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Priority Sector Lending (PSL) in India: A Comparative study between public sector banks and private sector banks

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Abstract
This study conducts a comparative analysis of Priority Sector Lending (PSL) between public and private sector banks in India from 2019-20 to 2023-24. PSL is a crucial policy initiative by the Reserve Bank of India to ensure adequate credit flow to critical sectors, such as agriculture, small enterprises, and weaker sections. The study employs statistical methods, such as Mean, Standard Deviation, Coefficient of Variation, and Compound Annual Growth Rate, to analyze lending patterns across various PSL sub-sectors. Correlation tests are conducted to evaluate the relationship between public and Private Banks' lending activities. The findings reveal that private-sector banks exhibit superior growth rates across all PSL categories compared to public-sector banks. However, public-sector banks extend greater credit amounts in absolute terms. Private Banks demonstrate higher lending variability, whereas public banks show relative stability. Significant positive correlations were identified between the lending activities of both bank types across all the PSL categories. This study highlights the increasing involvement of private sector banks in PSL, although public sector banks maintain a predominant role. These findings suggest that future policies should leverage the strengths of both bank types to build a more inclusive and efficient PSL system in India. Ongoing monitoring and flexible regulations are crucial for ensuring that PSL effectively promotes inclusive growth and development.

Keywords: Priority Sector Lending (PSL), Public Sector Banks, Private Sector Banks, Reserve Bank of India (RBI), inclusive growth, financial inclusion, credit flow etc.

1. Introduction

Priority Sector Lending (PSL) represents a pivotal policy initiative by the Reserve Bank of India (RBI), designed to ensure that critical sectors of the economy, often overlooked by conventional banking institutions, receive adequate financial support. Under this policy, banks are mandated to allocate a specified portion of their lending portfolio to priority sectors, such as agriculture, small enterprises, education, and housing. The primary objective is to facilitate the growth and development of these sectors by enhancing their access to credit. Public and Private Banks in India are integral to the implementation of this policy. Public sector banks, being government-owned, typically align with government objectives and prioritize social welfare (Kumar & amp; Gulati, 2008) [10]. Conversely, Private Banks are more profit-oriented, which influences their PSL approach (Gupta *et al*. 2020) [4]. A comparative analysis of public and Private Banks reveals their adherence to PSL mandates. Public banks have significantly contributed to financial inclusion and poverty alleviation owing to their extensive reach (Inoue, 2018) [5]. However, they encounter challenges, such as inefficiency and bureaucratic hurdles. Private Banks, while more agile and technologically adept, may not prioritize rural areas because of commercial considerations. These distinctions result in varied outcomes in achieving the PSL objectives. Public banks, despite their extensive rural branch networks, occasionally struggle to meet PSL targets because of inefficiencies (Kumar & Gulati, 2008) [10]. Private Banks, although more efficient, may require additional incentives to fulfil PSL objectives in rural regions (Paul *et al*., 2016) [12]. This study examines the approaches of public and Private Banks to PSL and explores their challenges and implications for economic and social development.

This study aims to elucidate strategies for banks to achieve PSL objectives, thereby fostering a more inclusive financial system in India. The Reserve Bank of India (RBI) meticulously monitors bank compliance with Priority Sector Lending (PSL) requirements. The RBI establishes guidelines and targets for PSL, mandating banks to allocate a certain percentage of their lending to sectors such as agriculture and small enterprises. Banks are required to submit regular reports to the RBI to demonstrate their progress in meeting these targets. The RBI reviews these reports to ensure compliance, and occasionally conducts on-site inspections to assess PSL implementation. The RBI evaluates the impact of PSL on banks and broader economies. Research indicates that PSL can influence bank performance (Venugopal, 2024) [16], aiding the RBI in assessing whether PSL contributes to growth without adversely affecting bank performance. The RBI also considers feedback and economic conditions to refine PSL policies.

2. Literature Review

The most pertinent prior research on priority sector lending in the Indian banking sector, encompassing both public and private institutions, and conducted by various academics and researchers, is reviewed below.

Sarvesh and Kanaujiya (2024) [13] studied how public and Private Banks in India handle priority sector lending (PSL). They found that public banks usually led to PSL, but Private Banks were catching up. This change was due to new rules, competition, and strategy changes. Public banks provide larger loans, on average, focusing on small-scale lending. However, Private Banks are growing faster in PSL, showing that they are more aggressive in expanding credit. The study shows that banking in India is changing, with Private Banks playing a larger role in helping more people through faster PSL growth.

