CHAPTER - III

ORGANISATION OF LEAD BANK SCHEME
Any credit institution's efficient functioning depends upon its healthy structure and how effectively it could mobilise funds. This is more so in rural credit institutions as their business operations to the economic significance of rural sector such as agriculture and allied activities, cottage and small scale industry, artisans etc., is more complex and involves scientific decision. The financing of rural sector needs a worthy encouragement and the organisational pattern. The management of rural credit programme institutions or scheme has its own role of preponderance. In this chapter, an attempt is made to study the genesis and organisation of the lead bank scheme, as also the structure and management.

Genesis

The operations of the banking sector prior to nationalisation, to a greater extent, were under private banking adopting the
theory of commercial loans. Many commercial banks with their branch network operated mostly in urban areas; the result of which was imbalance, neglecting the economic significance sectors of the rural development. An idea then was perceived by the Government of India to overcome the above lacuna of imbalance and to promote the economic interest. As a corollary, the National Credit Council (NCC) was constituted by the Government of India in 1967 with the prime aim of conducting a survey on what constraints were responsible for the lopsided growth of banking in the promotion of economy. The survey discloses that: "The growth of banking was very uneven in various parts of the country and the priority sector of the economy suffered for want of adequate credit." A wider variation between the rich and the poor, the urban and the rural, the advanced and the backward region, and the industry and the agriculture is accompanied along with pace progress of the banking in India. This is a well documented scene at the macro. To narrow down the imbalances in sectoral and geographical, a coordinated effort was needed. The National Credit Council is also of the same opinion. To find out the ways and means for the rapid growth on unlopsided basis, the National Credit Council has constituted a Committee under the Chairmanship of G.R. Gadgil in October 1968, popularly known as Gadgil Committee.

1. Syndicate Bank, Historical Banking and Evaluation - Lead Bank Scheme (Mimeo), Hyderabad, Staff Training College.
Having examined in detail, the Committee has recommended the preparation of a comprehensive credit plan and programme for the development of banking in the country. To evolve the credit plan and programme, the Committee suggested to 'find an area approach with district as a geographical unit.' The district as a geographical unit in the opinion of the Gadgil Committee should be the lowest unit under an area approach because the cooperative structure being present, most statistical and other data available on district. In formulating and implementing plans of development of credit and banking in each district, it is necessary to bring together all the concerned institutions - the Reserve Bank of India, the Cooperative Bank, the Regional Rural Bank, the other Financial Institutions and the District Administration including various Functional Departments.

The main thrust of area approach was to be providing integrated banking facilities in the district as a unit. Defining the integrated banking facilities at the district level became a problem especially in under-bank districts of the country. This needed for the survey. The Committee of Bankers was appointed by the Reserve Bank of India under the Chairmanship of F.K.F. Nariman soon after the nationalisation of 14 major commercial banks in July, 1969 to prepare coordinated programme to provide adequate banking facilities. The Committee submitted its report to the Reserve Bank of India in November, 1969 inter alia recommended
that the commercial bank should be allotted a district when it would take the lead in surveying the potential for (i) banking development, (ii) branch expansion and (iii) credit facilities. The Standing Committee of the Bankers held in December, 1969 in the Reserve Bank of India has accepted the recommendations of the Gadgil Committee and the Nariman Committee giving careful thought. Based on the outcome of the recommendations, the Reserve Bank of India has prepared a scheme called the 'Lead Bank Scheme' in December, 1969 by giving a concrete shape to the 'Area Development Approach'. Amidst the pros and the cons which existed in the uneven growth of banking sector, the Lead Bank Scheme, thus, saw the light of the day. For the first time, the Lead Bank Scheme was implemented in 1970.

Within the framework of Lead Bank Scheme, the Service Area Approach was introduced in April, 1989. Under this Service Area Approach, each bank branch in a block is given exclusive responsibility for financing the priority sector and weaker sections in allotted villages. The village credit plans are drawn up by the service branches on the basis of economic profile of the village, the potential for financing various productive ventures, etc. Each service branch is allotted villages in respect of which it is responsible for drawing up economic profiles and formulating village credit plans and in monitoring the implementation of the plans. The branch plans are aggregated into block and district credit
plans. The Service Area Approach, thus, represents the new strategy for rural lending as a part of Lead Bank Scheme.

