

CHAPTER - I

I N T R O D U C T I O N

- 1.1 MEANING OF THE CONCEPT
- 1.2 NEED OF STUDY
- 1.3 SCOPE OF STUDY
- 1.4 METHODOLOGY
- 1.5 LIMITATIONS OF STUDY

CHAPTER - I

INTRODUCTION

The innovative concept of Lead Bank introduced in Indian banking since 1969 marks a new trend in Indian Banking. The concept has given a severe jolt to the traditional, static attitude of bankers and added a new glamour, view which attempts to interweave the banking system and economic development into each other.

1.1 MEANING OF THE CONCEPT :

The concept of Lead Bank Scheme was first mooted by the Gadgil Study Group. The Gadgil Study Group revealed that commercial banks had not paid sufficient attention to the banking needs of the rural areas in general and backward areas in particular. In 1967, for example, there were 13 districts in the country without any office of the commercial banks.¹ The credit needs of the rural sectors of the economy such as Agriculture, Small Scale Industry and allied services remained virtually neglected, both because of the lack of adequate number of banking offices in the rural areas and lack of rural orientation in the banking system. The Study Group, therefore, recommended that nationalised banks could be given specific responsibilities for the development of banking in various districts. So that these

banks could survey the banking potential, establish banking offices and work systematically for filling the credit gaps in the rural areas. The Gadgil Study Group, recommended an "area approach" a particular area or cluster of villages should be "adopted" for the development of financial structure through intensive efforts.

In August 1969, Reserve Bank of India appointed Nariman Committee to study this recommendation. This committee endorsed the "area approach" and recommended that specific district be allotted to certain banks to play the lead role for banking development. On the basis of the recommendations of both the Gadgil Study Group and F.K.F. Nariman Committee, the Reserve Bank of India evolved the Lead Bank Scheme towards the end of 1969.²

The Lead Bank Scheme is thus an organised efforts on the part of Institutional Financial agencies to meet the 'Credit gap' in the rural areas. On the basis of an area approach. The Lead Bank is expected to be the Leader of the consortium of financial institution operating in the district and has been assigned certain special responsibilities of identifying credit gaps, centres of branch expansion, and preparing bankable schemes, to be implemented by all the financial institutions.

Lead Bank is only the leader of the consortium and do not have either the monopoly of the exclusive responsibility of credit supply in the district. This is to be done through collaborative effort of all financial institutions.

Each Lead Bank has been charged with the responsibility of taking a lead role in serving the credit needs, development of branch banking and extension of credit facilities and act as a consortium leader in the district allotted to it. Generally, allocation of district to each bank can be made on the basis of size of the bank and adequacy of resources for handling the volume of work, regional orientation of banks etc. more specifically a Lead Bank is required.

- i) To survey the resources and potential for banking development in the district.
- ii) To survey the number of Industrial and Commercial Units and other establishment and firms which do not have banking accounts or which primarily depended upon money lenders,
- iii) To survey the facility for stocking of fertilisers and other agriculture inputs.
- iv) To recruit train staff for offering advice to small borrowers and farmers and for the follow up and inspection of end use of loans.

- v) To assist other primary lending agencies and,
- vi) To maintain contacts and liaison with Government and quasi Government agencies.

The Lead Bank Scheme has made a great headway since its inception in India. Initially only 8262 Lead Banks were started in 1969, On trial basis. However, taking into account the positive response to the idea and its potentiality. For economic development, area of its operation was enlarged to the whole of nation. When we look back it is clear that 53,565 banks were operating as on 31.3.87.³ This is quite a remarkable achievement.

So far as the progress of this scheme is concerned for Sindhudurg District, it is started in 1983 and only 85 branches were operating in the area and its credit disbursement amounted to only Rs. 12.80 crores. But at present, i.e. as on 31.12.88 121 branches are in action and credit is made available to the tune of Rs. 45.92 crores. This way the scheme has taken a momentum and has come into age.

1.2 NEED OF STUDY :

On national level the Lead Bank Scheme has been in operation for the past 18 years. The Scheme covers particularly

all the districts of the country, barring the metropolitan cities and is thus of great significance from the point of view of the development of banking in the country and contribution of the banking system to economic development. It is therefore, necessary to review periodically the contribution of the scheme in these directions and to study the problems which are being encountered, so that appropriate solutions could be found to make the scheme more effective.

The Lead Banks Scheme is also implemented in Sindhudurg District since 1983, after the bifurcation of old Ratnagiri District in two parts from the 1st May, 1981. So Lead Bank Schemes is innovative one in Sindhudurg District. It is important from total planning of the district. On all India level the working of the scheme is reviewed many times, but at district level evaluation is necessary and nobody has studied this problem in respect of Sindhudurg District hence the requirement of study.

The present study seeks to review the performance of the scheme, in the light of its working and aims to throw light on the deficiencies in order to make the scheme more worthwhile and realistic, suitable to the geographic and physical conditions pertaining to the District of Sindhudurg.

1.3 SCOPE OF STUDY :

This study attempts to evaluate the performance of Lead Banks Scheme in Sindhudurg District only. There are 121 branches of banks working at various places in the district of Sindhudurg and they form an integral part of cooperating members to Lead Bank, i.e. Bank of India, which is named as the Lead Bank for Sindhudurg (map included). Other economic institutions, private or public, which are not associated with the Lead Bank are not considered.

1.4 METHODOLOGY :

In order to study this problem, we have employed primary as well as secondary method of data collection. The required information data is collected mainly from the Head Office of Lead Bank, i.e. Bank of India, Pinguli Kudal Branch, District Sindhudurg. For this purpose, personal interviews with the Lead District Manager, and Lead Bank Officers were arranged. So also, the data is called out from the Annual Action Plane, Annual credit plans and meeting notes etc.

Similarly, a number of books, magazines, reports relating to this field, subject to have been used to a great extent. Thus, primary and secondary data collected.

For analysing the data graphs, diagrams, tables, percentages have been used from the field of statistics.

The first chapter is introductory. The Second Chapter gives the profile of the Sindhudurg District. The Third Chapter gives a historical background of evolution of banking in India. The Fourth Chapter reveals the nature and importance of Lead Bank Scheme. The Fifth Chapter attempts evaluation of the performance of Lead Bank Scheme with special reference to the operations of Bank Of India as the Lead Bank of Sindhudurg District. The last Chapter throws light on conclusions and recommendations for improvement and effective implementation of the scheme.

1.5 LIMITATIONS OF STUDY :

The study has following limitations :

1. Data available for the study is only from the year 1985 onwards.
2. The study is limited to Sindhudurg District only.
3. M.S.F.C. is participating in Lead Bank Scheme only from 1988 and data relating to credit from M.S.F.C. is available only for 1988.
4. Other activities of banks, which do not come under the scheme of Lead Bank are not included in the study.

Thus the Lead Bank Scheme is innovative one and is supposed to be a means for a sea change in the economy and hence it is important to study its performance districtwise. This is attempted in the ensuing chapters.

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