Kaur and Sidhu (2020) [7] study Priority Sector Lending (PSL) in India, focusing on Punjab from 2004-05 to 2017-18. They looked at how public and Private Banks lent money to important areas, such as farming, small businesses, housing, and weaker groups. The study found that PSL grew steadily, with public banks’ lending more, because they focused on social goals. Private Banks grew faster in percentage but lent less overall. This study used tools such as the CAGR and Kruskal-Wallis tests to compare banks, showing large differences in lending. Even during economic crises, lending remained strong, indicating a stable banking system. This study suggests that Private Banks should be more socially responsible and recommends policies such as awareness campaigns to improve PSL. It concludes that a strong PSL is key to economic growth, job creation, and poverty reduction.

Studied how public and Private Banks in India provide loans to the weaker sections. The study examined two time periods: 2013-2017 and 2018-2022. It focuses on how banks follow the Reserve Bank of India's rules for lending to poor and marginalized groups. The research used tools such as Compound Annual Growth Rate (CAGR), average value analysis, and hypothesis testing. The findings show that both public and Private Banks increased their loans to weaker sections over time. Public banks always met their targets and had higher growth rates in both periods. Private Banks grew well but struggled to meet their targets, especially in the first period. The study also examined individual banks in both sectors, showing their contributions, growth, and target achievements. The study ends by stressing the need for both sectors to improve their lending practices. This suggests that regulators should keep checking and improving policies and that Private Banks should work together and share knowledge to do better.

Singh and Kanyan (2020) [15] studied bad loans, called Non-Performing Assets (NPAs), in Indian banks. They compared NPA in two areas: priority and non-priority sectors. This study examined data from April 2008 to March 2019 for all Indian banks, including government, private, and foreign banks. They used the growth rate and regression analyses to understand the data. The study found that government banks have the most NPAs, except in priority sectors, where Private Banks have more NPAs. NPAs are increasing in both sectors, but more so in non-priority areas. Loans to priority sectors have fewer bad loans than those in non-priority sectors. The study concludes that loans to priority sectors are not risky and are important for India's economic growth.

Kadiwala (2017) [6] studied how public and Private Banks in India lend to the priority sectors. This study examines how well these banks performed in this area. It used data from the annual reports of some banks over five years, from 2014-15 to 2018-19. The banks included were HDFC, ICICI, and AXIS from the private sector and BOB, BOI, and SBI from the public sector. The F-test (ANOVA) was used for the analysis. The main findings show that these banks did not meet the 40% lending target set by the Reserve Bank of India (RBI) during this time. There were significant differences in the extent to which each bank lent to the priority sectors. Bank of Baroda (BOB) did the best among the banks studied. Public-sector banks generally lent more to priority sectors than private-sector banks. The study found that the BOB and BOI were better at meeting targets than other banks.

Maheswari and Venugopal (2019) [11] studied how well banks in Coimbatore District lent money to important sectors under the lead-bank scheme. They looked at data from April 1, 2006, to March 31, 2017. Banks were told to lend at least 40% of their money to these sectors. The Kruskal-Wallis test was used to assess the performance of the different banks. The results show no significant differences in lending to the Agricultural and Service Sectors. However, there was a large difference in lending to small-scale industries and the total priority sector. Public Sector banks performed well in lending to agriculture, small-scale industries, and the total priority sector. Private Sector banks are lending well to the Service Sector. The study found that both public and private Banks have strengths in different areas of priority-sector lending.

Kumar and Kumar (2015) [9] studied how public and Private Banks in India lent money to important sectors between 2001 and 2014. They used data from RBI publications and divided the study into two periods: 2001-2007 and 2008-2014. They examined growth and differences using growth rates and variation measures. T-tests were used to compare public and Private Banks. The study found that both types of banks usually met lending targets in important sectors. However, the share of these loans in the total bank credit decreases over time. Neither type of bank meets the 18% target for agricultural loans. Private Banks grew faster in lending to important sectors than public banks. Within these sectors, loans to agriculture and small industries increased, whereas loans to other sectors decreased. The study highlights the need for consistent financial inclusion efforts, suggesting that opening bank accounts and transferring money are not sufficient.

