

PRIORITY SECTOR LENDING BY STATE BANK OF INDIA: “A CASE STUDY OF RAYAGADA DISTRICT”

Prof .Mousumi Mohanty
Assistant Professor
Rayagada (Autonomous) college, Rayagada

INTRODUCTION

The need to channelize the flow of credit to certain sectors of the economy, known as priority sectors, in the larger interest of the country can be traced back to the Reserve Bank's credit policy for the year 1967-68. According to Patel and Shete (1984), financing of priority sector of the economy has been one of the strategies of the commercial banks in their developmental role in India. As the economy was facing severe imbalances due to shortfalls in agricultural output and slowing down of industrial production during 1965-66 and 1966-67, Social Control over banks was initiated during 1967-68. The trend in the lending system before imposing social control was that most of the banks had been allocating the large part of their loans and advances to giant industrial and trading institutions, (Karkal, 1977). The credit gap in respect of the key sectors of the economy was identified systematically, perhaps for the first time by the Gadgil Study Group of the National Credit Council. The study group found that two-thirds of the bank credit went to the industrial sector and there was total neglect of the agricultural sector. Lending to agriculture did not exceed more than 2 percent of total credit. In the words of the Gadgil study Group (1969) "Modern banking owed its origin to the development of trade and commerce and later to the organized industry. The doyens of commerce and industry were until recently, in substantial control of the management and policies of banks and hence commercial banks had a pronounced urban orientation in their development and did not encompass the rural areas to any significant extent. Against this background, banks evolved procedures and practices primarily suited to cater to the industrial and commercial clientele on the conventional basis. Banking norms established under such procedures and practices were not suited to meeting the needs of the rural sector and other non-conventional borrowers. Nor did they feel any urge to modify these procedures because there was no motivation on their part to spread to the rural areas and undertake non-conventional business." The Agriculture Finance Corporation Ltd was set during this time to provide guidance and to suggest projects in the agriculture sector for extending financial assistance by the commercial banks.

Key Words: Reserve Bank, Commercial Banks, Banking norms, Economy

OBJECTIVES OF THE STUDY

Priority Sector Lending is an integral part of the economic development of the country, In order to eradicate the poverty in rural areas, reduce the unemployment, produce more agricultural product & non-agricultural product. This initiative was taken by the government of India as well as RBI officially in 1972. It helps to fulfill the objective of Make-In-India. This study is conducted to know the Priority Sector Lending in the rural area like Rayagada District. The following are the specific objectives of the study

- To understand the concept of Priority Sector Lending.
- Analysis of the sector-wise beneficiaries of Priority Sector Lending by S.B.I in Odisha as a whole.
- Analysis of the sector-wise lending by S.B.I in Rayagada district.

DATABASE AND METHODOLOGY

The study was conducted in two stages. In the first stage, data available from publications like RBI Bulletins, Basic Statistical Returns, Currency and Finance, RBI Occasional Papers, Circular notice from RBI. Internet services were also used for collecting the latest information through websites of RBI and other institutions.

In the second stage, relevant information has been collected through discussions with Lead Bank Managers, MSME Bank Officers.

EVOLUTION THE CONCEPT OF PRIORITY SECTOR LENDING

The concept of priority sector had started from 1967 when the then Dy. Prime Minister and Finance Minister Shri. Morarji Desai said in Lok Sabha that there has been public concern that several priority sectors such as agriculture, small-scale industries and exports were not receiving their due share of bank credit (Anand, 1994). The term 'priority sector' indicates those activities that have national importance and have been assigned priority for development. Initially, the priority sector was defined to include agriculture, small-scale industries, and exports. During 1967-68, in order to support priority sector lending, RBI considered the increase in bank's advances to such priority sectors namely agriculture, SSI and export eligible for refinance from them at a concessive rate apart from considering increments in such advances as liquid assets of banks for the purpose of computation of bank's liquidity ratio. The second meeting of the National Credit Council held in July 1968, defined priority sector to include only agriculture and small-scale industry. While stipulating targets for agriculture and industry, the Finance Minister specifically stated, "the importance of priority sector should not make as unmindful of the requirements of other important sectors. When we remove credit gaps, which undoubtedly exist in the priority sectors, we should not in the process create credit gaps in other areas. Accordingly, Governor L.K. Jha proposed the banks to allocate 15 percent and 31 percent respectively of their deposits (after providing for statutory liquidity requirements) to agriculture and small-scale industries. The introduction of Credit Guarantee Scheme as recommended by the working group under the chairmanship of Shri.S.S.Shiralkar in 1969 also supported bank lending to the priority sector (Srinivasan, 1995). A major shift in commercial banks' lending policy towards priority sector took place with the nationalization of the 14 major commercial banks in 1969. The preamble to the Bank Nationalization Act, 1970 clearly emphasized that the banking system has to function in alignment with national priorities and objectives. According to Vasant Desai (1976), the task of nationalized banks was to restore vitality to the rural economy, built up the future prosperity of the common man and reinforce both agricultural and rural industry. One of the objectives of nationalization was to ensure that no viable productive Endeavour should falter for lack of credit, either big or small. Nationalization of banks, therefore, aimed at reshaping the credit policies and directing credit to the hitherto neglected sectors. These objectives could be realized through the extension of banking facilities to unbanked areas, mobilization of deposits and allocation of credit according to the priorities of socio-economic development.

LEAD BANK SCHEME

The Study Group on the Organizational FrameWork for the Implementation of Social Objectives (Chairman: Prof. D.R Gadgil) and the Committee of Bankers (Chairman: Shri.F.K.F. Nariman) advised that commercial banks should increase their lending to rural

areas and districts are to be allotted to banks, so that they could play a lead role in those districts to provide banking facilities. Following the recommendations of these Groups, RBI introduced "Lead Bank Scheme" in December 1969. The scheme was basically aimed at branch expansion and coordination with other financial institutions and development agencies in the district.

