ORIGINAL RESEARCH PAPER

Commerce

PRIORITY SECTOR LENDING BY PUBLIC SECTOR BANKS WITH SPECIAL REFERENCE TO SHIVAMOGGA DISTRICT -A STUDY

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ABSTRACT

The dream of inclusive progress of an economy will be achived only if the required financial availability is made to those sectors, which are neglected and deprived of getting loan from financial institution at the time of necessity. In the present scenario the priority sector lending was given due imortance. Here commercial banks 40% of their advances should constitute priority sector. The present study examines and comprehend priority sector lending by selected public sector banks with special reference to shivamogga district.. Primary data and secondary data has been used forthis study. The collected data are presented by using various tables and analysis was done byusing percentage analysis, growth factor and in order to test hypothesis, stastical tool like Chi-squaretest has been used.

INTRODUCTION

The dream of inclusive progress of an economy will be achived only if the required financial availability is made to those sectors, which are neglected and deprived of getting loan from financial institution at the time of necessity.The Regulatory framework of RBI has made a obligatory to all commercial and coperative banks to provide loan to specific sectors, which were not getting finance earlier but most wanted sector in the eonomy. The concpt of protity sector lending was introduced for imposing social responbility and control on banks by amendement bill 1967 and introduced on 2nd December 1967. Components of priorty sector includes agriculture, MSME, Education, Housing and Weaker section of the society. Recently RBI has revised lending norms in March 2015 according to that social infrastructure, renewable energy are included.

Recent guidelines of RBI

Recently the RBI released revised priority sectorl lending guidelines which bring into line with an evolving national priorites which also brings more sharper focus an inclusive development of the society. The objectives of revised guidelins is to facilitate adequate credit penetration to those credit deficient areas, concentrate more disbursement and assistance   to small and marginal farmers and weaker sections of the society, granting should br increased to renewable energy and health infrastructure set-up.

- **Fresh catagories**: Bank grants finances to start up upto **Rs.50 crore**, disbursement of   loans for installation of solar power plants to farmers or solarisation of grid which is connected to agriculture pumps, an loans for installation of compreses biogas plants these are all included as new catagories which are eligible for accessing finance under prority sector.
- **Farmers's related**: Sophisticated credit limit has been specified to the F**armers Producers Organisation** (FPOs),which is undertaking farming with guaranteed promoting of their product at determied price. Loans for the above said activities will be subjected to an aggregate limit **of Rs. 2 crore** as per borrowing capacity.
- **Boosting credit**: Under **Ayushman Bharat project** credit limit to health infrastructure, renewable energy are doubled . Bank loans upto a limit of **Rs.10 crore** per borrower for builing heathcare amenities in Tier II to Tier VI centers have been allowed under the project Ayshman bharat.

Review Of Literature

Uptal Kumar Mishra and Dr. Lav Kush Sharma (2016), in their article **"Priority sector lending and emergence of NPAs in Public sector banks: A case study of SBI, Madhubani District: Post liberalization"**. The study opined that for the purpose of credit deployment to the neglected sector priority sector lending and social banking concept has been developed.. priority sector lending is a policy which is intended to guarantee the financial support to those sector in the economy which has not still received any sufficient financial assistance. The authors says that lending to priority sector poses a serious problems such as `adversely affect the profitability of the bank, additional cost should be incurred for control of small loan, rising advances, ineffective recovery advances in terms increases the NPAs of the bank.

A.Udhaya Sweetline (2017) made a study on **"Priority Sector Lending in India- An Analysis"** with the objective to examine the historical background of priority sector lending in India to study the contribution which is decresing to priority sector towards the GDP in India. It is opined that the reason behind the decline of gross development product is the priority sector lending hit hard by demonetization the lending activities in banks was declined. The contribution to priority sectors eventually increses the GDP in India.

Santhosh Kumar Panda, Ganesh Prasad Panda, Dr Anil Kumar Swain (2017) made a study on **"Determinants of Priority Sector Lending of Indian Public Sector Banks; An Econometric Analysis"**. They used seconadry data to collect the information about priority sector. Statistical tools such as mean deviation, standard deviations, correlation and ANOVA has used.

