PART - II

CHAPTER - 6

THE OPERATIONAL ASPECT, AREA ELIGIBLE FOR ASSISTANCE AND STATUTORY JURISDICTION IN REGARD TO ITS OPERATION

-- IMPORTANCE OF BANKING

-- DEPOSIT AND ADVANCE POSITION OF STATE BANK OF INDIA

-- LENDING TO PRIORITY SECTORS

-- AREA SPECIFIC LENDING

-- BANK BRANCH PROFILE

-- BANKING GROWTH

-- BANKING DEVELOPMENT IN ASSAM

-- AREA OF FINANCE AND GENERAL TERMS OF REFERENCE

-- INDIRECT FINANCING OF AGRICULTURE BY STATE BANK OF INDIA

-- DIRECT FINANCING OF AGRICULTURE BY STATE BANK OF INDIA

-- SOME NEW ACTIVITIES BY THE STATE BANK OF INDIA
PART - II
CHAPTER - 6
THE OPERATIONAL ASPECT, AREA ELIGIBLE FOR ASSISTANCE AND STATUTORY JURISDICTION IN REGARD TO ITS OPERATION

6.1 IMPORTANCE OF BANKING

The State Bank of India perform all the commercial banking functions as a largest commercial bank in India which the Imperial Bank of India performed, viz, receiving deposits, advancing and lending, making investment, and so on. Besides, it also acts as the agent of the Reserve Bank of India at all places in India where it has a branch and where the Reserve Bank of India has no branch. Apart from the normal functions which the State Bank of India has 'inherited' from the Imperial Bank of India, it has been required to play a special role in rural credit, namely, promoting banking habit in the rural areas and catering to their credit needs.

So, the government of India prescribes the general policy for the course of banking activity of the State Bank of India, but it does not interfere in its day to day functioning. The State Bank of India has made remarkable progress in its operations over the last more than three decades. It has tried its level best by liberally meeting the financial needs of the various sectors in India.

6.2 DEPOSIT AND ADVANCE POSITION OF STATE BANK OF INDIA

For both the State Bank of India and its subsidiaries, the advance deposit ratio was the highest for the selected centres, as followed by the semi-urban and rural centres as Table 6.1 would show. The State Bank of India and its subsidiaries have been investing in urban areas a large portion of the deposits raised at
the rural centres and certain portion of those raised at the semi-urban centres. Details are given in the Table - 6.1.

**TABLE - 6.1**

**PARTICULARS OF DEPOSIT AND ADVANCES OF STATE BANK OF INDIA AND IT'S SUBSIDIARIES (AS ON 31ST MARCH 1966)**

<table>
<thead>
<tr>
<th>Category of centres</th>
<th>No of Accounts (Thousands)</th>
<th>Amount (Rs lakh)</th>
<th>No of Accounts (Thousands)</th>
<th>Amount (Rs lakhs)</th>
<th>Advance Deposit Ratio (percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State bank of India</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural</td>
<td>18.7</td>
<td>578</td>
<td>0.9</td>
<td>115</td>
<td>19.9</td>
</tr>
<tr>
<td>Semi-Urban</td>
<td>278.5</td>
<td>6307</td>
<td>27.1</td>
<td>1657</td>
<td>76.3</td>
</tr>
<tr>
<td>Selected</td>
<td>429.8</td>
<td>14744</td>
<td>38.1</td>
<td>6292</td>
<td>42.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>727.0</td>
<td>21629</td>
<td>66.1</td>
<td>8064</td>
<td>37.3</td>
</tr>
<tr>
<td><strong>Subsidiaries of SBI</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural</td>
<td>13.6</td>
<td>275</td>
<td>0.8</td>
<td>75</td>
<td>27.3</td>
</tr>
<tr>
<td>Semi-Urban</td>
<td>254.7</td>
<td>4615</td>
<td>20.2</td>
<td>1563</td>
<td>33.9</td>
</tr>
<tr>
<td>Selected</td>
<td>15.7</td>
<td>4014</td>
<td>8.6</td>
<td>2539</td>
<td>63.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>444.0</td>
<td>8904</td>
<td>29.6</td>
<td>4177</td>
<td>46.9</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>1171.0</td>
<td>30533</td>
<td>95.7</td>
<td>12241</td>
<td>40.1</td>
</tr>
</tbody>
</table>

Source: Report of the All India Rural Credit Review Committee, published by Dr. C.D. Datey for the R.B.I. Agricultural Credit Department Bombay (INDIA) First Published - 1969.
TABLE - 6.2
PARTICULARS OF LOAN ACCOUNTS OF AGRICULTURISTS
(AS ON 31ST MARCH 1966)

<table>
<thead>
<tr>
<th>Category of centres</th>
<th>Average No of loan Accounts of Agriculturists per office</th>
<th>Average loan Amounts to Agriculturist per office (Rs. Thousands)</th>
<th>Average Amount per loan Accounts to Agriculturists (Rs. in Thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>State bank of India</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural ....................</td>
<td>4.6</td>
<td>7.90</td>
<td>1.71</td>
</tr>
<tr>
<td>Semi-Urban ..............</td>
<td>16.4</td>
<td>14.96</td>
<td>0.91</td>
</tr>
<tr>
<td>Selected ..................</td>
<td>17.6</td>
<td>22.83</td>
<td>1.30</td>
</tr>
<tr>
<td>All offices..............</td>
<td>16.0</td>
<td>16.83</td>
<td>1.05</td>
</tr>
<tr>
<td>Subsidiaries</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural ....................</td>
<td>0.7</td>
<td>2.03</td>
<td>2.95</td>
</tr>
<tr>
<td>Semi-Urban ..............</td>
<td>9.9</td>
<td>6.63</td>
<td>0.67</td>
</tr>
<tr>
<td>Selected ..................</td>
<td>22.1</td>
<td>22.79</td>
<td>1.03</td>
</tr>
<tr>
<td>All offices..............</td>
<td>11.4</td>
<td>9.18</td>
<td>0.81</td>
</tr>
</tbody>
</table>

Here, the Table - 6.2 shows the details of the advances made at these centres to agriculturists. It is seen that, for all the three types of centres taken together, such advances accounted as on 31st March 1966 for 18.4 percent of the number of accounts and 1.4 percent of the amount advanced. The average number of Agriculturist loan accounts per office was 16 for the State Bank of India and 11 for the subsidiaries. For both the State Bank of India and its subsidiaries, the average number of loans per office was the least in rural centres (4.6 and 0.7 respectively) as against 16.4 and 9.9 in semi-urban centres and 17.6 and 22.1 in selected centres. The average amount of loans to agriculturists per office was Rs. 16,830 for State Bank of India and Rs. 9,180 for the subsidiaries. Here again, the average amount of loans to agriculturists per office was the least in the rural centres, being Rs. 7,900 for the State Bank and Rs. 2,030 for the
subsidiaries. On the other hand, in the matter of loan amount per account to the agriculturists, the average was the highest in the rural centres, being Rs. 1,710 for offices of State Bank of India and Rs. 2,950 for offices of the subsidiaries. This, again, resulted from the fact that the average number of loans per office was much smaller in the rural centres than in the other categories.

