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Priority Sector Lending In Kerala: Current Issues

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Abstract:

This study attempts to analyse the present issues of priority sector lending in Kerala. Bank group wise, bank wise and district wise analysis is made with respect to the priority sector lending in Kerala. The study also analyses the performance of Kerala banks in relation to the National sphere. A sector wise analysis is also made. In Kerala, even though the Priority sector lending is satisfactory and above the national level targets, still there exists certain sector wise, district wise, bank wise, and bank group wise disparities. A combined effort of bank authorities and Government is the need of the time to reduce these disparities, in order to lift the marginalised sections of the society to the main stream of development.

1.Introduction

Inclusive and sustainable growths are the buzz words across the country now. Access to finance, especially by the poor and vulnerable groups, is an essential prerequisite for the employment generation, economic growth, poverty alleviation and social upliftment. Further, financial inclusion will enable the poor and the rustics of our country in exercising prudent and enriched banking practices and financial education which ultimately contributes towards the economic prosperity of our nation. Sector wise prioritization, as an economic philosophy, had given due recognition from the very inception of our Plans. This is the outgrowth of the Gandhian Philosophy of Poorna Swaraj through Grama Swaraj. Transformation of Class Banking to Mass Banking practices in the Indian Banking Sector, envisaged by the Bank Nationalization was actually in tune with the Inclusive Growth Targets of 11th Five Year Plan of the Government of India. The Priority Sector Lending Practices by the Indian banks concentrates in this direction.

In view of the need, to ensure adequate institutional credit flow to the vulnerable sectors, the RBI has mandated that banks should lend a minimum of 40 per cent of advances to the priority sectors. Priority sectors broadly include advances to agriculture, small scale industries, weaker sections, exports, education, Self Help Groups (SHGs) etc.

The revised guidelines issued by RBI on Priority Sector Lending (PSL) on 20th July 2012, mandates commercial banks and foreign banks with 20 or more branches to allocate 40 per cent of their Adjusted Net Bank Credit (ANBC) or credit equivalent amount of Off-Balance Sheet Exposures (OBE), whichever is higher, to the priority sector. From this, sub-targets of 18 per cent and 10 per cent of ANBC or credit equivalent amount of OBE have been mandated for lending to agriculture and weaker sections of the society. For foreign banks with less than 20 branches, the target PSL is 32 per cent of ANBC or credit equivalent amount of OBE, whichever is higher. Foreign banks have given a period of 5 years beginning from April 2013 to achieve their PSL target, subject to the approval of their action plans by the RBI. The tables 1 and 2 show the particulars of Priority Sector Lending by Indian Banking sector. From this, sub-targets of 18 per cent and 10 per cent of ANBC or credit equivalent amount of OBE have been mandated for lending to agriculture and weaker sections of the society. For foreign banks with less than 20 branches, the target PSL is 32 per cent of ANBC or credit equivalent amount of OBE, whichever is higher. Foreign banks have given a period of 5 years beginning from April 2013 to achieve their PSL target, subject to the approval of their action plans by the RBI.

	Public Sector Banks			Private Sector Banks			Foreign banks		
	March 2010	March 2011	March 2012	March 2010	March 2011	March 2012	March 2010	March 2011	March 2012
Total Priority Sector Advances	41.50	40.90	37.40	45.80	46.60	39.40	36.00	39.70	40.90
Advances to agriculture	17.90	16.60	15.70	19.30	17.20	13.80	0.00	0.00	0.00
Advances to micro and small enterprises	13.20	14.80	13.10	13.80	16.50	15.20	12.70	12.40	11.00
Advances to the weaker sections	10.10	9.60	9.70	5.40	5.30	5.30	0.00	0.00	0.00
Advances to exports							21.10	25.70	26.20

*Table 1: Priority Sector Advances: Performance Of Indian Banking Sector
(From 2010 March To 2012 March) (Amount In Crores)*

Source: Economic Survey-(2012-2013), Ministry Of Finance, Government Of India

While evaluating the Indian Priority Sector Lending, the total outstanding lending of Public Sector Banks increased from Rs. 10,21,496 Crore on last reporting day of March 2011 to Rs. 11,29,993 Crore as on last reporting day of 2012, showing a growth of 10.6 per cent. The achievement of Public Sector Banks (PSB) as a group was 37.4 per cent, as on the last reporting day of March 2012. The outstanding priority sector advances of Private Sector Banks grew by 14.9 per cent in 2011-2012 and these were 39.4 per cent of their total advances as on the last reporting day of March 2012. The outstanding Priority Sector Advances of Foreign Banks had reached the targeted level of 40 per cent as on March 2012, though these advances have been mainly for export purposes.

