

## “Priority Sector Lending – With Special Reference To Education Loan”

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### Abstract

Priority Sector Lending by the banks have been introduced to give immense opportunity for the disregarded yet important sectors of the economy in India. But in the way of benefiting these sectors, the banks are facing a hard time as credit flow to these sectors can lead to situations like the increase of non-performing assets. This study attempts to analyze the growth of the priority sector lending by banks and understand its current position. The study specifically relates to the share of education subsector under the priority sector lending in the state of Assam. It basically studies about the growth in performance of the priority sector, education loan, non-performing assets arising from it and their target and achievement rates. Also, priority sector lending as a part of the total lending of the bank and education loan lending as a part of the priority sector lending has been studied. It is solely based on secondary data relating to State bank of India and Assam Gramin Vikas bank which has been analyzed using descriptive statistics like Average Annual Growth Rate, Compound Annual Growth Rates and Simple Percentage Analysis. The study shows that banks are increasing their credit flow towards priority sector but the chunk of education as a part of it is quite low.

**Keywords:** Priority sector, Education loan, Commercial bank, Regional Rural bank, growth, non-Performing assets.

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### I. Introduction

Priority sector incorporates all those sectors which require utmost importance and the first-hand preference as per the government of India and the Reserve Bank of India for the growth of the overall economy and development of the country. The emphasis of the commercial banks to increase financing towards priority sector was made in the year 1968 but later in 1971, the description of priority sector was formalized by the Reserve bank of India. Subsequently, in 1985 all the commercial banks were advised to lend 40 % of the aggregate bank advances to priority sectors. At the beginning it was thought to be necessary for the betterment and improvement of the agricultural sector and the small industries. But with time the government gave its benefits to other neglected sectors as well including education, housing etc. At present, the categories under priority sector are Agriculture, Micro, Small and Medium Enterprises, Export Credit, Education, Housing, Social Infrastructure, Renewable Energy and Others (RBI's Master Directions – Priority Sector Lending (PSL) – Targets and Classification, issued on September 4, 2020). This is essentially done for the overall development of the economy of the country against giving emphasis to the financial sector only. As per RBI's master direction report as on August, 2022, in Assam, Kamrup Metropolitan has achieved the highest target of per capita credit flow to priority sector out of other districts in Assam. And except a few districts, every other district of Assam has achieved 100% weightage in achieving the target of per capita credit flow to priority sector. As per RBI guidelines (RBI's Master Directions – Priority Sector Lending (PSL) – Targets and Classification, issued on September 4, 2020), all domestic commercial banks and foreign banks with more than 20 branches should achieve the target of 40% of Net Bank Credit to priority sectors, for foreign banks with less than 20 branches it is 40% of Net Bank credit out of which 32% to exports and not less than 8% in any other category. And for Regional Rural Bank and Small Finance Bank the target is 75% of the net bank credit.

Although agriculture and micro and small industries cover the highest share in priority sectors, but education is another important sector under it. Education is the base of the human resource development of a country. Easy availability of education is necessary for every individual citizen. To facilitate this, the government introduced the education loan scheme and has constituted it under the priority sector advances. Under this the commercial banks provides such loans to individuals for educational purposes up to Rs. 10 lakhs for studies in India and Rs. 20 lakhs for studies abroad. Also, loans granted by banks to Non-Banking Financial Corporations for on-lending to individuals for educational purposes up to Rs. 10 lakhs for studies in India and Rs. 20 lakhs for studies abroad. But loans granted to institutions are not eligible to be classified as priority sector

advances(RBIs Revised Guideline on Lending to priority sector, issued. August 22, 2007). This paper attempts to study the current scenario of priority sector emphasising on the education category under it provided by a Commercial Bank and a Regional Rural Bank of Assam i.e., State Bank of India and Assam Gramin Vikas Bank.

State Bank of India is an Indian Multinational banking and financial service providing statutory body established on 1<sup>st</sup> July, 1955. It is the largest Public Sector Commercial Bank in India headquartered in Mumbai. It has a vast network of over 22000 branches out of which the total branches in Assam as on 31<sup>st</sup> March, 2022 is 372. It is also one of the largest education loans advancing commercial bank in Assam(SBI's Annual Report, 2021-22).

Regional Rural Banks Act 1976 provided for the establishment of the Regional Rural Banks in Assam for dispensing credit to rural masses specially for priority sector activities. In 2006, four Regional Rural banks i.e., Pragjyotish Gaonlia Bank, Lakhimi Gaonlia Bank, Cachar Gramin Bank and Subansiri Gaonlia Bank were amalgamated to form the Assam Gramin Vikas bank. Again in 2019, the Langpi Dehangi Rural Bank is also amalgamated with the Assam Gamin Vikas Bank. At present the bank covers the entire geographical area of Assam incorporating 472 branches as on 31<sup>st</sup> march 2022(Assam Gramin Vikas bank Annual Report, 2021-22).

## II. Literature Review

**Shabbir, Najmi (2013)**, made a regional analysis of the priority sector advances which shows that the share of priority sector advances was highest in the Southern region at all the points of time which was followed by the Western region, the Northern region, the Central region and the Eastern region. The North Eastern region has the lowest share as per the study. At the end point of time taken for the study, all the regions have declined in the Priority Sector Lending, due to the worldwide recession at that point of time i.e., during 2007 and also the increased Non-Performing Assets in the priority sectors had left the bankers with no choice but to reduce the advances to this sector.

**Shabbir, Najmi and Mujoo, Rachna (2014)**, states that public banks lend more to priority sector so non-performing assets of public banks were more in priority sector. Private banks lend more to non-priority sector so their non-performing assets also comes highest from them. Public sector banks have very enthusiastically followed the Government rules and regulations relating to priority sectors and is giving loans to the priority sector which indicates that Non-Performing Assets in priority sector are more in public sector banks as compared to private and foreign banks.

