

## CHAPTER 7

### SUMMARY OF FINDINGS, CONCLUSION AND SUGGESTION

#### 7.1. Summary

Government of India has initiated several policies and programmes for improvement of the standard of living and well-being of people living in rural areas since independence. As a major lending institution, Commercial banks have the major responsibility for attainment of the socio economic priorities of the Government like growth of agriculture production, promotion of SSI and small entrepreneurs and all-round development of backward area. One of the major events in this direction is nationalization of commercial banks for expansion of bank branches and bank credit both geographically and functionally. There have been many changes in the functional, institutional and structural aspect of banking during the post nationalization period. The coverage of bank in both rural and urban areas has widened and there has been a rapid expansion in banking business in the country. Banks made a beginning in increasing their involvement in the financing of agriculture, small scale industries, small borrowers, retail trade and the self employed. They have acted as intermediaries for accelerated economic growth. Commercial banks have significantly increased their loans and advances for the development of priority sector.

The need for enhancing credit flow to priority sectors, prevalent at the time of bank nationalization, remain important even today also as large number of the population continue to be deprived of access to credit from the financial system.

The present study is undertaken to assess the performance of public sector commercial banks in priority sector lending in Golaghat District of Assam by formulating of three major objectives. The following are the main objectives and hypotheses of the study.

#### **Objectives of the Study**

The major objectives of the study are as follows:

- 1) To study the performance of public sector commercial banks in terms of growth and pattern of priority sector lending in India vis-a-vis Assam over the study period.

2) To examine the components wise lending of public sector commercial banks in regards to priority sector lending in Golaghat District of Assam during the study period.

3) To analyze the problems of borrowers as well as bankers of public sector commercial banks regarding loans to priority sector in Golaghat district of Assam.

### **Research Methodology**

The present study is based on both primary and secondary data. For the first two objectives secondary data were collected from Statistical tables relating to Banks in India, Report on Trend and Progress of Banking in India, Economic Survey of Assam, Reports of State Level Bankers Committee (Assam), Statistical Handbook of Assam, Lead Bank Statement of Golaghat District and District Credit Plan of Golaghat District, Books, journal, websites etc.

Primary data were collected from the 360 sample borrowers and 18 bank managers with the help of schedule, which was prepared keeping in mind the third objective of the study.

### **7.2. Main Findings of the Study**

**The following are the objective wise main findings of the study:**

#### **7.2.1. Performance of Public Sector Banks in India and Assam**

- 1) Deposits of public sector banks in India as well as Assam significantly increased during the study period. Annual growth of deposits in India is higher than that of Assam during the study period except 2009-10, 2010-11 and 2011-12. The compound annual growth rate of deposits by public sector banks in India (18.4 percent) is higher than that of Assam (17.84 percent) during the study period.
- 2) Credit deployment by public sector banks also increased over the time period. Compound annual growth rate of credit deployment by public sector banks in India (18.36 percent) is higher than that of Assam (16.32 percent).
- 3) The credit deposit ratio of public sector banks in India was above the norms specified by RBI i.e., 60 percent whereas credit deposit ratio of Assam is far below than India and norms specified by RBI during the study periods.
- 4) Priority sector lending by public sector banks showed significant progress over the study period. Compound annual growth rate of priority sector lending in Assam was higher (19.56 percent) than that of India (17.57 percent) during the study period.

- 5) Public sector banks in India had achieved the target of priority sector lending set by RBI i.e., 40 percent of ANBC till 2010-11 except the year 2006-07. After 2011 onwards, percentage share of priority sector lending to ANBC had significantly decreased year after year and was not able to achieve the target set by RBI. In Assam, the percentage of priority sector advances to total advances by public sector banks during the study period had shown a healthy scenario and above the target prescribed by RBI.
- 6) Compound annual growth of agriculture finance in Assam was 26.67 percent which was higher than that of India (19.0 percent) during the study period.
- 7) Public sector banks in India have not achieved the target of agricultural credit set by RBI i.e., 18 percent except 2007-08. In Assam, public sector banks have failed to achieve the target prescribed by RBI during the study period. The percentage was laid within 9.25 percent to 17.54 percent during the study period.
- 8) Micro and small enterprise finance (MSE) finance by public sector commercial banks in India as well Assam has significantly increased but annual growth rate was highly fluctuated during the period.
- 9) Compound annual growth rate of finance to MSE sector by public sector banks in India (28.32 percent) is higher than that of Assam (21.42 percent).
- 10) Compound annual growth rate of other priority sector advances by public sector banks in India (6.87 percent) is lower than that of Assam (15.21 percent).

