



BENEFICIARIES' PERCEPTION ON PROMOTING PRIORITY SECTOR LENDING OF COMMERCIAL BANKS: A STUDY IN COIMBATORE DISTRICT

Sijo P.

Ph. D Research Scholar (Full time), Department of Commerce and International Business, Dr. G. R. Damodaran College of Science, Coimbatore 641014

Dr. S. Dhanaraj

Associate Professor, Head of the Department, Department of Commerce and International Business, Dr. G. R. Damodaran College of Science, Coimbatore 641014

ABSTRACT This study aims to find out, analyze and evaluate various measures taken to promote Priority sector lending of Commercial banks in India. The term Priority Sector Suggests that certain sectors of the economy are need to be taken up on a priority basis for rapid economic development. Further the study focus on the information that are required and or expected by the respondents in its advertisement. In order to promote the Priority sector lending by the commercial banks, someone has to be entrusted by the responsibility. Identification of the key personnel to promote Priority sector lending schemes also focused. In this study the effectiveness of such promotional mode is analysed. Thus the reach of each promotional mode can be evaluated. This study was done with a sample size of 180 respondents. Findings of the study indicate that the bank staffs need to take adequate measures to promote the schemes as they are reliable and easiest and cost-effective.

KEYWORDS : Priority sector lending, promotional measures, perception, beneficiaries.

INTRODUCTION:

The economic development of nation is mostly determined by the mobility of savings and canalizing of financial resources to different productive segment of the economy. Here financial intermediaries play a high role. The financial institutions, commercial banks constitute the core of the financial system, as they have the ability to add the money supply and thus create additional purchasing power in the hands of public. Thus the commercial banks are the important segment of the service sector of the economy act as the backbone of the economic growth of the trade and industry and hence growth of the nation's economy. In the modern economy, banks are to be considered not as dealers in money but as leaders of development (Rajkumar & Vinoth, 2014)

At a meeting of the National Credit Council held in July 1968, it was emphasized that commercial banks should increase their involvement in the financing of priority sectors, viz., agriculture and small scale industries. The description of the priority sectors was later formalised in 1972 on the basis of the report submitted by the Informal Study Group on Statistics relating to advances to the Priority Sectors constituted by the Reserve Bank in May 1971. On the basis of this report, the Reserve Bank prescribed a modified return for reporting priority sector advances and certain guidelines were issued in this connection indicating the scope of the items to be included under the various categories of priority sector. Although initially there was no specific target fixed in respect of priority sector lending, in November 1974 the banks were advised to raise the share of these sectors in their aggregate advances to the level of 33 1/3 percent by March 1979.

At a meeting of the Union Finance Minister with the Chief Executive Officers of public sector banks held in March 1980, it was agreed that banks should aim at raising the proportion of their advances to priority sector to 40 percent by March 1985. Subsequently, on the basis of the recommendations of the Working Group on the Modalities of Implementation of Priority Sector Lending and the Twenty Point Economic Programme by Banks (Chairman: Dr. K. S. Krishnaswamy), all commercial banks were advised to achieve the target of priority sector lending at 40 percent of aggregate bank advances by 1985. Sub-targets were also specified for lending to agriculture and the weaker sections within the priority sector. Since then, there have been several changes in the scope of priority sector lending and the targets and sub-targets applicable to various bank groups.

The guidelines were revised in the year 2007 based on the recommendations made in September 2005 by the Internal Working Group of the RBI (Chairman: Shri C. S. Murthy). The Sub-Committee of the Central Board of the Reserve Bank (Chairman: Shri Y. H. Malegam) constituted to study issues and concerns in the Micro Finance institutions (MFI) sector, inter alia, had recommended revised of the guidelines on priority sector lending.

Accordingly, Reserve Bank of India in August 2011 set up a Committee to re-examine the existing classification and suggest revised guidelines with regard to Priority Sector lending classification and related issues (Chairman: M V Nair). The recommendations of the committee were placed in the public domain inviting public comments. The recommendations of the Committee were examined based on the interface with various stakeholders and in the light of the comments / suggestions received from Government of India, banks, financial institutions, Non-Banking Financial Companies, Associations of industries, public and Indian Banks' Association; and revised guidelines were issued on July 28, 2016 in supersession of guidelines mentioned in the master circular on priority sector lending dated July 7, 2016.