**Pandya, Bhargav (2015)**, aims to analyse the impact of priority sector advances of scheduled commercial banks operating in India on their profitability. The study implies that priority sector advances have a bearing on the profitability of the banks but no impact on the return on equity of the banks. It is also stated that the banks should be very cautious while advancing loans to priority sector or else it would be adversely affecting the profitability of the banks.

**Lakshmi and Reddy (2016)**, finds that the priority sector advances have been growing consistently from 2002 to 2013 without any deviation and the share of priority sector in the total credit is also improving showing the appreciable performance of the commercial banks. So, RBI is also including newer categories under priority sectors thereby benefitting the weaker sectors.

**A. Udhaya Sweetline (2017)**, states that after nationalisation the priority sector advances increased tremendously leading these sectors to grow and contribute towards the GDP of the country. But demonetisation has hit hard these sectors as decline could be seen in the growth of loans to micro and small industries. Only loans to construction companies and home loans could be seen growing. Inflation rates, goods and services tax and demonetisation together gave a difficult time for the banks as well as the priority sectors.

**Das, Kishore Krishna (2018)**, found that the constraints faced by the bank authorities are weak economic profile, bargaining power, poor social status, limited assets etc., along with credit assessment risks like no savings account, bank customer relationship, non-operation of accounts, no collateral to offer, very less proper documentation available, borrowers misbehaviour, local leaders' interference etc. On the other hand, constraints faced by the borrowers include time taken for processing loans, down payments, inadequate supply of inputs, non-availability of sufficient loan fund, lack of knowledge and awareness, distance to reach bank, high interest rates, non-cooperation of bank staff etc.

**Nirmal, Anilkumar and Deogaonkar, Anant (2021)**, analysed the non-performing assets of priority and non-priority sectors of the Kotak Mahindra bank and found out that the bank has managed to limit its Non-performing Assets of Priority Sector Lending sector in such a way that it is better than many of its peer's banks. The Non-Performing Assets in both the priority and non-priority sectors are in control and NPAs of all the priority subsectors are contributing to the total non-performing assets. Priority and non-priority lending both moves in the same direction as the gross NPAs moves.

## **RESEARCH GAP**

After making an extensive literature review, studies relating to several categories of priority sector lending, its commencement, its implementation in numerous banks has been found. But the researcher has not come across any study specifically relating to the education loan of the priority sector lending in Assam through the analysis of a Commercial bank and a Regional Rural bank. This study is directed to fulfil this gap.

## **RATIONALE OF THE STUDY**

Priority sector lending of banks in India solely uplifts the important sectors of the country. The State Bank of India is the largest bank advancing credit towards the priority sectors. Also, the Assam Gramin Vikas Bank is the only Regional Rural Bank lending credit towards education loan in Assam. Both the banks are taking all the needed steps for the successful growth of the priority sectors. So, analysing its performance and growth in terms of priority sector development can be beneficial for providing proper feedback and further revealing a comparative picture of the status of both the banks.

## **STATEMENT OF THE PROBLEM**

Priority sector lending, the name itself highlights that the credit advances incorporated under it, are given utmost priority over and above the other sectors of the economy. The Government and the Reserve bank of India, giving priority to these sectors itself describes the importance of these sectors for the growth and development of the country. Also, education has value for each and every individual. Due to financial constraints a lot of meritorious students lose their opportunity of accessing higher education. Keeping this in mind, education loan has a huge role to play in their life as well as for the entire country as educated people makes a country better. Therefore, this paper studies about the performance and growth of priority sector giving special reference to the education subsector of two biggest commercial and regional rural bank of Assam i.e., State bank of India and Assam Gramin Vikash bank.

## **OBJECTIVES OF THE STUDY**

1. To study the status of priority sector lending and education loan of State Bank of India and Assam Gramin Vikas Bank.
2. To study the trend of non-performing assets arising from priority sector specifically education loan.
3. To make a comparison of the performances of education loan under priority sector advances of State Bank of India and Assam Gramin Vikash Bank.

## **RESEARCH QUESTIONS**

1. What is the growth rate of priority sector lending of State Bank of India as compared to Assam Gramin Vikas Bank?
2. What is the share of education loan under priority sector lending of State Bank of India and Assam Gramin Vikas bank?

## **RESEARCH METHODOLOGY**

**Scope of the study:** The scope of the study is limited to only two banks of Assam. One is the biggest Public Sector Commercial Bank lending highest education loan i.e., State bank of India and the other is the only biggest Regional Rural Bank of Assam i.e., Assam Gramin Vikas Bank. The study is related to Assam only for a period of 8 years. The paper limits its scope to the study of priority sector lending, its subsector education loan, the non-performing assets arising from it and its target and achievement rate.

**Sources of Data:** The data used for the study is secondary in nature. It has been collected from the published reports of the Reserve Bank of India (RBI), State Level Bankers Committee (SLBC) of Assam, Annual Reports of State bank of India and Assam Gramin Vikas Bank.

**Tools and techniques:** The collected data has been organised and presented using tables, bar diagrams and line charts. The data is further analysed using descriptive statistics like percentage, Average Annual growth rate (AAGR) and Compound Annual growth rate (CAGR) which is calculated in Microsoft Excel. Average annual growth rates have been used to study the performance growth of priority sector lending and education loan of both the banks. Compound annual growth rates is used to calculate the compounded growth and have a simple comparison between both the banks. Simple percentage analysis has been used to study the target and achievement rate of the priority sector lending incorporating education loan and the Non-Performing Assets of both the banks. Line charts have been used to show the position of education subsector as a part of priority sector advance and to provide a clear picture comparing both the banks' performances.

**Periodicity of the study:** The study covers a period of 8 years ranging from the year 2014-15 to 2021-22 only, as no authentic and measurable data before 2014 was available. So, the data has been collected from these 8 years only.

