CHAPTER-II

REVIEW OF LITERATURE
CHAPTER-II

REVIEW OF LITERATURE

In this chapter an attempt has been made to review the past work on various aspects covering the present topic by different research workers. The review of past work done helps a research worker to design a layout of research study and also enable to compare the findings drawn by the different research workers.

Functioning of financial institutions has been a central focus for economist, politicians, and social reformers and for those matter researchers. This could obviously be due to its significant impact on socio-economic and agricultural development which is the base for overall development of the area. Quite a large number of studies appeared to have been conducted in combination and considering a financial institute in isolation.

This also has covered evaluation of different schemes sponsored by financial institutes with an object of elevating economic position of the rural poor. Present study is an attempt to study and evaluate Lead Bank Scheme.

Several research workers have carried out studies to assess the impact of Lead Bank Scheme. Findings of earlier researchers have been presented chronologically below:

Garg and Vashney (1960) concluded that the provision of credit by the cooperatives is so limited that the farmers have to borrow from village moneylenders.
Nanavati (1961) on the basis of findings of his study concluded that the main defect in the existing cooperative credit is that the amount advanced is inadequate for their needs.

Ayodya Singh (1967) appropriately reported that the credit societies are poor in deposit collection and unless they cover areas and population sufficient to enable them to reach a large number of efficient producers, they faced difficulties in deposit collection.

The editorial of the same journal had warned about the aspirations and hopes the scheme had aroused in its issue of Sept. 1971. The comment that the lead bank scheme would result in the synergistic effect must be properly understood. It was pointed out that “The lead bank scheme hopes to accomplish its task by utilizing the skills and techniques of the predecessor development scheme of the banks and equaling a new scheme more effective than the combination of those it succeeded. The editorial emphatically stated that, unless there is any positive proof to show that the scheme is going all right, it should be presumed to be wrongly evolving.

Bhalerao and Vishwanath (1971) Studied and concluded that the position of over dues in the advanced states has deteriorated. The growth rate in deposits per member during the period has been observed higher than the growth rate in advances per member in the advances states.

Gauba (1971) expressed doubts regarding the implementation of the scheme. In his opinion all those who were concerned with the scheme were just pretending to be implementing the scheme but it was nothing more than a farce. However, he did not provide any evidence to this statement which certainly reduced its scientific value.
In an article published in "The Economic Times," (1971) Ashkant clearly stated that the implementation of the scheme was going wrong. He pointed out that the task of conduction the initial surveys in the districts allotted to the banks was completed but no uniformity was found in respect of the preparation of the credit plans.

The same author had written another article in 1971 in which he had mentioned that the scheme was over ambitious. It was, in his opinion, too much to expect the competing elements cooperation with each other.

Rele (1972) in his article published in 1972 brought out a concrete picture of the challenges posed by the lead bank scheme for the banking industry. He pointed out that it is always easy to introduce a particular scheme but it is dangerous to implement it without having it properly understood. He cautioned that an indecent haste in implementing the scheme would perhaps make it a flop.

Another article written by Devgan (1974) expressed the opinion that, only if the scheme is operated properly, it may deliver the goods. It emphasized that proper training of the banking staff is essential for the success of the scheme.

D’Mello (1976) in his article brought out another important point that the Regional Rural Banks and the lead banks must work together wherever it was possible. The Regional Rural Banks Scheme was introduced in 1975 and the notable feature of the scheme was its emphasis on local staffing of the rural branches. D’Mello thought that this feature of the regional rural banks must be used by the lead banks for the success of credit planning in the district.
Rao and Khankhoje (1976) have shown how the regional disparities within the district could be brought down to the minimum with the help of the Lead Bank Scheme. They stated that the disparities in the facilities available should first be eliminated in order to make the scheme a success.

Similar views were expressed in an editorial of “The Banker.” It was pointed out that the policy of allocating the centres for branch expansion to various banks was not having any economic rationale. The lead banks were keeping ‘good’ centres (from the business point of view) of themselves while the ‘not-so-good’ centres were being allotted to other banks in the district.

