CHAPTER III

REVIEW OF PREVIOUS STUDIES

In any study, the review of previous studies is considered important for getting a better understanding of the problem and the methodology followed and to identify the unexplored part of the field of study under consideration. In this regard a review of some of the studies in the field of present study has been undertaken and presented in the following sections.

3.1 GENERAL PERFORMANCE STUDIES

Eight studies conducted by Evaluation and Monitoring Cell of State Bank of India, on impact of bank credit upon weaker sections reveal that the average net value of output per month in all the activities was higher in post-loan period compared to the pre-loan period. The incremental net value of output per month ranged from Rs.17/- in the case of cycle-rickshaw beneficiaries and by Rs.388/- for auto-rickshaw beneficiaries. Return on Investment was positive in all the activities, the range being from Rs.4.56 in shoe-making activity to Rs.38.53 in mat weaving. This finding gains added significance when it is recalled that these activities are pursued by socially backward and economically weaker sections of the society.

Sinha and Jagadish Prasad\textsuperscript{22} in an evaluation study conducted in Musahari Block of Muzaffarpur District in Bihar on special programme for weaker sections found that except in two households which belonged to the weaker sections, employment in terms of mandays and average earnings increased in all households during loan period (1979-80) as compared to the pre-loan period (1977-78). It is interesting to note that the highest percentage (18.60 percent) increase in employment in terms of mandays is observed in the case of income group having income between Rs.2,000 and Rs.3,000. The average earnings of this group seem to have increased largely on account of non-agricultural employment. It also reveals that the largest percentage increase (66.23 per cent) in income has resulted in the case of income group having income between Rs.1,000 and Rs.2,000, in 1979-80, the post-loan period, the increase in the average income of the low income groups varied from 22.04 per cent to 66.23 per cent. The study while analysing the repayment habits of the selected households reports that 10 households (9.80 percent) have made prompt repayments, 44 households (43.13 percent) are with irregular repayment, 33 households (32.36 percent) have not paid any instalment and 15 households (13.13 percent) benefitted under the Food for Work Programme. It also revealed that the repayment habits of the loanees are fairly poor.

Nageswara Rao, et. al.,23 in their study on Inter District disparities in the progress of Primary Co-operative Agricultural Development Banks in Andhra Pradesh (APCCADB) during the early seventies and early eighties (i.e., during 1970-71 to 1973 and 1980-1983) had analysed the disparities of lending by PACB in different districts of the State. The parameters selected for the analysis are (i) Paid-up share capital by members and invested in Andhra Pradesh Central Co-operative Agricultural Development Bank, (ii) number of loans advanced and outstanding since inception, (iii) the amount of loans and outstanding since inception and (iv) the amount of borrowings from A.P.C.C.A.D.B. and repayment made. The disparities in these parameters were measured with the help of a formula $\frac{Si}{pi-pi}$. The disparity is considered maximum if the measure assume the value of 200 and the disparity is absent if the measure is zero. According to his study, the disparity on paid up share capital of members is maximum by 1.56 during seventies and has increased to 1.83 in eighties. The disparity among districts in the share capital invested in A.P.C.C.A.D.B. is relatively less which is 2.64, has slightly increased to 3.98 during eighties. The disparities for number of loans outstanding is 7.40 which has increased to 12.96 in eighties. It is a clear indication that increasing disparities in the number of loans outstanding among districts call for revision of targets and priorities in advancing loans besides identifying less developed areas. The measure

of disparity for repayments made to A.P.C.C.A.D.B. is 11.25 in seventies, which has substantially increased by threefold to 33.86 in eighties. Such an increase in disparity will have a great impact on the functioning of PADBS unless special policy measures are taken up on priority basis. He concluded that the disparities among all districts in respect to selected parameters increased in general and widened particularly in the amount borrowed and repaid during the year which poses a challenge to the policy makers.

Patel and Pandya,24 in an impact study conducted in Padara Taluk of Baroda District on Dairy Development Programmes shows that the finance extended by the bank has made an impressive impact at least in terms of augmenting milk production, income accrued to the borrowers as well as the turnover of dairy co-operatives and flow of milk to the Baroda Dairy to meet the rising demands of citizens. The study also reveals that of the 122 borrowers surveyed, 37 borrowers had already repaid their amounts before due dates and 35 borrowers have been regular in the repayment of their instalments, while 30 borrowers have been irregular in the repayment of their loan instalments. It is further observed that those who settled accounts included marginal farmers and agricultural labourers. Similarly, there were 27 marginal farmers and 28 agricultural labourers who have been regularly repaying the loan instalments. Among the 30 irregular repayers, there were 18 marginal farmers and 12 agricultural labourers.

