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## **A Study on Priority Sector Lending by Commercial Banks in India**

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### **Abstract:**

*The origin of priority sector prescriptions for banks in India can be traced to the Credit Policy for the year 1967-68, wherein it was emphasized that commercial banks should increase their involvement in the financing of priority sectors, viz., agriculture, exports and small-scale industries, as a matter of urgency. However, the concept of the priority sector was formalized in 1972 on the basis of the report submitted by the Informal Study Group on Statistics Relating to Advances to the Priority Sectors constituted by the Reserve Bank in May 1971. On the basis of this report, the Reserve Bank prescribed a modified return for reporting priority sector advances and certain guidelines were issued in this regard in February 1972, indicating the scope of the items to be included under various categories of priority sector.*

*In most of these cases, the guidelines indicated only the general description of the advances to be included and no ceilings were fixed, except in the case of small-scale industry and road and water transport operators where ceilings on the value of original investments were indicated. The scope and extent of priority sector has undergone several changes since then with several new areas and sectors being brought within the purview of this sector. The article focuses on the changes made over a period of time in lending to priority sectors by commercial banks of India. It also indicates the development of priority sectors due to lending by banks.*

### **1. Introduction**

The Indian economy is divided into have and have nots. Most of the people live below the poverty line. They do not have property to mortgage as collateral security for taking loans. Thus, they are deprived of banking facilities. This further created a big gap between have and have nots. This was realized by the Government and the RBI in India way back. Accordingly, the two also visualized a very important role for banks to play. Having developed a firm belief in this philosophy, and thus in order to bridge this gap, they perceived and emphasized that the Indian banking system should play an active role in the financing of those deprived sectors of the economy. For this purpose, the Government with the help of RBI initiated priority sector lending.

### **2. Priority Sector Lending and RBI – Early Years**

While studying about new reforms in the Indian banking sector, we have seen that banks provided a major part of their credit to industries in developed cities, and the major part of the country and particularly the rural India and agriculture were neglected. Banks were not interested in providing credit to agricultural and small industries. Consequently, Govt. of India and RBI adopted a strict policy to provide credit to priority sectors. In 1960, Government with the leadership of RBI directed banks to voluntarily provide credit to priority sectors. From the view of social productivity, agriculture and small scale industries were identified as priority sectors. It was believed that if the hinderances of providing loans are removed and would be made easily available, then these sectors would also work well and would give its contribution to Indian economy. Accordingly, loans were floated to these sectors. Now, banking facilities were available in rural areas. But there was no major change in the condition. Still a large share of credit was going to big business houses.

In 1967, in the meeting of the National Credit Council it was emphasized that it should be made compulsory for banks to provide credit to priority sectors. This resulted in the nationalization of banks. There was increase in the availability of credit, but the situation was still in favour of big industries.

Thus the origin of priority sector prescriptions for banks in India can be traced to the Credit Policy of the year 1967-68. In that policy it was emphasized that commercial banks should increase their involvement in the financing of priority sectors, viz., agriculture, exports and small-scale industries, as a matter of urgency. However, the concept of the priority sector was properly formalized in the year 1972 on the basis of the report submitted by the Informal Study Group on Statistics Relating to Advances to the Priority Sectors constituted by the Reserve Bank in May 1971. On the basis of this report, the Reserve Bank prescribed a modified return for reporting priority sector advances and certain guidelines were issued in this regard in February 1972, indicating the scope of the items to be included under various categories of priority sector.

The guidelines issued indicated only the general description of the advances to be included and no ceilings were fixed, except in the case of small-scale industry and road and water transport operators where ceilings on the value of original investments were indicated. The scope and extent of priority sectors have undergone several changes since then with several new areas and sectors being brought within the purview of this sector.

In 1969, under the influence of 1967-68 Credit Policy, the priority sector procured a total Rs. 505 crore as loans. Out of this Rs. 188 crore was for Agricultural sector and Rs. 286 crore was for small scale industries. The percentage share of priority sector lending in total credit, thus worked out was merely 14%. It revealed that at that time of the total bank credit only a small portion was received by priority sectors. Keeping this in mind, in 1972, the definition of priority sector was given a formal shape and in 1974, banks were directed to provide one-third of total credit to priority sectors by 1979. Later on, this limit was extended to 40%. Out of 40 percent, 10% were to be lent to weaker sections for their financial upliftment.

