

“A TREND ANALYSIS OF FINANCE IN DIFFERENT SECTORS OF ECONOMY WITH REFERENCE TO STATE LEVEL BANKER’S COMMITTEE OF GUJARAT”

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Abstract

Economy Sectors namely Agriculture, Industry and Service are keeping on changes in their share for economic condition. Finance is the blood of each and every economic activity of these sectors. The present economic condition is an alarming one for government to keep a close watch on activities which are required a booster doze to restart the growth engine. The consumption pattern as well as production pattern both might take radical changes having different market region. Commercial Banks, Rural Banks, Land Development Banks, and other financial organizations are providing finance to these various economic sectors. Researcher is trying to study trend and pattern of finance allocation by different banks as per SLBC (State Level Banker’s Committee) reports in State of Gujarat. Advances to the priority sectors, Agriculture, MSME (Micro, Small and Medium Enterprise), and Weaker sections are to be studied with Comparative conclusion.

Key Words: Financial Assistance, Financial organizations, Economic Condition, Market.

INTRODUCTION

Reserve Bank of India is an apex body to keep an eye on the Banking Activities in India. Nationalized banks, rural Development banks, State co-operative banks, Land development banks, Lead banks, and NABARD all are the focal points of banking networks for financing the various sectors of economy. In each state SLBC-State Level Banker’s Committee is a unique body who coordinates and guides the finance plans and also manages fund allocation. It also takes leadership in formulation and implementation of annual credit plans for district wise resource allocation in time. At present Bank of Baroda is the leader of SLBC in the state of Gujarat.

Statement of the problem

As each and every activity needs financial aids to perform and contributes in the progress and development of state and so for nation. During this critical condition of COVID-19 suddenly all the economic sectors are affected and government is trying to boost these sectors by providing financial fund. Researcher is trying to study trend and pattern of finance allocation by different banks as per SLBC (State Level Banker’s Committee) reports in State of Gujarat. Advances to the priority sectors, Agriculture, MSME (Micro, Small and Medium Enterprise), and Weaker sections are to be studied under the title

LITERATURE REVIEW

Dr. Krishna Behari Srivastava(2018) has studied with title “Position of Lead Banks Schemes in Uttar Pradesh” for understanding of finance activity of Lead banks ,collective actions of lead banks with other financial institutions and observed the implementation of bankable Schemes.

U Arora, B Vashisht, M Bansal (2009) Studied and compared credit schemes under leadership of SLBC – Chandigarh “An Analytical Study of Growth and Credit Schemes of Selected Banks” They analyzed five banks’ credit portion and recovery section and suggested to be more customer centric and to have better relationship management.

OBJECTIVE

The objective of this research paper is to analyze and compare the finance allocation to different sectors of economy based on Reports of State Level Banker’s Committee in Gujarat state.

DATA SOURCE

This study is based on secondary data collected for 2017, 2018 and 2019 from 3 years Reports of State Level Banker's Committee in Gujarat state. Data is to be collected from the websites SLBC Gujarat.

NATURE AND PLAN OF ANALYSIS

This research study is about to analyze, and compare based on available secondary data, it is to describe the fund allocation so it has a descriptive nature.

The study is to be carried out with Trend Analysis and Common size Analysis of available financial data and an attempt is made to have a comparative conclusion. Here flow of Deposits and Advances, Advances to Deposits ratio, and finance allocation to various sectors are considered for better understanding.

The collected data are to be tabulated at first for proper analysis and plotted in bar chart for interpretation based on them.

Advances to the priority sectors, Agriculture, MSME (Micro, Small and Medium Enterprise), and Weaker sections are to be studied with trend analysis with base year 2013-14 and then Common size in reference to percentage is to be done for each year taken for study.

The finance allocation of each sector under the study is summed up and then average allocation of each sector is to be calculated to know whether the finance allocation has similar proportion or not during the study period.

HYPOTHESIS AND TESTING

The finance allocation of each sector under the study is summed up and then average allocation of each sector is to be calculated to know whether the finance allocation has similar proportion or not during the study period.

