CHAPTER 4

REVIEW OF LITERATURE
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Ever since the introduction of the Lead Bank Scheme in 1969 various studies have been undertaken dealing with various aspects of the scheme. Earlier studies focussed their attention mainly on objectives of the scheme, allocation of districts, 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.

The later studies mainly concentrated on the implementation and evaluation of the Lead Bank scheme. This chapter presents a brief reference to the earlier studies undertaken on all the above aspects of the Lead Bank and PMRY scheme in India. A.Raman, Meenakshi Thiagarajan and A. Bagchi (1970)¹ have undertaken perhaps the first study of the Lead Bank Scheme soon after its implementation.

The study deals with criteria for allocation of districts, initiation of surveys, identification of centres in need of banking facilities, establishment of branches and analysed the progress of the scheme.

K.Dinker Rao (1972)² had discussed some of the methodological issues of preparing the credit plan under the Lead Bank Scheme. He had analysed identification of technically feasible activities, assessment of economic viability, evaluation of the specific units to be financed, allocation of responsibility among financial institutions and monitoring and suggested

involvement of all the co-ordinating agencies in the preparation of the credit plan.

K.S.Kamath (1975)\(^3\) analysed the Lead Bank Scheme in all its aspects like other studies. He planned in detail the 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 of M.G.Shah, N.Sivagnanam, D.J.Kavinde, B.M.Shukla, J.J.Choksey, V.Subramanian, 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)\(^4\) made a detailed study of the working of the Lead Bank Scheme in Gujarat and Maharashtra. The study groups dealt with the genesis and 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. 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. They indicated the apathy and indifference of Government officials and bankers at District Consultative Committee Meetings.

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P. Jagadish Gandhi (1976) examined the working of Lead Bank Scheme and discussed in detail the growth of rural branch, in unbanked areas and felt that there was an increase in deposits mobilised and advances granted. The author suggested preparation of district credit plans to make a systematic beginning in extending credit.

M. Ranganathan (1977) attempted to study the progress of the Lead Bank Scheme in Salem District in detail. He had analysed branch expansion, deposit mobilisation and credit deployment. The advances to priority sectors were also considered.

D. J. Kavinde, J. D. Mohile, S. M. Bailur and K. Dinker Rao (1977) 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 per cent 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.


K. Rangachary (1978)\textsuperscript{8} analysed bank lending to agriculture and other "new priority sectors" since nationalisation of fourteen major commercial banks. Lead banks had not done enough for assisting the small and marginal farmers in non-irrigated or rainfed areas where crop risks were greater. Nor were they helping to promote subsidiary rural occupations in animal husbandry or processing schemes which could create income for the weaker section. The failure was attributed to increased cost of extending commercial bank credit to the rural sector.

He concluded that consolidation of the existing branch expansion and imparting proper training to bank officials is very important.

J.D. Mohile, D.N. Mohapatra, V.R. Joshi and S. Sundar (1978)\textsuperscript{9} in their study on the implementation of district credit plan (Kalahandi) analysed sector-wise, scheme-wise and institution-wise performance.

D.J. Kavinde, M. Kalyanasundaram, M. Ravindranath, K. Ashok Kini and Y. Vijayanand (1978)\textsuperscript{10} 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.

K.K.Ammannaya (1979)\textsuperscript{11} while making an assessment of the working of the nationalised banks had expressed satisfaction over the expansion of bank branches in the rural areas and 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.

H.B.Shivamaggi (1979)\textsuperscript{12} of the Reserve Bank of India had formulated some guidelines for the preparation of the new district credit plan 1980-1982 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.

R.P.Goyal (1979)\textsuperscript{13} 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 developing bankable

\textsuperscript{11} Ammannaya, K.K. : "Ten Years of Nationalised Banks", Eastern Economist, Vol. 73, No. 2, July 13, 1979, pp. 76-84.


schemes with development schemes, assistance in formulation of credit plan scheme, the problems of synchronising and updating allocations among financial institutions, problems in monitoring the implementation of credit plan.

