CHAPTER IV

GOVERNMENTS' POLICY TOWARDS BANKING INSTITUTION --
POLICY MEASURES REGARDING DEVELOPMENTS OF INSTITUTIONAL FINANCE

Introduction

The present structure of commercial banking in India is the outcome of a long process of expansion, re-organisation and consolidation extending over a period of time, more especially during the sixties of this century. Before the enforcement of the Banking Regulation Act, 1949 there was little control and regulation over the activities of the banking companies with the effect that a large number of banking companies were established during World War II period. These banks had many weak and undesirable features for which many banks had to wind up their business. Naturally legislations were framed to make these banking system sound and strong. with the gradual imposition of the regulation, a large number of weak banking companies were either asked to close their business or were amalgamated with other banking companies.

The significant features of the present day commercial banking in India is the co-existence of both the private sector and the public sector banking. The growth of public sector in banking took place in three stages; first in 1955 when the Imperial Bank of India was converted into the State Bank of India and subsequently when the State Associated banks were made subsidiary banks of the State Bank; second stage was the nationalisation of 14 major commercial banks on 19th July, 1969. Nationalisation of 6 more banks in 1980 constituted the third stage. These steps were taken under different circumstances and with different objectives.
Government's Policy

These steps were taken as a part of the Government Policy to make the banks socially accountable and impose some control on the activities of the banks so that they can fulfil their social obligations. We discuss below some of the policy initiatives of the Government to bring the banks to the main stream of the welfare states.

Social Control on Banks

The idea of social control on banks was mooted for the first time by the Congress party in its election Manifesto in 1967. Under this scheme it was decided to bring the private banking institutions under social control to serve the cause of economic growth and fulfil the social objectives more effectively. A comprehensive scheme of social control was enforced through legislative measures on 1st February, 1969.1

After the nationalisation of Commercial banks, several steps have been taken since 1969, to change the role of the commercial banks in the country. The old methods and techniques have yielded place to new technique, need based finance and marketing. Instead of the banks merely working for commercial viability, they are required to participate in activities aiming at socio-economic changes.

The actual implementation of the social control scheme started much earlier than the formal enforcement of the Banking Act on 1st February, 1969. In compliance with the targets fixed by the National Credit Council for advances to the priority sectors of Agriculture and

1. Varshney P.N., Banking Law and Practice, p. 17, Sultan Chand & Sons, 1982
Small Scale Industries, banks embarked upon various schemes to provide finance to these two sectors.

**Nationalisation of Commercial Banks**

Socialisation is followed by nationalisation of 14 commercial banks in the country in July, 1969 each having the total deposits of ₹. 50 crore or more.

Objectives of the nationalisation of commercial banking in India, as set forth by the then Prime Minister, may be summarised as follows:

(a) Removing the control of a few large industrial houses over commercial banking in the country.

(b) To introduce professional management in commercial banking business in place of hereditary management practices which was prevailing before nationalisation.

(c) To provide adequate credit to the priority but hitherto neglected sectors of the economy like agriculture, small industry etc.

(d) To provide proper incentives and stimulus so that a new class of entrepreneurs emerges in the country.

Eleven years after the experience of nationalisation of 14 commercial banks, the Government nationalised another six scheduled commercial banks on April 15, 1980, each with demand and time liabilities exceeding ₹. 200 crore through an Ordinance issued by the President of India. ² Out of these 6 banks, one bank namely New Bank of India was merged with Punjab National Bank.

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² Varshney, P.N., Banking Law & Practice, p. 21, Sultanchand & Sons, 1982
The Lead Bank Scheme

Apart from the policy of social control and bank nationalisation, one scheme for involvements of the commercial banks and other financial institutions in the process of economic development was mooted by the Nariman Committee in 1969. This scheme was introduced by the Reserve Bank of India in December, 1969 and it came to be known as the Lead Bank Scheme.

