A Comparative Study of Commercial Banks Lending to Priority Sector in India (2013-2022)

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Abstract

Within the banking system, the role of public and private sector banks has taken on a new significance in light of changing economic conditions in India. The priority sector, in which includes areas such as agriculture, small scale industries, and other priority sector. The priority sector yet to be and will continue to be an important area of focus for all banks over the next decade due to tough socio-economic realities faced by Indian banks. The objective of this research paper is to analyze lending levels and structure within the priority sector over the past ten years. The entire study of this paper is based upon secondary data, collected from the various relevant issues published by RBI and from other reliable sources of 12 public sector banks and 21 private sector banks. The entire study is stretched over the period 2013 to 2022, with a view to analyze the growth of various components of priority sector lending with the help of compound annual rate of growth. The behavior of inter-year disparities in priority sector lending is explained with the help of percentage, co-efficient of variation and the performance of these two banks group in priority sector lending has been computed with the help of t-test. The study highlighted that, although, on an average, the prescribed target of priority sector lending has not been achieved in many years, but, one important issue of concern is that the shrinking share of priority sector credit in net bank credit over a period of time by both banks group, which required immediate attention of the policy makers. The public and private sector banks could not deploy 18.00 per cent of net bank credit in agriculture sector and thus, they are failed to achieve the stipulated target of agricultural lending.

***Key Words*: Agriculture Credit, Financial Inclusion, Priority Sector Lending, inter-year disparities Secondary Data, Compound Annual Rate of growth, Percentage of Co-efficient of Variation, t-test, Net Bank Credit (NBC), 'Other Priority Sector', Indian economy.**

INTRODUCTION:

Banking system is a crucial component of the service sector and acts as a backbone of economic development [1]. The banks are provide various types of important services to the masses belonging to the various sectors of the economy like services industries, agriculture sector and industry whether they are small scale or large scale [2]. The banking system is one among the institutions that bump on the economy and impact its performance for better or worse. The banking system, act as a development mediator and a source of hope and inspiration of the masses [3]. A developing economy faces various types of problems, like poverty, scarcity of capital, unemployment, lack of good entrepreneurship etc [4]. The public and private sector banks can work as a motivator agents of growth by making the right kind of policies in their working, depending upon the socio-economic conditions exist in the country [5]. These banks have adequate investment potential and can make an important contribution in eradicating the poverty, unemployment and in bringing about progressive reduction in inter-regional, inter society and inter-sect oral disparities through rapid growth of banking services [6].

Public sector banks are those banks in which the maximum shares/equity are held by government. Firstly public sector banks emerged with the nationalization of Imperial Bank of India (1921) and it become State Bank of India (1955) as a part of integrated scheme of rural credit introduced by the All India Rural Credit Survey Committee (1951). This bank was unique in various respects and it enjoys a position of permanency as the agent of RBI, wherever RBI has no branches. In the present time SBI is the single largest bank of the country with huge international presence, with a network of 48 overseas offices spread over 28 countries covering in whole world. The Indian banking system is composition of two major sectors of banks i.e. public and private sector banks. The firstly is controlled by the government and the secondly controlled by private shareholders. Therefore private sector banks are those banks in which majority of shares/equity are held by private share holders [7].

Priority sector occupied a significance place in the Indian economy and is a special feature of the Indian banking system. Priority sector lending is the essence of social banking system. Under the priority sector lending, banks are provided the credit on liberal terms and conditions to various sectors. The socialization of bank credit is the main theme of priority sector lending by these bank groups [8]. Priority sector lending is and will also continue to remain, its importance by both ways, literally and figuratively, of Indian economic development. Since the priority sector is also a critical to high and sustained growth of GDP, so it should be the responsibility of public and private sector banks to support these sectors [9]. In 1980, a major review of the various components of priority sector lending was analyses by a working group chaired by K.S. Krishnaswamy. The group recommendation on the incorporation of weaker sections under the priority sector, so that, the benefit that are being offered to the priority sector as a class could be oriented to meet the needs of the weaker sections also. The some credit was earmarked to the weaker sections of the society i.e. small and marginal farmer, small businessmen, self-help groups landless labourers, SC/ST etc. for achieve this object banks opened more and more branches in rural areas where has no banking facilities yet [10].