	Public Sector Banks			Private Sector Banks			Foreign Banks		
	March 2010	March 2011	March 2012	March 2010	March 2011	March 2012	March 2010	March 2011	March 2012
Total Priority Sector Advances	863777	1021496	1129993	214669	249099	286420	59959	66737	80559
Advances To Agriculture	372463	414973	475148	90737	92146	100900	121	56	111
Advances To Micro And Small Enterprises	276318	369930	396343	64824	88115	110513	21147	20981	21760
Advances To The Weaker Sections	211376	240321	293960	25532	28575	38929	0.00	0.00	0.00
Advances To Exports	Na	Na	Na	Na	Na	Na	35167	43322	51742

*Table 2: Priority Sector Advances Of Indian Banks As Percentage Of Total Advances
(From 2010 March To 2012 March). (Percentage)*

Source: Economic Survey-(2012-2013), Ministry Of Finance, Government Of India

2. Significance Of The Study

Priority sector lending practices of banks focusing on the social justice and equity. The equitable distribution of income and wealth, especially among the marginalized sections of the community like farmers, minorities, small scale entrepreneurs, tribal groups, agricultural workers, SC/ST, and other weaker sections of the community is the need of the hour. Agriculture is the first form of culture (Nehru). While evaluating the Indian agricultural sector, the average annual growth of agriculture and allied sectors during the 11th Five Year Plan at 3.6 per cent fell short of the 4 per cent growth target (CSO, Directorate of Economics and Statistics). The Social banking practices in general and priority sector lending in particular are revolutionary financial management mechanisms designed to speed up the socio economic development of our nation. Bank expansion into unbanked areas and priority sector lending to targeted sectors have succeeded in reducing the poverty in India and bringing about a uniform sector wise development particularly in the rural areas. The arrival of banks in the rural areas has led to increase in aggregate economic growth and these increases were driven by agricultural and non agricultural output. The Agricultural sector of Kerala shows a pathetic situation having great imbalances in the proportion of cash crops and food grains yields. For most of the food grains Kerala has to depend on other states. Even though there is an increasing trend in the disbursement of agricultural loans by Kerala banks, the agricultural output is not correlating with the quantum of loan. While evaluating the industrial sector, especially the small scale sector, it is not at par with the average national targets. The service sector of Kerala is also behind the national position. The weaker sections of the society should be benefited more by the banking sector, to reach at the main stream of the society. The priority sector lending practices of Kerala banks have special significance, in the light of equitable distribution of income and wealth among all sections of the community, especially by uplifting the poor and marginalized farmers, small scale industrialists, scheduled castes, scheduled tribes, small scale service providers etc. Hence, the present study critically evaluates and discusses the current issues on priority sector lending in the context of the revised guidelines of the RBI, based on the data available.

3. Scope Of The Study

The present study covers the priority sector lending of Kerala banks, by making a sector wise, bank group wise, and district wise analysis. It also covers a comparative and comprehensive analysis of the standing of each banks and bank groups with respect to priority sector lending. It also evaluate, to what extent the Kerala banks are in tune with the national goals in this respect. The time frame of the study is also limited for a period from March 2009 to December 2012.

4. Objectives

- To analyse and evaluate- Sector wise and Bank group wise- the present scenario of priority sector disbursement of funds in Kerala.
- To make a bank wise analysis and evaluation of priority sector lending in Kerala.
- To have a target based appraisal of district cum sector wise disbursement of funds in the Priority Sector.
- To make a comparative evaluation of the position of Kerala at national level with respect to goals and target achievements.

5. The Research Method

The researchers have compiled the data from different sources such as Economic Survey, RBI Reports, Economic Reviews, Official website of RBI, SLBC- Kerala etc. A descriptive analysis is made on the basis of the data compiled and presented in appropriate tables. The analysis is made on the basis of the following dimensions:

- Bank group wise performance
- Bank wise performance.
- District wise performance.
- Performance in relation to the national goals.
- Sector wise performance

