



A STUDY ON WORKING OF LEAD BANK IN TIRUNELVELI DISTRICT

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ABSTRACT

The Lead Bank Scheme provides leadership in initiating, streamlining and accelerating the process of development of the respective district by invoking cooperation of other banks and by maintaining continuous liaison with Government and Quasi Government agencies. This is an empirical study based on the data collected from both primary and secondary sources. The secondary data for the study were collected from the annual reports of Tirunelveli District Lead Bank, RBI bulletins, Government Publications, Journals, Newspapers, Magazines and also from unpublished thesis on the subject of the Lead Bank Schemes. The primary data for the study were collected from the bank officials of the public sector banks in Tirunelveli District. The Structured questionnaire was used to get the opinions from the bank officials regarding the functioning of Lead Bank in Tirunelveli District. For primary data collection, the questionnaire for bank officials was prepared and it was used to ascertain the opinion of bank officials regarding the operation of the Lead Bank Scheme in Tirunelveli District and the problems faced by them in implementing the district credit plan. In Tirunelveli District, the officials of banks have better understanding of the scope of and objectives of the lead bank scheme. The lead bank officers simply act as the coordinator and he is not given with adequate authority in the collection of data, preparation of credit plans and in linking the various government subsidy programmes. It is found in this study that there is an adequate co-operation between the bank branches and the lead bank officer in implementing the credit plans in the District. There is also an adequate co-operation between the bank branches and the District and block level authorities in implementing the credit plans.



KEYWORDS : Lead Bank Scheme, Bank Officials, Credit Plan.

INTRODUCTION

The Lead Bank Scheme (LBC) provides leadership in initiating, streamlining and accelerating the process of development of the respective district by invoking cooperation of other banks and by maintaining continuous liaison with Government and Quasi Government agencies. It provides an appropriate organizational framework to ensure increased flow of credit to the core sectors of the rural economy. The LBS has not only created awareness for better credit planning but has also resulted in better understanding of mutual problems at the grass roots level both for banks and various government departments. Under the scheme, all the nationalized banks and a few private sector banks were allotted specific districts and were asked to play the "Lead role". The allotment of districts of the various banks was based on such criteria as

the size of the bank, the adequacy of its resources for handling the volume of work. At present the whole country has come under the LBS; expect the metropolitan cities like Mumbai, Kolkata, and Chennai.

Lead bank is based on the principle of “one among all”. A particular bank should act as a group leader for all the banks in the selected district. The idea is commercial banks should be assigned a particular district in which they should work as a consortium leader and pace setter in providing integrated banking and credit facilities. The main objective of lead bank scheme is to extend more credit facilities to the identified priority sector and provide for the major elements of development, namely, infrastructure, extension and credit. It is the responsibility of lead bank to locate the growth centre, ascertain credit gaps in the area of operation, locate project areas and formulate development oriented bankable schemes. It prepares a credit plan to cater to the needs of the district in planned manner in collaboration with other financial institutions at the district level. Lead bank scheme was introduced to plan and implement credit programmes at district level. The first round of District Credit Plans (DCPs) was implemented by the banks in their lead districts in 1974. District Credit Plan can be achieve coordination among the financial, developmental and administrative agencies for integrated development of the districts. District Credit Plans was the instrument considered for the purpose. DCPs have been prepared and implemented by various lead banks in their respective districts. The various issues identified and discussed relate to the generation of data, estimation of credit gap and funds availability, allocation of loan funds, disbursement of loans, monitoring and recovery, The ways and means are suggested to make the DCPs a more effective tool for integrated rural development. District credit plans constitute the framework for credit flow to bankable schemes of integrated rural development aimed at reduction in poverty, self-employment and removal of regional imbalances. Thus, it is evident that the lead bank is not expected to have any monopoly of banking business but it is the leader of consortium of banks and other financial institutions in promoting the development scheme in co-ordination with various agencies of central and state governments. It is an important innovation to activate banking at the grass-root level with concentration in rural areas.

The lead bank has assumed considerable responsibility for the development of the priority and neglected sector and weakest section of the backward sector. The two working committees on the modalities of implementation of the priority sector lending and the twenty-point programme and on review of data collection and monitoring bank advances to the priority sector, recently appointed by the high power committee of the RBI have recommended larger finances in the credit plan for this purpose. The regional rural banks sponsored by the lead bank are the designated agencies to reach finance at low rate of interest (under the DRI scheme) to the small and marginal farmers, landless labourers, artisans and the rural poor under the twenty point programme. Since nationalization the Reserve Bank of India and the Government of India have formulated the Lead Bank Scheme for (1) Identification of growth for opening of rural and semi – urban branches (2) Preparation and implementation of district credit plan (3) Holding quarterly district level co-ordination and Consultative Committee meeting and annual district level review meetings regarding implementation of the Lead Banks Schemes.

