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Priority Sector Lending by Commercial Banks in India: Issues & Challenges

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Abstract:

Despite of many initiatives taken by the RBI to channelize credit into the rural India, the system is not able to achieve its target. Therefore, priority areas are still lagged behind in the context of overall socio-economic development. To examine the role of bank in delivering priority lending, the study conducted on the 240 numbers beneficiaries of six commercial banks in rural areas of Assam, India. The results are very disappointing. The proportion of Loan distribution in three sectors of studies namely Agriculture, MSE and other sectors are not equal. High Interest on the bank loan resulted beneficiaries to fall into debt trap. 77% of respondent revealed that the banks official does not give education on the schemes and subsidy available in the priority sector loan. Loan that is received from the bank are not sufficient to meet beneficiary's requirement and the projects are seen incomplete in most cases. The bank officials must devise mechanism to tackle all shortcomings and improve the system for smooth lending.

Key words: Agriculture, MSME, Borrowers, Interest, Subsidy, Credit

Introduction:

A priority sector lending scheme is a policy that allocates a certain percentage of bank lending to the economy's most significant industries. Agriculture, small-scale industries, cottage industries, minor industries, export industries, and other firms or businesses are all included. The Reserve Bank of India was the first in India to implement a priority sector lending scheme (S. & Giridhar, 2018). The established architecture of Priority Sector Lending (PSL) traces its roots to 1967. On December 14, 1967, Morarji Desai, the then Deputy Prime Minister and Minister of Finance for the Government of India, stated in the Lok Sabha that there had been persistent complaints that several priority sectors such as

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small-scale industries, agriculture and exports had not received their fair share of bank credit (Jain, S., Parida, T. K., & Ghosh, S. K. 2015). Since then, the nationalization of banks, the banking system of India has been changing from class banks to mass banking. Banks are trying to bring resources to the neglected and vulnerable areas of the country. Priority sector lending has evolved into a significant and vital part of the national agenda. According to an RBI directive, commercial banks should allocate 40% of their overall advances to priority sector borrowers (S. & Giridhar, 2018). Priority sector lending (PSL) is designed to ensure that the banking system gives more support to areas of the economy that have not received appropriate institutional finance (Ahmed, 2010). Priority sector lending is without a doubt one of the most important reforms implemented by the government of India to help the poor and underprivileged (Sharma, 2012).

Review of Related Literature:

The study made by focuses into the trends in NPAs caused by the Priority Sector. He says that the NPAs suffered by the public sector banks in the priority sector were compared to those faced by private sectors banks. In addition, priority sector nonperforming assets (NPAs) were compared to overall nonperforming assets (NPAs) of domestic banks. The result found that NPAs in the priority sector have grown at a faster rate in private sector banks than in public sector banks as per the compounded annual growth rate. Both private and public sector banks have been seen substantially stronger credit growth in the priority sector than in the non-priority sector (Gaur & Mohapatra, 2017). The paper Priority Sector Lending: Yesterday, today and tomorrow proposes a new approach to priority sector lending, including reducing mandatory credit to a broader range of sectors and sections, such as marginal farmers, cottage industries, small trade and services, and low-income housing; incentives to improve credit flow to small-scale industries and food crop agriculture; and temporary credit to ensure credit; Incentives to boost credit flow to small-scale companies and food crop farms, as well as temporary loans to ensure credit to new industries and professions by non-poor people (Dasgupta, 2002) The actual growth of the Indian economy is based on the liberation of rural populations from poverty, unemployment, and other socioeconomic disadvantages. The Government of India established Regional Rural Banks to develop the rural economy with this goal in mind. After three decades, the RRBs are now seen as a source of optimism for rural India's revitalization. The role of RRBs in the rural credit structure has been thoroughly examined in this paper. The priority sector and the non-priority sector make up the rural credit framework (Ibrahim, n.d.)