A study made by the State Bank of India,25 shows that bank credit to weaker sections of the society has helped considerably in improving their socio-economic conditions in recent years with an average increase in the net income of these sections from Rs.24 to 274. The standard of living of the poor has improved sufficiently to lift many of them above the poverty line. Bank loans enabled small borrowers in different activities to raise their levels of investments. Provision of bank loans varied between Rs.72 and Rs.8569 per borrower depending on the nature of the activities.

Sidhu, et. al., 26 in their study of Impact of Bank Lendings on Weaker Sections, made in Ludhina District of Punjab had evaluated the impact of bank lending on the standard of living of weaker sections namely agricultural labourers, marginal farmers and small farmers, and analysed the repayment of loans from January 1980 to December 1984 with the help of the data obtained from the beneficiaries of 10 villages adopted by the Agricultural Development Centre of Bank of India, Ludhiana. The study is based on both primary and secondary data. As per their study the bank has given 94.56 percent of loans for productive purpose and 5.44 percent for non-productive purpose. Among the total loan given by the bank the maximum share ie., 45.45 percent went to small farmers.


Secondly to marginal farmers, constituting 25.82 percent and 20.96 percent to farmers owning more than 5 acres, 6.83 percent to agricultural labourers, and 0.95 percent to others. It has also analysed the repayment position, impact on income, impact on consumption, farm assets and inputs, livestock, employment of agricultural labour etc. The major findings of the study are, the members of the weaker sections with about 91 percent of total households, received about 79 percent of the total loan, whereas the farmers with more than 5 acres received 21 percent of total loans. Dairying alone accounted for about 23 percent of total loans. The average loan advanced to agricultural labourers, marginal farmers and small farmers was estimated to be Rs.2590 and 2722 respectively. However, the position of repayment of loans was far from satisfactory. The study highlighted the fact that loans brought about a qualitative change in the relative contributions of different sources of gross household income of sample beneficiaries and in the consumption pattern of beneficiaries.

Gurajala Sudarshan27 in his study in Warangal District of Teleangana Region in Andhra Pradesh observed that the most of the units are financed for plough bullocks. The analysis of total deployment of loan reveals that a large amount of the loans are deployed by nationalised commercial banks, and a large amount of these loan is financed for plough bullocks and carts. The analysis of the average deployment of total loan shows that the highest

---

average loan is granted for gobar gas plants and the highest average loan is deployed by co-operative banks by financing the lowest number of units and purposes. It can be seen from the analysis, that the commercial banks which are meant for mass banking are fulfilling their aims as their share in total number of loan advanced units and in the amount of loans deployed are higher than their counterparts. The Co-operative Banks and Regional Rural Banks are not financing for greater number of units and for all purposes. Their objectives are merely on paper.

Dangat, et. al.,28 in their study made in Ahamednagar District of Maharashtra, examined in detail the extent of medium term and long term finance obtained, its purpose, utilisation by different categories of farmers in the two regions identified by the irrigation facilities available viz., Shrirampur representing the developed region and Parner tehsil representing underdeveloped region. It was observed that the number of borrowers as well as average amount borrowed per family was more in the underdeveloped region as compared to that of developed region. Half of the sample households from the underdeveloped region borrowed medium term loans whereas in the developed region only one third of the sample households had taken medium term loans. Regarding the utilisation of medium term loans, the amount of medium term loan misutilised was more in the developed region (18.86 percent) than in the underdeveloped region (15.66 percent).

considerable proportion of medium term loan was misutilised by the agricultural labourers category. In the long-term loans the number of borrowers were more or less the same in both the regions. The number of borrowers were more in larger size groups. The average per family account borrowed in developed region was higher than the under-developed region.

The misutilisation of loan was more in under-developed region (67%) as compared to that of developed region (21%). In underdeveloped region agricultural labourers as well as small farmers in both the regions had misutilised the loan and in the developed region, the medium size group misutilised the loan to the extent of 60 percent.