This study group appointed by the national credit council recommended the adoption of "Area Approach" to banking development in the country. The study group suggested that the public sector banks should be given specific districts wherein they should be asked to bring about integrated development of banking facilities with a view to meet all the essential credit needs of the specified area. 3

Under the lead bank scheme all the districts in the country have been allocated amongst 22 public sector banks and 3 private sector banks. The district credit plan formulated by the lead bank of the district should be in consonance with district development plan and development strategy worked out by the Government. The District Credit Plan should be within the framework of the national plan and it should help in achieving various targets set in the district development plan prepared by the Government. It is the function of lead bank to identify the under banked areas and also the areas suffering from credit gaps.

3. Desai S.S.M., Rural Banking in India, p. 289
Government Policies on Deposits and Advances

The commercial banks since nationalisation made a sincere and sustained efforts to mobilise deposits. To increase the volume of deposits, the nationalised banks have introduced various attractive schemes for mobilisation of deposits. That the volume of deposits of scheduled Commercial Bank in India increased sharply can be well understood from the following table. The volume of deposits of scheduled commercial banks which was ₹. 4646 crore in June, 1969 raised to ₹. 147854 crore in June, 1989. Deposits further increased to ₹.592068 crore in March, 1998.

Similarly a radial change have been noticed in the field of bank advances sanctioned by the scheduled commercial banks in India. Although the nationalisation had converted the major commercial banks of the country into public sector units, yet power to issue directives to any or all banking companies for the purpose for which advances may or may not be made was vested with with the Reserve Bank of India. In this context, the Central Government may advise the Reserve Bank of India to issue directives to all banks or any of the banks of the country to implement any Government Policy as and when required. In the post nationalisation period, the Reserve Bank of India and Government of India had issued a number of directives and guidelines either to all the banks or only to public sector banks in respect of deployment of bank advances. In providing credit, bankers have to investigate the purpose for which funds are sought and have to satisfy themselves that the end use of funds conforms to overall national objectives. The nationalised banks have been asked to meet the credit needs of the artisans, self
employed persons, retail traders and other weaker section of the community.

During the post nationalisation of commercial banks, there was rapid expansion of bank credit under various schemes that can be well imagined from the table given below. The total credit of scheduled commercial banks increased from Rs. 3599 crore as on June, 1969 to Rs. 89080 crore in June, 1989. This amount further raised to Rs.305884 crore as on March, 1998.

Table 4.1
Table showing the progress of Commercial Banking at a glance

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<tbody>
<tr>
<td>Deposits of Scheduled Commercial Banks</td>
<td>4646</td>
<td>147854</td>
<td>274938</td>
<td>492227</td>
<td>592068</td>
</tr>
<tr>
<td>Credit of Scheduled Commercial Bank</td>
<td>3599</td>
<td>89080</td>
<td>154838</td>
<td>282237</td>
<td>305884</td>
</tr>
<tr>
<td>Credit Deposit Ratio</td>
<td>77.5</td>
<td>60.3</td>
<td>56.3</td>
<td>57.3</td>
<td>55.5</td>
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Government's policy on Branch Expansion

In order to fulfil the objectives of the nationalisation, the Reserve Bank of India has issued various directives, in consultation with the Government of India to the nationalised banking sector of the country. Some of the important directives issued by the Reserve Bank of India just after nationalisation are given below:
With a view to stepping up the pace of branch expansion with particular reference to covering unbanked centres with banking facilities, Reserve Bank of India had directed all nationalised banks including scheduled commercial banks to open branches in such centres in consultation with the lead bank of respective districts. The Reserve Bank of India was to be informed, if there is any specific problems faced by the concerned bank to open the branches in the unbanked town or centres. 4

Besides, the Reserve Bank of India had communicated to all nationalised banks its decision to permit new office at unbanked centres identified by them without any pre-condition. However some criteria have been adopted by the Reserve Bank of India to maintain uniformity in opening of branches between banked centre and unbanked centres. 5

The rapid expansion of bank branches as per Government's policy can be well estimated from the table given below. It can be seen from the table that the number of branches which was 8262 as on June 1969 (i.e. before nationalisation) raised to 57699 in June, 1989 and it is further increased to 64,267 as on March, 1998.