K.K.Soman (1979)\textsuperscript{14} had made a detailed study of the concepts, problems and genesis of Lead Bank Scheme. He concentrated mainly on the preparation of credit plan scheme, and their meaningful implementation. In order to ensure proper implementation of credit plans the author had considered monitoring and evaluation of progress.

S.A.Shetty (1979)\textsuperscript{15} 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 state level workshop on Lead Bank Scheme (1979)\textsuperscript{16} held at Madras discussed a number of issues affecting bankers in the effective implementation of Lead Bank Scheme.

The participants discussed about the problems in implementation of various schemes under four broad heads, that is, financing of agricultural and activities allied to agriculture, small scale industries, trade and service and planning and monitoring of implementation of district credit plan. They arrived at some conclusions.

\begin{itemize}
\item \textsuperscript{14} Soman, K.K.: "Lead Bank Scheme – Concepts and Problems", Bankers Training College, Reserve Bank of India, Bombay, May 1979.
\item \textsuperscript{15} Shetty, S.A.: "Evaluation of the District Credit Plan", Bank of India, Bombay, 1979.
\item \textsuperscript{16} "Proceedings of the State Level Workshop on Lead Bank Scheme Tamil Nadu", Indian Overseas Bank, Madras, December, 1979.
\end{itemize}
N.K. Thingalaya (1979) with the assistance of credit 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 financial institutions and analysing the causes for the short falls in the committed targets.

Navin Chandra Joshi (1980) had analysed objective of the Lead Bank Scheme preparation and implementation of survey and identification of growth centres with banking potential. He envisaged greater role for co-operatives and regional rural banks in the implementation of district credit plans.

Lead Bank Scheme was helpful in preparation of block level ACPs to be integrated into district level plans and there after further integrated into state level plans.

D.J. Kavinde (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.

N.P. Nayak (1981) had explained in detail the methodology for preparing DCPs, Annual Action Plans, constitution of DCC and standing committees incorporating many classifications on implementation of lead bank scheme issued by RBI from time to time.

Dinker Rao (1981)\textsuperscript{21} 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 after nationalisation were creditable by any standard. He stressed the importance of monitoring and pleaded that it should be activity wise, sector wise and block wise. Monitoring should cover the progress made in the provisions of infrastructure as well as effectiveness of government extension machinery.

Evaluation and monitoring cell (1981)\textsuperscript{22} chief economic advisors and secretaries, State Bank of India made an evaluation study on the impact of district credit plan (Parphani Dt.) with the fixed objectives of reviewing the programme 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 sectors.

A Regurama (1982)\textsuperscript{23} assessed that the lead bank scheme introduced in the seventies had not been able to accomplish the desired results. He pointed out that infrastructure inadequacy always stands in the way of effective credit deployment. Hence the outcome of lead bank scheme was disappointing.

Rural planning and credit department, RBI (1982)\textsuperscript{24} constituted a working group to review the working of the lead bank scheme in all its aspects. The study after reviewing the lead bank scheme with special reference to the district credit plan and AAP pointed out a number of

\begin{itemize}
\item \textsuperscript{22} State Bank of India, "Impact of District Credit Plan", A Study in Parbhani District, Maharastra", Bombay, 1981.
\item \textsuperscript{24} Reserve Bank of India, Report of the Working Group to Review the Working of the Lead Bank Scheme, Bombay, December, 1982.
\end{itemize}
deficiencies in the estimation of outlays under crop loans, term loans other allied agricultural activities and service sector. The group suggested an integration between levels of performance fixed for branches under the performance budget and commitments under AA Plans.

R.V. Sinha (1983)²⁵ analysed priority sector financing by banks with special reference to the lead bank scheme. He discussed the genesis of lead bank scheme functions, preparation and implementation of district credit plan by expansion and deployment of bank credit to priority sectors.

Tamil Nadu state Level Banker's Committee (1984)²⁶ organised a seminar on implementation of district credit plan. The main focus of the seminar was on (1) various stages in the implementation process; (ii) agencies involved in each stage; (iii) the precise roles at three stages and (iv) when and how exactly these agencies should co-ordinate with each other. The seminar discussed on the formulation of scheme.

