Service Area Approach and Utilisation of Bank Credit in Kerala – A case study of Kannur district

T. K. Devarajan

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1. Introduction

By the end of 1980's the banking system in India had undergone a notable change in the credit delivery system. Reserve Bank of India (RBI) introduced a new programme called Service Area Approach (SAA) particularly for augmenting rural credit. Under this scheme, each village in the country is allotted to a specific bank, called Service Area Bank. It is the responsibility of that bank to finance the credit needs of that village. For this, a village credit plan is to be prepared by considering the credit potential of the area. Integration of activities of other development agencies with the credit delivery system together with the people's participation in credit planning and dispensation is the objective of SAA. It was perhaps the last step taken by RBI and the Government of India to improve rural credit since the nationalisation of banks. This study of banking sector is intended to assess the impact of SAA on rural lending in Kerala, on the basis of the case study of a selected district.

High Physical Quality of Life with low per capita income and slow rate of economic growth is the peculiarity of Kerala, signifying the so-called Kerala Model Development. But it is widely realised now that better quality of life can be maintained only through sustained economic growth. For this, investments should be increasingly made in materially productive sectors, especially in agriculture and small-scale industries, areas in which commercial banks can play a pivotal role. But the utilisation of bank credit has not been satisfactory in

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Kerala throughout the past decade. The Credit-Deposit Ratio (CDR) of the State has been steadily declining since 1989. Compared to the CDR of India as a whole and the CDRs of the neighbouring States, Kerala stands far behind. Even though it has raised serious concerns among banking circles as well as in political leadership, the situation has remained unchanged. The effects of SAA are found to remain at wide variance with the expectations expressed at the time of its implementation. A detailed analysis of the introduction of SAA is required to identify the reasons behind its indifferent results.

The banking network in Kerala is so vast that it has reached even the remote corners of the rural area. The availability of bank branches per unit population is more in the State than at the national level. In 1997, there were 110 bank branches per million population in Kerala as against 66 branches at the national level. There are several other factors that are favourable for the successful implementation of SAA in Kerala. Apart from banking development, high literacy rate and social awareness are also major characteristics of the Kerala society. Land reforms and *Panchayati Raj* Institutions have made it possible for Kerala to initiate a decentralised economical and political system. But the banking performance after implementation of SAA indicates little positive result in credit utilisation. The CDR of the State started to decline the same year SAA was introduced. Together with the general CDR, the share of rural credit also has shown a declining trend. It is a general feeling that it is the lack of viable projects and entrepreneurship that are the major constraints to rural lending in Kerala.

Avari Committee report

In the context of the generally declining trend in CDR several States including Kerala, particularly since 1991-‘92, the Governor of Reserve Bank of India set up a committee of nine members under the chairmanship of Dara D. Avari, Executive Director, Canara Bank, to trace the reasons for the declining trend in CDR and suggest remedial measures. The target was to raise CDR to 55 percent by the end of 1998-‘99 and to 60 percent by the end of 2000-2001. The Committee submitted its report in 1994.

This Committee, after analysing all the three sectors of the economy in great detail identified the problems of and constraints to the smooth flow of credit to these sectors, and suggested measures to be adopted to overcome them. The Avari Committee report recommended concentration of attention on non-priority sectors such as housing and tourism.

The major recommendations of the Avari Committee are the following:

1. A composite loan policy for financing homestead-farming activities and adequate financing for irrigation;
2. Modification may be made in Service Area Approach so as to improve the performance level of banks;
3. Suitable lending policies for integrated projects;
4. Induction of qualified and adequately trained staff in bank branches who are familiar with the nature of the different activities taken up by farmers;

5. Organising training programmes/workshops for branch managers and concerned district officials of the State government, to facilitate larger industrial lending;
6. Effective role for Small Industrial Development Banks of India (SIDBI) in promoting traditional industries like coir in the State;
7. Adequate support by banks for financing projects approved by Kerala Industrial Infrastructure Development Corporation (KIIDC).
8. Provision of a fixed amount, by banks, while financing projects, of not more than 20 percent of the project cost, for meeting the cost for acquisition of land;
9. Greater involvement of banks in the area of consumption loans within the parameters laid down by RBI; and
10. Investment by banks in housing and tourism which have an excellent investment potential, to the maximum extent possible.

The measures suggested by the Committee for improving the flow of credit to various sectors in the context of Kerala, are the following:

> Since agriculture is the worst affected area by the negligence of banks in Kerala, "the philosophy of banking needs a new orientation and human touch under Kerala situation …..small agricultural advances should be treated as business propositions by branch personnel and an attitudinal change should be infused by controlling offices and executives" (Avari Committee Report, pp.85).
>
> "the crop-oriented development approach and credit policies which are quite often tailored to suit an organised system of farming, starting everything on a clean slate, may not be relevant to Kerala. The credit policies should have the right orientation to tackle the special problems of the small and marginal farmers and banking sector should extend a helping hand to the small farmers for bringing them to the mainstream of development"(Avari Committee Report, pp.42).
>
> Further, as the average land holding is very small in Kerala and pledging land as a security for a loan, which serves only a limited purpose and fulfils only a portion of his needs is difficult for the farmer in Kerala, banks should not insist on security of landed property for small loans (Avari Committee Report, pp.42).

The Avari Committee Report also recommended that group lending may be promoted in the Kerala context which is a small farmer economy; this is the only way, which can help capital formation. People's Planning Campaign has offered a number of opportunities to involve the banks in the development of the economy especially in the agricultural sector based on the guidelines of RBI.

Moreover, the Avari Committee Report has projected CDRs, which should have been attained by both commercial and other scheduled banks during the period of 1994 to 2001, so as to attain the target of 60 percent CDR by 2001.

Table 1.1 shows the CDR of all banks with its projected CDR by the Committee.

Table 1.1 CDR Projected by Avari Committee Report and CDR Realised: 1994, 1997, and 1998

Particulars	**1994**	**1997**	**1998**
The average CDR of banks in order to attain 55% in 1998-99	44.13	50.60	52.80
Average CDR of banks in order to reach 60% in 2000-2001	44.13	50.93	53.20
Actual CDR.	43.10	44.22	43.00
Difference between the projected CDR and actual CDR in 1999.	1.03	6.38	9.80
Difference between the projected CDR and actual CDR in 2001	1.03	6.71	10.20

Source: Avari Committee Report, 1994

In the year 1994, the difference between the projected CDR and the actual CDR was only 1.03 percentage points. But during the subsequent years, the gap between the two steadily widened. From this evidence it is clear that the performance of commercial banks in Kerala has continued to deteriorate despite the reforms.

The micro-level planning and project formulation through peoples' participation as part of the People's Plan Campaign in Kerala might have created an environment conducive for the operation of the SAA and credit utilisation in Kerala. Several local bodies in Kerala have identified bank finance as a source of funding for their projects, especially in the agriculture and the industrial sectors. Even though the designated objectives of SAA also aim at ensuring people's participation and identification of needs, there has been no deliberate attempt to integrate this process with the People's Plan Campaign. This is again a paradox, which needs a detailed study.

2. Objectives, Method, and Area of Study

In this section, we discuss the objectives of the study, the methods of data collection adopted, and the socio-economic and banking characteristics of the district selected for the enquiry.

Objectives

The objectives of the study are the following:

1. Assessment of the performance of the Service Area Approach in Kerala with special reference to the Kannur district;
2. Assessment of the compatability of Credit plans and Development plans;
3. Identification, on the basis of the assessment, of the constraints on rural banking with a view to improving the credit availability and utilisation of the productive sectors for economic uplift of rural poor;
4. Identification of the area of effective participation of people, which may lead to a people friendly banking system that can cater to the varied local financial needs of the rural community; and
5. Enquiry into the possibilities of integration of SAA with the People's Planning process in Kerala.

Methods of data collection

Secondary data of the past 12 years were collected from various sources such as records of various government departments/State Planning Board/NABARD/ Lead Bank, on the following items.

1. Total deposits
2. Total advances
3. Advances to priority sectors including agriculture, small-scale sectors, and tertiary sectors.
4. Advances to productive and non-productive sectors.
5. Sector-wise flow of credit under Annual Credit Plans of banks.
6. Targets and achievements of some government-sponsored schemes such as IRDP and PMRY.
7. CDRs of the neighbouring States of Tamil Nadu, Karnataka, and Andhra Pradesh.
8. Performance of different banking groups such as SBI and its associates, nationalised banking groups, private banking groups, regional rural banks, and co-operative banks.

The following district-level data were also collected, area, production, and productivity of major crops such as rice and cash crops, livestock population, small-scale industrial units both in terms of number of units and investments, the number of motor vehicles and the number of houses.

Personal interviews

Personal interviews were conducted with district-level functionaries such as:

1. Lead Bank officials;
2. Officials of NABARD;
3. Representatives of public sector, private sector, *Gramin* and co-operative banks;
4. Officials of District Industries Centre, Agriculture Department, and District Rural Development Agency;
5. People's representatives like MLAs and District *Panchayat* Members; and
6. Trade union leaders of banking sector.

Suitable questionnaires were used for this purpose.

***Panchayat*-level study**

A detailed survey was conducted in selected *panchayats* of Kannur district. Nine *panchayats* and one municipality were selected randomly for the survey in the following way. The district was geographically divided into three zones, i.e., highland, mid-land, and lowland. A horizontal division was then made through the entire district as north-end, middle, and south-end, which divided the district into nine blocks. From each Block, one *panchayat* was selected by non-replacement sampling method, so that all nine *panchayats* together were likely to reflect the general features of Kannur district.

In these *panchayats*, personal interviews were conducted among the officials and public in the following order.

Bank officials	30
Development officials (agriculture officer, veterinary surgeon and village extension officers)	33
People's representatives	60
Farmers	76
Service sector	63
Traders	71
Gulf employees	5
Retired employees	10
Artisans	58
Woman entrepreneurs	7
Small road transport operators	40
Unemployed youths	14
Housewives	22
Casual labours	110
Private sector employees	16

Eighty-eight small-scale industrial units, which were registered with District Industries Centre (DIC) of Kannur, were also surveyed. Besides, 61 customers of different banks in Alakode, one of the selected *panchayats*, were interviewed to know why they preferred those banks.

Interviews with *panchayat* authorities

The past three years' annual plan details were collected from the nine *panchayats*. The *Panchayat* Presidents and Resource Persons of these *panchayats* were also interviewed.

Area of study

Kannur district was selected as the area of study for this project, considering the following features of this area:

1. Similar to elsewhere in the State, the CDR of Kannur district has been declining since 1989, but at a more rapid rate;
2. The economic growth of Kannur district and that of Kerala State as a whole are seen to have been almost equal during the past decade.
3. Regional Rural Banks (RRB) operating in Kannur district mainly focus on rural lending. The presence of SAA, aiming at the augmentation of credit utilisation in the rural area and of RRBs are significantly related. But, RRB did not mobilise Non-Resident External (NRE) deposits. This gives the possibility to analyse the effects of NRE deposit in the CDR of Kannur district.

Profile of Kannur district

Kannur district was selected for the study of this project, because this district represents most of the features of Kerala State. Kannur is one of the northern districts of the Kerala State, which lies between latitudes $11^0 40'$ to $12^0 48'$ North and longitude $74^0 52'$ to $76^0 07'$ East. The district came into existence on 1 January 1957. Subsequently, the north and south Wayanad *taluks* and the Hosdurg and Kasargode *taluks* were delinked from the district to form the Wayanad district. Thus the present Kannur district came into existence in 1984. Kannur district is bound by the Western Ghats in the East, Kozhikode and Wayanad districts in the South, Arabian Sea in the West and Kasargode district in the North. Kannur district comprises three geographical areas: highland, midland, and lowland. Payyannur, Kuppam, Valapattanam, Anjarakandi, and Mahi rivers drain this district and make it very fertile. The total geographical area of Kannur district is 296767 hectare. The land use pattern in is given in Table 2.1.

KANNUR DISTRICT

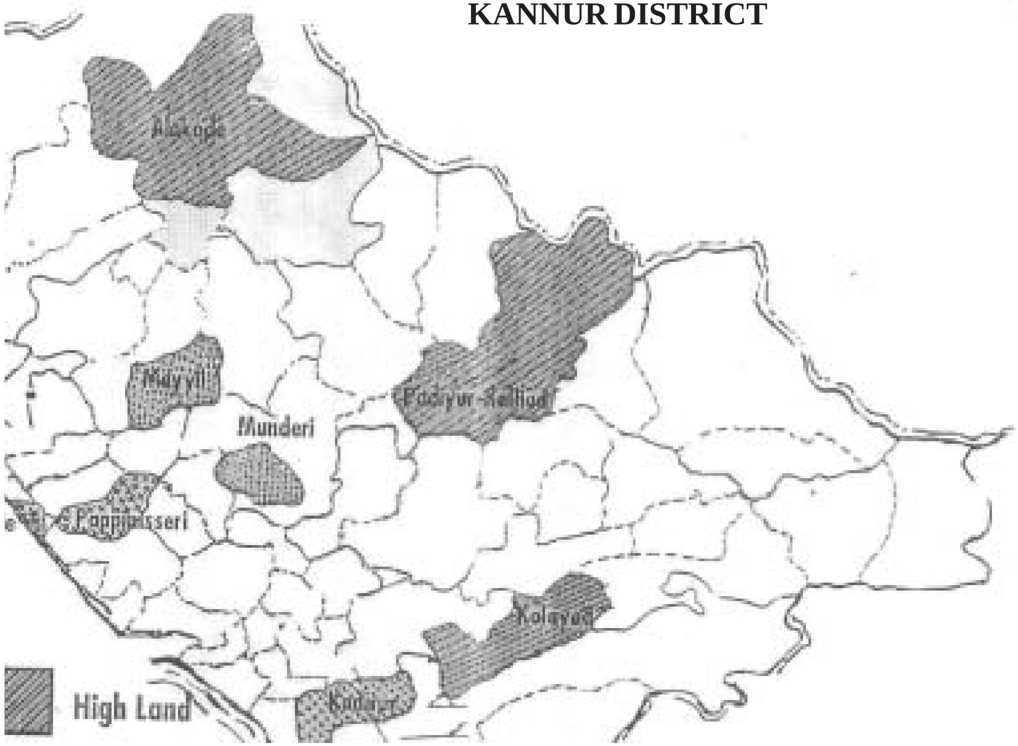


Table 2.1 Land Use Pattern in Kannur District during the Year 1997

Particulars	Area Hectare)
Total geographical area	296767
Area under forest	48734
Land put to non-agricultural uses	20011
Barren and uncultivable land	10447
Permanent pastures and grazing land	267
Land under miscellaneous tree crops	7828
Cultivable waste land	7317
Fallow other than current fallow	2629
Current fallow	4710
Net area sown	194854
Area sown more than once	19207
Total cropped area	214061

Source: 1. Farm Guide 1989, 1999; 2. Credit Plan 1999-2000

The economy of Kannur district is mainly agrarian in nature. The major crops cultivated in the district are rice, coconut, rubber, arecanut, and cashew-nuts. In the highland, the majority of the people are engaged in agricultural activities. The major crops of this area are cash crops such as rubber, arecanut, and pepper. Earlier, tapioca and ginger were cultivated here, but nowadays there is a tendency among the people to shift cultivation from food crops to cash crops. In midland, people are engaged in agriculture as well as other economic activities. The main crops are food crops, like rice, vegetables, and banana and cash crops like coconut and cashew nut. The other economic activities are hand-weaving and *beedi*-making. In lowland, people are engaged in diversified economic activities. The main crops cultivated are rice and coconut. Most of the people are traders and small-scale industrial workers. Fishing is also an important occupation here. The main industrial activities of the district are handloom weaving, *beedi*-making, and plywood manufacturing. There are also industrial units related to construction works. The major industrial companies in the district are Western India Plywood, Keltron, Western India Cottons, Baliapattanam Tiles, and Ship-breaking Unit of Steel Industry Ltd., Kerala (Silk).

According to 2001 census, the total population of Kannur district is 24.1 lakh (Male 11.5 lakh and female11.6 lakh). SC/ST population is about 0.91 lakh. Density of population is

813 sq. km, which is slightly lower than the State average (819 sq km). The literacy rate of the district (92.80) is higher than the State average (90.92).

The district has 3 *taluks* with 117 revenue villages, 89 *panchayats* with 779 wards and 6 municipal towns, and nine development blocks. The banking service of Kannur district is adequately developed with a vast network of branches of State Bank group, Nationalised Banks, North Malabar *Gramin* Bank, and other Scheduled commercial banks. Besides, a large number branches of the Co-operative Agricultural Development Bank also exist. The lead bank of Kannur district is Syndicate Bank, which has 36 branches.

Table 2.2 Bank Branches in Kannur District as on March 1999

Bank	Number
SBI and Associates	30
Nationalised Banks	75
Scheduled Commercial Banks	32
RRBs 72	
Total number of bank branches	**209**

Source: District Credit Plan 1999-2000

Table 2.3 Co-operative Sector Banks in Kannur District

Banks	Number
No. of branches of District Co -operative Banks	35
No. of Service Co –operative Banks	125
No. of Co-operative Rural Banks	9
No. of Primary Co-operative Agriculture Development Banks	3
No. of branches of Kerala State Co- operative Banks	1
No. of Urban/Town Co-operative Banks	9

The basic information regarding physical, demographic, and economic parameters of the selected *panchayats* for study are given below.

Table 2.4 Information about the Studied *Panchayats*

Panchayat	Alakkode	Padiyur-Kalliad	Kolayad	Munderi	Mayyil	Kadirur	Azhikode	Pappini sseri	Karivellur Peralam	Thalasseri Municipality
Block	Taliparamba	Irikkur	Peravoor	Edakkad	Irikkur	Thalasseri	Kannur	Taliparamba	Payyanur	-
Terrain of the land	High land	High land	High land	Mid land	Mid land	Mid land	Low land	Low land	Low land	Low land
Area (Sq. km)	77.79	129.00	32.17	20.42	30.08	12.30	16.04	14.89	22.23	51.84
Population	33456	50481	18062	29901	25223	26586	42354	30754	20020	79577
Wards	13	15	9	12	11	11	15	12	12	32
Occupation	Agri.	Agri.	Agri.	Agri, Cottage Industries & Hand looms	Agri & Weaving	Weaving, Beedi & Agri.	Weaving, Agri & Beedi	Industry & Agri.	Agri.	Trade & SSI
Banks	Syndicate, SBT, NMGB & Co-op.	SBT, NMGBs, Federal Bank & Co-op.	NMGB, Vijaya Bank & Co-op.	Syndicate, NMGB & Co-op.	Syndicate & Co-op.	IOB, NMGB & Co-op.	Syndicate, Catholic Syrian Bank & Co-op.	SBT, Indian Bank & Co-op.	Syndicate NMGB & Co-op.	18 Banks including public, private & Co-op.

3. Banking System and Rural Development

Banking institutions are the custodians of private savings and a powerful instrument to provide credit. They mobilise the financial resources of the country by accepting deposits and channelising them for national development through credit creation.

In India, there are three types of banks: commercial banks, co-operative banks, and development banks. Of these, commercial banks are the most important considering their national network and diversified activities. Before nationalisation, commercial banks were mostly urban-oriented. About 80 percent branches were in urban and semi-urban areas. Share of advances by the rural branches was only 1.5 percent. Total credit to priority sector advances was only 15 percent. There were complaints that commercial banks were directing their advances to larger industries and big business houses, while sectors demanding high priority such as agriculture, Small-Scale Industry (SSI), and weaker sections of the society were not receiving their due share. This was the main reason for implementation of social control in 1967 and subsequent nationalisation of banks in 1969.

Measures taken before nationalisation

Before nationalisation, there were discussions on using commercial banks' services for rural development. Various committees – eg., Agriculture Finance Sub-committee (1945), Rural Banking Enquiry Committee, and All-India Rural Credit Survey Committee (1954) - had pointed out that the credit provided by commercial banks in India to the agricultural sector was negligible. The informal group on institutional arrangements for agricultural credit suggested in 1964 that the commercial banks, which were mobilising resources through their rural branches should deploy these resources for developmental activities taking place in rural areas. Since the Third Five-Year Plan, agriculture was treated as a high priority sector at the national level. It was identified that both agriculture and other economic rural sectors were in great need of credit for their development. It is in this context that the Government of India implemented social control on banks in 1967. The National Credit Council was set up under a Resolution of Government (No F 4(43) BC/67 dated 22/12/67) with the following objectives.

1. To assess the demand for bank credit of the various sectors of the economy.
2. To determine priorities for granting loans and advances for investment, with special regard to the availability of financial resources and the requirements of priority sectors, particularly agriculture, SSIs, and exports.
3. To co-ordinate the lending and investment policies of commercial banks, co-operative banks, and other specialised agencies to ensure optimum and efficient use of the overall resources.

Nationalisation

The most important step, which helped the expansion of rural credit, was the nationalisation of 14 major banks in 1969. The main objective of nationalisation of banks, as set forth in the Preamble to the Banking Companies (Acquisition & Transfer of Undertaking) Act 1970, was "to control the heights of the economy and to meet progressively and serve better the needs of the development of the economy in conformity with the national policy and objectives and for matters connected therewith or incidental thereto."

