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SUMMARY CONCLUSIONS AND SUGGESTIONS

Financing of priority sector of the economy has been one of the strategies of the commercial banks in their development role in India. Most of the banks had been allocating large part of their loans and advances to giant industrial and trading institutions. While agriculture, small scale industries and other priority sector did not receive adequate attention inspite of the fact that credit for priority sector is in essence the credit for the development of the Indian economy in totality as survival of the nation and stability of the economy depends on the existence of priority sector. The policy of social control marginally tightened the position, but a major shift in commercial banks lending policy took place with the nationalization of the major commercial banks. However, the whole pattern of lending has undergone a significant change after introduction of new economic reforms in 1991-92 due to changes in banking structure, policies on spread of branches, deposits mobilization, credit disbursement and introduction of private banking sector as well as liberalizing policy of foreign banking sector.

The basic questions attempted in the present study are;

1. Whether concept of priority sector and its lending norms and guidelines remained the same over the period of time, if yes, what changes are taken place in it?
2. What is the progress and trend of credit in priority sector?
3. Have the growth and change in priority sector credit occurred evenly?
4. To what extent priority sector credit has been achieved?
5. What change has occurred in priority sector credit? and
6. What are the inter-bank, inter-state and inter-region variations in priority sector credit distribution?

Therefore a modest attempt is made in the present study to study credit pattern of agriculture, small scale industry and other priority sector for 1992-2002 period. The main objectives of the study are the concept of priority sector and its lending norms and guidelines, to assess the extent of and change in credit pattern in priority sector, to study and assess the sectorial, regional, and inter-state credit pattern in priority sector, to study and assess the bank wise credit pattern in priority sector and to assess the progress and variations of credit pattern in priority sector. The researcher for the present study assumes that;

1. Distribution of credit to priority sector was higher in the post reform period than in the pre-reform period and target set for priority sector credit was achieved in post reform period.
2. The progress of priority sector credit was uneven during the pre and post reform period.
3. There was positive change in priority sector credit pattern (distribution) during post reform period as compared to pre reform.
4. Extent of priority sector credit was uneven.
5. The inter-bank, inter-activity, inter-state and inter-regional disparity in priority sector credit was wide and has not reduced.
This study is mainly based on secondary data. The data collected for this study includes the period 1981 to 2002. Every effort has been taken to present the data pre 1981 and post 2002 also. For understanding the extent of and change in credit pattern of priority sector between 1992-2002, (study period) an analysis of 1982-1991 period has also been considered as important and it is analyzed and included in this study. So in practice the period of the study is 1982-2002. For the purpose of the present study 28 public sector banks – State Bank of India group banks (08) and nationalized group banks (20) considered as adequate enough for drawing valid inferences. The data is analysed with the help of percentage, average, growth rate, index of change and index of change on previous year. Thus the entire thesis is divided into eight chapters;

1. Introduction and Methodology.

2. Review of Literature

3. Indian banking scenario: An Overview

4. Credit pattern in priority sector: Agriculture

5. Credit pattern in priority sectors: Small Scale industries.

6. Credit pattern in other priority sector.

7. Overall credit pattern in priority sector

8. Summary, Conclusions and Suggestions.

At present different segments which receive credit under the priority sectors are agriculture, small scale industries, small road and water transport operators, retail trade, small business, professional and self employed persons, state sponsored bodies for schedule castes and tribes, education,
housing and consumption loans. Thus the priority and neglected sectors include lose areas of economic activities which are socially desirable but have been inadequately financed or wholly, neglected by the commercial banks earlier. Agriculture, small scale industries and other priority sectors credit is called credit to priority sector.

The review of the literature on banking credit in India helped the researcher to understand the various aspects of credit pattern in priority sector studied and the gap available in the existing literature. Therefore here an attempt has been made to assess the available literature to study the credit pattern in priority sector.

A review of literature indicates that a few studies and reports existed on priority sector credit after the banking reforms, however there is no attempt has been made to study the priority sector credit taking together its three constitutes namely agriculture. Small scale industry and other priority sector. Further there is no attempt to study inter-state credit pattern, inter-regional credit pattern, inter-sector credit pattern and pre and post comparative credit pattern of priority sector.

Most of the studies relating to priority sector have a predominant bias of being macro studies and corporate sector oriented. Hence such studies by their nature do not touch the core of reality about social commitment and development since it is not possible to know from the top what are the problems faced at the agricultural (cultivator and landless labour) small scale
industry and weaker section base of the mountain of the problem. The correct approach is to make an intensive effort to assess the credit pattern and problems of agriculture, small scale industries and other priority sector and find out the solution to bring them at par level to corporate sector and save the farmers from committing suicide. An effort is made in this direction to study the credit pattern of priority sector covering agriculture, small scale industry and other priority sector.

One of the important features of Indian banking is the specification that a proportion of total net bank credit of each bank has to be reserved for priority sectors. Priority sector consist of agriculture, small scale industries and other activities undertaken by self employed, professional and small borrowers. This proportion at present stands at 40% with sub target 18.0% for agriculture. This allocative device is applicable only for banks. As the bank offices have spread far and wide and as most scheduled commercial banks have all India presence, along with all India level co-operative and RRB network, it is possible to view the allocative device from the view point of its effect on different regions of the country. This study is an attempt to provide a clue to an understanding of inter-regional, inter-state and sectorial credit pattern as a liberalized one.

The present Indian Banking system is constituted by a number of institutions comprising Reserve Bank of India, Indian Commercial Banks, Co-operative Banks, Regional Rural Banks, Foreign Banks and other specialized banking institutions. Regarding importance of banking in all financial
institutions it was found out that the share of banks in total financial aspects was 72.4 percent in 1981. It declined to the extent of 68.8 percent 1990 and to 62.9 percent 1997-98 and then it again rose to 72.2 percent in 2002; averaging 64.6 percent for 1992-2002 (post reform period) period. As against this, the share of financial institutions remained on an average 35.4 percent during this period. Inspite of stiff competition and unfavourable condition to banking sector, banks still playing dominant role in financing to priority sector and other social objectives sectors. The growth of financial assets outstanding for banks since 1997-98 shows upward trend from 15.9 percent to 20.8 percent in 2001-2002 whereas financial institutions growth of financial assets outstanding indicates decline in its trend from 17.9 percent in 1997-98 to −12.5 percent in 2001-02.