Rao\(^{29}\) has analysed the loaning and recovery performance of Agriculture and Rural Development Banks of 19 States in the advances made to minor-irrigation, farm mechanisation, plantation and horticulture, diversified purposes and land development. Apart from this he has made an analysis of the advances made to weaker sections such as small farmers, and persons covered under IRDP etc., He has analysed the performance of the individual banks with the help of indicators like loans advanced against target, growth in advances, share of weaker section advances and percentage of recovery to demand. The study came to the conclusion that the performance of banks during 1987-88

---

is satisfactory. The banks have achieved 93.4 percent of the lending target fixed for them. Another significant factor is that some of the banks have made a beginning to further diversify their lending operations by advancing loans to non-farm sector activities and also to high priority areas of wastelands and drylands development programmes. On the recovery front, the banks' performance further declined during 1987-88 as the recovery percentage fell by 5.41 percentage over the previous year, inspite of the fact that 10 out of 19 banks improved their recoveries.

Kadian and Kaushik,³⁰ in their study, examined the impact of institutional finance on diversification of income and employment of rural poor of Mahendergarh and Jatusana of Haryana District during the period 1985-86 to 1988-89. They have analysed the consumption pattern of the respondents before and after financial assistance by small and marginal farmers, rural artisans, landless labourers and all other categories. They have also examined the pattern of income earning under agriculture, allied agriculture, trade and service and other schemes before and after the financial assistance. They have calculated the concentration of income amongst weaker sections viz., landless labourers, rural artisans, marginal and small farmers in Mahendergarh District before and after the financial assistance. Also they have studied schemewise and categorywise number of respondents who have crossed the

poverty line due to financial assistance during the study period.

Mohandas in his study made in Kerala has estimated the percentage of unemployed persons among rural and urban male and female folks both at All India level and at Kerala. Also he has made a study on the targets and achievements of SEEUY both in Trichur District and in Kerala. He has calculated the amount of assistance given to women beneficiaries and average assistance as received by all beneficiaries and women beneficiaries both in Trichur District and in Kerala during 1984-85 to 1988-89. He has also made an attempt to study the targets and achievements under SEEUY at the national level. Further, he has estimated employment generation through the scheme at the national level. He concluded that though the women beneficiaries in Trichur District received financial assistance to the extent of 6.28 percent more than their male counterparts, their average investment was lower by 7.66 percent. The study also observed that while the women beneficiaries could generate only 11.76 percent less employment than men, the shortfall in income generation was quite larger at 34.38 percent.

3.2 PERFORMANCE STUDIES ON LEAD BANK SCHEME

Raman, et. al., have undertaken the study of the Lead Bank Scheme.


soon after its implementation. They have analysed the progress and outlined the perspective of the scheme. The study has dealt with criteria for allocation of districts, initiation of surveys, identification of centres in need of banking facilities and establishment of branches. The researchers 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.

Two study groups of Shan, et. al33 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 concluded that the first phase of the lead bank programme was a success. With rapid branch expansion accomplished, the study groups 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 have noted 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. Their study also indicated the apathy and indifference of government officials and bankers at District Consultative Committee Meetings.

Jagadish Gandhi 34 examined the working of the lead bank scheme and discussed in detail the growth of rural branches, particularly during the post nationalisation period. The study pointed out that the branch expansion was carried out 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. His 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 plans to make a systematic beginning in extending credit. He also contended that increased credit deployment would improve the capacity of the areas to yield deposits in the long run.

Konvinde, et.al., in their detailed study on the implementation of district credit plan in Gorakhpur district examined sector-wise, scheme-wise and institution-wise credit performance. The researchers observed that in the case of agriculture, small scale industry and service sector, by and large, the performance was only fifty per cent of the target. Analysing by scheme-wise performance, the researchers opined that 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.

Rangachary 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 bank had not gone enough for assisting the small and marginal farmers in the 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. The rural branches were not in a position to meet the high cost of operation because of the limited magnitude of operation. He observed that semi-urban branches gave more loan to agriculture than rural branches. His study revealed the importance of consolidating the existing branch expansion and the need to impart proper training to bank officials.

Mohile, et. al., 37 in their study on the implementation of district credit plan in Kalahandi district analysed sector-wise, scheme-wise and institution-wise performance of the banks in the extension of credit. The study observed that the performance under agriculture and small scale industries was disappointingly low. However under service sector, it was slightly better. Scheme-wise analysis of the study showed that the targets for financing land shapping, 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 unit rather than new units. It also observed that the flow of credit exceeded the targets set for wholesale.

traders and petty shop-keepers. The study concluded that 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.