The specific objectives of the nationalisation of commercial banks in India are summarised below:

1. To remove the control of a few large industrial houses over commercial banking in the country;
2. To provide adequate credit to the priority sectors of the economy which had remained neglected till then, such as agriculture, small industry, and exports;
3. To introduce professional management in the commercial banking business of the country;
4. To provide proper incentives and stimuli, so that a new class of entrepreneurship emerges in the country;
5. To make provision for adequate training and reasonable terms and conditions of service for bank employees.

Post-nationalisation period

After nationalisation, the banking system in India achieved significant growth and witnessed a qualitative transformation. Within two decades, the number of branches increased by 6.5 times. In 1969 total number of branches was only 8832 which increased to 56960 in 1989. The proportion of rural banks increased from 17.6 percent in 1969 to 55.7 percent in 1989 (Table 3.1).

Table 3.1 Growth of Banking System after Nationalisation

	Offices			Deposits			Advances		
	1969	**1979**	**1989**	**1969**	**1979**	**1989**	**1969**	**1979**	**1989**
Rural	17.6	43.3	55.7	3.1	10.6	15.0	1.5	8.4	16.3
Semi-urban	40.8	26.8	19.3	22.0	22.5	21.4	11.3	15.6	17.3
Urban	23.3	16.8	14.7	25.9	24.9	25.1	20.0	22.7	23.0
Metro	18.3	13.1	10.3	49.0	42.0	38.6	67.2	53.3	43.5

Source: RBI Banking Statistics 1985-'95

Policy guidelines of RBI

After nationalisation, lending to priority sectors was seen as an essential component of the national agenda. The study group constituted by RBI in 1970 made a comprehensive definition of the priority sector. According to this definition, the priority sector includes not only agriculture (direct and indirect) and small-scale industries, but also part of the tertiary sector such as the operation of small roads and water transport routes, retail trade, small business enterprises, professional services, self-employment, and education. In 1974, banks were advised by RBI to raise, by March 1979, the proportion of priority credit to one-third of their total outstanding credit. In 1978, RBI instructed that private sector banks also should conform to the norms by the end of March 1980. In 1980, the government demanded that the share of priority sector advance be increased to 40 percent of total advance. In 1980, a working group on 20-point programme headed by K.S. Krishnaswamy suggested certain changes in priority sector lending. One of the suggestions was to introduce the concept of weaker sections within the priority sector. The Group also recommended the fixing of separate lending targets for all the major categories included in the priority sector, except exports. The target fixed accordingly for agriculture was 16 percent of the total advance i.e., 40 percent of the total priority sector advance. It also recommended that 50 percent of the total direct farm credit should be channelled to the weaker sections. Another working group headed by A.Ghosh, made a comprehensive redefinition of weaker sections and suggested a target of either 10 percent of net credit or 25 percent of total priority sector lending to weaker sections to be reached by March 1985. Direct lending targets were also rescheduled as 16 percent by March 1987, 17 percent by March 1989, and 18 percent by 1990. Besides, RBI also gave the following guidelines:

1. Advance to rural artisans, village craftsmen, and cottage industries should constitute 12.5 percent of the total advance given to small-scale industries.
2. Rural and semi-urban branches of public sector banks should secure a credit deposit ratio of 60.
3. The total outgoing to beneficiaries under DRI scheme should be 1 percent of the outstanding advance of the previous year.

These policy guidelines had a significant positive effect on national development. Credit came to be channelled to sectors of the economy which had remained relatively neglected, but also gave ample access for small borrowers to institutional credit.

Table 3.2 Scheduled Commercial Banks' Advances to Priority Sectors in India *(Rs crore)*

	1969		1979		1989	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Total advance	3717.00		21476.00		96009.00	
Priority sector	659.00	17.72	5906.00	27.5	40475.00	42.16
Agriculture	258.00	6.94	2521.14	11.7	16612.00	17.30

Source: 1. Priority sector lending- The issues, Economic and Political Weekly, 17-24 October 1998,
2. RBI Banking Statistics – various years.

In 1969, bank credit extended to the priority sector had been only 17.7 percent of the total credit. The corresponding proportion was 42.15 percent in 1989. Agricultural credit, which had been only 7 percent in 1969, increased to 17.3 percent in 1989 (Table 3.2). The number of priority sector accounts increased from 7.8 lakh in 1969 to 331 lakh in 1989. The increase in number of accounts in agriculture sector during the period was from 5.68 lakh to 197.4 lakh (Priority sector lending - The issues, *Economic and Political Weekly*, 17-24 October 1998).

In addition to the above measures, the Government established two banks specifically intended to assist the progressive expansion of rural credit, Regional Rural Bank (RRB) and National Bank for Agriculture and Rural Development (NABARD).

Regional Rural Bank (RRB)

Regional Rural Banks were established in 1975. The main objective of RRB is the provision of credit and other facilities especially to small and marginal farmers, agricultural labourers, artisans, and small entrepreneurs in rural areas. Every regional rural bank is required to undertake the business of:

1. Granting of loans and advances to small and marginal farmers and agricultural labourers, whether individual or groups and to co-operative sectors, agricultural processing societies, co-operative farming societies, primary agricultural credit societies or farmers' service societies, for agricultural purpose or agricultural operation or for other related purposes, and

2. Granting of loans and advances to artisans, small entrepreneurs and persons of small means engaged in trade, commerce or industry or other productive activities, within its area of operation, in addition to normal banking business.

As on 30 June 1987, 196 RRBs were established covering 349 districts in the country. By the end of 1986, RRBs had a network of 12838 branches throughout the country and their deposits and advances were Rs 1715 cr and Rs 1785 cr respectively. Direct advance for agriculture and allied activities, retail trade, and self-employment amounted to Rs 1748 cr i.e., 98 percent of the total advance.

NABARD

Establishment of the National Bank for Agriculture and Rural Development (NABARD) in 1982 was another step to promote rural credit, taken in accordance with the recommendation of the Committee to Review Arrangement for Institutional Credit for Agriculture and Rural Development (CRAFICARD), set up by RBI. The basic idea was that, a national bank should be set up to pay undivided attention to all regions of the country requiring credit and other needs related to agriculture and rural development. Secondly, the problem of agriculture and rural development should be viewed in an integrated and comprehensive way, not in a fragmented manner. It was felt that a banking institution at the national level would achieve the above objective.

As an apex development bank in the country for supporting and promoting agricultural and rural development, NABARD has undertaken three types of activities:

1. Provision of different types of refinances to eligible institutions;
2. Co-ordination of developmental activities of rural credit institutions; and
3. Monitoring of the functioning of RRBs and Co-operative Banks.

Evolution of credit planning and area approach

The need of Credit Planning and Area Approach was identified in 1969 itself. The Study Group headed by D. R. Gadgil appointed by National Credit Council recommended the adoption of Area Approach to banking development in the country. The Study Group suggested that the public sector banks should be given specific districts wherein they should be asked to bring about integral development of banking facilities, with a view to meeting all the essential credit needs of the area. Based on the recommendation, RBI introduced the Lead Bank Scheme in 1969.

Lead bank scheme

Under the scheme, each district is allotted to a specific public-sector bank, assigned the role of a Lead Bank. The country was divided into 330 districts and distributed among major scheduled banks mostly of the public sector, to play the 'lead role'. Under this scheme, the commercial banks would play the role of a catalytic agent in the process of economic development especially in the backward areas of the country. Each Lead Bank, as per this scheme, should co-ordinate the banking and financial activities of the district as a whole. For this, the Lead Bank should undertake the following activities:

1. Identify the growth centre of the district for opening branches of commercial banks to meet the credit needs of the district;
2. Formulation of District Credit Plan: It should be in consonance with the district development plan and development strategy worked out by the government; and
3. Setting up of a District Consultative Committee, which is entrusted with co-ordination among banks and other financial institutions, and co-ordination between financial institutions and development departments.

Village adoption scheme

In 1975, some commercial banks took up the Village Adoption Scheme. The objective was to develop village economy in all its aspects, in a phased manner. The steps suggested were the following:

1. Selection of villages;
2. Survey of selected villages to assess the potential for development;
3. Preparation of phased action programme;
4. Identification of eligible borrowers; and
5. Formulation of proposals for development of individual forms.

About 49700 villages had been adopted under this scheme by the end of 1977. But it was observed that the scheme was not very successful. The reasons pointed out are:

1. Lack of understanding among different commercial banks at the grassroots-level;
2. Increasing number of defaulters among cultivators; and
3. Difficulties for providing loans to cultivators because of their fragmented land holdings. (S.S.M.Desai, Rural Banking in India, Himalaya Publishing House)

Service area approach

The experience on credit plan under Lead Bank scheme and the poor results of the Village Adoption Scheme were the motivating factors behind the Service Area Approach introduced in 1989. The background, objectives, and procedure of this approach are discussed in the next section.

Financial reforms and rural lending

Economic reforms which began in 1991, as part of the New Economic Policy (NEP) made several changes in the banking sector regarding rural lending. The Committee on the Financial System (CFS) appointed in 1991 under the chairmanship of M. Narasimham, made the following observations on the low productivity and profitability of the banking system of India:

1. Constraints on operational flexibility owing to direct investment in terms of Statutory Liquidity Ratio (SLR) together with Cash Reserve Ratios (CRR) and directed credit programmes;
2. Decline in portfolio quality owing to political and administrative interference in credit decision-making;
3. Concessional interest rate on direct investment and credit;
4. Expansion of branch network into rural and semi-urban areas turning many officers into primarily deposits centres without adequate credits business and income; and
5. In addition to the above, the committee identified several other factors such as poor branch reconciliation and tax supervision and poor quality of staff as responsible for low productivity and profitability.

The suggestions made for eradication of the maladies are the following:

1. Reduction of SLR to 25 percent of demand and time liabilities;
2. Bringing borrowing rates closer to market rates;
3. Turning CRR into an instrument of monetary policy;
4. Phasing out of the direct credit programme in the long run, redefining the priority sector in the short run and review of concessional interest rates. Use of fiscal instruments rather than the credit system to help the weaker sections, was also suggested; and
5. Dismantling of the administered interest rate structure allowing interest rates to perform their main function of allocating scarce loanable funds to alternative uses.

As part of this, the changes recommended by CFS in the field of priority sector lending were as follows:

1. The direct credit programme should cover a redefined priority sector comprising small and marginal farmers, tiny sector industry, small business and transport operation, village and cottage industries, rural artisans and other weaker sections;
2. Credit targets for this redefined priority sector should be fixed at 10 percent of aggregate bank credit;
3. Stipulation of concessional interest to the redefined priority sector should be reviewed with a view to its eventual elimination, in about three years;
4. A review should be undertaken at the end of three years to see whether the directed credit programme should be continued.

Though the Narasimham Committee redefine the priority sector, so as to cover only the weaker sections and to reduce drastically the target for priority sector lending, what the banking authorities have done is exactly the opposite, though the result were not much different. No reduction was made in overall targets of the priority sector. But more items, which had till then remained outside the priority sector, were included under priority sector. The redefinition of the priority sector is as follows (Shajahan, K.M, 1998).

1. There was a sub-target for agricultural advance, namely that indirect advances should not exceed one-fourth of the total agriculture advance. By including the indirect advances under the priority sector this sub-limit was later lifted. Financing and distribution of inputs for taking up allied activities up to Rs 5 lakh were thereafter to be treated as priority sector advance. All these stipulations reduced the scope of direct advances to the agriculture sector;
2. All short-term advances to plantation crops, including tea, coffee, and rubber were included in priority sector advances irrespective of the size of holding.
3. In the case of small-scale industrial units, the limit of investment in plant and machinery was raised in 1994 to Rs 60 lakh from Rs 35 lakh. Subsequently, it was further raised to Rs 1 cr.

4. Existing credit limit of other priority sector advances was also raised, i.e., of retail traders from Rs 25,000 to Rs 2 lakh, of business entrepreneurs from Rs 2 lakh to Rs 10 lakh, and of professional and self-employment from Rs 1 lakh to Rs 5 lakh.
5. In October 1997, the scope of the priority sector credit to road and water transport operation was widened by increasing the number of eligible vehicles from 6 to 10.
6. One of the housing loans given to weaker sections had been under the priority sector before 1994. But after 1994, all housing loans up to Rs 3 lakh (revised again to Rs 5 lakh) came to be considered priority advances.
7. In addition, contributions made by public sector banks to Rural Infrastructure Development Fund and Khadi and Village Industries Commission also came to be treated as priority sector advance.

Obviously, these reforms must have affected credit disbursement by commercial banks to priority sectors**.** Though the priority sector lending had nearly reached the target (of 40 percent) in 1990, it was continually declining since then till 1996 (Table 3.3). It is also seen that the CD ratio of banks was continuously declining since 1991. After 1996, the priority sector advances improved due mainly to the widening of the priority sector.

Table 3.3 Priority Sector Advance by Commercial Banks in India (Rs crore)

Year	Total Advance	Priority Sector Advance	% to Total
1990	105450	41497	39.35
1991	121865	44572	36.57
1992	131520	47318	35.98
1993	154838	51739	33.41
1994	180017	59097	32.83
1995	222507	69209	31.10
1996	254015	80831	31.82
1997	278401	93807	33.69

Source: RBI, Statistical Tables Relating to Banks in India 1996-‘97

The impact of this phenomenon has been studied in detail. Some observations, which critically analyse the transformation from mass banking to class banking, are referred to below.

D. Narayana (Review of Development and Change, July-December 2000, Vol. No. 2) observed that “the post-reform banking trends are slowly reversing the trends of the two decades since nationalisation. The liberalisation of banking has aggravated the imperfections in the credit market. The natural bias of banks has come to the fore and they are increasingly withdrawing from agriculture, small enterprises and such activities. Bank expansion in rural non-banked areas has also stopped. Such withdrawal would have an adverse impact on the investment and output in agriculture and small industry".

P. N. Joshy (P. N. Joshi, EPW-3 April 1999) in his article 'Banking Sector Reforms - the other side of the coin' pointed out that "the reform introduced since 1992-'93 in the banking system have had a heavy toll on small borrowers. It is a fact, which has remained obscure, that between end-March 1992 and end- March 1996, the number of borrower accounts has declined sharply from 65.9 million to 56.7 million i.e., by more than 9 million. It is pertinent to note that during the preceding four years that is between March 89 and March 92 the number of borrower accounts had increased from 52.1 million to 65.9 million i.e., by 13.8 million. The increasing trend of credit disbursal to a large number of small borrowers was arrested, with the introduction of banking sector reforms and the spread of banking credit facilities was not only halted but the number of small borrowers getting financial facilities sharply declined during the 5 year period ending March 1996".

He adds: 'The banking reforms strongly emphasised the importance of profit. It is well known that the operational cost of managing a large number of small borrower accounts is high and the rate of interest of such small account is low. The threat of account becoming non-performing looms large. Therefore, obviously, there is a natural urge among the bankers to avoid increasing exposure to the small sector. This reduces the number of borrower accounts' (Shajahan K.M, 1998). The overriding importance under the reforms, of reducing the Non Performing Asset (NPA) ratio, compelled the banks to have a second look at the large number of accounts though some recovery was effected through the receipt of funds from the Deposit Insurance and Credit Guarantee Corporation of India (DICGC).

Within the thick cover of banking reforms, the banks could justify the exclusion of masses and priority areas from the benefit of the banking system. Earlier plans and approaches become meaningless in the changing scenario. Identification of the strengths and weakness of the existing system and approaches is expected to help assessment of the sustainability of banking system in withstanding these sweeping changes. It is in this context a study of the SAA becomes relevant.

4. Service Area Approach (SSA)

The concept of SAA had been suggested by the National Credit Council Study Group in their report on the Organisational Framework for the Implementation of Social Objectives, submitted in 1969. The Council recommended that depending upon the area of operation and location, commercial banks should be assigned a particular district in an area, where they should act as pace-setters, providing integrated banking facilities. In this way all the districts in the country should be covered. The Reserve Bank of India (RBI) introduced SAA to rural lending on 1 April 1989. It was the Committee under the chairmanship of P. D. Ohja, Deputy Governor of RBI, which recommended the new approach according to which all the villages in each district were allocated to the nearest bank branches as their service area for providing adequate banking services.

Background of SAA

The background to the introduction of the SAA is explained below:

1. Development of a need-based banking infrastructure in the country with a vast expansion of branches of commercial banks in rural and semi-urban areas;
2. Impressive increase in priority sector advances and agricultural advances. (However, it was not reflected in a commensurate increase in agricultural production, productivity, and income levels of people in rural areas and generation of employment opportunities);
3. Credit planning remaining largely uninfluenced by the investment absorption capacity of different sectors and areas with no attempt being made to link credit dispensation with potential for development. (The main reason for this lacuna was the absence of micro-level planning. Performance budgets of branches were more often imposed on them by controlling offices. Allocations under District Credit Plans, prepared by lead banks and performance budget target of individual banks were never matched);
4. The problem of multiple financing by multiple agencies.

The principal advantages envisaged under the SAA were the following:

a. Optimum utilisation of the growth potential of the identified service areas, contributing thus to increased production and income levels;
b. Minimisation of diffusion of efforts of banks over wide areas;
c. Making the lending activity of banks easily amenable to supervision and control;
d. Introduction of micro level planning based on potential assessment and credit needs of small compact areas and helping in the identification of area-specific and resource-specific activities for development within a cluster of villages;

e. Ensuring proper co-ordination among financing banks and other development agencies by involving the latter in planning, implementation, and monitoring of credit programmes;

f. Encouraging people's participation and involvement in credit planning and dispensation.

Guidelines for implementing SAA

There are five stages in the implementation of SAA.

Identification and allocation of service area

The essence of the approach is to assign the responsibility of meeting development credit needs of a cluster of villages to a designated branch of a commercial bank or RRB. By 1 April 1989, villages were allocated among branches of commercial banks or RRBs based on contiguity and proximity of the villages to the branches concerned. RBI recommended adoption of a cluster approach in selecting villages for the service area. Villages in the same *grama panchayat* were to be allotted to the same branch to the extent possible.

Survey of village

Each bank branch should conduct a survey of village allotted to it and should prepare a village profile. The survey had to cover demographic features of the village, land use and cropping patterns, existing economic activities, potential for their expansion, scope for new activities, existing skills, status of infrastructure development, and coverage of rural families by credit institutions. These data were to be collected from various sources. Village profile forms were to be updated every year based on the survey, taking into account the developmental changes that had occurred in the service area. Bank officials should make periodic visits to the village and should maintain continuous contact with extension/ development agencies.

Preparation of credit plan

a.Village Credit Plan (VCP)

The service area branch was to prepare a separate credit plan annually for each village allotted to it by reflecting on the credit needs and potentials of that area. Preparation of the village credit plan should be based on:

Village profiles; Information from developmental agencies; Targets under various government schemes; Background papers of Lead Bank, which give information of ongoing development schemes, lending programmes of other agencies, standard schemes for different activities; and Potential-inked credit plan of NABARD including block-wise potential for feasible activities.

b. Branch Credit Plan & Village Credit Plan (BCP & VCP)

Based on the above information, every Branch Manager was required to identify activities having potential for development in service area villages, the number of units that could be sustained with available infrastructure, to make an estimate of credit needs and to phase them out according to the availability of resources. For each village (ward) service area branch had to prepare a VCP on an annual basis. The integrated VCP of all the allotted villages would form the Branch Credit Plan. Advances for both priority and non-priority sectors had to be covered under BCP. BCPs approved by the controlling office of the bank became the performance budget of the branch.

c. Block Credit Plan

BCPs as approved by the controlling office had to be discussed at the forum of Block-Level Bankers Committee (BLBC). Finalised BCPs constitute the Block Credit Plan. Such aggregating had to be done only in respect of priority sector advances.

d. District Credit Plan (DCP)

The Lead Bank prepared District Credit Plans by integrating the Service Area Plans of individual branches and lending programmes for the priority sectors.

Co-ordination and monitoring

Block-level Bankers Committees (BLBC) had to co-ordinate and monitor lending under Service Area Planning. All the banks operating in the block including Co-operatives, LDO of RBI, BDO and officials of the development departments were the members of BLBC. Representatives of *Panchayat samitis* might also be invited to attend the meeting. Lead Bank Officer would be the chairman of BLBC. BLBC had to monitor and review plan implementation in its quarterly meeting. In the district, the Lead Bank Office had to function in close co-ordination with the NABARD office. At the district level, District Consultative Committee (DCC) and District Level Review Committee (DLRC) were the designated agencies. DCC met in every three months under the chairmanship of District Collector with the Lead Bank Manager as convener. Major bank representatives, NABARD and RBI representatives, District officials of DRDA, GIC and Agriculture Departments are members of this Committee. The two-hour meeting of the Committee would review the following items:

1. Monitoring the flow of credit especially to priority sector;
2. Implementation of government schemes; and
3. Co-ordinating the activities of the various departments and banks.