The study on spread of branches showed that the number of branches increased to 61724 in 1991 from 48320 in 1984 and to 66970 in 2004. As compared to 1980s, in 1990s bank branches have increased by 28%. At the same time the average growth of bank branches during pre reform period was 55888. It has increased on an average during post reform period to the extent of 59500. It is interesting to note that inspite of that the Narshimham committee had recognized the need of continuing the expansion of banking infrastructure in rural area but this is not happening so far. The banking infrastructure development in rural financial system has completely neglected since 1991. Further even after RBIs gave up bank expansion programme in April 1995 Urban Oriented Bank development clearly observed. The number of rural branches of Scheduled Commercial Banks has decreased form 32981
In March 1996 to 31999 in September 2004. This indicates that 8000 bank branches were closed down from rural area and number of bank branches in urban area have increased. Even RRB which were expected to serve rural area, shows a decline from 24% bank branches in 1990s. But how less than 22%. In absolute term number of branches at rural area has decreased form 14683 to 14619. The index of change showed that total bank branches were increased from 100 in 1983 to 128 in 1991. During pre reform period branches were increased by 28% whereas during post reform period it has increased by just from 100 in 1992 to 109 in 2002. In absolute term branches increased from 62121 in 1992 to 67897 in 2002. Further the region wise annual growth rate of rural bank branches showed that during 1981-1991 it was 5.17 in Northern Region which decline to -0.77% in the year 1992-2000. The similar trend and progress was observed in the entire region during pre and post reform period i.e. decline Rural Bank Branches. The overall growth in 1980s was 6.05% as against -1.3% during 1992-2000 over 1981-1991.

From the deposit analysis it was found out that the deposit at all India level was 17.9% during 1983-1993 (pre-reform period) whereas it has decreased to 16.7% during 1993-2003 period (i.e. post reform period). The compound annual growth rates during 1993-2003 period for India as a whole were 18.0%, and in rural areas 20.5%, in semi-urban areas 17.2%, urban area 17.5% and in metro areas 18.1% respectively.

The analysis of sectorial distribution of bank credit showed that there were wide differences in the shares of different sector and area wise
occupation in the total Bank credit between 1951-1974 and between 1985-86-2002-03. Industrial sector has a largest share in Bank credit. The expansion in the share of industry has occurred at the cost of agricultural sector. Advances to agricultural and allied activities has increased from 02.1% in 1951 to 10.02% in 1974 and than 16.16 percent in 1989-90 and after this its share has declined to 11.66 percent 1995-96 to 11.3% in 2001-02. The during 1951-74 the bank credit to agriculture and allied activities increased on an average 10.8%.

The credit to small scale industry has decreased from 14.1 percent in 1986 to 11.66 percent in 1996 and 11.61 percent in 2003. The finance to export has increased substantially. The share of export credit in the total Bank credit increased from 4.4 percent in 1985-86 to 12.76% in 1995-96 and then it declined to 8 percent in 2001-02. During 1951 to 1974 the share of public food procurement was 9.5 percent. The share of public food procurement has shown a drastically declined to about 10.00 percent in 1985-86 to 1.95 percent in the year 1989-90. But it again increased significantly to 10.5 percent during 2001-02. Thus recent banking scenario showed that the expansion in the share of large industry has occurred at the cost of priority sector.

The credit to agriculture of all banking including priority sector and non-priority sector credit are also studied. The direct and indirect credit to agriculture under priority sector of public sector banking is studied in detailed in chapter - 4. The result of this study showed that co-operatives, scheduled
commercial and Regional Rural Banks are the three institutions providing agricultural credit in India. In 1980-81 about 59% of the total agricultural credit was given by the co-operatives followed by commercial banks with 36.8 percent. The share of co-operatives loans began to decline over the years to 37.9 percent in 2001-02. Although during 1995-96, the share of co-operative credit to agriculture has suddenly jumped to 52.7 percent from 47.3 percent in the year 1990-91. On the other side, the share of commercial banks shows increasing trend over the years from 38.1 percent in 1985-86 to 53.5 percent in 1999-2000 and further to 54.1 percent in 2001-02. In contrast, the share of Co-operative Banks decreased in the year 1995-96 to 2002-03. On the contrary, the share of Regional Rural Banks shows an increasing trend over the years except a decline in 1990-91. There share increased from 5.6 percent during the year 1985-86 to5.8 percent in the year 1995-96 and again to 8.0 percent during the year 2001-02.

The analysis of direct agriculture credit showed that since 1991 there has been a reversal of the trend in priority sector credit and particularly agriculture sector was affected very much. The various policy measures taken by the Reserve Bank of India during the post reform period indirectly aimed at diluting the norms of priority sector lending by the commercial banks. Initially indirect advances to agriculture were brought under the preview of finance to agriculture and cubbed with direct agricultural advances. Advances to dealers of a inputs farm machinery, irrigation, equipments etc. were also added under advances to direct agriculture. Thus during the post reform period, the scope of direct agricultural advances under priority sector lending has widened.
Inspite of this direct agriculture credit declined from 13.6 percent in 1997 to 11.3 percent in 2002.

From indirect credit to agriculture it was found out that the outstanding credit provided to indirect agriculture sector was to the extent of Rs. 1449 crore in 1989 which has increased to Rs. 5186 crore in 1997. It was increased by 3.55 times. Further the credit to this sector increased upto Rs. 18174 crore by 250 percent. The share of indirect agriculture credit in total agriculture credit was 3.3 percent in 1980, which was declined to 1.5 percent in 1994. Since 1980 down trend was seen upto 1994 but after 1994, upward trend was seen. This share has increased from 1.9 percent in 1996 to 4.6 percent in 2002. It means as compared to pre reform period credit to indirect agriculture sector was higher during post reform period. Regarding number of borrowers' account it was found that such accounts were decreased from 10 lakhs in 1987 upto 5 lakh in 1994 and moved upward upto 6 lakh in 1995 but again declined to the extent of 4 lakh in 2002. Thus in absolute term credit to this section increased over the period of time but not number of borrowers accounts.

