

A Study of Priority Sector Advances of Commercial Banks in India

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INTRODUCTION

Socialisation of bank credit has been the theme of priority sector lending by the commercial banks. Since the public sector banks touch the lives of millions, it is their top most responsibility to help the government in achieving the different socio-economic priorities like growth of agriculture, small-scale industries, exports, raising employment levels, encouragement of entrepreneurs and development of backward areas.

After nationalisation of banks, lending to priority sector was seen as an essential component of national agenda. Starting from the year 1969, there was only a single target for priority sector lending till the end of 1970's. In the mid 1970's, RBI advised banks to raise the proportion of credit to the priority sector to 33.3 percent by March, 1979. This target was gradually raised to 40 per cent which was to be achieved by March 1985.

Priority sector included agriculture (direct and indirect) SSI's and industrial estates, road and water transport operators, retail trade, small business professional and self-employed persons and education. In the year 1980, on the basis of recommendations of Krishnaswamy, weaker section (small and marginal farmers, landless labourers, SC/ST and so on) were also included in the priority sector. The Ghosh Group (1982) made important recommendations regarding the nature of agriculture advances and targeting of direct and indirect farm lending. Minimum agriculture credit was to be fixed at 14 per cent of net bank credit and in view of the increasing credit flow for farming operations, it was raised to 16 per cent by March, 1987, 17 per cent by March, 1989 and to 18 per cent by March, 1990.

Narashiman Committee (1991) highlighted the problems of low and declining profitability in the public sector banks and recommended for the gradual phasing out of direct credit programmes. The committee emphasised that priority sector should be redefined and the proportion of credit flowing under this should be fixed at 10 per cent of the total credit. However, because of its strategic role, which priority sector is expected to play in fulfilling various economic and social objectives, Government of India did not accept this proposal. Though subsequently Narashiman Committee (1998) acknowledged the political compulsions faced by the Government with respect to curtailment of priority sector lending (yet, again persisted that it must be brought down to 10 per cent). Since the initiation of banking sector reforms in 1991, priority sector lending underwent some major changes. Here in this context, considering the relevance of priority sector lending, certain important issues relating to its growth and structure are discussed.

STATEMENT OF THE PROBLEM

The Central and the State Governments have evolved several schemes for the rural poor for improving their standard of living. Most of these schemes are well conceived but not implemented properly. Deficiencies in the implementation of these schemes have been found not only with the Government agencies but also with the implementing banks.

Identification of beneficiaries is a sore point in the implementation of the Government sponsored schemes by the banks. There is political interference in the selection of beneficiaries under the various Government sponsored schemes.

The success of priority sector lending largely rests on the shoulders of the branch managers of commercial banks as they are the deciding authority with regards to the priority sector lending. Moreover, the monitoring of such loans is also difficult. Most of the commercial banks face overdue problems only because of priority sector lending.

However, the priority sector lending which helps rural development leads to the development of Indian economy. Considering the importance of priority sector lending to economic development of India, the researcher has made an attempt to study the priority sector lending by commercial banks in India.

SCOPE OF THE STUDY

The present study is undertaken to analyze the various classification of priority sector advances of different

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classifications of commercial banks in India. This study also compares the priority sector advances of different classification of commercial banks in India.

OBJECTIVES OF THE STUDY

The objectives of the study are:

1. To analyse the priority sector advances of different classification of commercial banks in India.
2. To compare the various components of priority sector advances of different classification of commercial banks in India.
3. To offer suitable suggestions based on the findings of the study.

HYPOTHESES OF THE STUDY

In this study, the following hypotheses are framed:

There is no significant difference in the growth rates of agriculture advances, advances to SSI units, advances to other priority sectors and total priority sector advances of different categories of commercial banks in India during the period under study.

There is no significant difference in the various components of priority sector advances of scheduled commercial banks, Public Sector Commercial Banks, Private sector Commercial Banks and Foreign Commercial Banks in India during the period under study.

METHODOLOGY

The study is based upon the secondary data. The data required for the study are collected from annual reports of RBI, journals, government publication and books.

PERIOD OF STUDY

The study covers a period of ten years from 1996-1997 to 2005-2006.