DLRC is the high level body and it includes people's representatives, MLAs and MPs apart from other members of DCC. A full day meeting was to be conducted in which each development sector was discussed in detail. The LBO had to obtain information relating to the credit plan of each service area agency-wise and to furnish the same to the National Bank office at quarterly intervals. Based on this information, the National Bank had to evaluate the performance of each Service Area Credit Plan and provide useful feedback to the controlling office concerned. The National Bank had to prepare comprehensive review of the performance of each credit agency in the district on a quarterly basis and furnish the same to RBI.

Time schedule

RBI prescribed the following time schedule for different stages of service area planning:

Supply of background paper by lead bank to branch	31^{st} October
Preparation of Branch Area Credit Plan by co-operative banks.	30^{th} November
Preparation of Service Area Credit Plan (SACP) by commercial banks & RRBs	31^{st}December
Approval of Branch Credit Plan by controlling offices	31^{st} January
Finalisation of Branch Credit Plan at BLBC (Aggregation at Block Level)	$28/29^{th}$ February
Aggregation at District Level	15^{th} March
Launching of District Credit Plan	1^{st} April

5. Banking Development in Kerala

Growth of banking system

The banking system in Kerala has attained tremendous growth in the post-nationalisation period as has been the case at the national level too. In 1969, there were only 516 bank branches in the State; the number increased to 2801 in 1989, and to 3102 in 1997. Deposits increased from Rs 153 cr in 1969 to Rs 5667 cr in 1989 and to Rs 23029 cr in 1997. The amounts of loans provided were Rs 105 crore (1969), Rs 3701 crore (1989), and Rs 10481 crore (1997). Indices of banking in Kerala such as deposit per branch, advance per branch, population per branch, per capita deposit, and per capita advance reflect tremendous growth during the period since nationalisation.

The growth of various banking parameters of India and Kerala are given in Table 5.1. These parameters have been compared over three years - 1969, i.e., the year of nationalisation, 1989, the year in which Service Area Approach was introduced and 1997, the year of post-introduction period of Service Area Approach.

Table 5.1 Growth of Banking System in India and Kerala

Particulars	1969		1989		1997	
	India	Kerala	India	Kerala	India	Kerala
Branches	8832	516	56960	2801	65485	3102
Deposit (Rs Crore)	5148	153	144891	5667	551562	23029
Advance (Rs Crore)	3717	105	96009	3701	305884	10481
Deposit/branch (Rs Crore)	0.58	0.29	2.50	2.00	7.80	7.40
Advance/branch (Crore)	0.43	0.20	1.70	1.30	4.30	3.40
Population/branch (No)	69000	41000	13800	9000	15000	9331
Per capita Deposit (Rs)	95.80	73.40	1830	2222	5775	7941
Per capita Adv. (Rs.)	64.20	50.50	1213	1451	3203	3614
C.D. Ratio (%)	72	69	66	65	56	46

Source: 1. Profile of Kerala, 1969; 2. SLBC Statements - various years; 3. Avari Committee Report; Economic Review, 2002

Kerala State has shown a rate of growth much more rapid than at the all-India level in all aspects. In deposit mobilisation, Kerala's achievement is 151 times during the period 1969-1997, as against 107 at the national level. The corresponding growth rates of advances are 100 times and 87 times respectively. The growth in per capita deposits and per capita advances in Kerala are also higher than those at the national level.

The CD Ratio of Kerala remains, however, far lower than not only the ratio at the national level, but also than those of the neighbouring States. Table 5.2 shows the CD Ratio of India and few States like Tamil Nadu, Karnataka, Andhra Pradesh, and Kerala (Fig. 5.1).

Table 5.2 CD Ratio of Different States

Year	Tamil Nadu	Andhra Pradesh	Karnataka	Kerala	India
1989-‘90	99	87	91	62	61
1990-‘91	101	83	86	59	61
1991-‘92	100	81	78	52	55
1992-‘93	87	80	75	48	56
1993-‘94	87	76	73	43	57
1994-‘95	95	83	72	45	59
1995-‘96	94	82	69	44	58
1996-‘97	97	76	70	46	55
1997-‘98	86	70	67	45	53
1998-‘99	84	69	64	43	54

Source: 1. Economic Review (various years 1990-2000)
2. Bank Statistics published by RBI

Fig 5.1
Trend in CD Ratio

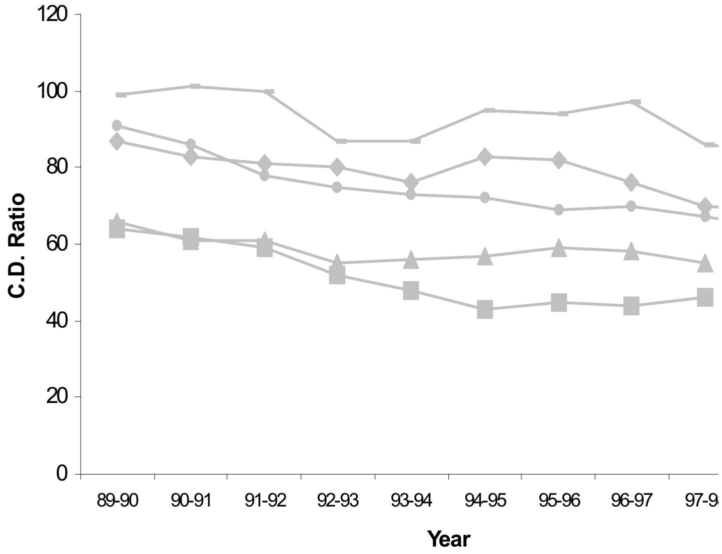


Table 5.3 CD Ratio of India and Kerala: 1969-'99 (percent)

Year	India	Kerala	Year	India	Kerala
1969	72	69	1985	66	61
1970	76	71	1986	63	64
1971	70	69	1987	61	61
1972	69	71	1988	62	63
1973	70	71	1989	66	64
1974	71	71	1990	61	62
1975	73	72	1991	61	59
1976	77	68	1992	55	52
1977	72	61	1993	56	48
1978	70	63	1994	57	43
1979	68	63	1995	59	45
1980	67	68	1996	58	44
1981	68	72	1997	55	46
1982	68	66	1998	53	45
1983	67	66	1999	54	43
1984	69	67			

Source: 1. Profile of Kerala 1989
2. Economic Review – various years
3. SLBC Statements – various years

Table 5.3 gives the annual trend of CDR at the national and the State level. In both the cases the CDR has been declining since 1989. But Kerala shows a more rapid rate of decline.

Table 5.4 Trend in Advance and Investment (Rs. in crore)

Year	India				Kerala			
	D*	A**	I***	(A+I)/D	D	A	I	(A+I)/D
1992	237566	131520	90334	93.3	9671	5003	660	65.78
1993	274938	154838	104563	94.3	12112	5818	NA	NA
1994	317917	180017	133314	98.5	14990	6442	NA	NA
1995	375864	222507	149254	98.9	17458	7797	1605	53.8
1996	433819	254015	164782	96.5	20171	8961	1785	53.2
1997	505599	278401	190514	92.7	23029	10565	2019	53.9

* - Deposit ** - Advance *** - Investment Source: SLBC Statements – various years

Even though at the national level CDR shows a declining trend, the ratio between the combined figures of advance and investment to deposit remains almost steady indicating that the reduction in advances were compensated through increase in investment (Table 5.4). But in Kerala, even this kind of an analysis shows a clear declining trend and the decline in CDR has not been due to enhancement in investment.

What could have been the underlying reasons? Is it due to higher deposit growth, lower advance growth or inflow of NRE deposits or any other factor?

A detailed analysis of banking statistics was done to identify the reasons. Here three decades are considered with 10 years' interval i.e., 1969-'79 (First decade of nationalisation), 1979-'89 (second decade of nationalisation), 1989-'99 (Third decade, where CD ratio shows a sharp decline). Table 5.5 analyses the growth of deposits and advances during these periods.

Table 5.5 Growth of Deposit and Advance (in times)

	1969-79		**1979-89**		**1989-99**	
	India	**Kerala**	**India**	**Kerala**	**India**	**Kerala**
Deposit growth	6.1	7.9	4.6	4.7	4.9	5.5
Advance growth	5.7	7.3	4.5	4.7	4.1	3.6

Source: Secondary data analysis

The Table clearly shows the following facts:

1. Deposit growth in Kerala is ahead of national level deposit growth in all the three periods;
2. Advance growth in Kerala is ahead of the corresponding growth at the national level in 1969-'79 and almost the same during 1979-'89, but it has fallen below the national level during 1989-'99;
3. Growth rates of deposit and advances in Kerala are almost equal during the first two periods; but in the third period, advance growth has fallen below the deposit growth.

Table 5.6 Average Annual Growth of Deposits and Advance (in percentage)

	1969-'79		**1979-'89**		**1989-'99**	
	India	**Kerala**	**India**	**Kerala**	**India**	**Kerala**
Deposit	19.8	23.2	16.9	18.3	16	18.7
Advance	19.4	22.2	16.2	17.2	15	14.6

Source: 1. SLBC statements – various years; 2. Economic Review

From Table 5.6, the following facts become evident:

1. The average growth of deposits and advances both in Kerala and India shows a declining trend. However, advance growth is declining faster than deposit growth;
2. The average growth of deposits in Kerala has remained higher than that of the national level;
3. The average growth of advance in Kerala is above the national level during the first two periods. But in the third period, it has fallen below the national level;
4. The average rates of growths of deposits in Kerala are seen to be almost equal during the last two periods. There is no marked increase in the growth rate of deposit during the last period;
5. During the first two periods, there is not much difference between average rates of growth in deposits and advances in Kerala. But in the last period, advance growth in Kerala is far below the deposit growth.

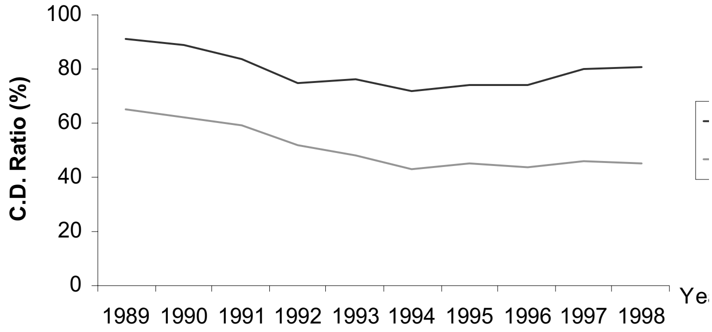
It is sometimes argued that the declining trend in CD ratio in the State is due to the increased inflow of NRE deposit after 1989. In order to examine the influence of the inflow of NRE deposits, CDRs with and without NRE deposits in Kerala are given in examined in Table 5.7.

Table 5.7 CD Ratio with and without NRE Deposits in Kerala (percent)

Year	C.D. Ratio without NRE	C.D. Ratio with NRE
1989	91	65
1990	89	62
1991	84	59
1992	75	52
1993	76	48
1994	72	43
1995	74	45
1996	74	44
1997	80	46
1998	81	45

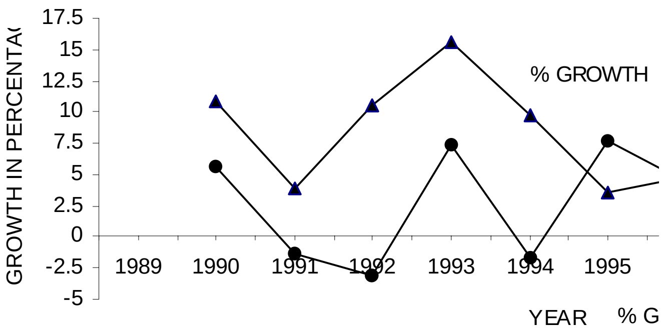
Source: SLBC Statements - various years

Fig. 5.2
CD Ratio with and without NRE De



The CDR without NRE deposits also shows a declining trend, as is illustrated in the Figure 5.2. The CD ratio without NRE deposit which had been 91 percent in 1989 began its continuous fall and reached 72 percent in the year 1994. During the period 1994-'98 it showed a slight improvement and in 1998 it reached 81 percent. This implies that credit side of the banking business did not grow with the growth of domestic deposits in Kerala. In addition, the CD ratio of Regional Rural Banks having no NRE deposits also showed a sharp declining trend. So the assumption that the cause for a drastic decline in the CD ratio is the higher growth in NRE deposits is not substantiated.

Fig. 5.3 Growth of Deposits and Advance in K
(Base year-1990)



Bank advances, in real terms, in Kerala indicated that the percentage change during the period 1990 to 1994 was negative except in the year 1993 (Fig 5.3).

The evaluation of the performance of various banking groups shows the CD ratios of all the banking groups have been declining since 1989 (Table 5.8). Commercial banks in India are classified into four major groups: the State Bank Group, Nationalised Banks, Private Banks, and Regional Rural Banks (RRBs). Among these, the Regional Rural bank group has a higher CD ratio which is higher than 100 percent. But here again it should be noted that the ratio has been declining since 1989 (i.e., 209 percent in 1989 to 127 percent in 1998).

Table 5.8 CD Ratios of Different Banking Groups (percent)

Year	SB Group	National Group	Private Group	RR B
1985	64	59	60	173
1986	63	63	61	171
1987	64	67	62	200
1988	66	60	64	217
1989	66	61	58	209
1990	64	59	56	205
1991	63	55	53	178
1992	54	47	49	150
1993	50	40	49	155
1994	45	37	45	124
1995	48	37	48	120
1996	45	40	45	134
1997	47	39	48	131
1998	46	42	44	127

Source: SLBC statements – various years

Table 5.9 Annual Growth Rates of Deposits and Advances of Different Bank Groups (percent)

Year	SBI		Nationalised Banks		Private Banks		RRB	
	Deposit	Advance	Deposit	Advance	Deposit	Advance	Deposit	Advance
1986	6.40	4.00	-1.47	5.18	-4.37	-2.93	-2.22	-2.56
1987	16.02	18.49	19.80	27.10	21.41	23.71	18.18	38.16
1988	17.04	19.48	15.88	3.17	13.98	18.29	9.62	19.05
1989	16.92	17.97	18.51	26.64	17.45	6.63	24.56	19.20
1990	18.41	15.23	17.26	7.55	13.09	9.39	23.94	20.81
1991	18.66	15.93	17.55	9.66	19.89	13.01	25.00	8.89
1992	19.44	2.95	21.00	4.69	33.47	23.80	29.09	8.67
1993	23.81	13.51	22.81	4.81	31.82	30.14	21.13	24.41
1994	25.82	14.47	21.17	10.79	23.37	14.29	23.26	-0.75
1995	15.87	22.04	13.26	12.32	23.53	31.07	23.11	19.39
1996	12.69	6.81	11.45	21.02	26.16	19.63	0.77	12.10
1997	11.53	14.99	15.41	12.87	15.18	22.91	27.38	24.72
1998	15.63	14.59	16.07	25.23	22.62	11.52	20.90	17.54

Regarding the growth of deposits and advances of different bank groups, the private bank group seems to have performed better (Table 5.9). The growth rates of deposits and advances of private banks are found to have been comparatively high. But in the case of the RRB group, the advance growth has been the lowest, whereas it achieved high deposit growth. The RRBs with the priority sector as their thrust area, are the most adversely affected, whereas the private banks whose thrust area is the non-priority sector, are the less affected.

Credit under priority sector advance in Kerala

According to the policy guidelines of RBI, 40 percent of the total credit should go to the priority sectors. In the year 1988, the priority sector advances were far above the stipulated level set by RBI. In that year, the priority sector advances formed 51 percent ; since then, however, the share has been declining and reached the level of 40 percent in the year 1994. During the next two years, some slight improvement is observed. But after that year, priority sectors again started to decline. Besides, the growth of priority sector advances in absolute terms also shows a declining trend. But in the year 1995, a large increase is seen (Table 5.10). This may have been due more to the reclassification of priority sectors rather than to actual growth.

In the priority sector, the share of agriculture advances in 1988 was 18 percent, equal to the level stipulated by RBI. The share marginally increased to 19 percent in 1990. During the next four consequent years, it has been declining and came down to 15 percent in 1994. Since that year, the share remained unchanged. During this period, there was not much variation in SSI advance too. Its share was 15 percent in 1989 which declined to 12 percent in 1992. It again improved to 14 percent by 1994. The other priority sector advances decreased from 20 percent in 1988 to 12 percent in 1993, but slightly improved to 15 percent in 1998 [Figure 5.4 (a) & 5.4 (b)].

Table 5.10 Credit Advanced under National Priority Sectors in Kerala (Rs Crore)

Year	Total Advance	Total Priority Advance	Pri. Sector (% of growth)	% to total	Agri-cultural advance	% to total	SSI Advance	% to total	Other priority advance	% to total
1988	3116	1588		51	553	18	427	14	608	20
1989	3701	1783	12	48	637	17	517	15	629	17
1990	4118	1974	11	48	767	19	545	14	662	16
1991	4638	2012	2	43	806	17	594	13	612	13
1992	5003	2151	7	43	821	16	624	12	706	14
1993	5818	2380	11	41	914	16	757	13	709	12
1994	6442	2590	9	40	953	15	811	17	826	13
1995	7797	3407	32	44	1198	15	1090	14	1119	14
1996	8961	3994	17	45	1364	15	1223	14	1147	16
1997	10565	4539	14	43	1597	15	1445	14	1497	14
1998	12274	5209	15	42	1809	15	1558	13	1848	15

Source: SLBC Statements – various years

Fig. 5.4a

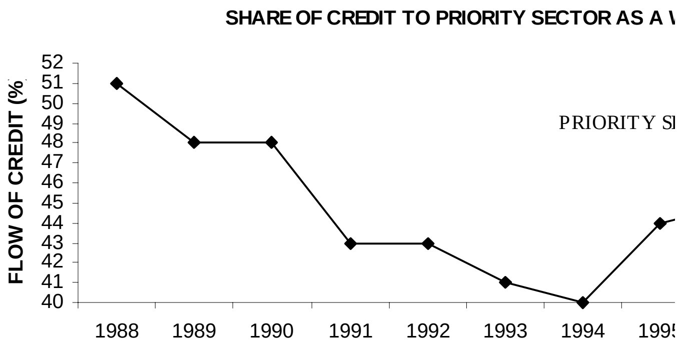
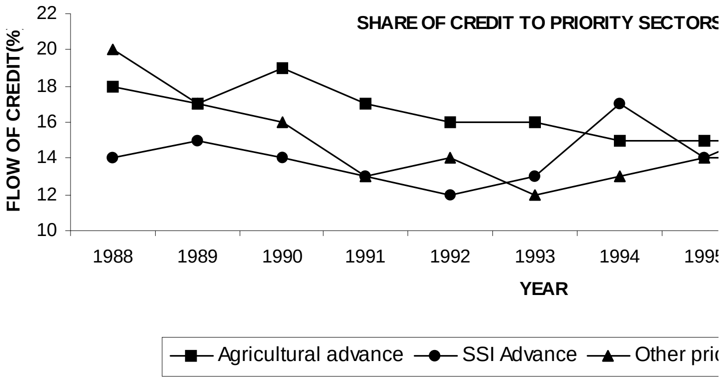


Fig. 5.4b



Priority sector advances of all bank groups also showed a declining trend except in private banks, whose share seems to have increased, but remained below the stipulated level of 40 percent (Table 5.11).

Table 5.11 Group-wise Share of Advance to Priority Sector (in percentage)

Year	1991	1992	1993	1994	1995	1996	1997	1998
SBI	43	45	40	41	44	40	41	39
Nationalised Banks	46	46	42	42	48	49	49	45
Private Banks	28	25	32	31	34	41	35	38
RRB	95	95	91	82	80	81	78	84

Source: SLBC Statements – various years

Advances made to weaker sections in Kerala reveal that they remained much above the stipulation in the guidelines of the RBI. However, the share of the weaker section advances showed a declining trend especially during the years between 1992 and 1996 (Table 5.12). It is very conspicuous in the DRI (Differential rate of interest) advances, which cater to the poorest sections of the society. In 1988, the share of DRI advances was 1.16 percent of the total advance. Since then, it continually declined; 1998 it was only 0.10 percent. The share of IRDP advances has also been on the decline. It was 2.23 percent in 1989, but decreased to 1.05 percent in 1996. A slight improvement is seen in 1998.

Table 5.12 Advances to Weaker Sections (Rs Crore)

Year	Total Advance	Advance to weaker sections	% to total	DRI advance	% to total	IRDP advance	% to total
1988	3116	469	15.05	36	1.16	66	2.12
1989	3701	591	15.97	36	0.97	88	2.38
1990	4118	704	17.10	36	0.87	93	2.26
1991	4638	750	16.17	35	0.75	84	1.81
1992	5003	800	15.99	30	0.60	98	1.96
1993	5818	844	14.51	32	0.55	107	1.84
1994	6442	901	13.99	28	0.43	101	1.57
1995	7797	1040	13.34	24	0.31	104	1.33
1996	8961	1189	13.27	19	0.21	94	1.05
1997	10565	1449	13.72	14	0.13	150	1.42
1998	12274	1692	13.78	13	0.10	200	1.63

Source: SLBC Statements – various years

Conclusion

The banking statistics indicate that the following facts about CDR in the State:

1. Overall, the growth of advances declined from 1989 onwards;
2. The decline has been mainly due to reduction in priority sector advances despite the introduction of SAA;
3. Among the priority sectors, the weaker sections especially DRI beneficiaries, were the most severely affected despite the cover provided to them by SAA.
4. All these impacts are more visible during the period from 1990 to 1994.

