CHAPTER – III

NATURE, SCOPE, EXTENT, OBJECTIVES AND RESEARCH METHODOLOGY

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CHAPTER III
NATURE, SCOPE, EXTENT, OBJECTIVES
AND RESEARCH METHODOLOGY

INTRODUCTION

Poverty, unemployment, social and economical inequality are the basic problems being faced by Indian economy. Since independence the ultimate aim of all the economic planning and policy decisions made by the government of India were aimed to remove the poverty and unemployment and to reduce the social and economical equality through attaining a sustainable high rate of growth.

However, lack of financial and capital assets, illiteracy and lack of proper education, inappropriate technology, inadequate medical facilities, inadequate & poor quality of economic infra-structure are some of the hindrances which are adversely affecting the economic growth of India and due to this, various economic problems could have not been solved.

Small and marginal farmers, small scale industries, tiny industries, cottage industries, small traders, retailers artisans, transport operators, professionals service providers, educated unemployed, etc. have the potentialities to increase their contribution in the development of Indian economy and can help to solve various economical problems of the country. However their potentialities could have not been fully realized due to various reasons.

Lack of financial asset/ capital asset in the hands of masses in India is one of the root cause of mass poverty, unemployment, economical and
social inequality. Financial support through institutional sources to hither to neglected and under privileged section of the society can play vital role in solving the above mentioned economical problems and can accelerate the rate of economic growth.

Before bank nationalization in 1969, the commercial banks were neglecting the needs of priority sector and were protecting the interest of rich people and big industries. Co-operative banks though occupied important place in rural development and regards as common man’s bank could not made an effective dent in uplifting the economic life of the masses. Accordingly, the government of India and Reserve Bank of India had initiated number of measures to provide finance to priority sector.

The concept of “priority sector lending” is mainly intended to assume that assistance from banking system flows in an increasing measures to those sectors of the economy which, though accounting for a significant proportion of the national product have not received adequate support of institutional finance in the past.(1)

With the nationalization of major commercial banks in 1969, the concept of social purpose in lending and the need for increasing the reach to rural area was felt. Until this happened, co-operative banks were the only institutional mechanism to which common people with limited means could turn. On 9th February 1972, reserve Bank of India has declared the priority sector and directed the banks to grant loans to these sectors. On 9th November 1974, the reserve Bank of India has allotted the targets for priority sector advance by commercial banks as well as urban co-operative banks which were revised from time to time.
After the introduction of the priority sector lending, urban co-operative banks even without lending to agriculture were required to channel 60% of all their credit to priority sector with 25% of those to be given exclusively to weaker sections of the society. This is much higher than the prescription for commercial banks who have to lend only 40% of their credit to priority sector which also include agriculture credit and export credit.(2)

THE PROBLEM

The need for priority sector lending has been argued from various angles. The first argument is from the view point of social justice. Social justice demand that all citizens should be treated alike and get equal opportunities in their economic life. It is therefore, important to bear in mind that underprivileged section of society should avail all necessary support including finance from the institutional sources at lower rate of interest.

Priority sector lending is also crucial from the point of view of employment. Government can not provide jobs to all eligible job seekers mainly due to large size of population in India. Hence it is better to provide them finance to take up some business and generate jobs for others.

Priority sector lending is also essential from the point of view of maintaining national integration, political stability and unity. If it is neglected and unchecked then it may result in conflict between haves and have not.
Banks are today indentified as development agencies to provide finance on a large scale particularly to those belonging to weaker section of the society. In fact, the objectives of Nationalization of commercial banks has been to accelerate development to make a significant to impact on the problem of poverty and unemployment and to bring about progressive reduction in the disparities between poor and the rich people and the relatively advanced and backward areas of the country.(3)

In order to attain the above objectives RBI has directed all the commercial banks and urban co-operative banks to allocate certain percentage of their total lending for the development of priority sector.

However, it has been observed that the priority sector lending has not been succeeded in attaining the objectives as expected by the RBI. On the other hand it has resulted in number of problems for the banks, e. g. the problem of overdue, misutilization of credit, increase in operational cost etc. which has adversely affected the profitability and performance of the banks.

