CHAPTER IV
CHAPTER-IV
ADMINISTRATIVE SET-UP AND ECONOMIC STRUCTURE OF
NATIONALISED COMMERCIAL BANKING IN
THE DISTRICT ECONOMY OF BANDA UNDER
THE ECONOMIC REFORMS PERIOD

"The ideas of economists and political philosophers both
when they are right and when they are wrong are more powerful
than is commonly understood. Indeed the world is ruled by little
else."

- J.M. Keynes

4.1 THE ORIGIN OF LEAD BANK SCHEME:

In India, economic planning had hitherto been undertaken both
at the national level and to some extent at the state level and despite
the allocation of funds to the priority sectors, the desired goal of
optimum production, employment and per capita income has not been
achieved so far. The planning at the grass root level on block level
has been attaining much importance in these days in the history of
Indian Planning with the hope that a more systematic planning with
smaller coverage would accelerate the economic development, specially
of the backward regions, being more responsive to the needs of the
weaker sections of the society.

Lead Bank did not spring up all of a sudden. They come to
establish as an array of efforts put forth by the government in the
direction of making available financial resources to the rural and agricultural masses. Only 617 out of 2700 towns and 5000 out of 560000 villages in the country were served by commercial banks in 1969. Regional descriptive were so glaring that in 63 districts, per capita credit was less than rupees as compared to the national average of Rs. 96, 31 districts in the country had credit deposit ratio of less than five whereas credit deposit ratio for the nation as a whole was 69. Out of 336 districts in the Union of India, offices of the commercial banks did not exist in 13 (thirteen) districts till the end of 1969. Average population served by an office was about 2 lakhs in 88 districts as against average of about 70000.

There were sectoral imbalances also in granting advances besides regional imbalances. Whereas priority sector advances accounted for 13.9 percent of the total bank finances, the share of agriculture, excluding plantation and advances was less than one percent retail traders got less than two percent of the total bank credit. The share of large scale industry, whole trade and commerce in the total bank finances was as high as 80 percent. Similarly, it was observed that the private creditors i.e. the professional money lender and the traders still reign supreme in the field of rural credit, supplying 70 percent of more of the total requirements. The Government supplied as little as 3.3 percent out of this the larger part goes to the bigger agriculturist and only the minor fraction percolates to the small cultivator. The remaining 27 percent was from the commercial bank and co-operatives. Nationalisation of bank was supposed to change the whole perspective.
The lead banks were assigned the liability of undertaking massive movements for deposit mobilisation, expansion of banking services and credit facilities in their lead districts with co-operation of scheduled and non-scheduled commercial banks, Regional Rural Bank, Co-operative banks and other agencies. The lead bank scheme was evolved by Reserve Bank of India soon after the nationalisation of commercial banks with a view to enabling the nationalised banks to work effectively as catalytic agents in economic development. Soon after the commercial banks in India started operating in the field of direct agricultural lending, it was recognised by then that one of the most important strategies to tackle the problems in the new field would be to follow the 'Area Approach'. The idea of 'Area Approach' was first put forward by the study group of the National Credit Council on organisation framework for the implementation of social objectives, headed by the late Prof. D.R. Gadgil. The group suggested the adoption of an 'Area Approach' to evolves plans and programmes for the extension of banking and credit in the country. The quintessence of the recommendation was that the commercial banks should be assigned a particular duties in which they should work as consortium leader and pace-setter in providing integrated banking and credit facilities. The group suggested that the administrative unit of 'District' be taken as nucleus of this approach, especially, since most statistical data in Indian were collected on district basis. Subsequently a committee of bankers headed by F.K.F. Nariman was appointed by the R.B.I. to evolve a co-ordinated programmes for branch expansion. It also felt that for ensuring sufficient spread of
banking facilities throughout the length and breadth of the country, each bank should concentrate on the selected districts.

4.2 THE CONCEPT AND AREA OF LEAD BANK SCHEME:

Concept:

The Reserve Bank of India introduced the Lead Bank Scheme in Dec. 1969. The paramount aim of the Lead Bank Scheme is to fill up the credit gap in particular district by allocating the responsibility to a particular lead bank. The lead bank scheme, therefore, have been assigned the responsibilities of the development of the districts. In other words, the concept of lead bank is three dimensional.

i) A commercial credit institution for mobilising resources and advancing loans.

ii) A planning agency for finding out the needs and problems and solving them by setting up targets, and

iii) Development bank for working as a catalytic agent for initiating and accelerating the development of the backward and the underdevelopment areas of the districts.

The lead bank is entrusted with the task of identifying the credit gaps in the district by continuous survey of finding facts. It is also incharge of banking development, branch expansion and setting up of action plans for deposit mobilisation. It solicit the co-operation of other financial institution in the districts, and share experience with them. It identifies and implements bankable schemes in the districts. On the basis of the survey, the lead bank is expected to estimate the deposit potentials and the credit gaps that could be taken up to tap the deposit
potential and fill the credit gaps.

The lead bank is to act not as a monopolist in the district but as a consortium leader for involving co-operation from the financial institutions funding in the area and sharing responsibilities with them. It acts more or less as the 'Central Bank' of the district. The success of the lead bank will be judged not so much by the banking business or even the development work by its own offices in the districts, but by the overall improvement it is able to bring about through the banking system. The implementation of lead bank scheme together with praised programmes of branch expansion will, not doubt contribute in a major way to the spread of banking habit and thereby speeding up the process of monetization of the economy.

