

Role of Scheduled Commercial Banks in Priority Sector Lending relating to Agriculture - A Study

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Abstract

The importance of Priority Sector Lending (PSL) contributing to economic prosperity is there in developed and developing nations. The PSL plays a significant role in bringing economic parity among various sectors in India. The PSL pertaining to agriculture sector is expected to contribute better to Indian economy but in reality it does not which needs an analysis. The present study explores the role of scheduled commercial banks relating to agriculture sector of PSL. The contribution of PSL towards Agricultural Development has also been postulated in a framework providing the base for future research.

Keywords: Priority Sector Lending (PSL), Scheduled Commercial Banks, Agricultural Development

I. Introduction

The pivotal role played by scheduled commercial banks for developing the economies in developed and developing nations has been highlighted. The capital formation, resource utilization, enriching the lives of farmers, reaching the targeted segment and lending to priority sector have been firmly established (Kohli, 1997). The vitality of agriculture sector is there since first five year and thrust is given on strengthening agriculture sector. The emergence of Priority Sector Lending (PSL) as an important policy having prime objective to provide credit to small and marginal farmers and weaker sections in India goes back to 1970's (MoSPI, 2022). Arjun (2013) studied on the importance of agriculture sector contributing to GDP of India along with generating employment and covering forty-three per cent of geographical area for farm based and allied activities. Crop cultivation, livestock rearing and allied agriculture related enterprising activities contribute to economy. Giribabu (2019) stated the potentiality of agriculture and allied sector and how more importance should be given to this sector for bright future of Indian economy. And more specifically the states like Andhra Pradesh, Tamil Nadu, Karnataka and Gujarat in which around seventy-five per cent of the national production is concentrated. The state of Andhra Pradesh being considered as 'rice bowl of India' has huge potential to develop agriculture and allied sector has also been highlighted. The significant role performed by scheduled commercial banks in developing economies and challenges in lending to priority sector attaining its expected goals (Sirisha and Malyadri, 2018), importance of nationalization of banks in 1969 incorporating reforms in 1990s, 2000s to widen the umbrella for more financial inclusion (Tiwari, 2017), key role of scheduled commercial banks lending to farmers and other targeted beneficiaries for improving their socio-economic status through PSL (Mishra, 2016), contribution of banks towards development of various sectors in India along with agriculture and improving the status of farmers (Goyal, Agrawal and Agrawal, 2015), need of innovative financial inclusive measures by banks (Saxena and Gupta, 2023); reveal the essentiality of scheduled commercial banks in India. More studies find more realities and provide better insights for triggering innovative measures for policy makers and those associated with PSL. In order to do this, previous studies have been reviewed.

II. Review of Literature

The role of scheduled commercial banks in developing rural sector, weaker section and more financial inclusion for beneficiaries under the umbrella of PSL; have been reviewed under different headings in this section.

i. PSL and Its Emergence

The origin of PSL goes back to the year 1967 in which the less focussed areas like agriculture and small scale industries of economy were given importance for their development. The deficiencies in credit allocation to these sectors were being

recognized and 'priority sector' term was introduced. The social control measures were implemented through the Banking Laws (Amendment) Bill. It was to align the functions of banks with the economic developmental objectives of the nation.

The National Credit Council was established in the year 1968 which was to give impetus on the growth and increasing involvement of scheduled commercial banks in lending to priority sector. And more thrust was given on agriculture and Small Scale Industries (Pillai, 2021). The formation of Venkatappiah Committee in the year 1969 gave fillip to the formation of 'Lead Bank Scheme'. As per this scheme, the scheduled commercial banks were assigned to identify credit gaps and promote growth centres (MoSP, 2022). And the purpose was to provide more credit allocation to attain economic development. The PSL scheme descriptions were formalized based upon the report of Informal Study Group on statistics pertaining to advances to the priority sectors. This Study Group was constituted by the Reserve Bank of India in 1971. As per the recommendation of the report of the Study Group, RBI issued (a) a revised format for reporting priority sector loans and (b) specific guidelines outlining the scope of items to be included in priority sector under various categories of activities. The small-scale industries, agriculture, road and water transport operators, industrial estates, retail traders, professional and self-employed persons and education were categorised under priority sectors without specific targets (Sweetline, 2017). To fillip further, the introduction of the Differential Rate of Interest (DRI) Scheme in 1972 further supported weaker sectors with concessional interest rates.

The targets fixed under PSL varied like in 1974 at 33.3%, in 1985 as 40% that all commercial banks were advised to achieve the 40% of aggregate bank advances as targeted¹. Gradually the scope of PSL has been expanded having more focus on including traditional underserved populations for their better financial inclusion.

