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# Role of Lead Bank Scheme on Area Development: A Study with Special Reference to Chandbali Block of Odisha

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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 after independence. A number of novel and innovative schemes and programmes have been designed and implemented. Among them, the Lead Bank Scheme (LBS) of 1969 plays a strategic role in the Indian economy. This has the objective of taking each and every district on the development path by reducing imbalances among regions and sectors. Lead Bank as the leader bank of the district coordinates the activities of banks, government offices and other stakeholders both at state level and district level. However, many structural and technological changes have taken place during recent periods. In the changed context of financial sector reforms, the validity of the scheme is being questioned in some quarters of the banking circle. The present research intends to study and throw light on the role of lead bank in area development. The impact of Government sponsored scheme on beneficiaries before and after utilizing the bank loan, in terms of income, asset and employment generation has been examined and evaluated in this research exercise.

**Keywords:** Financial inclusion, Lead Bank Scheme (LBS), Banking industry

**Introduction**

Financial exclusion is a Global Phenomenon. Each and every civilized country attempts to include its hitherto excluded poor and marginalized people on the development path. This is to make them participate in the developmental activities and to reap the benefits of development. Inclusion of deprived section will help to reduce poverty and socio-economic inequality. With that the economy can make use of hidden potential of vast majority of people. Financial exclusion is one of the reasons for poverty, unemployment, vulnerability (Chakravarty & Pal, 2013). To achieve inclusive growth financial inclusion is the useful tool deliberate to include hitherto excluded into the mainstream economy. In India multi model approach was taken up to accomplish financial inclusion. Among them bank led financial inclusion model is prominent one. The banking sector has been playing a crucial role in a developing economy (Das, 2001). A dynamic and vibrant banking sector has emerged as a sector of the masses rather than that of the classes these days. The balanced distribution of the bank branches could ensure both quantitative and qualitative improvements in the economy, at large. To overcome regional imbalance and prioritize lending, Service Area Approach was adopted (Levine, 2005). In order to optimize the benefits of the banks and serve the requirements of multi structuralism, an egalitarian approach has been well conceived and implemented throughout India from 1969 onwards.

Consequently, the Lead Bank Scheme was born and started bearing creditable fruits, particularly, in rural-dominated segments of the economy (Rabha, 2012). Lead bank as consortium leader coordinates the activities of banks, government offices and other stakeholders both at state level and district level. Lead Banks play coordinating role which encompasses all formal and informal financial institutions to provide banking services to common people. The banking institutions under the motivation and guidance of Lead Bank, implementing financial inclusion measures effectively to reach the hitherto unreached people.

### **Lead Bank Scheme**

Lead Bank Scheme is a unique model formulated by RBI to reduce imbalance among different regions and sectors existing in the economy. Lead Bank is the consortium leader and pace setter in providing integrated banking and credit facilities. Lead bank as a leader initiates, streamlines and accelerates the process of financial development of the allotted district, by invoking the support of other financial institutions in contact with Government and quasi Government agencies. Even with remarkable progress after nationalization of commercial banks, a wide gap is prevailing between demand and supply of credit. With the idea of targeted and focused banking, the Lead Bank scheme was initiated by Reserve Bank of India in Dec 1969 (Rajan, 2008). Lead bank as group leader, through different fora enhances banking facilities in rural areas, initiates and supports the coordinated efforts of both financial institutions and government agencies.

The Lead Bank Scheme (LBS) was introduced by Reserve Bank in 1969 when designated banks were made key instruments for local development and entrusted with the responsibility of identifying growth centres, assessing deposit potential and credit gaps and evolving a coordinated approach for credit deployment in each district in concert with other banks and other agencies. The LBS underwent into the scheme. Subsequently, as it was observed that the service area restrictions were a limiting factor for credit deployment, the restrictive provisions were removed in 2004, except for the Government Sponsored programmes (RBI, 2009). Over the five

decades since the introduction of the LBS, several changes have taken place in the country, especially after 1991 with the beginning of globalization and liberalization of the Indian economy. The reforms have encompassed all sectors including the financial sector. The commercial banks are much more focused today on their financials and have improved their competitiveness and efficiency. Their capital adequacy ratios and provisioning standards are as per the best international practices (RBI, 2010). Although priority sector obligations have continued to be in force for both private sector and public sector banks, attention has increasingly been drawn to the fact that large sections of the population remain outside the formal banking structure and the real and financial sectors continue to lag behind in certain regions. As at March 2018, there were 26 banks, mostly in the public sector, which have been assigned lead responsibility in 622 districts of the country.

