



Management

COMMERCIAL BANK'S LENDING PERFORMANCE IN PRIORITY SECTORS DEVELOPMENT IN TIRUNELVELI DISTRICT

B. Mohan Raj ^{*1}, S. Arul Stephen ²

^{*1} Asst. Professor, Dept. of Commerce, MSU College, Govindaperi, Dist. Tirunelveli, INDIA

² Asst. Professor, Dept. of Commerce, Pioneer kumaraswamy college, Nagercoil, INDIA

ABSTRACT

Nowadays banks are offering various services through different schemes. The segment wise schemes are sorted by commercial banks. Activity of bank in every sector is the heart beat of the development of human as well as the nation. So, the banks are disbursing equal priority to all the sectors. Even though different industries spread across the nation, agriculture is the leading sector of the nation. The banks are targeting the agricultural activities, based on that several schemes are introducing to the benefits of the agriculture activity. The schemes of banks for agriculture priority are such as agriculture loan, agriculture mortgage, crop loan, crop subsidy, and agriculture vehicle subsidy etc. In this paper discuss in detail about the commercial bank's lending performance to agriculture sector.

Keywords:

Agriculture, Commercial bank, Lending, Loan, Subsidy, Crop.

Cite This Article: B. Mohan Raj, and S. Arul Stephen, "COMMERCIAL BANK'S LENDING PERFORMANCE IN PRIORITY SECTORS DEVELOPMENT IN TIRUNELVELI DISTRICT" International Journal of Research – Granthaalayah, Vol. 4, No. 6: SE (2016): 24-29.

1. INTRODUCTION

Indian economy is an agricultural economy and is the backbone of the development of the country. Even after 60 years of independence, the economy in India is still handicapped in terms of infrastructure and other chronic problems of cultivators. More than 70 percent of Indians depend on agriculture; 60 percent of industries are agro based; 50 percent of national income is contributed by the agricultural sector which is the largest foreign exchange earner to India. Such an essential and key sector is neglected by financial institutions and especially by the banks Economy in India. Although the Indian banking system had made considerable progress in the 1950s and the 1960s, the benefits of this did not flow down to the general public in terms of access to credit. Around the same period, the Government of India initiated steps to institute social control over banks to remove certain deficiencies observed in the functioning of the banking system and to promote a purposive distribution of credit, consistent with the basic economic and social objectives. One of the deficiencies observed was that traditionally, the bulk

of bank advances was directed to large and medium-scale industries, and big and established business houses, while agriculture, SSI and exports did not receive adequate attention. The measures for social control over banks, were therefore, initiated by the Government of India in 1967-68 with a view to securing a better adaptation of the banking system to the needs of economic planning and its playing a more active and positive role in aiding sectors like agriculture and SSI. These sectors were later called as priority sectors

2. STATEMENT OF PROBLEM

Priority sector is one of the turning points to the society and the economy of the country. One of the major objectives of the bank nationalization is to support all kind of borrowers in the country without any deviation. The concept of priority is to ensure the credit viability to the neglected sectors like agriculture, small scale industries and other allied activities. In the present study it is indented to analyse the lending performance of commercial banks to priority sectors. In this context Tirunelveli district is selected purposefully, since it comprises various levels of irrigations, varying soils and other nature environments which is suitable for agriculture and allied activities. Further Tirunelveli district is also known as agriculture, where majority of the people are depending agriculture and allied activities as their major income source. The district major income is also from agriculture and allied activities. Hence the study made in this place is relevant.

3. REVIEW OF LITERATURE

Reviews are collected from the various research publications. It gives the idea to the researcher to discuss the present research in various dimensions.

Bhalerao (1989) in her study finds that during the study period inter-sectoral inequality has been increased although the nature has been changed in favour of agriculture, trade, transport, personal and professional services and financial institutions when compared to that of bigger trade, industries and plantation crops.

Ravola, Nigi (1989) in the study on the role of banks in the development of priority sectors, have found that there has been no appreciable rise in the development of priority sectors only thing is over dues of the bank increased.

Bishnoi (1991) in his study found that the interest subsidy rates varied across the priority sectors, each of the priority sectors has shown tremendous increase in absorption of bank credit. The low recovery of credit also affects the bank performance. Considering these points he suggests that the entire length of priority sector schemes, procedures and system of credit delivery needs to be reviewed and revised for improvement in operational efficiency and profitability of the public sector banks.

Bansal and Agarwal (1991) in their paper found that the world bank is against priority sector lending because the loans actually advanced to the priority sector were much higher than the stipulated 40% and this is not healthy for the overall development of the economy and the

situation becomes still worse when such decisions are taken to please the bosses of the political parties of the country.

Gayathri (1993) in her study has found that the recovery performance of government-sponsored scheme has been very low ranging between 14% and 20%, compared to other scheme of the banks. The study also revealed that there was enormous hike in the prices of assets and concluded against the target approach in rural credit and priority sector lending.

Ravi (1993) in his paper suggests that the poor farmers are to be given a special concession in bank loans, because the large farmers getting more benefits from the scheme.

Anand (1994) in his work concludes that commercial banks should have medium and long term perspective plans for meeting the call of the priority sector lending on the one hand and making Indian commercial banking vibrant with higher productivity and profitability on the other.