Table 4.2

Expansion of Bank branches during Post-Nationalisation period

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<tr>
<td>No. of Bank offices in India</td>
<td>8262</td>
<td>57699</td>
<td>61169</td>
<td>64267</td>
</tr>
<tr>
<td>(a) Rural</td>
<td>1833</td>
<td>33014</td>
<td>35389</td>
<td>32890</td>
</tr>
<tr>
<td>(b) Semi-urban</td>
<td>3342</td>
<td>11166</td>
<td>11465</td>
<td>13876</td>
</tr>
<tr>
<td>(c) Urban</td>
<td>1584</td>
<td>7524</td>
<td>8562</td>
<td>9637</td>
</tr>
<tr>
<td>(d) Metropolitan</td>
<td>1503</td>
<td>5995</td>
<td>5753</td>
<td>7864</td>
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</tbody>
</table>

Source: Banking Statistics, Basic Statistical Returns, March, 1993 and March, 1998 issued from Reserve Bank of India

New Branch Licencing Policy

Marking a significant departure from the past, the Reserve Bank of India Branch licencing policy took note of the viability aspects along with the concern for filling the spatial gaps. It was felt that there was no need for evolving any branch expansion programme as such for any specific period with targets like population coverage per bank office as was being done in the past. The new policy had to take into account the fact that the stresses and strains faced by the banking system not only continued but had in fact got accentuated. The phase of consolidation had to have its emphasis on all out efforts to improve operational efficiency, quality of assets and financial strengths of banks. Taking these factors into consideration, the branch expansion of the order that was witnessed in 1970s and early 1980s was not envisaged and it was felt that future growth of bank offices would depend on well established need, business potential and financial viability of the
proposed offices. The policy also left it to the judgement of individual banks to assess the need for additional branches in rural areas in their respective service area.

It has now come to be well accepted that there is a need for taking up a meaningful branch rationalisation exercise in every bank to make the branch network strong and efficacious. While the scope for mergers, spin-offs, opening of satellite offices, conversion of general branches into specialised branches and related measures are being examined under the branch rationalisation exercise, many of the weaker banks are also taking measures to close down such of those chronically loss incurring branches which cannot be dealt with otherwise.

Concept on service area of bank branches
— Government guide lines.

The Union Finance Minister in his budget speech of 29th February, 1988 has referred to the proposal under which each bank branch will be designated to serve an area of 15 to 25 villages. Such designated branch will be responsible for meeting the appropriate needs for bank credit of its service area, apart from the credit support provided by the co-operatives. 6

The operational aspects of implementing this approach have been examined by a committee set up by the Reserve Bank of India under the chairmanship of Dr. P.D. Ojha, Deputy Governor, Reserve Bank of India, which included the chairman of the State Bank of India and certain other major public sector banks.

Service Area Approach — Salient features:

The service area approach involves five major aspects which are as follows:

(a) **Identification and allocation of service area for each bank branch**

Under this aspect all the villages in the block will have to be allotted among the branches. Banks have been advised to expedite the opening of branches at rural and semi-urban centres for which allotments have been made. The State Governments have also been requested to extend necessary assistance to facilitate opening of branches at the allotted identified centres.

(b) **Survey of villages**

After fixation of the service area, each branch is to undertake a survey of the allotted villages and prepare village profiles. Such survey will cover different aspects such as existing economic activities and potentialities for their expansion as also for undertaking new activities, available infrastructure in the area, existing skills of the villagers and coverage of rural families by the credit institutions etc. The Branch Managers are required to keep themselves abreast of developments taking place in their service area by means of periodical visits to the villages and establishing a continuous contact with the extension and developmental agencies.

