

# **PERFORMANCE OF LEAD BANK IN INDIA:-AN OVERVIEW**

**Professor Dr. Sarwade W.K.**

**Head, Department of Commerce**

**Dean, Faculty of Commerce & Management Science**

**Dr. Babasaheb Ambedkar Marathwada University**

**Aurangabad-431002**

**Maharashtra**

## **Introduction**

Banking institutions are playing important role in the development of the national economy as a whole. They have now shifted from their traditional approach to the modern one as they are now profit earning as well as social institutions. They are the important agencies in completing the various Government schemes announced for the development of agriculture, SSI, and persons below poverty level. The study of the banking development is made under three broad groups viz. development of banks before nationalisation, progress of the banks after nationalisation and changes in the banking policies after 1991. Banking is a subject of interest for every one as it is related with the flow of money which makes fluctuations in the society affecting the various sections.

This chapter deals with the review of related literature on the concerned research Topic. The review has been taken near about 09 Research articles, 01 thesis and 09 books. Many authors, researchers, scholars, thinkers, economists, philosophers, social reformers, political

leaders, and bank managers even some students have made substantial contribution to the various aspects of the subject. The material is available in the form of books, essays, surveys, case studies etc. Touching to the various aspects of the working of banks, many authors have made valuable writings from different angles like deposit ratios, investment in open market, interest rate policies, NPA policies etc. In this research work, the writing on the lead bank scheme, rural development and Government sponsored schemes are reviewed by the researcher. The writings by different authors on priority sector lending are considered by the present study. Only some important theses, books and articles published in some periodicals are taken in to account for the purpose of 'review of literature'. Broadly the review is made under the heads namely review of theses, review of books and review of articles.

#### **i) Review of Books and Theses**

B. P. Sharma, has made the critical analysis of the working of commercial banks, specially after nationalisation, the title of the book is "The Role of commercial banks in India's developing economy" which is published by S. Chand & /co. (Pvt) Ltd., New Delhi.<sup>1</sup>

The study exemplifies in a striking manner most of the typical problems of deposit mobilisation, management development, post nationalisation and financing of the priority sector which are faced by banks in India. Suggestions for future improvement have been highlighted so as to provide suitable guidelines for the future balanced growth of banking in the developing economy of the country which is challenged by poverty and concentration of economic power, on the one hand and inspired by the idea of socialism without tears on the other.

S. M. Desai is another author, who has written book on “Rural banking in India” which is published by Himalaya Publishing House, Bombay.<sup>2</sup>

In this book the author has made an attempt to analyze and critically assess the role played by various organized and unorganized banking and other institutions in rural areas of India. He has analyzed the various problems and issues that have cropped up, the manner in which they are being tackled and has made an attempt to indicate the manner in which the problems should be dealt with, if rural banking is to become an effective instrument of rural reconstruction and development. He threw light on various aspects of lead bank schemes, viz. Area approach to agricultural finance, lead bank schemes, aims and objectives, progress of the lead bank scheme, criticism of lead bank, lead bank scheme and Regional Rural Banks etc.

Dr. H. B. Shivamaggi- has studied the problem of rural development keeping in view the role of banks. The title the Book is “Banking and Rural Development”.<sup>3</sup> He has made the studies in two parts. In Part I he touched the basic issues pertaining to rural economy and in Part-II he has studied the role of the banking institutions. He found that the problems in rural area are more critical. Small farmers landless Laborers, drought proven areas and tribal areas, are having gigantic and difficult problems. The role of commercial bank, co-operative institutions and other agencies has become more complicated. Now the banks and other institutions will have to change their outlook. They are not only for advancing loans but also for development planning. The challenges faced by the banks and their limitations along with suitable recommendations are studied in this book.

M. Laxmi Nareasaiah, G. Venkata Naidu have prepared their research paper on 'Role of Banking in Rural Development' which is published in book form by Discovery Publishing House, New Delhi.<sup>4</sup> In their research work they found that "in case of IRDP programme, it appears that the informal sector still continues to bedevil the rural credit in a significant way. Experience shows that the only way to do away with the informal sector is by diffusing the net work of the institutional credit to large sections of our society. Simplifying approaches as well as procedures, multipurpose, multi-programmes and multi agencies are no-doubt required to tackle this gigantic problems, what is more important in this context is the co-ordination among different agencies to avoid multiple finance to the one hand and the same individual. Designing suitable schemes, duly identifying the target groups, proper implementations of the schemes and their monitoring, timely recoveries, periodical evaluation and taking remedial measures are all equally necessary for the success of any scheme".

"Advanced study in Money and Banking" theory and policy Relevance in the Indian Economy written by Perminder Khanna. Atlantic Publishers and distributors, New Delhi.<sup>5</sup> This book is a complete treatise on banking and global financial developments with special reference to DMCS and the Indian economy. It provides an in valuable, up to date and refreshing approach to key development issues pertaining to monetary theory, banking and policy matters. The analytical study of the main operational ratio of banks for the period of 1998 to 2003, gives an overview of the bank street scenario, up-to-date economic models provided in the book enable the readers to have an easy and accurate understanding of the subject. The various policies of Government of India are critically studied by the author.

