

Impact of Priority Sector Lending by Commercial Banks in Rajasthan

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One of the basic objectives of nationalization was to ensure that no viable productive endeavour should falter to lack of credit support irrespective of fact whether the borrower was big or small the concept of priority sector was evolved to ensure that the assistance from the banking system flowed in an increasing measure to the vital sectors of the economy according to national priorities. In the matter of deployment of bank credit, based on the recommendations of the different Committees set up to examine the related issues, various schemes of lending and targets for advances to priority sectors and for different subgroups, particularly to the weaker sections have been introduced.

As the scheme is in operation for more than three decades, and is an ongoing one, an empirical evaluation of its performance was made so that the problems could be identified and the programme could be improved. With a view to highlight and deliberate on the scheme, to examine the involvement of banks in its implementation, to evaluate the extent of success, to identify the problems associated therewith and to improve its working, it is of paramount importance to analyse the impact of priority sector credit on the people and the economy.

Primary data was collected through field survey. For this purpose structured interview schedules were prepared for the beneficiaries, which would give information about the PSL scheme and its utilization and impact in the state.

Keywords :

Introduction

Shri. Morarji Desai, the then Deputy Prime Minister and Minister of Finance, Government of India made a statement in the Lok Sabha on December 14, 1967 that there has been a public concern that several 'priority sectors' such as agriculture, small-scale industries and exports are not receiving their due share of bank credit. This appears to be the first occasion that the term 'priority sector' was used. With the introduction of

Banking Laws (Amendment) Bill 1967 in the Lok Sabha on December 23, 1967, the policy of 'social control' on banks was instituted. Meanwhile, the National Credit Council has been set up to assess credit needs, to define priorities and to provide guidelines to the banking system.

Categories of Priority Sector

Agriculture (Direct and Indirect finance): Direct

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finance to agriculture shall loans given for agriculture and allied activities as specified in para 5 appended.

Small Enterprises (Direct and Indirect Finance):

Direct finance to small enterprises shall include all loans given to micro and small (manufacturing) enterprises.

Retail Trade shall include retail traders/private retail traders dealing in essential commodities (fair price shops) as per the definition given in para 5.

Micro Credit: Provision of credit and other financial services and products of amounts not exceeding ` 50,000 per borrower or the maximum permissible limit on unsecured advances whichever is lower.

Education Loans: Education loans include loans and advances granted to only individuals for educational purposes up to ` 10 lakh for studies in India and ` 20 lakh for studies abroad, and do not include those granted to institutions;

Housing Loans : Loans up to 20 lakh to individuals for purchase/construction of dwelling unit per family, (excluding loans granted by banks to their own employees) and loans given for repairs to the damaged dwelling units of families up to ` 1 lakh in rural and semi-urban areas and up to ` 2 lakh in urban and metropolitan areas

Objectives of the Study

- To analyze the credit utilization pattern by the borrowers.

- To enquire into the nature of repayment of loans and to identify the major problems involved.
- To evaluate the impact of priority sector credit on the income and employment levels of the borrowers.
- To identify the problems and difficulties experienced by banks and Borrowers in the implementation of the scheme.

Hypotheses

H1- The priority sector lending had created a significant and positive impact on the employment level of PSL borrowers in the State.

H2- Full Utilization leads to 100 % repayment.

H3- Sufficiency and repayment are positively associated

H4- All the borrowers repay the loans out of the income generated from the project.

H5- Post-loan income is greater than pre-loan income

H6- Utilization and repayment are positively correlated.

H7- The expected and observed satisfaction from banking services does not differ significantly among the borrowers

Survey Design

Multistage sampling framework was used in the survey design. At the first stage, the State of Rajasthan to which the researcher belongs was selected. Rajasthan state has 33 districts and 7 divisions. The Division-wise lists of districts were prepared accordingly. From each list, seven districts were selected at random. Thus seven districts representing the seven divisions were selected those are as follows.

Table 1: Sample Plan

Division	Total Districts	Selected
Ajmer	Ajmer, Bhilwara, Nagaur, Tonk.	Bhilwara
Bharatpur	Bharatpur, Dholpur, Karauli, Sawaimadhopur.	Bharatpur
Bikaner	Bikaner, Churu, Sriganganagar, Hanumangarh	Churu
Jaipur	Alwar, Dausa, Jaipur, Jhunjhunu, Sikar	Jaipur
Jodhpur	Barmer, Jaisalmer, Jalore, Jodhpur, Pali, Sirohi.	Jhodhpur
Kota	Baran, Bundi, Jhalawar, Kota.	Bundi
Udaipur	Banswara, Chittorgarh, Dungarpur, Rajsamand, Pratapgarh, Udaipur	Chittorgarh

Thus the sample size consists of 300 beneficiaries and. Stratified random sampling techniques were applied in selecting the respondents. The beneficiaries include

from the agricultural sector, SSI sector, government-sponsored schemes and other priority sectors.

Table 2: Units of Sampling

Agriculture	Small Scale Industries	Govt. Sponsored Scheme	Others	Total
60	45	120	75	300

Collection and Analysis of Data

These collected data was analyzed with the help of computers. The packages used for the analysis were 'Statistical Packages for Social Sciences (SPSS)' and 'MS Excel 2000'. For the documentation 'MS Word 2007' and 'Adobe Page Maker 6.5' were used. Statistical Tools Used for Analysis Statistical tools, viz.,

percentages, averages, compound growth rates, correlation, regression, chi-square test, other non-parametric tests, etc., were used for the analysis.

