



## “A Study of Impact of Liberalization on Priority Sector Advances of different Group of Indian Banking Sector.”

Dr. Amit K Parmar

Asso. Professor, Govt. Comm. College

Sec.15, Gandhinagar, Mob. No.9427169534

### Abstract:-

This the era of transformation of highly regulated to liberalization, public sector to private sector and closed economy to globalized economy. This is the new starting era of new private sector banks and foreign banks.

The study is focused on priority sector advances. Its covers the research period of 20 years after banking sector reforms started.

**Keywords:** - Priority sector advances, group

### Introduction:-

Priority sector lending refers to those sectors of the economy which may not get timely and adequate credit in the absence of this special dispensation.

Priority sector lending is an important role given by the Reserve bank of India(RBI) to the banks for providing a specified portion of the bank lending to few specifics sectors like agriculture and allied activities, micro and small enterprises, poor people for housing, students for education and other low income groups and weaker sections. This is essentially meant for an all round development of the economy as opposed to focusing only on the financial sector.

The present study was concerned with the priority sector lending of Indian banking industry. The universe for the study was Indian banking industry. Six major bank groups as defined by RBI were taken for the study. These bank groups were:

- SBI and its associates
- Old private sector banks
- Foreign banks
- Nationalized banks
- New private sector banks

### Literature Review:-

Study by (J. Ahmed. 2010) has studied that the increase in priority sector lending leads to corresponding increase in NPAs. The recovery position in agriculture and allied activities was poor compared to other priority sector.

Study by (J. Karu, Silony. 2011) has studied that total priority sector NPAs of public

sector banks increase and that of private sector banks decreased. This might be because of risk-aversion approach followed by the private sector banks, Sector-wise analysis shows that in agriculture and other priority sector, NPAs of public and private sector banks have increased.

**Objectives of the Study:-**

A Review of Priority Sector Advances of different Group of Indian Banking Sector.

**Research Design & Period of the Study:-**

The present study was concerned mainly with post-second banking sector reforms period covers 20 years i.e. from 95-96 to 2004-05 and 2005-06 to 2014-15.

**Sampling Units and Sample Size:-**

Sample size refers to the number of items to be selected from the universe to constitute a sample. 16 (more than 40%) banks out of total 37 public and private sector banks are selected for research. These banks are divided into three categories first Public Sector Banks, second Old Private Sector Banks and third New Private Sector Banks. 9 banks have been selected from PSBs, 4 banks have been selected from OPSBs and 3 banks have been selected from NPSBs by used both criteria.

**Statistical Techniques:-**

For the purpose of financial statement analysis of the banking sector of India following statistical techniques are used.

- I. Co-efficient of variation
- II. Average (Mean  $\bar{X}$ )
- III. Standard Deviation

**Limitations of the Study:-**

- I. This study has been based on secondary data which has been taken from published annual reports and financial literature of the banking companies in India and from published journals and magazines and therefore its findings depend entirely on the accuracy of such data.
- II. The present study included sample banking companies in each category and so it may not be proper to make any generalization for universal application.
- III. The present study has been largely based on accounting techniques and statistical techniques and they have their own limitations which also apply to the study.

Table No:- 1

**Priority Sector Advances as Percentage of Total Advances (Percent)**

(Rs. In Lakh)

No	YEAR	SBI & ITS ASSOCIATES	NATIONALISED BANKS	OLD PRIVATE BANKS	NEW PRIVATE BANKS	FOREIGN BANKS	RRB	Mean (INCL RRBs)	Mean	STDEV	C.V.
1	2	3	4	5	6	7	8	9(3 to 8)	10(3 to 7)	11	12
1	95-96	27.38	31.23	27.95	18.75	19.84	82.40	34.59	25.03	5.45	21.78
2	96-97	29.20	32.56	29.21	40.83	18.83	79.41	38.34	30.13	7.90	26.23
3	97-98	28.81	32.32	29.26	20.67	18.49	78.37	34.65	25.91	5.98	23.10
4	98-99	30.51	32.09	32.80	20.42	22.08	77.32	35.87	27.58	5.87	21.27
5	99-2000	29.15	31.65	33.79	17.02	21.38	76.18	34.86	26.60	7.12	26.77
6	2000-2001	29.07	31.53	32.09	15.69	21.12	73.43	33.82	25.90	7.20	27.79
7	2001-2002	28.89	31.66	30.20	NA	21.57	NA	28.08	28.08	4.49	15.97
8	2002-2003	28.94	33.74	30.17	17.23	21.91	NA	26.40	26.40	6.69	25.33
9	2003-2004	30.81	36.28	31.55	22.58	23.23	75.60	36.68	28.89	5.86	20.27
10	2004-2005	32.33	37.75	31.96	22.81	25.77	78.97	38.27	30.12	5.89	19.56
AVERAGE	Mean	<b>29.51</b>	<b>33.08</b>	<b>30.90</b>	<b>21.78</b>	<b>21.42</b>	<b>77.71</b>				
	95-96 to 99-2000	29.01	31.97	30.60	23.54	20.12	78.74				
	2000-01 to 04-05	30.01	34.19	31.19	19.58	22.72	76.00				
	Growth	1.00	2.22	0.59	-3.96	2.60	-2.74				
	<b>Growth Rate (%)</b>	<b>3.44</b>	<b>6.95</b>	<b>1.93</b>	<b>-16.83</b>	<b>12.90</b>	<b>-3.47</b>				
	STDEV	1.37	2.22	1.83	7.56	2.13	2.73				
	C.V.	4.63	6.70	5.93	34.72	9.94	3.51				

