

# A Study on the Role of Lead Bank Scheme in the Development of Economy

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## ABSTRACT

The economic development of a country is not possible without a sound system of banking. The banking sector has playing a crucial role in a developing economy. It serves as the engine of growth and development. A number of novel and innovative schemes and programs have been designated and implemented time to time. Among them, Lead bank scheme, 1969 plays a strategic role in the development of Indian economy. This study pointed out the role of Lead Bank Scheme is useful for the development of the economy. The scheme is giving priority to rural and semi urban areas. The function of the lead banks is to coordinate the efforts of all other banks, financial institutions and other development agencies for bringing about the overall development of the districts especially in the rural and semi urban areas. The District credit plan is an essential part of the Lead Bank Scheme. The district credit plan covers particularly the priority sector activities in rural areas.

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## 1. Introduction

India's economy is an agrarian, planned mixed and developing in character. The five year plans and recent structural adjustment programs and the economic reforms involving liberalization, globalization and privatization have successfully been transforming the social economic and commercial aspects in India. Though agriculture and industries enjoy the primary and secondary sector functions as the bedrock on which all the other hinge and thrive. Transportation, banking, power, education, health and trade are the strong pillars of this vital branch of the economy. The banking sector has a crucial role to play in all economic and commercial pursuits. It serves as the engine of growth and development. A number of novel and innovative schemes and programs have been designated and implemented. Among them, Lead Bank Scheme plays a strategic role in the development of Indian economy. The Lead Bank Scheme (LBS) introduced by Reserve Bank of India in December, 1969 was intended to bring, among other things, all round development by evolving a coordinated and planned approach to credit deployment with district as a unit. In April 1989, Service Area Approach (SAA) was dovetailed into the scheme to forge improved link in credit dispensation in villages assigned to bank branches.

## 2. Lead Bank Scheme

The Lead Bank is expected to assume leadership role and act as a Consortium leader of coordinating the efforts of the credit institutions and accordingly the various districts in the country were allocated among the public or select private sector banks, as the lead bank for the district. The main task of a lead bank is to conduct a survey in the district to evolve Annual Action Plan (AAP) for opening branches. Each lead bank is to prepare District Credit Plan (DCP) covering all possible bankable projects in the district and allocate Annual Credit Plan (ACP) targets among various banks and financial institutions in the district. The main function of the lead bank is to coordinate the efforts of all other banks, financial institutions and other development agencies for bringing about the overall

development of the district. The scheme now covers 648 districts in the country.

## 3. Need for the Study

The banking sector has playing a vital role in a developing economy especially in India. A dynamic and vibrant banking sector has emerged as a sector of the masses rather than that of the classes of these days. The lead bank scheme is giving priority to rural and sub-urban areas. The State Bank of India provides the lead bank scheme in Hanumangarh district. The primary purpose of the study is to investigate the developmental role of Lead Bank in the Hanumangarh District with a view to making an assessment of problems of the developing economy and giving concrete suggestions for its speedy development. Through the study, an attempt is made to evaluate the performance of Lead Bank Scheme covering all its aspects and pinpoint the limiting factors or the operational constraints in the implementation of the scheme. The study will also include the aspects of Financing priority sector, small scale sector and service sector. In brief this study has the sole objective of appraising the role of Lead Bank in Hanumangarh District.

## 4. Scope of the Study

This study is mainly confined to the lead bank scheme in Hanumangarh District. This study analyze the growth of lead bank scheme in deposits, advances, outstanding lending to priority sector.

## 5. Hypothesis of the study

The study seeks to analyze the size and quality of financial assistance provided by commercial and other banks under the Lead Bank Scheme in Hanumangarh District. It relates with the study of new dimensions of the banks' role in backward areas of Rajasthan, within this framework the study is based on the following hypothesis:-

1. Hanumangarh District is economically the most backward region of the State but at the same time

there is vast potential for the development in the district.

2. Commercial banks through their several schemes are providing credit facilities in priority, small scale and service sector.
3. The imbalanced flow of development finance has been the basic hurdle in faster growth of the district's economy.
4. The Lead Bank has to play an evolutionary and revolutionary role for the rapid development of district.

**6. Methodology**

To appraise the role of Lead Bank in detail in relation to the economic development of the district, the basic data have been collected from SBI-Lead Bank of Hanumangarh District. Similarly, in order to make a detailed and comparative analysis of the Lead Bank Scheme, an approach is necessary to look into the quantity and quality of financial assistance under various schemes. The basic literature published and unpublished, as prepared by the Lead Bank constituted the main source of paper. The research paper is also based upon the information and data drawn from the Annual Reports and Operational Statistics, compiled by the RBI, Lead Bank, RRBs and various agencies set up by the State Government. In order to go deeper into the problems, the researcher holds discussions with bank officials at the Regional office of the SBI, the Divisional Office, and the Head Office and at different branch offices in the district.

**7. Analysis and Interpretation:**

**Deposits of Lead Bank Scheme**

The Table 1.1 reveals that the deposits in lead bank scheme in Hanumangarh District during the period between 2015-16 and 2017-18.