# Area:

The area of the lead bank is wide and concentric in nature. In the absence of any other banking obligations, its operations are within the bound of the district. It is regarded as the central bank of the district and a defender of its economic well being. It formulates the plans in consultation with other (FIs) and government agencies in the district and monitor the progress in the implementation of the annual credit plans. The lead bank sets an example for other banks to emulate particularly in regard to financing of priority sectors and weaker section of the society as well as providing adequate support to the government sponsored poverty alleviation programmes. It is a catalyst in mobilising co-operation from other banks and government departments in the successful implementation of the objectives. A bank's responsibilities
under the lead bank scheme in terms of efforts to accelerate economic
development of other districts are equally the same as its own district.
It is only through collaborative effort that development of an area,
as is the underlying spirit of the scheme, can be achieved.

The Lead Bank Scheme provides an organisational framework for
ensuring participation in a co-ordination manner by the various FIs along
with concerned government agencies in assisting development efforts
undertaken on an area basis with the district as the unit needing credit
support.

On the whole the lead bank is a commercial institution for
mobilising resources and advancing loans, a planning agency for finding
out the needs and problems and solving them by setting up targets,
and development bank for working as a catalytic agent for initiating
and accelerating the development of the district. As such, conducting
surveys for finding facts in a quick and impressionistic way is the prime
function of lead bank.

4.3 ALLOCATION OF LEAD BANK IN INDIA :

With the nationalisation of 14 commercial banks the government
of India took the initiative of extending the banking system to rural
areas and was looking for a scheme of rapid branch expansion,
accordingly districts were allotted to nationalised banks after the
implementation of lead bank scheme. The lead bank scheme under which
in each district one of the commercial banks functions as a lead bank
for deployment of a credit under various activities of priority sectors,
covered 408 districts in the country upto the end of June 1990. During
the period July 1989 to June 1990, lead bank responsibility in respect of 14 new districts formed as a result of remaining of some of the districts in various states in the country was allotted to public sector banks\(^1\). While allocating lead district to each bank, there was common thinking that the role of leadership should be assigned to each bank which had relatively a good foot hold in the district.

All district except metropolitan cities and the union territories in the country were allocated among lead banks on the basis of certain criteria for allotting the districts to the lead banks:

i) The size of the banks and the adequacy of its resources for handling the volume of the work.

ii) Contiguity of districts so that 'clusters of lead districts could emerge with regional orientation of banks; and

iii) the desirability for each state to have more than one lead bank operating in its territory and, to the extent possible, for each bank do operate in more than one state. Although as far as possible, the role of leadership was assigned to the banks with relatively good hold in the district, in several cases the lead banks own branch network was not adequate for its function. The primary task therefore, was to ensure a swift and wide branch expansion of reaching commercial banking to rural area unexposed or relatively less exposed to banking.

The basic aim of the lead bank schemes is that individual banks should adopt particular district for intensive development. Under the
scheme the lead banks were expected to act as consortium leaders to bring about a co-ordination of co-operative banks, central bank and other FIs in their respective districts in the interest of district development. To fulfil the purpose, branch expansion in the district is essential.

4.4 BANKING STRUCTURE:

The Indian banking system consists of the Reserve Bank of India, the State Bank of India, the Indian Commercial Banks, the Industrial Banks, the Indigenous Bankers, the exchange banks, the co-operative banks and the land development banks. The structure of Indian Banking Industry is given in diagram 4.1. The Reserve Bank of India was set up in 1935, and was nationalised in Jan 1, 1949. The Reserve Bank of India occupies a pivotal position in the monetary and banking structure of the country. The Reserve Bank of India is the Central Bank of India, enjoying the highest monetary institution in the country charged with the duty and responsibility of carrying out the monetary policy formulated by the government.

The commercial banking institutions of the country can be divided into two groups:

A) **Scheduled Banks:**

Those banks are scheduled banks which had been include in the second scheduled of Reserve Bank Act, 1934. The banks included in this scheduled list should fulfil two conditions:

i) The paid up capital and collected funds of bank should not be less than Rs. 5 lakh².
ii) Any activity of the bank will not adversely affect the interest of depositors.

Every scheduled bank enjoy following facilities :-

i) Such bank becomes eligible for obtaining debt/loans of bank rate from RBI.

ii) Such bank automatically acquired the membership of clearing house.

iii) Such banks also get the facility of rediscount of first class exchange bills from RBI. This facility is provided by RBI only in the scheduled bank deposit on average daily cash funds with RBI which is decided by RBI itself and present the recurring statements under the provisions of RBI Act, 1934 and Banking Regulation Act, 1949.

**B) Non-Scheduled Banks:**

The banks which are not included in the list of scheduled banks are called non-scheduled banks. The number of non-scheduled banks is decreasing such non-scheduled banks also have to follow CRR conditions. But such banks can have these fund with themselves as no compulsion has been made on non-scheduled banks to deposit CRR with RBI. These non-Scheduled banks are not eligible for having loans from RBI for meeting their day to day general activities but under emergency conditions these banks can be granted loans by RBI.

These formal banking system in India comprised the Reserve Bank of India, commercial banks, regional rural banks and the co-operative banks. In the recent past, private non-banking finance companies also
have been active in the financial system, and are being regulated by the RBI. The structure of the Indian Banking Industry\(^3\) are given (Figure-4) :

4.4.1 SCHEDULED COMMERCIAL BANKS :

The SCBs comprises :

Public Sector Banks :

The banking sector in India has been characterised by the predominance of PSBs. The PSBs had 47529 branches (SBI and associates : 13619, nationalised bans : 33960) at the end of FY 2001 (and at the end of March 2001) and their assets of Rs. 10,298 billion at end March, 2001) accounted for 79.5 percent of assets of all SCBs in India. The PSBs large network of branches enables them to fund themselves out of low cost deposits PSBs account for 81 percent of deposits, 79 percent of advances, 78 percent of income, and 90 percent of branches of all commercial banks at end FY 2001, thus clearly demonstrating their dominance of the Indian banking sector. However, PSBs have suffered a gradual loss of market share, mainly to new private sector banks. PSBs accounted for 75.2 percent of incremental assets of SCBs FY 2001, compared with 75.5 percent during FY 2000, and 78.2 percent FY 1999.