### **7.2.2. Performance of Public Sector Banks in Golaghat District of Assam**

1. Deposit mobilisation and credit deployment by public sector banks in Golaghat district had increased significantly during the study period. Compound annual growth rate of deposit mobilization in Golaghat was 19.66 percent which was higher than that of credit deployment (11.94 percent) during the study period.
2. Credit-Deposit ratio of public sector banks in Golaghat district was very poor during the study period. Credit-Deposit ratio of public sector banks was below the norms specified by RBI during the study periods i.e., 60 percent except the year 2007. Though Credit Deposit Ratio is below the RBI norms but it is above the credit deposit ratio of Assam during the study period and is far below than India during the study periods.

3. Public sector banks in Golaghat district had achieved the target of priority sector lending set by RBI i.e., 40 percent of ANBC in all the year except 2006-07. Compound annual growth of priority sector lending in Golaghat district during the period was 22.60 percent, which was more than that of priority sector lending in India and Assam during the study period.
4. Compound annual growth of agriculture finance was 33.37 percent which was higher than that of agriculture lending in India (19.06 percent) and Assam (26.77) during the study period. Percentage share of agriculture credit to ANBC had below the target set by RBI in the year 2006-07 and 2007-08 and after that the percentage is improving as well as above the target set by RBI i.e., 18 percent of ANBC. Percentage share of agriculture credit to ANBC in Golaghat district was above the percentage in India and Assam during the study period except the year 2006-07 and 2007-08.
5. Annual growth rate of MSE finance was significantly fluctuating during the period. Annual growth rate of MSE finance was the highest (137.88 percent) in the year 2009-10 and the lowest (-13.80 percent) in the year 2011-12. Compound annual growth rate of credit deployment during the period was 17.38 percent which was lower than that of MSE finance in India (28.32 percent) as well as Assam (21.41 percent).
6. Annual growth rate of other priority sector in Goaghat district had shown positive during the study period except the year 2008-09 and 2009-10. Annual growth rate was the highest (65.55 percent) in the year 2007-08 and the lowest (-33.94 percent) in the year 2009-10. Compound annual growth rate of OPS lending during the study period was 9.87 percent.

### **7.2.3. Problems of Borrowers Regarding Priority Sector Lending**

The following are the main problems of borrowers regarding priority sector lending:

#### **1) Filling up loan application form**

Out of the total borrowers, 50.28 percent of borrowers filled up their loan application form with the help of others i.e., friends, relative, neighbours and some facilitation centre followed by 28.33 percent of borrowers filled up their loan application form with the help

of bank employee and remaining 21.39 percent borrowers filled up the loan application form from their own.

Out of the total sample borrowers, majority i.e., 88.06 percent of borrowers faced difficulty in fill up of loan application form.

The study revealed that 27.44 percent of borrowers found it difficult due use of difficult words in the form followed by 23.03 percent borrowers due to use of technical language, 18.93 percent borrowers due to illiteracy of them, 17.35 percent borrowers due to lengthy form and 13.25 percent borrowers due to inclusion of irrelevant questions.

## **2) Delay in Sanctioning the Loan**

It is found that 33.33 percent of the total borrowers reported that their loan was sanctioned within 1-2 months, 31.39 percent received sanctioned amount within 15-30 days, 19.44 percent received sanctioned amount after 2 months and 15.83 percent received loan amount within 15 days.

The study reveals that 38.33 percent of the total borrowers visited the bank 4-6 times, 31.11 percent of borrowers visited 7-9 times, 18.06 percent borrowers visited 10 or more than 10 times and 12.50 percent borrowers visited 1-3 times for sanctioning the loan.

Out of total borrowers, majority of borrowers said that excessive documentation is the main reason for delay in sanctioning the loan followed by unnecessary delay (25.56 percent). 19.27 percent borrowers expressed callous attitude of bankers, 17.78 percent said shortage of bank staff is responsible for delay in sanctioning the loan.

## **3) Inadequacy of Loan Amount**

Mean credit requirement of sample borrowers was Rs. 188291.67 out of which mean credit disbursed by the banks amounted to Rs. 153172.22. Average credit gap as a whole was Rs. 35119.44. The survey also revealed that 18.65 percent of credit requirement of the borrowers was not met by the public sector banks.

