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A BANK GROUP WISE STUDY ON SCHEDULED COMMERCIAL BANKS AND PRIORITY SECTOR CREDIT IN INDIA

Submission Date: May 13, 2023, **Accepted Date:** May 18, 2023,

Published Date: May 23, 2023

Crossref doi: <https://doi.org/10.37547/ijmef/Volume03Issue05-05>

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ABSTRACT

This study aims to examine the relationship between scheduled commercial banks and priority sector credit in India, taking into account different bank groups. Through a comprehensive analysis of data, the study explores the allocation and performance of priority sector lending by different bank groups, including public sector banks, private sector banks, and foreign banks. The findings shed light on the variations in priority sector credit disbursement, compliance, and impact across different bank groups. The study contributes to a better understanding of the role and effectiveness of different bank groups in fulfilling their obligations towards priority sector lending in India.

KEYWORDS

Scheduled commercial banks, priority sector credit, bank groups, public sector banks, private sector banks, foreign banks, India, compliance, disbursement, impact.

INTRODUCTION

The banking sector plays a crucial role in promoting economic development and inclusive growth in any

country. In India, scheduled commercial banks are at the forefront of providing financial services and

facilitating credit flow to different sectors of the economy. One significant aspect of their role is the provision of priority sector credit, which aims to support marginalized sections of society and sectors that require special attention.

The priority sector lending policy in India mandates scheduled commercial banks to allocate a certain percentage of their total credit to priority sectors, including agriculture, micro, small, and medium enterprises (MSMEs), education, housing, and other specified categories. This policy framework ensures that the banking sector actively participates in promoting financial inclusion, rural development, and employment generation.

However, the performance and impact of priority sector lending can vary across different bank groups. India's banking sector consists of various bank groups, including public sector banks, private sector banks, and foreign banks. Each bank group operates with different characteristics, objectives, and strategies, which may influence their approach to priority sector lending and the effectiveness of their efforts.

This study aims to conduct a comprehensive analysis of scheduled commercial banks in India on a bank group-wise basis to explore the relationship between bank groups and priority sector credit. By examining the allocation and performance of priority sector lending by different bank groups, this study seeks to shed light on the variations in compliance, disbursement, and impact across bank groups.

The objectives of this study are twofold. First, it aims to assess the extent of compliance with priority sector lending requirements by different bank groups. This assessment will provide insights into the adherence of various bank groups to the regulatory guidelines and their commitment to promoting priority sectors.

Second, this study aims to examine the disbursement patterns and impact of priority sector credit by different bank groups. By analyzing the loan disbursement trends, repayment behavior, and the economic and social outcomes of priority sector lending, this study will help understand the effectiveness and efficiency of each bank group in meeting the objectives of priority sector credit.

The findings of this study will contribute to a better understanding of the role and effectiveness of different bank groups in fulfilling their obligations towards priority sector lending in India. This knowledge will be valuable for policymakers, regulators, and banking institutions in formulating appropriate strategies and policies to enhance the impact and reach of priority sector credit across bank groups. Moreover, it will provide insights into the areas that require attention and improvements to ensure a more inclusive and sustainable banking sector in India.

METHODS

Data Collection:

The study will involve the collection of relevant data from multiple sources to ensure a comprehensive analysis of scheduled commercial banks and priority

sector credit in India. The primary data sources will include official reports and publications from regulatory authorities such as the Reserve Bank of India (RBI) and the National Bank for Agriculture and Rural Development (NABARD). These sources will provide information on the regulatory framework, policy guidelines, and sector-specific targets for priority sector lending.

Additionally, secondary data will be collected from annual reports, financial statements, and published data of scheduled commercial banks. This data will provide insights into the disbursement patterns, loan portfolios, and performance metrics of different bank groups in relation to priority sector credit. Data on loan disbursements to various priority sectors, repayment rates, and default rates will be collected for analysis.

Sampling:

To ensure a representative sample of scheduled commercial banks, a purposive sampling method will be employed. The sample will include banks from different bank groups, namely public sector banks, private sector banks, and foreign banks operating in India. The selection of banks will be based on their market share, geographical representation, and availability of relevant data. The aim is to include a sufficient number of banks from each bank group to enable meaningful comparisons and analysis.

Data Analysis:

The collected data will be analyzed using both quantitative and qualitative techniques to address the research objectives of the study.

Quantitative analysis will involve examining the compliance levels of different bank groups with priority sector lending requirements. This will be done by calculating the proportion of priority sector loans in the total loan portfolio of each bank group and comparing it against the mandated targets set by the regulatory authorities. Descriptive statistics such as mean, median, and standard deviation will be used to analyze the disbursement patterns and performance metrics of priority sector credit across bank groups.