4.4.2 FOREIGN BANKS :

The Reserve Bank of India had adopted relative policy for allowing entry to foreign banks in the country. At the end of June 2000, 186 branch offices of 44 foreign banks were working in India. At end FY 2001, the total assets of foreign banks aggregated Rs. 1918 billion and
accounted for 7.9 percent of the total assets of all SCBs. The primary activity of most foreign banks in India has been in the corporate segment. However, in recent years, some of the larger foreign banks have started making consumer financing a larger part of their portfolios based on the growth opportunities in this area in India. These banks also offer products such as automobile finance, home loans, credit cards and household consumer finance.

4.4.3 NEW PRIVATE SECTOR BANKS:

In July 1993, as part of the banking sector reform process and as a measure to induce competition in the banking sector, the RBI permitted entry by the private sector into the banking system. This resulted in the introduction of 10 private sector banks. These banks are collectively known as the "New" Private Sector and operated through 803 branches at end FY 2001 with the merger of Times Bank Ltd. into HDFC Bank Ltd. in Feb 2000, there are only eight "New" private sector banks. At end March 2001, the total assets of private sector banks aggregated Rs. 1634 billion and accounted for 12.6 percent of the total assets of all SCBs. Although the share of private sector banks in total assets has increased from 8.8 percent at end FY 2001 new private sector banks have accounted for most of the gain. The new private sector banks' share of assets of all private sector banks increased from 27.5 percent at end FY 1997 (2.4 percent of assets of SCBs) to 48.2 percent at end FY 2001 (6.1 percent of assets of SCBs). By contrast, although the share of old private sector banks (in total assets of SCBs) has increased marginally from 6.4 percent
at end FY 1997 to 6.5 percent at end FY 2001, their share of assets of private sector banks has declined from 72.5 percent at end FY 1997 to 51.8 percent at end FY 2001.

4.5 ORGANASATION AND MANAGEMENT OF ALLAHABAD BANK:

The word "Management" is defined as a process to manage the affairs of an organisation on the path of accomplishing the envisaged objectives. Management is, in effect an art or act of managing and manner of directing towards a common consensus. On the other hand, some other authorities have expressed the meaning of management in their own style. Henry Fayol states that management is to forecast to plan, to organise to command, to co-ordinate and to control, whereas Taylor states that management is the art of knowing what you want to do and then, see that it is done in the best way. R.C. Davis admits, that management is the function of exclusive leadership anywhere. It is to be noted that Lowerence Appley says that management is personnel administration, it is the development of people and the direction of things.

G.R. Terry is perhaps the first erudite to give a comprehensive definition of management; "Management is a distinct process consisting of planning, organising activities and controlling, utilising in each both sciences and art and followed in order to accomplish predetermined objectives." A comprehensive definition of management thus emerges which indicates that management is an art as well as a science. It is a process, a co-ordinating process devoted to the group efforts. It is advanced to achieve the predetermined objectives. It has a distinct
entity because the managers are 'not to do' but to see as to how to get the work done. According to F.W. Taylor who is best known for defining the techniques of scientific management, the systematic study of relationship between people and tasks for the purpose of redesigning the work process to increase efficiency5. In turn, management is a system of authority which is needed at all levels.

When the Lead Bank Scheme was first introduced, no specific organisational setup was envisaged for the lead bank on other banks either at the district level or at other level. With the increasing importance of lead bank scheme, it was found necessary to have a certain minimum organisational setup for the lead bank at the district level. The Reserve Bank of India accordingly advised Lead Bank to maintain at the head quarter of each lead district, one officer designated as a Lead Bank Officer (LBO) who would exclusively look after the work relating to the responsibilities, and one associated Lead Bank Officer who would give necessary support to this officer.

The Allahabad Bank is the Lead Bank in Banda district. Allahabad Bank was set up in the historic town of Allahabad on April 24, 1865 by a group of Europeans. Subsequently, it has been consolidated as a corresponding New Bank, under the Banking companies (Acquisition and Transfer of Undertakings) Act 19706. The Head office is situated in Calcutta. The chairman is assigned by the managing directors, Chief General Managers, General Managers etc. There are two General Managers one is General Manager (Operational) who looks after the banking operation functions and other General Manager (Planning &
Development). He looks after the growth of business and further prospects etc.

The training part of employees and officers is supervised by Manager (HRD) Human Resources Development and the training in the bank is a continuous process.

The Zonal Office is a controlling office over all regional offices under its jurisdiction. It consists of approximately three/four regional offices, the number being determined by the geographical coverage and volumes of business.

Regional office exercises administrative and organisational control over the branches under its jurisdiction. The branch office are under the branch manager. LBO is placed in the grade of Middle Management III and should normally be senior most among branch managers of the district.

The bank function under the supervision of the board of Directors consisting of the Chairman and Managing Director, the Executive Director and other directors as nominated by the Government of India. The bank has a management structure comprising head office, the Regional Office and the branches, covering major geographical areas. Within the structure there are also Field General Manager at regional offices at Delhi, Kolkata and Mumbai.

