CHAPTER II

DESIGN OF THE STUDY

- Introduction
- Title of the Study
- Need of the Study
- Objective of the Present Study
- Hypotheses
- Chapter Design
- Research Instrument
- Conclusion
CHAPTER-II

DESIGN OF THE STUDY

2.1 INTRODUCTION:

Ever since the nationalisation of 14 commercial banks in India in 1969, the banks have undergone a tremendous change in respect to their functions from 'catering to the needs of the classes' to the 'catering to the needs of the masses' in conformity with the national plans. Keeping in view the diversified activities to be undertaken by the banks, Indian Banking Industry witnessed the evolution of the most important step in the Lead Bank Scheme.

The Lead Bank Scheme has brought a new found involvement of the banks towards economic development. The banks are to play as consortium leader and ensure coordination among different credit agencies and development agencies of the government. For the first time the banks experienced an unprecedented branch expansion in the rural areas deviating from the luxury of opening branches in the urban and metro centres. Mobilisation of deposits and flow on credit too marked a new experience. Those sectors which have so far been neglected, notwithstanding the fact that they were the main contributors to the national income, started getting attention.
After the nationalisation of banks and the introduction of the Lead Bank Scheme, the commercial bank branch expansion experienced a steep rise from 8262 in July, 1969 to 61248 at the end of June, 1993. The deposits of banks rose from 4646 crore to 278,389 crore during the same period. One of the important factors is that the share of rural branches which accounted for only 22% in 1969 has gone up to 57.8% in 1993. Under the Lead Bank Scheme the banks have made considerable contributions towards economic development. The priority sector advances also rose to 35.9% in 1993. Thus, under the Lead Bank Scheme, not only the rural sector but the priority sectors also started getting proper care.

Despite the tremendous expansion in bank branches, there is still a lot to be achieved in this direction. Though the average population served per branch has come down considerably during the last two decades, there are still few areas which are devoid of any banking facilities. If these unbanked areas are covered by bank branches, the deposit mobilisation from the rural areas will get a tremendous boost.

Under the Lead Bank Scheme, the commercial banks are supposed to provide credit to the priority sectors and specially to the agricultural sector. But the banks have not realised fully the viability of financing agricultural sector.

Needless to mention that the banks in India have a very crucial role to play in the economic development of the
country. Under the Lead Bank Scheme all the banks are supposed to be development banks. A Lead Bank, thus has to do extensive survey of the allotted districts in regard to potentiality of banking development and identify the credit gaps for filling them up with active co-operation and coordination of other credit and development agencies.

The Service Area Approach under the Lead Bank Scheme visualised the economic development at the grassroots by allocating villages for different bank branches for which credit plans are to be prepared by the respective bank branches. With the Service Area Approach micro planning has surfaced in the banking sector.

2.2 TITLE OF THE STUDY :

The Title of the study is "LEAD BANK SCHEME IN MEGHALAYA WITH SPECIAL REFERENCE TO EAST KHASI HILLS DISTRICT".

2.3 NEED OF THE STUDY :

In a study like this, it is not possible to see all the nooks and corners of the banking industry. The individual banks are not uniform in their attitude, performance and participation. The public sector banks are involved in the LBS for well over two decades. Alongwith, the other scheduled commercial banks are also involved for quite sometime.
Therefore, it is high time that the functioning of these banks, in view of the LBS, be evaluated at all possible levels to find out how far the banks have succeeded in implementing the scheme keeping in view the responsibility towards the so far neglected sectors of the society. The responsibilities entrusted on the other financial institutions and govt agencies towards this consortium finance also need a scrutiny.

Therefore, there is a need to study the LBS in respect of all the concerned offices' performances and suggest ways and means to involve these institutions and agencies in a more meaningful way in order to bring overall balanced economic growth.

2.4 OBJECTIVE OF THE PRESENT STUDY:

The state of Meghalaya in general and the East Khasi Hills District in particular is taken as the area of study with due justification. The state of Meghalaya, in the North Eastern Region of India, poses a few problems in the path of economic development. The state is predominantly hilly and presents transport bottlenecks due to difficult terrain, unprecedented rain and cold climate almost throughout the year. The backwardness of the state is also due to the non-adaptability of the new technology, sticking to the traditional method of shifting cultivation, non-existence of too many industries, big or small, low level of consciousness among the tribal people and above all non-
acceptance of the modern banking facilities in the rural areas. On the other hand, the region has potentiality in respect of raw materials available, availability of ground water and scope for dairy farming as well as horticulture. The region has a very bright prospect for the development of tourism.

For the micro level study of the Scheme, the East Khasi Hills District was chosen as the sample area of field study. However, during the course of our study there was administrative division of East Khasi Hills District into two, viz. East Khasi Hills District and Ri-Bhoi District. This has not, however, changed our area of field study as we continued with the erstwhile East Khasi Hills District as the area of field study.

