CHAPTER II

REVIEW OF LITERATURE

Ever since the Lead Bank Scheme was introduced, studies were undertaken dealing with various aspects of the scheme. Earlier studies focused their attention mainly on objectives of the scheme, allocation of districts, initiation of surveys and identification of centres, branch expansion, deposit mobilisation and credit deployment. When Lead Bank started preparing and implementing credit plans, studies were undertaken to throw light on methodologies for preparation of credit plan and on the role of Lead Bank as a co-ordinator. However, the later studies concentrated on implementation and evaluation of the Lead Bank scheme. The review of literature in this chapter is confined to the topic chosen for analysis, namely, Lead Bank scheme in India.

A. Objectives of the scheme, allocation of districts, initiation of surveys and identification of centres:

A. Raman, Meenakshi Thiagarajan, and A. Bagchi (1970) have undertaken perhaps the first study of the Lead Bank Scheme, soon after its implementation. They have analysed the progress and outlined the perspective of the scheme. The study deals with criteria for allocation of districts, initiation of surveys, identification of centres in need of banking facilities and establishment of branches. They felt that the extension of the network of branches would provide the financial infrastructure for initiating a more intensive programme of action. They have stated that the performance of the Lead Banks would be judged by the total expansion of banking services that they are able to bring out not merely on their own but by invoking the co-operation of other banks. By way of conclusion it is stated that the scheme holds promise for making the banking system a true instrument of economic progress.

K.S. Kamath (1975) analysed the Lead Bank Scheme in all its aspects, and dealt with evolution of concept, basis for allocation of districts, functions of Lead Bank,
initiation of surveys, allotment of centres and branch expansion in Lead districts. He explained in detail measures to fulfil the objectives of Lead Bank Scheme, composition of District consultative committee with guidelines for conduct of the committee meetings, and organisational structure for implementation of the Lead Bank Scheme.

Two study groups consisting of M.G. Shah, N. Sivagnanam, D.J. Kavinde, B.M. Shukla, J.J. Choksey, V. Subramaniam, B.K. Chougule, L.D. Mello, K.S.J. Banaji, A.D. Rege, A.T. Akolkar, L.D. Kataria, P.K. Venkateswaran and Dr. (Kumari) Meenakshi Thiyagarajan (1975) made a detailed study of the working of the Lead Bank Scheme in Gujarat and Maharashtra. The study groups dealt with the genesis of the scheme, objectives of the scheme, allocation of districts and branch expansion and pointed out that the first phase of the Lead Bank programme was a success. With rapid branch expansion accomplished, the study felt that the basic infrastructure for banking development was established and the stage was set for the second phase of the Lead Bank Scheme Viz. the formulation and implementation of area development programmes. The study groups felt that the progress of Gujarat and Maharashtra in the preparation and implementation of credit plan was slow. Altogether there was an inadequate appreciation of the scope and content of the Lead Bank Scheme, its limitations and preconditions for successful operations. The study also indicated the apathy and indifference of Government officials and bankers at District Consultative Committee meetings.

The study made some broad suggestions on credit plans, individual schemes, allocation of shares, functioning of District Consultative Committees, identification of borrowers, motivation and training. In addition elaborate guidelines for the operations of the Lead Bank Scheme were also given.

Navin Chandra Joshi (1980) had analysed objectives of the Lead Bank Scheme, preparation of impressionistic survey and identification of growth centres with banking potential. He felt that due to the wrong criteria placed on the selection of places
for opening new branches, the Lead Bank Scheme had not been able to make an appreciable impact on mobilisation of deposits in rural areas. The unprecedented territorial expansion had put considerable strain on the manpower resources of banks. He felt that the credit plan prepared by the Lead Bank must be consistent with credit budget prepared by the Commercial Banks and district development plans prepared by the district authorities. He envisaged greater role for Co-operatives and Regional Rural Banks in the implementation of district credit plans.

A. Ragurama (1982) assessed that the Lead Bank scheme introduced in the seventies had not been able to accomplish the desired results. He pointed out that we are well versed in drafting a blueprint but unfortunately often fail miserably in implementation. According to him, there was inappropriate allocation of districts, inadequate number of branches in rural areas and insufficient financial support to small scale industries. The scheme had proved costlier and had been a source of confusion in the minds of the people as well as bankers. The emergence of Regional Rural Bank was due to the failure of Lead Bank scheme. He had suggested an alternative in the shape of District Development Corporations which could serve as leaders in the development of areas under their jurisdiction.