The RBI appointed the Internal Working Group being headed by Shri C. S. Murthy in order to assess the prevailing PSL policy and bringing changes in PSL for better future of the economy.

Based on the comments provided in the committee report coupled with the feedback from banks, financial institutions, the public, and the Indian Banks' Association (IBA) it was decided that priority sector would include only those segments that significantly affect a large population, particularly the vulnerable sections, and sectors with high employment potential, such as agriculture and small enterprises. Then the targets and sub-targets under priority sector lending were linked to Adjusted Net Bank Credit (ANBC)

The significant role of PSL in reaching to the needy and deserted sector was recognized by the Narasimham Committee-I in 1991². Accordingly the PSL scheme was redefined to include small industries and marginal farmers. Though the recommendation was there to change the PSL target to banks from 40% to 10%, still it remained unchanged.

In the year 1998, the Narasimham Committee-II³ in 1998 identified challenging areas arising from directed credit, causing surge in non-performing loans and effecting the efficiency and profitability of banks. The committee found how the potential disruption in credit flow if priority sector targets were abruptly reduced. It recognized the problems faced by SMFs as well as small businesses, proposing earmarking 10% of net bank credit within the priority sector for lending to weaker sections. The committee also recommended to expand the scope of PSL to include employment generating sectors viz; food processing and allied service in agriculture, fisheries, poultry and dairying.

It was recommended by the Vyas Committee (2001 & 2004)⁴ for refinement of PSL targets, linking them to credit growth, and progressively increasing the share of SMFs in disbursements. The committees also highlighted the issues regarding

¹ Recommendation of the Working Group on the Modalities of Implementation of Priority Sector Lending and the Twenty Point Economic Programme by Banks (Chairman: Dr. K. S. Krishnaswamy) MoSP, 2022

² The Narasimham Committee was established in 1991. After economic liberalisation, a significant government challenge was enhancing bank efficiency and competitiveness. To address this, the Finance Minister established the Narasimham Committee, led by M Narasimham, a former RBI Governor. This committee aimed to analyze the financial sector and propose banking reforms.

³ In 1998, a second Narasimham Committee was formed with similar objectives. M Narasimham, a prominent post-independence Indian banker, is credited for foundational recommendations influencing discussions on NBFC and banking reforms.

⁴ During the Mid Term Review of the Monetary and Credit Policy for the fiscal year 2003-04 RBI announced formation of an Advisory Committee on the flow of credit to agriculture and related activities from banking institutions. Prof. V.S. Vyas a distinguished economist chaired this committee.

indirect lending, interest rates, and the overall comprehensive review of lending targets. Reserve Bank of India, on the recommendation of 'Expert committee on micro, small and medium enterprises' chaired by Shri U.K. Sinha and the 'Internal working group to review agriculture credit' chaired by Shri M.K. Jain issued revised guidelines on September 4, 2020 for PSL by commercial bank including RRBs, Small Finance Bank (SFB), Local Area Bank (LAB), and Urban Cooperative Bank (UCB), to encourage and support environment-friendly lending policies to achieve sustainable development goals. These guidelines are to be applied to every banking institution (Master circular of RBI, September 4, 2020)

Since the inception, PSL in India has undergone many changes based upon the recommendations of various committees to make more inclusion of beneficiaries as well as to include the changing needs of economy.

ii. PSL and Role of Banks

The scheduled commercial banks playing a key role in rural development was revealed in a study (Malhotra and Kulashrestha, 1987). The importance of credit to agriculture & allied activities and cooperative financing, significant role of cooperative credit institutions and banks, the role of scheduled commercial banks in improving the economic status of PSL beneficiaries, banks as catalysts in transforming the lives of farmers; have been focused in many research studies (Husaini *et al.*, 2016; Mundra, 2017; Jain, Parida and Ghosh, 2015; Kaur, Chistimran and Mahajan, 2022).

In a study by Anbumani and Niranjana (1993), some measures like reduction in priority sector lending targets to banks, need for a focussed approach to specific sectors in the economy, importance of execution and feasibility in enriching lives of PSL beneficiaries were proposed.

A comparative study on the performance of public and private sector banks was conducted (Swaroop, 1969). It revealed an increase in lending to Priority Sector by banks. Bhatt (1986) considered purpose-based financing; and Chawla *et al.* (1988) emphasized the need for comprehensive improvement in all sectors to maximize the benefits of priority sector lending.

