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**Financial Institutions and Support Credit Schemes of Priority Sector  
(A case Study of Rajouri district in J&K State)**

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**ABSTRACT**

*Financial sector plays an important role in the overall development of a country like India. The most important constituent of this sector is the financial institutions. These institutions have traditionally been the major source of funds for the economy. The financial institutions provide a variety of financial products and services to fulfil the varied needs of the society. Besides, they provide assistance to new enterprises, small and medium firms as well as to the industries established in backward areas. Thus, they are helping in reducing regional disparities by inducing widespread industrial development through various support credit schemes of priority sector.*

*The Government of India, in order to provide adequate supply of credit to various sectors of the economy, have evolved a well-developed structure of financial institutions in the country. The Financial Institutions act as a booming force for the development of medium and small scale enterprises by providing them financial assistance.*

*It is in this context, an attempt has been made to examine and evaluate the role of financial institution in providing small credit through various support schemes in district Rajouri of J&K state. The study also highlights the various problems being faced by the people and further suggests few recommendations to bring further improvement in the credit delivery system of the financial institutions.*

**Kew Words:** Financial Institutions, Economic Development, Credit Delivery System

**Introduction:**

Financial Sector plays a vital role in the economic development of all sectors of an economy. The most important constituent of this sector is the financial institutions. Financial Institutions are those institutions which provide credit facilities to the people and a variety of products and services for their overall growth and economic development. It has been rightly said that finance is the blood of the business or an enterprise. Without finance it is impossible to start any business unit. These financial institutions provide various types of loans i.e. short, medium and long term. By providing credit facilities to the people, financial institutions help them to improve their per capita income. The financial institutions include commercial

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banks, Regional rural banks, cooperative banks etc. All these institutions are interconnected with each other to create credit mechanism. In brief, these institutions provide a number of credit support schemes to the people in the form of loan for self employment through the establishment of small business or an enterprise through which they can generate income.

**Objectives of the Study:**

1. To review bank-wise position of credit achievements in priority sector under support schemes.
2. To study the various problems being faced by the sample households in availing the credit.
3. To make few recommendations for a better delivery of credit in the study area.

**Study Area:**

The study has been conducted in district Rajouri of J&K state. The district has an area of 2630sq.kms. The district Comprises of nine blocks and seven tehsils. The district has 376 villages and four towns with a population of 619,266 as per the census 2011. There are 56 branches of different commercial banks in the district.

**Methodology:**

Both primary and secondary data has been used for the present study. For primary data, fifty sample households have been interviewed from five villages of district Rajouri through sample random method. The secondary data has been collected from different reports, Annual credit plans of the district.

**Analysis and Discussion:**

For the purposes of review of credit disbursed by the banks in priority sector in various support schemes viz. agriculture, crop loan, small enterprises, micro credit, education & housing in the study area, an analysis has been made for three years from 2011 to 2013. The data has been analysed of major five commercial banks (J&K bank, SBI, PNB, JKGB & JCC bank) of the district. The year wise position is as under:-

**Table 1.**

**Year 2011**

(Amount in 000)

Name of the Bank	Agriculture		Crop Loan		Small Enterprises		Micro Credit		Education		Housing		Total Credit	
	1		2		3		4		5		6			
	A/c	Amt.	A/c	Amt.	A/c	Amt.	A/c	Amt.	A/c	Amt.	A/c	Amt.	A/c	Amt.
<b>JKBL</b>	1139	111037	72	3920	290	101894	100	19332	51	7888	784	205317	<b>2364</b>	<b>445468</b>
<b>SBI</b>	36	1902	11	276	26	10992	45	11902	0	0	7	4350	<b>114</b>	<b>29146</b>
<b>PNB</b>	102	4913	56	3115	27	2613	31	2913	2	410	3	1900	<b>166</b>	<b>12749</b>
<b>JKGB</b>	347	12743	39	1354	213	54631	0	0	5	138	10	3515	<b>575</b>	<b>71027</b>
<b>JCCB</b>	1747	36067	1692	30776	870	103130	0	0	1	256	20	3021	<b>2638</b>	<b>142474</b>
<b>TOTAL</b>	<b>3371</b>	<b>166662</b>	<b>1870</b>	<b>39441</b>	<b>1426</b>	<b>273260</b>	<b>176</b>	<b>34147</b>	<b>59</b>	<b>8692</b>	<b>824</b>	<b>218103</b>	<b>5757</b>	<b>700864</b>

