

**LEAD BANK SCHEME – A STRATEGY FOR ACHIEVING FINANCIAL INCLUSION****M. Bhuvana*, Dr. S. Vasantha**

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DOI: 10.5281/zenodo.53750**KEYWORDS:** Lead Bank Scheme, Financial Inclusion, Commercial Bank, Rural People, Priority Sectors, Bank Accounts.**ABSTRACT**

As per Reserve Bank of India, Financial inclusion can be called as facilitating financial and banking services to the low income group people especially in rural areas in a very low transaction cost. But the presence of Commercial Banks will not be possible in the unreached segments of all the districts in our country. Therefore Reserve bank of India has recommended to adopt Lead Bank Scheme in all the districts of our country to meet the credit needs of the rural people and improve the credit structure in lending priority sectors. This study has investigated the performance of various districts of Tamil Nadu as well as its corresponding lead banks towards implementing financial inclusion under lead bank scheme. The study has adopted secondary data by considering the district name, Lead Banks, Achievement of Number of Bank Accounts and Amount credited for the priority sectors like agriculture, small scale industries, etc. The study has also ranked and highlighted the district name that has achieved the highest percentage of bank accounts in its Lead Bank.

INTRODUCTION

The origin of Lead Bank Scheme was first introduced by the study group of Professor D.R.Gadgil for the implementation of social objectives by the organizational framework in October 1969. The report generated by this study group has stated that the credit needs of the rural people especially in the sectors of agriculture, small scale industries and services are highly neglected by the commercial banks due to their absence in the unreached rural areas. Therefore the study group of Professor D.R.Gadgil has recommended the Adoption of "Area Approach" with certain programmes and plan for the development of banking and credit facilities to the rural people. Later in November 1969, the Reserve Bank of India has appointed a Committee of Bankers on Branch Expansion Programme of public sector banks under the Chairmanship of Shri F. K. F. Nariman (Nariman Committee) to validate the report of Area Approach. It is finalized that each bank is allocated with certain districts to concentrate on the credit plans said to be called as Lead Bank of that particular district. In 1989 the Service Area Approach (SAA) were adopted in which villages are identified and bank branches are allocated to those villages based on their financial needs and distance from their residences. This Service Area Approach helps the small borrowers, farmers and low income group people could approach the branches of the lead bank to satisfy their credit requirements¹. By the year end of March 2009 there were nearly 26 commercial banks mostly public sector banks are assigned with lead responsibility over 622 districts in the country.

OBJECTIVES

1. To study the functions of lead bank scheme for financial inclusion.
2. To examine the achievement of lead banks in the various districts of Tamilnadu.

Functions of Lead Bank Scheme for financial inclusion

The term financial inclusion is said to be an access over financial and banking services to the people especially from the unbanked and unreached rural areas in the society. To fulfill these criteria, Reserve Bank of India has invented a strategy call as a "Lead Bank Scheme". Under this scheme each district were allocated with the bank called as a lead bank to meet the credit facilities of small borrowers, small business people and low income group rural people⁴. Rupa.K.N⁵ states that Lead Bank Scheme is designed to enhance the banking facilities for the rural



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poor and lending credits to the priority sectors. Lead Bank Scheme helps in allocating credit facilities for agriculture lending for purchasing the input of fertilizers in a timely manner⁶. The peculiar functions of Lead Bank Scheme instructed by Reserve Bank of India are listed below:

1. Examining the resources and ability for banking development in its district.
2. Scrutinizing the number of commercial, industrial units, farms and other organizations which does not have bank accounts and highly rely on the money lenders and expanding their resources through the formulation of surpluses from supplementary production financed from the banking system.
3. Inspecting the marketing facilities for industrial and agricultural production, space for warehousing and storage, connecting the credit linkage with marketing in the district.
4. Observing the provision given for stocking the fertilizers and other inputs of agriculture, refitting and servicing of machines & tools.
5. Recruiting staff members and providing sufficient training to them to cultivate the small borrowers and farmers about the credit insurance schemes, to follow up and inspecting them in end to use loans.
6. Promoting other ultimate lending agencies and
7. Conserving touch and collaboration with Government and quasi- Governmental Agencies.

