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**ANNUAL CREDIT PLAN AND ACTUAL ACHIEVEMENTS OF  
COMMERCIAL BANKS IN GOA DURING 10<sup>TH</sup> AND 11<sup>TH</sup>  
PLAN PERIOD: COMPARATIVE STUDY**

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**ABSTRACT:**

The authors have made an attempt to examine the performance of the Commercial Banks with regard to their annual commitments and actual achievements of credit to Agriculture, Industry and Service Sector in the state of Goa. A comparative study has also been made across SBI and its associates, Public Sector Banks and Private Banks. The necessary data is collected from the yearly annual reports of Lead Bank (SBI), Panaji, Goa for the period from 2002-03 to 2011-12. The collected data is analyzed with the help of Ratio Analysis, analytical tool. The different ratios are computed and the same are discussed. Findings of the study certainly serve as a base for the Commercial Banks to devise appropriate strategies for their Annual Credit Commitments and disbursement of credit.

**INTRODUCTION:**

Goa was liberated from the Portuguese regime yoke on 19<sup>th</sup> December 1961, and remained union territory along with Daman and Diu for several years; Goa was elevated to the status of 25<sup>th</sup> State in the Indian Union on 30<sup>th</sup> May 1987. It has a geographical area of 3702 Sq.Kms. and a population of 14.57 lakhs (2011 census). The State is divided into two districts (North and South Goa) and twelvetalukas. This State has the highest per capita income in the country and the second lowest with respect to poverty ratio. Tourism, agriculture, industry, mining, construction, banking, trade and fishery are the main stay of the Goan economy. Goa with its unique natural beauty has emerged as one of the best and the most attractive tourist distinctions in the world.

Banking as an integral part of tertiary sector has made a remarkable progress and expansion in the state of Goa. The banking system in the state is broadly comprised of SBI and its associates, nationalized banks, private banks and co-operative banks. The average population per bank branch office is the lowest in India being less than 3000 as against the national average of around more than 16000. The banking sector in the state has recorded an excellent deposit growth and has the highest per capita deposit as compared to the per

capita deposit of the banking sector as a whole in the country. The banking sector as a whole in the state has a decelerating trend in credit to deposit ratio. The working and functioning of the banks is being closely monitored by the different committees under the leadership of State Bank of India. A separate Lead Bank Department for each district, state and block level committees have been working efficiently towards the growth and progress of banks in the state.

These committees will set bank-wise operational targets and the actual performance of the banks is reviewed in the light of set targets. Towards the upliftment of a weaker section and generation of employment opportunities, the banks have formed about more than 4205 SHGs and saving accounts are opened for these SHGs. About 2328 SHGs are linked to bank credit. The banks have become successful in inculcating saving habits thereby generated more than Rs.422.25 lakhs from the SHGs. The National Bank for Agriculture and Rural Development (NABARD) as an apex level body established for the promotion of agriculture and rural development, has been also supporting and supplementing efforts of the banks towards the agriculture and rural development in the state. The NABARD extends refinance facility to banks for financing agriculture and allied activities such as minor irrigation projects. Land Development, Farm Mechanization, Dairy, Poultry etc. Over and above, this institution plays a key role in promoting socio-economic empowerment of rural poor.

#### **STATEMENT OF PROBLEM:**

The Indian financial system is mainly comprised of financial institutions, financial markets, financial instruments and financial services. All the four organs of the system play a vital role in promoting overall economic development and growth of the country. The commercial banks and other financial institutions provide variety of financial services to the individual and institutional customers. The commercial banks provide both fund based and fee based services. Providing these services timely, as per the needs and requirements of the customers is of utmost importance. The banks are the mirror of the economy. Better functioning of banking sector will lead to the overall improvement of the economy. In fact, banks act as a link between those who want to save and those who want to invest, so improvement in the productivity of the banking sector is very much needed.

