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- (ii) Identification of growth centres and opening of branches at those centres in collaboration with the other commercial banks.
- (iii) Meeting the credit gap existing in the district on a consortium basis with the other banks.

Thus the Lead Bank Scheme went a long way in making the banking system responsible for the development of the economy of the district. The aim was that the public sector banks would effectively stimulate the process of development by providing the scarce input, namely, timely and appropriate credit. And each of the districts would get the support of one or another bank so that the regional imbalances will be removed to a certain extent. Moreover, commercial expertise and efficiency that the banks possess in the appraisal of viable project was considered as one of the additional technical aids when the objective of the public sector banks was to provide need based credit.

Three and a half years have passed since the commencement of the Lead Bank Scheme. A great deal has been achieved in terms of branch expansion. The number of offices of commercial banks went up from 8,262 in June, 1969 to 14,739 in December, 1972. The State Bank of India opened 1,802 offices and the 14 nationalised banks opened 3,668 offices during the period. Moreover, branch expansion in rural and semi-urban areas have broken new grounds as will be evident from Table I.

TABLE I—INCREASE IN BANKING OFFICES BETWEEN JUNE 30, 1969 AND DECEMBER 31, 1972

				All commercial banks	State Bank of India	Fourteen nation- alised banks
Rural	..	..	..	3,493 (53.9)	910 (50.5)	2,053 (56.0)
Semi-urban	..	..	..	1,265 (19.5)	423 (23.5)	637 (17.4)
Urban	..	..	..	1,014 (15.7)	283 (15.7)	552 (15.0)
Metropolitan/port town	..	..	..	705 (10.9)	186 (10.3)	426 (11.6)
TOTAL	..	..	..	6,477 (100)	1,802 (100)	3,668 (100.0)

Source: Supplement on Banking Statistics, *Reserve Bank of India Bulletin*, April, 1973, pp. 4-5. Figures in brackets indicate percentages to the total.

Thus the task of building up the infra-structure for the implementation of the Lead Bank Scheme has progressed satisfactorily. A rise in advance to the priority sector from Rs. 439,37 lakhs in June, 1969 to Rs. 1,238,37 lakhs.

in September, 1972 indicates that the commercial banks have been trying to fulfil the tasks assigned to them as nationalised banks and under the Lead Bank Scheme. The differential rate of interest scheme has been introduced in the backward areas to help the weaker sections of the society. The banks are participating also in the Small Farmers Development Agency schemes, projects of the International Development Agency, projects of the State Electricity Board for the energization of tube-well, etc.

However, these can be regarded as a few steps forward towards the desired goals under the Lead Bank Scheme. And much remains to be done still. A very small proportion of the identified credit gap has been met by the commercial banks so far. There are clear indications that deposits mobilized in the rural and semi-urban areas are being diverted to the urban and metropolitan areas as will be evident from Table II.

TABLE II—DEPOSITS AND ADVANCES OF SCHEDULED COMMERCIAL BANKS
AS ON LAST FRIDAY OF JUNE, 1972

(lakh rupees)

					Number of offices function- ing	Number of offices reporting	Deposit	Advances	Credit- deposit ratio (per cent)
Rural	..	..	..	..	4,778	4,120	458,55	190,93	41
Semi-urban	..	..	..	..	4,364	4,025	1,669,10	682,78	41
Urban	..	..	..	..	2,482	2,247	1,768,28	1,136,94	64
Metropolitan	..	..	..	..	1,891	1,812	3,606,24	3,556,46	99

Source : Supplement on Banking Statistics, *Reserve Bank of India Bulletin*, April, 1973.

Similarly, funds are being diverted from the under-developed areas to the developed areas. Besides, the banks have been having surplus resources with them for quite sometime which continues even after raising of the liquidity ratio but they have not been able to divert that fund to the priority and preferred sectors where the credit gap is of considerable dimension. These indicate that the banks will have to struggle hard to reverse the historical trend of concentrating their activities in the developed regions and lending primarily to the traditional borrowers, otherwise they will increase the regional imbalance by mobilizing resources in one place and advancing in another place and intensify inequality by advancing to the privileged section from the resources mobilized from the common men.