DATA PROCESSING AND FRAMEWORK ANALYSIS

The process of priority sector advances of agriculture, advances of SSI units, other priority sector advances of different categories of commercial banks in India are analysed with the help of secondary data. Tables have been used to present the data in a suitable form.

To make the comparison, Friedman's Test, Kruskal Wallis Test, Mann-Whitney 'U' Test have been used.

Friedman's Test has been used to know whether there is any significant difference in the growth rates of priority sector advances of different categories of commercial banks in India.

Kruskal-Wallis Test has been used to know whether there is any significant difference in the various components of priority sector advances of different categories of commercial banks in India.

Mann-Whitney 'U' Test has been used to know whether there is any significant difference between the priority sector advances of export credit and advances of SSI units of FCBs in India.

BANK GROUP-WISE PRIORITY SECTOR ADVANCES

The bank group-wise classification of priority sector advances by commercial banks is presented in Table 1

TABLE 1 : Bank Group-wise Priority Sector Advances in India (Rs. crores)

Sl. No.	Year	PSCBs	Pvt SCBs	FCBs	SCBs
1.	1997	79102 (83.93%)	8832 (9.37%)	6310 (6.70%)	94244 (100%)
2.	1998	91295 (83.04%)	11614 (10.56%)	7034 (6.40%)	109943 (100%)
3.	1999	107200 (82.79%)	14155 (10.93%)	8138 (6.28%)	129493 (100%)
4.	2000	130157 (82.39%)	18368 (11.63%)	9449 (5.98%)	157974 (100%)
5.	2001	142525 (81.60%)	21550 (12.34%)	10580 (6.06%)	174655 (100%)
6.	2002	171484 (82.17%)	25709 (12.32%)	11509 (5.51%)	208702 (100%)
7.	2003	194345 (79.89%)	36648 (15.06%)	12286 (5.05%)	243279 (100%)
8.	2004	238916 (79.09%)	48106 (15.92%)	15067 (4.99%)	302089 (100%)
9.	2005	302831 (77.43%)	69025 (17.65%)	19246 (4.92%)	391102 (100%)
10.	2006	401865 (75.50%)	104875 (19.70%)	25548 (4.80%)	532288 (100%)

Source: Consolidated RBI Reports on Trend and Progress of Banking in India from 1997 to 2006.

It is observed from Table 1 that the total priority sector advances of all commercial banks steadily increased from Rs.94244 crores in 1997 to Rs.5,32,288 crores which shows nearly a six fold increase.

The proportion of PSCBs in the total priority sector advances of the bank varies between 83.93 per cent and 75.50 per cent. The proportion of private SCBs in the total priority sector advances of the bank varies between 9.37 per cent and 19.70 per cent. The proportion of FCBs in the total advances varies between 4.80 per cent and 6.70 per cent.

It is further inferred from the table that the PSCBs play a dominant role in the priority sector advances in India.

CLASSIFICATION OF PRIORITY SECTOR ADVANCES OF SCBs IN INDIA

Priority sector advances of scheduled commercial banks are classified into agriculture advances, SSI advances and other advances. The quantum of advances of the SCBs during the period under study is presented in Table 2.

TABLE 2 : Category-wise Priority Sector Advances of SCBs in India (Rs. crores)

Sl. No.	Year	Agriculture	SSI	Other	Total
1.	1997	32965 (34.98%)	38132 (40.46%)	23147 (24.56%)	94244 (100%)
2.	1998	37051 (33.70%)	46041 (41.88%)	26851 (24.42%)	109943 (100%)
3.	1999	43335 (33.47%)	51585 (39.84%)	34573 (26.69%)	129493 (100%)
4.	2000	49319 (31.22%)	57035 (36.10%)	51620 (32.68%)	157974 (100%)
5.	2001	59079 (33.83%)	60319 (34.54%)	55257 (31.63%)	174655 (100%)
6.	2002	66164 (31.70%)	67442 (32.32%)	75096 (35.98%)	208702 (100%)
7.	2003	80426 (33.06%)	64707 (26.60%)	98146 (40.34%)	243279 (100%)
8.	2004	99165 (32.83%)	71208 (23.57%)	131716 (43.60%)	302089 (100%)
9.	2005	131553 (33.64%)	83299 (21.30%)	176250 (45.06%)	391102 (100%)
10.	2006	191085 (35.90%)	101385 (19.05%)	239818 (45.05%)	532288 (100%)

Source: Annual Reports of Trend and Progress of Banking in India.