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In many developing and developed nations, mandatory directed credit or priority sector lending (PSL) is part of the regulatory framework for commercial banks and financial institutions. However, a variety of factors can influence programme compliance and loan performance. This may be especially true in developing nations, where credit for vulnerable sectors such as agriculture, small businesses, and the poor is scarce. He concentrated on priority sector lending for eighty Indian banks from 1998 to 2014, and his findings are backed up by a survey of ninety-seven loan officers from various banks (Batra et al., 2016) The purpose of this research is to look into the priority sector advances made by public, private, and foreign banks. This study was based on factors such as public, private, and foreign bank group lending to priority sectors, as well as targets accomplished by public, private, and foreign bank group NPAs (non-performing assets) while lending to priority sectors. Based on these factors, the report indicates that public sector banks have fallen short of the 40% target, whereas private sector banks have met the overall goal. By lending to the weakest group, no private sector bank could meet the 10% requirement (Uppal, 2009) In 2001, the NPA ratio to loan amount in the SSI sector of Public Sector Banks was at an all-time high of 21%. However, there has been a significant improvement since then, and it has been at a comparatively low level of only 4% for several years. In 2001, the percentage of weaker section NPAs to total loan amount reached a high of 23 percent; since then, it has been steadily declining, and it is now just 3 to 4% in the previous two years (Shabbir & Mujoo 2014).

The Reserve Bank of India's Priority Sector Lending (PSL) programme aims to deliver financial aid to the country's underserved sectors. Agriculture, small-scale industries, underserved communities, education, and housing are all examples of priority sector loans. The RBI has made a number of revisions to the PSL standards over the years. Various studies have been conducted on the impact of PSL on the economy, banks, and beneficiaries. Various investigations have also discovered that PSL has a variety of quality concerns. The purpose of this study is to discover the elements affecting the quality of PSL that are related to banks and PSL beneficiaries (Goyal et al., 2015). Priority sector lending was created with the goal of filling a credit gap that had previously gone unmet due to a lack of timely and effective credit distribution. Agriculture and related activities, micro and small businesses, non-traditional businesses, other low-income people, and weaker parts are also possible sectors. This is primarily intended to promote the overall development of the economy rather than focusing solely on the financial sector. When it came to credit, most of the time there was not enough

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of it and it wasn't received when it was needed (Deka, 2018). Is it true that expanding the scope of priority sector bank lending has resulted in more credit being available to the priority sectors of the economy? An assessment of pertinent statistics on two aspects of priority sector bank lending: the impact of the priority sector's continued expansion in its share of bank lending; and the trajectory in the priority sector's proportion of overall bank lending (Shajahan, 1999)

From 2001 to 2014, the research was conducted. The exponential growth rate was estimated to examine the growth of various components of priority sector financing. The coefficient of variation is used to understand the behaviour of inter-year discrepancies in priority sector loans. The t-test was used to compare the performance of public and private sector banks in priority sector lending. Although the prescribed target of priority sector lending has been met on average, the study points out that one major source of concern is the decreasing share of priority sector credit in net bank loans over time by both public and private sector banks, which requires immediate attention from policymakers (Kumar & Kumar, 2017) According to data research, educational loans, loans to the MSE sector, and agricultural loans, as well as loans to the weaker sections, are all growing at a phenomenal rate. Housing and microcredit, on the other hand, have a far lower relative growth rate. A notable feature is that the state-sponsored money for SCs and STs has decreased over time (Sinha & Kundu, 2018). In India's banking industry, the increase in bank credit in recent years has been a positive development. This reflects both the better balance sheets of the banks and the revival in the economy. However, while overall credit growth has been strong, the growth of agricultural credit and credit to small-scale companies has lagged behind. retail credit has grown fast through this time, despite starting from a low basis (Roy, 2006)

Purpose of the Study

Despite abundant natural resources and the potential of people's actions, the region remains economically underdeveloped. In this context, the banks play an important role for mobilizing the local resources by way of funding priority sectors. The study's main goal is to provide light on how commercial banks in rural India conduct Priority Sector Lending, as well as to determine the recipients' degree of awareness, contentment, and economic prosperity after receiving the loan.

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Research Questions:

1. What is the demographic profile of Priority Sector Lending beneficiaries?
2. What amount of level of awareness do the beneficiaries have?
3. Is the Priority Sector Loan distributed equitably by commercial banks in all priority areas?
4. Is there a difference in interest rates for different types of bank loans?
5. Do the beneficiaries receive enough money to invest in important areas?
6. Does the government provide assistance to the beneficiary?
7. Are the borrowers satisfied with the bank loan they received to invest in priority areas?

Methods and Materials

The study is in the nature of descriptive and analytical and it makes the use primary and secondary data. The descriptive methodology is applied to describe the role of public sector banks in lending to priority sectors, with a focus on agriculture, small and medium-sized businesses, and related activities. The study is also analytic in nature because public sector banks' lending to priority sectors must be evaluated in light of previous developmental pattern. Agriculture, small and micro scale industries, and other critical sectors have been identified as study areas.