OBJECTIVES OF THE STUDY

1. To evaluate the methods of promoting Priority Sector Lending Schemes by Commercial Banks.
2. To rate the effectiveness of agencies promoting Priority Sector Lending Schemes by Commercial Banks.
3. To identify the factors / information expected in any promotional method.

METHODOLOGY OF THE STUDY

The study was conducted as a sample survey. Beneficiaries of Priority Sector Lending Schemes by Commercial Banks in Coimbatore District are the population of the study. Purposive sampling is used in the selection of sample unit. Therefore, the selection of the each sample unit depends if they complete at least two years as beneficiaries of Priority sector lending. It means those who have availed loan under priority sector lending before two years that is 2015 been the considered for the study and the Sample size constitutes 180 respondents. Statistical tools used in the study are percentage analysis and Friedman ranking analysis.

ANALYSIS AND INTERPRETATION

TABLE 1: DEMOGRAPHIC PROFILE OF THE RESPONDENTS

Demographic Profile	Frequency	Percent
Age	Upto 25 yrs	27 15
	26-35 yrs	53 29
	36-45 yrs	68 38
	46-55 yrs	29 16
	Above 55 yrs	3 2
Education	No formal Education	9 5
	SSLC	17 9
	Plus 2	11 6
	Undergraduate	84 47
	Post Graduate Degree	51 28
	Professional	4 2
others	4 2	

Activity status	Student	39	22
	Govt Employee	3	2
	Private sector Employee	55	31
	Agriculturist	19	11
	Business	49	27
	Professional	8	4
	Others	7	4

Source: Primary data

From the table No.1 we can infer that the majority (38%) belongs to the age category of 36 years to 45 years and 29 % belong to the age category of 26 to 35 years. Majority (47%) of the respondents is having degree as their educational qualification and 28 % holds post graduation as their educational qualification. Majority (31%) is having the occupation as private sector employee and 27 % are doing business and 22 % respondents are students as the education loan beneficiaries.

TABLE NO.2: SOURCE OF INFORMATION ABOUT DIFFERENT LOAN SCHEMES

Sources	Frequency	Percent
Radio/TV	3	2
Internet	20	11
Newspaper/ Magazine	52	29
Friends/Neighbors/Relatives	60	33
Bank Officials	30	17
Government officials	3	2
Local politicians	12	7
Total	180	100

Source: Primary data

From the table No. 2 we can infer that the majority (33%) find out the source of information is friends/ neighbors /relatives. Newspaper/ magazine also play an important role in promoting schemes of banks as 29% responded as it is their source of information.17% of the

TABLE 4: INFORMATION EXPECTED BY THE RESPONDENT IN ANY ADVERTISEMENT ABOUT PRIORITY SECTOR LENDING.

Sl. No	Factors	Rank	I	II	III	IV	V	VI	VII	VIII	IX	Total Score	Mean	Rank
1	Interest rate	Value	9	8	7	6	5	4	3	2	1	1220	6.77	I
		%	30	10	29.4	7.2	8.3	5	1.7	3.3	5			
2	Amount of Loan	Value	38	15	28	52	8	12	15	12	0	1127	6.26	II
		%	21	8.3	15.6	29	4.4	6.7	8.3	6.7	0			
3	Security requirements	Value	21	28	3	11	23	27	21	36	10	868	4.82	VI
		%	11.7	15.5	1.7	6	12.7	15	11.7	20	5.5			
4	Repayment terms	Value	16	43	37	19	26	6	11	13	9	1083	6.01	III
		%	9	24	20.5	10.5	14	3	6	7	5			
5	EMI terms	Value	14	28	23	43	10	10	16	18	18	961	5.33	IV
		%	8	15	13	24	5.5	5.5	9	10	10			
6	Purpose of loan	Value	19	23	3	11	51	30	25	10	8	920	5.11	V
		%	10.5	13	2	6	28	17	14	5.5	4			
5	Tax benefits	Value	0	7	7	24	6	13	44	28	51	570	3.16	IX
		%	0	4	4	13.3	3.3	7.2	24.4	15.6	28.3			
8	Age limit	Value	19	8	14	3	14	40	26	18	38	733	4.07	VII
		%	10.5	4.1	7.7	1.7	7.7	22.2	14.4	10	21			
9	Disbursal time	Value	3	6	9	7	21	33	16	42	43	592	3.28	VIII
		%	1.6	3	5	4	11.7	18	10	23	24			