Devdas and Reddy (2024) [2] studied the problems and awareness of Priority Sector Lending (PSL) in three main areas in India: Agriculture, Micro, Small, and Medium Enterprises (MSMEs), and Weaker Sections. They wanted to find out the problems people faced when obtaining PSL loans and how much they knew about them. They surveyed 100 bank officials using a questionnaire to understand why bankers do not prefer PSL. They also surveyed 450 customers (150 from each sector) to identify problems in obtaining PSL loans. The study found that MSMEs knew the most about PSL, whereas agriculture knew the least. The problems were different in each sector. Agriculture and the weaker sections had issues with strict loan terms and few product choices. MSMEs had trouble with payment methods. A statistical test called one-way ANOVA showed that awareness and problems differed in each sector. The study suggests improving PSL by providing more information, making loan terms flexible, offering more products, improving payment methods, and training bank employees.

3. Need of the study

Priority Sector Lending (PSL) is important in India for several reasons. It helps ensure that credit is fairly given to areas such as agriculture and small businesses that need it the most. A comparison between public and Private Banks shows how they handle this task. Public banks play a significant role in PSL because of government rules and their wide reach. However, they face problems, such as bad loans and inefficiencies. It is important to see how these issues affect PSL, so that regulators can make better decisions. Private Banks, considered more efficient and profit-driven, are also becoming involved in PSL. Studying how they balance profit with PSL goals can show whether they bring new ideas and efficiency. This comparison helps us to understand the strategies of both bank types. Public banks focus on development goals, whereas Private Banks may use new financial tools to meet PSL targets without losing profit. The PSL in both bank types is important for financial inclusion, rural development, and poverty reduction in India. It also shows where improvements are needed to make PSL more effective for national growth. By studying PSL in public and Private Banks, stakeholders can use the strengths of each bank to ensure that PSL continues to support India's growth.

4. Objectives of the study

This study aims to conduct a comparative analysis of priority sector lending (PSL) across various sub-sectors between public sector banks and private sector banks in India for the period from 2019-20 to 2023-24.

5. Research Methodology

The current study is both descriptive and analytical, relying exclusively on secondary data. These data have been obtained from esteemed financial institutions, scholarly publications, articles, journals, research-based publications, and annual reports of the Reserve Bank of India (RBI), and specifically, various reports on the trends and progress of banking in India from the financial year 2019-20 to 2023-24. Statistical methods such as the Mean, Standard Deviation (S.D.), Coefficient of Variation (C.V.), and Compound Annual Growth Rate (CAGR) have been employed to analyse the loan patterns of agriculture, small and marginal farmers, non-corporate individual farmers, micro enterprises, and weaker sections within India's priority sector lending. A correlation test has been conducted to evaluate the predetermined hypotheses. For the analysis of secondary data, the study utilized MS Excel and SPSS-26 to interpret the data and derive logical conclusions.

6. Hypothesis

To achieve the research objective, five distinct sets of hypotheses have been formulated as follows:-

- **H_1:** There is no significant relationship in PSL lending to agriculture between public-sector banks and private-sector banks in India.
- **H_2:** There is no significant relationship in PSL lending to small and marginal farmers between public- and private-sector banks in India.
- **H_3:** There is no significant relationship in PSL lending to non-corporate individual farmers between public- and private-sector banks in India.
- **H_4:** There is no significant relationship in PSL lending to micro-enterprises between public sector banks and private sector banks in India.
- **H_5:** There is no significant relationship in PSL lending to weaker sections between public-sector banks and private-sector banks in India.

7. Analysis and Discussion

The pertinent secondary data, sourced from various annual reports of the Reserve Bank of India (RBI), particularly those detailing trends and progress within the Indian banking sector, have been systematically analyzed and are discussed in the following subsections, accompanied by hypothesis testing.