Objectives of the Lead Bank Scheme

The idea of the Lead Bank Scheme is the allocation of each district to a commercial bank on the basis of its location and area of operations taking into account the role of 'pace-setter' and 'path-finder' in providing integrated bank facilities in the district. Thus, objectives of Lead Banker to achieve through the district credit plan are the goals of National Plan with emphasis on poverty, employment generation, distribution of basic needs through economic expansion, technical development, adoption of effective promotional measures, raise of productivity and incomes of the people, particularly the weaker-sections.

The specific objectives of the Lead Bank Scheme are:

1. To provide banking facilities to under-banked and un-banked areas by identifying such centres in order to remove regional imbalances.

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

3. To raise the resources from various sources to meet the credit needs of various sectors.
4. To develop the coordinative efforts with various financial institutions and non-financial institutions including the functional departments.

5. To participate itself in the production programme being implemented by the Central/State Government.

Functions of the Lead Bank

The Lead Bank functions as well as responsibilities as spelled out by the Reserve Bank of India are explained here under:

1. To conduct a quick survey of the economy of the district and prepare an economic map identifying the potential areas for banking development in the district.

2. To evolve a credit plan for a district taking into consideration the needs of various sectors of the economy and departmental potentiality of the areas.

3. To invoke cooperation of the banks that are working in the district for the provision of banking facilities.

4. To conduct survey regarding the facilities for storage as well as other farm-inputs including the services of repairs.

5. To recruit and train the staff for offering advise to the weaker sections in the priority sectors; and follow-up action and the inspection of end-use of credit.
6. To conduct the periodical surveys of the economy of the district in order to know the changes which are taking place in economic scene of the district. This is a constant exercise which a Lead Bank has to undertake to reap maximum benefits from the scheme.

7. To develop a dynamic leadership in its constituents in deposits mobilisation and bank expansion programmes.

8. To maintain contacts and liaison with the Government and quasi-Government agencies.

9. To establish the guidelines, norms, principles and evolve a logical, rational and feasible programme of action.

10. To provide possible cooperation and coordination among its constituents; and between the constituents and the functional departments in the district.

11. To act as an innovative leader, a path-finder and a pace-setter.

Area of Operation

The Lead Bank jurisdiction is confined to a district as a unit for planning developmental activities in the district. The reasons to cover a district as a unit are being (i) most of the data is readily available for the district which might help in framing policy and (ii) the district has a well-knit Government administration machinery that is so much needed for the effective
implementation of credit plans. "The Lead Bank has no intention to have monopoly of banking business in the district."3 "Lead bank is a coordinator but not a monopolist."4 The district, in the opinion of the Gadgil Committee, should be the lowest unit under an area approach because it is a unit in relation to which cooperative structure is at present organised and most statistical and other data are available in the district level.5 In brief, within the existing facilities and other infrastructure including natural endowments, the plan would be prepared for the district.

Organisational Set up

An appropriate organisational set up and procedural framework for an effective implementation of Lead Bank Scheme was called for the commercial banks to conduct the quick and impressionistic survey. The survey teams were set up to identify the growth-centres, having potential for banking activity. The Lead Bank, at the initial stages could not visualise the need for organisational set up for implementing the Scheme in coordination with other banks. "The Lead Bank Scheme in the minds of the bankers, had obviously not taken a distinct organisational shape."6

4. Syndicate Bank, Lead Bank Scheme - Definition, Scope and Objectives (Mimeo), Hyderabad, Staff Training College.
5. Reserve Bank of India, Organisational Framework for the implementation of Social Objectives, 1968, p. 87.
In fact, the Scheme would need the efforts of all banks as well as institutions in the district under the leadership of a Lead Bank was fully appreciated. This lead would be of some guidance to the Bank. As a result, a team consisting of three officers from the Reserve Bank of India and the Ministry of Finance were formed a Committee in 1970 and had discussions with the concern officials of the banks. This team laid stress on the task of centre-identification and branch-expansion strategy as immediate step for action. So was a need for instituting the suitable changes in the organisational machinery in the light of changing responsibilities of the banking sector in the country.

Essentially, an organisation to be effective must have 'vision' and 'commitment' to reap optimum benefits. The policy, structure, facilities and other resources should arise from this vision and commitment. Explicitly stated the contents of vision and commitment are:

1. Policy
2. Organisation structure
3. Responsibilities at different levels.
4. Types of services rendered
5. How services are to be availed

6. Cost of such services
7. Time frame (average and extreme limits)
8. Organisation's controls over its performance
9. Feedback analysis of customers' satisfaction or otherwise.