Null Hypothesis

Ho-There would be no significant difference in the proportion of finance allocation to different sectors during study period

Alternative Hypothesis

H1- There would be significant difference in the proportion of finance allocation to different sectors during study period.

Here the researcher would use Chi-Square test to analyze the hypothesis and test that whether the proportion of finance has been in equal proportion or not.

DATA PRESENTATION AND INTERPRETATION

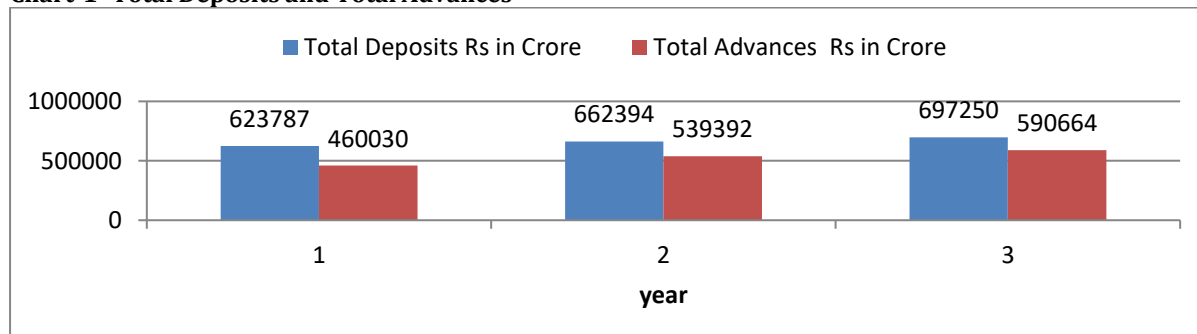
The collected data are tabulated at first for proper analysis and plotted in bar chart for interpretation based on them.

Advances –Deposit Ratio = $\frac{\text{Total Advances}}{\text{Total Deposits}}$

Table-1-Total Deposits and Total Advances with Advances –Deposit Ratio

Year	Total Deposits Rs in Crore	Total Advances Rs in Crore	Advances –Deposit Ratio
2017	623787	460030	73.75%
2018	662394	539392	81.43%
2019	697250	590664	84.71%

Chart-1- Total Deposits and Total Advances

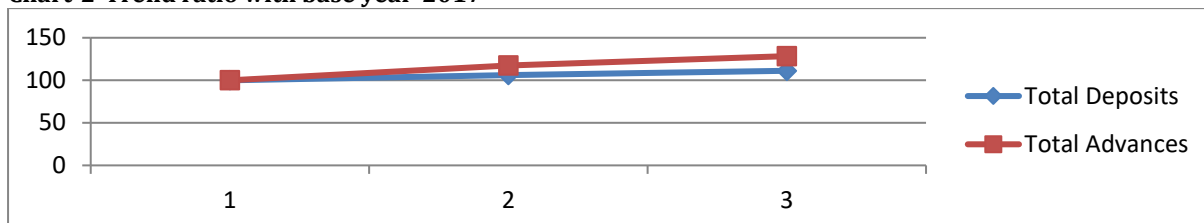


Interpretation; From the Table-1 and Chart-1, it is seen that there is increase in the amount of deposit and advance during study period and so as in advance/deposit ratio the increase is reflected at remarkable rate every year of study period

Table-2-Trend ratio with base year-2017

Particular	2017	2018	2019	Increase % 2018	Increase% 2019
Total Deposits	100	106.19	111.77	6.19	5.58
Total Advances	100	117.25	128.39	17.25	11.14

