

PERFORMANCE OF LEAD BANK SCHEME IN VIRUDHUNAGAR DISTRICT OF TAMILNADU

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ABSTRACT

Banks are playing a vital role for the economic development of a nation. The Banking industry in India as emerged as one of the accredited agencies for providing rural credit during the last three decades. The economic development and growth of a nation depends on its sound financial base. Without the growth in the financial structure, there can be no development and the economic growth changes the shape and size of the financial institutions.

Keywords: Bank, Lead Bank Scheme, Rural Credit

INTRODUCTION

Banks are playing a vital role for the economic development of a nation. The Banking industry in India as emerged as one of the accredited agencies for providing rural credit during the last three decades. The economic development and growth of a nation depends on its sound financial base. Without the growth in the financial structure, there can be no development and the economic growth changes the shape and size of the financial institutions. Historically speaking, there have been countries like Great Britain where banking development preceded Industrial Development and country like USA where the Industrial Development took place first followed by banking development. The Banking system in by India had taken place when banks were started by business houses. Central Bank of India was associated with the House of Tatas, United Commercial Bank with the House of Birla's, Indian Bank with the Rajahs of Chettinad, Punjab Bank with Jains and so on.

The first bank of Indian origin was started in 1809, called Presidency Bank of Bengal, followed by the setting up of Presidency Bank of Bombay in 1840 and Presidency Bank of Madras in 1843. In 1921, all these banks were amalgamated under the name Imperial Bank of India on 1st July 1955. During the first half of the twentieth century, there was a mushroom growth of banks in India. But many had failed due to the banking crisis taken place between 1913 and 1917. In 1935, the Reserve Bank of India was established as a central bank to regulate and control the banking business in India. After independence, Reserve Bank of India was nationalized in 1948.

The State Bank of India Act was passed in 1959, and eight state owned banks have been constituted as subsidiaries of the State Bank of India. To have effective control over the banks and make them to serve the needs of the developing economy, 14 banks were nationalized on July 19, 1969 and another six banks were nationalized on April 15, 1980. As a result of that, more than 90 percent of the banking system in India was brought under the public sector.

In pursuance of the objectives of nationalization, several steps were taken in the banking sector. The orientation towards rural economy gained momentum only after the nationalization of commercial banks. Initially, these banks were only concentrated in the urban and metropolitan areas and provided assistance to large and medium scale industries. There was a huge credit gap of lending loans and advances to the agricultural sector by the commercial banks. To overcome this, the Government of India constituted a study group under the chairmanship of Gadgil for the development of credit and banking in the country. The central idea behind this was that, depending on their area of operation and location, commercial banks could be assigned particular areas where they could act as pace setters in providing integrated banking facilities. The "Lead Bank Scheme" was introduced by the Reserve Bank of India in December 1969 on the recommendation of the committee on, "Organizational framework for implementation of social objectives" and FKP Nariman Committee. The objective of this scheme is to eradicate unemployment and under-employment, increase the living standards of the poor and provide basic facilities to the poor and needy. To achieve these goals, District Credit Plans have been prepared. For effective implementation of the scheme, each Lead Bank posts a Lead Bank Officer. The Lead Bank has to access the resources and potential for expansion of branches and diversification of credit facilities in the district allotted to it. The Lead Bank is acting as a consortium leader to invoke the cooperation of other banks operating in the district for mobilization of deposits. It has to maintain a liaison and keep close touch with other development agencies particularly of the State Government. At the district level, District Consultative Committees have been set up for exchange of information among commercial banks and other credit institutions. The purpose of setting up such committees is to evolve suitable methods and procedures for lending to priority sectors.

The concept of "Lead Bank" has brought better understanding of the need for an integrated area planning approach among commercial banks, financial institutions, state governments and development agencies. The working of the Lead Bank Scheme is monitored by a high powered committee set up by RBI in 1976. The lead banks have been asked by the committee to formulate District Credit Plans for a period of three years and also Annual Credit Plan in December each year. The Lead Bank for Virudhunagar District is Indian Overseas Bank. The Lead Bank has formulated the Annual Credit Plan for Virudhunagar District for every year on the basis of Branch wise plan of all the bank branches in the District.

STATEMENT OF THE PROBLEM

Nowadays, banks are concentrating on the industrial sector, thereby neglecting the priority sectors. In order to assist the priority sectors, the Government has directed certain banks to act as a "Lead Bank" at the district level to meet out their needs. The scheme has been introduced with the objective of estimating the credit gaps; develop suitable credit schemes

to fill the credit gaps and to draw up the credit plans as development plans of the district. The primary responsibility of the lead banks is to identify the unbanked centres and take measures for opening branches to reduce the regional imbalances in the banking facilities. They have to prepare district credit plans, consisting of technically feasible and economically viable schemes for the development of the districts. It acts as a link between banking and other developmental activities in the country. It is clear that the Lead Bank has a greater impact on the country's economic development. The scheme has been made successful in providing credit to the weaker sections of the society and promoting coordination among different agencies for the development of the country. The present study would be conducted to analyse the "Performance of Lead Bank Scheme in Virudhunagar District of TamilNadu".

