CHAPTER V
CONCLUSIONS AND SUGGESTIONS

Although the Lead Bank Scheme has completed 15 years of service, its pace of covering all the districts has been very slow. The Lead Bank of Murshid started functioning in 1981 more than a decade after the launching of the scheme. The idea behind the Lead Bank was to initiate integrated Credit planning for the development of the district as a unit. Thus it was to assume a significant role in planning from the gross root level. It has no doubt, played a significant role and has become an integrated part of the district planning and development. The present study of the Lead Bank scheme set up in the backward district right from the year of its inception covering the first 3 years of the its activities is important to show not only the success for failures of this Bank in its planning and achievement but also to throw light on the kind of lessons that the banking industry has learnt in the course of its assistance for the past 15 years, and also to show the extent to which the schemes launched successively have been benefited by the experiences of the performance of the Lead Bank Scheme elsewhere.

The most important function of a Lead Bank is to prepare the District Credit Plan. The District Credit Plan projects an integrated picture of the District Development Plan with physical and financial outlay. It is therefore a combined exercise in which the district planning authorities and financing agencies have to take part. This calls for a closer cooperation
between the planning and be the development authorities and
the financing agencies. In Kurnool district we find that
there is a District Development Plan separately prepared by
the District Planning authorities and the District Plan
prepared by the Lead Bank. Obviously, there does not
seem to be any coordination between these two agencies of
planning and development. In the absence of feasible idea
of development, the available supply of raw material, even
a fuller idea of the availability of suitable infrastructure;
two wonders, how a meaningful credit plan can be prepared.
Taking the Banking Credit sector alone the most important
thing is to know the availability of funds, which can be
considered for credit. In the Banking sector the position
of the funds depends on the position of deposits. We do not
find any reliable method made use of in estimating the fund
position. The Lead Bank has relied mostly on the past
experience and the current Plan of the individual banks for
Deposit mobilisation. The Credit Plan prepared by the Lead Bank,
therefore, is likely to be performed half heartedly and
haphazardly to fulfill a given task. The second important
thing in credit planning is the allocation of credit to different
sectors of economy. The sectoral allocation of credit should
be based on the need and capacity of utilisation of each
sector. Here again, reliance is made more on the government
policy and guidelines rather than the sectoral needs and
its utilisation capacity. In the Credit Plan of Kurnool
district. It is seen that no provision has been made for the establishment of a new project. It appears as if the whole exercise of credit planning is only for the benefit of existing units. The District Credit Plan again needs to be dovetailed to bank level planning, block planning and unit level planning. Unfortunately, at the Block Level, no planning machinery has been set up. At the unit or branch level no planning exercise is made. The process adopted is preparation of the District Credit Plan by the Lead Bank, and in the District Consultative Committee Meeting it is through discussions and sometimes persuasion the share of each participating financing agency is determined. It is obvious that due to the above shortcomings no worthwhile credit plan could be prepared, and credit plan so prepared, would not achieve the objective of meeting the needs of the developments desired.

For sound credit planning and disbursements, the first and foremost thing is to have a reasonably correct estimate of credit needs of the district the block and village. For sound credit planning a detailed survey of the credit needs of the village, town and the district has to be conducted. No such estimates could be made available and it is surprising how in the absence of such estimates credit needs have been assessed and credit allocations among the different banks and their branches have been made.

Kurnool is a backward district, of a backward region which has rich potentials for development. The availability of minerals, the favourable climate, the Tungabhadra river water,
water and the nearness to the State capital are all favourable for the starting of small and medium industries of different kinds. What probably needed is the enterprise encouragement and equal opportunities to the people. The Credit Planning for the 3 years show discouraging picture. The amount allocated for small scale industrial sector has been decreasing year after year. What is surprising the share of Lead Bank itself in the total plan outlay and particularly that for the small scale industries sector has been very meagre being nearly Rs.19.94 lakhs which was hardly 5.8% of the total share of the Lead Bank in the total plan outlay which itself was hardly Rs.337.00 lakhs for the year 1983. The blockwise allocation of credit also shows that higher allocations was made for blocks which were more developed than those which are under-developed.

If we study the spread of bank branches in the district, we find them uneven. This may be one reason why the poor blocks situated in remote areas have remained neglected, not receiving justified share necessary for the development. This also points to the fact that the commercial banks in general, and the Lead Bank in particular has not still assumed the responsibility of the development banker. But still much can be said about the ineffectiveness of the District Consultative Committee which ultimately responsible for approving the credit Plan and reviewing its progress.

Another obvious reason seems to be the absence of proper planning machinery at the Lead Bank level. The Officers in
The charge of credit planning had been drawn from the banking cadre and neither they have orientation for planning nor the experience in collecting necessary data and project planned target in physical and financial terms. The District Planning authorities also seem to think that Credit Planning is an exercise to be completed by the Banks in which they have a nominal role to play. As such the Credit Plan that has been formulated is a bundle of certain figures and projections which are unrealistic. At the branch level, those who are called upon to participate in the planning exercise have neither the time nor the training. The staff at the branch level is not adequate to efficiently enter to the banking needs. This atleast is true about all the rural bank branches situated in the villages which are operated by a branch in charge and clerk and sometimes by only one person who holds all charges and performs all activities of the Bank. Since the Credit Planning is itself unrealistic the disbursements of credit is much more uneven. The credit disbursement for the district as a whole, shows that in some years the credit disbursed exceeded the credit Plan while in other years the credit disbursed was less than what was planned. The same is true about the Lead Bank. The study reveals that in urban areas and the areas in the vicinity of urban areas or towns the credit disbursed is more than planned. While in the credit thirsty blocks the credit disbursed falls much shorter than the credit planned, again, the advantages of credit has been taken by those who have credit worthiness than those who are comparatively poor and the needy. The Banks usually require the documents, project reports feasibility study etc., and if they were not submitted, in the absence
of which a loan could not be granted. The borrowers too have the usual complaint of the cumbersome procedure, the delay in sanction of loans which is less than what was needed. It is a vicious circle from which the neither the Banks nor the borrowers are able to come out. The Lead Bank has also failed in giving a proper lead in solving these problems. The defects lie in the manner and spirit in which the whole scheme has been launched.

Credit Planning in the district has to be integrated. It has to be a part of the total district credit planning. Proper linking up of physical and financial needs has to be done. If credit planning is to succeed and become effective, it must be an integrative planning beginning at the unit level, as a part of the physical and financial planning of the block. Let us hope, that with the establishment of the "Mandals" in Andhra Pradesh this integration is achieved. Every mandal served by a main bank and process of planning should start from the level of the mandals. In such a mandal plan the responsibility of the mandal bank will be fixed. The mandal planning should be integrated with block planning and block planning likewise should be integrated with district planning. If this happens, the Lead Bank has to assume a more responsible role. It has to strengthen its own planning machinery. Train its staff and make the credit planning cell more efficient. Unless this is done credit planning under the Lead Bank scheme cannot achieve the objective for which it has been launched.