### 3. Priority Sector Lending – Reforms and RBI Norms

Over the years the stipulation for lending to the priority sector has been retained, more or less the same, even though its scope and definition was fine tuned by including new items. There came a major change when the Indian economy and the banking system witnessed a major reform process as enunciated in the year 1991. Under the influence of reform process the priority sector policy also witnessed a major change. Based on the recommendations of the working group, set up by the Reserve Bank, the priority sector norms were revised in April 2007. As per the revised norms, priority sectors which have been retained are:

- (i) The sectors of the society/economy that impact large segments of the population
- (ii) The weaker sections of the society include following:-
  - a) Small and marginal farmers with land holding of 5 acres and less and landless labourers, tenant farmers and sharecroppers.
  - b) Artisans, village and cottage industries where individual credit limits do not exceed Rs. 50,000/-
  - c) Beneficiaries of Swarnjayanti Gram Swarajgar Yojana (SGSY)
  - d) Scheduled Castes and Scheduled Tribes
  - e) Beneficiaries of Differential Rate of Interest (DRI) scheme
  - f) Beneficiaries under Swarna Jayanti Shahari Rojgar Yojana (SJSRY)
  - g) Beneficiaries under the Scheme for Liberation and Rehabilitation of Scavengers (SLRS).
  - h) Self Help Groups (SHGs)
- (iii) The sectors which are employment intensive such as agriculture (both direct and indirect)
- (iv) Micro and small enterprises (direct and indirect)
- (v) Retail trade in essential commodities and consumer cooperatives stores.
- (vi) Education loans and housing loans up to Rs. 20 lakh.

As the constituents of the priority sector were redefined, so was done with the targets fixed for banks of different categories. The targets and sub-targets set under priority sector lending for domestic and foreign banks operating in India as revised under reform process are furnished below:

	<b>Domestic banks (both public sector and private sector banks)</b>	<b>Foreign banks operating in India</b>
Total Priority Sector Advances	40 percent of NBC	32 percent of NBC
Total Agricultural Advances	18 percent of NBC	No target
SSI Advances	No target	10 percent of NBC
Export Credit	Export credit does not form part of priority sector	12 percent of NBC
Advances to Weaker Sections	10 percent of NBC	No target

Table 1

Note: NBC denotes net bank credit

Under the revised norms, the overall priority sector lending targets at 40 percent and 32 percent for the domestic and foreign banks, respectively, as also other sub-targets, have been retained unchanged. Individual farmers, under priority sector advances, can avail of up to Rs. 10 lakh against agricultural produce for a period not exceeding 12 months. Indirect credit to agriculture should not exceed 4.5 percent of adjusted net bank credit or 25 percent of overall credit to agriculture. Under the priority sector norms direct institutional credit to the agricultural sector includes loans sanctioned for small and marginal farmers for purchase of land for agricultural purposes. Distressed farmers indebted to non-institutional lenders can obtain loans against appropriate collateral and group security.

In the revised guidelines, with the aim of overcoming the crowding out effect against small loans, particularly to agriculture, only one-third of amount of loans/advances are allowed to be classified as direct agriculture. In case, the domestic scheduled commercial banks are unable to meet the priority sector targets and/or agriculture target, they would be allocated amounts for contribution to the Rural Infrastructure Development Fund (RIDF) established with NABARD or funds with other financial institutions, as specified by the Reserve Bank. The foreign banks with a shortfall in priority sector lending as per stipulated targets are required to contribute to Small Enterprises Development Fund (SEDF) established with Small Industries Development Bank of India (SIDBI).

#### 4. Priority Sector Lending - Pre 1990 Secenario

Data on priority sector lending by banks in the pre 1990 period is presented in Table 3.1. A significant trend is visible from the Table 3.1 which is about priority sector lending in the pre 1990 period. The Table shows that priority sector lending in the year 1969 was Rs. 505 crore, which increased by 325.76% to Rs. 2150.1 crore in the year 1975. The percentage share, which was 14% in the year 1969 increased to 25% in the year 1975. The increase in the share was due to nationalization of banks in 1969. In the year 1969 the share of agriculture in total bank lending was 37.23%, which fell to 36.51% in 1975. During the same period, share of small scale industries dipped from 56.63% to 48.5%. This fall in the share was due to increase in the share of other priority sectors.

In the year 1969, other priority sector had a share of 6.14%, it increased in the year 1975 to 14.99%. This change was in accordance with the policies of government. Although the share of priority sector increased, yet it was not as per demand at that time.

Keeping in mind the requirements of priority sector, in the year 1976, a Regional Rural Bank Act was passed. The main objectives of setting up a Regional Rural Bank were as follows:

- (i) Development of Agriculture
- (ii) To provide loans to small and marginal farmers
- (iii) To provide loans to agricultural labourers, craftsmen and other small workers.
- (iv) To make agricultural economy stronger.

Because of these policies, there was tremendous growth in priority sector lending. The flow of credit to priority sector was Rs. 2150.1 crore in the year 1975. This improved remarkably by about 213% to Rs. 6730 crore in the year 1980. In percentage share it increased from 25% to 33%. Thus, banks fulfilled the goal of one-third of the total credit. During this period share of agricultural sector increased from 36.51% in the year 1975 to 41.11% in the year 1980. This was also due to nationalization of banks in 1980.

The Table reveals that during first half of 1980s, the share of priority sector in total bank credit kept on increasing. It rose sharply from Rs. 6730 crore in the year 1980 to Rs. 19,208 crore (185.4% that is 2.85 times growth) in the year 1985. It further had a hike from Rs. 19,208 crore to Rs. 41,030 crore (113.6% that is 2.14 times growth) in the year 1990. The percentage share of credit to priority sector was 33% in the year 1980, which also rose sharply to 39.9% in the year 1985 and 40.7% in the year 1990 respectively.