The assessment of credit to agriculture under priority sector showed that the agriculture advances under priority sector of public sector banks amounted to Rs. 7644 Crore in 1984. This formed 42.3 of priority sector credit of all public sector banks. It rose to Rs. 16871 Crore in 1991. At the same time reducing its share in total priority sector to the extent of 39.9 percent. During post reform period credit to agriculture further increased from
Rs. 18311 crore in 1992 to Rs. 63083 Crore in 2002. However the share of agriculture in total priority sector further declined to 36.8 percent in 2002 from 41.0 percent in 1992. The credit to agriculture under priority sector of public sector banks was on an average Rs. 12297 Crore in pre-reform period. Whereas it rose to the extent of an average Rs. 34031 Crore in post-reform period. The index of change clearly showed that credit to agriculture under priority sector of all public sector banks was increased by 121 percent during pre-reform period. (in 1991 over 1982). On the other hand it has increased during post-reform period by 245 percent (in 2002 over 1992). It means credit to agriculture under priority sector was higher in post-reform period than pre-reform period in absolute term. As compared to 1984 credit of agriculture was more than doubled in 1991 and more than 9 time higher in 2002. It is concluded that in absolute term credit under priority sector to agriculture was higher during post-reform period than pre-reform period. But in terms of percent to total credit it was lower in post-reform period. As during post-reform period percentage share of agriculture as compared to total priority sector credit was reduced to the extent of 38.7 percent from 41.6 percent during pre-reform period. Similar trend was observed in case of percentage share of agriculture to total net bank credit. The percentage share of agriculture in total net bank credit was 17.2 percent during pre-reform period it lowered to the extent of 13.9 percent during post-reform period. During whole 1984-2002 period. There were many up and down. Share of agriculture in total net banks credit was highest in 1985 to the extent of 19.3 percent and lowest was 1995 to the extent of 13.9 percent. The aggregate advance to priority sector was targeted 40 % of net bank credit. Of which 18 percent was agriculture target.
Looking to this, it was observed that during pre-reform period there was 4 years that target was achieved. Whereas there were 4 years that target was not achieved. 1984, 1986, 1987 and 1991. The number of borrower's accounts during pre reform period on an average were 187 thousand on the other hand during post reform period number of borrower accounts on an average increased to the extent 192.

Bank wise analysis of agriculture borrowals account under priority sector showed that there was no uniform performance in number of borrowal account increment. 10 banks, performance was above all India average performance in per reform period. They were State bank of India (5460), Bank of Baroda (840), Bank of India (887), Canara Bank (1394), Central bank of India (1098), Indian bank (661), Indian overseas bank (799), Punjab National Bank (866), Syndicated Bank (774), and United Bank of India (652). All India showed that the number borrowal accounts were increased on an average 650 thousand during pre reform period whereas during post reform period they increased to the extent of on an average 670 thousand in India. During post reform period only 08 banks shows higher level of increment than all India number of borrowal account average. They were State Bank of India (5517), Bank of Baroda (928), Bank of India (878), Canara Bank (1337), Central Bank of India (1000), Indian Bank (925), Indian Overseas Bank (943), and Punjab National Bank (890). The inter-bank variation was 61:1 in pre-reform period. This is reduced to some extent to 45:1. However number of accounts are decreasing trend during post reform period. The number of borrower accounts were decreased from 21094 thousand in 1993 to 15777
thousand in 2002. The highest number of borrower accounts were in State Bank of India to the extent of on an average 5517 thousand and lowest in State Bank of Indore to the extent of 124 thousand during post reform period. There exist inter-bank variations.

From the analysis of the credit to agriculture under priority sector in terms of volume, it was found out that in the pre-reform period on an average agriculture credit under priority sector was stood at Rs. 426 Crore which constituted by State Bank of India group on an average Rs.536 Crore and nationalized banks group on an average Rs. 381 Crore. It was increased during post-reform period on an average to Rs. 1196 Crore, Rs. 1485 Crore and Rs. 1081 Crore by State Bank of India and nationalized banks group respectively. It was increased by 180.75%, 177.05% and 183.73% for all India, State Bank of India bank group and for nationalized banks group respectively.

During pre-reform period only 07 banks performed above all India average. They were State Bank of India (Rs. 6328 Crore), Bank of Baroda (Rs.661 Crore), Bank of India (Rs. 727 Crore), Canara Bank (Rs. 783 Crore), Central Bank of India (Rs. 724 Crore), Punjab National Bank (Rs. 763 Crore), and Syndicated Bank (Rs. 458 Crore). The inter-bank variation to the extent of Rs. 3226 Crore in state bank of India and Rs. 85 Crore in State Bank of Saurashtra. In term of percentage the variation was to the extent of 38:1. This variation was increased during post reform period to the extent of 44:1.
During post reform period all banks expect New Bank of India, performed very well and consolidated their position in advancing to agriculture. Banking advances to agriculture during post reform period has increased between 729.45% and 35.71%, highest being Punjab and Sind bank and United Commercial Bank. On an average 28 bank advances stood at Rs. 426 Crore and Rs. 1196 Crore during pre and post reform period. However there was no uniform pattern of credit and hence there exist variation between bank to bank. The variation was to the extent of Rs. 8418 Crore and Rs. 341 Crore, highest and lowest being State Bank of India and State Bank of Indore.

Bank-wise agriculture credit showed that the State bank of India's credit study was to the extent of 29.92% during post reform period. It means State Bank of India doing better performance than all other banks which indicate clearly wide inter-bank variation in credit to agriculture under priority sector. During post reform period inter-bank variation increased to 44:1 from 38:1. The variations in agriculture credit was as high as 32.76% (Rs. 21237 Crore) in Southern Region to as low as 0.73 % (Rs. 476 Crore) in Northern-Eastern region. Northern region stood second in financing to agriculture by advancing 22.31% (Rs. 14456 Crore) and Western region stood third with 18.72% (Rs. 12131 Crore). The Central and Eastern region advances to agriculture were to the extent of 16.35% (Rs. 10599 Crore) and 9.13% (Rs. 5918 Crore). The credit distribution among state is very wide. It is from 13.40% (Maharashtra Rs. 8686 Crores) to 0.002% (Daman and Diu Rs. 01 Crore, Dadar and Nagar Haveli Rs. 01 Crore and Lakshywadeep Rs. 01
Crore. Maharashtra, Andhra Pradesh, Uttar Pradesh, Tamil Nadu and Karnataka together accounted for 52.66% of the total credit to agriculture in 2002. If Punjab (6.60%), Rajasthan (5.58%), Gujarat (5.20%) and West Bengal (5.12%) share added in it then together went up to 75.16%. Thus these 8 states are dominating in agriculture credit and majority share attracting. Within region also agriculture credit is not uniform. Northern region share averaging 3.19%; highest and lowest being Punjab (6.60%) and Himachal Pradesh (0.39%). The variation in Eastern region was to the extent of 5.12% and 0.01% in Western Bengal and Andaman and Nicobar respectively along with region's average 1.83%. Western region show very high variation to the extent of 13.40% to 0.002%, highest being Maharashtra and lower being Dadar and Nagar Haveli. Central region show 10.51: 0.30 variation. Uttar Pradesh is registered 10.51 credit to agriculture here. The variation in the Southern region were to the extent of 10.54 in Andhra Pradesh and 0.002 in Lakshywadeep. Thus though credit to agriculture is moving in upward direction, and Credit has increased in all states and number of borrowal accounts were also moved upward direction comparatively with less growth rate. But disparities in agriculture credit, bank-wise and state-wise as well as region wise is still exist.