The reason for snail's pace development of the state is not only the lack of entrepreneurship among the youth but also the lack of adequate credit facilities and infrastructure. The region was devoid of any organised banking before 1969 when only 7 bank branches (excluding Cooperative banks) were operating in Meghalaya and the branches were mostly concentrated in selected few areas. At that crucial juncture the LBS was introduced in Meghalaya alongwith the rest of the Country. The purpose behind the scheme was to remove the wide disparity among the different sectors and among the different regions. Hence the objective of the study is to see various aspects of the Lead Bank
More specifically, the objectives of the present study are:

1. To analyse the development of banking in Meghalaya and also to evaluate the existing level of infrastructure in Meghalaya.

2. To evaluate the achievement under credit plans and analyse the performance under various sectors.

3. To examine the organisational set-up of different institutions and agencies connected with the Lead Bank Scheme in Meghalaya.

4. To review the monitoring aspect of the Lead Bank Scheme and also to examine the position of recovery of advances in Meghalaya.

5. To assess the adequacy of training to different personnel connected in the Lead Bank Scheme.

6. To evaluate the impact of the Lead Bank Scheme on the beneficiaries.

7. To suggest, on the basis of the findings, the ways and means for the improvement of performance under the Lead Bank Scheme.
The investigation carried out would not only help the bankers but also the government, policy makers, planners, etc. in formulating future plans and programmes. This will help in increasing the economic activities in the State to create more avenues of employment and subsequently generate income for ushering the economic development of the state. The LBS needs periodical assessment and also needs scrutiny to find out its impact on the economy as a whole.

2.5 HYPOTHESES:

Keeping in view of the objectives of the present study, the hypotheses formulated for testing were as follows:

1. The LBS has not been successful in achieving the desired level of performance mainly due to inadequate infrastructural facilities, lack of proper co-ordination among different agencies and financial institutions, insufficient network of bank branches mainly in the rural areas and the existing bank branches not equipped with proper technical staff.

2. The LBS has not been providing proper support to the priority sectors such as agriculture, small scale industry, small and retail traders and businessmen.

3. The State being a tribal inhabited state has a special characteristic and it has definite relations with the achievement under the Lead Bank Scheme.
2.6 CHAPTER DESIGN:

The present work is designed to cover every possible aspect relating to the Lead Bank Scheme in Meghalaya in general and the East Khasi Hills District in particular. The whole thesis is divided into ten specific chapters for convenience.

The First Chapter - "Lead Bank Scheme - Evolution and Growth" deals with the genesis and the concept of the Lead Bank Scheme. It also recollects, in brief, the course that our banking system has gone through.

The Second Chapter - "Design of the Study" analyses the need and objectives of the present study and also the methods adopted in carrying out the study in depth.

Chapter III is an attempt to discuss the salient features of the state of Meghalaya and the East Khasi Hills District with a view to have a comprehensive detail of the area of our study. The chapter is entitled as "Brief Profile of Meghalaya and East Khasi Hills District".

Chapter IV "Infrastructural aspects of the Lead Bank Scheme in Meghalaya" has been devoted to discuss various infrastructures, both general and banking, that exist in Meghalaya where the Lead Bank Scheme is in operation and where its viability is tested. In this chapter, branch expansion policy from the pre-nationalisation period to the present period is chronologically analysed.
mobilisation, the basic ingredient for the implementation of the LBS, also finds a place in this chapter for analysis.

In Chapter V, we have made an attempt to evaluate the place of credit plans in the LBS. Service Area Approach, which brings the LBS down to grassroot level, is also discussed in this chapter entitled "Credit Planning Under Lead Bank Scheme". This chapter also deals with the performance under the credit plans vis-a-vis performance under various sectors. Thus, financing of priority sectors, weaker section and financing of various government sponsored schemes are discussed in this chapter. The most discussed topic of credit deposit ratio finds a prominent place in this chapter.

"Organisational Arrangement Under Lead Bank Scheme" is the Sixth Chapter in our design of the study. Lead Bank Scheme is the culmination of co-ordination among different institutions and agencies. If the organisational arrangement of these institutions and agencies is not smooth, the performance of the LBS cannot be effective. Moreover, these institutions should be brought under a common forum to bring out result oriented performance. So, the different forums at various levels are scrutinised in this chapter. Organisational arrangement of the Lead Bank, non-lead-bank, RBI and of the state government and also the formation and functioning of various Forums like District Consultative Committee, Block Level Bankers' Committee, State Level Bankers' Committee etc. are, thus, discussed in this chapter.
Chapter VII is devoted primarily for the "Monitoring Under Lead Bank Scheme". It covers the review, reporting and follow-up-action under the Lead Bank Scheme in Meghalaya. The position of pre-sanction and post-sanction monitoring is discussed in this chapter. The crucial position of recovery of advances is also discussed at length in this chapter.

Human resources and their development is a necessity in the entire banking industry. Proper training has to be imparted not only to the bankers but also to the concerned officials of different agencies. Alongwith the training to this section, pre-sanciton or post-sanction training is also important for the beneficiaries for the success of the LBS. Chapter VIII deals with these aspects and it is entitled as "Training".

