

Performance Evaluation of Bank of India and Union Bank of India with Respect to Priority Sector

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Abstract: It is been said that India is an agricultural country. And an Indian banking industry plays a significant role in flourishing the Indian agricultural industry. The commendable contribution of the banking sector is one of the major reasons for the upliftment of agricultural industry as a whole. As per National Statistical Office, agricultural sector contributes 20.19% to the total economy of India. Reserve Bank of India has taken an initiative specifically to foster the growth of priority sector. Establishment of Regional Rural Banks is an outcome of those reforms taken place in the banking industry. Even the major players of the Public Sector Banks are indulged vigorously to support rural India. A researcher here has put in efforts to understand and analyze the contribution and role of Bank of India and Union Bank of India in this noble initiative of Government of India. Exponential Growth rate has been considered as a tool to check the intensity of financial contribution of both banks in the upliftment of rural India.

Keywords: Regional Rural Bank, Public Sector Banks, Exponential Growth Rate, Agriculture, Priority Sector

1. Overview of Priority Sector

Every nation in the world is trying to strengthen its economy and technology as well to become super power. The financial soundness has always been one of the parameters that plays pivotal role in deciding the rank and power of any country. Nation India has its three pillars Agriculture, Industry and Service whereon its stand strong. Even though one cannot deny the identity of India as "Agricultural Nation", the reason being 54% of the total population depends on agricultural and allied activities for their employment. The data released by National Statistical Office (NSO) as on

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31st March, 2021, agriculture sector contributes 20.19% to the total economy. Industrial sector is even majorly dependent on agriculture sector by various means. Government of India and Reserve Bank of India has been playing a significant role to support and enhance the growth of agriculture in India.

Being an agriculture nation, real India lives in villages, remote areas in the corners of various Indian villages probably known as rural area. To be very precise, people who live in the villages, where the total population is not more than 10,000 is define as a rural area. This section of India comprise of small & marginal farmer, rural artisans, small scale industries, weaker section etc., its rural India. One of the pillars of our nation, rural India even needs to be nurtured with utmost care and diligence. The joint responsibility and determinations of the Government of India and the Reserve Bank of India has made rural India, a proud nation. Priority Sector Lending (PSL) is the weapon with the help of which Indian Banking Industry has been trying to reach every rural individual to support them financially.

The funds which are provided in priority sectors by financial institution are known as Priority Sector Lending (PSL). The Government of India and Reserve Bank of India jointly have taken many commendable initiatives to develop the weaker section of India. The glimpse of their efforts can be observed in below mentioned:

<i>Sr. No.</i>	<i>Year</i>	<i>Banking Milestones</i>
1	1967	National Credit Council
2	1669	Nationalization of Commercial banks (14 Banks)
3	1975	Establishment of Regional Rural Banks (RRBs)
4	1982	National Bank for Agriculture and Rural Development (NABARD)
5	1980	Nationalization of Commercial banks (6 more Banks)
6	1991	Financial Sector Reforms (LPG)
7	2017	Down counting public sector banks (Starting to merge the banks)
8	2019	Merger of banks (27 to 12)

As per Provisional Estimates of Annual National Income, released by National Statistical Office (NSO), the share of Agriculture and Allied Sectors in Gross Value Added (GVA) of the country during 2020-21 was 20.2%. Agriculture has been the bright spot in the economy. The share of agriculture in GDP has even shoot up to 19.9% as per the Economic Survey, 2020-21.

With bright picture on one side, on the contrary, rural India has been suffering from the problems like small & fragmented land holdings, seeds, Manures, Fertilizers and Biocides, Irrigation, Lack of mechanization, Soil erosion; Agricultural Marketing because of inadequate financial assistance. Since 1975, Regional Rural Banks have played a significant role to uplift the weaker section of India.

2. Agriculture and Banking Sector

Ministry of Finance, Government of India established Reserve Bank of India (RBI) in the year 1935 in accordance with the Reserve Bank of India Act, 1934, headquartered at Mumbai, to manage and control the banking industry in India. The main role of RBI is to look after and manage the flow of funds in India.