Impact Of Priority Sector Lending: Result And Discussions

Table 3: Social-economic Profile of the Beneficiaries

Items	Details	No. of beneficiaries				Total	
		Agri.	SSI	GSS	Others	No.	%
1. Age	Below 20 years	-	-	-	1	1	-
	20-30 years	4	3	22	12	41	14
	30-40 years	22	29	43	31	125	42
	40-50 years	17	8	36	26	87	29
	Above 50 years	17	5	19	5	46	15
	Total	60	45	120	75	300	100
2. Sex	Male	54	42	69	51	216	72
	Female	6	3	51	24	84	28
	Total	60	45	120	75	300	100

3. Religion	Hindus	44	33	106	22	205	68
	Muslims	4	3	5	17	29	10
	Others	12	9	9	36	66	22
	Total	60	45	120	75	300	100
4. Marital	Single	2	3	7	5	17	6
Status	Married	58	42	113	70	283	94
	total	60	45	120	75	300	100
5. Occupation	Agri.	48	-	-	-	48	16
	Retail trader	-	-	-	6	6	2
	Professional	-	-	-	5	5	2
	SSI	-	19	-	-	19	6
	Traditional	1	13	40	3	57	19
	Govt. Servant	-	-	-	8	8	3
	Self employed	11	13	80	53	157	52
	Total	60	45	120	75	300	100
6. Monthly	a. Less than 1000	-	-	-	-	-	-
income in	b. 1000-2000	9	2	63	6	80	27
	c. 2000-3000	16	9	50	8	83	28
	d. 3000-5000	28	26	7	32	93	31
	e. Above 5000	7	8	-	29	44	14
	Total	60	45	120	75	300	100
7. Monthly	a. Less than 1000	3	-	3	1	7	2
expenditure	b. 1000-2000	14	6	102	9	131	44
	c. 2000-3000	26	14	14	31	85	28
	d. 3000-5000	15	22	1	25	63	21
	e. Above 5000	2	3	-	9	14	5
	Total	60	45	120	75	300	100
8. Monthly	a. Nil	19	12	58	9	98	33
saving in	b. Less than 1000	38	21	58	35	152	51
	c. 1000-2000	3	5	2	11	21	7
	d. 2000-3000	-	4	2	7	13	4
	e. 3000-5000	-	3	-	8	11	4
	f. Above 5000	-	-	-	5	5	1
	Total	60	45	120	75	300	100

Age and Sex Profile

As revealed in the Table 3, 42 % of the sample borrowers are in the age group of 30 - 40 years, 14 belong to the group of 20-30 years. Taking these two groups together borrowers constituted the age group of below 40 years and this is the most vulnerable age group. As they are facing unemployment problem at this stage particularly. They are availing bank loans for converting the unemployment to self employment and it is needed a progressive sign of development. The beneficiary in the age group of 40-50 years and above constituted 29 and 15 % of the sample respectively. It may be concluded that PSL is attractive to all rustics irrespective of the age.

The sex-wise distribution of the sample beneficiaries shows that banking habits are well developed in males as 72 % of the borrowers are male. Our women folk should be encouraged to the mainstream of banking through programmes such as Self Help Groups..The marital status revealed that 94 % of them are married.

Caste Status

Of the sample borrowers, 68 % are Hindus, 10 % Muslims 22 % Jains and other. SCI ST borrowers constitute 28 %. The number of borrowers in the Muslim community is low because of their migration tendency to Gulf countries seeking employment.

Occupational Status

From the occupational point of view, 52 % of the borrowers are self- employed and sixteen % are agriculturists. Nineteen % of the borrowers belong to families having a traditional occupation and they have availed the bank loans to uphold the activities related to their traditional occupations.

Income, Expenditure and Savings

Fifty five % of the borrowers have monthly income of ` 1,000 to 3,000, thirty one % ` 3,000 to 5,000 and 14 %

more than ` 5,000. The monthly expenditure of 44 % of the borrowers is ` 1,000 to 2,000. Two % are having an expenditure of less than ` 1,000 and five % above ` 5,000. Fifty one % of the borrowers save an amount less than ` 1,000 per month, 15 % ` 1,000 to 5,000 and one % above ` 5,000. Thirty three % of the borrowers are not having any savings at all.

Utilization of Loans

The objective of developmental lending is to ensure that the borrowers utilize the loan for productive purposes generate surplus over it and make use of the surplus thus generated to repay the loans. The data regarding the Utilization of financial assistance as per Table 4 reveals that 81 % of the sample borrowers utilized the loans for the purpose for which they were sanctioned.

Sector-wise study revealed that 82 % of the agriculturists, 91 % of the small-scale industrialists, 68 % of the government-sponsored beneficiaries and 95 % of the other borrowers fully utilized the loans for which they were provided. 19 % of the borrowers diverted the loans for non-productive activities. The Table 4 also shows that 9 % misused the loans for family consumption and 7 % for the repayment of old debts. (table on next page)

Repayment of Loans

When enquired about the terms and conditions prescribed for the repayment of loans, a great majority of the borrowers expressed their satisfaction. Besides, some specified categories of borrowers get sizeable amount as subsidy from various agencies. This also allows considerable flexibility in repayment. The repayment details are given in Table 5 and are also represented in figure 1. As per the Table 5 32 % of the borrowers turned out to be defaulters, though majority of the respondents are satisfied with the terms and conditions prescribed by the bank. This reveals that

