

# ANALYSIS OF CREDIT SANCTIONS AND DISBURSEMENTS: A STUDY OF SYNDICATE BANK

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## Abstract:

*The banking sectors are the lifeblood of developing economy. They act as catalyst in achieving speedy economic development of a country. As a key component of financial system, banks distribute funds from savers to borrowers in an efficient manner. They have control over a large part of the supply of money in circulation, and they can influence the nature and character of production in country. Among the various functions of the banks, credit sanctions and disbursements are the one of the important function of the banks. Percentage of credit disbursed to credit sanctioned is important. Because, there should not be too much gap between credit sanctions and disbursements. Timely sanctions of loans and disbursement is also considered as important for the success of the banks. Therefore the study of credit sanctions and disbursement of Banks assumes a great importance in a developing economy. The present study is on analysis of credit sanctions and disbursements : A case study of Syndicate Bank over the period of six years (2012-2017). The research paper is based on the secondary data. The collected data is analyzed using mean, percentage. one way Anova test. The study concluded that success in the banking business is largely depends on effective lending. Timely sanction and disbursement of loan is very important to meet the customers' needs. The percentage of credit sanctions to credit disbursements should be high to reach the very purpose of banking business.*

**KEYWORDS: SANCTIONS, DISBURSEMENTS, CREDIT, SYNDICATE BANKS, INDUSTRY.**

## INTRODUCTION:

The banking sectors are the lifeblood of developing economy. They act as catalyst in achieving speedy economic development of a country. As a key element of financial system, banks are dealing with many macro-economic indicators. So they can largely influence the economic matters of a country.

Banks<sup>1</sup> are one of the most important parts of any country. In this modern time money and its necessity is very important. A developed financial system of the country can ensure scope for attaining economic

development. A modern bank provides valuable services to a country. To attain development there should be a good developed financial system to support not only the economic but also the society. So, banks play a fundamental role in the socio economic matters of the country. The banks have control over a large part of the supply of money in circulation in the country, and they can persuade the nature and character of production in country.

The banks collect the money from public through deposits and distribute this money to the needy persons in the form of credit. The customers apply for loans in the banks; the banks analyze the customers by using pre-determined standards. If the customers fall within those standards then they give loans to those customers. Sanctioning process begins from here. After sanctions of credit, credit disbursements follow. Period of time taken by the banks to sanctions and disbursement of credit is very important.

Hence, among the various functions of the banks, credit sanctions and disbursements are one of the important functions of the banks. The percentage of credit disbursement to sanction shows the contribution made by the bank towards economic development of the country.

Therefore, Present study is conducted to analyze the credit sanctions and disbursements of Syndicate Bank.

## REVIEW OF LITERATURE:

**D.Ganesan, R.Santhanakrishnan (2013)**<sup>2</sup> found by their study that banking industry has undergone a major change after the first phase of economic liberalization; hence the importance credit management has emerged. In recent time banks are very cautious in extending loan, because of mounting NPA. This article highlights the reasons for an assets becoming NPA and remedial measures to be taken. Due to various steps taken by the Government of India NPA levels were reduced to considerable level.

**T.V.Sethuraman**<sup>3</sup> in a study analyzed the progress of Industrial Finance Corporation of India. Researcher found that the even though the corporation was authorized to give loan for a period of 25 years, the maximum period for which the loans were sanctioned during the period did not exceed 15 years. Researcher also stated that even though refinance increased in absolute terms, in comparative terms it was not encouraging. Funds were directed to sectors other than small-scale sectors. The automatic refinance schemes started in 1979-80 quickened the pace of assistance. He pointed out that the bill rediscounting assistance and seed capital assistance were encouraging. The author observed that small industries development fund (SIDF) started by IDBI exclusively by small-scale sectors was very useful.

**Allagappan and Amirthagowri**<sup>4</sup> in their study analyzed the functioning of All India Development Banks, which included IDBI, IFCI, ICICI, SIDBI, IRBI and SCICI. The study explained that the industry wise assistance in which chemical and chemical product industry, textile and services held the first three ranks in the cumulative assistance sanctioned. The author concluded by stating that the development banks played a major role in the field of industrial finance. Among them the IDBI contributed more for the development of the industries.