**DATA ANALYSIS AND INTERPRETATION**

With reference to the objectives set, the data has been analysed and accordingly interpreted to answer the research questions. For this purpose, three sections (Section A, B and C) have been prepared below studying the status of priority sector lending and education loan of both the banks in the first section. The trend of non-performing assets arising from priority sector and education subsector of both the banks in the second section. And the comparative target and achievement rates of both the banks in the third section. Under each section, various tables, bar diagrams and line charts have been prepared for proper representation and understandability of the data and accordingly the analysed data has been interpreted below.

**Section A: Status of Priority sector Lending (PSL) and Education loan lending (EDL) of State Bank of India (SBI) and Assam Gramin Vikas Bank (AGVB).**

To know the status of priority sector and education loan, this section is subdivided into two parts. the first part studies the growth in the performance of the priority sector lending and education loan lending of State Bank of India and Assam Gramin Vikas Bank using average annual growth rate and compound annual growth rate. And the second part studies the share of priority sector out of the total lending and the share of education loan out of the priority sector.

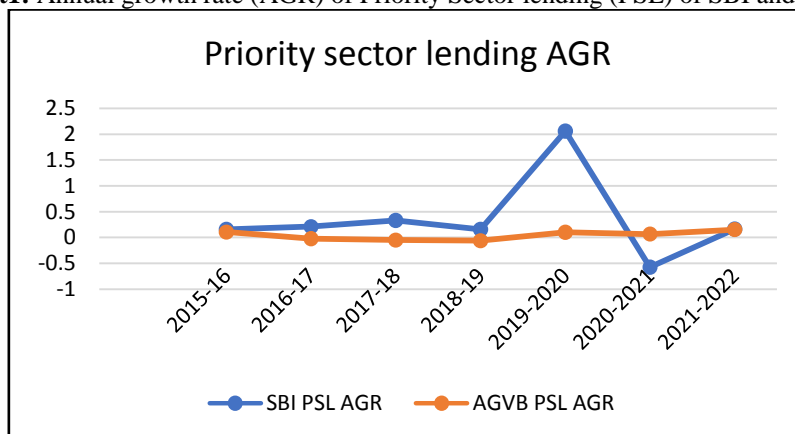
**Part 1: Growth in the performance of the priority sector lending and education loan lending of State Bank of India and Assam Gramin Vikas Bank:** In this section the priority sector lending and education loan’s annual growth rate has been studied using tables and charts. Also, the average and compound annual growth rates of priority sector and education loan have been calculated for both State Bank of India and Assam Gramin Vikas bank.

**Table 1:** Priority Sector lending (PSL) and Education Loan Lending (EDL) of SBI and AGVB along with its Annual growth rate (AGR).

| YEAR      | SBI          |             |           |             | AGVB        |             |         |             |
|-----------|--------------|-------------|-----------|-------------|-------------|-------------|---------|-------------|
|           | PSL (₹)      | PSL AGR (%) | EDL (₹)   | EDL AGR (%) | PSL (₹)     | PSL AGR (%) | EDL (₹) | EDL AGR (%) |
| 2014-15   | 4,17,368.45  | -           | 2,749.18  | -           | 3,37,524.72 | -           | 119.74  | -           |
| 2015-16   | 4,82,665.15  | 16%         | 5,431.00  | 98%         | 3,72,913.84 | 10%         | 138.09  | 15%         |
| 2016-17   | 5,83,112.00  | 21%         | 5,066.00  | -7%         | 3,63,775.00 | -2%         | 140.00  | 1%          |
| 2017-18   | 7,75,972.87  | 33%         | 5,857.00  | 16%         | 3,44,420.51 | -5%         | 124.98  | -11%        |
| 2018-19   | 8,97,013.79  | 16%         | 2,035.60  | -65%        | 3,22,575.60 | -6%         | 61.04   | -51%        |
| 2019-2020 | 27,44,773.48 | 206%        | 6,688.87  | 229%        | 3,54,566.44 | 10%         | 40.54   | -34%        |
| 2020-2021 | 11,60,371.00 | -58%        | 13,698.37 | 105%        | 3,77,988.00 | 7%          | 35.46   | -13%        |
| 2021-2022 | 13,48,533.24 | 16%         | 16,190.52 | 18%         | 4,35,415.50 | 15%         | 32.09   | -10%        |

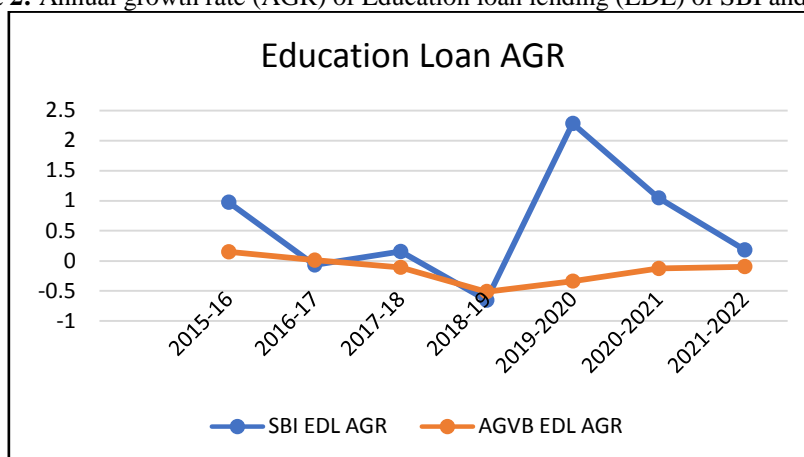
Source: State Level bankers Committee Report, Assam and author’s calculation.  
Amount in lakhs (Rs)

**Chart1:** Annual growth rate (AGR) of Priority Sector lending (PSL) of SBI and AGVB



Source: Table 1. (Compiled using MS Excel)

**Chart 2:** Annual growth rate (AGR) of Education loan lending (EDL) of SBI and AGVB



Source: Table 1. (Compiled using MS Excel)

**Table 2:** Average Annual Growth rate (AAGR) and Compound Annual Growth rate (CAGR) of Priority Sector Lending (PSL) and Education loan lending (EDL) of SBI and AGVB.

| PSL  |     | SBI | AGVB |
|------|-----|-----|------|
| AAGR | PSL | 36% | 4%   |
|      | EDL | 56% | -14% |
| CAGR | PSL | 18% | 4%   |
|      | EDL | 29% | -17% |

Source: Calculated from Table 1 in Ms Excel.