The researcher chooses six public sector commercial banks based on the size of their branch network of various districts of rural Assam, NE India in the study viz. i. Central Bank of India, ii. State Bank of India, iii. Punjab National Bank iv. Assam Gramin Vikash Bank, v. United Bank of India, and vi. Allahabad Bank.

Under a convenient sample procedure, the researcher selected 40 number of beneficiaries from each branches and gathered the responses in a prepared set of questionnaires and tabulated and interpreted in a best possible manner. As a result, the sample size of respondents is 240.

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Results and Discussions

The results of the study have been presented in tabulations and are interpreted in a best possible manner as per the objectives of the study.

Beneficiaries profile in the study area

Priority area lending consists mainly of three areas, i.e. Small and Small Enterprises, Agriculture, and other priority sectors such as small business, education and housing. Sample beneficiaries are categorized on the basis of age, gender and education, family nature. Details are shown in the table for analysis. Table no. 1 shows the details of beneficiaries in terms of their age, gender, education, family and their annual income.

Age: It is found that the 15 percent of those undergoing prioritization are younger than 30 years of age. 42% are in between the age of 30 to 40 years. 28% respondents are in between the ages of 40 to 50 years and remaining 15% are seen to be above 50 years of age.

Table no: 1
Beneficiaries Profile According to Age

Age	Type			Total
	Agriculture	MSE	Other Priority Sector	
Below 30	13	13	8	34. (15%)
30-40	29	33	42	104. (42%)
40-50	16	17	34	67. (28%)
Above 50	21	6	8	35. (15%)
Total	79	69	92	240. (100%)

Source: The author

Primary data is collected and tabulated in the best possible way. From the table, it has been observed that a greater number of respondents fall in the age group between 30 to 40 years in the entire regions which accounted for 42 percentages and 28 percentages respectively. Another 15 percentage respondents fall between 30 and above 50 years of age.

It is seen from this analysis that in all types of sectors, the major respondents appear in the age group of 30 to 40 years. It is understood that people in the age group of 30 to 40 are willing to know the government's plans and make a profit out of it. According to the profile of the beneficiaries, it is shown that the respondents belong to different sex groups in different categories.

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Table no: 2
Beneficiaries profile as per sex

Sex	Type			Total
	Agriculture	MSE	Other Priority Sector	
Male	44	51	78	173. (72%)
Female	35	18	14	67. (28%)
Total	79	69	92	240. (100%)

Source: The author

Sex: Table no. 2 shows that, the majority of the total sample beneficiaries surveyed, of which 72% were male and 28% were female. It seems that male candidates are more interested in taking loan in the priority sector than women. Banks should take appropriate initiatives to enable women to take loan in the priority sector. Women are more successful at running micro and small business than their male. But the percentage of women taking in loan in this sector is significantly lower, which must be the matter concern for governments.

Table - 3
Profile of the Beneficiaries as per Educational Qualification

Educational qualification	Type			Total
	Agriculture	MSE	Other Priority Sector	
Below Matriculation	30	21	34	85. (35%)
Matriculation to Senior Secondary	22	32	30	84. (36%)
Graduation	15	9	20	44. (18%)
Post-Graduation/ Profession	12	7	18	27. (11%)
Total	79	69	92	240 (100%)

Source: The author

Educational qualification: It is clear from Table 3 that most of the respondents i.e. beneficiaries of 36% have got educational qualification either of matriculate or below matriculate, while 18% are graduate and remaining 27% are postgraduate.

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Table no: 4
Profile of the Beneficiaries as per Annual Income

Annual Income	Type			Total
	Agriculture	MSE	Other Priority Sector	
Below 1 Lakh	21	13	13	47. (20%)
1lakh-5 lakh	31	33	30	94. (40%)
5 lakh- 10 lakh	16	17	32	65. (26%)
10 lakh above	11	6	17	34. (14%)
Total	79	69	92	240. (100%)

Source: The author

Annual Income:

The income wise distributions of beneficiaries have been shown in the table. 20% of the total sample beneficiaries regularly earn Rs. 1lakh per annum, 40% percent respondents are falling in the range of Rs 1 lakh -. 5 Lakh earning per annum, 26% are falling in the range of 5 lakhs to 1 lakh earning group p.a. and remaining 14% fall in the range of 10 lakhs and above earning.