Since its inception, RBI is been putting constant efforts to back up the agriculture in India. RBI could identify Priority sector as one of the sensitive area as it is a backbone of our nation. Regional Rural Banks (RRBs) were set up under the Regional Rural Bank Act, 1976 which works under the observation of National Bank for Agriculture and Rural Development (NABARD). The main intention to establish RRBs were to develop rural economy by catering basic banking needs to agriculture and allied sector. The establishment of Regional Rural Banks was established with an equity holding by Central Government, concerned State Government and the Sponsor Bank in the proportion of 50:15:35. With the strong belief that the agricultural and rural development as the emerging national priorities and to bring sharpens focus on inclusive development in its own, Reserve Bank of India has given the following benchmark as a task with respect to domestic commercial banks for the development of priority sector.

Task given by RBI to every Domestic Commercial Bank

Categories	Total Priority Sector	Agriculture	Micro Enterprises	Advances to Weaker Sections
Domestic commercial banks (excl. RRBs & SFBs) & foreign banks with 20 branches and above	40 per cent of ANBC as computed in Para 6 below or CEOBE whichever is higher	18 per cent of ANBC or CEOBE, whichever is higher; out of which a target of 10 percent is prescribed for Small and Marginal Farmers (SMFs)	7.5 per cent of ANBC or CEOBE, whichever is higher	12 percent of ANBC or CEOBE, whichever is higher

Source: Master Directions – Priority Sector Lending (PSL) – Targets and Classification (Updated as on June 11, 2021)

From the above data it is clear that bank has to advance at least 40% of Adjusted Net Banking Credit to the priority sector as priority sector advances. Out of this 40%, share of 18% goes to Agriculture; share of 7.5% goes to Micro enterprises; share of 12% goes to weaker section and the rest portion i.e. share of 2.5% goes to other section of rural area which includes women beneficiary, education, housing etc.

3. Literature Review

(IBRAHIM, 2010) The researcher has carried out the study on the topic of “Performance Evaluation of Regional Rural Banks in India”. In his study

he has examine whether there is improvement in the performance of the RRBs after the merger and amalgamation. To conduct the study, various statistical tools like T-test and ANNOVA test are to be utilized and examine various key indicators like no. of branches, district covered, owners fund, mobilization of fund, credit deposited ratio etc. The researcher concluded that there is an improvement of the performance of RRBs during the post-merger period as compare to pre-merger period. **(SILONY)** In this paper researchers have been tried to show the performance of public sector banks and private sector banks in the field of priority sector lending. They have been reached at conclusion that the performance of private sector banks in growth of increasing lending facilities in the area of priority sector lending is better than public sector banks. Paper is based on secondary data and tabular method has been used for comparison. Credit components like agriculture advances, SSI advances, other advances, overall lending in priority sector lending in the terms of amount and percentage, and NPA have been used for the comparison between public and private sector banks. Appropriate suggestions, also, have been given by researcher to improve performance in both banking sectors.

(Santosh Kumar Panda) Researcher here aimed the paper to examine the pattern of priority sector lending by banks identifying the factors which determines the lending for the public sector banks in India. The compliance and effectiveness of lending of such programs may be determined by a number of factors. Researcher has concluded with the gaps in patterns of the sectoral target compliance by different bank groups, along with the lending preferences and challenges faced by banks. Apart the factors like the nature of ownership, size; performance even identified by the researcher those affects the lending pattern.

(Dave) The major function of a bank is to accept deposits from the public as well as lends money to the public. The author has concluded here that the lending activity towards priority sector by the entire selected banks are following the norms for advances to priority sector on an average nearer one fourth to one third of their total advances during the research period. It is further suggested that bank have to increase their lending activity towards priority sector. The study has covered five banks namely Canara Bank, Bank of India, Bank of Baroda, Punjab National Bank and State Bank of India.

(DR JASMINDEEP KAUR) This research paper talks about the role of public sector and private sector banks in priority sector lending. The period from 1990-91 to 2007-08 has been chosen for the study and the secondary data from statistical tables from banks and trend reports of banks have been taken care of. Author has concluded that the banks were lacking behind

in achieving the targets set up by the Reserve Bank of India. The scope of study covers the data of public sector banks and private sector banks in India. It is further concluded that the attention is required for both the public and private sector banks.