### **Financial Inclusion and area development under Lead Bank Scheme**

The state of Odisha is though blessed with bounties of nature is reported to be suffering with socio-economic stagnation and cultural backwardness. Across political and academic spectrum there is no second thought on Odisha as one of the most backward state of India. Statistics prove it to be one of the most backward states of the country. However the questions arise as to why there is no decline in the poverty conditions of the state. Despite of having abundant reserve of rich natural resources why lakhs of Odia's migrate to other states and countries in search of livelihood. The question probably is very dear to every Odia's heart. Discussions in the regard appear in newspapers, reports of governments, non-governmental organizations, international bodies, academic and research institutions and so on. This chapter thus tries to understand the nature of Government sponsored Lead Bank Scheme specially aim at bringing the beneficiary families above the poverty line, by ensuring appreciable and sustained level of income over a period of time. An evaluation study is attempted to identify the problems connected with the implementation of the Lead Bank Scheme and analyse the prospects for development in future.

The present study is carried out with the spirit of exploration of facts and hence it is expected to present original and creative types of knowledge in this area. The impact of Government-sponsored scheme on beneficiaries before and after utilizing the bank loan, in terms of income, asset and employment generation will be examined and evaluated in this research exercise. The parameters, perspectives and problems pertaining to repayment and recovery of loans will also be highlighted.

### **Objective of the Study**

1. To assert the role of Lead bank in financial inclusion.
2. To evaluate the impact of Government sponsored Lead bank schemes on the beneficiaries before and after availing of the bank credit in terms of income, asset and employment generation.
3. To identify the factors influencing the repayment of loan by the borrowers
4. To offer suggestions on the basis of the findings of the study.
5. To suggest remedial measures for further improvement in the working of the Lead Bank Scheme.

### **Methodology**

In this study, both primary and secondary data were collected using interview schedule, field notes and observations, audio recording and transcribing, video documentation, digital photos, household diaries for livelihood monitoring, workshop summaries and reports.

At the beginning of the research a reconnaissance survey was made among the selected beneficiaries to get acquainted with the loan amount received, utilized and repaid. On the basis of the information gathered, a well-designed pre-tested interview schedule was drafted and used in the field survey to collect the primary data. Before undertaking the main survey, a tentative interview schedule was prepared and administered to 25 beneficiaries, in order to test the validity of the interview schedule. It facilitated the removal of the non-response and unwanted questions and the modified final schedule based on this were prepared administered for 193 beneficiaries of lead bank scheme in Chandbali Block.

Secondary data have been mainly collected from Annual Credit Plan of Lead bank in Bhadrak district, RBI bulletins, periodicals, government publications, journals, newspapers, published and unpublished thesis.

### **Results and Discussions**

The Government sponsored programmes under the Lead Bank Scheme specially aim at bringing the beneficiary families above the poverty line, by ensuring appreciable and sustained level of income over a period of time.

### **Profile of Sample Members**

The impact of any development programme depends upon the socio economic background of the respondents. The discussion of the socio economic background of the members has become an integral part of social endeavour. Since the beneficiaries belong mostly to weaker sections of the society, details of beneficiaries in terms of their social status are provided in this section. The socio economic variables such as age, education, occupation, nativity, community, religion, marital status, size of the family and type of the family are taken into account.

### **Age wise Distribution of Sample Members**

Regarding overview of respondent's age wise distribution of in selected Gram Panchayats of the Chandbali block of Bhadrak district it is evident that out of 193 respondents, 13.47 %(26) of respondents come under the age group of less than 30 years, 41.97 % (81) of respondents are in the age group of 30-40 years, 31.61%(61) of respondents belong to the age group of 40-50 years, and 12.95 %(25) of respondents are more than 50 years old.

### **Literacy level Wise Distribution of Sample Members**

The literacy level of an individual citizen provides ample opportunities of growth and development. Literates have better channels of activities to generate income and support themselves. In the present study out of 193 respondents, 13.47 %(26) are illiterates, 45.07 %(87) have completed their education up to High school level, 31.61 % (61) have

completed their education up to Under Graduation level and 9.84%(19) have finished their education up to Graduation level and above.

### **Marital Status wise distribution of Sample Members**

The significance of marriage is understood from the proverb that “Marriages are made in Heaven”. Marriage brings responsibilities to both men and women. In the present study out of 193 respondents, 67.35 % ( 130) are married, 25.91 % (50) are unmarried and the remaining 6.73 % ( 13) are widow or Divorced.

### **Monthly Income of Sample Members**

Income determines the purchasing power and standard of living of a person. A change in income indicates change in individual’s life. In the present study out of 193 respondents, 19.68 % ( 38) earns less than 5000, while 21.24 % (41) of the sample respondents belong to the income range of 5000-10,000 and 59.06 % ( 114) earns above 10,000 per month.

### **Occupational status of Sample Members**

The primary objective of the lead bank scheme is the upliftment of the poor who have the potential to contribute in the development process by undertaking economic activities. In the present study out of 193 respondents, 38.86 % (75) are engaged in agriculture and allied activities, 10.88 % (21) ) are engaged in seasonal business, 41.96 % (81) are engaged in petty business, 5.69 % (11) are doing private job while 2.59 % (5) members are doing Govt. job.