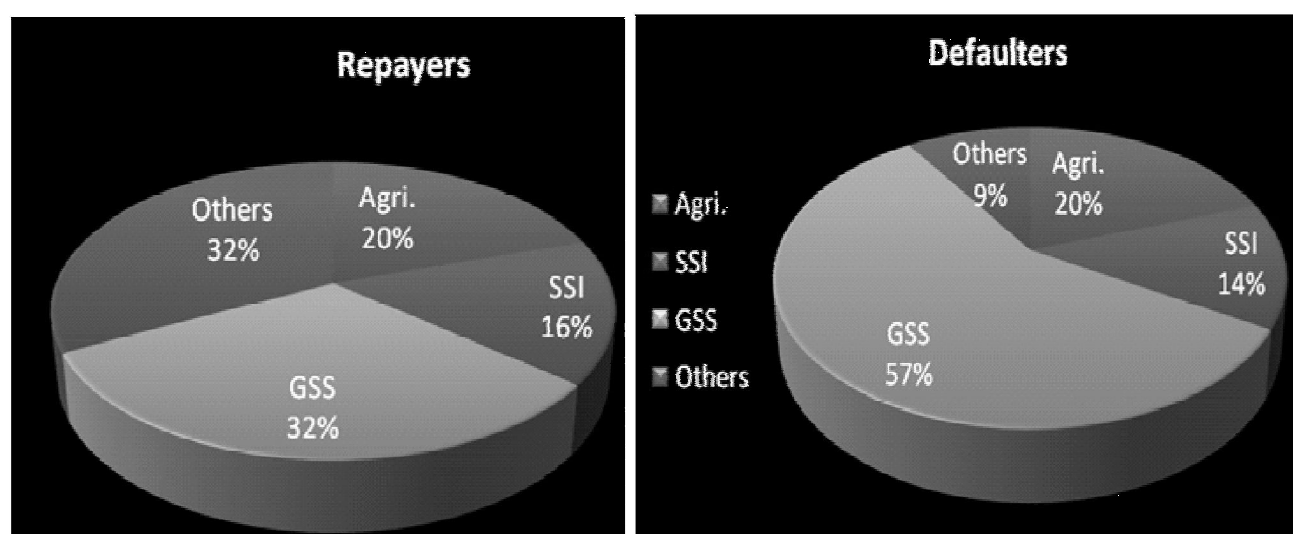
Table 4: Utilization of loan

Items	Details	No. of beneficiaries				Total	
		Agri.	SSI	GSS	Others	No.	%
1. Utilization of the loan amount	Activity financed	49	41	82	71	243	81
	Diverted to others	11	4	38	4	57	19
	Total	60	45	120	75	300	100
2. Mode of diversion	Family consumption	3	1	23	-	27	9
	House construction/ maintenance	2	1	-	-	3	1
	Purchase of household articles	1	-	-	1	2	1
	Marriage /festivals	1	1	1	1	4	1
	Medical treatment	-	-	1	-	1	-
	Repayment of debts	4	1	13	2	20	7
	Total	11	4	38	4	57	19

the failure to repay the loans on time is due to low level of earnings, less than expected production and in some

cases the indifference of the borrowers. %

Figure 1: Sector- wise repayers and defaulters



Among the agriculturists, repayers are 68 % and in the small-scale industrialists 71 %. Repayers are the least

in the Government-sponsored programmes with 54 % and the highest 88 % are in the other tertiary sectors

Table 5: Sector-Wise Repayers and Defaulters

Sector	Repayers		Defaulter		Total
	number	% to their total	number	% to their total	number
1. Agriculture	41	68	19	32	60
2 SSI	32	71	13	29	45
3. GSS	65	54	55	46	120
4. Others	66	88	9	12	75
Total	204	68	96	32	300

Source: Survey data

Repayment Status of the Borrowers

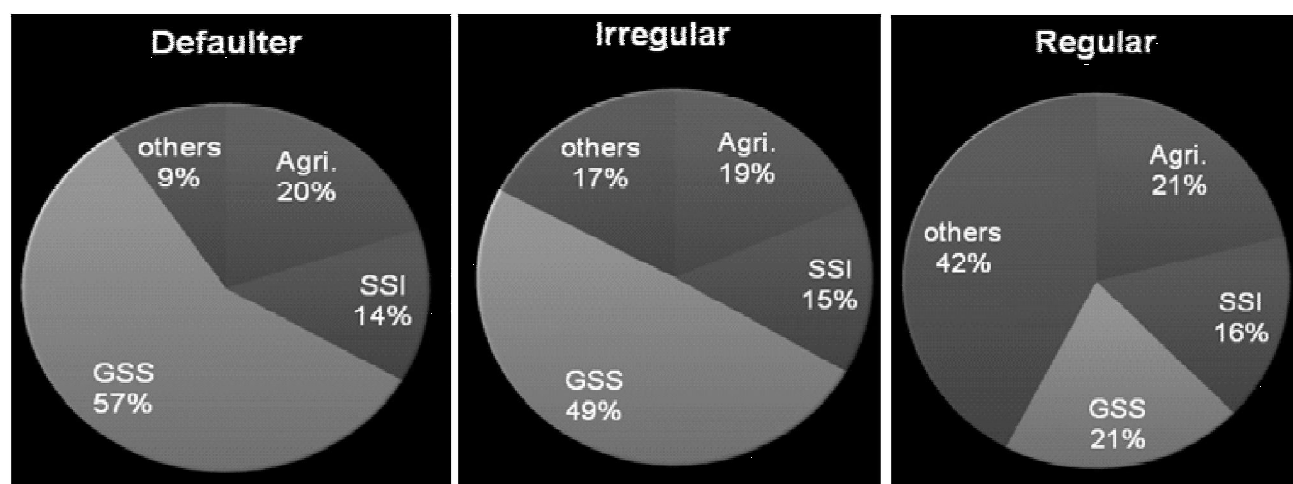
The repayment status of the borrowers as per Table 6 shows that 41 % of the borrowers were regular while 27 % were irregular in their repayments. Further analysis reveals that out of the total repayers, forty three percent of the agriculturists, 44 % of the small-scale industrialists, 21 % of the Government-sponsored beneficiaries and 69 % of the borrowers in tertiary sector are punctual in their repayment. Twenty five % of the agriculturists, 27 % of the small-scale