7.1 Sector-wise Priority Sector lending (PSL) in India by Public Sector Banks from 2019-20 to 2023-24

Table 1: Sector-wise priority sector lending in India by Public Sector Banks from 2019-20 to 2023-24

Year	Agriculture	Small and Marginal Farmers	Non-Corporate Individual Farmers	Micro Enterprises	Weaker Sections
2019-20	971334	513400	711852	396159	683876
2020-21	1068112	553455	769173	418763	727794
2021-22	1182377.52	648227.14	924640.55	442596.73	827895.58
2022-23	1277359	739768	998667	503933	933799
2023-24	1425554	832757	1105493	597854	1053784
Mean	1184947.304	657521.428	901965.11	471861.146	845429.716
Standard Deviation	177284.5449	131490.6798	162069.2539	81100.92037	151216.6069
CV%	14.96138641	19.99793075	17.96846154	17.18745463	17.88636051
CAGR%	7.974951203	10.15709781	9.202670127	8.578821234	9.032218156

Source: Compiled by Researcher

Observation: The following are the principal observations derived from the Priority Sector Lending (PSL) data of public-sector banks in India for the period 2019-20 to 2023-24:

7.1.1. Growth Trends (CAGR%)
- The category of Small and Marginal Farmers experienced the highest growth rate (10.16%), followed by Non-Corporate Individual Farmers (9.20%), and Weaker Sections (9.03%).
- The agricultural sector experienced a compound annual growth rate (CAGR) of 7.97%, which, although the lowest among all categories, remained significant in absolute terms.
- Microenterprises have demonstrated a Compound Annual Growth Rate (CAGR) of 8.58%, reflecting consistent yet comparatively slower growth relative to other priority sectors.

7.1.2 Absolute Lending (2023-24)
- The sector with the highest lending is agriculture, amounting to ₹14.25 Lakh Crore, followed by Non-Corporate Individual Farmers, with a lending amount of ₹11.05 Lakh Crore.
- Micro Enterprises, with a lending amount of ₹5.98 Lakh Crore, received the least financial support; however, they demonstrated consistent growth.
- The financial activities of weaker sections have surpassed ₹10.54 Lakh Crore in the fiscal year 2023-24, indicating a significant enhancement in financial inclusion initiatives.

7.1.3 Variability (Standard Deviation and CV%)
- The group experiencing the highest volatility was Small & Marginal Farmers (CV%=20.0%), which is likely attributable to policy changes or economic disruptions.
- The agricultural sector, with a coefficient of variation (CV%) of 14.96%, exhibited the lowest volatility. This stability is likely attributable to the country's substantial base and consistent policy support.
- Moderate Variability, Micro Enterprises (CV%= 17.19%) and Weaker Sections (CV%=17.89%) exhibit moderate levels of fluctuation.

Public sector banks have consistently increased their lending to priority sectors, with agriculture and small farmers being the primary beneficiaries. However, micro-enterprises require greater attention to facilitate their growth. The significant variability in lending to small farmers necessitates a more in-depth analysis of the disbursement mechanisms.

7.2 Sector-wise priority sector lending in India by private sector banks from 2019-20 to 2023-24

Table 2: Sector-wise priority sector lending in India by private sector banks from 2019-20 to 2023-24

Year	Agriculture	Small and Marginal Farmers	Non-Corporate Individual Farmers	Micro Enterprises	Weaker Sections
2019-20	503939	229420	345305	253592	340182
2020-21	529637	240754	364026	293072	358002
2021-22	622339.14	286829.08	415711.15	318688.9	386742.3
2022-23	753591	364356	552916	381720	496360
2023-24	951089	505484	708677	517925	637014
Mean	672119.028	325368.616	477327.03	352999.58	443660.06
Standard Deviation	184069.0189	113811.9432	152725.2087	103290.4415	123943.21
CV%	27.38637224	34.97938572	31.99592713	29.26078313	27.936526
CAGR%	13.54516292	17.11572942	15.4646635	15.35230182	13.367228

Source: Compiled by Researcher

Observation: The following are the principal observations derived from the Priority Sector Lending (PSL) data about private-sector banks in India for the period 2019-20 to 2023-24.

7.2.1 Growth Trends (CAGR%)
- The most significant growth was observed among Small and Marginal Farmers, who experienced a compound annual growth rate (CAGR) of 17.12%. This was followed by Non-Corporate Individual Farmers, with a CAGR of 15.46%, and Micro Enterprises, which recorded a CAGR of 15.35%.
- The agricultural sector experienced a Compound Annual Growth Rate (CAGR) of 13.55%, which, although slower than the growth rate of small farmers, remained robust.
- The weaker sections experienced a Compound Annual Growth Rate (CAGR) of 13.37%, which, although the lowest among all categories, remains noteworthy.

