SSRG International Journal of Economics and Management Studies Volume 6 Issue 6, 46 - 52, Jun 2019
ISSN: 2393 – 9125 / https://doi.org/10.14445/23939125/IJEMS-V6I6P108 

# An Analysis of Weaker Sections Lending by Commercial Banks in India

Satish Soni [1] and Provider Kumar [2]

*[1] Associate Professor, [2] Research Scholar*
*Department of Commerce and Management, Career Point University, Kota, Rajasthan, India*

***Abstract*** *- The objective of the research paper is to explore the present trends of weaker sections lending by commercial banks, i.e., public and private sector banks in India, from the year 2004 to 2017. The objectives are; to analyze the growth, lending targets, and disparities in weaker sections lending and to find out the significant relationship and degree of association between weaker sections lending of commercial banks. To examine the statistical relationship between two banks groups, various methods such as the exponential growth rate, coefficient of variation, t-test, and co-efficient of correlation have been applied. The trends implied that the advances made to weaker sections by private sector banks registered a higher rate of growth vis-à-vis public sector banks during both phases of the study. It was also found that, on average, the prescribed target (10.00 percent of NBC) of weaker section credit was not achieved by the public as well as private sector banks during the first and second phases, respectively. Although on average, the prescribed target of credit to weaker section has not been achieved, one important issue of concern is the almost stagnant share of weaker section credit in net bank credit over a period of time by both the public and private sector banks, which needs immediate attention of the policymakers. However, public sector banks in one year and private sector banks in none of the years achieved the prescribed target of lending to agriculture (10.00 percent of net bank credit). The inter-year disparities with respect to weaker section credit in the case of private sector banks are found to be higher as compared to public sector banks in both phases.*

***Keywords*** *- NBC (Net Bank Credit), Weaker Sections, Commercial Banks, Growth Rate, Disparities, and Co-efficient of Variation.*

## I. INTRODUCTION

Public and private sector banks play an important role in mobilizing savings of economically surplus units, which are widely scattered. Public and private sector banks, in view of their vast branch network, spread over the country, obtain the savings on a short or medium term basis, are placed in an especially privileged position to collect them. If the banks fail to utilize these savings, the surplus money lying vain in the hands of the people could not be of any use in a nation's effort of economic improvement. If any country wants to improve its rate of capital formation, it is very important to build an efficient public and private sector banking system equipped with adequate coverage so that apart from mobilizing savings, it may also be able to support the banking habits in a society (Aggarwal B.P[1]). The public and private sector banks create the consciousness among the rural and urban people about socially wasteful spending and provide them the better opportunities to make an investment in more income-generating assets.

In 1980, a major review of the composition of the priority sector was undertaken by a working group headed by K.S. Krishnaswamy. Krishnaswamy group, after a detailed study of the composition of the priority sector, came to the important conclusion that while the main drawback of priority sector bank credit found its way to more wealthy sections, which, according to it, was not at all justified. In order to improve the situation, the group recommended the incorporation of weaker sections so that to meet the needs of the weaker sections at a concessional rate. So credit was earmarked for the weaker sections of the society, and to achieve this task, banks opened more branches in rural areas where had no banking facilities (Report of the Working Group on Priority Sector Lending).

In the weaker sections under priority sector include the following:

1 Small and marginal farmers with landholding less than 5 acres and landless laborers, tenant farmers and sharecroppers, etc.
2 Artisans, village and cottage industries where individual credit limits up to ₹50,000.
3 Beneficiaries of Swarnjayanti Gram Swarozgar Yojana (SGSY).
4 Persons of Scheduled Castes and Scheduled Tribes.
5 Beneficiaries under Swarna Jayanti Shahari Rozgar Yojana (SJSRY).
6 Advances to Self Help Groups.
7 Loans to deprived poor persons to prepay their debts to the informal sector against appropriate collateral or group security.