Roseline *et al.* (2021) in their study stated the role of banks in developing agriculture sector by lending to priority sector through PSL scheme. The study suggested for better implementation of PSL scheme for attaining the expected objectives of PSL.

iii. PSL and Its Challenges

The problems of the smaller firms especially in credit access from state-owned banks and their greater inclination lending to larger firms was found (Kumar and Francisco, 2005). Similarly, small firms having constraint in providing credit to beneficiaries even though the banks finding such lending profitable, they are reluctant to increase lending was revealed (Banerjee and Duflo, 2004, 2014).

Inadequate credit flow to agriculture sector and less awareness to application of new technology for agricultural development was highlighted (Kumar, 2021). The need for growth in number of banks and their branches in rural areas of India was suggested by Akhtar and Praveen (2024).

Berger and Black (2011) emphasized how lending through PSL is benefit in long-run for the economy. The performance of public, private, and foreign banks in India was studied by Uppal (2009) in which it was found that public and private sector banks lending to the priority sector exceeded those of foreign banks. The importance of lending to farmers for developing their socio-economic status was suggested.

The challenges involved in lending to priority sector was discussed by Banerjee (2009).

In a study by Allen, Kastens, and Jones (2007) the factors impacting PSL on agricultural development were explored. The importance of borrower's characters, ability to take credit risk and characteristics of bank official/s sanctioning loan to the beneficiaries were highlighted.

Roy (2006) studied in detail the progress of bank lending to the priority sector and retail sector, emphasizing the risks involved in agricultural lending and suggested for more efforts by government for improving the PSL beneficiaries.

Mohan (2006) in his study revealed how linking Self-Help Groups (SHGs) with agricultural banks under PSL scheme was beneficial in developing agriculture sector and suggested for incorporating changes in PSL scheme in order to tune with the socio-economic, cultural and technical needs and challenges in society. And the changes would be more contemporary and effective for the beneficiaries in long-run.

The importance of availability of credit for small and medium enterprises (SMEs) by the scheduled commercial banks along with lending environment in achieving the success of PSL scheme was highlighted (Berger and Udell, 2006).

The impact of banking reforms on PSL was assessed by Das (2001) and it was criticized how the reforms were resulting negatively on lending to priority sector. However, Kaur (1999) was advocating the PSL scheme complementing the role of scheduled commercial banks and provided a diverse viewpoint on the impact of reforms.

Vershakerappa (1993) highlighted the PSL patterns across different social groups in Karnataka, a state in India.

The need for a proper credit delivery system to the small and medium farmers in India for improving their socio-economic status was focused by Majumdar (2005). And he suggested for effective measures to prevent the benefits of credit delivery system from being skewed towards large farmers at the expense of poorer beneficiaries. The vital role of banks in developing priority sectors was delineated.

Rao (1990) pointed out the challenges faced by banking institutions in the areas of utilization of loans, poor recoveries, an increase in Non-Performance Assets (NPAs) and challenges for non-achievement of PSL targets due to inadequate staff in banking sector.

iv. PSL and Agricultural Development

Agriculture sector providing livelihoods for millions of people and contributing to economic development of the country was discussed by Cardno (2017). Srivastava (2017) highlighted the efforts of scheduled commercial banks, need to cover more beneficiaries under PSL scheme, innovative measures to be taken by scheduled commercial banks for development of farmers and other beneficiaries.

The Reserve Bank of India provided statutory measures for the banks to allocate a specific amount of their lending to the priority sector for the development of economy (RBI, 2021). The essentiality of PSL to bring changes in the socio-economic status of farmers and other beneficiaries were being focused in studies (Das, 2023; Kumar and Kumar, 2023). The economic progress of a nation being dependent on agriculture sector was discussed (Udemezue and Osegbue, 2018). PSL being considered as an instrument for developing the economic scenario of India was advocated (Kaplan and Rao, 2017).

Concerns have been raised with regard to the impact of PSL on Non-Performing Assets (NPAs) in some studies revealing the direct link of lending to priority sector and bad loans (Veerakumar, 2012; Shabbir and Mujoo, 2014; Swami, 2012).

In some studies (Selvarajan and Vadivalagan, 2013; Shabbir and Mujoo, 2014) it was highlighted relating to the problems of NPAs and over dues in PSL. Mishra (2016) critically analysed the rising NPAs specifically within the priority sectors of public sector banks in India.

It was recommended for effective evaluation of PSL measures for attaining benefits under the PSL scheme as it was found that an enormous percentage of the private banks lacked in substantial contribution towards priority sectors (Kumar and Khabhir, 2012).

Ganesan (2003) explored the impact of priority sector advances on bank profitability. The study finds the income loss ratios experienced by public sector banks due to subsidized interest rates being provided to the beneficiaries.