NECESSITIES OF LEAD BANKS

The development of rural economy has been accepted as an integral part of the main strategy in the Seventh Five Year Plan. The case for the development of rural economy is urgent and pressing as it constitutes the basis for social stability and economy growth with distributive justice, the concept of rural development is basically dependent on agricultural development within the country. Credit is the most important and probably the scarce input in Indian agriculture. The rural people are always unable to exhibit the talent potential and they face difficulty in obtaining loan. The commercial banks in India have long confined their operations to urban area, receiving deposits from the urban public and financing trade and industry in the urban areas by totally neglecting a larger sector of economy comprising agriculture, small scale industries, small traders and self- employed persons. One of the long standing complaints against them was their failure to help the agricultural sector with funds. Before their nationalisation in 1969, they were

not concerned with the provision of short and medium term credit for agricultural purposes as these were being met by the money lenders, indigenous bankers and co-operative credit societies. After the nationalisation of commercial banks in July, 1969, and under the Lead Bank Scheme. Commercial Banks were directed to proceed on the untrodden path of financing the new classes of people such as farmers, small traders, transport operators and self-employed persons. The basic importance of Lead Bank Scheme is that individual banks should adopt particular districts for intensive development. The lead bank acts as a leader for coordinating the efforts of all credit institutions in the allotted districts to increase the flow of credit to agriculture, small-scale industries and other economic activities included in the priority sector in the rural and semi-urban areas, with the district being the basic unit in terms of geographical area.

Lead Bank to survey the resources and potential for banking development in its district, and to examine the facilities for the making of agricultural product and industrial production, storage and warehousing Space, and the linking of credit with marketing in the district. The Lead Bank Scheme in regard to the preparation and implementation of the District Credit Plan (DCPs) and to suggest improvements for proper and effective co-ordination of activities among the various participating organizations, in the light of the recommendation of the "Committee to Review Arrangements for Institution Credit for Agriculture and Rural Development (CRAFICARD). The importance of the Lead Banks to suggest measures to make them more effective and also to suggest measures to improve the organizational set-up of lead and non-lead banks of the district and other levels. The Lead Bank Scheme and Government sponsored schemes and cooperate with the Lead Bank concerned in the district and take appropriate steps to improve the flow of credit to the priority sector/weaker sections, so that comprehensive credit planning and monitoring can be done at various levels. The main importance of lead banks to guide bank loans for labour intensive schemes which generate employment and to increase productivity of land and other allied sectors so as to reduce under-employment and increase income levels, loans to the weaker sections of the population (marginal and small farmers, agricultural labourers rural artisans and scheduled Castes and Scheduled Tribes) for productive purpose.

The lead bank scheme providing for forward and backward linkages and the scheme of linking banks to Primary Agricultural Credit Societies and the linkage of bank to microfinance institutions. The lead bank scheme provides an appropriate organization framework for ensuring co-operation and co-ordination by various financial institutions with the concerned Governmental agencies in assisting developmental efforts. These efforts were to be undertaken on an area basis with the district as the unit to ensure that the credit requirements of the rural economy were addressed adequately. The District Level Consultative Committees formed under the Lead Bank Scheme should continue to be the principal mechanism of co-ordination between banks and development agencies. The district credit plans formulated by the lead banks should be elaborated to indicate clearly the linkage of credit with employment and development schemes Lead Bank provides an appropriate organizational framework to ensure increased flow of credit to the core sectors of the rural economy. The LBS has not only created awareness for better credit planning but has also resulted in better understanding of mutual problems at the grass roots level both for banks and various government departments. A multi-agency credit delivery system is in place for financing credit based development activities, under the Lead Bank Scheme. In 1988, the Service Area approach was also introduced as a strategy for improving the quality of rural lending.

STATEMENT OF THE PROBLEM

The Lead Bank Scheme operating in India more than four decades has been recognized as an important forum for banking development at the district level. The lead banks are still facing organizational difficulties such as not having special powers to control and co-ordinate different banks participating in the scheme. It has been rightly stated that "The Lead Bank may be considered merely the driver of a bullock-cart, which has wheels and oxen, but does not have their rein in its hand.

Many of the Lead Banks could not develop the “Personal feel” for local problems and deposit potential. Other difficulties for regional banks which were allotted lead districts away from the base of their operations include: Recruitment of new staff and posting of the existing staff in far-flung areas, lack of knowledge of the local language, difference in customs and local attitudes, as like. Supervision, control and guidance by the head office become difficult in such cases. Therefore, banks should not be allotted lead districts which are away from their principal area of operation. These problems were overcome over a period of time.