### **Family Size of Sample Members**

Family is one of the vital factors that influence the socio economic conditions of the respondents. Therefore, the number of members in the family is taken into consideration for analysis. It is observed from the present study that out of 193 respondents, 22.27 %(43) fall under small size families consisting of (1-3 members), 27.47 % (53) belong to medium size family consisting of (3-5 members), and 50.26 %(97) come under large size family having more than 5 members.

### **Impact of Lead Bank Scheme in selected Block**

Lead Bank Scheme (LBS) has been introduced to bring financial institutions & Government agencies together and to reach the benefits of banking to the poor. It is responsible for bank penetration at micro level because it adopts service area approach in banking sector development. Development in the districts was sought to be achieved by making banks the key instruments for local deployment of credit, entrusting them with the responsibility of locating growth centres, mobilizing deposits, and identifying credit gaps and evolving a coordinated programme for credit deployment in each district, in concert with other banks and credit agencies. In order to enable the banks to assume ‘leadership’ in an effective and systematic manner, the various districts in the country were allotted among the public/ selected private sector banks and each such bank was designated as the Lead Bank for the district concerned.

The Lead Bank was expected to work for expansion of branch banking facilities and assume a major role in the development of banking and credit in the allocated districts. UCO Bank is acting as Lead bank of Bhadrak district of Odisha. The current study intends to highlight the role of Lead Bank in promoting financial inclusion both at Bhadrak district and Chandbali block level. Under Lead Bank Scheme in Odisha, a series of inclusive steps are being taken to expand banking networks in rural and semi-urban areas to provide adequate banking facilities to hitherto unreached people. This has helped not only in increasing expansion of banking branches in the state, but also provided a platform for poor and marginalized population to inculcate the habit of using banking facilities.

An evaluation study is attempted to identify the problems connected with the implementation of the Lead Bank Scheme and analyse the prospects for development in future. 193 beneficiaries were interviewed through interview schedules to assess the income, asset, employment generation and recovery performance.

### **Awareness regarding Lead Bank Scheme**

It is evident from the analysis of the collected data regarding the awareness about Lead Bank Scheme it is evident that out of 193 respondents 48.71 % (94)

have awareness about lead bank scheme while 51.29 % (99) were not having awareness about lead bank scheme. This signifies there is lack of awareness about lead bank scheme among rural people.

### Reasons for getting loan

It is evident from the analysis of the collected data regarding the reason for availing loan under Lead Bank Scheme it is evident that out of 193 respondents, 44.55 % (86) have availed loan from banks because of lack of employment opportunities, while 30.56 % (59) of the sample respondents have availed loan from banks because previous employment was not profitable and 9.84% (19) of the sample respondents have availed loan from banks because they looked for an opportunity to use own skills and 15.02 % (29) of the sample respondents have availed loan from banks because of the alternatives of Government subsidy.

### Reasons for selecting the present venture

It is evident from the analysis of the collected data regarding the reason for selecting the present venture that out of 193 respondents, for 37.82 % (73) of the respondents the reason for selecting their present venture was influence of location, for 22.27 % (43) of the respondents it was demand for product for 19.17 % (37) of the respondents the reason was previous experience, for 13.47 % (26) of the respondents the reason for selecting their present venture was family business extension and for 7.25 % (14) of the respondents have selected because of other reasons .

### Employment, Income and Assets generation

The success of the scheme lies in its ability to generate additional Employment, Income and Assets to the beneficiaries, resulting in a chain of reinvestment returns, from the additional assets created. It could be seen from the data analysis there has been an increase in the Employment generation by 67%, Income generation by 89% and Asset creation by 71% of the respondents after getting financial assistance through Government sponsored programmes under Lead Bank Scheme.

### Repayment performance

Regarding the repayment performance of loan by the beneficiaries of the government sponsored programmes under the Lead Bank Scheme it is revealed that; out of 193 respondents; 65.28 % (126) respondents were able to repay loan in time, followed by 34.32 % (67) respondents told that they were unable to repay the loan in time.

### Conclusion

The Lead Bank Scheme provides leadership in initiating, streamlining and accelerating the process of development of the respective district. Lead bank is based on the principle of “one among all”. A particular bank should act as a group leader for all the banks in the selected district. The main objective of lead bank scheme is to extend more credit facilities to the identified priority sector and provide for the major elements of development, namely, infrastructure, extension and credit. It is the responsibility of lead bank to locate the growth centre, ascertain credit gaps in the area of operation, locate project areas and formulate development oriented bankable schemes. It prepares a credit plan to cater to the needs of the district in planned manner in collaboration with other financial institutions at the district level. The lead bank has assumed considerable responsibility for the development of the priority and neglected sector and weakest section of the backward sector. The present study emphatically proved the significant role of Lead Bank in expanding bank access and use among rural poor and positive impact beneficiaries by improving their economic, social and general condition.

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