Summary of Findings and Suggestions
A. FINDINGS

INTRODUCTION

The lead bank scheme was introduced on the recommendations of the Gadgil and Nariman Committees in 1969 so as to give a thrust to 'area approach', which was considered to be an appropriate strategy for the balanced banking development in India. It is an ongoing scheme and it has been renamed as 'Service Area Approach' in April, 1989 to take banking activity to the village level. Hence, an empirical evaluation is undertaken in order to evaluate the implementation of the scheme against the objectives for which it was initiated. The summary and findings of the study along with suggestions are presented in this chapter.

Objectives of the study

The present study aims at:

(1) Reviewing the implementation of the Lead Bank Scheme with reference to the allocation of districts among banks, the methodology and scope of surveys made by lead banks, the pattern of branch expansion, deposit mobilisation and credit deployment, the methodology and scope of credit plans, organisational
set-up for the implementation of the scheme and the achievement of co-ordination among various agencies and

(ii) Implementation of the scheme in Cuddapah district and its impact on the banking development and on the sample beneficiaries in the district.

Allocation of Districts

Tremendous changes have been brought out in the banking structure, direction and functioning, due to the introduction of the Lead Bank Scheme. Starting with 338 districts in 1969 and 445 districts as at the end of 1989 are allotted among various commercial banks for assuming the lead role, based on the criteria of:

1) the size of banks,
2) the geographical contiguity of the districts,
3) the adequacy of the resources of the banks,
4) the regional orientation of the banks, and
5) the desirability of each state to have more than one lead bank and each bank to have lead responsibility in more than one State.

The calculated value of co-efficient of correlation showed that all the criteria except the criteria of the desirability of each state to have more than one
Lead Bank and each bank to have lead responsibility in more than one State have been fulfilled.

Methodology and Scope of Surveys made by Lead Banks

Conducting of initial and impressionistic surveys in all the districts in the country is the main task entrusted to various lead banks. These surveys were aimed at ascertaining the profiles of districts in respect of agro-climatic, physiographic and socio-economic conditions. So that, the unbanked and underbanked centres could be identified to spread the branch network in to unbanked rural areas. The methodology and the contents of these surveys differed from one bank to another. But, the surveys are mostly general in nature covering location, soil, climate, the availability of raw materials and other facilities, state of agriculture, industry, service activities etc. The lead bank of Cuddapah has completed the initial and impressionistic surveys by 1970 and indepth surveys by 1972. The surveys have significantly contributed to the opening of branches in rural areas, identify the bankable schemes and establish the communication with other financial and administrative agencies in the district. The Economic Research Department of the Syndicate Bank has conducted indepth surveys in 1972
in order to know the saving potentialities and pattern of depositors along with Rural debt and investment. In the initial surveys 11 unbanked centres have been identified for the purpose of branch expansion.

**Organisational set-up**

All the lead banks in the country have set-up separate cells in their Head Offices for planning, implementing and monitoring various programmes under the scheme, under the direct control of Regional or Area Managers. In each lead district Lead Bank Officer was appointed to supervise the working of D.C.C. and especially the preparation and implementation of credit plan. Besides, the Lead District Officers have been entrusted with the responsibility of overseeing the preparation and implementation of credit plans in the allotted districts comprising four or five. The Regional consultative committees have also been constituted to discuss the issues and arrive at the decisions on all the matters under the Lead Bank Scheme, besides, reviewing the progress of the scheme. Several other structural and procedural changes have also been implemented at various levels on the basis of the recommendations made by various study groups constituted from time to time.
The District consultative committee with the help of the standing committee constituted in the district of Cuddapah, could establish liaison with various departments in the preparation and implementation of Annual Action Plans and also in securing co-operation and co-ordination among the other members. Nevertheless, the Lead Bank Manager feels that there is an incompatibility between the goals of banks and district administration resulting in goal conflict.

The district consultative committee which was formed in 1974 in the Cuddapah district had about 42 meetings till 1989 with a duration of about 3 months between every two meetings.