industrialists, 33 % of the Government-sponsored beneficiaries and 19 % of the other borrowers are also repayers, though irregular in nature. As per the Table 8.4, 66 % of the beneficiaries are repaying the loans from the income generated out of the activity financed and 2 % depends on other sources like chitties, money lenders, etc., constituting a total of 68 %. Inadequate income or failure of the activity financed was reported as the most important reason for default by 32 % of the borrowers.

Table 6: Repayment of Loans

Items	Details	No. of beneficiaries				Total	
		Agri.	SSI	GSS	Others	No.	%
1.Repay-ments	Regular	26	20	25	52	123	41
	Irregular	15	12	40	14	81	27
	Defaulter	19	13	55	9	96	32
	Total	60	45	120	75	300	100
2. Source of repayment	Income from the project	39	29	65	65	198	66
	Other financial agencies	-	1	-	1	2	1
	Selling/pledging the asset	1	-	-	-	1	-
	Chitty/ kuries	-	1	-	-	1	-
	Money lenders	1	1	-	-	2	1
	Total	41	32	65	66	204	68
3. Reasons for default	Loss	19	13	55	9	96	32
	Diversion of loans	11	4	38	4	4	19
	Discouraged by others/ expecting write-off	7	8	31	-	-	15

Figure 2: Repayment Status of the Borrowers



Another major reason for default pointed out by 19 % of the respondents is the diversion of loan for more urgent family consumption. 15 % of the borrowers are expecting loan write-offs. Local or political leaders are also trying to gain cheap popularity by dispiriting the borrowers not to repay the loans. The details of income

v/s defaulters are set out in Table 7. As per the Table 7, 62 % of the defaulters belonged to the income group of less than ` 2,000 and 20 % in the income group of ` 2,000-3,000. 17 % of the defaulters had monthly income between ` 3,000 and 5,000 and 1 % had an income of above ` 5,000.

Table 7 Income vs. Defaulters

Sector	Defaulter				Total	
	Agri.	SSI	GSS	Others	No.	%
Less than ` 2000	5	1	51	3	60	62
` 2000-3000	8	3	3	5	19	20
`3000-5000	6	8	1	1	16	17
Above ` 5000	-	1	-	-	1	1
Total	19	13	55	9	96	100

Source: Survey data

Thus, the analysis reveals that majority of the defaulters are in the low-income group. So the hypothesis H20, defaulters are more in low-income groups, is accepted. Further, sector-wise analysis of the defaulters reveals that 93 % of the defaulters of Government-sponsored programmes are under the income group of less than ` 2,000. In the agriculture sector, 42 % of the defaulters and in the other tertiary sectors, 56 % of the defaulters

are in the income group of ` 2,000-3,000. In the SSI sector, 62 % of the defaulters are in the income group of ` 3,000-5,000. This reveals that majority of the defaulters are in the Government-sponsored lending schemes and the main cause of their default is low-income generation.

Defaulters - A Comparison
Table 8: Defaulters - A Comparison

Defaulters' Details		SBG	NBs	Pvt. Sector banks	Total	
					No.	%
Education	Educated	21	24	14	59	66
	Illiterate	4	21	6	31	34
	Total	25	45	20	90	9
Size of holdings	Small/ medium	19	37	18	74	82
	Large	6	8	2	16	18
	Total	25	45	20	90	100
Income	High	9	21	7	37	41
	Low	16	24	13	53	59
	Total	25	45	20	90	100
Sex	Man	21	38	16	75	83
	Woman	4	7	4	15	17
	Total	25	45	20	90	100
Caste	Forward	6	16	4	26	29
	Backward	19	29	16	64	71
	Total	25	45	20	90	100
Category	GSS	25	45	20	90	100
	Others	-	-	-	-	-
	Total	25	45	20	90	100

Source: Survey data

A comparison of the defaulters based on their social status like education, incomes etc. are given in Table 8, 66 % of the bankers reported that defaulters are more among the educated borrowers than the illiterates and 82 % of the bankers found more defaulters among small and medium farmers compared to large size farmers. According to 59 % of the bankers, defaulters are more in the low- income groups than in the high-income groups. 83 % of the bankers have noticed more defaulters in men than in women. This reveals that women generate sufficient funds to repay and have an intensive drive to move up. 71 % have observed that more defaulters are in the backward caste than in the forward. On the basis of category, all the bankers had

unanimously reported that the defaulters are more in Government-sponsored schemes compared to other PSL borrowers.

Utilization and Repayment

Proper utilization of loans results in regular repayment. Utilization and repayment percentages of different categories of PSL borrowers are compared in Table 8.7.

Table 9: Sector-Wise Utilization and Repayment Percentages

Sectors	Utilization percentage	Repayment percentage
Agriculture	82	68
SSI	91	71
GSS	68	54
Others	95	88

Source: Survey data

H16_ Utilization and repayment are positively correlated.

