

PRIORITY AND NON-PRIORITY SECTOR ADVANCES: AN ANALYTICAL OF NATIONALIZED BANKS AND SBI GROUP

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ABSTRACT

In Indian economy, banks play a crucial role to move an economy ahead. From last two decade, Indian banking industry witnessed many transitions. In this paper, we are trying to show changes in priority and non-priority sector advances in nationalized banks and SBI group. Every bank that doing the banking business in India has to provide priority and non-priority sector advances according to RBI guidelines. The time period of the study was 2013-2016. The tools and techniques used for this study are Gross NPAs ratio, graphical method, and correlation. This paper concluded that both priority and non- priority sector have a major impact on banks NPAs. This can also be revealed that there is an important relation between priority and non- priority sectors gross advance with gross NPAs.

KEYWORDS: Nationalized Banks, SBI Group, Gross NPA, Gross Advances, Gross NPAS Ratio

INTRODUCTION

Indian banking industry is categorized into two parts i.e. scheduled commercial banks and non-scheduled commercial banks. Those banks come under the RBI Act 1934 are called as scheduled commercial banks and those banks do not come under the RBI act 1934 is called as non-scheduled commercial banks.

Scheduled banks are also further categorized into different parts:

- **Public Sector Banks:**
 - Nationalized banks
 - SBI
- Private Sector Banks
- Foreign banks
- Cooperative banks
- Regional rural banks.

The banking industry has undergone through the various transition phase after 1991 and after SARFESI act 2002. Every bank has to provide loans and advances to priority and non-priority sector lending as per the RBI guidelines whether it is a public bank, private bank, and foreign banks.

Due to providing loans and advances it also creates NPA among the banking sector.

What is NPA?

The amount that is provided to different borrowers in form of loans and advances and yet not to be received or overdue for a period of more than 90 days. Then the bank will have to take as all the advances/credit facilities granted to that borrower as non-performing.

Types of Bank Lending According to Sector Wise

- Priority sector lending
- Non-priority sector lending

Priority Sector includes the Following Categories:

- Agriculture and allied activities
- Micro, Small and Medium Enterprises
- Export Credit loan
- Education loan
- Housing loan
- Social Infrastructure loan
- Renewable Energy
- Others

Non-Priority Sector Include

- Personal
- Credit cards.

OBJECTIVES

- To do a comparative analysis of the priority sector lending of nationalized banks and SBI group.
- To do a comparative analysis of the non-priority sector lending of nationalized banks and SBI group.
- To provide suggestion on the basis of the study.

RESEARCH METHODOLOGY

Research Design

The research design for this study was empirical research design.

Universe

Banking industry.

Sample

Nationalized banks and SBI Group.

Time Period

The time period of study were 2012-2013 to 2015-2016.

Data Collection

Secondary data collection method used for this study.

Tools and Techniques

Gross NPAs ratio, graphical method, and correlation.

LITERATURE REVIEW

- Uppal (2009) in his research paper titled “Priority sector advances: Trends, issues, and strategies” analyzed the problems which arise due to priority sector advances. This paper suggested some strategies to requires to solve out these issues. The time period of study was 2006 - 2007.
- YadavSushama (2014) paper titled “ NPAs: Rising Trends and Preventive Measures in Indian Banking Sectors” analyzed that the recent trends and preventive measures to regulate NPAs in Indian banking sectors in present situation based on the secondary data method.
- MishraAkshay (2016) in his research paper “An Analysis of NPAs in Priority and Non-Priority Sectors with respect to Public Sector Banks in India” explored a brief comparison between non-priority and priority sectors NPAs with respect to public sector banks in India on the basis of secondary sources of data collection.

ANALYSIS AND INTERPRETATION

Table 1: Priority Sector Lending of Nationalized Banks and SBI Group

	Nationalized Banks		SBI Group	
	Gross Advances	Gross NPAs	Gross Advances	Gross NPAs
2012-2013	8891	405	3899	264
2013-2014	10711	530	4482	261
2014-2015	12507	680	4353	252
2015-2016	13356	979	5320	292
Correlation		0.932885		0.80083362

Sources: compiled data through excel

As per the table 1, if we see the correlation of gross NPAs and gross advances of the nationalized banks for providing priority sector lending is.932885 and the correlation of gross NPAs and gross advances of SBI group for providing priority sector lending is.80083362. It showed that nationalized bank is highly correlated as compare to SBI group. It showed a better performance in terms of providing gross advance and gross NPAs of priority sector lending of the nationalized banks is better.

Table 2: Non-Priority Sector Lending of Nationalized Banks and SBI Group

	Nationalized Banks		SBI Group	
	Gross Advances	Gross NPAs	Gross Advances	Gross NPAs
2012-2013	19170	554	8599	335
2013-2014	21249	877	9463	499
2014-2015	21718	1239	9875	451
2015-2016	21062	2900	11084	849
correlation		.3960136		0.94603821

Sources: compiled data through excel

As per the table 2, if we see the correlation of gross NPAs and gross advances of nationalized banks for providing non-priority sector lending is.3960136 and the correlation of gross NPAs and gross advances of SBI group for providing non-priority sector lending is 0.94603821. It showed that nationalized bank is less correlated as compare to SBI group. It showed a better performance in terms of providing gross advance and gross NPAs of non-priority sector lending of nationalized banks is not better.

Table 3: Gross NPAs Ratio of Priority Sector Lending of Nationalized Banks and SBI Group

	Nationalized Banks		SBI Group	
	Gross Advances	Gross NPAs	Gross Advances	Gross NPAs
2012-2013	8891	405	3899	264
2013-2014	10711	530	4482	261
2014-2015	12507	680	4353	252
2015-2016	13356	979	5320	292
Gross NPAs ratio		17.52699		16.88868

Sources: compiled data through excel

As per the table 3, If we see the gross NPAs ratio of nationalized banks for providing priority sector lending is17.52699 and The gross NPAs ratio of SBI group for providing priority sector lending is 16.88868. It showed that the nationalized banks are high gross NPAs ratio as compare to SBI group.

Table 4: Gross NPAs Ratio of Non-Priority Sector Lending of Nationalized Banks and SBI Group

	Nationalized Banks		SBI Group	
	Gross Advances	Gross NPAs	Gross Advances	Gross NPAs
2012-2013	19170	554	8599	335
2013-2014	21249	877	9463	499
2014-2015	21718	1239	9875	451
2015-2016	21062	2900	11084	849
Gross NPAs ratio		14.93698		18.28538

Sources: compiled data through excel

As per the table 4, if we see the gross NPAs ratio of nationalized banks for providing priority sector lending is14.93698 and the gross NPAs ratio of SBI group for providing priority sector lending is 18.28538. It showed that the nationalized banks are less gross NPAs ratio as compare to SBI group.

CONCLUSIONS

The Banking system plays a huge role in the financial creditworthiness of the nation. The strength of the nation is highly depending upon the banking system. The problem of NPAs can be sorted out through proper loan advancement risk mechanism. This paper concluded that both priority and non- priority sector have a major impact on banks NPAs. This can also be revealed that there is an important relation between priorities and non- priority sectors gross advance with gross NPAs

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