It is inferred from Table 2 that the total priority sector advances of SCBs steadily increased from Rs.94244 crores in 1997 to Rs.532288 crores in 2006. The proportion of agriculture advances in the total advances of SCBs has been in a fluctuating trend from 34.98 per cent in 1997 to 35.90 per cent in 2006, during the period under study.

The proportion of SSI advances varies between 19.05 in 2006 and 41.88 per cent in 1998. The proportion of other advances of the bank is 24.42 per cent in 1998 and 45.06 per cent in 2005.

It is inferred from the Table 2 that the major portion of priority sector advances of SCBs is given to agriculture and SSI units.

CATEGORY-WISE PRIORITY SECTOR ADVANCES OF PSCBs IN INDIA

The category-wise classification of priority sector advances of public sector commercial banks is presented in Table 3.

TABLE 3 : Category-wise Priority Sector Advances of PSCBs in India (Rs. crores)

Sl. No.	Year	Agriculture	SSI	Other	Total
1.	1997	31,012 (39.2%)	31,542 (39.9%)	16,548 (20.9%)	79,102 (100%)
2.	1998	34,305 (37.6%)	38,109 (41.7%)	18,881 (20.7%)	91,295 (100%)
3.	1999	40,078 (37.4%)	42,674 (39.8%)	24,448 (22.8%)	1,07,200 (100%)
4.	2000	45,296 (34.8%)	46,045 (35.4%)	38,816 (29.8%)	1,30,157 (100%)

(Cont.)

5.	2001	53,685 (37.7%)	48,445 (34.0%)	40,395 (28.3%)	1,42,525 (100%)
6.	2002	58,142 (33.9%)	54,268 (31.6%)	59,074 (34.5%)	1,71,484 (100%)
7.	2003	70,502 (36.3%)	52,646 (27.1%)	71,197 (36.6%)	1,94,345 (100%)
8.	2004	84,435 (35.3%)	58,311 (24.4%)	96,170 (40.3%)	2,38,916 (100%)
9.	2005	1,09,917 (36.3%)	67,800 (22.4%)	1,25,114 (41.3%)	3,02,831 (100%)
10.	2006	1,54,900 (38.6%)	82,492 (20.5%)	1,64,473 (40.9%)	4,01,865 (100%)

Source: Annual Reports of Trend and Progress of Banking in India.

Table 3 shows the category-wise priority sector advances of PSCBs in India. It is observed from the Table 3 that the total priority sector advances of public sector commercial banks steadily increased from Rs.79,102 crores in 1997 to Rs.401,865 crores in 2006 which shows nearly a six fold increase.

The proportion of agriculture advances in the total priority sector advances of commercial banks varied between 39.2 per cent and 33.9 per cent. The proportion of SSI advances in total advances varied between 20.5 per cent and 41.7 per cent. The proportion of other advances in total advances of commercial banks varied between 20.7 per cent and 41.3 per cent. The PSCBs provided advances eventually to all priority sectors.

CLASSIFICATION OF PRIORITY SECTOR ADVANCES OF PVT. SCBs IN INDIA

The priority sector advances of Pvt. SCBs are classified into agriculture advances, SSI advances and other advances. Table 4 depicts the quantum of advances of the priority sector advances of private sector commercial banks during the period under study.

TABLE 4 : Category-wise Priority Sector Advances of Pvt SCBs in India (Rs. crores)

Sl. No.	Year	Agriculture	SSI	Other	Total
1.	1997	1953 (22.1%)	4754 (53.8%)	2125 (24.1%)	8832 (100%)
2.	1998	2746 (23.6%)	5848 (50.4%)	3020 (26.0%)	11614 (100%)
3.	1999	3257 (23.0%)	6451 (45.6%)	4447 (31.4%)	14155 (100%)
4.	2000	4023 (21.9%)	8000 (43.6%)	6345 (34.5%)	18368 (100%)
5.	2001	5394 (25.0%)	8158 (37.9%)	7998 (37.1%)	21550 (100%)
6.	2002	8022 (31.2%)	8613 (33.5%)	9074 (35.3%)	25709 (100%)
7.	2003	9924 (27.1%)	8051 (22.0%)	18673 (50.9%)	36648 (100%)
8.	2004	14730 (30.6%)	7590 (15.8%)	25786 (53.6%)	48106 (100%)
9.	2005	21636 (31.4%)	8592 (12.4%)	38797 (56.2%)	69025 (100%)
10.	2006	36185 (34.5%)	10447 (10.0%)	58243 (55.5%)	104875 (100%)

Source: Annual Reports of Trend and Progress of Banking in India.