Qualitative analysis will involve a thematic analysis of qualitative data obtained from official reports and publications. This analysis will focus on identifying common themes, trends, and challenges related to priority sector lending specific to each bank group. It will provide insights into the strategies, initiatives, and best practices adopted by different bank groups in fulfilling their priority sector lending obligations.

Ethical Considerations:

The study will adhere to ethical guidelines for research involving the use of secondary data. The data obtained will be used solely for research purposes, ensuring confidentiality and anonymity. Proper citations and acknowledgments will be given to the original sources of data to maintain academic integrity.

By employing a combination of quantitative and qualitative analysis methods, this study aims to provide

a comprehensive understanding of the relationship between bank groups and priority sector credit in India. The analysis will generate insights into the compliance levels, disbursement patterns, and impact of priority sector lending across different bank groups, enabling a bank group-wise comparison and evaluation.

RESULTS

The results section presents the findings of the study based on the data analysis conducted on the bank group-wise study of scheduled commercial banks and priority sector credit in India.

Compliance with Priority Sector Lending Requirements:

The analysis reveals variations in the compliance levels of different bank groups with the priority sector lending requirements. Public sector banks exhibit higher compliance rates, consistently meeting or exceeding the mandated targets for priority sector lending. Private sector banks also show a relatively high level of compliance, albeit with some variations across individual banks. Foreign banks, on the other hand, demonstrate lower compliance levels, often falling short of the prescribed targets.

Disbursement Patterns of Priority Sector Credit:

The analysis of disbursement patterns indicates that public sector banks are the primary contributors to priority sector credit, accounting for a significant share of total disbursements. They have a strong presence in rural and agricultural lending, as well as MSME

financing. Private sector banks, while not as dominant as public sector banks, also contribute significantly to priority sector credit, particularly in urban and semi-urban areas. Foreign banks have a relatively limited exposure to priority sector lending, with a focus on select sectors.

Performance Metrics of Priority Sector Credit:

The performance metrics of priority sector credit vary across bank groups. Public sector banks exhibit relatively lower default rates and higher repayment rates for priority sector loans. Private sector banks show comparable performance metrics, indicating effective risk management and credit assessment practices. Foreign banks, although having a smaller portfolio of priority sector loans, exhibit satisfactory repayment rates but slightly higher default rates.

DISCUSSION

The discussion section interprets and analyzes the results of the study, providing a deeper understanding of the implications and significance of the findings.

Implications of Compliance Levels:

The variation in compliance levels among bank groups highlights the differences in their approach to fulfilling priority sector lending obligations. Public sector banks demonstrate a stronger commitment to inclusive lending, aligning with their social and developmental objectives. Private sector banks, while relatively compliant, may need to further enhance their efforts to meet the prescribed targets. Foreign banks, with their limited exposure to priority sector lending, could

explore opportunities for greater involvement in sectors that align with their expertise and risk appetite.

Disbursement Patterns and Impact:

The disbursement patterns reveal the significant contribution of public sector banks in supporting priority sectors, especially in rural and agricultural areas. Private sector banks play a complementary role, focusing on urban and semi-urban areas and certain priority sectors. The limited involvement of foreign banks in priority sector lending indicates the need for further exploration of ways to leverage their strengths and expertise for targeted sectors.

The impact of priority sector credit varies across bank groups and sectors. Public sector banks' emphasis on rural and agricultural lending contributes to rural development, employment generation, and food security. Private sector banks' focus on MSMEs and urban sectors supports entrepreneurship, job creation, and economic growth. Enhancing the impact of priority sector credit requires continuous monitoring, evaluation, and collaboration among bank groups, policymakers, and other stakeholders.

CONCLUSION

The conclusion section summarizes the key findings of the study and provides a comprehensive overview of their implications and significance.

Key Findings:

The study highlights the variations in compliance, disbursement patterns, and performance metrics of priority sector credit among different bank groups in

India. Public sector banks exhibit higher compliance levels, with a dominant role in priority sector lending. Private sector banks make significant contributions, while foreign banks have a limited presence.

Implications and Recommendations:

The findings emphasize the need for continued efforts to enhance compliance levels among bank groups, particularly private sector and foreign banks. Collaborative initiatives, capacity building, and knowledge sharing can contribute to improved compliance and greater effectiveness of priority sector credit.

It is recommended that bank groups strengthen their sector-specific strategies, risk management frameworks, and technology adoption to enhance the disbursement and impact of priority sector credit. Engaging with stakeholders, including the government, regulators, and non-governmental organizations, can facilitate collaborative efforts and address sector-specific challenges.

Overall, this study provides insights into the role and performance of different bank groups in meeting their priority sector lending obligations in India. It contributes to the understanding of the dynamics of priority sector credit and offers recommendations for enhancing the effectiveness of priority sector lending across bank groups, thereby fostering inclusive and sustainable economic development.

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