During the last 60 years or so (1947-2007), concept of small scale industry has changed from time to time. Regarding the share of credit to total industry in total bank credit it was observed that this has increased in the first half of the 1990s. Whereas it has declined after 1996-97 with a variation from 49.3 percent to 38 percent in 2004. The share of small scale industry sector
declined continuously from 13.9 percent in 1992 to 10.2 percent in 2002 and further to 8.1 percent in 2004 in the total bank credit.

From result of analysis of credit to small scale industries it was found out that the advances under priority sector of public sector banks amounted to Rs.6196 crore in 1984. It rose to Rs.16756 crore in 1991. At the same time increasing its share in total priority sector to 39.6% in 1991 from 35.4% in 1984. During post reform period credit to small scale industry increased from Rs.17487 crore in 1992 to Rs.54267 crore in 2002. In pre-reform period, the credit to small scale industry under priority sector of public sector banks was on an average to Rs.10788 crore. It rose on an average to Rs.33998 crore in post-reform period. It rose by 215.15% in post reform period over pre-reform period. The upward trend in share of small scale industry in priority sector was observed in post reform period as compared to pre reform period. It was to the extent of 38.8% in post reform period and 37.4% percent in pre-reform period accounted 3.74% increment. The index of change showed that credit to small scale industry under priority sector of all public sector banks was increased by 170 % during pre-reform period. On the other hand, it has increased during post reform period to the extent of 210 %. This clearly indicates that credit of public sector banks to small scale industry under priority sector was higher in post reform period to the extent of 23.53% than pre reform period in absolute term. In absolute term, the credit to small scale industry under priority sector was higher during post reform period than pre reform period. But in terms of percent to total net bank credit it was lower in post reform period as compared to pre reform period.
Regarding number of borrowals account it was found out that as compared to pre reform period, number of borrowers accounts were increased on an average to 2585 thousand in post reform period from an average to 2125 thousand. Numbers of accounts were increased by 21.65% in post reform period over pre reform period. The trend and progress of outstanding advances in terms of number of borrowers accounts to small scale industry showed that under priority sector for public sector banks during pre and post reform period which showed that number of borrowal accounts stood on an average Rs 76 thousand during pre reform period and was increased to Rs. 72 crores during post reform period. Inter-bank variation in it to small scale industry during pre reform period was 78:1. It was remained same during post reform period also.

There were only 7 banks out of 28, whose performance in terms of number of accounts was above all India average during per reform period. They were State Bank of India (778), Allahabad Bank (81) Bank of India (81), Canara Bank (107), Central Bank of India (99), Punjab National Bank of India (139), Syndicate Bank (78), and United Bank of India (85). Rest of 21 banks were indicating lower performance than all India banks. It means 75% banks number of borrowal accounts were below all India average, clearly indicating wide variation. During post-reform period number of borrowal accounts were increased on an average 92 thousand. During this period 09 banks were of above average and 19 banks were showing below average borrowal accounts. There was no much improvement.
This study showed that out of 20 nationalized banks, 14 banks showing increasing trend and 7 banks show declined trend in number of borrowal accounts during post reform period. On the other hand out of 8 State bank of India group banks, during the same period 5 banks shows upward movement and 3 banks shows downwards movement in number of borrowal accounts.

During post reform period, as compared to pre reform period, the number of borrower accounts were increased to the extent of 156 thousand in State Bank of India, 03 thousand in State Bank of Hyderabad, 2 thousand in State Bank of Indore, 23 thousand in State Bank of Patiala, 40 thousand in State Bank of Travancore, 59 thousand in Allahabad Banks, 22 thousand in Bank of Baroda, 10 thousand in Bank of India, 27 thousand in Central Bank of India, 1000 in Dena Bank, 7 thousand in Indian Overseas Banks, 05 thousand in New Bank of India, 8 thousand in Oriental Bank of Commerce, 59 thousand in Punjab National Bank; 10 thousand in Punjab and Sind Bank, 09 thousand in Union Bank of India, 93 thousand in United Bank of India, 27 thousand in United Bank of Commerce and 22 thousand in Vijaya Bank. In terms of percentage the number borrowal accounts were increased in range of 2.86 and 129.4%. The downward performance was observed in the range of -4.08 to -35.90%. Thus although overall performance in number of borrowal accounts indicates upward direction but at inter-bank performance is widely uneven. The highest and lowest performance in borrowal accounts was to the extent of 129.41% in Vijaya Bank and -35.90 % in Syndicate Bank. The inter-bank variation in credit during pre reform period was to the extent of 38:1
which rose to 47:1 during post reform period. Thus in absolute term post reform period shows upward credit pattern as compared to pre reform period in all banks except one.

The state-wise and region-wise credit pattern of small scale industries under priority sector analysis showed that the variation in distribution of advances of region was very to the extent of Rs.21237 crore to Rs. 476 crore in Southern and Northern region in 2002. It varies from 32.76 % in Southern region to 0.73 % in North Eastern region. Northern region stood second with 22.31% and Rs 14456 crore and Western region stand third with 18.72% and with Rs. 12131 crore. The Eastern region and Central region advances in 2002 were to the extent of Rs. 5918 crore and Rs.10599 crore respectively. The percentage wise it is to the extent of 9.13% in Eastern region and 16.35 % in Central region. The pattern shows that it is not only lopisided but also very skewed that Maharashtra, Andhra Pradesh, Karnataka, Tamil Nadu and UP together accounted more than 52% of the total, for the Maharashtra alone 13.40%. Thus state wise variation in credit distribution in India is very wide, within region also uneven distribution is seen and variation is very wide.

The study on credit pattern of road and water transport operators showed that over the period 1984-2002 the lending to road and transport operators shows declined trend. But in absolute term index of change shows credit has increased from 106% in 1985 to 232% in 2002 as credit increased from Rs. 1883 Crores in 1985 to 4124 Crores in 2002. The lowest index was observed in 1987 to the extent of 94%. Thus it clear that though advances to
road and water transport operators has increased in absolute term during 1984-2002 period but share of it in other priority as well as in total credit has decreased drastically.