SCOPE OF THE STUDY

The study mainly focuses on the "Lead Bank Scheme in Virudhunagar District" and evaluates the sector-wise contribution of commercial banks and Indian Overseas Bank set by the District Credit Plans.

OBJECTIVES OF THE STUDY

The study is intended with the following objectives:

1. To analyse the sector-wise contribution of commercial banks in Virudhunagar District.
2. To examine the sector-wise contribution of Indian Overseas Bank in the district.
3. To examine the Demand, Recovery and Overdue position of all sectors in the district.
4. To suggest suitable measures for effective implementation of the scheme and to control the overdue position in the district.

METHODOLOGY

The study is mainly based on secondary data. They have been collected from various sources like Lead Bank Report, Books, Journals and unpublished records.

Performance of lead bank scheme

The operation of Lead Bank Scheme in the district can be evaluated from the following thrust areas:

1. Details of Annual Credit Plan for All Sector wise by commercial banks in the district.
 2. Details of Annual Credit Plan for All Sector wise by Indian Overseas Bank in the district.
 3. To examine the Demand, Recovery and Overdue position of all sectors in the district.
1. Details of annual credit plan for all sector wise by commercial banks in Virudhunagar district

Table 1 shows the details of the total outlay of Annual Credit Plan for all sector wise by commercial banks in Virudhunagar District.

Table 1. Details of Annual Credit Plan for All Sector wise by Commercial banks in Virudhunagar District from 2000-01 to 2008-09

(Amount in Rupees, 000)

Year	Agriculture	Allied	NFS	OPS	Total
2000-01	1162881	115252	2288875	769856	4336864
2001-02	1227716	117806	2539009	898552	4783083
2002-03	1358727	143449	2734970	1044666	5281812
2003-04	1413482	152891	2990670	1442673	5999716
2004-05	1584930	146627	3284856	1643587	6660000
2005-06	2844451	202903	3611180	1949103	8607637
2006-07	3326430	272513	4567726	1990402	10157071
2007-08	3181484	503481	4738401	2583016	11006382
2008-09	3696809	557852	5216627	2443988	11915276
2009-10	4199710	549617	6649686	2779944	14178957
2010-11	4847660	615744	7363835	3388736	16215975
2011-12	5650599	612451	8145519	4075918	18484487
Total	34494879 (29.33)	3990586 (3.39)	54131354 (46.02)	25010441 (21.26)	117627260 (100.00)

Source: Lead Bank Report, Annual Credit Plan, 2000-01 to 2011-12

It is discerned from Table 1, that the total outlay of the Annual Credit Plan for Agriculture and Allied sector, Non farming sector and Non-priority sector has increased from Rs.4336864 thousand in the year 2000-01 to Rs.18484487 thousand in the year 2011-12. The share of Agriculture sector by the Commercial banks ranged from Rs.1162881 thousand in 2000-01 to Rs. 5650599 thousand in 2011-12, whereas, the contribution towards Allied sector also increased from Rs.115252 thousand in 2000-01 to Rs.612451 thousand in 2011-12. The Non-Farming sector contribution has increased from Rs.2288875 thousand in 2000-01 to Rs.8145519 thousand in 2011-12. The assistance to Other Priority Sector also increased from Rs.769856 thousand in 2000-01 to Rs.4075918 thousand in 2011-12. It can be interpreted that the commercial banks in Virudhunagar District made significant contribution to Non Farming Sector with 46.02 per cent followed by Agriculture & Allied sector with 29.33 per cent & 3.39 per cent and Other Priority Sector with 21.26 per cent.

2. Details of annual credit plan for all sector wise by Indian overseas bank in Virudhunagar district

The Indian Overseas Bank is acting as the Lead Bank in the Virudhunagar District. It is coordinating the activities with the banks and officials in the district for achieving the targets stipulated in the Annual Credit Plan. Table 2 depicts the sector-wise contribution of Indian Overseas Bank in the district.

Table 2. Details of Annual Credit Plan for All Sector wise by Indian Overseas Bank in Virudhunagar District from 2000-01 to 2008-09

(Amount in Rupees, 000)

Year	Agriculture	Allied	NFS	OPS	Total
2000-01	59878	14990	232366	28120	335354
2001-02	54080	18130	280640	36538	389388
2002-03	57956	45327	314380	45379	463042
2003-04	62838	49176	344730	62053	518797
2004-05	81752	16537	428710	78806	605805
2005-06	119297	16033	473000	87280	695610
2006-07	147334	18863	571450	108010	845657
2007-08	185160	45803	694532	119644	1045139
2008-09	401107	41962	782320	141460	1366849
2009-10	506564	45142	1060400	151275	1763381
2010-11	614262	41899	1306304	213400	2175865
2011-12	765976	46788	1491550	261845	2566159
Total	3056204 (23.93)	400650 (3.14)	7980382 (62.49)	1333810 (10.44)	12771046 (100.00)