The study was found to suggest that both private and public sector banks performing different in this regard of setting a targets for agriculture and weaker sections and recommends going for policy formulation which helps banks in improving the performance of priority sector lending.

Statement of Problem

One of the core objectives of bank nationalization was to carry about a fundamental change in the credit deployment of commercial banks in our country. some sector of the economy neglected prior to natoalization such as agriculture, MSME etc., were given importance only after nationalization. Priority sector lending creates many problems for the banks like low profirability, high NPA, legal issues, Government intervention and transcation cost. Here the study attempt to know the district credit plan for the five years and opinion of customer and bank official towards priority sector.

Objectives OfThe Study

1.To analyse the District credit plan of shivamogga district
2. To explore the problems experienced by bank official and borrower in the execution of a scheme
3. To offer suggestion on the basis of findings to improve the performance of this scheme in shivamogga district

Research Design:
Scope Of The Study
The present study is confined to study the priority sector lending issues by public sector banks. This study is delimited to Shivamogg district only.

Sources Of Data:
- **Primary data:** The present study is empirical in nature. The study is conceded out covering two types of respondents viz bank official and borrowers of the public sector banks covered by the study. Two structured questionnaires are employed for collecting data from bank official and bank customers.
- **Secondary data:** Tthe secondary data have been collected from lead bank office of shivamogga, books and Journals.

Sampling Unit/ Size:
Few Selected public sector banks in shivamogga district has choosen as a sampling unit, 50 respondents of borrowers have been chosen as sample size and 30 bank officials are also selected to gather the information.

Tools And Techniques:
The collected data has beentested by using stastical tools and techniques such as Chi-square test, percentage analysis.

RESULTS AND DISCUSSION
District Credit Plan of Shivamogga
Table No.6.1: District Credit Plan- Shivamogga District Amount In (Crores)

Year	Agriculture	NFS and SME	Other priority sector	Total Priority sector	Non-priority sector	Total credit	% changes
2014-2105	2335.76	261.06	1309.08	3905.90	260.64	4166.55	79.18
2016-2017	2973.56	339.04	1669.12	4981.73	344.50	5326.24	89
2017-2018	3454.33	393.29	1977.70	5825.32	344.71	6170.03	86.32
2018-2019	4140.38	471.95	2089.98	6702.31	388.70	7091.01	87.01
2019-2020	3395	567	2300	6262	438	6700	105.83

Sources: Reports Of Lead Bank, Shivamogga

Analysis And Interpretation:
The district credit plan of Shivamogga district. There is a continuous rise in the total priority sector loan allocation credit from 2014-2015 to 2018-2019, but it has decreased in the year 2019-2010, because of farmers are still waiting for crop loan abandoning scheme of Government of Karnataka and major of them did not come forward to repay the loan. Hence outlay under agriculture has been reduced for the year 2019-2020.

Table 6.2: Shows Socio- Economic Profile And Opinion Of The Bank Official

Factors	No. of respondents	Percentage (%)
Age (Years)		
Less than 30 years	07	23.33
31-40	13	43.33
41-50	06	20.00
Above 51 Years	04	13.33
Total	**30**	**100**
Gender		
Male	23	76.67
Female	07	23.33
Total	**30**	**100**
Educational qualification		
Graduate	20	66.67
Post graduate	10	33.33
Total	**30**	**100**
Assessement of repayment capacity		
Yes	30	100
No	0	-
Total	**30**	**100**
Interest of Subsidy		
Yes	12	40.00
No	18	60.00
Total	**30**	**100**
Time taken		
Oneweek	06	20
Two weeks	14	46.67
One month	06	20
More than one month	04	13.33
Total	**30**	**100**
Pre sanction actions		
Always	26	86.67
Frequently	04	13.33
Occassionally	00	-
Total	**30**	**100**
Post Sanction actions		
Never	00	-
Frequently	26	86.67
Occassionally	04	13.33
Total	**30**	**100**
Priority sector is		
Profit	04	13.33
Loss	26	86.67
Total	**30**	**100**
Non performig assets in banks		
Priority sector	27	90
Non--priority sector	03	10
Total	**30**	**100**
Reasons for delay in disbursement		
Shortage of staff	18	60
Poor coperationof borrower	05	16.67
Limited resources of the bank	07	23.33
Total	**30**	**100**
Problems faced by banker at the time of recovery		
Behaviour of the customer	16	53.33
Legal execution	06	20
Natural clamites	03	10
Governmet intervention	05	16.67
Total	**30**	**100**
Assistance given at the time of difficulty		
Yes	22	73.33
No	08	26.67
Total	**30**	**100**