## II. REVIEW OF LITERATURE

It was observed by Shajahan (1999[2]) that, though the percentage of priority sector lending by the public sector banks has surpassed the stipulated target of 40 percent to total advances in the year 1999 itself, yet, it has possibly not resulted in the required amount of credit being actually channelized to areas considered to comprise priority sector of the economy. Sheet (2002[3]) found that a large number of public sector banks are not able to reach the prescribed targets of lendings to agriculture and weaker sections. The small and marginal farmers have continued to be credit-starved. Priority sector/ agriculture finance at present is thus at crossroads. Sooden & Kumar (2007[4]) found that banks appear to be deviating from their role of a social agent by not paying required assistance to weaker sections in the post-reform period. Further, it was also observed that there appears to be some serious doubt about the sustainability of the system of priority sector lending, as evident from the growing value of NPAs. Raman (2013[5]) found that the rate of change in advances to priority sector both planned as well as achieved led to phenomenal growth not only in quantity but also quality. Priority sector lending is an important component of social banking for the social and economic development of rural India. Pandya (2015[6]) analyses the impact of priority sector advances in the profitability of Indian scheduled commercial banks. The study measures the variables such as priority sector advances to total assets, return on assets, return on investment, return on equity, the ratio of operating profit to total assets, and the ratio of interest income to total assets. It has been found that priority sector advances highly influences the profitability of scheduled commercial banks in India.

## III. RESEARCH METHODOLOGY

The main objective of the study is to analyze the level and structure of weaker sections lending in India during the 21st century. The entire study is based upon secondary data, and all the required information is collected from the various relevant issues published by the Reserve Bank of India. Further, the period is sub-divided into two parts, i.e., Period I, which includes the years 2001 to 2007, and Period II stretching over the years 2008 to 2014.

With a view to analyze the growth of weaker sections lending, exponential growth rate has been calculated as follows:

$$Yi = a_0 * b_i^t$$

$$\ln (Y_i) = \ln (a_0) + t^* \ \ln (b_i)$$

g = (b-1), Where: - $Y_i$ is the value of ith indicator, a = constant, $b_i$ = regression co-efficient of ith indicator, t = time period, ln = common log value, g = growth rate.

The structure of weaker sections lending is examined by the mean value of an indicator which, is calculated separately for the first and second phase of the study.

The combined mean (X) = $\frac{n1X1 + n2X2 + n3X3 + \cdots \ldots\ldots n\,n\,X\,n}{n1 + n2 + n3 + \cdots \ldots\ldots n}$

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

Where $n_i$ stands for a number of observations and X, I stands for mean value.

The behavior of inter-year disparities in weaker sections lending is explained with the help of co-efficient of variation (C.V.). The value of C.V. is ascertained as follows:

C.V. = $\frac{\sigma i}{Xi} \times 100$ Where C.V. stands for coefficient of variation,

$\sigma_i$ = Standard deviation of ith indicator, $X_i$ = Mean value of the ith indicator.

The performance of public and private sector banks in weaker sections lending during the first and second phases of the study will be compared with a t-test. The value of the t-test will be computed 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

$X_1$ and $X_2$ are the mean value, i.e., the mean value of weaker sections lending by public and private sector banks. S=combined standard deviation of two samples, i.e., weaker sections lending. The null hypothesis is tested at 5% and 1% level of significance (Gupta S. P. 2000-3)

## IV. COMPARATIVE ANALYSIS OF WEAKER SECTION CREDIT BY PUBLIC AND PRIVATE SECTOR BANKS

### *A. Advances Made To Weaker Section By Public And Private Sector Banks*

An analysis of the rate of growth revealed that advances made to the weaker section under priority sector by public sector banks, on average, increased at a rate of 26.87 percent during the first phase; however, this rate of growth declined to 21.65 percent during the second phase of the study (Table-1). Whereas, the rate of growth of advances made to weaker sections by the private sector banks, on average, 33.11 percent during the first phase, and it was increased to 38.26 percent during the second phase of the study.