‘Lead Bank Scheme and rural development with special reference to Latur District,’<sup>6</sup> is the title of the thesis submitted by Prof. Khandgave N. G. to Dr. Babasaheb Ambedkar Marathwada University, Aurangabad for the award of Ph. D. degree. In his thesis he tried to find out the role of lead bank in the development of rural area with special reference to Latur District. He found that the lead bank has played a key role in the development of the rural area. He also found that there are many drawbacks in the implementation of the various programmes undertaken for the development: Various drawbacks were listed by him and finally he made valuable suggestions to make lead bank scheme more fruitful, for bringing the people above poverty level.

“Banking facing the facts” is the title of the books written by Prof. B. L. Mathur.<sup>7</sup> In this book he has discussed the various issues pertaining to the new challenges and struggle. The object of the book is to make the readers get acquainted with banking sector as a whole in the light of existing policy of their development. The author made analysis of the working of the banks in the light of the new economic reforms. Reserve Bank & India, commercial banking, Rural Banking co-operative banking, and their changing role have been discussed in this book. Finally the author concluded that “the bank have entered in such as era under which they are fully committed and devoted to provide services in variety and manner never visualized’.

Mauri M. L. has written a book on “Poverty Alleviation Programmes, Agricultural Development in India’.<sup>8</sup> in this book she has touched the various programmes announced by the Government for poverty alleviation. She has discussed the importance and viability of such programmes. The various difficulties which are faced by the lending institutions are thoroughly discussed in this book. Finally some

suggestions are made by the author to make such programmes more successful.

“Development of Agriculture and allied sectors an integrated Area approach” written by Arora R. C. in another important book.<sup>9</sup> The author has stated some valuable suggestions for the development of agriculture and allied sectors. He concentrated on one important aspect that is ‘integrated area approach’ without which the various programmes for the agricultural development may not be successful. “The importance of allied sectors in additions is agriculture can not be neglected” said the author.

Sharma S. K. and Malhotra S. L. have made deep study of the problem of rural development.<sup>10</sup> they have made detailed discussion on integrated Rural Development Approach with its limitations in implementation. Also the future strategies and perspective have been discussed by them. They advocated that there should be proper coordination in various agencies formal as well informal, keeping pace with the plans and policies laid down by the Government. The authors have concluded that there is a need to change the outlook of all the agencies which are involved in the developmental process of rural India. There is a need to strengthen the rural agencies.

### **Review of Articles**

Banking sector reforms ‘A critical overview’ this is the title of the research article prepared by M. G. Bhide, A Prasad, Saibal Ghosh, which is published in EPW. Vol- No. XXXVII No.5 Feb. 2-8-2002.<sup>11</sup> they have made the following observation regarding the recovery of loans and advances.

“Operationally, it seems imprudent to treat all non performing loans as a single catch all category Broadly they can be categories as loans to agricultural sector, directed lending loans to small enterprises and loans to corporate sector. Many of the directed loans are subsistence loans, where default rates are high and recovery prospects not bright. As regard loans to agricultural borrowers, legal impediments often prove to be challenging proposition for banks to recover their dues. Loans to small enterprise become difficult to recover due to inordinate judicial delays. Even if court decree can be obtained towards recovery by the time the charge of the assets is taken, it’s realisable value is significantly diminished because of several reasons including depreciation of the assets, Lack of the borrower’s co-operation, limited market value of assets with the concomitant effect that such decrees not executed”.

There is another important article based on survey prepared by M.P. Vasimalai, K. Nareder on ‘Micro finance for povertyReduction’<sup>12</sup> in which the Kalanjiam a way of prosperity (SHG) is discussed. Kalanjiam is a Tamil word, which means prosperity and also “granary where people store their wealth and grains to use in times of need.” The Kalanjiam programme is a unique programme that goes beyond the narrow financial delivery approach. In this article explains initiatives under this programme are flexible and tailored to the needs of the poor, the attempt is also to address existing ‘leakages’ in the earlier system of money lending so as to improve the borrowing capability of the poor. Working through self help groups, it’s a way to instill democracy by encouraging a grass root leadership. It was also found to the researchers that there was substantial growth in the family income of the members. The status of the women in the family was upgraded.

More than 80% of the members of the group observed that they had developed skill to solve issues at family. There was a considerable change in the level of communication and community organisation skills of the members.

A. S. Ramsastri, A. Samuel and S. Gangadharan have discussed important issue in the paper titled as “income stability of scheduled commercial Banks”.<sup>13</sup> Where they have taken the review of the reforms in Indias banking in post 1991 period. They have stated that the banks should increase competitive strength, by way of earning profit. They should reduce their non performing assets by way of taking strong steps. They must maintain stability of income sources. If the banking institutions are to be sounder they must reduce their NPA and increase the profit, but while doing this, they should not neglect the social aspect also.