Awareness level among beneficiaries about bank policies and procedure:

Awareness about the Priority Sector Loan (PSL) scheme is important. The RBI has launched several schemes for the development of Priority Sector Lending amongst the beneficiaries. Whereas, in reality it is seen that the common man gets information about Priority Sector Lending from their friends, neighbors, relatives, and political parties.

In order to understand the level of awareness and beneficiaries' awareness percentage, the researcher has made a survey and taken an opinion through a set of questionnaires and found the following results. Respondents in all categories i.e. of 77% have learned about Priority Sector Lending from their relatives and friends. On the other hand, the lowest percentage i.e. 15% came to know from Government office i.e. block level office of the government. It is understood that most of the government schemes comes to their ear from the relatives, friends. The very lowest i.e. 8 percentage of respondents comes know from the political parties. As a representative of the government, the political parties should bring more initiatives to make aware about the various schemes of the government especially in the field of Priority Sector Lending among the general public. Political parties play a vital role in society. The investigator has detected the level of awareness by collecting opinions in different classes and the results have been found in different degrees.

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Table - 5
Sources of Awareness of PSL scheme

Sources	No. of Beneficiaries			Total
	Agriculture	MSE	Others	
Govt. Officials/ Block Officers	11	10	15	36. (15%)
Friends/relative/ neighbour	63	49	72	184. (77%)
Political party leader	5	10	5	20. (8%)
Total	79	69	92	240. (100%)

Source: The author

Additionally, the researcher tried to know the level of awareness for other issues amongst the beneficiaries. The level of awareness in terms of bank interest rates appears to be 15%. Most of the respondents do not know the even the bank interest rate on loan of Priority Sector Lending in all categories.

Table - 6
Level of awareness on rate of interest and subsidy on PSL scheme

Sources	No. of Beneficiaries			Total	
	Response	Agriculture	MSE	Others	No. %
Interest rate	a. Yes	9	11	16	36.(15%)
	b. No	70	58	76	204.(85%)
	Total	79	69	92	240. (100%)
Subsidy rate	a. Yes	9	13	20	42. (17%)
	b. No	70	56	72	198. (83%)
	Total	79	69	92	240. (100%)

Source: The author

The awareness level in the case of all categories in respect to subsidy is only 17%. Most borrowers are not aware of the subsidy given by the Government about Priority Sector Lending. Bank authorities can provide appropriate awareness programs on subsidy among those who take loans so that they can receive such subsidy from the concern departments.

Therefore, the government can specify the specific task of promoting standards of public awareness through the block, as the borrowers and residents are directly or indirectly related to the block.

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Distribution of loan in different sector of PSL:

It is clear from Table no. 7 that the PSL distribution of advances and loans to the beneficiaries is highest in agriculture, which is, 70% and 35% in MSE in the range of Rs 1 lakh to Rs. 5 Lakh respectively. It has been seen that the respondents in the agricultural sector, i.e. 70% of the population in the study area have been seen getting benefit of loan from Rs. 5 Lakhs to Rs. 10 lakhs respectively. Another 1% of beneficiaries have availed loan of Rs 1 lakh only. The majority of respondents in the MSE sector is 35% means the 24 borrowers number of borrowers have taken loan in between the range of Rs 1 lakh to 5 lakh. The lowest range in this category is 3%.


On the other hand, most of the respondents in other priority sectors are 52 numbers of members which accounted for 52% have taken loans from Rs 5 lakhs to Rs 10 lakhs. The lowest percentage of beneficiaries in this regard is 5 numbers of members which accounted for 5%. They have availed loan below 1 lakhs. It is worth mentioned that the more numbers of borrowers who have taken loan in the whole sector have been seen taking of loan of Rs 5 lakhs to 10 lakhs. It is understood from the picture that very few numbers of member have taken loan in this range. Therefore, the government needs to mobilize more prospective borrowers in the range of Rs 5 lakh to Rs 10 lakh.