**Interpretation:** The priority sector lending of SBI has been constantly growing until the year 2020, where a reduction in lending could be seen but in the next year it can be seen growing again in Table 1. The education loan provision by SBI could be seen fluctuating in the earlier years but in the last three years it is constantly growing. The annual growth rate is highest in the year 2019-20 and the growth rate is seen going very low in the year 2018-19. In case of Assam Gramin Vikas bank the growth can be seen fluctuating but in the last three years the priority sector lending is growing again as per Table 1 and Chart 1. Also, the education loan lending seems to be decreasing year after year. The annual growth rate is also constantly decreasing. In chart 1 it can be seen that the AGR line is below zero most of the time i.e., there is no growth. The priority lending of SBI is highest in the year 2019-20 but that of AGVB in the year 2021-22. Table 2 also shows that Average Annual growth rate and the Compound annual growth rate for the 8 years is greater for SBI in comparison to AGVB. It also shows that both Average Annual Growth rate and Compound Annual Growth rate are quite well for SBI but in case of Assam Gramin Vikas Bank, both the figures are negative indicating no growth for education loan in the bank.

**Part 2: Share of Education Loan Lending (EDL) and Priority Sector Lending (PSL) of State Bank of India (SBI) and Assam Gramin Vikas Bank (AGVB).**

In this section, the share of priority sector has been tabulated out of the total lending of both the banks. Again, the share of the education loan lending is tabulated out of the total priority sector of the banks. Bar diagrams and a line chart has been prepared to show the share of education loan and the priority sector.

**Table 3:** Total Advance (TA), Priority Sector Lending (PSL) and Education Loan Lending (EDL) of State Bank of India (SBI) and Assam Gramin Vikas Bank (AGVB).

| YEAR    | TOTAL ADVANCE (₹)     |                      | PSL (₹)                |                        | EDL (₹)            |                  |
|---------|-----------------------|----------------------|------------------------|------------------------|--------------------|------------------|
|         | SBI                   | AGVB                 | SBI                    | AGVB                   | SBI                | AGVB             |
| 2014-15 | 12,67,056.62<br>(100) | 3,91,812.41<br>(100) | 4,17,368.45<br>(32.94) | 3,37,524.72<br>(86.14) | 2,749.18<br>(0.66) | 119.74<br>(0.04) |
| 2015-16 | 14,49,880.29<br>(100) | 4,26,231.76<br>(100) | 4,82,665.15<br>(33.29) | 3,72,913.84<br>(87.49) | 5,431.00<br>(1.13) | 138.09<br>(0.04) |
| 2016-17 | 16,37,035.37<br>(100) | 4,15,452.00<br>(100) | 5,83,112.00<br>(35.62) | 3,63,775.00<br>(87.56) | 5,066.00<br>(0.87) | 140.00<br>(0.04) |
| 2017-18 | 19,72,979.58<br>(100) | 3,91,632.08<br>(100) | 7,75,972.87<br>(39.33) | 3,44,420.51<br>(87.94) | 5,857.00<br>(0.75) | 124.98<br>(0.04) |
| 2018-19 | 22,49,282.32          | 3,64,611.38          | 8,97,013.79            | 3,22,575.60            | 2,035.60           | 61.04            |

*“Priority Sector Lending – With Special Reference To Education Loan”*

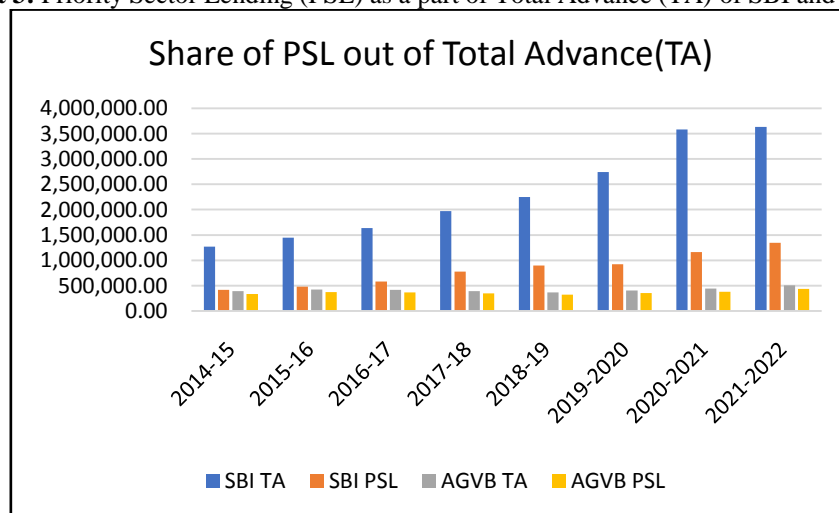
|           | (100)                 | (100)                | (39.88)                 | (88.47)                | (0.23)              | (0.02)          |
|-----------|-----------------------|----------------------|-------------------------|------------------------|---------------------|-----------------|
| 2019-2020 | 27,44,773.48<br>(100) | 4,04,327.85<br>(100) | 9,21,203.96<br>(33.56)  | 3,54,566.44<br>(87.69) | 6,688.87<br>(0.73)  | 40.54<br>(0.01) |
| 2020-2021 | 35,79,900.00<br>(100) | 4,40,414.00<br>(100) | 11,60,371.00<br>(32.00) | 3,77,988.00<br>(85.83) | 13,698.37<br>(1.18) | 35.46<br>(0.01) |
| 2021-2022 | 36,32,618.99<br>(100) | 5,04,674.50<br>(100) | 13,48,533.24<br>(37.12) | 4,35,415.50<br>(86.28) | 16,190.52<br>(1.20) | 32.09<br>(0.01) |

Source: State Level bankers Committee Report, Assam and author's calculation.