7.2.2 Absolute Lending (2023-24)
- The largest lending segment was agriculture, with a total of ₹9.51 Lakh Crore, followed by Non-Corporate Individual Farmers, which accounted for ₹7.09 Lakh Crore.
- The financial performance of micro enterprises has demonstrated significant growth, with their valuation increasing from ₹2.54 Lakh Cr in the fiscal year 2019-20 to ₹5.18 Lakh Cr in 2023-24, indicating robust expansion.
- The financial inclusion efforts have shown improvement, as evidenced by the increase in the weaker sections reaching ₹6.37 Lakh Cr in 2023-24.

7.2.3 Variability (Standard Deviation and CV%)
- The greatest volatility was observed among small and marginal farmers (CV%=34.98%), which can be attributed to dynamic policy interventions or varying risk perceptions.
- The agricultural sector exhibited the least volatility, with a coefficient of variation (CV%) of 27.39%, which may be attributed to the presence of structured lending programs.
- Moderate variability was observed in micro-enterprises (CV%=29.26%) and Non-Corporate Farmers (CV%= 32.00%), which was anticipated to be significant.

Private-sector banks have markedly increased their lending to priority sectors, particularly targeting small farmers and micro enterprises, at a more rapid rate than public banks. Nevertheless, the observed higher variability suggests potential risks or the need for policy adjustment. If this trend persists, Private Banks may assume an increasingly dominant role in priority sector financing.

7.3 Key Comparison between Public Sector Banks and Private Sector Banks towards Priority Sector Lending (PSL) in Various Sectors:-

- **Faster Growth:** In all categories, Private Banks demonstrated superior performance compared to public banks, as evidenced by the compound annual growth rate (CAGR) for small farmers, which was 17.12% for Private Banks versus 10.16% for public banks.
- **Higher Volatility:** Private Banks exhibit greater variability, as indicated by a higher coefficient of variation (CV%), which may be attributed to more stringent risk assessments or market-driven strategies.
- **Micro enterprises growth:** Private Banks experienced a compound annual growth rate (CAGR) of 15.35%, compared to 8.58% for public banks, indicating superior market penetration in this sector.

7.4 Hypothesis Testing

7.4.1 Correlation Test: The concept of correlation is employed to describe the extent of the association between variables. When two variables exhibit a relationship, such that changes in the magnitude of one variable are typically accompanied by changes in the magnitude of the other, they are considered to be correlated. In this context, a correlation analysis has been conducted to examine the relationship between public sector banks and private sector banks in India, specifically in the domain of priority sector lending (PSL) from the financial year 2019-20 to 2023-24. This analysis focuses on various sectors, including agriculture, small and marginal farmers, non-corporate individual farmers, micro-enterprises, and weaker sections of society.

7.4.1.1 Hypothesis-1

- **H_0:** There is no significant relationship in PSL lending to agriculture between public- and private-sector banks in India.
- **H_1:** There is a significant relationship between PSL lending to agriculture between public- and private-sector banks in India.

Table 3: Agricultural PSL public sector banks and agricultural PSL under private sector banks

Correlations			
		Agricultural PSL Public Sector Banks	**Agricultural PSL under Private Sector Banks**
Agricultural PSL Public Sector Banks	Pearson Correlation	1	1
	Sig. (2-tailed)		0.000
	N	5	5
Agricultural PSL under Private Sector Banks	Pearson Correlation	1	1
	Sig. (2-tailed)	0.000	
	N	5	5

Source: Compiled by Researcher

Interpretation: The table above presents the results of a bivariate correlation analysis conducted to examine the relationship between Priority Sector Lending (PSL) and agriculture between public and private sector banks in India. The correlation matrix indicates that the Pearson's correlation coefficient is 1, and the P-value for a two-tailed test is 0.000, which is below the threshold of 0.05, at the 5% level of significance. Consequently, it can be inferred that there is a positive and strong correlation in PSL lending to agriculture between public sector banks and private sector banks in India.

7.4.1.2 Hypothesis-2

- **H_0:** There is no significant relationship in PSL lending to small and marginal farmers between public- and private-sector banks in India.
- **H_1:** There is a significant relationship between PSL lending to small and marginal farmers between public- and private-sector banks in India.