COMPONENTS OF PRIORITY SECTOR

➤ AGRICULTURE

In this segment the following changes were made in the post-reform period. The sub-target of 18 percent in respect of agricultural lending made inclusive of indirect finance to agriculture. However, indirect finance to agriculture not to exceed 25 percent of total agriculture advances for the purpose of computing performance under the sub-target. Advances to farmers against pledge hypothecation of agricultural produce (produce marketing loans) under priority sector enhanced from Rs.5, 000 to Rs.25, 000 and duration increased from three months to six months. Average limit for traditional plantations increased from 5 acres to 25 acres for the purpose of reckoning short-term advances to cultivators under priority sector (October, 1993). Advances to farmers for acquisitions of jeeps, pick-up vans, mini busses etc. reckoned as agricultural advances under priority sector (March 1994). Advances up to Rs.5 lakh granted for financing distribution of inputs for allied activities (to agriculture) such as cattle feed, poultry feed etc reckoned as indirect agricultural advances (May, 1994). Deposits by banks in Rural Infrastructural Development Fund (RIDF) treated as indirect finance to agriculture under the priority sector (April, 1995). Advances up to Rs.1 lakh to farmers against pledge, hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding six months, where the farmers were given crop loans for raising the produce, provided the borrowers draw credit from one bank (September, 1995). Bank loans to commission agents for meeting their working capital requirements on account of credit extended to farmers for supply of inputs reckoned under priority sector as indirect finance to agriculture (March, 1996). Finance extended to dealers in drip irrigation/sprinkler irrigation system/agricultural machinery up to a ceiling of Rs.10 lakh per dealer treated as priority sector lending (indirect finance to agriculture). The dealer should be located in rural/semi-urban areas and dealing exclusively in such items or maintaining separate and distinct records in respect of such items (June 1996). Advances up to Rs.5 lakhs to farmers against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months, where the farmers were given crop loans. Financing of small and marginal farmers for purchase of land for agricultural purposes, financing setting up of agro clinics and agribusiness centers by agriculture graduates to be included in the direct finance to agriculture category. Ceiling of Rs.10 lakh per dealer in drip-irrigation/sprinkler irrigation system/agricultural machinery to be raised to Rs.20 lakh per dealer. Finance extended to dealers in drip irrigation/ sprinkler irrigation system/ agricultural machinery to be raised to Rs.30 lakh per dealer from the previous ceiling of Rs.20 lakh per dealer (July, 2005). Investment by banks in special bonds issued by NABARD with the objective of financing exclusively agriculture/allied activities, subject to conditions like

- (i) The issue of bonds should be accompanied by a declaration from the issuing institution that the proceeds would be utilized for financing of borrowers under the priority sector and no refinance would be availed of against such loans to the ultimate borrowers from any other agency,
- (ii) The rate of interest and maturity period of bonds may be settled by banks with NABARD and the quantum of investment in bonds should be shown separately under the appropriate sub-head in the priority sector returns submitted to RBI,

(iii) Investment by banks in securitized assets which represent direct and indirect advances to agriculture provided securitized assets are originated by banks and financial institutions and (iv) Fifty percent of the credit outstanding under loans for general purposes under general credit cards (GCC) to be reckoned as indirect finance to agriculture (July, 2006).

➤ **SMALL SCALE INDUSTRY (SSI)**

Changes in the SSI sector include the introduction of the Sub-target of 10 percent for foreign banks (April 1993). Revised definition of SSI adopted for the purpose of reckoning bank advances under priority sector credit to Rs.60 lakh and for ancillary units up to Rs.75 lakh. Term loans/line of credit to SFCs/SIDCs to the extent granted to/for SSIs treated as priority sector lending (November 1994). All advances to KVI sector, irrespective of their size of operation and location made eligible for inclusion under the sub-target of 40 percent of SSI (September 1995). Funds provided to SIDBI by way of rediscounting of SSI bills (which were originally discounted by commercial banks and rediscounted by SIDBI) treated as priority sector advances (January 1995). Funds provided by banks to State Financial Corporation's (SFCs) by way of rediscounting of bills of SSIs earlier discounted by the SFCs made eligible for inclusion under priority sector as indirect finance to SSIs. (November 1996). Finance to HUDCO (loans or investments in special bonds) and NBFCs and other intermediaries for on lending to the tiny sector of industry included in priority sector (March 1999). In the case of ancillary units also the investment in plant and machinery (original cost) should not exceed Rs.1 crore to be classified under the small-scale industry. The ceiling for investment in plant and machinery in SSI units for priority sector brought down from Rs.3 crore to Rs.1 crore (February 2000).

➤ **OTHER PRIORITY SECTOR (OPS)**

The change made in the Other Priority Sector lending category includes the following:

➤ **SMALL ROAD AND WATER TRANSPORT OPERATORS (SRWTO)**

Definition of small road and water transport operators revised to include ten vehicles from the previous six vehicles including the one to be financed (October 1997). Bank Credit to eligible NBFCs for on lending to SRWTOs satisfying priority sector norms treated as priority sector lending (July 1998). Finance to NBFCs for on lending to SRWTO for the purchase of vehicles other than trucks also made eligible for inclusion under priority sector (February 1997). Advances to NBFCs for on lending to truck operators and SRWTOs other than truck operators satisfying the eligibility criteria and the portfolio purchases (purchases of hire purchase receivables) from NBFCs made after 31 st July 1998 to be included under priority sector lending, provided the portfolio purchases relate to SRWTOs satisfying priority sector norms (August 2001).

➤ **RETAIL TRADE**

Advances not exceeding Rs. 2 lakhs to private retail traders/ other than those dealing in essential commodities fair price shops and consumer cooperative stores (March 1994). This ceiling increased to not exceeding Rs. 5 lakhs in November 1998 and to not exceeding Rs.10 lakhs in November 2002. Advances to retail traders in fertilizers form part of indirect finance to agriculture and those to retail traders of mineral oils form part of small business. Advances granted to retail traders dealing in essential commodities (Fair price shops) and consumer co-operative stores are also included in priority Sector (August 2001).

➤ **SMALL BUSINESS**

The scope of 'small business' under priority sector expanded to include business enterprises with the original cost price of equipment used for the purpose of business up to Rs.10 lakhs and working capital limit of Rs.5 lakhs or less(March 1994).Distribution of mineral oils advances to judicial stamp vendors and lottery ticket agents also to be classified under this category (August 2001).The scope of 'small business' under priority sector expanded to include business enterprises with the original cost price of equipment used for the business up toRs.20 lakhs and banks are given the freedom to fix individual limits for working capital depending on the requirements of different activities (November 2002).

➤ **PROFESSIONAL AND SELF-EMPLOYED PERSONS**

Advances up to Rs.5 lakhs of which not more than Rs.1 lakh for working capital in the case of professional and self-employed persons and a higher ceiling of Rs.10 lakh with sub-ceiling of Rs.2 lakh for working capital in the case of medical practitioners setting up practice in semi-urban and rural areas and advance granted to a qualified medical practitioner for the purchase of one motor vehicle within the revised ceiling to be reckoned under priority sector credit (May, 1994)Advances to accredited journalists and cameraman who are free lancers ,i.e., not employed by a particular newspaper/magazine for the acquisition of equipment by such borrowers for their professional use, credits for the purpose of purchasing equipment, acquisition of premises (strictly for business) and tools to practicing company secretaries who are not in the regular employment of any employer, financial assistance for running 'Health Centre' by an individual who is not a doctor, but has received some formal training about the use of various instruments of physical exercises, advances for setting up beauty parlors where the borrower holds the qualification in the particular profession and undertakes the activity as the sole means of living/earning his/her livelihood to be included under priority sector lending.