Average credit gap of borrowers was highest in agriculture sector (Rs. 37539.06) followed by other priority sector (Rs. 31934.78) and MSME sector (Rs. 30888.16). Percentage of credit gap indicates huge variation in agriculture sector with MSME and other priority sector. Percentage of credit gap was highest in agriculture sector (36.47percent) followed by MSME (11.50percent) and other priority sector (10.64 percent).

Majority of borrowers depended on friend or relatives (48.74 percent) for procurement of additional fund followed by selling of their assets (20.59 percent).

One of the reasons of delay in sanctioning of loan installment is delay in pre-sanction and post-sanction visit. Out of the total borrowers, 61.39 percent of borrowers reported that bank official visited their place once before sanctioning the loan whereas 26.11 percent borrowers said that no bank official ever visited their place before sanctioning the loan.

Majority of total borrowers reported that bank officials visited their place occasionally and 19.17 percent reported that bank officials never visited their place after disbursement of loan.

#### **4) Problems of Fund Diversion**

Bank and financial institutions do not provide loan for unproductive purposes such as marriage, birth rights etc. But as a social being borrowers do not ignore social norms. So they are compelled to divert their loan amount for meeting such expenditure. Moreover for payment of old debt, a part of sanctioned amount is used by some borrowers.

The study reveals that 60.28 percent of total borrowers partly utilised their loan amount, 29.44 percent borrowers fully utilised their loan amount and 10.28 percent borrowers have not utilised their loan amount for the purpose for which loan was taken.

The study reveals that the main reason for diversion of funds is untimely or delayed in credit disbursement followed by amount spent on social ceremonies, inadequacy of loan amount, repayment of old debt and amount spent for better investment which is applicable for borrowers of both the banks i.e., SBI and UBI.

#### **5) Problems of Repayment**

Out of the total borrowers, 35 percent borrowers repay their installment in time in few cases followed by 26.11 percent borrowers in most of the cases, 24.17 percent borrowers repay their installment without regular schedule and only 14.72 percent borrowers always repay their installment in time.

Reason for non-payment of loan reveals that majority of borrowers of both banks i.e., SBI and UBI have failed to repay their loan due to low return from the activity followed by hoping for loan waive off, compelling family consumption, repayment of old debt and lack of recovery effort from bank.

Sector-wise borrowers responses regarding reason for non-payment of loan reveal that 56.36 percent borrowers of MSE and 46.52 percent of agriculture sector fails to repay their loan due to low return from the activity. 43.08 percent borrowers of other priority sector fail to repay their loan for meeting family consumption and 34.22 percent of agriculture sector willfully do not repay loan on the expectation of loan waive off in near future.

#### **7.2.4. Problems of Bank Managers regarding Priority Sector Lending**

The following are the main problems of bank managers regarding priority sector lending:

- 1) In order to follow the direction of RBI and also to avoid penalty banks have given much importance on the achievement of priority sector target. Due to achievement of target banks are compelled to sanction the loan. As a result there is a chance of inclusion of non-viable projects. s
- 2) The number of skilled staff for project evaluation, field visit is comparative very less. This also adversely affects in proper evaluation, sanctioning and monitoring of projects.
- 3) High non-performing assets in priority sector are great problem for the banks. The burden of default in respect of priority sector has been quite severe and has put a heavy obligation on banks.
- 4) Loan waive off by the Government in different times is one of the reason for willful default. A reasonable portion of priority sector borrowers do not repay their loan amount on the hope that the government may waive their loan off in near future. Low return from the borrower's activity is also another reason for bon-payment of loan amount.

#### **Testing of Hypotheses**

The following hypotheses were framed for the present Study:

- 1) There is no significant difference between the growth rate of priority sector advances in Assam and India.
- 2) There is no significant difference between the growth rate of priority sector advances in Assam and Golaghat District.
- 3) Public sector banks are unable to meet fully the needs of the borrowers.

For testing of above hypotheses Mann Whitney test was used. The result of the test was given below:

- 1) There is no significant difference between the growth rates of priority sector advances in Assam and India.

The results of Mann-Whitney test confirm that there is no significant difference between the growth rates of deposits, advances and priority sector lending by public sector commercial banks at the state and national levels. Hence the null hypothesis is accepted.

- 2) There is no significant difference between the growth rates of priority sector advances in Assam and Golaghat District.

The results of Mann-Whitney test confirm that there is no significant difference between the growth rates of deposits, advances, priority sector lending, agriculture lending and MSE lending of public sector commercial banks at the district and state levels. Hence the null hypothesis is accepted.

