

## **MANAGEMENT OF NON- PERFORMING ASSETS IN PRIORITY SECTOR WITH SPECIAL REFERENCE TO PUBLIC SECTOR BANKS**

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### **Abstract**

Some areas of fields in a country, depending on its economic condition or government interest are called Priority Sectors, i.e. industry and agriculture etc. These may further be subdivided. Banks are directed by the central bank of the country that loans must be given on reduced rates of interest with discounts to promote these fields; such lending is called Prime Sector Lending. Indian banks are weighted down by enormous amounts of bad loans that threaten the very health of the banking system. In fact, banks extended large number of loans to priority sectors at the request of ruling government and policy makers, but their experience with these borrowers has not been satisfactory. Thus, the central bank of India, the RBI (Reserve Bank of India) has been specifically commenting on Non-Performing Assets of banking sector as it negatively influence economic growth of nation The present paper mainly analyses the trend of Priority Sector Advances and of NPAs (Non- Performing Assets) in Public Sector from 2010 to 2015. This paper examines the NPA in Public sector Banks and a comparative study is done between Priority Sector Lending and Non-Priority Sector Lending. The study analyzed trends in Gross NPAs of PSBs, to study whether there is significant impact of Priority Sector lending on the Total NPA of public sector Banks.

*Keywords:* Non-Performing Assets, Priority Sector, Non-Priority Sector, Public Sector Banks, Gross Advance.

### **Introduction**

The banking system is a crucial component of the global economy. Banking is the most important service of the commerce in industrial age that means we are living in the era where it is difficult to think the life without banking. Banks are in the business of accepting deposits for the purpose of lending, and act as financial intermediaries between depositors with surplus funds and borrowers who are in need of funds. The banks are using the deposits in lending and investment business. The risk of business loss is equally associated with the lending activities as in other business. Some areas of fields in a country, depending on its economic condition or government interest are called Priority Sectors, i.e. industry and agriculture. These may further be subdivided. Banks are directed by the central bank of the country that loans must be given on reduced rates of interest with discounts to promote these fields; such lending is called Prime Sector Lending. Indian banks are weighted down by enormous amounts of bad loans that threaten the very health of the banking system. In fact, banks extended large number of loans to priority sectors at the request of ruling government and policy makers, but their experience with these borrowers has not been satisfactory. Thus, the central bank of India, the RBI (Reserve Bank of India) has been specifically commenting on Non-Performing Assets of banking sector as it negatively influence economic growth of nation. NPA reflect the performance of banks. A high level of NPAs suggests high probability of a large number of credit defaults that affect the profitability and net NPA worth of banks and also erodes the value of the asset. The NPAs growth involves the necessity of provisions, which reduces the overall profits and shareholders value. Non- Performing Assets (NPA's) are one of the major areas of concern for the Indian banking industry. NPAs reflect the performance of banks. A high level of NPAs suggests high probability of a large number of credit defaults that affect the profitability and net-worth of banks and also erodes the value of the asset. Non-Performing Assets are like a double edged sword. They

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