Kanvinde, et. al., in their study on the implementation of district credit plan have examined sector-wise, scheme-wise and institution-wise credit performance of the banks in Gulbarga district of Karnataka and found that the credit performance of the banks 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. It observed a relatively good progress in tractor financing. In respect of sheep rearing, it has noted that the flow of credit exceeded the target. The progress of other schemes under agri-allied sector was observed to be not satisfactory. In the industrial sector the study observed that 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 revealed that the performance of the lead bank was not satisfactory. In the case of private sector banks, it was observed to be most disappointing. The study also identified a number of reasons for the unsatisfactory performance of the banks in certain sectors.

Ammannaya, 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 the 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.

Shetty made an evaluation study in Ujjain district of Madhya Pradesh to review the progress of implementation of credit plan to identify shortcomings in the implementation, to assess the role played by financial institutions and government agencies and to analyse the impact of the credit plan on the district economy. The study reviewed the progress of implementation by sector-wise. The study observed that while disbursement under agriculture sector just matched the proposed outlay, it exceed the targets in respect of small scale industry and community betterment plans. It opined that 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. The study


also gave a detailed account of the shortcomings in the implementation of the credit plan.

Thingalaya,\textsuperscript{41} with the assistance of Economic Research and Planning Department of Syndicate Bank has studied the implementation of the credit plan in Uttara, Kannada District with the main objective of assessing the fulfilment of commitments of various financial institutions and analysed the causes for the shortfall in the committed targets. His analysis of sector-wise achievements revealed that the performance under agriculture and small scale industries was satisfactory and in the case of service sector the performance exceeded the target. However his analysis of scheme-wise achievement revealed that in the case of minor irrigation, poultry farming and sheep rearing the progress was tardy. Similarly the study observed that the achievements made under various schemes of handlooms, powerlooms, village and cottage industries were most unsatisfactory. The study also noted that the achievements under consumption loans and marketing were also lagging behind. The institution-wise performance analysis of the study revealed that the performance of lead bank and co-operative bank was satisfactory and 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.

Rawat,\textsuperscript{42} pointed out that in quantitative and qualitative terms commercial banks 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. He opined that the preparation of block level annual credit plans under lead bank scheme integrated into district level plans would tone up the working of commercial banks in the agricultural financing.

Dinker Rao,\textsuperscript{43} 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 he contended that the 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 and solve the 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 blockwise. Monitoring should cover the progress made in the provision of infrastructure as well as effectiveness of government extension machinery.

Evaluation and Monitoring Cell of State Bank of India made an evaluation study on the impact of district credit plan in Parbhani District of Maharashtra 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. The analysis of the sectoral and intra sectoral performance of credit plan revealed that de facto financing in the district did not confirm to the pattern envisaged in the district credit plan. The study concluded that overall achievement under agriculture was fairly satisfactory. It noticed sector-wise variations in achievement in all the schemes of industrial sector. It observed that instances of physical achievements exceeding the estimates were many in the cases of schemes in service sector. The study maintained that performance of lead bank was highly commendable while the performance of other banks was impressive. It also stated that 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.

Regurama 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 blue print 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.

The study group of Lead Bank Scheme constituted by Rural Planning and Credit Department of the Reserve Bank of India, 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, term 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, monitoring of credit plans, re-allocation of lead responsibility, training needs under lead bank scheme and other related aspects.

Ram Vichar Sinha⁴⁷ analysed priority sector financing by banks with special reference to 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 stage 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. He concluded that the outcome of lead bank scheme was disappointing.

Evaluation and Monitoring Cell of Economic Research Department, State Bank of India⁴⁸ had made an evaluation study on the impact of district credit.


plan in Chatarpur District of Madhya Pradesh with the broad objective 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.

Seshaiah, 49 made an empirical evaluation of the Lead Bank Scheme with particular reference to Andhra Pradesh. The objectives of the study consists of 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 the different institutions. The study came with the result that in the allocation of districts among banks, the criteria fixed by the Reserve Bank of India were not fully followed. The study observed variations in context and conduct in the methodology and scope of surveys made by lead banks. However, the study is of the view that they were useful for establishing new branches in unbanked and underbanked areas. In respect of branch expansion, deposit mobilisation and credit deployment, the study found commendable progress. Under credit plan, the study observed a significant variation in the target and performance between sectors and districts. This indicated lack of co-ordination among banks and district administration. The study had also pointed out the problem and difficulties experienced by lead banks.

