

A Case Study on “Priority Sector Advances” of Vasai Janta Shakari Bank Ltd.

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Abstract: *This research article aims to evaluate and analyse the performance of P.S.A. from the annual reports published by V.J.S. Bank Ltd. The period covered under the study is from the year 2001-02 to 2012-13. As the name itself indicates, it is a matter of great national priority. The PSA marches in the various directions; raising standard of living & strengthening the contribution of services to development process in the significant portion of the National Product & Development. The Government & R.B.I give guidelines regarding P.S.A. This Study intends to examine the Hypotheses which will act as a milestone to reach the stated objectives.*

Background:

Vasai Janta Shakari Bank Ltd., Vasai was incorporated on 21st Sept. 1973 and at present provides services through 11 branches in Thane District and Bruhanmumbai. The area of operation of the bank is Thane, Greater Mumbai, Raigad, and Nasik District.

Introduction:

The pioneering role of the bank is providing credit assistance to agriculture and small scale industries. The first priority amongst Priority Sector (P.S) was accorded when first definition was framed in 1995. After the nationalization of major 14 banks it was ensured that credit was channeled to various sector of the economy in accordance with national planning priorities in 1969. The then Government made compulsion to commercial banks in 1980 and 1983 respectively to provide credit assistance to P.S.A.

The Government has enlarged the Priority sector categories from time to time.

In all, presently, there are nine categories identified for P.S.A. These are (1) Agriculture, (2) S.S.I, (3) Transport, (4) Retail and Wholesale Traders, (5) Small Business Enterprises, (6) Professional & Self Business Enterprises, (7) Education, (8) Housing Loan, (9) Consumption Loan.

Priority Sector Advances (P.S.A):

As the name indicates itself, it is a matter of great National Priority & Urgency. The schemes of P.S.A. are meant for the economically & socially weaker sections of the society. The P.S.A marches in the various directions for the eradication of poverty to make the people to stand on their own feet; improve their nutrition level and raising standard of living; strengthening the contribution of services to the development process in the significance portion of the national product & development.

Initially there was no specific target fixed in respect of P.S.A. However since 1971 Government of India and R.B.I have clear guidelines regarding the financing of P.S.A. Presently 60 % of total advances of banks should be for P.S.A. lending.

Research Methodology:

The primary information and data was obtained with the help of library method and interviews were held with bank officials and beneficiaries. The present study is based on secondary data on selected variables sources obtained from the published annual reports.

Hypotheses:

The paper tests the following two hypotheses:

H₀: P.S.A. made by V.J.S.Bank Ltd. are as per the target specified in percentage by R.B.I.

H₁: P.S.A. made by V.J.S.Bank Ltd. are not as per the target specified in percentage by R.B.I.

Objectives:

The present study aims at testing the above Hypothesis with the following objectives:

- i) To make a comparative study of credit availability and norms used to P.S.A. through V.J.S. Bank Ltd. under study.
- ii) To study other related areas involved in relation to the availability of credit to this sector.
- iii) To draw proper conclusion on the performance of the banks in these sector.
- iv) To offer recommendations to improve the performance.
- v) The study also intended to examine the hypotheses which will act as a milestone to reach the stated objectives.

Limitation of the Study:

The P.S.A made by V.J.S. Bank Ltd through Eleven Branches during the year 2010-11 to 2012-13 in Thane District and Bruhanmumbai.