**Board of Directors:**

The bank has taken initiatives in furthering corporate governance practices leading to greater transparency and better co-ordination between the Board and Management and members of the organisation.
The Bank has constituted various committees of the Directors in keeping with the existing guidance of the government of India and RBI as follows:

**Managing Committee of the Board of Directors:**

The committee exercised delegated authority for sanction of credit proposals, loan compromise/write off proposals, major capital and revenue expenses and reviews exercise of delegated authority by the CMD and the Executive Director. The committee also reviews the performance of key areas like investment portfolio, non-performing assets and other important management decision referred to the committee by the board.

**Audit committees of the Board of Directors:**

The audit Committee comprises:

1. Director and Chairman.
2. Executive Director of the Bank.
3. Director, Government nominee.
4. Director, RBI nominee.
5. Director.

Meetings of the audit committee are chaired by any one of the non-executive directors. The Audit Committee provides direction and also oversees the operations of total audit function of the bank. This covered organisation operation and quality control of internal audit and inspection within the bank and follow-up on statutory and external audit of the Bank and inspection of RBI. The committee reviews inspection reports of extra large branches, specialised branches and branches rated
unsatisfactory in the rating system of the Bank. On house keeping, the committee reviews the positions and steps taken on inter branch adjustments, major outstanding entries in impersonal accounts and control on frauds.

Management of the Bank:

The overall supervision and control of the Banks functions rests with the Board of Directors which consists of the Chairman and Managing Director and Executive Director, both appointed by the Government of India, other directors representing the government. Reserve Bank of India, Employees and Officers of the Bank. The day to day affairs of the Bank are managed by the CBD, the ED the Bank’s General Manager. Deputy General Managers who are assisted by a team of competent professionals.

Key Managerial Personnel:

The Key Managerial Personnel are on the roll of the Bank as permanent employees. They are entitled to the compensation and benefits as applicable to all the permanent employees of the Bank. They are of the General Manager and higher grade and hence that compensation falls in the scale of 19340-21300 per month. The other benefits include the festival loan, housing loan, reimbursement of certain expenses etc. as per employees service rules.

Human Resource:

The total manpower of the Bank as in March 31st 2002 was 19860 comprising 6789 officers, 8893 clerks and 4178 sub-staff. While in March 31st 1997 it was 22831. It is clear from the table that human
resource is being decreased. The decreasing level of staff is higher as compared to officer in 31st March 2002, which is explicitly clear from the table 4.1.

Table 4.1

<table>
<thead>
<tr>
<th>As on</th>
<th>Officers</th>
<th>Staff</th>
<th>Sub-Staff</th>
<th>Total no. of Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.03.1997</td>
<td>6895</td>
<td>10822</td>
<td>5714</td>
<td>22831</td>
</tr>
<tr>
<td>31.03.1998</td>
<td>6904</td>
<td>10757</td>
<td>4945</td>
<td>22606</td>
</tr>
<tr>
<td>31.03.1999</td>
<td>6858</td>
<td>10620</td>
<td>4867</td>
<td>22315</td>
</tr>
<tr>
<td>31.03.2000</td>
<td>6813</td>
<td>10731</td>
<td>4581</td>
<td>22125</td>
</tr>
<tr>
<td>31.03.2001</td>
<td>6501</td>
<td>10202</td>
<td>4306</td>
<td>21009</td>
</tr>
<tr>
<td>31.03.2002</td>
<td>6789</td>
<td>8893</td>
<td>4178</td>
<td>19860</td>
</tr>
</tbody>
</table>


The business per employees of the bank has been on the increasing trend. The position as on 31st March during the last five years is depicted in the table given below.

Table 4.2

<table>
<thead>
<tr>
<th>Business Per Employee of Allahabad Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Rs. Crores)</td>
</tr>
<tr>
<td>Year</td>
</tr>
<tr>
<td>1998        1999      2000   2001      2002</td>
</tr>
<tr>
<td>Business per Employee</td>
</tr>
<tr>
<td>76.73      90.21     105.68  126.48    154.54</td>
</tr>
</tbody>
</table>

Source: Allahabad Bank Offer Document, 2002-03
Voluntary Retirement Scheme:

In order to bring about right sizing the manpower the bank introduced Voluntary Retirement Scheme in the year 2000. In response to the scheme, altogether 1584 applications were received out of which 1499 were accepted by the bank. By reduction of these employees, the operation and performance of the Bank have not affected.

4.5.1 Risk Management:

The Bank recognises that management of risk is fundamental to the business of banking. The Bank's approach to risk management is productive. The primary of risk management is not to avoid risks in business but to steer them consciously and actively. The basic objective is to strike a balance between risk and returns. For promoting a balance between risk and returns, adoption of best practices in banking system, the bank has setup a separate department named Risk Management Department' to confront various types of financial and non-financial risks.

In consonance with RBI directives, the bank has classified the risk into two categories.

1) Financial Risk (Credit & Investment)

2) Non-Financial Risk (Market and operational)

Credit Risk Management Policy:

A high powered credit risk management committee headed by C.A. MD has been formed. The committee pronounces policy on standards for presentation of credit proposals, financial covenants, rating standards and benchmarks, delegation of approving powers, prudential limits on credit exposures assets concentrations, risk monitoring and
evaluation, pricing of loan, provisioning and regulatory/legal compliance. Risk Management Policy has been framed duly approved by Board of Directors. The policy covers various key aspects like risk management structure, roles and responsibility of Credit Risk Management Committee. Risk Management Development process of risks management, risk gradation system, risk management monitoring, portfolio management, MIS, risk based pricing etc. The risk based supervision of banks will start as per directives of RBI. In this direction, the bank has already installed a customised package to assess the credit risk comprising industry risk, business risk, financial Risk and management risk. This will help the bank of identify the risk associated with its assets profile and to segregate the entire portfolio into four broad risk heads.

