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CONCLUSIONS AND SUGGESTIONS

The financial sector is becoming more and more complex and sophisticated thereby requiring the banks to evolve dynamic strategies giving a thrust to quality of lending and to keep non-performing assets within tolerance limits. The active involvement of urban co-operative banks in priority sector lending during the last thirty eight years has led to some operational problems like dismal recovery performance, mounting non-performing assets, adverse effect on yield on social lending on account of high servicing cost of small accounts and increasing establishment and operational costs. As a result, the profitability of urban co-operative banks has gravely impaired. All this calls for some re-examination of the present priority sector lending so as to ascertain the problems encountered in the implementation of the priority sector lending. For this purpose Aurangabad and Jalna districts have been selected for in depth micro-analysis.

The main objectives of the study are to highlight the rationale for priority sector lending and to make a critical appraisal of priority sector lending in the context of employment generation. An attempt is also made to study the reason of reluctance shown by urban co-operative banks with regards to the priority sector lending and to find out the problems faced by urban co-operative banks in the context of priority sector lending. The study also aims to find out the relationship between priority sector lending and NPA and to find out the utilization of priority sector lending. The ultimate aim of the study is to pinpoint the areas for restructuring the priority sector
lending policy. For this purpose researcher has selected one urban co-operative bank each from Aurangabad and Jalna district, namely, Deogiri Nagari Sahakari Bank Ltd., Aurangabad and the peoples’ co-operative bank Ltd., Jalna respectively as the study area. Researcher has selected 100 beneficiaries each from the two banks who have availed bank finance under the priority sector lending on stratified random sampling basis for intensive study. Researcher has adopted qualitative approach for conducting this study and used the questionnaire and interview method to solicit complete and reliable information from the beneficiaries. Interviews of bank officials and experts were also undertaken for this study.

After carefully analyzing and studying the impact of priority sector lending on urban co-operative banks and its beneficiaries in the context of profitability and non-performing assets of the urban co-operative banks, increase in the income level of beneficiaries and generation of employment opportunities for the masses following findings and conclusions are drawn.

**Findings**

It is found that the relative position of urban co-operative banks in comparison to the commercial bank is very poor in respect of number of branches, total deposits and total advances.

The proportionate share of commercial banks in respect of number of branches, total deposits and total advances were 76.5%, 85.7% and 82.9%
respectively. In respect of urban co-operative banks it was 8.3%, 6.3% and 6.7% respectively.

However, the relative finance position of the urban co-operative banks was better than the district central co-operative banks and the state co-operative banks. (Table no. 1.1)

It is found that the market share of UCBs in total bank deposits was ranging between 4.5% to 6.6% during the period from 1995-96 to 2005-06. In case of commercial banks it was ranging between 82.9% to 86.7% during the same period. (Table no. 1.2)

It is found that the urban co-operative banks have been concentrated in Maharashtra and Goa (34%), Karnataka (16%) and Gujarat (16%). The remaining states and union territories account for only 34% of the UCBs it 31st March, 2006. It means that the development of UCBs in the states and union territories other than Maharashtra and Goa, Karnataka and Gujarat is very dismal. (Table no. 1.3)

It is found that the gross NPA as a percentage of total advances of all the reporting UCBs in India at the end of March, 2001 to end of March 2006 ranges between 16.1% to 19.79% and Net NPA as a percentage of total advances of all the reporting UCBs in India at the end of March 2003 to end of March 2006 ranges between 9.6% to 13.0%. This means that the Gross
NPA and Net NPA are the cause of concern for most of the UCBs. (Table no. 1.4)

It is found that the progress of urban co-operative banks in Maharashtra during 1961 to 2000 in respect of number of UCBs, membership, share capital, deposits and loans was very impressive. It was at a high rate during 1991-2000.

Over the period of 40 years from 1991-2000 the number of UCBs in Maharashtra has increased by more than 4 times, membership has increased by nearly 18 times, share capital has increased by 200 times, deposits has increased remarkable by nearly 2896 times and total loans outstanding has increased by nearly 1012 time. However, during the same period overdue has also increased by 283 times.

It means that the UCBs have made all round development in Maharashtra during 1961-2000. This is mainly because of the application of the Banking Regulation Act, 1949 to UCBs since 1966 and introduction of deposits insurance cover scheme for the deposits held by UCBs. (Table no. 1.6)

It is found that the progress of UCBs in western Maharashtra and Mumbai regions of Maharashtra was very good as compared to the Marathwada, Vidarbha and Konkan regions of Maharashtra.
At the end of March 2000, region wise proportion of number of members of UCBs in Maharashtra was as follows: Mumbai region 30%, Konkan 9%, western Maharashtra 45%, Marathwada 6% and Vidarbha 10%.

At the end of march 2000, region wise proportion of own fund of UCBs in Maharashtra was as follows: Mumbai 46%, Konkan 9%, western Maharashtra 36%, Marathwada 4% and vidarbha 5%.

On the same time, region wise proportion of deposits of UCBs in Maharashtra was as follows: Mumbai 40%, Konkan 8%, western Maharashtra 40%, Marathwada 4 and vidarbha 8%.

Similarly, the region wise proportion of loans outstanding of UCBs in Maharashtra was as follows: Mumbai 38%, Konkan 8%, western Maharashtra 42%, Marathwada 4 and vidarbha 8%. (Table no. 1.7)

It is found that the total number of borrowing units under priority sector lending by the Deogiri bank, Aurangabad has increased by nearly 2.9 times over the period from 1995-96 to 2004-05. Over the same period of time the number of borrowing units under priority sector lending by the Peoples’ bank, Jalna has increased by only 21.31%. It is further found that the absolute number of borrowing units under priority sector lending by the Peoples’ bank has continuously declined after March 2001 from 5912 units to 3950 units at the end of March 2005. (Table no. 4.5 and 4.6)
It is found that the limits sanctioned amount advanced and balance outstanding, overdue under priority sector lending by the Deogiri bank, Aurangabad over the period from 1995-96 to 2004-05 had increased around 10 times. Over the same period of time the limits sanctioned, amount advanced balance outstanding and overdue under the priority sector lending by the Peoples’ bank, Jalna had increased by nearly 1.4 times, 2.8 times, 3 times and 67.20%. (Table no. 4.5 and 4.6)

It is found that the amount of overdue as a percentage of balance outstanding under the priority sector lending by Deogiri bank, Aurangabad in the year 1995-96 was at 13.44%. It has continuously declined till the year 2002-03. In the year 2003-04 and 2004-05, it was at 13.23% and 12.08% respectively. The amount of overdue as a percentage of balance outstanding under the priority sector lending by the Peoples’ bank, Jalna in the year 1995-96 was highest at 31.90%. There after it was continuously declined and reached the lowest level of 9.49% in the year 2000-01. Again it has continuously increased and reached at 19.95% in 2003-04. In 2004-05, it was at 19.54%. As compared to the Deogiri bank, Aurangabad in respect of amount of overdue as a percentage of balance outstanding, the condition of the Peoples’ bank, Jalna was very poor throughout the period under study. (Table no. 4.5 and 4.6)

It is found that the number of borrowing units under all the sub-sectors of the priority sector lending by Deogiri bank, Aurangabad has increased over the period of ten years from 1995-96 to 2004-05. The
increase in the number of borrowing units under housing loan, agriculture and allied activities and education loan was very impressive. The relative position of the borrowing units under the sub-sectors of the priority sector lending by the Deogiri bank, Aurangabad has undergone a sea change during the period from 1995-96 to 2004-05. In 1995-96, the proportionate share of borrowing units under housing loan, loan to professionals and self-employed persons and loans to retail traders was 42.05%, 21.21% and 17.22% respectively. In 2004-05, the proportionate share of borrowing units under housing loan, loan to retail traders and agriculture and allied activities was 51.74%, 18.12% and 8.49% respectively.