#### **NEED FOR THE STUDY:**

The borrowers who have in need of the money approach the banks to get credit sanction and disbursement, so that they can utilize these money in productive area. But percentage of credit disbursed to credit sanctioned is also important for them. Because, there should not be too much gap between credit sanctions and disbursements. Therefore present study is conducted to analyze the percentage of credit disbursements to credit sanctions.

#### **SCOPE OF THE STUDY:**

The study analyzed the credit sanctions and disbursements to priority sectors and non-priority sectors in Syndicate Bank only. The study is based on the secondary data. The period of study is 6 year (2011-12 to 2016-17).

#### **OBJECTIVES OF THE STUDY:**

1. To analyze Priority sector credit sanctions and disbursements.
2. To analyze the Non Priority sector credit sanctions and disbursements
3. To provide useful suggestions based on the findings of the study.

#### **HYPOTHESIS OF THE STUDY:**

1. **There is no significant difference in credit sanctioned to priority sectors**

**There is significant difference in credit sanctioned to priority sectors**

2. **There is no significant difference in credit Disbursed to priority sectors**

**There is significant difference in credit Disbursed to priority sectors**

#### **METHODOLOGY:**

The study is analytical in nature, and it is based on the secondary data. The information has been retrieved from annual reports and bank records of Syndicate Bank. The data has been analyzed by using percentage, one-way ANOVA.

## ANALYSIS:

**Table:1 Credit Sanctions and Disbursements to Agricultural Sectors(Priority)**

Year	Credit Sanctions (Rs in Crores)	Credit Disbursements (Rs in Crores)	%of Credit Disbursement to Credit Sanctions
2012	6563.08	6231.05	94.94094
2013	8233.64	7920.83	96.20083
2014	10703.54	9250.93	86.4287
2015	13461.73	11530.32	85.65259
2016	21978.63	20988.56	95.49531
2017	21466.24	21249.76	98.99153

Source: Bank records

The table 1 represents credit sanctions and disbursements to agricultural sectors (Priority Sectors). A glance at Table 1 provides that the percentage of credit disbursed to sanctioned was highest in the year 2017 to the tune of 98.99% and 95.49 percent in the year 2016. Proportionate share of credit disbursed out of credit sanctioned worked out to be 85.65 per cent in the year 2015 which was very low compared to remaining period of the study.

**Table: 2 Credit Sanctions and Disbursements to Industrial Sectors(Priority)**

Year	Credit Sanctions (Rs in Crores)	Credit Disbursements (Rs in Crores)	% of Credit Disbursement to Credit Sanctions
2012	1656.01	1590.95	96.07128
2013	2527.12	2122.90	84.00472
2014	4155.77	3893.60	93.69142
2015	5412.56	4568.88	84.41255
2016	5959.72	5368.03	90.07185
2017	6149.18	5943.88	96.66134

Source: Syndicate Bank records

It can be observed from Table 2 that percentage of credit disbursed to sanctioned in the area of industrial sectors was highest during the year 2012 and 2017 to the tune of 96.07 percentage and 96.66 percentage respectively. It is pertinent to note that the bank recorded very low percentage of credit disbursed to credit sanctioned in the year 2013 and 2015 i.e., 84 percentage and 84.41 percentage respectively.

**Table: 3 Credit Sanctions and Disbursements to Service sectors (Priority)**

Year	Credit Sanctions <i>(Rs in Crores)</i>	Credit Disbursements <i>(Rs in Crores)</i>	% of Credit Disbursed to Credit Sanctioned
2012	4735.45	4467.92	94.35048
2013	6074.44	5982.31	98.48332
2014	7407.20	7070.12	95.44929
2015	9883.42	8176.06	82.72501
2016	12696.14	12642.19	99.57507
2017	12016.56	11914.51	99.15076

Source: Syndicate Bank records

The table 3 represents the percentage of credit disbursed to credit sanctioned to the service sectors. During the period of the study the percentage of credit disbursed to credit sanctioned was highest during the year 2016 and 2017 i.e., 99.57 percentage and 99.15 percentage. And this percentage was very low in the year 2015 i.e., 82 percentage compared to remaining period of the study.

