



PERFORMANCE OF COMMERCIAL BANKS IN PRIORITY SECTOR LENDING

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ABSTRACT

The need to channelize the credit to certain sector of the economy, known as the priority sectors can be traced to the Reserve Bank of India (RBI) credit policy for the year 1967-68. Initially the Reserve Bank of India and the Government of India has not fixed any target in this regard, but the banks were providing 15 per cent of the total bank credit at that time. From November 1974, the priority sector target has been fixed and it has changed from time to time and presently the priority sector advances has been enhanced to 40 per cent for public and private sector banks and 32 per cent for foreign banks. The present study analyzes the performance of the commercial bank in the area of priority sector lending for a period of 14 years (1995-1996 to 2009-2010). For analyzing the performance of the commercial banks tools like percentage analysis, growth rate and average are used. From the analysis it has been identified that the performance of the commercial bank in the area of priority sector advances are in increasing trend, that too it has increased by 13.99 times for public sector banks, 35.63 times for private sector banks and 69.09 times for foreign banks. Apart from quantum-wise analysis the NPA created through the priority sector advances for the period 2005-06 to 2009-10 was examined. During the period 2005-06 and 2006-07 the level of nonperforming assets was very high for priority sector advances followed by non-priority sector advances, but in the subsequent period the share of priority sector advances to the total advances has declined considerably. The study reveals that still 3 public sector bank, 2 private sector banks and 3 foreign banks have not achieved the overall priority sector target.

KEYWORD: Priority Sector, Nationalization, Non-Performing Assets, Financial Institution.