This means that the relative importance of agriculture and allied activities has considerably increased during the period from 1995-96 to 2004-05 in respect of priority sector lending by the Deogiri bank, Aurangabad.

It is further found that the number of borrowing units under the sub-sectors housing loan, road and water transport operators, professional and self-employed persons, agriculture and allied activities and education loan of the priority sector lending by the Peoples’ bank, Jalna has increased over the period from 1995-96 to 2004-05. The number of borrowing units under the sub-sectors retail traders, cottage and small scale industries, small business enterprises and consumption loans of the priority sector lending by the Peoples’ bank, Jalna has decreased over the period from 1995-96 to 2004-05. The relative position of the borrowing units under the sub-sectors of the priority sector lending by the Peoples’ bank, Jalna has undergone a
sea change during the period from 1995-96 to 2004-05. In 1995-96, the proportionate share of borrowing units under housing loans, loans to retail traders and small business enterprises was 27.94%, 42.22% and 18.70% respectively. In 2004-05, the proportionate share of borrowing units under housing loans, small business enterprises and professionals and self-employed persons was 65.41%, 13.79% and 5.29% respectively.

This means that the relative importance of housing loans and professional and self-employed persons has considerably increased and the relative importance of loans to retail traders has considerably decreased during the period from 1995-96 to 2004-05 in respect of priority sector lending by Peoples’ bank, Jalna. (Table no. 4.7 & 4.8)

It is found that the limits sanctioned to priority sector lending by the Deogiri bank during 1995-96 to 2004-05 has increased by more than 10 times. Limits sanctioned to various sub-sectors of the priority sector by Deogiri bank has undergone a sea change over the period from 1995-96 to 2004-05.

In 1995-96, the proportionate share of the limits sanctioned to cottage and SSI, professionals and self-employed persons, road and water transport operators, housing loans and retail traders was 37.62%, 17.86%, 17.11%, 14.56% and 10.75% respectively. The proportionate share of the remaining priority sectors was only 2.05% of the total priority sector lending by the Deogiri bank, Aurangabad.
In 2004-05, the proportionate share of the limits sanctioned to cottage and SSI, housing loans, retail traders, agriculture, small business enterprises was 35.50%, 24.87%, 13.51%, 10.96% and 5.68% respectively. The proportionate share of the remaining priority sectors was only 15.48% of the total priority sector lending.

It means that the cottage and SSI sector remained at the top in the amount of limits sanctioned by the Deogiri bank, Aurangabad over a period from 1995-96 to 2004-05. During the same period the proportionate share of limits sanctioned to agriculture, housing and retail traders have increased and the to the professionals and self-employed persons and road and water transport operators have declined. The relative increase in the limits sanctioned to agriculture and housing loan was very impressive.

It is also found that there were no consumption loans sanctioned during 1995-96 to 2004-05. In 2004-05, the amount of limits sanctioned for consumption was negligible. Similarly, the amount of limits sanctioned for education loan throughout the period from 1995-96 to 2004-05 was negligible. (Table no. 4.9)

It is further found that the limits sanctioned to priority sector by the Peoples’ bank, during 1995-96 to 2004-05 has increased by 2.39 times.
The limits sanctioned to various sub-sectors of the priority sector by the Peoples bank has also undergone a sea change over the period from 1995-96 to 2004-05.

In 1995-96, the proportionate share of the limits sanctioned to cottage and SSI, small business enterprises, retail traders, housing loans was 61.96%, 16.68%, 10.77% and 6.07% respectively. The limits sanctioned to the remaining priority sectors was only 4.52% of the total limits sanctioned to the priority sector by the Peoples’ bank, Jalna.

In 2004-05, the proportionate limits sanctioned to housing loans, cottage and SSI, small business enterprises and retail traders was 30.78%, 30.42%, 27.35% and 4.99% respectively. The proportionate limit sanctioned to the remaining priority sector was only 6.46% of the total limits sanctioned to the priority sector by the Peoples’ bank, Jalna.

It means that the relative importance of housing loans and small business enterprises have increased over the period of ten years from 1995-96 to 2004-05. During the same period the relative importance of cottage and SSI and retail traders have declined. The relative increase in the limits sanctioned over the period from 1995-96 to 2004-05 to the housing sector was very impressive. (Table no. 4.10)
It is found that the amount advanced under that priority sector lending by the Deogiri bank, Aurangabad over the period from 1995-96 to 2004-05 has increased by 10.21 times.

During the period from 1995-96 to 2004-05, the amount advanced by the Deogiri bank, Aurangabad under the priority sector lending to small business enterprises, agriculture and allied activities, housing, retail traders and cottage and SSI has increased by 113.42 times, 83.60 times, 17.03 times, 12.71 times and 9.81 times respectively.

It means that the relative importance of small business enterprises, agriculture, housing and retail traders has increased over the period from 1995-96 to 2004-05. (Table no. 4.11)

It is found that the amount advanced under the priority sector lending by the Peoples’ bank, Jalna over the period from 1995-96 to 2004-05 has increased by 2.80 times.

During the period from 1995-96 to 2004-05 the amount advanced by the Peoples’ bank, Jalna under the priority sector lending to housing loan, agriculture and allied activities, small business enterprises, consumption loans, professionals and self-employed persons, road and water transport operators has increased by 11.95%, 4.35%, 4.27%, 4.06%, 3.95% and 3.29% respectively. The increase in the amount advanced to remaining sub-sectors of the priority sector lending by the Peoples’ bank was negligible.
It is also found that the relative importance of housing loan, agriculture and small business enterprises has increased over the period of ten years from 1995-96 to 2004-05 and the relative importance of cottage and SSI and retail traders has declined during the same period. (Table no. 4.12)

It is found that the amount of balance outstanding under the priority sector lending by the Deogiri bank, Aurangabad and Peoples’ bank, Jalna over the period from 1995-96 to 2004-05 shows the similar trend as seen in respect of limits sanctioned and amount advanced. (Table no. 4.13 and 4.14)

It is found that the amount of overdue under the priority sector lending by the Deogiri bank, Aurangabad over the period from 1995-96 to 2004-05 has increased by 9.75 times. The increase in the amount of overdue was slightly lower than the increase in amount of limits sanctioned amount of advances and amount of balance outstanding for the same period.

It is found that the proportionate amount of overdue under loans to cottage and SSI was much higher than the other sub-sectors of the priority sector. After the cottage and SSI, the proportionate amount of overdue under loans to retail traders, professionals and self-employed persons and housing loans were relatively higher than the remaining sub-sectors of the priority sector.
In 1995-96, the proportionate share of amount of overdue against the loans to cottage and SSI, retail traders, professionals and self-employed persons, road and water transport operators and agriculture in respect of priority sector lending by the Deogiri bank, Aurangabad was 27.07%, 21.63%, 18.65%, 18.03% and 10.12% respectively.

In 2004-05, the proportionate share of amount of overdue against the loans to cottage and SSI, retail traders, housing loans, professionals and self-employed persons and agriculture in respect of priority sector lending by the Deogiri bank, Aurangabad was 51.43%, 15.46%, 8.96%, 7.27% and 6.31% respectively. (Table no. 4.15)

It is found that the amount of overdue under the priority sector lending by Peoples’ bank, Jalna over the period from 1995-96 to 2004-05 has increased by 1.67 times. The increase in the amount of overdue was much lower than the increase in the amount of limits sanctioned, amount advanced and the amount of balance outstanding for the same period.