**Table: 4 Credit Sanctions and Disbursements to Retail Sectors(Priority)**

Year	Credit sanctions <i>(Rs in Crores)</i>	Credit Disbursements <i>(Rs in Crores)</i>	%of credit disbursed to Credit Sanctioned
2012	1989.86	1937.20	97.35358
2013	2237.12	2026.28	90.57538
2014	1743.54	1622.25	93.04346
2015	2692.10	2509.87	93.23093
2016	2555.34	2194.05	85.86137

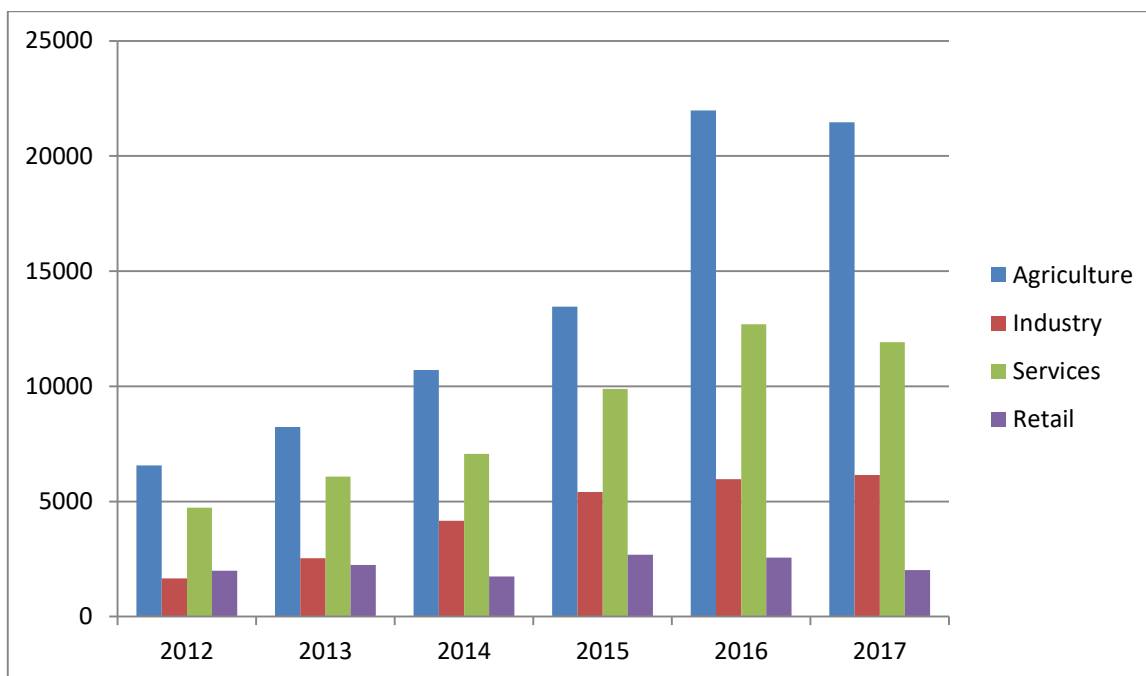


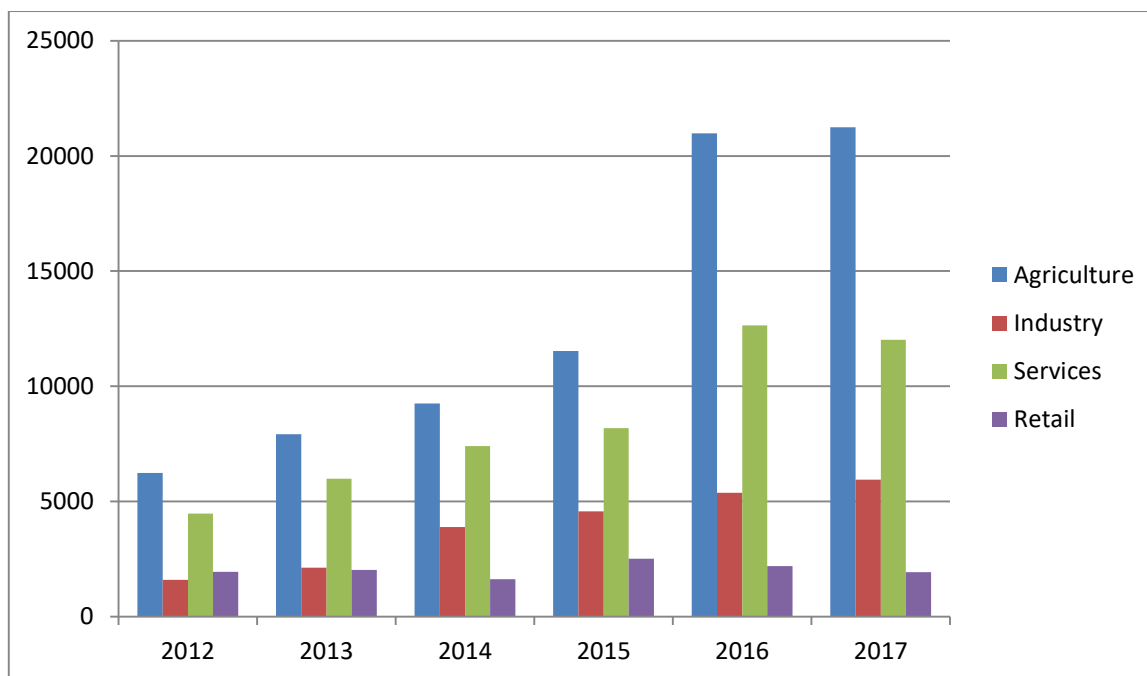
2017	2013.97	1924.67	95.56597
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Source: Syndicate Bank records