(K.V.Giridhar) Reserve Bank of India has set the target of 40% of ANBC for Priority sector lending for commercial banks. This paper provides a platform to understand the problems and prospects of priority sector lending in state bank of India in Bhadravathi. Both primary and secondary data used for the research purpose. It is further concluded that the growth of agriculture and developments of underdeveloped areas are the prime responsibilities of any commercial bank.

(KADIWALA) The research scholar has put in efforts to explain the performance of the commercial bank in priority sector lending. In this research secondary data have been used. This research analyzed by statistical tool like F- test (ANOVA). The research scholar has concluded that priority sector lending by said banks have failed to reach the target which given by RBI during the study period. It is also ended that the selected banks in private Sector of India have unequal norm with respected to priority Sector Advance to Total Advances.

(Muneesh Kumar) The paper is based on an analysis of secondary data relating to priority sector lending (1998-2014) for eighty banks in India, and is supported by findings from the survey of ninety-seven lending officers of various banks. The researcher aimed at examining the patterns of priority sector lending by banks, with a view to identifying the factors which determine this lending, and implementation challenges for lending by banks in such programs. The results presented or identified the gaps in patterns of the sectoral target compliance by different bank groups, along with the lending preferences and challenges faced by banks in such lending.

4. Objective of the Study

The objective of this paper is to assess the performance of public sector banks, specifically the Bank of India and Union Bank of India towards the development of Priority sector. Further to study comparatively more on the part of catering quality services to the priority sector, following objectives were even been set for the study.

- To evaluate the performance of selected public sector banks in the area of rural credit.
- To analyze comparative performance of selected public sector banks with respect to priority sector lending.

5. Research Methodology

The researcher has conducted the study on the basis of secondary data, which is mainly based on the annual reports of selected public sector banks, that is Bank of India and Union Bank of India. Furthermore research papers, RBI reports; books as well as website have also been taken as a source of secondary data to support the study. The study has covered the tenure of 10 years from 2012-13 to 2021-22 to evaluate the performance of selected public sector banks. Statistical tools are the standard measurement to verify the correctness of result so that the researcher has used Exponential Growth Rate to measure overall growth of given period for the study.

6. Overview of Banks

6.1. Bank of India

Founded on 7th September, 1906, nationalized in the year 1969, headquartered in Mumbai, started only with a paid up capital of 50 lakh and 50 employees, the Bank of India has emerged as the 6th largest bank in India having 5000 plus branches in India, having an overseas presence in 18 foreign countries spread over 5 continents. It has blossomed as a strong presence in the banking industry with sizeable international presence and volume of business all over the world. Bank of India has been contributing to the rural development by sponsoring three regional rural banks namely, VidharbhaKokanGramin Bank, Gramin Bank of Aryavrat, MadhyaPradesh Gramin Bank.

To contribute in the real sense to the priority sector, bank has its wide range of products to improve the standard of living of rural India. They provide 30+ products like Agriclincs, Composite Cash Credit, Farm Mechanization, Land Development, Poultry Development, Rural Godowns, Financing against pledge of warehouse receipt, Gold Loan, Crop Finance, Financing for draught animals & crafts, Minor Irrigation, purchase of land, Dairy Development, Solar Pump set, Tatkal loan, Term loan etc. Besides, bank provides Kishan Credit Card, BOI Kishan Satabdhi Krishi Vikas Card, Kishan Samadhan Card, and Star Bhumiheen Kishan Card to the farmers.

6.2. Union Bank of India

'Good people to bank with'- with this tagline, Union Bank of India has been serving India since 11th November, 1919. It is one of leading public sector bank nationalized in the year 1969. The Government of India holds 83.50% in bank's total share capital. The merger of Andhra Bank and Corporation

Bank in the year 2020 ranked the bank 5th largest in India. It has its wide network of 8850 plus domestic branches and 11200 plus ATMs all over India. It has its overseas presence with the branches at Hong Kong, Dubai International Financial Centre (UAE), London and Malaysia. Bank has also sponsored one of the rural banks, Chaitanya Godavari Gramin Bank situated at Andhra Pradesh.

The bank contributes specifically with the products range like Union KrishiKamdhenu Gold Loan Scheme, Kishan Credit Card (for farmers, animal husbandry & fishery), Loan against silver, Loan against sovereign gold bonds, SOD against gold ornaments, Finance against ware house receipt, MSME loans etc. for the rural development.