**Table 1. Advance made to Weaker Section**

**(Amount ₹ in Crores)**

| Year | Public Sector Banks | | | Private Sector Banks | | |
|---|---|---|---|---|---|---|
| | Amount | % age to TPSAs | % age to NBC | Amount | % age to TPSAs | % age to NBC |
| **Phase-I** | | | | | | |
| 2001 | 24805 | 16.93 | 7.28 | 958 | 4.45 | 1.70 |
| 2002 | 28975 | 16.93 | 7.30 | 1142 | 4.44 | 1.81 |
| 2003 | 32303 | 15.90 | 6.76 | 1223 | 3.33 | 1.48 |
| 2004 | 41588 | 16.93 | 7.44 | 1495 | 2.82 | 1.34 |
| 2005 | 63492 | 20.48 | 8.85 | 1914 | 2.74 | 1.19 |
| 2006 | 78379 | 19.10 | 7.70 | 3909 | 3.67 | 1.57 |
| 2007 | 94285 | 18.10 | 7.16 | 5229 | 3.64 | 1.55 |
| **Avg.** | **51975** | **17.76** | **7.50** | **2267** | **3.58** | **1.52** |
| **GR* (%)** | **26.87** | | | **33.11** | | |
| **C.V.** | | **8.85** | **8.81** | | **19.24** | **13.77** |
| **Phase-II** | | | | | | |
| 2008 | 126935 | 20.85 | 9.30 | 7228 | 4.43 | 2.10 |
| 2009 | 166843 | 23.17 | 9.85 | 15844 | 8.33 | 3.90 |
| 2010 | 212214 | 24.55 | 10.24 | 25691 | 11.92 | 5.48 |
| 2011 | 246316 | 23.95 | 9.89 | 30097 | 12.09 | 5.64 |
| 2012 | 293960 | 26.01 | 9.73 | 38097 | 13.30 | 5.24 |
| 2013 | 351034 | 27.32 | 9.94 | 50537 | 15.44 | 5.79 |
| 2014 | 433943 | 26.80 | 10.56 | 60104 | 12.94 | 5.68 |
| **Avg.** | **261606** | **24.66** | **9.93** | **32514** | **11.21** | **4.83** |
| **GR* (%)** | **21.65** | | | **38.26** | | |
| **C.V.** | | **9.18** | **3.98** | | **32.74** | **28.28** |

**GR= Growth Rate*
*Source: - Complied on the Basis of Relevant Issues of 'Report on Trend and Progress of Banking in India' and Statistical Table Relating to Banks in India, Published by RBI and www.rbi.com.*

The advances made to weaker sections by the public sector banks, on average, deployed 7.50 percent of NBC during the first phase and 9.93 percent during the second phase of the study. In the first phase, it was highest (8.85 percent) in the year 2005 and lowest (6.76 percent) in the year 2003. Further, the analysis revealed that in none of the years of the first phase, the prescribed target (10.00 percent of NBC) of advances made to weaker sections was not achieved by the public sector banks. The analysis revealed further that the prescribed target of advances made to weaker sections by the public sector banks was also not achieved (Except in the Year 2010 & 2014) during the second phase of the study. During this phase, it was highest (10.56 percent) in the year 2014 and lowest (9.30 percent) in the year 2008.

The advances made to weaker sections by the private sector banks, on average, deployed 1.52 percent of NBC during the first phase and 4.83 percent during the second phase of the study. In the first phase, it was highest (1.81 percent) in the year 2002 and lowest (1.19 percent) in the year 2005. Further, the analysis revealed that in none of the years of the first phase, the prescribed target (10.00

percent of NBC) of advances made to weaker sections was not achieved by the private sector banks. The analysis revealed further that the prescribed target of advances made to weaker sections by the private sector banks was also not achieved during the second phase of the study. During this phase, it was highest (5.79 percent) in the year 2013 and lowest (2.10 percent) in the year 2008 (Table -1).

The value of the coefficient of variation shows that there did not exist high inter-year disparities (8.81 percent) with respect to advances made to weaker section credit as a percentage to net bank credit during the first phase, however during the second phase, this value decreased by a margin to 3.98 percent with respect to advances made to weaker section credit of the public sector banks. In the case of private sector banks, there also exist low inter-year disparities (13.77 percent) with respect to advances made to weaker section credit as a percentage to net bank credit during the first phase, however during the second phase, this value increased by a big margin to (28.28 percent) with respect to advances made to weaker section credit.