Table 4: Small and marginal farmers PSL under public sector banks and small and marginal farmers PSL under private sector banks

Correlations			
		Small and Marginal Farmers PSL under Public Sector Banks	**Small and Marginal Farmers PSL under Private Sector Banks**
Small and Marginal Farmers PSL under Public Sector Banks	Pearson Correlation	1	1
	Sig. (2-tailed)		0.000
	N	5	5
Small and Marginal Farmers PSL under Private Sector Banks	Pearson Correlation	1	1
	Sig. (2-tailed)	0.000	
	N	5	5

Source: Compiled by Researcher

Interpretation: The table above presents the results of a bivariate correlation analysis conducted to examine the relationship between Priority Sector Lending (PSL) and small and marginal farmers between public and private sector banks in India. The correlation matrix indicates that the Pearson's correlation coefficient is 1, and the P-value for a two-tailed test is 0.000, which is below the threshold of 0.05, at the 5% level of significance. Consequently, it can be inferred that there is a positive and strong correlation in PSL lending to small and marginal farmers between public sector banks and private sector banks in India.

7.4.1.3 Hypothesis-3

- **H$_0$:** There is no significant relationship in PSL lending to non-corporate individual farmers between public- and private-sector banks in India.
- **H$_1$:** There is a significant relationship between PSL lending to non-corporate individual farmers between public- and private-sector banks in India.

Table 5: Non-corporate individual farmers PSL under public sector banks and non-corporate individual farmers PSL under private sector banks

Correlations			
		Non-Corporate Individual Farmers PSL under Public Sector Banks	Non-Corporate Individual Farmers PSL under Private Sector Banks
Non-Corporate Individual Farmers PSL under Public Sector Banks	Pearson Correlation	1	1
	Sig. (2-tailed)		0.000
	N	5	5
Non-Corporate Individual Farmers PSL under Private Sector Banks	Pearson Correlation	1	1
	Sig. (2-tailed)	0.000	
	N	5	5

Source: Compiled by Researcher

Interpretation: The table above presents the results of a bivariate correlation analysis conducted to examine the relationship between Priority Sector Lending (PSL) and non-corporate individual farmers between public and private sector banks in India. The correlation matrix indicates that the Pearson's correlation coefficient is 1, and the P-value for a two-tailed test is 0.000, which is below the threshold of 0.05, at the 5% level of significance. Consequently, it can be inferred that there is a positive and strong correlation in PSL lending to non-corporate individual farmers between public sector banks and private sector banks in India.

7.4.1.4 Hypothesis-4

- **H$_0$:** There is no significant relationship in PSL lending to micro-enterprises between public sector banks and private sector banks in India.
- **H$_1$:** There is a significant relationship between PSL lending to micro-enterprises between public sector banks and private sector banks in India.

Table 6: Micro Enterprises PSL under public sector banks and micro enterprises PSL under private sector banks

Correlations			
		Micro Enterprises PSL under Public Sector Banks	Micro Enterprises PSL under Private Sector Banks
Micro Enterprises PSL under Public Sector Banks	Pearson Correlation	1	1
	Sig. (2-tailed)		0.000
	N	5	5
Micro Enterprises PSL under Private Sector Banks	Pearson Correlation	1	1
	Sig. (2-tailed)	0.000	
	N	5	5

Source: Compiled by Researcher

Interpretation: The table above presents the results of a bivariate correlation analysis conducted to examine the relationship between Priority Sector Lending (PSL) and micro-enterprises between public sector banks and private sector banks in India. The correlation matrix indicates that the Pearson's correlation coefficient is 1, and the P-value for a two-tailed test is 0.000, which is below the threshold of 0.05, at the 5% level of significance. Consequently, it can be inferred that there is a positive and strong correlation in PSL lending to micro enterprises between public sector banks and private sector banks in India.

7.4.1.5 Hypothesis-5

- **H$_0$:** There is no significant relationship in PSL lending to weaker sections between public-sector banks and private-sector banks in India.
- **H$_1$:** There is a significant relationship between PSL lending to weaker sections of public sector banks and private sector banks in India.

Table 7: Weaker sections PSL under public sector banks and weaker sections PSL under private sector banks

Correlations			
		Weaker Sections PSL under Public Sector Banks	Weaker Sections PSL under Private Sector Banks
Weaker Sections PSL under Public Sector Banks	Pearson Correlation	1	1.000**
	Sig. (2-tailed)		0.000
	N	5	5
Weaker Sections PSL under Private Sector Banks	Pearson Correlation	1.000**	1
	Sig. (2-tailed)	0.000	
	N	5	5

Source: Compiled by Researcher

Interpretation: The table above presents the results of a bivariate correlation analysis conducted to examine the relationship between Priority Sector Lending (PSL) and weaker sections of public sector banks and private sector banks in India. The correlation matrix indicates that the Pearson's correlation coefficient is 1, and the P-value for a two-tailed test is 0.000, which is below the threshold of 0.05, at the 5% level of significance. Consequently, it can be inferred that there is a positive and strong correlation in PSL lending to weaker sections between public sector banks and private sector banks in India.