However, the lead banks should not be blamed for this initial bias in implementing the scheme, since the RBI had not given any concrete guidelines relating to the actual implementation of the scheme. The banks tried to implement the scheme as they ‘felt’ it appropriate and by 1976, as is evident from this editorial article, the scheme had almost come to a halt. It was clearly mentioned by the editor that, “the bankers should get rid of the psychology that the scheme has come to a halt”.

The articles written by Gandhi, Ammannaya, and Rao (1977) appraised the scheme and pointed out the features of the scheme. The contention of all these articles was that the Lead Bank scheme had great potential.

The other noteworthy writing on the subject includes the articles written by Anirudha Goyal, Sundar Nandana (1978). In their articles stressed the need for proper coordination among the banks and various
departments of the Government. A few of them highlighted the need for proper monitoring of the scheme while the expectations.

Reddy (1979) studied the problems of recovery of loan in Andhra Pradesh during 1977 and concluded that out of 100 borrowers, 17 were defaulters, out of which 7 defaulters were from small group, 6 from medium group and 4 from big group. The overdues were due to clogging of the cooperative credit pipe line.

Chand and Sidhu (1981) revealed that 42.07 per cent of small, 25.22 per cent of medium and 24.07 per cent of the large farmers turned out to be defaulters. About 37.10 per cent of the loan advanced to small farmers was overdue whereas this percentage in case of medium and large farmers was 19.59 and 11.60 respectively.

Sinha and Broadway (1981) examined the availability of credit and its utilization as well as impact of credit on employment and earning in agriculture.

Jagannathrao et.al. (1982) conducted the study on impact of lower interest rate finance on economic condition of rural weaker sections of the borrowers of State Bank of India in Ahmednagar district in 1979 and observed that the supply of credit at lower rate of interest has enabled the beneficiaries to improve upon their productivity activities and income level.

Anonymous (1983) analyses the credit flow through cooperatives for agricultural and allied activities during the last decade or so far. A steady increase in the credit flow and money so advanced was observed. Advances showed on increased more than three fold between 1971-81.
Chouhan et al. (1984) revealed more than three times increase in the loan advances by the society. Analysis of short term and medium term loans provided by the society under study showed that main emphasis was given to the provision of short term finance.

Sidhu et al. (1985) studied on repayment performance of borrowers in Punjab and observed that the extent of relative loan default was higher in case of large farmers as compared to other categories of borrowers.

Nageshwarrao and Lakshminarashiah (1986) studied the Bank Finance and Rural Development in A.P. They found that eight RRBs were operating through their 376 branches at the end of 1982. The per branch deposits ratio also was increasing with 8.22 crores at the end of 1981 and 9.50 crores at the end of 1982. They further observed that the rural credit deposit ratio of RRBs was 193.3 by the end of 1981 and 187.7 by the end of 1982 because low rural credit deposit ratio of the country causes much concern as the rural advances are slightly more than half the rural deposits. Also they examined the expansion of branches in rural area lending to mobilization and diversion of rural deposits away from rural areas.

Chakravarty et al. (1988) concluded that the bank had made all the possible efforts to finance to needy and neglected class of society with a view of bringing them above poverty line. However defective execution led to the mis-utilisation of sanctioned loan and caused repaying capacity resulting over dues and poor recovery position.

Dawar (1989) studied causes of over dues in Agricultural advances such as-
(1) Defective and improper appraisal of loan applications by the lending institutions resulting in sanctioning of loans to undeserving applications.

(2) Lack of effective supervision and follow up of action and inadequate monitoring of credit utilization by the borrowers largely due to inadequate and untrained staff, particularly in the case of cooperative societies.

Changule and Ghulghule (1990) studied the sources of borrowings, repayment position etc in four villages of Aurangabad District. The study revealed that maximum farmers had taken loan from the cooperative societies and very few from the nationalized banks. As regards the repayment, maximum numbers of borrowers have repaid the loan (64.29 percent).