(c) **Preparation of Credit Plan**

Each branch would prepare annual credit plan for its own service area on an on-going basis. The lead bank officer has a crucial role in this regard. He should provide necessary guidance and support to all the Branch Managers in the district.
The annual credit plans prepared by all the branches in a block, together with the lending programmes of the co-operatives, would be consolidated into the Block Credit Plan. The block plan in turn would be aggregated to form the annual credit plan for the district.

(d) Co-ordination and Monitoring

A Block Level Banker's Committee (BLBC) would be formed to co-ordinate the activities of the banks and the Government officials. All the banks operating in the block would be the members of the committee. The lead bank officer of the concerned district would be the chairman of the committee.

(e) System of continuous monitoring of progress in the implementation of the plans

Over and above every bank was asked to formulate a credit plan for each bank, so that the objectives of overall monetary and credit policy could be achieved.

Policy decision of the Government leading to the Establishment of Regional Rural Banks (RRBs)

The Prime Minister, consequent on the declaration of the emergency in the country in June, 1975, announced the economic programme which, among many other things, aimed at "devising alternative agencies to provide institutional credit to landless labourers, rural artisans and small and marginal farmers. Socialisation and even nationalisation of major commercial banks could not succeed to diversify the advances portfolio by re-orienting their lending policies in favour of the weaker section of the society to desirable extent. Government of India felt for an institution that can combine both systems namely, co-operative and commercial bank."
On 1st July, 1975 Government of India constituted a working group under the chairmanship of Shri M. Narashimham to examine indepth the issue of setting up of new rural banks as subsidiaries of public sector banks, to cater to the credit needs of rural people. The group submitted its report on 30th July, 1975 and suggested to establish on pilot basis five banks so as to provide guidelines in respect of size of operations, initial coverage viability etc. for future development. Working group was clear in ascertaining that the role of this new institution would be to supplement the existing financial institution in the area.

On the basis of the report submitted by the working group, Government of India promulgated an Ordinance on 26th September, 1975 which was subsequently replaced by the Regional Rural Bank Act, 1976.

The General Superintendence, Direction and Management of the affairs and business of the Regional Rural bank is vested in a Board of Directors. The Board of Directors is required to act on "business principles and should have due regard to public interest." The Regional Rural Bank in the discharge of its functions will be guided by such directions in regard to the matters of policy involving public interest as the Central Government may give after consultation with the Reserve Bank of India.

Progress of the Regional Rural Banks

Initially there were only 5 Regional Rural banks which started functioning from 2nd October, 1975. Upto the end of June, 1981, 102 Regional Rural Banks with a network of 3598 branches have been opened in 18 States of the Indian Union.  

During the period June, 1987 there were 196 Regional Rural Banks in the country. Thereafter no further Regional Rural Bank has been established and the number of Regional Rural Banks in the country remained at constant i.e. 196 till March, 1998.

Table 4.3
Progress of RRBs at a glance

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<tr>
<td>No. of Commercial Banks in India</td>
<td>182</td>
<td>278</td>
<td>300</td>
</tr>
<tr>
<td>(a) Scheduled Commercial Banks</td>
<td>178</td>
<td>274</td>
<td>299</td>
</tr>
<tr>
<td>of which Regional Rural Banks</td>
<td>102</td>
<td>196</td>
<td>196</td>
</tr>
<tr>
<td>(b) Non-scheduled Commercial Banks</td>
<td>04</td>
<td>04</td>
<td>01</td>
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Restructuring of Regional Rural Banks

As per the latest data available with the National Bank for Agriculture and Rural Development, the total accumulated loses of all Regional banks operating in the country are estimated at ₹ 2176 crore as on March 31, 1996.

In line with Government's focused strategy for improving the viability of the Regional Rural Banks in the country, as many as 136 RRBs have been provided financial support to the tune of ₹ 573 crore for their comprehensive revamping.
As part of revamping the RRBs, the Government has been providing recapitalisation support to select RRBs for cleansing up of their balance sheet. 8

**Financing priority sectors — Government Policies**

Since 1968, attempts are being made in India to give a radical orientation to commercial banking in the country. The pattern of ownership and organisational set-up of commercial banks in India had resulted in their being controlled by large industrial houses. As a result, apart from the misuse of public deposits for private profit, flow of credit to rural areas and to priority sectors like agriculture and Small Scale Industries had been for all practical purposes receiving scant attention by Management of commercial banks.

