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## Priority sector advances of Jammu and Kashmir Bank

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### Abstract

*Priority sector bank lending has been an instrument of India's financial policy which aims at restoring sectional balance within credit disbursement and for channeling credit to the weaker sections within these sectors. There has been a substantial reorientation of banking policy after the nationalization of banks in 1969. This has been accomplished through social orientation of banking and administrative intervention. Priority sector lending implies deliberate diversion of funds of the banks, from the other sectors and that too at lower interest. Schemes of refinance were formulated by NABARD in particular in order to mitigate the ill effects of the priority sector lending on bank resources and on profitability in spite of increasing advances, Indian banks have not achieved some targets fixed by RBI. The problems for Indian banks like low profitability, high NPAs, transaction cost etc. are created by lending to priority sector. It is a need of the hour to find out solutions for these problems otherwise progress of the Indian banks will cease. If the proper priority sector advances are given they will be helpful in reducing the poverty level.*

**KEY WORDS:** PSL, NPA's, Banking Sector.

### Introduction

The scope and extent of priority sector advances over the years has experienced changes with numerous new areas and sectors being brought within the purview of this sector. There is a view that enlargement of areas has resulted in loss of focus. It is also held that credit growth in housing, venture capital and infrastructure has been strong while it has been sluggish in agriculture and small industries. Further, it is argued that only sectors that impact large population, weaker sections and are employment-intensive such as agriculture, tiny and small industry should be eligible for priority sector. Since several issues began to gain importance this study examines the priority sector prescriptions for banks, public, private and foreign commercial banks in India.

### Objectives of the Study

For any research work, selection of objective is an essential feature because it provides a direction to the research work to be undertaken. The object not only gives direction but also encourages the researcher to analyze and go through all aspects involved in the object.

1. To study the importance and origin of priority sector loans of commercial banks in district Pulwama.
2. To study the responses of the borrowers in seeking loans from J & K bank related to priority sector.

### Research Methodology

In the research work, researcher has followed the scientific method of study. The study is based on the analysis and interpretation of the data collected. This study involves various steps.

First, a conceptual study of the subject was carried out, afterwards a review of literature was undertaken to identify what parameters to consider with respect to priority sector advances in J & K bank. At the next stage relevant data were collected. At this stage, it is logical to discuss what data are and how these are collected. Data are some relevant facts and figures in raw but in derivable form. The data collection phase is considerably developed in contemporary research. There are two sources of data: Primary data and Secondary data. Lastly a population and sampling procedure was established and methods of data collection and analysis are determined.

### **Review of literature**

1. Dr. Chhaya Mishra and Depesh Mahajan (2009)<sup>8</sup> they study focuses on the radical changes that latest technological developments have brought and transformed the philosophy of banking. The impact is reflected by the major success in adoption and acceptance of banking system by and large by the society.
2. GunajitSarma and Pranav Kumar Singh (2010)<sup>9</sup> they focused on providing banking services to customers using web with highly secured technology. They are highlighting the points towards the use of biometric technology in internet banking system for risk management of bank regular activities through authentication.
3. Richard Nyangosi (2011)<sup>10</sup> he examined the status of ATM banking in India, adoption by banks and important attribute which lead to ATM adoption from corporate dimension. The finding clearly indicate that almost all responds reportedly indicated that there have adopted ATM banking to provide services to customers. Also it was indicated that non- complexity and convenience were the most vital attributes which lead to ATM adoption

### **Priority Sector Disbursement of J & K bank**

Banks operating in the state of Jammu and Kashmir have extended credit aggregating Rs. 5,607.49 crore to 2,36,354 beneficiaries both under priority as well as non priority sector, during the first half of the current financial year (CFY) 2014-15 registering achievement of 34.35%. J & K bank alone has disbursed Rs.4,072.81 crore, which accounts for 73% of the total credit disbursed by all banks in the state during the half year ended 30<sup>th</sup> September 2013.

While reviewing sector wise performance of banks under priority sector, it was observed that under Agriculture sector against the annual target of Rs. 3,212.98 crore for 3, 91,773 beneficiaries, banks have disbursed a total amount of Rs. 1,094.74 crore in favor of 93,746 beneficiaries by the end of September 2013 registering achievement of 34.07% in financial terms and 24% in physical terms.