Visvanathan 50 studied the Lead Bank Scheme in Coimbatore District during the period 1969-1982 using the unpublished data made available by the Canara Bank, Coimbatore, Indian Overseas Bank, Madras, Reserve Bank of India, Bombay and Director of Statistics, Government of Tamil Nadu.

He analysed branch expansion, deposit mobilisation, credit deployment, sectoral flow of credit and role of various institutions in deployment of credit to priority sectors. He critically evaluated the factors influencing the deposits

mobilisation and credits deployment during the period 1969-1982. After a detailed analysis using credit-deposit ratios and percentages he came to the conclusion that the first phase of branch expansion was satisfactory. Though there was encouraging sign of deposit mobilisation and credit deployment, the credit-deposit ratio has shown declining tendency. The performance ratio of agriculture was found low compared to small scale industries and other sectors. Among the institutions, co-operative sector and State Bank were found dominant in credit deployment. Multiple regression results of the study exhibit that advances influence deposits significantly and also deposits influence advances significantly.

Joshi, 51 in his research study, on the working of Lead Bank Scheme in Satra District of Maharashtra during the period from 1977 to 1987. The study analysed the bankwise, sectorwise and blockwise performance of targets set by the credit plans, sectorwise recovery performance of priority sector advances and the organisational set up for other banks under the lead bank scheme.

Gokhale, 52 in his research study on the Bank of India as lead bank


has analysed the implementation of the Lead Bank Scheme in Chandrapur District of Maharastra State with special emphasis on priority sector. This study mainly covers the bankwise and sectorwise performance of targets set by the credit plans. The study has also analysed the impact of bank lending under lead bank scheme on income and asset generation of beneficiaries.

Mishra\textsuperscript{33} in his research study of Management of Finance made by the Nationalised Banks to the Educated Unemployed in Wardha District during 1980-84, has analysed the role of lead bank in the implementation of Self Employment Programme for Educated Youth in Wardha district of Maharashtra State. He has also evaluated the lead bank scheme.

Jagadish Kumar Pundir\textsuperscript{54} in his research study, Lead Banks and the Traditional Money Lending Institutions in Rural Setting, has analysed the availability of banking facilities (from the lead bank) to five classes of Scheduled Castes of two villages Kotana and Baoli of Meerut district. He has also analysed the steps involved in the loan taking from commercial banks in comparison with traditional money lenders.


Kulshrestha\textsuperscript{55}, in his Econometric Study of the Lead Bank Scheme in Deoria District of Uttar Pradesh has analysed the impact of agricultural credit made under the lead bank scheme. The study dealt with the impact of lead bank scheme on the intensity of cropping, level of investment by farmers, yields per hectare and savings of the farmers availing credit. This study has also analysed the lead banks's efforts in solving the credit needs of the weaker sections of the society.

3.3 PERFORMANCE STUDIES ON SERVICE AREA APPROACH

As the Service Area Approach is a new approach introduced only in the current decade, there are limited literature on this approach. The earliest article in this area is one given by Mujumdar,\textsuperscript{56} in his paper on New Thrust in Rural areas has discussed about the service area credit plan, its methodology, service area planning, block level machinery's role in monitoring the formulation of the village credit plan and some of the relevant issues regarding the role of NABARD, credit-deposit ratios after the implementation of service area approach and the necessity of preparation of profiles for the rural areas for the implementation of service area approach.


Acharya\textsuperscript{57} in his study on rural development through service area approach analysed the expectations and apprehended problems of this new approach. In his expectations, this new approach involves a decentralised planning process, in which the branch manager can plan how many bullocks or camel or carts are required to be financed in a given area keeping in view various parameters like the market conditions, credit absorption capacity, viability of the additional units etc. He also visualised that the intensive household village surveys contemplated under the service area approach would be of better help in exploring the growth potentials. As the problems of this approach, he says that the fundamental right of every customer to choose his own banker has not been thought of by the policy framers of service area approach and in this approach all the people in a given service area are attached to the branch bank of the concerned service area. This obviously restricts their freedom of choice. Further the assignment of a specific area to a specific bank and allowing no other agency to operate there, would lead to some kind of monopolistic situation which in turn might tempt the branch bank of overplay its role to the detriment of the local interest. He also viewed that the new credit approach of the banks would not yield any result unless and until it is adequately supported by the required infrastructural arrangements.