One of the important tasks envisaged under the lead bank scheme and the formation of District Consultative Committee (DCC) was to achieve effective co-ordination among various financial and non-financial agencies functioning in the district. The co-ordination among these agencies is to be viewed as a harmonious combination of the effort in the activities which are technically feasible and economically viable by all the agencies in the district. One of the serious problems
of co-ordination is the supply of data regarding the resources, targets and achievements of various financial and non-financial agencies. On the basis of which the decisions are to be taken in the DCC and the annual action plans are to be prepared. All the sample bank branches felt that DCC provides a forum for the mutual discussions enabling them to understand that conveniences and inconveniences of all the participants. Nevertheless, two branch managers felt that the Chairman for the DCC from the District administration i.e., the District Collector is not appropriate as the ideologies and administrative styles differ very widely. Further, the co-ordination among various agencies in the district seems to be very effective while initiating the schemes and not in implementing the programmes i.e., advancement and recovery of credit.

Branch Expansion, Deposit Mobilisation and Credit Deployment

Significant progress has been achieved in branch expansion under the lead bank scheme. The number of branches in India has been increased from 8,262 in 1969 to 57,197 in 1989. The calculated values of geographical quotient shows that the branch expansion is very high in backward regions and rural areas than their counterparts. Out of 57,197 branches in 1989, about 57 per cent are located in rural areas.
Similar trend is noticed in Cuddapah district. The number of branches has increased from 4 in 1969 to 148 in 1989. The number of branches in rural areas in the district has increased from 14 in 1972 to 100 in 1988, the increase being more than seven times. Similar impressive progress has been achieved in respect of deposit mobilisation and credit deployment by commercial banks. The deposits of banks in India have grown nearly 28 times between 1969-89. Correspondingly the deposits in the district has increased 73 times during the same period.

In the case of advances also the same trend is observed. The advances have grown at 25 times at all India level as against 65 times in the district during 1969-89. The region-wise and population group-wise growth of deposits and advances have also shown the similar trend.

Under differential rate of interest scheme the commercial banks provided credit to weaker sections at the rate of 4 per cent. The total amount sanctioned under this scheme by March 1989 has reached to ₹.679.59 crores from ₹.0.87 crores in 1972. Advances made to priority sector which have increased from ₹.441 crores on 34.48 per cent of the total credit in June 1969 to
Rs.28,468 crores or 45.8 per cent of the total credit in June 1989 is another major contribution of the lead bank scheme in the country.

Regional Rural Banks which have come into existence in 1975 with a view to provide rural credit have reached to 196 covering 370 districts spread over 23 states with 13,822 branches. Rayalaseema Grameena Bank which was established on 6.8.1976 in the district is operating with 57 branches as at the end of December, 1989.

In the case of sample branches viz., Syndicate Bank, Kodur branch; Rayalaseema Grameena Bank, Chemmuniapet branch; State Bank of India Duvvur branch have offered a variety of deposit schemes to suit different customers. The achievement in mobilising the deposits against the targets has crossed 100 per cent in all the three branches in all the years except in two cases viz., Rayalaseema Grameena Bank in 1988 and State Bank of India in 1985 and 86. In the case of advances all the three branches have shown a fluctuating trend in achieving the targets, which shows that the banks could not fulfil their targets in credit plans. (See Chapter VII). The recovery position of the sample branches ranged between 53 per cent and 100 per cent. All the branches are on the profit side by 1989.
Among the three sample branches belonging to three different banks, the Syndicate Bank branch which is the lead bank for the district has an edge over the other two branches in the overall performance.

**Banks' Responses**

The opinions expressed from the experiences of bank officials regarding the implementation of lead bank scheme would provide some information for drawing certain findings. They include.

1. There is no understanding on the concept of lead bank scheme among many of the bank officials.

2. There is difficulty in securing the reliable data from the concerned agencies for arriving at the decisions.

3. There is a deviation in the priorities between district administration and banks.

4. There is a difference in the attitude and approaches between the lead bank and non lead banks while implementing the scheme.

5. There is no proper co-operation from the award staff.

6. There is difficulty in identifying the genuine beneficiaries.
Impact on the Beneficiaries

From the viewpoint of the impact of lead bank scheme on the beneficiaries the following are some of the conclusions.

1. The majority of the loanees who utilise the banking services is more in agriculture and allied activities rather than small industry and other activities. Even among agriculturists more are from small holding group.

2. There has been a constant increase in the annual household income, employment and assets of the beneficiaries due to the loan utilisation.

3. The credit gap is higher in the case of higher income groups.

4. There is a satisfactory repayment of the loans among the beneficiaries relatively in higher income groups.

The perceptions of the loanees on the policies and procedures of loan sanctioning, disbursement and recovery by the banks would facilitate to draw a few conclusions.