The Table 9 shows that when the percentage of Utilization increases, the capacity to repay will also increase. The Karl Pearson's co-efficient of correlation between Utilization and repayment is 0.927 and this indicates that there is high degree of positive correlation between the two. Thus the hypothesis H16, Utilization and repayment are positively correlated is accepted. The Co-efficient of determination is 0.859, which reveals that 86 % of the borrowers are repaying the loans by proper Utilization. This indicates the Utilization of effect

of PSL.

H17_ Full Utilization leads to 100 % repayment.

Let X stands for Utilization and Y for repayment Based on the data of Table 9,

Regression equation Y on X: $Y = 1.081X - 20.554$ If $X = 100$, $Y = 87.55$

This shows that even if Utilization is 100 %, repayment will be 88 %. Thus the hypothesis H17, full Utilization leads to 100 % repayment, is rejected.

Table 10: Repayments and Sufficiency of Loan

Details	Repayers	Defaulters	Total	
			No.	%
Sufficient	59	13	72	24
insufficient	145	83	228	76
Total	204	96	300	100

Source: Survey data

H18_ sufficiency and repayment are positively associated

Yule's co-efficient of association between sufficiency and repayment is 0.44. This indicates the existence of

positive association between sufficiency and repayment. Thus the hypothesis H18, sufficiency and repayment are positively associated, is accepted.

Present Status of the Scheme
Table 11: Status of the Scheme

Items	Details	No. of beneficiaries				Total	
		SSI	GSS	Others	No.	%	
1. Repay-ments	Profit	22	20	32	54	128	43
	Break -even	17	9	33	11	70	23
	Loss	21	16	55	10	102	34
	Total	60	45	120	75	300	100
2. Source of repayment	Improper selection of the project	2	5	43	8	58	19
	Marketing problems	28	39	89	33	189	63
	Lack of technical consultancy	18	8	43	4	73	24
	Diversion of loan/finance	17	6	48	4	75	25
	Inadequate / untimely credit	53	41	107	69	270	90
	Lack of business attitude	11	4	23	2	40	13
	Natural calamity	16	-	-	-	16	5
	Labour problems	-	6	-	1	7	2
	Govt. policy	14	12	-	2	28	9
	Mishap	1	2	-	-	3	1

Source: Survey data

As revealed in Table 11, 43 % of the borrowers reported their concerned activities as profitable and 34 % as loss. 23 % has opined that their project is at break-even. If the project selected is not technically feasible or economically viable, it may lead to loss. Improper and unscientific selection of the project is considered as a reason for loss by 19 % of the borrowers. Lack of marketing support for the products manufactured by the PSL beneficiaries has been observed as another reason by 63 % of the respondents. 24 % of the borrowers pointed out that short of technical consultancy resulted in loss. 25 % of the borrowers agreed that the diversion of the loan or the income generated out of it for non-productive purposes is the root cause for loss.

It is disquieting to note that inadequate and untimely disbursements of loans are the major reasons for the failure of the projects financed under PSL scheme. 90

% of the respondents revealed that they were neither assisted with adequate finance nor disbursed with loan on time. This has forced them to compromise, ultimately leading to loss. 13 % of the borrowers disclosed that the lack of business knowledge or attitude has led to loss. The policy of the Government is pointed out as another reason for loss by 9 % of the borrowers. Due to the liberalization policies of the Government, the products from other countries are available at cheap rate throughout the State. Products are also available at low price from the organized sectors. The PSL borrowers do not have the strength to withstand competition from these sectors.

The poor are especially vulnerable to adverse contingencies-chronic illness, bad harvest, crop failure, death in the family, and seasonal loss of employment, which often adversely affects the earning capacity. Thus the other reasons for loss reported by the borrowers are natural calamities and mishap.

The mode and source of repayment of the sample borrowers

Table 12: Mode and Source of Repayment

Sectors	Details of repayment					
	Income from the project		Other		Total	
	No.	%	No.	%	No.	%
Agriculture	39	95	2	5	41	100
SSI	29	91	3	9	32	100
GSS	65	100	-	-	65	100
Other	65	98	1	2	66	100
Total	198	97	6	3	204	100

Source: Survey data

As per the Table 12, 97 % of the repayers are utilizing the income from the project for making repayment. In government-sponsored programmes, 100 % of the repayment is from the schemes and the corresponding percentages for agriculture, SSI and other tertiary sectors are 95, ninety one and 98 % respectively.

H19_ All the borrowers repay the loans out of the income generated from the project.

The Test for means is applied to test the hypothesis that all the borrowers are repaying the loans from the income generated out of the project. The critical value, at 0.05 level of significance is 2.353 and the calculated value is 2.04. Since the calculated value is less than 2.353, the hypothesis H19, i.e., all the borrowers repay the loans out of the income generated from the project, is accepted.

H20_Post-loan income is greater than pre-loan income

The difference between these two income levels is tested statistically by using the Test for difference of means. The critical value at 0.05 level of significance is 1.645 and the calculated value is 25.33. So the hypothesis that there is no significant difference between pre-loan and post-loan income is rejected. Thus the hypothesis H20, post-loan income is greater than pre-loan income, is accepted.