The analysis given in Table 4 provides that, during the period of the study the bank recorded highest percentage of credit disbursed to sanctioned during the year 2012 to the tune of 97.35percentage, and it was declined to 90.35 percentage during the year 2013 and it again raised to 93 percentage in the year 2014 and 2015 and a sudden decline in percentage occurred during the year 2016 and it was very low compared to the remaining period of the study.

FIGURE 1: CREDIT SANCTIONS TO PRIORITY SECTORS



**FIGURE 2: CREDIT DISBURSEMENTS TO PRIORITY SECTORS****Table: 5 Credit Sanctions and Disbursements to Service Sectors (Non-Priority)**

Year	Credit Sanctions (Rs in Crores)	Credit Disbursements (Rs in Crores)	%of Credit Disbursed to Credit Sanctioned
2012	305.77	147.34	48.18655
2013	545.85	424.87	77.83642
2014	2430.94	1962.18	80.71692
2015	844.78	617.39	73.08293
2016	1625.11	1396.53	85.93449
2017	1435.92	1135.94	79.10886

Source: Syndicate Bank records

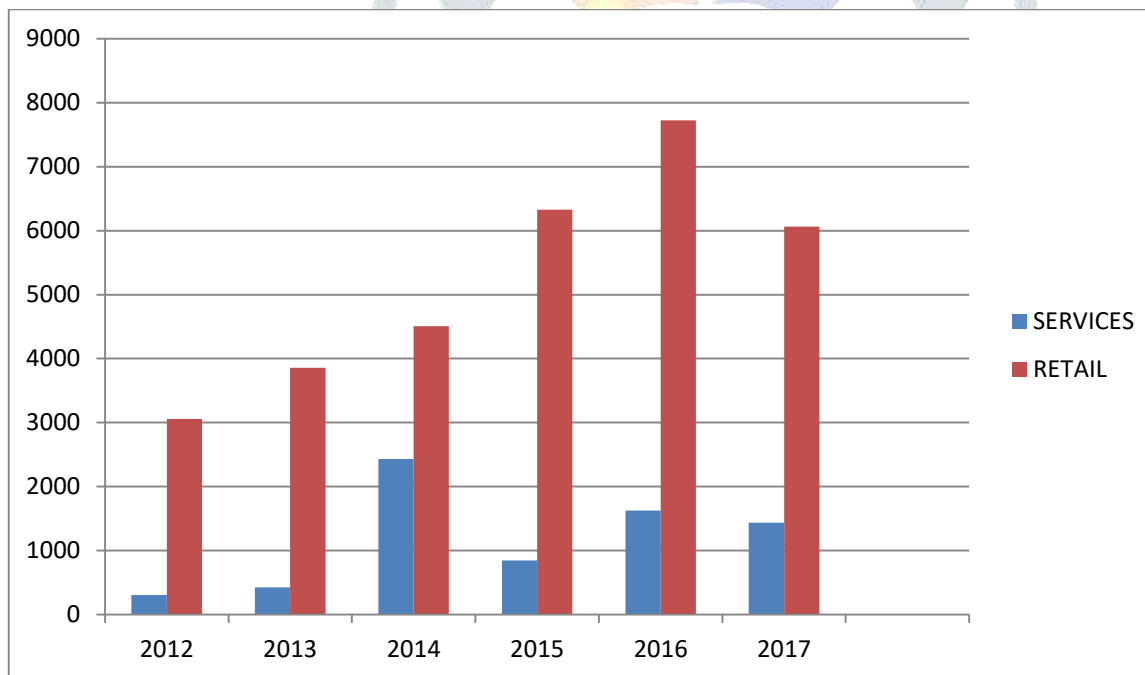
As depicted in Table 5 the percentage of credit disbursed to credit sanctioned in the area of service sector(non-priority) was highest during the year 2016 i.e., 85.93 percentage and declined to 79.10 percentage during the year 2017 . And this percentage was very low in the year 2012 to the tune of 48.18%.