Table: 7
Distribution of loan in different sector of PSL

Sector	Amount of Loan taken by beneficiaries				Total
	Below Rs.1 lakh	Rs.1-5 lakh	Rs. 5 - 10 lakh	Rs. 10 and above	
Agriculture	15 (19%)	55 (70%)	8 (10%)	1 (1%)	79 (33%)
MSE	2 (3%)	24 (35%)	21 (30%)	22 (32%)	69 (29%)
Other Priority Sector	5 (5%)	19 (21%)	48 (52%)	20 (22%)	92 (38%)
Total	22 (10%)	98 (40%)	77 (32%)	43 (18)	240 (100%)

Source: The author

It has also been observed that there is a significant difference between beneficiaries of different sectors in terms of loan borrowing. The RBI can focus on reducing such a huge difference in the three areas with regard to lending. It is also understood that the bank authority has not taken any steps to get the channel for less than Rs. There are many potential borrowers in the range mentioned above Rs 10 lakh and below 1 lakh. The bank authority may raise them through awareness programs for future course of action.

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Variations of borrowers with the different interest of the banks

Interest rates play an important role in boosting savings and investment and also affect the amount of loan money. If the interest rate is high, then the number of borrowers will be lower and the number of potential borrowers will increase if the interest rate is low. The blow given table demonstrate that the difference in the amount of loan taken by the borrowers with the different interest rates.

Table: 8
Variations of borrowers with the different interest of the banks

Sector	Rate of Interest			Total & %
	Below 9%	9-11%	Above 11%	
	No. of Borrowers & %	No. of Borrowers & %	No. of Borrowers & %	
Agriculture	32 (40%)	25 (32%)	22 (28%)	79(100)
MSE	9 (13%)	29 (42%)	31 (45%)	69(100)
Other Priority Sector	43 (47%)	38 (41%)	11 (12%)	92(100)
Total	84 (35%)	92 (38.%)	64 (27%)	240 (100%)

Source: The author

Table 3.8 reveals that the majority of the respondents i.e. 40% seen taking loan in the Agriculture sector at below interest rate, 32% borrowers from agriculture at the interest rate of below 9-11 per cent and followed by 28% borrowers at interest rate above 11%. It is clear that the lower the interest rate more the beneficiaries seen in the table.

In case of MSE majority borrowers 45% have been seen taking loan at above 11% interest rate, 42% borrowers in between the interest rate of 9 to 11 % and 13 % borrowers seen taking loan at below 9% interest rate. It is quite interesting fact that a greater number of borrowers is seen in high interest rate. It is understood that to get the loan in MSE at low rat the borrowers have to maintain enormous number of formalities. Therefore, they usually take loan at high interest rate.

Similarly in case of other priority sector lending it is seen that the lower the rate of interest, the higher the prospect borrowers. Majority of the respondents i.e. 47% are seen taking loan at below 9% interest rate, 41% in-between 9% to 11% interest rate and 12% are seen above 11% interest rate. Therefore, the RBI must reduce bank interest rate to get more prospect beneficiaries in respect to Agriculture and Other sector except MSE. It is also understood that the prospect borrowers will be there in sector of MSE even if the rate of interest is high. The remaining two areas have recorded a trend of declining loan amount

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with the increasing bank interest rates. The RBI will have to focus more on agriculture sector and other related activities by making low bank interest rates.

Sufficiency of loan amount:

Proper distribution of loan amount in time plays an important role in overall growth of the business enterprise. On this note, the researcher has tried to find out whether loan amount given by the bank is sufficient to meet their needs. The survey found that the loan amount provided by the bank does not meet the needs of the borrowers.

In all Priority Sector Lending area, the majority of the respondents i.e. 66% have argued that the loan under this sector is not sufficient. To meet the needs of borrowers, they need to take loan through informal sectors such as money lender etc. Another 34% of the respondents have denied disclosing the fact. It is understood that, the bank does not provide top up on loan to absorb the capacity of the borrowers. The responses were tabulated and found that the majority in agriculture i.e. 69% are saying does not meet the requirement and followed by 67% in MSE sector and 64% in other sectors.

Table: 9
Sufficiency of Loan amount


Sector	Responses of Beneficiaries		Total
	Sufficient	Insufficient	
Agriculture	24 (31%)	55 (69%)	79 (100%)
MSE	25 (33%)	46 (67%)	69 (100%)
Other Priority Sector	33 (36%)	59 (64%)	92 (100%)
Total	82 (34%)	160 (66%)	240 (100%)

Source: The author

The bank should ask for the feasibility report of the business from the borrowers and other detail study need to be made while granting the loan to the beneficiaries. The bank also should ensure proper arrangement for disbursement of loan to the borrowers on time for meeting borrower's obligations.