Impact on Income

The pre-loan and post loan income levels of the sample borrowers were compared to find whether any change in respect of income levels has taken place during the post loan period. The sector-wise monthly income generated in the pre- loan and post-loan periods are shown in Table 13. The average pre-loan income in the agriculture sector was ` 833 and in the post-loan period it has increased to ` 3,458 and in the SSI sector it has increased from ` 656 to ` 3,944. In government-sponsored programmes the average income has improved from ` 500 to 2,062 and in other tertiary sectors, the increase was from ` 1,180 to ` 4,413. On the whole the average pre-loan income was ` 760 and in the post-loan period it was ` 3,212. (Table on next page)

Movement of Sample Beneficiaries in the Income Scale

During the post-loan period there is a considerable reduction in the concentration of sample beneficiaries in the lower income group compared to that in the pre-loan period. During the pre-loan period, 85 % of the borrowers were with income less than ` 1,000 while in the post loan period, no borrowers were found in that income group as per Table 14.

Table 13: Sector-wise Income Generation

Sectors	Pre-loan monthly income (₹)		Post-loan monthly income (₹)	
	Total	Average	Total	Average
Agriculture	500006	833	207500	3458
SSI	29500	656	177500	3944
GSS	60000	500	247500	2062
Other	88500	1180	331000	4413
Total	228000	760	963500	3212

Source: survey data

Table 14: Pre-income and Post-income Relationship

Pre-income	Post- Income					Total	
	Less than 1000	` 1000-2000	` 2000-3000	` 3000-5000	Above ` 5000	No.	%
Less than 1000	-	80	78	81	15	254	85
` 1000-2000	-	-	5	11	11	27	9
` 2000-3000	-	-	-	1	12	13	4
` 3000-5000	-	-	-	-	4	4	1
Above ` 5000	-	-	-	-	2	2	1
Total		80 (27)	83 (28)	93 (31)	44 (14)	300	100

Note: figure in the parenthesis show the % to total

Source: Survey data

9 % of the borrowers were in the income group of ` 1,000- 2,000 in the pre-loan period while in the post-loan period it has increased to 27 %. Only four % of the borrowers were having income between ` 2,000 - 3,000 in the pre-loan period and in the post loan period, 28 % were found in this income group. Between the income group of ` 3,000 - 5,000 and greater than ` 5,000, the proportion of sample borrowers in the pre-loan period was 1 % each while in the post-loan period it has increased to 31 and 14 % respectively. In the post-loan period, more concentration of borrowers was in the income group of ` 3,000 - 5,000. Thus the supply of bank credit to the sample borrowers proved to be a means of increasing their income.

Impact on Employment

Priority sector lending has resulted in creating a positive impact on the employment generation of the sample borrowers. Table 8.20 presents the employment position of the Beneficiaries at pre-loan and post-loan periods. Regarding the employment position of the borrowers in the agriculture sector, the man mazdoor has recorded an increase of 91 %, woman 166 % and skilled man mazdoor to 167 %. On the whole, the average employment level has increased from 162 to 347 person days from pre-loan to post-loan period, recording 114 % increase. In the small-scale industries sector, the man mazdoor has registered an increase of 447 % and that of woman to 484 %. The skilled man mazdoor has increased to 343 % and that of woman to 289 %. The

average employment level has increased from 199 to 926 person days recording an increase of 365 percent. In the Government-sponsored schemes, man mazdoor has increased to 234 % and that of woman to 979 %. The skilled man mazdoor and skilled woman mazdoor has increased to 536 % and 200 % respectively.

The average increase in employment generation is 338 person days, i.e. 393 %. In the other tertiary sectors, average employment has increased from 73 to 742 person days, man mazdoor from 30 to 237 person days, skilled man mazdoor from 37 to 330 person days and woman mazdoor from 6 to 195 person days.

Table 15: Impact on Employment

Items		Number of average days of employment per annum				
		Agri.	SSI	GSS	Others	Total
Man mazdoor	Before	112	19	58	30	56
	After	214	104	194	237	195
	Increase	102	85	136	207	139
	%	91	447	234	690	249
Woman Mazdoor	Before	47	25	14	6	20
	After	125	146	151	195	156
	Increase	78	121	137	189	136
	%	166	484	979	3150	671
Skilled man mazdoor	Before	3	136	11	37	35
	After	8	602	70	310	197
	Increase	5	466	59	273	163
	%	167	343	536	738	470
Skilled woman mazdoor	Before	-	19	3	-	4
	After	-	74	9	-	15
Source: Survey data	Increase	-	55	6	-	11
	%	-	289	200	-	263
Total employment	Before	162	199	86	73	115
	After	347	926	424	742	563
	Increase	185	727	338	669	448
	%	114	365	393	916	390

Source: survey data

Thus, on the whole, the average employment generated has increased from 115 person days to 563 person days for all the sectors together. The skilled employment recorded an increase from 39 person days to 212 person days and unskilled from 76 to 351 person days.

H21_The priority sector lending had created a

significant and positive impact on the employment level of PSL borrowers in the State.

Thus the Hypothesis H21, i.e., the priority sector lending had created a significant and positive impact on the employment level of PSL borrowers in the State, is accepted. This reveals that PSL has resulted in the

generation of employment in the State.

General impact

As per the Table 16, 66 % of the borrowers admitted that they have achieved the purpose for which the loans were taken. Ten % of the borrowers deposited the profit in the banks while 39 % utilized it for improving their living standards. Twenty two % reinvested the profit in the schemes and 12 % made use of the profit for

clearing previous debts.

90 % of the borrowers agreed that the influence of a bank in their concerned areas helped in the socio-economic development. But it is poignant to note the opinion of 11 % of the borrowers that the existence of commercial banks has not hindered the private money lending activities in the State.