B. Branch expansion, deposit mobilisation and credit deployment

P. Jegadish Gandhi (1976) examined the working of the Lead Bank Scheme and discussed in detail the growth of rural branches, particularly during the post nationalisation period. An important feature of this branch expansion was that these new branches were opened in unbanked areas. Correspondingly there was an increase in deposits mobilised and advances granted. However, he felt that when a comparison was made with total deposits and advances, the performance of rural branches was far from satisfactory. Besides, a probe into credit-deposit ratio had revealed that by and large in most of the states, the credit deployed in rural areas was 'less than' the deposit mobilised.
The author suggested preparation of district credit plans to make a systematic beginning in extending credit. Increased credit deployment would improve the capacity of the areas to yield deposits also in the long run.

M. Ranganathan (1977)\textsuperscript{7} attempted to study the progress of the Lead Bank Scheme in Salem District. He had analysed branch expansion, deposit mobilisation and credit deployment. The advances to priority sectors were also considered. The problems confronted by the Lead Bank in the implementation of the scheme were considered in detail. But, the emphasis was more on the role of the Lead Bank in the district than on the operation of banking system under the Lead Bank Scheme.

K. Rengachary (1978)\textsuperscript{8} analysed bank lending to agriculture and other "new priority sectors" since nationalisation of fourteen major commercial banks. According to him, though the share of sectors in the total bank credit had gone up the Lead Banks had not done enough for assisting the small and marginal farmers in non-irrigated or rain fed areas where crop risks were greater. Nor were they helping to promote subsidiary rural occupations in animal husbandary or processing schemes which could create income for the weaker sections. He considered that the Government decision to set up Rural Banks was an admission of this weakness of public sector banks and partial failure of the primary objective of bank nationalisation which was to help agriculture and rural development. The failure was attributed to increased cost of extending commercial bank credit to the rural sector.

Branches cost money for staff and premises. The operation cost of a branch consists of the overhead charges in terms of staff salary and rent for premises. The rural branches were not in a position to meet the high cost of operation because of the limited magnitude of operation. It appeared that semi-urban branches gave more loan to agriculture than rural branches. His conclusion was that all these features indicate the importance of consolidating the existing branch expansion and
imparting proper training to bank officials.

K.K. Ammannaya (1979) while making an assessment of the working of the nationalised banks had expressed satisfaction over the expansion of bank branches in the rural areas as well as over the steady growth of credit to the neglected sectors of the economy. According to him, the Lead Bank scheme was very useful in the matter of reducing regional disparities in banking development. He had expressed the view that banking services had been extended both geographically and functionally. In short, banks in India had taken rapid strides towards the goals set before them.

R.C. Ummat (1980) analysed the second phase of bank nationalisation in the context of deposit mobilisation, credit deployment and particularly advances to priority sectors. With the nationalisation of six more banks in April 1980 the state controlled banks under Lead Bank Scheme had their lead responsibility in almost all the 388 districts in the country. According to him the public sector banks with their network in all the districts in the country could cater to the requirements of priority sectors in increased measure.

C. Preparation of district credit plan:

K. Dinker Rao (1972) had discussed some of the methodological issues of preparing the credit plan under the Lead Bank Scheme. The object of the study was to provide a new angle to the credit planners and development authorities in the preparation of the district credit plan. He had analysed identification of technically feasible activities, assessment of economic viability, estimation of number of units to be financed, allocation of responsibility among financial institutions and monitoring. He also suggested involvement of all the Co-ordinating agencies in the preparation of the credit plan. Besides he had pleaded for proper integration between the district development plan and the credit plan.
H.B. Shivamaggi (1979) of the Reserve Bank of India had formulated some guidelines for the preparation of the new District credit plan 1980-82 and Annual Action Plan 1980. These guidelines referred to the objectives of a National Plan, methodology for the credit plan, estimation of crop loan requirements, scale of finance for a particular activity and format of a District Credit plan. These guidelines can at best provide only a broad indication of how to go about in the formulation of District Credit Plan.