Patel S.G (1996) in his work the major findings is that there was a clear tendency for the percentage of outstanding agricultural term loan repaid to decrease with the increase in the operational holding group of households. Two most important suggestions offered for improving agricultural loaning operations of the banks are to increase the quantum of loan amount and reduce the rate of interest on loan.

4. OBJECTIVES OF THE STUDY

- To trace out the customer opinion about bank's schemes in priority sector lending.
- To find out customer's perception towards the products and services.
- To identify the problems and difficulties experienced by the customers.

5. METHODOLOGY

As per the records of annual credit plan (IOB) Tirunelveli it was found that there are 252 commercial banks in Tirunelveli district. Among the total banks 97 are situated in rural areas, 85 in semi urban areas and 70 are in urban area. For selecting the banks for evaluation, simple random sampling method has been adopted. That is 10 percent banks from each area was given representation and finalized to 10 from rural area, 9 from semi urban area and 7 from urban area. Thus a total of 26 banks have been selected for the study as sample banks.

To evaluate the borrowers about the credit utilization pattern and problems and difficulties faced, simple random sampling method has been adopted and 25 respondents from each bank have been identified. Hence a sample of 650 borrowers has been finalized for the evaluation purpose.

For selecting the beneficiaries' judgment sampling method was adopted. The beneficiaries include 75% in rural area, 50 % from semi urban area and 25% from urban area from agriculture sector, and the remaining 25% in rural, 50% in semi urban and 75% in urban area from small and cottage industrial sector. Thus the beneficiaries include 345 from agriculture sector and 305 from SSI sector.

6. ANALYSIS AND INTERPRETATION

Analysis and interpretation is presented the utilisation of the loan and the difficulties face by beneficiaries.

SUGGESTIONS OF RESPONDENTS

The consumer's opinion is varied from one another based on experience in bank activities. The regular visitors may have some more knowledge than the then and there bank user.

Suggestions of Beneficiaries	Agri	SSI	Total	Rank
proper pre-visit and post visit	200	250	450	7
Identifying the right borrower	345	305	650	1
Unbiased behaviour of officials	245	305	550	4
Technology support	300	305	605	3
Regular visit	250	254	504	6
Identifying the reality of project	256	250	506	5
Timely sanction	345	305	650	1
Liberalizing procedure	345	300	645	2
Increase the loan amount	345	305	650	1

It is clear that Majority of them suggested that Identifying the right borrower, Timely sanction and increase in loan amount, followed by liberalizing the procedure, providing technological support, equal importance to all the borrowers, identifying the right project, and proper pre and post visit.

LOAN AND PROBLEMS IN IMPLEMENTING PROJECT (Multiple Response)

Beneficiaries are facing many problems after get loan from bank while executing project they crisis more because of price fluctuation.

Problems in getting the loan and implementing in project	Agri	SSI	Total	Rank
Lack of sympathetic attitude on the part of bank officials	250	96	346	8
Lack of facilities for technical consultancy	257	300	557	2
Absence of post credit super vision	154	250	404	7
Inadequate quantum of credit limits	150	89	239	10
Identification of deserving borrowers	345	300	645	1
Untimely sanctioning of loan	300	250	550	3
High rate of interest	15	53	68	13
Cumbersome procedure	250	250	500	5
Faulty project appraisal	250	259	509	4
Unsystematic utilisation of loans	125	25	150	11
Lack of co-ordination	154	89	243	9

Lack of infrastructural support	125	-	125	12
Exploitation by middlemen	250	214	464	6

It is clear that Among the number of problem identifying the right borrower is the major problem, followed by lack of technical consultancy, untimely sanction of loan, faulty project appraisal, cumbersome procedure, interruption of middleman, Absence of post credit supervision, attitude of Bank officials, Inadequate credit limit, lack of coordination, Un-systemic utilization of loan, lack of infrastructural support, and high rate of interest.

UTILISATION OF INCOME FROM PROJECT

Beneficiaries are expecting some sources from bank for improving their project activities and also the income generation.

Income from the project is utilised for:	Agri	Per cent	SSI	Per cent	Total	Per cent
Depositing in the bank	15	4.35	35	11.48	50	7.69
Improving living standards	150	43.48	35	11.48	185	28.46
Reinvesting in the scheme	35	10.14	150	49.18	185	28.46
Clearing the previous debts	145	42.03	40	13.11	185	28.46
Others	-	-	45	14.75	45	6.92
Total	345	100	305	100	650	100

It is clear that 7.69 percent of the respondents deposit the income in the bank, 28.46 percent each used to improve the living standards, reinvesting in the scheme and clearing the previous debts and 6.92 percent utilise for other purpose.

7. SUGGESTIONS

Loans are offered to both agriculture sector as well as the SSI on the basis of the requirement. Even though, the both sectors are entirely different from each one. The SSI units are fully depends on agriculture because agriculture is the blood vessel of every industry. While we scrutinize the schemes of banks for the both sectors, the SSI are beneficially more than agriculture. Even though incentives and subsidies are available for the agriculture loan, the scheme for agriculture loan holder in repayment of loan is critical one when compare it to SSI.

8. CONCLUSION

The development should be a symmetric one everywhere. The paralysed development is possible only by stable income generation activity. So, the banks are offering various services such as loan, deposit schemes, and investment options etc,. At the same times the banks must know that the risk of every borrower and their investment activity. Because all the invested amount are not return as a profited one by all investors. In the agriculture context, prediction is not possible one because it is fully depending monsoon. So, the banks must predict the schemes for the husbandman.

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