It is found that the proportionate share of amount of overdue under loans to cottage and SSI, small business enterprises retail traders and housing loans was much higher than the other sub-sectors of the priority sector.

In 1995-96, the proportionate share of amount of overdue against the loans to cottage and SSI, retail traders, housing loans and small business
enterprises in respect of priority sector lending by the Peoples’ bank, Jalna was 69.63%, 10.05%, 9.79% and 7.18% respectively.

In 2004-05, the proportionate share of amount of overdue against the loans to small business enterprises, cottage and SSI, housing loans and professionals and self-employed persons in respect of priority sector lending by the Peoples’ bank, Jalna was 39.95%, 36.29%, 14.17% and 4.29% respectively.

It means that the proportionate share of amount of overdue over the period from 1995-96 to 2004-05 in respect of loans to small business enterprises has increased sharply and in respect of cottage and SSI it has declined sharply. However, the proportionate amount of overdue in respect of loans to cottage and SSI remained higher than other sub-sectors of the priority sector lending by the Peoples’ bank, Jalna except the loans to small business enterprises. (Table no. 4.16)

It is found that the average amount of advances per borrowing units under the priority sector lending by the Deogiri bank, Aurangabad, during the period from 1995-96 to 2004-05, to agriculture and allied activities, cottage and SSI, road and water transport operators, retail traders, small business enterprises, professional and self-employed persons, education loans and housing loan has increased by 2.03 times, 3.51 times, 1.48 times, 3.26 times, 14.05 times, 2.77 times, 1.55 times, 3.55 times respectively. There were no consumption loans during 1995-96 to 2003-04. However, in 2004.05, average amount of consumption loan per borrowing unit was Rs. 108665.
This means that the average amount of advances per borrowing unit by Deogiri bank to small business enterprises has increased at a very high rate as compared to other sub-sectors during 1995-96 to 2004-05.

In 1995-96, the average amount of advances per borrowing unit to the sub-sectors of the priority sector by the Deogiri bank, Aurangabad was as follows: agriculture and allied activities Rs. 106608, cottage and SSI Rs. 417931, road and water transport operators Rs. 107453, retail traders Rs. 38351, small business enterprises Rs. 21790, professionals and self-employment persons Rs. 54046, education loans Rs. 10410, housing loans Rs. 22269 and consumption loan-Nil.

In 2004-05, the average amount of advances per borrowing unit to the sub-sectors of the priority sector by the Deogiri bank was as follow: Agriculture and allied activities-Rs. 216698, cottage and SSI Rs. 1467741, road and water transport operators Rs. 159695, retail traders Rs. 124979, small business enterprises Rs. 306288, professionals and self-employment persons Rs. 149922, education loans Rs. 16105, housing loans Rs. 79078 and consumption loan-Rs. 108665. (Table no. 4.17)

It is found that the average amount of advances per borrowing unit under the priority sector lending by the Peoples’ bank, Jalna, during the period from 10095-96 to 2004-05, to agriculture and allied activities, cottage and SSI, retail traders, small business enterprises, education loans
and housing loan and consumption loans has increased by 1.3 times, 2.8 times, 10.5 times, 4.7 times, 1.24 times, 4.21 times and 4.29 times respectively. However, the average amount of advances per borrowing unit to road and water transport operators and professionals’ self-employed persons has declined by 64% and 3.5% respectively.

This means that the average amount of advances per borrowing unit by Peoples’ bank to retail traders has increased at a high rate as compared to the other sub-sectors of the priority sector lending during 1995-96 to 2004-05.

In 1995-96, the average amount of advances per borrowing unit to the sub-sectors of the priority sector by the Peoples’ bank, Jalna was as follows: Agriculture and allied activities-Rs. 12826, cottage and SSI Rs. 404054, road and water transport operators Rs. 121222, retail traders Rs. 8304, small business enterprises Rs. 27254, professionals and self-employment persons Rs. 42843, education loans Rs. 11606, housing loans Rs. 7968 and consumption loan-Rs. 6236.

In 2004-05, the average amount of advances per borrowing unit to the sub-sectors of the priority sector by the Peoples’ bank, Jalna was as follow: Agriculture and allied activities-Rs. 1132632, road and water transport operators Rs. 43349, retail traders Rs. 87220, small business enterprises Rs. 130144, professionals and self-employment persons Rs. 41344, education loans Rs. 14440, housing loans Rs. 33540 and consumption loan-Rs. 26750. (Table no. 4.18)
It is found that the sub-sectors wise amount of overdue per borrowing units under the priority sector lending by the Deogiri bank, Aurangabad, over the period from 1995-96 to 2004-05, in respect of cottage and SSI, road and water transport operators, retail traders, small business enterprises, professional and self-employed persons, education loans and housing loan has increased by 6.63 times, 1.76 times, 1.79 times, 1.44 times, 3.73 times, 3.9 times and 9.10 times. During the same period, the amount of overdue per borrowing unit in respect of agriculture and allied activities has declined by 69%.

It means that the average amount of overdue per borrowing unit in respect of housing loans and cottage and SSI has increased at a faster rate than the other sectors of the priority sector.

In 1995-96, the overdue amount of overdue per borrowing unit in respect of the sub-sectors of the priority sector by the Deogiri bank, Aurangabad was as follows: Agriculture and allied activities Rs. 86043, cottage and SSI Rs. 32875, road and water transport operators Rs. 12116, retail traders Rs. 818, small business enterprises Rs. 10720, professionals and self-employment persons Rs. 6019, education loans Rs. 589, housing loans Rs. 326.

In 2004-05, the average amount of overdue per borrowing unit in respect of the sub-sectors of the priority sector by the Deogiri bank, Aurangabad was as follow: Agriculture and allied activities-Rs. 26744, cottage and SSI Rs. 218122, road and water transport operators Rs. 21283,
It is found that the sub-sectors wise amount of overdue per borrowing units under the priority sector lending by the Peoples’ bank, Jalna, over the period from 1995-96 to 2004-05, in respect of agriculture and allied activities, cottage and SSI, retail traders, small business enterprises, has increased by 1.94 times, 1.61 times, 5.6 times, and 10.39 times respectively. During the same period amount of overdue per borrowing unit in respect of road and water transport operators, professionals and self-employed persons, education loan and housing loan has declined by 86%, 0.03%, 33%, and 15% respectively. However, there was no overdue in respect of consumption loan throughout the period from 1995-96 to 2004.05.

It means that the amount of overdue per borrowing unit in respect of retail traders and small business enterprises has increased at a higher rate than the other sub-sectors of the priority sector lending by the Peoples’ bank, Jalna during 1995-96 to 2004.05.

In 1995-96, the average amount of overdue per borrowing unit to the sub-sectors of the priority sector by the Peoples’ bank, Jalna was as follows: Agriculture and allied activities-Rs. 461, cottage and SSI Rs. 138869, road and water transport operators Rs. 43444, retail traders Rs. 2129, small business enterprises Rs. 3436, professionals and self-employment persons Rs. 10294, education loans Rs. 424, housing loans Rs. 3132 and consumption loan-Nil.
In 2004-05, the average amount of overdue per borrowing unit to the sub-sectors of the priority sector by the Peoples’ bank, Jalna was as follow: Agriculture and allied activities-Rs. 896, cottage and SSI-Rs. 223506, road and water transport operators Rs. 6075, retail traders Rs. 11943, small business enterprises Rs. 35689, professionals and self-employment persons Rs. 9952, education loans Rs. 283, housing loans Rs. 2671 and consumption loan-Nil. (Table no. 4.20)

It is found that the net profits of the Deogiri bank, Aurangabad has continuously increased during the period from 1995-96 to 2001-02. Thereafter it has been declined for the year 2002-03 and 2003-04 and then in 2004-05, it has again increased. In 2001-02, it was at the highest level of Rs. 20152195 for the period from 1995-96 to 2004-05. In 1995-96, it was Rs. 4183251 and in 2004-05, it was Rs. 28145922. It has increased by nearly 7 times over the period of ten years from 1995-96 to 2004-05.