D.J. Kanvinde (1981) considered that the objective of the District credit plan under Lead Bank scheme was to guide credit institutions to deploy their credit to have maximum impact on the development of the district. Estimation of credit demand was stated as an essential step in the formulation of credit plans. He had described the methodology followed by the State Bank group in estimation of credit demand in the credit plans. Credit demand under agriculture, small scale industries and other services were considered in detail. Prior discussions with the participating agencies on the basis of the credit demand estimates prepared by the Lead Bank before finalisation of credit plan was advocated as a welcome procedural refinement by him.

N.P. Nayak (1981) had explained in detail the methodology for preparing District credit plans, Annual Action plans, Constitution of District Consultative Committees and standing committees, incorporating many clarifications on implementation of Lead Bank scheme issued by Reserve Bank of India from time to time. He had defined precisely the various concepts used. On implementation of district credit plan and lending to priority sectors, detailed guidelines were given to credit institutions. The role of State level Bankers Co-ordination committee and Regional Consultative committees was emphasized in discussing bankers problems and for establishing better rapport between the Government and the banking industry.
D. Role of Lead Bank as a Co-ordinator:

R.P. Goyal (1979) had analysed Lead Bank Scheme in all its aspects. He dealt with the genesis of the scheme, role of lead and non-lead banks, preparation and implementation of credit plans. However his attention was focussed on preparation of credit plan, the need for dovetailing bankable schemes with development schemes, assistance in formulation of credit plans, the problem of synchronisation and updating, allocation among financial institutions, problems in monitoring the implementation of credit plan. He had discussed the collaboration between Government agencies and credit institutions and suggested a machinery for joint consultation.

K.K. Soman (1979) had made a detailed study of the concepts and problems of Lead Bank scheme. He traced the genesis of the Lead Bank scheme and pointed out its role and main functions. He had discussed impressionistic surveys, district consultative committees and State level Co-ordination committees. He concentrated mainly on preparation of credit plan, the objectives of credit plans, estimation of credit demand, formulation of loanable schemes, dovetailing credit plan with development plan, implementation of credit plan, co-ordination between Government agencies and financial institutions. In order to ensure proper implementation of credit plan the author had considered monitoring and evaluation of progress.

E.F. Rawat (1980) pointed out that in quantitative and qualitative terms commercial bank credit to agriculture had undergone significant changes. In his opinion the stumbling block impeding the progress of agricultural financing in India was inadequate co-ordination among the various banking institutions and the extension agencies operating in the field. However a series of measures were taken by the Reserve Bank of India to tone up the working of commercial banks so far as agricultural financing was concerned. One such measure according to him under Lead Bank scheme was, preparation of block level annual credit plans to be integrated.
into district level plans and thereafter further integrated into State level plans.

K. Dinker Rao (1981) considered Lead Bank scheme as the main vehicle for achieving the objectives of bank nationalisation. In his opinion the phenomenal branch expansion and its rural orientation witnessed after nationalisation were creditable by any standard. The poor performance of rural branches and slow progress of priority sector lending was attributed to 'lack of absorption Capacity'. However, regional variation in the performance of rural branches was quite significant. He advocated the need to integrate various inputs, spatial delineation of responsibility among financial institutions, problems of co-ordination and preparation of revised district credit plans. He stressed the importance of monitoring and pleaded that it should be agency-wise, scheme-wise and block-wise. Monitoring should cover the progress made in the provision of infrastructure as well as effectiveness of Government extension machinery.

Rural Planning and Credit Department (1982), The Reserve Bank of India constituted a working group to review the working of the Lead Bank Scheme in all its aspects. The study after examining the Lead Bank Scheme with special reference to the District credit plans and annual action plans pointed out a number of deficiencies in the estimation of outlays under crop loans, terms loans, other allied agricultural activities and decentralised sector. The Group suggested an integration between levels of performance fixed for branches under the performance budget and commitments under annual action plans. The study group also gave a detailed account of organisational set up for the Lead Bank Scheme, forums of co-ordination, Lead Bank scheme and Reserve Bank of India, monitoring of credit plans, re-allocation of lead responsibility, training needs under Lead Bank scheme and other related aspects.