1. The publicity regarding different schemes is not effective.

2. The acquaintance of the loanees with the banks have a predominant impact in the utilisation of banking services.
3. The delay in the submission of application forms has been due to the complications in the format and also the requirement of many details and documents from the beneficiaries.

4. The time lag between registration of application and sanctioning of loan is more in the opinion of loanees.

5. Though the loans given by banks are cheaper they are inadequate in the light of the increase in the prices of inputs.

6. The reasons for non-repayment of loans appeared to be the reasons beyond the control of the loanees.

Credit Planning

One of the vital aspects in the implementation of the Lead Bank Scheme is credit planning. According to the guidelines provided by the Reserve Bank of India all the lead banks in the country have been so far prepared four rounds of credit plans including with their Annual Action plans covering the periods 1976-78; 1980-83; 1983-85; 1988-90. In Cuddapah district, the first, second, third and fourth rounds of credit plans have been prepared by the Economic Research Department of the Syndicate Bank in the district.

The overall comparison between outlay and performance among different credit plans and Annual Action
Plans in absolute terms reveal the following facts.

(i) The outlay figures in the second, the third and the fourth rounds of credit plans have not coincided with the total outlay of all the action plans during the period for which the each credit plan is prepared.

(ii) The variation between the outlay and performance for different purposes in all the 9 Action Plans formulated in the second, third and fourth rounds of credit plans is very wide, signifying that bank's could neither estimate the credit requirements of different sectors accurately nor stick on to the targets.

(iii) The achievement in meeting the credit needs against the targets fixed under the credit plans and Annual Action Plans, exhibit a positive association, signifying that the banks with higher outlays have maintained their lead in performance which is revealed through the rank correlation. Further, a three-way classification analysis of variation (ANOVA) reveals that there is no significant variation in the targets and achievements between sectors as well as among the banks in all the Action Plans.

B. SUGGESTIONS

After having reviewed the working of the Lead Bank Scheme in Cuddapah district and also studying the
impact of the Lead Bank Scheme on the banking development and on beneficiaries in the district the following are some of the suggestions to make the scheme more effective.

Allocation of Districts

Regarding the lead bank responsibility it can be suggested that re-allocation of the districts to these banks whose performance is better in every district can be made. That is, the lead bank responsibility can be entrusted to those banks whose performance is better than the present lead bank and wherever the lead bank cannot perform as desired. The performance of a particular bank in a district can be considered from the viewpoint of the performance of all its branches put together and their targets achieved, and the responsibilities fulfilled over a period of time, i.e., since the lead bank scheme was introduced. In other words, the re-allocation of the districts to different banks should be made on the basis of the strength, competency and performance of a particular bank in a particular district. Entrustment of the new responsibilities to the newer banks would revitalise the scheme.

Organisational Set-up

The implementation of the decisions arrived at through mutual discussions in the District Consultative
Committee meetings is not effective. It is because, that the government agencies usually fail to provide the infrastructural facilities and fulfil the objectives and targets fixed in the development plans. As a result, the banks fail to meet the credit needs of the beneficiaries fully under certain programmes. This situation hampers the progress. Thus, it is essential that the District Collector who is the Chairman to District Consultative Committee should see that the targets under the development plan are fulfilled completely. Without such effort from the District Collector the effectiveness in the implementation of the decisions would be poor.

The bank branches, branch managers, officers and award staff must be categorised by applying ABC analysis i.e., those branches/persons whose performance is outstanding can be put under the A category, the branches/persons with average performance under B category and branches/persons with low performance under C category. If the performance of the managers/officers/award staff is high, those people should never be transferred to other branches and only those people whose performance is average or low can be made a subject to the transfers.

In order to rectify the problem of the award staff they should be transferred on similar lines of the
officers and branch managers. They should not be allowed to stay for a very longer period at any branch. Further, the managers expressed their dissatisfaction on the account of authority delegation in dealing with the subordinates. As such the branch managers should be endowed with more powers to deal with unruly employees. Further, there should be frequent meetings of the staff in order to impress upon them that the inconveniences they face at the branch level are due to their lazy, negligent attitude. Besides, there should be well designed motivational training programmes in order to make them realise that they are going to face similar situation when they are promoted from the award staff positions to that of officers. The behaviour and hard work of the award staff should be given weightage in the career advancement.

