CHAPTER III
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ORGANISATIONAL SET-UP OF LEAD BANK SCHEME

The banking sector of India has been doing a yeoman services with the provision of credit for economic promotion. "The bank's role in India is a vastly different one from the traditional banking functions anywhere else in the World".1 This pace of progress is accompanied with wide variation between urban and rural, rich and poor, the advanced and backward region; and industry and agriculture. To narrow down the imbalance in sectoral as well as geographical, a coordinated effort is needed. Towards the needs of this end, the Gadgil Committee, which was constituted by the National Credit Council, has recommended the Organisation of a scheme for the well-being of all categories of people in the area of district as unit, called Lead Bank Scheme. Expansion and expectation of the objectives of this programme always depend on how effective its organisation structure is. The organisational set up of the lead bank is discussed in this chapter to have an appraisal under which the lead bank programme has been in operation.

The operations of the banking sector prior to the nationalisation, to a greater extent, were under private banking with the 'theory of commercial loans'. And many commercial banks with branch network operated mostly in metropolitan and urban areas; the consequence of which was imbalance, neglecting the economic significance of sectors like agriculture, small scale industry, self-employment, artisans and other allied occupations to the rural development. An idea was perceived by the Government of India to overwhelm the above lacuna of imbalance, and to promote the economic interest. As a result, the National Credit Council was appointed by the Government of India in 1967 with the objective of conducting a survey on what constraints were responsible for uneven growth of banking sector affecting in the promotion of economy. The survey reveals that, "growth of banking was very uneven in various parts of the country and also the priority sector of the economy suffered for want of adequate credit". The survey after the detail enquiry has recommended the corrective measures of the economy for want of adequate credit including services of banking.

2. Syndicate Bank, Historical Background and Evaluation, Lead Bank Scheme (Mimeo), Staff Training College, Hyderabad.
The major corrective measures recommended by the National Credit Council were: Social Control and establishment of National Credit Council for assessing the credit to credit needy of various sectors of the economy. As a response, the 14 big commercial banks were nationalised on 19th July, 1969 and six more on 15th April, 1980.

To accomplish the task of assessing the credit deployment and credit needs of various sectors of the economy, a Study Group was constituted under the Chairmanship of G.R.Gadgil in October, 1968 to know the possible means of setting up of an appropriate institute for implementing the scheme that helps achieve social growth of the country. The formation of 'area approach' limiting to a district as a unit is the far reaching recommendation of the Study Group. The main thrust of area approach is in providing integrated banking facilities in the district as a unit.

Defining the integrated banking facilities at the district level became a problem particularly in under-bank districts of the country which needed further survey. The Governor of the Reserve Bank of India has set up a Committee of Bankers under the Chairmanship of F.K.F. Nariman soon after the nationalisation of banks to prepare a coordinated programme for providing adequate banking facilities. The
establishment of lead bank scheme was mooted by the Reserve Bank of India after giving careful consideration to the recommendations of Gadgil Committee and Nariman Committee. Amidst the pros and cons which existed in the even-growth of banking sector, the lead bank scheme thus, saw the light of the day as a splendid endeavour of the Committees and Commissions. For the first time, the lead bank scheme was implemented in 1970.

To enable the banks to assume their lead role in an effective and systematic manner, all the 338 districts in the country with the exception of metropolitan area of Bombay, Calcutta, Madras and the Union Territories of Delhi, Goa and Chandigarh, have been allotted among 25 banks viz., State Bank of India and its seven subsidiaries, 14 nationalised banks; and 3 private sector banks viz., Andhra Bank, Punjab & Sind Bank and Bank of Rajasthan. (Bank of Rajasthan subsequently withdrew from the scheme, Andhra Bank and Punjab & Sind Bank have since been nationalised). By 1988-'89, the lead bank scheme was in operation in 438 districts of the country.

OBJECTIVES

The objectives of lead bank are to achieve through district credit plan, the goals of 'National Plan' with emphasis on poverty, employment generation, satisfaction of basic needs through economic expansion, technical development,
adaption of effective promotional measures and to raise productivity and incomes of people particularly the weaker sections. "Lead bank is a Coordinator but not a monopolist". The specific objectives of the lead bank scheme are:

1. To assess the credit needs of the various sectors of the district

2. To raise the resources from various sources to meet the needs of the various sectors

3. To coordinate the efforts of various banking institutions operating in the district

4. To participate itself in the production programme being implemented by the Government

AREA OF OPERATION

The jurisdiction of lead bank is confined to a district as unit for planning the developmental activities because (i) most of the data which is readily available for the district as a whole might aid in framing policy (ii) the district has a well-knit Government administrative machinery which is so required for the effective implementation of credit plans. "The lead bank has no intention to have monopoly of banking business in the district".