Ram Vichar Sinha (1983) analysed priority sector financing by banks with special reference to the Lead Bank scheme. He discussed the genesis of the
Lead Bank Scheme, functions of the Lead Bank, preparation and implementation of district credit plan, branch expansion and disposition of bank credit to priority sectors. He felt that credit planning exercise in India was still in its early stages and found wanting in the expected degree of precision. Efforts for regional development often go in vain. Low credit absorption capacity of the economy posed a problem whenever credit was extended to backward areas. No attempt was made by the bankers or Government agencies to find out prospective entrepreneurs. He pointed out that infrastructural inadequacy always stood in the way of effective credit deployment. Hence the outcome of Lead Bank scheme was disappointing.

Tamilnadu State level Bankers Committee (1984)\textsuperscript{21} organised a seminar on implementation of district credit plan. The main focus of the seminar was on i) various stages in the implementation process ii) agencies involved in each stage iii) the precise roles at these stages and iv) when and how exactly these agencies should co-ordinate with each other. The seminar discussed formulation of schemes, district credit plan, implementation of district credit plans, financing minor irrigation schemes, bullocks and bullock carts, calf rearing, milch animals, biogas and match industries.

E. Implementation and Evaluation of the Lead Bank Scheme :-

D.J. Kanvinde, J.D. Mohile, S.M. Bailur and K. Dinker Rao (1977)\textsuperscript{22} in their detailed study on the implementation of District credit plan (Gorakhpur) examined sector-wise, scheme-wise, and institution-wise performance. In the case of agriculture small scale industry and service sector by and large the performance was only fifty percent of the target. Under scheme-wise performance, financing in respect of schemes of irrigation development and dairy development was satisfactory. However the progress under poultry scheme was tardy. In the field of industrial financing there was satisfactory progress in financing handlooms and existing small scale industries.
In the service sector the performance was more or less satisfactory. Institution-wise analysis pointed out that while the performance of the Lead Bank in respect of agriculture was satisfactory, it was not so in the case of small scale industries.

J.D. Mohile, D.N. Mohapatra, V.R. Joshi and S. Sundar (1978) in their study on the implementation of District credit plan (Kalahandi) analysed sector-wise, scheme-wise, and institution-wise performance. The performance under agriculture and small scale industries was disappointingly low. However under service sector, it was slightly better. Scheme-wise analysis showed that the targets for financing land shaping, land development, pumpsets and tractors, were exceeded. The target under dairy development was fully achieved. In the industrial sector good progress was made in financing existing industrial units rather than new units. The flow of credit exceeded the targets set for wholesale traders and petty shop-keepers. Financing of agriculture and small scale industry was not satisfactory. Performance in terms of financing service sector was quite good. The study pointed out a number of reasons for the shortfall.

D.J. Kanvinde, M. Kalyanasundaram, M. Ravindranath, K. Ashok Kini and Y. Vijay Anand (1978) in their study on the implementation of District credit plan (Gulbarga) have examined sector-wise scheme-wise and institution-wise performance. The performance under agriculture small scale industry and service sector was less than half of the accepted commitments. Under scheme-wise performance achievements in respect of wells and pumpsets were satisfactory. A relatively good progress was observed in financing tractors. In respect of sheep rearing the flow of credit exceeded the target. The progress of other schemes was not satisfactory. In the industrial sector there was good progress under leather footwear, oilmills, saw mills, furniture manufacturing units etc. Under service sector impressive progress was witnessed in trading and business enterprise. Institution-wise analysis indicated that the performance of the Lead Banks was not satisfactory. In the case of private sector banks it was most disappointing. The study also identified a number of reasons for the shortfall.
S.A. Shetty (1979) made an evaluation study to review the progress of implementation of credit plan (Ujjain) identifying shortcomings in the implementation, assessing the role played by financial institutions, and government agencies and the impact of the credit plan on the district economy. The progress of implementation was reviewed sector-wise. While disbursement under agriculture sector just matched the proposed outlay in respect of small scale industry and community betterment plans it exceeded the targets. The performance of Lead bank fell short of expectation while the performance of State Bank and other commercial banks was commendable. The study assessed the impact of major schemes on agricultural production, income and employment in the district. A detailed account of the shortcomings in the implementation of the credit plan was also given.