It was against this background that the policy of "Social Control" over commercial banks came to be introduced in 1968. The policy of social control was intended to ensure that particular clients or group of clients are not favoured in the matter of distribution credit. According to the decision taken under the policy of social control, the National Credit Council were as follows.

(1) To assess the demand for bank credit from the various sectors of the economy.

(2) To determine priorities for the grant of loans and advances or for investment, having regard to the availability of financial resources with commercial banks as also financial requirements of various priority sectors of the economy, in particular, of agriculture, small scale industries, self-employed persons artisans in rural as also urban areas.

(3) To co-ordinate lending and investment policies as between commercial banks and co-operative banks and specialised financial institutions in the country with the objective of making maximum use of financial resources available with all the financial institution in the country.

The Board of Directors of Commercial Banks were reconstituted. Majority of Directors were persons of special knowledge or practical experience in the field of agriculture, small industries, co-operation, banking and so on. Also a professional banker came to be appointed as Chairman of each commercial bank with the permission of the Reserve Bank of India. The National Credit Council fixed minimum targets for increased lending by commercial banks to sectors like agriculture and small scale industries.

The nationalisation of Major Indian Commercial banks was intended to bring about banking reforms of far reaching consequence. Before the experiment of social control, banks had hardly paid any attention towards advances to agriculture and small industries. However, after bank nationalisation financing of agriculture, small industries and self employed persons gathered considerable momentum and a number of special credit schemes have been evolved for this purpose. The entire outlook of the Indian banker has changed and the traditional Indian banking is evolving into a Creative one.

As a result of persuasion, directions and guidance of the Central Government and the Reserve Bank of India, the Indian banking community has adopted new concepts, techniques and criteria for lending to the priority sectors. Institutional guarantee system has been evolved.
to cover the risks of the banks in financing these neglected sectors. The advances granted to the priority sectors are guaranteed by the Deposit Insurance and Credit Guarantee Corporation of India. In January 1971, the Reserve Bank of India promoted the Credit Guarantee Corporation of India Ltd. under the Companies Act, 1956 to administer guarantee schemes in respect of advances granted to priority and neglected sectors. The undertaking of the corporation was transferred to and vested in the Deposit Insurance Corporation, on 15th July 1978 and it has been re-designated as "Deposit Insurance and Credit Guarantee Corporation" for insuring the deposits in banks also. This system of institutional guarantee enables the banker to share his risks with the guarantee corporation.

Targets

Banks are required to provide 40% of the total credit to priority sectors. Banks should disburse a minimum of one per cent of total advances under the differential Rate of Interest (DRI) scheme. At least 40% of this should go to scheduled caste/tribes and at least two-thirds should be made to rural/semi-urban branches.

"The ratio of priority sector lending achieved by the public sector banks is below the stipulated 40%. Governor, Reserve Bank of India, drew the banker's attention to the decline in agriculture lending ratio. Banks have been asked to step up flow of credit to Small Scale Industry (SSI). SSI branches are to be opened at small scale industry centre."  

Financing of Agriculture

Commercial banks participation in the financing of agriculture and allied activities has made a significant and revolutionary change in Indian banking since the nationalisation of major banks in 1969. The banks have penetrated into the country-side by opening their branches in rural and semi-urban areas. They have adopted their lending policies and practices to suit the needs of the rural clientele. Of course, the motivating force behind this transition has been the Reserve Bank and the Government, which provided them the operational guidelines, introduced the system of institutional guarantees and reduced the risk involved in financing agriculture. Banks have been directed to increase the share of agricultural advances in their total credit to 18 per cent and to ensure that their advances flow to the weaker sections in the countryside on an increasing scale and at cheaper cost.

