



A STATEWISE STUDY OF PRIORITY SECTOR LENDING BY COMMERCIAL BANKS

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Abstract: Lending to priority sectors became an important part of the national program after the nationalization of the banks. This is a program that is offered to major industries like Agriculture, Small Industry, Education Loans, Housing, Weaker Sections, etc. This paper attempts to examine trends in the progress of the priority sectors lending by different states and UTs of India in last 5 years. This study is based on parameters such as lending to the priority sector by states as per the reports of Reserve Bank of India. Based on these parameters, the study comes to the conclusion that Western Region States are ahead of most in terms of priority sector lending lead by Maharashtra.

Key Words: Priority Sector, Commercial Banks, RBI, Advances

Introduction

Senior sector lending and social banking concepts have been developed and adopted for lending purposes. The priority sector credit quota for commercial banks has been an important tool for allocating finance to agriculture, small businesses and self-employment programs. Commercial banks play an important role in financing priority economic sectors. In 1967-1968 the Indian government instituted social control over banks to support agriculture and small-scale industries. The 1968 National Council of Credit emphasized that commercial banks should increase their contribution to financing priority sectors, namely agriculture and small industry. On the basis of the report submitted by the informal study group, the description of the priority sectors has been formalized. The Reserve Bank of India has issued some guidelines indicating the scope of the position to be included in the various priority sector categories based on this report.

The description of the priority sector was formalized in 1972 on the basis of the report of the Informal Study Group on Statistics on Progress in the Priority Sector prepared by the Reserve Bank. Although no specific target was originally set for senior sector lending from November 1974 onwards, public sector banks were advised that their lending to the senior sector was expected to reach at least one-third of the outstanding loans by March 1979, as of November 1978. It also recommended that private sector banks pay at least 33% of their total priority sector lending till March-1980. As a result, the target was raised to 40% of total advances. To achieve this overall target, a sub-target has also been set for loans to the agricultural sector and the lower ranges for banks. At present, banks are required to lend at least 18% and 10% of their net bank credit (CNB) to the agricultural sector or the weaker social classes. Foreign banks operating in India were also asked to gradually increase their advances to reach 15% of their ABC level by the end of March 1992. In April 1993 this ratio was increased further to 32% of the NBC, to reach by March '1994. Under the enhanced target of 32%, two sub-targets of 10% for the ISS and 12% for export have been set. Based on the revised Priority Sector Lending Guidelines, the Priority Sector Credit Target / Sub-target is now linked to the Adjusted Net



Bank Credit (ANBC) or the credit equivalent of the off-balance sheet exposures depending on the highest amount with effect from April 30, 2007.

Priority Sector Loans

Priority Sector Loan is a program proposed to provide credit to key sectors of the economy, namely agriculture, small industry, educational loans, home loans, and weaker sections. It is an active tool of our fiscal policy aimed at restoring sectoral balance with loan disbursements and developing the weakest areas of these sectors. The priority sectors include sectors of the economy which, without this special privilege, may not receive adequate credit in a timely manner. These are usually low-value loans to farmers for agriculture and related activities, micro and small businesses, poor for housing, students for education and other low-income groups, and to the weakest sections.

REVIEW OF LITERATURE

Joshi (1972) predicted that the RBI would clearly and precisely define the various components of the priority sector, as some banks do not have precise knowledge of the exact size of agricultural loans.

Angadi (1983) observed the inclusion of loans to the priority sector in general and agricultural advances in particular in certain states due to the expansion of branches repaid, the mobilization of deposits, the privileged cultivation area, the introduction of high-yielding varieties, etc.

Patel (1996) analyzed the progress of commercial banks on various components of lending to the priority sector, namely agriculture, small-scale industry and other advances in the priority sector including rural artisans, transport companies, education, etc. Keeping group households at 70.15 percent for average households.

Namasivayam & Ganesan (2008) used Friedman's test to analyze the performance of various commercial banks classified in SSI Financing, Madurai District, Tamil Nadu. The study found that groups of state-owned banks had a higher performance range than domestic commercial banks and private banks.

Ahmed (2010) examined various factors that could influence the bank financing pattern of priority sectors. The study found that the 97% variation in bank financing for agriculture in the three districts of the Barak Valley in Assam was explained by an independent variable. A positive interest rate is shown under the coefficient • while the bank's business volume was negative but both were not statistically significant. The study suggested taking an adequate recovery from lending systems, otherwise banks will face a liquidity crisis in order to recycle the fund.