Shete (2002) portrayed an adverse scenario of non-achievement of PSL targets by banks while Rao (2006) provided a comprehensive sector-wise analysis, concluding a better position for agricultural lending than other sectors under PSL scheme.

The variations in the performance of public and private sector bank was discussed (Dadhich, 2004; Gupta and Kumar, 2008). The studies discussed regarding variations between public and private banks in PSL, with public sector banks lagging in target achievement than private sector banks (Sharma, 2008; Uppal, 2009).

The importance of agricultural sector for attaining the Sustainable Developmental goals (SDGs) was highlighted by Yue *et al.* (2021). Farooq (2023) focussed on aligning conservative agriculture with SDGs for better future of the world especially to attain zero hunger and no poverty by strengthening agriculture economy through capacity building and training.

Enhancing agricultural productivity and land use to achieve SDGs (Hinz *et al* 2020), enhancing agricultural productivity to develop rural communities by reducing poverty rates for attaining SDGs in India was revealed (Kumar and Rani, 2023).

It is found from the literature review that Priority Sector Lending (PSL) is important for development of economic status of farmers. Strengthening agriculture sector for attaining SDGs in future has also been a key finding in the review of literature. The challenges in lending to priority sector in India also becomes an area of concern being mentioned in review of literature.

Research Gap

There are many studies on the role of banks for lending to priority sector in India. These studies are conducted either from primary or secondary sources. However, there is a dearth of studies on how the bank officials directly associated with PSL scheme perceive their role and activities. Their perceptions about different stages in the implementation PSL scheme. This gap has been addressed in this study which has academic and pragmatic significance. The bankers' perception about various dimensions of PSL in the State of Andhra Pradesh, India have been discussed in this paper.

The objectives and research methodology followed in this study are being discussed under different headings.

III. Objectives

This research has the following two objectives:

- To study the role of banks with respect to PSL in the state of Andhra Pradesh
- To investigate the perceptions of bank officers about different dimensions of PSL in the state of Andhra Pradesh

IV. Methodology

The data for this study is taken from primary as well as secondary sources. The Agricultural Officers working in scheduled commercial banks and dealing with PSL activities are the respondents in this study. constitute the respondents in this study. The study is conducted in the State of Andhra Pradesh and there are thirteen districts in this State. From each district, 4 number of respondents and totally, 52 respondents have been covered in the study. A well-designed questionnaire was designed and developed. The questionnaire contains six dimensions of Priority Sector Lending (PSL). These dimensions are PSL Awareness, PSL Planning, PSL Execution, PSL Monitoring, PSL Feedback and PSL Role of the State.

Each item in the research questionnaire has 1 to 5 Likert Scale options ranging from Strongly Disagree as '1' to Strongly Agree as '5' having Neutral as indicated as '3'.

Statistical analysis, was conducted using SPSS 22. The pilot study was conducted before administering the questionnaire to the final respondents in the study. The reliability of the items was tested and result was statistically significant having the value 0.82. The relevant data from the respondents were collected followed by data analysis. The research instrument was designed based on the insights taken from literature review. The opinion of the experts and researchers in the area of PSL have been taken in the final draft of the research questionnaire. The perception of respondents have been computed in per cent age terms and significance value of the effectiveness PSL have been established from the '*p*' values. The SPSS 26.0 has been used to compute the requisite mean values, standard deviation values and significance values. The data were collected from January 2024 to May 2024. The necessary statistical tools and tests were conducted. It is pertinent to mention that the research insights have been taken by referring the from secondary source (Nargondkar, 2015).

V. Data analysis and Interpretation

Role of Scheduled Commercial Bank and PSL

The data being referred from secondary sources reveal the year wise PSL benefits in Andhra Pradesh. The data are shown in in Tables 1 to 3.

Table 1: Year-wise PSL in Andhra Pradesh (2018-19 to 2020-21)

Sl. No.	Year	Amount in Crores (Rupees)	Remark
1	2018-19	240220.10	Base Year
2	2019-20	251422.72	Increase by 11202.62
3	2020-21	282585.26	Increase by 31162.54

Source: Self-compiled from RBI Report

It is shown in Table1 that from 2018-19 to 2020-21, the quantum of lending to priority sector has increased. And this trend indicates the importance of scheduled commercial bank lending to priority sector. The data indicate that 2020-21 had the greatest increase among the three years.

Table 2: Year-wise PSL with regard to Agriculture in Andhra Pradesh (2018-19 to 2020-21)

Sl. No.	Year	Amount in Crores (Rupees)	Remark
1	2018-19	149263.62	Base Year
2	2019-20	157490.11	Increase
3	2020-21	184584.64	Increase

Source: Self-compiled from secondary data, RBI Report

The data in Table 2 reveal that the PSL in the agriculture sector in Andhra Pradesh continuously increased over the three year period from 2018-19 to 2020-21. This reflects how importance has been given by the State towards improvement of the priority sector and the agriculture sector of the economy.