6. Performance of Banking Sector in Kannur District

The development characteristics of the banking system in Kannur district are quite similar to those of the State as a whole. Deposits and advances have grown quite rapidly. The number of bank branches increased from 180 in 1984 (this is the year of formation of Kannur district) to 209 in 1999. During the above period, deposits grew from Rs 176 cr to Rs 1552 cr. Total credit outstanding also increased from Rs 89 cr to Rs 574 cr in this period. The CDR increased from 51 percent in 1984 to 58 percent in 1989. However, thereafter it declined and reached 37 percent in 1999 (Table 6.1).

Table 6.1 Banking Development in Kannur District

Year	**1984**	**1989**	**1994**	**1999**
No. of Branches	180	193	202	209
Deposits (in Rs crore)	176	306	815	1552
Advance (in Rs crore)	89	176	269	574
CD ratio	51	57	33	37

Source: District Credit Plan – various years

Table 6.2 Growth Quinquennial of Commercial Banking System in Kannur: 1984-1999 (percent)

	1984-'89	**1989-'94**	**1994-'99**
Branch growth	7	14	3
Deposit growth	74	166	90
Advance growth	97	52	113
Average deposit growth (%)	11.78	18.60	15.50
Average advance growth (%)	14.80	8.00	11.55

Source: District credit plan – various years

The growth of advances in Kannur district is higher than the growth of deposits except during the period 1989-'94 (Table 6.2). During the period 1989-'94, deposits grew by 2.66 times, whereas advance growth came down to 1.52 times. Similarly, the average growth/year during the period 1989-'94 shows a wide variation between deposits and advances i.e., deposit has grown by 18.6 percent per year, while growth of advance was only 8 percent.

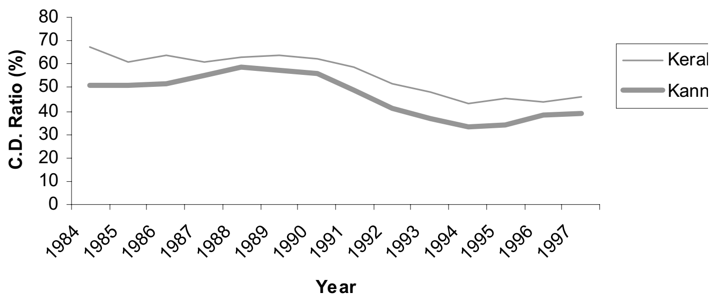
During the period, since 1988, the CDR in Kannur has been continuously on the decline (Table 6.3 and Fig 6.1).

Table 6.3 CD Ratio of Commercial Banks in Kerala and Kannur District

Year	Kerala	Kannur
1984	67	51
1985	61	51
1986	64	52
1987	61	55
1988	63	59
1989	64	58
1990	62	56
1991	59	49
1992	52	41
1993	48	37
1994	43	33
1995	45	34
1996	44	38
1997	46	39
1998	45	42
1999	43	37

Source: 1. Profile of Kerala 1989; 2. Economic Review – various years; 3. SLBC statements

Fig.6.1 CD Ratio of Kerala & Kannur
(Commercial Banks)



In Kannur district, the RRB group had the highest CDR while the group of nationalised banks had the lowest. But both showed a declining trend especially during the period 1989-'94. Private sector banks showed a higher ratio than public sector banks; but they also came down from 78 percent in 1989 to 63 percent in 1994.

Table 6.4 CD Ratio of Different Banking Groups

Year	SB Group	Nationalised Group	Private Group	RRB Group	Co-operative Bank Group
1989	57	42	78	188	Not Available
1990	52	41	76	190	Not Available
1991	44	36	70	177	111
1992	36	29	59	159	142
1993	31	24	62	144	141
1994	25	21	63	132	150
1995	28	22	65	101	Not Available
1996	29	22	70	119	147
1997	31	25	63	128	151

Source: DCP various years – 1990-1999

Priority sector advance in Kannur district

Priority sector advances and agriculture advances constitute the major part of the total advances in Kannur district. But they show a declining trend. In 1988, total priority sector advances were 58 percent which by 1995 declined to a mere 40 percent (Table 6.5*)*. Since then, they showed some improvement, may be due to reclassification of priority sectors, as was mentioned earlier.

Among the priority sectors, the share of agriculture advances is characterised by a sharp declining trend. In 1988, it was 23 percent, but declined to 19 percent in 1994. It went further down to 17 percent in 1998.

Table 6.5 Growth in Priority Sector Advances: 1984-1998 (Rs in Crore)

Year	Total advance	Total priority advance	% to total total	Agriculture advance	% to total total
1984	89	51	57	20	23
1985	104	65	63	25	24
1986	123	76	62	30	24
1987	147	91	62	31	21
1988	172	100	58	39	23

1989	176	99	56	NA	NA
1990	196	115	59	NA	NA
1991	208	122	59	46	22
1992	214	124	58	49	23
1993	242	131	54	52	22
1994	269	141	52	52	19
1995	327	131	40	58	18
1996	NA	NA	NA	NA	NA
1997	504	NA	NA	91	18
1998	525	289	55	91	17

NA- Not Available

Source: District Credit Plan – various years

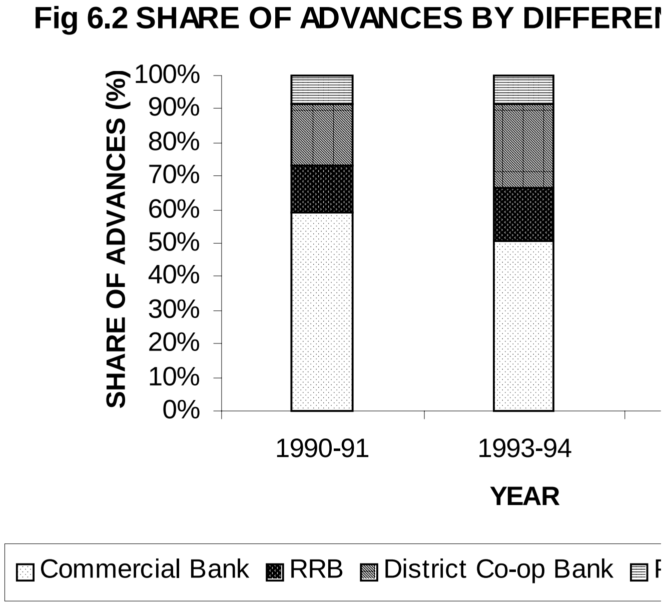
Growth in the banking transactions of different agencies

In 1991, 85.40 percent of the total deposit was mobilised by commercial banks and their share of total advances was 58.80 percent. But their share of advances went down to 49.30 percent in 1998. At the same time the share of advances of co-operative banks increased from 17.7 percent in 1991 to 25 percent in 1994 and to 25.8 percent in 1998 (Table 6.6 and Figure. 6.2).

Table 6.6 Share of by Different Banks in Banking Transaction (percent)

	1990-'91		1993-'94		1997-'98	
Bank	**Deposit**	**Advance**	**Deposit**	**Advance**	**Deposit**	**Advance**
Commercial Bank	85.40	58.80	86.80	50.80	81.80	49.30
RRB	4.96	14.60	5.30	15.30	7.35	16.28
District Co-op Bank	9.62	17.70	7.80	25.40	11.52	25.80
PSCARDBS/LDB	-	8.80	-	8.39	-	8.50
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source: Potential Linked Credit Plan 1990-2000



During the period 1991-‘94, the growth of advances of commercial banks was very small, whereas that of co-operative banks show a higher growth.

Table 6.7 Growth in the Banking Transactions of Different Banks *(in percentage)*

	1991-‘94		1994-‘97	
Bank	**Deposit**	**Advance**	**Deposit**	**Advance**
Commercial Bank	90.61	24.37	52.68	91.02
RRB	101.50	50.99	125.21	109.04
District Co-operative Bank	52.35	106.18	140.64	100.29
PSCARDBS/LDB		36.82		100.15
Total	88.52	43.89	62.51	96.87

Source: Potential Linked Credit Plan 1990-2000

District Credit Plan (DCP)

Analysis of the district credit plan over a period of 10 years shows that the targets were achieved every year. But the target fixed for 1990 shows a decrease over the previous year i.e., the year of implementation of SAA (Table 6.8).

Table 6.8 Targets and Achievements under Credit Plans in Kannur District: 1989-1998 (Rs. in lakh)

Year	Total Priority Sector			Agriculture			SSI Sector			Tertiary sector		
	Tar-get	Acht.	% of Acht.	Tar-get	Acht.	% of Acht	Tar -get	Acht.	% of Acht	Tar get	Acht.	% of Acht
1989	4829	4988	103	2608	1977	76	537	524	98	1683	2485	148
1990	3783	4587	121	1634	1695	104	267	184	69	1781	2707	152
1991	4807	4199	87	1855	1417	76	296	287	97	2635	2493	95
1992	4742	5183	109	1797	1988	111	302	146	48	2642	3049	115
1993	5474	5400	99	1999	2495	125	296	248	84	3179	2686	84
1994	5515	7076	128	2292	2758	120	377	621	165	2845	3697	130
1995	6750	9664	143	2785	3963	142	506	761	150	3428	4939	144
1996	9492	11368	120	3509	4777	136	816	1124	138	5203	5496	106
1997	12629	15229	121	4568	6476	142	907	1274	140	7154	7428	104
1998	15596	18212	117	5790	7455	129	1283	2440	190	8523	8321	98

Source: District Credit Plan – various years
Note: Figures included only commercial banks and RRB

An analysis of year-wise performance of deposits, advances outstanding, and disbursement under the priority sector at constant price reveals that though there was an increase in deposits in real terms, total advances as well as priority sector advances decreased during the period 1989-‘94. Credit disbursement in the priority sector was lower than that of 1989 and that this situation continued till 1994; it is also seen that an exception to the negative trend was observed in only one year, 1992, during this period.

Disbursement of credit by various agencies

In the case of disbursement of credit under DCP by the different banking agencies, the shares of the commercial banks and the RRBs were steadily decreasing. (Table 6.9) But the share of co-operative banks shows an increasing trend. This may be clearly seen from the Figure 6.3 also.

Loans for agricultural purposes were given by way of crop loans, short-term loans, and agricultural-allied loans. Crop loans were for short-term crops. Term loans included loans for land development and other development activities and also for plantation crops. Mid-term loans were given for purchasing livestock and for agricultural allied activities.

Table 6.9 Agency-wise Percentage Disbursement of Credit under District Credit Plan: 1989-1998

Year	Commercial banks	RRB	Co-operative banks	KFC	PSCARDBS
1989	35	30	24	6	5
1990	22	40	28	5	5
1991	24	31	34	6	5
1992	16	37	39	4	4
1993	20	33	33	5	9
1994	23	26	43	3	5
1995	43	9	42	2	4
1996	27	24	40	3	6
1997	28	27	38	3	5
1998	26	23	45	2	5

Source: District Credit Plan

Fig. 6.3
Agency-wise Disbursement under D

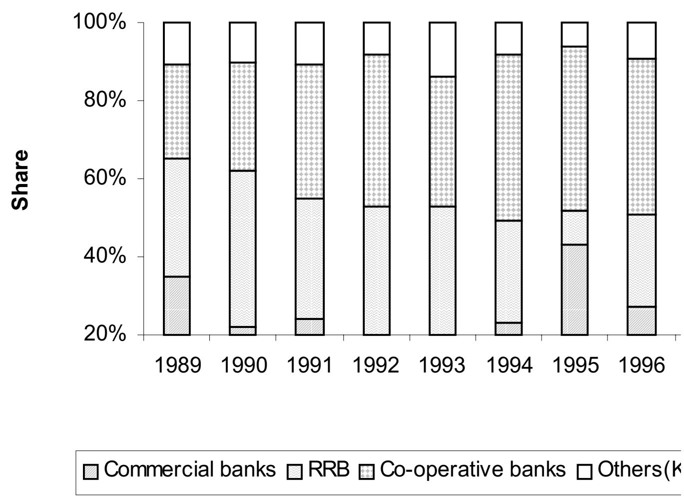


Table 6.10 shows that the share of crop loans increased from 67 percent in 1989 to 80.2 percent in 1998. But the share of both term loans and agricultural-allied loans came down during this period i.e., the share of term loan which had been 25 percent in the year 1989 came down to 16 percent in 1998. Similarly, the shares of agricultural allied loans were a mere 8 percent and 4 percent respectively. As the crop loan includes gold loans and other short-term loans, it may be presumed that the actual credit which went to real agricultural purpose was very low. The advances given to the agricultural allied activities normally benefit the weaker sections of the society. This group of advances also showed a sharp declining trend.

Table 6.10 Flow of Credit to Agricultural Components: 1989-1998 (Rs in Crore)

Year	Total Disburse ment	Crop loan	% to total	Term loan	% to total	Loans to allied activities	% to total
1989	33.85	22.64	66.90	8.56	25.30	2.65	7.80
1990	33.87	24.50	72.30	7.73	22.80	1.64	4.80
1991	27.58	19.66	71.30	5.91	21.40	2.02	7.30
1992	49.74	31.62	63.60	15.75	31.70	2.37	4.70
1993	55.65	41.85	75.20	12.08	21.70	1.71	3.10
1994	63.99	48.51	75.80	14.05	22.00	1.43	2.20
1995	85.79	65.25	76.10	16.95	19.80	3.60	4.20
1996	86.09	75.64	88.00	8.64	10.00	1.80	2.10
1997	120.35	97.16	80.70	18.90	15.70	4.29	3.60
1998	142.34	114.25	80.20	22.74	16.00	5.36	3.80

Note: Figures include commercial banks, NMGB, and co-operative banks.
Source: District Credit Plan – various years

Government-sponsored schemes

The targets and achievements of government-sponsored schemes in Kannur district are shown in the Table 6.11.

As far as government-sponsored schemes such as IRDP and PMRY are concerned, the targets fixed are achieved in almost every year. But it is seen that the targets fixed under the schemes were arbitrary and that they kept on diminishing.

Table 6.11 Government-Sponsored Programmes in Kannur District: Targets and achievements 1989-1998

	IRDP			***PMRY***		
Year	**Target (No. of units)**	**Achievement (No. of units)**	**% of Acht.**	**Target (No.)**	**Achievement (No. of units)**	**% of Acht.**
1989	5010	5223	104	900	847	94
1990	4363	4588	105	500	512	102
1991	3562	3955	111	450	398	88
1992	3360	3389	101	400	309	77
1993	3268	3801	116	350	211	60
1994	3268	3406	104	100	72	72
1995	1301	3222	248	800	649	81
1996	1451	2047	141	800	812	102
1997	3196	2375	74	810	863	107
1998	2241	2528	113	850	819	96

Source: District Credit Plan – various years

Observations

1. Commercial banks operating in Kannur district showed patterns similar to those at the State level.
2. While the share of total advances by commercial banks kept on declining, the share of advances by co-operative banks was increasing.
3. Annual advances outstanding and disbursed were declining during the period 1991-‘94.
4. Though the targets of credit disbursement of banks including the government schemes were fulfilled, the actual credit flow to the weaker sections and to the productive sectors was found to be on the decline.

7. Effects of Service Area Approach

Service Area Approach was introduced to promote rural lending. The banks were instructed to plan lending after an assessment of the credit needs of their respective service areas, for assuring the flow of credit to neglected areas. Since the area of operation of banks was demarcated, SAA would strengthen the relationship of the banks with local people and in turn, reflect in their performance. Through micro-level credit planning, the banks would get an opportunity to integrate the developmental activities of other agencies such as government departments and *panchayats*. Therefore, after implementation of SAA, a qualitative and quantitative improvement in the performance of the banking system was expected.

However, it is seen that the new approach has not produced the desired result. The CD ratio, which may be considered an indicator of credit utilisation, had started declining from the year of implementation of the scheme. Performance in the priority sector advance has also gone against the expectation. The proportion of advances to the priority sector to the total advances declined to 40 percent from 48 percent during the period 1989-1994.

Table 7.1 Growth of Priority Sector Advance in Kerala

Year	growth of priority sector advance (%)	Change in growth of priority sector advance (percentage points)	Share of priority sector advance to total advance (%)
1989	12.3		48
1990	10.7	-1.6	48
1991	1.9	-8.8	43
1992	6.9	5.0	43
1993	10.6	3.7	41
1994	8.8	-1.8	40
1995	31.5	22.7	44
1996	17.2	-14.3	45
1997	13.6	-3.6	43
1998	14.7	1.1	42

Source: Estimated from the Table No. 5.12.

Though it is not possible to contend that the prime reason for declining credit absorption was due to SAA, it is clear that SAA has not given any positive result. The general assessment by functionaries at various levels of the banking system in the district concurs with this contention (Table 7.2).

Table 7.2 Assessment of SAA by Different Functionaries (in percentage)

	Positive impact	Negative impact	No impact/ Don't know
District level			
Bank officials	72	10	18
Development officials	33	Nil	67
Peoples representatives	36	45	19
Bank trade union leaders	33	33	33
Panchayat level			
Bank officials	33	20	47
Development officials	6	19	75
Peoples representatives	17	5	78

Source: Survey

In order to understand the underlying factors for this indifferent performance, it is necessary to evaluate the implementation of the scheme and the programme.

SAA: Implementation in Kannur

The District Credits Plan of Kannur district, is consolidated and its implementation monitored by the Syndicate Bank which is the Lead Bank for the district. The Lead Bank prepares Annual Credit Plans by consolidating the data supplied by different credit agencies. The main part of this exercise is the yearly projection for credit disbursement in the various sectors. According to the Lead Bank Officer, the general procedure adopted for preparing District Credit Plan is as follows.

There is a general direction to make projections of the coming year's plan based on the previous year's achievement by enhancing the achievement by 30 percent. The first stage of plan preparation is the updating of the village profile. It is to be prepared by using information from background papers of NABARD and by collecting secondary information regarding population, sectoral employment activities, and industries.

Before preparing the District-level Credit plan, the Block Level Bankers Committee (BLBC) consolidates the branch-level plans. This Committee consists of Bank Representatives of the block, officials of development departments, and people's representatives. Block level review of plan implementation is also done by BLBC. At the district level, District Consultative

Committee (DCC) and District Level Review Committee (DLRC) carry out these responsibilities. DCC meets once in every three months under the chairmanship of District Collector and the convenorship of the Lead Bank Manager. Major bank representatives, representatives of NABARD RBI, District officials of DRDA, GIC and Agriculture Departments are the members of this committee. The DCC reviews the following activities:

1. Monitoring of the flow of credit, especially to the priority sector;
2. Implementation of government schemes; and
3. Co-ordination of the activities of departments and banks.

DLRC is a higher level body and it includes people's representatives, MLAs and MPs apart from the other members of DCC. A full-day meeting is conducted and each development sector is discussed in detail.

Service Area implementation has four stages:

1. Allocation of areas of co-operation;
2. Preparation of credit plans;
3. Implementation of plans; and
4. Monitoring.

Area of operation

In the district, each bank branch has been allotted two to eight wards of a *panchayat*. Service area wards of a particular bank may not all be in the same *panchayat*. In other States, villages as a whole are allotted for a bank branch. Another significant feature is that though wards were redesigned twice after 1989 by the *panchayat* department, the banks continue to function on the basis of *panchayat* wards in the form they were brought into existence in 1989. Thus, it is clear that the area of operation assignment to banks is not realistically based and it has not been therefore practical to integrate credit supply with developmental activities. In addition, through the *panchayat* level survey, it is revealed that 43 percent of bank officials are facing problems to find beneficiaries within their respective service areas. Nearly, 43 percent opined that there existed still scope for adequate number of development projects in their areas. In addition, 20 percent pointed out that the extremely small extent of their service areas was a serious handicap for effective operation.

The Avari Committee also pointed out that the smallness of the area of operation has affected the scope of lending of the banks.

Preparation of credit plan

The preparation of the Credit Plan by the banks is supposed to start from the branch level. But the survey reveals that preparation of village Credit Plans is usually not on the basis of procedures visualised for the SSA approach. Only 23 percent used credit survey and background papers of NABARD for preparing Credit Plan. Sixty-three percent have not used the credit survey. Ten percent agreed that they prepare Credit Plans merely basing themselves on the previous year's achievement. The involvement of development officials and people's representatives in the preparation of credit plan is also negligible.

Thus, it becomes clear that VCP does not reflect the actual credit needs of the village because it is prepared through a mere paper exercise without considering its real development needs.

Implementation of SAP

Of 30 bank officials interviewed, 86 percent claimed that they had been able to grant loans according to the credit plan prepared by them. At the district level also the performance of credit plan implementation was reportedly impressive. During all the years the total priority target was achieved (Table 7.3)

Table 7.3 Achievements Levels of Credit Plans in Kannur District (Rs lakh) (percent)

Year	Total	Primary Sector	Secondary Sector	Tertiary Sector
1989	103	76	98	148
1990	121	104	69	152
1991	87	76	97	95
1992	109	111	48	115
1993	99	125	84	84
1994	128	120	165	130
1995	143	142	150	144
1996	120	136	138	106
1997	121	142	140	104
1998	117	129	190	98

Source: District Credit Plan – various years
Note: Figures included are only of commercial banks and RRB.

