

PRIORITY SECTOR: THEN AND NOW

Sanatan Maharana*

Abstract

The concept of Priority sector lending, introduced after nationalization of major commercial banks in July, 1969, had emanated to give Phillips to agriculture and small scale industries to have their easy access to bank's credit to fulfill their financial need required for their growth and modernization. But under the neo-liberal economic growth policy, what attitudinal changes have been ushered in government policy has been briefly illustrated in this article.

Keywords: Priority Sector, neo-liberal & attitudinal, Economic Growth, Neo-Liberal, Modernization.

Introduction

For independent India the task of restructuring of colonially ruined economy of India appeared with multi-facet challenges of which the most troubling constraint was mobilize capital for modernization of its economy. A de-industrialized Indian economy, with a backward agriculture as its main prop of production, was fully inappropriate from view point of capital formation to assist developmental schemes and programmes. The Indian financial sector, particularly the commercial banks, the prime sources of credit inflow to production, centers were privately owned following the policy of credit delivery to economic units under the exclusive control of members of their Boards of Directors. As an ameliorative step to correct the lending policy of commercial banks in free India the government of India realized that the Banking Law (Amendment) Act, 1968 was not enough to satisfy the objectives of government as it did not serve adequately the financial needs of the country in conformity of the priorities laid down and the objectives to be achieved under planned development of the economy. Consequently, to overcome the utilities of social control of banking sector, on 19th July, 1969, 14 major Commercial Banks were nationalized by the government of India. With the nationalization of major Commercial Banks in 1969 there were introduced phenomenal changes in banking network of India such as expansion of bank branches in under-banked and un-banked areas, emergence of Lead Bank scheme for implementation of even development and eradication of regional economic growth unevennesses. A part from these and several other alike changes introduced by the government, the more important than all these changes, was change, introduced in lending policy of banks, oriented to divert bank credit to the sectors, which it termed as priority sector, under whose ambit there were assimilated agriculture and its allied sectors, medium, small and Micro-enterprises etc.

To achieve all these objectives there was required need to make a major transformation in structure of banking sector, to make it capable of covering into its credit range rural and semi-urban centers, which till then were deprived of benefits accrued from banking credits. After nationalization, branch expansion by commercial banks got impetus—as within 23 years after nationalization of commercial banks- from July, 1969 to June, 1992 the numerical increase in cumulate number of bank branches registered growth from 8,262 of which 1,860 branches or 22 percent of the total bank branches was located in rural centre covering 65000 population per branch. But as on 30th June, 1992 the changes in Commercial Banks' branch scenario were commendable as their cumulative numbers had shot up to 60,650 of which 34,500 were located in rural centre, 58 percent of the total, covering 12,000 populations per branch. Similar breakthrough was visualized in deposit mobilization and credit extension by commercial banks—after nationalization the deposit of Commercial Bank, which was Rs. 3897 crore at

* Research Scholar, Department of Applied Economics & Commerce, Patna University, Patna, Bihar.