### *B. Test of Hypothesis of Mean Value of Advances made to Weaker Section by Public and Private Sector Banks*

The statistical values and t-test of advances made to the weaker section under priority sector by public and private sector banks during the first and second phase of the study have been exhibited in (Table 2). The null hypothesis states that there is no significant difference in the mean value of weaker section credit deployed by two banks (public and private sector) groups ($H_0$: $\mu_1=\mu_2$). At the same time, the alternative hypothesis states that there is a significant difference in the mean value of weaker section credit deployed by two bank groups ($H_1$: $\mu_1\neq\mu_2$). Since the calculated value of the t-test during the first phase is 6.18, which is more than the table value *(for* $v=12$, $t_{0.05}=2.17$*)* and it is found significant at 1% and 5% level (Significance, two-tailed test=0.000), so the null hypothesis is rejected and alternative hypothesis accepted is, and we conclude that there is a significant difference in the mean value of weaker section credit deployed by public and private sector bank groups ($H_1$: $\mu_1\neq\mu_2$) during the first phase.

**Table 2. Test of Hypothesis of Mean Value of Advances made to Weaker Section**

| Phase-I | Mean Value | Std. Dev. | t-test | d. f. (v) | Sig. (2-Tailed Test) |
|---|---|---|---|---|---|
| Public Sector Banks | 2079.01 | 1080.99 | 6.18 | 12 | 0.000 |
| Private Sector Banks | 133.36 | 96.83 | | | |
| **Phase-II** | **Mean Value** | **Std. Dev.** | **t-test** | **d. f. (v)** | **Sig. (2-Tailed Test)** |
| Public Sector Banks | 10464.26 | 4275.00 | 5.95 | 12 | 0.000 |
| Private Sector Banks | 1912.59 | 1097.04 | | | |

***Note:*** *$n_1=7$ and $n_2=7$ (Number of Years).*
*Degree of freedom, d. f. (v) =* $n_1+n_2-2=7+7-2=12$.
*The value of the t-test for the two-tailed test for v=12 is* $(t_{0.05})=2.17$.

During the second phase, the calculated value of the t-test is 5.95, which is also more than the table value *(for* $v=12$, $t_{0.05}=2.17$*)*, and it is also found significant at 1% and 5% level (Significance, two-tailed test=0.000), so the null hypothesis is rejected, and the alternative hypothesis is accepted, and we conclude that there is a significant difference in the mean value of weaker section credit deployed by public and private sector bank groups ($H_1$: $\mu_1\neq\mu_2$) during the second phase also.

## V. WEAKER SECTION CREDIT: PUBLIC AND PRIVATE SECTOR BANKS-WISE

### *A. Weaker Section Credit: Public Sector Banks-Wise*

The public sector banks-wise rate of growth revealed that weaker section credit, on average, increased at a rate of 29.89 percent per annum during the first phase (Table- 3). The weaker section credit during the first phase increases at the highest rate in the State Bank of India (38.35 percent) and the lowest rate in Corporation Bank (22.09 percent). During the second phase, weaker section credit by public sector banks, on average, increased at a rate of 36.94 percent per annum. However, during this phase, credit to the weaker section increased at the highest rate in the State Bank of India (44.54 percent) and the lowest rate in Punjab & Sind Bank (30.23 percent).

The table shows that 25 selected public banks, on average, deployed 7.38 percent and 10.47 percent of net bank credit (NBC) in weaker section credit during the first and second phase of the study, respectively (Table- 3). Further, the bank-wise analysis revealed that, during the first phase of the study, on average, the highest percentage of NBC was deployed in the weaker section by Indian Oversea Bank (11.24 percent) and the lowest percentage in Corporation Bank (2.74 percent). During the second phase, on average, the highest percentage of NBC was deployed in the weaker section by the State bank of Bikaner & Jaipur (15.91 percent), and the lowest percentage of NBC was deployed in the weaker section by Oriental Bank of Commerce (6.52 percent).