Total amount of advances by the Deogiri bank, Aurangabad has continuously increased during the period from 1995-96 to 2004-05. In 1995-96, it was at Rs. 131019541 and in 2004-05, it was at Rs. 2474518202. It has increased by nearly 19 times over the period from 1995-96 to 2004-05.

The percentage of net profits to total advances of the Deogiri bank, Aurangabad was highest at 6.14%, in 1996-97. Thereafter it has continuously declined at reached at 1.13% in 2004-05.
The percentage of overdue to total advances of the Deogiri bank, Aurangabad shows the up and down trend during the period 1995-96 to 2004-05. It was at the highest level of 11.66% in 2004-05. in 1999-2000, it was at the lowest level of 5.14%.

The Deogiri bank, Aurangabad has attained the target of priority sector lending to total advances of 60% for the ten year from 1995-96 to 2004-05 except the year from 1996-97 and 1997-98. The target of weaker section lending to total advances of 15% could not been attended by the Deogiri bank during the period from 1995-96 to 2002-03. However, in 2003-04 and 2004-05, Deogiri bank, Aurangabad has attained the target of weaker section lending. The percentage of weaker section lending to total advances in 2003-04 was highest at 17.64%. In 2001-02, it was lowest at 7.77%.

It is further found that the percentage of net NPA of the Deogiri bank continuously increased from 3.82% in 1999-2000 to 7.16% in 2003-04. In 2004-05, it was at 5.13%. The percentage of Gross NPA of the Deogiri bank shows the same trend. In 2000-01, it was at 6.25% and in 2004-05; it was at the highest level of the period at 15.98%. In 2004-05, it was at 13.62%.

It is found that the net profits and the percentage of the net profits to total advances has been sharply declined in 2003-04 when the percentage of weaker section advances to total advances and percentage of the Net NPA
and Gross NPA were highest despite the increase in the total advances. (Table no. 4.21)

It is found that there was up and down trend in the net profits of the Peoples’ bank, Jalna during the period from 1995-96 to 2004-05. In 2001-02, it was highest at Rs. 8894683 and in 2002-03, it was lowest at Rs. 102459.

In respect of total amount of advances by the Peoples’ bank, Jalna during 1995-96 to 2004-05, the up and down trend was continued.

The percentage of net profits to total advances of the Peoples’ bank, Jalna was highest at 3.36% in 1996-97. Thereafter, it has continuously declined till 2002-03 and reached the lowest level of 0.02% for the period under study. In 2003-04 and 2004-05, it was 0.57% and 0.11% respectively.

The percentage of overdue to total advances of the Peoples’ bank, Jalna shows up and down trend during the period from 1995-96 to 2004-05. It was at the highest level of 30.09% in 1995-96. In 2000-01, it was at the lowest level of 12.88%. In 2003-04 and 2004-05, it was at 29.90% and 26.06% respectively.

The peoples’ bank, Jalna has attained the target of priority sector lending to total advances of 60% throughout the period of ten years from 1995-96 to 2004-05. The percentage of weaker section lending to total
advances by the Peoples’ bank, Jalna during 1995-96 to 1998-99 was slightly lower than the target of 15%. Since 1999-2000, to 2004-05, the percentage of weaker section advances to total advances by the Peoples’ bank was slightly higher than the target of 15%.

In respect of the percentage of Net NPA of the Peoples’ bank, Jalna, up and down trend was found during 1995-96 to 2004-05. In 1995-96, it was at 21.90%, in 1998-99. It was lowest of the period at 2.48%. In 2002-03, it was highest of the period at 22.01%. In 2004-05, it was at 14.71%. In respect of the percentage of Gross NPA of the Peoples’ bank, Jalna up and down trend was found during 1995-96 to 2004-05. In 1995-96, it was at 30.9%. In 2000-01, it was at the lowest level of the period at 12.86%. In 2002-03, it was at the highest level of the period at 30.29%. In 2004-05, it was at 26.48%.

It is found that the net profits and the percentage of net profits to total advances has been sharply declined in 2002-03 when the percentage of net NPA and Gross NPA were highest. However, it is also found that the percentage of weaker section lending and priority sector lending has no bearing on the decline in the profits and the percentage of the profits to total advances and the percentage of net NPA and gross NPA as the percentage of weaker section lending to total advances remained around 15% of the lending and the priority sector lending remained between 60% to 68% throughout the period from 1995-96 to 2004-05. (Table no. 4.22)
It is found that the UCBs had achieved the target of priority sector and weaker section lending. It has not affected the performance of the UCBs. (Table no. 4.23)

It is found that out of the 100 sample beneficiaries under the priority sector lending by the Deogiri bank, Aurangabad, 30% belongs to the age-group 18 to 35 years 55% belongs to the age-group 35 to 50 years and 15% belongs to the age-group above 50 years.

In respect of the Peoples’ bank, Jalna, out of the 100 sample beneficiaries, 7% belongs to the age group 18 to 35 years, 35% belongs to the age group 35 to 50 years and 58% belongs to the age-group above 50 years. (Table no. 5.1)

It is found that the proportionate number of sample women beneficiaries borrowed under the priority sector lending by the Peoples’ bank, Jalna was slightly higher at 14% than the Deogiri bank, Aurangabad at 12% of the total sample beneficiaries. (Table no. 5.2)

It is found that the caste specific distribution of the sample beneficiaries under the priority sector lending by the Deogiri bank, Aurangabad was as follows: Open 72%, OBC 15%, Sc/ST 6%, Minority 3% and other 4%. In respect of the Peoples’ bank, Jalna it was as follows: Open 62%, OBC 13%, SC/ST 7%, minority 13% and other 5%. (Table no. 5.3)
It is found that the educational status wise distribution of the sample beneficiaries under the priority sector lending by the Deogiri bank was as follows: upto SSC 20%, Graduation 69%, Post graduation 5% and other 6%.

In respect of the Peoples’ bank, Jalna it was as follows: upto SSC 17%, Graduation 61%, post graduation 18% and other 4%. (Table no. 5.4)

It is found that the occupation wise distribution of the sample beneficiaries under the priority sector lending by the Deogiri bank, Aurangabad was as follows: agriculture and allied activities 18%, Industry 25%, Profession 10%, service 27% and other 20%. In respect of the Peoples’ bank, Jalna, it was as follows: agriculture and allied activities 9%, Industry 45%, Profession 12%, service 18% and others 16%. (Table no. 5.5)

It was found that the total income wise distribution of the sample beneficiaries under the priority sector lending by the Deogiri bank, Aurangabad was as follows: income upto Rs. 100000- 15%, Rs. 100000 to Rs. 500000-65%, Rs. 500000 to Rs. 1000000-12% and above Rs. 1000000-8%. In respect of the Peoples’ bank, Jalna it was as follows: income upto Rs. 100000- 24%, Rs. 100000 to Rs. 500000-49%, Rs. 500000 to Rs. 1000000-16% and above Rs. 1000000-11%. (Table no. 5.6)

It is found that the initial relationship of the sample beneficiaries under the priority sector lending with the Deogiri bank, Aurangabad was as
follows: (a) as a shareholder 16%, (b) as a customer 29%, (c) as a depositor 4% and (d) as a borrower 51%.