Banking needs to be looked at from the relevance of the Indian economy. Whatever the economy goes through, banks have a significant role to play. The banks have a strong distribution network all over the country. But the strength of the earlier periods has now become a concern for these banks. As compared to the tech-equipped distribution network of the foreign banks, other banks have found it difficult to upgrade them on the technology front. The banks are also facing the problem of surplus manpower. The winds of liberalization have opened up new vistas in the banking industry resulting in the generation of intensely

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competitive environment. The banking areas have been almost completely flooded with new entrants including non-banking finance companies (NBFCs), the merchant bankers and chit funds etc. They have hi-tech revolution mainly targeted at the cream corporate-clientele of banks. The banks apart from this are facing problem of low spread, low advances, more bad assets, survival, global financial crisis, inflation etc. In this context the study of the performance of commercial banks in the area of their credit planning and actual achievements is felt essential and the same is studied in this paper.

#### OBJECTIVE OF THE STUDY:

The broader objective of the study is to examine the annual credit plans of SBI and its associates, public sector banks and private banks with regard to credit to agriculture, industry and service sector and their actual performance during the 10<sup>th</sup> and 11<sup>th</sup> plan period.

#### METHODOLOGY:

The undertaken study is based on secondary data. The necessary secondary information pertaining to Banking and other relevant data is collected from the year-wise reports of Goa State Level Bankers Committee, Lead Bank, State Bank of India for the period from 2002-03 to 2011-12. In order to analyze and understand the collected year wise data for the period of 10 years, the widely employed tool i.e. Ratio Analysis is employed and accordingly, different ratios are computed.

#### ANALYSIS AND DISCUSSION:

**Table 1: Comparative Analysis of Annual Credit Plan of Commercial Banks for Agriculture in relation to Actual Achievements during 10<sup>th</sup> and 11<sup>th</sup> Plan Period**

The annual credit plan of all the three categories of banks with regard to agricultural credit and the actual performance is studied for the period from 2002-03 to 2011-12 and the analysis is also done plan-wise. The calculated ratios are presented in the following table

(Figures in %)

Plan	Year	SBI & its Associates		Public Sector Bank		Private Sector Banks	
		Crop Loan	Term Loan	Crop Loan	Term Loan	Crop Loan	Term Loan
10 <sup>th</sup>	2002-03	85.82	45.46	85.57	73.25	416.67	299.37
	2003-04	83.61	59.16	293.37	7949.11	N.A.	168.04
	2004-05	51.13	111.45	169.79	106.53	N.A.	256.29
	2005-06	126.83	58.21	61.23	135.11	173.94	731.41

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	2006-07	1.25	3.40	25.12	25.88	43.06	68.23
	<b>Mean</b>	<b>69.73</b>	<b>55.54</b>	<b>127.02</b>	<b>1657.98</b>	<b>126.73</b>	<b>301.67</b>
<b>11<sup>th</sup></b>	2007-08	24.63	27.82	149.62	324.40	506.75	306.90
	2008-09	27.74	20.92	30.69	161.10	334.44	403.11
	2009-10	21.44	5.37	105.09	158.43	73.12	914.71
	2010-11	21.47	10.63	19.99	122.78	48.73	750.10
	2011-12	53.73	17.35	83.84	31.81	519.18	210.86
	<b>Mean</b>	<b>29.80</b>	<b>16.42</b>	<b>77.85</b>	<b>159.70</b>	<b>297.64</b>	<b>517.14</b>
<b>Both</b>	<b>Overall</b>	<b>49.77</b>	<b>35.98</b>	<b>102.43</b>	<b>908.84</b>	<b>212.19</b>	<b>410.91</b>

Source: Year-wise Annual Reports of Lead Bank (SBI), Panaji, Goa from 2002-03 to 2011-12.