Evaluation and monitoring cell (1985)²⁷ economic research department State Bank of India had made an evaluation study on the impact of District Industries Centre (Chhatrapur District) 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.

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²⁶. Tamil Nadu State Level Bankers Committee Seminar on "Implementation of DCP, Canara Bank, Coimbatore, February 1984.

Seshaiah (1985)\textsuperscript{28} made an empirical evaluation of the lead bank Annual Plan scheme with particular reference to Annual Plan. 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 bank scheme showed that there was variations in content and conduct. The study had also pointed out the problems and difficulties experienced by lead banks.

S.P. Viswanathan (1986)\textsuperscript{29} studied about the Lead Bank Scheme in Coimbatore district. An analysis covered the period 1969-82 and was based on the unpublished data made available by the Canara Bank, Coimbatore, Indian Overseas Bank – Chennai, Reserve Bank of India – Bombay, Directorate of Statistics, Government of Tamil Nadu.

He critically evaluated the factors influencing the deposit mobilisation and credit deployment during the period 1969-82. After detailed analysis using credit deposit ratio and percentages the following conclusions emerged. During first phase, branch expansion was satisfactory. There was encouraging sign of deposit mobilisation and credit deployment. The credit deposit ratio was showing declining tendency. The performance ratio of agriculture was low compared to small scale industries and other sectors. Among institutions co-operative sector and banks were found dominant in credit deployment. Multiple response results of the study exhibit that advances, influence deposits significantly and also deposits influences advances significantly.


C.B. Joshi\textsuperscript{30} made a study on the Lead Bank Scheme with special reference to Bank of Maharashtra, the lead bank for Satra district during the period for 1977-1987. He analysed the bank wise, sector wise and block wise performance of targets set by the credit plans. Sectorwise recovery performance of priority sector advances and the organisational set up for the banks under the lead bank scheme.

Z.V. Gokhale\textsuperscript{31} has made a research study on the Bank of India as Lead Bank, DCP implementation in Chandrapur district of Maharashtra State with special emphasis on priority sector, bank wise, sector wise performance of targets and credit plan. This study has also analysed the impact of bank lending under lead bank scheme on income and asset generation of beneficiaries.

Mohandas\textsuperscript{32} (1992) 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 Self-Employment for Educated Unemployed Youth Scheme (SEEUY) both in Trichur district and in Kerala. He has calculated the amount of assistance given to women beneficiaries and average assistance received by all beneficiaries both in Trichur district and in Kerala during 1984 - 1985 to 1988 - 1989. He made an attempt to study the targets and achievements under SEEUY at the national level. He concluded that though the women beneficiaries in Trichur district received financial


assistance to the extent of 6.28 per cent more than their male counterparts. Their average investment was lower by 7.66 per cent. The study observed that while the women beneficiaries could generate only 11.76 per cent less employment than men, the shortfall in income generation is quite larger at 34.38 per cent.

Mishra\textsuperscript{33} in his research study has analysed the role of lead bank in the implementation of SEEUY in Wardha district of Maharashtra state and evaluated working of Lead Bank Scheme.

Saini and Rachna Khera\textsuperscript{34} (1998) in their research study gave an account of PMRY scheme. The study was undertaken to find out the effectiveness of PMRY scheme and major problems faced by the beneficiaries, banks, training institutes and DIC in the union territory of Chandigarh for the period of three years 1993 - 1994 to 1995 - 1996. Out of the selected sample of 106 candidates, 70 candidates' response was considered for evaluation of results.

J.S.Saini and Rachna Khera (1998) in their research study titled, "PMRY : An Introspection for Future Growth" concluded that despite of numerous problems, the scheme has made much headway. An introspection into PRMY at Chandigarh has revealed that the scheme holds promise to channelise energy of the educated unemployed youth.

S.K.Sinha and Kulwant Singh\textsuperscript{35} (1998) in their research study titled "Evaluation of Impact of PMRY on Entrepreneurship Development" evaluated


\textsuperscript{34} Prime Minister's Rozgar Yojana : An Introspection for Future Growth, J.S.Saini and Rachana Khera, pp. 32-54.

the impact of this scheme for Ludhiana district of Punjab covering entrepreneurs of the year 1994 and 1995.