➤ **EDUCATION**

Educational loans to include loans and advances granted to individuals for educational purposes up to Rs.7.5 lakhs for studies in India and Rs.15 lakh for

➤ **HOUSING**

Loans up to Rs.2 lakh for construction of houses and loans up to Rs.25, 000 for repairs of damaged houses granted to all categories of borrowers. Housing loans by banks to their own employees is not reckoned under priority sector. Indirect finance for housing made inclusive of assistance to nongovernmental agencies approved by NHB for the purpose of refinancing. Assistance is given to any governmental agency for the purpose of constructing houses and for slum clearance and rehabilitation of slum dwellers when loan component does not exceed Rs.2 lakh per housing unit to be considered under priority sector (March-April 1994)Ceiling of Housing under priority sector increased to Rs.3 lakh and loans for repairs to damaged houses increased up to Rs.50, 000 (February 1997).Advances granted under the special rural housing scheme of NHB included under priority sector (July 1997). The ceiling of housing finance under priority sector increased to Rs.5 lakh for both direct and indirect finance (October 1997).Loans up to Rs.5 lakhs in rural/semi-urban areas and upto Rs.10 lakhs in Urban and metropolitan areas for construction of houses by individuals, excluding loans granted by banks to their own employees, loans up toRs.50,000 given for repairs to the damaged houses of individuals, and loans granted by banks up to Rs.5 lakhs to individuals desirous of acquiring or Constructing new dwelling units and up to Rs.50,000 for up gradation or major repairs to the existing units in rural areas under special rural Housing Scheme of NHB to be considered as direct finance to priority sector. Indirect finance under housing include assistance given to governmental agencies for construction of

houses or for slum clearance and rehabilitation of slum dwellers, subject to a ceiling of Rs.5 lakhs of loan amount per housing unit and the assistance given to non-governmental agencies approved by the NHB for the purpose of refinance for reconstruction of houses or for slum clearance and rehabilitation of slum dwellers, subject to the same ceiling amount of Rs.5 lakhs per housing unit. All the investment in bonds issued by NHB/HUDCO exclusively for the financing of housing, irrespective of the size of the loan per dwelling unit, will also be reckoned as indirect finance to housing under priority sector (August 2001).

➤ WEAKER SECTION

Advances by banks to SHGs under NABARD's pilot project treated as advances to 'weaker sections' under priority sector. The scope of weaker sections expanded to include beneficiaries under the Scheme of Liberation and Rehabilitation of Scavengers (SLRS) (June 1995). Bank loans to SHGs/NGOs for on lending to SHGs treated as lending to weaker sections under the priority sector (April 1996). Beneficiaries of Swarnjayanti Gram SwarajgarYojana (SGSY) and SwarnaJayanti Shahari RojgarYojana (SJSRY) to be considered as weaker sections and individual borrower limits of artisans, village and cottage industries increased to Rs.25,000 from R.10,000 in the pre-reform period(August 2001) Individual credit limit to artisans, village and cottage industries increased to Rs.50,000 (November, 2001) Loans to distressed urban poor to prepay their debt to non-institutional lenders, against appropriate collateral or group security, subject to the guidelines of the Boards of Directors of banks to be included under weaker sections (July, 2005).

TARGETS/SUB-TARGETS OF PRIORITY SECTOR LENDING

The overall target of priority sector lending at 40 percent of net bank credit continued unchanged during the post-reform period. The sub-target of 18percent in respect of agricultural lending made inclusive of indirect finance to agriculture and indirect finance to agriculture not to exceed 25 percent of total agricultural advances for the purpose of computing performance under the sub-target(October 1993). With a view to reducing the disparity between the domestic banks and the foreign banks operating in India in regard to priority sector obligations, the minimum lending to priority sector by the foreign banks was fixed at 32% of the net bank credit. A sub-target of 10 percent towards small-scale industry and export was introduced for foreign banks in April 1993. Later the export credit sub-target was increased to 12 percent to be achieved by March 1997, whereas the sub-target to the small-scale industry is continued at 10 percent. No change was made under the sub-target for weaker sections. Within the overall main target of 40 percent of net bank credit, 1 percent of previous year's net bank credit is given under the Differential Rate of Interest (DRI) scheme.

TARGETS FOR THE DIFFERENT PRIORITY SECTORS

| | Domestic Commercial Banks | Foreign Banks |
|------------------------------|--|-------------------------------|
| Total Priority Sector Credit | 40 percent of net bank credit | 32 percent of net bank credit |
| Agricultural Credit | 18 percent of net bank credit | No target |
| Weaker Section Credit | 10 percent of net bank credit | No target |
| DRI Scheme | 1 percent of previous year's net bank credit | No target |
| Export Credit | | 12 percent of net bank credit |
| SSI Credit | | 10 percent of net bank credit |

NORMS &GUIDELINE PRESCRIBED BY THE RESERVE BANK OF INDIA

Reserve Bank of India guideline for Priority Sector Lending by Commercial Banks:

The salient features of the guidelines are as under:

- (i) Categories of the priority sector: Medium Enterprises, Social Infrastructure, and Renewable Energy will form part of priority sector, in addition to the existing categories.
- (ii) Agriculture: The distinction between direct and indirect agriculture is dispensed with.
- (iii) Small and Marginal Farmers: A target of 8 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, has been prescribed for Small and Marginal Farmers within agriculture, to be achieved in a phased manner i.e., 7 percent by March 2016 and 8 percent by March 2017.
- (iv) Micro Enterprises: A target of 7.5 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, has been prescribed for Micro Enterprises, to be achieved in a phased manner i.e. 7 percent by March 2016 and 7.5 percent by March 2017.
- (v) There is no change in the target of 10 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, for Weaker Sections.
- (vi) The target for Foreign Banks: Foreign Banks with 20 branches and above already have priority sector targets and sub-targets for Agriculture and Weaker Sections, which are to be achieved by March 31, 2018, as per the action plans submitted by them and approved by RBI. The sub-targets for Small and Marginal Farmers and Micro Enterprises would be made applicable post-2018 after a review in 2017. Foreign banks with less than 20 branches will move to Total Priority Sector Target of 40 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, on par with other banks by 2019-20, and the sub-targets for these banks, is to be made applicable post 2020, would be decided in due course.
- (vii) Bank loans to food and agro-processing units will form part of Agriculture.
- (viii) Export credit: Export credit up to 32 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, will be eligible as part of priority sector for foreign banks with less than 20 branches. For other banks, the incremental export credit over the corresponding date of the preceding year will be reckoned up to 2 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher.
- (ix) The loan limits for housing loans and MFI loans qualifying under priority sector have been revised.
- (x) The priority sector non-achievement will be assessed on the quarterly average basis at the end of the respective year from 2016-17 onwards, instead of annual basis as at present.

TABLE NO-1
BENEFICIARIES OF PRIORITY SECTORS IN ODISHA: 2016-17

| Sectors | Beneficiaries |
|--------------------|---------------------|
| Agriculture | 6,40,694 (77.01) |
| Micro credit | 88,122 (10.59) |
| Small enterprises | 14,445 (1.73) |
| Medium enterprises | 22,697 (2.74) |
| Education | 27,046 (3.25) |
| Housing | 38,907 (4.68) |
| Total | 8,31,911 (100) |

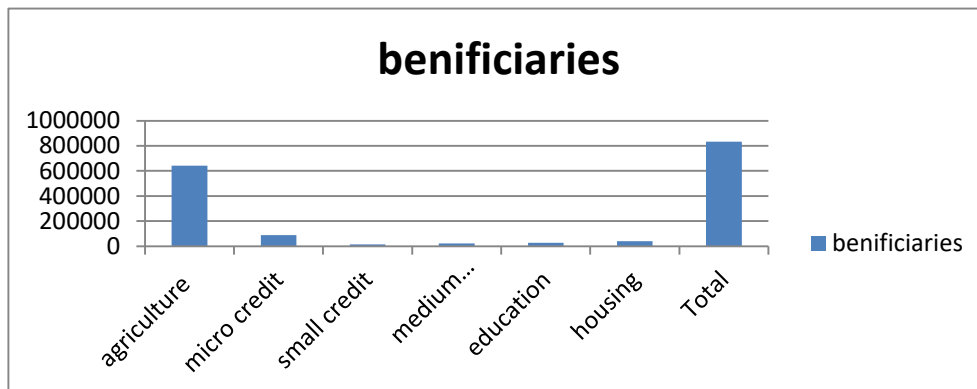
SOURCE: SBI, L.H.O, BBSR

(NOTE: Figures in brackets indicate the percentage of the total.)

