PERFORMANCE EVALUATION OF
PRIORITY SECTOR LENDING BY BANK OF BARODA: A STUDY

Dr. Dilip V. Joshi*

ABSTRACT

The banks are main participants of the financial system in India. 'PSL' was first properly defined in India 1972 by dr.k.s. Krishnaswamy committee. Commercial banks were advised to grant at least 40% of their total advances to borrowers in the priority sectors. This paper analyzes the performance of 'BOB' in priority sector lending. This study is based on secondary data. The analysis was made by the X2-test to find out the significance between actual and expected values of 'PSL' during the period (2018-2022). This paper conducted that performance of PSL by 'BOB' is not consistent during the period.

Keywords: *Priority Sector Lending, Commercial Bank, x2-test Hypothesis, Time Series Analysis.*

Introduction

Banking system has significance in the nation. A banking institute is indispensable in a modern society. Banking sector plays an important and active role in the economic development of a country. The contribution of banks to Indian economic growth through priority sector lending is remarkable. Before the bank nationalization. In july-1969. At a meeting of the national credit council held in july-1968, it was emphasized that COMMERCIAL banks should increase their involvement. In the financing of priority sectors viz. agriculture and small scale industries. Although initially there was no specific target fixed in respect of priority sector lending in, NOVEMBER- 2014 the banks were advised to raise the share of these sectors. A in their aggregate advances to the level of 33.33% by march-1979. RBI directed all the commercial bank to ensure the flow of 40% of the NET BANK CREDIT to priority sector by march-1985. Last one more important information, priority sector lending was frist properly defined in 1972. After the national credit council (july-1968) emphasized that there should be a larger involvement of the COMMERCIAL banks in the priority sector lending. 'the sector was then defined by dr. k.s. krishnaswamy committee.'

Review of Literature

To study the priority sector lending of bank of baroda, the researcher has referred to the important studies which have been already undertaken.

- R. K. Uppal (19-oct-2009) has conducted study on "priority sector advances, trends, issues and strategies". The study conclude that priority sector advances of all the banking groups are increasing. In spite of increasing advances, Indian banks have not achieved some targets, fixed by RBI. This article mainly based on secondary data. And study of the period was 2006-07. PSL creates many problems for the Indian banks like low profitability, high NPAs, transaction cost, government inter-ference, etc. and proper PSL are given they will be helpful in reading the poverty level.

- Dr. Jasmindeep Kavar (Silony) (may-2011) has conclude on "performance review of commercial banks in india with special reference to PSL-a study of post reforms ERA." This study conclude

* Teaching Assistant, M J College of Commerce, Bhavnagar, Gujarat, India.
# The paper was presented in the National Multidisciplinary Conference organised by Maharani Shree Nandkuverba Mahila College, Bhavnagar, Gujarat on 21st January, 2024.

that during the post reforms, priority sector advances of private sector banks. It has been found that on the whole, private sector banks in india were giving higher attention to priority sector of the economy than public sector banks during the study period was 1990-91 to 2007-08.

- DR. SANDEEP KAVR,(July -2012) has conducted on "priority sector lendings by commercial banks in india" a study was based on secondary data. In article, all the tables that lending to priority sector are higher by the public and private sectors banks have the foreign bank, public &private sector banks have achieved the overall targets and sub targets but aot as much as foreign banks. Non-achievement of agriculture lending target by many public and private sector banks in due to low capital formation in agriculture result in poor in the case of some banks. It is a need to hour to find out solution for these problems. This study of period was 1997-98 to 2008-09. (analyzed study)

- M/S Solanki Raji, Dept. of Commerce, Rajkot. has studied on "performance evaluation of priority sector lending by central bank of India." This study was based on secondary data she was used in data from central bank of India. This study found that these was significance different in the actual value and expected value in PSL during the study period. So, she concluded that this study was not consistent during the study period. The study of period was 2010-2015.

