

# Analysis of Priority Sector Credit Outstanding: A Case Study of Syndicate Bank

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**Abstract: Banking industry in India plays a fundamental role in the socio economic development of the country. They are catalytic agents of economic development. They play mediator role in mobilizing the excess fund of surplus sectors and provide necessary finance to those sectors, which are needed to promote for the sound development of the economy. While providing loan the bank segregates the areas as different sectors such as priority and non-priority sectors. And again it divides these sectors into categories as agriculture, industry, services etc. According to RBI norms the banks should give priority to particular sector while sanctioning loan. In this context, the present research critically evaluates credit outstanding at different priority sectors. The present study is on Analysis of Priority Sectors Credit Outstanding : A case study of Syndicate Bank over the period of six years (2012-2018). The research paper is based on the secondary data. The collected data is analyzed using percentage and one way Anova test. The study concluded that the bank has given highest loans to agriculture and industrial sectors. Agriculture is the main occupation of people of India and to achieve speedy economic development, growth of industry is also most important. Recovery of credit outstanding is one of the major task for the bank. The bank should take appropriate measures to recovery of loan and thereby to reduce credit outstanding in the bank.**

**KEYWORDS: BANKS, CREDIT, PRIORITY SECTOR, OUTSTANDING, CATEGORY.**

## INTRODUCTION:

When the concept of priority sector was shaped, a group of economic activities were classified as priority sectors and non-priority sectors. Over a period of time there have been changes in these sub categories. In 1967-68 agriculture, exports and small scale industries were classified as Priority Sectors. In 1972, DRI scheme was also introduced under which one percent of the advances were to be given at a very concessional rate of interest.

In 1980, it was decided that 40 percent of PSA should be earmarked for agriculture advances and direct advances to weaker sections should reach a level of at least 50 percent of direct lending to agriculture. It was further decided that advances to rural artisans, village craftsmen and cottage industries should constitute 12.5 percent of total advances to SSI. In February 1983, the scope of Priority Sector was further widened to include in Priority sector- Agriculture (Direct and Indirect finance), SSI, small road and Water Transport Operators, retail trade, small business, Professional and Self-employed persons, State Sponsored Scheme for SC/ST, education, Housing etc.

Over the years the scope and extent of priority sector advances has undergone changes with several new areas and sectors being brought within the purview of this sector. There is an opinion that expansion of areas has stemmed in loss of focus. It is also held that credit growth in housing, venture capital and infrastructure has been strong while it has been inactive in agriculture and small industries. Since several issues began to gain importance this study examines the priority sector prescriptions for banks, public, private and foreign commercial banks in India.

After the Nationalization of banking sector, the financial system and Indian Banking has made admirable progress in spreading in geographical spread and financial reach. The banking industry in India is also undergoing rapid changes with the introduction of financial sector reforms and follow-up actions by Reserve Bank of India based on the Narasimham Committee recommendations. This committee has made many major recommendations covering the entire financial set up.

Present study is conducted to analyze the Priority Sector Credit Outstanding: A Case Study of Syndicate Bank.

## REVIEW OF LITERATURE:

**D.Ganesan, R.Santhanakrishnan (2013)**<sup>1</sup> found by their study that banking industry has undergone a major change after the first phase of economic liberalization; hence the importance credit management has emerged. In recent time banks are very cautious in extending loan, because of mounting NPA.

**Ghosh, S. (2011, June)**<sup>2</sup> found by the study that Priority sectors like agriculture, SSI and others are also a reason of increasing NPA of Public and Private sector banks.

**Laveena, Malhotra Meenakshi,(2014)**<sup>3</sup> done a study on NPA and PSL. They had analyzed the data by various statistical tools like ration correlation and regression. According to the study the coefficient of determination is 0.887; therefore, about 88.7% of the variation in the gross NPA data is explained by priority sector lending.

**Patidar Suresh and Kataria Ashwini (2012)**<sup>4</sup> have conducted study to analyze priority sector lending by selected public and private sector banks in India. The author found the significant impact of priority sector lending on total NPA of Public Sector banks, whereas in case of Private Sector Banks, there was no significant impact of priority sector lending on total NPA of Banks. Also the result showed the significant difference between NPA of SBI & Associates, Old Private Banks and New Private Banks with the NPA of Nationalized Banks, the benchmark category.

**Reddy K Prashnath ( 2002)**<sup>5</sup> had discussed the comparative analysis of Indian banks and -foreign banks. Author found that main reason of NPA of Indian commercial bank is legal impositions, like fixation of priority sector target.

