RESEARCH PAPER

A study on activity wise performance of priority sector lending in Belagavi and Davangere districts of Karnataka

■ **S. KUMAR AND J.S. SONNAD**

ABSTRACT

Finance is the key element which almost all activities revolve around. A sound financial system is a symbol of sound economy. It performs the role of intermediary between savers and investors. Priority Sector Lending (PSL) is a scheme which is intended to give loans to the important priority sectors of the economy. Keeping the objectives, performance of priority sector lending in Belagavi district and Davangere district was studied. The critical difference value of the ANOVA indicated, that there all the three types of banks lent amount towards the priority sectors differently in the study areas. In activity performance lent by Belagavi and Davanegere district banks, among nine sectors agriculture sector was given the prime importance. Co-operative banks lending had a major role in agriculture sector which registered a lion's share. The cooperative sector needs to be geared in respect of total advances along with priority sector lending through appropriate policy measure.

KEY WORDS : Financial, Priority, ANOVA, Sectors, Less developed country

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A sound financial system is a symbol of sound economy. It performs the role of intermediary between savers and investors. Efficient intermediation of funds from savers to users enables the productive application of lendable resources. The greater the efficiency of the financial system in resource generation and allocation, the higher is its likely contribution to economic growth. Improved allocative efficiency creates a virtuous cycle of higher real rates of return and increase in savings, resulting in turn, in higher resource generation. Thus, development of the sound financial system is essential for sustaining higher economic growth. India is the second largest populous country in the world with a population of 1.29 billion people by the end of the year 2016. The independent India has inherited several problems like poverty, unemployment and regional imbalances. Hence, the prime duty before the rulers of independent India was to overcome these problems and to lead the country towards progress. The per capita income was quite negligible compared to other developed countries and thus, India was classified as an underdeveloped economy at the time of independence. Since, the process of development has initiated now, it is being classified as developing economy according to United Nations definition. A developing

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country, also known as a Less Developed Country (LDC) is a nation with a low living standard, undeveloped industrial base and low Human Development Index (HDI) relation to other developed countries. Low per capita income, heavy population developed density, low technology levels and illiteracy are directly responsible for the poor state of the country on the one side and the political, economic and social factors are indirect hindrances on the other side. The Government of India addressed these problems by adopting a policy of "Socialistic Pattern of Society". Implementation of five year plans or growth in the banking sector did not result in reduction of poverty and income inequalities across the regions and various groups of people. Hence, the policy makers identified the areas on which greater emphasis is needed to achieve the twin objectives *i.e.*, economic growth and social justice. The successful implementation of priority sector lending will lead to an increase in the credit absorptive capacity of the area concerned and an increase in employment and income. In view to the above importance attached to financing capital to Priority Sector by Financial Institutions.

METHODOLOGY

Belgavi and Davangere districts were purposively selected for the study, since Belagavi is holding the first position in lending in priority sector among North Karnataka. Davanegere stands in midst position in priority sector lending. For the study all three types of banks that is Public, Private and Co-operative banks were selected for the period from 1999-2014. Information related to lending by Public, Private and Co-operative Banks were collected from the offices of the Lead Banks working with respective districts.

Tools used for the study :
Analysis of variance (ANOVA) :

Analysis of variance (ANOVA) is a set of techniques for studying the cause and effect of one or more factors (independent variables) on a single dependent variable. In the present study, one way ANOVA has been used. F-test under ANOVA has been conducted to understand whether the different samples have been drawn from the populations having the same mean.

$$F = \frac{\text{Large variance}}{\text{Smaller variance}}$$

Degrees of freedom for numerator = (Number of samples-1)

Degrees of freedom for denominator = (Total sample size - Number of samples)

The present study has used ANOVA analysis to know the significant differences among Public Co-operative and Private Banks towards lending to different types of priority sector loans.

