



Emerging Trends In Priority Sector Lending By Commercial Banks

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Abstracts

Finance is the Life blood of each and every Economic Activity. Without finance our dreams remain as dreams. We cannot convert our dreams and projects into reality without finance. The economic activities are subdivided into primary, secondary and tertiary sectors. Primary sector includes Agriculture, Forestry, Logging and Fishing, Secondary sector includes Mining and Quarrying, registered and unregistered manufacturing units, Electricity, Gas, water supply and construction. Tertiary services include Trade, Hotels and Restaurants, Transport, storage, communication, Financing, Insurance, Real Estate, Business services, Public administration, Defence and other services. Agriculture comes under primary sector. The development of a country depends on this sector. In previous years more than 70% of the total population was depending on agriculture. Now it is 50% to 60%. So it has to be developed well for the economic development of the country. Before nationalization of commercial banks, banking services were exclusively meant for creamy layer category of the Indian society. As Mahatma Gandhi said, "India lives in villages, real India is rural India". Majority of Indians live in villages. There are about 5.8 lakh villages where nearly 70% of Indian population lives. They depend upon Agriculture. So, I concentrate my research on this sector.

Key Words: Finance, Agriculture, Economic Development, Rural Development, Commercial Banks

Introduction

Indian Banking sector have responsible commitment to strengthen the agricultural sector in lending. India's growing population need more food production even to meet its own demand. It is critical now that agricultural sector has been pushed as secondary sector rather than primary. The primary objective is to highlight that banks data are not sufficiently supporting the priority sector lending, which in turn is

going to have big impact on the agricultural sector itself. Hence my research work concentrates on priority sector lending by commercial banks – A Case Study of Shimoga district. It covers much on vital sector like Agriculture.

- Before nationalization, Agriculture was not included under priority sector, Banking services were exclusively meant for creamy layer Category of the Indian Society.
- Agricultural Productivity is day by day deteriorating due to shortage of funds.
- Before development of Institutional credit, money lenders were charging high rate of interest.
- Rapacious money lenders charge high rate of interest and grab the lands of the farmers.
- All India Rural Credit Survey Committee 1969 recommended the adoption of “multi agency approach” to finance the rural sector. For the first time, Govt. of India openly accepted that rural credit could not be met by co-operative societies alone and that commercial banks should play an important role in the rural sector.

Objectives of the Study

1. The research work is an attempt to find out how do farmers and other needy people access finance.
2. To know how does Indian banking sector strengthen the agricultural sector by lending.
3. To know whether banks lending data sufficiently supporting the priority sector lending or not.
4. How does it help towards the development of the country

Hypotheses:

- 1) Priority sector lending has succeeded in implementing poverty alleviation programmes of the Government.
- 2) By Priority sector lending employment opportunities will increase, which helps in economic development.
- 3) By giving wide scope for priority sector we can lead towards economic development of the country. That is empowerment of Indian economy

The problem of Rural Indebtedness

The need of Institutional credit arise because of the weakness or inadequacy of private credit. To supply the adequate finance to neglected sector like Agriculture, the institutional credit has come into force. As it is not exploitative and the basic motive is always to help the farmers to raise the productivity and maximize their income. The rate of interest is not only relatively low, but also different for different groups of farmers and for different purposes.

The Indian farmers borrow year after year. They are not in a position to clear off their loans, either because the loans and interests are more or because their agricultural output is not large enough to pay off their debt. Therefore the debt of the farmers goes on increasing. This is what is known as Rural Indebtedness. It is well known saying in the country, "**An Indian farmer is born in debt ; lives in debt ; and dies in debt**". To overcome this, the Agriculture Sector is included under Priority Sector.

Statement of the Research Problem

- Due to shortage of funds Agricultural productivity reduces. All India Rural Credit Survey Committee 1969 recommended the adoption of "**multi agency approach**" to finance the rural sector.
- Govt. of India accepted that rural credit could not be met by co-operative societies alone and that commercial banks should play an important role in the rural sector.
- To solve food problems supply sufficient credit to Agricultural sector

Methodology and Sampling Design.

Samples were drawn by using the following criteria:

- Both primary and secondary used.
- Representative samples from Farmers.