**Table: 6 Credit Sanctions and Disbursements to Retail Sector (Non-Priority)**

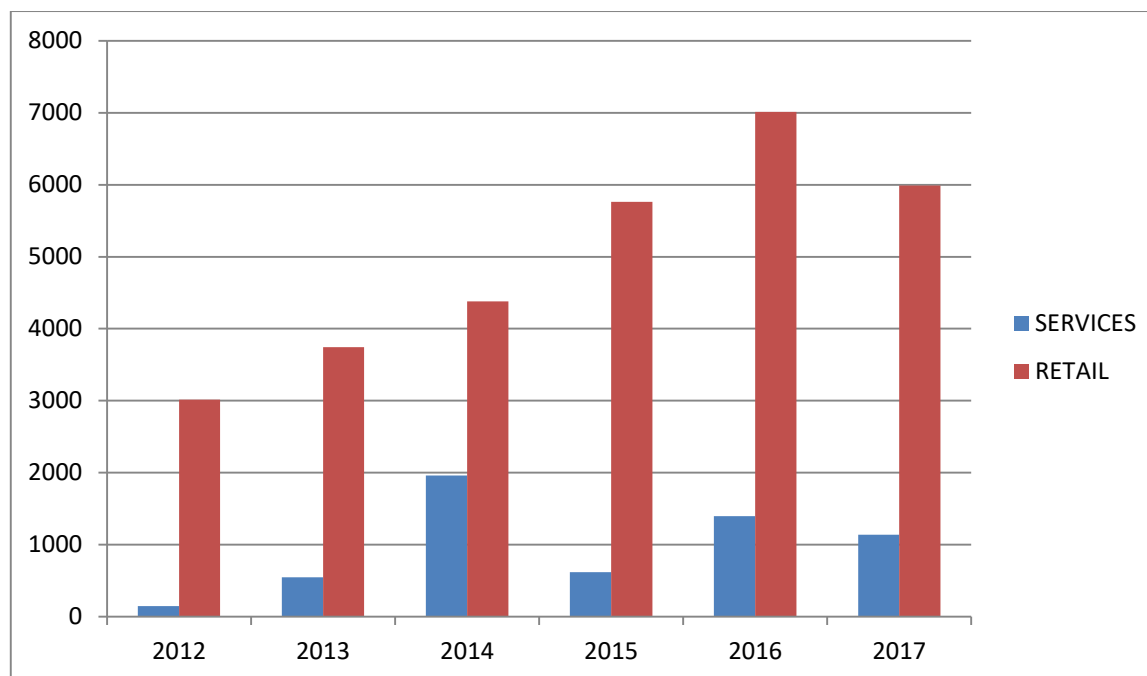
Year	Credit sanctioned (Rs in Crores)	Credit Disbursed (Rs in Crores)	% of Credit Disbursed to Credit Sanctioned
2012	3055.48	3014.02	98.64309
2013	3858.14	3741.89	96.98689
2014	4508.32	4378.32	97.11644
2015	6331.05	5761.13	90.99802
2016	7726.72	7011.57	90.74446
2017	6062.02	5991.31	98.83356

Source: Syndicate Bank records

A glance at Table 6 provides that the percentage of credit disbursed to credit sanctioned was highest in the year 2012 and 2017 to the tune of 98.64% and 98.83 percentage respectively. And this percentage was very low in the year 2015 and 2016 to the order of 90.9 and 90.7 respectively.