It is inferred from the Table 4 that the total priority sector advances of the banks steadily increased from Rs.8832 crore in 1997 to Rs.1,04,875 crores in 2006. The proportion of agriculture advances in the total priority sector advances of the Pvt SCBs was during the period under study fluctuating between 22.1 per cent and 34.5 per cent. The proportion of SSI advances in total priority sector advances varied between 10 per cent and 53.8 per cent. The proportion of advances of Pvt SCBs to other priority sectors during the study period varied between 24.1 per cent and 55.5 per cent.

CATEGORY-WISE PRIORITY SECTOR ADVANCES OF FCBs IN INDIA

The priority sector advances of FCBs is classified as export credit and advances to SSI units. Table 5 shows the category-wise priority sector advances of FCBs in India.

TABLE 5 : Category-wise Priority Sector Advances of FCBs in India (Rs. crores)

<i>Sl. No.</i>	<i>Year</i>	<i>Export Credit</i>	<i>SSI</i>	<i>Total</i>
1.	1997	4474 (70.9%)	1836 (29.1%)	6310 (100%)
2.	1998	4950 (70.4%)	2084 (29.6%)	7034 (100%)
3.	1999	5678 (69.8%)	2460 (30.2%)	8138 (100%)
4.	2000	6459 (68.4%)	2990 (31.6%)	9449 (100%)
5.	2001	6864 (64.9%)	3716 (35.1%)	10580 (100%)
6.	2002	6948 (60.4%)	4561 (39.6%)	11509 (100%)
7.	2003	8276 (67.4%)	4010 (32.6%)	12286 (100%)
8.	2004	9760 (64.8%)	5307 (35.2%)	15067 (100%)
9.	2005	12339 (64.1%)	6907 (35.9%)	19246 (100%)
10.	2006	17102 (66.9%)	8446 (33.1%)	25548 (100%)

Source: Annual Reports of Trend and Progress of Banking in India.

Table 5 shows that the export credit has registered more than 60 per cent of the total advances of FCBs in all the years of study period. Total advances of the bank steadily increased from Rs.6310 crores in 1997 to Rs.25548 crores in 2006. The proportion of SSI advances varied between 29.1 per cent in 1997 to 39.6 per cent in 2002.

TREND ANALYSIS

The priority sector advances of commercial banks have been analysed by the method of least square and predicted for the future year 2015. The trend values of priority sector advances have been estimated by using a linear trend equation as given below:

$$Y_c = a + bx$$

where Y = Priority sector advances in crores of rupees.

x = Time Variable

'a' and 'b' are parameters to be estimated.

Y_c computed trend figure for period x

The above trend equation has been estimated by the method of least squares. The value of 'a' and 'b' are determined by solving the following two normal equations:

$$\Sigma y = Na + b\Sigma x \quad \text{----- (1)}$$

$$\Sigma xy = N\Sigma x + b\Sigma x^2 \quad \text{----- (2)}$$

where N = Number of years for which data are given that is ten years.

The x values for the years 1997 to 2006 are $-4.5, -3.5, -2.5, -1.5, -0.5, 0.5, 1.5, 2.5, 3.5$ and 4.5 .

Since $\Sigma x = 0$ the above two normal equations are:

$$\Sigma y = Na$$

$$a = \frac{\Sigma y}{\Sigma N}$$

$$\Sigma xy = b\Sigma x^2$$

$$b = \frac{\sum xy}{\sum x^2}$$

With the help of the above linear trend equation, the trend values of priority sector advances of different classification of commercial bank have been computed.