6. Results and Discussion

6.1. Achievements In The Priority Sector Lending: A Bank Group Wise Analysis

Bank/ Bank Group	Primary Sector			Secondary Sector			Tertiary Sector			Total Priority Sector Advances		
	Target	Achievment.	%Achievment.	Target	Achievment.	%Achievment.	Target	Achievment.	%Achievment.	Target	Achievment.	%Achievment.
State Bank Group	4930	5567	112.91	952	527	55.36	6235	3832	61.46	12117	9926	81.92
Nationalised Banks	8024	9410	117.28	1537	528	34.32	6163	3122	50.65	15724	13060	83.36
RRBs	3047	2517	82.58	181	62	34.18	1705	1329	77.97	4933	3908	79.22
Private Sector Banks	4817	4619	95.90	967	586	60.62	5237	2922	55.80	11021	8127	73.74
Cooperatives	9238	6262	67.79	842	697	82.76	12867	13462	104.62	22947	20421	88.99
KFC	8	0	0	229	119	52.08	145	31	21.16	382	150	39.27
TOTAL	30064	28375	94.38	4708	2519	53.50	32352	24698	76.34	67124	55592	82.82
Percent to total disbursement		51.04			4.53			44.43			100	

Table 3: Bank Group Wise Achievements In The Priority Sector Lending (Rs. In Crores)

Source : State Level Banker's Committee (SLBC), Kerala

The banking sector of the state has disbursed Rs.55, 592 crores to the priority sector during the fiscal year 2012-13 as at December 2012. This is 82.82% of the annual target of Rs.67124 crores. There is an increase of Rs 6214 crores in total disbursements over that achieved during the corresponding period of the last financial year. The banking group wise analysis reveals that Cooperatives have disbursed the highest quantum of priority sector loans in the state during the fiscal year 2012-13(Rs.20421 crores) followed by nationalized banks(Rs.13060 crore). A comparison based on percentage achievement of target reveals that achievement of state bank group, RRBs and Private Sector Banks were below that of state's average performance. Disbursement to secondary sector constituted only 4.53% of the total disbursement made by banks to the priority sector.

6.2.Bank Wise Performance Evaluation Of Priority Sector Lending In Kerala

Name of Bank	Primary Sector			Secondary Sector			Tertiary Sector			Total priority sector		
	Target	Achievement	% Achi	Target	Achievement	% Achi	Target	Achievement	% Achi	Target	Achievement	% Achi
SBT	33414771	36820905	110.2	6226770	2272023	36.49	39197814	25406024	64.81	78839355	64498952	81.81
Canara Bank	26895830	34471764	128.2	3623087	971315	26.81	15123403	9267900	61.28	45642320	44710979	97.96
SBI	15770103	18745081	118.86	3209779	2847915	88.73	22639169	12523397	55.32	41619051	34116393	81.97
Federal Bank	18069265	17369934	96.13	3914758	949497	24.25	20740713	10687493	51.53	42724736	29006924	67.89
Syndicate Bank	5819996	14160972	243.32	1197583	169679	14.17	6876705	2760623	40.14	13894284	17091274	123.1
NMGB	12629466	11278390	89.30	741449	310252	41.84	9434969	9048697	95.91	22805884	20637339	90.49
SMGB	17843208	13887345	77.83	1064827	307111	28.84	7614333	4244398	55.74	26522368	18438854	69.52
State Bank of Bikaner and Jaipur	12000	0	0	12000	0	0	8000	2100	26.25	32000	2100	6.56
State Bank of Patiala	4000	0	0	4000	0	0	8000	0	0	16000	0	0
Bank of Maharashtra	45191	0	0	40727	900	2.21	173786	223691	128.8	259704	224591	86.48
Kotak Mahindra Bank	12000	0	0	29000	0	0	22000	0	0	63000	0	0
Kerala State Cooperative Bank	86746286	58132312	67.01	6294149	6723179	106.82	120930519	131866777	109.04	213970954	196722268	91.94
HDFC Bank	4145294	5148455	124.20	770430	2260050	293.35	3216900	2009833	62.48	8132624	9418338	115.8
Indian over Seas Bank	10973370	7687814	70.06	1787698	1989486	111.29	4931455	2800379	56.79	17692523	12477679	70.53
South Indian Bank	10426302	7494533	71.88	1804857	1249441	69.23	10613411	6309085	59.44	22844570	15053059	65.89

Table 4: Bank Wise Performance Of Priority Sector Lending In Kerala (Amount In Thousands)
Source: State Level Bankers' Committee (Slbc), Kerala

The bank wise analysis reveals that the Kerala State Cooperative Bank has disbursed the highest quantum of priority sector loans (Rs.19672 crores), followed by the State Bank of Travancore (Rs.6450 crores). State Bank of Patiala and Kotak Mahindra Bank have reported nil disbursement to the priority sector in the state during the period from 1.04.2012 to 31.12.2012, which needs immediate attention.