**TABLE - 6.3**

**PERFORMANCE OF THE STATE BANK OF INDIA**

(SELFCITIVE YEARS)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Paid up Capital &amp; Reserve</td>
<td>12</td>
<td>76</td>
<td>214</td>
<td>527</td>
<td>574</td>
<td>884</td>
<td>4112</td>
<td>4730</td>
</tr>
<tr>
<td>2. Deposit</td>
<td>226</td>
<td>3598</td>
<td>9676</td>
<td>23549</td>
<td>26795</td>
<td>29229</td>
<td>76406</td>
<td>85112</td>
</tr>
<tr>
<td>3. Advance</td>
<td>106</td>
<td>2501</td>
<td>7213</td>
<td>15310</td>
<td>17287</td>
<td>20677</td>
<td>41498</td>
<td>48530</td>
</tr>
<tr>
<td>4. Agricultural Advances</td>
<td>241</td>
<td>1111</td>
<td>2504</td>
<td>2504</td>
<td>3113</td>
<td>——</td>
<td>6018</td>
<td></td>
</tr>
<tr>
<td>5. Finance to small scale Ind. and Business</td>
<td>——</td>
<td>372</td>
<td>1157</td>
<td>2985</td>
<td>3478</td>
<td>4087</td>
<td>——</td>
<td>6779</td>
</tr>
<tr>
<td>6. Export Finance</td>
<td>——</td>
<td>200</td>
<td>475</td>
<td>608</td>
<td>679</td>
<td>762</td>
<td>——</td>
<td>——</td>
</tr>
<tr>
<td>7. Investment</td>
<td>117</td>
<td>1100</td>
<td>3024</td>
<td>6009</td>
<td>10205</td>
<td>11285</td>
<td>——</td>
<td>——</td>
</tr>
<tr>
<td>8. No of office</td>
<td>497</td>
<td>4278</td>
<td>5605</td>
<td>7473</td>
<td>7505</td>
<td>7577</td>
<td>8812</td>
<td>8847</td>
</tr>
</tbody>
</table>


Table - 6.3 shows the performance of State Bank of India in all sectors during the last four decades. A large increase in deposits as well as bank advances characterized by the State Bank of India. Its deposits have grown from Rs. 226 crores in 1955 to Rs. 3,598 crores in 1975. In 1980, its deposits were Rs. 9,636 crores which rose to Rs. 23,549 crores during the year 1985, and
in 1986 and 1987 deposits was Rs. 24,795 and Rs. 29,279 crores respectively. In 1994 it increased to Rs. 76,406 crores that further went to Rs. 85,112 crores in 1995.

The advance made by the State Bank of India increased from Rs. 106 crores in 1955 to Rs. 41,498 crores in 1994 and further to Rs. 48,530 crores in 1995.

The Agricultural advances made by State Bank of India increased from Rs. 241 crores in 1975 to Rs. 1,111 crores in 1980. In 1985 its advance were Rs. 2,504 crores. In 1986 it also increased to Rs. 2,804 crores and in 1987 it increased Rs. 2,117 crores and further to Rs. 6,018 crores in 1995.

On the other hand, as compared to finances made available to small scale industries and small business, the finances to agricultural advances is found to be less in each and every year.

6.3 LENDING TO PRIORITY SECTORS (Present Development of SBI)

1. Agriculture

The bank's assistance to agriculture and allied activities rose to Rs. 6,018 crores during the year 1995. Nearly 88 percent of the loan accounts were with credit limit up to Rs. 25,000 accounting for 45 per cent of the total outstanding. Recovery of agricultural advances improved from 54.1 per cent in June 1993 to 56.1 per cent in June 1994 and is expected to have gone up to 58 per cent by June 1995 (Annual Report of SBI 1995)

Particular emphasis was laid on financing of high-technology project covering aquaculture, tissueculture, horticulture, sericulture, mushroom cultivation and wasteland management.

For handling high-tech/high-value agri-business, the bank had earlier in place on Agri-business branch at Hyderabad and
opened a second one at Madras. It also proposes to open a few more Agri-business branches of potential centres.

2. Small-Scale Industries and Small Business

Financial assistance to small-scale industries reached a level of Rs.6,779 crores spread over about 10 lakh accounts, recording a growth of 16 percent during the year 1995. Over 70 percent of the units financed were having credit limit upto Rs.25,000. Bank’s advances to small business enterprises like retail traders, transport operations, professionals and others worked out to Rs.2,030 crores covering around 22 lakh accounts.

The bank continued financing through various schemes like the Equity Fund Scheme, Entrepreneur Scheme, Differential Interest Rate Scheme, Scheme for Urban Micro Enterprises (SUME) and Prime Minister’s Rozgar Yojana (PMRY)

3. Assistance to the Weaker Sections

The bank’s assistance to the weaker sections such as persons belonging to SC/ST, small and marginal farmers and landless labourers stood at Rs.3,216 crores during 1995.

Under the Integrated Rural Development Programme (IRDP), the Bank has disbursed over Rs.1,947 crores to about 58 lakh beneficiaries. During the year, total number of 3.47 lakh beneficiaries (comprising 39 percent SC/ST and 24 percent women) were assisted to the tune of Rs.206 crores.

6.4 AREA SPECIFIC LENDING

The State Bank of India has lead responsibility in 111 districts and state convenorship responsibility in nine states and two union territories. The bank had at 17 percent share (Rs.377.54 crore) in the Annual Action Plans for 1994-95, with a total outlay
of Rs. 1,938.63 crore, formulated for all financial institutions in the bank's lead districts. Against this, the bank disbursed Rs. 338.03 crores during the year. In the non-lead districts, the bank's disbursals amounted to Rs. 2,457.33 crores against the planned outlay of Rs. 2,180.45 crores. Since the introduction of the Service Area Approach (SAA) in 1989, about 83 percent of the bank's branches have implemented SAA in the allotted 1,71,120 villages. In addition, the bank's branches have also financed non-target group beneficiaries in 55,162 villages allotted to Regional Rural Bank (RRB).*I

The bank has also been actively participating in region specific developmental projects like Samanvita, for development of tribals in Phulbani district, Orissa and Maharashtra rural Development project in four districts of Maharashtra. The bank has also implemented planning for development of villages programme, initiated by National Institute of Bank Management (NIBM) Pune in 52 villages covering one lead district per circle.

Regional Rural Banks

Under the government's programme of restructuring of 49 Regional Rural Banks (including 8 of the 44 RRBs sponsored by the State Bank Group), the bank has initiated several measures of managerial and financial restructuring including enhancement of issued capital and placement of officers of proven ability to head the RRBs. In pursuance of the guidelines of NABARD, all RRBs sponsored by the Bank have prepared Development Action Plans and executed memoranda of understanding for improving their working with the objective of reaching break-even by March 1999.

---

Improvement in the Quality of Assets:

Improving the quality of the bank's loan assets received focussed attention during the year 1994-95. A special Asset Recovery Department started functioning in the Central office from August 1994. Its activities are geared towards reducing non-performing assets (NPAs) and maximising recoveries. An analysis of Non-performing Assets, circle-wise and segment-wise, has been made. Circles and segments where NPAs are concentrated have been identified for effective follow-up and recovery.

Community Service Banking

The Bank undertakes several banking and non-banking activities to serve the community at large, thereby meeting its social responsibility. These activities include financial assistance to women, physically handicapped persons, slum dwellers, ex-prisoners, victims of natural calamities, destitutes, orphans, as also handicapped and under-privileged children. The bank also provides assistance under certain government sponsored programmes like the 15 point programme for Minority welfare and the new twenty point programme.

Non-banking activities include assistance for research and development activities, donations to various charitable institutions and organising social activities like blood donation camps, health check-up camps, family planning camps, veterinary camps, medicine banks, adult literacy classes, special programmes for children and planting of trees.

The aggregate financial assistance under these activities worked out to Rs.224 crores spread over 9.5 lakh beneficiaries.²

Project Uptechology

The project uptechology group was set up by the State Bank of India in 1988 to catalyse entrepreneurial thought and action, using specialist task forces positioned at selected industry clusters of small and medium enterprises. It has so far successfully initiated five different programmes for technology upgradation. The group has also accepted fee-based consultancy assignments for under development programme (UNDP) and Central and State Governments like designing a development centre for re-rolling industry in Punjab, setting up a pump centre in Tamil Nadu and undertaking techno-economic evaluation study for diversified jute products, in the composite and non-woven categories, in West Bengal.

Treasury and Investment Management

According to the State Bank of India Annual Report, 1995, at Rs.40,799 crores, the bank’s investments registered a rise of 10.6 per cent.

The bank reviewed and reframed its investment policy in accordance with the instructions and guidelines of the R.B.I. All deals, except those on the National Stock Exchange and a few transactions concerning shares, were entered into directly.

Emergence of a market for debt instruments under the umbrella of the National Stock Exchange and operationalisation of the Securities Trading Corporation of India are likely to facilitate the Bank’s treasury operations.