7. Exponential Growth Rate

Exponential means something which is growing more and more rapidly. The rate expresses a pattern of data that shows greater increases with passing of time. It can be something which increases consistently over a period of time causing a considerable magnification of results. It is actually necessary for the banks to consider exponential expressions as it stimulation for banks to generate income so as to upgrade the standard of living of people and to reach their banking objective. Exponential expressions are basically used in banking industry to know the compound impact or return of the banking efforts.

Exponential means something increasing quickly by large amounts. Exponential growth rate is nothing but a pattern of data that expresses the sharper increase over a period of time for the variable under study.

Researcher has considered the Exponential Growth rate to analyze the performance of selected public sector towards the priority sector lending.

8. Performance Evaluation

The parameters to understand the contribution of Bank of India and Union Bank of India towards the priority sector lending and for the upliftment of rural India are:

1. Priority Sector Advances to Total Advances
2. Agriculture Advances
3. Small & Medium Enterprises (SMEs) Advances
4. Other Sectors' Advances of Priority Sector
5. % of ANBC to Priority Sector and Agriculture by BOI & UBI

1. Priority Sector Advances to Total Advances

Priority Sector advances to Total advances = Priority Sector advances / Total advances

Table 1: Priority Sector Advances to Total Advances of BOI & UBI

(In '000)

Year	Bank of India			Union Bank of India		
	Total Priority Sector Advances	Total Advances	% of PSA to Total Advances	Total Priority Sector Advances	Total Advances	% of PSA to Total Advances
2012-13	649,660,787	2,893,674,972	22.45	553,603,600	2,081,021,860	26.60
2013-14	773,955,592	3,707,335,364	20.88	696,542,070	2,291,044,266	30.40
2014-15	850,784,313	4,020,255,465	21.16	858,551,772	2,556,545,654	33.58
2015-16	918,603,215	3,591,889,592	25.57	950,484,513	2,673,540,019	35.55
2016-17	954,638,291	3,664,816,671	26.05	1,042,190,027	2,864,665,770	36.38
2017-18	1,015,893,551	3,413,801,866	29.76	1,105,568,314	2,905,715,090	38.05
2018-19	1,121,314,154	3,410,059,443	32.88	1,156,083,212	2,969,321,530	38.93
2019-20	1,125,757,202	3,688,833,041	30.52	1,144,137,429	3,150,494,069	36.32
2020-21	1,217,412,779	3,656,865,239	33.29	2,529,291,622	5,909,828,759	42.80
2021-22	1,326,166,340	4,208,417,907	31.51	2,595,239,457	6,610,046,627	39.26

Exponential Growth Rate: 7.32% Exponential Growth Rate: 16.37%

Table 1 represents the ratio of priority sector advances to total advances of both banks. The ratio of priority sector lending to total advances lies 20.88% to 33.29% in the case of Bank of India; whereas 26.60% to 42.80% in the case of Union Bank of India. It means the lowest ratio in the last ten years was 20.88% and 26.60% for Bank of India and Union Bank of India respectively. Further the growth by Rs. 676,505,553 thousand and Rs. 2,041,635,857 thousand observed in Bank of India and Union Bank of India respectively in the given period. The exponential growth of both banks are 7.32% & 16.37% respectively which depicts that the performance of UBI is more better as compared to BOI towards priority sector advances.

2. Agriculture Advances

Table 2: Agriculture Advances by BOI & UBI

(In '000)

Year	Bank of India			Union Bank of India		
	Total Agriculture Advances	% of Total Priority Sector Advances	% of Total Advances	Total Agriculture Advances	% of Total Priority Sector Advances	% of Total Advances
2012-13	27,041	41.62	9.34	20,224	36.53	9.72
2013-14	36,071	46.61	9.73	28,769	41.30	12.56

Year	Bank of India			Union Bank of India		
	Total Agriculture Advances	% of Total Priority Sector Advances	% of Total Advances	Total Agriculture Advances	% of Total Priority Sector Advances	% of Total Advances
2014-15	43,183	50.76	10.74	35,175	40.97	13.76
2015-16	50,508	54.98	14.06	45,417	47.78	16.99
2016-17	54,302	56.88	14.82	50,758	48.70	17.72
2017-18	51,938	51.13	15.21	52,148	47.17	17.95
2018-19	57,302	51.10	16.80	52,517	45.43	17.69
2019-20	52,918	47.01	14.35	54,111	47.29	17.18
2020-21	59,007	48.47	16.14	1,21,142	47.90	20.50
2021-22	66,418	50.08	15.78	1,27,343	49.07	19.27
Exponential Growth Rate: 8.12%			Exponential Growth Rate: 19.39%			