REVIEW OF LITERATURE:

A number of research studies have been conducted in India on various aspects of priority sector lending by the public and private sector banks. For example, Sooden and Kumar [11] found that shrinking share of priority sector, neglect of agriculture coupled with its sub-optimum structure and neglect of small scale industries are some main problems which need immediate attention for the policy makers. Kumar and Gupta [12] observed that agricultural lending by the public sector banks has somewhat stagnated. The percentage share of small scale industries in priority sector lending registered a continuous decline and the percentage share of 'other priority sector' in the priority sector lending registered a continuous increase during the period under context. Uppal [13] found that in his study that, public sector banks have failed to achieve the target of 40 per cent, private sector banks have succeeded in achieving the overall target. Shabbir [14] found that majority of public and private sector banks are fulfilled their target of overall priority sector lending but not be able to fulfill the sub target of 18 per cent in agriculture sector. H.N. Harakantra, Dr. Sharda, Dr. N.S. Magadur [15] overview the priority sector lending of commercial banks in North Kanara Distt. Found that priority sector advances and agriculture advances of both types of banks has improved manifold over the study period. Shilpa Rani and diksha Garg [16] examined the trends, issues, and strategies of priority sector lending. They pointed out the various issues in priority sector lending as low profitability, higher NPAs, govt. interferences, tractions cost and vesting decision of discretionary power to bank mergers. Kumar Provinder& Sanjeev [17] found in their study that private sector banks have achieved their targets of in maximum years comparative to public sector banks. Pratibha Naruka & Dr. Manju Yadav [18] found in their study that priority sector lending has tremendous significance in term of upgrading the indicator of inclusive growth to the society. Dr. Najmi Shabbir [19] found in his study that priority sector lending in different years among different states of the country was not uniform.

RESEARCH METHODOLOGY:

The main objective of the study is to analyze the level and structure of priority sector lending in India during last ten years. The entire study of this research paper is based upon secondary data and all the required information is collected from the various relevant issues published by the Reserve Bank of India and from other reliable sources of 12 public sector banks and 21 private sector banks. Further, the period of study is divided in to two parts i.e. Phase I which includes the years 2013 to 2017 and Phase II stretching over the years 2018 to 2022.

With a view to analyze the growth of priority sector lending, compounded annual growth rate has been calculated as follows:

CAGR= ((EV/BV)^(1/n)-1)*100

Where

, n=number of year, CARG= compounded annual rate of growth, EV= Ending Value, BE= Beginning Value, ^= Circumflex.

The structure of priority sector lending is analyzed by Mean Value of an indicator which, is calculated for first and second phase separately.

$$\text{The combined mean (X)} = \frac{n1X1 + n2X\,2 + n3X3 + \cdots\ldots\ldots n\,n\,X\,n}{n1 + n2 + n3 + \cdots\ldots\ldots n}$$

$$Xi = \frac{\sum_{i=1}^{n} nixi}{\sum_{i=1}^{n} ni} \quad i=1$$

Where, n_i stand for number of observations for study and X_i stands for Mean Value.

The behavior of inter-sector disparities in priority sector lending is examined with the help of percentage of co-efficient of variation (C.V.).

The value of C.V. is calculated as follows:

$$C.V. = \frac{\sigma i}{Xi} \times 100$$

Where, C.V. stands for co-efficient of variation,

σ_i = Standard deviation of ith indicator, X_i = Mean value of ith indicator.

The performance of public and private sector banks under priority sector lending will be analyses with the help of t-test during the both phase of the study.