The problem is to find out the impact of the priority sector lending in attaining the objectives for which it was being conceived as well as to find out the problems encountered by urban co-operative banks in relation to priority sector lending.

**HYPOTHESIS**

The present study is conducted to test the following hypothesis.

1) Priority sector lending had played little role in the generation of employment opportunities.
2) Urban co-operative banks are reluctant to lend under priority sector lending.
3) In order to fulfill the priority sector lending target urban co-operative banks had neglected other critical aspects of such as ability of borrowers to repay the loan amount and purpose and use of loans etc.
4) Priority sector had resulted in increasing the amount on Non-performing assets (NPA) which had adversely affected the performance and profitability of banks.

OBJECTIVES OF THE STUDY

Policies of priority sector lending have been initiated by the RBI in 1972. Under this policy, RBI directed the commercial banks and urban co-operative banks to direct certain percentage of their total lending to hitherto neglected area of economy and to weaker section of the society which is crucial from the point of view of alleviation of poverty, eradication of unemployment and reduction of disparity between the rich and poor.

However, the declaration of policy measures by RBI or the Government is not sufficient for attaining the above mentioned objectives. Implementation of policy in its true spirit is equally important for achieving the desired objectives. Hence, it is imperative to study the implementation of the policy of priority sector lending to study the problems, impact and effectiveness of the priority sector lending policy.

The specific purposes of the present study were as follows:
1. To highlight the rationale of priority sector lending.
2. To make a critical appraisal of priority sector lending in the context of employment generation.
3. To study the reasons of reluctance shown by urban co-operative banks with regards to priority sector lending.
4. To find out the problems faced by urban co-operative banks in the context of priority sector lending.
5. To find out the relationship between priority sector lending and non-performing assets (NPA).
6. To find out the utilization of priority sector lending by the beneficiaries.
7. To pinpoint the areas for restructuring the priority sector lending policy.

SCOPE AND LIMITATION OF THE STUDY

The reference period for the field investigation while collecting primary data was limited to the 10 years period, i.e. from 1995 - 96 to 2004-05.

The scope of the study though limited to the selected urban co-operative banks in Jalna and Aurangabad districts, the efforts were made to universalize the findings applicable to all the urban co-operative banks.

The present study has been conducted in a systematic manner to highlight the efficacy of priority sector lending by urban co-operative banks and its impact on urban co-operative banks and the beneficiaries who had availed credit under priority sector lending.

However, during the course of this study the researcher had experienced that some of the beneficiaries were reluctant to furnish information due to the fear of either leakage of their personal and business
secrets or due to inferiority complex. The researcher had taken the help of bank employees to overcome this problem.

**RESEARCH METHODOLOGY**

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. (4)

It is obvious that an in-depth study based on field investigations and the primary sources of data extending over the population as a whole would be well nigh impossible for limitation of time and finance. As such it was decided to select one urban co-operative bank from each district covered under this study.

The research methodology used for this study is both exploratory and descriptive. The former consists of study of literature and experience survey, while the later is confined to only cross-section analysis i. e. study of the respondents for survey which were selected on the basis of stratified sampling method.

The selection of an appropriate method for data collection is the basic step for any research dissertation. The researcher had adopted following research instruments for the purpose of this research.
A) **Collection of information from secondary sources i. E. (study of literature and other published work, information, reports etc.)**

A lot of material is available on priority sector lending by urban co-operative banks having concern to problems and solution to them. The first task in present research was to be conversant with the literature relating to this study, since it is a good source for knowing already established hypotheses or for devising new useful for the study. When the researcher referred the published literature, it was noticed that the researcher may go with numerous hypotheses, some of which may be useful for the study. The information and hypotheses so found were noted down. The researcher had referred various journal, periodicals and newspapers to seek the information useful for the study.