Recommendations of High Level Committee on flow of agricultural Credit

A High Level Committee on flow of Agricultural credit was constituted by the Reserve Bank of India under the chairmanship of Sri R.V. Gupta, former Deputy Governor, Reserve Bank of India to study the working of credit delivery system and simplification of procedures for agricultural credit.

The committee has since submitted its report making far reaching recommendations to increase the flow of credit to agriculture. The recommendations have been accepted by Reserve Bank of India for its proper implementation. It may be well appreciated that the Reserve Bank of India has been perhaps the only central banking authority in the world which has been more and more concerned for the development of
Indian agriculture and amelioration of weaker section of the society and thereby evolving appropriate banking and credit policy in this regard.

Reserve Bank of India's policy on agricultural credit by private banks

After the Introduction of Economic reforms and more particularly Financial sector reforms, Reserve Bank of India has been very optly encouraging the establishment of private sector banks in India as recommended by the Narasimham Committee. Already 8 to 10 private banks have been established by now and the process is continuing. It is possible that these banks may be reluctant in respect of their expected degree of commitment or involvement towards social responsibility. Accordingly, to ensure their farm commitment, in view of the country's needs and these banks capabilities, Reserve Bank of India is stipulating following targets:

1) priority sector credit to the extent not less than 40 per cent of net bank credit.

2) Agricultural credit to the extent not less than 18 per cent of net bank credit.

3) Credit to weaker section to the extent not less than 10 per cent of net bank credit.

4) Credit under Differential Rate of Interest Scheme at 1 per cent of previous years' level of outstanding.

The Reserve Bank of India has revised its standing guidelines to banks on relief measures to persons affected by natural calamities especially in the case of agricultural advances. In liberalising the standing guidelines the Reserve Bank of India has delegated more powers and discretion to banks in relation to operational aspects and extension
of relief to the affected borrowers (farmers) expediously. The guidelines will enable the banks to exercise their discretion and decide on the adequacy of relief measures to be provided, depending on the intensity of the natural calamity, the extent of damage to crops and the distress caused to farmers in one or more years.

Credit to Small Scale Sector (SSI)

As at the end of March, 1997 the public sector banks had exceeded their priority sector credit target with a total lending of Rs.79,131 crore constituting 41.7 per cent of the net bank credit as against the stipulated target of 40 per cent fixed by Reserve Bank of India.10

Reserve Bank of India has initiated measures for facilitating flow of funds from commercial banks to the Small Scale Industry sector, such as —

(i) Simplification of norms for computing the working capital assistance,

(ii) Reserve Bank of India has directed banks to equip specialised SSI branches set up by the banks with appropriate personnel having adequate discretionary powers to sanction credit.

Consequent on the series of measures initiated by the Reserve Bank of India in ensuring adequate credit to the Small Scale Industries in the line with the recommendations of the Nayak Committee, outstanding bank credit to SSI sector has almost doubled during six years period from Rs. 16,783 crore in March, 1991 to Rs. 31,542 crore in March, 1997.

10. Sharma, R.H., published in the journal of the Indian Institute of Banker in the column "Banking Roundup"
The Government of India has announced improved institutional finance to the tiny sector from organisations such as Small Industries Development Bank of India (SIDBI) and National Small Industries Corporation (NSIC).

SIDBI which provides assistance to SSI units and tiny units by way of refinance and direct finance has been allowed to direct 60 per cent of its refinance flow to the tiny sector.

In addition to this, it has been decided that NSIC, which at present is discharging many developmental functions for the Small Scale Industry sector should ensure that tiny units get 40 per cent of its assistance. NSIC provides assistance to tiny units under various schemes for supply of machinery on hire purchase, marketing support, technology assistance and training facilities.

Implementation of Government Policy

Central Government with the assistance of Reserve Bank of India have taken various measures for implementation of the credit policy through the banking institutions.