It is also true that some of the borrowers need more money in between the progress of the business after availing of required loan from the bank. In this regard the bank should have refinance facilities to those needy people or borrowers, so that they will not go for availing required fund from private money lenders.

It is true that few borrowers need more money in the middle of the business's progress after receiving the required loan from the bank. In case of requirement, the bank should have refinancing facilities for those who needs. This will help borrowers to complete their task for which they need not ask money to private lenders.

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Alternative sources to fill the credit gap:

It has been witnessed that the most potential borrowers usually seen taking top up loan from their business partners such as money to fill up the gap from relatives, friends etc. From the table below, it is has been observed that majority of the borrowers i.e. 57% of the total sample respondents seen using money from own saving source in case of theOther Priority Sector. When we look at the category-wise using fund from the other different sources such as friends and relatives, the majority of sample respondents in agriculture and MSE accounted for 48% and 45% and other sector accounted for 57%.

Table: 10
Distribution of beneficiaries sector wise to fill the Credit Gap

Sector	Sources			No of Respondents
	Used own funds	Moneylenders	Friends/Relatives	
Agriculture	20 (25%)	21 (27%)	38 (48%)	79(100%)
MSE	28 (41%)	10 (14%)	31 (45%)	69(100%)
Other Priority Sector	52 (57%)	14 (15%)	26 (28%)	92(100%)
Total	100(42%)	45 (19%)	95 (39%)	240(100%)

Source: The author

Table 10 shows that insufficient of the bank funds leads to use of funds from alternative sources. It is observed that if the bank is not providing sufficient funds to meet the borrower’s obligations, they are seen choosing other options such as help from relatives, family and friends etc. Banks must provide allocated funds to potential borrowers so they can grow their business enterprises.

Availing of loan subsidy:

Subsidies on loan play an important role in strengthening the business and improving the living standard of the people as well. The survey found that many beneficiaries do not receive loan subsidy from the government. Most of the beneficiaries of the priority sector did not receive subsidy from the commercial banks. Approximately 85% of respondents from agriculture do not received subsidy which followed by 78% in MSE sector and 71% in other priority areas. Least beneficiaries who have received loan subsidy are: 15% in agriculture, 22% in MSE sector and 29% in other priority sectors.

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Table: 11
Availing of Loan subsidy

Sector	Loan Subsidy		No of respondents
	Yes	No	
Agriculture	12 (15%)	67 (85%)	79(100%)
MSE	15 (22%)	54 (78%)	69(100%)
Other Priority Sector	27 (29%)	65 (71%)	92(100%)
Total	54 (22%)	186 (78%)	240(100%)

Source: The author

Therefore, the government can initiate of awareness programs between the general public and the borrowers so that they can take the benefit of the government scheme.

Time taken for release of loan amount:

The time to release bank loan also plays a vital role in the business development of the borrowers. When the bank makes timely supply of loans to the borrowers, they can complete their work on time and the business will grow subsequently. In this regard, the researcher made a surveyed to get information on how much time taken by the bank to approve the bank loan to the borrowers. The majority of respondents i.e. 41%, says that the bank takes more than 2 months of time, another 8% of respondents says it takes less than 15 days of time. It is clear from the respondents that the bank usually takes the more time to provide the loan.

Table 12

Sector-wise time taken for release of loan amount

Sector	No. of Days				No of respondents
	Less than 15 days		1-2 month	More than 2 Month	
Agriculture	5 (6%)	79(100%)	34 (43%)	28 (35%)	79(100%)
MSE	5 (7%)	69(100%)	28 (41%)	20 (28%)	69(100%)
Other Priority Sector	10 (11%)	92(100%)	33 (36%)	27 (29%)	92(100%)
Total	20 (8%)	240(100%)	95 (40%)	75 (31%)	240(100%)

Source: The author

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Similarly, 11% of the sample beneficiaries in other priority sectors have been able to avail loan on time followed by 7% in MSE and 6% beneficiaries in agriculture have been seen getting loan in just 15 days. However, in agriculture, MSE and other priority sectors respectively were seen taking loan for the period of 1 to 2 months which accounted for 43%, 41% and 36% respectively. It has also been noticed that in some cases the bank takes more than 2 months of time to release a loan.

The bank should make the immediate release of loan amount to the borrowers to do their work. In this regard, researchers have also tried to identify the reason for the delay in sanctioning the loan. The survey found that bank officials ask potential borrowers unnecessary questions and this happens to be kind of harassment to the borrowers. Respondents reporting on unnecessary queries are responsible for 21% of all three Priority Sector areas. It is clear that bank officials generally persecute the general public and hence the prospect borrowers are discouraged from government benefits on bank loan.