**Secondary sources of data includes**

1) Reserve Bank of India bulletins, reports.
2) Co-operative department, Government of Maharashtra.
3) The Maharashtra urban co-operative Banks federation Ltd. Mumbai.
5) Library, Dr. Babasaheb Ambedkar Marathwada University, Aurangabad.
6) Library, Vaikuntlal Metha Institute of co-operation Pune.
7) Library, J. E. S. College, Jalna.
8) Library, Vivekanand College, Aurangabad.
9) Annual reports and priority sector lending reports of the selected urban Co-operative banks.
10) News papers, Journals etc.
B) **Experience survey – Interviews**

In simple word this survey has an aim to collect the information on the basis of experiences of the people who have expert views on the topic selected for the research.

The researcher had interviewed the directors managing Director, General manager and officers of the concerned urban co-operative banks selected for this study who were involved in planning and implementing of priority sector lending. The information collected through these interviews was related to the following aspects.

1) Procedure for identification and selection of beneficiaries under priority sector lending.
2) Problems faced by these functionaries in implementing priority sector lending programme.
3) Suggestions to make priority sector lending more effective

Similarly, some of the beneficiaries who availed the credit under priority sector lending by the selected urban co-operative Banks had helped to visualize the efficacy of the priority sector lending and the impact of priority sector lending on the beneficiaries. Only those beneficiaries who were competent, and had relevant information and ability to communicate were selected for the interview.

During the course of interviews each respondent had been asked only relevant questions related with the priority sector lending. The researcher has used flexible questions and also the interrogative questions to get completed and concrete information relating to the priority sector lending.
C) **Descriptive study consisting of field survey i.e. questionnaire**

Along with the experience survey, it was necessary to conduct the descriptive study. The purpose of descriptive study was to describe accurately the characteristics of the group, community or people. It was also necessary to reveal the impact of priority sector lending on the beneficiaries in the context of income generation, creation of employment opportunities and also to understand the problems faced by the beneficiaries and their suggestions relating to improvement in the services provided by the urban Co-operative banks for improving the satisfaction level of the beneficiaries.

The procedure used in the descriptive study was carefully planned, since the aim was to obtain accurate and complete information. Much greater provision for protection against bias was exerted.

The first stage in the descriptive study was to design the questions that were to be answered by respondents. Hence, the questionnaire was prepared for the survey of borrowers of selected UCBS under priority sector lending.

However, before the questionnaire was prepared, an extensive desk research was carried out to determine the exact requirement of data for inferring the meaningful conclusions. Keeping in view the requirement of data, detailed discussions were held with the bank officials and the resourceful persons on the subject of the study. The questionnaire thus prepared was given to the bank officials and resourceful persons and a pilot survey was also conducted. The questionnaire was further revised after comment and suggestions and on the basis of the experience of the pilot survey. The questionnaire thus reviewed, modified and finally cyclostyled.
The questionnaire was divided in the two parts. The part I consists of questions on personal profile of the beneficiaries and the part II consists of questions on the general profile of the beneficiaries which were specifically concerned with the borrowing under priority sector.

The primary data was collected through field investigation i.e. questionnaire during June 2007 to October 2009.

After the preparation of questionnaire, next step in descriptive study was to prepare a list of beneficiaries of the selected UCB for administration of questionnaire.

In some cases, the branches of selected UCBs were visited to verify the facts relating to credit obtained, repayment, overdue as reported by the respondents. In a few cases, the same respondents were visited after a gap of few months.

Difficulties of varying nature were faced, time and again during the course of field survey. However, these were overcome with the help of the employees of the selected UCBs.

Data so collected were analyzed through various statistical tools and interpreted. 100 beneficiaries each from selected UCBs had been chosen for the study. Each strata of the priority sector lending was adequately covered in this study.

Accordingly, the statistical study was mainly related to time series analysis of the selected UCBs, in the context of priority sector lending
D) **Sampling**

A sampling procedure is a technique of selecting a sample from a given population. A statistical sample is a miniature picture or cross section of the entire group or aggregate from which the sample is taken. For collecting representative data, samples are not selected haphazardly but proper procedure is adopted so that the influence of chance and probability can be estimated. 