Activities which could be financed by banks under agriculture namely, crop production, irrigation development, soil and moisture conservation works, farm mechanisation, construction of farm structures, plantation and horticulture, sericulture, animal husbandry, fisheries and forestry etc. which are located in India's 5,50,000 villages have been allocated to 29000 rural and semi-urban branches of 27 public sector/nationalised banks for the purpose of formulating bankable schemes, planning and implementing the credit based farm development
schemes and projects. This has become effective with effect from 01.04.1989. Similarly for Small Scale Industry (SSI) and other activities, Government of India has formulated various policies and implementing the same by various credit schemes through the banking institutions. As per Government Policy, banks provide to Small Scale Industry term loans for purchase of machineries/equipments and working capital loans.

Besides branches of District Central Co-operative banks, Agricultural and Rural Development banks of the concerned states, Primary Agricultural Credit Societies and branches of 196 Regional Rural Banks are also supplementing the credit demand of the people living in the rural areas.

These three credit institutions namely, public sector/nationalised banks, co-operative banks and regional rural banks have evolved lending policy, procedure, system, methods and built-up expertise in this specialised kind of banking. Besides, their deeper and wider network of rural and semi-urban branches, they have provided specialised trained staff and developed organisational set-up for the purpose of delegating lending powers and supervising as well as monitoring the functions of the operating units at various levels.

For fulfilling the Government policies, some of the important credit schemes, undertaken by various banks are described in brief as under noted.
SPECIAL CREDIT SCHEMES

Differential Rate of Interest Scheme

Differential Rate of Interest Scheme (DRI) is the oldest scheme of its kind for providing financial assistance at liberalised terms and conditions to the down trodden and weaker sections of the society.

"Though initially the scheme was made applicable to only 163 industrially backward districts in the country in 1973, the scheme was extended to all the industrially backward districts in 1977. Since 1978 all the private sector commercial banks have also been advised to implement the scheme along with the private sector banks." 11

Integrated Rural Development Programme

With the advent of planning in India, commitment to rural development found expression in the launching of various Government developmental programmes in an integrated manner to help the rural poor to come out of their age old grip of poverty through the generation of greater opportunities for gainful employment. Integrated Rural Development Programme (IRDP) is the most important one among the programmes. This programme has been introduced to all the community development blocks of the country since 02.10.1980.

"The expert committee on Integrated Rural Development Programme (IRDP) was constituted in November, 1993 to review the IRDP and to recommend suitable measures for its improvement. The committee was chaired by Shri D.R. Mehta, formerly Deputy Governor, Reserve Bank of India. The committee in its report submitted in November, 1994,

recommended far-reaching changes in the implementation of the IRDP scheme to make it more effective.\textsuperscript{12}

There are a number of supporting programmes under IRDP. To mention some of them are —

(i) Development of woman and children in Rural areas (DWCRA) for focussing attention on women members of such families, with a view to providing them with opportunities of self employment.

(ii) Training of Rural youth for self employment (TRYSEM) for providing technical assistance to rural youth in the age group of 18 to 35 years from poor families to enable them to find self employment.

Other supporting programmes include provision of infrastructure for filling in critical gaps having direct relevance to the beneficiaries.

"Since the inception of IRDP, bank credit of \$13,230 crore and government subsidy amounting to \$8202 crore, aggregating \$21432 crore had been provided to 447 lakh families, below poverty line till the end of the financial year, 1994.\textsuperscript{13}"

Scheme of Urban Micro Enterprises (SUME)

A new subsidy linked scheme under Nehru Rozgar Yojna for urban poor was announced in the Parliament on 11.10.1989 which is aimed at providing employment of the unemployed and underemployed poor in urban areas. This programme is applicable in all urban settlements of the country which are not covered under Integrated Rural Development Plan (IRDP) scheme.