Table 1 shows that the total no. of beneficiaries of priority sector in Odisha during 2016-17. The total beneficiaries are categorized into six sectors. Among all these sectors agricultural beneficiaries are captured the 77.01% of total beneficiaries on priority sectors, which is no higher than other sectors. In 2016-017 SBI is lending 1.73% on small credit, which is the lowest percentage.

FIGURE NO- 1

BENEFICIARIES OF PRIORITY SECTORS IN ODISHA: 2016-17



A STUDY ON PRIORITY SECTOR LENDING BY SBI IN RAYAGADA DISTRICT: AN EMPIRICAL ANALYSIS

The whole study was divided into two groups one is analysis part and another one is the empirical part. This unit consists an empirical study of SBI's Priority Sector Lending in Rayagada district. This study covers seven-year data from 2010-11 to 2016-17 about the Priority Sector Lending by SBI in Rayagada district, Analysis, Findings, and Conclusion.

TABLE NO-2

TOTAL LENDING AND COLLECTION OF PRIORITY SECTORS ADVANCED BY SBI RAYAGADA DIST. (PERIOD OF 2010-11 TO 2016-17)

(Rs. In Cr.)

| Year | Total lending on priority sectors | Total collection from priority sectors (in cumulative) |
|---------|-----------------------------------|--|
| 2010-11 | 835.36 | 808.71 |
| 2011-12 | 834.82 | 797.59 |
| 2012-13 | 871.52 | 801.47 |
| 2013-14 | 904.8 | 735.31 |
| 2014-15 | 880.3 | 719.81 |
| 2015-16 | 884.57 | 810.93 |
| 2016-17 | 917.14 | 886.46 |

Source: SBI, L.H.O, BBSR

The table No-2 shows that, total lending on priority sectors & total cumulative collection in Rayagada district during the period of 2010-11 to 2016-17. According to the table, there is an increasing trend in lending on priority sector except 2014-15 and 2015-16. In 2016-17 the lending on priority sector was 917.14 Cr., which was the highest lending of SBI during 2010-11 to 2016-17. In 2011-12, the total lending on priority sector was 834.82 Cr., which was the lowest amount during 2010-11 to 2016-17. In 2016-17 the cumulative collection was so high. In 2013-14, the cumulative collection was 753.31 Cr., which was so lowest amount collection.

FIGURE NO- 2

TOTAL LENDING AND COLLECTION OF PRIORITY SECTORS ADVANCED BY SBI RAYAGADA DIST. (PERIOD OF 2010-11 TO 2016-17)

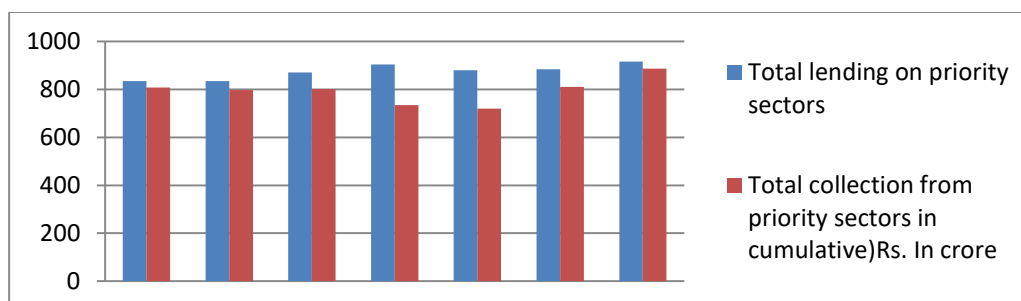


TABLE - 3

BENEFICIARIES OF PRIORITY SECTORS IN RAYAGADA DIST. 2016-17

| Sectors | Beneficiaries |
|------------------|------------------|
| Agriculture | 50655 (77.72) |
| Micro credit | 7236 (11.10) |
| Small credit | 885 (1.35) |
| Medium credit | 1486 (2.28) |
| Education | 2432 (3.73) |
| Housing & others | 2487 (3.82) |
| Total | 65181 (100) |

SOURCE: SBI, L.H.O, BBSR

NOTE: Figures in brackets indicate the percentage of the total

The table No-3 shows that the total no. of beneficiaries of priority sectors lending in Rayagada district during 2016-17. The total beneficiaries are categorized into 6 sectors. Among all these sectors agriculture beneficiaries capture the share of 77.72% of total beneficiaries on priority sector which is no higher than other sectors. Because in Rayagada 80% of total population is depending upon the agricultural sector. In 2016-17 SBI is lending 1.35% on small credit which is lowest of all in Rayagada district.

FIGURE NO- 3

**BENEFICIARIES OF PRIORITY SECTORS
IN RAYAGADA DIST.**

2016-17

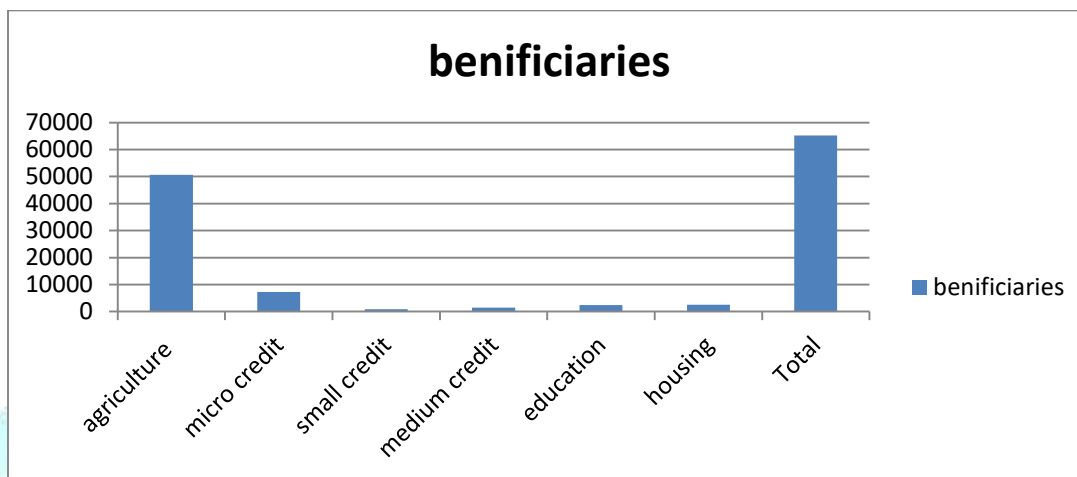


TABLE NO-4

TOTAL LENDING ON PRIORITY SECTORS IN RAYAGADA DISTRICT

FROM 2010-11-2016-17

(Rs. In Cr.)