Sources: Field survey

Above table analyse the socio- economic and opinion of bank employess towards priority sector lending. Out of 30 bank official in shivamogga district who are working in various public sector banks, 43.33% of the respondents comes under the age of 31 to 40 years, 76.67% are male who are working in banks, 67.67% of the repondents completed graduates, all official will assess the repayment capacity of the borrowers at the time of sactioning of loans which reduces the future default, 60% are opinied that no subsidy is given on interst loan, 46.67% opinied that time taken to release the loan is above two weeks, majority 86.67% always taken measures at the time pre sanctioning of loan and, 86.67% says that past saction of loan action is taken frequently which enables for recovery, 60% opinied that lending to priority sectir is a loss

to banks because more provisions is to made against NPA and 90% says that Non performing assets is more when bank lend to priority sector,60% of bank official opined that reason for dealy in sanctioning of loan is because of shortage of staff and 53.33% of respondents opined that problem faced by the bank officals behaviourof the customer at the time of repayment.

Table 6.3: Shows Socio-economic Profile And Opinion Of The Respondents

Factors	No. of Respondents	Percentage (%)
Age (Years)		
Less than 25 years	06	12
25-35	27	54
36-45	10	20
Above 46-55	07	14
Total	**50**	**100**
Gender		
Male	39	78
Female	11	22
Total	**50**	**100**
Educational qualification		
Upto SSLC	08	16
PUC	11	22
Graduate	21	42
Post graduate	10	20
Total	**50**	**100**
Occupation		
Agriculture	24	48
MSME	14	28
Business	08	16
Profession	04	08
Total	**50**	**100**
Type of Accounts		
Savings Account	36	72
Current Account	14	28
Total	**50**	**100**
Type of loans taken		
Agriculture Loan	22	44
MSME Loan	15	30
Education/Housing Loan	07	14
Other sector	08	16
Total	**50**	**100**
Amount of loan taken		
Below Rs.1,50.000	17	34
Rs. 1,50,000 to Rs.3,00000	20	40
Rs.3,00000 to Rs.6,00000	08	16
Above Rs.600000	05	10
Total	**50**	**100**
Repayment Schedule		
Monthly	18	36
Quarterly	13	26
Half yearly	11	22
Annually	08	16
Total	**50**	**100**
Opinion on interest rate charged		
High	17	34
Low	25	50
Sound	08	16
Total	**50**	**100**
Reasons for availing loan		
To reduce tax liability	12	24
To start new business	16	20
Quick services	12	24
Infrasture development	08	16
Education	04	08
Total	**50**	**100**
Reasons for selecting bank		
Easy approachability	18	36
Cheaper credit	14	28
Staff friendly	11	22
Easy terms and conditions	07	14
Total	**50**	**100**
Problems faced by the respondents		
High rate of interest on loan	14	28
Cumbersome process of getting loan	15	30
Insufficient sanctioning of loans	16	32
Fear factor about recovery	05	10
Total	**50**	**100**
Sources of priority sector lending		
Village extension officer	08	16
Bank official	18	36
Social media	10	20
Friends/Relatives	14	28
Total	**50**	**100**
Rating services		
Excellent	16	32
Good	22	44
Better	08	16
Very Poor	04	8
Total	**50**	**100**
Status after getting loan		
Raised	31	62
Lower	10	20
No change	9	18
Total	**50**	**100**
Avhivement of Target		
Reduced to	10	20
Increased to	32	64
Maintain at present level	8	16
Total	**50**	**100**
Behaviour of the staff		
Courteous and friendly	30	60
Business like	**06**	12
Not very helpful	**09**	18
Indifferent	**05**	10
Total	**50**	**100**