Bindal,\(^58\) in his article on Service Area Approach has detailed about the service area approach and its main stages in the implementation, like allocation of villages, survey of villages, preparation of profiles, preparation of credit plans, co-ordination and monitoring of the scheme by Block Level Bankers Committee and Block Development Officers and Lead Bank Officers and NABARD.

Amarjit Kahlar,\(^59\) in his article on Development Oriented Service Area Approach of Bank Branches, has differentiated the village adoption scheme and service area approach and pointed out the responsibility of lead bank officers, NABARD officers, officers of the banks operating within the block and discussed about the mobilisation of local resources and their efficient use through a stream of bottom up development and pointed out the preparation of the projects to exploit the production potential of service areas. He viewed that this will no doubt present challenge to meagre staff of the bank branches. According to him development oriented credit expansion would provide a thrust to the process that transforms the potential into actual and the income generation thus ignited should boost deposit mobilisation process.

Singh Mehta,\(^60\) in his article on Service Area Approach had explained

---


the several institutional credit for rural development right from the money lenders to area approach of the banks and pointed out the role of lead bank and village adoption schemes for the rural development, the role of RBI, commercial banks and RRB's in implementing area approach and pointed out that this scattered lending and multiple banking is on account of unplanned lending covering every sector and section of the rural community. He described the different stages in the implementation of service area approach, the various machineries involved in it, the utility of village profiles in implementing the service area approach and the like.

Kanvinde, in his article on Service Area Approach, has pointed out the advantages of service area approach over the lead bank scheme on the background of credit planning and the responsibility of branch managers, the lead bank officers, NABARD in planning the village, block and district plans. He has also mentioned about the Potential Linked Plans (PLPs) in blocks, particularly in the field of agriculture, allied agriculture, rural artisans and village industries. Further he explained some of the transitional problems under service area approach with regard to the allocation of villages, organisational problems of bank branches, the neglect of service area responsibility by the managers, the problems in credit flow and the problems associated with the training to be imparted to branch managers and lead

bank officers. Further, he has suggested that service area approach is to be considered as an evolutionary phase in rural lending and a time-bound programme for its success has to be worked out by all banks with full support from government of India and Reserve Bank of India. He also opined that it is an approach to rationalise rural lending and to reduce cost of supervision both by reducing the number of villages in which bank operate and also by avoiding duplication of efforts in lending in the village by more than one bank branches.

Krishnan,\(^{62}\) has explained certain features of Service Area Approach and its five main stages of implementation. He pointed out that exclusion of co-operative banks and bank branches of municipal and urban areas from service area approach and keeping quite on deposit mobilisation are some of the limitations of service area approach.

Ammannaya\(^{63}\) in his article on Service Area Approach has opined that this approach has been adopted only in respect of rural credit and suggested that it would be better and advisable to adopt this approach in respect of urban credit also.

---


Palanivel and Pillai, have analysed the working of Service Area Approach in Andaman and Nicobar islands by carrying out a study with reference to six banks viz., Bank of India, which is the lead bank, Syndicate Bank, Canara bank, Indian Bank, Punjab National Bank and UCO Bank. They have analysed the total target and achievement of credit for agricultural sector, agri-alllied sector, small scale industries and service sectors both before and after the implementation of service area approach during the periods 1989-90 and 1990-91. They have also analysed the impact of lending to these sectors. The study indicated the failure of service area approach. The researchers pointed out that the performance of priority sector lending was tremendous before the implementation of service area approach but there is declined and poor performance under service area approach. From their survey of bank officials they identified greater distance between their villages allotted and the bank office (opined by one third of bank officials), pressure given by the local leaders (opinion of 44.5% of bank officials), shortage of technical staff to strengthen efficient rural credit system (50% of the bank officials), inadequate infrastructural facilities faced by the entrepreneurs like supply of raw materials, transport, communication, electricity, storage, marketing (opinion of 80% of the bank officials) and frequent mobility of population between islands and mainlands of India (opinion of 25% of the bank officials) are the problems faced by the bank officials. The study further brought out the light that a large number of customers had no idea about the

service area approach eventhough they are aware of the bank allotted to them. The study observed the inadequate transport facilities, the problem faced by the majority of the customers.