Chapter IX, entitled "The Target Group" deals with the most important dimension of the scheme i.e. the beneficiaries. It is the beneficiaries for whom the entire scheme is aimed at. How the beneficiaries are taken and in what they react to the scheme has been analysed in this chapter. Some of the data collected in the field from the beneficiaries are analysed in this chapter.

The last chapter, i.e. Chapter X is entitled "Summary, Suggestions and Conclusion". In this chapter we have summarised the findings of the study and arrived at conclusion in regard to the operation of the Lead Bank Scheme
in Meghalaya. Finally, various ways and means to improve the working of the scheme in Meghalaya to make the scheme more effective in bringing out effective changes in the economy towards overall economic development of the State are also suggested in this last chapter.

2.7 **RESEARCH INSTRUMENT** :

The research instruments were selected considering not only the degree of importance but also the degree of accessibility to the relevant data to be collected. Keeping in view the otherwise very busy hour of the bank officials, a detailed separate questionnaire for the controlling offices of the banks and the bank branches were prepared and these were either sent by post or handed over personally. Question schedules were also prepared for the beneficiaries who were contacted and communicated by the researcher personally and through interpreter, whenever necessary.

Before finalisation of the questionnaire, a great deal of exercise was carried out on an experiment basis and through trial and error method questions were selected which needed to be realistic and also to cover all the chapters of our design of the study. The questionnaire were finalised only after it was informally discussed with few bank officials and necessary modifications brought in. The specimen of the questionnaire is given in the appendix.

As far as questionnaire for the Lead Bank controlling office and the Reserve Bank of India is
concerned, they were discussed at length personally with the concerned officials. This was done because the officials could go beyond the boundary of questions prepared. The questionnaire for the branch managers were distributed personally as far as possible and those who could not be contacted were sent by post with a personal request letter. The questionnaire, which were cyclostyled, were given to 70 branch managers. The list (in the appendix) shows the names of the bank branches to whom the questionnaire were given. The response from the branch managers was satisfactory considering the fact that a total of 61 branch managers sent their replies. This works out to 87% of the total. The branches were selected at random and mainly concentrated in the undivided East Khasi Hills District. Few important aspects of the questionnaire were later tabled and analysed to arrive at a general view. Discussions with the bank officials of the Reserve Bank of India (Guwahati), the Zonal Office of the SBI at Shillong, the Local Head Office, SBI at Guwahati, the Head Office of the Ka Bank at Shillong, the main office of the Meghalaya Co-operative Apex Bank, the officials from District Rural Development Agency (Shillong) and also the block development officers from various blocks under East Khasi Hills District helped greatly to know about the actual working of the scheme in Meghalaya. It also helped to know the problems faced by these institutions and officials at various levels.
During the personal interview, the researcher had received required co-operation except in a few cases where the concerned officials did not bother to listen to the queries made. Moreover, the urban branch managers were more reluctant to furnish data than the rural branch managers.

The primary data at the grass root level were collected through field study conducted mainly in two phases, during February-October, 1991 and during April-June, 1993. The investigation covered the third important dimension of the scheme, i.e. the beneficiaries. The beneficiaries were interviewed personally and the questions asked were in line with the interview schedule (given in the appendix). However, many problems were faced by the researcher in the course of interview of the beneficiaries. The researcher had a tough time to convince the beneficiaries that he had no relation, whatsoever, with the banks and he was not going to report about the interview to the respective bank branches to cause any harm to them.

As and when the beneficiaries were interviewed, the questionnaire were filled up by the researcher himself as the beneficiaries might find it difficult to do themselves. A total number of 100 beneficiaries were targetted to be covered under the study. However, beneficiaries covered were 89 in number and were scattered all over the East Khasi Hills District (erstwhile) and were selected at random keeping in view the diversity of the various schemes undertaken by them.
The field study allowed the researcher to know exactly in what way the scheme has benefitted the poor.

For the secondary level data, the researcher had to depend on various books and journals published from time to time. Few such journals are the publications of the Reserve Bank of India, the Journal of the Indian Institute of Bankers, State Bank of India Monthly Review, North Eastern Council Journal, and the materials made available by the SBI and the RBI (Guwahati). The researcher was also benefitted from the utilization of libraries of North Eastern Hill University, Gauhati University (K.K. Handiqui Library), North Eastern Council (Shillong), North Eastern Institute of Bank Management (Guwahati), North Eastern Regional Centre of NISIET, Guwahati, State Central Library (Shillong), Indira Gandhi National Open University (Shillong Study Centre), St. Anthony's College, etc. for books and journals.

2.8. CONCLUSION

Although there has been a number of study carried out in the field of banking, the Lead Bank Scheme has not received its due share in it. The Scheme, although implemented long ago in Meghalaya, has not received proper attention from the research point of view. Therefore, the present study will be an attempt to see the overall effect of the scheme on the economy of Meghalaya. The areas can be explored for further research by researchers. It is believed that the present work will pave the way for it.