6.3. District Wise Status Of Priority Sector Lending In Kerala

District	Primary Sector			Secondary Sector			Tertiary Sector			Total priority sector		
	Target	Achievement	% Achievement	Target	Achievement	% Achievement	Target	Achievement	% Achievement	Target	Achievement	% Achievement
Trivandrum	27916885	20041696	71.79	5096678	2517679	49.39	31506396	24243512	76.95	64520959	46802887	72.54
Kollam	39443588	34190840	86.68	2381737	6301001	246.55	27047800	16923479	62.57	68873125	57415320	83.36
Pathanamthitta	17036552	10274996	60.31	1473111	418593	28.42	16857967	11841705	70.24	35367630	22535294	63.72
Alappuzha	14054500	14031366	99.84	5495100	936469	17.04	25623000	15726090	61.37	45172600	30693925	67.95
Kottayam	23421545	17775995	75.90	3401689	586530	17.24	29702745	21391507	72.02	56525979	39754032	70.33
Idukki	12589040	10918640	86.73	1183929	309357	26.13	13219597	9781255	73.99	26992566	21009252	77.83
Ernakulam	27205641	24225034	89.04	12147605	4506292	37.10	33857791	29023237	85.72	73211037	57754563	78.89
Thrissur	27740000	39284067	141.6	5650000	3171826	56.14	46650000	36676305	78.62	80040000	79132198	98.87
Palakkad	29649131	24849446	83.81	3754937	1783093	47.49	24774119	25001978	100.9	58178187	51634517	88.75
Malappuram	21398076	19833271	92.69	1414685	312194	22.07	14502240	12052684	83.11	37315001	32198149	86.29
Kozhicode	21499071	22483490	104.5	1518910	1805292	118.85	20188962	11441124	56.67	43206943	35729906	82.69
Wayanad	13600000	12061400	88.69	400000	159100	39.78	4200000	2453700	58.42	18200000	14674200	80.63
Kannur	14935393	24724300	165.5	2466645	2027600	82.20	27876436	25305200	90.78	45278474	52057100	114.9
Kazargode	10154383	9058139	89.20	693186	352022	50.78	7517865	5123041	68.14	18365434	14533202	79.13
TOTAL	300643805	283752680	94.38	47079212	25187048	53.50	323524918	246984817	76.34	671247935	555924545	82.82

Table 5: District Wise Performance Of Priority Sector Lending In Kerala
(Amount In Thousand)

Source: State Level Bankers' Committee (Slbc), Kerala

Among the Districts, Trissur district stood first in the quantum of priority sector loan disbursements (Rs.7913 crores) followed by the Ernakulam district with a disbursement of Rs 5775 crores. Kannur district stood first in percentage achievement of target (114.97%) followed by Trissur (98.87%), Palakkad (88.75%), Malappuram(86.29%) and Kollam(83.36%). Five districts had achieved the levels above the State's average position. The performance of Thiruvananthapuram (72.54%), Alappuzha(67.95%) and Kottayam (70.33%) needs improvement. Pathanamthitta (63.72%) district have registered poor performance under Annual Credit Plan achievements of Kerala Banks. The reasons for the poor performance of some districts should be looked into.

6.4. Priority Sector Lending In Kerala: An Evaluation In The National Sphere

SL NO	Parameter	Goal %	March 2009	March 2010	March 2011	Dec 2011	March 2012	Dec 2012	Variation	
									March 2012 To Dec.2012	Dec. 2011 To Dec. 2012
1	Priority sector advances to total credit	40	58.42	60.01	58.32	56.34	57.34	55.48	-1.86	-0.86
2	Agriculture advances to total credit	18	19.27	22.46	22.49	22.75	24.25	25.00	0.75	2.25
3	Weaker section advances to total credit	10	14.78	16.16	18.39	18.33	19.33	19.98	0.65	1.65
4	DRI Advances to total credit	1	0.26	0.02	0.02	0.03	0.02	0.03	0.01	0.00
5	Credit deposit Ratio	60	63.54	67.63	75.50	74.80	75.57	75.89	0.32	1.09

Table 6: Priority Sector Lending In Kerala: The Performance In The National Sphere (Percentage)

Source: Slbc (State Level Bankers' Committee), Kerala

While evaluating the Priority sector performance of Kerala Banks to the national goals achievements, the total priority sector advances, agricultural advances, weaker section advances and CD ratio are above the national goals.