1) Low Risk
2) Moderate Risk
3) High Risk
4) Critical Risk

**Credit Risk Supervision and its Preparedness:**

The Bank is strengthening its MIS to capture historical data for calculating PD and LGD and EAD towards implementation of Risk Based Supervision as well as to assess the adequacy of provisions. The Bank has already introduced Risk Management Module for assessment of various risk factors in respect all existing and new proposals for Rs. 5.00 crores and above.

This will reduce to Rs. 1.00 crores in phases. The bank is also planning to introduce the revisal inspection system based on degree
of risk involved in the operation of branches and controlling offices. Knowledge and skills of Risk Management is being updated through in house training system.

**Loan Review Mechanism:**

Towards implementation of Risk Based Supervision the Bank is in the process of introducing credit audit as a part of loan review mechanism. A separate policy and modus operandi on Credit audit is on anvil. More stress has been given on periodical review of loan assets.

**4.5.2 Non Financial Risk:**

**Market Risk:**

With on going globalisation and deregulation, the volatility of financial markets has increased substantially it's going to increase further in future. This expose bank's earnings as well as economic value to higher degree of risk. In order to cope with the challenge of free market economy, the bank has already formulated and implemented Assets-Liability Management System. ALCO looks after the structural liquidity mismatch within the risk parameters laid down by the bank. The committee also takes care of interest rate risk, liquidity risks, equity risk, maturity mismatch and other types of risk related to market variables i.e. foregoing exchange rate, equity pricing, commodity pricing etc.

**Operational Risk:**

Operational risk is a result of failure of operating system in a bank due to certain reasons like fraudulent activities, natural disaster human error or omission or sabotage. For mitigation and controlling the
same, bank has strong and established internal control system. Apart from that, we also have a separate department, which formulates and monitors delegation of duties and responsibilities at different level. The department and keeps on formulating rules and check points for improving system and procedure to suit changing environment.

**Forex Risk**

In terms of the guidelines of the Reserve Bank of India, open positions are permitted to be maintained within levels stipulated the management. The bank is maintaining such open positions with the limits so prescribed by the Bank’s Board of Directors. Further, the Board of Directors of the Bank has also prescribed limits for gaps of mismatches in maturities of Banks foreign currency assets and liabilities and forward transaction in foreign exchange. The Bank is operation within the limits so fixed, thus minimising the risks of mismatches in maturities and interest rates. The value of Risk model prescribed by the FEDAI has been adopted and is being monitored so as to minimise risks. Counter-party limits have also been fixed for dealing with the other banks with which the bank has day to day dealings so as to limit the risk on individual counter-party banks.

The RBI has announced its intention to switch over to risk Based Supervision of Banks. Our bank has initiated necessary steps in this directions.

**Internal Inspection**

Branches/Offices of the bank are subjected to regular inspection by internal inspecting officials at periodical intervals of 12/18 months.

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The inspection reports branches/offices under the jurisdiction of Regional Offices are scrutinised and the broad thrust areas are taken up with the R.O.S. concerned for speedy specification. In request of branches rated 'unsatisfactory' a brief summary is placed before the higher authorities, and the observations of the higher authorities are taken up with the branches for compliance. Similar is the case with special reports, which the inspecting officials submit from the spot itself in case of some serious type of irregularity observed during the course of inspection, for which urgent remedial steps are warranted to protect the interest of the bank. Moreover, the progress towards upgradation of 'unsatisfactory branches' is placed before the Audit Committee of executives and observations/suggestions are promptly taken up for implementation.

**System Audit:**

All branches the subjected to system audit as on 28th February every year by the Regional Office concerned, to ensure that bank's land down systems and procedures in vital operational areas are duly followed. Internal Inspectors/Concurrent Auditors also point if any deficiency is observed on this score during the course of their inspection of branches/offices, so that prompt remedial measures are taken.

**Concurrent Audit:**

Branches with business of Rs. 15 crores and above, including BLBs and VLBs, specialised Advanced Oriented Branches and other critical branches are further subjected to concurrent audit, that is, "simultaneous checking of transactions within a few days of its
occurrence", by outside chartered Accountant Firms. It is ensured that the deficiencies/shortcoming, including revenue loss, if any, are promptly specified by the Branches concerned.

**Revenue Audit** :

Branches, which are not covered under concurrent Audit, are subjected to Reserve Audit, also by outside C.A. Firms, so as to plug any possible revenue loss.

**EDP audit** :

At present, we are having 338 ALPM and 321 TBM branches of them, EDP audit of around 200 branches has since been completed to ensure safety, security and integrity of data, so as to achieve the organised goals effectively and efficiently.

**Dealing Room Inspection** :

The four dealing rooms of the bank are inspected every quarter by the Ex-dealers of Bank. The Bank has succeeded in drastically reducing the outstanding in Nostro Accounts and the Export Import Suspense Accounts over the last couple of years.

**Other Special Investigations** :

Whenever warranted, special investigation is also conducted at the Branch/Office concerned to unearth any fraud/forgery etc. and plug the loophole.