Trend values of Priority Sector Advances of different classification of Commercial Banks in India is shown in Table 6

Table 6 : Trend Values of Priority Sector Advances for the Year 2015

S. No.	Banks	Rs. in Crores
1	SCBs	812295.57
2	PSCBs	616803.85
3	PvtSCBs	158207.92
4	FCBs	37283.94

Table 6 clearly indicates the priority sector advances of various classifications of commercial banks in India for the year 2015, which were 812295.57 crores, Rs. 616803.85 crores, Rs. 158207.92 crores and Rs. 37283.94 crores for SCBs, PSCBs, Pvt SCBs and FCBs respectively.

FRIEDMAN'S TEST: COMPARISON OF GROWTH RATES OF VARIOUS COMPONENTS OF PRIORITY SECTOR ADVANCES OF DIFFERENT CATEGORIES OF COMMERCIAL BANKS IN INDIA

Here, an attempt is made to compare the growth rates of priority sector advances of commercial banks in India to agriculture, SSI and other sectors to total advances. For this comparison, Friedman's Test, a non-parametric test was used.

The growth rate refers to the percentage increase/decrease of priority sector advances of commercial banks in India to agriculture, SSI and other sectors to total advance amount as compared to the previous year. From the data relating to ten financial years, nine growth rates were calculated.

The main objective of the study is to find out whether there was any significant difference in the growth rates of priority sector advances of commercial banks in India, during the period under study.

FRIEDMAN'S TEST

Friedman's Test is a non-parametric test. This test requires minimum restrictive assumptions concerning the level of data measurement. The test does not require the assumption of normality and equal variance. It is used whenever the number of sample is greater than or equal to 3 (say k) and each of the sample size is equally parallel to two-way analysis of variance.

In order to calculate the 'F' values for this study, ranks are assigned for the growth rates of priority sector advances of agriculture, SSI and other sectors to total advances of commercial banks in India for each year from 1997 to 2006. The lowest growth rate in each year (among the four banks) receives a rank of 1, whereas the highest growth rate receives the highest rank. Hence, the total ranks in each row are constant and equal to

$$\frac{k(k+1)}{2}$$

here

k = Number of Samples

The null hypothesis (H_0) to be tested is that all the k samples have come from identical populations. In this study, the null hypothesis (H_0) is that there is no significant difference between the growth rates of priority sector advances of commercial banks in India during the period under study. The alternative hypothesis (H_1) is that at least two samples differ from each other.

Under null hypothesis (H_0), the Friedman's Test Statistic is :

$$F = \frac{12}{Nk(k+1)} \sum_{j=1}^k R_j^2 - 3n(k+1)$$

In Friedman's Test, the sampling distribution 'F' can be approximated by a χ^2 (chi-square) distribution with k – 1 degrees of freedom. The chi-square distribution table shows that with k – 1 = 3 degrees of freedom the chi-square value at 5 per cent level of significance is $\chi^2 = 7.81$ and at 1 per cent level of significance the value is $\chi^2 = 11.3$ and

at 1 degrees of freedom, the chi-square value at 5 per cent level of significance is $\chi^2 = 5.99$ and 1 per cent level of significance, $\chi^2 = 9.21$.

The calculated value of 'F' is compared with the table value of chi-square (χ^2) at 5 per cent level of significance. If the calculated value of 'F' is less than or equal to the table value of chi-square, growth rates of priority sector advances of commercial banks in India are considered statistically the same. In other words, there was no significant difference in the growth rates of priority sector advances of commercial banks in India during the study period. In case the calculated value exceeds the table value, the difference will be termed as significant. If it is found to be significant at 5 per cent level, it is further checked at 1 per cent level of significance.

For the purpose of this study, the following hypotheses were framed :

There is no significant difference in the growth rates of agriculture advances, advances to SSI units, advances to other priority sectors and total priority sector advances of different categories of commercial banks in India during the period under study.

The Friendman's Test results are given in Table 7

Table 7 : Friendman's Test results

S NO	Particulars	Calculated Value	Result
1	Agricultural Advances of Different Classification of Commercial Banks in India	18	Significant**
2	Advances to SSI Sector by Different Classification of Commercial Banks in India	8.6	Significant*
3	Advances to other Priority Sector by Different Classification of Commercial Banks in India	4.22	Not Significant**
4	Total Priority Sector Advances of Different Classification of Commercial Banks in India	17.67	Significant**

* At 1 per cent and 5 per cent level of Significance

** At 5 per cent level of Significance only

RESULT

There were significant differences in the growth rates of agricultural advances, advances to SSI sector and total priority sectors advances of different categories of commercial banks in India. There was no significant difference in the growth rates of advances to other priority sector by different categories of commercial banks in India.