Wide gaps are found between sectoral targets and achievements. From 1989 to 1993, performance under the secondary sector remained far below 100 percent. In the primary and the tertiary sector also wide variations in the levels of achievement are observed. It means that there has been little consistency between district plan targets and achievement reckoned in terms of loan disbursement to various sectors.

Another point to be noted is that the majority of the people are unaware about the Service Area programme. Of 492 persons from different categories who were interviewed, only one-eighth could identify their Service Area Bank. Among 461 persons interviewed, from among those who had taken bank loans, only 6 percent were aware that they borrowed from the assigned bank branch under SAA. About one-tenth of them revealed that they had availed loans from banks other than the ones assigned to their area under SAA. The rest did not know whether they had borrowed from the bank which was specially entrusted with the task or not. This is evidence enough to show that the public does not give much importance for the SAA. Given the distance that exists between the public and the bank, one can not expect that Services Area Plans would reflect the credit needs of the public.

Monitoring

The monitoring of the Credit Plan is to be done by BLBC, DCC, and DLRC. About 27 percent of District Level Bank officials admitted that they did not have the habit of attending DCC; 36 percent did not attend DLRC meetings. The reason given by them is that they did not give much importance to these Committees. The minutes of DLRC meeting revealed that the participation of people's representatives in such meetings was also very poor. Discussions in these meetings focussed mainly on recovery of loans and implementation of government schemes.

All these show that the Credit Plan exercise does not give much positive results. The Plan itself cannot claim to reflect the credit needs of the public and the development needs of the area. It does not create any enthusiasm either in the public or in the banking circles.

Evaluation of SAA Scheme

Guidelines of the Service Area Approach states that the basic aim of this approach is to increase the production and the income levels in the village. For this there is need for optimum utilisation of the growth potentials including credit utilisation. Identification of area-specific and resource-based activities for development within a cluster of villages and adopting micro-level credit planning based on the potential and needs of that area is the method proposed. There are five stages in this scheme.

1. Assessment of development potential of the area;
2. Identification of development projects;
3. Assessing credit need and making credit plan;
4. Implementation of the scheme; and
5. Monitoring of scheme implementation.

1. The development potential is to be assessed through the preparation of a village profile. The survey has to cover demographic features, land use and cropping patterns, economic activities and their potentials for expansion, scope for new activities, existing skills, state of development of infrastructure, and coverage of rural families by credit institutions. But no effective mechanism has been proposed in the guidelines for doing

all these. Mere paper work by bank officials would not reflect the field reality. Detailed socio-economic surveys are required for the purpose.

2. Identification of development projects is limited in the scheme to identification of possibilities, not generation of any development. Development projects should, in principle, form part of an integrated development programme. Only in this way could viable projects be prepared in adequate numbers. But banks are depending on mere observation and on proposals prepared by other development agencies, which themselves are generated without proper assessment of local needs.
3. The process of assessing credit needs and making credit plans does not constitute the addressing of the development needs of the village. It takes into account only the demand already existing in the society. No steps have been taken for increasing this demand or generating new demand.
4. In the implementation stage also a major weakness exists. If the banks want to give credit according to the credit plan, they should market their projects. But this is not happening. The majority of the people do not even know the names of their service area bank, no programme is included in SAA to popularise the scheme or to motivate people.
5. The total process is to be monitored by a committee including development officials and people's representatives apart from bank officials. But at the preparation stage and at the implementation stage no specific role is assigned for people's representatives. So they cannot effectively intervene in monitoring. The role of development officials is limited to government-sponsored programmes included in the plan and to ensuring that the target set for them are achieved. The bank officials limit their interest and naturally so, to the recovery side. Lack of integration of the different processes is the main drawback of the Service Area Approach.

Conclusions

The preceding discussion shows that the practice of Service Area Approach in Kerala has the following limitations.

1. Service Area Approach has failed to contribute any positive result in credit expansion in the State.
2. The area of operations of SSA is not suitable for credit expansion and for integration with other development programmes.
3. Banks do not, in general, follow the prescribed procedure for preparing service area plan.
4. No correlation exists between targets fixed in the district credit plan and the achievements made in disbursement.
5. The broad aim of democratisation of credit delivery has not been addressed.
6. The basic process of integration with local level development plans remains neglected. Instead of evolving the credit plan as a component of the development plan, it is formulated as a special programme.

8. People's Planning and Credit Planning

Following the 73rd and the 74th constitutional amendments, new *Panchayati Raj* institutions were constituted in Kerala. The Kerala Government initiated a process for participatory democracy through a People's Plan Campaign (PPC). The major step in this process has been decentralisation of power to the three-tier *Panchayati Raj* institutions and measures to ensure the maximum people's participation possible. About 35-40 percent of the Plan amount was transferred to the *panchayats* and development projects began to be formulated and implemented with people's participation. The constitutional institution viz., the *Grama Sabha*, in which every voter had the right to attend, and to which special powers to conduct social audit was given, is considered as the major instrument for people's empowerment.

The methods proposed and adopted during the initial phase of the campaign underwent several course corrections, before it was stabilised and institutionalised through appropriate rules and regulations. Through the PPC, a different development perspective was deliberately introduced with the following thrusts:

1. Identification of local resources and devising methods for their management;
2. Optimisation of resource utilisation;
3. Ensuring social justice through participatory decision-making;
4. Resource mobilisation from different sources;
5. Consideration of the local diversity and potentials; and
6. Strengthening the local economy and raising the growth of the economy through reinforcing the productive sectors especially the primary sector.

In order to ensure these objectives, the PPC was developed in stages.

Stage I: *Grama Sabhas* and ward conventions were conducted to identify the development issues of the *panchayats*. With the support of additional data and information either from primary or from secondary sources, the development report of each *panchayat* was prepared.

Stage II: Based on the development report, a development seminar of the *panchayat*/ municipality was conducted. The representatives selected by the *Grama sabhas* and the subject experts in various fields were the participants of this seminar. In this seminar, the formulation and prioritisation of various project proposals was carried out.

Stage III: Task forces for the different sectors transformed the proposals into specific projects. They had to plan, in detail, the blue prints of the proposed works that contained the background, objectives, and the details of the beneficiaries of the projects as well as the procedure, the time schedule, and the financial analysis. As part of the financial analysis, financial viability of each project was assessed and the expected source of funds identified. Funds normally expected other than plan funds were *panchayat's* own fund, government subsidies, beneficiary contributions, and public support including voluntary work and bank finance.

Projects belonged to three sectors. First, the Productive Sector i.e., Agriculture and allied activities and industrial units; second, the service sector, which includes education, health, and sanitation. Third, the infrastructure sector, which constitutes construction works, energy, and housing.

Projects were classified also according to their end benefits into two: individual beneficiary projects and general projects. In the former, the beneficiary is a person or a group of persons, general projects comprise socially benefited projects.

Stage IV: This is the stage of the preparation of the annual plan. *Panchayat* committee selected and approved the projects prepared by the task forces in accordance with the availability of plan fund and the development strategy. The concerned expert committee at the Block/Municipal or district level, after technical and financial scrutiny approved the plan.

Stage V: The final stage is implementation. Usually, people's committees formed for this purpose implemented the general projects. But for individual-based projects, the implementing responsibility lay with the beneficiary himself. The *panchayat*'s role was only that of a supporter. The *Grama Sabha* did the selection of beneficiaries.

Involvement of banks

Banks are expected to finance bankable projects, included in the plan schemes. A bankable project means, a project, which may be financed by banks based on the usual norms of banks. It should satisfy the following terms and conditions:

1. There should be an ultimate beneficiary. The project should be individual-based or group-based.
2. It should be an income-generating one and should create sufficient repayment capacity.
3. It should be technically and financially feasible.

According to the survey conducted among the 10 selected *panchayats*, the problems faced in the preparation and implementation of bankable schemes were found to be the following:

1. Lack of sufficient expertise to formulate bankable project proposals.
2. The beneficiaries identified by the *panchayats* are not acceptable to the bank.
3. *Bank's conditions for security and margin are not acceptable to the beneficiaries.*

To overcome these hurdles, the State Planning Board took the initiative to set-up banking cells at the *panchayat* level. These banking cells were intended to help the *panchayat* to make bankable projects. The training programmes organised by the State Planning Board, for the benefit of *panchayat* functionaries and Task Forces included classes on ‘How to make a project bankable’. In addition, bank officials were included in the expert committees at various levels.

In order to assess the utilisation of bank credit in the People’s Plan projects of local bodies, three types of information were conducted:

1. General assessments of the both district level and the *panchayat* level functionaries about the possibility of and the needs for financing People’s Plan projects.
2. Details of the bankable projects prepared and implemented in the selected *panchayats.*
3. Views of key resource persons/*grama panchayat* presidents and their experience on bankable projects, collected through personal interviews.

The general feeling of people’s representatives, development officials, and bank trade union leaders was that banks should have greater active participation in the People’s Planning Programme. The survey revealed that 82 percent of bank officials were of the opinion that the Planning would create more lending opportunities. Almost all the development officials expressed the belief that government schemes could be effectively implemented through People’s Planning Campaign. Of the *panchayat* level people’s representatives interviewed, 58 percent opined that bank credit is essential for project implementation. This shows that utilisation of bank credit for implementation of projects prepared by the planning campaign was considered desirable by all. The plan documents of selected *panchayats* show that sufficient number of project proposals, suitable to tap bank credit were there in all these *panchayats*. In 1998-‘99 period, there were 50 projects of total outlay of Rs 2.43 cr with 16195 individual beneficiaries. In 1999-2000, there were 49 projects with the total outlay Rs 3.5 cr with 27092 individual beneficiaries. These projects were of various types (Table 8.1).

Table 8.1 Details of Projects with Bank Finance Component included in the Annual Plans of 1999 and 2000 in Selected *Panchayats* (Amount in Rs Thousand)

Type of projects	Year	No. of projects	No. of bene ficiaries	Total amount (Rs)	Plan fund	Bene ficiaries' contri bution	Bank credit	If implemented		Actual Bank	
								No.	Amt.	No.	Amt.
Agri. Crop	2000	9	25701	4610	1793	1976		3241	1449		
	1999	9	13620	3113	1041	1678	100	3305	436	NA	50
Other Agri.	2000	6	186	2240	532	1542	400	198	1112	29	200
	1999	9	1251	3710	1829	2801	1438	1220	2395	NA	936
Agri. Allied	2000	14	626	3065	5274	1520	45	554	1015	1	12
	1999	12	858	8629	2902	2967		454	1079		
Industrial units	2000	6	140	1285	552	191	400	130	877	Nil	Nil
	1999	11	277	2272	880	1708	100	207	1386	NA	75
Service Sector	2000	14	439	23452	320	3792	1940	396	6454	NA	36
	1999	9	189	6894	2857	2402	925	135	1783	20	345

Source: Annual Plans of Panchayats – various years

Of the 10 *panchayats*/municipalities, only eight had prepared such projects in 1997-‘98 and that too only one or two projects by each. The number of *panchayats* which prepared bankable projects declined to four in 1998-‘99. Kadirur *Panchayat* did not produce even a single project with bank finance component, during this entire period.

The reasons reported for not preparing projects with provision for bank finance were the following (Table 8.2).

Table 8.2 Reasons for Non-submission of Bankable Projects

Particulars	**No. of *panchayats***
Do not know how to prepare bankable projects	2
No need of bank finance	2
Non-availability of bank finance during previous years	4
Beneficiaries have bank liabilities	2

Source: Survey.

It was the co-operative banks which were approached by the *panchayat* bank finance, the obvious reason being the close relationship between the functionaries of *panchayats* and of the co-operative banks. The presence of the co-operative bank in the locality itself was another factor. Details of projects accepted and rejected by the various types of banks are given in Table 8.3.

Table 8.3 Details of Projects Accepted / Rejected by Type of Bank

Type of bank	**Applied cases**		**Rejected cases**	
	No. of projects	**No. of beneficiaries**	**No. of projects**	**No. of beneficiaries**
Co-operative	15	15	3	4
Gramin bank	3	4	2	2
Commercial bank	3	3	1	1

Source: From the Survey

It is found on enquiry that there was adequate scope for utilising bank credit in the plan projects prepared. However, it was rarely utilised. Projects, which were eligible for bank finance, were not often prepared in a bankable format, the major reason being the lack of co-ordination between the banking system and the local *panchayat raj* institutions, as explained below:

1. As the *panchayats* presumed that the banks would not finance their projects, they did not try to prepare bankable projects.
2. As the banking system was never a part of this social process, they took little interest to support this programme.
3. Though the Planning Board arranged various programmes for co-ordinating the expertise of bank officials, there was little positive response from the side of banks
4. As Central Government and RBI control the banks, they are not duty bound to adhere to instructions from the State Planning Board. In response to repeated requests from the State Governments and the Planning Board, the State Level Bankers Committee and the Regional Controlling Officers of banks, issued only some vague directives to co-operate with the Campaign. The practical and procedural details were not worked out. Though a few bank officials expressed their willingness to participate actively in the campaign they also felt these limitations.
5. As the participation of the banks was sought in the middle of the Campaign, they could not get the 'feeling' of the Campaign. So the bank cell formed for assisting the *panchayat samithy* did not work.
6. The timetables of the credit plan and the *panchayat* plan were different. Banks approved their credit plans by March itself. But the *panchayat's* plan were finalised only by September.
7. Bank officials did not participate in the special *grama sabha* in which beneficiaries were selected for projects including those under Central Government schemes like IRDP. Lack of expertise on the side of the panchayat to make bankable projects was considered a major problem.

The plan documents of the selected *panchayats* showed that not a single project had been rejected on the ground of non-viability. Thus it is found that projects prepared by the *panchayats* were, in general, feasible. Of 22 projects submitted for bank loan, banks approved 15 cases. Of these, co-operative banks sanctioned 11. Seven projects were rejected by bank either because they had no obligation to give finance or because of shortage of funds. These cases indicate that a negative attitude towards the projects among a section of bank officials.

1. Four *panchayats* reported that they did not include bankable project in subsequent years, because of previous years' experience.
2. Two of the rejection cases were due to overdue arrears of the beneficiaries.
3. In another case, the concerned *panchayat* did not send the application to the bank, because the beneficiary had overdues with the bank.

These observations should be read together with the survey report which stated that 93 percent of the people had some kind of loan from the credit agency. Most of them were from co-operative banks and taken for consumption purposes. But the outstanding liabilities became a constraint on financial assistance from the same or other banks.

It is also observed that most of the *panchayats* did not envisage bank finance for their projects. During the first three years of Plan campaign, time taken for preparing the annual plan was around 8-9 months. Only 3-4 months were left for implementing. In such a situation, *panchayats* had to strain to the maximum extent possible for utilising the full amount sanctioned to them under the plan within the stipulated time. Most of the *panchayat samitis* had a feeling that there was therefore no space for bank finance in their projects. Another tendency found among the *panchayats* was to show the maximum amount possible as expenditure through a minimum number of projects.

Conclusions

1. Under the People's Planning Campaign a large number of projects in the productive sector were being formulated by *panchayats*. These projects were eligible for bank finance for implementation.
2. No serious attempt was made by *panchayats* to tap bank credit for their projects, due to various reasons.
3. There was a general apprehension among the *panchayat* functionaries that banks may not entertain their projects.
4. Lack of technical expertise to prepare bankable projects was a handicap in several *panchayat* bodies.
5. Since the Participatory Planning process was in its beginning stage, the problems of the initial stages affected the utilisation of bank credit.
6. Unwillingness on the part of some of the bank officials to support the PPC also contributed to this situation. These officials felt that since they were controlled by RBI and Central Government, it was not obligatory on their part to support the policy formulated by the State government. Banks had their own yearly credit plans stipulated by RBI which they were bound to implement.
7. In some cases beneficiaries identified by *panchayats* were not able to satisfy the norms and conditions set by banks.

Since no effort was made to co-ordinate the whole process at the State level, the project planning of the *panchayat* under the PPC and the banks' yearly credit plan went on parallel lines.

9. Constraints on Lending

The Credit Deposit Ratio of banks in Kannur district has been continually declining due to the low credit growth, as was shown earlier. We have therefore to identify the constraints on utilisation of bank credit in the development process of the district. Constraints may be either on the demand for or on the supply of credit, as mentioned below

Constraints on the demand side

1. Stagnation of the economy
2. Lack of entrepreneurship
3. Lack of viable projects
4. Saturation of credit
5. Existence of other sources of lending
6. Lack of credit literacy among the public

Constraints on the supply side

1. Unhelpful lending policy/norms of banks
2. Lack of appropriate schemes
3. Negative approach of bank officials and prevailing lending conditions.

The degree of influence of each these factors may be assessed using the available secondary data as well as the survey results.

Demand side of credit

Stagnation of the economy

The performance of the economy and the demand for credit are directly related. When the economy becomes stagnant, there will be little demand for fresh credit; on the other hand, if there is a squeeze in credit supply, it may create stagnation in the economy. In the survey conducted among the district level functionaries, 60 percent of the respondents opined that the main constraint on lending in Kannur district was stagnation of the productive sectors (Table 9.1).

It is seen that the Net Domestic Product (NDP) of the district was increasing at an average of 7 percent per year, during the period of 1990-‘91 to 1996-‘97. The performance under various sectors is also satisfactory; the primary sector grew at an average of 12.4 percent, the secondary sector at 6.3 percent, and the tertiary sector at 4.8 percent. The comparison between NDP at current prices with total advance given in the district and NDP of primary sector with advance given to that sector is shown in the Figures 9.1a and 9.1b. Available data show that the performance of the economy during the period from 1990-‘91 to 1996-‘97 was satisfactory in Kannur district.

Table 9.1 Net Domestic Product (at Constant Prices) in Kannur

Year	Primary sector (Rs crore)	Growth (%)	Secondary sector (Rs crore)	Growth (%)	Teritary sector (Rs crore)	Growth (%)	Total (Rs crore)	Growth (%)
90-91	11425		8472		17471		37368	
					1		8	
		53.2		1.6	1778	1.8	4389	17.4
91-92	17506	(3.2)	8603	(1.5)	6	(1.1)	5	(1.9)
		-7.9	9424	9.5	1800	1.2	4354	-0.79
92-93	16122	(0.6)		(10.6)	0	(11.2)	6	(7.2)
		13.2	1108	17.6	2017	12.1	4951	13.7
93-94	18258	(4.1)	5	(15.6)	3	(13.7)	6	(10.9)
		2.6	1087	-1.9	2092	3.8	5053	2.1
94-95	18732	(8.2)	1	(-1.9)	9	(4.3)	2	(3.9)
		6.7	1149	6.0	2200	5.1	5348	5.9
95-96	19995	(6.8)	0	(5.4)	1	(5.1)	6	(5.8)
		6.7	1211	5.4	2314	5.2	5658	5.8
96-97	21355	(6.8)	3	(5.2)	0	(5.1)	8	(5.7)

(Rs. in lakh) (Base year -1980-‘81); % Growth at Sstate-level shown in brackets; (Source: Economic Review, 1997)

Fig. 9.1a
Total NDP and Advance to Priority Sectors (At curre

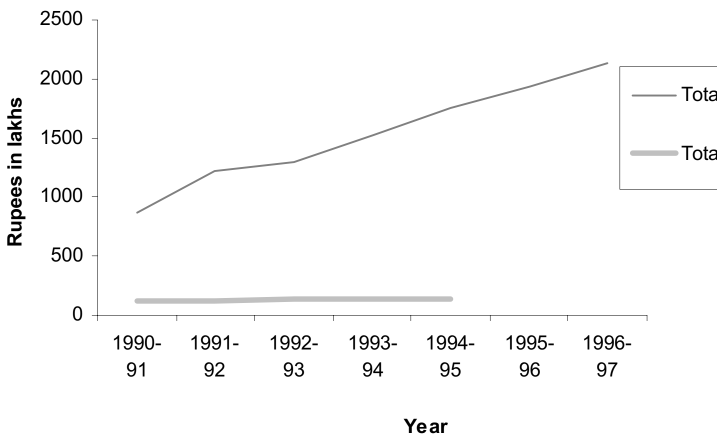
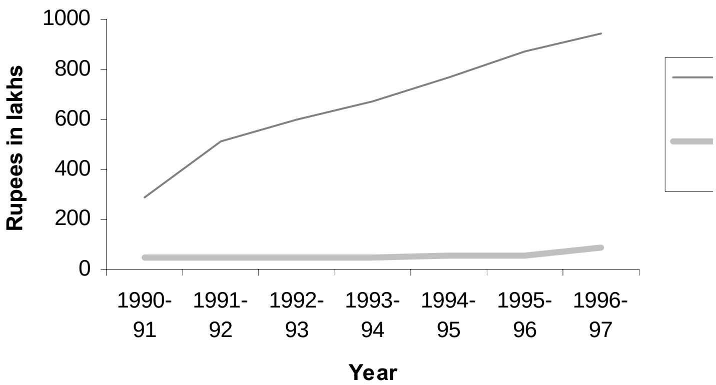


Fig. 9.1b
Total NDP & Advance to Primary Sect



Agriculture sector

The data relating to the primary sector such as area, production, and productivity of agriculture crops are given in Table 9.2. Though the area under, and the production of food crops show a declining trend, there was substantial growth in plantations and other horticulture crops. Figure 9.2 clearly shows the changes in the areas under food and cash crops in Kannur district during the decade 1987-1997.