Table 13
Reason for delay in disbursement of loan amount

Sector	Reason for delay in disbursement of loan					No of respondents
	Lack of Bank staff	Unnecessary queries	Indifferent attitude of staff	Excessive documentation	Lack of powers with managers	
Agriculture	8 (15%)	15 (28%)	18 (33%)	10 (19%)	3 (6%)	79(100%)
MSE	5 (9%)	14 (25%)	10 (18%)	12 (21%)	15 (27%)	69(100%)
Other Priority Sector	6 (9%)	8 (11%)	26 (37%)	14 (20%)	16 (23%)	92(100%)
Total	19 (11%)	37 (21%)	54 (30%)	36 (20%)	34 (19%)	240(100%)

Source: The author

Similarly, 37% of the sample beneficiaries in other priority sectors and 33% sample respondents in agriculture sectors have made similar opinions that the bank manager delay in releasing the loan to the borrowers.

However, 27% in the MSE sector beneficiaries said that the bank manager does not have power to make delay in releasing the loan to the beneficiaries. Bank officials should not discourage the borrowers by delaying in release of bank loan; rather they must encourage them to borrow under government schemes of subsidy.

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Processing fee for obtaining loan:

Banks usually charge a processing fee. Potential borrowers are sometimes frustrated by the bank's processing fees. It differs from bank to bank. Some charge less and some charge more. In this regard, researchers have conducted detailed research to find out the rate of processing charges under different categories of three sectors. It has been observed that most beneficiaries, namely agriculture sector i.e. 71% made a payment of processing fees of Rs. 1000 followed by 43% in MSE sector and 67% in other priority sector.

Table 14
Processing fee for Obtaining Loan
(Rs. in thousands)

Type of Banks	Fees Paid			No of respondents
	Up to Rs. 1		Rs.5-Rs.10	
Agriculture	56 (71%)	79(100%)	5 (6%)	79(100%)
MSE	16 (24%)	69(100%)	23 (33%)	69(100%)
Other Priority Sector	12 (13%)	92(100%)	18 (20%)	92(100%)
Total	84 (35%)	240(100%)	46 (19%)	240(100%)

Source: The author

It appears that the bank is not charging processing fees in respect of crop loans. The remaining sectors usually charge processing fees for Priority Sector Lending. To encourage more beneficiaries in Priority Sector bank may reduce the rate of processing fee. It is seen that the prospective borrowers are disappointed with such a amount of processing fees. The bank needs to adopt certain steps to improve ongoing scenario.

Bank visits by the beneficiaries for loan approval:

To receive the loan money, the beneficiaries have visit bank several times. To understand the number of times one need to visit bank for completing the loan process a survey was made by the researcher, it was found that the beneficiaries would require bank visit several times as to get loan approval.

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Table 15
Number of visits by sample beneficiaries to get the loan amount

Type of Banks	Number of visits		
	Less than 5 times	5-10 times	More than 10 times
Agriculture	18 (23%)	36 (46%)	25 (31%)
MSE	10 (14%)	47 (68%)	12 (18%)
Other Priority Sector	50 (54%)	22 (24%)	20 (22%)
Total	89 (33%)	110 (41%)	71 (26%)

Source: The author

Table no: 15 shows that 54% of the sample respondents i.e. beneficiaries from other priority sector makes visit less than -10 times to complete the total loan process. While other 68% in the MSE sector and 47% agriculture seen visiting bank banks 5 to 10 times. It has been observed that the majority of the sample respondents in all categories i.e.75% need to visit the bank more than 5 - 10 times. It is observed that visiting banks more often creates unnecessary problems to the beneficiaries.

Reserve Bank of Indi has introduced the facility of Electronic Clearing Service (ECS) for borrowers. This will help them to acquire the loan facility without any difficulty. This service has also some negativity as the illiterate prospect borrowers cannot access this facility. Therefore, the bank can launch the ECS awareness program for easy access to the borrowers of any kind at block level so that the borrowers can make fewer visits to the bank

Reason for bank loan diversion by beneficiaries:

Misuse of loans has been reported many times. There are several reasons for the devaluation of the loan amount by the borrowers. from the field survey and responses of the borrowers, it is understood that loan amount is not fully utilized for productive purpose and it is being diverted many times on marriage of a children, personal consumption sometimes the borrowers also seen buying vehicles etc. The responses are tabulated below to give the meaning better.