Under Micro and Small Enterprises Sector against the annual target of Rs 3,572.86 crore for 1,34,362 beneficiaries, banks have disbursed an amount of Rs. 1,129.65 crore in favor of 43,317 beneficiaries up to the end of September 2013, thereby registering an achievement of 31.62% of the target in financial terms and 32.24% in physical terms.

Under Education Sector against the annual target of Rs. 417.53 crore in favor of 10,916 beneficiary's banks have disbursed total amount of Rs. 53.46 crore in favor of 3,335 beneficiaries, achieving 12.80% of target in financial terms and 31% in physical terms.

Under Housing Sector against the annual target of Rs.2040.33 crore favoring 33124 beneficiaries, banks have disbursed total amount of Rs. 655.21 crore in favor of 24947 beneficiaries, achieving 32% in financial terms and 75% in physical terms.

Under Other Sector against the annual target of Rs. 898.77 crore in favor of 43,314 beneficiaries, banks have disbursed Rs. 317.66 crore in favor of 14,172 beneficiaries achieving 35.34% of target in financial terms and 32.72% in physical terms.

**Advances to priority sector.**

**Table 1.1** (Amount in crores)

Year as on March	Agriculture	M.S.E	Education	Housing	N.P.S
2008	588.21	685.21	40.20	399.11	1740.26
2009	653.24	765062	46.51	422.83	1851.33
2010	722.18	801.21	43.57	480.21	1920.24
2011	824.05	984.66	49.42	599.22	2055.18
2012	954.21	1043.25	50.21	621.10	2210.21
2013	1094.74	1129.65	53.46	655.21	2356.77

Source: 91<sup>st</sup> meeting of J & K SLBC

It is evident from the above table that J & K bank plays a vital role in priority sector lending as would be seen from the increasing amount disbursed in the Jammu and Kashmir state during the last five years, but have not achieved the final target during these years.

**Priority sector lending in district Pulwama**

The Jammu and Kashmir Bank has 47 branches in Pulwama District of Jammu and Kashmir. The total credit outstanding of all the banks as on June 30, 2013 was Rs. 902 crores, out of which Rs. 758 crores stand invested in priority sectors while the aggregate deposit of all banks in the district as on the same date is Rs. 1363 crores.

Agriculture and Horticulture sectors including KCC scheme, the preferred segments of priority sector the banks have sanctioned Rs. 35.22 crores for 1426 beneficiaries against the annual targets of Rs. 435.24 crores and physical target of 39,898 beneficiaries. Banks have disbursed Rs. 17.78 crores to 836 beneficiaries under MSE segment against the annual target of Rs. 242.58 crores to 6923 beneficiaries while the credit disbursed to education sector during the period is Rs. 0.77 crores to 125 beneficiaries.

Against the financial target of Rs: 778.88 Crores and fiscal target of 53636 beneficiaries fixed for priority and non-priority sectors in the annual action plan 2013.14, the banks have disbursed an amount of Rs: 268.83 Crores to 10652 beneficiaries up to 3rd quarter of financial year 2013-14. There by achieving the financial targets 34.53% and fiscal targets by 19.85%.

Agriculture and horticulture sector the most preferred sectors have to deploy credit, total lending of all banks in the district has been Rs: 88.73 crore against the target of Rs: 435.24 crore. There by achievement target by 20.40% in addition to this under KCC Scheme banks have sanctioned Rs: 95.43 Crore in favor of 7585 beneficiaries in 1st three quarters of 2013-14 against the annual targets of Rs: 398 Crores and fiscal targets of 39800 beneficiaries.

In Agriculture and Horticulture sectors, the most preferred sectors of economy, banks have disbursed total credit of Rs: 93.40 Crore while under Kissan Credit Card Scheme the Banks have disbursed Rs. 99.90 crores to 7518 beneficiaries.

Under micro small and medium (MSME) Sector an amount of Rs: 68.86 crores provided to 3577 beneficiaries.