**Vigilance Mechanism** :

The Bank has a well organised vigilance setup to take care of the vigilance issues efficiently and effectively vigilance mechanism pursued by the bank to contain fraud/forgery and malpractices in the
Bank has been quite effective. The guidelines emanated from central vigilance commission/Reserve Bank of India/Government of India in respect of vigilance matters are promptly implemented and adhered to special emphasis is given to expeditious completion of disciplinary cases. Special emphasis is also laid on Preventive Vigilance and Educative Vigilance so as to ensure observance of the prescribed system and procedures at field level and augment awareness about the need and implication of preventive vigilance among the rank and file. Training programmes for the employees on internal control and preventive vigilance regularly held at the Bank’s training centre. Periodicals on vigilance are brought out apart from routine inspection/audit, surprise vigilance inspection of branches is conducted on an ongoing basis.

**Housekeeping :**

Housekeeping, which is included balancing of books, is constantly monitored and is generally satisfactory, Inter-branch reconciliation was given focused attention during the year and the lead time was maintained at less than three months. At present about one percent of the branches are carrying arrears in balancing of books for rectification measures are being taken. The bank has centralised system of data processing and reconciliation of inter-branch transaction. Now with the decentralised process, the data creation for inter branch transaction is done at regional level. Matching reconciliation is done on a monthly/quarterly basis through IBR software at its Head Office.
4.6 ORGANISATION AND MANAGEMENT OF LEAD BANK SCHEME IN BANDA DISTRICT:

The Lead Bank Scheme is not a homogeneous organisation in the sense that the organisational framework is not of a particular institution. It is a combination of horizontal and vertical institutions having divergent interest in their respective areas of operations. Hence the Lead Bank Scheme is heterogenous. A workable system under the supreme authority of District Level Consultative Committee for mutual collaboration of its members has been worked out in the lead district. The members of the district level consultative committee, which is chaired by the district collector, are from the DRDA, Government department, RBI, NABARD and financial institutions. The convener of the Committee is the Lead Bank Officer.

4.6.1 LEAD BANK OFFICER AND MANAGEMENT:

For effective functioning, certain minimum organisational requirements are a must for the lead bank. Preferably the Lead Bank Officer should be middle management category III and, in any case, senior enough to ensure that the bank's branches in the district discharge their functions effectively under his guidance and supervision. He should have experience as a branch manager with particular reference to rural financing and also possessed the necessary aptitude for the work. He is responsible to the controlling authorities (Regional Manager) that supervise the branches in the district. He should have a supporting staff, at least one junior officer, one field officer, and other necessary clerical and other supports for Lead Bank Scheme. With respect to
establishment, he should have a separate office or separate Lead Bank Cell should be provided if his office is situated in the district headquarters.

The Lead Bank Officer is the link between what various government departments and the agencies and the commercial banks engaged in the poverty alleviation programmes in the district. He is the consortium coordinator of the various agencies and the bank.

In the formulation of the credit plans, the Lead Bank Officer functions as the area credit planner for the district. He carefully observes and studies the following :-

i) The resource base and skill base of the various areas of the district.

ii) Programmes of development drawn up by the different Government departments and agencies.

iii) Socio-economic conditions of the area to access development consciousness of the local people in so far as it would affect the demand for credit.

iv) extension support available with the government and the financial institutions; and

v) the cost-benefit profiles of various activities with a view to assessing their financial viability.

He is the convener of the standing committee of District Level Consultative Committee and District Level Review Meeting. He solicits for the cooperation of all those concerned.

From the foregoing it can be observed that the Role of Lead
Bank Officer is quite different in terms of the nature of the responsibilities from those of the traditional bankers. He ensures that his Lead Bank sets an example for other banks to emulate, particularly in the area of financing sectors of weaker sections of the society and also in providing adequate support to Government sponsored poverty alleviation programmes.

The Lead Bank Officer is a catalyst in mobilising, cooperation and coordination from other banks and government departments in the successful implementation of the objectives.

4.6.2 DISTRICT LEVEL CONSULTATIVE COMMITTEE:

District Level Consultative Committee is the highest policy making body of the Lead Bank Scheme in the district. It has an expert body known as standing committee which advises it on the Annual Credit Plans of the district.

Membership of District Level Consultative Committee:

The Collector is the chairman of the District Level Consultative Committee in Banda district and he is assisted by Additional Collector (Development). This is in line with Institutional Credit for Agriculture and Rural Development recommendations to relieve the collector from this enormous and very important duty as he has very little time to attend District Level Consultative Committee meetings.

According to the report of the working group to review the working of the Lead Bank Scheme, "only banks and other financial institutions having sizeable shares in Annual Credit Plan and the district level officials of the Government department important from the point of view of
Annual Credit Plan, should be represented only by one official of an approximate level at District Level Consultative Committee meetings. In the same manner, the membership of District Level Consultative Committee in Banda District is made up of Lead Bank Officer (convener), Lead District Officer, representative of District Rural Development Agency, NABARD, DCCB, SLDB, RRB, commercial banks having large allocation in Annual Credit Plan, DIC and important Government department.

The other Government Department and banks which are not permanent members may be invited to the meetings when the need arises on the basis of the agenda. The strength of the meeting is maintained at a compact level of 20 to 25 members so that discussions at the forum are meaningful result oriented.

**Frequency of Meeting of District Level Consultative Committee:**

In this regard, the Lead Bank Officer functions as a focal point of coordination by convening regular meetings with the coordination of all non-lead banks and other financial institutions including those not permanently represented at District Level Consultative Committee. These meetings are held well in advance of District Level Consultative Committee meetings so that the problems thrown up could be taken up at the District Level Consultative Committee forum. The District Level Consultative Committee meeting in Banda District is held as per RBI guidelines. It is held quarterly in a year to review the progress of the work. The major district level review meeting meets twice a year at half yearly intervals.
4.6.3 FUNCTIONS OF DISTRICT LEVEL CONSULTATIVE COMMITTEE:

The functions of the District Level Consultative Committee are of great importance to the successful operation on Lead Bank Scheme in the development of the district. The following are the functions of District Level Consultative Committee in Banda District:

1. Identification of potential and formulation of banks scheme for inclusion in Annual Credit Plan.

2. Finalisation of Annual Credit Plan.

3. Allocation of shares of Annual Credit Plan outlays.

4. Monitoring overall progress in physical and financial terms of the implementation of Annual Credit Plan.

5. Reviewing and monitoring of the support forthcoming from Government departments.

6. Identifying problems of credit and also of infrastructure, inputs etc. and taking steps to overcome the identifying problems.