## SCOPE OF THE STUDY:

The study analyzed the credit outstanding of priority sectors of Syndicate Bank only. The study is based on the secondary data. The period of study is 7 year (2012 to 2018).

## OBJECTIVES OF THE STUDY:

1. To analyze the priority sector credit outstanding.
2. To analyze the category wise credit outstanding.
3. To give useful suggestions based on findings of the study.

## HYPOTHESIS OF THE STUDY:

1. **H<sub>0</sub>**: There is no significant difference in category wise credit outstanding of priority sector.
- H<sub>1</sub>**: There is significant difference in category wise credit outstanding of priority sector.

**METHODOLOGY:**

The study is analytical in nature, and it is based on the secondary data. The information has been retrieved from annual reports of Syndicate Bank. The data has been analyzed by using percentage, one-way ANOVA

**ANALYSIS:****Table1: Priority Sector Credit**

YEAR	TOTAL PRIORITY SECTOR CREDIT <i>(in Crores)</i>	TOTAL ADVANCES <i>(in Crores)</i>	% SHARE OF PRIORITY SECTOR TO TOTAL ADVANCES
2012	41383	125617	32.94379
2013	46437 (12.21)	149423	31.07754
2014	52016 (12.01)	176241	29.51413
2015	57281 (10.12)	205804	27.83279
2016	64413 (12.45)	206449	31.20044
2017	67905 (5.42)	207065	32.79405
2018	72762 (7.15)	223346	32.75142

*Source: Annual Reports of Syndicate Bank.*

As showed in table-1, credit outstanding in priority sectors of the bank was increased from 41,383 crore to 72762 crore from the year 2012 to 2018. This has proved that there is increase in credit outstanding year by year but the rate of growth declined from 2013 to 2014 i.e. from 12.21 to 12.01 and again decreased to 10.12 in the year 2015 and showed increase

in trend during the year 2016 i.e. 12.45. Bank recorded remarkable decline in growth rate during the year 2017 i.e. 5.42 percentage.

Percentage share of priority sector to total advances is 32.94 during the year 2012 and bank recorded steady decline in this percentage up to the year 2015 i.e. 27.51. In the year 2016 this percentage increased to 31.20 and 32.79 in the year 2017 and declines to 32.75 during the year 2018.

The percentage share of priority sector credit outstanding to total advances showed a decline in percentage i.e. 31.07 percentage to 27.83 percentage during the period from 2012 to 2015. Then this percentage increased to 31.20 during the year 2016 and 32.79 percentage in the year 2017

### Priority Sector Advances:

The concept of “priority sector” was evolved after nationalization of commercial banks in 1969. The objective is to extend institutional finance to the weakest amongst the weaker sections. Within the priority sector lending of 40 per cent of advances by the commercial banks as directed by the RBI the toll and sub targets are correctly in vogue.

**Table 2: Agricultural and Allied activities**

YEAR	Credit Outstanding (in Crores)	% of Agriculture and allied activities Credit to Total Priority Sector Advances	% of Agriculture and allied activities Credit to Total Advances
2012	17409	42.068	13.85879
2013	20156 (15.77)	43.40504	13.48922
2014	22071 (9.50)	42.43118	12.52319
2015	26205 (18.73)	45.74815	12.73299
2016	29899 (12.35)	46.41765	14.48251
2017	31878 (6.61)	46.945	15.39517
2018	33466 (4.98)	45.99	14.98

*Source : Annual Reports of Syndicate Bank.*

Table-2 depicts that during the period of study credit outstanding in agricultural and allied activities of Syndicate bank increased from Rs. 17409 crore in the year 2012 to Rs. 31878 crore in the year 2013.. But the rate of growth decreases from 15.77 percentage in 2013 to 9.50 percentage in 2014 and again increased to 18.73 percentage in the year 2015 and declined to 12.35 and 6.61 percentage during the year 2016 and 2017 respectively.

The percentage of agriculture and allied activities sector advances to total priority sector advances also increased from 42 percentage to 46.94 percentage during the period of the study.

The percentage of agriculture and allied activities sectors advances to total advances of made by the Bank was 13.85 and 13.48 percentage during the year 2012 and 2013 respectively. This percentage decreased during the year 12.52 and 12.73 during the year 2014 and 2015 respectively and again bank recorded increase

in percentage i.e. 14.48 and 15.39 percentage during the year 2016 and 2017 respectively. And decreased to 14.98 during the year 2018.