Amount in lakhs (Rs)

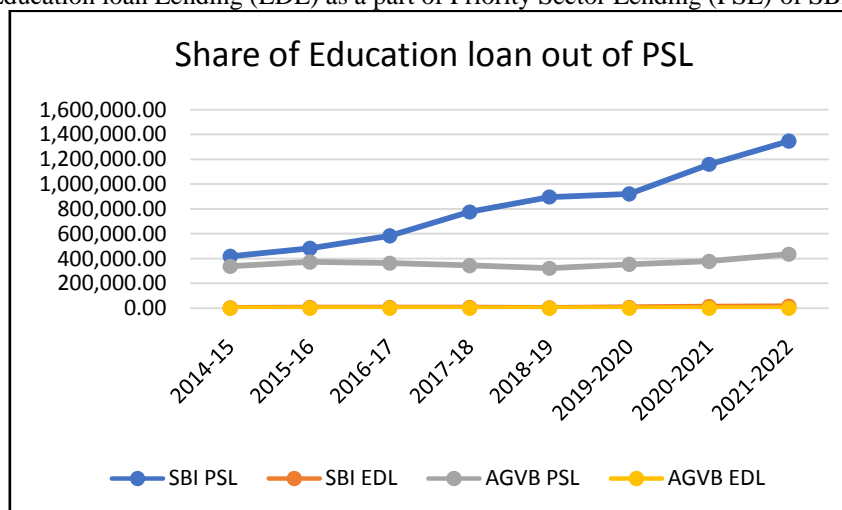
Note: Figures in the parathesis indicates the percentage value of PSL as a part of total advance in 3<sup>rd</sup> column and EDL as a part of PSL in the last column.

**Chart 3:** Priority Sector Lending (PSL) as a part of Total Advance (TA) of SBI and AGVB.



Source: Table 3. (Compiled using MS Excel)

**Chart 4:** Education loan Lending (EDL) as a part of Priority Sector Lending (PSL) of SBI and AGVB.



Source: Table 3. (Compiled using MS Excel)

**INTERPRETATION:** Table 3 shows the Total Advance, the priority sector lending and the education loan lending of the State bank of India and Assam Gramin Vikas Bank. It can be seen from the table that the priority sector lending percentage as a part of the total advance of SBI is highest in the year 2017-18 and 2018-19. In AGVB, it is rising till the year 2018-19 where it is the highest. After which there was a reduction in the lending percentage of both the banks. Currently in the year 2021-22, SBI has lent 37.12% and AGVB has lent 86.28% to priority sector out of the total lending. Chart 4 also shows that in both the banks education loan lending percentage is very less as a part of priority sector. In SBI, it is the highest in the year 2021-22. In AGVB, it is same for the first four years and reducing constantly after that. Thus, priority sector lending of SBI mostly

revolves around 32% to 39% and AGVB around 85% to 88% of the total advance and the education loan revolves around 1% or less of the priority sector lending of both the banks.

**Section B: Non-Performing Assets (NPA) arising from the Priority sector lending (PSL) and Education Loan Lending (EDL) of State bank of India (SBI) and Assam Gramin Vikas bank (AGVB).**

In this section, to study the trend of non-performing assets arising from priority sector and education loan, both the banks’ data has been tabulated. Two charts have been prepared to show the share of non-performing assets and understand the trend in which it is increasing or decreasing during the period of study. Further, to have a comparison of both the banks, the annual growth rates of the non-performing assets have been calculated and both the compound annual growth rate and average annual growth rate for both the banks have been tabulated.

**Table 4: Total NPA, Priority Sector NPA and Education Loan NPA of SBI and AGVB.**

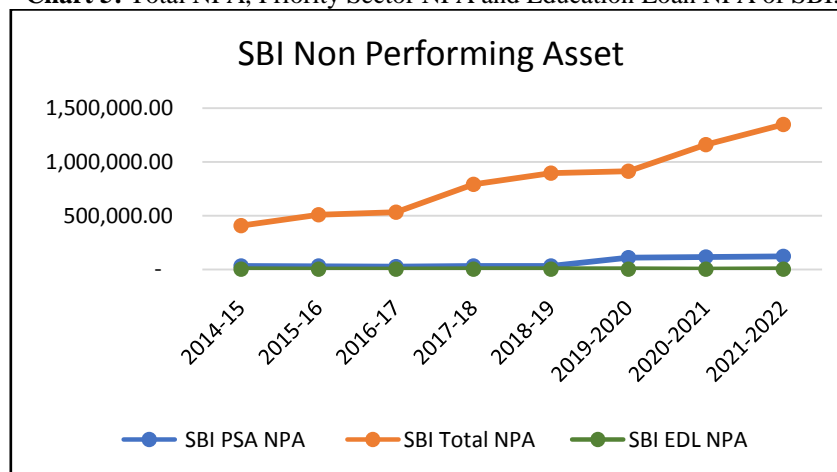
| YEAR      | SBI                   |                        |                    | AGVB                 |                        |                  |
|-----------|-----------------------|------------------------|--------------------|----------------------|------------------------|------------------|
|           | Total NPA (₹)         | PSL NPA (₹)            | EDL NPA (₹)        | Total NPA (₹)        | PSL NPA (₹)            | EDL NPA (₹)      |
| 2014-15   | 4,07,840.63<br>(100)  | 32,627.25<br>(8.00)    | 687.54<br>(2.11)   | 3,43,899.00<br>(100) | 27,511.92<br>(8.00)    | 29.94<br>(0.11)  |
| 2015-16   | 5,10,288.50<br>(100)  | 30,617.31<br>(6.00)    | 0<br>(0)           | 3,74,017.05<br>(100) | 71,063.24<br>(19.00)   | 186.26<br>(0.26) |
| 2016-17   | 5,32,920.00<br>(100)  | 26,646.00<br>(5.00)    | 0<br>(0)           | 3,68,140.00<br>(100) | 92,035.00<br>(25.00)   | 167.00<br>(0.18) |
| 2017-18   | 7,93,225.00<br>(100)  | 31,729.00<br>(4.00)    | 1,155.61<br>(3.64) | 3,48,134.72<br>(100) | 1,00,959.07<br>(29.00) | 168.59<br>(0.17) |
| 2018-19   | 8,97,013.79<br>(100)  | 31,221.67<br>(3.48)    | 944.88<br>(3.03)   | 3,22,575.65<br>(100) | 1,57,088.10<br>(48.70) | 194.57<br>(0.12) |
| 2019-2020 | 9,14,797.00<br>(100)  | 1,09,775.64<br>(12.00) | 1,171.82<br>(1.07) | 3,55,587.85<br>(100) | 1,38,679.26<br>(39.00) | 194.61<br>(0.14) |
| 2020-2021 | 11,60,371.06<br>(100) | 1,15,612.86<br>(9.96)  | 545.34<br>(0.47)   | 3,77,988.38<br>(100) | 1,36,640.10<br>(36.15) | 202.22<br>(0.15) |
| 2021-2022 | 13,49,224.06<br>(100) | 1,21,700.01<br>(9.02)  | 703.81<br>(0.58)   | 4,35,469.61<br>(100) | 1,30,118.32<br>(29.88) | 153.79<br>(0.12) |