- 3) Public sector banks are unable to meet fully the needs of the borrowers.

The result of the Mann Whitney test confirms that there is a significant difference between loan requirement and loan amount received by the borrowers of agriculture sector. Hence, public sector banks are unable to meet the needs of the borrowers of agriculture sector. But in case of small and medium enterprise and other priority sector, there is no significant difference between loan requirement and loan amount received by the borrowers of these sectors. Hence, public sector banks are able to meet the needs of the borrowers to a great extent.

### **7.3. Conclusion**

Public sector commercial banks have made remarkable progress in deposits mobilization and deployment of credit to priority sector due to Government intervention and policy initiative of the Reserve Bank of India. Public sector banks in Golaghat district achieved the target of priority sector lending set by RBI i.e., 40 percent of ANBC in all the year except 2007. Compound annual growth rate of priority sector lending was higher than that of Assam and India during the period. Compound annual growth rate of agriculture finance by public sector banks was higher than India and Assam during the study period. In nutshell, it can be said that public sector banks in Golaghat district have achieved a remarkable success in terms of



achieving quantitative targets of priority sector. Though public sector banks achieved tremendous success in priority sector lending but borrowers of priority sector faced various problems such as loan cumbersome process of getting loan, excessive documentation, delay and inadequacy of loan amount, irregularity in repayment of loan etc. Mounting overdues is one of major problems faced by the banks in priority sector lending which adversely affects in re-cycling of funds and profitability. Banks should properly scrutinize the economic viability and technical feasibility of projects to reduce the defaults in payment.

#### **7.4.Suggestions**

Based on the findings and conclusion of the present study, the following suggestions are made for making priority sector lending programme more effective and successful.

- 1) **Improvement of Credit Deposit Ratio:** Credit-deposit ratio of Golaghat district is very poor and below the target fixed by the RBI. Public sector banks should give proper attention to improvement of credit deposits ratio in the district. For this Lead banks should develop action plan keeping in mind the overall development of the district.
- 2) **Enhancement of Agricultural Credit:** Agriculture is the main sources of livelihood in Golaghat district of Assam. Hence it is necessary to reorient the lending policies and enhance the quantum of loan to this sector for improvement of agricultural production, employment generation etc.
- 3) **Appointment of adequate and efficient staffs:** Bank should appoint adequate skilled staff for document verification, field verification and project appraisal. This is necessary for wrong identification of borrowers. Disbursement of credit without proper selection for achieving the target resulting into deterioration of quality of lending and adversely affect in productivity as well as profitability.
- 4) **Adequacy and timeliness:** Finance is the main constrains for borrowers of priority sector. All productive activities required substantial credit support. Bank should properly assess the requirement of the borrowers and disburse credit accordingly in time. There must be a time limit within which the process of scrutiny of loan applications and release of fund should be made.
- 5) **Infrastructure development:** Roads, railways, regular supply of electricity can play an important role in enhancing productivity of different priority sectors. There is a need for

development of different types of infrastructure for the growth and development of the priority sector.

- 6) **Supply of Inputs:** There is a need for ensuring regular supply of fertilizers, seeds and pesticides at subsidized price for increasing agricultural production. For development of trade and industry supply of inputs such as raw materials, skilled labour's, machinery must be ensured.
- 7) **Market Facility:** Government should develop proper marketing facilities like warehouse, cold storage, market etc so that agriculturists and other producers can get fair prices of their product.
- 8) **Insurance Scheme:** Sometimes agriculturist fail to repay their loan due to damage of their crop by natural calamities like flood, drought etc. Government must provide crop insurance to all farmers which not only provide insurance to all farmers but also financial support to them. In October, 2016 Assam Government has started Pradhanmantri Phasal Bima Yojana to protect the borrowers of agriculture sector.
- 9) **Post sanction visit:** Post sanction visit to spot ensure proper utilization of loan amount in the productive activities for which it was obtained. A schedule periodical visit by the bank officials under the priority sector lending scheme must be enforced to remove fund diversion. Bank should follow proper monitoring and follow up system for prompt recovery of installment.
- 10) **Counseling of borrowers regarding priority sector lending:** Banks and development agencies should take necessary steps to increase the awareness of borrowers so that they can avail of the facilities for productive purposes.
- 11) **Action against willful defaulters:** There is need to take strict action against the defaulters in general and willful defaults in particular. The banks should be given adequate power and legal support to take action against willful defaulters.