Source: Lead Bank Report, Annual Credit Plan, 2000-01 to 2011-12

It is evident from the above table that the Annual Credit Plan for all sectors by the Indian Overseas Bank has increased from Rs.335354 thousand in 2000-01 to Rs. 12771046 thousand in 2011-12. The share of Non Farming Sector has consistently increased from Rs. 232366 thousand in 2000-01 to Rs. 1491550 thousands in 2011-12. The contribution towards Other Priority Sector has also increased from Rs.28120 thousand in 2000-01 to Rs.261845 thousand in 2011-12. The share of Agriculture and Allied Sector has showed a fluctuation trend from 2000-01 to 2011-12. Among the Annual Credit Plan for all sectors by the Indian Overseas Bank, the Non Farming Sector tops the list with 62.49 per cent followed by Agriculture Sector with 23.93 per cent, Other Priority Sector with 10.44 per cent and Allied Sector least with 3.14 per cent.

3. A. Details of demand, recovery and overdue position of agriculture sector by commercials banks in Virudhunagar district

The demand, recovery and overdue position of Agriculture Sector by Commercial Banks is given in Table 3.

Table 3. Details of Demand, Recovery and Overdue position of Agriculture Sector in Virudhunagar District from 1999-00 to 2007-08

(Amount in Rupees, 000)

Year	AGRICULTURE			
	Demand	Collection	Overdue	Percentage of Overdue
1999-00	732410	454937	277473	30
2000-01	778908	473365	305543	39
2001-02	779562	494706	284856	37
2002-03	1256514	929798	326716	26
2003-04	1027589	722735	304854	30
2004-05	1014373	714750	299623	30
2005-06	1800605	1622866	177739	10
2006-07	2103258	1848378	254880	12
2007-08	1279003	1139916	139087	11
2008-09	1346194	1181394	164800	12

Source: Lead Bank Report, Annual Credit Plan, 1999-00 to 2008-09.

It is understood from Table 3, that the percentage of Overdue in the Agriculture Sector was high with 39 per cent in the year 2000-01 and showed a trend of 11 per cent in the year 2008-09.

B. Details of demand, recovery and overdue position of non-farming sector by commercial banks in Virudhunagar district

The following Table shows the demand, recovery and overdue position of the Non-Farming Sector in Virudhunagar District.

Table 4. Details of Demand, Recovery and Overdue position of Non-Farming Sector in Virudhunagar District from 1999-00 to 2007-08

(Amount in Rupees, 000)

Year	NON FARMING SECTOR			
	Demand	Collection	Overdue	Percentage of Overdue
1999-00	996095	752192	243903	24
2000-01	910815	634143	276672	30
2001-02	1114065	756841	357224	32
2002-03	15583037	912832	645205	41
2003-04	1302309	897308	405001	31
2004-05	1105808	782009	323699	29
2005-06	1241644	879003	362641	29
2006-07	996905	752852	244053	25
2007-08	1190463	942244	248219	21
2008-09	1328164	1083557	244607	18

Source: Lead Bank Report, Annual Credit Plan, 1999-00 to 2008-09.

It is inferred from Table 4 that the demand, recovery and overdue position of Non-Farming Sector was high in 2002-03 with 41 per cent and declined to 18 per cent in 2008-09.

C. Details of demand, recovery and overdue position of other priority sector by commercial banks in Virudhunagar district

The demand, recovery and overdue position of Other Priority Sector by Commercial Banks are shown below:

Table 5. Details of Demand, Recovery and Overdue position of Other Priority Sector in Virudhunagar District from 1999-00 to 2007-08

(Amount in Rupees, 000)

Year	OTHER PRIORITY SECTOR			
	Demand	Collection	Overdue	Percentage of Overdue
1999-00	573931	460008	113923	20
2000-01	684713	590553	94160	14
2001-02	745368	655903	89465	12
2002-03	425638	351372	74266	17
2003-04	1245262	1141348	103914	8
2004-05	1334157	1185131	149026	11
2005-06	1542513	1255127	287386	19
2006-07	584801	470548	114253	20
2007-08	600870	487063	113807	19
2008-09	653676	553849	99827	15

Source: Lead Bank Report, Annual Credit Plan, 1999-00 to 2008-09.

The above table outlined that the demand, recovery and overdue position of Other Priority Sector was high with 20 per cent in the years 1999-00, 2006-07 and showed a satisfactory performance of 2003-04 with a least 8 per cent.

CONCLUSION

It can be concluded that, Commercial Banks should provide adequate credit to Agriculture and Allied Sectors. An integrated approach is required on the part of Lead Bank as a consortium leader with regard to assessing the potentiality of the district and meeting out the credit needs of the target groups. The shortfall noted in the operation and preparation of Annual Credit Plans should be overcome through useful and realistic approach. Although the performance of Lead Bank in respect of overdue is satisfactory, it has to formulate suitable strategies and instructing the banks and officials in the district in bringing down the overdue.

REFERENCES

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