7. Reviewing the progress in disposal of loan applications and ensuring that applications are sent in a phased manner and not bunched in last quarter of the financial year.

8. Reviewing bankwise position of credit disbursement under IRDP, SEEUY, SEPUP, SUME, POP etc.


10. Monitoring the recovery position of financial agencies and rendering necessary help for recovery of overdues.

11. Taking up with state government SLBC and SLCC items and
issues which cannot be tackled at the district level and ensuring proper follow up thereof.

12. Consideration of securing arrangements and other infrastructural facilities for rural branches.

13. Identifying of unbanked centers opening of branches and reviewing the process in the opening of branches.

14. Evaluation of the ground level implementation of various schemes and benefit accruing thereunder to the identified beneficiaries.

15. SEMFEX, National Housing bank Scheme is also monitored.

**Standing Committee of District Level Consultative Committee:**

The membership of the standing committee has since been enlarged to include representatives of RBI, ARDC, NABARD, DRDA, Cooperative etc. The district collector is also the chairman of the standing committee. No stipulation have been put forward regarding the size of the standing committee by RBI except that it should be a compact forum that could meet frequently for meaningful results.

The frequency of the meeting of the standing committee depends on the necessity and work load, preferably twice a quarter, But with enlarged programme of IRDP to all the blocks in the union. RBI issued further instructions for covering the meeting of the standing committee once every month.

**4.6.4 District Level Review Meeting:**

The District Level Review Meeting has been entrusted to review the various schemes in Annual Credit Plan. There is a quarterly review
of the scheme and apart from this, there is a major half yearly review of the Annual Credit Plan which takes place in the District Level Review Meeting. It is a one day special meeting of the District Level Consultative Committee which discusses in depth the Problems in the implementation of individual schemes with a view to evolving corrective action. This meeting also approves the Annual Credit Plan for the next year, identifies problem areas and devise suitable remedial steps.

In the meeting, the suggestion arrived at are discussed by all the members and conclusions are arrived at for implementation. This meeting is often referred to as training forum because of its technical approach in finding and solving the problems. Problems beyond its apprehension are referred to the State Level Review Meeting.

In recent times, the government has been made to provide the necessary facilities needed for formulation and implementation of credit plans. In order that the government departments are effective in line prescribed by the RBI, it is mandatory for the departments to be accountable to the District Level CONSULTATIVE Committee their failure to provide essential facilities. This accountability is an approach to make the departments more effective in the programmes of poverty alleviation.

Veterinary hospitals provide high breed animals and medical care for the animals. They maintain artificial insemination in some centres and also high breed animals for natural service. Their extension services are carried up to the door-steps of the beneficiaries.

Agriculture Department (Extension) provides high yield seeds to
farmers, teaches the farmer the modern method of farming, use of fertilizers, insecticides, pesticides and hold demonstrations on the fertilizers, insecticides, pesticides and holds demonstrations on the peasant's land.

4.7 DISTRICT RURAL DEVELOPMENT AGENCY:

The organisational set up on the part of the district administration for dealing with matters relating to Lead Bank Schemes is of similar importance as that of other agencies. The district administration extents all necessary support for the credit programmes. There is a separate section or cell created in the district for looking after all the aspects of Lead Bank Scheme and priority sector lending and this is known as Direct Rural Development Agency. The agency, which is headed by the Additional District Collector (Development), acts as the focal point for liaison with banks and it is responsible for coordinating the concerned Government functionaries in all matters relating to Annual Credit Plan.

4.8 LEAD BANK SCHEME AND RESERVE BANK OF INDIA:

The RBI has been associated at the field level with the District Level Consultative Committee apart from attending District Level Consultative Committee and standing committee meetings, Lead District Officers are required to function in close coordination with Lead Bank Officer appointed by the Lead Bank and oversee the preparation and implementation of Annual Credit Plan. The Lead District Officer are appointed by Reserve Bank of India from its Rural Planning And Credit Department.

The major responsibilities of the Lead District Officer include the
following :-

a) Effective participation in the meeting of District Level Consultative Committee and other forms and support to Lead Bank Officer.

b) Discussion with Lead Bank Officer, District Coordination and concerned Government Development Agencies to identify problems areas and help in finding solutions.

c) Monitoring implementation of Annual Credit Plan by the various financial agencies and government department with special reference to IRDP.

d) Visits to bank branches in the district to ascertain progress and problems.

e) Monitoring ground level implementation of simplified procedure and other instructions of RBI.

f) Acting as a link between the district and state levels on various matters connected with the Lead Bank Scheme.

For effective discharge of his responsibilities, the Lead District Officer spends about a week in each of the allotted districts every month. He visits bank branches in the district and look into various aspects of priority sector lending in IRDP and compliance with the various instructions of Reserve Bank of India and Government of India on the subject. The visits are so phased that in a period of three years, he is able to cover all the rural and semi-urban branches under his jurisdiction. Not more than three districts are allotted to one Lead District Officer is general and they are restricted to two if the districts are
geographically vast, inaccessible, hilly or backward. At present where NABARD is working the post of Lead District Officer is abolished.

