A COMPARITIVE STUDY OF PERFORMANCES OF COMMERCIAL BANKS WITH REGARDS TO PRIORITY SECTOR LENDING

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Priority sectors form the basis and basic structure of an economy. provide adequate financial support to these important sectors can lead to the development of an economy in real terms. These sectors include agriculture, micro small and medium enterprises, housing, education and other weaker sections of an economy. Reserve Bank of India, since 1968 they specified separate objectives and sub-objectives for loans to priority sectors, which are underfunded transferred to the Rural Infrastructure Development Fund (RIDF).

This study proposes analyze the trends and performance patterns of loans to priority sectors at all levels in India e Punjab especially from 2004-05 to 2017-18. Comparative analysis of public and private. banks has been done in India and Punjab and the impact of the crisis period on lending to priority sectors. It is also studied by sectors. Steady CAGR and increasing growth rates indicate positivity lending environment in banks. But the lack of social purpose in private banks needs be taken care of. Loans to priority sectors have multiple benefits for boosting an economy and, therefore, This study analyzes trends and performance, identifies problem areas and makes suggestions some policy implications for improving credit to priority sectors.

Keywords: *Priority Sector Lending, Commercial Banks, Public Sector Banks, Private Sector Banks*

Introduction

Priority sectors are the segments of society that form the backbone of an economy and it helps in the economic development of the nation if supported financially. This term Priority Sector Lending was coined by the late Shri Morarji Desai, the then Deputy Prime Minister of India and Minister of Finance. As these sectors are privately funded and neglected, the

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government has he defined them as priority sectors, giving them priority in the disbursement of credit absolute priority to national development and the achievement of national goals (Bhatt, N.S., 1986).

These segments include agriculture, small-scale industries, housing, education, export credit and other weaker sectors of society. Provide loans to these priority sectors prime rates, in a timely manner and with a liberal policy framework, help them thrive and improve national development parameters such as national income, GDP, employment level, etc., since they are the foundations of the primary, secondary and tertiary sectors of economics (Kaur, 1999). This type of loan is also called Direct Loan or Social Loan. Bancario, i.e. banking with social intent. Therefore, priority industry lending is an essential instrument for financially helping the weakest section of society and directing a nation's funds to more productive areas.

Targets given to Commercial Banks for Priority Sector Lending by RBI

Categories	**Domestic scheduled commercial banks and Foreign banks with 20 branches and above**	**Foreign banks with less than 20 branches**
Total Priority Sector	40 percent of Adjusted Net Bank Credit	40 percent of Adjusted Net Bank Credit to be achieved in a phased manner by 2020
Agriculture	18 percent of ANBC	Not applicable
Micro Enterprises	7.5 percent of ANBC	Not applicable
Advances to Weaker Sections	10 percent of ANBC	Not applicable

Source: Master Circular - Lending to Priority sector, Reserve Bank of India, July 1, 2014.

REVIEW OF LITRATURE:

Priority Sector Lending is the concept which has been studied for decades in India with different contexts, different areas and different times. comparative performance of public and private banks in terms of lending to priority sectors has been examined on a small scale Swaroop Industries (1969). The study reported an upward trend in loans to priority sectors, but a low growth of agriculture and MSMEs. In addition, targeted funding for the priority sector it was considered by Bhat (1986). Chawla et. Alabama. (1988) found that blackberries Importance was only given to the agricultural sector and the industrial sector fell behind. This study emphasized the improvement of all sectors to get the maximum benefit from loans to priority sectors. Kaur (1999) has also painted a positive picture of the growth rates of loans to priority sectors in his thesis while Shette (2002) portrayed a negative image of failure to achieve goals by priority sectors, comparing it banking group. Dadhich (2004), Gupta and Kumar (2008), Sharma (2008) and Uppal (2009) have revealed wide variations of public and private banks in terms of lending to priority sectors where public sector banks have lagged behind private banks in terms of target achievement, growth rates, but they were far off best in terms of size and amount of loans. Selvarajan and Vadivalagan (2013) Shabbir N. and Mujoo D. (2014) highlighted the issue of postcodes and arrears in Priority Sector loan. Mishra A. K. (2016) has done a critical analysis on the increase of priority NPAs sectors in public sector banks.

RESEARCH METHODOLOGY:

OBJECTIVES OF STUDY

- To examine the lending pattern of banks in regard to Priority Sectors in India

DATA COLLECTION TOOL

- The secondary data was collected from the official circulars of Reserve Bank of India which is available on the official portal of RBI.

DATA ANALYSIS:

Table: I – Year wise percentage share of Different Categories of Public Sector Banks of India

(Amount in Billion Rupees)