| year | Agriculture | Micro credit | Small credit | Education | Housing&others | Total Lending in Priority Sector |
|---------|-------------------|-------------------|-------------------|-----------------|-------------------|----------------------------------|
| 2010-11 | 291.78 (34.93) | 236.81 (28.34) | 149.51 (17.89) | 14.87 (1.78) | 142.39 (17.06) | 835.36 (100) |
| 2011-12 | 289.32 (34.66) | 239.43 (28.68) | 143.86 (17.24) | 13.89 (1.66) | 148.32 (17.76) | 834.82 (100) |
| 2012-13 | 309.48 (35.52) | 241.17 (27.67) | 151.16 (17.44) | 16.04 (1.84) | 153.67 (17.63) | 871.52 (100) |
| 2013-14 | 321.36 (35.53) | 251.29 (27.77) | 163.51 (18.07) | 14.19 (1.56) | 154.45 (17.07) | 904.8 (100) |
| 2014-15 | 316.85 (36) | 243.81 (27.70) | 148.32 (16.85) | 17.51 (1.98) | 153.81 (17.47) | 880.3 (100) |
| 2015-16 | 305.43 (34.53) | 248.31 (28.07) | 156.89 (17.74) | 18.15 (2.05) | 155.79 (17.61) | 884.57 (100) |
| 2016-17 | 329.48 (35.93) | 259.29 (28.27) | 166.45 (18.15) | 16.13 (1.76) | 145.79 (15.89) | 917.14 (100) |

SOURCE: SBI, L.H.O, BBSR

NOTE: Figures in brackets indicate the percentage of the total.

The table No-4 shows that the amount of advance given by S.B.I Rayagada district to various categories under priority sector lending during the period from 2010-11 to 2016-17. The amount sanctioned under agriculture loans in the year 2014-15 were 316.85 Cr., the percentage was 36, which was highest. Agriculture sector lending on priority sector was so high then other sectors in this 7-year analysis. Education is the very low sector on priority sector lending, which was 2% of the total lending on priority sectors. Microcredit sector lending was compatible high then all sectors except agricultural sector.

FIGURE NO -4
TOTAL LENDING ON PRIORITY SECTORS IN RAYAGADA DISTRICT
FROM 2010-11-2016-17

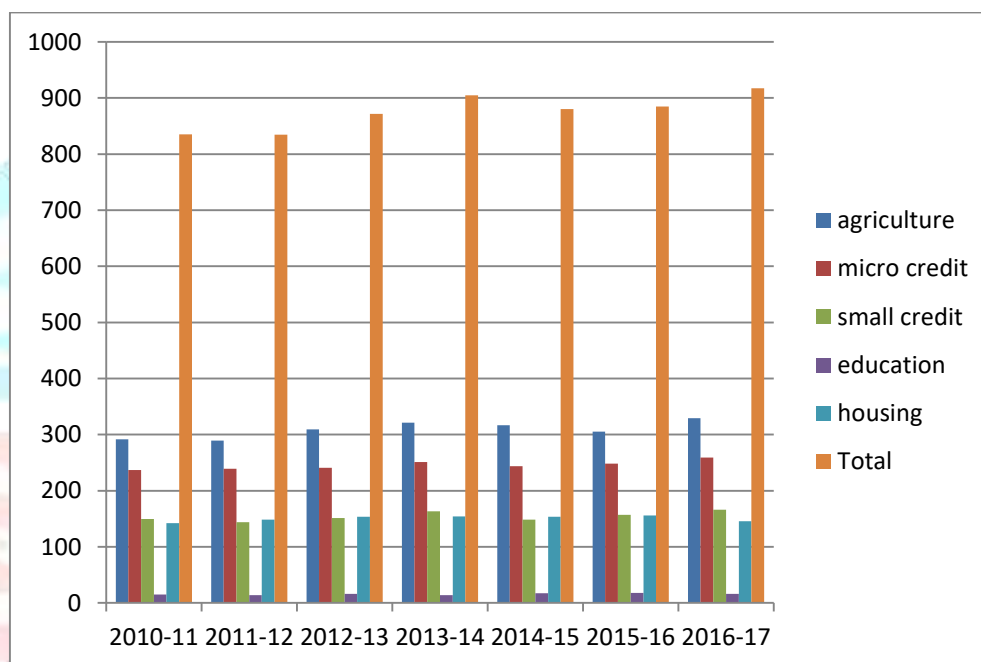


TABLE NO- 5

S.B.I ACHIEVEMENT THE TARGET IN RAYAGADA DIST. FROM 2010-11 TO 2016-17

(Rs. In Cr.)

| year | Total Net credit | Target | Achievement | Gap between target and achievement (%) |
|---------|------------------|------------------|-------------------|--|
| 2016-17 | 2678.81 | 1071.52 (100) | 917.14 (85.59) | 154.38 - (14.41) |
| 2015-16 | 2661.83 | 1064.73 (100) | 884.57 (83.07) | 180.16 - (16.93) |
| 2014-15 | 2451.76 | 980.7 (100) | 880.3 (89.76) | 100.4 - (10.24) |
| 2013-14 | 2585.48 | 1034.19 (100) | 904.8 (87.48) | 129.39 - (12.52) |
| 2012-13 | 2681.32 | 1072.53 (100) | 871.52 (81.43) | 201.01 - (18.57) |

| | | | | |
|---------|---------|------------------|-------------------|---------------------|
| 2011-12 | 2576.89 | 1030.76 (100) | 834.82 (80.99) | 195.94 - (19.01) |
| 2010-11 | 2443.31 | 977.32 (100) | 835.36 (85.47) | 141.96 - (14.53) |

SOURCE: SBI, L.H.O, BBSR

NOTE: Figures in brackets indicate the percentage of the total.

The above table reveals that the target & achievement of annual credit plan under priority sectors in Rayagada district of Odisha. It is observed that there is an increasing trend in the achievement of credit plan except 2014-15, 2015-16. In 2010-11 the annual achievement was Rs. 917.14 Cr. Against a target of 1071.52 Cr., the percentage of achievement was 85.59 Cr. It is observed that the highest percentage of achievement was in 2014-15, where the target was 980.7 Cr. But achievement was 880.3 Cr. The credit plan targeted for 2011-12 stood 1030.76 Cr. But the actual achievement was 834.82 Cr., which was lowest lending achievement among 7 years of credit plan under priority sectors.