Table 2 portrays the component wise lending, that is, Agriculture sector by BOI and UBI in last ten years. Table shows the total advanced in agriculture sector, % to the priority sector advance and % of total advances to the agriculture sector. The growth of Rs. 39,377 thousand and Rs. 1,07,119 thousand observed in BOI and UBI respectively during the tenure of ten years. The exponential growth rate of UBI (19.39%) is more than the exponential growth rate of BOI (8.12%). The result proves that UBI is doing better than BOI specifically for advances to agriculture sector.

3. Small & Medium Enterprises (SMEs) Advances

Table 3: Small & Medium Enterprises (SMEs) Advances by BOI & UBI

(In '000)

Year	Bank of India			Union Bank of India		
	Total SME Advances	% of Total Priority Sector Advances	% of Total Advances	Total SME Advances	% of Total Priority Sector Advances	% of Total Advances
2012-13	28,912	44.50	9.99	34,699	62.68	16.67
2013-14	35,504	45.87	9.58	45,372	65.14	19.80
2014-15	39,822	46.81	9.91	54,755	63.78	21.42
2015-16	39,466	42.96	10.99	55,524	58.42	20.77
2016-17	42,768	44.80	11.67	61,913	59.41	21.61
2017-18	51,678	50.87	15.14	63,371	57.32	21.81
2018-19	51,866	46.25	15.21	67,174	58.10	22.62
2019-20	52,198	46.37	14.15	70,381	61.51	22.34
2020-21	57,267	47.04	15.66	1,22,274	48.34	20.69
2021-22	62,398	47.05	14.83	1,14,975	44.30	17.39
Exponential Growth Rate: 7.96%			Exponential Growth Rate: 12.59%			

Table 3 depicts the advances given to small and medium scale enterprises. Both, BOI and UBI have considerable growth in the amount of total SME advances. BOI's advance in this sector is almost 2.16 times of its inception; whereas in the case of UBI it is 3.31 times. The exponential growth rate, which represents the overall growth of last 10 year is 7.96% and 12.59% for BOI and UBI respectively. Small & Medium Enterprises have been benefitted more from Union Bank of India as compared to BOI.

4. Other Sectors' Advances of Priority Sector:

Table 4: Other Sectors' Advances of Priority Sector by BOI & UBI

(In '000)

Year	Bank of India			Union Bank of India		
	Total of Other Advances	% of Total Priority Sector Advances	% of Total Advances	Total of Other Advances	% of Total Priority Sector Advances	% of Total Advances
2012-13	9565	14.72	3.31	24076	43.49	11.57
2013-14	10446	13.50	2.82	31991	45.93	13.96
2014-15	11567	13.60	2.88	37331	43.48	14.60
2015-16	14682	15.98	4.09	44891	47.23	16.79
2016-17	15957	16.72	4.35	50651	48.60	17.68
2017-18	18075	17.79	5.29	55452	50.16	19.08
2018-19	21326	19.02	6.25	60722	52.52	20.45
2019-20	21121	18.76	5.73	63159	55.20	20.05
2020-21	22661	18.61	6.20	143806	56.86	24.33
2021-22	22783	17.18	5.41	174949	67.41	26.47
Exponential Growth Rate: 11.18%			Exponential Growth Rate: 21.40%			

Table 4 portrays the result of rest of beneficiary of priority sector which includes the advances like housing, education, loan to weaker section, women beneficiary etc. As per the table we can conclude that again UBI has been contributed more with exponential growth rate of 21.40%. The exponential growth rate of BOI is 11.18%. The Bank of India still have the scope to better of this rate.

5. % of ANBC to Priority Sector and Agriculture by BOI & UBI

According to the targets updated on 11th June, 2021 by the Reserve Bank of India in Master Directions, Priority Sector Lending, the commercial banks should advance at least 40% of Adjusted Net Banking Credit to the priority sector as priority sector advances and out of this 40%, share of 18% should be allocated to Agriculture.