**Table 3. Bank Wise Weaker Section Credit of Public Sector Banks**

| *Banks* | *Phase I (2001-2007)* | | | *Phase II (2008-2014)* | | |
|---|---|---|---|---|---|---|
| | *Avg. Amt. (In ₹ Cr.)* | *%age to NBC* | *GR (%)* | *Avg. Amt. (In ₹ Cr.)* | *%age to NBC* | *GR (%)* |
| SB of B & Jaipur | 951 | 8.16 | 25.83 | 5994 | 15.91 | 33.78 |
| SB of Hyderabad | 804 | 6.39 | 26.94 | 5052 | 10.54 | 35.32 |
| SB of India | 13063 | 8.06 | 38.35 | 61035 | 11.21 | 44.54 |
| SB of Mysore | 772 | 10.42 | 26.34 | 3914 | 13.61 | 32.48 |
| SB of Patiala | 1089 | 8.65 | 28.10 | 4916 | 10.24 | 34.64 |
| SB of Travancore | 612 | 6.74 | 26.13 | 5542 | 10.42 | 32.33 |
| Allahabad Bank | 1665 | 8.09 | 27.85 | 7973 | 10.68 | 36.48 |
| Andhra Bank | 1530 | 10.24 | 28.93 | 7561 | 12.98 | 35.20 |
| Bank of Baroda | 2486 | 7.54 | 31.02 | 12691 | 10.18 | 37.80 |
| Bank of India | 3155 | 8.54 | 30.11 | 15599 | 12.88 | 39.27 |
| Bank of Maharashtra | 675 | 5.54 | 25.95 | 3332 | 6.63 | 32.26 |
| Canara Bank | 3099 | 6.55 | 32.81 | 18389 | 10.54 | 38.46 |
| Central B of India | 2267 | 7.59 | 29.60 | 12163 | 11.44 | 39.36 |
| Corporation Bank | 428 | 2.74 | 22.09 | 5152 | 6.84 | 32.25 |
| Dena Bank | 440 | 3.86 | 24.20 | 2813 | 7.18 | 30.68 |
| Indian Bank | 1607 | 10.50 | 28.71 | 3887 | 11.20 | 35.65 |
| Indian O Bank | 2351 | 11.24 | 30.25 | 6944 | 10.87 | 37.12 |
| Oriental B of Comm. | 982 | 4.08 | 26.82 | 9664 | 6.52 | 33.61 |
| Punjab& Sind Bank | 410 | 5.71 | 24.29 | 6893 | 9.30 | 30.23 |
| Punjab N Bank | 5720 | 10.42 | 33.80 | 7509 | 10.68 | 40.50 |
| Syndicate Bank | 2189 | 10.10 | 29.91 | 16402 | 10.83 | 36.85 |
| UCO Bank | 1373 | 4.50 | 28.94 | 8790 | 11.00 | 35.84 |
| Union Bank of India | 1697 | 6.26 | 25.91 | 7860 | 9.58 | 36.56 |
| United Bank of India | 890 | 6.48 | 26.42 | 10557 | 11.38 | 33.44 |
| Vijaya Bank | 720 | 6.25 | 25.45 | 5099 | 9.14 | 31.83 |
| ***Avg.*** | 2080 | 7.38 | 29.89 | 10229 | 10.47 | 36.94 |
| ***CV (%)*** | | 31.25 | | | 20.76 | |

*Source: - As per table 1.*

The value of the coefficient of variation shows that there did exist high inter-year disparities (31.25 and 20.76 percent) with respect to weaker section credit as a percentage to net bank credit by public sector banks during the first and second phases respectively.

### *B. Weaker Section Credit: Private Sector Banks-Wise*

The private sector banks-wise rate of growth revealed that weaker section credit, on average, increased at a rate of 16.43 percent per annum during the first phase (Table- 4). The weaker section credit during the first phase increases at a high rate in Federal Bank (22.12 percent) and lowest in Indusind Bank (0.99 percent). During the second phase, weaker section credit by private sector banks, on average, increased at a rate of 26.37 percent per annum. However, during this phase, credit to the weaker section increased at the highest rate in HDFC Bank (31.30 percent) and lowest in South Indian Bank (11.13 percent).