10. Training

A liaison between the financial institutions and the other developmental agencies functioning at the District, State and National levels also felt necessary. Hence, the different committees set up at various levels namely District, State and National to bring about the appropriate changes and also to study the problems cropping up in the banking sector in the work of Lead Bank Scheme. For successful implementation of the Lead Bank Scheme, Specific Committees have also been constituted to cover the deficiencies of reliable statistical information, banking, Legislation, etc., and suggest corrective steps. They are:

Lead Bank Department

The Lead Bank, which has been covered in the study, has set up a separate Lead Bank Department at its Head-quarters, Manipal, for planning and monitoring the Lead Bank Scheme in the district of Anantapur. It is headed by the Divisional Manager (Priority Sector and Rural Development Division) at Manipal Headquarter; Promod who is assisted by economic advisers and
Lead Bank Officers, is in-charge of various aspects. At the regional level, the Lead Bank Officers, appointed to lookafter the Scheme are under the direct control of the Regional Managers. All officers at all levels were imparted special training on various aspects of the Lead Bank Scheme—Rural Development, Agricultural Credit, Area Development Approach, Credit Planning etc., at the Staff Training Colleges.

The various developmental schemes implementation are possible only when the banks have branches in rural centres. A uniform staffing pattern in all bank branches is followed. During the survey, it was observed that most of the sample branches have been executing the Lead Bank Scheme without separate cell. About three-fourths of the sample branches suggested the setting up of a separate cell for agricultural credit with an agricultural officer to look into the technicalities of the agricultural credit.

**District Consultative Committee**

Recognising the need for coordination, Gadgil and Nariman Committees have recommended the constitution of District Consultative Committees. These Committees will be constituted in the Lead Districts after the introduction of the Scheme. The District Consultative Committee is formed to provide a forum for bankers and administrators for taking decision on the subjects of common interest and understand each others' view point.
Composition of DCC

The District Consultative Committee (DCC) consists of the District Collector as Chairman, the officer-in-charge of the banks, financial institutions and the Chief Project Administrator. Syndicate Bank, the Lead Bank in Anantapur District is the convenor. In nutshell, the composition of the District Consultative Committee of Anantapur District Lead Bank consists of officials only and the non-officials members are either from industry, agriculture or allied occupation are excluded. Such type of composition in the District Consultative Committee which is 'Core' body in decision making without industrialists, farmers, weavers, etc., would jeopardise sound functioning.

DCC Meetings and Business

The District Consultative Committee meetings are to be held regularly in the district. Wherever the District Consultative Committee meetings are not held, at least once in a quarter, the Reserve Bank of India should take up the matter with the concerned Lead Banks for appropriate action. The following are generally discussed in the District Consultative Committee meetings.

(a) Identification of potential and formulation of bankable schemes for inclusion in Annual Credit Plans.

(b) Discussion and finalisation of Annual Credit Plans and Integrated Rural Development Programme plans.
(c) Review and monitoring of implementation of the plans.

(d) Identification of unbanked-centres for branch expansion as per the Reserve Bank of India guidelines.

(e) Identification of problems/bottlenecks in provision of credit as also of infrastructure, inputs, etc., and taking steps to overcome them.

(f) Reviewing the recovery and overdues.

(g) Sorting out problems in implementing credit plan programmes between the lending agencies and the Government Departments.

(h) Reviewing the progress in disposal of loan applications and ensuring that the applications are sent in phased manner.

(i) Consideration of security arrangements and other infrastructural facilities for rural branches.

(j) Reviewing bankwise position of credit disbursement under Annual Credit Plan and Integrated Rural Development Programme.

**Workshops**

With a view to bringing about a better appreciation and understanding of the objectives of the Lead Bank Scheme among the various agencies concerned with its successful implementation, the Lead Banks were advised to organise workshops in all the districts.
under time-bound programme. The district level workshops were accordingly arranged in all the districts in the Southern Region. Further, at the instance of the Reserve Bank of India, the National Institute of Bank Management, in association with the Convenor Banks for the concerned State level Banker's Committees, has also conducted State level workshops in all the States in the Southern Region.

