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A Study on Trend Analysis of Priority Sector Lending Towards Housing, Education and Renewable Energy

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Abstract: Mandatory sanctioning to priority sector lending (PSL) is a part of statutory policy framed for nationalized banks in India s directed by RBI. Under the regulations, they are require to disburse atleast 40 percent of thir advances to this ector. The present manuscript focused to examine the trend in long term lending behavior towards housing, education & renewable energy sector These sectors are coming under priority sectors. In this paper an attempt has been made to analyze empirical and descriptive data of the lending to the priority sector towards housing, education and renewable enrgy sector. It was seen in this study that there is positive trend of priority sector lending by the nationalized banks towards the mentioned sub sectors.

Keywords: Trend Analysis, Priority Sector, Housing, Education and Renewable Energy

I. Introduction

Nationalized banks are deemed to play a significant role in the progress of our economy. The economic development of any country depends on real as well as monetary factors. In this globally competitive world, we cannot under-estimate the importance of banking and the monetary mechanism PSL is a vital strategy mediation to guarantee that specific segments esteemed as vital for national improvement get satisfactory credit. It was made mandatory for all nationalized banks to lend 40 percent of their advances towards the priority sector, as these sector are of utmost importance for the country's progress, but are badly financed due to various factors. The word "priority" in itself indicates the importance attached towards lending required to be directed to these sectors as they are development is crucial for economic development. Some of these sectors are agriculture, micro and small enterprises, poor people for housing, education, and others.

II. Literature review

Review of existing literature is one of the essential components of any research work. Therefore, we tried to examine many existing studies to eliminate the prospect of repetition of study and increase the scope of adding new dimensions to our research.

Shabbir and Mujoo(2014) examine the trend of priority sector advances and non-performing assets(NPAs) in public, private & foreign banks and they found that Non-performing Assets(NPAs) in public sector banks are more NPAs than in the private sector banks. Venugopal (2014) examined the performance of financial institutions in the field of priority sector lending using the Kruskal-Wallis test. They found no significant relationship between lending to the agricultural sector, small scale sector and total priority sector. Sahoo et al, (2016) examines long term trend behaviour of lending to micro and small enterprise with reference to nationalised banks in India and they found that total credit extended to micro and mall scale enterprise has been increasing over a period. Mishra & Mohapatra (2017) in their study found that the share of agricultural credit as a proportion of agricultural GDP has been rising continuously. Panda & Swain (2017) found bank-specific characteristics like

the nature of ownership, size, performance which have a significant impact on the priority sector landings patterns. Sahoo & Kaur (2019) in their study on long term lending behaviour to the agricultural sector in India found that average agricultural lending is highest in case of Punjab & national bank among the nationalised banks.

III. Objective and hypothesis of the study

This paper aim is to the necessity of the priority sector lending for the socio-economic development in India. However, our study, in particular, focused to examine the trend in long term lending behaviour towards housing, education & renewable energy sector.

Along with the objective, our study also tests the following hypothesis.

Null Hypothesis: H₀: "There is no significant trend in PSL to housing, education & renewable energy by nationalized banks."

Alternative Hypothesis: H₁: "There is a significant trend in PSL to housing, education & renewable energy by nationalized banks."

IV. Data & methodology

To achieve the above objective, our study has considered the annual data on housing, education & renewable energy lending provided by Indian nationalised banks. The study used both descriptive statistics tools and regression analysis to analyze the long term lending behaviour towards housing, education & renewable energy sector. The following model has been developed to find out the trend of housing, education & renewable energy sector lending by nationalized banks.

The long term trend of PSL to housing, education & renewable energy of nationalized banks is analyzed with the help of the bivariate regression model.

Where PSL to others is considered as a dependent variable, is intercept, β represents the long term trend in behaviour of lending to micro and small enterprises and time is considered an explanatory variable.

V. Empirical results & analysis

In this section we discuss the PSL to housing, education and renewable energy sector. Starting with the descriptive analysis of priority sector lending to others is discussed below in table 1.

Table 1: Descriptive Analysis of Priority Sector Lending (PSL) to housing, education & renewable energy

S. No	Name of Bank	Mean (Crores)	Standard Deviation	Minimum	Maximum
1	Allahabad Bank	5597.33	909.95	4101.86	6872.00
2	Andhra Bank	5564.92	1363.94	3643.00	8123.00
3	Bank of Baroda	10892.62	2045.59	7275.00	14257.00
4	Bank of India	9204.71	1301.93	7809.00	11567.00
5	Bank of Maharashtra	5001.42	1498.00	3390.00	8369.00
6	Canara Bank	11955.10	964.35	10078.00	13346.00
7	Central Bank of India	9923.18	2524.97	7690.34	15407.00