The table shows that 17 selected private banks, on average, deployed 3.12 percent and 7.31 percent of net bank credit (NBC) in weaker section credit during the first and second phase of the study, respectively (Table- 4). Further, the bank-wise analysis revealed that, during the first phase of the study, on average, the highest percentage of NBC was deployed in the weaker section by Federal Bank

(7.39 percent) and the lowest percentage in Development Credit Bank (1.41 percent). During the second phase, on average, the highest percentage of NBC was deployed in the weaker section by Jammu & Kashmir Bank (13.12 percent), and the lowest percentage of NBC was deployed in the weaker section by ING Vysya Bank (2.22 percent).

The value of the coefficient of variation shows that there did exist high inter-year disparities (43.30 and 43.78 percent) with respect to weaker section credit as a percentage to net bank credit by private sector banks during the first and second phases respectively.

**Table 4. Bank Wise Weaker Section Credit**

| *Banks* | *Phase I (2001-2007)* | | | *Phase II (2008-2014)* | | |
|---|---|---|---|---|---|---|
| | *Avg. Amt. (In ₹ Cr.)* | *%age to NBC* | *GR (%)* | *Avg. Amt. (In ₹ Cr.)* | *%age to NBC* | *GR (%)* |
| Catholic Syrian Bank | 28 | 1.95 | 13.01 | 3889 | 5.40 | 28.45 |
| City Union Bank | 30 | 2.25 | 16.12 | 415 | 7.24 | 16.72 |
| Devel Credit Bank | 17 | 1.41 | 3.01 | 722 | 7.67 | 17.92 |
| Dhanlaxmi Bank | 39 | 3.14 | 11.46 | 352 | 13.01 | 20.21 |
| Federal Bank | 382 | 7.39 | 22.12 | 695 | 5.34 | 21.70 |
| HDFC Bank | 105 | 2.51 | 6.98 | 1451 | 3.55 | 31.30 |
| ICICI Bank | 228 | 1.88 | 16.12 | 1366 | 2.73 | 30.36 |
| Indusind Bank | 5 | 3.88 | 0.99 | 3917 | 7.84 | 29.64 |
| ING Vysya Bank | 210 | 2.88 | 12.04 | 2024 | 2.22 | 25.39 |
| J& K Bank | 266 | 3.15 | 21.27 | 390 | 13.12 | 24.99 |
| Karnataka Bank | 105 | 2.25 | 20.29 | 3383 | 5.42 | 29.53 |
| Karur Vysya Bank | 167 | 4.23 | 18.92 | 291 | 8.89 | 21.00 |
| Lakshmi V Bank | 104 | 2.98 | 17.24 | 1730 | 6.82 | 27.54 |
| Nainital Bank | 10 | 3.80 | 8.45 | 819 | 11.52 | 23.97 |
| Ratnakar Bank | 7 | 3.39 | 4.77 | 120 | 8.93 | 18.12 |
| South Indian Bank | 128 | 2.34 | 16.62 | 54 | 8.35 | 11.13 |
| Tamilnad M Bank | 92 | 3.55 | 13.97 | 1699 | 6.21 | 25.71 |
| ***Avg.*** | 113 | 3.12 | 16.43 | 1371 | 7.31 | 26.37 |
| ***CV (%)*** | | 43.30 | | | 43.78 | |

***Source:*** *- As per table 1*

### *C. Bank-Wise Test of Hypothesis of Mean Value of Credit Deployed to Weaker Section Credit by Two Bank Groups*

The statistical values and t-test of bank-wise weaker section credit by public and private sector banks during the first and second phases of the study have been exhibited in Table 5. The null hypothesis states that there is no significant difference in the mean value of bank-wise weaker section credit deployed by two banks (public and private sector) groups ($H_0$: $\mu_1=\mu_2$). At the same time, the alternative hypothesis states that there is a significant difference in the mean value of bank-wise weaker section credit deployed by two bank groups ($H_1$: $\mu_1\neq\mu_2$). Since the calculated value of the t-test during the first phase is 4.63, which is more than the table value *(for* $v=40$, $t_{0.05}=2.17$*)* and it is found significant at 1% and 5% level (Significance, two-tailed test=0.004), so the null hypothesis is rejected, and the alternative hypothesis is accepted, and we conclude that there is a significant difference in the mean value of bank-wise weaker section credit deployed by public and private sector bank groups ($H_1$: $\mu_1\neq\mu_2$) during the first phase.

