

“Analytical Study of Priority & Non –Priority Sector Lending with reference to Nationalized Banks in India”

Prof. Harsha A. Throve, Research Center-Department of Commerce & Research
centre Designation - Ph.D. Scholar. Email : harsha.mibm@gmail.com

Introduction

The Priority sector is important from the point of view of development of the country .It is the sector which should get adequate Credit. This sector always catch the attraction of the experts as somewhere the people realize that Progress of the country can be achieved with the help of this sector only. The Credit Deployment divided in two parts considering Various Sectors.1] Priority Sector 2]Non Priority Sector .The Development of the country is depends on the development of Priority Sector however Unfortunately in India Priority Sector gets less credit compared to Non Priority Sector. The Priority sector catches more attraction after the independence as there was need of development of agriculture as well as Industrial Zone

Nationalized Banks : It Plays vital role in the development of the country. The Nationalized banks are more rely on Government Policies & Rules. These are the banks which are established with an intention to provide the banking facilities to the citizens of India. Like Government of India their objective is also to develop the Indian Economy as well Banking Sector In India. There are 19 Nationalized banks in India. This Banks focus on provision of credit the society.

Priority Sector Lending - It is the sector which is may not receive timely credit. The Priority Sector can be divided into- (i) Agriculture(ii) Micro and Small Enterprises(iii) Education(iv) Housing(v) Export Credit (vi) Others)(Priority Sector Lending - Targets and Classification, 2014).This Sector is not a glamorous sector. This sector mostly covers weaker section of the society. The Rate of interest on the same is also very low. Lending funds towards Priority sectors can create more job opportunities as well as small business can be developed with the help of the same. Many commercial banks are not ready to provide the finance towards the priority sector in India.

Non Priority Sector - It is the sector towards which the financial institutions are always ready to lend the credit. This sector is always glamorous. It attracts the finances every time. It is assume that the recovery of the loan can be easier under the NPS .It covers all the remaining sectors which is other than PSL. Like Personal Loan, Credit cards etc. This Sector charges higher rate of interest automatically the urge to earn higher returns on loan the banks gets more attracted towards the priority sector lending's. However the Govt of India encourages the banks towards Priority sector lending for encouraging the growth of the economy.

Non Performing Assets - It is the stage of borrower where the borrower is not ready to pay agreed rate of interest as well as principal amount of Loan. If the NPA of the banks increases then automatically it is going to harm the profitability of the bank as it is going to harm the lending capacity of the banks. All the commercial banks tries to reduce the NPA so that they can lend more. If there is increase in the NPA it is going to create the impact on overall economy. The asset is consider as NPA if it is not received any kind of interest for a period of 180 Days

Diversion of funds to sister concern with an intention to expansion, modernization, overrun of time & cost of the project, Natural calamities, Failure of Business, Willful defaulter, Frauds are some of the reasons behind the NPA. ***(Non-Performing Assets and Public Sector Banks in India, 2014)***

The NPA is one of the most important parameter on the basis of which the performance of the Banks can be measured. Considering the current scenario the many nationalized banks.

Objectives of the Research-

- 1) To analyze advances to Priority as well as Non Priority Sector
- 2) To Study the Non Performing Assets of Priority Sector Lending & Non Priority Sector Lending
- 3) To Compare the PSL as well NPS from the Point of view of NPA.

Scope of the Study - The scope of the Research Paper covers the Nationalized Banks in India. Similarly the PSL as well as NPS consider for calculation of NPA. The Period for the study will be only the Year-2013 & 2014

Literature Review

(Dr. G Nagarajan, 2013), "The Author states that NPA is problem which is bad for the economy & There is valuable relation between Priority sector NPAs and Non-priority sector NPAs in contributing to total NPAs Public sector Banks."

(KAUR, 2012), "The Deployment of the credit towards Priority Sector in India is the Major responsibility of Public Sector as extension of credit towards neglected area is very necessary. The author also critics that the Public sector banks are not successful to lend to the Priority sector as reasons like Low Profitability, Higher NPA, Higher cost of Transaction etc."

(DR.P.RAMAN, 2013)

The author focus on in the period of in the period of eighties the Public sector banks was not performing well. Similarly Increasing NPA & Low Profitability are some of the important features of Public sector banks in the concerned period.

(Sinha, 2012), The author focus from the point of view of Indian Context the pattern of priority sector lending has, however, undergone major changes during the past few decades because of changes in regulatory stance. However, these developments notwithstanding, the priority sector lending in India is characterized by a relatively higher incidence of non-performing assets when compared to the other segments.

Research Methodology

The Research methodology adopted for this paper is based on secondary data. For the purpose of analysis 2013-2014 data of Nationalized banks is considered.

Data Analysis

Advances and NPAs of Nationalized Banks by Priority and Non-Priority Sectors (BILLION)									
Bank Group	Priority Sector			Non-Priority Sector			Total		
	Gross Advances	Gross NPAs	Gross NPAs as Per Cent of Total	Gross Advances	Gross NPAs	Gross NPAs as Per Cent of Total	Gross Advances	Gross NPAs	Gross NPAs as Per Cent of Total
2013	8,891	405	42.2	19,170	554	57.8	28,061	959	100.0
2014	10,711	530	37.7	21,249	877	62.3	31,960	1,407	100.0

Source-www.rbi.org.in

Priority Sector	TOTAL	NON PRIORITY SECTOR	TOTAL
GROSS ADVANCES	20.47014	10.84507	13.89473
GROSS NPA	30.8642	58.30325	46.71533

Observation

- 1) Gross Advance Loans-In priority sector the increment is 20.5%. But Non Priority sector increment is 10.9%. Which results less than total percentage increment as well as that means demand for loans under the Priority sector is more.
- 2) Gross NPA-In Priority sector the increment is 30.9%. but in NPS increment is 58% which is more than average & it reflects about high risk in sanctioning credit to the NPS.

Conclusion

From the above data it can be analyzed that the NPA in Non Priority sector is more compared to Priority Sector. The Nationalized Banks can contribute more towards Priority Sector.

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