Under Education sector during the period Rs. 3.22 crores have been provided to 311 beneficiaries against the target of Rs. 11.61 Crores to 297 beneficiaries. The achievement is 27.73 percent in financial terms and 118 percent in physical terms respectively.

Under Housing sector, Rs. 21.72 crores have been utilized during the period under review against the annual target of Rs. 34.99 crores, thereby achieving the financial target by 62.07 percent.

**Table 1.2: Priority sector disbursement in Pulwama district. (As on March 14)**  
(Amount in crores)

S. No.	P.S.L	Amount disbursed
1.	Agriculture	93.40
2.	M.S.E	68.86
3.	Education	3.22
4.	Housing	21.72

Source: Annual Report of J & K bank (Pulwama)

It is obvious from the above table that under Agricultural sector, J & K bank have disbursed an amount of Rs 93.40 crore followed by Micro and Small Enterprises sector having an amount of 68.86 crore, under education sector 3.22 crore and under housing sector 21.72 crore in priority sector lending by the end of year 2013 in Pulwama district of Jammu and Kashmir.

J & K bank branch of Pulwama has also disbursed an amount of Rs 61.18 Crore which has been utilized on various development schemes in the district during last fiscal. It was stated in the meeting that Rs 12.20 Corer has been proposed for R&B Sector, under which 14 schemes would be completed during the current financial year and 38.45 kms are proposed for black-topped. Under Social Welfare Sector Rs 33.87 Laces are proposed to be spent on various social welfare schemes for SC/OBC communities. About 3100 students shall be given pre-matric scholarships, 112 ITI trainees shall be given stipend. Under nutrition programme Rs 365.10 Laces are proposed for providing nutrition among 36099 beneficiaries of Pulwama district.

Under MGNREGA Schemes 6500 works are proposed to be taken to generate 12 laces mandatory incurring an amount of Rs 6000.00 Laces on this scheme.

Under IAY Scheme 1400 new houses would be constructed costing an amount of Rs 706.96 laces the meeting was informed.

Under PHE Sector an amount of Rs 670.16 laces are being proposed to be incurred under the said programme five(5) water supply schemes at an estimated cost of Rs 728.63 laces are proposed to be completed during current fiscal which include Gundbal, Androosa, Syed Mantiki Colony Seerbagh, Syed Qasim Colony, Naina and Shadimarg. It was stated in the meeting under minor irrigation sector five (5) schemes are proposed to be completed during current fiscal which include Dogripora, Pethkhul&Harakhul etc. costing Rs 807.60 laces providing irrigation potential to 1071 hectares of agriculture land.

Under Health Sector an amount of Rs 347.58 laces are proposed to be incurred for providing better healthcare medical facilities to the people of district Pulwama. Under Education Sector an amount of Rs 199.23 laces are proposed to be incurred on elementary, secondary & teacher education during the current fiscal. The Legislators projected various demands for development in their constituencies, the chairperson directed the concerned officers for immediate necessary action.

### Conclusion

The Jammu & Kashmir Bank is a growing and profit-making Bank in India. The revenues of the Bank have enormously bigger throughout the period under study and are expected to grow more as the trend is climbing upward. Priority sector lending is another notable initiative of the bank to strengthen the social banking concept. Branch banking into unbanked areas and priority sector lending to target sectors have succeeded in the reduction of poverty and bringing about a uniform sectoral development particularly in rural areas to some extent. The extension of banks to rural

areas has led to increases were driven by agricultural and non-agricultural output. When the banks were given freedom in case of placing branches they seem to bypass the needy and poor society. The Reserve bank of India has introduced the simplified “Know your customer” procedure for rural branches. Similarly, specific schemes for credit counseling and financial education to the clients have been devised by Reserve bank of India to spread financial inclusion in India.

Thus, the study concludes that priority sector advances of the banking groups are increasing. In spite of increasing advances, Indian banks have not achieved some targets fixed by RBI. Advancing to priority sector generates many difficulties for the Indian banks like low profitability, high NPAs, transaction cost etc. It is a need of the hour to find out solutions for these problems otherwise progress of the Indian banks will cease.

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