Thus, we can see that according to the social necessity loans were provided by Scheduled Commercial Banks and consequently the share of priority sector in total credit increased from 14% in the year 1969 to a high rate of 40.7% in the year 1990.

	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
1. Agricultural Sector	188 (37.23)	-	382 (37.23)	439 (36.34)	567 (36.35)	598.8 (33.23)	785 (36.51)	1092 (38.79)	1381 (39.62)	1726 (39.82)	2288 (40.30)	2767 (41.11)	3584 (42.14)	4615 (43.23)
2. Small Scale Industries	286 (56.63)	-	500 (48.73)	597 (49.42)	750 (48.08)	926.6 (51.42)	1042.9 (48.5)	1222 (43.41)	1460 (41.88)	1756 (40.52)	2252 (39.67)	2635 (39.15)	3229 (37.97)	3901 (36.54)
3. Other Priority Sector	31 (61.14)	-	144 (14.04)	172 (14.24)	243 (15.58)	276.6 (15.35)	322.2 (14.99)	501 (17.8)	645 (18.5)	852 (19.66)	1137 (20.03)	1328 (19.73)	1691 (19.88)	2160 (20.23)
4. Total Priority Sector (1+2+3)	505	-	1026	1208	1560	1802	2150	2815	3486	4334	5677	6730	8504	8504
5. % of Priority Sector Out of Total Credit	14.0	-	-	21.0	23.1	24.2	25	24.5	25.5	28.6	30.9	33	35.6	35.6

	1983	1984	1985	1986	1987	1988	1989	1990
1. Agricultural Sector	5375 (42.53)	6551 (41.22)	7978 (41.53)	9391 (42.11)	10852 (41.77)	12285 (41.16)	14133 (40.10)	16939 (41.28)
2. Small Scale Industries	4584 (36.27)	5750 (36.18)	6956 (36.21)	8101 (36.32)	9525 (36.66)	11164 (37.41)	3677 (38.81)	15672 (38.20)
3. Other Priority Sector	2678 (21.19)	3593 (22.61)	4274 (22.25)	4810 (21.87)	5603 (21.57)	6396 (21.43)	7432 (21.09)	8419 (20.52)
4. Total Priority Sector (1+2+3)	12637	15894	19208	22302	25980	29845	35242	41030
5. % of Priority Sector Out of Total Credit	36.1	38.1	39.9	41.0	42.9	43.8	42.6	40.7

Table 2: Credit Provided by SCBs to Priority Sector (1969-1990)

(In Crore Rs.)

Note: Data given in brackets are % of total credit to priority sector.

Source: 1. Report Related to Nature and Progress of Banking in India, RBI.

2. Banking Statistics, RBI.

### 5. Priority Sector Lending – Post 1990 Scenario

While studying about new reforms in the banking sector as also our study in previous section we have seen that banks in the beginning had extended major part of their credit to industries in developed cities. Banks were not interested in providing credit to agricultural and small scale industries. Consequently, Government of India and RBI adopted strict policy to provide credit to priority sector. Accordingly the banks started extending more and more credit to the priority sector. Due to the policy and banking reforms there was a remarkable change in the scenario.

Now let us study the trends in priority sector lending in post 1990 period. The data of pre 1990 period has also been included to understand and relate the situation of priority sector lending in post 1990 period. It is presented in Table 3.

A perusal of the table reveals that in the year 1969, priority sector had merely 14% share in total credit extended by banks. It meant that banks provided credit up to 86% to industries. Looking at this situation, in the year 1974, banks were directed to increase the share of priority sector to one-third of total credit. Based on the instructions of the Government, the banks started more credit to priority sector. In the year 1975, the share of priority sector increased from 14% to 25%. It further increased to 33% in the year 1980. This was one-third of total credit. Thus, banks achieved the target.

Year	Agriculture	Small Industries	Other Priority Sector	Total Lending	Share of Priority Sector in Total Credit (in %)
1969	188 (37.23)	286 (56.63)	31 (6.14)	505 (100)	14.0
1975	785 (36.51)	1042.9 (48.50)	322.2 (14.99)	2150.1 (100)	25.0
1980	2767 (41.11)	2635 (39.15)	1328 (19.73)	6730 (100)	33.0
1985	7978 (41.53)	6956 (36.21)	4274 (22.25)	19208 (100)	39.9
1990	16939 (41.28)	15672 (38.20)	8419 (20.52)	41030 (100)	40.7
1995-96	27044 (36.88)	31884 (43.48)	14401 (19.64)	73329 (100)	33.7
2000-01	51922 (33.62)	56002 (36.27)	46490 (30.11)	154414 (100)	35.4
2005-06	173972 (34.06)	91212 (17.86)	245554 (48.08)	510738 (100)	36.7
2007-08	273658 (37.05)	155804 (21.09)	309224 (41.86)	738686 (100)	34.3

Table 3: Priority Sector Lending by Scheduled Commercial Banks (Amount in Rs. Crore)

Note: Figures in Parenthesis denote percentage share in total lending by banks.

Source: Statistical Tables, Banking Statistics and Report on Trend and Progress of Banking in India, RBI, Various Issues.