Source: State Level bankers Committee Report, Assam and author’s calculation.

Amount in lakhs (Rs)

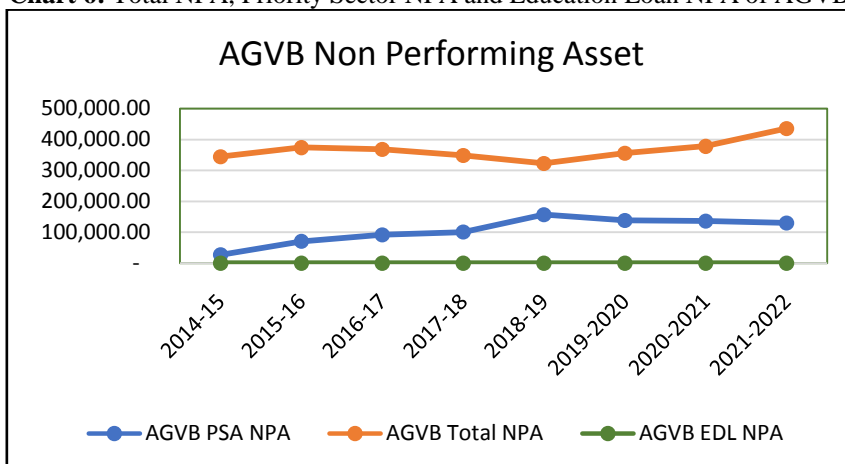
Note: Figures in the parathesis indicates the percentage value. PSL NPA percentage out of Total NPA and EDL NPA percentage out of PSL NPA.

**Chart 5: Total NPA, Priority Sector NPA and Education Loan NPA of SBI.**



Source: Table 7. (Compiled using MS Excel)

**Chart 6:** Total NPA, Priority Sector NPA and Education Loan NPA of AGVB.



Source: Table 7. (Compiled using MS Excel)

**INTERPRETATION:** Table 4 shows the total non-Performing assets of State bank of India and Assam Gramin Vikas Bank of Assam. It further differentiates the Non-Performing Assets amount arising from the priority sector lending and the education loan subsector under PSL of both the banks. As depicted in the table created as per the data of State Level Bankers Committee, Assam, there was no NPA arising from the education loan lending as a part of its PSL in the year 2015-16 and 2016-17 of SBI. Chart 5 and 6 gives a graphical representation of the NPA arising from the priority sector and the education loan subsector as compared to the total NPA. And it is clear from chart 5 that the Non-Performing Assets arising from priority sector and its subsector education, is very less as compared to the total NPA of SBI. Chart 6 too gives a similar picture of the AGVB. If both the banks’ compared NPA is taken into consideration, then it can be seen that priority sector and education loan subsector holds quite a high percentage of NPA in the total NPA of AGVB then SBI. That means SBI’s very less percentage of NPA arises from priority sector and education loan subsector.

**Table 5:** Annual Growth rates (AGR) of Non-Performing Assets (NPA) arising from Priority Sector Lending (PSL) and Education Loan (EDL) of SBI and AGVB.

| year      | SBI            |                | AGVB           |                |
|-----------|----------------|----------------|----------------|----------------|
|           | PSA NPA AGR(%) | EDL NPA AGR(%) | PSA NPA AGR(%) | EDL NPA AGR(%) |
| 2015-16   | -6             | -100           | 158            | 522            |
| 2016-17   | -13            | 0              | 30             | -10            |
| 2017-18   | 19             | 0              | 10             | 1              |
| 2018-19   | -2             | -18            | 56             | 15             |
| 2019-2020 | 252            | 24             | -12            | 0              |
| 2020-2021 | 5              | -53            | -1             | 4              |
| 2021-2022 | 5              | 29             | -5             | -24            |

Source: Calculated from Table 7 in MS Excel.

**Table 6:** Average Annual Growth rates (AAGR) of Non-Performing Assets (NPA) arising from Priority Sector Lending (PSL) and Education Loan (EDL) of SBI and AGVB.

| NPA AAGR | SBI  | AGVB |
|----------|------|------|
| PSL      | 37%  | 34%  |
| EDL      | -17% | 73%  |

Source: Calculated from Table 8 in MS Excel.