KRUSKAL-WALLIS TEST: COMPARISON OF DIFFERENT COMPONENTS OF PRIORITY SECTOR ADVANCES

The Kruskal-Wallis Test is a non-parametric test. This test can be used with ordinal data as well as internal or ratio data. This test does not require the assumptions of normality and equal variances. The Kruskal-Wallis Test is based on the sum of ranks for each of the samples by using the following formula:

$$W = \frac{12}{n_T(n_T + 1)} \sum_{i=1}^k \frac{R_i^2}{n_i} - 3(n_T + 1)$$

Where K = Number of population groups = 3

(Agriculture, SSI, Other priority sector advances)

n_i = Number of items in Sample i

n_T = n_i = Total number of items in all samples

R_i = Sum of the ranks for sample i

The Kruskal - Wallis Test is used

when $K \geq 3$

The use of the Kruskal – Wallis Test requires data for different components of priority sector advances of commercial banks in India during the period under study for the agriculture, SSI, other priority sector advances. In order to compute the 'W' value for this study, ranks are assigned to all 27, priority sector advances of different classification of commercial banks in India, such as SCBs, PSCBs, Pvt SCBs, FCBs. The lowest value receives

the rank of one where as the highest value receives the rank of 27. Tied growth rates, if any is assigned the average rank value.

Kruskal-Wallis were able to show that under the null hypothesis when the populations are identical, the sampling distribution of 'W' can be approximated by a chi-square (χ^2) distribution with $k - 1$ degree of freedom. This approximation is generally acceptable if each of the sample size is greater than or equal to 5. The chi-square test distribution table shows that with $k - 1 = 2$ degrees of freedom, the chi-square value of the 5 per cent level of significance is $\chi^2 = 5.99$ and this value at the 1 per cent level of significant is 9.21.

The calculated value of 'W' is compared with the table value of the chi-square (χ^2) at the 5 per cent and 1 per cent level of significances. If the calculated value of 'W' is less than or equal to the table value of the chi-square (χ^2), priority sector advances (agriculture, SSI and other priority sector advances) of the PSCBs, Pvt SCBs, FCBs, SCBs are considered statistically the same. In other words, there is n significant difference in the various components of priority sector advances of CBs of different categories in India.

For the purpose of this study, the following null hypotheses are framed.

There is no significant difference in the growth rates of various components of priority sector advances of scheduled commercial banks in India during the period under study.

There is no significant difference in the growth rates of various components of priority sector advances of public sector commercial banks in India during the period under study.

There is no significant difference in the growth rates of various components of priority sector advances of private sector commercial banks in India during the period under study.

The test results of Kruskal - Wallis Test is presented in the Table 8

Table 8 : The Kruskal - Wallis Test Result

S.NO	Particulars	Calculated Value	Result
1	SCBs	9.48	Significant**
2	PSCBs	7.15	Significant*
3	Pvt SCBs	14.35	Significant**

**both at 1 per cent and 5 per cent level of Significance

* at 1 per cent level of Significance

RESULT

There is a significant difference in the growth rates of various components of priority sector advances of SCBs, PSCBs and Pvt. SCBs.

COMPARISON OF GROWTH RATES OF EXPORT CREDIT AND ADVANCES OF SSI UNITS OF FCBs IN INDIA: MANN - WHITNEY 'U' TEST

Mann - Whitney 'U' Test is a non-parametric method in statistical work. This test makes it possible to work with very small samples. It requires less respective assumptions concerning the level of data measurement. It is used to determine whether there is no significant difference between the two independent samples and one from each population is used.

The first step in the Mann - Whitney 'U' Test is to rank the combined data from low to high (combined rankings for the growth rate of amount of FCBs in India). The next step is to sum up the ranks of any sample. In this study, the sum of the ranks of the growth rates of FCBs in India is used and it is denoted as S_1 . The Mann - Whitney 'U' Test statistic is given below:

$$U = n_1 n_2 + \frac{n_1(n_1 + 1)}{2} - S_1$$

n_1 = Number of samples from the first population.

n_2 = Number of samples from the second population.