In this respect the Government of India and RBI further increased the target for banks and directed banks to provide credit up to 40%. Due to the influence of the directives issued by government, the share of priority sector lending increased to 39.9% by 1985. It continuously increased for 3 years and in the year 1988 it had gone up to its maximum level of 43.8%. After that it started declining and in the year 1990 it fell down to 40.7%. Then after the share of priority sector in total bank credit registered a continuous decline. While the share of priority sector was 40.7% in 1990, it fell down to 34.3% in 2007-08. It declined further to 31.2% in the year 2009-10. The decline in the priority sector lending was because of new orientation of banks towards commercial principles of banking more poised and focused on prudence and profit under the reform process.

Year	Agriculture	Small Scale Industries	Other Priority Sector	Total Priority Sector receiving credit	% Share of Priority Sector in total Credit Provided
1991-92	18,157 (39.97)	18,150 (39.96)	9,118 (20.07)	45,425 (100)	37.7
1992-93	19,963 (40.06)	20,026 (40.19)	9,843 (19.75)	49,832 (100)	37.1
1993-94	21,208 (39.36)	22,617 (41.98)	10,055 (18.66)	53,880 (100)	34.4
1994-95	23,983 (37.38)	27,638 (43.48)	12,540 (19.64)	64,161 (100)	36.5
1995-96	27,044 (36.88)	31,884 (43.48)	14,401 (19.64)	73,329 (100)	33.7
1996-97	31,442 (37.04)	35,944 (42.35)	17,494 (20.61)	84,880 (100)	38.3
1997-98	34,869 (35.04)	43,508 (43.72)	21,130 (21.23)	99,507 (100)	34.8
1998-99	39,634 (34.58)	48,483 (42.30)	26,494 (23.12)	1,14,611 (100)	34.6
1999-2000	44,381 (33.67)	52,814 (40.06)	34,632 (26.27)	1,31,827 (100)	35.3
2000-01	51,922 (33.62)	56,002 (36.27)	46,490 (30.11)	1,54,414 (100)	35.4
2001-02	60,761 (34.67)	57,199 (32.64)	57,299 (32.69)	1,75,259 (100)	31.0
2002-03	73,518 (34.74)	60,394 (28.54)	77,697 (36.72)	2,11,609 (100)	34.8
2003-04	90,541 (34.32)	65,855 (24.96)	1,07,438 (40.72)	2,63,834 (100)	35.1
2004-05	1,25,250 (32.83)	74,588 (19.55)	1,81,638 (47.61)	3,81,476 (100)	34.5
2005-06	1,73,972 (34.06)	91,212 (17.86)	2,45,554 (48.08)	510,738 (100)	36.7
2006-07	2,30,398 (36.33)	1,17,880 (18.59)	2,85,864 (45.08)	6,34,142 (100)	35.3
2007-08	2,73,658 (37.05)	1,55,804 (21.09)	3,09,224 (41.86)	7,38,686 (100)	34.3
2008-09	-	-	-	-	30.3
2009-10	-	-	-	-	31.2

Table 4: Sectorwise Breakup of Priority Sector Lending by Commercial Banks

Note: Figures in parenthesis are percentage to total.

Source: (1) Handbook of Statistical on the Indian Economy, RBI, Various Issues.

(2) Banking Statistics, RBI, Various Issues.

We have also done the intrasector-wise analysis of priority sector lending by banks. A detailed intra-sectorwise breakup of priority sector lending by commercial banks is presented in Table 3. A perusal of the table reveals that in the post 1990 period the share of agricultural sector has declined from 39.97% in 1991-92 to 34.58% in 1998-99 and further to 32.83% in 2004-05. While the share of agriculture was declining, the share of others was increasing. The share of other priority sectors increased from about 20% in 1990 to 47.6% in 2004-05. In post 2005 period, the priority sector lending was again in favour of agricultural sector so the percentage share increased from 32.83% in 2004-05 to 37.05% in 2007-08. While the share of agriculture was increasing, the share of others was declining. The share of other priority sector declined from 47.6% in 2004-05 to 41.8% in 2007-08.