**High Power Committee on the Working of Lead Bank Scheme:**

At the national level, a High Power Committee was constituted by RBI in February, 1976 in accordance with the recommendation of the study group on the working of Lead Bank Scheme in Gujrat and Maharashtra. High Power Committee consists of representatives of a few major Lead Banks, Government of India and NIBM and is prescribed over by a Deputy Governor of RBI. The first meeting of High Power Committee was held in March, 1976 and till now the committee has met several times on an average of twice a year.

The High Power Committee provides necessary guidance in various matters and plays an important role in the progress of Lead Bank Scheme working group recommended enlarging its membership, rotation of its members and reviewing performance in different states.

**New Information system of Lead Bank Scheme:**

At its fifth meeting held on 12th Dec. 1978, the High Power Committee decided that an attempt might be made to evolve a simplified system of returns which could replace then existing formats. For this reason, the High Power Committee set-up a sub-committee made up of District Level Consultative Committee, state government, RBI and GOI to draw up a set of returns to serve the data needs at the various levels. The formats devised by this sub-committee have come to be known as New Information System with effect from March, 1980.

The formats of New Information System covers the following:

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a) Quarterly returns on priority sector advances.
b) Half yearly returns on agricultural advances.
c) Annual returns on recovery of agricultural advances.
d) Half yearly returns on implementation of Annual Credit Plan.
e) Quarterly returns on disposal of Loan applications.
f) Quarterly returns on Differential Rate of Interest Scheme.

For flow of data under New Information System, the working group made the following recommendation :-

i) The lead bank has to actively monitor the implementation of AAP with relevant data as quickly as possible and RBI's full weight is thrown behind the Lead Bank in this regard.

ii) Each Zonal or Regional Office of Banks should have a small statistical cell which could train, guide and supervise branch level staff in the early completion of various returns. At the branch as well as regional levels, submission of various returns should be made an integral part of the annual assessment of the performance of the concerned staff.

iii) The bank should constitute internal working groups to examine their management reporting system, weed out unnecessary or outdated returns and to bring others in line with RBI returns so that branches to not have to furnish the same information again and again.

iv) To facilitate compilation of the returns by the branches, bank should introduce back-up register.
4.9 FINANCIAL INSTITUTION IN THE IMPLEMENTATION OF LEAD BANK SCHEME:

As the major commercial banks are in the management and control of the government, they carry out the government policy to the letter with respect to priority sector lending. In Banda district there are a number of financial institutions that participate in Lead Bank Scheme. They include commercial Banks, cooperative Banks and infrastructure financial cooperation.

Commercial Banks:

There are six commercial banks working in Banda Districts and are having 28 branches with 17 in rural areas and 11 in semi urban area. Allahabad Bank being the lead bank has maximum number of branches at 18 and consequently have advanced the maximum loan and also had maximum amount of deposits.

Every commercial bank has branches in Banda District. The district coordinator is entrusted with the task of collection, consolidation and submission of Annual Credit Plan data regarding his bank in Banda district. He ensures effective participation of branches of his bank in the lead bank scheme and to liaison with the lead bank and the district administration. He reports directly to the Regional or Divisional Office which controls the branches of his bank in the district.

The Zonal Office controls several Regional or Divisional Offices. The organisational set up at the Zonal Office looks after the bank's role under Lead Bank Scheme. The senior executives review by periodical visits. The actual performance of the branches of his bank as well
as returns in the whole area and reports to the Head Office.

Such visits go a long way in improving the performance of the bank by removing bottle necks and ensuring field level implementation of various instructions.

Banks review the organisational set up in their Head Office to deal with all aspects of Lead Bank Scheme. Review of the Bank's performance and Annual Credit Plan is limited to performance of their lead districts.

The function is kept under the charge of a very senior executive preferably General Manager in order that due attention is paid to the role played by the bank under the scheme.

**Banda District Central Cooperative Bank**:

At the apex of Central cooperative Bank is the state cooperative bank. It completes the pyramidal three tier cooperative agricultural credit structure which comprises the primary agricultural credit societies at the village level and the central cooperative bank at the district level.

The bank is having 10 branches in the district. With a view to carry out the functions of the bank on viability consideration, it enters into Memorandum of Understanding, annually with NABARD and UPCB, where in, due consideration is accounted to cost and returns and business development is undertaken accordingly. However, the bank is still registering losses.

**Land Development Bank**:

The Primary Land Development Bank borrows from the Central Land Development Bank which is at the state level and lends to its
members for redemption of previous mortgages on agricultural lands, improvement of agricultural lands, purchase of equipment and discharge of previous debts. The bank encourages its members to cultivate the spirit and practice of thrift, mutual help and self help. The district is being served by 3 branches of U.P. Sahkari Vikas Bank Ltd.

Other Credit Institutions in the Implementation of the Lead Bank Scheme.

Mention has to be made of some credit institutions that compliment the efforts of the commercial banks in the implementation of credit plan of the district. These institutions are not concerned with credit in the agriculture sector but with small scale, rural and cottage industries as well as tertiary sector.

Some other financial institutions are also operating in the state besides banking institutions and the entrepreneur of the district can avail/receive assistance from them. The related institutions are PICUP, which provide financial assistance for industrial projects having outlays of more than 60 lakhs, UPFC, providing assistance to Small Scale Industry/Tiny units for blocks and working capital under single window system, KVIC/KVIB, have specific focus on Khadi and village industries and provide finance, interest, subsidy.

NOTES & REFERENCES

2. Jatna, Renu, "Lead Bank Scheme".