Table 16: Impact of bank loan

Items	Details	No. of beneficiaries				Total	
		Agri.	SSI	GSS	Others	No.	%
1.purpose/ goal of the loan	Achieved	39	29	65	65	198	66
	Not Achieved	21	16	55	10	102	34
	Total	60	45	120	75	300	100
2.Utiliza-tion of the profit	Depositing in the bank	6	4	1	20	31	10
	Improving living standards	19	16	32	49	116	39
	Reinvesting the scheme	8	19	4	34	65	22
	Cleaning the previous debts	5	8	15	8	36	12
3.Bank's influence	Helped in socio-economic development	52	39	108	71	270	90
	Reduced the influence of moneylender	8	7	12	6	33	11
4. Econo-mic Social status	Raised	23	19	25	60	127	42
	Lowered	4	8	4	2	18	6
	No change	33	18	91	13	155	52
	Total	60	45	120	75	300	100
5.Impact on living conditions of the beneficiaries	Expanded activities on modern lines	37	31	87	62	217	72
	Repaid past debts	11	12	23	16	62	21
	Better education and health facilities to children	37	31	85	58	211	70
	Avoided buying on credit	42	28	68	62	200	67

contd....

Led a comfortable. life	37	28	65	68	198	66
Improved credit worthiness	26	17	32	38	113	38
Purchased household articles	7	8	3	21	39	13
Marriage of children	2	1	4	2	9	3
Reduced poverty	38	32	67	71	208	69
Modified or constructed house	12	9	-	18	39	13

Source: Survey data

H23_: Bank loans had created a positive impact on the living conditions of the beneficiaries

42 % of the borrowers opined that bank loans helped them to raise their social position, i.e. social status in the society, while 6 % pointed out that bank loans have lowered their social position. 52 % of the borrowers maintained their 'status-quo' even after availing the loans.

The important objective of providing finance to the priority sectors is to improve the quality of life via increase in income. An effort is made in this survey to examine to what extent this objective was achieved in case of the sample borrowers.

The respondents' views on the impact of bank loans on their living conditions are also shown in Table 16. 72 % of the respondents pointed out that they were able to expand their business activities on modem lines and provide employment opportunities to a few more people. Twenty one % of the borrowers repaid their past debts which they secured from private sources at higher rates of interest. 70 % of the borrowers were able to give better education and health facilities to their children. Bank loans enabled 67 % of the borrowers to purchase the required material at low prices, as they were able to make immediate cash payments. This has resulted in increasing their earnings. 66 % of the

borrowers led a comfortable life and 38 % improved their credit worthiness with bank assistance. 13 % of Beneficiaries were also able to increase their asset holdings and 3 % disclosed that the income generated from PSL has paved the way for marriage of their children. 69 % of the borrowers reported that bank assistance helped them to reduce their poverty and 13 % renovated or constructed their houses with bank assistance.

Parameter	Chi Sqr	Df	Result
Socio-Economic Status	83.715	6	***

Calculated Chi Square value for respective degree of freedom is greater than Tabulated value Thus the Hypothesis H23, i.e., "bank loans had created a positive impact on the living conditions of the beneficiaries" is accepted.

Borrowers' Satisfaction from Banking Services

The borrowers' satisfaction from banking services is shown in Table 17. As per the Table 17, only 7 % of the respondents are fully satisfied with the behavior of the bank staff but it is desperate to note that merely 2 % of the borrowers are satisfied with the guidance received from the bank. 88 % of the borrowers are dissatisfied with the promptness in receiving the loan and 81 % with formalities in getting the loan disbursed.

Table 17: Borrowers' Satisfaction from Banking Services

Satisfaction	Response	No. of beneficiaries				Total	
		Agri.	SSI	GSS	Others	No.	%
1.Behaviour of the staff	fully	6	4	3	7	20	7
	Partially	29	21	62	36	148	49
	No	25	20	55	32	132	44
	Total	60	45	120	75	300	100
2. Guidance received in implementing the scheme	fully	1	2	2	1	6	2
	partially	2	3	3	4	12	4
	No	57	40	115	70	282	94
	Total	60	45	120	75	300	100
3. promptness in receiving the loan	fully	3	1	1	6	11	4
	partially	4	3	12	5	24	8
	No.	53	41	107	64	265	88
	Total	60	45	120	75	300	100
4.Formalities in getting the loan	fully	2	2	4	7	15	5
	partially	8	7	15	11	41	14
	no	50	36	101	57	244	81
	Total	60	45	120	75	300	100
5.subsidy	fully	19	12	74	-	105	35
	partially	29	22	24	-	75	25
	no	12	11	22	75	120	40
	Total	60	45	120	75	300	100
6. interest rate	fully	38	31	75	48	192	64
	partially	18	12	37	25	92	31
	no.	4	2	8	2	16	5
	Total	60	45	120	75	300	100
7. present lending facilities	Fully	9	7	20	21	57	19
	Partly	13	9	30	31	83	28
	No	38	29	70	23	160	53
	Total	60	45	120	75	300	100

source : survey data

35 % of the borrowers expressed their full satisfaction on the subsidy received and 64 % on the interest rate. 19 % of the borrowers articulated their full satisfaction with the present lending facilities in the bank. The researcher has applied the χ^2 test to analyze whether there insignificant difference between observed and expected satisfaction from banking services. For this, the following null hypothesis is framed.

H15_ The expected and observed satisfaction from banking services does not differ significantly among the borrowers.

At 5 % level of significance, Table value of χ^2 is 21.026 and the calculated value is 321.19. Since the calculated value of χ^2 is greater than the Table value, H15 is rejected. There is significant difference between the observed and expected satisfactions among the sample borrowers from banking services.