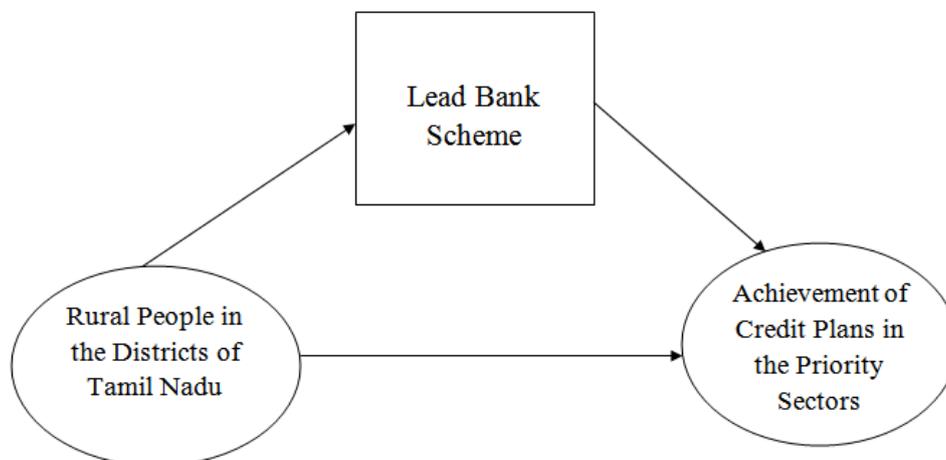
Duties of Lead Bank Manager

The responsibilities such as preparation of district credit plan (DCP) or Annual Action Plan (AAP) were given to the Lead Bank Manager. The main objectives of AAP or DCP are to destroy unemployment as well as underemployment and to improve the financial status of low income group people especially from the rural areas. The Lead Bank Scheme's effectiveness is highly relayed on the hands of Lead Bank Manager. The Lead Bank Manager is associated with certain roles and responsibilities to achieve the successful implementation of Lead bank Scheme that are listed below.

- Coordinating with the district collector,
- Supporting with Zonal or Regional offices for bank penetration in the district,
- Constructing District Developmental Plan.
- Preparing Annual Credit Plan for the Districts
- Monitoring Credit flow during the implementation of Annual Credit Plan
- Setting up of centers for Financial Literacy, Credit Counseling centers and Rural Self-Employment Training Institutes.
- Conducting Workshops bank and government employees with the participation by Non-Governmental Organizations (NGOs) to create banking awareness.

Conceptual Framework

Figure 1: Achievement of Credit Plans in the Priority Sectors by the Rural People through Lead Bank Scheme.



Sources: Authors Model



Lead Bank Scheme was introduced to each districts of Tamil Nadu with the district Lead bank of one of the Commercial Banks especially for the allocation of credit lending to sectors of agriculture⁷. Lead Bank Scheme has been designed to give more funds for the purpose of investing in priority sectors and to cover more people from low income group under this scheme with extending credit facilities in a simplified way⁸. The Commercial Banks did not have their adequate presence in unbanked rural segments in the society. The priority sectors such as agriculture and small scale industries were highly neglected to get their credit needs in a timely manner especially in the rural areas. The Reserve Bank of India has adopted the Study Group recommendation of “Area Approach” for the development of banking and credit structure in rural areas⁹. Research paper on “Performance of Lead Bank Scheme in Virundhunagar District in Tamilnadu” by A.Surendran and Dr B. Manoharan. Study mainly focus on Lead Bank Scheme and evaluates sector wise contribution in providing rural credit of commercial banks and Indian Overseas bank set by District Credit Plan¹⁰. The responsibility of lead banks is to identify the unbanked segments especially to cover the rural areas for satisfying their credit needs. Therefore every lead bank should prepare a District Credit Plan for developing the weaker sections our country¹¹.