**FIGURE 3: CREDIT SANCTIONS TO NON-PRIORITY SECTORS**



**FIGURE 4: CREDIT SANCTIONS TO NON-PRIORITY SECTORS****Table: 7 Other Sector Credit Sanctions and Disbursements**

Year	Credit Sanctions (Rs in Crores)	Credit Disbursements (Rs in Crores)	%of Credit disbursed to Credit Sanctioned
2012	52372.23	43527.10	83.11103
2013	60626.33	47348.26	78.09851
2014	59722.73	49756.03	83.31171
2015	64104.79	48690.66	75.95479
2016	50075.85	44020.48	87.9076
2017	52616.86	47144.53	89.59966

Source: Syndicate Bank records

The analysis given in Table 7 provides that, during the period of the study, the bank recorded highest percentage of credit disbursed to sanctioned in the year 2017 to the tune of 89.59 percentage, and it was low i.e., 75.95 percentage during the year 2015 and it again raised to 87.90 percentage in the year 2016 and 2017.

## Hypothesis Testing:

1. There is no significant difference in credit sanctioned to priority sectors

**There is significant difference in credit sanctioned to priority sectors**

### ANOVA

Credit Sanctions

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4.700E8	3	1.567E8	10.809	.000
Within Groups	2.899E8	20	14493815.547		
Total	7.599E8	23			

*Source: SPSS software*

The ANOVA test for sector wise credit sanctioned to priority sector found that calculated F statistics value of 10.809 is greater than the table value of 3.24 at 5 % level of significance. Results of our ANOVA analysis supports the alternative hypothesis that there is significant difference in sector wise priority sector credit sanctions of Syndicate Bank.

2. There is no significant difference in Credit Disbursement to priority sectors

**There is significant difference in Credit Disbursement to priority sectors**

### ANOVA

Credit Disbursements

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4.229E8	3	1.410E8	9.766	.000
Within Groups	2.887E8	20	14435427.423		
Total	7.116E8	23			

*Source: SPSS software*

The ANOVA test for sector wise credit disbursement to priority sector found that calculated F statistics value of 9.766 is greater than the table value of 3.24 at 5 % level of significance. Results of our ANOVA analysis supports the alternative hypothesis that there is significant difference in sector wise priority sector credit sanctions of Syndicate Bank.

## FINDINGS:

1. With regard to percentage of credit disbursed to sanction in the agricultural sectors (priority), the bank recorded highest percentage i.e. 98% in the year 2017.
2. Analysis of percentage of credit disbursed to credit sanctioned to industrial sectors (priority) revealed that bank recorded high percent i.e. 96.66 during year 2017.
3. It is found that the bank achieved 96.57 percentage of credit disbursed to credit sanction to service sectors during the year 2016.
4. Analysis of percentage of credit disbursed to sanction to retail sectors (priority) revealed that bank recorded high percent i.e. 97.35 during year 2012.
5. Analysis of percentage of credit disbursed to sanction to services (non-priority) sectors revealed that bank recorded high percent i.e. 85.93 during year 2016.
6. Analysis of percentage of credit disbursed to sanction to retail (non-priority) sectors revealed that bank recorded highest percent i.e. 89.59 during year 2017.
7. Hypothesis test proved that there is significant difference in sector wise credit sanctions of Syndicate Bank.
8. Hypothesis test proved that there is significant difference in sector wise credit disbursement of Syndicate Bank

## SUGGESTIONS:

1. Credit sanctions and disbursements must be in time to avoid borrowings from high cost non institutional source, improper utilization of inputs and diversion of funds.
2. Timely supply of credit reduces the problems of low recovery and high NPA. Hence, all banks must start application processing immediately after filing and sanction credit soon after completion of its process.
3. Credit sanctions and disbursements is one of the vital functions of banks, proper care should be taken while sanctioning loans to customers.

4. Recovery of loan depends on credit sanctions and disbursements because while sanctioning and disbursing loan to customers proper analysis of customer is important.
5. The banks should sanction more loans to priority sectors like industry, agriculture etc.,

**CONCLUSION:** Banks play a vital role in the economic development of the country. The popularity of banks is increasing day by day which leads to increase in competition as well. Success in the banking business is largely depends on effective lending. Timely sanction of loan sanctioned and disbursement is very important to meet the customers' needs. Percentage of credit disbursed to credit sanctioned is also important for them. Because, there should not be too much gap between credit sanctions and disbursements. Therefore success of every bank also depends on proper credit sanctions and disbursements.

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