ANALYSIS AND DISCUSSION

Table 1 presents the activity performance of portfolio lending for priority sector in Belagavi district during 1999- 2014. Analysis was done through using one way ANOVA. From the table, it is clear that agriculture sector lending was more with its highest share. The average lending to agriculture sector from public sector banks was Rs. 80,15,579 thousand, co-operative banks was Rs. 27,82,987 thousand and private banks lent Rs. 9,30,824 thousand. All the sectors were highly significant at one per cent with 8.51 per cent which was supported by F value. Critical difference value indicated that all three sector banks were significantly different in lending the amount. The deviation registered to be 19.61 per cent. In case of allied sectors, average mean lending by public sector was Rs. 2,74,691, co-operative banks Rs. 16,297 thousand and private banks to be Rs. 16,444 thousand. Critical difference value signified the amount lent towards allied sectors by all the three types of banks were significantly different which was supported by F value of 10.57 which was significant at 1 per cent level. Co-efficient of variation happened to be 10.94 per cent. In small scale industries, public sector banks lent Rs. 2,37,945 thousand, co-operative banks lent Rs. 1449 thousand and private banks lent Rs. 16,431 thousand on an average. Here also it was indicated by the critical difference value that all the three types of banks were giving loans differently, which was supported by F value with one per cent significance. Co-efficient of variation happened to be 15.42 per cent. In case of Transport Operators Sector, public banks lent Rs. 45,858 thousand, co-operative banks Rs. 5,191 thousand and private banks Rs. 14,952 thousand. The critical difference value indicated, all the banks lent the loan differently. Co-efficient of variation happened to be 12.34 per cent. In retail trade and small business sector, public sector banks lent Rs. 4,04,111 thousand, co-operative banks Rs. 53,208 thousand and private banks Rs. 78,206 thousand on an

average. Amount lent was significantly different between these banks as indicated by critical difference value. Co-efficient of variation registered to be 14.42 per cent. In case of professional and self-employed loan sector, on an average public sector banks lent Rs. 27,215 thousand, co-operative banks lent Rs. 610 thousand and private banks lent 7,209 thousand. In this sector, the amount which was lent was significantly different as indicated by critical difference value. The deviation percentage registered with 17.76 per cent. In case of educational loan sector, average amount lent by public banks was Rs. 85,475 thousand, co-operative banks Rs. 205 thousand and private banks Rs. 2,858 thousand. Critical difference value indicated all the banks in lending towards this sector was significantly different. Degree of variation was registered with 15.43 per cent. In housing loan sector, average lending by public sector banks lent Rs. 5,86,097 thousand, co-operative sector Rs. 16,754 thousand and Rs. 61,872 thousand in private banks. Critical difference value indicated lending towards housing sector banks were significantly different. At last the consumer loan,

average amount lent by public sector banks was Rs. 33,376 thousand, co-operative sector banks Rs. 6,715 thousand and private banks Rs. 2,095 thousand. Critical difference value indicated the amount lent were in par with each banking category. The deviation happened to be 15.61 per cent. The major share in agriculture lending in Belgavi district is due to vast potential for development for agriculture with three major rivers *viz.,* Krishna, Ghataprabha and Malaprabha flowing in the district, it offered huge opportunities for taking agriculture and allied activities. Even though, share of agriculture in GDP had declined over the years, the number of people dependent on agriculture for their food, livelihood remains unchanged. Hence, number of measures were taken by Reserve Bank India (RBI) and Government of India to facilitate for increased credit flow to agriculture.

Table 2 presents activity wise performance of portfolio lending for priority sector in Davanegere district. In agriculture sector, public banks lent on an average of Rs. 34,06,880 thousand, co-operative banks Rs. 10,05,686 thousand and private banks lent Rs. 4,75,445 thousand.

Table 1: Activity-wise performance of portfolio lending for priority sector in Belagavi district during 1999-2014 (Rs. in Thousands)										
Particulars	Agriculture loans	Allied loans	Small scale industries loans	Transport operators loans	Retail and small business loans	Professional and self employed loans	Educational loans	Housing loans	Consumer loans	Total
Public Banks	8015579 (82.55)	274691 (2.83)	237945 (2.45)	45858 (0.47)	404111 (4.16)	27215 (0.28)	85475 (0.88)	586097 (6.04)	33376 (0.34)	9710347 (100.00)
Co-operative Banks	2782987 (96.52)	16297 (0.57)	1449 (0.05)	5191 (0.18)	53208 (1.84)	610 (0.02)	205 (0.001)	16754 (0.58)	6715 (0.23)	2883416 (100.00)
Private Banks	930824 (82.31)	16444 (1.45)	16431 (1.45)	14952 (1.32)	78206 (6.92)	7209 (0.64)	2858 (0.25)	61872 (5.47)	2095 (0.19)	1130891 (100.00)
F value	8.51**	10.57**	8.52**	7.93**	11.68**	12.26**	8.56**	9.91**	6.83**	
C.D. (P=0.01)	837996.33	10596.17	10475	6744.47	51244.64	3539.54	14818.73	89919.65	57805.28	
CV	19.61	10.94	15.42	12.34	14.42	17.76	15.43	15.18	15.61	