**State Level Committee on Institutional Finances and Its Sub-committees**

In order to keep pace with the structural and functional changes that have been brought by the banking sector after the introduction of the Lead Bank Scheme, the Government of Andhra Pradesh has constituted a State-level Committee on Institutional Finances with two Sub-Committees i.e. (i) on agricultural credit and (ii) on non-agricultural credit to provide useful Forums for discussions and coordination of the activities of the various financing institutions and beneficiary departments, organisations of the State Government, on April 9, 1974. The period has been extended from time to time.

**Follow-up Measures**

For the effective and successful organisation of the Lead Bank Scheme, various Committees and Study Groups have been

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The Credit Guarantee Scheme

A Committee on Credit Guarantee Scheme governing small loans to borrowers in priority and neglected sectors was constituted in September, 1969 by the Reserve Bank of India under the Chairmanship of S.S. Shiralkar. The Committee's terms of reference are to form the Scheme of Guarantee or other such facilities for lending by banks to borrowers of the sectors which had remained relatively neglected, such as small scale industries, small business, road transport, retail trade, small farming, self-employment (such as engineers, architects, doctors and artisans).

The Committee examined in detail in line with the terms of reference and submitted the report in November, 1969 with recommendations as a public limited company. The business of this corporation is to guarantee loans, advances and other type of financial assistance granted by the banks. The corporation came into existence in January, 1971 and so far formulated three guarantee schemes namely Small Loans Guarantee Scheme of 1971, Financial Corporations Guarantee Scheme of 1971, and Service

Guarantee Scheme of 1971, covering the credit risk in financing various categories of small borrowers.

The Committee on Banks Credit

The Reserve Bank of India has appointed a Committee on Bank Credit Scheme in July 1970, under the Chairmanship of V.D. Thakkar, to review the working of special credit schemes of banks so as to make them more effective and purposeful. The Committee in its detailed study has come out with a design model application forms for (i) professionals, (ii) retailers, small traders, small business, (iii) road transport operators, taxi drivers, (iv) small scale industries for working capital loan and for term loan in Form A, B, C, D, respectively.

The Committee on Banking Statistics

A uniform Balance Book System of reporting has been introduced to provide a detailed and up-to-date information of the sectoral and regional flow of bank credit. This was mooted sufficiently for the policy purpose. Due to various reasons, uniform Balance Book System could not provide the desired information. There was a dire need in introducing the Lead Bank Scheme and

10. Reserve Bank of India, Report of the Committee to Review the Special Credit Scheme of Banks with Particular Reference to Their Employment Potential, Bombay, 1972, pp. 31-50.
nationalisation of commercial banks. The Reserve Bank of India constituted a committee on Banking Statistics in April, 1972. A Raman was the Chairman who was the Director of a Credit Planning Cell.

The terms of reference of the Committee were to examine the proforma in the light of the present needs of the data, to simplify the proforma, to examine the feasibility of integrating the data collection on deposits in uniform Balance Book Return and to suggest measures for consolidation and full use of data.

Meanwhile, P.G. Gutta was appointed the Chairman of the Committee, by Government of India to evolve a reporting system for the district level data. This Committee recommended a proforma which came into vogue in 1977. Each bank was asked to nominate a coordinator from whom the Lead Bank has to gather the necessary information. Many banks have been reluctant to compile the district level data in the Form suggested by Gutta Committee. A Sub-Committee in 1979 was established by High Level Committee for a smooth flow of information system. This Committee has modified the proforma recommended by the Gutta Committee embracing the data under 20 Point Economic Programme.

The Study Group

The Reserve Bank of India constituted in July, 1974, a Study Group to frame guidelines for follow up bank credit. P. Tandon was the Chairman. The terms of reference of this Committee were to frame guidelines for follow up and to supervise the bank credit, ensuring proper end-use and proper recovery. The Group suggested inventory norms for different industries, both in public and private sectors and also the sources for financing minimum working capital.12

The James Raj Committee

This Committee was constituted by the Reserve Bank of India in 1977 under the Chairmanship of James Raj. The terms of reference of this Committee were to examine the branch expansion of public sector banks since 1969. The Committee came to the conclusion that severe strains on the bank's management being resulted by wider branch expansion and wider area of operations. It felt, under the existing conditions, the size of the bank should be in the range of 1,000 to 1,500 branches; those having below 1,000 branches may be permitted to grow upto 1,000 branches if they so desire and those having over 1,000 branches but below

1,500 branches may be permitted to grow up to 1,500 branches, during the period of consolidation except for strategic and compelling reasons. The branches having more than 1,500 branches, no expansion may be allowed.