Source:-

<http://rbidocs.rbi.org.in/rdocs/Publications/DOCs/HS230211FS.xls>

(Accessed on Date:-17/08/15)

(Data compiled and calculated)

**Priority Sector Advances:** Priority sector advances to total advances ratio represents the banks credit pattern in the priority sector against the given target by RBI i.e. 40 % of the total advances (32 % in case of foreign banks).

It was examined that the priority sector advances to total income showed fluctuating trends in all the bank groups and years under study. On an average, the share of priority sector advances in the total advances was the highest in case of RRB i.e. 77.71 % followed by nationalized banks with 33.08 %, whereas foreign banks showed the least share i.e. 21.42, variations in terms of c.v. was maximum in case of new private sector banks 34.72 %.

In the year of 1995-96 an average percentage of priority sector advances to total advances were 34.59 %, which increased to 38.27 % in 2004-05, co-efficient of variation was maximum in 2000-01 i.e. 27.79 %.

Table No:- 3.2.2.7

**Priority Sector Advances as Percentage of Total Advances (percent)**

(Amount In ` Million)

No	YEAR	SBI & ITS ASSOCIATES	NATIONALISED BANKS	OLD PRIVATE BANKS	NEW PRIVATE BANKS	FOREIGN BANKS	PRIVATE	Mean	ST DEV	C.V.
1	2	3	4	5	6	7	8	10 (3 to 7)	11	12
1	2005-2006	31.71	33.08	36.18	26.87	32.64	30.08	32.10	3.37	10.49
2	2006-2007	31.58	27.44	31.17	34.69	31.55	32.97	31.28	2.58	8.23
3	2007-2008	29.27	29.58	27.78	33.16	30.30	34.54	30.02	1.98	6.60
4	2008-2009	30.76	30.62	29.40	30.87	31.22	36.23	30.57	0.69	2.26
5	2009-2010	29.45	31.56	35.81	30.76	33.93	31.90	32.30	2.55	7.90
6	2010-2011	32.03	29.92	34.69	29.08	32.69	30.38	31.68	2.24	7.07
7	2011-2012	30.02	28.32	31.64	28.28	31.55	29.08	29.96	1.65	5.50
8	2012-2013	27.26	28.33	31.81	25.88	29.37	27.28	28.53	2.24	7.86
9	2013-2014	26.00	29.57	35.39	25.93	29.39	28.04	29.26	3.85	13.17
10	2014-2015	25.43	31.02	36.80	25.40	27.30	27.77	29.19	4.83	16.55
AVERAGE	05-06 to 14-15	29.35	29.94	33.07	29.09	30.99	30.83			
	05-06 to 09-10	30.55	30.46	32.07	31.27	31.93	33.14			
	10-11 to 14-15	28.15	29.43	34.06	26.91	30.06	28.51			
	Growth	-2.41	-1.02	2.00	-4.36	-1.87	-4.64			
	<b>Growth Rate (%)</b>	<b>-7.88</b>	<b>-3.36</b>	<b>6.22</b>	<b>-13.93</b>	<b>-5.85</b>	<b>-13.99</b>			
	STDEV	2.38	1.70	3.12	3.22	1.95	3.02			
	C.V.	8.12	5.66	9.45	11.07	6.29	9.81			

**Source:-**

<http://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#!4>

(Accessed on Date:-31/12/15)

(Data compiled and calculated)

**Priority Sector Advances:**

It was examined that the priority sector advances to total income showed fluctuating trends in all the bank groups and years under study. On an average, the share of priority sector advances in the total advances was the highest in case of old private sector banks i.e. 33.07 % followed by foreign banks with 30.83 %, variations in terms of c.v. was maximum in case of new private sector banks 11.07 %.

In the year of 2005-06 an average percentage of priority sector advances to total advances were 32.10 %, which decreased to 29.19 % in 2014-15, co-efficient of variation was maximum in 2014-15 i.e. 16.55 %.

**Conclusion:-**

It was examined that not even a single bank group have succeeded to meet the target of RBI.

**Suggestion:-**

Priority sector loans benefiteres are weaker section society mostly small and marginal farmers, cottage industries, scheduled castes and tribes, self help groups, individual group. So it is duty of individual banks and whole banking sector also that they focus one this section and give loans to proper time and amount. With this RBI also monitored whole priority sector advances regularly and emphasizes on banking sector to achieve whatever target planned by RBI.

**References:-**

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2. [https://www.rbi.org.in/scriptsBS\\_ViewMASCirculardetail.aspx?id=9815](https://www.rbi.org.in/scriptsBS_ViewMASCirculardetail.aspx?id=9815)
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