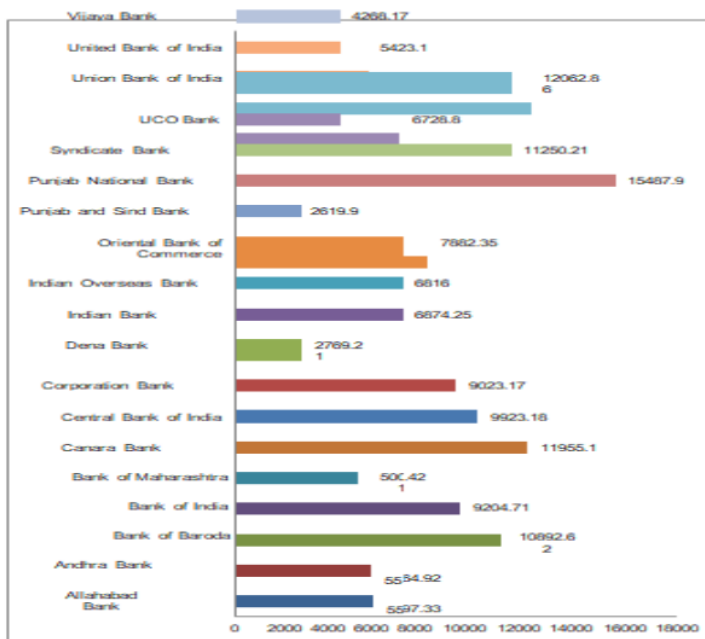
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8	Corporation Bank	9023.17	4252.35	5452.00	19899.00
9	Dena Bank	2769.21	863.44	886.00	4423.00
10	Indian Bank	6874.25	1404.07	4905.00	8849.00
11	Indian Overseas Bank	6816.00	2054.33	4753.00	11190.00
12	Oriental Bank of Commerce	7882.35	1942.99	6005.00	13048.00
13	Punjab and Sind Bank	2619.90	1859.50	1190.00	7657.00
14	Punjab National Bank	15487.90	11979.68	9269.00	49100.00
15	Syndicate Bank	11250.21	5481.66	6749.00	26130.63
16	UCO Bank	6728.80	1648.02	4494.00	8935.00
17	Union Bank of India	12062.86	2859.12	9658.00	19374.00
18	United Bank of India	5423.10	1354.56	3479.00	8113.00
19	Vijaya Bank	4268.17	577.49	3575.00	5401.00

The results indicate that average total priority sector lending to housing, education & renewable energy is found to be highest in case of Punjab National Bank (₹ 15487.90Crores) followed by Canara Bank (₹ 11955.10 Crores) However minimum average PSL is found in the case of Punjab and Sind Bank (₹ 2619.90 Crores), Dena Bank (₹ 2769.21Crores) and VijayaBank (₹ 4268.17 Crores).

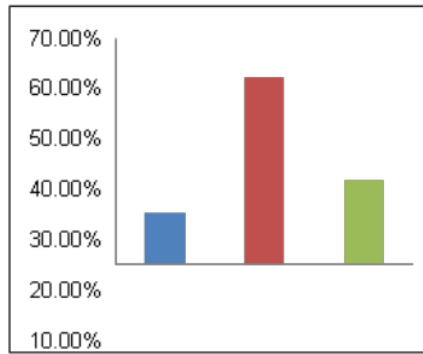


Average PSL to housing, education & renewable energy

On the basis of average total priority sector lending to housing, education & renewable energy, banks are divide into three groups. These groups are banks with average priority sector lending to housing, education & renewable energy less than `5000 Crores, average priority sector lending to housing, education & renewable energy between `5000-10000 Crores and banks with average priority sector lending to housing, education & renewable energy more than 10000 Crores. The frequency distribution of nationalized banks is shown in the following table 2.

Table 2: Distribution of Average Priority Sector Lending to housing, education & renewable energy

Average PSL to housing, education & renewable energy	Frequency	Percent
Less than `5000 Crores	3	15.8
`5000-10000 Crores	11	57.9
More than `10000 Crores	5	26.3
Total	19	100.0



The results indicate that out of 19 nationalized banks only 3 banks (15.8percent) have the average priority sector lending to housing, education & renewable energy less than `5000 Crores, whereas 11 banks (57.9percent) have average priority sector lending to housing, education & renewable energy between `5000-10000 Crores and 5 banks (26.3percent) have average priority sector lending to housing, education & renewable energy more than `10000 Crores.”

The results of regression model are shown in the below table 3.