The value of t-test will be calculated as follow:

$$t = \frac{X1-X2}{S}\sqrt{\frac{n1n2}{n1+n2}}$$

Where, n1 and n2 = size of two independent samples i.e. no. of years for study

X_1 and X_2 is the Mean Value i.e. Mean Value of priority sector lending by both bank groups.

S=average standard deviation of two samples. The null hypothesis is tested at 5% level of significance.

1. PRIORITY SECTOR LENDING BY PUBLIC AND PRIVATE SECTOR BANKS:

The priority sector credit by public sector banks, on an average, increased at a compounded annual rate of growth 0.09 per cent during the first phase and this rate declined to 0.04 per cent during the second phase of the study [Table 1]. The public sector banks, on an average, deployed 38.70 per cent of NBC in priority sector during the first phase. It was observed that only in the year 2016 of the first phase of study the prescribed target of priority sector lending was achieved by public sector banks (i.e. 40.00 per cent). The analysis revealed further that the prescribed target of priority sector lending was achieved by public sector banks during the second phase of study and on an average, 41.67 per cent of NBC was deployed in priority sector by public sector banks. It is further analysis from study that, the value of co-efficient of variation in the first and second phases was 4.33 and 2.37 respectively.

Further, the priority sector credit by the private sector banks, on an average, increased at a rate of 0.16 per cent during the first phase and this rate decreased by a very small margin to 0.14 per cent during the second phase of the study [Table 1]. The private sector banks, on an average, deployed 42.16 per cent of NBC in priority sector during the first phase and 42.92 per cent during the second phase. The analysis revealed that in the all years (Except 2013) of the first phase of study the prescribed target of priority sector lending was achieved (i.e. 40.00 per cent) by the private sector banks. During the second phase of the study, the prescribed target of priority sector lending was achieved in all years by private sector banks. So it is observed that in both phases of study, the prescribed target priority sector lending was achieved by private sector banks (Except 2013). It is further analysis from study that, the value of co-efficient of variation in private sector banks was 6.50 and 3.69 during the first and second phases respectively

Table 1: Credit Deployed to Priority Sector by Two Banks Group

(Amount ₹ in Crores)

Year	Public Sector Banks			Private Sector Banks		
	NBC	Total PSAs	% to NBC	NBC	Total PSAs	% to NBC
Phase-I						
2013	3530808	1283680	36.36	872270	327406	37.53
2014	4048175	1618971	39.99	1062553	466650	43.92
2015	4584974	1750893	38.19	1228405	530287	43.17
2016	4886633	1985307	40.63	1495298	662030	44.27
2017	5329716	2043474	38.34	1809536	758713	41.93
Average	**4476061**	**1736465**	**38.70**	**1293612**	**549017**	**42.16**
CAGR in %	**0.09**	**0.10**		**0.16**	**0.18**	
CV in %			**4.33**			**6.50**
Phase-II						
2018	5350290	2199201	41.10	2144819	871306	40.62
2019	5458341	2286394	41.89	2832260	1245178	43.96
2020	5794783	2360275	40.73	3255048	1369396	42.07
2021	6124314	2532708	41.35	3688522	1599199	43.36
2022	6370164	2755763	43.26	4064587	1811818	44.58
Average	**5819578**	**2426868**	**41.67**	**3197047**	**1379379**	**42.92**
CAGR in %	**0.04**	**0.05**		**0.14**	**0.16**	
CV in %			**2.37**			**3.69**

Source:- Complied on the Basis of Relevant Issues of 'Report on Trend and Progress of Banking in India' and 'Statistical tables Relating to Banks in India', Published by RBI.

