

Performance of Lead Bank Scheme (PNB) in Mandi District of Himachal Pradesh

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Abstract

Banks are playing a vital role in the economic development of a nation. The banking industry in India has emerged as one of the accredited agencies for providing rural credit during the last three decades. The economic development and growth of a nation depend on its sound financial base. Without growth in the financial structure, there can be no development and the economic growth changes the shape and size of the financial institutions. For development of Indian economy, there is requirement of fulfillment of credit gaps and mobilization of funds and need to provide credit facility to everyone. Reserve Bank of India has taken initiative in the development by introducing lead bank scheme in 1969. Its main aim is to provide credit for rural area for the development of small scale businesses, farming activity and subsequently, financial development of that area. The lead bank formulates District Credit Plans for a period of three years and also Annual Credit Plan in December each year. The Lead Bank for Mandi District is Punjab National Bank. This research study includes the study of sector wise credit allocation and the target received during quarter June 2015 in Mandi district for the year 2015/16. This study focuses on the activities of lead bank in Mandi district in Himachal Pradesh.

Keywords: Lead Bank Scheme, Economic Development, Financial Institutions, Rural Areas, Credit Plan.

Introduction

Banking system plays a very significant role in the economy of a country. It is central to a nation's economy as it caters to the needs of credit for all the sections of the society. Money-lending in one form or the other has evolved along with the history of mankind. Even in the ancient times, there are references to the money-lenders, in the form of sahlukars and zamindars who lend money by mortgaging the land property of the borrowers.

Towards the beginning of the 20 century, with the onset of modern industry in our country, the need for government-regulated banking system was felt. The British government began to pay attention towards the need for an organized banking sector in the country and the Reserve Bank of India was set up to regulate the formal banking sector in the country. Ever

since, they were nationalized in 1969, banks have been playing a major role in the socio-economic life of the country. They have to act not only as purveyors of credit, but also as harbingers of social and economic development through a variety of enterprises, many of which may be tiny and yet capable of generating productive energies.

Literature Review

V. V. Bhatt (1970) proposed a scheme of approved dealers to assist the Lead Banks in providing finance and guidance to farmers and small industrialists. In providing finance and guidance effectively, the banks would have to collect the required information, ensure recovery of loans and interest, assist in obtaining after sales service and keep a watch on the working of the assisted enterprise. This work can be made easier by creating and supporting a set of approved dealers.

P. N. Joshi (1972) requested the RBI to give clear and specific definition of the different components of priority sectors. Some of the bankers are not clear about the precise scope of agricultural lending. Guidance from the RBI would help them to increase their involvement in farm credit on rural lines.

Ph. D thesis on “An economic analysis of priority sector lending under lead bank scheme in the union territory” by S. Kanangasabai submitted to Pondicherry focuses on priority Sector lending.

I. G. Patel (1979) reminded the banks about their socio-economic responsibility in the up-liftment of the poorest strata of the society. A substantial portion of the people lives in abject poverty and the first priority should be to provide productive employment opportunities to the very poor- whether they are in rural or urban areas. Banks should equip themselves fully to serve as instruments of development for the poorer sections of people.

Objectives of the Study

1. To study the contribution of financial inclusion under Lead Bank Scheme.
2. To study the distribution of loans amount among various sectors in district Mandi.

Lead Bank Scheme

Lead Bank is a unique model formulated by the RBI to reduce regional and sectorial imbalances existing in the economy. Even with remarkable progress after Nationalization of commercial banks, a wide gap had existed between demand and supply of credit. The average population served by a commercial bank office in India was as high as 73,000 and it was found that only 5000 of the total number of villages (5,64,000) were served by commercial banks as at the end of June 1967. Out of the institutional credit to agriculture sector at 39 per cent of total credit, the share of commercial banks was negligible at one per cent. The above situation necessitated commercial banks to join the force. Lead bank scheme was introduced by Reserve Bank of India in 1969 in pursuance of the recommendations of the Study Group headed by Prof. D. R. Gadgil (Gadgil Study Group) on the organizational framework for implementation of the social objectives and the Committee of Bankers on Branch Expansion Programme of public sector banks Chaired by Shri E. K. F. Nariman to have an “area approach” for targeted and focused banking. The main objective of the scheme is to coordinate the activities of banks and other developmental agencies through various forms in order to enhance banking facility to rural areas and priority sectors.

To cope with the changes in financial sector, a high level review committee was appointed in 2009 and it recommended that the scheme need to continue as it is useful to increase rural penetration of banking. Initially, the Lead Bank Scheme (LBS) was applicable to all districts in the country except districts in metropolitan areas, later by recognizing the need to extend the scheme to metropolitan areas; all the districts in metropolitan areas were brought under the LBS. As on June 30, 2014, 25 public sector banks and one private sector bank have been assigned lead bank responsibility in 671 districts of the country. Expansion of bank branches, boosting the mobilization of deposits, priority sectors lending, acting as a forum of communication and coordination among concerned State Governments, banks and other financial institutions, augmenting financial inclusion measures, providing financial and credit counseling, provision of 'credit plus' services, skill development, building infrastructure for greater physical and digital connectivity are the prime objectives of Lead Bank System.