Year	Total Priority Sector Advances	% of ANBC/OBE	Agriculture	% of ANBC/OBE	MSME	% of ANBC/OBE	Other Weaker Sections	% of ANBC/OBE	Growth Percent in PSL
2004-05	3028	42.2	1099	15.3	678	9.5	1251	17.4	-------
2005-06	4019	39.5	1549	15.2	825	8.1	1645	16.2	**32.73**
2006-07	5119	38.9	2026	15.4	1026	7.8	2067	15.7	**27.37**
2007-08	6090	43.8	2487	17.4	1487	10.9	2116	15.5	**18.97**
2008-09	7451	43.9	2994	17.6	1914	11.3	2543	15	**22.35**
2009-10	9442	45.4	3725	17.9	2769	13.3	2948	14.2	**26.72**
2010-11	11261	45.1	4149	16.5	3766	15.1	3346	13.5	**19.26**
2011-12	11640	38.4	4786	15.8	2888	9.5	3966	13.1	**3.366**
2012-13	13563	38.3	5306	15	4784	13.5	3473	9.8	**16.52**
2013-14	14107	50.5	4701	16.8	4647	16.7	4759	17	**4.011**
2014-15	11200	45.1	3579	14.4	3675	14.8	3946	15.9	**(20.6)**
2015-16	18198	52.9	6244	18.2	5922	17.2	6032	17.5	**62.48**
2016-17	18133	36	9229	18.3	3151	6.3	5753	11.4	**(0.36)**
2017-18	18584	35.9	9321	18	3317	6.4	5946	11.5	**2.487**
CAGR	**13.84**		**16.5**		**12**		**11.78**		

Source: **Report on Trends and Progress, RBI (2004-05 to 2017-18)**

The annual advances of the public banks of the priority sector are presented in Table I. The previous table shows that the advances of the PSL show significant variations, ie ranging from a positive 62.48% to a positive 20.6% negative. Most of the fluctuations are positive except in the years 2014-15 and 2016-17. Even the crisis period 2007-09 has a decreasing but positive growth rate of 18.97% and 22.35%, which shows that the fall of the economy has been well cushioned and has not had its domino effect on the basic level of the economy. The overall CAGR is also calculated for the priority sectors from the period 2004-05 to 2017-18. 13.84% is CAGR for PSL, 16.5% for Farm Loans, 12% for MSME Loans and 11.78% for Weak

Section Loans which clearly shows and indicates continued effort by the RBI and the banks of the public sector to adequately finance priority sectors of the economy.

Table: I – Year wise percentage share of Different Categories of Private Sector Banks of India

(Amount in Billion Rupees)

Year	Total Priority Sector Advances	% of ANBC/ OBE	Agriculture	% of ANBC/ OBE	MSME	% of ANBC/ OBE	Other Weaker Sections	% of ANBC/ OBE	Growth Percent in PSL
2004- 05	690	43.6	216	13.5	86	5.4	388	24.2	--------
2005- 06	1050	42.8	362	13.5	105	4.2	583	23.4	**52.17**
2006-07	1420	42.9	520	12.7	131	3.9	769	22.9	**35.24**
2007-08	1632	47.5	577	15.4	460	13.4	595	17.3	**14.93**
2008-09	1915	46.2	761	18.7	467	11.8	687	16.9	**17.34**
2009-10	1407	45.8	9.7	19.4	648	13.8	750	16	**(26.5)**
2010-11	2628	46.6	921	15.7	879	16.4	828	15.5	**86.69**
2011-12	2536	39.4	1042	14.3	389	5.4	1105	15.2	**(3.5)**
2012-13	3041	37.5	1119	12.8	1417	16.2	505	9.8	**19.91**
2013-14	4734	43.9	1478	13.9	1868	17.8	1388	13.1	**55.67**
2014-15	3713	60.4	1120	12.8	1417	16.2	1176	13.5	**(21.6)**
2015-16	7899	46.1	2669	18.6	2923	20.3	2307	16	**112.7**
2016-17	5655	42.5	2762	16.5	1386	8.3	1507	9	**(28.4)**
2017-18	6605	40.8	3183	16.2	1548	7.9	1874	9.5	**16.8**
CAGR	**17.51**		**21.19**		**22.93**		**11.91**		

Source: **Report on Trends and Progress, RBI (2004-05 to 2017-18)**

The annual advances of private sector banks under priority sector loans are presented in Table II. PSL advances in private sector banks fluctuate from a maximum growth rate of 55.67% in the year 2013-14 to a minimum growth rate of negative 28.4% in the year 2016-17. A positive growth rate is recorded with the exception of the years 2009-10, 2011-12, 2014-15 and 2016-17. There is a declining but positive growth rate in the crisis period of 14.93% and 17.34%, which means the strength of banks to resist financial stress, but the domino effect of the negative growth rate can be seen in the year 2009-10 (Uppal, 2009). Overall CAGR percentages of PSL collectively, e.g. 17.51% and from each sector, i.e. agriculture (21.19%), MSME (22.93%) and the weakest segment (11.91%) shows constant growth from the period 2004-05 to 2017-18.

Conclusion

The priority sectors of the economy are those sectors which are neglected but which form the foundation of the economy. A comparative analysis of loans to priority sectors from 2004-05 to 2017-18 in public and private banks have been commissioned to study its performance. Priority sectors in public sector banks have higher loan amount than private sector banks which clearly indicates that some effort should be increased in private sector banks and increase should be included as part of their moral obligation instead to limit yourself to your goal achievement. This can be done through awareness campaigns among bank staff, instituting some extra benefits from RBI for some outstanding achievements in this field, so this may require more of a carrot approach than a stick. Second, each individual bank needs to ensure a strong buffer so that its lending model and thus priority sectors are unaffected during times of financial turbulence. Steady growth rates and CAGRs are observed which represents that the economy is working hard to provide adequate funds to the neediest sectors which have the potential to provide multiple benefits such as job generation, capital formation, development industry, poverty alleviation and ultimately providing prosperity to the nation.

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