8) TABLE NO. 1 Classification of Total Loan and Advances(Currency INR in LACS)

Year	Total Advance		Other Loans and Advances		P.S.A.	
2001-02	8133	100%	1714	21%	6419	79%
2002-03	8845	100%	2415	27%	6430	73%
2003-04	8451	100%	1611	19%	6840	81%
2004-05	9023	100%	2343	26%	6680	74%
2005-06	8331	100%	1774	21%	6557	79%
2006-07	10,069	100%	2668	27%	7401	73%
2007-08	11,903	100%	4207	35%	6886	65%
2008-09	11,410	100%	4524	40%	6886	60%
2009-10	10,363	100%	3821	37%	6542	63%
2010-11	12,983	100%	6144	47%	6839	53%
2011-12	16,725	100%	7,957	46%	8,768	54%
2012-13	21,896	100%	10,301	47%	11,595	53%

Source: - Annual Reports of V.J.S.Bank Ltd. are used for Analysis

9) CHART - 1

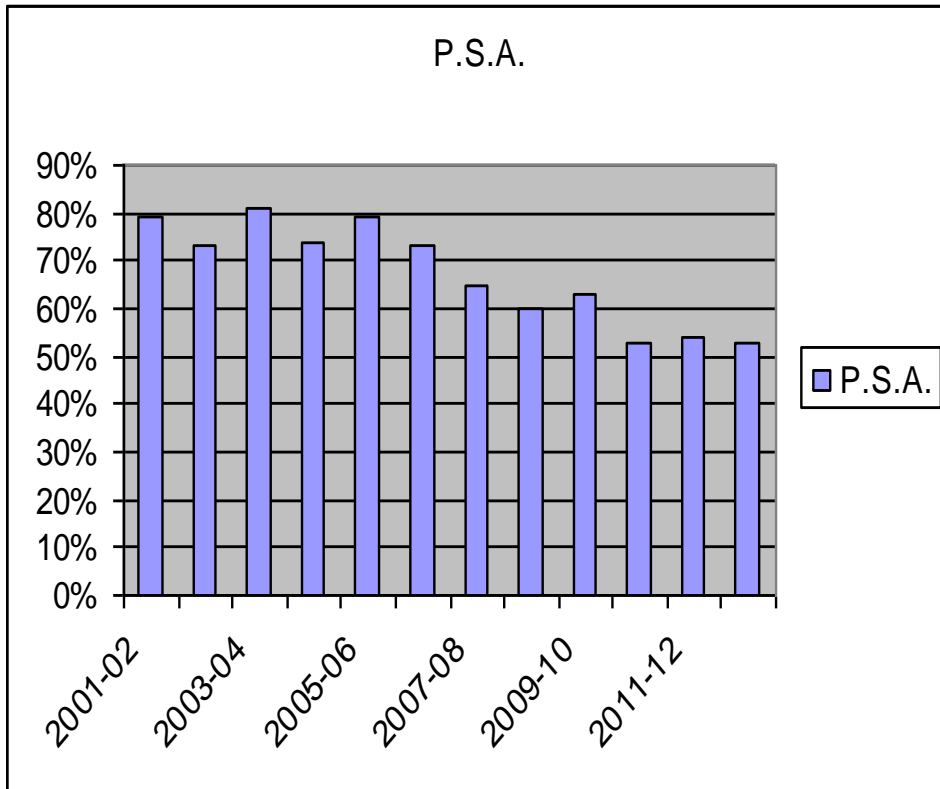
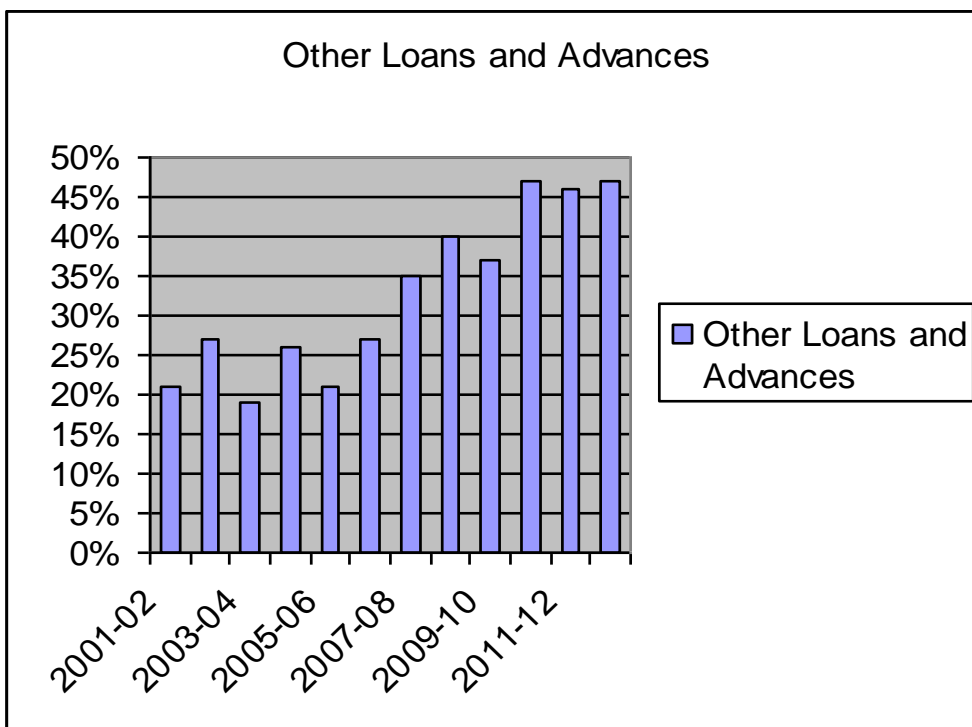