Table 3: Category-wise distribution of banks and PSL in Andhra Pradesh (2018-21)

Sl. No.	Year	Category of Banks	Lending Amount in Crores (Rupees)
I	2018-19	Commercial Banks	198496.89
		Co-operative Banks	14434.31
		Regional Rural Banks	26462.12
		Others	826.76
		Total	240220.09
II	2019-20	Commercial Banks	206241.63
		Co-operative Banks	15226.78
		Regional Rural Banks	29127.81
		Others	827.19
		Total	251423.40
III	2020-21	Commercial Banks	228114.67
		Co-operative Banks	19121.58
		Regional Rural Banks	34730.69
		Others	618.32
		Total	282585.26

Source: Self-compiled from secondary data, RBI Report

Table 3 data indicate that PSL by different banks in Andhra Pradesh increased annually between 2018-19 to 2020-21. It is interesting to reflect that commercial banks stand highest among all banks in providing priority sector lending to beneficiaries. The RRBs also performed well with respect to PSL in Andhra Pradesh. Moreover, all the banks mentioned in the table have shown an increasing trend in distributing PSL amount benefits in the State being studied by the authors.

Table 4: Categorywise distribution of banks and PSL in Andhra Pradesh with regard to Agriculture (2018-19 to 2020-21)

Sl. No.	Year	Category of Banks	Lending Amount in Crores (Rupees)
I	2018-19	Commercial Banks	113419.98
		Co-operative Banks	13488.23
		Regional Rural Banks	22355.40
		Total	149263.61
II	2019-20	Commercial Banks	118117.45
		Co-operative Banks	14709.45
		Regional Rural Banks	24663.19
		Total	157490.09
III	2020-21	Commercial Banks	137500.39
		Co-operative Banks	17955.35
		Regional Rural Banks	29128.89
		Total	184584.63

Source: Self-compiled from secondary data, RBI Report

Table 4 indicates that commercial banks lead all banks in providing PSL to beneficiaries. With respect to the distribution of PSL benefits, the second position is occupied by RRBs, followed by cooperative banks. There was an increasing trend in providing PSL for all banks during the three years from 2018-19 to 2020-21. The data in the table reveal an increasing trend in the total amount of PSL provided by banks in Andhra Pradesh.

The state of Andhra Pradesh has been categorised into three regions as North Andhra Pradesh, Coastal Andhra Pradesh and Rayalaseema Andhra Pradesh based on the location of different districts in the state. The amount of PSL benefits by banks to the state has been tabulated region-wise.

Table 5: Priority sector lending in various regions of Andhra Pradesh with regard to agriculture (2018-19 to 2020-21)

Sl. No.	Region	2018-19	2019-20	2020-21
I	North Andhra Pradesh	15007.28	17349.84	23612.76
II	Coastal Andhra Pradesh	89593.28	95263.46	108902.04
III	Rayalaseema Andhra Pradesh	44663.05	44876.81	52069.84

Source: Self-compiled from secondary data, RBI Report

The North Andhra Pradesh region includes the Srikakulam, Vizianagaram & Vizag districts; the Coastal Andhra Pradesh region includes the East Godavari, West Godavari, Guntur, Krishna, Nellore & Prakasham districts; and the Rayalaseema Andhra Pradesh region includes the Anantapur, Kadappa, Kurnool & Chittoor districts.

Table 5 indicates that in all the regions, the amount of PSL increased over the three years. The Coastal Andhra Pradesh region leads among them. This indicates that the districts in the coastal Andhra Pradesh region benefitted more from the PSL scheme with regard to agriculture. It has helped in facilitating the development of agricultural sector in different regions of Andhra Pradesh. The perceptions of bank officers about different dimensions of PSL have been given below:

Banker's Perception about PSL

The responses of 52 bank officers to different dimensions of PSL were collected and collated after the following statistical tests were performed.