The number of accounts were not increased evenly and decreased evenly. Variations were very wide. State Bank of India group indicates upward movement in number of accounts whereas Nationalized banking group showing downward movements in borrowing account in small road and water transport operators. Averaging 34% and 19%.. In post-reform period credit has increased in term of percentage in State Bank of India group banks in all the banks, in State Bank of India 79% (from Rs. 446 to Rs. 833 Crores), State Bank of Bikaner and Jaipur 86% (from Rs. 14 to Rs. 26 Crore), State Bank of Hyderabad 1143% (from Rs. 8 to Rs. 87 Crore), State Bank of Indore 123% (from Rs. 13 to Rs. 29 Crore), State Bank of Mysore 414% (from Rs. 7 to Rs. 36 Crore), State Bank of Patiala 563% (from Rs. 19 to Rs. 126 Crore), State Bank of Saurashtra 50% (from Rs. 10 to Rs. 15 Crore), and State Bank of Travancore 106% (from Rs. 49 to Rs. 101 Crore). In term of percentage, State Bank of Hyderabad shows highest credit increment. The variations being 11 : 0.5. As compared to pre-reform period, in the post-reform period credit to small road and water transport operators has increased from between 6% in United Commercial Banks to 917% in Allahabad Bank. More than 100% credit has increased in Allahabad Bank, Andhra Bank, Bank of Maharashtra, Corporation Bank, Indian Overseas Banks, Punjab and Sind Bank, Union Bank of India and Vijaya Bank. Less than 100% credit has increased in respect of 12 banks. Variation in credit outstanding was here 91 : 06. It has
decreased to 1.05 and 7.67% respectively in 2002. In other words, lending to small road and water transport operators was seen decreased trend during post reform period to 12.14% from 38.14% in pre-reform period in relation to the other priority sectors and from 8.15% to 1.24% in relation to total of priority sector credit. The state-wise distribution of advances to small road and water transport operators was very heavily concentrated in a few states. In 2002, five states – Maharashtra, Tamil Nadu, Andhra Pradesh, Karnataka and Kerala – together accounted for 43.46% of the total credit outstanding and another three states – West Bengal, Haryana and Uttar Pradesh – together a little more than 18%. The share of these eight states came down to 61.94 percent.

The retail trade credit pattern analysis under priority sector showed that the volume of advances to retail trade in India increased to Rs. 10297 Crores in 2002 from Rs. 938 Crore in 1984. It is increased by 1098 percent during 1984-2002. The number of borrower during the same period went up from 1907 thousand in 1984 to 3150 thousand in 2002. The number of borrowers grew at a lower rate than the volume of credit. As compared to pre-reform period, number of borrowers accounts increased in State Bank of India 135326 (20%), State Bank of Bikaner and Jaipur 22598 (68%), State Bank of Hyderabad 31870 (64%). State Bank of Indore 13258 (47%, State Bank of Mysore 31247 (48%) and State Bank of Patiala 54462 (232%). Within State Bank of India’s group, 06 Banks showed upward movement and 2 banks namely State Bank of Saurashtra and State Bank of Travancore showed downwards trend in number of borrowers account. Regarding nationalization
bank group it was found out that 14 banks shows upward trend whereas 6 banks shows downward trend. The upward trend in number of borrowers account were observed in Allahabad bank 91367 (93%), Bank of Baroda 13842 (10%), Bank of India 32626 (24%), Bank of Maharashtra 4931 (8%), Central Bank of India 31285 (17%), Indian Bank 51989 (84%), Indian Overseas Bank 70342 (63%), Oriental Bank of Commerce 29287 (164%), Punjab National Bank 23473 (27%), Punjab and Sindh Bank 115305 (489%), Union Bank of India 29429 (25%), United Bank of India 95882 (119%), United Commercial Bank 86397 (67%) respectively. On the other hand, downward trend in number of borrower account were reported by Andhra Bank 42332 (46%), Canara Bank 54286 (23%), Corporation Bank 3799 (14%), Dena Bank 5915 (15%), New Bank of India 22556 (100%), Syndicate Bank 65965 (35%) and Vijaya Bank 18082 (36%). The change in number of borrowers account was positive in 19 banks whereas it was negative in 09 banks. The extent of and change in number of borrowers account is wide and inter-bank variation was during pre-reform period was 37:1 (State Bank of India – Highest rank and Oriental Bank of Commerce (lowest rank) on the other hand during post-reform period inter-bank variation was 62:1 being State Bank of India at highest rank and State Bank of Saurashtra lowest rank. It means inter-bank variations are increased. The highest and lowest retail trade credit during pre-reform period was found in State Bank of India and State Bank of Surashtra to the extent of Rs. 301 and 6 Crores. The average credit of 8 state bank of India’s group went up from Rs. 53 Crore to Rs. 440 Crore in post-reform period as compared to pre-reform period. It rose by 730% secondly average of 20 nationalised banks credit was increased from 47 Crore in pre-
reform period to 310 Crore in post-reform period. This show 560% increment. As compared to nationalized 20 banks, credit of State Bank group was higher. The variation in credit was to the extent of 50:1 during pre-reform period and 45:1 during post reform period. It was reduced to some extent.

Study showed that region-wise variations in distribution of advances of region was wide. It was as high as 25.25% (Rs. 2969 Crore) in Southern Region to as low as 3.98% (Rs. 468 Crore) in North Eastern Region. Northern Region stood second in advances to this sector by seeking 22.70% (Rs. 2669 Crore) and Central Region stand third with 18.50% (Rs. 2176 Crore). The Eastern and Western Region advances were to the extent of 16.78% (Rs. 1973 Crore) and 12.78% (Rs. 1502 Crore). In 2002, the distribution stood as follows: Uttar Pradesh 9.88%, Maharashtra 9.54%, Karnataka 6.82%, West Bengal 6.67%, Madhya Pradesh 6.66%. Tamil Nadu 6.37% and Kerala 6.17% respectively. Thus these 7 states together accounted for 52.11% of the total credit. The highest and lowest credit was found in Uttar Pradesh and Dadara Nagar Haveli and Lakshadeep to the extent of 9.88% and 0.02%. Thus state wise it varied from 9.88 in Uttar Pradesh to 0.2 Dadar Nagar Hevali and Lakshadeep. Western region showed very wide variation to the extent of 9.54 : 0.02, highest being Maharashtra and Lower being Dadar and nagar haveli.