International Operations of the State Bank of India

The bank has 50 offices overseas, spread over 34 countries and continues to hold the premier position in terms of foreign
exchange business in India, with a market share of about 4/ percent in exports and imports.

Export Promotion

The total export credit of the bank stood at Rs.6,311 crores at the end of March 1995. As against the stipulated minimum ratio of 10 percent of export credit to net bank credit, the bank achieved a ratio of 14.1 per cent.

There was a good response to the Pre-shipment Credit in Foreign Currency (PCFC) and Export Bill Rediscounting (EBR) Schemes launched in January 1994. From a level of about Rs.540 crores in March 1994, the aggregate outstandings under the two schemes rose to Rs.1,555 crores in March 1995. *3

Customer Counselling Groups and cells, set up at Local Head Offices, have extended the range of their advisory services and are playing an active role in marketing international banking business. Substantial business under suppliers' credit, forward contracts, cross currency operations, PCFC and EBR, as also inward remittances from Euro issues, was attracted by their efforts.

Export services facilitation cells have been established at all Local Head Offices to provide trade information to exporters to assist them in product selection and in providing finance. An export proceeds tracking cell has been set up at Foreign Department, Calcutta to provide information to branches regarding the realisation of export proceeds.

Overseas Operations

The performance of the Bank's foreign offices was satisfactory. The bank continued to service the country's foreign trade and to provide foreign currency resources to Indian corporates.

The business levels of the Bank's foreign offices as on the 31st March, 1985 were as under:

<table>
<thead>
<tr>
<th></th>
<th>Rs. in crores</th>
<th>$ in million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits</td>
<td>4,819.82</td>
<td>1,530.10</td>
</tr>
<tr>
<td>Advance</td>
<td>7,313.76</td>
<td>2,322.46</td>
</tr>
<tr>
<td>Investment</td>
<td>874.27</td>
<td>277.55</td>
</tr>
</tbody>
</table>

The bank introduced the SBI gold scheme for the sale and delivery of gold at international prices to eligible NRIs in Delhi and Thiruvananthapuram for eliminating the risk of carrying gold from abroad. The facility will be extended to Bombay shortly.

During the year, the government permitted, in several cases, the raising of foreign currency loans by Indian corporates for importing plant and machinery, for setting up new projects or for expanding their existing capacity. In spite of stiff competition, the bank was able to win mandates for arranging foreign currency term loans aggregating US $ 218 million for Indian corporates through its foreign offices.

Under the Net Foreign Exchange Farner scheme introduced by the Reserve Bank of India, foreign currency loans aggregating US $ 102 million were sanctioned to Indian corporates. The Bank also disbursed short-term foreign currency loans aggregating US $ 1.32 billion to Indian corporates.
Industrial Finance

Industrial finance accounts for around 60% of the bank's gross credit. During the year 1994, there was a growth of 31.6% per cent in the outstanding industrial finance, the bank, against a decline of 2.1 per cent in 1993-94. All industry groups registered positive growth. The merchant sector recorded the highest growth of over 45 percent. Ad

Basic industries like paper, cement, petrochemicals, steel, fertilizers, pharmaceuticals and consumer goods such as paper, tea, sugar, and leather drew substantial credit from the bank in 1993-94. This performance was in line with the general growth of industrial credit of the bank, attributable to the revival of the industrial sector.

The bank responded by adding a few more branches, exclusively to corporate banking. The number of such branches has now gone up to 28. A commodity-branch, catering to the need of the leather industry, was opened during the year.

Consumer Finance

Responding to the boom in the consumer goods industry, the bank intensified its efforts to capture this finance market. Consumer finance centres were relocated to facilitate effective marketing. Several schemes of the bank consumer finance at its 575 centres, amounting to 41.3 percent of the personal segment advances.
6.5 BANK BRANCH PROFILE

With a view to determining the policy of branch expansion for the subsequent years, a sub-committee of the bank's central board was appointed in July 1960. The sub-committee recommended that the bank and its subsidiaries might open 300 more branches, more particularly in rural and semi-urban areas, between July 1960 and June 1965. According to this recommendation, the Central Board allotted 145 centres to the State Bank as its second expansion programme and 155 centres to its subsidiaries as their first expansion programme. There were subsequently raised to 165 for State Bank and 224 centres for the subsidiaries. Although a major part of these programmes as revised, was covered by the end of June 1965, it became necessary to extend the period (up to December 1969 in case of the SBI), in order to complete them.

Meanwhile, for extending banking facilities more rapidly to the rural and semi-urban areas, the State Bank of India simultaneously embarked upon a third expansion programme for opening 319 branches in non-banking treasury and sub-treasury centres between January 1964 and December 1968. The subsidiaries also launched their next expansion programme - the second programme - for opening branches in 78 selected centres (later raised to 164) between July 1965 and June 1970.

The Table - 6.4 shows that the increase of State Bank of India branch offices from Rural 462, semi-urban 776 in 1969 to Rural 2508, semi-urban 1567 in 1980 and also increased in 1985 rural areas 3787, semi urban 1825 branches. Moreover total branches of State Bank of India increased from 1571 in 1969 to 7161 in 1985 and further increased to 8874 in 1995.
### TABLE - 6.4
COMMERCIAL BANK BRANCH PROFILE (Selected Years)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rural</td>
<td>Semi</td>
<td>Urban</td>
<td>Metropolitan</td>
</tr>
<tr>
<td>State Bank of India</td>
<td>462</td>
<td>796</td>
<td>163</td>
<td>150</td>
</tr>
<tr>
<td>Associate bank of SBI</td>
<td>358</td>
<td>375</td>
<td>86</td>
<td>75</td>
</tr>
<tr>
<td>14 Nationalised Bank</td>
<td>703</td>
<td>1465</td>
<td>928</td>
<td>1072</td>
</tr>
<tr>
<td>6 Nationalised Banks on</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>15.4.1980</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional Rural Bank</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other Commercial Banks</td>
<td>337</td>
<td>708</td>
<td>279</td>
<td>364</td>
</tr>
<tr>
<td>Total</td>
<td>1860</td>
<td>3344</td>
<td>1456</td>
<td>1661</td>
</tr>
</tbody>
</table>

**Source:**
1. Annual Report of State Bank of India,
2. Reserve Bank of India Bulletin,

On the other hand, Nationalised Commercial Banks have been paying more importance for establishment of Rural and semi-urban branches since 1969. From the analysis of the table, it can be seen that, each and every years Rural and semi-urban branch figures are more than the urban and metropolitan centres.

### Branch Expansion of Commercial Bank

The major developments in the banking sector during 1993-94 and 1994-95 reflected the main thrust of banking sector reforms. The branch licensing policy has allowed for sufficient
freedom for banks to rationalise the structure of their branches, and to open specialised branches. In pursuance of the spirit of the policy, the distance stipulation of 400 meters between two branches of banks in residential areas of the towns was withdrawn. In August 1993 banks allowed to rationalise their existing branch network in rural areas keeping in view their viability. Closure of loss making branches at rural centres having single commercial bank branches, however, was not considered desirable, but banks have been allowed to close, on mutual consultation, one loss making branch of rural centres served by two commercial bank branches excluding Regional Rural Branches. In December 1993 RRBs were given greater freedom to rationalise their existing branch network by relocating their loss making branches at new places as also for opening of extension counters.