A random sample of 71 entrepreneurs and 35 implementing bank branches was selected covering industry service and business sectors in different geographical areas.

From the profile of respondents the entrepreneurs from joint family were more predominant and they were mostly belonging to business family. Most of them were within the age group of 18-29 years. The scheme was found more favourable with educated unemployed with matric qualification. The average amount of loan disbursed was higher in urban area and in industry sector. In rural areas the amount of the project was significantly lower. The employment generation per unit was 2.27. The employment was significantly more in urban areas and industry sector than in other areas and sectors.

The overall average additional annual net income generated for all the units was Rs.19,600. The maximum and minimum limit for a single unit was Rs.75,000 and Rs.5,000 respectively. Average net income generated in urban areas and industry sector was significantly higher than rural and semi-urban areas. Sixty nine per cent of the units were generating additional income more than Rs.10,000 indicating the extent of success of the scheme with majority belonging to rural areas and business sector.

S.K.Sinha and Kulwant Singh concluded that there is a good scope for future study and recommended few areas of interest for research.
J. Sivakumar, Chief Editor\textsuperscript{36} Sign Post Industrial Directory (Booklet), in the August 2000 issue, gave an account of the, 'PMRY' – government sponsored scheme in detail in Tamil (Regional language).

It compares 1993 and 1999 modified PMRY schemes and gives fair answers to all the questions relating to the implementation of the scheme in Tamil Nadu. An address list of all District Industries Centres in Tamil Nadu, the name list of banks offering PMRY loan, addresses of same machinery sellers are provided. It offers few project reports for potential industrial ventures and enumerates all the services rendered by DIC.

It guides the entrepreneurs, to select a product, place, plant and to prepare a project report, to register a unit and to arrange for finance. It helps in completing all other government formalities. It enlightens the potential PMRY entrepreneurs with certain prospective, practical small business projects.

K.S. Vinodhan\textsuperscript{37} in his research study on Entrepreneurial development with special reference to PMRY in Coimbatore district (1997-1998) had considered the economic importance of entrepreneurial development and institutional set up for the promotion of small scale industries.

Establishment and financing of SSIs and implementation of PMRY was studied. Problems, industrial sickness and remedial measures on SSIs was dealt in detail. From the findings good suggestions are given.

\textsuperscript{36}J. Sivakumar, B.E., M.S., Industrial Consultant, Chief Editor, Sign Post Industrial Directory, Jeyams Lion Service Scheme, August Issue, 2000. 'SIGN POST' – PMRY.

Chennai Industrial Monitor (1999)\textsuperscript{38} April, issue in its article titled 'PMRY incentive needed' appreciated the relaxed and revised parameters of the scheme in 1999 like increase in the limit to 10 lakhs etc.

With the spiralling price rise it has become almost essential to rise the limit of loan. The Article indicates the various incentive measures to be taken to make the scheme more successful in 1999.

S.Padmavathy\textsuperscript{39} (2000) in her research study titled, 'Motivational factors, problems and economic success of selected women entrepreneurs in Coimbatore district' evaluated the economic success of selected women entrepreneurs units in Coimbatore district using the M.M.P.Akhouri's mathematical model with modifications (EESI – Entrepreneurial Economic Success Index Model developed by M.M.P.Akhouri).

She selected a sample 50 women entrepreneurs, members of Women Business Enterprises Development Association (WOBEDA) and conducted a research to find out the motivational factors, problems and entrepreneurial economic success of the units (25 manufacturing units, 8 trading units and 17 service sector units). She has concluded that 28 (56 per cent) are very successful, 18 (36 per cent) are successful and 4 (8 per cent) are unsuccessful. She has derived the main factors in motivating the entrepreneurs to start the business and the problems faced by them.

\textsuperscript{38}. Chennai Industrial Monitor Fortnightly Infor-pack for the entrepreneur at Chennai, April 16-30, 1999 Issue, 2 pages issues – 'PMRY – Incentive needed' (1st and 2nd Page).