**Working Group on Multi-Agency Approach**

C.E. Kamat was appointed as Chairman of the working Group on Multi-Agency Approach to Agricultural Finance by the Reserve Bank of India. This Group under its terms of reference found the following.

1. Uncoordinated credit dispersal.
2. Inability of several agencies to formulate and to develop meaningful agricultural credit programmes.
3. Overlapping and duplication of banking facilities.
4. Problem of recovery.
5. Problem of procedural system.

The Group opined that the geographical demarcation should be taken into account while permitting banks in their business operations and further felt the banks, including regional

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rural banks, are to play essentially supplementary role. In its conclusion, the Committee advocated future branch expansion should be rationally regulated.  

The Report Committee

To make effective financing of agriculture by commercial banks yielding more economics and leveling living of the people better in rural areas. An expert committee was constituted by the Reserve Bank of India in 1978. Dr. Gunraj Desai was the Chairman. The Committee under the terms of reference covered (i) the appraisal of the credit scheme, (ii) the sanctioning of loans, (iii) legislation on the guidelines, (iv) land records, (v) catering credit under supervision, (vi) recovery of credit on overdues, (vii) task-force to facilitate implementation of agricultural credit programmes and (viii) evaluating credit scheme.  

The Working Group on Priority Sector Lending

The banks should provide 40 per cent of bank credit as loans to priority sector and a significant proportion should be allocated to the beneficiaries of 20 Point Economic Programme. This idea was mooted at the meeting of the Finance Minister with

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the chief executives of public sector banks. As corollary, the Reserve Bank of India constituted a Working Group on priority sector lending under 20 Point Economic Programme to identify the specific groups which are to be assisted under 20 Point Economic Programme, fixing the sub-targets to priority sector and considering the modalities of evaluation of the performance of banks in lending priority sector.

The Committee to Review the Financial System

In August 1991, a committee under the Chairmanship of M. Narasimham, former Governor of Reserve Bank of India, was constituted by the Government of India. The important recommendations are (i) phasing out the directed credit programmes and redefinition of priority sector, (ii) setting up one or more rural banking subsidiaries by public sector banks, (iii) permitting the regional rural banks to engage in all types of banking business and (iv) abolition of branch licensing.

Recent Trends

In view of changing conditions that emerged due to the formation of the Lead Bank Scheme, there was to be needed to take certain measures in order to make Lead Bank Scheme more effective.

Some important measures that were initiated for effective functioning of the Scheme are outlined hereunder.

**Lead Bank Officer and Lead District Officer**

Absence of a proper and sound organisational set up in the banks at the district level would effect the preparation of a good district credit plan. Lead Bank was advised to appoint a fairly senior level official as Lead Bank Officer in the lead districts to guide in the preparation and implementation of the credit plans. With the advent of service area approach, its role had become more significant in achieving the national goals which were more production, more employment and more productivity through means of implementation of 20 Point Economic Programme. A Lead District Officer was allotted 4 to 5 contiguous districts for his supervision and monitoring the operation of Lead Bank Scheme more closely, and the other developmental ways in the district.

**Standing Committee of District Consultative Committee**

The Lead Banks were advised that the task force set up in the districts for the preparation of credit plans should continue as a standing committee of the District Consultative Committee later on. The Lead District Officer would be a member of the task force/standing committee, the other members being the District Planning Officer, representatives of one or two commercial banks, having larger number of branches in the district.
representative of the district central cooperative bank and the land development bank.

The Standing Committee should meet once in a month with a minimum of 8 meetings in a year. The District Collector is the Chairman, the Lead Bank Officer is the convenor and the Project Director of District Rural Development Agency, District Planning Officer and representatives of the NABARD, the Reserve Bank of India and the other banks having major share in Integrated Rural Development project lending are the members. Monitoring Integrated Rural Development Project is the main activity of this Committee.

Information System

The Lead Banks have been facing problem in compiling the data in the formats prescribed by the Reserve Bank of India. Hence, the information system as revised by the Reserve Bank of India and two new formats were framed by it. Commencing quarter ending March, 1980, the banks were advised to furnish the data in new formats. The Lead Banks consolidating the data hitherto was taken over by the Banking and Operations Department of the Reserve Bank of India.