Sivasankarababu, 65 in his article Service Area Approach, has pointed out the major stages of the implementation of service area approach, allocation of service area, role of bankers, lead bank officials and branch managers, preparation of credit plans, profiles of villages and its utility, the co-ordination amongst the credit institutions like NABARD and the block level authorities like block level bankers' committee and block development officers in implementing the service area approach.

Vaz, 66 in his article on Lead Bank Scheme explained the role of lead banks under service area approach, and the role of branch managers, commercial banks and lead banks, the utility of village profiles and branch credit plans, the role of government agencies, block level bankers' committee, NABARD, controlling offices at the regional and zonal level in supervising the functions of lead bank officers and rural branch managers, the profitability of rural branches, disbursement of loan and its recovery percentage, recycling of funds for improving the profitability of the banks etc. Also he has explained about the agricultural


and rural debt relief schemes and its different forms and government sponsored schemes like IRDP and the subsidy granted under IRDP. He opined that as the per capita loan and investment have been low and the income generated has not enabled the borrowers to cross poverty line. He also added that this approach has imposed additional responsibilities to the lead banks in terms of preparation of background papers on blockwise basis to serve as support materials for branch credit plans. Further he observed that no efforts are taken to introduce new schemes based on the resource potential, skills and aptitudes of the persons and to exploit resources available in the service area. He pointed out that lending is concentrated only in a few nearby villages of bank branches in actual implementation, even though credit plans are prepared village wise. He found that the targets fixed under the branch credit plans are based on the availability of funds rather than the development potential and demand for funds. He also observed that branch managers face the non-availability of technical and environmental data of each of the scheme, and non-public business working days are not utilised for the very purpose of attending the development work of the villages allotted.

Anand and Narayanaswamy,67 in their article, had outlined the various institutions right from money lenders to commercial banks in providing rural credit and their deficiencies in providing credit and the emergence of area.

---

approach and lead bank schemes. They mentioned about the importance of service area approach and its five main stages in the implementation. They also explained its advantages and the problems in the implementation and gave suggestions to overcome the problems. Further they explained role of lead banks, NABARD and block level agencies in monitoring and co-ordinating the progress in implementation of the plans and individual schemes. They outlined some of the guidelines given by Reserve Bank of India to tackle the problems in implementing the service area approach in the background of the findings of the field studies conducted by Reserve Bank of India for the effective implementation of service area approach.

Ramola and Nagi\textsuperscript{68} in their study of Service Area Approach conducted in Tehri-Garhwal District of Uttar Pradesh has made an attempt to analyse the role of various agencies involved under service area approach. They examined the performance of service area approach in rural development process with particular reference to the rural areas of Tehri-Garhwal District. They have used both primary and secondary data and the data covers two years, 1989-90 to 1990-91.

The study found that the overall achievements of all the commercial banks and regional rural banks have increased to 101.05 percent during

1990-91 from 54.55 percent during the year 1989-90 (under service area approach). They observed that sectorwise achievements of all commercial banks and regional rural banks are 114.00, 160.38, 81.12 per cent under agriculture and allied, small scale industries and trade and service sectors respectively. They observed that commitments were fulfilled by more than 100 percent by commercial banks and regional rural banks. They have also analysed various problems involved in the implementation of service area approach and come to the conclusion that the success of the service area approach depends upon the ability, skill and the capability of the manager and suggested that in every branch in the rural areas one additional manager should be appointed to achieve the goal of the service area approach. He also added that to make more effective of this approach, it is essential to pay more attention towards the achievement along with the allotment of the money under service area approach. He said that the schemes failed to achieve its objectives as more attention is paid to the allotment of money to different economic programmes for the rural poor instead of achievement of the schemes in which money is invested.

Rajeswara Rao,⁹ has analysed the loaning performance of all financial institutions in State Bank of India’s lead districts and found that there was a fall in the disbursements during 1989-90, the first year of service area approach on account of the transition of the new approach. However, he noted that.

---

there was increase in disbursement during the year 1990-91. The amount disbursed by the all financial institutions in State Bank of India’s lead districts in the year 1989-90 was Rs.919 crores, which was 16 percent less than the previous year and in 1990-91 it has increased to Rs.1084 crores, which was 18 percent more than the previous year.