Table - 6.4, shows that, the total number of branches of State Bank of India in 1995, increased to 8847. The bank continued its policy of opening specialised branches to cater to the needs of specific customer groups. Out of 35 branches opened during the year, one was Industrial Finance Branch and four were NRJ branches. Population group-wise, of the new branches opened, 15 were in metropolitan and urban areas while the remaining 20 were in rural and semi-urban areas.
### 6.6 BANKING GROWTH

#### TABLE - 6.5
**BANKING VARIABLE: GROWTH RATE**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate-Deposits</td>
<td>22.8</td>
<td>17.3</td>
<td>16.4</td>
<td>19.8</td>
<td>18.1</td>
</tr>
<tr>
<td>Demand-Deposits</td>
<td>35.9</td>
<td>21.8</td>
<td>3.0</td>
<td>35.8</td>
<td>16.0</td>
</tr>
<tr>
<td>Time-Deposits</td>
<td>19.9</td>
<td>16.4</td>
<td>19.6</td>
<td>16.5</td>
<td>18.6</td>
</tr>
<tr>
<td>Bank Credit</td>
<td>28.7</td>
<td>8.2</td>
<td>21.0</td>
<td>8.0</td>
<td>16.8</td>
</tr>
<tr>
<td>Food Credit</td>
<td>12.5</td>
<td>61.8</td>
<td>44.4</td>
<td>3.6</td>
<td>14.9</td>
</tr>
<tr>
<td>Non-Food Credit</td>
<td>29.8</td>
<td>5.7</td>
<td>20.1</td>
<td>8.2</td>
<td>17.8</td>
</tr>
<tr>
<td>Investment in Govt Securities</td>
<td>16.3</td>
<td>33.3</td>
<td>21.1</td>
<td>25.5</td>
<td>19.4</td>
</tr>
</tbody>
</table>

**Average of Annual Growth Rate.**  
Figures in brackets indicate variation of April 1, 1994 over March 19, 1993, April 1, 1994 was a holiday in almost all the centres. The data, therefore reflect effectively the position as on March 31, 1994.

**Source:** Reserve Bank of India Report 1991-92 to 1994-95.

A large increase in aggregate deposits as well as bank credit characterised the scheduled commercial banks' operation during the financial year 1994-95 (March 18, 1994 to March 31, 1995). The movement in the major banking variables given in the Table-5 show that the growth in both aggregate deposit at 22.8 per cent and bank credit at 28.7 per cent were higher than the rates recorded in any of the previous three years. Non-food credit expansion during 1994-95 by 29.8 per cent was at a historical peak.
going by the data for the past 25 years period. The maximum reached during this period was 24.1 per cent recorded during 1978-79.

### TABLE - 6.6

**IMPORTANT BANKING INDICATORS (Scheduled Commercial Bank)**

(Rs in Crores)

<table>
<thead>
<tr>
<th>Item</th>
<th>Outstanding 31 March 1995</th>
<th>Variation During the Financial year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1994 - 95</td>
</tr>
<tr>
<td>1. Total Demand and Time Liabilities (excluding borrowing from RBJ/IDBI/NABAR=)</td>
<td>4,28,254</td>
<td>79,360</td>
</tr>
<tr>
<td>2. Aggregate Deposit (a+b)</td>
<td>3,86,859</td>
<td>71,726</td>
</tr>
<tr>
<td>(a) Demand Deposit</td>
<td>76,903</td>
<td>20,330</td>
</tr>
<tr>
<td>(b) Time Deposit</td>
<td>3,09,956</td>
<td>51,396</td>
</tr>
<tr>
<td>3. Borrowing from Reserve Bank</td>
<td>7,415</td>
<td>5,601</td>
</tr>
<tr>
<td>4. Bank Credit (a+b)</td>
<td>7,11,560</td>
<td>47,143</td>
</tr>
<tr>
<td>(a) Food Credit</td>
<td>12,275</td>
<td>1,367</td>
</tr>
<tr>
<td>(b) Non-Food Credit</td>
<td>1,99,286</td>
<td>45,776</td>
</tr>
<tr>
<td>5. Investment (a+b)</td>
<td>1,49,254</td>
<td>18,731</td>
</tr>
<tr>
<td>(a) Government Securities</td>
<td>1,17,685</td>
<td>16,484</td>
</tr>
<tr>
<td>(b) Other Approved Securities</td>
<td>31,568</td>
<td>274</td>
</tr>
<tr>
<td>6. Cash in hand</td>
<td>2,972</td>
<td>689</td>
</tr>
<tr>
<td>7. Balance with Reserve Bank</td>
<td>60,029</td>
<td>12,249</td>
</tr>
<tr>
<td>8. Credit Deposit Ratio %</td>
<td>54.7</td>
<td>54.7</td>
</tr>
<tr>
<td>9. Non-Food Credit Deposit Ratio</td>
<td>51.5</td>
<td>51.5</td>
</tr>
</tbody>
</table>

Note: Figure in the brackets are percentage variation.

In absolute terms the increase in aggregate deposits of scheduled commercial bank from 46560 crores in 1993-94, to 71,726 crores in 1994-95. Shows it Table - 6.6

The expansion in bank credit by Rs 47,143 crores on 28.7 percent as against Rs 12,436 crores or 8.7 percent in 1993-94 was mainly due to a market expansion in non-food credit by Rs 15,776 crores (29.8%). While a part of the non-food credit expansion is attributable to resurgence of industrial activity, and increase in imports, the expansion was clearly excessive relative to the needs of the activities in the real sector.

6.7 BANKING DEVELOPMENT IN ASSAM

Apart from the Imperial Banks, only a few other joint stock commercial banks, with headquarters in Cumilla, Calcutta and Bombay had few branches in commercial towns in Assam. There were however, several primary co-operative credit societies and Central Banks in the province to receive deposits and advance credit to its members. But most of these credit societies were weak and could not meet the demand of their own members. They had very limited banking activities.

In this context of the dearth of banking facilities in Assam, particularly of the indigenous people managed organisation, a few philanthropists of the province, started the Guwahati Bank in 1926, as shareholders' banks. The bank opened branches in various urban centres of Assam and prospered rapidly with support of the local people who belonged mainly to middle class salaried groups, small traders, Assamese Tea Planters etc. The Bank extended its assistance to local contractors, small traders and small industrialists of the state who could not yet
patronage from the big banks with head offices located outside the province.

But since the nationalisation of banks in 1969 the progress of banking in Assam has been very rapid. In 1969 Assam claims only 60 No of commercial banks branches against India's 6660 numbers it increased upto 1228 branches in Assam and 61,993 branches in India during the year 1994. (Table - 3.9, Part I, Chapter III) Moreover, the deposit and advance position of all schedule commercial banks of Assam has also increased since 1987, which shows in the Table - 6.7
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Deposit</td>
<td>Credit</td>
<td>Deposits</td>
<td>Credit</td>
</tr>
<tr>
<td>Dhuburi</td>
<td>2593</td>
<td>869</td>
<td>2436</td>
<td>1043</td>
</tr>
<tr>
<td>Goalpara</td>
<td>3258</td>
<td>1734</td>
<td>3551</td>
<td>5044</td>
</tr>
<tr>
<td>Kokrajhar</td>
<td>7440</td>
<td>1058</td>
<td>3346</td>
<td>1374</td>
</tr>
<tr>
<td>Kamrup</td>
<td>45742</td>
<td>25242</td>
<td>46869</td>
<td>28979</td>
</tr>
<tr>
<td>Nalbari</td>
<td>1746</td>
<td>1226</td>
<td>1937</td>
<td>1436</td>
</tr>
<tr>
<td>Barpata</td>
<td>2297</td>
<td>1650</td>
<td>2482</td>
<td>1833</td>
</tr>
<tr>
<td>Darrang</td>
<td>2260</td>
<td>1246</td>
<td>2497</td>
<td>1449</td>
</tr>
<tr>
<td>Sonitpur</td>
<td>5640</td>
<td>1991</td>
<td>6099</td>
<td>2294</td>
</tr>
<tr>
<td>Nagaon</td>
<td>7964</td>
<td>4687</td>
<td>8664</td>
<td>5048</td>
</tr>
<tr>
<td>Sibsagar</td>
<td>4955</td>
<td>2323</td>
<td>5520</td>
<td>2423</td>
</tr>
<tr>
<td>Jorhat</td>
<td>10227</td>
<td>4775</td>
<td>10822</td>
<td>5341</td>
</tr>
<tr>
<td>Golaghat</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Lakhimpur</td>
<td>2706</td>
<td>1610</td>
<td>3002</td>
<td>1971</td>
</tr>
<tr>
<td>Dibrugarh</td>
<td>21273</td>
<td>12230</td>
<td>23255</td>
<td>13529</td>
</tr>
<tr>
<td>Tinsukia</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Cachar</td>
<td>7620</td>
<td>3049</td>
<td>8270</td>
<td>3635</td>
</tr>
<tr>
<td>Karimganj</td>
<td>2645</td>
<td>1256</td>
<td>2995</td>
<td>1475</td>
</tr>
<tr>
<td>Hailakhandi</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Karhi-longlong</td>
<td>1783</td>
<td>931</td>
<td>1850</td>
<td>1105</td>
</tr>
<tr>
<td>N.C.Hills</td>
<td>1270</td>
<td>235</td>
<td>1405</td>
<td>275</td>
</tr>
<tr>
<td>Assam</td>
<td>126419</td>
<td>66167</td>
<td>135102</td>
<td>75456</td>
</tr>
</tbody>
</table>

The Table No. 6.7 shows the performance of scheduled commercial bank in Assam during the selected years. Which shows an increase in deposits as well as bank credit. It’s deposits have grown from Rs 1,26,419 lakh in 1987 to Rs 1,35,102 lakh in 1988 that further rose to Rs 1,91,429 lakh 1990 and again to Rs 2,17,836 lakhs in 1991. We can also observe the increases in advance during the period forth 1987 to 1991.