Since the focal point of the research is the critical study of priority sector lending by urban co-operative banks in Jalna and Aurangabad districts. It was imperative to study the impact of priority sector lending on urban co-operative banks as well as on the beneficiaries borrowers under priority sector lending.

The study demands the multistage sampling the urban bank being the first stage unit and the beneficiary borrowers is the last stage unit. In the first stage 10% of the UCBs registered and operating in Aurangabad and Jalna district had been selected. Accordingly, one urban bank from each district had been selected on the basis of their respective performance and longevity in their respective district. At this stage systematic sampling method was used. 10% of the UCBs from Aurangabad and Jalna were being selected for intensive study. Accordingly, one bank from Aurangabad and Jalna had been selected.
In the last stage for the selection of beneficiaries the researcher had adopted stratified random sampling method. The researcher has selected 100 beneficiaries each from Jalna peoples co-operative bank, Jalna and Deogiri Nagari Sahakari bank, Aurangabad.
The priority sector lending has been stratified in nine sub-sectors viz. Agriculture, cottage and SSI, road and water transport operators, retail traders, small business enterprises, Educational loan, professionals and self-employed persons, housing loan and consumption loans. The researcher had given proper weightage to all the strata for the selection of beneficiaries for the purpose of field survey.

Table No.: 3.1

Selected urban banks wise and priority sector lending sub-sector wise number of sample beneficiaries

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Sub-sector Under priority</th>
<th>No. of Sample beneficiaries</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Jalna Peoples co-op. Bank, Jalna</td>
<td>Deogiri Nagari Sahakari Bank Aurangabad</td>
</tr>
<tr>
<td>1</td>
<td>Agriculture</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>2</td>
<td>Cottage &amp; SSI</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>3</td>
<td>Road and water Transport operators</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>4</td>
<td>Retail traders</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>5</td>
<td>Small business Enterprise</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>6</td>
<td>Professionals and Self employed</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>7</td>
<td>Educational loan</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>8</td>
<td>Housing Loan</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>9</td>
<td>Consumption loan</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Compiled by the researcher
The present section makes an attempt to critically review some of the studies made in India to evaluate the impact of priority sector lending on the performance of the banks and on generation of income & employment opportunities and repayment of loan by the beneficiaries.

The study in general relates to (I) performance evaluation of the banks in the context of priority sector lending (ii) Problems faced by the banks in relation to priority sector lending, (iii) impact of priority sector lending on the beneficiaries, (iv) problems faced by the beneficiaries in getting loan under priority sector lending (v) other incidents matters etc.

Shri M. B. Patil & Smt. Hemlata Patil in a study titled as “Priority Sector & Urban Co-operative banks”, reveals that the Urban Co-operative banking sector is a very strong significant component of the Indian co-operative movement. They are self reliant & are functioning with their own resources. They have built sizeable funds. They have generated a fair amount of surplus in their business. They have tapped the savings in urban & semi urban areas successfully & have collected a good amount of deposits.

The study also revealed that the deposit of urban co-operative banks came from people of small means as the deposit up to Rs. 10000/- forming nearly 60% of the total deposits. Major parts of advances were generally of small amounts of Rs. 5000/- loans. Over 60% advance were made to priority sectors like small industries, retail traders, small business, small transport operators, professionals & self-employed.
It is further revealed that the regional imbalance in the growth of UCBs in the country. Out of the total 1281 banks in the country, as many as 996 were in only 4 states of Maharashtra, Gujrat, Karnataka & Tamilnadu. Another 158 banks where in andhra Pradesh, Kerla & West Bangal and only 127 are located in remaining states and union territory. There is much scope in Uttar Pradesh, Rajastan, Madhya Pradesh. The RBI & the Dept. of Co-operation of the concerned state should come forward to encourage new banks and give support to the existing banks to open branches in unbaked areas.

A purpose wise analysis of the loans issue by the urban co-operative banks in 1978-79 reveals that 34.5 % of their loans where advanced for trade & commerce, 8.1% to small industries and 14.2% for domestics requirements. An analysis of their loans according to the size indicates that 46.9 % of their loans where given to the persons borrowing less than Rs. 5000 each & they accounted for 94.2 % of the total borrowers. This makes amply clear that these are the banks that belong to and serve the weaker section. Thus, urban – Co-operative bank by its very character is eminently suited for the development of the weaker section of the community.