Lead Bank scheme is operating at state, district and block level. The performance of banks in implementing district credit plan and Potential Linked Credit Plan is reviewed in the various forces created under the lead bank at all the three levels. i.e. Block Level Bankers' Committee (BLBC) at Block Level, District Consultative Committee (DCC) & District Level Review Committee (DLRC) at district level and State Level Bankers' Committee (SLBC) at state level.

Lead Bank Officers and Lead District Officers

The organizational base of the Lead Banks was strengthened for preparation of DCPs and for its monitoring and implementation. RBI advised them in 1979 to appoint Lead Bank Officer (normally called Lead District Manager (LDM) in each district for the purpose. Our Lead Banks are being headed by Lead District Managers. Simultaneously, RBI appointed LDOs who were allotted 4 or 5 districts each and were entrusted with the responsibilities of overseeing the preparation and implementation of DCPs in the allotted districts.

Role of Lead District Manager in the District

- Collection of various data from Scheduled Commercial Banks, Regional Rural Banks, Co-operative Banks, other banks and various government agencies.
- Monitoring the implementation of annual credit plan and various Government Sponsored Schemes in the district.
- To raise the issue in order to impart requisite infrastructure in order to achieve Annual Credit Plan effectively. He should also play a leading role in poverty alleviation programs launched by the State/Central Government.
- Preparation of Annual Credit Plan for the district.

Functions of Lead Bank

1. To discuss issues, consider alternative solutions to the various problems in the field of banking development and evolve consensus for coordinated action by the member institutions.
2. To do the necessary spadework for formulation of Annual Credit Plans for getting in the district-wise resource allocation by banks and disaggregation of the various Governmental programs.
3. To examine the inter-institutional co-ordination in the formulation and implementation of the Annual Credit Plans.

4. To undertake critical analysis of the progress of the implementation of Annual Credit Plans and Government/ Other agencies' sponsored credit linked programs/schemes in the various districts.

5. To review the assistance required and provided by Government agencies.

6. To consider problems referred by the district level forums and take necessary follow-up action.

7. To oversee the implementation of branch expansion program.

8. To review the recovery performance.

9. To ensure arrangements for training of both Bank and Government staff as well as evaluation of the programs implemented.

10. To take up for consideration such issues as have been raised by the member banks and / or the State Government authorities and questions or inter-bank differences remaining unresolved at the District Level Consultative Committees.

11. To solve operational problems in implementation of Service Area Approach, Credit Plans, Government and other agencies' programs, etc. To discuss about the availability of adequate infrastructural facilities, forward and backward linkages necessary for successful implementation of the schemes.

12. To serve as a focal point for the banking system in the state for securing better liaison with the State Government authorities.

13. To review the trends in the flow of credit into rural areas and to the small borrowers in the neglected sectors.

14. To purposefully review the picture revealed by the data compiled in accordance with the system of returns and take follow up measures to speedy disposal of loan application, to improve the pace of credit assistance under specific programs / schemes of the Central Government such as PMRY, SGSY, SJSRY, SLRS, SC/ST action plans and all State sponsored Schemes.

15. To review performance under Self Help Groups, Kisan Credit Cards, Crop Insurance Scheme, Laghu Udyami Credit Cards, Swarozgar Credit Cards, Artisan Credit Cards, etc.

Lead Bank Activities in Mandi District

1. According to Reserve Bank of India's guidelines of Lead Bank Scheme, 'Financial inclusion' project is running in Thane district. Under this project, all families of all villages in district are expected to open an account in the nearest bank. Due to this, banking service will reach to everyone & everyone can take benefit of loan and deposits.

3. If there is no bank branch in nearby area of any village which has population more than 2000 then the nearest bank should open a new branch in that village or through business correspondence of banks, basic service should be provided to people.

4. In financial inclusion along with the opening of account other services are provided to the people like, establishment of SHG, to give loan to SHG, to establish farmer groups in different villages, to give loan to rural crafts man and small workman, to give benefit of insurance policy etc.

6. Different banks have established farmer group in different regions. These groups are registered in NABARD and all groups are getting grant from NABARD.

7. According to Reserve Bank of India, every district should start financial literacy and loan counseling Center under the Lead Bank Scheme. Punjab National Bank provided the place to establish office for this activity. Soon this counseling cell will start. All farmer, a rural craft men, small businessman will get guidance about loan and different benefit of government through this cell.

Analysis

Table: Performance of Lead Bank Scheme (ACP) in Mandi District for the period 2015-16 and target received in the quarter June 2015.