**INTERPRETATION:** In table 5 the annual growth rate of the priority sector and education loan subsector’s NPA is calculated for both SBI and AGVB. The priority sector NPA of SBI has a fluctuating growth rate. It grew highest in the year 2019-2020 being 252%. The education loan NPA of SBI also did not grow for the first 2 years. Later it is also seen fluctuating. In case of AGVB, the priority sector NPA grew in the initial years but later it is seen decreasing which is a good sign of recovery. And as per education loan NPA of AGVB, it grew



highest in the first year being 522% and later it was almost under control and in the last year it reduced to -24% which means NPA was decreasing. In table 6. The Average Annual Growth rate (AAGR) of the priority sector and education loan NPA is calculated from table 5 and it can be seen that SBI’s Average annual growth rate of PSL is more than AGVB. And as per the education loan average annual growth rate of SBI is negative which means there is no average growth of NPA but that of AGVB is very high which comes to 73%.

**Section C: Comparison of Priority Sector lending (PSL) and Education loan lending (EDL) target and achievement over the years of State Bank of India (SBI) and Assam Gramin Vikas Bank (AGVB).**

In this section, the target set by both the banks for priority sector and education loan lending has been tabulated separately in two tables incorporating their achievement rates as well. It has been shown by preparing a bar diagram as well. Again, for the purpose of comparison of both the banks, the achievement rates have been shown by preparing a line chart below.

**Table 7.** PSL and EDL target and achievement (Achv) of State bank of India (SBI) and Assam Gramin Vikas Bank (AGVB).

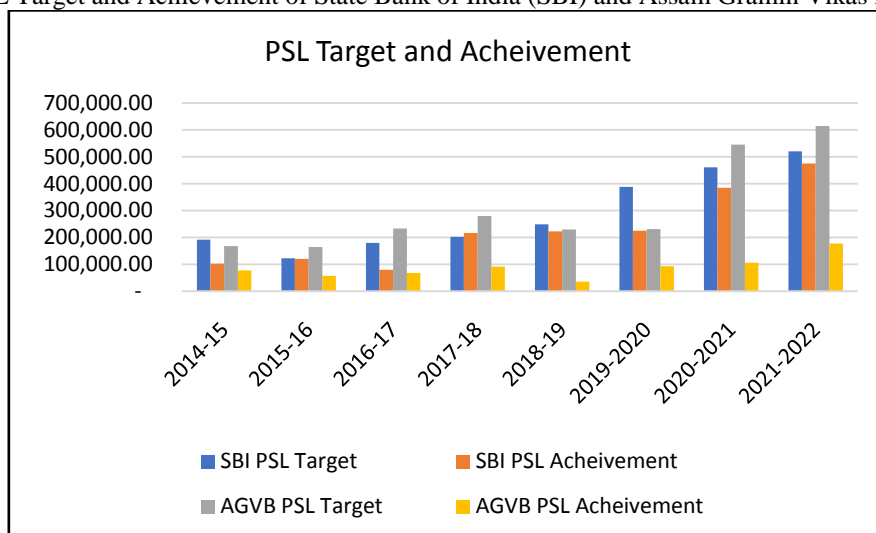
| Year      | SBI                  |                        |                   |                     | AGVB                 |                        |                   |                  |
|-----------|----------------------|------------------------|-------------------|---------------------|----------------------|------------------------|-------------------|------------------|
|           | PSL Target (□)       | PSL Achv (□)           | EDL Target (□)    | EDL Achv (□)        | PSL Target (□)       | PSL Achv (□)           | EDL Target (□)    | EDL Achv (□)     |
| 2014-15   | 1,91,544.64<br>(100) | 1,02,071.55<br>(53.97) | 1,200.00<br>(100) | 2,749.18<br>229.10  | 1,67,359.84<br>(100) | 77,474.00<br>(46.29)   | 1,225.00<br>(100) | 119.74<br>(9.77) |
| 2015-16   | 1,23,000.00<br>(100) | 1,20,503.00<br>97.97   | 1,800.00<br>(100) | 5,431.00<br>301.72  | 1,64,100.00<br>(100) | 56,601.00<br>(34.49)   | 1,400.00<br>(100) | 138.09<br>(9.86) |
| 2016-17   | 1,79,190.00<br>(100) | 80,083.00<br>44.69     | 3,600.00<br>(100) | 5,066.00<br>140.72  | 2,33,210.00<br>(100) | 67,520.00<br>(28.95)   | 2,800.00<br>(100) | 140.00<br>(5.00) |
| 2017-18   | 2,02,371.12<br>(100) | 2,16,628.00<br>107.04  | 4,865.00<br>(100) | 5,857.00<br>120.39  | 2,79,818.87<br>(100) | 91,261.00<br>(32.61)   | 5,494.00<br>(100) | 124.98<br>(2.27) |
| 2018-19   | 2,48,548.69<br>(100) | 2,22,067.74<br>89.35   | 7,489.28<br>(100) | 2,035.60<br>27.18   | 2,30,047.40<br>(100) | 35,650.62<br>(15.50)   | 1,365.64<br>(100) | 61.04<br>(4.47)  |
| 2019-2020 | 3,87,689.69<br>(100) | 2,25,273.93<br>58.11   | 8,149.45<br>(100) | 6,688.87<br>82.08   | 2,30,737.60<br>(100) | 92,972.07<br>(40.29)   | 1,916.94<br>(100) | 40.54<br>(2.11)  |
| 2020-2021 | 4,60,429.70<br>(100) | 3,84,649.68<br>83.54   | 9242.65<br>(100)  | 13,698.37<br>148.21 | 5,44,962.63<br>(100) | 1,05,679.13<br>(19.39) | 7,541.56<br>(100) | 35.46<br>(0.47)  |
| 2021-2022 | 5,20,594.97<br>(100) | 4,75,146.12<br>91.27   | 7,698.85<br>(100) | 16,190.52<br>210.30 | 6,14,630.28<br>(100) | 1,77,895.38<br>(28.94) | 6,364.16<br>(100) | 32.09<br>(0.50)  |

Source: State Level bankers Committee Report, Assam and author’s calculation.