2. SECTOR-WISE DEPLOYMENT OF PRIORITY SECTOR LENDING BY PUBLIC SECTOR BANKS:

Agriculture credit, on an average, recorded a compounded annual rate of growth of 0.12 per cent during the first phase and it declined to 0.05 per cent in the second phase [Table 2]. So the study, due to new policy guidelines issued in 1991 under the umbrella of financial sector reforms**.** Under the new policy guidelines of 1991, the public sector banks in default in meeting the priority sector sub-target of 18.00 per cent of net bank credit to agriculture would compensate the deficiency by contributing to Rural Infrastructure Development Fund (RIDF) and to the consortium fund of Khadi and Village industries Commission (KVC). In this way the banks could move away from their responsibility of direct lending to priority sectors especially the risky venture like agriculture.

As per the Reserve Bank of India norms, public sector banks are required to lend 18.00 per cent of net bank credit to agriculture sector since the year 1990 onwards. The public sector banks, on an average, deployed 16.74 per cent of net bank credit in agriculture sector and failed to achieve the stipulated target of 18.00 per cent of NBC during the first phase (Except 2016). Further, an analysis that, in the second phase only in the years 2021 and 2022 (18.38 and 18.99 per cent) the prescribed target of agricultural lending was achieved by public sector banks but in another two years (2018 & 2019) it was near its prescribed target. The public sector banks, on an average, deployed 18.01 per cent of NBC in agriculture sector during the second phase of study.

An analysis of the public sector banks, the compound annual rate of growth of credit to SSIs revealed that it, on an average, increased at a rate of 0.09 per cent during the first phase, but, it declined to 0.04 per cent during the second phase. However, the public sector banks, on an average, deployed 14.24 per cent of net bank credit to SSIs during the first phase. This share rose marginally increase to 16.27 per cent during the second phase, in the absence of any clear guidelines by RBI (as it is there in case of agriculture). It was due to that the public sector banks have gradually increased the quantity of advances to small scale industries, but, the share, in which net bank credit in priority sector has expanded, the relative share of small sector has not grown in the same ratio during the period of study**.**

Table 2: Sect oral Deployment of Priority Sector Credit by Public Sector Banks

(Amount ₹ in Crores)

Years	Agriculture	SSIs	Other Priority Sector

	Credit	%age to TPSAs	%age to NBC	Credit	%age to TPSAs	%age to NBC	Credit	%age to TPSAs	%age to NBC
Phase-I									
2013	530677	41.34	15.03	478444	37.27	13.55	274559	21.39	7.78
2014	643287	39.73	15.89	587424	36.28	14.51	388260	23.98	9.59
2015	756233	43.19	16.49	650434	37.15	14.19	344226	19.66	7.51
2016	904772	45.57	18.52	734055	36.97	15.02	346480	17.45	7.09
2017	946851	46.34	17.77	741958	36.31	13.92	362568	17.74	6.80
Avg.	**756364**	**43.23**	**16.74**	**638463**	**36.80**	**14.24**	**343219**	**20.04**	**7.75**
CAGR in %	**0.12**			**0.09**			**0.06**		
C.V. in %		**6.44**	**8.42**		**1.28**	**3.94**		**13.55**	**14.11**
Phase-II									
2018	961076	43.70	17.96	863307	39.26	16.14	374818	17.04	7.01
2019	975354	42.66	17.87	905685	39.61	16.59	405355	17.73	7.43
2020	975766	41.34	16.84	928119	39.32	16.02	456390	19.34	7.88
2021	1125566	44.44	18.38	991686	39.16	16.19	415456	16.40	6.78
2022	1209788	43.90	18.99	1043993	37.88	16.39	501982	18.22	7.88
Avg.	**1049510**	**43.21**	**18.01**	**946558**	**39.05**	**16.27**	**430800**	**17.75**	**7.40**
CAGR in %	**0.05**			**0.04**			**0.06**		
C.V. in %		**2.84**	**4.38**		**1.72**	**1.38**		**6.35**	**6.75**

Source: - As per Table 1

The public sector banks 'other priority sector' credit, on an average, increased at a rate of 0.06 per cent during the first phase [Table 2]. However, this rate same and stood at 0.06 per cent per annum during the second phase of the study also. The public sector banks, on an average, deployed 7.75 per cent and 7.40 per cent of net bank credit in 'other priority sector' during the first and second of the study respectively. It is further analysis from study that, the value of co-efficient of variation in private sector banks was 14.11 and 6.75 during the first and second phases respectively.