Table 6 Different dimensions of PSL and Response of Bank Officials

Dimensions of PSL	Less Effective	Moderately Effective	Highly Effective	Total No. of Respondents	'p' Value indicating significance level
PSL Awareness	7 (13.46%)	39 (75%)	6 (11.54%)	52 (100%)	0.03 as significant
PSL Planning	7 (13.46%)	17 (32.69%)	28 (53.85%)	52 (100%)	0.03 as significant
PSL Execution	12 (23.07%)	33 (63.46%)	7 (13.47%)	52 (100%)	0.02 as significant
PSL Monitoring	15 (28.84%)	28 (53.84%)	9 (15.39%)	52 (100%)	0.03 as significant
PSL Feedback	17 (32.69%)	27 (51.92%)	8 (15.39%)	52 (100%)	0.03 as significant
PSL Role of State	24 (46.17%)	24 (46.14%)	4 (7.69%)	52 (100%)	0.02 as significant

Source: Primary data

The figures in Table 6 indicate the perceptual response of bank officers about different dimensions of PSL. It is around three-fourth of the respondents perceived the PSL Awareness dimension as moderately effective, whereas as little above quantifying around one-tenth of the respondents perceived it as highly effective.

With respect to PSL planning, slightly more than half of the respondents perceived it to be highly effective, and slightly more than one-tenth of the respondents perceived it to be less effective.

According to the response data, slightly more than one-fifth of the respondents perceived PSL execution to be less effective, slightly more than three-fifths perceived it to be moderately effective and slightly less than one-sixth perceived it to be highly effective.

The perceptual value of the respondents about PSL monitoring shows that slightly more than one-fourth of the respondents indicated it to be less effective whereas little more than half of the total respondents indicated it to be moderately effective, and the remaining little less than one-sixth of respondents indicated it to be highly effective.

The perceptual value of the respondents with regard to PSL feedback indicates that only slightly less than one-sixth of the total respondents perceived it as highly effective, and little more than half of the respondents as moderately effective and the remaining respondents as less effective.

Fewer than half of the respondents perceived the role of PSL as less effective, and slightly more than two-fifths of the total respondents perceived it as moderately effective. All these figures indicate that there is variation about different dimensions of PSL among the respondents. Effective measures need to be taken in order to have more effective perception among the respondents.

The region-wise respondents have been distributed and the figures in Table 7 indicate how the perceptual variation about different PSL dimensions prevails. The significance 'p' confirms the variation.

Table 7: Priority Sector Lending Awareness and Type of Respondents from Different Regions

Sl. No.	Type of Respondents	Mean Value	Standard Deviation	F Value	D.F	P=
1	North Andhra Pradesh (12*)	3.73	1.23	7.834	2, 51	.000
2	Coastal Andhra Pradesh (24)	3.88	1.03			
3	Rayalaseema Andhra Pradesh (16)	3.52	1.06			

*The figures in parentheses indicate the number of bank officers included in the specified region.

Table 7 shows that the agricultural officers of coastal Andhra Pradesh have better perceptions of PSL awareness than do those in other regions of Andhra Pradesh. This is reflected in the mean value of different categories of respondents, which is statistically significant. This shows the existence of variation among the three categories of respondents regarding PSL awareness, which is evident from the '*p*' value.

Table 8 Priority Sector Lending Planning and Type of Respondents

Sl. No.	Type of Respondents	Mean Value	Standard Deviation	F Value	D.F	P=
1	North Andhra Pradesh (12)	3.84	1.14	8.224	2, 51	.002
2	Coastal Andhra Pradesh (24)	3.96	1.02			
3	Rayalaseema Andhra Pradesh (16)	3.57	1.03			

Source: Primary data

Table 8 indicates that the agricultural officers of coastal Andhra Pradesh have better perceptions of PSL planning than do those in other regions of Andhra Pradesh. This is reflected in the mean value of different categories of respondents, which is statistically significant. This indicates the existence of variation among the three categories of respondents regarding PSL planning, which is evident from the '*p*' value.

Table 9 Priority Sector Lending Execution and Type of Respondents

Sl. No.	Type of Respondents	Mean Value	Standard Deviation	F Value	D.F	P=
1	North Andhra Pradesh (12)	3.53	1.21	6.139	2, 51	.002
2	Coastal Andhra Pradesh (24)	3.93	1.02			
3	Rayalaseema Andhra Pradesh (16)	3.48	1.04			

Source: Primary data

Table 9 reflect that the agricultural officers of coastal Andhra Pradesh have better perceptions of PSL execution than do those in other regions of Andhra Pradesh. This is reflected in the mean value of different categories of respondents, which is statistically significant. This indicates the existence of variation among the three categories of respondents regarding PSL execution, which is evident from the *p* value.

Table 10 Priority Sector Lending Monitoring and Type of Respondents

Sl. No.	Type of Respondents	Mean Value	Standard Deviation	F Value	D.F	P=
1	North Andhra Pradesh (12)	3.42	1.13	7.362	2, 51	.000
2	Coastal Andhra Pradesh (24)	3.83	1.16			
3	Rayalaseema Andhra Pradesh (16)	3.07	1.03			

The figures in Table 10 indicate that the agricultural officers of coastal areas have better perceptions of PSL monitoring than those in other regions. This is reflected in the mean value of different categories of respondents, which is statistically significant. This establishes the existence of variation among the three categories of respondents regarding PSL monitoring, which is evident from the '*p*' value.