CHART - 2



Findings:

It is necessary to study the Proportion of different types of accounts maintained by the various branches in area under study with a view to find out the relative scope given to the different sectors of the economy. It is seen that number of agriculture and allied activities S.S.I were in more proportion of handing while V.J.S. Bank LTD had more lending to Housing Loan.

- The trend of advances lending to P.S.A. in the initial stages of 2001-2002 were 79% where as the standard target guide lined by R.B.I. were 60%.
- The average trend up to 2006-07 (i.e. for six years) were 77% which indicates that contribution of V.J.S.Bank Ltd. is implementing Govt. and R.B.I. programmes for the development of various economic and social sectors in right direction. It will be very useful to fulfill the intention of P.S.A. lending.
- The observation indicates that since 2007-08 the performance achieved by bank is not only declining but went below the target (i.e. 60%).
- The final three years (2010-11 to 2012-13) wise performance could not achieve the target and average percentage is 53% which indicates that the direction of bank towards P.S.A. lending is changed. The reason I came to know from the interaction with Bank Officer which is related to repayment of P.S.A.
- From the observation of the bar diagram the directions of PSA and Other Loans and Advances are moving towards opposite trend, which is not a positive sign form the point of view of development.

Conclusions:

- The borrowers in Housing Loan and professional are quite encouraging as the branches of Bank are located in semi urban areas.
- The P.S.A. affects on banker's efficiency and profitability as various percentage target are fixed by R.B.I. from to time which becomes troublesome to various banks to maintain their advance demand profitability, efficiency by taking into following point under consideration i.e. each branch has to maintain minimum cash Reserve Ratio (5%) and Statutory Liquidity Reserve Ratio (25%) which remains with the Government. As the result percentage of lending after P.S.A. was very few for Non Priority Sector Advances which affects the profitability and efficiency of the bankers directly.
- It is hoped that the present study will became very important aspect of any developmental activity undertaken for social change. Every socio-economic programme needs to be assessed for its impact and results. Evaluation should try to identify the shortcomings during the entire implementation period to develop corrective actions to improve the delivery system. Evaluation should be carried out on a scientific basis so that planners, policy framers and scholars could reap benefit from such studies.
- Finally we conclude that PSA made by V.S.J.Bank Ltd. as per the target fixed by RBI up to the year 2009-10 were achieved. However after that direction is changed towards other loans and advances than the PSA lending.

Abbreviations-

P.S – Priority Sector

P.S.A – Priority Sector Advances.

S.S.I. – Small Scale Industries.

V.J.S.Bank Ltd – Vasai Janta Shakari Bank Ltd.

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