2.1 SECTOR-WISE DEPLOYMENT OF PRIORITY SECTOR LENDING BY PRIVATE SECTOR BANKS:

Agriculture credit of private sector banks, on an average, recorded a rate of growth of 0.22 per cent during the first phase and this rate decreased with a margin to 0.13 per cent in the second phase. The private sector banks as per the Reserve Bank of India norms are also required to lend 18.00 per cent of net bank credit to agriculture sector. These banks, on an average, deployed 15.17 per cent of net bank credit in agriculture sector and thus these private sector banks failed to achieve the stipulated target of priority sector lending in the first phase and also during the second phase, in none of the years, the prescribed target lending was achieved by private sector banks (i.e. 40.00 per cent) and on an average, deployed 17.14 per cent of net bank credit in agriculture sector.

Further an analysis of rate of growth of credit to SSIs revealed that it, on an average, recorded a rate of growth of 0.20 per cent during the first phase, but it very small increase to a rate of 0.21 per cent during the second phase [Table 3]. The private sector banks, on an average, deployed 18.13 per cent of net bank credit to SSIs during the first phase. However, these shares increase to 21.45 per cent during the second phase of the study.

An analysis of private sector banks, rate of growth of credit to 'other priority sector' revealed that, it on an average, stood as 0.07 per cent in the first phase. However, this rate declined to 0.01 per cent per during the second phase of the study. The percentage share of 'other priority sector' credit to net bank credit, on an average, stood at 8.87 and 4.32 per cent of during the first and second phase respectively.

Table 3: Sect oral Deployment of Priority Sector Credit by Private Sector Banks

(Amount ₹ in Crores)

Years	Agriculture			SSIs			Other Priority Sector		
	Credit	%age to TPSAs	%age to NBC	Credit	%age to TPSAs	%age to NBC	Credit	%age to TPSAs	%age to NBC
Phase-I									
2013	111968	34.20	12.84	141735	43.29	16.25	73703	22.51	8.45
2014	147754	31.66	13.91	186793	40.03	17.58	132103	28.31	12.43
2015	181768	34.28	14.8	216578	40.84	17.63	131941	24.88	10.74
2016	266857	40.31	17.85	292342	44.16	19.55	102831	15.53	6.88
2017	297244	39.18	16.43	355702	46.88	19.66	105767	13.94	5.84
Avg.	**201118**	**35.93**	**15.17**	**238630**	**43.04**	**18.13**	**109269**	**21.03**	**8.87**

CAGR in %	**0.22**			**0.20**			**0.07**		
C.V. in %		**10.20**	**13.15**		**6.36**	**8.01**		**29.17**	**30.61**
Phase-II									
2018	368988	42.35	17.20	392440	45.04	18.30	109878	12.61	5.12
2019	491870	39.5	17.37	594400	47.74	20.99	158908	12.76	5.61
2020	574566	41.96	17.65	669161	48.87	20.56	125669	9.18	3.86
2021	612628	38.31	16.61	834280	52.17	22.62	152291	9.52	4.13
2022	686621	37.90	16.89	1007691	55.62	24.79	117506	6.49	2.89
Avg.	**546935**	**40.00**	**17.14**	**699594**	**49.89**	**21.45**	**132850**	**10.11**	**4.32**
CAGR in %	**0.13**			**0.21**			**0.01**		
C.V. in %		**5.14**	**2.37**		**8.22**	**11.29**		**25.98**	**24.81**

Source: - As per Table 1.