FIGURE NO-5

S.B.I ACHIEVEMENT THE TARGET IN RAYAGADA DIST. FROM 2010-11 TO 2016-17

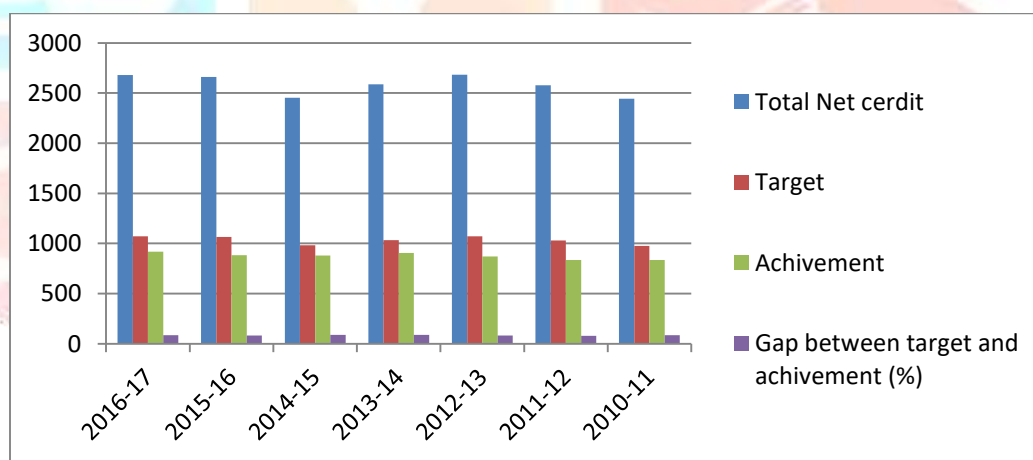


TABLE NO- 6

TOTAL BENEFICIARIES OF RAYAGADA DIST. IN PRIORITY SECTORS DURING 2010-11 TO 2016-17

| year sectors | 2016-17 | 2015-16 | 2014-15 | 2013-14 | 2012-13 | 2011-12 | 2010-11 |
|-----------------|---------|---------|---------|---------|---------|---------|---------|
| Agriculture | 50655 | 49366 | 49124 | 49563 | 48062 | 48786 | 47983 |
| Micro credit | 7236 | 7215 | 7172 | 7178 | 7132 | 7258 | 7002 |
| Small credit | 885 | 816 | 850 | 863 | 915 | 768 | 791 |
| Medium credit | 1486 | 1403 | 1496 | 1504 | 1307 | 1497 | 1458 |
| Education | 2432 | 2496 | 2528 | 2940 | 2721 | 2851 | 2961 |

| | | | | | | | |
|----------------|------|------|------|------|------|------|------|
| Housing&others | 2486 | 2308 | 2319 | 2373 | 2104 | 2176 | 2018 |
|----------------|------|------|------|------|------|------|------|

SOURCE: SBI, L.H.O, BBSR

According to the table no-6, the beneficiaries of agriculture sector was so high in every year from 2010-11 to 2016-17 and the lending on priority sector on small credit was so lowest beneficiaries in every year from 2010-11 to 2016-17. The beneficiaries of microcredit sector were the 2nd highest beneficiaries among all these six sectors.

FIGURE NO- 6
TOTAL BENEFICIARIES OF RAYAGADA DIST. IN PRIORITY SECTORS
DURING 2010-11 TO 2016-17

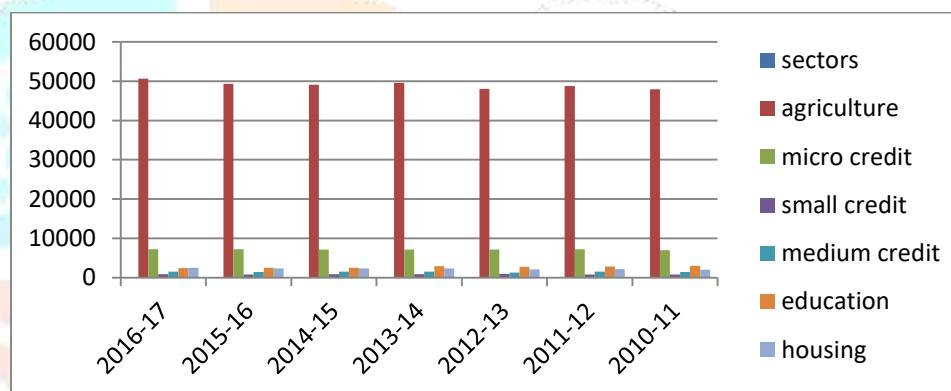


TABLE NO-7

TOTAL LENDING ON PRIORITY SECTOR AND NON-PRIORITY SECTOR BY SBI IN RAYAGADA DISTRICT DURING 2010-11 TO 2016-17

(Rs. In Cr.)

| Year | Priority sector lending | Non-priority sector lending | Total net credit |
|---------|-------------------------|-----------------------------|------------------|
| 2010-11 | 835.36 (34.2) | 1607.95 (65.80) | 2443.31 (100) |
| 2011-12 | 834.82 (32.39) | 1742.07 (67.61) | 2576.89 (100) |
| 2012-13 | 871.52 (32.50) | 1809.80 (67.50) | 2681.32 (100) |
| 2013-14 | 904.80 (35) | 1680.68 (65) | 2585.48 (100) |
| 2014-15 | 880.30 | 1571.46 | 2451.76 |

| | | | |
|---------|-------------------|--------------------|------------------|
| | (35.90) | (64.10) | (100) |
| 2015-16 | 884.57 (33.23) | 1777.26 (66.77) | 2661.83 (100) |
| 2016-17 | 917.14 (34.24) | 1761.67 (65.76) | 2678.81 (100) |

Source: SBI, L.H.O, BBSR

NOTE: Figures in brackets indicate the percentage of the total.

The above table shows that the total lending on priority sector and non-priority sector in Rayagada district by SBI. It is observed that there is an increasing trend in priority sector lending (from 2010-11 to 2016-17) except 2015-16. The change of priority sector and non-priority sector is not significantly. In 2014-15 the priority sector lending was so highest during 2010-11 to 2016-17, Rs.35.90 per cent and non-priority sector was 64.10 percent. In 2012-13 the priority sector lending was lowest during 2010-11 to 2016-17, Rs.32.50 per cent and non-priority sector was 67.50 percent.

FIGURE NO- 7

TOTAL LENDING ON PRIORITY SECTOR AND NON-PRIORITY SECTOR BY SBI IN RAYAGADA DISTRICT DURING

2010-11 TO 2016-17

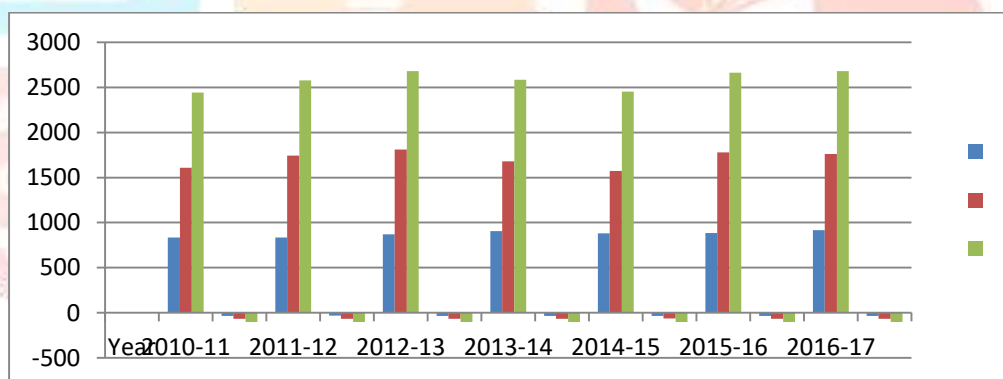


TABLE NO-8

S.B.I ACHIEVEMENT THE TARGET OF MICRO CREDIT IN RAYAGADA DIST.