While the advances made by the commercial bank increased from Rs 66,162 lakh in 1987 to 75,456 lakh in 1988, against this, in 1990 advance was Rs 1,08,992 lakh and further rose to Rs 1,11,713 lakh in 1991.

In the district of Golaghat (our study district), the commercial bank’s deposits and advance positions are not so satisfactory as compared to other districts in Assam viz Kamrup, Dibrugarh, Tinsukia, Jorhat etc.

6.8 AREA OF FINANCE AND GENERAL TERMS OF REFERENCE

The State Bank of India, has been playing a pioneering role in financing agriculture and rural development in the whole country. This role has been multi-dimensional; and it has always given a lead to others. Moreover, covering rural areas by extension of banking facilities with a network of 3,180 offices (48% all the offices in the country). The bank has launched a few innovative lending programmes which can be called credit plus programmes. In the true sense, the financing of agricultural sector for all practical purposes was kept outside the purview of the commercial banks’ direct credit schemes till 1969. The schemes were mostly confined to indirect advances like gold loans, credit to traders for procurement and shortage of fertilizers, pesticides and agricultural produce. The subsistence nature of Indian farming
and the governing banking policies seem to have encouraged this pattern. This attitude, however, changed gradually with the introduction of high yielding variety seeds and the social control and nationalisation moves adopted by the government.

The State Bank of India today have made available cultivator-borrowers a number of credit facilities. These are classified in to three types:

**(Short Term)**: The purpose of these loans is to assist a cultivator to purchase seeds, fertilizers, pesticides, and other agricultural inputs as well as to meet labour charges.

**(b) Medium Term Loans**: The main purpose of these loans is to assist a cultivator in the procurement of agricultural implements such as pumps, power tillers, tractors etc.

**(c) Long Term Loans**: The purpose of these loans is to help the farmer in acquiring new lands, deforestation and afforestation, sinking off wells (including new wells), digging channels, etc.

In addition to these land-based schemes, the State Bank of India also offer loans for the promotion of certain allied activities like dairy farming and poultry keeping. Some specific schemes like consumption loans, extension of overdraft facilities to farmers too have been introduced by the bank in recent years.

Under normal conditions, the entire amount of short term loan should be repaid from out of the sale proceeds of the specified crop, immediately after harvesting. It means, these loans are expected to be cleared within 6 to 12 months. The repayment period for medium term loans and long term loans are normally fixed between 3 to 5 years, and between 5 to 7 years, respectively.
For all land based credits, the stipulated eligibility norms are here —-

(i) The farmers should have at least 2 acres of cultivation land and be the owner-cultivator; (ii) The farmer should be willing to adopt improved and modern techniques of production; (iii) The farm proposed to be financed should have assured irrigation facilities; (iv) The farmer should be free from all liabilities in connection with farm operations.

The condition of owner-cultivator, in principle, has been relaxed in recent years. Documented evidence indicating farmer's cultivation right has been considered as adequate the 'Documentation Procedure' for agricultural loan was introduced on 1st July 1977. Documents to be obtained as follows —-

AB1 — Agreement for hypothecation
AB2 — Deed of Guarantee
AB3 — Mortgage Deed
AB4 — Revival Letter I (to be obtained from the borrower)
AB5 — Revival Letter II (to be obtained from the Guarantee)
AB6 — Letter to the borrower making demand of the loan
AB7 — Letter to be addressed by the borrower to the Banker for conversion of crop loans to term loans.

The tangible security for a crop loan is the standing crop itself; for some term loans the security is the asset created out of the borrowed funds; and for others, the land itself, in addition to life insurance policies, etc. For all loans the co-obligation of a party accountable to the bank is being insisted.

The extent of financial assistance would generally be restricted to 75 per cent of the expected expenditure. The banks in principle, are supposed to release all advance amount in the instalments, after being satisfied with the utilisation of earlier
disbursed instalment. In case of crop loans, one third of the loan amount is given in cash as first instalment and the remaining second instalment on production of cash receipts of fertilizers, pesticides, etc.

The term is practice, however, vary across the banks and deviate from the aboved-mentioned norms in more than one dimension. The stipulated procedures suggest vestimation of discretionary powers with branch managers to clear at least 80 percent of the incoming proposals. Personal interviews with some selected branch managers revealed that the private sector banks in particular have not given any sort of discretionary powers to their branch managers. The branch managers are obliged to consult their respective head offices for all types of farm loans. Because of this handicap, while the managers of public sector bank's branches are able to process a loan application within a week's time, their counterparts belonging to private sector are taking longer time even months in some cases.

The interest rates vary across the banks as well as for a bank across purposes. At present, across the banks the crop loans' rate range from 12 percent to 18 percent and the purpose-wise difference is of the order of 12 to 16.50 percent. Similarly, for majority of the banks the overdue rate is within the specified 9 percent additional rate.

There exists considerable variation in scale of finance also. For instance it ranges: for local variety paddy from Rs 300 to Rs 600; for HYV paddy from Rs 400 to Rs 900; for arecanut from Rs 1000 to Rs 1500.
These operational variations, are bound to place a farmer in an advantageous/disadvantageous position depending upon the location of his plots and the type of bank branch operating in that locality.

6.9 INDIRECT FINANCING OF AGRICULTURE BY STATE BANK

Co-operatives

Among the institutional financial agencies, the co-operatives assume a strategic position in financing agriculture for a long time. To promote agricultural financing, the State Bank of India provides financial assistance to the co-operative institutions directly as well as indirectly.

The State Bank of India, gives direct loans to the co-operative marketing societies and processing societies, such as co-operative sugar factories, jute baling societies, cotton spinning and pressing societies, etc. Financial assistance to these societies is provided by the State Bank of India on liberal terms and conditions, against a pledge of goods either belonging to them or kept with them by their members.

The State Bank of India does not give direct loan to the Primary Agricultural Societies (PACS) to avoid complications in the federal structure of the co-operative credit system in the country. Instead, it indirectly helps PACs by providing short-term assistance to the State and Central Co-operative Banks (SCBs/CCBs) against government securities at a concessional rate of interest with a view to maintaining their liquidity position.

Financing to Central Land Development Bank

The State Bank of India has been financing the Land Development Banks in the following ways
1. By subscribing to the debentures floated by the Central Land Development Banks.

2. By giving loans against security of such debentures of the Central Land Development Banks, so that the market ability of the debentures is improved.

3. By extending interim financial accommodation to the Central Land Development Banks against the guarantee of the state governments.

Since the Central Land Development Banks are co-operative institutions providing long term agricultural credit, by assisting them, the State Bank of India indirectly promotes agricultural finance.