It is pointed out that the urban co-operative banks are very conservative is their advances. Their advances are mostly security oriented. The urban banks must bear in mind that they must not neglect the viable projects simply because they do not have security and do not financed a non-viable project. It is not the probity alone that matters. It is the involvement of the financial institutions in the national development activities that matters much more than anything else.
The urban co-operative banks must look deeper into their strength, weakness, opportunities & threats (SWOT analysis). The urban co-operative banks must realize the characteristics of the environment in which they are going to function in future. The banks will have to play the role of “change agents” in the new situation. Hence today’s need is change seeking & change setting leadership. (6)

Dr. N. A. Majumdar in his study observed that the 1990s would go down as a lost decade for priority sectors. The policy makers succeeded in shifting the focus of micro-economic management away from the end objectives of development, namely, reduction in poverty and improvement in the quality of the life of the bulk of the population. The poor practically disappeared from the development agenda and the policy makers seemed to stipulate; let the poor fend for themselves. In the milieu of the new banking culture fostered by reforms, lending to agriculture or priority sector generally becomes unfashionable.

He has opined that the priority sector would continue to play critical role in India’s future growth & development. There are at least three reasons why priority sector should continued to occupy a pre-eminent position on the development agenda, if the end objectives of development over to be achieved. There are food security, employment & non-form activities, which are linked directly or indirectly to agricultural growth and rural employment.

In globalize banking scenario, priority sector would continue to play a critical role in the growth & development of the India economy. Banks and other institutions must be re-orient their operations to facilitate the growth
of priority sectors by widening the loan portfolio & also establishing linkage with Panchayat Raj institutions, NGOs & SHGs. (7)

O.P. Goyal in has study. “A model for the optimum Generation of employment, Production and income viz priority sector Advances” developed a model which may abet in maximizing the generation of employment opportunities. Increase in production and income in the priority sector as a consequence to the financial assistance extended by the commercial banks of the state sector. He has highlighted the set of variable conditioning the optimum results on the selected scores and also attempted to develop the caveat model through employing the perceived variable and assigning them the appropriated symbols so as to impart it a mathematical expression.

According to him, since the large portion of borrowers to be benefited in the priority sectors are from the deprived class, most of the perceived abilities may not be endowed with by them. Arranging of short duration appropriate orientation, training and development programmes by the financing bank either independently by themselves or in collaboration with state government department or state development agencies or public finance institutions or universities or other institutions of management and specialized in higher learning would be an imperative and pervasive need in the context. Beneficiaries belonging to the priority sector must be blessed with another strategic variable, namely, motivated behavior. (8)

Mr. P. N. Joshi in his article “Financial Sector reforms & the weaker sections of society” argued that the concept of priority sector credit has been diluted considerably by including subscription to bonds & debentures of the infra-structure & development organization. He has also claimed that the
sub targets in the priority sector of 10% to the weaker sections have been conveniently forgotten both by the banks & the regulations authorities. In his opinion, reserve bank appears to be moving away from the social content of banking. The reforms introduced since 1991, have by & large, curtailed the services to the large majority of the weaker sections. After the introduction of financial sector reforms, the authorities turned a nelson’s eye to the achievement of priority sector targets. There has been continuous neglect of the social content of banking during the last decade. The number of borrower accounts has gradually declined after 1992.