**Table 3: Industry**

YEAR	Credit Outstanding  (in Crores)	% Total Industrial credit outstanding to total priority Sector Advances	% of Total Industrial credit outstanding to Total Advances
2012	37025	89.46838	29.47427
2013	42467 (14.69)	91.44992	28.42039
2014	44420 (4.59)	85.3968	25.20412
2015	5809 (-86.9)	10.13928	2.822044
2016	8435 (45.20)	13.09534	4.085803
2017	8289 (-1.73)	12.20619	4.002902
2018	7261 (-12.40)	9.97010	3.251

*Source: Annual Reports of Syndicate Bank*

It can be observed from the table that total credit outstanding in industrial sector during the period 2012 was 37,025 crore and bank recorded increase in growth rate of industrial credit outstanding during the year 2013 i.e. 14.69 percentage. But this growth decreased to 4.59 percentage during the year 2014. The bank recorded -86.9 growth rate during the year 2015 and -1.73 percentage of growth rate during the year 2017.

As depicted in the table, during the year 2012 the percentage of industrial sector credit to total priority sector credit was 89.46 and increased to 91.44 percentage during the year 2013 and declined to 10.13 , 13.09 and 12.20 percentage during the year 2015,2016and 2017respectively.

There was a decline in percentage of industrial sector credit to total advances during the period from 2012 to 2015 i.e. 29.47 percentage to 2.82.

**Table 4: Services**

<b>YEAR</b>	<b>Credit Outstanding</b> <i>(in Crores)</i>	<b>% of Service Sector Credit to Total Priority Sector Advances</b>	<b>% of Service Sector Credit to Total Advances</b>
<b>2012</b>	10512	25.40222	8.36
<b>2013</b>	11865 (12.87)	25.55032	7.94
<b>2014</b>	12171 (2.57)	23.39857	6.90
<b>2015</b>	14107 (15.90)	24.62841	6.85
<b>2016</b>	16278 (15.38)	25.27145	7.88
<b>2017</b>	16190 (-0.54)	23.84228	7.89
<b>2018</b>	20045 (23.81)	27.54	8.97

*Source: Annual Reports of Syndicate Bank*

Table 4 presents the credit outstanding in service sector during the period of the study. It may be seen that credit outstanding growth rate was increasing from 2012 to 2016 and

declined to 0.54 percentage during the year 2017. This percentage again increased to 23.81 during the year 2018.

The percentage of total service sector credit to total priority sector credit of the year 2012 and 2013 was 25.40 and 25.55 percentage. This percentage declined to 23.39 during the year 2014, and increased to 25.27 percentage during the year 2016.

It can be observed from the table that there was a decline in percentage share of service sector credit to total advances of the bank i.e. 8.36 to 6.85 percentage during the period from 2012 to 2015 and slight increase in percentage during the year 2016 and 2017 i.e. 7.88 and 7.89 respectively.