This situation has arisen out of a number of factors. First the credit gap identified is not necessarily the demand for credit from the bank. There is the information gap—the small man hardly knows the facilities available

from the bank and the procedures to be followed for getting a loan. This is all the more true of the backward areas. The bankers also find that many of the persons approaching them cannot satisfy the terms and conditions for eligibility for bank loan, may be because of overdues that they have of co-operative loans or inability to get guarantors or for not having a viable project. It is also true that all farmers are not innovative and all unemployed young men do not have the necessary expertise for new ventures. Similarly, all branch managers are not having similar type of drive and initiative to explore new areas of bank loaning. Again the banks are not having adequate staff for financing to a large number of small borrowers. Lack of desired amount of co-operation from the block level sometimes blocks the progress of work. These difficulties are not insurmountable but nevertheless they pose serious practical problems that retard the progress of the scheme and hence the plan of area approach to development through the commercial banks. In fact it is a pity that many of the new branches opened by the commercial banks to cover the unbanked centres especially in the backward areas are not only unremunerative branches but are not getting enough business.

The banks are taking several steps to remedy such a situation such as decentralisation of power to have better control over administration, appointment of technical officers, creation of training facilities for different types of staff, formation of district level Consultative Committees and sub-committees for co-ordinating the activities of all the branches of commercial banks, and liaison with district authorities, preparation of business plan for each branch to apply the business acumen of the manager under expert guidance, adoption of villages for reaching the small farmers and for providing supervised credit, putting emphasis on need based credit and relaxing the existing requirements related to security, margins, etc., for feasible schemes, organizing farmers service societies to render composite type of services. However, the impact of all these measures have not yet been felt to the desired extent. All that can be said is that the banks have taken some steps in the right direction but these are to be made more rigorous and scientific so that the new aims and objectives of the banks are followed in the true spirit at all levels rather than doing things on a piecemeal basis to show some spectacular performance. In fact each unit in the well organized system is to be made effective to carry on the tasks assigned to it.

However, under the Lead Bank Scheme the banks are supposed to do something more than efficiently rendering banking services to a wider group of customers. This is effective participation in area development. The banks have conducted an overall survey of the districts allotted to them to assess the resources and potentials existing in the district, existing infrastructure facilities, development of the different sectors and development under the Five-Year Plan. Growth centres have been identified in the districts and branches of commercial banks are being opened at the growth centres. A rough estimate has also been made of the credit gap existing in the district.

The banks are engaged now in conducting surveys for formulating particular projects or surveying parts of the district for suggesting bankable projects. These will be useful for the banks to initiate a project approach. But while the banks should remain independent decision making units regarding their nature of participation in the process of development of the district, integrated area development would call for a comprehensive plan that will take into account the resource potential of the area and the best way of utilizing the resources among various alternative ways, taking into account all the technical and economic factors as well as availability of complementary inputs. This should be done by the district planning body on the basis of the feed back obtained from the State Government at various stages. This plan should not only give the financial targets under different heads but present areawise specific schemes. Given the overall plan for the district, the bank can decide where it fits in and can formulate projects of its own, being assured of the supply of complementary inputs such as electricity for energization of tube-well, poultry feed for establishing poultry farms, supply of fertilizers for high-yielding varieties of crops, etc.

It is also necessary to have a co-ordinated approach at the stage of implementation of the various projects taken up by the bank. Growth centres have been identified in the districts by the banks with a view to giving a broad coverage to the district with branches of commercial banks. But some of the growth centres are not having one or two essential items of infrastructure facilities such as roads, bridges, etc., though they serve as nerve centres for the hinterland that they serve. The district administration can expeditiously provide such facilities. A number of entrepreneurs approach the District Industries office for licences, this office can direct deserving cases for bank loans to the banks for their consideration. The commercial banks are not very well equipped now for bridging the communication gap already mentioned. The Block Development offices are already having good contacts with the local people through their extension workers. They can help the public and the bank by diffusing the right type of information regarding the facilities available from the banks because mass media does not have that much of effectiveness in rural society. Similarly, in the cases of hard borrowers the revenue authorities can help in recovery.

Last but not the least, what is necessary is to have time bound programmes and the entire system should be geared up in such a manner that no delay is involved at various stages of implementation. Because already the country is paying a high price for the delayed or partial implementation of the projects.