“The position of Rural Finance specially the Role of state and state owned institutions” is the title of the paper prepared by Satish.<sup>14</sup> He has found that “Government has a critical role to play in development of agricultural and rural financial institutions. But the state involvement in the management and implementation of rural financial system has proven expensive and inefficient. Subsidised credit programmes which are part of state intervention in rural financial markets undermine the institutional sustainability of financial institutions, distort rural finance market and discourage savings mobilisation and fails to develop market driven sources of funding. The revitalization of the state owned rural financial institution is possible without a wholesale structural and ownership change.

The state should create an environment in which the lending to agricultural becomes a business proposition to financial institution,



‘wholesale remission of debts’, insistence on subsidized interest rates and statements discouraging loan repayment should be avoided.

“Performance Appraisal of commercial Banks” by Bheemanagouda is another important article published in Southern Economist.<sup>15</sup> In his article he has touched an important issue of ‘NPA’ where he concluded that “Reduction of Non-Performing Assets (NPAS) is the need of the hour to improve the profitability of the banks. Narashinham committee has underscored the need for moving to zero net NPA level for the banks which have international presence.” Further he concluded that, “finally, the performance of the banks can not be measured in absolute terms of profitability and banking net work. It is also very much important to achieve social goals along with the economic goals to alleviate poverty from the country by providing credit facilities to priority sector particularly to weaker sections of the society.”

Dr. Y. V. Reddy, Deputy Governor, RBI has suggested some important notes for improving the working of the public sector Banks.<sup>16</sup> The title of the article is “Public Sector Banks and the Governance the Challenges”<sup>16</sup> In this article he opined that ‘to bring about greater transparency in bank’s published accounts the Reserve Bank should direct the Banks to state clearly the position of NPAS and provisions as well as lending to sensitive sectors that is priority sectors. Keeping in line with the emerging regulatory and supervisory standards, the Reserve Bank has initiated certain macro level monitoring techniques to asses the true wealth of the institution.

“Access to Bank credit” is the title of the paper prepared by Pallavi Chawan.<sup>17</sup> She has made analysis of the loans and advances given to Dalit Rural house holds.<sup>17</sup> She found that the commercial Bank credit

to weaker sections has gone down from 9.5% (of Net Bank credit) in the year 1991 to 6.5% in 2006. Similarly the number of accounts in case of dalit was 18% in 1993 which were reduced to 12.2% in 2001 and again in the year 2006 it was only 6.7%.

According to the all India Debt and investment survey, for dalit house holds, commercial banks were the most important source of credit in 1992. There was however a sharp fall in the share of debt from commercial banks between 1992 and 2002. The data showed that there is growing failure on the part of the domestic banks to meet the targets set for weaker sections after 1991. These changes since the early 1990s indicate a marked departure from the trend that had evolved since the early 1970s, when India adopted the policy of social and development banking”.

This article has shown a different picture of dalit households, indicating that the percentage of dalit in the total priority sector is going down

Rajlaxmi Kamath has discussed the issue of financial inclusion in the system. In her paper titled as “Financial Inclusion vis-à-vis social banking.”<sup>18</sup> the author stated that the banking sector in India is making a concerted effort to increase the degree of financial inclusion in the system. Financial inclusion is defined as the process of ensuring access to timely and adequate credit and financial service by vulnerable groups at an affordable cost. A successful strategy for financial inclusion has to incorporate the lessons learnt from the past policies pursued under social banking. Under social banking credit to the vulnerable sections was used as a tool for poverty alleviation in the rural areas. There were many difficulties in recovery of the advances. Today we know that the viability

of a loan depends not only on credit but also on complementary activities like financial counseling, insurance, savings and other extension activities provided to the borrowers. Financial inclusion thereto has to go beyond the provision of credit to the poor”.

Prof. Mihir Shah, Rangu Rao and P. S. Vijay Shankar have taken the review of rural credit in 20<sup>th</sup> century India.<sup>19</sup> They concluded that “the rural credit in 20<sup>th</sup> century, India finds a remarkable continuity in the problem faced by the poor throughout the period. These include dependence on various money lenders and the operation of a deeply exploitative grid of interlocked imperfect markets. We articulate the theoretical and historical case for nationalisation of banks and provided evidence of its positive impact on rural credit and development. Certain excesses led to the reforms of the 1990s, which did increase bank profitability but at the cost of the poor and backward regions. While the microfinance institution model is unsustainable, the self help group bank linkage approach of M. F. can make a positive impact on security and empowerment of the disadvantaged. Much more than MF is however needed to overcome the problems that have persisted over the last 100 years”.

## **Concluding Remark**

This is in short the review of books, theses and articles. Only those books and articles have been reviewed by the researcher which has some relevance with the present study that is rural development, development of Agriculture, small entrepreneurs and Government sponsored schemes for poverty alleviation in urban as well as rural areas. Review of banking has many shades. The development of rural areas with agriculture

development and allied activities is one aspect of the developmental process. Touching to this aspect the review of literature is made.

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