FROM 2010-11 TO 2016-17

(Rs. In Cr.)

| Year | Total Net Bank Credit | Target (7.5%) | Micro credit | Gap between Micro Credit & Total Net Bank Credit (%) |
|------|-----------------------|---------------|--------------|--|
| | | | | |

| | | | | |
|---------|---------|-----------------|--------------------|---------|
| 2010-11 | 2443.31 | 183.24 (100) | 236.81 (129.23) | + 29.23 |
| 2011-12 | 2576.89 | 200.69 (100) | 239.43 (119.30) | + 19.30 |
| 2012-13 | 2681.32 | 201.09 (100) | 241.17 (119.93) | + 19.93 |
| 2013-14 | 2585.48 | 193.91 (100) | 251.29 (129.59) | + 29.59 |
| 2014-15 | 2451.76 | 183.88 (100) | 243.81 (132.59) | + 32.59 |
| 2015-16 | 2661.83 | 199.69 (100) | 248.31 (124.34) | + 24.34 |
| 2016-17 | 2678.81 | 200.91 (100) | 259.29 (129.05) | + 29.05 |

SOURCE: SBI, L.H.O, BBSR

NOTE: Figures in brackets indicate the percentage of the total.

The above table shows that the target of micro enterprises and achievement of micro enterprises under Priority Sector Lending in Rayagada district of Odisha. Here it is observed that the Priority Sector Lending by SBI has achieved the target of 7.5% as per the norms of RBI. During the above analyses period from 2010-11 to 2016-17 SBI has been lending approximately 20% -30 % excess from the target. In 2014-15 SBI has provided 32.59% credit towards the microcredit sector, which is so high during the study period and in 2011-12 SBI has provided 19.30% credit towards microcredit sector, which is the lowest during the 2010-11 to 2016-17.

FIGURE NO- 8

S.B.I ACHIEVEMENT THE TARGET OF MICRO CREDIT IN RAYAGADA DIST.

FROM 2010-11 TO 2016-17

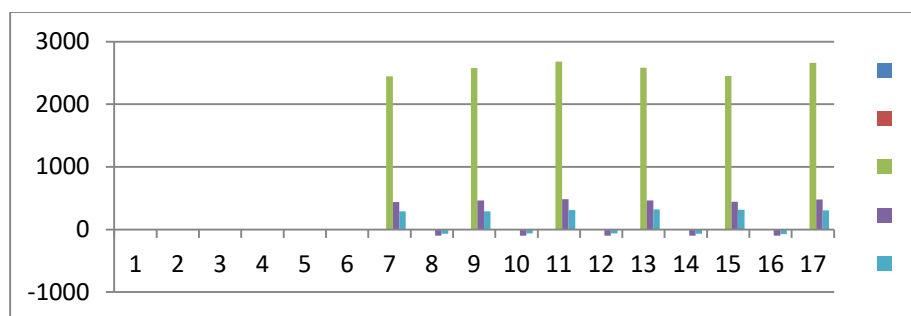


TABLE NO-9

S.B.I ACHIEVEMENT THE TARGET OF AGRICULTURAL CREDIT IN RAYAGADA DIST.

FROM 2010-11 TO 2016-17

(Rs. In Cr.)

| Year | Total Net Bank Credit | Target (18%) | Agricultural Credit | Gap between Agricultural Credit & Total Net Bank Credit (%) |
|---------|-----------------------|-----------------|---------------------|---|
| 2010-11 | 2443.31 | 439.79 (100) | 291.78 (66.34) | - 33.66 |
| 2011-12 | 2576.89 | 463.84 (100) | 289.32 (62.37) | - 37.63 |
| 2012-13 | 2681.32 | 482.63 (100) | 309.48 (64.12) | - 35.88 |
| 2013-14 | 2585.48 | 465.38 (100) | 321.36 (69.05) | - 30.95 |
| 2014-15 | 2451.76 | 441.31 (100) | 316.85 (71.79) | - 28.21 |
| 2015-16 | 2661.83 | 479.12 (100) | 305.43 (63.74) | - 36.26 |
| 2016-17 | 2678.81 | 482.18 (100) | 329.48 (68.33) | - 31.67 |

SOURCE: SBI, L.H.O, BBSR

NOTE: Figures in brackets indicate the percentage of the total.

In the above table, it reveals that the target of agricultural sector and achievement of the agricultural sector by SBI in Rayagada district under Priority Sector Lending. Here it is observed that the Priority Sector Lending by SBI has not achieved the target of 18% as per the norms of RBI. During the above analyses period from 2010-11 to 2016-17. SBI in Rayagada district has provided 70% credit out of the total target of RBI. SBI is provided 71.79% of total target of agriculture in 2014-15, which is the highest rate during the study. In 2011-12 SBI in Rayagada district is provided 62.37% credit towards agricultural sector, which is the lowest rate during the study period.

FIGURE NO- 9

**S.B.I ACHIEVEMENT THE TARGET OF AGRICULTURAL CREDIT IN RAYAGADA DIST.
FROM 2010-11 TO 2016-17**

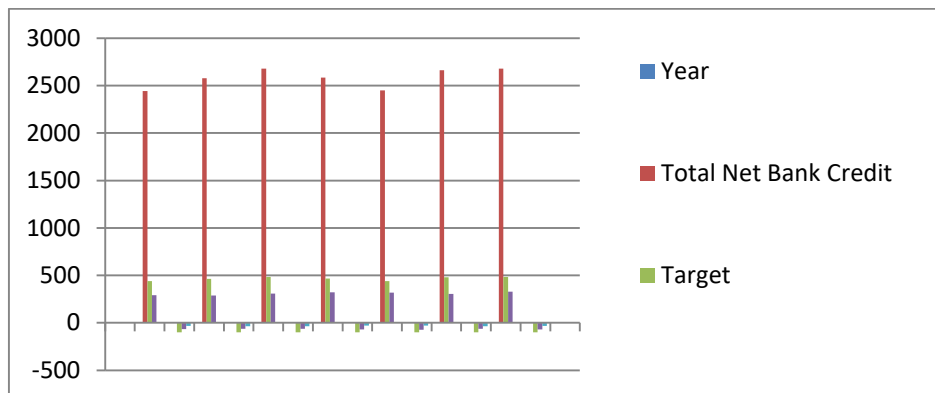


TABLE NO-10

**TOTAL LENDING ON MSMEs AND NON-FARMING SECTORS
DURING 2010-11 TO 2016-17**

(Rs. In Cr.)

| Year | Total lending on MSME sectors | Other non-farming sectors lending |
|---------|-------------------------------|-----------------------------------|
| 2010-11 | 386.32 | 157.26 |
| 2011-12 | 383.29 | 166.21 |
| 2012-13 | 392.33 | 169.71 |
| 2013-14 | 414.8 | 168.64 |
| 2014-15 | 392.13 | 171.32 |
| 2015-16 | 405.2 | 173.94 |
| 2016-17 | 425.74 | 161.92 |

SOURCE: SBI, L.H.O, BBSR

The above table reveals that the total lending on MSME sectors and other non-farming sectors by SBI in Rayagada district during 2010-11 to 2016-17. It is observe that SBI has provided more credit in MSME sectors then other non-priority sectors. In 2016-17 SBI has provided huge amount to wards MSME sectors and in 2011-12 the amount was so low during 2010-11 to 2016-17. In 2015-16 SBI has provided huge amount to wards other non-farming sectors and in 2010-11 the amount was so low during 2010-11 to 2016-17.