During the second phase, the calculated value of the t-test is 4.45, which is also more than the table value *(for* $v=40$, $t_{0.05}=2.17$*)*, and it is also found significant at 1% and 5% level (Significance, two-tailed test=0.003), so the null hypothesis is rejected, and the alternative hypothesis is accepted, and we conclude that there is a significant difference in the mean value of bank-wise weaker section credit deployed by public and private sector bank groups ($H_1$: $\mu_1\neq\mu_2$) during the second phase also.

## VI. CONCLUSION AND SUGGESTION

It was found that the advances made to weaker section credit by private sector banks registered a higher rate of growth vis-à-vis public sector banks during both phases of the study. It was also found that, on average, the prescribed target (10.00 percent of NBC) of weaker section credit was not achieved by the public as well as private sector banks during the first and second phases, respectively. Although on average, the prescribed target of credit to weaker section has not been achieved, one important issue of concern is the almost stagnant share of weaker section credit in net bank credit over a period of time by both the public and private sector banks, which needs immediate attention of the policymakers. However, public sector banks in one year and private sector banks in none of the years achieved the prescribed target of lending to agriculture (10.00 percent of net bank credit). The inter-year disparities with respect to weaker section credit in the case of private sector banks are found to be higher as compared to public sector banks in both phases. The on average, the prescribed target of 10.00 percent of net bank credit by the public sector banks has not been achieved in the first phase, but in the second phase, this prescribed target was achieved by public sector banks. It was found that, during the first phase, only six public sector banks and whereas, during the second phase, only nineteen public sector banks have achieved their target of 10.00 percent of net bank credit. The rate of growth of weaker section credit increased in public sector banks during the second phase vis-à-vis the first one. The 17 private sector banks also, on average, failed to achieve the stipulated target of weaker section credit during the first as well as a second phase. It was found that, during the first phase, none of the private sector banks, whereas, during the second phase, three banks have achieved their target of 10.00 percent of net bank credit. One important result of the study is that the rate of growth of weaker section credit increased by a big margin of 10.00 percent in private sector banks during the second phase vis-à-vis the first phase.

- The analysis shows that weaker section advances badly affect the financial performance of public sector banks. Therefore, all public sector banks should be regularly monitoring these advances closely.
- To minimize the negative impact of weaker section advances, the target for weaker section advances may be reduced, and targets of lending to other priority sectors, which show a positive impact on the financial performance of banks, can be increased.
- The Government should make policies for opening more and more branches in weaker and backward areas of the country.
- Last but not the least, the complaints of the customers of the priority sector must be immediately attended to/handled, and necessary action should be taken without any delay.

## REFERENCES


[1] Aggarwal, B.P., Commercial Banking in India, Classical Publishing Company, New Delhi (1981).
[2] K.M. Shajahan., Priority Sector Lending- How Useful, Economic and Political Weekly, 18 (1999) 3572-74.
[3] N.B. Sheet., Priority Sector advances of Banks during the Post-Reform Period, Prajnan, 31(1) (2002-03) 21-37.
[4] M. Sooden and S. Kumar., Priority Sector Lending in the Post Reform Period, Finance, Indian Institute of Finance, 21(4) (2007) 1389-1404
[5] Dr. P Raman., A study on the performance of commercial banks towards priority sector advances in Tamilnadu, International Journal of Marketing, Financial Services and Management research- 2(2) (2013) 2013.
[6] Pandya, D. B., Impact of Priority Sector Advances on Banking Profitability: Evidence from Scheduled Commercial Banks of India. BVIMSRs Journal of Management Research, 7 (2) (2015) 75-81.
[7] Gupta, S.P., Statistical Methods, Sultan Chand and Sons, New Delhi (2000).
[8] Statistical Tables Relating to Banks in India (Various Issues) RBI Publication
[9] Report on Trend and Progress of Banking in India (Various Issues). RBI Publications
[10] www.rbi.com