Ground level disbursement under annual credit plan 2015-16 position as of june, 2015							
Amt. in lacs							
	Sector Activities	Annual Targets 2015- 16		Ach. During the qtr- JUNE, 2015		% Ach. During the qtr- JUNE,2015 (25% Target)	
		A/c	Amt.	A/c	Amt.	A/c	Amt.
1	Crop Loan	54902	40705.22	8926	10779.00	16.26	26.48
2	Water/Irrigation	15642	1087.00	148	282.00	0.95	25.94
3	Land	4681	1465.00	173	261.00	3.70	24.64

	Development						
4	Farm Mechanism	1256	984.00	78	100.00	6.21	10.16
5	Plantation & Horticulture	5647	2945.00	858	1779.00	15.19	60.41
6	Forestry & Waste Land Dev.	289	402.00	7	18.00	2.42	4.48
7	Animal Hus Dairy Dev.	1456	1032.00	54	96.00	3.71	9.30
8	Animal Hus. Poultry	798	867.00	40	65.00	5.01	7.50
9	Animal Hus Sheep/Pig&Goat	289	125.00	2	3.00	0.69	2.40
10	Fisheries	8	2.00	0	0.00	0.00	0.00
11	Storage godown	452	656.00	7	25.00	1.55	3.81
12	Renewal energy	175	54.00	2	3.00	1.14	5.56
13	Other Agriculture	73924	12314.00	1389	2685.00	1.88	21.80
14	Total Term Loan (2+13)	104617	21988.00	2758	5817.00	2.64	24.24
A	Total Agriculture (1+14)	159519	62638.22	11684	16096.00	7.32	25.69
15	Micro Manufacturing	7685	9833.00	871	2327.00	11.64	23.67
16	Small Manufacturing	8025	10012.00	346	1458.00	4.31	14.51
17	Micro Services	8530	13546.00	1745	2649.00	20.46	19.56
18	Small Services	6451	9071.00	911	2855.00	14.81	31.47
B	Total MSE SEC. (15-18)	30691	42462	3873	9284.00	12.62	21.86
19	Education	2908	6161.80	432	591.00	14.88	9.59
20	Housing	3605	8407.62	842	2499.00	23.36	29.72
21	Other OPS	8681	20495.14	1619	4324.00	18.65	21.10
C	Total OPS (19+20+21)	15189	35064.56	2893	7414	19.05	21.14
D	Total Priority SEC.	205399	140164.78	18450	32794	8.98	23.40
	(A+B+C)						
	Non Priority Sector						
22	Heavy Industries	0	0.00	0	0.00	0.00	0.00
23	Medium Industries	0	0.00	0	0.00	0.00	0.00
24	Education	75	100.00	0	0.00	0.00	0.00
25	Housing	209	470.01	1	53.00	0.48	11.28

26	Others	10075	29400.59	5172	7970.55	51.33	27.11
E	Total Non P. Sector (22-26)	10359	29970.60	5173	8023.55	49.94	26.77
	Grand Total (D+E)	215758	170135.38	23623	40818.10	10.95	23.99

Interpratation and Findings

In the above table, the annual target for the disbursement of loan by the lead bank scheme has been given, but at present we are only dealing with the analysis of one quarter of the year, for which we have assumed 25% of the annual target. So that, in a specific time in a year for the disbursement of the loan may be analyzed.

Just we can view in the table that for agriculture and other direct activities are round about 25% of the given target which can be taken as a satisfactory achievement. Also similarly in small services, such situation can be taken satisfactory and can be said if the distribution of the loan in the all quarters of the year is done, then the annual target can well be achieved.

But at the same time we analyses the distribution policy of the bank other than agriculture sector is not satisfactory. They got much less than the assumed target. On the other hand has been noticed is that the bank is successful in distributing loan amount to some extent but when we talk about of the account holders, it is much less than the fixed target. It raised the question agaisned the disbursement policy of the bank. On analysis we find that only few people are getting benefits of bank loan facilities, which is not a satisfactory condition.

Therefor it is of paramount importance that there should be an equal and within the availability of loan facilities to all. So beneficiaries may take advantage in proper time.

Conclusion

Financial Inclusion is an attempt to include the marginalized into the mainstream economy. This helps to reduce socio-economic problems like income inequality, poverty, unemployment and exploitation. The Government policy on social justice is not only providing equality in social and economic front, but also empowering the rural households, particularly the marginalized groups by bringing them in the main stream of the economy. In this endeavor, several attempts are being made to connect the rural people to access the financial inclusion and increase their participatory level. With this view, the present research investigation conducted at the

cross-sectional level in Mandi district, Himachal Pradesh has provided clear evidence that there is a positive impact on social and economic status of rural households under the financial inclusion. Therefore, considering the positive change at the gross root levels of rural households on account of financial inclusion, Government of India and RBI may take further initiative to implement Jan-Dhan Yojana mission efficiently and effectively to reach the unreached.

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