Targets under Priority Sector Lending

Name	Commercial Bank in India	Foreign Banks with less than 20 Branches
Total priority sector advances	40%of ANBC or CEOBSE	32% of ANBC or CEOBSE
Total agriculture	18% of ANBC or CEOBSE	NO TARGETS
Small enterprise	NO TARGETS	10% OF ANBC or CEOBSE
Export credit	NOT A PART OF PSL IN COMMERCIAL BANKS	12% OF ANBC or CEOBSE
Weaker sections	10% of ANBC or CEOBSE	NO TARGETS

Source :- Master circular on lending to priority sector date 01-07-2009.published by RBI.

NOTE :- 1) ANBC : ADJUSTED NET BANK CREDIT

2)CEOBSE : CREDIT EQUIVALENT OF OFF-BALANCE SHEET EXPOSURE

Categories under Priority Sector

- Agriculture
- Micro, small and medium enterprises
- Export credit
- Education
- Housing
- Social infrastructure
- Renewable energy
- Others.

Objective of the Priority Sector Lending

- To improve focus on agriculture this is the backbone of India and high concentration of unorganized workers also to encourage allied activities like horticulture, animal regarding etc.
- To redistribute credit to sectors like, it MSMEs etc. and based on the needs and scope for development.
- Inclusive growth and equitable development across sectors.
- Diversifying development areas through promoting export based sectors and also domestic consumption.
- Priority sector according to their capacity and potential.

Bank of Baroda

Bank of Baroda was founded by "Maharajasayajirao gaekwad in july-1908". The bank of Baroda based in Vadodara (Baroda), Gujarat. It started with a paid up capital of 10 lakh. Bank of baroda is

pioneer in various customer centric initiatives in the Indian banking sector. Bank is amongst first in the industries to complete all inclusive regarding exercise wherein various novel customer centric initiatives were undertaken along with the change of logo. Presently, it has a network of 3454 branches across India and 86 branches overseas, spread at Australia, Bahamas, Bahrain, Belgium, Botswana, china, Fiji, island, UAE, UK, US, Singapore and Zambia, etc.

Bank's Subsidiaries (Domestic)

- Bank of Baroda cards limited
- Bank of Baroda capital markets ltd.
- Nainital bank limited

Domestic – Associated

- Bank pioneer assets management company limited
- India first life Infrastructure Company limited.
- Baroda – Rajasthan gramin bank.
- Baroda – Gujarat gramin bank.
- Nanital – almora kshetriya gramin bank.
- Jhabua – dhar kshetriya gramin bank

Research Methodology

Objective of the Study

- The objective of the study is to analyze the performance of the priority sector lending by bank of Baroda.
- To find motive of the priority sector lending.

Hypothesis of the Study

- For the purpose of the study the following null hypothesis was framed
- There is no significance different between actual value and expected value of priority sector lending by bank of abroad during the study of the period(null hypothesis= H_0)

Methodology

This study is an analytical study in priority sector lending by Bank of Baroda during the 2017-18 to 2021-22 based on priority sector's data.

Sample of the Study

For the study randomly convenient sampling methods apply and select bank of Baroda for the case study.

Data Collection

- This study mainly based on secondary data.

The data required for the study were collected from the various journals, periodicals, books, annual report and websites of the bank of Baroda.

Period of the Study

This study covers five years. Performance of priority sector lending for the time 2017-18 to 2021-22

Analytical Tool

Chi-square used to analyze the data. It's a used with time series analysis. The chi-square test statistic which is based on observed value and expected value of the bank of Baroda computed as follows:

$X^2 = (Oi-Ei)^2/ Ei$

Degree of freedom = (n-1)