Remittance Facilities by State Bank

With its country-wide network of nearly ten thousand branches, the State Bank of India is in a position to provide cheap and quick remittance facilities, especially in rural areas. In this context, the State Bank of India has extended liberalised remittance facilities to State Co-operative Banks and Central Co-operative Banks by providing free transfer of their fund thrice a week. Besides, the State Bank of India collects the Bills on centres not served by a branch of a State Co-operative Banks at a concessional rate, and also discounts drafts and cheques drawn on State Co-operatives by Central Co-operative Banks for the sake of replenishment of funds. The remittance facilities provided by the State Bank of India to co-operative institutions under both the State Bank of India and the Reserve Bank of India’s remittance facilities schemes.
Warehousing Facilities

The State Bank of India provides financial assistance to the development of Warehousing and Agricultural Marketing.

It has fully subscribed to the share capital of the Central Warehousing Corporation. Further, it also makes advances against warehousing receipts. The State Bank of India has been lending considerable support to the warehousing schemes and from December 1957, making advances provisions such as those relating to the representation of the State Bank on the boards of the National Co-operative Development Corporation and the Central and State Warehousing Corporations, as also the State Bank's participation in the share capital of these institutions have enabled the bank actively to associate itself with the warehousing schemes. One of the important considerations which the bank keeps in view in selecting places to open branches is whether the Central or State Warehousing Corporation is running a warehouse at the centre.

6.10 DIRECT FINANCING OF AGRICULTURE BY STATE BANK OF INDIA

Initially, the State Bank of India did not engage in financing the farmers directly. Since 1966, the State Bank of India started granting direct financial help to the agriculturist. A beginning was made on an experimental basis under the pilot schemes. By resorting to the direct financing of agriculture, the bank aimed at improving agricultural production rather than supplanting or substituting existing institutional source of rural finance. In this newer field also, the bank traded successfully by formulating a number of schemes. Following head are included by all these schemes in their operations.
List of Few Activities which will come under Direct Lending to Agriculture

(a) Production Finance: Meeting cultivation expenses of crops, improvement of land, improvement of irrigation facilities, etc.
(b) Equipment Finance: Purchase of agricultural implements such as tractors, pumpsets, oil engines etc.
(c) Processing Finance: Certain crops require to be processed (e.g. tobacco, turmeric etc.) before they could be marketed. The crops for seed production, will also likewise require to be processed.
(d) Construction of godowns including cold storage.
(e) Transportation.
(f) Marketing.
(g) Special farming activities such as dairy/poultry/sheep/piggery/pisciculture/soriculture/apiary etc.
(h) Plantation crops.

Few Schemes Operated by State Bank of India for Agricultural Development

1. Integrated Rural Development Programme and State Bank

The State Bank group launched in 1977 an Integrated Rural Development Programme on a pilot basis, with the object of meeting all the development needs, including social and cultural needs of people in selected villages. Integrated Rural Development may be considered to be an amalgam of a number of sub-plans—a credit plan, a training plan, an education plan, a health plan, an employment plan and even a minimum needs plan.

During 1983 the bank disbursed loans aggregating Rs 102.70 crore, covering 4.7 lakh beneficiaries under the Integrated Rural Development Programme up to the end of 1983, cumulative disbursement under the programme worked out to Rs 246.7 crores, covering 10.8 lakh beneficiaries.
During 1984, the Bank disbursed loans totalling Rs 110 crore, to 4.9 lakh beneficiaries under the Integrated Rural Development programme. The Bank's cumulative disbursement under the programme up to the end of 1984 amounted to Rs 358 crore spread over 15.6 lakh beneficiaries.

Under the Integrated Rural Development Programme (IRDP), the Bank has disbursed over Rs 1,947 crore to about 58 lakh beneficiaries. During the year 1995, 3.47 lakh beneficiaries (comprising 39 percent SC/ST and 24 percent women) were assisted to the tune of Rs 206 crores. #5

2. Area Approach

For improving the quality of lending, the State Bank of India has been adopting the policy of selectivity and area approach since 1971. Under this in each State the Bank selects three to four centres comprising a district or a few talukas. Preference is given to the areas included in the Intensive Agricultural District Programme, Intensive Agricultural Area Programme, High Yielding Varieties Programme, in consultation with the state government.

In 'Area Approach' 'Village Adoption' has paid a rich dividend which is a comprehensive area development programme. In order to have total upliftment of villages covering economic, social and cultural life State Bank Gramodaya Project was launched during 1977. Under this project the rural poor are given gainful employment by engaging them in allied agricultural activities, rural crafts, cottage and village industries etc. By increasing production and satisfaction among the rural mass the weaker

---

section uplifted. It does some socio-economic activities by constructing roads, construction of village panchayat offices, primary education, adult literacy campaign etc.

Under the Gramodaya Scheme, the bank attempts to bring about an integrated development of villages. At the end of 1983, the scheme covered 437 villages with a total advance of Rs 13.70 crores, covering 61,701 accounts. The average advance per Gramodaya village was Rs 3.20 lakhs spread over 142 accounts against an average of Rs 1.50 lakhs, covering 45 accounts in other villages.

The State Bank of India and its subsidiaries have established several Agricultural Development Branches, under the 'Area Approach' scheme, which are equipped with the resources and technical expertise to perform all these functions. This does not mean that its other branches does not adopt villages -- they do, but not on an ambitious scale. Each Agricultural Development Branch, however, is entrusted with a business plan to adopt and cover 100-125 villages and extend loans to the extent of Rs 1 crore 1½ crores within a period of three to four years.

It is observed that until the end of March 1978 the 315 Agricultural Development Branches of State Bank of India Group have financed 8,76,351 agriculturist, the aggregate amount of financial assistance amounting to Rs 203 crore.

Due to difficulties in obtaining fresh licences, the Bank could open only two Agricultural Development Branches during 1984. The number of these branches rose to 431 in 1984 from 427 in 1982 and 315 in March 1978. Outstanding advances at these branches stood at Rs 576 crores, covering 16.1 lakh farmers at the end of
1984 as against Rs 482 crores, covering 14.2 lakh farmers at the end of 1982. The branches accounted for 36.6 percent of the total direct agricultural advances of the bank and 41.7 percent of the direct agricultural accounts. *6

Moreover, for agricultural development of the selected areas, the State Bank of India group worked in cooperation with the Agricultural Refinance and Development Corporation (ARDC) and now the National Bank for Agricultural and Rural Development (NABARD).

The need for accelerating the flow of credit of the agricultural sector is well recognised. The main challenge of the agencies involved in rural credit will be that in order to achieve the targeted rate of growth in agriculture over the eighth plan period, annual disbursement will have to rise from the present estimated level of Rs 15,000 crore to around Rs 28,455 crores by 1996-97. *7 In this context, the roles of Reserve Bank of India and NABARD become significant.

The Reserve Bank of India has been assisting NABARD in providing refinance support to the rural sector by making available funds under the General Line of Credit (GLC 1&2). Since January 1993, the existing credit lines were enhanced by the Bank to the extent of Rs 1500 crore. For 1994-95, the Bank (RBI) asked commercial banks to formulate specific plans for increasing their deployment in agricultural sector. The modifications in the

*6. Source: Report of the All India Rural Credit Review Committee (Published by RBI Agricultural Credit Department, Bombay) (1969 afterward)

*7. Source: Reserve Bank of India Bulletin August 1994 (Supplement)
service Area Approach, which provide the framework for ensuring that the credit needs to the rural sector.

3. Village Adoption Approach

An innovative approach called the ‘Village Adoption Approach’ which is an extension of the area approach has been introduced by the State Bank of India and its associated banks. Under this approach, those village centres are adopted which possess the basic physical requirements and resources, but need financial assistance and where co-operatives have not made a dent. In the adopted villages, all the financial needs of all the viable and potentially viable farmers are fully met by the Bank.

The State Bank of India had adopted 49,525 villages till the end of December 1983 with a disbursement of credit of Rs 757 crores covering 21.60 farmers, in addition to outstanding advance of Rs 576 crores covering 16.1 lakh farmers at 431 Agricultural Development Branches. Together, as at end 1983, the State Bank of India had invested Rs 1,333 crores covering 37.70 lakh farmers. Average lending per farmer averaged to over Rs 3,550. The average amount invested in each village amounted to Rs 2.69 lakhs. The average number of beneficiaries per village aggregated to 76. This pattern of financing will not result in the integrated development of adopted villages.*8

4. Service Area Approach

The service area approach (SAA) to rural lending is now in the fifth year of implementation. In the light of development

*8. Source: RBI Bulletin August 1984 (Supplement)
which have taken place since the introduction of the scheme. Banks were advised in August 1993 to evaluate the impact of the SAA of grassroots level, identify the operational difficulties faced in its implementation and make suggestions to overcome them.