Chart-2-Trend ratio with base year-2017

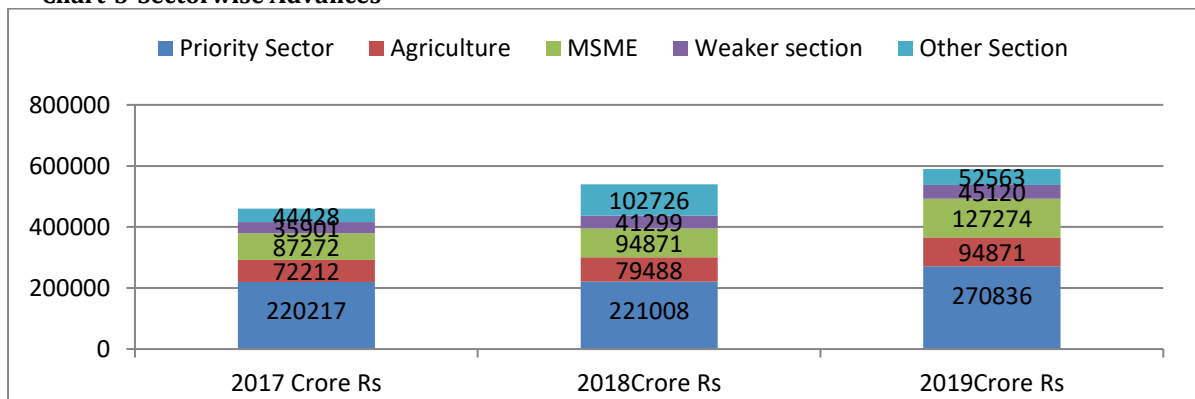


Interpretation From table-2 and chart-2 the positive trend can be seen in composition of advance and deposit. The advance portion has an upper hand than deposit moreover increase rate also higher in advance portion.

Table-3-Sectorwise Advances

Particular	2017 Rs in Crore	2018 Rs in Crore	2019 Rs in Crore
Priority Sector	220217	221008	270836
Agriculture	72212	79488	94871
MSME	87272	94871	127274
Weaker section	3591	41299	45120
Other Section	44428	102726	52563
Total Advances	460030	539392	590664

Chart-3-Sectorwise Advances

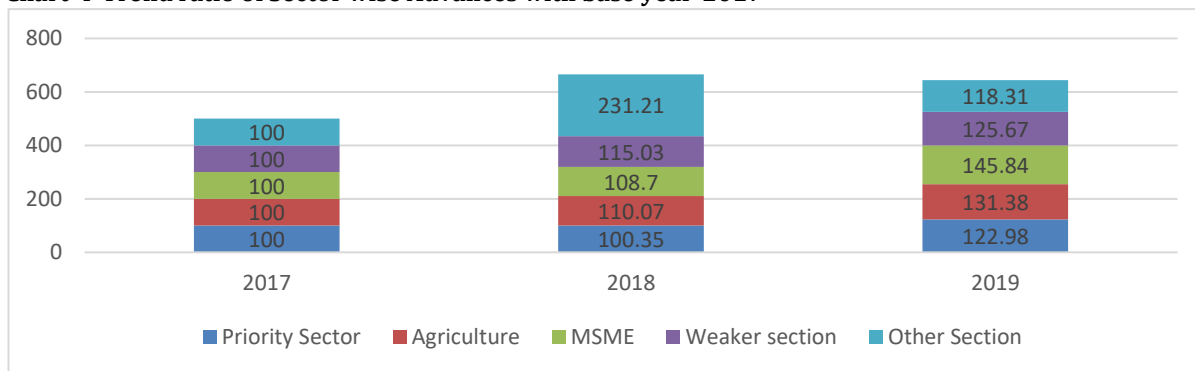


Interpretation; From table-3 and char-4 it is seen that the highest resource allocation is provided to priority sector then MSME stood at second and agriculture at third position, Weaker and other section also have noticeable allocation. All sectors are getting at an increasing amount year by year.

Table-4-Trend ratio of Sector wise Advances with base year-2017

Particular	2017	2018	2019	Increase % 2018	Increase% 2019
Priority Sector	100	100.35	122.98	0.35	22.63
Agriculture	100	110.07	131.38	10.07	21.31
MSME	100	108.70	145.84	8.70	37.14
Weaker section	100	115.03	125.67	15.03	10.64
Other Section	100	231.21	118.31	131.21	(112.90)
Total Advances	100	117.25	128.39	17.25	11.14