**Source: Annual Credit Plan 2010-2011 for district Rajouri (J&K State)**

It is clear from the above table that all the banks are financing for agriculture, small enterprises, micro credit, education and housing in priority sector. The table further clarifies that the performance of J&K bank is better than other banks both in the form of total credit and in the form of agriculture, micro credit, education and housing sector, which speaks about the seriousness of the bank in granting loans in the priority sector. Moreover, the bank has the highest CD (30.73%) ratio in the year 2011 in the district.

**Table 2.**

**Year 2012**

(Amount in 000)

Name of the Bank	Agriculture		Crop Loan		Small Enterprises		Micro Credit		Education		Housing		Total Credit	
	1				2		3		4		5		6	
	A/c	Amt.	A/c	Amt.	A/c	Amt.	A/c	Amt.	A/c	Amt.	A/c	Amt.	A/c	Amt.
<b>JKBL</b>	1733	296388	160	5919	607	175600	88	7656	17	3205	314	112947	<b>2759</b>	<b>595796</b>
<b>SBI</b>	20	1265	1	35	30	3924	85	13706	2	237	12	6045	<b>149</b>	<b>25177</b>
<b>PNB</b>	81	9242	0	0	63	21237	90	32482	0	0	0	0	<b>234</b>	<b>62961</b>
<b>JKGB</b>	913	35791	163	6423	162	57126	119	18455	1	20	1	859	<b>1196</b>	<b>112251</b>
<b>JCCB</b>	1820	36080	914	15553	820	123839	0	0	2	625	10	3735	<b>2652</b>	<b>164279</b>
<b>TOTAL</b>	4567	378766	1238	27930	1682	381726	382	72299	22	4087	337	123586	<b>6990</b>	<b>960464</b>

**Source: Annual Credit Plan 2011-2012 for district Rajouri (J&K State)**

A look at table 2 reveals that again J&K bank has played a leading role in credit disbursements as compared to other banks. So far as other banks are concerned, they are also making efforts for credit development. The JCCB has the highest CD ratio of 29.02%.

**Table 3.**

**Year 2013**

(Amount in 000)

Name of the Bank	Agriculture		Crop Loan		Small Enterprises		Micro Credit		Education		Housing		Total Credit	
	1				2		3		4		5		6	
	A/c	Amt.	A/c	Amt.	A/c	Amt.	A/c	Amt.	A/c	Amt.	A/c	Amt.	A/c	Amt.
<b>JKBL</b>	11299	437122	10037	146432	567	213472	182	10223	28	7658	548	289957	<b>12624</b>	<b>958432</b>
<b>SBI</b>	150	3866	86	2248	27	6880	109	11854	0	0	7	6040	<b>293</b>	<b>28640</b>
<b>PNB</b>	105	8960	101	8660	40	13211	0	0	0	0	5	3448	<b>150</b>	<b>25619</b>
<b>JKGB</b>	1995	74298	1176	41078	336	99829	0	0	0	0	0	0	<b>2331</b>	<b>174127</b>
<b>JCCB</b>	1678	75222	1325	44661	565	126445	0	0	0	0	8	2494	<b>2251</b>	<b>204161</b>
<b>TOTAL</b>	<b>15227</b>	<b>599468</b>	<b>12725</b>	<b>243079</b>	<b>1535</b>	<b>459837</b>	<b>291</b>	<b>22077</b>	<b>28</b>	<b>7658</b>	<b>568</b>	<b>301939</b>	<b>17649</b>	<b>1390979</b>

**Source: Annual Credit Plan 2012-2013 for district Rajouri (J&K State)**

Table3. shows that as compared to previous year the J&K bank has increased its growth in credit in agriculture sector followed by housing and small enterprises. Apart from J&K bank, JCC bank has also improved its credit growth in agriculture sector. Again during this year the CD ratio of JCC bank was 28.00% which was highest as compared to other banks.