The initial relationship of the sample beneficiaries under the priority sector lending with the Peoples’ bank, Jalna was as follows: (a) as a shareholder 65%, (b) as a customer 4%, (c) as a depositor 3% and (d) as a borrower 28%.

The Deogiri bank has benefited more to the non-shareholders than the shareholders under the priority sector lending on the other hand the Peoples’ bank has benefited more to the shareholders than the non-shareholders. It means that the Deogiri bank has succeeded in attracting proportionately more non-members to avail credit facility under the priority sector lending than the Peoples’ bank. (Table no. 5.7)

It is found that the amount of borrowing wise distribution of sample beneficiaries under the priority sector lending by the Deogiri bank, Aurangabad was as follows: (a) less than Rs. 25000 – 4%, (b) Rs. 25000 to Rs. 50000 – 11%, (c) Rs. 50000 to Rs. 100000- 12%, (d) Rs. 100000 to Rs. 500000 – 45%, (e) Rs. 500000 to Rs. 2500000 – 18% and (f) above Rs. 2500000 – 10%.

The amount of borrowing wise distribution of sample beneficiaries under the priority sector lending by the Peoples’ bank, Jalna was as follows: (a) less than Rs. 25000 – 4%, (b) Rs. 25000 to Rs. 50000 – 5%, (c) Rs.
50000 to Rs 100000- 11%, (d) Rs. 100000 to Rs. 500000 – 52%, (e) Rs. 500000 to Rs. 2500000 – 18% and (f) above Rs. 2500000 – 10%.

It means that the large number of the sample beneficiaries under the priority sector lending by the Deogiri bank and the Peoples’ bank has borrowed between Rs. 100000 to Rs. 500000. (Table no. 5.8)

It is found that the nature of loan wise distribution of sample beneficiaries under the priority sector lending by the Deogiri bank, Aurangabad was as follows: (a) Term loan – 65%, (b) Cash credit – 12%, (c) advanced against bills – 04%, (d) Overdraft – 12% and (e) other loans – 7%.

The nature of loans wise distribution of sample beneficiaries under the priority sector lending by the Peoples’ bank, Jalna was as follows: (a) Term loan – 59%, (b) Cash credit – 17%, (c) advanced against bills – 02%, (d) Overdraft – 12% and (e) other loans – 10%.

It means that the proportionately high number of sample beneficiaries have availed the term loan under the priority sector lending by the Deogiri bank, and Peoples’ bank. The term loan is generally granted for stating a new venture of for expansion of existing venture or for housing purpose or for purpose of consumer durable goods etc.
These activities are productive activities in terms of generation of employment opportunities for the masses and self-employment for the borrowers. It has also helps in increasing the income level of the borrowers. (Table no. 5.9)

It is found that the sample beneficiaries under the priority sector lending by the Deogiri bank, Aurangabad preferred to borrow from this bank in the following order: (a) quick sanction and disbursement of loan - 37%, (b) easy accessibility – 28%, (c) personal intimacy – 15%, (d) easy terms and conditions – 8%, (e) cheap credit – 7% and (f) other reasons – 5%.

The sample beneficiaries under the priority sector lending by the Peoples bank, Jalna preferred to borrow from the bank in the following order: (a) personal intimacy – 39%, (b) easy terms and conditions – 30%, (c) quick sanction and disbursement of loan -14%, (d) easy accessibility – 9%, (e) cheap credit – 5% and (f) other reasons – 3%.

This means that the prospective borrower mainly considers quick sanction and distribution of loan, easy accessibility and personal intimacy while selecting the bank for the purpose of borrowing cheap credit, easy terms and conditions and other reasons are least in selecting the bank for the purpose of borrowing. (Table no. 5.10)
It is found that the problems and difficulties faced by the sample beneficiaries under the priority sector lending by the Deogiri bank were in following order: (a) high security requirement – 32%, (b) high margin requirement 28%, (c) insufficient sanctioning of loan – 16%, (d) delay in sanctioning and disbursement of loan – 9%, (e) high rate of interest – 6% and (f) other problem – 2%. 7% of the sample beneficiaries did not face any problem.

The problem and difficulties faced by the sample beneficiaries under the priority sector lending by the Peoples’ bank, were in following order: (a) high security requirement – 28%, (b) high margin requirement 22%, (c) insufficient sanctioning of loan – 21%, (d) delay in sanctioning and disbursement of loan – 14%, (e) high rate of interest – 5% and (f) other problem – 2%. 8% of the sample beneficiaries did not face any problem.

It means that the main problems and difficulties faced by the sample beneficiaries under the priority sector lending by the Deogiri bank and Peoples’ bank are (i) high security requirement (ii) high margin requirement (iii) insufficient sanctioning of the loans.

On the other hand high rate of interest and delay in sanctioning and disbursement of loans are rated as least important problems faced by the sample beneficiaries of the both banks. (Table no. 5.11)
It is found that the 80% and 70% of the sample beneficiaries borrowed loan under the priority sector lending by Deogiri bank and Peoples’ bank were regular in repayment of loan respectively.

It means that only 20% and 30% of the sample beneficiaries on borrowed loan under the priority sector lending by Deogiri bank and Peoples bank were irregular in repayment of loan and interest thereon. (Table no. 5.12)

It is found that the causes of overdue on account of the sample beneficiaries under the priority sector lending by the Deogiri bank are in following order: (a) over borrowing – 50%, (b) default – 25%, (c) business failure and (d) other reasons – 10%.

The causes of overdue on account of the sample beneficiaries under the priority sector lending by the Peoples’ bank are in following order: (a) over borrowing – 35%, (b) default – 40%, (c) business failure -10% and (d) other reasons – 15%.

It means that the over borrowing and willful default are the main causes of the overdue of loan account. This is a cause of concern for the lending banks. (Table no. 5.13)

It is found that the period of overdue on loan accounts of sample beneficiaries under the priority sector lending by the Deogiri bank are in
following order: (a) overdue upto 1 year 77%, (b) overdue from 1 year to 3 years – 15%, and (c) overdue for more than 3 years – 08%.

The period of overdue on loan accounts of the sample beneficiaries under the priority sector lending by the Peoples’ bank are in following order: (a) overdue upto 1 year 72%, (b) overdue from 1 year to 3 years – 18%, and (c) overdue for more than 3 years – 10%.

It means that the proportionate large number of loan accounts of the sample beneficiaries under the priority sector lending remained overdue for longer period in respect of Peoples’ bank than the Deogiri bank. (Table no. 5.14)

It is found that the Deogiri bank had used various methods for recovery of overdue accounts of the sample beneficiaries under the priority sector in following order: (a) Persuasion – 79%, (b) Settlement – 12% and (c) legal action – 09%.

The peoples’ bank has resorted various methods for recovery of overdue accounts of the sample beneficiaries under the following order : (a) persuasion – 74%, (b) Settlement – 16%, (c) legal action – 10%.

Coercion method is not used by both the banks. (Table no. 5.15)

It is found that the impact of the priority sector lending on the income of the sample beneficiaries of the Deogiri bank are in following order: (a)
moderate increase-32%, (b) reasonable good increase-22%, (c) substantial increase-16% and (d) no increase at all - 30%.

The impact of the priority sector lending on the income of the sample beneficiaries of the Peoples’ bank are in following order:  (a) moderate increase-29%, (b) reasonable good increase-18%, (c) substantial increase-17% and (d) no increase at all – 36%.