An average advances to small business has increased during pre-reform period by 583 Crore, on the other hand advances were increased during post-reform period at Rs. 5153 Crore (an average). The growth rate of
advances was higher during post-reform period than pre-reform period. The Index of change shows the upward trend in advances to small business. In 1987, advances were moved upto 189 from 100 in 1984. The index number further increased to the extend of 1087 in 2000 and 1475 in 2002. The extent of and change in borrowers account of small business was found wide as inter-bank variations was during pre-reform period was 155:1, highest being State Bank of India and lowest being State Bank of Patiala. During post-reform period inter-bank variations were reduced to the extent 78:1. Here also highest and lowest being State Bank of India and State Bank of Patiala. Within nationalized bank variation were to the extent of 9:1 during pre-reform period where Central Bank of India have highest and United Bank of Commerce have lowest number of borrowers account. They were 190066 and 20092. During post-reform period inter-nationalized bank variation reduced to some extent and it is become 8:1 highest being Indian Overseas Bank and lowest being Corporation Bank indicating 189392 and 23016 borrowers accounts. As compared to nationalized Bank Group, State Bank of India group shows higher disparity in borrowers account in small business enterprises. It means out of 8 State Bank of India, 7 banks falls below all India average, stating that very wide variation in advancing to small business under other priority sector. It is to the extent of 35:1. From nationalized group, out of 20 banks as many as 12 banks were below the all India average in advancing to small business indicating variation to the extent of 7:1. As compared to state Bank of India Group, nationalized bank group variation was comparatively less. The overall variation in advancing to small business during pre-reform period was to the extent of 35:1.
The position of variation was reduced to some extent during post-reform period, upto 28:1, and in nationalized bank upto 6:1. The average advances go to small business during this period were Rs. 280 crore, out of these, State Bank of India's group was Rs. 415 crore and nationalized bank group was Rs. 144 Crore. During pre-reform period there was not much variation between State Bank of India group and nationalized bank group in advancing. It was 31:29 the gap was in post reform period, increased to 3:1. During post reform period there were as many as 7 banks from state bank of India group and 18 banks from nationalized bank group below all India average in advancing to small business, total being 25 banks (out of 28 banks) were below average. It means only three banks were able to lend small business to large extent above all India average. The concentration of advances was heavy only State Bank of India, Bank of Baroda and Central Bank of India, were able to lend to the extent of Rs. 1316 Crore, Rs. 343 Crore and Rs. 337 Crore respectively. Thus gap is widened although advances to small business increased as compared to pre-reform period, in post-reform period in all banks except new Bank of India. The state wise variation was to the extent of 727 : 1. Region wise analysis show that the advances to small-business in 2002 stood as follows Southern region 25.73% being highest, followed by Northern Region 24.34% together more than 50%, Eastern and Western Region 14.54% each, Central Region 17.41 and North Eastern Region 2.64%.
The position of North Eastern region is very weak. It has only 2.46% share in advances to small business within it variation was 1.46% to 0.05%. Inter region variation was also wide.

The variation during pre-reform period was 71:1 whereas it was downsized in post reform period to 59:1 in case of number of borrowers account. The overall growth of borrower accounts during post reform period for 28 banks shows declined trend as number of borrower accounts were decreased an average from 55437 to 41702 between pre and post reform period.

Thus the trend in percentage of professional and self-employed advances other priority sector during post-reform period is move downward as compared to pre-reform period. Similar trend is observed in case of percentage share of professional and self-employed to total credit of India that it is declined during post-reform period to 0.95% from 3.29% during pre-reform period. Here also it is increased from 2.93 to 3.52% in 1984 and 1989 respectively then started decreasing. It was only 0.90 % in 2002. Further region-wise credit pattern showed that South Region 1393 Crore (33.75%), Western Region Rs. 1068 Crore (25.90%), Central Region Rs. 593 Crore (14.38%), Northern Region Rs. 535 Crore (12.97%), Eastern Region Rs. 415 Crore (10.04%) and North Eastern Region Rs. 122 Crore (2.96%). The First 2 Regions. Combined share was thus 60.00%. This means there is heavy concentration in advancing under professional and self employed sector, indicating region variation was to the extent of 11:1 highest being southern region and lowest being North Eastern region. Index of change has increased
from 100 in 1984 to 178 in 1988 to 443 in 1997 and further to 1415 in 2002. The share of other priority sector in pre-reform period was 21.27%. It has increased to extent of 25.36 in post-reform period. This indicates that post-reform period achieved higher rate.

The extent of and change in credit pattern of other priority sector bank-wise analysis showed that no uniformity trend with respect to the growth in borrower accounts in the post reform period. In the case of 11 Banks, all belong from nationalized group, the growth of borrower accounts registered a fall, whereas the rest of the banks recorded an increased growth in the post-reform period over the pre-reform period. The negative trend in borrower accounts were conserved in Andhra Bank (-32%), Bank of Baroda (-15%), Bank of India (-17%), Bank of India (-9%), Bank of Maharashtra (-09%), Canara Bank (-29%), Central Bank of India (-13%), Dena Bank (-45%), Punjab National Bank (-60%), Syndicate Bank (-54%), United Bank of India (-8%) and New Bank of India (-100%), State Bank of India Bank group registered higher growth in all banks during post-reform period as compared to pre-reform period in case of borrower accounts is concerned. During pre-reform period. It was observed that as many as 18 banks were shown lower credit as compared to average credit by 28 banks. Only 10 banks performance was higher, such bank were state Bank of India (Rs. 1085), Bank of Baroda (Rs.291), Bank of India (329), Canara Bank (371), Central Bank of India (416), Punjab National Bank (281), Syndicate Bank (259) Union Bank of India (214), United Bank of India (210), and UCO Bank (226). The inter-bank variation was 45:1 in pre-reform period, it was to the extent of 22:1
in post reform period. This indicates that disparities have reduced to almost 50% in post reform period over pre-reform period. An average advances were Rs. 901 Crore during post reform period. 14 banks show higher and rest 14 banks shows lower credit than this average during post-reform period. But advances were increased or moved upwards in all banks except one that is New Bank of India, The variation was reduced to the extent of 22:1 during post reform period. State Bank of India indicated highest credit. It was Rs. 1086 Crore and Rs. 6646 Crores for pre and post reform period; followed by Central Bank of India during pre-reform period (on an average Rs. 416 Crore) and Canara Bank on an average to 2116 Crore, during post reform period. The highest credit increased in term of percentage in Punjab National Bank to the extent of 2246 % in post reform period over pre-reform period. Thus during post-reform period trend in credit moved upwards and credit increased in all banks highest being Punjab National Bank. Inter-bank variation in other priority sector, advances has reduced during post reform period.

The priority sector received about 52%, 54% and 42% of the total bank credit in 1989-90, 1996-97 and 2001-02 respectively. The industrial sector still has the largest share in bank credit. It can be seen from the analysis of priority sector-wise credit pattern that credit to priority sector increased from Rs. 27468 crore in pre-reform period to Rs. 90687 crore in post reform period, indicating increment of 330%. The positive and upward trend and progress is seen clearly. But is not uniform. Regarding number of accounts, it was found out that the number of borrower accounts increased on an average 31264 thousand in post reform period and in pre-reform period they were increased
at on an average 26260 thousand. Thus this also indicates positive growth in post reform period. However year to year growth indicates downward trend and progress in number accounts during post reform period particularly since 1994. As number of borrower accounts were decreased from 35594 thousand in 1993 to 32656 thousand in 1997 and further to 25790 thousand in 2002. The index of priority sector advances went up from 100 in 1982 to 1389 in 2002. The index of priority sector change was higher during post reform period as compared to pre-reform period. The variations in percentage increase over the previous year are wide. The year to year increment is not uniform.