Thus from the data given in table 1, 2 & 3, it is clear that all the banks have financed in priority sector. However there is a need for more efforts for sanctioning and disbursement of loans as the CD ratio is less and needs to be increased keeping in view the national priorities.

**Problems in Support Credit Schemes:-**

It is in place to mention that the people in general face lot of problems while availing credit from the banks and financial institutions especially in the rural areas. A few to mention are shown in table 4. The researchers have visited five villages of Rajouri district and after having interaction, personal discussion with the respondents; it has come to their notice that they are facing a number of problems from the banks while availing credit. (as shown in table 4)

**Table4.**

S. No	Name of the Village	No. of respondent	Problems						
			1	2	3	4	5	6	5
1	Muradpur	10	4	6	5	6	4	6	4
2	Kote Dara	10	5	7	6	7	6	5	4
3	Rajnagar	10	7	8	4	6	5	5	3
4	Koteranka	10	7	6	5	4	6	4	2
5	Saaz	10	5	4	5	2	6	4	3
<b>Total</b>		<b>50</b>	<b>29 (58%)</b>	<b>31(62%)</b>	<b>25(50%)</b>	<b>26(52%)</b>	<b>27(54%)</b>	<b>24(48%)</b>	<b>21(42%)</b>

**Source: Field survey**

1. Complicated loan procedure
2. Large number of formalities
3. Delay in sanction & disbursement of loan
4. expensive execution of documents through Advocates
5. Collateral Security
6. High rate of Interest
7. Additional charges in the shape of processing & documentation.

From the above table, the data reveals that one of the major problems being faced by the respondents is the large number of formalities in availing the credit from commercial banks. Out of 50 respondents, 31 respondents faced this problem. Another problem being faced by the sample households is the complicated loan procedure, as 58 % respondents have expressed their views on this problem. Along with the above, 54% respondents argued that they were not in a position to offer collateral security. In addition, 52% respondents were of

the view that there was expensive execution of documents through advocates for availing the credit. Beside above, the people were also of the view that the banks are charging higher rate of interest and delays in the sanction & disbursement of loans. Apart from this the people are also of the view that additional charges are charged by the bank officials in the shape of processing and documentation. Beside above, the researchers also noticed that banks are not giving due attention in the marketing of loan products of priority sector viz.KCC, Micro Credit, Micro Insurance, Small Credit etc, like the banks are doing for Car loans, Mortgage loans etc.

### **Recommendations:**

In order to provide credit under various support schemes in a better way to the people in the study area, the following few recommendations have been made:-

1. The procedure for availing the credit should be made simple & easy so that maximum people can avail the credit, which can go a long period for settling up of small enterprise in the area.
2. Banks must provide details (features of various schemes) regarding various credit schemes. They must conduct more campaign to attract more customers. At the same time, the bank officials must ensure that the beneficiaries get loan amount without any delay and further needs to reduce the formalities regarding the loan sanctioning. This will not only bring improvement in the functioning of the banks but also bring efficiency in the credit disbursement.
3. It is difficult for every people to offer collateral security to the commercial banks. There is no single solution for guarantees, so the banks must focus to create reassurance of a borrower's desire to make repayment. In addition, the banks should also market its financial products at a reasonable rate of interests.
4. The banks should adopt a strategy of good governance in order to cut or reduce the level of additional charges on sanction and disbursement of credit in the shape of processing and documentation
5. The RBI should relax the security norms in case of priority sector and proper counselling of the purposed borrowers should be done in case of micro finance and other small loans.

6. In addition to the above, the commercial banks should create awareness among people about the benefits of microfinance and other small credit through camps, workshops and melas especially in rural areas.

### **Conclusion:**

In Conclusion, it can be summed up that financial institutions provide credit to the people in the form of loan for self employment through the establishment of small business or an enterprise through which they can generate income on a reasonable rate of interest. By providing credit facilities to the people, financial institutions help to improve their per capita income. It is obvious that there is a need to strengthen the financial Institutions. However, the efficiency of the system rather than the volume of financial activities are deemed vital to facilitate development.

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