Sources: Field Survey

Above table examines demographic, social, economic factors of the respodents and their opinion about the priority sector lending issues in the study area. Amoung 50 respondents, 54% of respondents comes under the age group between 25-35 years, 78% of respondents are male who availed loan under this scheme. Majority, 42% of respondents have completed their postgraduation studies, 48% of the respondents occupation is agriculture, 72% of respondent have saving account in the bank, majority, 44% of respondents have taken loan for agriculture purpose, 40% have taken the loan amount between Rs 150000 to 300000, 36 % of respondents paid their loan installment monthly, 50% of respondents are opined that interest on loan is very low, 36% of respondents selected the bank by considering the factors

easy approachbility, 36% of respondents aware about the lending under this scheme through bank staff, 62% of respondents says living standard has increased after getting loan.64% of respondents wishes that target for priority sector lending by banks should be increased and majority of the respondents satisfied about the behavior of the staff are too friendly while performing banking activites.

Hypothsis Testing

H_0: There is an insignificant opinion of respondents towards bank employess at the time of availing loan.

H_1: There is a significant opinion of respondens towards bank employess at the time of availing loan.

Table 6.4: The Opinion Of Respondents Towards Bank Employes

Ratings	No. of Respondents	Percentage (%)
Highly satisfied	18	36
Satisfied	13	26
Moderate	06	12
Dissatisfied	05	10
Highly Dissatisfied	08	16
Total	50	100

Table 6.5: Shows Chi-square (x^2) value

Rating	Of	Ef	Residual	$(Of-Ef)^2 / Ef$
Highly satisfied	18	5	13	33.8
Satisfied	13	5	8	12.8
Moderate	06	5	-1	0.2
Dissatisfied	05	5	0	0
Highly Dissatisfied	08	5	3	1.8
$(Of-Ef)^2 / Ef$				48.6

Degree of freedom is =n-1=5-1=4
Of= observed frequency
Ef= Expected frequency

Interpretation

It is interpreted that above table value of x^2 test for the degree of freedom at 5% significance level value is 9.488. Calculated value of x^2 test is much more than the table value and this result of the testing does not support above said hypothesis. Hence it is concluded that there is a positive opinion of respondents towards bank employess while availing loan under this scheme, therefore the null hypothesis is rejected.

Findings Of The Study

1. Outlay under agriculture target has been reduced for the year 2019-2020 under district credit plan.
2. Majority of bank official opined that lending to priority sector increases the non performing assets in bank.
3. Majority of the respondents are post graduates, this identifies customer are having more knowledge about the priotity sector lending.
4. Lending to priority sector will bring a loss to the bank, due to this bank are not possible to meet priority sector lending target.
5. Majority of the respondents opined that availing a loan under thid scheme increases their standard of living in the society
6. Majority of the bank faces shortage of staff to perform the banking activities effectively.

Suggestions

1. The bank has to recruit more female employees.
2. There should be a healthy realatiobship between banker and customer, it enables to provide service in an effective manner.
3. Bank should take less time to saction a loan which enables them to start up their activity.
4. Bank should monitor the loan account frequently to minimize the coourance of fuure non-performing assets.
5. The bank official should organize awareness programme at the block level about types of loan, interst rate charged,

procedure of loan and documents to be submitt ed.
6. Bank officials must follow certain procedures and precautions to check eligibility criteria for granting the loan to the borrows under priority sector lending.
7. The village extention officer should frequently provide information about this scheme and guidelines of RBI.

CONCLUSION

Thus from the above facts and figures it can be concluded that lending to priority sector is an important component of social banking designed specifically for the social, economic and inclusive growth of India. Public sector banks have a major role to play in the development of any district as they provide financial assistance to the people who take up income generating activity. Shivamogga district is basically an agriculture oriented as such as majority of the population in the district is dependent on agriculture for livelihood.the banks in the shivamogga district should come up with the instantaneous and quich actions to promt delivery of thr losan takes palce the borrowers should avot the diversification of loan then only it is possible to reduce NPA in banks.

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