Sharma (2012) analyzed the similarity of priority lending practices for private and public banks, and also examined which are more engaged. The result shows that the total loan amount of the two sectors is different from each other, but the proportion of the amount is almost the same.

OBJECTIVES OF THE STUDY

- To study the trends of state wise priority sector lending.

**STATE WISE PRIORITY SECTOR LENDING**

- The below mentioned table show cases the trends for state wise priority sector lending in terms of state wise number of accounts opened.

State/UT	No. of A/cs of Priority Sector Lending				
	2020	2019	2018	2017	2016
NORTHERN REGION	1,57,96,054	1,38,61,008	1,12,91,079	1,02,21,075	98,77,196
Chandigarh	1,61,991	1,48,808	95,112	83,919	73,593
Delhi	8,60,951	8,15,180	6,10,361	6,67,249	6,32,995
Haryana	28,90,871	25,61,058	20,18,096	17,35,552	16,35,551
Himachal Pradesh	5,26,775	5,20,574	5,08,745	4,89,249	4,82,664
Jammu & Kashmir	11,28,006	7,81,051	7,58,074	7,34,890	7,44,030
Punjab	32,43,034	30,48,401	25,37,496	22,74,749	21,94,682
Rajasthan	69,84,426	59,85,936	47,63,195	42,35,467	41,13,681
NORTH EASTERN REGION	47,11,109	46,33,478	30,29,487	33,53,293	30,57,393
Arunachal Pradesh	31,300	34,186	25,174	25,002	26,555
Assam	36,72,477	35,97,542	21,38,670	25,30,662	22,99,460
Manipur	1,25,048	99,883	65,140	64,829	65,456
Meghalaya	1,17,145	1,15,197	93,918	1,07,597	1,04,945
Mizoram	48,572	38,964	2,17,539	35,397	36,748
Nagaland	76,989	64,113	51,784	60,836	56,751
Tripura	6,39,578	6,83,593	4,37,262	5,28,970	4,67,478
CENTRAL REGION	2,26,79,933	2,04,72,790	1,67,30,161	1,54,59,559	1,45,95,833
Chhattisgarh	17,10,427	15,24,686	11,77,699	10,09,864	8,89,117
Madhya Pradesh	76,68,743	67,04,815	53,91,832	49,45,637	45,47,110
Uttarakhand	25,62,093	19,61,661	29,63,520	7,08,078	8,70,321
Uttar Pradesh	1,07,38,670	1,02,81,628	71,97,110	87,95,980	82,89,285
EASTERN REGION	3,00,90,459	2,53,00,155	1,71,84,091	1,71,79,291	1,81,72,251
Andaman & Nicobar	18,294	18,493	19,218	18,664	19,357
Bihar	88,74,785	73,74,024	54,64,466	46,08,800	52,43,169
Jharkhand	30,99,816	25,18,527	18,64,361	16,89,874	16,20,473
Odisha	59,27,660	50,25,482	34,84,018	28,91,639	27,12,705
Sikkim	59,754	1,91,725	31,703	40,114	38,016
West Bengal	1,21,10,150	1,01,71,904	63,20,325	79,30,200	85,38,531
WESTERN REGION	1,86,23,197	1,78,18,915	1,42,71,499	1,37,84,907	1,37,24,660
Dadra & Nagar Haveli	19,497	15,048	11,152	11,915	9,584
Daman & Diu	7,119	7,079	6,664	7,216	7,307
Goa	1,66,751	1,60,645	1,62,926	1,55,708	1,48,263
Gujarat	56,65,742	51,00,063	40,47,899	36,59,114	35,29,282
Maharashtra	1,27,64,088	1,25,36,080	1,00,42,858	99,50,954	1,00,30,224
SOUTHERN REGION	6,06,59,670	5,72,78,170	4,96,10,735	4,18,36,242	4,01,25,387
Andhra Pradesh	95,32,007	94,52,325	87,51,325	80,26,118	78,62,925
Karnataka	1,05,10,024	96,14,160	76,71,942	65,43,307	64,02,717
Kerala	91,19,140	85,78,482	73,48,691	57,63,562	56,22,588
Lakshadweep	2,962	2,838	2,377	3,595	3,400
Puducherry	5,17,152	4,67,614	3,73,723	2,71,157	2,52,652
Tamil Nadu	2,64,11,706	2,47,47,427	2,13,66,630	1,72,16,145	1,60,27,965
Telangana	45,66,679	44,15,324	40,96,047	40,12,358	39,53,140
ALL INDIA	15,25,60,422	13,93,64,516	11,21,17,052	10,18,34,367	9,95,52,720



- The below mentioned table show cases the trends for state wise priority sector lending in terms of state wise number of accounts opened.