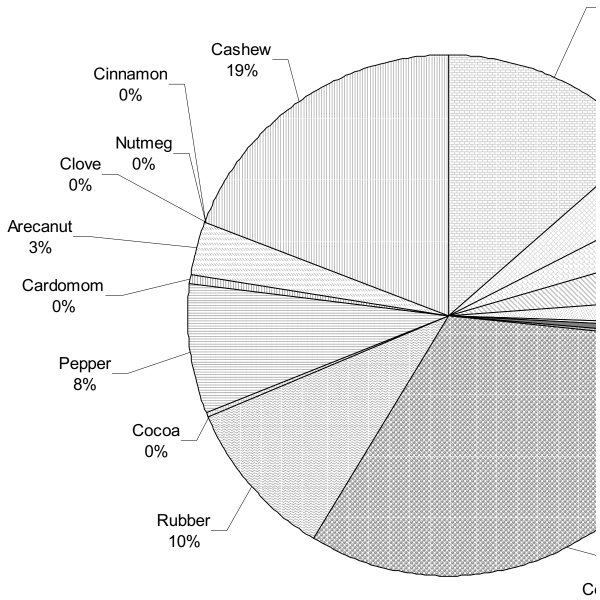
Table 9.2 Area, Production, and Productivity of Important Crops in Kannur District; 1986-'87 and 1996-'97

Crop	Area in ha.			Production in tonnes		
	1986-87	1996-97	% variation	1986-87	1996-97	% variation
Paddy	26961	15421	-42.80		26599	
Tapioca	7830	4755	-39.52		119291	
Jack	5818	12777	119.61	31854	22384	-29.72
Mango	6414	13598	112.00	25592	39729	55.23
Banana	3524	2275	-35.44	23408	32245	37.75
Pineapple	785	461	-41.27	13512	3644	-73.03
Pappaya	750	1617	115.60	3713	8602	133.28
Drumstick	525	1938	269.14	568	1478	160.21
Coconut	63303	98630	55.80	257	625*	143.19
Rubber	19752	28420	43.88	9682	26876	177.58
Cocoa	464	279	-39.87	87	105	20.68
Pepper	16296	30148	85.00	5663	6153	8.65
Cardamom	760	130	-82.89	35	1	-97.14
Arecanut	6441	13106	103.47	1096*	NA	NA
Clove	5	37	640.00	NA	NA	NA
Nutmeg	185	116	-37.29	309	30	-90.29
Cinnamon	119	67	-43.69	NA	NA	NA
Cashew	37859	29780	-21.33	38172	36763	-3.69

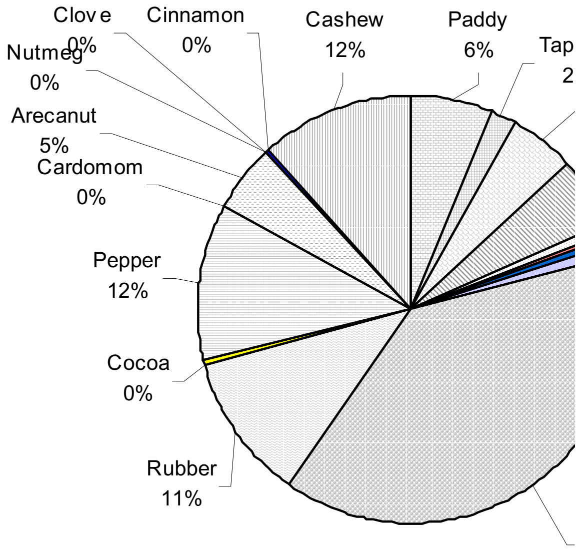
Source: Farm Guide
* Million Nuts

Fig; 9.2

Change in Crop Pattern; 1986-1



Change in Crop Pattern; 1996-1997



Animal husbandry

In the case of animal husbandry, the performance shows a declining trend (Table 9.3).

Table 9.3 Livestock Population in Kannur District: 1988-1996

Particulars	**1988 (No.)**	**1996 (No.)**	**% of Variation**
Cattle 272011	252130	-7.30	
Buffaloes	12808	3982	-60.90
Goats 91284	101807	11.50	
Sheep 797	664	-16.68	
Pigs 14230	9637	-32.27	
Horses	20	48	140.00
Rabbits	1988	5272	165.00
Total poultry	895530	870054	-2.84

Source: DCP – various years

As an economic activity, animal husbandry in Kannur district is very important because it provides supplementary income to households and small and marginal farmers, especially since the majority of landholdings are small. The main sub-sectors under Animal Husbandry are Dairy, Poultry, Piggery, and Rabbit-farming. But the growth of animal husbandry in the district does not meet the actual requirement of the district, which is estimated by the Potential linked Credit Plan. For example, the production of milk in the district was around 1, 27,000 tonnes per annum compared to the requirement of 2, 22,000 tonnes per annum. There was great space for growth of the animal husbandry sector for which financial resources either by bank credit or from other sources were required.

Secondary sector

Kannur district is an industrially backward area. The data related to newly registered SSI units and working factories in Kannur district show that the growth of industrial sector was improving (Table 9.4).

The survey conducted among 88 SSI units shows that shortage of finance was a major problem. Of the 88 units, 18 units (20 percent), identified shortage of finance as the main problem, and 17 units (19 percent) saw it as the second major problem (Table 9.5).

Table 9.4 Details of Small-Scale Industrial Units registered in Kannur during 1991-'99

Particulars	Years		% Increase
	1991	1999	
Total registered SSI units	4854	11247	131.70
Regd. SSI units under SC/ST	117	338	188.80
Investment, in Rs. Lakhs	4163	14554	249.60
Sick units	82	143	74.40
% of sick units to total units Value of goods and services	2.8	1.3	- 53.60
produced by SSI units in Rs. Lakhs	60027	75108	25.12
No of employment opportunities	60551	84162	39.00

Source: Economic Review 1991 & 1999

Table 9.5 Problems faced by SSI Units

Problems	First problem		Second problem	
	No.	% to total	No.	% to total
Marketing	39	44	3	3
Labour problems	1	1	2	2
Financing	18	20	17	19
Price and availability of raw materials	4	5	10	11
Technical ability	-	-	2	2
Electricity	14	16	11	13
Availability of skilled labours	5	6		
Govt. Policy			1	1
Infrastructure	1	1	2	2
Others	1	1	-	-

Source: Survey Result

Of these units, 23 units pointed out that shortage of working capital was one of the major causes for their financial crisis.

The number of registered working factories and the number of workers in them during the period from 1992 to 1998 are shown in Table 9.6.

Table 9.6 Registered Working Factories and Employment: 1992-1998

Year	No. of Regd. Working Factories	% Growth	Employment	% Growth
1992	1339		18884	-
1993	1369	2.24	20943	10.9
1994	1296	(-)5.33	19917	(-) 4.9
1995	1473	13.66	20545	3.15
1996	1579	7.20	22236	8.23
1997	1653	4.69	23278	4.69
1998	1636	(-) 1.03	23420	0.61

Source: Economic Review 1998-'99

While the number of factories increased from 1339 in 1992 to 1636 in 1998 (22 percent), the increase in employment was from 18884 to 23420 (24 percent). The above facts show that the scope of bank financing in the industrial sector, especially in SSI sector remains large.

Tertiary sector

The contribution of the tertiary sector to the development of Kannur district is high. A general trend in Kerala is that housing and transport sectors are growing at a rapid rate and they have the potential to absorb increasing amounts of credit. Tables 9.7 and 9.8 show the recent trend in Kannur district in the housing sector.

Table 9.7 Number of Houses Annually Constructed

Year	No. of houses	Percentage of growth
1992	8908	-
1993	8942	0.38
1994	8865	(-) 0.86
1995	9771	10.22
1996	11180	14.42
1997	13002	16.30
1998	15513	19.31
1999	19327	24.59

Source: Economic Review – various years

Table 9.8 Growth of Motor Vehicles in Kannur

Year	Total no. of vehicles	Percentage increase/decrease
1990-91	36540	
1991-92	34764	(-) 4.93
1992-93	37716	8.49
1993-94	41940	11.20
1994-95	44173	5.32
1995-96	55824	26.37
1996-97	62198	11.42

Source: Economic Review - various years

The respondents were in general, of the view that the economy was stagnant in Kannur district, and stagnation was the reason for its low CD ratio. But this view cannot be agreed to. On the contrary, the available data indicate that all the development sectors of the district show positive growth trends conducive to the creation of an environment favourable for growth in lending.

Lack of entrepreneurship

Though there is sufficient scope for growth in the economic sectors, lack of entrepreneurship adversely affects the utilisation of bank credit. An enquiry into the question whether lack of applicants had affected branch-level lending, and the nature of credit required by the people was made. The progress of newly-started industrial units in the district was also examined.

Among the 30 branch-level bank officials interviewed, only three persons mentioned lack of applications as a major constraint to lending (Table 9.9).

Table 9.9 Credit Needs of the Public

Type	Responses	% to total
Agriculture & allied activities	157	28.9
Industries	22	4.0
Trade	76	14.0
Other employment programmes	51	9.4
Housing	96	17.7
Other home needs	141	26.

Source: Survey Result

Table 9.9 shows that more than 56 percent of the credit needs of the public was for productive economic activities in agriculture, industry and trade, and for other employment programmes. The number of SSI units and the amounts invested in them are shown in Table 9.10.

Table 9.10 No. of SSI Units Registered in each year in Kannur District

Year	No. of SSI units	Investments (Rs Lakh)
1991	291	266
1992	440	611
1993	439	483
1994	NA	NA
1995	NA	NA
1996	NA	NA
1997	800	1016
1998	851	1157
1999	978	1848

Source: Economic Review, 1990-1999

The preceding discussion indicates that lack of entrepreneurship cannot be raised as a crucial constraint for lending in Kannur district.

Lack of viable project

Another impression prevailing is that project proposals submitted to banks are not financially viable and that there is no assurance of loan repayment. The financial viability and assurance of repayment are in fact two faces of the same coin. Repayment can be assured only from financially viable projects and *vice versa*. Naturally viable projects would have little overdues. In other words, overdue may be taken as an index of the viability or otherwise of running projects and of the newly submitted projects. Among the 30 bank officials surveyed at the *panchayat* level, a significant proportion expressed the view that lack of viable projects and lack of regular repayment are the major reasons for refusing credit to proposals.

According to Potential Linked Credit Plan (PLCP) the proportion of overdues in the banking sector is only between 5 and 7 percent. The proportion of recovery is quite high. It is also interesting to note that banks, which make credit disbursement as RRBs and Co-operative banks do, have a higher recovery ratio.

Nearly 73 percent of the *panchayat* level bank officials reported that the main reason for credit denial was non-viability of projects. According to 50 percent of bank officials whom the study team interviewed, non-viability is the major problem of lending particularly in government-sponsored schemes. But only 24 percent of the development officials whom we met mentioned that projects submitted by them were rejected on grounds of non-viability. Among the credit seekers, out of 53 cases of credit denial, only 8 cases were due to non-viability of projects (Table 9.11).

Table 9.11 Reasons for Rejection of Loans

	No. of persons Answered	% to total
Lack of appropriate schemes	13	24.5
Absence of security	23	43.4
Existence of arrears	2	3.8
Debtness of beneficiaries	1	1.9
Non viability of projects	8	15.1
Out of service area	5	9.4
No reason	1	1.9
Total	53	100

Source: Survey Result

The repayment status shows that, only 5 percent had failed repayment and that 63 percent (289/461) of the borrowers were making repayment regularly (Table 9.12).

Table 9.12 Repayment Status of the Public

	No. of persons responded	Percentage of total
Regularly	289	62.7
Not regularly	147	31.9
Not repaid	25	5.4
Total	461	100

Source: Survey result

Of the 172 defaulters, 6 (4 percent) admitted that the main problem of repayment was the failure of the programmes, whereas 97 (56 percent) reported that they could not make sufficient surpluses (Table 9.13).

Table 9.13 Problems of Repayment

	No. of persons responded	Percentage to total
Failure of the programme	6	3.5
Programme was not started	10	5.8
Cannot make surpluses	97	56.4
Repay later	59	34.3
Total	172	100

Source: Survey

The above issue has been examined more closely by assessing the performance of SSI units (Table 9.14).

Table 9.14 Performance of SSI units

	No.	Percentage
Viable units	51	58.0
Not viable	23	26.1
Sick units	5	5.7
Just started	9	10.2
Total	**88**	**100**

Source: Survey Result

Out of the 50 units which availed credit from bank for SSI purposes, most of them were repaying the loans regularly. The repayment status of defaulters is given in Table 9.15.

Table 9.15 Repayment Status of SSI Units

	No.	Percentage
Regularly	27	54
Reasonable well	14	28
Very bad	4	8
Repaid	5	10
Total	50	100

Source: Survey Result

Of these 50 units, 18 units had repayment problems. According to them, the main problem of repayment was lack of the expected revenue from the unit.

Survey among the SSI units also reveals that marketing of products is a major problem. Out of 88 units, 39 units (44 percent) mentioned it as the most important problem. Another three percent mentioned their second most important problem.

Secondary data regarding the performance of SSI units in the district also show that the proportion of sick units is very low. In 1991, the percentage of sick units was as low as 2.8 percent, but in 1999, it declined even further to 1.3 percent.

From the forgoing observations, it may be concluded that non-viability of projects is not a major constraint. But the problem of insufficient surplus exists. It is an important constraint on loan repayment. But the actual number of units facing this issue is not high and for them also, the problem is one of marketing and management.

Saturation of credit

Another reason for credit stagnation may be the saturation of credit in the economy. Mostly it happens in the agricultural sector. If the maximum bank credit has already been availed, and there is no increase in the area of cultivable land, credit saturation may happen in the agricultural sector. The question could be examined by working out the amount of agricultural credit per hectare of cultivated land in the district and compare the figure with the State and the national average.

Table 9.16 Agriculture Credit per Hectare in 1997

	Agriculture credit (Rs. In lakh)	Total cropped area (Lakh. Ha.)	Credit/ha (In Rs.)
India	3243400	1057.00	3068.50
Kerala	159700	29.69	5378.92
Kannur	9100	2.14	4252.34

Source: 1. RBI Bulletin – various years, 2. SLBC Statements – various years

The amount of agricultural credit per hectare in Kannur district is found to be below the State average (Table 9.16). In 1986-‘87 the total agriculture advance outstanding was Rs 3100 lakh. It formed 32.8 percent of the worked out permissible bank finance. In 1996-‘97, the total agriculture advance outstanding was Rs 9100 lakh which constituted 28.47 percent of the worked out bank finance of the same period (Table 9.17). When we compose the average growth of agriculture outstanding during 1986, 1987, and 1988 with that during 1996, 1997, and 1998, we find the growth rates 26 percent and 23 percent respectively. It is thus seen that the gap between permissible bank finance and total credit absorption was steadily widening.

Table 9.17 Scope for Agriculture Finance in Kannur

	1986-'87			1996-'97		
Crops	**Area (ha)**	**Scale of Finance (Rs)**	**Area x S. of Fin.* (Lakh)**	**Area (ha)**	**Scale of Finance (Rs)**	**Area x S. of Fin (Rs Lakh)**
Paddy	26961	3900	1051.48	15421	11000	1696.31
Tapioca	7830	3700	289.71	4755	12000	570.60
Banana	1260	39000	491.40	2275	62500	1421.88
Ginger	706	9500	67.07	606	39000	236.34
Pineapple	785	5500	43.18	461	20000	92.20
Coconut	63303	8600	5444.41	98630	14000	13808.20
Rubber	19752	8000	1580.16	28420	13500	3836.70
Arecanut	6441	10050	647.32	13106	16500	2162.49
Pepper	16296	7500	1222.20	30148	16000	4823.68
Cashew	37859	2750	1041.12	66102	5000	3305.10
Total	181193		11878.05	259924		31953.50

Source: Potential Linked Credit Plan
* scale of finance

It is clear, therefore that the credit saturation level has not been reached in the agriculture sector in Kannur district.

Other sources of lending

Co-operative banks

The co-operative sector has a strong presence in Kannur district. District Co-operative bank with 35 branches and 125 affiliated Service Co-operative banks, Primary Co-operative Agricultural and Rural Development banks with five branches and State Co-operative bank with one branch together form a strong net work of co-operative banks. Besides, there is a branch of Kerala Financial Corporation. The performance under credit disbursement and total loan outstanding of these institutions is given during 1991 to 1998 is given in the Tables 9.18 and 9.19.

Table 9.18 Agency-wise Share of Credit Outstanding (percentage)

	1991	1992	1993	1994	1995	1996	1997	1998
Commercial banks	58.82	54.63	52.97	50.85	NA	44.11	53.79	49.33
RRB District	14.62	15.42	14.56	15.34	NA	17.77	16.42	16.28
Co-operative banks	17.72	20.92	28.81	25.40	NA	30.50	24.41	25.84
PCSRDBS/LDB	8.82	9.02	8.63	8.39	NA	7.6	5.36	8.53

Source: Potential Linked Credit Plan - various years

Table 9.19 Agency-wise Share of Credit Disbursement (percentage)

	1991	1992	1993	1994	1995	1996	1997	1998
Commercial banks	24.39	15.99	20.36	23.44	NA	27.12	27.61	25.74
RRB	30.73	37.21	33.29	25.19	NA	24.34	26.49	22.67
District Co-operative banks	33.71	39.34	32.33	42.89	41.70	39.81	38.18	44.93
PCSRDBS/ LDB	5.52	3.71	9.06	5.14	4.28	5.79	4.92	4.68
KFC	5.65	3.74	4.97	3.37	2.38	2.95	2.79	1.72

Source: Credit Plan – various years

The percentage shares of both credit disbursement and advance outstanding of the co-operative sector are found to be on the increase.

Table 9.20 Credit Agencies Approached by Borrowers

	No.	%
Co-operative Banks	385	78
Commercial Banks	194	39
Money Lenders or Private Finance	64	13
Local/Other Credits	256	52
Total	492	100

Source: Survey Report

Of the 492 persons interviewed, 78 percent had approached co-operative banks for credit. At the same time, only 39 percent approached commercial banks (Table 9.20). However, moneylenders and private financiers were also approached by about one-eighth of them. The survey conducted among the customers of commercial banks, *Gramin* banks, and co-operative banks in Alakode *panchayat* reveals that the public prefer commercial and *Gramin* banks only when they have close relationship with them (Table 9.21). Otherwise people generally prefer the co-operative banks for their credit needs.

Table 9.21 Reasons for Preferring Different Types of Banks

Reasons	**No. of persons**		
	Co-operative bank	***Gramin* bank**	**Commercial bank**
Close relationship	3	23	14
Quick delivery & Appropriate lending conditions	15	1	5
Total	18	24	19

Source: Survey

***Non-banking financial companies* (NBFCs)**

A survey of 88 SSI units showed that private financiers play a significant role in the provision of credit in this district.

The steady growth of non-banking financial companies clearly shows their increasing role in meeting the credit needs of the district. Table 9.22 shows the growth of licensed non-banking financial companies in Kerala during the period 1995-‘97.

Table 9.22 The Growth of Non-banking Financial Institutions in Kerala, 1994-1997

Year	**No. of companies**	**% of growth**
1994-’95	5577	-
1995-’96	6544	17
1996-’97	8178	30

Source: *Deshabhimani* Daily, dated 25-12-1998

Besides, it is estimated that about 14,000 non-licensed financial (*blade*) companies are working in various districts of the State. In the light of a survey conducted by All Kerala

Blade Eliminating Council headed by Rtd. Justice V.R. Krishna Iyer, blade companies were able to collect about Rs 160 cr as deposits during the past four years. Reasons for approaching them for credit were found to be the following.

Table 9.23 Reasons for Approaching Other Financial Institutions

	No.	%
Lack of security	7	16
Getting money without delay	30	67
Lack of credit literacy	7	16
Lack of appropriate schemes	5	11
Total	45	100

Source: Survey Report; Note: Public have quoted more than one reason

Quickness of credit delivery is one of the main reasons for preference on the part of the public towards non-banking financial agencies, especially 'blade companies'.

Credit literacy

Credit literacy is a significant factor, which may affect the volume of lending transactions of banks. People approach banks for credit, due to their (a) knowledge about banks working in their area, (b) services rendered by banks, and (c) conditions of services of banks. Out of 492 persons interviewed, only 43 percent knew which banks functioned in their *panchayat*; 87 percent did not know that there is a service area bank responsible to meet their credit requirement. Seven persons out of 45 persons interviewed, who had approached NBFCs for credit, expressed the view that they were not aware of the services offered by banks.