**Table 5: Personal**

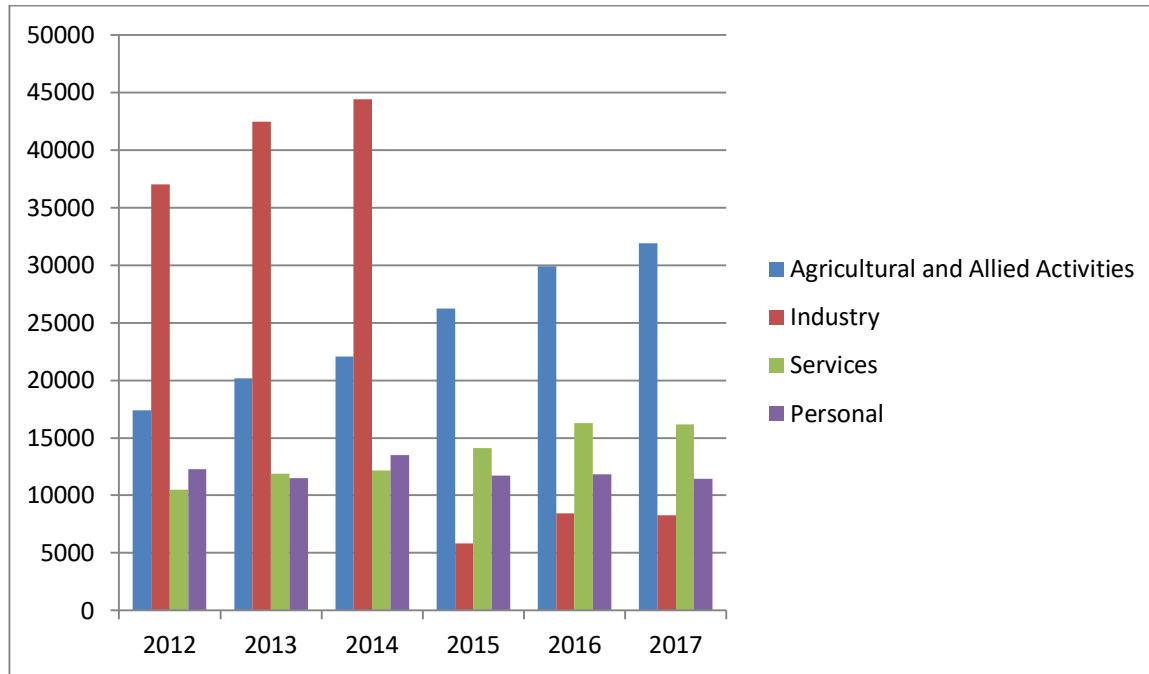
<b>YEAR</b>	<b>Credit Outstanding</b> <i>(in Crores)</i>	<b>% of Personal Sector Credit to Total Priority sector Advances</b>	<b>%of Personal Sector Credit to Total Advances</b>
<b>2012</b>	12295	29.71123	9.788006
<b>2013</b>	11480 (-6.62)	24.72145	7.68282
<b>2014</b>	13477 (17.39)	25.90934	7.646915
<b>2015</b>	11725 (-12.99)	20.46927	5.697168
<b>2016</b>	11849 (1.05)	18.39551	5.73948
<b>2017</b>	11429 (-3.54)	16.83013	5.519281
<b>2018</b>	12377 (8.29)	17.01	5.54

*Source: Annual Reports of Syndicate Bank*

Table-5 depicts the credit outstanding in Personal sector and its share of percentage of priority sector and total advances. It may be seen that the percentage growth of credit outstanding decreased to -6.62 percentage during the year 2013 and increased to 17.39 percentage in the year 2014. This growth rate again declined during the year 2015 i.e. -12.99 percentage. During the year 2017 the bank recorded decline in the growth rate of credit outstanding in service sector i.e. from 1.05 percentage of the year 2016 to -3.54 percentage and it again increased to 8.29 in the year 2018.

It may be observed from the table that the share of percentage of service sector credit outstanding to total priority sector credit outstanding is high during the year 2014 and it is very low in year 2017.

As showed in the table the share of percentage of service sector credit outstanding to total credit outstanding is high during the year 2012 compared to remaining period of study.

**FIG: 1 CATEGORY WISE CREDIT OUTSTANDING****Hypothesis Test:**

1.  $H_0$ : There is no significant difference in category wise credit outstanding of priority sector.
2.  $H_1$ : There is significant difference in category wise credit outstanding of priority sector.

**ANOVA**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	8.659E8	3	2.886E8	3.017	.050
Within Groups	2.296E9	24	96991427.361		
Total	3.162E9	27			

The ANOVA test for category wise credit outstanding found that calculated F statistics value of 3.017 is lesser than the table value of 3.24 at 5 % level of significance. Results of our ANOVA analysis supports the null hypothesis that there is no significant difference in sector wise credit outstanding of Syndicate Bank.



**FINDINGS:**

- The percentage of priority sector credit outstanding to total advances of the bank was high during the year 2012.
- With regard to credit outstanding in agricultural and allied sectors, the bank maintained steady percentage of growth. The share of percentage of agriculture and allied activities sector to total advances was high during the year 2017.
- Analysis of credit outstanding in industrial sectors revealed that there is fluctuation in trend percentage.
- The percentage share of service sector credit to total priority sector credit was high in the year 2018 and in the same year the bank recorded high percentage share of service sector credit to total advances.
- The bank recorded negative trend of outstanding of credit in personal loan.
- Hypothesis test proved that there is no significant difference in category wise credit outstanding of Syndicate Bank.

**SUGGESTIONS:** The bank should sanction maximum credit to priority sectors. The Bank also takes appropriate measures to recovery of loan and thereby to reduce credit outstanding in the bank.

**CONCLUSIONS:** Priority Sector Lending is a major contributor to development of nation. Syndicate bank has sanctioned highest amount of loans to agriculture and industrial sectors. Agriculture is the main occupation of people of India and to achieve speedy economic development growth of industry is also most important. Recovery of credit outstanding is also one of the major tasks of the bank. The bank should take appropriate measures to recovery of loan and thereby to reduce credit outstanding in the bank.

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