Mahalle (1990) stated that the main sources of credit availed by the borrowers were cooperatives and commercial banks. He noticed that only 49 per cent of the farmers had repaid the loan. Generation of incremental income less than the amount of loan borrowed may be one of the reasons for the non repayment of loan. This has resulted in generation of a class of defaulters in the rural economy of Maharashtra state.

Kumar (1991) stated that the RRBs have opened as many as 14079 branches by the end of March 1989. Leaving the pattern of geographical spread, the commercial banks could not gear up their performance to match the growing credit needs of the rural people.
Narayanan (1951) stated that the total credit provided both by cooperative banks and scheduled commercial banks (including RRBs) for promotion of agriculture and allied activities stood at Rs. 31915 crores as on June, 30, 1989.

Patnaik and Mishra (1991) studied the recovery position of Banjan and Phulbani districts of southern Orissa “Management of change in rural credit recovery practices.” They found that in the economically advanced Ganjan district, 75 percent of borrowers have not yet started repayment of the loans they had taken. But in Phulbani, the tribal dominated backward district of Orissa, only 15 per cent of the borrowers have not started repayment of loans. This wide difference in repaying habits of the borrowers in the two districts is probably due to variance in their attitude towards the problem.

Vaz (1991) stated that the Lead Banks have been identified as the leader of the district for coordinating and monitoring of credit flow to the priority sector category of borrowers in the district. The Lead Bank Scheme which has been in operation for more than two decades now, has established and is recognized as a useful and important forum in the district. The coordination aspect in the scheme has, however, not taken from roots. Over the years the Lead banks forum has become solely a one sided forum for overseeing the performance of banks. Equal attention is not bestowed on monitoring the performance of government agencies. The steps required to be taken for providing infrastructure to back up the credit and the support for timely recovery of credit are equally important aspects, to ensure productive use of credit.
Eswaraprasad and Lalith Achoth (1992) found that the percentage of repayment was relatively higher in respect of the schedule tribes followed by weaker sections and schedule castes.

Hagur and Hundekar (1992) observed that syndicate Bank – a Lead bank of the Bijapur district, has been making significant contribution in spreading banking facilities to remote villages of this area. As a Lead Bank, it has been making planned efforts to increase the credit flow in the district. Many innovative schemes and programmes have been implemented.

Modi and Rai (1992) studied the credit advanced to agriculture sector in Kurukshetra district of Haryana by various institutional agencies. It is clearly borne out from the study that Punjab National Bank (Lead bank in the district) advanced Rs. 265.97 lakhs in 1980 which increased to Rs. 494.96 lakh in 1989.

Varde (1992) concluded that deposits of scheduled commercial bank in rural areas increased from Rs. 258 crores in 1969 to Rs. 3745 crores and Rs. 35058 crores in 1980 and 1992 respectively. The average annual rate of growth in rural deposits over the entire period was 24 percent. Share of rural deposits in total deposit of scheduled commercial banks has been gradually increasing from 6.4 percent in 1969 to 11.8 and 15 per cent in 1980 and 1992 respectively. Rural credit extended by scheduled commercial bank increased from Rs. 124 crores in 1969 to Rs. 2124 crores in 1980 and to Rs. 20587 crores in 1992. The average annual rate of growth in rural credit over 23 years after nationalisation was around 25 percent. The credit deposit ratio of schedule commercial banks in rural areas increased from 38 per cent in 1969 to 57 percent in 1980 and to 58.7 percent in 1992.
Gadage (1993) studied the experiences of state Bank of India, a lead bank for Marathwada region of Maharashtra in financing agriculture sector and stated that even though the priority sector loans of commercial banks in Maharashtra increased from Rs. 105 crores in 1969 to Rs. 3215 crores in 1987 in terms of percentages of the total credit, the priority sector advances show an increase from 11.5 percent to 24.4 percent only against the overall percentage of 42.9 for commercial banks in Maharashtra to agriculture currently 1990. NABARD had 58 ADBs which have extended credit to agriculture amounting to Rs. 100.1 crores and together with ADBs; they were responsible for 4 percent of the total agricultural credit granted by the state Bank of India in the state.