Among the 88 SSI units, 30 units had not availed any loan from any bank due either to the lack of knowledge about the schemes offered by banks or the fear of debt trap or both. Most of the public do not have any idea about the conditions of bank credit such as margin, security, and repayment. Usually banks do not publicise credit schemes among the public. The lack of credit literacy is thus found to be one of the reasons that keep the public away from commercial banks.

Supply side of lending

Changes in lending policies

The implementation of the New Economic Policy has changed the lending policies of banks. The priority sector has become diluted with addition of more categories. Credit flow to the proper priority sector has dwindled.

According to district level banking functionaries, one of the constraints of lending is the change in the policies of the banking sector. Banks show a clear preference for giving large-scale advances. According to the majority of banking officials, lack of large-scale advances is the main constraint on lending in the district.

Lack of appropriate schemes

Most of the schemes available with the banks are not appropriate for the economy of Kerala, especially its agriculture sector. According to the Avari Committee Report, the average operational land holding in Kerala is only 0.36 ha. Naturally, the banking sector is compelled to handle large number of borrowers of relatively small amounts of credit. Banks in Kerala should take this situation into account in order to improve their performance. The public were of the opinion that the banks did not have schemes appropriate for meeting their credit needs

Lending conditions

Delays in sanctioning loans, under-financing, and difficult and cumbersome conditions of security create problems to credit seekers.

Observations

The economy of Kannur district is growing at an impressive rate in all sectors. There is all round and growing need for liberal credit on easy terms and conditions. Yet, the commercial banks feel that the economy does not generate adequate demand for credit. The lack of viable projects is pointed out by them as the result of stagnation in the productive sector. Data available reveal, however, a different picture. Though a shift in cultivation has taken place from food crops to other crops, agriculture is still a potential area for credit absorption. In animal husbandry a setback is experienced due to the withdrawal of banks from financing allied activities. But possibilities exist for lending to these activities. In the industrial sector, SSI units are starved for funds. But many of the units are not approaching banks mainly due to the bank's difficult lending conditions including severe security norms and complex procedures. Banks are also not keen to finance these units for fear of their vulnerability. Despite the fact that these units do not generate large surpluses due to tough competition in the market, the data available reveal that lack of viability is not a serious problem. The number of units going red is comparatively small. In the tertiary sector, notable growth has taken place in transporting and housing. Banks are not hesitant to give loans to these sectors. Lead bank documents reveal that most of the PMRY loans have gone for buying autorikshaws; too many loans for this activity in which competition is intense may result in defaults and overdues. All these indicate that the banks and the economy of the district move in divergent directions. Banks are not responding to the realities of the economic sector and are not addressing the credit needs of development, due to various reasons including the following:

1. Kerala has mostly small landholdings in agricultural sector and SSI units in the industrial sector. These are potential areas for financing. But banks which prefer large loans feel a shortage of projects in the productive sector.
2. Since banks do not form a party to the development programmes initiated at the local level, they could not assess the development needs of the rural economy. The SSA is also not implemented properly.
3. The new economic policy gives banks to opt out from the compulsion of giving credit to priority sectors. The present policy guidelines are also a reason for denying credit to productive sectors.
4. Banks have no specific programme for reaching the common people who are generally ‘credit illiterate’.
5. As there exists a good network of co-operative banks and they possess good grassroots-level connections, common people opt co-operative banks.

The conditions of credit prevailing in commercial banks compel entrepreneurs to approach non-banking financing agencies, which are now-a-days flourishing and are ready to give service at the door step of intending borrowers.

10. Conclusions and Suggestions

The results of the study show that there is a negative trend in the banking sector with regard to the fulfilment of

1. the credit needs of the weaker sections of the society;
2. the credit needs of the productive and priority sectors (The scant flow of finance to the primary and the productive sectors would adversely affect the overall development of Kerala.); and
3. the diversified needs of the economy at the local level.

The stipulated objectives and the proposed methods of implementation of the SAA are seen to have produced the following results:

1. They have failed to produce any positive result in credit utilisation at the rural level. The basic aim of SAA is not fulfilled.
2. There are inherent limitations both in the procedure and also in the implementation process stipulated by SAA; and
3. The broad aim of democratisation of credit delivery has not been addressed.

SAA has neglected the basic process of integration with local level development plans. Instead of evolving the credit plan as a component of the development plan, it is formulated as a special programme.

1. It failed to ensure the participation of the stakeholders on a wide basis. Instead it has turned out mostly to be an affair of the bank officials. In other words, it became a programme with well-defined objectives in paper but not in practice.
2. The Service Areas demarcated for each bank based on *panchayat* wards have proved to be inconvenient for identification and implementation of schemes.
3. Even though the local level development unit and the administrative unit is the *Grama Panchayat*, banks do not consider this as a unit for their Service Area plans. This dichotomy has led to lack of integration of Service Area Plan of banks with the development activities of the *panchayat*.
4. There is enough scope for establishing financial linkages between the credit plans of the bank and the development projects prepared under the People's Planning Campaign of each *panchayat*. The study shows that neither the banks nor the *panchayat* has identified this possibility.

The general notions and impressions among banking officials regarding credit constraints such as lack of entrepreneurship, stagnation in the economy, and non-viability of projects are not borne out by the present study as major factors. As far as Kannur district is concerned, the economy is growing and entrepreneurship is dynamic. Contrary to the general impression, the factors which limit lending by banks have to be sought elsewhere. They may include non-identification of new thrust areas, failure in linking with local plan formulation process, lack of credit literacy on the part of the public, complicated procedures which alienate common people and schemes which do not cater to the diversified needs of the locality.

These are in fact components essential for the democratization of the banking system.

Suggestions

The changes proposed in the banking sector of Kerala on the basis of this study are meant to further the process of democratisation of the credit system, in line with the political and social institutions in the State.

Credit plan

1. SAA should be revamped according to the needs and opportunities being created and are emerging.

   For this, SA of a bank should be identified as the *panchayat* or the municipality (the lowest development unit) as the case may be where the branch exists. The same area has to be allotted to more than one bank, including co-operative banks.
   Merits of this reallocation would be the following:

   a. Banks will get a wider command area for their business;
   b. Performance-wise competition would prevail among the banks and serve to improve their efficiency;
   c. Credit seekers get a multiple choice for selecting the service of a bank;
   d. Identification of SA bank would no longer be a problem; and
   e. Integration of credit programme with the development activities of the *panchayat* becomes possible.

2. The Credit Plan should be prepared at the *panchayat* level and should be considered a component of the development plan of the *panchayat*. Preparation should be done by a *Panchayat* Credit Committee consisting of people’s representatives, managers of all the banks, development officers, and People’s Plan functionaries of the *panchayat. Panchayat* president should be the chairman of this committee and the convenor should be a bank officer.

   The responsibility of credit plan preparation would thus be shifted from a bank officer to a group and would ensure more participation and social responsibility.

3. The Credit Plan should reflect the actual credit needs (development needs) of the *panchayat*. So the preparation should be based on:

   a. *Panchayat* Development Report;
   b. Credit Requirement Survey conducted in *Grama Sabhas*;
   c. Approved *panchayat* development strategy and schemes proposed;
   d. Individual bank business target suggested by higher authorities of the respective banks; and
   e. Various ongoing and proposed schemes of State and Central governments.

4. The *Panchayat* Credit Plan should contain information and the following:

   a. The amount earmarked to each development sector, proposed scheme, and number of beneficiaries expected.

   b. Ward-wise allocation of credit, which should be decided according to development needs of the ward;

   c. The Bank-wise share including that of the Co-operative banks. It should be based on the deposit mobilisation and location of the branch;

   d. Financing through self help groups (SHGs);

   e. The Credit Plan should be a public document, so that people would have opportunity to evaluate the performance of banks. Apart from the plan proposals, the report on the performance also should be published, for this purpose;

   f. There should be a timetable for approval and for implementation of the plan. It should synchronise with the timetable of the *Panchayat* Development Plan;

   g. Responsibility for monitoring will be given to a *Panchayat* Credit Committee. A quarterly review system would be helpful. It should extend its service to help recovery of loans also;

   h. If there is a need, each bank branch can prepare a Branch Credit Plan in conformity with the *Panchayat* Credit Plan; and

   i. A district-level monitoring system should be reconstituted according to the spirit of the new system. District *Panchayat* President should be the Chairman of DLCC and it should function in co-ordination with the District Plan Committee.

***Panchayat* Development Plan**

1. The *Panchayat* should adopt a deliberate strategy to include the maximum utilisation of bank credit in the development activities;

2. Individual-based and productive sector projects should be proposed in such a way as to ensure that the source fund for the projects is bank finance. Plan fund should be included as subsidiary funds for meeting or other indirect expenses for implementing

the projects;

3. Bankable projects should be prepared with due to consideration to and based on norms acceptable to banks. So that evaluation of the projects could be done at the *panchayat* level Credit Committee or any expert Bankers Committee;
4. Bank officials should participate in *Grama Sabha* in which beneficiary selection takes place and should have a say in prescribing criteria for beneficiary selection;
5. Project should be allocated to bank branches considering the locality of the projects and choice of the beneficiary;
6. All plan assistance for such projects should be routed through banks;
7. The timetable of plan should be adjusted so as to bring them on line with the bank credit plan;
8. Steps should be initiated at State Level Bankers Committee and Government of Kerala to integrate the process through general guidelines applicable to the State as a whole.

Measures to overcome credit constraints

When the delivery system becomes democratic, the credit distribution and recovery becomes a social need and responsibility. So some steps should be taken to remove the constraints identified:

1. New thrust areas of development and credit requirement should be identified according to the changing trends of the economy. District Level Bankers Committee (DLBC) should be responsible for identifying thrust areas. Sample projects of such schemes should be made available;
2. In every *panchayat*, Entrepreneurship Training Programme should be conducted under the leadership of *Panchayat* Credit Committee in order to breed familiarity with new projects and business management strategy, including marketing and ways of ensuring financial viability;
3. There should be arrangements for giving technical and financial guidelines to existing units;
4. Credit literacy campaigns should be conducted at *panchayat* level regarding credit schemes as well as other banking facilities;
5. Lending procedures should be simplified and a liberal approach to lending conditions should be adopted;
6. Awareness should be created and legal steps taken to check the spreading of unauthorised banking companies. SHGS are to be strengthened to cater to credit relating to consumption needs;
7. There should be freedom to formulate schemes, which address the multiple credit needs of the applicant, a task which could be done at the *panchayat* level.

Limitations of the study

The main objective of this study was to evaluate the impact of SAA of the banking sector on rural development. Information from secondary data and primary data obtained from personal interviews with people from all walks of life were used for the purpose. We faced some difficulties during data collection.

The following are some limitations that we encountered during collection of secondary data, which might have influenced the results of the study:

1. We planned to analyse the data on banking performance for a continuous period of the past 12 years. Owing to lack of availability of data, we were not able to do so to our full satisfaction.
2. Owing to unavoidable reasons, some banks failed to report their annual banking statistics regularly. We were not able, therefore, to present a result fully in accordance with our expectations.
3. Secondary data were not available at branch levels. So we were not able to make assessment of the banking performance at the *panchayat* level.
4. Data published by Lead Bank do not include the figures of all the banks for certain years. The break-up figures such as for agriculture, SSI, and other priority sectors were not available too.

Besides, we faced some difficulty in attempting a final evaluation of our results with any other reference frame such as the following:

1. SAA cannot be evaluated in isolation, because, within two years of its implementation, the New Economic Policy (NEP) was introduced, in which banking reform was a major component. The essence of NEP reforms was virtually a shifting away from mass banking to class banking. Since then banks have given more importance to profitability than to social commitment.
2. Since we have confined our study of the effects of SAA to and to Kannur district and since no evaluation studies for any other State than Kerala have come to our notice, we have not been able to compare our results with those of any other study. Besides, no other district in Kerala has made an attempt to assess the consequences of this new approach.
3. The study has come out with a few suggestions to overcome the constraints of credit disbursement in priority sectors. The impact of these suggestions cannot be assessed quantitatively because this study has not been of the action-oriented type.

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Annexure I

Annual Growth rates in deposis & advances in India & Kerala : 1969-1999 (Rs crore)

YEAR	INDIA					KERALA				
	Deposits	% of growth	Advance	% of growth	C.D. Ratio	Deposits	% of growth	Advance	% of growth	C.D. Ratio
1969	5148		3717	72.20	153		105		68.63	
1970	6028	17.09	4578	23.16	75.95	184	20.26	131	24.76	71.20
1971	7243	20.16	5051	10.33	69.74	218	18.48	151	15.27	69.27
1972	8360	15.42	5614	11.15	67.15	247	13.30	175	15.89	70.85
1973	10084	20.62	7091	26.31	70.32	317	28.34	225	28.57	70.98
1974	11611	15.14	8245	16.27	71.01	364	14.83	259	15.11	71.15
1975	13711	18.09	10073	22.17	73.47	442	21.43	317	22.39	71.72
1976	17607	28.42	13552	34.54	76.97	568	28.51	384	21.14	67.61
1977	21214	20.49	15304	12.93	72.14	761	33.98	466	21.35	61.24
1978	26509	24.96	18571	21.35	70.06	1042	36.93	655	40.56	62.86
1979	31438	18.59	21476	15.64	68.31	1214	16.51	775	18.32	63.84
1980	36995	17.68	24737	15.18	66.87	1455	19.85	983	26.84	67.56
1981	44259	19.64	30155	21.90	68.13	1706	17.25	1220	24.11	71.51
1982	52280	18.12	35679	18.32	68.25	2075	21.63	1375	12.70	66.27
1983	61493	17.62	41292	15.73	67.15	2457	18.41	1616	17.53	65.77

1984	72024	17.13	49523	19.93	68.76	2920	18.84	1960	21.29	67.12
1985	85868	19.22	56326	13.74	65.60	3479	19.14	2181	11.28	62.69
1986	102625	19.51	64677	14.83	63.02	3601	3.51	2371	8.71	65.84
1987	119023	15.98	92549	43.09	77.76	4155	15.38	2769	16.79	66.64
1988	141823	19.16	87746	-5.19	61.87	4811	15.79	3116	12.53	64.77
1989	144891	2.16	96009	9.42	66.26	5667	17.79	3701	18.77	65.31
1990	173515	19.76	105450	9.83	60.77	6620	16.82	4118	11.27	62.21
1991	201199	15.95	121865	15.57	60.57	7858	18.70	4638	12.63	59.02
1992	237566	18.08	131520	7.92	55.36	9671	23.07	5003	7.87	51.73
1993	274938	15.73	154838	17.73	56.32	12112	25.24	5818	16.29	48.04
1994	317917	15.63	180017	16.26	56.62	14990	23.76	6442	10.73	42.98
1995	375864	18.23	222507	23.60	59.20	17458	16.46	7797	21.03	44.66
1996	433819	15.42	254015	14.16	58.55	20171	15.54	8961	14.93	44.43
1997	505599	16.55	278401	9.60	55.06	23029	14.17	10565	17.90	45.88
1998	605410	19.74	324079	16.41	53.53	27144	17.87	12274	16.18	45.22
1999	722203	19.29	389460	20.17	53.93	31065	14.45	13474	9.78	43.37

Source:
1. Economic Review -Various years
2. Profile of Kerala
3. SLBC Statements- Various years
4. Basic statistical returns

Annexure II

Group-wise performance of banks in Kerala: 1985-1998 (Rs crore)

YEAR	S.B.Group			Nationalised Group			Private Bank Group			RRB Group		
	Deposit	Advance	C.D.R	Deposit	Advance	C.D.R	Deposit	Advance	C.D.R	Deposit	Advance	C.D.R
1985	1203	775	64	1430	849	59	801	478	60	45	78	173
1986	1280	806	63	1409	893	63	766	464	61	44	76	171
1987	1485	955	64	1688	1135	67	930	574	62	52	105	200
1988	1738	1141	66	1956	1171	60	1060	679	64	57	125	217
1989	2032	1346	66	2318	1483	61	1245	724	58	71	149	209
1990	2406	1551	64	2718	1595	59	1408	792	56	88	180	205
1991	2855	1798	63	3195	1749	55	1688	895	53	110	196	178
1992	3410	1851	54	3866	1831	47	2253	1108	49	142	213	150
1993	4222	2101	50	4748	1919	40	2970	1442	49	172	265	155
1994	5312	2405	45	5753	2126	37	3664	1648	45	212	263	124
1995	6155	2935	48	6516	2388	37	4526	2160	48	261	314	120
1996	6936	3135	45	7262	2890	40	5710	2584	45	263	352	134
1997	7736	3605	47	8381	3262	39	6577	3176	48	335	439	131
1998	8945	4131	46	9728	4085	42	8065	3542	44	405	516	127

Source: 1. SLBC -Statements Various years
2. Avari Committee Report

Annexure III

C.D. Ratio with and without NRE deposits in Kerala: 1983-1998 (Rs crore)

Year	Total Deposit	NRE Deposit	% growth	Resident Deposits	% growth	Total Advance	CDR without NRE	CDR with NRE
1983	2457	NA		NA		1616	NA	NA
1984	2920	NA		NA		1960	NA	NA
1985	3479	844		2635		2181	82.77	62.69
1986	3601	894	5.92	2707	2.73	2371	87.59	65.84
1987	4155	1193	33.45	2962	9.42	2769	93.48	66.64
1988	4811	1369	14.75	3442	16.21	3116	90.53	64.77
1989	5667	1584	15.70	4083	18.62	3701	90.64	65.31
1990	6620	2012	27.02	4608	12.86	4118	89.37	62.21
1991	7858	2304	14.51	5554	20.53	4638	83.51	59.02
1992	9671	3039	31.90	6632	19.41	5003	75.44	51.73
1993	12112	4499	48.04	7611	14.76	5818	76.44	48.04
1994	14990	6015	33.70	8975	17.92	6442	71.78	42.98
1995	17458	6886	14.48	10572	17.79	7797	73.75	44.66
1996	20171	8103	17.67	12068	14.15	8961	74.25	44.43
1997	23029	10178	25.61	13176	9.18	10565	80.18	45.88
1998	27144	12460	22.42	15092	14.54	12274	81.33	45.22

Source: 1. Awari Committee Report
2. SLBC Statements

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Annexure IV

Group-wise credit performance under national priority sector in Kerala: (Rs. Crore)

	SBI GROUP								NATIONALISED GROUPS							
	91	**92**	**93**	**94**	**95**	**96**	**97**	**98**	**91**	**92**	**93**	**94**	**95**	**96**	**97**	**98**
Total Advance	1798	1851	2146	2405	2935	3135	3605	4131	1749	1831	2065	2126	2388	2890	3262	4085
Priority sector advance	775	828	856	987	1290	1244	1487	1620	799	843	871	884	1135	1402	1598	1821
Percentage	43	45	40	41	44	40	41	39	46	46	42	42	48	49	49	45
Agirculture Advance	314	318	352	384	528	524	597	600	328	332	342	356	402	447	587	663
Percentage	18	17	16	16	18	17	17	15	19	18	17	17	17	15	18	16
Small Scale Industry Advance				376	473	350	492	494				286	374	483	532	613
Percentage				16	16	11	14	12				13	16	17	16	15
Other Advance				227	289	370	398	526				242	359	472	479	545
Percentage				9	10	12	11	13				27	15	16	15	13
Weaker Section Advance	267	298	309	370	456	485	591	736	309	326	323	319	348	368	460	530
Percentage	15	16	14	15	16	15	16	18	18	18	16	15	15	13	14	13

	PRIVATE GROUP								RRB GROUPS							
	91	**92**	**93**	**94**	**95**	**96**	**97**	**98**	**91**	**92**	**93**	**94**	**95**	**96**	**97**	**98**
Total Advance	895	1108	1375	1648	2160	2584	3176	3542	196	213	232	263	314	352	439	516
Priority sector advance	250	278	443	503	732	1061	1114	1336	187	202	210	216	250	286	341	432
Percentage	28	25	32	31	34	41	35	38	95	95	91	82	80	81	78	84
Agirculture Advance	72	68	94	95	135	210	229	309	92	102	126	119	133	152	184	238
Percentage	8	6	7	6	6	8	7	9	47	48	54	45	42	43	42	46
Small Scale Industry Advance				140	232	376	395	427				9	12	13	26	23
Percentage				8	11	15	12	12				3	4	4	6	4
Other Advance				268	365	475	490	600				88	105	121	131	171
Percentage				16	17	18	15	17				33	33	34	30	33
Weaker Section Advance	61	62	77	78	98	115	150	170	113	114	135	134	138	221	248	254
Percentage	7	6	6	5	5	4	5	5	58	54	58	51	44	63	56	49

Source : 1. SLBC Statements- Various years

2. Avari Committee Report

Annexure V

Group-wise advances to weaker section in Kerala: (Rs Crore)