FIGURE NO-10
TOTAL LENDING ON FARMING AND NON-FARMING SECTORS
DURING 2010-11 TO 2016-17

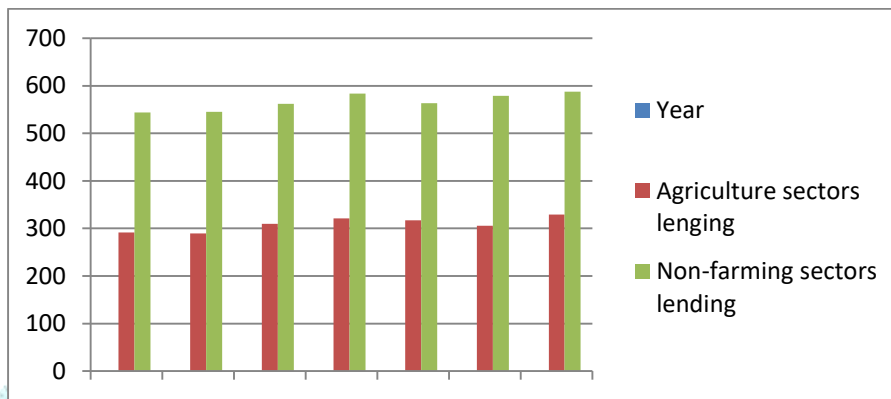


TABLE NO-11
TOTAL LENDING ON FARMING AND NON-FARMING SECTORS
DURING 2010-11 TO 2016-17

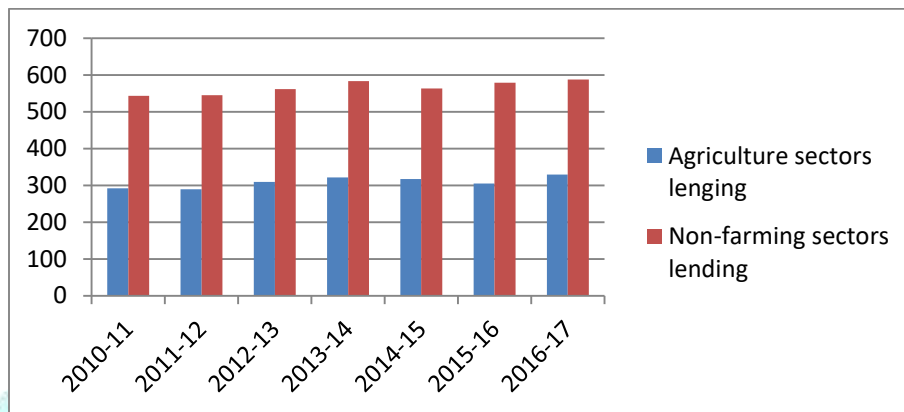
(Rs. In Cr.)

| Year | Agriculture sectors lending | Non-farming sectors lending |
|---------|-----------------------------|-----------------------------|
| 2010-11 | 291.78 | 543.58 |
| 2011-12 | 289.32 | 545.5 |
| 2012-13 | 309.48 | 562.04 |
| 2013-14 | 321.36 | 583.44 |
| 2014-15 | 316.85 | 563.45 |
| 2015-16 | 305.43 | 579.14 |
| 2016-17 | 329.48 | 587.66 |

SOURCE: SBI, L.H.O, BBSR

The above table reveals that the total lending on farming sector and other non-farming sectors by SBI in Rayagada district during 2010-11 to 2016-17. It is observe that SBI has provided more credit in non-farming sectors then farming sector. In 2016-17 SBI has provided huge amount to wards farming sectors but not achieved the target and in 2011-12 the amount was so low during 2010-11 to 2016-17. In 2016-17 SBI has provided huge amount to wards non-farming sectors and in 2010-11 the amount was so low during 2010-11 to 2016-17.

FIGURE NO-11
TOTAL LENDING ON FARMING AND NON-FARMING SECTORS
DURING 2010-11 TO 2016-17



MAJOR FINDINGS OF THE STUDY

- In Odisha, priority sector lending has increased significantly over the years. For agriculture, it has continuously increased approximately double from the limit during **2010-11** to **2016-17**.
- SBI of Rayagada district has not achieved the PSL target of 40% of Net Bank Credit as per the norms' of RBI due to lack of awareness among the public .
- The shortfall in Priority Sector Lending from the target is also attributed to the lack of commitment from the government agencies for recovery of the subsidy.
- The performance of Rayagada district in PSL is more directed towards the non-farm sectors than farm sector.
- In the non-farming sector, a major portion amounting to 46% (approx) of the total Priority Sector has been directed towards the **MSME** sector in Rayagada district.

CONCLUSION

The total credit extended by the SBI in the Rayagada district to priority sector went up from Rs.835.36 crores in 2010-11 to Rs.917.14 crores in 2016-17. The rate of progress with respect to priority sector lending was quite marginal and the progress was more modest. The total no. of beneficiaries has been increased from 47,983 to 50,655 during 2010-11 to 2016-17. But the increase is so marginal rate due to lack of assurance and awareness. There is an increasing trend in both the targets and achievements of the credit plans in Rayagada District from 2010-11 to 2016-17. In 2010-11 the actual achievement was Rs.835.36 crores against a target of Rs.977.32 crores. The percentage of achievement to total amount targeted was 85.47 per cent in 2010-11. The percentage of achievement to the total amount targeted was 87.48 per cent in 2013-14 which rose to 89.76 per cent in 2014-15 and the achievement was 85.59 per cent in 2016-17. The annual credit plan in Rayagada District for the year 2016-17 aggregated to Rs.2678.81 crores comprising Rs.917.14 crores under priority sector and Rs.1761.67 crores under non-priority sector lending. Priority sector allocations constitute 34.24 per cent of the total outlay and non-priority sector accounted for the remaining 65.76 per cent of the total outlay. Agricultural credit alone accounted for 34.93 per cent in the total outlay of the credit plan of Rayagada District in 2010-11 and 35.93 per cent in 2016-17. The

amount sanctioned by the Andhra Bank on different categories of priority sector in the year 1991-92 are Rs. 902.76 lakhs and Rs. 20798 lakhs in the year 2003-04. The amount lending by SBI in Rayagada District under the priority sector has been increased from Rs. 835.36 crores in 2010-11 to Rs.917.14 in 2016-17. The gap between the targets and achievements are high in the year 2011-12 and lower in 2014-15.

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