To avoid the goal conflict between the banks and district administration, it is suggested that the areas or sectors in which the development is to be taken place in every village can be decided through mutual discussions between banks and district administration. Infrastructural facilities must be provided by the district/block/village administration, but the identification of the beneficiaries in the areas must be given to the discretion of the banker. This would enable to
specify the role and responsibility of the bankers and the administrators resulting in the resolution of goal conflict. Further, delays in sanctioning and disbursement of loans can be avoided if the banks directly deal with beneficiaries.

At the bank level, necessary steps should be taken to strengthen the technical staff, to assess the credit requirements of individuals properly and identifying viable schemes to be financed by banks. To avoid the problem of diversification of loans to other purposes instead of utilising for the purpose for which the credit is advanced supervisory staff should be maintained at the bank level. This will not only enable the beneficiaries to increase their income and repaying capacity but also help the banks in recovering loans.

Branch Expansion

In spite of the tremendous progress made by the banks in expanding the branches, a few suggestions can be outlined, for a qualitative improvement in the performance of the branches. Branch expansion must be made on the basis of the surveys conducted by the individual banks in the chronological order of their performance keeping in view of their ability in the deposit mobilisation,
credit deployment, or the recovery rate in the rural areas in every District. The choice of the opening of branches should be given to those banks whose performance is high. Further, the gaps in the infrastructural facilities in the identified unbanked centres must be incorporated in the branch expansion surveys. So that, the Government may take the responsibility to provide the required facilities to enable the banks to open branches in such centres.

Deposit Mobilisation and Credit Deployment

As the success of a bank depends upon the extent of deposits mobilised, specific steps should be initiated to improve the position.

The credit plans could not bestow much attention in assessing the deposit potentiality of the district and provide shares to other institutions. As the credit deployment is a sequel to deposit mobilisation of commercial banks, it cannot be delinked with deposits. In fact, they should go hand in hand in order to maintain the overall development of the banking industry.

Further, credit planning should include, specific ratio standards for each branch in every Annual Action Plan.
That is, for every branch the Credit Deposit Ratio (C/D) targets must be fixed. Apart from this, at every branch level the Credit Recovery Ratio Targets also should be fixed. By that, each branch is pinned to the responsibility in mobilising the deposits and making recovery of the credit advanced. This would be very important in the light of the "service area approach" where in the bank is made responsible to assess the potentialities of the area, estimate the credit needs and advance the loans.

Recovery

The middlemen/politicians at the village level, the government officials at the district level and the award staff at the bank level, all are interested in lending the advances to those people where they have some kind of intimacy, links and interests. Similar interest is never shown at the time of recovery. The head office on the other hand is interested in lending the advances to those activities where the refinancing facilities are available. Apart from the existing Nodal agencies at the district, block and panchayat levels
there should be Associations of the Beneficiaries that are to be formed in order to be used not only for the identification of the beneficiaries but also for the recovery of overdues. These associations should act as a recommending bodies for granting as well as recovering the loans.

Publicity or Advertisement

Even after a lapse of 20 years (two decades) after nationalisation of banks in the country the banking habit has not well developed in the rural people. Nearly, 70 per cent of the needy people in rural areas do not know what types of schemes are available and even do not know how to approach the banks for loans. Those who are having good relations or acquaintances with bankers and politicians are getting loans. It can be suggested that this may be reduced to some extent by advertising the schemes and their benefits through massmedia. So that, people who are in need of credit can come and contact the bankers instead of go into the clutches of money lenders or into the hands of mediators.

Identification of Beneficiaries

This is one of the crucial problem which affect the credit sanctioning, disbursement, repayment and the recovery of overdues. Inspite of various steps like
Gram Sabhas, Block Level Consultative Committee, District Level Consultative Committees etc., are introduced the identification of genuine borrowers still poses a problem. This can be avoided through the establishment of customers or beneficiaries associations. The associations of the loanees must be formed through the initiation of the banks. This would help the bankers to collect the information regarding the nature, behaviour, the social and economic background of the customers. This would help a lot to identify the genuine needs and motives of the customers. The recovery position in the banks can be improved a lot with the help of these measures. These ideals are the outcome of the discussions held with the bank officials at various levels among the selected branches.