Lead Banks are not at all suited to the formidable task of making techno economic survey of the district. A study of the district requires lot of technical skill and direction. The work of comprehensive planning could be better done by the state Government. Further to find out unbanked areas to open new branches, highly evolved technical survey is not necessary.

The integrated rural development programme (IRDP) of the central Government implemented through lead banks has not resulted in success due to the low level of awareness of the beneficiaries about the scheme the beneficiaries are being exploited & deprived of their legitimate share in the scheme.

The two major weaknesses of the rural credit system are :(a) viability of rural credit in the context of the regime of regulated and concessional interest rate and directed lending programmes. (b) Weak recycling of the credit. The major feature of the rural credit and low volume of credit system is the highly dispersed nature of rural credit and low volume of credit per account involving high transactions cost of loans. The risk cost in terms of bad loans is quite sizeable.

The large-scale expansion of credit during the post –nationalization period had not been commensurate with the rate of recovery. The problem of recovery has become a grave concern for all bankers, weakening the rural credit structure and making the rural credit delivery system less efficient. The initial allocation of villages under the Service area approach was not always acceptable to all bank branches. In some cases, villages previously well served by certain bank branches were allotted to other bank branches which were new and which could not provide the same services.

The borrowers are forced to approach only the service area branch even if they are not satisfied with the quality of service. Private Banks are not in a position to extend finance in rural areas due to SAA restrictions. Non-SAA branches wait for "no-objection" certificate from the SAA branch much beyond the mandated 15 days delaying fund flows. In some States, few branches have been allotted unmanageably large number of villages with the result that the resources of the branches are thinly distributed and the credit needs of certain villages are not adequately served.

SCOPE OF THE STUDY

The Lead Banks are functioning in all the Districts in India except metropolitan cities. This study of functioning of Lead Banks is focused only in Lead Bank of Tirunelveli District. Though this study is focused in a single district, the scope of the study is wider because this style of functioning of Lead Banks in various districts almost the same. This study certainly reflects the functioning of Lead Banks in India.

METHODOLOGY

This is an empirical study based on the data collected from both primary and secondary sources. The secondary data for the study were collected from the annual reports of Tirunelveli District Lead Bank, RBI bulletins, Government Publications, Journals, Newspapers, Magazines and also from unpublished thesis on the subject of the Lead Bank Schemes. The primary data for the study were collected from the bank officials of the public sector banks in Tirunelveli District. The Structured questionnaire was used to get the opinions from the bank officials regarding the functioning of Lead Bank in Tirunelveli District. For primary data collection, the questionnaire for bank officials was prepared and it was used to ascertain the opinion of bank officials regarding the operation of the Lead Bank Scheme in Tirunelveli District and the problems faced by them in implementing the district credit plan.

SAMPLING DESIGN

For the purpose of the field survey, 50 branches were selected as sample; only one respondent was selected from each branch. Thus, the total respondents for the study were 50 bank officials.

FIELD WORK

The field investigation of the study was carried on by the researcher during the month of January-February 2018. The personal interview method was adopted by the researcher to get the data. The researcher received the required co-operation from the bank officials, in getting the relevant information both through the questionnaire and personal discussion.

ANALYSIS AND INTERPRETATION

Table 1: Opinions on Adequacy of Manpower Resources

S.No.	Opinion	No. of Respondents	Percentage
1.	Adequate Manpower Resources	27	54
2.	Inadequate Manpower Resources	23	46
	Total	50	100

Source: Primary data

From Table-1, according to 54% of the bank officials, there is adequate manpower resources, in the bank branches for implementing the credit plans. According to the rest, there is an inadequate manpower resource in the bank branches.

Table 2: Opinions on Powers of Bank Officials to Sanction Loans

S.No.	Opinion	No. of Respondents	Percentage
1.	Adequate power to sanction loans	41	82
2.	Inadequate power to sanction loans	9	18
	Total	50	100

Source: Primary data

From Table-2, according to 82% of the bank officials they have adequate powers to sanction loans. The rest of the bank officials feel that they do not have adequate powers in this regard.

Table 3: Opinions on Co-operation from the Lead Bank Officials

S.No.	Opinion	No. of Respondents	Percentage
1.	Adequate Co-operation	45	90
2.	No opinion	5	10
	Total	50	100

Source: Primary data

From Table-3, according to almost all the bank officials surveyed (90%), there is adequate co-operation between the bank branches and the lead bank officials in implementing the credit plans.