3. Syndicate Bank, Lead Bank Scheme - Definition, Scope and Objectives (Mimeo), Staff Training College, Hyderabad.

The district in the opinion of Gadgil Committee "should be the lowest unit under an area approach because it is the unit in relation to which co-operative structure is at present organised and most statistical and other data are available at the district level".\footnote{Reserve Bank of India, Organisational Framework for the Implementation of the Social Objectives, 1968, p.87.} A district credit plan aims at the development plan consisting of technically feasible and economically viable features which could take up financing by financial institutions, within the existing strengthened framework of infrastructure and other facilities. Further, the plan would be based on the strategy of development suitable to the district taking into account its natural endowments.

The scheme has been entrusted to the lead bank. A bank which is leading in the district is termed as 'Lead Bank'. The Lead Bankship is generally given to the public sector commercial banks. This lead bank will play a 'lead role' in promoting the economic development in coordination and cooperation with the various agencies of Central and State Governments under the broad framework of the Five Year Plans.
ORGANISATION

The effective functioning of any rural credit institution and implementing programme leading to economic development entirely depend on the 'organisational framework' of the institute. In the initial stages, the lead bank could not visualise the need for an organisational set up for implementing the scheme in coordination with other banks. "In the minds of bankers, the lead bank scheme had obviously not taken a distinct operational shape". With the growing importance of the lead bank scheme in accelerating the rapid progress of socio-economic status of the people of the district, an obvious necessity pertaining to organisational set up of the lead bank is of immense need to advise and coordinate the rural credit institutions. In other words, the effective functioning and participation of rural credit institutions in promotion of the economy of the district within the framework of Plan Objectives hinges on the organisational set-up of the lead bank which consists of committees namely (a) District Consultative Committee (b) District Coordination Committee and (c) District Development Council. These committees establish liaison between the rural credit institutions and the developmental agencies functioning at the district in

bringing about appropriate changes and studying the problems cropping up in banking sector.

Syndicate Bank is the Lead Bank in Anantapur district. It conducts the economic surveys of the district from time to time to find out the ills of economic development and to take corrective measures to ensure economic growth and development of the district. The functions of the lead bank are being looked after by an officer who is designated as Lead District Manager. He is assisted by officers who are incharge of the various sectors.

The constitution, composition and functions of the committees as said above are discussed clearly and critically with a view to have a broad-based glimpses with reference to the Anantapur Lead Bank Scheme.

DISTRICT CONSULTATIVE COMMITTEE

The District Consultative Committee is constituted at the district level to coordinate the work of all banks and financial institutions operating in the district. In other words, it undertakes the planning and allocation of resources and thereby lessening the responsibility of the National Level Institutions like the Reserve Bank of India, the NABARD etc., in evolving an appropriate machinery for effective functioning in extending banking services to rural people.
As there are no set rules for District Consultative Committee, its composition is made to suit the specific needs of the district for the purpose of effective implementation and assessment of the progress made under this scheme from time to time. The formation of District Consultative Committee of the lead bank in Anantapur district was constituted along with the formation of the latter. The committee consists of the agents of all the banks, financial institutions and the Chief Project Administrator; and the District Collector who is the Chairman. Syndicate Bank, the Lead Bank in Anantapur District is the convenor. In nutshell, the composition of the District Consultative Committee of Anantapur District lead bank consists of officials only; and the non-official members either from industry, agriculture or allied occupation are excluded. Such type of composition in the District Consultative Committee which is 'core' body in decision-making without industrialist, farmers, weavers etc., would be ineffective in sound functioning. The main functions of the District Consultative Committee are:

1) Exchanging information between the banks with regard to borrowing and extending the banking services to the neglected economically significant sectors namely, agriculture, rural and cottage industry, artisans, self-employment etc., by evolving appropriate methods
2) Working of suitable schemes to finance the programmes of the Government

3) Acting as a nucleus centre to discuss the problems, if any, arising out of financing priority sector.

COORDINATION COMMITTEE AND DEVELOPMENT COUNCIL

The District Coordination Committee and District Development Council are also functioning in the Anantapur district under the lead bank scheme. The members of former Committee are District Collector, the Heads of Development Departments and Managers of the local banks and financial institutions. The District Development Council which comprising of local legislative members in addition to the above is the highest body in the district to formulate the District Development Plans and also to review the progress achieved from time to time. With the recommendations of the Planning Commission, the Block Level Consultative Committees have also been constituted; and they have started functioning from 1981. Representatives from financial institutions and block level officials are the members of this Committee. Block Development Officer convenes the meetings. This committee is mainly constituted to review the implementation of various development schemes, such as Integrated Rural Development Programme, Twenty Point Economic Programme and thrashing out problems in the block level.
DISTRICT CREDIT PLANS

The lead bank is expected to assume a major role in the development of banking and credit in the district. The bank assigned the lead role is thus expected to act as the consortium leader and identifying potential areas for branch expansion and areas suffering from credit gaps. It would invoke the cooperation of all banks and other financial institutions operating in the district for opening branches as well as for meeting the credit needs of various sectors of productive activities.