It means that the 70% and 64% of the sample beneficiaries borrowed from Deogiri bank and Peoples’ bank reported increase in their income level due to priority sector lending respectively. 30% and 36% of the sample beneficiaries borrowed from Deogiri bank and Peoples’ bank reported that their income did not increase due to the priority sector lending.

Careful analysis of the sample beneficiaries stating no increase in their income level revealed that it was mainly because of borrowing for the purpose of housing and consumption. Business failure is also one of the important reasons of no increase in the income level of the sample beneficiaries. (Table no. 5.16)

It is found that the sample beneficiaries under priority sector lending by Deogiri bank and Peoples’ bank had generated employment opportunities for 506 and 386 persons. The sample beneficiaries borrowed loan from Deogiri bank had generated employment opportunities in following order: (a) Managerial job – 30, (b) clerical job 78, (c) skilled workers- 54, (d)
The sample beneficiaries borrowed loan from Peoples’ bank had generated employment opportunities in following order: (a) Managerial job – 24, (b) clerical job 52, (c) skilled workers- 32, (d) semi-skilled workers – 18 (e) unskilled workers – 213 and other – 47.

Besides, the priority sector has also generated self employment opportunities for the sample beneficiaries, except the beneficiaries borrowed the loan for the purpose of education, housing and consumption. Housing loan generated employment opportunities for the people on temporary basis. Housing and consumption loan generate indirect employment opportunities as it boost demand of various industrial goods. Education increases the employability of the borrower after a period of time. (Table no. 5.17)

It is found that the general experience of the sample beneficiaries under the priority sector lending in respect of the Deogiri bank was in following order: (a) excellent – 39%, (b) good – 27%, (c) Satisfactory – 21% and (d) poor – 13%.

The general experience of the sample beneficiaries under the priority sector lending in respect of Peoples’ bank was in following order: (a) excellent – 33%, (b) good – 27%, (c) Satisfactory – 24% and (d) poor – 16%.
It means that the majority of sample beneficiaries have positive experience towards the Deogiri bank and Peoples’ bank. (Table no. 5.18)

It is found that the various aspects of the bank services and facilities from the point of view of the sample beneficiaries under the priority sector lending by the Deogiri bank and the Peoples’ bank were as follows:

i) Customer services 49% and 39% of the sample beneficiaries believe that the customer services offered by the Deogiri bank and Peoples bank are excellent respectively. 22% and 25% sample beneficiaries of the Deogiri bank and Peoples’ bank believe that the customer services are good respectively. 17% and 16% of the sample beneficiaries believe that the customer services offered by the Deogiri bank and Peoples’ bank are satisfactory respectively. 12% and 20% of the sample beneficiaries believe that the customer services offered by the Deogiri bank and the Peoples’ bank are poor respectively.

ii) Bank management 62% and 34% of the sample beneficiaries believe that the bank management of the Deogiri bank and Peoples’ bank is excellent respectively. 23% and 28% of the sample beneficiaries believe that the bank management of the Deogiri bank and Peoples’ bank is good. 8% and 23% of the sample beneficiaries believe that the bank management of the Deogiri bank and Peoples’ bank is satisfactory respectively. 7% and 22% of the sample beneficiaries believe that the bank management of the Deogiri bank and the Peoples’ bank is poor respectively.
iii) Officers’ attitude 42% and 44% of the sample beneficiaries believe that the officers’ attitude of the Deogiri bank and Peoples’ bank is excellent respectively. 26% and 23% of the sample beneficiaries believe that the officer attitude of the Deogiri bank and Peoples’ bank is good respectively. 20% and 18% of the sample beneficiaries believe that the officer attitude of the Deogiri bank and Peoples’ bank is satisfactory respectively 12% and 15% of the sample beneficiaries believe that the officer attitude of the Deogiri bank and the Peoples’ bank is poor respectively.

iv) Employees’ attitude 43% and 47% of the sample beneficiaries believe that the employees’ attitude of the Deogiri bank and Peoples’ bank is excellent respectively. 27% and 26% of the sample beneficiaries believe that the employee attitude of the Deogiri bank and Peoples’ bank is good respectively. 16% and 15% of the sample beneficiaries believe that the employee attitude of the Deogiri bank and Peoples bank is satisfactory respectively 14% and 12% of the sample beneficiaries believes that the employees’ attitude of the Deogiri bank and Peoples bank is poor respectively.

v) Facilities like drinking water, sitting arrangement etc. 40% and 41% of the sample beneficiaries of the Deogiri bank and Peoples’ bank believe that the facilities provided by the banks are excellent respectively. 35% and 32% of the sample beneficiaries of the Deogiri bank and Peoples’ bank believe that these are good respectively. 24%
and 15% of the sample beneficiaries of the Deogiri bank and Peoples’ bank believe that these are satisfactory respectively. 6% and 11% of the sample beneficiaries of the Deogiri bank and Peoples bank believe that these are poor respectively.

vi) Social activities of the banks 42% and 9% of the sample beneficiaries of the Deogiri bank and Peoples’ bank believe that these are excellent respectively. 35% and 15% of the sample beneficiaries of the Deogiri bank and Peoples’ bank believe that these are good respectively. 13% and 23% of the sample beneficiaries of the Deogiri bank and Peoples’ bank respectively believe that these are satisfactory. 10% and 53% of the sample beneficiaries of Deogiri bank and Peoples’ bank believe that these are poor respectively.

It means that the satisfactory level of the sample beneficiaries of the Deogiri bank in respect of almost every aspect is much higher as compared to the sample beneficiaries of the Peoples’ bank. (Table no. 5.19)

**Testing of Hypothesis**

To study the impact of priority sector lending by UCBs on generation of employment opportunities, reluctance of UCBs to lend under priority sector lending, negligence towards critical factors like ability to borrow, ability to repay purpose/use of fund and relationship between priority sector lending and non-performing assets, performance and profitability of the
UCBs four hypothesis have been formulated and tested with standard statistical tools of analysis.

1. Priority sector lending had played little role in the generation of employment opportunities.

   **Negative.** To test this hypothesis we have analyzed the data relating to priority sector lending by the selected UCBs for the period from 1995-96 to 2004-05 and the primary source of data i.e. questionnaire. It is found that the number of borrowers and amount of borrowing under the priority sector lending has increased many times during the period under study and it is also revealed that the priority sector lending has helped in generation of employment opportunities for the masses.

2. Urban co-operative bank are reluctant to lend under priority sector lending.

   **Negative.** To test this hypothesis we have used the time series analysis of the priority sector lending by the selected UCBs during the period from 1995-96 to 2004-05. It is found that the selected UCBs have achieved the target of 60% for the priority sector lending for the period from 1995-96 to 2004-05, except the year 1996-97 to 1997-98 one of the selected two bank i.e. Deogiri bank did not achieved the target.
3. In order to fulfill the priority sector lending target UCBs had neglected other critical aspects such as ability to borrow, ability to repay and use of fund.

**Negative.** To test this hypothesis we have used the time series analysis and percentage of overdue to total advances and data relating to non-performing assets of the selected UCBs for the period from 1995-96 to 2004-05. Questionnaire was also used to reveal the ability to borrow, ability to repay and use of fund. It is found that the amount of overdue and percentage of overdue to total advances and NPA in case of one of the selected UCBs i.e. peoples’ bank was much higher. The amount of overdue and percentage of overdue to total advances and NPA in case of the other selected UCBs, i.e. Deogiri bank was much lower. Similarly the number of overdue accounts and causes of overdue supports the above view that Peoples bank neglected the critical aspects and Deogiri bank carefully considered the critical aspects while lending under priority sector. It means that the UCBs had neglected the critical aspects such as ability to borrow, ability to repay and use of fund by the borrowers under priority sector lending to fulfill the priority sector lending target is not valid. The percentage of overdue to total advances, net NPA and gross NPA are the outcome of lending policy, recovery policy and management of the particular UCB.