State/UT	Balance O/s of Priority Sector Lending (Amt in Lacs)				
	2020	2019	2018	2017	2016
NORTHERN REGION	6,62,239	6,47,801	5,58,246	5,26,662	5,11,663
Chandigarh	15,117	13,972	12,773	12,686	12,038
Delhi	1,77,847	1,44,165	1,20,246	1,24,575	1,27,117
Haryana	1,14,580	1,26,412	1,11,395	96,724	95,264
Himachal Pradesh	17,172	16,842	15,297	14,398	14,110
Jammu & Kashmir	30,118	27,076	23,649	19,180	19,381
Punjab	1,31,145	1,32,431	1,28,839	1,22,990	1,22,741
Rajasthan	1,76,260	1,86,903	1,46,047	1,36,109	1,21,012
NORTH EASTERN REGION	47,534	47,971	36,420	34,866	31,107
Arunachal Pradesh	1,043	1,408	902	863	777
Assam	35,140	34,605	26,279	24,972	22,538
Manipur	1,944	2,181	1,458	1,982	1,214
Meghalaya	1,934	2,037	1,629	1,675	1,581
Mizoram	1,062	1,036	1,240	874	844
Nagaland	1,172	1,084	1,068	993	909
Tripura	5,239	5,619	3,844	3,507	3,244
CENTRAL REGION	4,72,179	4,70,156	4,01,781	3,62,063	3,30,076
Chhattisgarh	41,608	42,163	35,350	31,560	27,414
Madhya Pradesh	1,55,406	1,60,918	1,32,462	1,14,452	1,01,594
Uttarakhand	77,177	59,557	73,432	22,749	26,793
Uttar Pradesh	1,97,988	2,07,519	1,60,537	1,93,302	1,74,274
EASTERN REGION	3,47,834	3,17,813	2,64,068	2,45,253	2,33,125
Andaman & Nicobar	1,010	926	778	717	781
Bihar	72,224	66,915	56,922	50,352	46,993
Jharkhand	34,899	33,302	29,815	25,937	24,994
Odisha	61,416	56,994	46,768	41,184	38,469
Sikkim	1,350	1,606	944	1,012	993
West Bengal	1,76,935	1,58,070	1,28,840	1,26,050	1,20,895
WESTERN REGION	12,93,320	11,80,978	9,81,295	8,36,885	7,50,578
Dadra & Nagar Haveli	1,460	1,353	1,002	841	768
Daman & Diu	728	750	674	637	590
Goa	7,399	7,553	8,099	7,619	7,406
Gujarat	2,71,197	2,41,036	2,03,033	1,93,498	1,68,564
Maharashtra	10,12,536	9,30,286	7,68,486	6,34,290	5,73,250
SOUTHERN REGION	11,46,816	10,75,234	9,78,220	9,24,443	8,94,916
Andhra Pradesh	2,06,007	1,94,780	1,71,767	1,55,103	1,45,257
Karnataka	2,13,008	2,09,922	2,06,295	2,02,894	2,11,283
Kerala	1,70,780	1,63,389	1,40,468	1,31,992	1,25,276
Lakshadweep	39	39	32	39	115
Puducherry	6,669	6,354	5,597	5,144	4,769
Tamil Nadu	4,14,900	3,81,227	3,44,007	3,16,364	3,01,956
Telangana	1,35,414	1,19,522	1,10,055	1,12,907	1,06,261
ALL INDIA	39,69,922	37,39,954	32,20,030	29,30,172	27,51,466

Source: rbi.gov.in



CONCLUSION

Amongst all the region of India southern region states have the highest share in terms of No of advances accounts and the western region has less no of accounts but when we consider the amount of advances then the western region states even after having less number of no of accounts has the highest amount of advances sanctioned. While north east region has the least no of accounts as well as least sanctioned advances. If we consider the states, Tamilnadu and Maharastra has the biggest piece of cake. Both the states almost has PSL amounting to total of almost 20 states and UTs. So we can say that there is an imbalance of the PSL advance amongst different states of India.

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