6.5.Evaluative Conclusion On The Basis Of Sectors Of Kerala Economy

- **Primary Sector**

The primary sector, accounted for 51.04% of the total disbursements in priority sector. The sector achieved 94.38% of annual target as at December 2012. An amount of Rs.28375 crores was disbursed to the sector as at December 2012 against the year end target of Rs. 30064 crores. Compared to the disbursements during the corresponding period of the previous fiscal year, the disbursement to the primary sector recorded an increase of Rs.3230 crores.

The Nationalised banks, by disbursing Rs.9410 crores, accounted for more than one-fourth (33.16%) of the total disbursement to the sector followed by Cooperative sector (Rs.6262 crores). The State Bank Group accounted for (19.62%) of the total disbursement to the primary sector of the state by disbursing Rs.5567 crores. Private sector banks disbursed Rs.4619 crores.

Among Commercial banks SBT, Canara Bank, SBI, Federal Bank, Syndicate Bank, SMGB and NMGB are the top performers with regard to the quantum of loans disbursed to the sector. The following banks have not reported any disbursement to primary sector in Kerala- State Bank of Bikaner& Jaipur, State Bank of Patiala, Bank of Maharashtra and Kotak Mahindra Bank. Highest disbursement to primary sector was reported in Tissur District (Rs.3928 crores) followed by Kollam (Rs.3419 crores), Palakkad(Rs.2485 crores), Kannur(Rs.2472 crores) and Ernakulam(Rs.2422 crores) districts.

- **Secondary Sector**

Under the secondary sector, which includes the SME Sector, the banking sector of the state could achieve only 53.50% of the annual target as at December 2012. Banks in the State have disbursed loans of Rs.2519 crores till December 2012. Another disturbing fact is that the sector accounted for only 4.53% of the disbursement to priority sector in the State.

When compared to the disbursements during the corresponding period of the previous year, there is a good increase in the disbursement to the sector. The last fiscal period during April 2011 to December 2011, the disbursement to the secondary sector was Rs.1769 crores whereas during the same period this year banking sector in the State could disburse Rs.2519 crores, registering a growth of Rs.750 crores (42.40%) in disbursement.

The Co-operative Sector shows the leading position in the secondary sector(Rs.697 crores) followed by Private Sector Banks(Rs.586crores), Nationalised Banks(Rs.528 crores) and State Bank Group(Rs.527 crores).Kerala State Cooperative Bank led the disbursement in the Secondary Sector with a figure of Rs.627 crores followed by State Bank of India(Rs.285 crores), State Bank of Travancore(Rs.227 crores), HDFC bank (Rs.226 crores), Indian Overseas Bank(Rs.199 crores), South Indian Bank(Rs.125 crores) and Canara Bank (Rs.97 crores).

Among the districts, highest disbursement to the Secondary Sector was in Kollam District (Rs.630 crores) followed by Ernakulam District (Rs.450 crores). Alappuzha recorded the lowest achievement of 17.04% followed by Kottayam with 17.24% and Malappuram with 22.07%. . It is worthwhile to note that the performance of kerala banks in the secondary sector lending in 10 districts was below the State average. Banks in these districts should give more focus on the secondary sector lending in the coming periods.

- **Tertiary Sector**

The Tertiary Sector accounted for 44.43% of the total disbursement to the Priority Sector in the State. The total disbursement to the Priority Sector during the fiscal period up to December 2012 was Rs.24698 crores thereby achieving 76.34% of the annual target. When compared to the disbursements during the corresponding period of the previous fiscal year, there is an increase of Rs.2234 crores in the disbursements to the Sector. The last fiscal period during April 2011 to December 2011, the disbursement to Tertiary Sector was Rs.22464 crores.

Regarding the quantum of loans disbursed during the current fiscal period, the Cooperatives lead other banking groups by disbursing Rs. 13462 crores and under percentage achievement (104.62%) of the target. The State Bank Group, Nationalised Banks and Private Sector Banks need to improve their performance under this sector.