Agriculture is recognized as the backbone of Indian economy and Indian economy is called as agrarian economy. At present, more than 55 percent of India's workforce is engaged in agriculture and its development and growth assumes more importance for the Indian economy. In recognition of this, the Reserve Bank of India has been making efforts to extend credit through Indian banking network. The commercial banks prepare in advance a systematic annual credit plan for agriculture and monitor the same to achieve the target for the efficient and a balanced growth of agriculture. The calculated ratios of actual achievements to annual credit plan of commercial banks in Goa are presented in Table 1 and the table tells that all the banks viz., SBI and its associated, public sector banks and private banks are noticed to have provided two types of loans, viz., crop loans and term loans to farmers. The SBI and its associates are found to have performed better in providing crop loans as compared to the performance in term loans during the 10<sup>th</sup> plan period. A similar trend is observed during the 11<sup>th</sup> plan period. In case of public sector banks, they have done better in case of term loans as compared to the performance in case of crop loans and the same trend is observed during the 11<sup>th</sup> plan period. As far as the private sector banks are concerned, they have also achieved better in case of term loans as compared to crop loans during the 10<sup>th</sup> plan period and the same is observed during the 11<sup>th</sup> plan period. In case of public sector banks and private banks, both have extended more term loans as compared to crop loans and in case of SBI and its associates, they have performed better in case of crop loans as compared to term loans.

The analysis further reveals that the annual credit plans of all the three category of banks are observed to have been revised frequently during both the plan periods denoting a lot of fluctuations in the credit requirement of the farmers. Hence, in some years, all the banks are observed to have exceeded their credit plans. In other words, they provided credit to agriculture more than their annual targets. This further conveys that the growth of agriculture is not stable

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which is not good for the economy of Goa. However, all the commercial banks are found to have registered good growth in their achievement of planned agriculture credit.

**Table 2 : Comparative Analysis of Annual Credit Plan of Commercial Banks for Industry in relation to Actual Achievements during 10<sup>th</sup> and 11<sup>th</sup> Plan Period**

Industry is another major sector of the Goan economy and the balance growth of this sector is essential. The banks in the state provide mainly working capital fund to manufacturing and trading activities. For the balance growth credit plan is also regarded as important for the banks.

The annual credit plan of all the three categories of banks for the industry and their actual performance during 2002-03 to 2011-12 is studied and the same is disclose in the table

(Figures in %)

Plan	Year	SBI & its Associates	Public Sector Bank	Private Sector Banks
10 <sup>th</sup>	2002-03	110.62	73.06	24.82
	2003-04	175.74	102.11	135.29
	2004-05	143.57	136.28	51.38
	2005-06	61.64	52.61	676.88
	2006-07	104.38	14.61	27.69
	<b>Mean</b>	<b>119.19</b>	<b>75.73</b>	<b>183.21</b>
11 <sup>th</sup>	2007-08	79.06	100.98	95.04
	2008-09	51.43	124.40	267.32
	2009-10	3.46	47.74	234.28
	2010-11	23.41	39.11	228.14
	2011-12	88.59	14.04	108.76
	<b>Mean</b>	<b>49.19</b>	<b>62.25</b>	<b>186.71</b>
<b>Both</b>	<b>Overall</b>	<b>84.19</b>	<b>68.99</b>	<b>184.96</b>

Source: Year-wise Annual Reports of Lead Bank (SBI), Panaji, Goa from 2002-03 to 2011-12.

Industry is another important key sector of the Goan economy and a planned industrial growth is a pre-requisite for the progress of the state. For the industrial growth, capital is one of the essential input ingredients and the commercial banks are one of the major sources to meet financial/capital requirements of small, medium and large scale manufacturing units in the state. In order to meet timely credit requirements of industry, the commercial banks devise an annual credit plan for industry and accordingly, the banks make