Table 11 Priority Sector Lending Feedback and Type of Respondents

Sl. No.	Type of Respondents	Mean Value	Standard Deviation	F Value	D.F	P=
1	North Andhra Pradesh (12)	3.12	1.22	7.125	2, 51	.003
2	Coastal Andhra Pradesh (24)	3.46	1.05			
3	Rayalaseema Andhra Pradesh (16)	3.05	1.06			

Source: Primary data

Table 11 shows that the agricultural officers of coastal Andhra Pradesh have better perceptions of PSL feedback than do those in other regions of Andhra Pradesh. This is reflected in the mean value of different categories of respondents, which is statistically significant. This indicates the existence of variation among the three categories of respondents regarding PSL feedback, which is clearly significant from the respective '*p*' value.

Table 12 Role of State in Priority Sector Lending and Type of Respondents

Sl. No.	Type of Respondents	Mean Value	Standard Deviation	F Value	D.F	P=
1	North Andhra Pradesh (12)	3.05	1.14	7.661	2, 51	.002
2	Coastal Andhra Pradesh (24)	3.12	1.09			
3	Rayalaseema Andhra Pradesh (16)	3.03	1.14			

Source: Primary data

Table 12 shows that the agricultural officers of coastal Andhra Pradesh have better perceptions about the role of the state in PSL than do those in other regions of Andhra Pradesh. This is reflected in the mean value of different categories of respondents. And it is statistically significant. It indicates the existence of variation among the three categories of respondents regarding the role of state PSL, which is evident from the '*p*' value.

VI. Discussion

The data shows a positive and increasing trend in providing Priority Sector Lending in the State of Andhra Pradesh from 2018-19 to 2020-21. It demonstrates the commitment to support priority sector. The quantum of lending has consistently increased, with the year 2020-21 recording the highest PSL benefits.

PSL towards the agriculture sector has exhibited a continuous growth indicating the importance given to the improvement of the agricultural sector. This signifies a proactive approach to address the financial needs of farmers and enhance agricultural development.

The breakdown of PSL distribution among commercial banks, co-operative banks, RRBs, and others highlights the active participation of scheduled commercial banks. It is to be more specific the Commercial banks lead in providing PSL, followed by RRBs and co-operative banks.

The regional distribution of PSL in different areas of Andhra Pradesh, namely North Andhra Pradesh, Coastal Andhra Pradesh, and Rayalaseema Andhra Pradesh, indicates variations in the benefits provided in the concerned State. The Coastal Andhra Pradesh leads in PSL distribution, revealing the region's emphasis on supporting priority sector.

There is a variation in perceptions among bankers especially the Agricultural Officers about various dimensions of PSL viz; PSL awareness, planning, execution, monitoring, feedback, and the role of the state; indicating the need of effective measures for attaining desired goals of PSL scheme. The data also reveals a positive perception of bankers about PSL having variations among respondents from different regions, with Coastal Andhra Pradesh consistently showing a better perceptual value than other regions.

VII. Suggestions

Based on the findings of this study, some suggestive measures have been provided. It is helpful for the policy makers, State and bank officials, farmers and other beneficiaries associated with Priority Sector Lending (PSL).

The farmers being the beneficiaries under PSL scheme should be created awareness about the scheme and its benefits in long-run. The farmers should also be imparted trainings on banking norms under PSL scheme, use of technology in cultivation and crop production, linking farm based activities with larger regional, state and national markets, agribusiness and related activities. Periodical workshops for development of farmers in the areas of financial inclusion and managing crop related crisis to motivate and build their confidence.

The beneficiaries under PSL scheme should be encouraged to follow the guidance provided by the agricultural officers for exploring agriculture based entrepreneurial activities and collaborating among farmers for strengthening their business.

It is suggested to develop strategies with special focus on less developed geographical regions under PSL scheme to address regional disparity in agriculture development considering specific needs and priorities of the regions. Coastal Andhra Pradesh, being a leader in PSL benefits, can serve as a model for other regions to develop in future.

The gaps and bottlenecks in the implementation of PSL scheme should be identified and accordingly measures should be taken. The less or poor performing regions under PSL should be given special attention in order to solve their problems and in ameliorating their conditions. The feedback mechanism should be strengthened by taking insights from both beneficiaries and bankers associated with PSL scheme.

Proposed Model: A model has been proposed keeping the farmers and bankers role and responsibility in attaining PSL objectives in long-run striving for attaining agricultural development (Figure 1).