8. Findings of the study

Drawing on the analysis delineated in the text, the principal findings concerning Priority Sector Lending (PSL) by public and private sector banks in India from 2019-20 to 2023-24 are as follows.

8.1. Growth Trends

- Private sector banks exhibited superior growth rates in all categories of Priority Sector Lending (PSL) compared to their public sector counterparts.
- Small and marginal farmers experienced the most significant growth across both categories of banks, with a compound annual growth rate (CAGR) of 10.16% for public banks and 17.12% for Private Banks.
- The agricultural sector exhibited the lowest growth rates among both the bank categories. However, it remained noteworthy, with a compound annual growth rate (CAGR) of 7.97% for public banks and 13.55% for Private Banks.

8.2. Absolute Lending

- Public-sector banks extended greater amounts of credit across all categories in absolute terms.
- Agriculture received the highest lending from both types of banks.
- Microenterprises, despite receiving the least amount of funding, demonstrated consistent growth.

8.3. Variability

- Private sector banks exhibited greater variability, as indicated by the Coefficient of Variation across all categories, in comparison to public sector banks.
- Small and marginal farmers exhibit the highest volatility across both bank types.
- The agricultural sector demonstrated relative stability across both types of banks.

8.4. Correlation Analysis

- Significant positive correlations were identified between the lending activities of public and private sector banks across all categories of Priority Sector Lending (PSL), including agriculture, small and marginal farmers, non-corporate individual farmers, micro enterprises, and weaker sections.
- All correlation analyses yielded a Pearson's correlation coefficient of 1, accompanied by p-values of 0.000, indicating a statistically significant relationship.

8.5. Sector-Specific Observations

- Micro enterprises experienced a notably higher compound annual growth rate (CAGR) in lending from Private Banks, at 15.35%, compared with a CAGR of 8.58% from public banks.
- The growth rate of lending to weaker sections was observed at a compound annual growth rate (CAGR) of 9.03% for public banks and 13.37% for Private Banks.

8.6. Overall Trends

- Private sector banks are expanding their priority sector lending (PSL) more rapidly than public sector banks across all categories.
- Public sector banks continue to lead in terms of total lending volume.
- Both categories of banks demonstrate consistent growth in priority sector lending (PSL), reflecting an increased emphasis on priority sectors.

The findings indicate that, although public sector banks play a predominant role in priority sector lending (PSL), private sector banks are increasingly enhancing their involvement. This trend may contribute to a more competitive and diverse PSL environment in India.

9. Conclusion

In this study, a detailed look at Priority Sector Lending (PSL) by public and Private Banks in India from 2019-20 to 2023-24 shows key differences. Private Banks grew faster in all PSL areas than public banks. This might be due to the rules and market conditions. Although Private Banks grew quickly, public banks still lend more overall because they are older and have more branches. Both bank types focused more on small and marginal farmers, who saw the highest growth. Private Banks lent more to micro-enterprises, showing interest in this area. Private Banks had more varied lending patterns, likely because of their flexible risk assessments. Public banks have steadier lending, probably because of their stable policies. Both bank types showed strong positive lending trends, meaning they reacted similarly to rules and market needs, but at different speeds. Private Banks are becoming more important in PSL, but public banks are still key to large lending amounts and stability. These trends have affected financial inclusion and economic growth in India. More private bank involvement can lead to better and more efficient lending in priority areas. Public banks ensure stability and reach, especially in areas that need them the most. Growth in lending to small farmers and micro enterprises supports national goals for rural and small business development. However, several challenges remain. The variability in private bank lending may lead to a steady credit flow in priority areas. Public banks need to grow faster to remain relevant. In summary, public banks are still crucial to PSL, but Private Banks are catching up quickly. This change offers both opportunities and challenges to policymakers. Future policies should use the strengths of both bank types to build a stronger, more inclusive, and more efficient PSL system in India. Ongoing monitoring and flexible rules are important to ensure that PSL helps promote inclusive growth and development.

10. References

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