Table 4: Opinions on Co-operation from the District Level Government Agencies

S.No.	Opinion	No. of Respondents	Percentage
1.	Adequate Co-operation	31	62
2.	Inadequate Co-operation	9	18
3.	No opinion	10	20

	Total	50	100
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Source: Primary data

From Table-4, according to 62% of the bank officials, they have received adequate co-operation from the District level government agencies such as the District Rural Development Agency, the District Agricultural Department and the like for implementing the branch credit plan. Those officials, who feel that there is inadequate co-operation, and those who have no opinion amount to 18% and 20% respectively.

Table 5: Opinions on Co-operation from the Block Level Government Agencies

S.No.	Opinion	No. of Respondents	Percentage
1.	Adequate Co-operation	39	78
2.	No opinion	11	22
	Total	50	100

Source: Primary data

From Table-5, according to 78% of the bank officials surveyed; there is adequate co-operation from the block level authorities for implementing the credit plans. But 22% of the bank officials have no opinion in this regard.

Table 6: Opinions on the Different Application Forms used for various Government-Sponsored Programmes

S.No.	Opinion	No. of Respondents	Percentage
1.	Cause Confusion	13	26
2.	Do not Cause Confusion	37	74
	Total	50	100

Source: Primary data

From Table-6, according to 26% of the bank officials, the different application forms used create confusion. But according to 74% of the bank officials, the different application forms used do not cause confusion.

Table 7: Opinions on Imposing IRDP and other Government Sponsored Programmes on Bankers

S.No.	Opinion	No. of Respondents	Percentage
1.	Forced on Bankers	4	8
2.	Not Forced on Bankers	46	92
	Total	50	100

Source: Primary data

From Table-7, according to almost all the bank officials (92%) the IRDP and other Government-sponsored programmes are not forced on them for implementation.

Table 8: Opinion on the Co-operation from Government Agencies in the Identification of Beneficiaries for Government-Sponsored Programmes

S.No.	Opinion	No. of Respondents	Percentage
1.	Co-operation adequate	43	86
2.	Co-operation inadequate	7	14
	Total	50	100

Source: Primary data

From Table-8, according to 86% of the bank officials, there is adequate co-operation from the government agencies concerned in the identification of beneficiaries for various Government-sponsored programmes. Those who feel otherwise form only 14%.

Table 9: Opinion on Time taken for Sanctioning Government Subsidy

S.No.	Opinion	No. of Respondents	Percentage
1.	Delay in Sanctioning	28	56
2.	No Delay in Sanctioning Subsidy	22	44
	Total	50	100

Source: Primary data

From Table-9, according to 56% of the bank officials there is delay in the sanctioning of the subsidy amount for the loans under the Government-sponsored programmes. But according to 44%, there is no delay in sanctioning subsidy.

SUGGESTIONS

For further improvement in the implementation of the Lead Bank Scheme in Tirunelveli District, the following suggestions are made.

- 1) While preparing the credit plan of the District, the Lead District Manager should effectively take into account the agricultural and industrial potential for financing.
- 2) The credit plans of the District should be more development-oriented.
- 3) Wherever there are deficiencies in the infrastructural facilities in the District for implementing the credit plan, the lead bank should take steps to provide such facilities.
- 4) The performance of the Lead Bank Scheme of the District should be evaluated by an independent agency to find out the deficiencies, so that solutions can be found to improve the performance.
- 5) The Lead Bank should given necessary powers to punish the banks which are not implementing their share of credit plans, as per the target already fixed. But the achievement of targets should not be insisted upon on banks operating with a single branch in the District.
- 6) Strict action should be taken by the RBI against the banks, which are not following the RBI norms for lending in matters of priority sector advances, credit-deposit ration and the like.
- 7) In order to make the District Consultative Committee meeting more effective, the number of members in the Committee should be reduced from 35 to 20.
- 8) The decision arrived at various meetings such as those of the District Consultative Committee, the standing committee, the District Level Review Committee and the Block Level Banker's Committee should be communicated to the controlling offices of the banks for implementation and follow-up action without any delay.

CONCLUSION

In Tirunelveli District, the officials of banks have better understanding of the scope of and objectives of the lead bank scheme. The lead bank officers simply act as the coordinator and he is not given with adequate authority in the collection of data, preparation of credit plans and in linking the various government subsidy programmes. It is found in this study that there is an adequate co-operation between the bank branches and the lead bank officer in implementing the credit plans in the District. There is also an adequate co-operation between the bank branches and the District and block level authorities in implementing the credit plans.

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