Lead Bank Scheme in Anantapur District

The purpose of this survey is to identify the unbanked and underbanked centres and also to identify the viable and bankable schemes that could be financed by the banks. The
pattern of initial surveys were more or less uniform. The Reserve Bank of India suggested a common basic proforma eliciting statistical information, covering various aspects of the district economy, its infra-structural development and functioning of credit institutions. The State of Andhra Pradesh, with three distinct geographical regions and twenty three districts, has 5 Lead Banks namely Andhra Bank, Indian Bank, State Bank of India, State Bank of Hyderabad and Syndicate Bank. Each bank has used, by and large, the same pattern of methodology for the purpose of Lead Bank operations.

The Syndicate Bank, which is a Lead Bank in Anantapur, has been allocated five districts in Andhra Pradesh. The Economic Research Department of the Syndicate Bank was entrusted the task of conducting surveys in the district. The surveys were completed in 1972. The survey covered such of these aspects—cooperative and commercial banking, agricultural situation, agricultural credit needs, fisheries, mining, infrastructural facilities, etc. The credit needs of agriculture were estimated on the basis of the cropwise credit norms adopted by the district cooperative central bank. The survey team, however, felt that this estimation was an underestimation as needs of farmers fully could not be met.

To estimate the quantum of medium and long term agricultural credit in Anantapur District, it requires more technical information relating to the scope of agricultural development. The survey team could find hardship in this regard. Further, the
survey team could find a gap between credit supplied by the institutional agencies and the estimated demand. This gap was expected to be bridged by the commercial bank and the cooperative banks. The financial needs for industries were expected on the basis of the norms adopted by the State Finance Corporation under the recommendations of the Small Industries Development Corporation. The survey made by the Lead Bank in the district shows that the methodology adopted was not realistic as it was not based on actual needs and cost of inputs. The identification of the centres in the future should cover a composite index. This index should take into account (a) deposit potential (b) credit needs, (c) availability of services and (d) special schemes. To prepare a composite index, a separate body should be formed drafting persons for this purpose, specifically at the district level as well as State level.

District Credit Plan

A closer look at the activities of the banks was needed due to the introduction of Lead Bank Scheme. The methodology that was being adopted by the Lead Bank for preparing plan was not scientific. Of course, it was due to not clearly spelling out the operational implications in the initial years of Lead Bank Scheme. "The process should be understood and appreciated."

The aim of this is to have an integrated plan for the district. Under the guidance of Reserve Bank of India, the participating banks in Lead Bank Scheme were directed to launch District Development Plans under the District Credit Plan Scheme. Under the Lead Bank Scheme, the commercial banks have the following guidelines in allocation of credit to the development and productive economic activities.

1. Priority in providing credit to labour intensive projects.

2. Support the schemes with which the farmers can make themselves self sufficient by promoting agriculture and allied activities.

3. Provide credit to weaker and neglected sectors which are potentially viable.

While preparing credit plan, the 20 Point Economic Programme should be considered and linked it with the credit plan. The relevant programmes under the credit plan of the Lead Bank are mentioned below:

1. Loans to minor irrigation.

2. Loans to increase production of pulses and vegetable oil seeds.

3. Strengthen and expand the coverage of integrated rural development.
4. Rehabilitate bonded labour.

5. Initiate and help the programmes which are for the development of Scheduled Castes and Scheduled Tribes.

6. Implement afforestation programmes and social-farm forestry.

7. Facilitate public distribution system through fair price shops and promote a strong consumer protection movement.

8. Provide facilities to handicrafts, handlooms industry, cottage and village industry for growing and updating their technology.

The credit plan, thus, is the first step in the direction of planning from grass-root, ensuring socio-economic promotion of the people. So also, the District Credit Plan is the most important for the district development. "The Lead Bank Scheme is expected to strive towards narrowing inter-regional disparities and promote an even distribution of institutional financial facilities. Striving for this, it is conducive to prepare the district credit plans which are expected to act as 'operational tools' of the Lead Bank Scheme."\(^{18}\)

The developmental needs of each district in India are of huge dimensions and diversity, an effort specifically to identify

each district, considering its economic promotion factors, was call of the day. It is, therefore, more appropriate to know the District Credit Plan and how it has been effectively operating for the development of the district. A maiden effort in this direction has been done by studying the District Credit Plan in Anantapur district.