S_1 = Sum of ranks of samples from the first population.

For the values of n_1 and n_2 , Mann - Whitney 'U' Test table values provide the priority sector advances associated with the calculated values of U. If the tabulated probability is greater than the values of significant level (if the significant level is 5 per cent, the value is 0.05), the null hypothesis is accepted. If the priority sector advances is less than the significant level, the null hypothesis is rejected.

If the probability of the calculated value is not provided in the table, the value of U^1 for the other group can be calculated as follows:

$$U^1 = n_1 n_2 - U$$

The value of U^1 will be the same if U^1 is calculated by using the sum of the ranks of sample of second population as follows:

$$U = n_1 n_2 + \frac{n_2(n_2 + 1)}{2} - S_2$$

n_1 = Number of samples from the first population.

n_2 = Number of samples from the second population.

S_2 = Sum of ranks of samples from the second population.

If the size of any one sample is greater than 8, the MWU Test table does not exist; then the Mann - Whitney 'U' Test compares the calculated 'U' value and the critical table values of U. If the calculated 'U' value is less than or equal to the tabulated value of U, H_0 is rejected, otherwise H_0 is accepted.

For the purpose of this study, the following null hypothesis is framed:

H_0 : *There is no significant difference between the priority sector advances of export credit and advances of SSI units of FCBs in India during the period under study.*

Table Value	: 17
Calculated Value	: 53
Result	: Not Significant

RESULT

The application of Mann-Whitney U test gives the result that there is no significant difference between the growth rates of export credit and advances of SSI units of FCBs in India.

SUMMARY OF FINDINGS

Regarding the growth rates of agriculture, SSI and other priority sector advances steadily increased during the study period. The total priority sector advances of all commercial banks also steadily increased from Rs.94244 crores in 1997 to Rs.532288 crores which shows nearly a six-fold increase.

The total priority sector advances of PSCBs steadily increased from Rs.79102 crores in 1997 to Rs.401865 crores in 2006. The total priority sector advances of Pvt. SCBs increased steadily from Rs.8832 crores in 1997 to Rs. 104875 crores in 2006. The total priority sector advances of FCBs steadily increased from Rs.6310 crores in 1997 to Rs.25548 in 2006.

The commercial banks had fulfilled the RBI guidelines related to priority sector advances of agriculture, SSI and other priority sector advances. In the funds allotted to total priority sector lending, the nationalised commercial banks had more than 36 per cent in the total allocation of funds, followed by other agencies with more than 22 per cent. In the total priority sector lending in each year of the credit plan, more than 34 per cent had lend by the nationalised commercial banks.

SBI Group of banks topped the list of consistent allocation of funds to the agricultural sector followed by nationalised commercial banks. Private sector commercial banks topped the list of consistent allocation of funds to the industrial sector.

The trend value of priority sector advances of SCBs, PSCBs, Pvt SCBs and FCBs for the year 2015 would Rs. 812295.57 crores, Rs. 616803.85 crores, Rs. 158207.92 crores and Rs. 37283.94 crores respectively.

The result of Friedman's test indicates that there was significant difference in the growth rates of agriculture advances of different categories of commercial banks in India, during the period under study. The significant difference is due to the best growth rates of agriculture advances of Pvt. SCBs in India, since the total ranks for the growth rates in column of Pvt. SCBs was the highest (27).

There was significant difference in the growth rates of priority sector advances of SSI units during the period under study. Even though there was a significant difference in the growth rates of priority sector advances of SSI units of the performance of PSCBs and FCBs, SCBs were better than Pvt. SCBs, since the total rank for the growth rates in columns of FCBs is the highest (31).

There was no significant difference in the growth rates of other priority sector advances during the period under study. Even though there was no significant difference in the growth rates of other priority sector advances, the performance of Pvt. SCBs was the best, since the total rank for the growth rates in the column of Pvt. SCBs was the

highest (23).

There was significant difference in the growth rates of total priority sector advances, during the period under study. The significant difference was due to the best growth rates of total priority sector advances of Pvt. SCBs, since the total rank for the growth rates in column of Pvt. SCBs was the highest (34).