It was found that the SAA was generally acceptable subject to certain modifications. Accordingly, the salient features of the modified SAA are:

1. block wise grouping of service area branches without disturbing their service area identities,
2. opening of mobile on satellite offices in large service areas,
3. enlarging the area of operations of specialised branches for optimising their infrastructural facilities,
4. realigning the scattered service areas,
5. exempting the large projects covering several districts/states from SAA and,
6. freeing of Regional Rural Banks with disbursals of less than Rs 2 crore during 1992-93 from their service area obligations.

However, the remaining Regional Rural Banks have been allowed to operate within the entire command areas (district) subject to the obligation of extending financial assistance in their respective service areas.

Since the introduction of Service Area Approach in 1969, about 83 percent of the bank branches have implemented SAA in the allotted 1,21,120 villages. In addition, the bank’s branches have also financed non-target group beneficiaries in 45,162 villages allotted to Regional Rural Banks.

5. Varieties of Agricultural Loans

The State Bank of India has been trying to solve the problem of rural indebtedness. The Bank finances owner-cultivators
in accordance with their progressiveness and economic viability of the schemes for improvement. Three major types of agricultural loans are provided by the Bank.

(a) Instalment Credit Loans, (b) Working Capital Loans and (c) Term Loans.

The Bank provides them 'installment credit loans' for the purchase of tractors, oil engines, pump-sets and such other farm equipments, as well as for buying fertilizers, pesticides, seeds, etc.

The Bank grants short term crop loans to the cultivators to meet their working capital needs, such as purchase of inputs, payment of wages to farm labours, etc.

The Bank also gives term loans to farmers for minor irrigation projects, construction of farm houses, cattle sheds, warehouses, etc. as well as for allied agricultural activities such as horticulture, dairy farming, etc.

6. Small Farmers Scheme

The State Bank of India has prepared a special scheme to help small farmers whose credit needs are below Rs. 10,000. They have been granted loans on the basis of 'Group borrowing'; i.e., the members of the group guarantee each other's obligations.

The group guarantee system consists in granting loans to the farmers after arranging with them to form into convenient groups with a minimum of 5. The loans are to be granted individually to the farmer. But the members in the group should mutually guarantee the loans granted to one another. The group should be formed voluntarily by the borrowers and the bank should not play a role in the group promotion. The Field Officer
(FO)/Regional Development Officer/Branch Manager as the case may be should certify on the application to the above effect.

7. Farm Graduate scheme

The State Bank of India also designed a special scheme to help the Agricultural Graduates to stay in farming. Loans are granted under the scheme to agricultural graduates and other graduates with experience in agricultural or diploma holders and veterinary science graduates. Both crop loans and term loans are granted, the maximum limit being restricted to Rs 2 lakhs; further loans up to Rs 25,000 or 50 percent of the scheme outlay whichever is less can be granted under the scheme even for the purchase of land.

8. Financing of Agricultural Labours and Tribals

The State Bank of India has assisted landless agricultural labourers, Harijans and Tribal people by fostering schemes of dairy and poultry farming among them in order to supplement their incomes.

During 1983 the Bank made available Rs 53.6 crores for land development in command areas of lift irrigation scheme and by way of production credit for irrigated farming, bringing the total of such outstanding assistance to Rs 282.8 crores at the end of the year. The assistance to persons engaged in the production, processing and marketing of vegetable oilseeds and pulses amounted to Rs 8.6 crores, taking the total assistance for this purpose to Rs 47.4 crores at the end of 1983. The banks' total assistance to allottees of surplus land to help them in pursuing agricultural and other allied activities such as dairy farming, poultry, etc. stood at Rs 30.7 crores spread over 2.2 lakh accounts at the end
Towards the rehabilitation of bonded labour, Rs 75 lakhs were disbursed during the year, taking the total outstanding to Rs 3.0 crores spread over 17,806 accounts at the end of 1993. The programme for the upliftment of scheduled caste/scheduled tribes absorbed Rs 42.9 crores spread over 2.0 lakh borrowers' accounts, bringing the total of such assistance to Rs 278.0 crores at the end of the year 1993. In the year 1994-95, the Bank's assistance increased to the weaker sections such as persons belonging to scheduled caste and scheduled tribes, small and marginal farmers, and landless labourers stood at Rs 3.216 crores.*

9. **Lead Bank Scheme & State Bank of India**

Under the Lead Bank Scheme introduced by the Reserve Bank of India in 1969, major commercial banks have been allotted 283 districts of the country. The Lead Banks are expected to act as pace-setters in their lead districts for providing integrated banking facilities. For this purpose, the Lead Banks are expected to conduct extensive surveys of lead districts allotted to them, with a view to evolving plans and programmes for the integrated development of banking and for filling up existing credit gaps. The Lead Bank, as noted elsewhere, is expected to play a major role in the development of banking and meeting credit needs in the allotted districts in cooperation with other banks and other agencies interested in integrated development of the area.

Under the Lead Bank Scheme, the State Bank Group has been allotted 105 districts 72 to the State Bank and 33 to its

Associate Banks. Survey reports for all the lead districts allotted to the Group were completed by the end of 1973. During 1981, the Bank completed the formulation of the second round district credit plan for all the 77 lead, lead districts allotted for the period 1980-82. The plans envisage an outlay of Rs 718 crores by all financial institutions. The share of commercial banks in the total outlay is Rs 405 crores of which the State Bank accounts for Rs 159 crores or 39 percent. At present, the State Bank of India has lead responsibility in 111 districts and state convenorship responsibility in 9 state and two union territories. The Bank had share Rs 327.54 crores (17%) in Annual Action Plan for 1994-95 which is more districts and amount covered in comparison to earlier the total outlay of Rs 1,938.63 crores in 1994-95, formulated for all financial institutions in the bank's lead districts. Against this, the bank disbursed Rs 338.02 crores during the year. In the non-lead districts, the bank's disbursals amounted to Rs 2,457.33 crores against the planned outlay of Rs 2,180.45 crores. #10

10. State Bank of India and Differential Interest Rate Scheme

The State Bank Group has recorded considerable success under the Differential Interest Rate Scheme of Commercial Bank lending to economically and socially backward class members for productive endeavours, initiated by the government since July 1972. The bank is also making arrangements to enable borrowers of this class to get supply of raw materials and selling their

products with the assistance of reliable intermediaries. It has also been making efforts, under the Differential Interest Rate Scheme, to specially provide financial assistance to the weakest among the weaker sections of the community such as barbers, cobblers, itinerant vendors, carpenters, rickshaw-pullers, basket-weavers, black-smiths and so on. There is no doubt that the State Bank group under the DIR scheme has been giving financial assistance to a considerable number of borrowers from the poorer sections of the community and thus helping these borrowers to improve their economic conditions.

11. Agricultural and Rural Debt Relief Scheme : 1990

Under the scheme, debt relief to the extent of Rs 10,000 was provided to eligible borrowers who have fulfilled certain eligibility criteria. According to the provisional data, debt relief to the tune of Rs 7,819 crore has been provided under the scheme, of which public sector commercial banks, including State Bank of India provided Rs 2,873 crores, Regional Rural Banks Rs 793 crores and co-operatives Rs 4,193 crore. The Government of India had released in the last four years ending March 31, 1994 a total sum of Rs 4,925 crore out of its budgetary allocations and a provision of Rs 341 crore has been made in the 1994-95 budget. The funds were utilised to meet the claims of the public sector commercial banks of Rs 2,255 crore, RRBs of Rs 710 crores and co-operatives of Rs 1,954 crore through NABARD to state governments for meeting their share of 50 per cent in the implementation of the scheme for borrowers of cooperatives.
12. The State Bank of India, Research and Development Fund

Research has a close bearing on the welfare of the community. There is need to conduct research in various problems of community development and rural rehabilitation.