\textsuperscript{12} Credit Information Review, Reserve Bank of India, March, 1995, Issue
\textsuperscript{13} Credit Information Review, Reserve Bank of India, March, 1995, Issue
Prime Minister's Rojgar Yojna

During the year, 1978 the office of the General Manager, District Industries Centre (DIC) in most of the districts in India was created in order to plan and implement various schemes for industrial development in the district and from 1983-84 the well conceived scheme "self-employment of educated unemployed youth" (SEEUY) particularly from the rural and semi-urban centres. The scheme has been under implementation for a very long period till 1994-95 when it was replaced by/merged into the present Prime Minister's Rojgar Yojna (PMRY). PMRY has been introduced since October 2, 1993.

Export Credit Guarantee Corporation of India Ltd.

Export Credit Guarantee Corporation of India Ltd. (ECGC) was established by Government of India in July, 1957 with the name Export Risks Insurance Corporation (ERIC), for the improvement of export in the country. In 1964 it was transformed into Export Credit and Guarantee Corporation Limited. To bring the Indian identity into sharper focus the corporation's name was once again changed to the present name.

ECGC provides a wide range of credit risk insurance cover to exporters against loss, normally to the extent of 90 per cent, in export of goods and services. It also offers guarantees to banks and financial institutions to enable the exporters to obtain better facilities from the banks.
Industrial sickness — Government's Rehabilitation Measures

The growing incidence of industrial sickness in India and thereby the resources blocked in sick units made it imperative to find urgent solutions to rehabilitate sick units and thereby arrest the widespread sickness in Indian industry. Therefore, since 1970, the Govt. of India, the Reserve Bank of India, banks and various term lending institutions and State Governments have suggested several measures to combat sickness.

Policies adopted by the Central Government

In 1971, Govt. of India set up the Industrial Reconstruction Corporation of India as a specialised financial institution to provide financial assistance for reconstruction and rehabilitation of sick industrial units.

Governments policy guidelines on sick industries were announced in 1978 and 1981, according to which banks and financial institutions prepare rehabilitation scheme on the basis of diagnostic studies providing, interalia, for reconstruction of capital, funding of interest liabilities, capital and working capital loans on softer terms, management support and relief or rescheduling of debt service liabilities.

On August 7th, 1984, Industrial Reconstruction Corporation of India (IRCI) was converted into Reconstruction Bank of India to overcome the inherent difficulties faced by IRCI in its efforts to rehabilitate and reconstruct sick industrial units and to make it the principal credit agency for revival of sick units.
At the end of June, 1979 there were only 345 large industrial units in the country in the list of sick industrial units identified by banks, which rose to over 1,700 units by the end of June, 1987 and an amount of more than Rs. 4000 crore of financial assistance of banks and financial institutions was outstanding from this sick industrial units at the end of June, 1987. There are presently over 3000 sick industrial units in India in both private and public sectors. This has caused a serious concern among all concerned including financial institutions, banks and Government. Industrial sickness in small scale sector is about ten per cent — there were about two lakhs sick units as against the total number of 22.35 lakhs small scale units in 1992-93.\(^{14}\)

**Role of RBI**

A sick industrial undertaking cell was created by RBI in 1976 to act as clearing house for information relating to sick units and also to act as a co-ordinating agency between Governments, banks and other financial institutions/agencies.

In 1981, Reserve Bank of India set up Tiwari Committee on whose recommendations a Sick Industrial Companies Act was passed in 1985 in terms of which a quasi-judicial body namely Board for Industrial and Financial Reconstruction (BIFR) was set up in 1987.

RBI has also issued suitable guidelines for rehabilitation and revival of sick units.

To ensure that deposits mobilised in Rural and Semi-urban areas are deployed in these areas, banks were required to maintain a Credit-Deposit (CD) ratio of 60 per cent in Rural and Semi-urban areas.

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14. Article on "Industrial Sickness : An Overview" by Dr. R.N. Das published in "The Assam Tribune" dated 24.11.94.
One of the important objects of nationalisation was to convert the commercial banking system of the country from the "class banking" into "Mass banking." Accordingly, the measures adopted by nationalised banks in respect of deposit mobilisation, deployment of credit etc. have converted today's commercial bank as a "Bank for Mass People".