The study by Rajalakshmi70 aims at assessing the financial needs of the marine fisheries and credit support by various financial institutions viz., Commercial Banks, RRBs and fisheries Co-operatives in Chidambaranar District of Tamil Nadu. The study used both primary and secondary data. Using measure of Average, Dispersion, Trend percentage, Correlation, Regression, Analysis of variance, $x^2$ analysis, Ratio analysis, annual compound growth rate and scaling technique, the study came out with the result that the service area approach has a good impact on banks in covering unbanked rural and urban areas and in decentralising process. The study pointed out that majority of the slum loans dispersed are IRDP loans for the purchase of fishing nets, inboard, outboard motors and fish processing which was found inadequate both in terms of number and quantum. The researcher felt that inadequacy of loanable amount and low financial standing of the borrowers are the reasons for the low disbursement of loans. It observed declining rate of recovery in the

case of all selected banks. It also identified significant variation in its inter-
bank comparison on recovery performance of the banks.

Subbiah,\textsuperscript{71} analysed the effectiveness of Lead Bank Scheme in Kamarajar
District of Tamil Nadu. He made a survey among 36 rural and semi urban
branch bank officials and came to the conclusion that the number of villages
allotted to each bank branch is manageable and visits to villages once in two
months are inadequate. It found that the service area is helpful in meeting
the entire credit needs of the villages. Using opinion scores obtained by adopting
5 point scale and applying $x^2$ test, it found that there is no significant
difference in the opinion levels of bank officials about the operation of lead
bank scheme in Kamarajar District.

Rengasamy and Subbiah \textsuperscript{72} have made a study of sectorwise Allocation
and Achievement of Priority sector lending under the Lead Bank Scheme in
Kamarajar District, Tamil Nadu during 1985-86 to 1994-95. Using performance
score, percentages of sectoral credit to total priority sector credit and
co-efficient of range, they found that there is a consistency in the allocation
of funds to the agricultural and industries sector, but a wide variation in the

\textsuperscript{71} A. Subbiah, \textit{An Analysis of Lead Bank Scheme - A study with reference to
Lead Bank Scheme}, Unpublished Ph.D. Thesis, Madurai Kamaraj University,

\textsuperscript{72} V. Rengasamy and A. Subbiah, "Analysis of Sectorwise allocation and achievement
of priority sector lending under the Lead Bank Scheme in Kamarajar District, Tamil
Nadu", \textit{National Bank News Review}, Vol.12, No.4, October- December 1996,
pp.29-33.
allocation to the services sector. Using Z test and Non-Parametric, Wilcoxon's Signed Rank test they tested whether there is any significant difference between the sectoral allocation and achievement percentages. They concluded that the lead bank adopted careful approach in allocating funds to agriculture and industrial sector which is lacking in services sector. It also found that there is no significant difference between the allocation and achievement in all the sectors of priority sector lendings.

Jyothi Rani and Girija Rani\(^7\) have examined the bankwise and sectorwise rural credit flow through Service Area Approach in Warangal District of Andhra Pradesh over the period of 10 years from 1988-89 to 1997-98. They have analysed the extent of implementation of rural credit plan, and observed what is the proportion of credit provided to weaker sections. Using the indices of targets and achievements, they have analysed the trends in the growth of targets and achievements. They came to the conclusion that the performance of service area approach in terms of implementing the district credit plan is successful only in the first year of the programme. They observed the negative impact of New Economic Policy on rural credit particularly in providing credit to agricultural sector in terms of crop loan, term loans and loan to allied activities. Further they observed that trends in the growth of achievement is far less than the targets. They also noted that the actual credit for agriculture, industry

---

is on the decline and it is always less than their targets, whereas the credit provided to the service sector is on the rise. They also observed that crop loan occupy major share in the agricultural loan. The study also observed that nationalised commercial banks make a major share of rural credit. The achievement percentage is observed to be very high in the case of private commercial banks due to lower targets fixed for them.

The study came to the conclusion that there is no consistency between target and achievement for different banks and different sectors in different years, which is indicative of unrealistic targets which did not reflect the needs of the rural people and their feasibilities. They found out that the banks have not taken any measure for the strict implementation of district credit plan.

On the whole the review indicates that there are only limited number of empirical studies on service area approach. They are not exhaustive in their assessment of the performance of service area approach. Even within their limited focus, they in general came to the conclusion that the service area approach has not yielded expected results on account of the problems in its implementation and lack of responsibility on the part of the branch managers. The assessment of the approach covering each and every aspect of the programme would likely lead to a different conclusion.