Unless banking reaches the lowest rung of the population ladder, it will not effectively work as the medium of transaction throughout the economy. The larger objective of banking viz., catering to credit requirements of productive & distributive units will remain an empty dream. There imponderables will continue to haunt the egalitarian scholars but the so-called market economists have no time for these concerns. And yet, in developing countries, where only one-fifth of the population has bare minimum facilities, ignoring the larger objective of providing banking facilities to the vast majority of the population would be perilous. In fact, bank efficiency in such countries needs to be measured with a variety of yardsticks & ranking of banks should cover a broad canvas. This issue need a wider debate lest we continue to show only lip sympathy to the cause of the agrarian population.(9)

Mr. H. C. Dua in a study titled as “Social Banking for economic Development” revealed that the success of social banking to a great extent depends on how effectively it is administered by the implementing agencies and the extent to which the modus operandi of the programme is understood and accepted by the target group. Any asset created through credit support
to the target group, is the net gain for the economy even if the banks are to make some sacrifice for that. He has also opined that if the loopholes in the implementation of the programmes are plugged in, then our social banking measures will be able to set a unique example that the third world countries may follow successfully for the amelioration of mass poverty and attaining socio-economic development. (10)

Madhavdas Committee in their report opined that the order of priority in relation to loan policies and procedures by the urban bank may be as follows (i) small-scale & cottage industries, (ii) Schemes for gainful employment of educated unemployed, (iii) Self employed persons and professionals, (iv) small road and water transport operators, (v) trade and commerce, (vi) Housing schemes, (vii) consumption loans & (viii) consumers co-operative societies.

According to Madhavdas committee report urban banks with their local knowledge have a crucial role to play in the financing of small-scale and cottage industries, particularly the tiny sector. Sustained propaganda and publicity are called for to impress upon urban banks the need for flow of funds for small scale and cottage industries and the socio-economic benefits that would be derived there from.(11)

Mr. C.K. Chatterjee in his article “Hundred years of India co-operative movement its problems and prospects in the present scenario”, expressed the view that the co-operative is not the institutions comprising individuals. It is a tool to help the oppressed people lead a dignified existence irrespective of caste, creed and religion. Co-operative system promotes socialistic pattern of society by uniting members of the society under one fold for their economic survival and fulfillment of other needs of
life and to come out of grip of capitalism, which aims only to accumulate wealth for a selected few. Co-operatives should function exclusively for the benefit of their members irrespective of their political affiliation with a view to establishing welfare economy for the upliftment of the oppressed and the exploited and to reduce the ever winding economic gap between the rich and the poor.

A strong co-operative system and culture can strengthen the country’s economy and help achieve the objectives of a welfare state.(12)

V. Ambumani and S. Niranjan in their study on “Social objectives and priority sector lending” concluded that the proportion of priority sector advances has significantly increased during the period from 1969 to 1992. Credit outstanding to priority sector by activity showed a tremendous increase over the period under review. The ratio of priority sector credit outstanding by activity to total bank credit has also fluctuated over the period under study. After the liberalization, proportion of each sector has declined except the export credit. It was also concluded that the notion of reduction in the bank credit will affect the performance of agriculture and small-scale industries is unfolded. The emergence of large number of private finance companies had started supplying credit in a big way without many formalities. And as such even further reduction in the priority sector advances will no way affect the output of either agriculture or small scale industries.(13)

Tarakant Jha in his study, “Priority Sector lending A case study in Mithila region in Madhubani (Bihar)”, opined that the state Government should ensure favorable climate for speedy recovery of loans. It would result in recycling flow of credit. His main suggestions were (a)
establishment of recovery cell, (b) proper co-ordination among lending institutions, (c) linking credit with marketing, (d) maximum credit should be given by the co-operative banks, (e) state Government agencies should cut delays in granting loans and subsidies to banks so that bank may increase recycling flow of credit to meet the credit needs of the weaker section of rural areas.

He has also opined that the proper utilization of priority sector lending can help in the development of the weaker section on the condition that the administration, the bank authorities, weaker sections and general public offer a helping hand in the attainment of the objectives of the priority sector lending. Hence, for the success of the priority sector lending all classes of people of all regions and communities should co-operate. (14)

R. Arunachaalm and R. Sentuamarai conducted a study on “Co-operative Urban Bank in priority sector lending”. The study suggests among other things the following:

1) The potentialities for development of each category of priority sector differ from district to district, city limits and semi-Urban areas. Therefore, Urban co-operative banks may undertake surveys to identify the felt needs of the borrowers to give credit.
2) Both pre-sanction and post disbursement supervision be made effective.
3) There is a need for proper records to be maintained by urban co-operative banks. The purpose wise register as suggested by RBI should be introduced.
4) Half yearly and annual statements need to be maintained without fail.
5) The current limit of consumption loan shall be revised upward suitably.
6) There is need for co-ordinate approach between RBI and the co-operative department

7) RBI may conduct workshops periodically covering all district of a state to facilitate urban co-operative banks to enhance their operational efficiency in priority sector lending. (15)

Koli P.P. conducted a study on “Emerging environment and urban co-operative Banks”. He has opined that in spite of the some inherent weaknesses; the growth of urban co-operative banks on the whole is satisfactory. He has further suggested, namely.

a) The most critical area in the improvement of profit is reduction in non-performing assets. This can be achieved through upgradation of quality of loan assets.

b) Profit maximization should not be the pure motive of the urban banks.

c) Urban banks should depend upon the non-fund business.

d) A significant improvement in customer service by banks can no longer be ignored.

e) The housekeeping issues should also be in innovative manner.

f) The financing of agricultural activities will solve the problem of surplus deposits.

g) There is a need for simplification of loan process.

h) Banks should select target customers and then approach them.

i) The co-operators need to pay concerted attention in the other states to form banks. (Other than Maharashtra, Gujarat etc.)

j) The weaknesses, such as, absence of sound management, political interference, lack of delegation of power, delay in decision making, lack of operation manual, lack of training to staff, overdue, etc. should be taken care of. (16)
K. Reshma conducted a study on “Urban co-operative Banking sector in the post reform scenario”. She has opined that the challenges thrown up by the reforms in the banking sector in way forces urban co-operative banks to re-position them in the increasingly competitive environment. It needs no emphasis that only well managed urban co-operative banks will be able to withstand the onslaught of competition. In their strategies for survival and growth, UCBs must place weight on information technology for better banking business and enhanced customer satisfaction. Similarly, organizational re-structuring, management of assets and liabilities, profit planning, NPA reduction, Management and improving systems and procedures are the other areas which demand the immediate attention of the management boards of UCBs. UCBs should evolve clear – cut human resource development policy with a special thrust on training, which alone will ensure higher per employee productivity in the long run. (17)

Mohan Dharia in his article “co-operative movement past, present and future,” has suggested that the Government should constitute a co-operative commission to examine the various aspects including the short falls and to suggest an effective programme of action for the future. Co-operatives should be made competitive in internal as well as in internationals market. Simultaneously, it is the paramount duty of the Government to render due protection to the movement wherever it takes care of the welfare and social services a part of the government obligation.

Growth with social justice along with due care of environment for sustainable development must be the new direction of the co-operative movement. (18)
Mahesh A. Kulkarni in his study paper “A study of the organization and Functioning of selected urban co-operative Banks in Nashik region (including Nashik, Ahemednagar, Dhule and Jalgaon Districts) with special reference to priority sector lending”, made the recommendations for problems related to priority sector advances as follows:

(i) Fixation of norms of priority sector advances at District level.
(ii) Increase the existing limits of advances
(iii) Documentary Evidence Reports of Bank officials should be accepted
(iv) Government should offer subsidy to compensate for the losses incurred by urban Banks.
(v) New items to be included in priority sector advances.

B. Dharmambal and Chellam subramanian in their study paper opined that the Narasimhan Committee II Strongly felt that it is the combination of operational flexibility and outside competition that would improve the functioning of the public sector banks. The persisting oligopolistic nature of the functioning of the public sector banks should be dismantled and a level playing ground should be installed. This justifies the attempt of the Narasimham committee report II to strengthen the financial system by recommending a complete restructuring of the industry with the phasing out of directed lending. One of the lacuna identified in the report was the lending to other productive sectors in the economy at a relatively higher cost on account of the cross-subsidization of interest necessitated by wasting funds in loan melas. The myth surrounding the indispensability of low cost credit to social purpose was exploded. The report established that the above line of thinking as misconception. It was emphasized that timely access to credit and its adequacy were more important factors.
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