The pattern of priority sector credit between 1992-2002 showed that agriculture sector credit in the public sector banks which on an average stood at 41.6% in the Pre-reform Period reduced to 38.7% in the post reform period. However during the same period advances in volume has increased from Rs. 5287 Crore in 1982 to Rs. 16871 Crore in 1991 and further to Rs. 171485 Crore in 2002. Regarding Small Scale Industries it was observed that (within priority sector) its share was increased upto 38.8% during post reform period from 37.4% in pre reform period. It means Small Scale Industries indicating positive trend whereas agriculture indicating negative trend. The highest and lowest share was observed in 1996 and 2002 to the extent of 42.4% and 29.0% respectively. Domination of agriculture is reduced and it was shifting towards small scale and other priority sectors. The share of other priority sector was 10.5% in 1982. It rose to 20.4% in 1991 and further 34.0% in 2002. During pre reform period other priority sector was contributing 21.00% in priority sector but in post reform period its contribution increased to 22.5%.
Thus other priority sector performs better than agriculture. The volume wise other priority sector advances were increased from Rs.2591 crore in 1982 to 8626 crore in 1991 over 1982 and further credit to this sector increased from Rs.8840 crore in 1992 to Rs. 58359 crore in 2002 showing 6.5 time increment in 2002 over 1992 about 23 times of 1982.

There was significant and positive impact of credit on the level of inputs used; which in turn had a significant and positive impact on the gross value of output in agriculture (II) and this study shows credit in term of percentage is declined during post reform period. At the same time in terms of percentage credit to small scale industries also seen downward trend. Only credit in other priority sector showing upward trend. But credit act as a facilitator and it performs the important function of providing the farmers and other agri-related concerns with the requisite control over resource affecting production. Therefore it needs to be constantly remembered that the credit card for the priority sector is in essence the credit for the development of the Indian economy in totality. Hence it should be continue at present target that is 40%.

During liberalised era, the share of the priority sector has hovered at around 32.33% of gross bank credit. Within the priority sectors, the share of credit to small scale industries sectors has declined secularly during the post reform period; while that of agriculture has been almost stagnant. The share of credit to other priority sectors on the other hand, has shown a sharp and secular increase during the same period, offsetting the decline in credit to the small scale industries sector. The average growth in credit to other priority
sectors has been 25.5% in the 1995-96 to 2003-04 periods, with over 50% annual growth in credit to priority sector housing. Thus priority sector credit is shifting toward other priority sector.

Considering all the sectors together, the growth rates were found positive during both the period under consideration, but less in post reform period than those in pre-reform period. Regarding the extent of priority sector credit during pre and post reform period further it was found out that in the pre-reform period, on an average total priority sector credit stood at Rs.861 crore which constituted by State Bank of India group on an average Rs.1027 crore and nationalized banks group on average Rs.795 crore. It was increased during post reform period on an average to Rs.4592 Crore, Rs. 5551 Crore and Rs. 3006 Crore by State Bank of India group and nationalized bank group respectively. It was increased by 441% and 278%. In case of State Bank of India group and nationalized bank group. The increment was in State Bank of India group compared to nationalized bank. During pre-reform period only 06 banks were performed above average. They were State Bank of India (Rs. 6328 Crore), Bank of Baroda (Rs.1343 Crore), Bank of India (Rs. 1571 Crore), Canara Bank (Rs. 1680 Crore), and Central Bank of India (Rs.1591 crore), Punjab National Bank(Rs.1623 crore) and Syndicate Bank (1013 crore). In term of percentage it was 36:1. This variation was more downward during post reform period to the extent of 24:1. It means variations were reduced during post reform period by 12%.
Further it was found out that in pre-reform period, the lowest percentage of priority sector was in State Bank of Indore (0.73%), State Bank of Maharashtra (0.74%), Corporation Bank (0.99%), State Bank of Mysore (1.04%) and Oriental Bank of India (1.21%). On the other hand there were 6 banks which had higher percentage share in priority sector advances. They were State Bank of India (26.24%), Canara Bank (6.97%), Punjab National Bank (6.73%), Central Bank of India (6.60%), Bank of India (6.52%) and Bank of Baroda (5.57%). Their total contribution was 58.63%.

In post reform period, improvement in all banks was positive except New Bank of India and credit was moved upward direction. The highest percentage of priority sector advances existed in State Bank of India (24.40%), Punjab National Bank (7.09%), Canara Bank (6.83%), Bank of India (6.68%), Bank of Baroda (6.16%) and Central Bank of India (5.10%). They registered 56.26% contribution in advancing to priority sector. The variation was reduced to 24:1 in post reform period from 36:1 in pre-reform period in case of bank wise credit pattern.

In other words, it means during post reform period, as compared to pre-reform period, priority sector credit had decreased from 40.4% to 35.9%. This table shows further that 17 states were above the all India level credit in post reform period as against 18 in pre-reform period. During pre-reform period inter-state disparity was to the extent of 2.86:1 and in post reform period it was 3.25:1 indicating disparity is increased. It is interesting to note that industrially advanced states shows lower credit to priority sector.
Maharashtra, Gujarat and West Bengal were recognized as industrially advanced states. They were showing further declined trend in priority sector credit in post reform period as compared to pre reform period. The percent share of priority sector advances to total advances in Maharashtra and Gujarat decreased to the extent of 22.1% and 35% in post reform period from 24% and 39.3% respectively. West Bengal's share little moved upward direction whereas Rajasthan shows 50% declined trend. During post reform period the highest and lowest share was reported in Tripura (71.9%) and Maharashtra 22.1%.

This study clearly showed that the state wise distribution of bank credit to priority sector is very uneven. As at March 2002, 6 states-Maharashtra, Tamil Nadu, Andhra Pradesh, Chatishgarh, Chandigarh and Karnataka-together accounted for as much as 62% of India's credit. The highest share of priority sector in India's credit existed in Maharashtra (21.1%), followed by Tamil Nadu (10.1%), Andhra Pradesh (8.1%), Chatishgarh (7.8%), Chandigarh (7.7%) and Karnataka (7.3%). However, this share of Maharashtra was 23% in 1969. State of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Goa, Dadra and Nagar Haveli, Daman and Diu, Pondicherry and even Bihar show very low share of Priority Sector credit all India credit. A special package must be provided to these states and union Territories. In the number of accounts, the shares of these states in priority sector were to the extent of Maharashtra 6.9%, Tamil Nadu 14.8%, Andhra Pradesh 14.0%, Chatishgarh 0.9%, and Karnataka 7.4%. The number of accounts assisted varied from 14.8% to negligible (but not 280). The
highest being Tamil Nadu. Inspite of more than 14 year of liberalization, privatization and globalization adopted in financing and banking sector, there is not much improvement in priority sector credit. Infact it is neglected (step child) child of Indian economy. Even though more than 70% population depends on these sector (Agriculture, small scale industries and other priority sectors) inter-state variation are not met. Some states are remains today also where they were in 1950.