Table 5: Share of Priority Sector Advances of BOI & UBI under RBI's Benchmark

Year	Bank of India		Union Bank of India	
	Total Priority Sector Lending (% of ANBC)	Total Agriculture Advances (% of ANBC)	Total Priority Sector Lending (% of ANBC)	Total Agriculture Advances (% of ANBC)
2012-13	36.71%	15.15%	35.62%	12.36%
2013-14	40.45%	17.78%	40.40%	14.60%
2014-15	35.20%	16.07%	40.00%	16.10%
2015-16	38.97%	18.81%	41.60%	18.40%
2016-17	40.47%	19.44%	42.46%	19.27%
2017-18	40.80%	18.58%	47.80%	18.60%
2018-19	42.94%	18.86%	48.33%	18.20%
2019-20	40.81%	17.10%	44.93%	16.98%
2020-21	41.25%	17.50%	42.00%	18.69%
2021-22	41.55%	18.00%	43.24%	19.71%

Table 5 shows the percentage of Adjusted Net Banking Credit in priority sector lending and agriculture sector by both the banks. It is observed from the above mentioned data that both the banks have been successfully able to achieve the benchmark set by RBI for percentage of lending of ANBC to priority sector and agriculture sector further.

9. Major Findings

A comparative analysis of both banks i.e. Bank of India and Union Bank of India has been done. The individual parameters considered for the study wherein the exponential growth rate has been considered for the performance evaluation have compared.

Table 6: Comparative analysis of BOI & UBI

Parameters for Performance Evaluation	Exponential Growth Rate of Bank of India	Exponential Growth Rate of Union Bank of India
Priority Sector Advances to Total Advances	7.32%	16.37%
Agriculture Advances	8.12%	19.39%
Small & Medium Enterprises Advances	7.96%	12.59%
Other Sectors' Advances of Priority Sector	11.18%	21.40%

1. The priority sector lending to total advances shows the positive sign in both banks i.e. 7.32% for Bank of India and 16.37% for Union Bank of India. The figures clarified that the priority sector advances out of total advances are growing in the multiple of 16.37 over the period

of ten years as compared to BOI. It shows that the growth rate is almost double in case of UBI.

2. Total agricultural advances done by both the banks even have significant share in the upliftment of rural life. The amount of advances made to the agricultural sector are having significant share. The rate of growth in case of Union Bank of India is more than double the advances made by Bank of India.
3. The exponential growth by 12.59% in case of Union Bank of India and for Bank of India, 7.96% observed in case of small and medium enterprises advances. The basic target of 7.5% of ANBC has already been met by both the banks but the proportionate increase in the amount of lending to small and medium scale enterprises has shown the growth in the multiples of 12.59 which is greater than the proportion of lending found in case of Bank of India.
4. Other sector advances of priority sector have shown the figures of 21.40% and 11.18% for Union Bank of India and Bank of India respectively. The exponential growth rate found almost double in case of Union Bank of India.
5. Considering all sections of priority sector lending for both banks, it is observed that the Union Bank of India has experienced the potential growth in its financial prosperity. Exponential growth rate for all sections of priority sector lending have found superior in case of Union Bank of India reaches to conclusion that the Union Bank of India financially putting strong efforts to upgrade and uplift the rural India.
6. Established with the gap of just five years, Union Bank of India has shown good numbers in terms of financial lending to the priority sector. Bank of India has not faced the situation of non-accomplishments of targets by Reserve Bank of India. But the figures of both banks are expressing significant value difference in different sections of priority sector lending.

10. Conclusion

Indian banking industry consists of 12 public sector banks, 22 private sector banks, 46 foreign banks, 56 regional rural banks, 1485 urban cooperative banks and 96000 rural cooperative banks having a network of 2,13,145 ATMs in India out of which 47.5% are there in rural and semi urban areas. With widespread scope, it has always been the strength to support agriculture as it is the primary source of livelihood for 58% of India's population. The Indian agricultural sector is predicted to increase to US\$24 billion by 2025.

India's food and grocery market is the world's sixth largest market. The number denotes the growth of agriculture and rural India, and with the united hands companion between Government of India and the Banking Industry as whole have been constantly active to endure India as an Agricultural Nation.

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