Figure 1: Priority Sector Lending by Commercial Banks

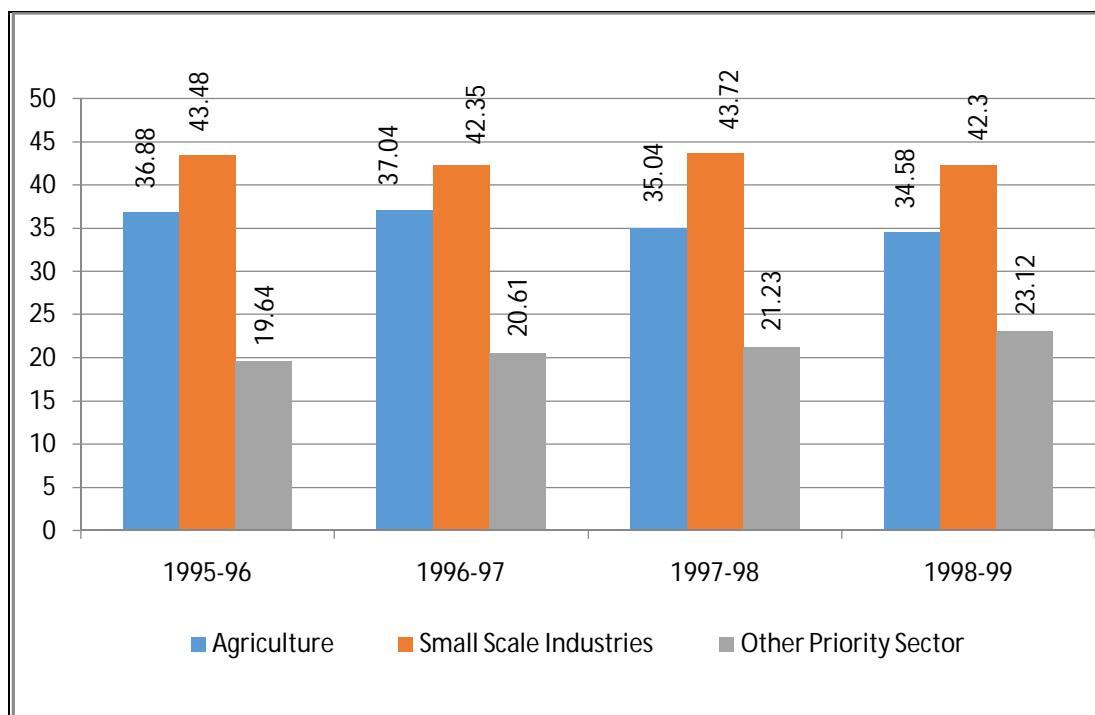


Figure 2: Priority Sector Lending by Commercial Banks

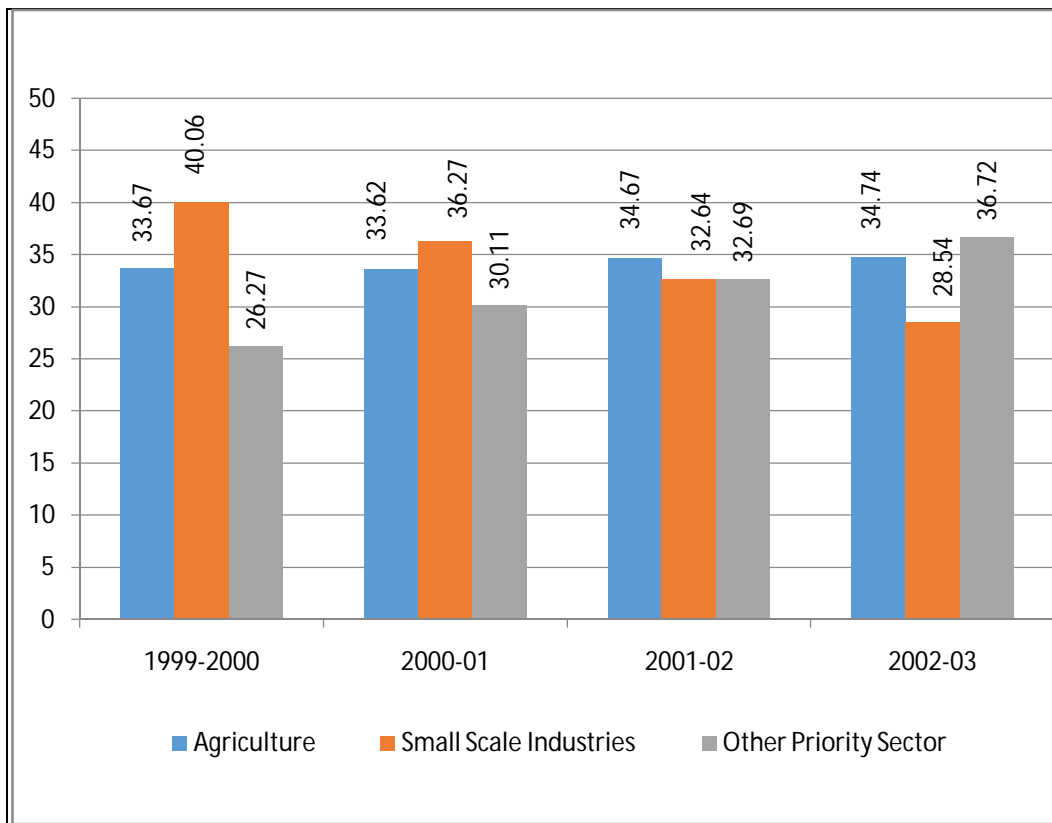


Figure 3: Priority Sector Lending by Commercial Banks

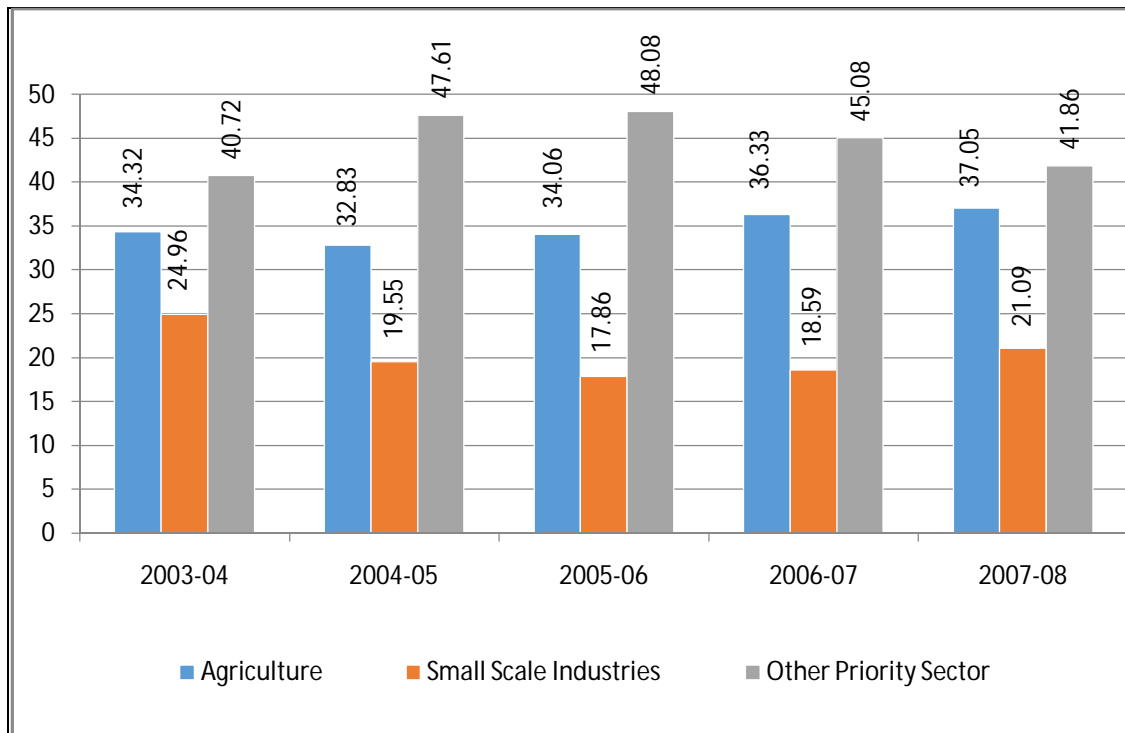


Figure 4: Priority Sector Lending by Commercial Banks

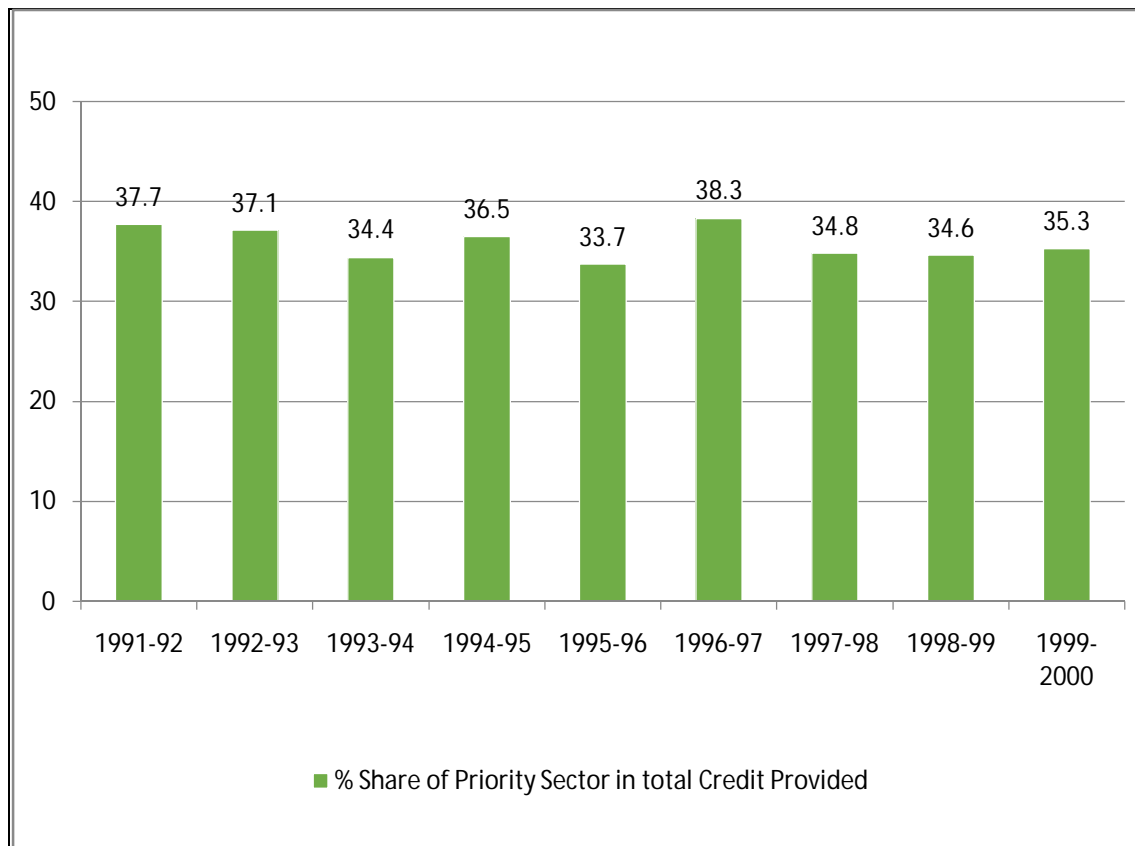


Figure 5: Priority Sector Lending by Commercial Banks

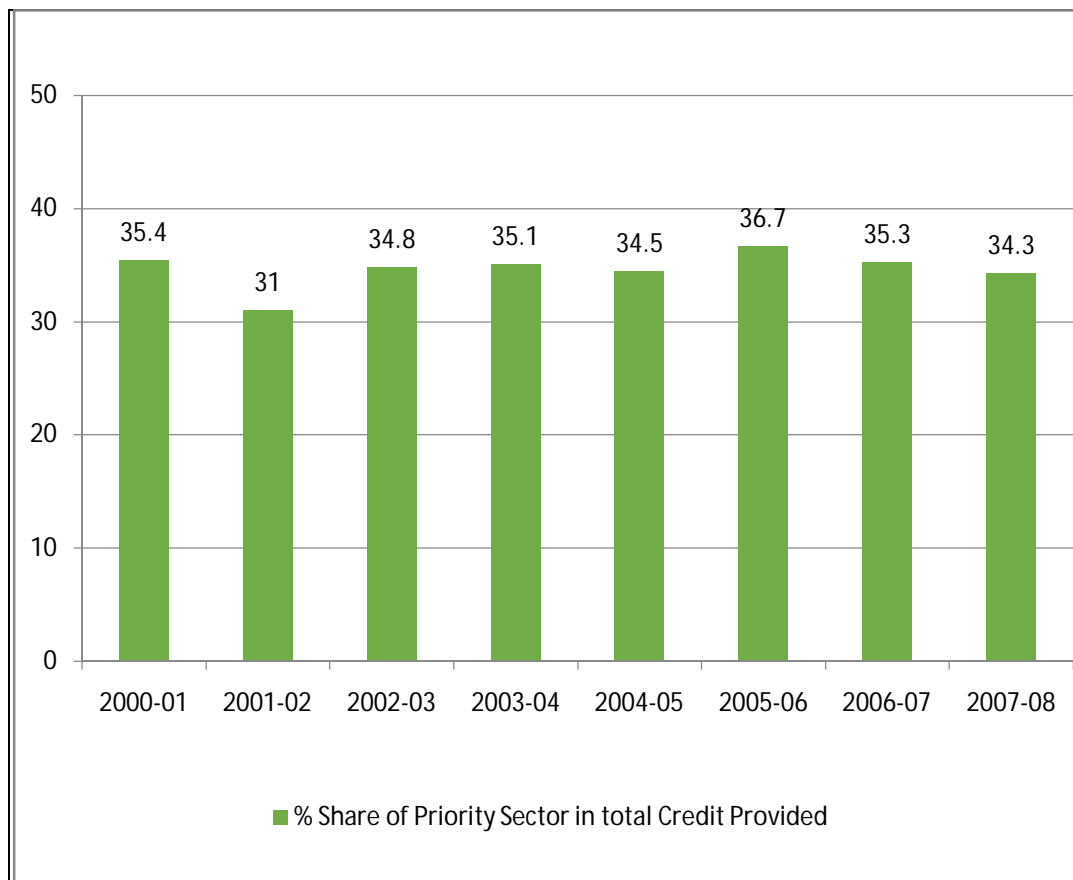


Figure 6: Priority Sector Lending by Commercial Banks



A perusal of the Table 3 further reveals that in post 1990 share of priority sector lending declined from 40.7% to 35% and remained at this level till 2007. But in recent years, it came down to 31.2% (Refer Figure 5, 3.6). The positive effect of it could be seen on the profitability and financial health of banks. Now a large amount of credit is being made available in those sectors from where banks could earn at higher rates. This fact is reflected from the increase in the share of personal loans.

Analysis of priority sector lending by commercial banks reveals another important change. This change came as the increase in the share of personal loans in total lending. It increased from 6.42% in the year 1990 to 22% in the year 2008. The increased share of personal and professional lending by banks helped them earn returns at higher rates. This issue we have analysed in greater detail in the next chapter and the chapter on revenue, and profit.

### 6. Priority Sector Lending – Bank Group-wise Breakup

We have also analysed the priority sector lending under the break-up of data on three broad categories of banks. Data in this regard are presented in Table 5 (A), Table 5 (B), and 5 (C). On the basis of our analysis in the said tables on various categories of banks providing credit, it has emerged out very clearly that Public Sector Banks still provided a large share of credit to priority sectors, inspite of the fact that in post 1990 period, there is major reduction in the share of priority sectors. This has been depicted in the tables 5 (a) and 5 (b).