Different dimensions of PSL contributing to Agricultural Development through various mediating and moderating variables can be explored. Each PSL dimension and overall PSL dimensions can be considered as independent variable and Agricultural Development as dependant variable. Besides, the role of state, FPO, Bank & NGO can be considered as Moderating/Mediating variables.

Implications

The study has managerial as well as academic implications. The study provides insights to the managers, bank officials, agricultural officers, State officials associated with PSL scheme to execute their respective roles better in future. The findings are also useful for researchers in

Recommendations

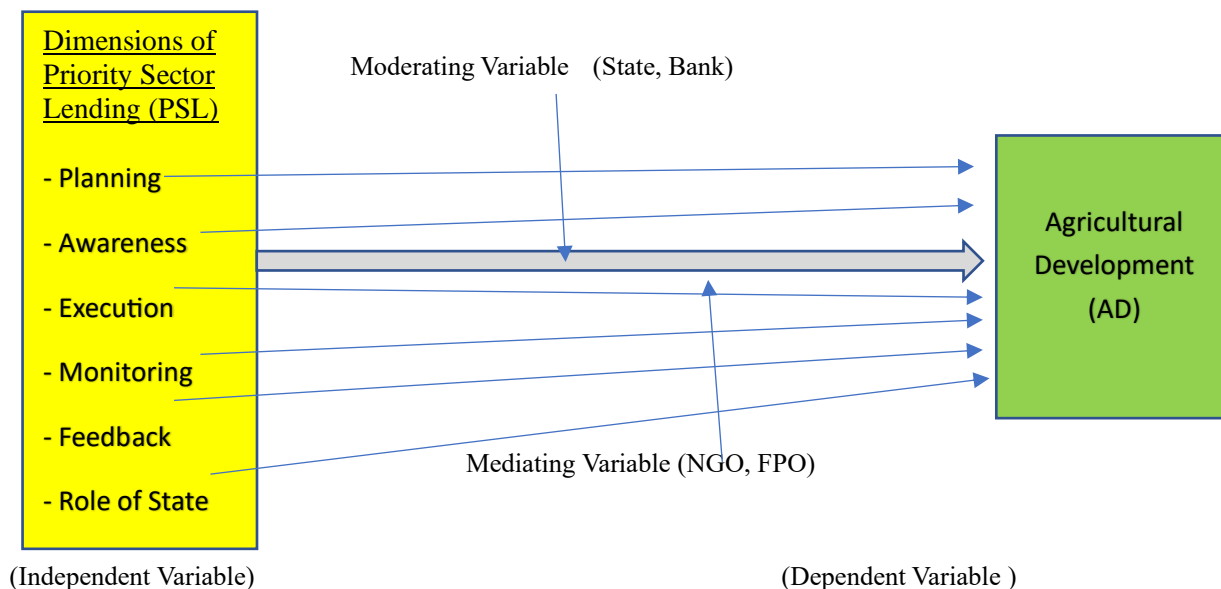
This study provides insights to policy makers to bring amendments in the existing guidelines and modalities by considering the issues and challenges of PSL at the execution level. The essentiality of full-fledged banking system having a core functional team to cover all the beneficiaries under PSL scheme is recommended. It can be done by employing more banking and technical personnel who can guide and monitor the progress of PSL beneficiaries.

VIII. Conclusion

The banking sector plays a significant role in agricultural development in the State of Andhra Pradesh. The distribution of the PSL amount to beneficiaries in different regions of the state has indicated an increasing trend over three years, with an effect from 2018-19. The perceptual regional variation in different dimensions of PSL is existing. The timely intervention of banking personnel and technical agricultural experts to solve the problems faced by the farmers is essential. The banks in rural areas, agricultural offices, and state machineries should work collaboratively to enhance the skills of farmers. More awareness should be given to farmers relating to technology-based farm cultivation, financial literacy, crisis management measures and the benefits of linking agriculture activities of farmers with market chains prevailing at the regional and national levels.

It is also vital for farmers to work with various Farmer Producer Organizations (FPOs) to overcome their farm -based problems and also to explore better opportunities for the marketability of their agricultural products. The increasing trend in PSL in Andhra Pradesh highlights a positive approach towards supporting key sectors for economic development. The consistent growth in PSL towards agriculture sector and the distribution of benefits among various types of banks firmly establishes a comprehensive effort of banking sector for agricultural development. A model is proposed which can be tested to study more aspects relating to PSL and agricultural development.

Figure 1: Proposed Model on Priority Sector Lending Imperativeness for Agricultural Development



Source: Developed by Authors

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