CHAPTER I

INTRODUCTION

Nationalisation of major commercial banks constituted a landmark in the development of banking in India. Banking industry acquired a social significance from that time onwards. It was for the first time the commercial banks were considered an engine of economic development. Accordingly, problems of regional disparities were tackled with the strategy of 'area approach'. It was in this context that the Lead Bank Scheme assumed all significance.

All major commercial banks were entrusted with the lead responsibility for promoting the development of banking in the first instance, especially by way of branch expansion and subsequently by co-ordinating and integrating the flow of institutional credit to the requirements of district development.

The present study focusses on the operations of the Lead Bank Scheme in Coimbatore district. The choice of the topic may be explained in terms of importance of the Lead Bank Scheme - especially when an unconventional role is assigned to the commercial banks. The choice of the Coimbatore district is deliberate on the part of the researcher.

The study is confined to the period 1969-1982. Since 1979 the Coimbatore district has been bifurcated into Coimbatore and Periyar districts. Therefore, the analysis of the Lead Banks Scheme takes into account the whole of Coimbatore district as it existed prior to 1979 i.e. including Periyar district. The study was undertaken with the following objectives.

1.2 Objectives :-

1. To study branch expansion, deposit mobilisation and credit deployment in the rural, semi-urban and urban areas under the Lead Bank Scheme.
2. To analyse the credit-deposit ratios of the Lead and Non-Lead Banks in Coimbatore District.

3. To study the sectoral flow of credit under the Lead Bank Scheme.

4. To analyse the role of various institutions in deployment of credit to priority sectors in Coimbatore District.

5. To critically evaluate the significance of factors influencing the deposit mobilisation and credit deployment during the period 1969-1982.

1.3 Methodology :-

i) Source of data :-

A study of the Lead Bank has to necessarily depend on the unpublished data provided by the Lead Bank of Coimbatore district namely Canara Bank Coimbatore, Canara Bank Erode, Indian Overseas Bank Madras, (Lead Bank for the State) Reserve Bank of India, Madras and Assistant Director of Statistics, Coimbatore. This was supplemented by the secondary data published by Director of Statistics, Government of Tamilnadu and Basic Statistical Returns, published by the Reserve Bank of India, Bombay.

ii) Analysis of data :-

The study of the problem calls for both descriptive and quantitative analysis. Appropriate statistical tools have been employed to analyse and interpret the data.

The study contributes towards the advancement of knowledge by collecting, assimilating and interpreting the data. By quantifying the variables, and by means of analysing the data using appropriate quantitative tools new light is thrown on a current problem. It enables critical appraisal of the policy possible.
1.4 Limitations of the study :-

The study of the Lead Bank Scheme in Coimbatore district was confined to the banking development in terms of branch expansion, and functional aspects of commercial banks. In other words, the impact of the Lead Bank in terms of economic development was kept outside the scope of the study because of the constraints on time and resources. Besides, it was felt too early to make a meaningful study of its impact on economic development.

1.5 Plan of the present study :-

The whole study has been divided into seven chapters. Chapter two presents a brief review of the literature. Chapter three discusses in detail the genesis of the Lead Bank Scheme, its socio-economic objectives, preparation and implementation of credit plans.

Chapter four examines the overall growth of branches, deposits and advances under Lead and Non-Lead Banks, their inter-relationships etc.

Chapter five focusses on the sectoral flow of credit.

Chapter six critically evaluates the significance of factors influencing the deposit mobilisation and credit deployment during the period of analysis.

Chapter seven provides summary and conclusion.