Achievement of Lead Banks in the various districts of Tamil Nadu
Table 1: Annual Credit Plan 2015-16 District Wise Achievement from April 2015 to Dec 2015

District Name	Lead Bank	Total Priority						Rank
		Target		Achievement		Achievement (%)		
		No. Of Acc	Amt	No. Of Acc	Amt	No. (%)	Amt %	
Nagapattinam	Indian Overseas Bank	448010	24365722	2838964	474161	634	86	1
Kancheepuram	Indian Bank	343780	24169594	464215	1015225	135	109	2
Villupuram	Indian Bank	681038	30903311	787932	1294015	116	162	3
Pudukottai	Indian Overseas Bank	414108	22795783	475126	149564	115	123	4
Karur	Indian Overseas Bank	177035	19225263	193243	454964	109	114	5
Nilgiris	Canara Bank	70923	14866400	76075	310123	107	106	6
Dindigul	Canara Bank	83712	41423391	88414	529218	106	101	7
Coimbatore	Canara Bank	132225	91612825	135755	1050123	103	106	8
Krishnagiri	Indian Bank	272807	27980126	279175	393113	102	101	9
Madurai	Canara Bank	118468	52735756	121110	2321500	102	104	9
Thiruvannamalai	Indian Bank	84258	27981012	86262	524500	102	103	9
Dharmapuri	Indian Bank	377508	23833513	382062	651124	101	96	12
Erode	Canara Bank	206160	51965725	208219	1420340	101	108	12
Tiruppur	Canara Bank	133340	60900866	132913	565111	100	88	14
Kanyakumari	Indian Overseas Bank	579037	35606213	568756	1369582	98	106	15
Tiruvarur	Indian Overseas Bank	258981	20457352	253739	307347	98	102	15
Tirunelveli	Indian Overseas Bank	650066	45904274	618357	1227910	95	88	17
Tuticorin	State Bank Of India	327084	30326139	310635	725076	95	99	17
Sivaganga	Indian Overseas Bank	305510	33886310	278558	328642	91	102	19
Tiruchirappalli	Indian Overseas Bank	481519	43452650	436182	1416496	91	100	19
Ramanathapuram	Indian Overseas Bank	270148	21740022	237347	421758	88	87	21
Thanjavur	Indian Overseas Bank	364146	27131997	317263	267082	87	105	22
Perambalur	Indian Overseas Bank	172974	22771498	148377	416904	86	80	23
Tiruvallur	Indian Bank	263102	17897292	220995	672340	84	108	24



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Ariyalur	State Bank Of India	242620	12042001	188098	191271	78	99	25
Namakkal	Indian Bank	223432	27533904	174225	532150	78	101	25
Theni	Canara Bank	493303	38635596	383312	995807	78	75	25
Virudhunagar	Indian Overseas Bank	486981	34398209	382132	1017834	78	90	25
Salem	Indian Bank	360536	35197736	269066	455272	75	96	29
Cuddalore-	Indian Bank	465579	31277313	297045	915774	64	103	30
Vellore	Indian Bank	490940	47749969	282865	777346	58	77	31

DISCUSSION AND CONCLUSION

From the [Table 1] it can see that the district Nagapatinam has scored rank one out of all districts in Tamil Nadu by containing 2838964 of bank accounts in total priority sectors like Agriculture, Micro and Small Medium Enterprises (MSME), housing and education with the lead bank called Indian Overseas Bank. The District has scored very less percentage with least number of bank accounts say 282865 with Indian Bank as a lead bank when compared to all the districts of Tamilnadu. From the study it can seen that Lead Bank Scheme is said to be a greatest innovation developed and implemented by the Reserve Bank of India to identify and fill the credit gaps found in the priority sectors in our society. Moreover Lead Bank Scheme also acts as roadmap for the rural people to get their credit needs in a transparent and timely manner. Therefore the managers of the lead bank should also concern about the rural areas of their districts to serve the rural people especially from the unreached segments.

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