Chart-4-Trend ratio of Sector wise Advances with base year-2017

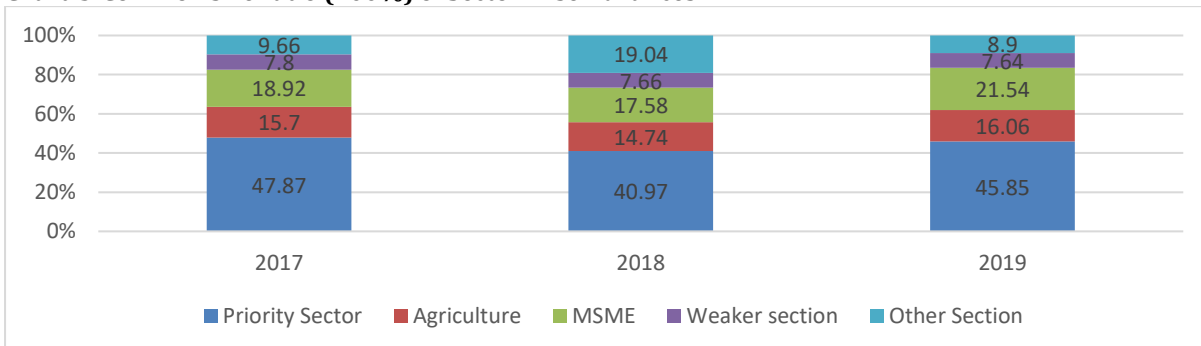


Interpretation; from table-4 and chart-4 of trend the increase can be seen in fund allocation every year in most of the sectors. Priority section, agriculture and MSME are having much more allocation than of previous year during study period. While in weaker and other section it is not at such an increasing rate than former sectors.

Table-5-Common size ratio (100%) of Sector wise Advances

Particular	2017	2018	2019
Priority Sector	47.87	40.97	45.85
Agriculture	15.70	14.74	16.06
MSME	18.92	17.58	21.54
Weaker section	7.80	7.66	7.64
Other Section	9.66	19.04	8.90
Total Advances	100	100	100

Chart-5-Common size ratio (100%) of Sector wise Advances



Interpretation; From table-5 and chart-5 it is clear that about 40% to 45% of the total advances is provided to priority sector than about 18% to 20% to MSME, 14% to 16% for agriculture and 15% to 20% are for weaker and other section in every year during study period.

Hypothesis and Testing

The computation of sample Chi-square value,

O= Observed value as the average value of allocated fund to each sector during study period.

E= Estimated value 20 as five sectors are to be given equal proportion of total 100

Particular	O	E	O-E	(O-E) ²	$\frac{(O - E)^2}{E}$
Priority Sector	44.89	20	24.89	619.51	30.97
Agriculture	15.5	20	-4.5	20.25	1.02
MSME	19.44	20	-0.56	0.32	0.02
Weaker section	7.70	20	-12.30	151.30	7.56
Other Section	12.53	20	-7.47	55.80	2.79
Total					42.36

The calculated value of Chi-square = $\chi^2_c = \sum \frac{(O-E)^2}{E} = 42.36$

Degree of freedom = n-1=5-1=4

<https://www.gapgyan.org/>

The Critical value from table = $\chi^2_{4} = 9.89$

Here the calculated value is more than table value so the null hypothesis can be rejected and it can be concluded that there is significant difference in the proportion of finance allocation to different sectors during study period. And the difference is due to role of each sector as well as allocation policy of administration in the economic condition during the study.

SCOPE OF THE STUDY

During this lockdown period as all economic activities are slowed down or almost stopped, now these all sectors might require focus based allocation. So many changes are to be come in social and economic aspect, demand and supply would get noticeable changes. As everything would restart with reshaping and redesigning so this study can be used as torchbearer having trend, pattern and portion of finance allocation. The administrative and financing agencies can estimate and prioritize different economic sector

CONCLUSION

As Gujarat is a mother land of entrepreneurs and MSME sector is the major contributor in economy development. In the same line Agriculture is also family business of Farmers who are now turned to potential contributors in growth engine of economy. It is clearly reflected in this study having been prioritized sector for fund allocation during the study period

LIMITATION

Here data of only three years are taken which might not be sufficient to draw an overall conclusion for vast sectors of economy. Only finance assistance may not be an indicator of economic development, its share in GDP, employment creation and other aspects could be studied out for clearer picture of economic condition

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