** indicates significance of value at P=0.01

Table 2: Activity-wise performance of portfolio lending for priority sector in Davangere district during 1999-2014 (Rs. in Thousands)										
Particulars	Agriculture loans	Allied loans	Small scale industries loans	Transport operators loans	Retail and small business loans	Professional and self-employed loans	Educational loans	Housing loans	Consumer loans	Total
Public Banks	3406880 (80.64)	111646 (2.64)	80078 (1.90)	57354 (1.36)	176459 (4.18)	25568 (0.60)	49283 (1.16)	298245 (7.06)	19371 (0.46)	4224884 (100)
Co-operative Banks	1005686 (98.37)	7357 (0.71)	58 (0.01)	444 (0.04)	737 (0.07)	38 (0.01)	38 (0.01)	7956 (0.77)	44 (0.01)	1022358 (100)
Private Banks	475445 (84.41)	13030 (2.31)	6120 (1.09)	4203 (0.75)	31050 (5.51)	3991 (0.71)	1598 (0.28)	26465 (4.70)	1385 (0.24)	563287 (100)
F value	9.68**	10.22**	8.06**	8.33**	13.61**	11.28**	9.57**	11.03**	10.99**	
C.D. (P=0.01)	491016.78	164055.61	14037.98	8624.02	22737.22	16598.43	20949.52	137712.50	9109.97	
CV	12.27	16.71	18.28	13.42	18.25	13.26	18.32	17.54	18.78	

**indicates significance of value at P=0.01

Critical difference value indicated loan lent by these banks were totally different they were not dependent on each other. Deviation happened to be 12.27 per cent. In case of allied sectors, public banks lent an average amount of Rs. 1,11,646 thousand, co-operative banks Rs. 7,357 thousand and private banks of Rs. 13,030 thousand. Critical difference showed that there was no relation between these banks in lending which was signified by the F value. Co-efficient of variation registered to be 16.71 per cent. In case of small scale industries sector, average amount lent by public, co-operative and private banks were Rs. 80,078 thousand, Rs. 58 thousand and Rs. 6,120 thousand. There was no relation in lending in these three different sector banks as signified by critical difference value. The deviation registered to be more with 18.28 per cent. In case of transport operators, average lending happened to be Rs. 5,7354 thousand in public sector, Rs. 444 thousand in cooperative sector and Rs. 4,203 thousand in private sector. Deviation in lending registered to the extent of 13.42 per cent, with signifying no relationship between lending by these sectors. In case of retail trade and small business man sector, average amount lent to by public sector banks was Rs. 1,76,459 thousand, co-operative sector banks Rs. 737 thousand and Rs. 31,050 thousand by private sector banks. The co-efficient of variation was more with 18.25 per cent. In case of professional and self -employed lending sector, public banks lent with an average of Rs. 25,568 thousand, co-operative banks lent Rs. 38 thousand and private banks lent Rs. 3,991 thousand. The amounts lent by these banks were not having any reliant on other bank categories. Deviation which was indicated by co-efficient of variation happened to be 13.26 per cent. In case of educational loan, average lending by public, co-operative and private banks was Rs. 49,283 thousand, Rs. 38 thousand and Rs. 1,598 thousand. In this sector as like as other sectors there was no relationship in lending towards the educational sector. Devation of lending was to the extent of 18.32 per cent. In case of housing loan

sector avergae lending towards the public, co-operative and private sectors were Rs. 2,98,245 thousand, Rs. 7,956 thousand and Rs. 26,465 thousand, respectively. Deviation in lending registered to the extent of 17.54 per cent. In consumer loan lending sector average lending of loan lent happeend to be in public banks were Rs. 19,371 thousand, co-operative sector Rs. 44 thousand and Rs. 1,385 thousand in private sector. There was no relationship lending of loans by these banks which was signified by the critical difference value. Co-efficient of variation registered to the extent of 18.78 per cent. Similar work related to the present investigation was also carried out by Abhijeet Biswas (2014); Duvvuri Subbarao (2012); Manoj (2010); Patil (2000); Raman (2010) and Ramappa and Sivasankaraiah (2007).

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