3. RESULTS AND DISCUSSION:

3.1 TEST OF HYPOTHESIS OF MEAN VALUE OF CREDIT DEPLOYED TO PRIORITY SECTOR BY TWO BANK GROUPS:

Table 4: t-test of Credit Deployed to Priority Sector by Two Bank Groups

Phase-I	**Mean Value**	**Std. Dev.**	**t-test**	**d. f. (v)**	**Sig. (2-Tailed Test)**
Public Sector Banks	144705.40	25522.46	11.17	8	9.070
Private Sector Banks	26143.68	8003.36			
Phase-II	**Mean Value**	**Std. Dev.**	**t-test**	**d. f. (v)**	**Sig. (2-Tailed Test)**
Public Sector Banks	202239.00	18417.13	12.17	8	1.922
Private Sector Banks	65684.73	17029.59			

Note: *n_1=5 and n_2=5 (Number of Years).*
Degree of freedom, d. f. (v) = $n_1+n_2-2=5+5-2=8$.
The value of t-test for two tailed test for v=8 is ($t_{0.05}$) =2.17.

The null hypothesis shows that there is no significant difference in the mean value of credit deployed by two bank groups (H_0: $\mu_1=\mu_2$). Whereas, the alternative hypothesis shows that there is significant difference in the mean value of credit deployed by two bank groups (H_1: $\mu_1\neq\mu_2$). Since, the calculated value of t-test during the first phase and second phase are 11.17 and 12.17 respectively [Table 4], which are more than the table value *(for v =8, $t_{0.05}$ =2.17)* and are found significant at 5% level (Significance, two tailed test= 9.070 and 1.922), so the null hypothesis is rejected and alternative hypothesis is accepted, and we conclude that there is significant difference in the mean value of credit deployed by public and private sector bank groups (H_1: $\mu_1\neq\mu_2$) during the first and second phase of the study.

3.2 TEST OF HYPOTHESIS OF MEAN VALUE OF CREDIT DEPLOYED TO VARIOUS COMPONENTS OF PRIORITY SECTOR BY TWO BANK GROUPS:

Table 5: T-test of Credit Deployed to Agriculture, SSIs, and 'Other Priority Sector' by Two Bank Groups

Agriculture Credit					
Phase-I	**Mean Value**	**Std. Dev.**	**T-test**	**d. f. (v)**	**Sig.(2-Tailed Test)**
Public Sector Banks	63,030.33	14,555.41	9.22	8	4.557
Private Sector Banks	9,577.06	3,744.36			
Phase-II	**Mean Value**	**Std. Dev.**	**T-test**	**d. f. (v)**	**Sig.(2-Tailed Test)**
Public Sector Banks	87,459.17	9,338.49	12.83	8	1.576
Private Sector Banks	26,044.50	5,797.44			
Small Scale Industries (SSIs) Credit					
Phase-I	**Mean Value**	**Std. Dev.**	**T-test**	**d. f. (v)**	**Sig.(2-Tailed Test)**
Public Sector Banks	53205.25	9,148.03	8.85	8	1.403
Private Sector Banks	11,363.33	4,065.29			
Phase-II	**Mean Value**	**Std. Dev.**	**T-test**	**d. f. (v)**	**Sig.(2-Tailed Test)**
Public Sector Banks	78,879.83	5,961.60	8.41	8	4.149
Private Sector Banks	33,314.02	11,152.41			
'Other Priority Sector' Credit					
Phase-I	**Mean Value**	**Std. Dev.**	**T-test**	**d. f. (v)**	**Sig.(2-Tailed Test)**
Public Sector Banks	28601.55	3,518.04	15.81	8	6.119
Private Sector Banks	5203.29	1,155.21			
Phase-II	**Mean Value**	**Std. Dev.**	**T-test**	**d. f. (v)**	**Sig.(2-Tailed Test)**
Public Sector Banks	35,900.02	4,111.85	18.17	8	2.841
Private Sector Banks	6326.21	1,030.07			

Note: As per Table 1
Note: *n_1=5 and n_2=65(Number of Years).*

Degree of freedom, d. f. (v) = $n_1+n_2-2=5+5-2=8$.
The value of t-test for two tailed test for v=8 is ($t_{0.05}$) *=2.17.*