The network of Commercial Banks, District Cooperative Central Bank, State Finance Corporation and other Financial Institutions have been available for implementation of District Credit Plan in Anantapur district. Besides the development all agencies such as DPAP, DRDA, Scheduled Caste and Scheduled Tribe Corporation have been helpful in functioning of Lead Bank Scheme. The first credit plan in Anantapur district covered a three year period from 1977-78 to 1979-80. During this period, allocation of funds and their disbursements provide every discouraging picture. Being enriched with some experiences, the second District Credit Plan was prepared for two years, 1980-81 to 1981-82. At the time, a direction came from Reserve Bank of India, looking at successes and failures of the First Credit Plan. The direction was due to the preparation of the Annual Action Plan, starting with the second District Credit Plan. The main aim of this exercise of planning was to be effective and operational. The demand for credit and total credit available are the dual factors on which the Annual Action Plan is to be prepared subject to the framework of District Credit Plan. An emphasis was also made in coordination of the
work, fully extending cooperation by the members in the Lead Bank Scheme. No enforcing organisation was there to monitor and control the flow of resources on planned basis. This is the major shortcoming in the operation of the Lead Bank Scheme. A meeting was held on January 29, 1980, under the District Consultative Committee. A thorough discussion on the subject at this meeting led to the conclusion that due weightage should be given, keeping in view of the financial position of the members of the Lead Bank while allocating the target to the member-banks and a credit plan should be the block as a unit. The credit plan of Anantapur district consists of (i) agriculture and allied activities, (ii) industrial sector and (iii) tertiary sector. The procedure adopted in preparing credit plan is as:

Agriculture

While preparing credit plan for agriculture and allied activities, (i) the land utilisation pattern, (ii) the irrigation potential, (iii) the changes which may occur in minor irrigation and cropping pattern, (iv) the scope for the development of other activities such as dairy, sheep-rearing, poultry, fisheries, piggery, sericulture, rural artisans etc., are taken into account.

Small Industries

The present condition of the industrial sector and the degree of utilisation of the output of primary sector, the potentiality of employment generation and the expansion of production capacity so as to meet the growing demand for goods are considered while making credit plan for industrial sector.
Tertiary Sector

While preparing credit plan for tertiary sector, the potential of this sector and availability of credit facilities are considered.

Scheme Implementation

Allocation of the districts to each Lead Bank is the first step in implementing the Lead Bank Scheme. The allocation of the districts among the banks is guided by the following considerations.

1. The size of the bank
2. The contiguity of districts.
3. The adequacy of resources of the bank.
4. The regional orientation of banks and
5. The desirability of each State to have more than one Lead Bank operating in its territory and of each bank to have lead responsibility in more than one State.

In Andhra Pradesh, the Lead Bank Scheme is introduced in 1970. All the districts in the State have been allotted to various banks, and the banks were entrusted the responsibility of conducting initial surveys for assessing the potentialities of the districts and identifying the unbanked and under-banked areas.
for opening commercial bank branches. This was the first step in implementing the Lead Bank Scheme in Andhra Pradesh.

All the 23 districts in Andhra Pradesh have been allotted to five public sector banks, namely State Bank of India, State Bank of Hyderabad, Syndicate Bank, Indian Bank and Andhra Bank. The data on the districts and their allotment to different banks and their branches is presented in Table 3.1.

Table 3.1 reveals that the relation between the number of districts allotted to the Lead Banks and their number of branches. How strong this relationship is studied through the means of coefficient of correlation between the variables of the number of districts allotted to the Lead Banks and their branch network. The degree of coefficient of correlation is (+) 0.23. The degree of relationship is low in comparison with a high significant correlation (+) 0.19 for the country as a whole. It means, the allocation of districts to various Lead Banks in Andhra Pradesh is not based on the criteria of the size of banks. Covering the other considerations, such as resources of the banks, contiguity of the districts, the desirability of each State to have more than one Lead Bank and every bank to take lead role in more than one State have been fully satisfied. From this account, it

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<th>S.No.</th>
<th>Name of the Bank</th>
<th>Name of the District</th>
<th>No. of Lead districts</th>
<th>No. of branches</th>
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<td>1.</td>
<td>State Bank of India</td>
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<td>State Bank of Hyderabad</td>
<td>Adilabad, Hyderabad, Karimnagar, Khammam, Nalgonda, Ranga Reddy, Nizamabad</td>
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<td>233</td>
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<td>3.</td>
<td>Syndicate Bank</td>
<td>Anantapur, Cuddapah, Kurnool, Nellore, Prakasam</td>
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<td>4.</td>
<td>Indian Bank</td>
<td>Chittoor, Krishna</td>
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<td>103</td>
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<td>5.</td>
<td>Andhra Bank</td>
<td>East Godavari, Guntur, Srikakulam, West Godavari</td>
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<td>435</td>
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<td><strong>Total</strong></td>
<td><strong>1436</strong></td>
</tr>
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</table>