Findings

- The survey concluded that majority of the borrowers utilized the loans for which they were sanctioned. Nineteen % of the borrowers have diverted it for unproductive purposes. The diversion and misuse of loans have been due to inadequate supervision, weak financial position of the borrowers, and priority to some other needs and deficiency of credit advanced.
- Defaulters are more among the beneficiaries of government-sponsored programmes and less in the other tertiary sectors. Based on income, more defaulters belong to low-income groups. In high-income groups also defaulters are found, but at a lesser rate.
- There is a high degree of positive correlation between utilization and repayment. As 86 % of repayment occurs due to proper utilization, the borrowers must be educated and motivated to utilize the loans properly.
- The survey established that even if utilization were 100 %, repayment would be 88 %. This point to the fact that repayment is also affected by other factors like inadequate income generation, lack of infrastructural facilities, Government policies, attitude of the borrowers, etc.
- Sufficiency and repayment are positively associated. If the loan amount is sufficient, the borrowers need not resort to other high-priced sources of finance and this will result in prompt repayment.
- Recovery of loans by commercial banks as at the end of June in different years shows that it was quite satisfactory in Rajasthan.
- Thirty four % of the borrowers have suffered loss in their respective projects. The major reasons for loss are inadequate and untimely credit followed by lack of marketing facilities.
- None of the banks is sending advance notice to the borrowers to remind them the date on which the installment falls due. Thus the RBI guideline in this respect is not adhered by the banks.
- Recovery camps, publication of defaulters' list and appointment of collection agents are the factors that will expedite the recovery process.
- The banks are not getting adequate support from the Government machinery in the recovery process.
- Due to cumbersome procedure involved, the banks have opted out of the DICGC scheme.
- Factors responsible for NPAs in priority sector are low-income generation, misutilization of loans, willful default, improper selection of beneficiaries and inadequate support from Government agencies in recovery.
- As the Government machinery is moving very slow, there is delay on the part of Government departments to finalize their plans and projections.
- Eventually, the loan applications, especially that of government-sponsored programmes are bunched at the tag end of the period. The banker may not

be having sufficient time to scrutinize the applications. Hence ineligible applicants may also be sanctioned with loans under PSL scheme.

- Bank loans have exerted a significant and positive impact on the income and employment levels of the borrowers. Owing to increase in the economic status, the borrowers' social status also went up. Bank loans have also turned out to be an instrument for permanent job work.
- Eradication of poverty, self-employment, and self-sufficiency in food, growth in industrial sectors and socio-economic growth are the major goals achieved through PSL.

Recommendations

Based on the findings and conclusions drawn from the study, the following suggestions are made for making PSL programme more effective and successful. These findings and suggestions are highly useful to the Government and banking authorities to identify and rectify the defects of the scheme.

1. It is apparent that banking is still a habit of males. Women must be encouraged by giving credit support in their self-employment ventures and thereby enabling them to participate at par in the socio-economic development. The services of voluntary agencies, NGOs SHGs, etc can be sought for the identification of women entrepreneurs.
2. Banks are not utilizing the mass media for popularizing the PSL scheme. The benefits of PSL must reach to those who are socially and economically weaker. Borrowers must be educated about the various schemes and programmes through effective awareness campaign. The banks should resort to all publicity measures to create awareness among public. Also individual approaches may be made about development programmes. Thus the poor must be empowered for sustainable development.
3. Interference of political or local leaders is prevalent in the selection of PSL borrowers in the State. Banking schemes should be made completely free from political clout and the politicians should not be encouraged to take advantage in the name of the poor.
4. Borrowers have adopted unscrupulous means for availing assistance like bribing, sharing of subsidies etc. All these types of unlawful acceptances must be strictly checked. A good inter-personal relationship between the banker, borrower and the Govt. officials should be developed.
5. Availing of loans for enjoying subsidy destroys the social and economic significance of the scheme. Social evils like bribing, sharing of subsidy, etc. are associated with the scheme due to the subsidy element inherent in it. Therefore, it is better to do away with subsidies.
6. The most crucial part of production credit constitutes supervision, feedback and follow-up. These variables will form the core of lending system. Post disbursement supervision is to be taken up to ensure the end use of loans and to provide guidance.
7. The branches are seen with dearth of staff. All the branches suffer from inadequate manpower. This seriously, retards such activities as field visits, follow-up and recovery. Sufficient manpower to absorb the additional workload is to be provided to the branches.
8. Misutilization or diversion of loans leads to low income, low savings and no repayment. Before sanctioning the loans, the banks should improve the prospective skills of the borrowers through training. They should also be motivated to use the credit properly and to keep up the credit discipline.
9. Unless adequate financial assistance is available,

the borrowers may not be in a position to implement their projects. The banker should scientifically appraise the project, properly estimate the financial needs and accordingly assistance must be provided.

10. Proper infrastructural support is lacking in the rural areas of the State. In order to derive higher benefits from social banking schemes, it is always thought that a well-developed infrastructure and prevalence of backward and forward linkage are crucial factors. Steps should be taken for providing necessary infrastructural facilities. Local public administration may be given the responsibility for this.
11. Credit extended by banks should be tied up with technical extension. To tackle this problem expeditiously, a technical cell may be step up for a cluster of branches or provide expert staff including technical personnel to look into technical aspect. Banks should act not only as a provider but also as a facilitator.
12. Majority of the bank staff are urban oriented and they are reluctant to work in rural areas. For motivating the bankers, some financial or non-financial incentives may be offered to them either in the form of better promotional avenues or in the form of special allowances. They should also be trained, devoted and committed to manage the rural branches.

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