The null hypothesis shows that there is no significant difference in the mean value of credit deployed to agriculture sector by two bank groups (H_0: $\mu_1=\mu_2$). Whereas, the alternative hypothesis shows that there is significant difference in the mean value of credit deployed by two bank groups (H_1: $\mu_1\neq\mu_2$). Since, the calculated value of t-test during the first and second phase are 9.22 and 12.83 respectively [Table 5], which are more than the table value *(for v =8,* $t_{0.05}$ *=2.17)* and are found significant at 5% level (Significance, two tailed test=4.557 and 1.576), so the null hypothesis is rejected and alternative hypothesis is accepted, and we conclude that there is significant difference in the mean value of credit deployed to agriculture sector by both bank groups (H_1: $\mu_1\neq\mu_2$) during the both the phases of the study.

In case of SSIs, the computed value of t-test during the first phase is 8.85 which is greater than the table value *(for v =8,* $t_{0.05}$ *=2.17)* and it is found in-significant at 5% level (Significance, two tailed test=1.403), so the null hypothesis is rejected and alternative hypothesis is accepted, and we conclude that there is also significant difference in the mean value of credit deployed to Small Scale Industries by public and private sector bank groups (H_1: $\mu=\mu_2$) during the first phase. However, during the second phase, the calculated value of t-test is 8.41, which is also more than the table value *(for v =8,* $t_{0.05}$ *=2.17)* and it is also found significant at 5% level (Significance, two tailed test=4.149), so the null hypothesis is rejected and alternative hypothesis is accepted, and we conclude that there is significant difference in the mean value of credit deployed to Small Scale Industries by public and private sector bank groups (H_1: $\mu_1\neq\mu_2$) during both phases of the study.

Further, in case of "Other Priority Sector" the calculated value of t-test during the first and second phase are 15.81 and 18.17 respectively [Table 5], which are more than the table value *(for v =8,* $t_{0.05}$ *=2.17)* and are found significant at 5% level (Significance, two tailed test=6.119 and 2.841), so the null hypothesis is rejected and alternative hypothesis is accepted, and we conclude that there is significant difference in the mean value of credit deployed to 'Other Priority Sector' by public and private sector bank groups (H_1: $\mu_1\neq\mu_2$) during the first and second phase.

3. CONCLUSION AND SUGGESTIONS:

The study points out that, the priority sector lending by private sector banks registered a higher compounded rate of growth vis-à-vis public sector banks, during both the phases of the study. From the overall analysis of the study, it was found that, on an average, the prescribed target of priority sector lending was not achieved by public as well as private sector banks during the first and second phase (in many years). Although, the prescribed target of priority sector lending has been achieved by these bank groups in few years, but one important issue of concern is that, the shrinking share of priority sector credit in net bank credit over a period of study by both the public and private sector banks, which needs immediate attention of the policy makers. The inter-year disparities in priority sector lending in case of private sector banks are found to be higher as compared to public sector banks in both the phases. The public and private sector banks, on an average, could not deploy 18.00 per cent of net bank credit in agriculture sector and thus, failed to achieve the stipulated target of agricultural lending during the both phases. It was found that, within the priority sector, the share of agriculture and SSIs credit has increased marginally, while the share of 'other priority sector' by both the bank groups has decreased during the period under study. In this context the following suggestions have been taken for the future improvements in the sphere of the priority sector lending.

- Every bank should train their employees in the art of lending to priority sector and should be continue encouraged to upgrade their skill in the area of lending.
- The RBI should convert the present system of target- oriented lending to the priority sector and bank should be given total freedom to lend to all deserving and productive enterprises according to their own norms of lending without any interferences.
- Farmer of our country requires a lot of counseling. So, bank officer engaged in this field should be trained in this art of providing advice and counsel when they needed and consider the requests of the borrowers with a humane touch.

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