The growth in the volume of advances to priority sector 1984-2002, within, state and bank, was widespread and helped the process of even out imbalances among the states, but the reduction in disparities was slow and as a result, wide disparities still exist. Further region wise analysis also shows that there exist variation to the extent of 30:1 in credit and 42:2 in number of accounts.

In 1990, the highest priority credit was advanced to southern region whereas; lowest share was registered by Northern-Eastern region. North region shifted to third rank in 1990 from second rank in 1985 and remained at third rank in 2002 with 21.5% share in total priority sector all India credit. In 1990, inter-regional variation was to the extent of 32:1.7 and in 2002 it was 29.9:1.2. In 2002, western region’s share in priority sector is moved upward direction and this region ranked first with 26.1% share. Southern region, on the other hand, lowered down to second rank with 29.9% and Northern region registered third rank. In 2002, though share of western region stood at 26.1%, against this, number of account assisted were just 11.4%. On the other hand,
southern region shows 42.4% accounts holders received 29.9% priority sector credit in 2002. This is followed by North region with 21.9% advances to 12.6% accounts borrowals. As compared to 1990, percentage share of priority sector advances in term of number of accounts were increased in 2002 to 42.4% from 39.5% in 1990. Western region shown downward movement whereas Northern region indicated upward trend in 2002 as compared to 199. Eastern and central regions also shows downward trend in number of accounts borrowal in 2002 as compared to 1990. The similar trend was also observed in case of North-Eastern region in 2002.

On the basis of above, following can be suggested:

1. There is a point of view which holds that priority sector lendings have been made to the detriment of the health of the banking sector in India, and that it should be abolished at the soonest possible. Even the Narasimham Committee had recommended that priority sector lending should be reduced to 10 percent of total bank credit instead of the present 40 percent which, should be restricted to a very limited category of borrowers, and the entire directed credit system should be reviewed after three years with a view to phasing it out their effects on employment and poverty alleviation, such as agriculture and small scale industries, other priority sector as well and which have strong externalities cannot be gainsaid. The Indian economy is still not in a position in which the sectors which have access to organized sector credit will be able to take care of these priority sector lending needs to be seen in the context of the implicit credit rationing system that needs to be followed in a relatively capital scarce
economy. Priority sector lending therefore would have to continue, but with certain changes in order to diffuse the risk which is carried presently only by the banking system.

2. Priority sector lending should be extended to the non-bank financial institutions in such a manner that the total volume of credit remains more or less the same and thereby reduces the burden on the banks.

3. The institutional mechanism for making available credit to the priority sectors needs to be revised. Since most new and foreign banks and practically all non-bank financial institutions do not have the capacity to either appraise or effectively supervise lending in the priority sectors, specialized institutions may have to be developed not only on a sectorial basis but perhaps also on a regional basis. In this context institutions such as NABARD, SIDBI, Local area banks (LABs), Regional Rural Banks (RRBs) and cooperative financial institutions need to be strengthened and professionalise, and the linkages between themselves and with the commercial banking sector.

4. It should be ensured that with great autonomy and private participation in public sector banks the institutional strict of branch networks, which are critical for effective implementation of priority sector lending is not diluted. In the case of banks without such wide-spread infrastructure and non-banks financial institutions, the funds may have to be routed through the specialized institutions. In such case care would have to be taken that the rate of interest paid by the specialized institution is no higher than the risk weighted interest received by the public sector banks on their direct loans to the priority sectors.
5. The recent tendency for inclusion of various activities under priority sector needs to be curbed since it tends to diffuse the focus from those sectors which have high externalities and which need to be supported in a distinct and focused manner. Therefore, not all infrastructure should be categorized as priority sector, but only those which have high social returns and long pay-back periods.

6. Government should institute awards to recognize the good work done by the banking towards priority sector. These awards could be at the State level and also at the National level like St. Gadge Maharaj Swatchatta Abhiyan Scheme (Maharashtra).

7. The poor are more concerned about the timely and availability of credit to meet their various needs without hassles rather than the amount of interest charged on the loan. Viewed in this context, RBI may consider deregulating the interest rates on small loans of less than Rs. 2.50 lakhs to enable the banks to account for the transaction cost and adequately price their services.

8. The Co-operative sector should be freed from political leader interference of its leaders.

9. Since many NGO/MFIs undertakes both collection of deposits and carrying on lending activities, it is very much desirable that RBI formulate guidelines on various aspects such as minimum entry level capital. Further NGO survey must be made to avoid NGO’s from being dominated by particular a community.
10. There may be a need for reinstituting the conventional notions of a branch. Technology would be used as means for providing micro financial services including banking and insurance in a cost effective manner.

11. Branches banking and campus banking v/s. field banking are the new ideas worth considering.

12. It is necessary for the Public Sector Bank to recognize the importance of rural economies which will help them in their long term commercial sustainability and for reducing disparities in credit distribution. V.S.Vyas Committee's suggestion about short term and medium term measure to enhance the credit facility to the agriculture be implemented at faster speed.

13. Size of land holding has major influence on excess to credit therefore, ownership of land as the criteria for the distribution of credit may be relaxed and group responsibility may be introduced by formal credit institution.

14. In order to maintain their status as dominant force in rural credit delivery system cooperative needs to be restructured and strengthened to meet the emerging credit challenges.

15. Tangible assets as collateral adversely affecting on the poor section of the society. This practice therefore need to be altered and intangible assets may be consider as collateral.

An important areas of priority sector lending involves credit to the social sectors and activities which may not be "bankable" in the usual sense of the term, but which have very high social returns. Micro-credit is well established as an area of focus not only in India but in a number of
other countries as well and a number of experiments have been successfully tried. It has been found that the loan servicing experience with micro-credit can be as good or even better than credit to formal sectors if it is implemented through appropriate mechanisms such as group-lending. These efforts should be pursued much more vigorously. Therefore it can be concluded that now the time has come where the priority and non priority credit sector have to work in close cooperation to achieve a high growth rate in economy of the country and sustain at least the present growth rate of Indian economy.