4. Priority sector lending had resulted in increase in the amount of non-performing assets, which had adversely affected the performance and profitability of the UCBs.
**Negative.** To test this hypothesis we have used the time series analysis of Net profit, percentage of Net profit to total advances, gross NPA and Net NPA of the selected UCBs for the period from 1995-96 to 2004-05. It is found that both the selected UCBs have achieved target of priority sector lending for the period from 1995-96 to 2004-05, except the year 1996-97 and 1997-98, one of the selected bank did not achieve this target. However, the net profits, percentage of net profit to total advances, gross NPA and Net NPA for the period of study relating to one bank is much better and controlled it were adverse for the another bank. On the basis of this it can be concluded that the above hypothesis is not valid. Net profit, percentage of net profits, gross NPA and Net NPA are the result of credit policy, recovery policy and management of the bank and not related with priority sector lending.

**Conclusions and Suggestions**

On the basis of the Finding of the study, the following suggestions are made which may contribute to the effective implementation of priority sector lending by the urban co-operative banks in order to raise the income level of the beneficiaries and generation of employment opportunities for the masses. At the same time, these may help in reducing the overdue and non-performing assets and increasing the profitability of the UCBs.

1. An important characteristic feature of the urban co-operative banking sector in India is its regional concentration. Maharashtra, Karnataka and Gujarat account for 64% of the total UCBs in the country. Intra-
regional disparity also exists in the development of UCBs in India. For example, Mumbai and Western Maharashtra are highly developed in terms of number of UCBs, membership, deposits and advances that the rest of Maharashtra. The UCBs are known for their focus on small borrowers and micro-enterprises and therefore these banks are succeeded in adhering to priority sector lending. It is, therefore, suggested that more and more UCBs shall be established throughout the country in a balance way. This will help development of priority sector throughout the country. The peoples of small means will be financially supported through the UCBs and in turn contribute in generation of employment opportunity and alleviation of poverty. This need proper banking policies, political will and support of local people. Public education, publicity and mass media can play an important role in this area.

2. The potentialities for development of each category of priority sector differ from district to district. It also changes from time to time. Therefore UCBs may undertake surveys to identify the felt needs of the borrowers to give credit. The activity chosen for priority sector lending must be such as location specific, with adequate forward and backward linkages, and generate a continuing source of income for the beneficiaries; otherwise, re-cycling of funds will not take place.

3. The performance of UCBs in respect of number of borrowing units, limits sanctioned amount advanced, balanced outstanding under the priority sector lending and containing the amount of overdue thereof
is uneven. The poor performance of the UCBs in respect of these features is due to poor management of the bank and indifferent attitude of the employees. To make such UCBs more efficient strict supervision, inspection, audit on continuous basis by the RBI is necessary. It is also suggested that the RBI shall make strict scrutinize of the management decisions in respect of sanctioning of loans and recovery of overdue.

4. The increase is the number of borrowing units, limits sanctioned, amount advanced and balance outstanding under the priority sector lending affirms that the priority sector lending by the UCBs have helped the generation of employment opportunities for the masses and increase in the income level of the beneficiaries. However, the proportionate number of borrowing units under housing loan is much higher than the other category of the priority sector lending. The average amount of loans granted for housing purpose is very small. It means that the housing loan is mainly granted for repair purpose and not for construction of a new house. This does not create large scale employment opportunity on sustainable basis. It is suggested that the agriculture and allied activities and small scale and cottage industries shall be given more importance in the priority sector lending by the UCBs than the housing sector for generation of employment opportunities on large scale and on sustainable basis.
5. Today’s youth are well-educated, highly motivated and technology savvy can show better results than the aged peoples. Youth are more dynamic and energetic than the aged peoples in almost every walk of life. The proportionate number of youth borrowers under the priority sector lending by Peoples bank, Jalna is much lower than the aged borrowers lending to aged peoples seems to be security oriented as these peoples are generally well secured and settled in their life.

It is therefore suggested that the UCBs shall attract more youth to borrow under priority sector lending.

6. The increase in the amount of overdue under the priority sector lending by the Deogiri bank, Aurangabad and Peoples’ bank, Jalna is mainly on account of loans to small scale and cottage industries. Per units lending to SSI and cottage industries is much higher than the other sub-sectors of the priority sector lending. It means that the big borrowers are irregular in repayment of loan and interest thereon. Small borrowers are comparatively more regular in repayment of loan and interest.

It is suggested that the loan to SSI and cottage industries shall be granted after considering the feasibility of the project, technical viability and financial aspects of such project; and the field report of the officer. It also needs continuous supervision and monitoring of the loan account from the beginning. It will help in regular repayment of loan by the borrower and reduction in the overdue and NPA of the lending banks.
7. The number of borrowing units under the housing loan by the Deogiri bank, Aurangabad and Peoples’ bank, Jalna is much higher than the other sub-sectors of the priority sector lending. However, the average amount of advances per borrowing units for housing was meager. In 1995-96, the average lending for housing by Deogiri bank and Peoples’ bank was Rs. 22,269 and Rs. 7968 respectively. In 2004-05, it was Rs. 79078 and Rs. 33540 by the Deogiri bank and Peoples’ bank respectively.

On the basis of these facts it can be opined that the housing loan is mainly given for repair purpose. It can further be concluded that the housing loan is granted for fulfilling the target of priority sector lending. For the borrower, it is very easy source of getting bank finance. It is also observed that the housing loan take for repair purpose is used for other purposes. Hence, it is suggested that the UCBs shall sanction the loan carefully only after ensuring its proper use. Banks shall encourage the borrower to take housing loan for construction purpose as it can generate employment opportunities for the masses.

8. The performance of the Deogiri bank, Aurangabad is respect of net profits, amount of advances, percentage of net profits to total advances, percentage of overdue to total advances, net NPA and gross NPA during the period from 1995-96 to 2004-05 was much better than the performance of the Peoples’ bank, Jalna.

The Deogiri bank has attained the priority sector lending target of 60% throughout the period from 1995-96 to 2004-05, except the
year 1996-97 and 1997-98. The Peoples’ bank has also attained the priority sector lending target of 60% throughout the period from 1995-96 to 2004-05.

The target of weaker section lending to total advances of 15% could not be achieved by the Deogiri bank during the period from 1995-96 to 2002-03. However, for the year 2003-04 and 2004-05, the Deogiri bank has attained the target of weaker section lending. The peoples’ bank has attained the target of weaker section lending during 1999-2000 to 2004-05. During the year 1995-96 to 1998-99 weaker section lending by the Peoples’ bank was slightly lower than the target of 15%.

The percentage of Net NPA and gross NPA in the year 1995-96 and in the year 2002-03, 2003-04 and 2004-05 was much higher than the remaining years under this study for both the banks. The higher percentage of Net NPA and gross NPA during 2003-04 and 2004-05 was mainly due to the change in the norms for determining NPA and not because of priority sector lending. However, the percentage of Net NPA and gross NPA of the Deogiri bank throughout the period under study was much lower than the national average Net NPA and gross NPA of the UCBs in India. At the same time the percentage of Net NPA and gross NPA of the People’s bank was much higher than the national average of the Net NPA and gross NPA of the UCBs in India.
It is concluded that the priority sector lending has not affected the profitability of the UCBs as the profitability of the Deogiri bank, Aurangabad is much better than the Peoples’ bank, Jalna despite the fact that both the bank have achieve the priority sector lending target during the period from 1995-96 to 2004-05. Except in the year 1996-97 and 1997-98, the Deogiri bank could not achieve the target. At the same time it is concluded that the increase in the amount and percentage of Net NPA and gross NPA during 2002-03, 2003-04 and 2004-05 was not because of priority sector lending but it was because of change in the norms for determining the NPAs. It is also concluded that the lending policy, supervision, monitoring of loan account and collection policies adopted by the Deogiri bank is better than the Peoples’ bank.