Source: Primary data

From the table no. 4 we can infer that the rate of interest is the first and foremost information expected in any advertisement. Interest rates represent the cost of undertaking the loan. If the interest rate is known in advance the loan takers can consider his/ her future earnings and compare the interest payable. Thus the beneficiaries can plan their repayment of loan amount, that is principal and interest together. Amount of loan is the second factor expected in any advertisement regarding priority sector lending. The beneficiaries can analyze and compare his/ her financial requirements so that they can go for bank loan so as to satisfy their financial needs. Repayment terms are the third expected information, while EMI related information and purpose of loan are the fourth and fifth expected information respectively.

FINDINGS

respondents find out the information from the bank officials. Even though Television is a mass media has a reach to majority of the population, it served only 2% of source of information.

TABLE 3: FRIEDMAN RANKING ANALYSIS OF EXPECTATION ABOUT PROMOTING AGENCIES OF SCHEMES OF PRIORITY SECTOR LENDING

Sl. No	Rank		I	II	III	IV	V	Total Score	Mean	Rank
1	Bank staff	Value	87	26	27	22	18	682	3.78	I
		Percent	48.3	14.4	15	12.2	10			
2	Panchayath staff	Value	7	23	62	36	52	437	2.42	IV
		Percent	4	12.8	34	20	29			
3	Media	Value	49	59	18	30	24	619	3.43	II
		Percent	27.2	32.7	10	16.7	13.33			
4	Central government	Value	29	48	17	53	33	527	2.92	III
		Percent	16	26.7	9.4	29.4	18.33			
5	Self Help Groups	Value	8	24	56	39	53	435	2.41	V
		Percent	4.4	13.3	31	21.6	29.4			

Source : Primary data

In the Table No. 3, different agencies have a role in promoting Priority Sector lending are listed and the respondents are asked to rank on the basis of their role in the same. As the Promoting agencies of bank schemes, bank staff ranked the top. As the respondents expect and assume bank staff can do a lot more towards promoting new / existing schemes of the bank. Bank staff has a direct interaction with almost all the account holders. By providing information banks can convert leads into business. It is a cost – effective method also, as no additional expenditure is incurred. Media was given in the second place as they can play a better role. In the era of technological revolution, almost every member of our society has exposure to some kind of media. It can be internet, television or print media includes news paper, magazines. Even hoardings can play a role as a critical source of income. Central government ranked the third, panchayath staff ranked fourth and the self help groups ranked the fifth place.

- Majority of the beneficiaries are males and belong to the age category of 36 years to 45 years.
- Majority of the respondents have graduation as their qualification
- Majority are having Occupation as private sector employee.
- Friends/ neighbors /relatives and Newspaper/ magazine are the main source of information.
- Bank as a promoting agency is expected to perform better in order to promote schemes of Priority Lending Sector.
- Rate of interest and the amount of loan are the expected factors in any advertisement

SUGGESTIONS

As banks are the reliable and easiest source of information for the beneficiaries of Priority sector lending, bank staff can give necessary focus in promoting its schemes. It is also makes the work of the banks easier by getting more customers. Word of mouth plays an important

role in promotion. But the initiator should be the bank. In this regard the Bank staff should be more approachable and have sympathetic attitude towards its customers. In order to motivate bank employees to perform better performance - linked pay structure can be developed.

Conclusion

This study was conducted among the beneficiaries of Priority sector lending with an aim to evaluate the methods or ways of promoting Priority Sector Lending Schemes by Commercial Banks, to rate the effectiveness of agencies promoting Priority Sector Lending Schemes by Commercial Banks and to identify the factors / information expected in any promotional method. The study was conducted among 180 respondents as a sample survey. Selection of sample units made purposively. It means respondents have chosen in a way that they complete at least two years after availing loan under priority sector lending. The study found out that the Friends/ neighbors /relatives and Newspaper/ magazine are the main source of information. As a promoting agency, banks are expected to perform better in order to promote schemes of Priority Lending Sector. Further, rate of interest and the amount of loan are the major factors expected in any advertisement.

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