Table 3: Regression Analysis of Priority Sector Lending to(OTHERS) housing, education & renewable energy

Name of Bank	Dependent variable	Independent Variable	Regression coefficient (β)	t-test (p value)	F-test (p value)	R Square
Allahabad Bank	PSL others	time (in years)	56.87	.54 .601	.29 0.601	3.6%
Andhra Bank	PSL others	time (in years)	430.21	9.10 (0.000)* *	82.86 (0.000)* *	91.2%
Bank of Baroda	PSL others	time (in years)	132.83	.39 .705	.15 0.705	1.9%
Bank of India	PSL others	time (in years)	273.16	2.32 (0.048)* *	5.41 (0.048)* *	4.045
Bank of Maharashtra	PSL others	time (in years)	398.05	3.83 (0.005)* *	14.68 (0.005)* *	64.7%
Canara Bank	PSL others	time (in years)	97.38	.90 .390	.82 .390	9.3%
Central Bank of India	PSL others	time (in years)	535.29	2.36 (0.045)* *	5.60 (0.045)* *	41.2%
Corporation Bank	PSL others	time (in years)	1033.13	3.07 (0.015)* *	9.43 (0.015)* *	54.1%
Dena Bank	PSL others	time (in years)	6.78	.06 .948	.00 948	1%
Indian Bank	PSL others	time (in years)	261.44	1.84 .102	3.40 .102	29.9%
Indian Overseas Bank	PSL others	time (in years)	523.86	3.43 (0.009)* *	11.80 (0.009)* *	59.6%
Oriental Bank of Commerce	PSL others	time (in years)	407.50	2.32 (0.049)* *	5.40 (0.049)* *	40.3%

Punjab and Sind Bank	PSL others	time (in years)	402.05	2.44 (0.040)* *	5.99 (0.040)* *	42.9%
Punjab National Bank	PSL others	time (in years)	1211.50	.91 .390	.82 .390	9.4%
Syndicate Bank	PSL others	time (in years)	957.37	1.76 .116	3.10 .116	2.8%
UCO Bank	PSL others	time (in years)	-13.26	-.06 .947	.005 947	1%
Union Bank of India	PSL others	time (in years)	520.99	1.87 .098	3.50 .098b	30.4%
United Bank of India	PSL others	time (in years)	358.07	3.77 (0.005)* *	14.25 (0.005)* *	64.1%
Vijaya Bank	PSL others	time (in years)	-76.42	-1.23 .251	1.53 .251	16.1%

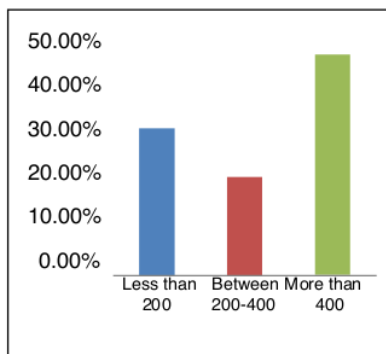
According to the above regression analysis there is a significant positive trend in the behaviour of total PSL of banks for 9 out of 19 banks such as Bank of Maharashtra, Central Bank of India, Andhra Bank and others. The Punjab National Bank has the highest trend value of 0051.031. This indicates that on an average total PSL of Punjab National Bank increases by `9951.931 Crores every year. Punjab National Bank is followed by Bank of Baroda where it is found that on an average total PSL of bank increases by ` 9565.910 Crores every year. The lowest trend is found in the case of Punjab and Sind Bank where PSL increases total by `1720.201 Crores every year.

In general, in the study it has been observed that almost 50 percent nationalized banks are found to have a significant long term trend in case of PSL to housing, education & renewable energy. However other 50 percent banks are not having a significant trend in PSL to housing, education & renewable energy sectors. Thus it can be concluded that in case of PSL to housing, education & renewable energy is not clear in the case of nationalized banks. Currently, sectors which benefit from the priority status are agriculture, micro and small enterprises and other economically weaker sections as Renewable are prescribed sub targets for these sectors, whereas others actors like housing, export credit etc. which are also crucial for our country are dwindling posing a big question on the financial inclusion, due to absence of any specific target.

On the basis of long term trend of PSL banks are divided into three categories. These are banks with annual trend of less than `200 Crores, between `200-400 Crores and more than `400 Crores. The frequency distribution of banks on the basis of annual trend is shown in the following table 4.

Table 4: Distribution of Annual Trend of Priority Sector Lending to housing, education & renewable energy

Annual Trend of PSL to Others	Frequency	Percent
Less than `200 Crores	6	31.6
Between `200-400 Crores	4	21.1
More than `400 Crores	9	47.4
Total	19	100.0



It is clearly visible from the table that 6 banks (31.6percent) have an annual trend of less than `200Crores and similarly 4banks (21.1percent) have an annual trend value between`200-400 Crores, whereas 9 banks (47.4percent) have an annual trend more than `400 Crores.

VI. Conclusion

It is clear from the above descriptive & empirical analysis that a positive trend has been observed in the case of total PSL and its different categories ie. Housing, education & renewable energy during the study period for nationalized banks of India. Banks have been tasked to nurture financially starved sections under mandatory priority-sector lending targets. While there has been an increase in the PSL by all nationalized banks in absolute terms but an analysis of growth in relative terms will present a better picture.

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