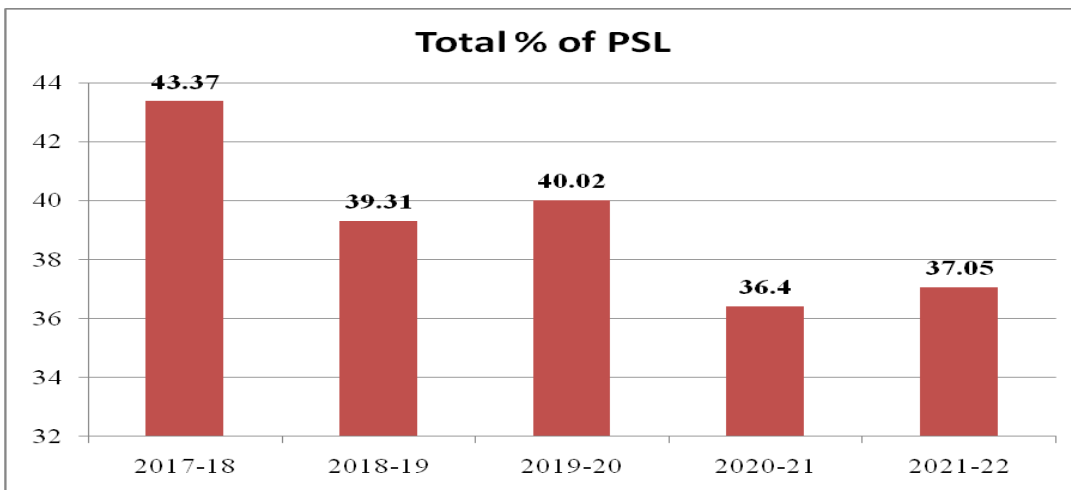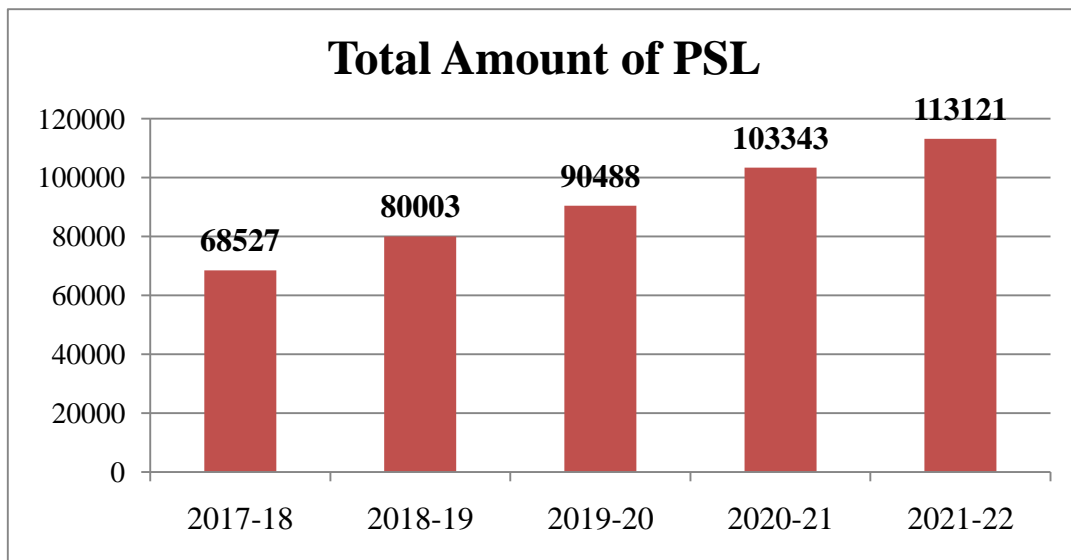Where, Oi = observed value

Ei = expected value

Results (Analysis and Discussion)

Table 1: Priority Sector Lending by Bank of Baroda

Year	Total ANBC (in cr.)	Total (%) of PSL	Total PSL (in cr.)
2017-18	158006	43.37	67527
2018-19	203518	39.31	80003
2019-20	226107	40.02	90488
2020-21	289909	36.40	103343
2021-22	305319	37.05	113121
Variation	**193.23%**	---	**165.08%**

Total Amount of PSL

Year	Value
2017-18	68527
2018-19	80003
2019-20	90488
2020-21	103343
2021-22	113121

Total % of PSL

Year	Value
2017-18	43.37
2018-19	39.31
2019-20	40.02
2020-21	36.4
2021-22	37.05

Analysis

In the shows the priority sector lending by bank of Baroda. From 2017-18 to 2021-22. In the year of 2017-18 priority sector lending by bank of Baroda 68527 crores and increase to next year 2018-19 in Rs.80003 crores and after 2019-20 in increasing 90488 crores in this year. And mostly continue increasing of priority sector lending 2020-21 and 2021-22 in 103343 crores and 113121 crores respectively. And this data also provide in year wise in percentage. In short, compared to 2017-18 and 2021-22 in increasing 165.08% (variation).