Source: Reserve Bank of India, Statement of Allocation of Districts to various banks under Lead Bank Scheme (mimeo).
is noticed that the districts are not allotted to the private banks. It looks reasonable and justifiable to allocate at least a few districts to private banks in future. This would help in improving the efficiency of public sector banks and would give rise to competitive performance of public and private sector banks.

Survey and Report

A stupendous task that initiated under the Lead Bank Scheme was the conduct of the initial survey covering the potentials of the district and understanding the district profiles relating to the agro-climatic, physiographic and socio-economic conditions. The purpose of survey was to identify the unbanked and the underbanked centres where branches would be needed and also to identify viable as well as bankable schemes which would be financed by the financial institutions. The pattern of initial survey was more or less uniform and mostly general in nature rather than technical. The initial survey covered by the Lead Bank in Anantapur district covered the aspects such as cooperative and commercial banking development, agricultural situation, agricultural credit needs, subsidiary occupations requirements and infrastructural facilities. The credit needs of agriculture estimated on the basis of cropwise credit norms. Estimating the total credit needs of agricultural sector in the district required more technical information covering scope of the agricultural development and also the extent of finance provided by rural money lenders. The survey team keeping this in view felt the estimation of credit
needs of agricultural sector was an underestimation. Then envisaged under the Lead Bank Scheme that every Lead Bank should undertake an indepth survey to assess the local conditions as well as potentialities and strategies of development suitable for the development of economy. The banking sector which was hitherto interested in its business rather than needs of different customers, areas and sectors, had ventured to undertake the exercise of the indepth surveys which was offspring of the Lead Bank Scheme. This survey has immensely helped in identifying the potential centres for opening branches. Identification of such centres covers (a) the economic structure, (b) deposit potential (c) credit needs, (d) the availability of services and (e) special schemes.

Review of Credit Planning

The Lead Bank is expected the estimate the credit needs of the district for its development framing economically bankable scheme. It involves the preparation of the district credit plan. The preparation of the district credit plan was made through an indepth study of all the developmental block of the district. The provision of various service facilities was assessed mostly through consultations including the bankers and administrators under the caption 'Perspective Plan'. The perspective plan covers various activities in each block namely (a) agriculture (b) animal husbandry (c) minor and tank irrigation, (d) small industry
(e) tertiary sector. The block development plan interested with credit plan of the district. The activities covered under the credit plan scheme are reviewed in district consultative committee once in a quarter.

The bankable schemes under the credit plan could not be in consonance with the development schemes due to the fact that the area development plan could not be formulated considering the resources and constraints. Delay in implementing development scheme has mentioned in development plan due to delay in decision making, red tapism, implementation of rigidity and not dovetailing credit plans with district credit plans due to confusions in preparing credit plans by the financial institutions. One important point to be noticed in this study is that the credit needs of each village are to be estimated as every village is unique in its resource, endowment and constraints. Hence these estimates are to be aggregated into comprehensive district credit plan.

CONCLUSION

The Lead Bank Scheme is introduced in Anantapur district in 1970. The Anantapur district has been allotted to Syndicate Bank as a Lead Bank and was entrusted the task of identifying potential areas as well as unbanked and underbanked centres for opening the branches. The Syndicate Bank has completed survey in 1972 and covered such aspects as commercial and cooperative banking development, agricultural credit needs,
agricultural situations, industrial activities, subsidiary occupations, development, infrastructural facilities under the Lead Bank Scheme. There were 48 branches in 1972 which have grown up to 216 branches in 1994-95. The Syndicate Bank which is a Lead Bank has been, with its team, doing yeoman service for the development of the district.

Growth with equity, leading employment generation, is the policy of the Government as well as the object of the Lead Bank Scheme. The financial institutions have a key role in implementing this. Both potentials and viabilities of various economic activities should take into stock for phased implementation of various schemes, suitable for the district under the Lead Bank Scheme. This should be the guiding factor to the District Development Plans.