Year	SBI Group									Private Group								
	Total Adv	w.s	%	DRI	%	IRDP	%	SC/ST	%	Total Adv	w.s	%	DRI	%	IRDP	%	SC/ST	%
1991	1798	267	14.85	17	0.95	18	1.00	32	1.78	895	62	6.93	2	0.22	20	2.23	6	0.67
1992	1851	298	16.10	17	0.92	34	1.84	34	1.84	1108	61	5.51	2	0.18	10	0.90	7	0.63
1993	2101	310	14.75	15	0.71	36	1.71	35	1.67	1442	77	5.34	2	0.14	16	1.11	7	0.49
1994	2405	370	15.38	13	0.54	35	1.46	89	3.70	1648	78	4.73	2	0.12	16	0.97	9	0.55
1995	2935	456	15.54	11	0.37	37	1.26	112	3.82	2160	98	4.54	2	0.09	17	0.79	9	0.42
1996	3135	485	15.47	7	0.22	24	0.77	121	3.86	2584	115	4.45	4	0.15	19	0.74	10	0.39
1997	3605	591	16.39	6	0.17	61	1.69	139	3.86	3176	150	4.72	2	0.16	25	0.79	13	0.41
1998	4131	736	17.82	6	0.15	92	2.23	280	6.78	3542	171	4.83	2	0.14	30	0.85	18	0.45
Year	Nationalised Group									RRB Group								
	Total Adv	w.s	%	DRI	%	IRDP	%	SC/ST	%	Total Adv	w.s	%	DRI	%	IRDP	%	SC/ST	%
1991	1749	310	17.72	15	0.86	42	2.40	31	1.77	196	113	57.65	1	0.51	5	2.55	8	4.08
1992	1831	325	17.75	13	0.71	41	2.24	40	2.18	213	115	53.99	1	0.47	13	6.10	7	3.29
1993	1919	323	16.83	13	0.68	41	2.14	40	2.08	265	135	50.94	1	0.38	13	4.91	8	3.02
1994	2126	319	15.00	11	0.52	37	1.74	43	2.02	263	134	50.95	1	0.38	13	4.94	10	3.80
1995	2388	348	14.57	9	0.38	36	1.51	34	1.42	314	138	43.95	1	0.32	14	4.46	11	3.50
1996	2890	368	12.73	6	0.21	39	1.35	35	1.21	352	221	62.78	1	0.28	12	3.41	13	3.69
1997	3262	460	14.10	6	0.18	47	1.44	49	1.50	439	248	56.49	1	0.23	18	4.10	13	2.96
1998	4085	530	12.97	5	0.12	55	1.35	80	1.96	516	254	49.22	1	0.19	22	4.26	16	3.10

Source: SLBC statements-various years

% : Percentage advance out of total advance

Annexure VI

Sector-wise targets and achievements in credit plan in Kerala: (Rs Crore)

	Agriculture				Small Scale Industry				Tertiary				Total			
Year	Target	% of growth	Acht	% of growth	Target	% of growth	Acht	% of growth	Target	% of growth	Acht	% of growth	Target	% of growth	Acht	% of growth
1991	637		489	128	148		337		346		1102		983			
1992	686	7.69	623	27.40	159	24.22	172	16.22	375	11.28	344	-0.58	1220	10.71	1139	15.87
1993	688	0.29	614	-1.44	159	0.00	188	9.30	338	-9.87	343	-0.29	1185	-2.87	1447	27.04
1994	708	2.91	757	23.29	232	45.91	290	54.26	416	23.08	496	44.61	1357	14.51	1542	6.57
1995	842	18.93	949	25.36	317	36.64	513	76.90	520	25.00	635	28.02	1679	23.73	2097	35.99
1996	1022	21.38	1051	10.75	436	37.54	527	2.73	819	57.50	717	12.91	1679	23.73	2097	35.99
1997	1153	12.82	1281	21.88	515	18.12	846	60.53	987	20.51	936	30.54	2278	35.68	2295	9.44
1998	1481	28.45	1534	19.75	638	23.88	808	-4.49	1342	35.97	1226	30.98	3462	30.35	3568	16.49

Source: 1. SLBC Statements - Various years
2. Avari Committee Report

Annexure VII

Group-wise target and achievement under credit plan (Rs. Crore)

	SBI Groups								Nationalised Groups							
Year	Agriculture		SSI		Tertiary		Total		Agriculture		SSI		Tertiary		Total	
	Tar	Acht	Tar	Acht	Tar	Acht	Tar	Acht	Tar	Acht	Tar	Acht	Tar	Acht	Tar	Acht
1991	100	863	22	23	48	43	171	151	140	139	46	31	66	43	252	212
1992	64	82	24	21	45	33	133	136	150	154	30	51	64	41	244	246
1993	60	65	27	25	53	51	141	141	143	155	38	28	47	42	228	225
1994	66	119	27	27	58	67	151	213	154	184	40	44	58	53	252	281
1995	81	172	39	56	69	114	189	342	166	236	64	178	62	89	292	503
1996	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
1997	128	209	80	41	136	110	344	360	239	172	93	178	149	128	481	478
1998	172	300	86	86	161	180	421	551	327	380	203	291	270	199	800	870

	Private Groups							
Year	Agriculture		SSI		Tertiary		Total	
	Tar	Acht	Tar	Acht	Tar	Acht	Tar	Acht
1991	46	44	9	20	41	39	97	103
1992	41	51	29	30	48	60	119	141
1993	42	58	36	83	68	79	146	221
1994	55	94	61	114	88	115	204	323
1995	81	91	100	181	122	127	303	399
1996	NA	NA	NA	NA	NA	NA	NA	NA
1997	96	95	172	139	226	183	494	417
1998	118	55	112	144	282	247	512	446

	RGB Groups								Other Groups							
Year	Agriculture		SSI		Tertiary		Total		Agriculture		SSI		Tertiary		Total	
	Tar	Acht	Tar	Acht	Tar	Acht	Tar	Acht	Tar	Acht	Tar	Acht	Tar	Acht	Tar	Acht
1991	69	40	3	3	59	67	131	109	281	179	47	72	123	156	451	407
1992	42	47	2	1	50	64	94	113	389	288	74	69	167	147	631	503
1993	71	67	4	2	71	68	146	138	372	269	53	50	100	103	524	422
1994	74	84	6	4	65	78	145	166	364	274	69	51	134	152	567	477
1995	88	130	8	7	70	103	165	240	419	280	115	77	193	170	727	527
1996	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
1997	112	163	7	9	107	24	226	296	576	557	70	366	356	380	1002	1303
1998	173	196	11	9	143	145	346	353	661	506	124	65	515	382	1300	953

Source : SLBC Statements and Awari Committee Report

Annexure VIII

District-wise performance of banks in Kerala (Rs Crore)

	1985				**1989**			
Districts	Branch	Dpt.	Adv.	C.D.R	Branch	Dpt.	Adv.	C.D.R
KSGD	94	59	48	81.36	99	98	90	91.84
KNR	185	201	104	51.74	192	306	176	57.52
WYND	54	21	44	209.52	59	34	79	232.35
KZD	212	188	152	80.85	217	323	277	85.76
MLPM	169	139	88	63.31	176	247	151	61.13
PLGT	211	199	103	51.76	219	326	192	58.90
TCR	295	421	177	42.04	298	793	313	39.47
ERLM	385	581	523	90.02	398	1049	868	82.75
IDKI	84	31	37	119.35	96	62	73	117.74
KTM	226	260	151	58.08	226	472	268	56.78
ALPY	182	234	125	53.42	193	452	237	52.43
PTA	166	358	59	16.48	170	687	134	19.51
QLN	163	224	202	90.18	175	392	496	126.53
TVM	275	507	308	60.75	285	889	470	52.87
TOTAL	2720	3479	2181	62.69	2801	5667	3701	65.31

Source : SLBC Statements - various years

Annexure IX

TREND OF BANKING DEVELOPMENT IN KANNUR DISTRICT

(Rs. Crore)

Year	No. of Branches	Total Deposits	% of Growth	Total Advance	% of Growth	C.D.R
1984	180	176		89		51
1985	186	202	14.77	104	16.85	51
1986	186	238	17.82	123	18.27	52
1987	193	266	11.76	147	19.51	55
1988	193	294	10.53	172	17.01	59
1989	193	306	4.08	176	2.33	57
1990	197	352	15.03	196	11.36	56
1991	197	426	21.02	208	6.12	49
1992	197	525	23.24	214	2.88	41
1993	197	661	25.90	242	13.08	37
1994	202	815	23.30	269	11.16	33
1995	206	973	19.39	327	21.56	34
1996	NA	NA		NA		0
1997	207	1294		504		39
1998	207	1278	-1.24	525	4.17	42
1999	209	1552	21.44	574	9.33	37

Source: District Credit Plans

Note : Figures not including co-operative ba nk

Annexure X

GROUP-WISE BANKING PERFORMANCE IN KANNUR

(Rs. Crore)

Year	SB Group			Nationalised Group			Private Group			RRB Group		
	Dpts	**Adv**	**C.D.R**	**Dpts**	**Adv**	**C.D.R**	**Dpts**	**Adv**	**C.D.R**	**Dpts**	**Adv**	**C.D.R**
1989	82	47	57.32	180	75	41.67	27	21	77.78	17	32	188.24
1990	95	50	52.63	206	84	40.78	30	23	76.67	21	39	185.71
1991	120	53	44.17	248	88	35.48	35	25	71.43	23	41	178.26
1992	144	52	36.11	302	87	28.81	48	28	58.33	30	47	156.67
1993	182	56	30.77	381	93	24.41	62	38	61.29	36	52	144.44
1994	261	65	24.90	428	92	21.50	79	50	63.29	47	62	131.91
1995	248	70	28.23	556	120	21.58	95	62	65.26	73	74	101.37
1996	239	69	28.87	380	84	22.11	100	70	70.00	61	73	119.67
1997	346	102	29.48	704	179	25.43	155	98	63.23	91	117	128.57
1998	262	78	29.77	710	212	29.86	200	105	52.50	106	130	122.64

Source: District Credit Plan - various years.

Annexure XI

Agency-wise growth of deposits and advances in Kannur district *(Rs lakh)*

Banks	1990-1991						I991-92					
	Branch	**%**	**Deposit**	**%**	**Advance**	**%**	**Branch**	**%**	**Deposit**	**%**	**Advance**	**%**
Commercial Bank	127	56.95	40264	85.4	16635	58.82	127	56.95	49516	86.91	16683	54.63
Reginal Rural Bank	70	31.39	2341	4.96	4134	14.62	70	31.39	2956	5.2	4711	15.42
District Co-operative Bank	23	10.31	4539	9.64	5013	17.72	23	10.32	4499	7.89	6389	20.92
PCARDBS/LDB	3	1.35			2496	8.84	3	1.34	NA	NA	2755	9.03
TOTAL	223	100.00	47144	100.00	28278	100.00	223	100.00	56971	100.00	30538	100.00
Banks	**1992-93**						**1993-1994**					
	Branch	**%**	**Deposit**	**%**	**Advance**	**%**	**Branch**	**%**	**Deposit**	**%**	**Advance**	**%**
Commercial Bank	129	57.33	62503	86.56	18990	52.99	133	56.84	76746	86.84	20689	50.85
Reginal Rural Bank	70	31.11	3635	5.03	5221	14.57	70	29.91	4717	5.33	6242	15.34
District Co-operative Bank	23	10.23	6069	8.41	8538	23.81	28	11.96	6915	7.83	10336	25.42
PCARDBS/LDB	3	1.33	NA		3097	8.63	3	1.29	NA		3415	8.39
TOTAL	225	100.00	72207	100.00	35846	100.00	234	100.00	88378	100.00	40689	100.00
Banks	**1994-95**						**1995-96**					
	Branch	**%**	**Deposit**	**%**	**Advance**	**%**	**Branch**	**%**	**Deposit**	**%**	**Advance**	**%**
Commercial Bank	135		89983	92.44	25260	76.84	135	54.87	72882	80.16	22298	44.11
Reginal Rural Bank	70		7334	7.53	7442	22.64	70	28.46	7501	8.26	8982	17.79
District Co-operative Bank	NA		28	0.03	173	0.53	33	13.41	10529	11.58	15420	30.5
PCARDBS/LDB	NA		NA	#VALUE!	NA	#VALUE!	8	3.26	NA		3844	7.6
TOTAL			97345	100.00	32875	100.00	246	100.00	90912	100.00	50544	100.00
Banks	**1996-97**						**1997-98**					
	Branch	**%**	**Deposit**	**%**	**Advance**	**%**	**Branch**	**%**	**Deposit**	**%**	**Advance**	**%**
Commercial Bank	136	54.40	120441	85.33	38580	53.79	137	54.58	117174	81.13	39520	49.33
Reginal Rural Bank	71	28.40	9103	6.42	11779	16.44	71	28.3	10623	7.35	13048	16.3
District Co-operative Bank	35	14.00	11628	8.25	17508	24.41	35	13.94	16640	11.52	20702	25.84
PCARDBS/LDB	8	3.20	NA		3844	5.36	8	3.18	NA		6835	8.53
TOTAL	250	100.00	141172	100.00	71711	100.00	251	100.00	144437	100.00	80105	100.00

Source: Potential Linked Credit Plan - various years.

Annexure XII

Agency-wise disbursement of credit under district credit plan - Kannur

(Rs. lakh)

Year	Total Disbts.	Total Disbts. of Com. Banks	%	Total Disbts. of RRB	%	Total . of Co-op. Banks	%	Total Disbts. of KFC	%	Total Disbts. of RSCA RDBs	%
1985	4884.67	2132.59	43.66	1222.33	25.02	1209.38	24.76	147.38	3.02	173.99	3.56
1986	5552.31	1989.39	35.83	1979.73	35.66	1146.51	20.65	163.13	2.94	273.55	4.93
1987	6014.44	2062.79	34.30	2242.36	37.28	1250.82	20.80	235.01	3.91	223.46	3.72
1988	6313.80	2141.01	33.91	1939.14	30.71	1612.83	25.54	338.70	5.36	282.07	4.47
1989	7690.38	2704.72	35.17	2283.58	29.69	1854.51	24.11	496.24	6.45	351.33	4.57
1990	7445.33	1589.42	21.35	2998.48	40.27	2112.30	28.37	357.53	4.80	387.60	5.21
1991	7618.08	1857.80	24.39	2341.27	30.73	2568.10	33.71	430.24	5.65	420.67	5.52
1992	9745.75	1558.55	15.99	3626.65	37.21	3834.10	39.34	364.82	3.74	361.63	3.71
1993	10065.18	2049.48	20.36	3350.72	33.29	3253.67	32.33	499.84	4.97	911.87	9.06
1994	14551.57	3411.34	23.44	3665.48	25.19	6240.59	42.89	490.66	3.37	747.50	5.14
1995	18717.16	8072.42	43.13	1591.70	8.50	7805.48	41.70	446.38	2.38	801.10	4.28
1996	22092.10	5991.94	27.12	5376.22	24.34	8794.12	39.81	651.53	2.95	1278.29	5.79
1997	28148.30	7772.88	27.61	7456.52	26.49	10747.30	38.18	786.00	2.79	1385.60	4.92
1998	37636.08	9686.84	25.74	8531.20	22.67	16911.32	44.93	646.69	1.72	1759.97	4.68

Source: District Credit Plan , Kannur - various years.

Annexure XIII

Flow of ground level credit broad sectorwise/agencywise- Kannur

(Rs. lakh)

Sectors	Agency	1992-93	%	1993-94	%	1994-95	%	1995-96	%	1996-97	%	1997-98	%
Crop loan	Commercial Banks	951.34	22.73	1189.81	24.53	1722.12	26.39	2018.15	26.56	2677.83	27.56	3055.22	26.74
	Regional Rural Banks	1231.00	29.42	1110.20	22.89	1437.14	22.03	1819.61	23.95	2563.77	26.39	3033.46	26.85
	Dist. Co-operative Banks	2002.15	47.85	2551.00	52.59	3365.42	51.58	3759.88	49.49	4474.75	46.05	5335.58	46.70
	Total	4184.49	100.00	4851.01		6524.68		7597.64		9716.35		11424.26	
Term loan	Commercial Banks	177.72	12.88	319.53	20.65	600.01	29.20	738.19	35.89	990.91	42.73	969.32	37.14
	Regional Rural Banks	135.52	9.82	139.04	8.98	250.01	12.17	225.07	10.94	244.16	10.53	300.15	11.50
	Dist.Co-operative Banks	429.16	31.11	667.13	43.11	719.29	35.01	496.88	24.16	477.39	20.58	755.96	28.97
	Land Devpt. Banks	637.02	46.18	421.85	27.26	485.27	23.62	596.85	29.02	606.66	26.16	584.22	22.39
	Total	1379.42	100.00	1547.55		2054.58		2056.99		2319.12		2609.65	
Non-farm	Commercial Banks	213.68	32.84	554.19	55.39	679.66	47.61	934.22	35.82	1021.96	48.83	2154.83	67.17
	Regional Rural Banks	34.32	5.27	66.81	6.67	81.57	5.71	190.03	7.28	252.25	12.05	285.92	8.91
	Dist. Co-operative Banks	35.50	5.45	150.31	15.02	345.75	24.22	887.31	34.02	79.71	3.81	170.74	5.32
	Land Development Bank	149.90	23.03	29.03	2.90	68.03	4.76	140.35	5.38	137.22	6.56	84.60	2.64
	KFC	217.36	33.40	200.06	19.99	252.41	17.68	455.73	17.47	601.68	28.75	511.88	15.96
	Total	650.76	99.99	1000.40		1427.42		2607.64		2092.82		3207.97	

Other priority	Commercial Banks	706.34	18.34	1347.81	18.34	2123.01	24.37	2354.85	23.95	3082.34	21.90	3533.08	17.49
	Regional Rural Bank	1949.88	50.64	2349.43	32.84	2822.98	32.40	3141.51	31.95	4396.33	31.35	4888.61	24.20
	Dist. Co-operetative Bank	786.20	20.42	2872.15	40.15	3356.04	38.52	3650.05	37.13	5715.25	40.76	10590.97	52.44
	Land Development Bank	124.95	3.24	292.62	4.09	214.47	2.46	535.45	5.44	641.73	4.57	1046.28	5.18
	KFC	282.48	7.33	290.60	4.06	193.98	2.22	147.98	1.50	184.37	1.31	134.81	0.66
	Total	3849.85	99.97	7152.61		8710.48		9829.84		14020.02		20193.75	
Grand Total		**10065.18**		**14551.57**		**18717.16**		**22092.11**		**28148.31**		**37435.63**	

Source : PLCP - various years.

Annexure XIV

Government-sponsored programmes in Kannur District

	IRDP				SUME/NRY		
Year	**Target** *(No. of units)*	**Achievement** *(No. of units)*	**%**	**Bank Loan** *(Rs. in crores)*	**Year**	**Achievement** *(No. of units)*	**Bank Loan** *(Rs. in crores)*
1989	5010	5223	104.25	2.03	1991	527	0.23
1990	4363	4588	105.16	1.90	1992	540	0.24
1991	3562	3955	111.03	1.60	1993	371	0.28
1992	3360	3389	100.86	1.30	1994	223	0.18
1993	3268	3801	116.31	1.40	1995	313	0.25
1994	3268	3406	104.22	1.40	1996	227	0.19
1995	1301	3222	247.66	2.60	1997	215	0.19
1996	1451	2047	141.08	2.10			
1997	3196	2375	74.31	4.30			
1998	2241	2528	112.81	4.50			

SEEUY/PMRY			
Year	**Target** *(No. of units)*	**Achievement** *(No. of units)*	**%**
1984	1500	1051	70.07
1985	1170	992	84.79
1986	1140	1089	95.53
1987	1400	1270	90.71
1988	700	362	51.71
1989	900	847	94.11
1990	500	512	102.40
1991	450	398	88.44
1992	400	309	77.25
1993	350	211	60.29
1994	100	72	72.00
1995	800	649	81.13
1996	800	812	101.50
1997	810	863	106.54
1998	850	819	96.35

Source: DCP, Kannur - various years.

Annexure XV

Performance of banks under Government-sponsored schemes

(Rs. lakh)

Year	Total Disbursement	Total Disbursement to Govt. Scheme				Total Govt Scheme / Total Disbursements
		IRDP+FCP	SEEUY/PMRY	SEPUP/SUME/NRY	Total	
1989	7690.39	202.92	130.70	14.66	348.28	4.52
1990	7445.33	191.81	70.17	13.96	275.94	3.70
1991	7618.08	160.96	64.12	23.31	248.39	3.26
1992	9745.75	130.00	43.79	23.54	197.41	2.02
1993	10065.18	135.00	28.49	28.42	191.91	1.91
1994	14551.57	141.00	31.40	17.90	190.30	1.31
1995	18717.16	333.90	307.70	24.80	666.40	3.56
1996	22092.10	314.47	455.00	18.59	788.16	3.56
1997	28148.30	501.00	484.00	18.72	1003.72	3.56
1998	37636.08	513.30	498.00	9.44	1020.74	2.71

Source: DCP - various years

Annexure XVI

CD Ratio of Co-operative Banks in Kannur District

(Rs. lakh)

Year	Deposit	% of growth	Advance	% of growth	CD Ratio
1991	4534		5013	110.6	
1992	4499	-0.77	6389	27.45	142.0
1993	6069	34.90	8538	33.64	140.7
1994	6915	13.94	10336	21.06	149.5
1995	NA		NA		
1996	10529		15420		146.5
1997	11628	10.44	17508	13.54	150.6
1998	16640	43.10	20702	18.24	124.4

Source: PLCP - various years.