The State Bank of India therefore constituted in 1977 a Research and Development Fund with an initial contribution of Rs 5 crores out of the profit of the bank in the year 1976. The Research and Development Fund is being utilised for supporting research and developmental activities undertaken by educational and technical institutions as well as by individual researchers who undertake research in schemes that would rise productivity of Agriculture and allied activities as also of small-scale and cottage and village industries.

Till the end of June 1978 the State Bank of India sanctioned out of the Research and Development Fund an amount of Rs 33.35 lakhs for research projects "involving utilisation of individual effluents for irrigation and manuring of soil, establishment of pilot plant for production of biogas, development of vocational training facilities for the blind and physically handicapped, establishment of chairs in different universities and institutes, etc.

At the end of year 1975, the aggregate financial assistance under these activities worked out to Rs 224 crores spread over 9.5 lakh beneficiaries. These activities include financial assistance to women, physically handicapped persons, slum dwellers, ex-prisoners, victims of natural calamities, destitutes, orphans, as also handicapped and under-privileged children. The Bank also provides assistance under certain
government sponsored programmes like the 15-point programme for minority welfare and the new twenty point programme.

Moreover, non-banking activities include assistance for Research and Development activities, donations to various charitable institutions and organising social activities like blood donation camps, health check-up camps, family planning camps, veterinary camps, medicine banks, adult literacy classes, special programme for children and planting of trees.

13. The State Bank of India and Staff Training

Large branch expansion programmes undertaken as also diversification of activities in to such fields as financing of agriculture, small scale industrial units as also small business units, integrated rural development and so on has naturally raised the problem of manpower requirements of the State Bank of India Group. The Bank personnel working in several fields in rural areas must have appropriate approach and expertise. Banking has come to be regarded as an important instrument of community development and economic progress. Commercial Banks in India are now required to work in a totally different context and therefore they are required to make suitable adjustment in respect of their manpower and training.

The State Bank Group recognised this need to adjust itself to changing needs and environment and the necessity to equip the growing number of its personnel with different types of skills and knowledge and bring about appropriate changes in the attitude of personnel of the group. It is recognised that this alone would help the State Bank group to play its new role effectively in rural India.
With this end in view, the State Bank staff college at Hyderabad and 45 training centres has been functioning in different parts of the country. The training programmes are designed to meet emergent needs in respect of attitudes and skills. Training programmes, among other things, have been emphasising the necessity and task of meeting the needs of the small man in general and people from the under-privileged sections of the community in particular.

6.11 SOME NEW ACTIVITIES BY THE STATE BANK OF INDIA

Recognising the need for a dynamic approach towards the financing of the agricultural sector, the State Bank of India, like other commercial banks, has recently decided to chalk out new lines and enlarge its older activities in this sphere. The more important items to which its credit activities are directed are listed below.

1. Production of all food crops and cash crops; 2. Mechanisation and modernization of farms; 3. Processing of agricultural produce; 4. Preservation of agricultural produce including food grains, fruits and vegetables; 5. Transportation and construction of godowns and warehouses; 6. Marketing of agricultural produce; 7. Special farming activities such as, horticulture and orchards and animal husbandry, cattle breeding, dairy farming, pisciculture, piggy and poultry farming; 8. Plantation crops; 9. Manufacture of agricultural inputs such as tractors, pump sets, oil engines, fertilizers, pesticides and agricultural implements; 10. Purchase, storage and distribution of agricultural inputs, such as fertilizer, pesticides, seeds, tractors and other agricultural implements; 11. Financing of jointstock companies for undertaking
Moreover, the State Bank has created agricultural credit cells of each of its local head offices as also at the head offices of subsidiary banks and in areas where special programmes are proposed to be undertaken.

In fine, the State Bank of India group is not only playing a pioneering role in the field of agricultural finance but also it is actively working hard for the overall rural development of the country, by implementing the integrated rural development programmes in selected villages, and other valuable schemes.

Human Resource Development

The State Bank of India's efforts in developing human resources aim at improving employee motivation and involvement. The quality circle (QC) movement gathered further momentum during the year and QC teams from the Bank won laurels at national and international fora.

The training system of the bank is effectively harnessed to improve skills and reorient attitudes of employees for achieving organisational objectives. Under the recognition and reward system, annual awards for excellence have been instituted for branch managers, staff training centres at project reports by trainers. The satellite-based tele-teaching project introduced earlier on an experimental basis, was extended further.

Information Technology

Information technology is the key to the future progress and efficient service of banks. Keeping this in mind, the Bank has made substantial investment in technology upgradation. Apart from
central mainframes, all the 13 local head offices and 53 renal offices have been provided with computer systems for data processing and MIS.

Branch level mechanisation was initiated to subserve the objectives of better customer service, housekeeping, faster decision-making and improvement in productivity and profitability. The bank has extended coverage of bank office system to 700 branches while advance ledger posting machines have been installed at 27 branches at the end of year 1995.

The focus is now shifted to total computerisation of branches, as a totally computerised environment has the potential of providing ultimate customer satisfaction. So far, 35 branches of the bank has been covered under the programme of total computerisation.

With a view to providing round-the-clock service to the customers, the Bank has installed Automated Teller Machines (ATMs) at Bombay, Delhi and Jamshedpur and proposes to install ATMs at Calcutta, Bangalore and Patna shortly. An Electronic Funds transfer system for transmitting financial message through SRTDATA NET with facilities for transfer of funds on the same day has been implemented at all main, commercial and industrial finance branches.

A fast cheque collection scheme between important commercial centres is proposed to be launched shortly. E-mail facility has been introduced at the central office and is being extended to the local head offices. The bank is striving to upgrade the existing communication facilities. Sixty branches of the banks which account for 85 percent of the bank's forex business, are connected to the SWIFT network.
Management Information System

Development of appropriate information system for providing timely, accurate and relevant information to the managers, especially the top level management, is a priority area for the bank. Over the years, the Bank has developed information system for reviewing performance reports, database relating to all its branches and the staff and analysing expenditure heads as well as branch profiles. Systems for loans and advances, and information for executives are under different stages of development.

Inspection and Audit

To make the inspection system more effective, audit manuals and booklets are being revised. In view of mechanisation and computerisation of the bank's operations, a core group of computer auditors is being formed. Use of Notebook computers has been introduced in the inspection and audit system on an experimental basis.

A notable development was the constitution of an Audit Committee of the Bank's Board of Directors. The committee is engaged in reviewing the accounting policies of the Bank, the types of audits, their coverage and periodicity, follow-up action on audit reports and omissions therein.

Vigilance

With expansion in the volume and diversity of the Bank's activities, vigilance functions are also continuously being revamped. For this increasing stress is laid on preventive vigilance apart from detective and punitive vigilance. During the
year 1995. 55 training programmes on preventive vigilance were conducted at different levels.

Customer Focus

The customer continues to be the focal point of all operations of the Bank. It has been the constant endeavour of the Bank to identify the changing needs and preferences of existing as well as potential customers, design products which adequately meet these needs, package them and deliver at various points of sale. During the year, 1994-95, the liquid term deposit scheme specially tailored for personal segment was extended to all the circles.

The quality of service at branches is evaluated on an ongoing basis and appropriate follow-up action is taken. Surveys of customer satisfaction and preferences are conducted regularly by inhouse teams as well as outside agencies. Grievance Redressal Cell at the local Head offices ensure that customers’ complaints are promptly attended to. The Bank has identified 274 branches for developing into Model Branches. Of these 57 have already achieved standards set in the Reserve Bank of India guidelines.

International Consultancy

International consultancy is a potential growth area in the Bank's activities, promising wider recognition and significant fee-based income. The Bank's consultancy support to Ghana Commercial Bank was concluded during the year and it is hoped that more such assignments will be won by the Bank in future. The Bank's training programmes at the staff colleges continued to be attended by participants from Egypt, Ghana, Iran, Maldives, Nepal,
Sri Lanka and Zimbabwe. In December 1994, a team of trainers from the Bank conducted a Faculty Development programmes for an overseas bank, which well appreciated.