The result of Kruskal - Wallis Test is that there were significant differences in the various components of priority sector advances of scheduled commercial banks in India during the period under study. The significant differences in the various components of priority sector advances were due to the highest total sum of ranks of other priority sector advances (174) and the lowest sum of ranks of advances of SSI units (71). On the basis of the total sum of ranks, the performance of other priority sector advances is best followed by agriculture advances (133) and there was the least performance with regard to advances of SSI units.

There were significant differences in the various components of priority sector advances of public sector commercial banks in India. The significant differences in the various components of priority sector advances were due to the highest total sum of ranks of other priority sector advances (170) and the lowest sum of ranks of advances of SSI units (80). On the basis of the total sum of ranks, the performance of other priority sector advances is best followed by agriculture advances (128) and there was the least performance with regard to advances of SSI units.

There was a significant difference in the various components of priority sector advances of private sector commercial banks in India. The significant differences in the various components of priority sector advances were due to the highest total sum of ranks of other priority sector advances (171) and the lowest sum of ranks of total sum of ranks, the performance of other priority sector advances is best followed by agriculture advances (154) and there was the least performance with regard to advances of SSI units.

The result of MannWhitney 'U' Test is that there was significant difference between the growth rates of export credit and advances of SSI units of FCBs in India. Even though there was no significant difference between the growth rates of export credit and advances of SSI units of FCBs in India, the advances of SSI units had shown better performance (98) than export credit (73).

SUGGESTIONS

- * The financial assistance to the borrowers should be need based rather than on the basis of project estimate.
- * Suitable action must be taken against the defaulters under the Government sponsored programmes for the recovery of the overdues.
- * In order to take an appropriate action against the defaulters, a list of defaulters must be prepared and submitted by each bank and the same should listed in web sites.
- * Borrowers who are prompt in repaying the loan must be acknowledged and rewarded at the credit recovery camps in order to motivate the others to repay the loan.
- * Each participating agency should have a special officer exclusively for supervising the recovery of priority sector advances.
- * Each village branch should be provided with a vehicle to enable the branch manager to visit the villages periodically.
- * Just like targets for lending, there should be targets for recovery also.
- * Factoring services may be introduced for the recovery of priority sector advances.
- * In order to ensure effective follow-up measures in priority sector lending, the field and bank officers should be allowed to have a minimum term of five years.
- * Income of the beneficiaries may be verified with the help of their ration cards, as understatement of income is a common feature.
- * Steps should be taken to inform the beneficiaries about the insurance cover. It would be helpful to the beneficiaries to claim the insurance amount, if any loss is incurred. This, in turn, will help the bank to recover the loans in such cases.
- * The beneficiaries must be educated about the very objective of the scheme and purposes of lending.
- * Banks should be given sufficient discretionary powers either to sanction or reject loans.
- * Private sector banks and foreign banks should open branches in rural area and should provide loans to farmers.

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and price are determined by the exchange and a person even has the option of verifying his/her trade on the exchange site, thereby leaving no scope for default.

Investors are not required to have any underlying exposure to trade in currency derivatives as in the case of an OTC market. As long as they are willing to pay margins, they can trade in currency futures. Commodity analysts believe that accessibility is also high because of the similarity with existing equity and commodity futures markets.

CONCLUSION

Thus, Currency Futures is transferable futures contract that specifies the price at which a specified currency can be bought or sold at a **future** date. A surge in volume and enormous growth has also taken place in the currency futures markets as institutions are accessing different venues of FX liquidity. A large number of exchanges, banks, dealers, exchange brokers and speculators are all getting ready to join in. In fact, India is getting into the game at the right time. World-over, exchange-traded currency derivatives are slowly eating into the traditional foreign exchange trading platforms, especially the spot and over-the-counter markets.

It is said that for those who have the ability to convert the local and globally available information into a directional price call on currency, there is no better market to trade in. The currency futures markets help benefit financially by analyzing such information. Research analysts suggest that in order to trade effectively and profitably in currency futures, an investor needs to strategize his/her investments. According to Vandana Bharti, "Since the currency futures are denominated in dollar and globally, the dollar is traded as commodity, one need to track the international commodity index while developing the outlook of rupee."

The government is expanding derivatives trading to help investors cope with widening fluctuations in rupee, which has traded at a decade high and a 17-month low during the past year. The coming time will tell the success of this new risk management tool in the Indian financial market.

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