**Table 1.1**  
**Agency Wise Bank Deposits in Hanumangarh District**  
**(Amount in '000)**

Agency	Hanumangarh		
	2015-16	2017-18	% increase
<b>Commercial Banks</b>	32849831	41526400	20.89%
<b>Regional Rural Banks</b>	2206660	2855500	29.40 %
<b>Cooperative Banks</b>	3440341	3695900	7.43 %
<b>Total</b>	38496832	48077800	24.89 %

Source: NABARD, Potential Linked Credit Plan 2019-20, Hanumangarh, p.7

Table 1.1 reveals that total bank deposits in Hanumangarh District increase by 24.89 per cent between 2015-16 and 2017-18. It is also revealed that maximum percentage was recorded in deposits by Commercial Banks in Hanumangarh district (20.89 per cent).

**Advances of Lead Bank Scheme**

The advances of lead bank scheme in Hanumangarh District during the period between 2015-16 and 2017-2018 shown in the Table 1.2.

**Table 1.2**  
**Agency Wise Bank Advances in Hanumangarh District**  
**(Amount in '000)**

Agency	Hanumangarh		
	2015-16	2017-18	% increase
<b>Commercial Banks</b>	65978700	78288700	18.66 %
<b>Regional Rural Banks</b>	71213	8558300	11917.89 %
<b>Cooperative Banks</b>	76713	10147000	13127.22 %
<b>Total</b>	66126626	96994000	46.68 %

Source: NABARD, Potential Linked Credit Plan 2019-20, Hanumangarh, p.7

Table 1.2 reveals that total bank advances in Hanumangarh District increase by 46.68 per cent between 2015-16 and 2017-18. It is also revealed that maximum percentage was recorded in advances by Cooperative Banks in Hanumangarh district (13127.22 per cent).

**Priority Sector Lending**

The Priority Sector Lending of lead bank scheme in Hanumangarh District as on 31<sup>st</sup> March, 2018 shown in the Table 1.3.

**Table 1.3**  
**Priority sector advances to Total advances by Bank Groups in**  
**Hanuamangarh district as on March 31, 2018**  
**(Amount Rs.'000)**

Bank Groups	Total Advances	Priority Sector Advances	Percentage of Total Advances
<b>CBs</b>	78,288,700	42,486,400	54.27
<b>RRBs</b>	8,558,300	7,949,600	92.89
<b>Cooperative Banks</b>	10,147,000	9,818,100	96.76
<b>Total</b>	96,994,000	60,254,100	-----

Source: Annual Credit Plan, Hanumangarh District, SBBJ (at present SBI), Lead Bank.

**8. Findings**

1. From the above table, we can conclude that Hanumangarh District is economically the most backward region of the State because of less deposit, advances and priority sector lending comparatively to other districts in state but at the same time there is vast potential for the development in the district.
2. Table 1.1, 1.2 and 1.3 shows that Regional Rural Banks (RRBs) and Cooperative Banks are more active than Commercial banks in rural areas of district. So it means Commercial banks through their several schemes are providing credit facilities in priority, small scale and service sector but lesser than other banks.
3. Above Tables reveal that there is no significant relationship between the deposits of the banks and advances of the banks. The total deposits increases only 24.89 % but total credit allowed by banks increases 46.68 % which shows the imbalanced flow of development finance.

## 9. Suggestions

Based on the analyses and findings of the study the following suggestions were provided by the researcher to explore the benefits of Lead bank scheme:

1. First of all, the Lead Bank Scheme (LBS) is useful and needs to continue.
2. The Bank officials should consider the power of the repayment of the beneficiaries before sanctioning the loan because of carelessness of bank officials there is a big gap between amount of deposits and advances.
3. The Bank Officials should take proper steps to recover the loan promptly to cover up this gap.

## 10. Conclusion

The banking industry in India has made considerable progress especially during the last four decades or so, to emerge as one of the accredited agencies of rural development with the necessary infrastructure created by opening branches in rural and unbanked areas. It is for the bankers and the government to devise innovative schemes like the Lead Bank Scheme to benefit the vast rural population. This study based on the Lead Bank Scheme has been a

rewarding experience in the sense that how far the various groups of banks in Rajasthan District are effectively participating in the Lead Bank scheme for the uplift of the District. The shrinking share of real priority sector, neglect of agriculture, falling number of accounts across the different categories of priority sector, loan recovery mechanism etc are some of the serious issues which need immediate attention of the policy makers. The overall analysis on Lead Bank Scheme is based on the sectoral growth of the economy as a whole. However, the analysis of LBS reveals that the banking industry needs to make radical changes on improving the share of credit to neglected sector of the economy. Therefore, creating an appropriate and feasible strategy for disbursement and repayment is an imperative step for future work and, as such, would make an important contribution to this pivotal field. It is expected that the new norms and measures defined under LBS would not only facilitate the banks to improve the share of priority sector lending substantially but also hitherto opened several avenues to disseminate credit for genuine growth and development of the disadvantaged sections of the society enabling them to move forward along the mainstream.

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