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efforts to achieve their targets. The worked out ratios of actual achievements to total annual commitments of credit of SBI and its associates, public sector banks and private banks are displayed in Table 2. It can be learnt from the table that the performance of SBI and its associates is observed to be more than the annual commitments and vice versa during the 10<sup>th</sup> plan period and during 11<sup>th</sup> plan period, the performance is observed to be highly fluctuating trend. During the years 2009-10 and 2010-11, the disbursement of credit to industry is too negligible. The public sector banks are noticed to have registered a similar trend in their performance. In some years, they have achieved more than the commitments and in some years, satisfactory and during 2006-07 and 2011-12, their achievement is too negligible i.e. just 14 percent of their commitments. In case of private sector banks, during both the plan periods, they are found to have achieved more than their commitments in most of the years. During 2002-03 and 2006-07, their performance is found to be too poor. The plan wise analysis reveals that during the 10<sup>th</sup> plan period, the performance of SBI and its associates and public sector banks is found to be better as compared to their performance during 11<sup>th</sup> plan period. While in case of private banks, performance is better during the 11<sup>th</sup> plan period as compared to the performance during the 10<sup>th</sup> plan period.

The overall performance of all the commercial banks in their commitments as well as achievement is not satisfactory as lot of inconsistency/variation is observed during the study period. This fluctuating performance in providing credit to industry could be due to loan sanctioned in one particular year and not disbursed and the same would be disbursed in the subsequent years. An another reason might be because of a sudden rise in the demand for credit in one particular year or else banks could not assess the credit needs and requirements of industry in a particular year.

**Table 3 : Comparative Analysis of Annual Credit Plan of Commercial Banks for Services Sector in relation to Actual Achievements during 10<sup>th</sup> and 11<sup>th</sup> Plan Period**

The service sector is another important growing sector of the State of Goa. Tourism, transportation, trading, etc., are the major service activities in the state and these activities need finance. The bank provides credit to these activities and prepare annual credit plan for the different service sector.

The performance of the banks in the area of annual credit plan and actual performance is studied during 2002-03 to 2011-12. Result of the same is viewed from the below table

(figures in %)

Plan	Year	SBI & its Associates	Public Sector Bank	Private Sector Banks
10 <sup>th</sup>	2002-03	81.03	104.70	63.86
	2003-04	74.09	111.26	60.26
	2004-05	117.71	136.68	88.93
	2005-06	89.75	143.27	308.45
	2006-07	08.71	15.95	24.04
	<b>Mean</b>	<b>74.26</b>	<b>102.37</b>	<b>109.11</b>
11 <sup>th</sup>	2007-08	117.74	84.10	162.31
	2008-09	75.71	64.75	171.48
	2009-10	120.35	142.30	149.21
	2010-11	148.22	151.66	118.28
	2011-12	81.58	69.73	46.34
	<b>Mean</b>	<b>108.72</b>	<b>102.51</b>	<b>129.52</b>
<b>Both</b>	<b>Overall</b>	<b>91.49</b>	<b>102.44</b>	<b>119.32</b>

Source: Year-wise Annual Reports of Lead Bank (SBI), Panaji, Goa from 2002-03 to 2011-12.

Tourism, Hotel and Restaurants, transportation, information technology and other ancillary activities are some of the major growing service activities in the state. The commercial banks play a major role in meeting the credit and financial needs of the service sector. The calculated ratios of actual achievements to annual commitments of SBI and its associates, Public Sector Banks and private sector banks are presented in Table 3. The actual disbursement of loans in relation to annual commitments of all three category of banks during the 10<sup>th</sup> Five Year Plan except in the year 2006-07 is found to be satisfactory. While in the year 2006-07, the performance of all the banks is observed to be negligible and poor as they disbursed just between 8 to 24 percent of their annual commitments. In some years, the actual achievements are observed to be more than their annual commitments. During the 11<sup>th</sup> Five Year Plan, a similar observation is made in the performance of all the banks and the actual disbursement of credit is found to be more than their respective commitments. Plan-wise analysis conveys no significant difference in the performance of all the banks. It is further observed that there is a lot of ups and downs in the annual commitments as well as in the annual achievements in case of all the banks during the whole study period. In most of the years of the study period, all the banks exceeded their commitments which means that major portion of their annual commitment were disbursed during the subsequent years. This further conveys that there is not planned and consistent growth of service sector.