The lead bank is further expected to provide leadership in initiating and pursuing the process of total improvement in the economy of the district. Thus, the lead bank scheme has for the first time emphasised the importance of Integrated Area Development Approach and brought all financial institutions and Government Departments as well as other development agencies on a common platform for a joint participation in a cooperative endeavour. "The lead bank scheme is expected to strive towards narrowing inter-regional disparities and promote an even distribution of institutional financial facilities". Striving for the

above, it is conducive to prepare the District Credit Plans which are expected to act as the operational tools of the lead bank scheme.

A district credit plan can be defined as a development plan consisting of technically feasible and economically viable schemes which can be taken up for financing by the financial institutions within the existing frame work of infrastructure facilities. In other words, the lead bank plans a strategy of development suitable to the district taking into account its natural endowments, the principal economic activities and their potential for development. Thus, the District Credit Plan is comprehensive and integrated in the sense that various schemes are included in the plan covering all the major sectors of the economy, depending upon their natural linkages for economic promotion.

Preparation of the credit plan is not a simple task. However, it involves an amount of innovative method of research with regards to funds mobilisation and their allocation on equity in order to fulfil the social aim of the country. Towards this arduous task, lead bank prepares credit plan under the guidance of Economic Research Department.
The methodology being adopted by the lead bank for preparation of the plan seems to be not scientific. Of course, this was due to not clearly spelling out the operational implications in the initial years of the lead bank scheme. Dinakar says that "the process should be understood and appreciated". Individual block plans were prepared for each district not on the basis of any separable study, but were based on the study of certain selected sample blocks in the Anantapur district. The credit plan for this district as a whole was based on the plans of these sample blocks. This practice of preparing credit plan is unscientific in context of rapid change of input conditions. So the credit plan should be prepared for each compact area (block). Balakrishna stated that "nevertheless, each lead bank adopted its own methodology for the preparation of district credit plan and the end product could not be called as perfect by any stretch of imagination".


The above discussion shows that the bank not did make sincere attempts to formulate the district credit plan as reasonable as possible. On the experience, the Reserve Bank ventured to adopt a different methodology in 1979, which would be more scientific than the earlier one. Under the new system, there are two plans viz., district credit plan for a period of two years and Annual Action Plan for a period of one year.

A team of technical officers for each of the lead district should make tour the entire district, block by block and conduct an indepth study for evolving credit plan. This is one of the welcome features of the lead bank in preparing credit plans. In this method, both block as well as district credit plans are prepared. While preparing credit plans due consideration will be given to the Government sponsored programmes like Integrated Rural Development Programme, Drought Prone Area Programme etc.

The credit plan of Anantapur district, which consists of three sectors namely (i) agriculture and allied activities (ii) industrial sector and (iii) tertiary sector, should adopt the following procedure in preparing credit plan.
(i) Agriculture:-

(a) The study of land utilisation pattern (b) the study of the irrigation potential (c) the changes which may occur due to the minor irrigation facilities and the cropping pattern, and the expected changes in the future (d) the study of the scope for the development of allied activities like dairying, poultry, sheep rearing, fisheries, piggery, sericulture, gobar-gas plants and rural artisans, cottage and small scale industries.

(ii) Industries:-

(a) Evaluation of the present conditions of the industrial sector and the extent of utilisation of the output of primary sector (b) employment generation potentiality (c) expansion of the production capacity with view to meet the growing demand for manufacturing goods.

(iii) Tertiary Sector:-

(a) Assessment of the development in this sector, which comprises transport, communication and other services (b) study of availability of the credit facilities from all the institutional, financial agencies.
It is necessary to bring some changes in the organisational structure and functioning of the lead bank in view of the importance being given to it. To establish liaison between the financial and non-financial agencies working at various levels for the growth and development of the different sectors, the formation of a separate cell for each like 'AGRICELL' for agricultural services with an expert in that field would be more urgent. The expert incharge of the cell should be assisted by the officers appointed at the block level. Further, the committees have no representation to farmers pertaining to agriculture, poultry, piggery, sheep rearing etc. In order to have district credit plan be effective, the individual block plans should be prepared first and then the district credit plan. However, these plans should considered as follow-up action plans for the district developmental plan. A committee to review the activities done by the various agencies should be formed in the organisation of the lead bank. In brief, some of these changes in the organisational structure of the lead bank would bring about a better appreciation and understanding of the objectives of the lead bank scheme.