Hypothesis Testing

Table 2: X^2-test for the Performance of the Priority Sector Lending

Degree of freedom	Level of significance	X^2 calculated value	X^2 table value	Result
4	5%	19.199	9.488	Ho rejected

Table 3: X^2 Test for the Performance of the Priority Sector Lending

oi	Ei	(Oi-Ei)	(Oi-EI)^2	(Oi-EI)^2/Ei
68527	68590.8	-63.8	4070.44	0.059
80003	79483.6	519.4	269776.36	3.39
90488	91096.4	-608.4	370150.56	4.06
103343	102349.2	993.8	987638.44	9.65
113121	113602	-481	231361	2.04
				19.199

Table 4: Calculation of Expected Frequency with the help of time Series Analysis

Year(X)	Y	X-2014=X	X^2	XY	Y=a+bx
2017-18	68527	-2	4	-137054	68590.8
2018-19	80003	-1	1	-80003	79843.6
2019-20	90488	0	0	0	91096.4
2020-21	103343	1	1	103343	102349
2021-22	113121	2	4	226242	113602
Total	**455482**	**0**	**10**	**112528**	

In the previous page table Y= a+bx in there (a) and (b) find this as under these formulas.

Y= na + bx

278595 = 5a + b (0)

278595 = 5a

a= 55719

xy = ax + bx^2

95995 = a(0) + b (10)

95995 = 0 + 10b

95995 = 10b

b = 9599.5

Putting the value of 'a' and 'b' in y = a + bx and find out value.

Findings

- It is evident from table 2,here, calculated value of X2 test is 19.199.
- The table value of chi-square at 5% level of significance and degree of freedom is 4 at 9.48.
- The calculated value is more than table value so the null hypothesis (H0) is rejected and alternative hypothesis is accepted.
- There is significance deference between the actual value and expected value of priority sector lending.
- Means this result is not as per expectation for priority sector lending by bank of Baroda.

Limitation of the study

- This study is limited only the performance of bank of Baroda in priority sector lending.
- This study is based on secondary data collected from website. The limitation of secondary data. If any, will also influence study
- The tool used has its own limitation which is turning affects the result of the study.

Conclusion

The study has analyzed the performance of priority sector lending by bank of Baroda. Bank of Baroda have not achieved in targets fixed by RBI in some financial years. This study found that significance different in actual value & expected value of PSL. So concluded that the performance of 'PSL' by 'BOB' is not considered during the period (2017-18 to 2021-22)

References

1. C.R. KOTHARI (2014), research methodology, new age international (p) ltd. new delhi 3rd edition, pp ,247-248.

2. annual report of bank of baroda (2017-18 to 2021-22)

3. 'Priority sector lending by commercial banks in india'- dr. sandip kaur. International journal of marketing, finance services, & management research, -vol-1.(7) p.p.-147-153

4. Dr. venugopal, G. (2014) " priority sector lending by financial institution (with special reference to comibatore district)" asian pacific journal of research. Vol: I Issue 18, pp 84-92.

5. Dr. jasmindeep kaur (2011) performance review of commercial banks in india with special reference to priority sector lending – a study of post international journal of multidisciplinary research, vol .1 issue 1, p.p. 47-61.

6. R.K.UPPAL (2009)" priority sector advances , trends , issues and strategies " journal of accounting and taxation, vol . 1 (s), p.p.079-89

7. solanki raji "performance evolution of priority sector lending by sector banks of india" department of commerce Rajkot.

8. sumit jain (economic RBI) tapaskumar parida (economist SBI), Dr. soumya kanti ghosh (chief economic adviser, SBI)-final report rethinking PSL for banks in india-mumbai, (oct-31-2015), p.p.11-21.

9. "master circular- priority sector lendings-targets and classification "- by RBIprofit.NDTV.com (ndtv profit NSE) bank of baroda > history >reports google.com.in >RBI.

❖◆❖