It is suggested that the Peoples’ bank should adopt prudent credit and collection policies and improve its supervision and monitoring of loan account. This will help them to reduce the NPA and improve the profitability.

9. The percentage of female beneficiaries under the priority sector lending by the Deogiri bank, Aurangabad and Peoples’ bank, Jalna was 12% and 14% respectively. It is suggested that the UCBs shall attract more women to borrow under priority sector lending.

10. The percentage of SC/ST and minority beneficiaries under the priority sector lending by Deogiri bank, Aurangabad was 6% and 3%
respectively and by Peoples’ bank, Jalna was 7% and 13% respectively. SC/ST and minority belongs to weaker section of the society.

It is, therefore, suggested that the UCBs shall attract more borrowers from these category to achieve the priority sector lending target and target for weaker section lending it its true spirit. The UCBs are advised to shed away the reluctance to land to these categories of weaker section.

SC/ST and minority people do not have security to after that has resulted in neglected the financial needs of there peoples by the UCBs.

The bankers are also advised that they should lend on the basis of purpose and security shall not be given much importance.

11. There is a positive co-relation between educational status and the priority sector lending. it is therefore suggested that the UCBs should give more importance to education loan. This will help the borrower to acquire skills and should knowledge of various businesses. It will ultimately lead in development of business activities and generation of employment opportunities for the masses.
12. The UCBs have successfully attracted proportionately high number of borrowers whose income level is much lower. In other words, it can be said that the UCBs are catering the financial needs of small people and empowering them. It is therefore suggested that the UCBs should continue the support to the people of small means.

13. The proportionate number of sample beneficiaries under the priority sector lending having as a shareholder with the Deogiri bank, Aurangabad and Peoples’ bank, Jalna were 16% and 65%. It means that the Deogiri bank has succeeded in attractive more non-shareholders to borrow than the peoples’ bank. On the basis of this it can be concluded that the customer services provided by the Deogiri bank is much better and the customer services provided by the Peoples’ bank is not very good. It is, therefore, suggested that the Peoples’ bank should streamline its customer services to attract more and more non-shareholders to avail bank credit from it. Deogiri bank has earned more profits and the profit of Peoples’ bank was very low throughout the period under study. Attractive more non-shareholders to borrow will help Peoples’ bank to earn good profit in future.

14. 72% of the sample beneficiaries under the priority sector lending by Deogiri bank, Aurangabad and Peoples’ bank, Jalna had borrowed less than Rs. 5,00,000 and only 28% of the samples beneficiaries had borrowed more than Rs. 5,00,000. It can be concluded that the selected UCBs has supported the financial needs of the small
borrowers in a large way. It is, therefore, suggested that the same policy should be continued by the UCBs.

15. 65% of the sample beneficiaries of the Deogiri bank, and 59% of the sample beneficiaries of the Peoples’ bank have availed term loan from the respective bank. The term loan is generally used for acquiring productive assets and or to purchase consumer durable assets. This helps in generation of employment opportunities and improving the standard of living of the borrowers. However, it is also suggested that bank should also encourage the businessman to avail cash credit to meet working capital requirement to sustain the business growth.

16. Easy accessibility, personal intimacy and quick sanction and disbursement loans are the important factors than the cheap credit and easy terms and conditions to encourage the sample beneficiaries to borrow from particular UCBs. It means that the attitude of management and bank employees’ are the more important factors, it is therefore, suggested that the UCBs should develop good rapport with the borrowers and customers to have lasting relations. It will help to retain the existing borrowers and to attract new borrowers.

17. High security requirement, high margin requirement and insufficient sanctioning of the loan amount are the major problems faced by the sample beneficiaries of the selected UCBs. It is therefore, suggested that the UCBs shall follow flexible policies regarding the above
mentioned problems considering the purpose of borrowing, viability of the project and track-record of the borrowers. It will attract more prospective borrowers to borrow under the priority sector lending and help the banks to increase its profitability.

18. Overdue accounts of the sample beneficiaries under the priority sector lending by the Deogiri bank and Peoples’ bank were 20% and 30% respectively. Over borrowing and willful defaults are the main reasons for the overdue. Proportionately 72% and 77% of the overdue accounts of the sample beneficiaries of the Deogiri bank and Peoples’ bank were overdue for a period up to one year and 8% and 10% of such accounts were overdue for a period over three years. Overdue is serious cause of concern for the banks as it adversely affects the profitability and recycling of financial resources. It is suggested that the banks should sanction the loan carefully and monitor the loan account effectively from the beginning. To avoid the over borrowing by the beneficiaries all the bankers should develop a network through which all the financial dealings specially amount of borrowing from institutional sources will be made available to each and every bankers. This will help them to check the over borrowing by the customer. Regular monitoring of loan account from the beginning will help to avoid willful default.

19. Persuasion, settlement and legal action are the methods used for recovery of overdue accounts. However, it is suggested that timely action shall be taken to recover the overdue account.
20. 70% and 64% of the sample beneficiaries under the priority sector lending by the Deogiri bank and Peoples’ bank have experienced increase in their income level due to borrowing. The beneficiaries borrowed for housing and consumption purpose experienced no increase in their income level. Business failure is also over the reason of no increase in the income level of the beneficiaries. It can be concluded that the priority sector lending has helped the borrowers at large to experience increase in their income level. It is, therefore, suggested that the priority sector lending policy should be continued.

21. The sample beneficiaries under the priority sector lending by the Deogiri bank and Peoples’ bank have generated 506 and 386 employment opportunities for the others respectively. Besides, it has also helped them to get self-employment. It can be concluded that the priority sector has helped in generation of employment opportunities. However, it is suggested that agriculture and cottage and SSI shall be given more importance in priority sector lending as it has the potentiality to generate employment opportunities at the high rate.

22. The majority of the sample beneficiaries under the priority sector lending by Deogiri bank and Peoples’ bank had experienced high satisfaction towards customer services, bank management, officers’ attitude, employees’ attitude, facilities like drinking water, seating arrangement and social activities of the bank. It is, however, suggested that the selected UCBs need to further improve these
aspects as the sky is the limit for improvement. The people bank needs to improve its social activities, bank management and customer services.

**Suggestion for further research:**

Priority sector lending by the commercial banks and urban co-operative bank is a tool to bring socio-economic change. Through priority sector lending the people of small means can be empowered. It priority sector lending is made effective then it can generate employment opportunities on large scale and improve the standard of living of masses. It will also help in realizing the latent potentialities of the masses for further development.

To make priority sector lending more effective intensive research on various aspects of priority sector lending is necessary. Till now very few studies have been conducted on priority sector lending and also on functioning of urban co-operative banks.

The priority sector lending can be examined on micro as well as on macro level. Performance of commercial banks and urban co-operative banks in respects of priority sector lending can be examined. Each sub-sector of priority sector lending can also be examined as sub-sectors have its own distinguished features and potentialities to contribute in the economic development in qualitative and quantitative terms.
Priority sector lending to weaker section i.e. backward classes, women and minorities can also be examined as these classes of people are still under-privileged.

Research on above aspects of priority sector lending may be very useful in policy formulation and policy implementation. It may also be useful in finding the lacunae in the existing policy and for suggestions to remove these lacunae.