The state level workshop on Lead Bank scheme (1979) held at Madras discussed a number of issues affecting bankers in the effective implementation of Lead Bank scheme. The main objective of the workshop was to provide the various participating agencies an opportunity to analyse the problems and prospects in implementing successfully the Lead Bank scheme and district credit plans through purposeful discussion. The participants discussed problems in implementation of various schemes under four broad heads i.e., financing of agriculture, financing activities allied to agriculture, financing small scale industries, trade and services and planning and monitoring of implementation of District credit plan. The workshop discussed in detail various issues and arrived at consensus in respect of most of the crucial issues.

N.K. Thingalaya (1979) with the assistance of Economic research and Planning Department, Syndicate Bank, studied the implementation of the credit plan in Uttara Kannada district with the main objective of assessing the fulfilment of commitments of various financing institutions, and analysing the causes for the shortfalls in the committed targets. Analysis of sector-wise achievements revealed that
the performance under agriculture and small scale industries was satisfactory. In the case of service sector the performance exceeded the target. However an analysis of scheme-wise achievement revealed that in the case of minor irrigation, poultry farming and sheep rearing the progress was tardy. Similarly the achievements made under various schemes of handlooms, powerlooms, village and cottage industries were most unsatisfactory. The achievements under consumption loans and marketing were also lagging behind. An analysis of the institution-wise performance revealed that the performance of Lead Bank and Co-operative bank was satisfactory. Among other banks the performance of State Bank and Indian Overseas Bank was commendable. The study pointed out various reasons for the shortfall in the implementation.

Evaluation and Monitoring cell (1981) chief economic adviser's secretariat, State Bank of India made an evaluation study on the impact of district credit plan (Parbhani Dist) with the broad objectives of reviewing the progress of implementation of the credit plan, examining the role played by the participating financial institutions and Government agencies and assessing the benefits derived by the borrowers under various schemes. An analysis of the sectoral and intra sectoral performance of credit plan revealed that de facto financing in the district did not conform to the pattern envisaged in the district credit plan. The overall achievement under agriculture was fairly satisfactory. Under the industries, sector-wise variations in achievement in all the schemes were noticed. Instances of physical achievements exceeding the estimates were many in the cases of schemes in service sector. The performance of Lead Bank was highly commendable, while the performance of other banks was impressive. The performance of co-operative institutions was fairly satisfactory. The study also assessed the impact of various schemes on income and employment in the district.

Evaluation and monitoring cell (1985) Economic research department, State Bank of India had made an evaluation study on the impact of district credit plan
Chhatarpur District) with the broad objectives of assessing the impact of the second round of district credit plan on the economy of the district. The review revealed that overall achievement of financial targets was satisfactory. However there was marked variation in the achievement among the different segments of the district economy. In the agricultural segment targets for disbursement of term loans were over achieved, but crop loan targets could not be achieved in full. While in the service segment there were substantial over achievements of the targets, there were marked shortfalls in the achievement in the industrial segment. The micro level findings of the study based on primary data collected through a survey had shown substantial increase in the use of manures and fertilisers and corresponding increase in the expenses of irrigation. Per acre yield of wheat and paddy also increased. The net income of the farmers also increased considerably. However the study also had drawn pointed attention to some weaker spots as well.

K. Seshiah (1985) made an empirical evaluation of the Lead Bank Scheme with particular reference to Andhra Pradesh. The main objectives of the study were reviewing the implementation of the Lead bank scheme with reference to the allocation of districts among banks, methodology and scope of surveys made by banks, the pattern of branch expansion, deposit mobilisation and credit deployment under the scheme, methodology and scope of the credit plans, organisational set up developed for the scheme and Co-ordination among various agencies. The important findings of the study were, that in allocation of districts among banks, the criteria fixed by the Reserve Bank of India were not fully followed. The methodology and scope of surveys made by Lead banks showed that there were variations in content and conduct. But they were useful for establishing new branches in unbanked and underbanked areas. In respect of branch expansion, deposit mobilisation and credit deployment, commendable progress was achieved. Under credit plan there was a significant variation in the target and per-
formance between sectors and districts. The findings indicated lack of co-ordination among banks and district administration. The study had also pointed out the problem and difficulties experienced by Lead Banks.
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