**CONCLUSION:****1. Annual Credit Plan for Agriculture and Actual Achievements:**

All the commercial banks are found to have provided two types of loans viz crop loan and term loans to farmers. The SBI and its associates have performed better in providing crop loans as compared to the performance in term loans during the 10<sup>th</sup> plan period. A similar trend is observed during the 11<sup>th</sup> plan period. The public sector banks have performed better in case of term loans as compared to the crop loans and the same trend is observed during the 11<sup>th</sup> plan period. In case of private banks, they have also done better in term loans as compared to crop loans during the 10<sup>th</sup> plan and the same is observed during the 11<sup>th</sup> period. The study further indicated that the annual credit plans of all the three category banks are found to have been revised frequently during both plan periods because of lot of fluctuations in the credit requirements of the farmers and therefore, in some years, all the banks have exceeded their credit plans. The analysis further conveyed that the growth of agriculture is not stable. In spite of that, all the commercial banks are found to have registered good growth in their achievements of planned agriculture credit.

**2. Annual credit plan for Industry and Actual Achievements:**

The performance of SBI and its associates is found to be more than the annual commitments and vice versa during the 10<sup>th</sup> plan period and it was highly fluctuating during 11<sup>th</sup> plan period. During the years 2009-10 and 2010-11, the disbursement of credit to industry is found to be too negligible. The public sector banks are noticed to have registered a similar in their performance. During some years, they have achieved more than the commitments and during some years performance was just satisfactory. During 2006-07 and 2011-12, these banks achievements are too negligible i.e. just 14% of their commitments. In case of private banks, they are found to have achieved more than their commitments in most of the years. The plan-wise analysis revealed that during 10<sup>th</sup> plan period, the performance of SBI and its associates and PSBs is found to be better as compared to their performance during 11<sup>th</sup> plan period. While in case of private banks, performance is better during the 11<sup>th</sup> plan as compared to the performance during the 10<sup>th</sup> plan period. The overall performance analysis of commercial banks showed that the performance in their commitments and actual achievements is not satisfactory and observed a lot of inconsistency during the study period. The fluctuating performance in providing credit to industry could be due to loan sanctioned in one particular year and not disbursed and the same would be disbursed in the subsequent years. Another reason might be because of a sudden rise in the demand for credit in one particular year.

**3. Annual Credit Plan for Service Sector and Actual Achievements:**

The actual disbursement of loans in relation to annual commitments of all the three category of banks is found to be satisfactory, while in the year 2006-07,

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the performance of all the banks is found to be negligible and poor as banks disbursed just between 8 to 24% of their annual commitments. During the 11<sup>th</sup> five year plan, a similar observation is made in the performance of all the banks and the actual disbursement of credit is found to be more than their respective commitments. Plan-wise analysis revealed no significant difference in the performance of all the banks. Lot of ups and downs in the annual commitments as well as in the annual achievements is case of all the banks was observed during the study period. It was further observed that in most of the years, all the banks exceeded their commitments which indicate major portion of their annual commitments were disbursed during the subsequent years. This further speaks that no planned and consistent growth of service sector.

#### **SUGGESTIONS:**

The commercial banks in the State prepare every year annual credit plan / annual credit commitments and the Lead Bank i.e. State Bank of India co-ordinates the same. The annual credit plans are prepared for all the three important sectors viz, agriculture, industry, service sector and be leading to priority sector. The analysis of Annual credit plan and actual achievements revealed very poor performance during the study period. In some years, the actual performance was observed to be extremely more than the annual commitments and in some years, very negligible actual performance was observed as compared to the annual commitments of the banks. In this context, the banks need to make concerted efforts to assess the real credit requirements and accordingly, need to put efforts to achieve effectively planned targets. This will ensure stability in the performance of commercial banks.

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