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Table 16
Reason for Diversion of Loan amount

Sector	Reasons for Diversion of Loan amount			
	Personal Consumption	Children Marriage	Insufficient Loan amount	Purchase of Vehicles
Agriculture	5 (25%)	12 (60%)	3 (15%)	0 (0%)
MSE	8 (57%)	2 (14%)	4 (29%)	0 (0%)
Other Priority Sector	10 (38%)	7 (27%)	3 (12%)	6 (23%)
Total	23 (38%)	21 (35%)	10 (17%)	6 (10%)

Source: The author

60% of the beneficiaries in agriculture said that loan was used for marriage of their children. While the other sector MSE and Other Priority sector had used bank loan for personal consumption accounted for 57% and 38% respectively. It has been observed that the majority of the respondent's viz. 38% in all categories admit that they use the amount especially for personal consumption and household activities.

It is understood that people who takes bank loan in PSL generally seen diverting loan to other purpose. This act has led many of borrowers to fall in debt trap. In this regard the bank officials should check whether they are using their funds in the right place or not. Bank also need to give them vocational training so that they can progress in the business.

Borrowers level of satisfaction from banking services:

Customer satisfaction is very important across all systems of the organization. The researcher's study also covers issues relating to customer satisfaction. It was observed in the study that the majority of the borrowers i.e. customers are partially satisfied with the banking system which accounted for 53%.

Table 17
Beneficiaries' satisfaction from banking services

Satisfaction	No. of Beneficiaries			Total
	Agriculture	MSE	Others	
a. Fully	12	8	30	50 (19%)
b. Partially	47	42	38	127 (53%)
c. Dissatisfied	20	19	24	63 (26%)
Total	79	69	92	240 (100%)

Source: The author

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In the study 26% sample respondents i.e. bank customers appear to be dissatisfied. As per them, bank does not maintain good customer relationship. It is a serious concern that customers are dissatisfied with bankers. Therefore, it is advised to the banks that, they maintain customer relationships sound and increase customer satisfaction.

The survey shows that many bank employees are have rough conversations with clients. The bank needs to change its customer relationship system in advancing banking facilities to the customers.

CONCLUSIONS:

The benefits of taking out this type of loan in rural regions have been diluted, and the loan's objectives have been partially undermined due to borrowers' defaults. This fostered willful and purposeful default in repayment to some extent. If this condition persists, the program's continuation will be jeopardized. According to the study, 42 percent of those surveyed are between the ages of 30 and 40. Despite the fact that the Indian government has been preparing schemes under priority sector lending, people in their age groups have not been seen actively participating in obtaining priority sector loans. Another interesting fact is that males account for 72 percent of all respondents. In priority areas, female participation is extremely low. Borrowers' educational qualifications are really low. The majority of them can be found in the matriculation section. As a result, they are oblivious to the loan's terms and restrictions. It has been observed that people frequently get into debt traps. There is no concrete mechanism for public awareness about the various schemes available with the bank for uplifting the socio-economic people of mass rural people. They even do not tell clearly about the prevailing interest rate in different schemes. Loan disbursement and processing time is another burdensome for getting loan. The majority of the respondents did not receive any bank subsidies, according to the study. It is clear from the facts that borrowers are dissatisfied with the bank's delivery method. To reach the unreached, the government must devise a systematic plan. The clarity and speed with which the distribution mechanism operates determines the entire economic development. The majority of respondents were seen taking bank loan without doing a feasibility assessment on their firm. Many beneficiaries have been observed diverting loan funds to unproductive sectors, resulting in their failure to meet the loan's objectives.

If this condition persists, the program's continuation will be jeopardized. As a result, there is a pressing need for moral education for borrowers as well as moral persuasion for lenders. A

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shift in the borrowers' thinking and conduct may need the formation of a unified platform for borrowers' counseling by the local Panchayat, district development officer, and bank authorities. However, numerous facets of this have been discussed in the various chapters. Many borrowers have expressed their dissatisfaction with the time it takes to process their loans. The banks should take fast and prompt action to ensure that the loan is delivered on time. More care should be taken in identifying beneficiaries, and any misappropriation of money should be investigated, so that the loan can be disbursed to a real and needy person, and the loan can be repaid on time.

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