A perusal of the Table reveals that in the year 1992 PSBs accounted for 94.40% of total credit extended to priority sectors by all banks. With the passage of time, the share of PSBs has gone down and the share of private banks has gone up. The share of PSBs has come down to 75% in the year 2010 and the corresponding increase has been claimed by the private banks. The share of private banks has gone up to 19% in the 2010 (See Table 5 (B))

Year	Public Sector Banks	Private Bank	Foreign Bank	All Banks
1991	-	-	-	-
1992	43,034	1,812	741	45,587
1993	44,742	2,383	947	48,072
1994	45,932	2,876	2,234	51,042
1995	52,405	4,226	3,136	59,767
1996	61,809	6,049	4,470	72,328
1997	68,931	8,859	5,038	82,828
1998	80,574	9,966	5,417	95,957
1999	93,712	12,054	6,516	1,12,282
2000	1,08,209	14,761	7,614	1,30,584
2001	1,49,116	21,567	11,572	1,82,255
2002	1,71,484	24,184	9,936	2,05,604
2003	1,99,786	36,648	14,555	2,50,989
2004	2,44,456	48,920	17,960	3,11,336
2005	3,07,046	69,886	23,843	4,00,775
2006	4,09,748	1,06,586	30,439	5,46,773
2007	5,21,376	1,44,549	37,831	7,03,756
2008	6,08,963	1,63,223	50,301	8,22,487
2009	7,20,083	1,90,207	55,483	9,65,773
2010	8,64,564	2,15,552	60,290	11,40,406

Table 5 (A): Bank Group-wise Break-up of Priority Sector Lending (Amount in Rs. Crore)

'-' Unavailability

Source: (i) Handbook of Indian Banking Statistics, RBI, Various Issues. (ii) Annual Report, RBI, Various issues.

Year	Public Sector Banks	Private Banks	Foreign Banks	Total Banks
1992	94.40	3.97	1.63	100
1995	87.68	7.07	5.25	100
2000	82.87	11.30	5.83	100
2005	76.61	17.44	5.95	100
2008	74.04	19.85	6.11	100
2009	74.56	19.69	5.75	100
2010	75.81	18.90	5.29	100

Table 5 (B) Percentage Share of Three Groups of Banks in Total Priority Sector Credit by all Banks (In Percentage)

Source: Based on Table 5 (A)

In the year 1992, private banks and foreign banks accounted for only 3.97% and 1.63% of total credit extended by all banks to priority sector, while in the year 2010, the share of private banks and foreign banks went up to 18.9% and 5.2% (Refer Figure7).

This reveals that the centralized pressure on Public Sector Banks to provide credit was decentralized to private and foreign banks only to very meagre extent. Still the burden social philosophy is being shouldered by the PSBs in incomparable proportions.

Year	Public Sector Banks	Private Banks	Foreign Banks
1991	-	-	-
1992	29.88	28.11	7.94
1993	28.88	29.85	8.90
1994	31.26	29.31	19.24
1995	29.48	26.71	20.59
1996	29.78	27.04	19.84
1997	31.30	30.94	19.18
1998	31.00	28.14	18.49
1999	31.52	28.22	22.08
2000	30.73	26.48	21.38
2001	35.96	31.69	26.91
2002	35.68	20.77	20.43
2003	36.37	26.61	27.90
2004	38.63	28.71	29.68
2005	35.94	31.58	31.66
2006	37.04	34.06	31.20
2007	36.20	34.85	29.94
2008	33.88	31.49	31.22
2009	30.16	30.76	30.62
2010	30.89	31.89	33.93

Table 5 (C): Bank Group-wise Percentage Share of Priority Sectors (In Percentage)

': Unavailable

Source: Made on the basis of Table 5 (A)

A perusal of the Table 5 (C) reveals that in the year 1992, Public Sector Banks and Private banks provided 29.88% and 28.11% share of their total lending to priority sector. On the other hand, foreign banks provided merely 7.94% to priority sectors. The neglect by foreign bank's of lending to priority sector was a cause of worry. With the reform in the banking system there was good change in the situation. Now foreign banks have to maintain priority sector lending target of 32%. Under the influence of reforms, foreign banks considered priority sector lending. In the year 2008, lending by foreign banks increased to 31% approximately. It further increased to 33.93% in the year 2010. This was good and welcoming change for the economy. Although there has been improvement in post 1990 period yet much more needs to be done in this regard.

Thus we can see that before 1969, commercial banks neglected priority sector lendings as they were owned by and controlled by big industrialists. But after nationalization, commercial banks started financing to priority sectors like agriculture, small industry and business, retail trade, professional and self-employed persons, education, housing loans for weaker sections and consumption loans. The scenario in this regard has changed and the change is a pleasing and welcome one. Although different categories of banks have achieved the overall target for priority sector lending by march 2010, but there are a few individual bank defaulters. 3 out of 27 PSBs, 2 out of 22 private sector banks and 4 out of 28 foreign banks have not achieved the priority sector lending targets of 40% and 32% respectively. They too should be brought to book and made to conform to norms like other banks.

## 7. References

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