Amount in lakhs (Rs)

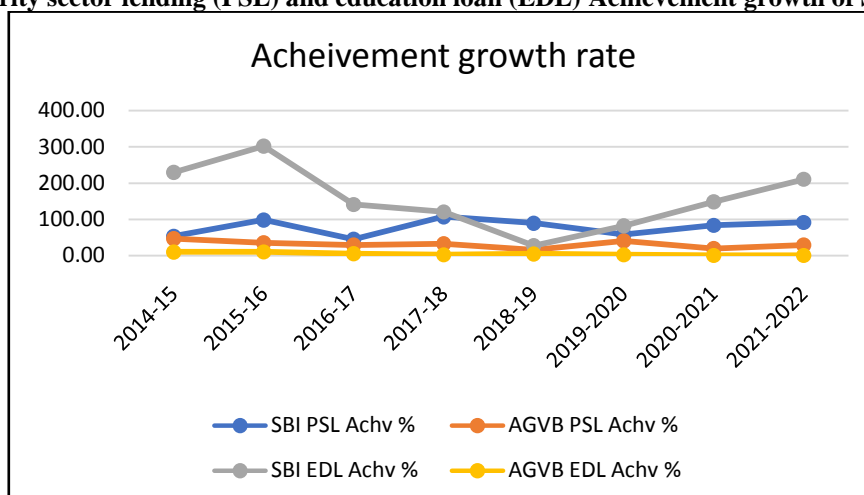
Note: Figures in the parathesis indicates the percentage value. Achievement rates out of the 100% target.

**Chart 7:** PSL Target and Achievement of State Bank of India (SBI) and Assam Gramin Vikas Bank (AGVB).



Source: Table 7 (Compiled using MS Excel)

**Chart 8: Priority sector lending (PSL) and education loan (EDL) Achievement growth of SBI and AGVB.**



Source: Table 7 (Compiled using MS Excel)

**INTERPRETATION:** The target and achievement of priority sector and the education loan subsector of both the banks have been depicted in table 7. The PSL achievement of SBI surpasses 100% in the year 2017-18 and its lowest in the year 2016-17. The achievement of EDL subsector of SBI is way more than cent percent in almost all the years except for in 2018-19 and 2019-20. The achievement rate is merely 27.18% which is very low in the year 2018-19. In case of AGVB table 7 shows that the achievement of PSL as well as EDL is very less as compared to SBI. Chart 7 depicts that both priority sector lending (PSL) and Education loan lending (EDL) target and achievement of both the banks is highest in the year 2021-22. The charts give the graphical representation of target and achievement all over the 8 years. Chart 8 specifically highlights the achievement growth rates of PSL and EDL of both the banks. It can be seen that the SBI education loan lending (EDL) achievement rate is the highest of all and the lowest growth rate is of the AGVB education loan lending (EDL) achievement. Thus, the priority sector and education loan achievement rate of SBI is much higher than that of the Assam Gramin Vikas bank (AGVB).

### III. Findings Of The Study

The study has found that:

- The advances provided by State bank of India and Assam Gramin Vikas Bank towards the priority sector lending out of the total credit advances is growing with very less fluctuations in the growth rate.
- State Bank of India’s performance in lending towards priority sector is better than Assam Gramin Vikas Bank as both the average and the compounded annual growth rate of SBI is higher than the later.
- The priority sector education loan of State Bank of India is currently increasing since the last 3 years.
- The average and the compound annual growth rate of education loan is higher for State Bank of India than Assam Gramin Vikas Bank which has a negative growth rate.
- Out of the total bank advances, the State bank of India provides very less percentage towards the priority sector. But, the Assam Gramin Vikas Bank, provides most of its advances towards the priority sector.
- The education loan holds a minimum share in the total priority sector lending in both the banks.
- In the total non-performing assets, the contribution of priority sector is very less in both the banks.
- The education loan subsector contributes very less percentage towards the priority sector NPAs in both the banks.
- The annual growth rate of priority sector NPA is increasing in State Bank of India. But in Assam Gramin Vikas Bank, the same is seen decreasing in the last 3 years.
- The average annual growth rate of SBI priority sector non-performing assets is higher than that of Assam Gramin Vikas Bank’s priority sector NPA.
- The priority sector lending of State bank of India has an achievement rate above 80% in most of the years and the education subsector achievement rate surpasses 100% for almost 6 years.
- The priority sector lending of Assam Gramin Vikas Bank has an achievement rate below 50% in all the years and the education subsector achievement rate is even below 10% almost all the years.

#### IV. Conclusion

Priority sector being an important sector for the economy incorporating all the necessary and beneficial sectors, has been growing, as it is seen that banks are consistently increasing the credit flow towards it. But as a subsector of priority sector lending, the education loan is not in a very high position as compared to the other subsectors. It has a very less share and is constituted under other priority sector. If it gets an increasing flow of credit through it, various needy students can be benefitted. With the priority sector the main aim of the government was to strengthen the ignored and crucial sectors of the country which currently is seen fulfilling with lending growth rates in these sectors. But with the growth rate of lending to these sectors, the banks are a little setback as they are facing the problem of the immergence of non-performing assets. Priority sector or very specifically education subsector do not contribute too much towards non-performing assets if compared with other subsectors or non-priority sectors. But despite that the growth rate of non-performing assets is increasing and making it difficult for banks to provide more and more credit until recovery. In spite of that the benefits of priority sector are known to all and it should be made greater and greater with time overcoming all problems. Banks set targets for these sectors every year and as seen in the study their achievement rates fluctuate from time to time. Having an achievement rate in accordance with the set target should be given consideration. Therefore, currently the priority sector lending and its education subsector is growing in their performance and it should be consistently improved for the better.

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