Among the Commercial Banks, State Bank of Travancore leads in disbursement to the Sector (Rs.2541 crores) followed by State Bank of India(Rs.1252 crore), Federal Bank Ltd (Rs.1069 crores), Canara Bank(Rs.927 crores) and NMGB(Rs.905 crores). State Bank of Patiala and Kotak Mahindra Bank has reported NIL disbursements to the Tertiary Sector in the State. District wise analysis reveals that Palakkad district has achieved 100.92% of the year end target followed by Kannur(90.78%), Ernakulam(85.72%), Malappuram (83.11%) and Trissur(78.62%). The performance of the banks in eight districts is below the State average and needs considerable improvement. All banks in these districts should review their positions well in advance and take corrective steps to ensure that the targets for the current year can be achieved comfortably.

7. Findings And Recommendations

Based on the analysis and evaluation, the following findings and suggestions are made for making the Public Sector Lending Programme more effective and successful. The findings and suggestions are highly helpful to the Government and banking authorities to identify and rectify the defects of the present priority sector lending practices of the Kerala Banks.

- The scenario of the comparative percentage achievement of targets of Kerala banks in the priority sector lending shows that the Cooperatives have the leading position. But, the achievements of State Bank group banks, RRBs and Private Sector Banks are below the State's average performance. Committed efforts are necessary to arrest this unpleasant situation in the state. The extension of banking activities to the rural area will bring a definite transformation among the rustics, by strengthening the services of the rural branches of these banks.
- While analyzing the district wise comparative percentage achievement in terms of the targets, Thiruvananthapuram, Alappuzha and Kottayam need improvement. But five districts had achieved above the State's average position. Pathanamthitta have registered a poor performance. While fixing the district wise annual credit plan targets, a critical appraisal of the past performance must be made. But it is evident that no such pattern is followed in the preparation of district wise credit plans. A sector wise feasibility study should also be undertaken in each district, in order to understand the sector wise requirement of credit in each district.
- In Kerala, there is bank wise and district wise disparity in primary sector lending, especially in agricultural sector. Some banks have reported no disbursement in this sector. The District Level Coordination Committees should monitor these banks in this respect, and they should fix the priorities for districts, after conducting feasibility studies in each district in relation to the agricultural productivity and requirements' potential of each district.
- The secondary sector constitutes only 4.53%, out of the total disbursements in the priority sector. The performance of ten Districts are below the State average in this sector. The Government and Bank authorities should thoroughly think over the issue, and make policies and programmes to attract the small and medium scale industrialists and entrepreneurs.
- The tertiary sector of the state accounted for 44.43% of the total disbursement in the priority sector. There is considerable improvement from the previous year performance. Among the bank groups, the State Bank Group, Nationalized Banks and Private Sector Banks need to improve. Among the commercial banks, two banks have reported nil disbursement. The performance of eight districts is below the state average. All banks should review their position well in advance and take corrective measures. The District Level Coordination Committees should monitor these banks in this respect, and they should fix the priorities for districts, after conducting feasibility studies in each district in relation to the potential requirements of each district.
- The present position of the priority sector lending in the state exceeds the national level. The banks should try to maintain the same tempo.
- The Credit Deposit Ratio of the Kerala Banks in priority sector lending, in relation to the national goal achievement, shows a better and satisfactory position by consistently increasing from year to year. Therefore, the Kerala Banks should try to uphold the same trend in coming years also. In Kerala all districts except Pathanamthitta is having CD Ratio of more than 60%. Pathanamthitta is the only district having poor CD Ratio of 45.69%, which should be constantly monitored by the District Level Coordination Committee
- The banks should make use of the public media for popularizing Priority Sector Lending Schemes to reach the benefits to the socially and economically weaker sections of the society. The borrowers must be educated about the various schemes and programmes through effective awareness and financial literacy campaigns. The banks should resort to different publicity measures to create awareness among public.

8. Conclusion

Equity and social justice are the guiding principles behind the Priority Sector Lending. Even though the general trend of the State is satisfactory and above the national targets, it is evident from the data that still there exist certain sector wise, district wise, bank wise, and bank group wise disparities in the priority sector lending practices in Kerala. In the primary sector, even though there is satisfactory level of disbursement by our banking system, there should be proper monitoring by the bank authorities with regard to the purpose for which the funds are utilized. The core of the success of Priority Sector Lending System depends on the supervision, feedback and follow-up. The post disbursement supervision is necessary to ensure the end use of the loans and to give proper guidance. The secondary sector performance needs intensive interference by the Government and bank authorities. A united action from all banks in the State, with due Government support will help to reduce all these disparities, and thereby the marginalized sections of the society can be lifted to the main stream.

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