Scope of the Study

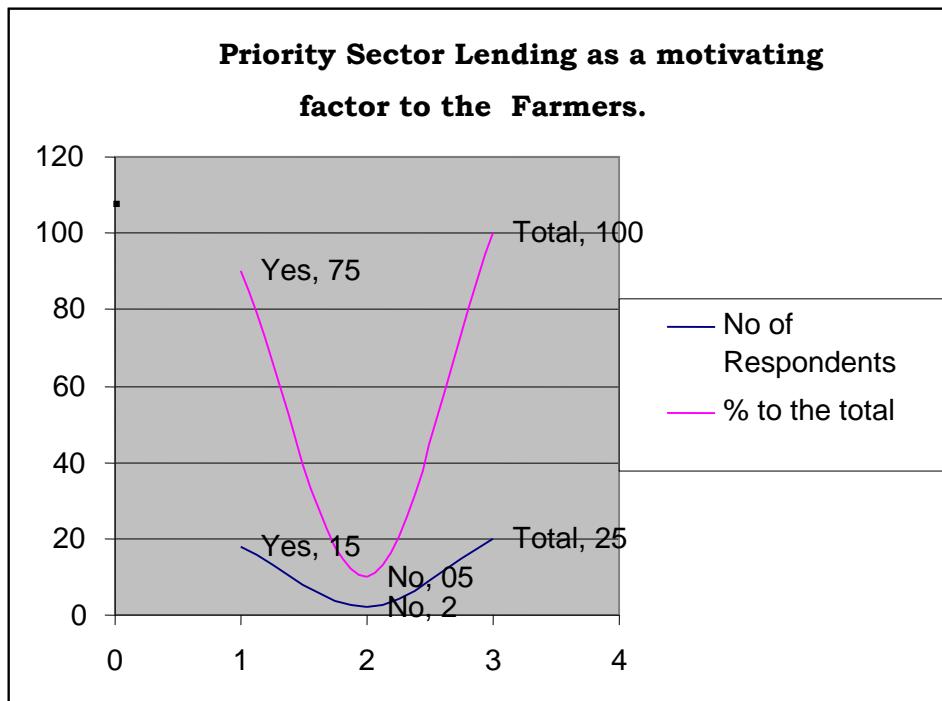
When agriculture was brought under the priority sector, it helped to overcome the food crisis. And also enabled proper utilization of bank funds. Otherwise bank funds would have lied in the bank as unproductive. Moreover the elaborative review of literature in the field of priority sector lending by commercial banks has not been so far documented. Hence the present study is an attempt to fill up this research gap.

TABLE 6.52

Priority Sector Lending as a motivating factor to the Farmers.

Motivates	No of Respondents	% to the total
Yes	15	75
No	05	25
Total	20	100

Source : Survey data



The above table reveals that 75% (15 respondents) viewed that Priority sector lending as a motivating factor to the farmers. 25% (05 respondents) viewed that it doesn't attract farmers.

When agriculture was brought under the priority sector, it helped to overcome the food crisis. And also enabled proper utilization of bank funds, for the development of the country. Otherwise bank funds would have lied in the bank as unproductive. Hence the present study attempt to fill up this research gap, the study conducted to know how it solves poverty problems in India.

Limitations of the Study

- The Time constraints affect the study.
- Lack of knowledge about the importance of research among the respondents.
- Lack of communicating ability and concealment nature of respondents.

Major Findings

- In early days farmers were farming with traditional equipments like plough, by using seeds and compost fertilizers available with them due to the lack of support by the commercial banks.
- Now a days by the timely support of banks, the farmers are able to farm with the help of advanced technical equipments like Tractors, Tillers, Harvesting Machines, Sowing and Planting Machines. They are using high yielding hybrid seeds, best fertilizers, pesticides, weedicides and fungicides etc
- Drip and Sprinkler irrigation methods are adopted by the farmers to improve the productivity which in turn help in improving their personal income which leads towards the economic development of the country.

Suggestions

- The banks should see that loan sanctioned to the poor and weaker sections of the society to create employment opportunities and enable them to utilize the loan for productive purposes. It in turn helps to solve unemployment problems by increasing activities in agricultural and allied activities sectors
- The Central Government must provide agricultural loans at Zero percent rate of interest and also insist all the state Governments to adopt the same policy

References

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