the above type of loans more. The total amount of advances under Agriculture and its allied activities and loans under Integrated Rural Development programmes is found lower in the Private sector than that of the Public Sector. They must direct the lendable resources more to meet the needs under Integrated Rural Development Programmes.

The lending performance of Co-operative sector bank is found insufficient in the case of loans to industrial sector, loans to Transport operators and loans to allied activities of agriculture. Though the Co-operative sector banks are giving preference in advancing loans to agricultural sector, which was neglected by the then commercial banks, they may try to allow industrial sector and tertiary sector to enjoy the benefits of Co-operation by means of lending more to these sectors.
CONCLUSION

The report has said that the banking scenario during 1985 to 1988 was marked by an improvement in the lending performance of banks and a diversification of their activities into related areas such as Transport operators loans, housing finance and priority sector advance. The implementation of Action plans by the banks during 1985-1987 has led to an improvement in the performance of the banks.

In a dynamic and ever widening horizon of banking especially in our country, where enormous responsibility, has devolved on the banking system to promote socio-economic development and where the social change is taking place at a rather faster pace and people's expectations from the banking industry have been ever growing there could be no room for complacency. Thus,

"People grow with banks and banks grow with people".