

PERFORMANCE OF LEAD BANK IN AURANGABAD DISTRICT

The Bank of Maharashtra is having its Regional Head office at Aurangabad. It has a good net work of branches in entire Marathwada region. In Aurangabad district it has total 34 Branches of which 11 branches are in urban area, 5 semi urban and 18 in rural areas. It is a lead Bank for Aurangabad District covering 9 blocks. As a lead Bank the Bank of Maharashtra is evolved to provide an appropriate organizational framework for ensuring participation in a coordinated manner by the various financial institutions along with the concerned governmental agencies in assisting developmental efforts.

When the lead bank scheme was first introduced, no specific organizational setup was envisaged for the lead bank. But with the passage of time, for effective functioning many changes are made. The lead Bank officer is appointed, to assist him one Junior Officer and supporting staff is provided. Presently, there is District consultative committee which conducts the meeting for finalising various schemes. All the financial institutions, banks and the Government organizations are members of the committee. With the consultations of all the institutions Annual credit plan is prepared talukawise, blockwise, activity wise institution wise etc. and finally after completion of the year the review of the performance is taken to know the actual achievement.

Bank Branches

The District has good network of bank branches, At the end of 2006 out of 319 branches, the commercial Bank Branches were 134. RRBs 29, ADCC Bank Ltd, 145 and ADCARMD Ltd. were having 9 branches. It clearly shows that commercial bank branches and ADCC Bank occupied major position in the Net work of banking in the district.

Position of Deposits

The position of the Deposits of all the banks over a period of five years under lead bank scheme was as under:

Table No. 1.1
Deposits of the banks (2002-06) (Rs. Crores)

Sr. No.	Name of the Bank (Group)	2002	2003	2004	2005	2006
1	Commercial Bank	1341.00	1598.83	1700.03	1853.06	2126.22
2	R.R.Bs	196.00	122.12	153.71	147.79	130.59
3	Co-operative Banks	396.00	419.72	504.10	502.11	627.91
Total		1933	2140.67	2357.84	2502.96	2884.72

Source: Annual Credit Plan, Aurangabad District (2002-08).

From the above figures it clearly indicates that there is increase in the deposits over a period of five years. The deposits of RRBs were reduced from 196.00 crores in 2002 to 130.59 crores in 2006.

Position of Advances

The position of Advances of all the branches is as under

Table No. 1.2
Total advances by the banks (2002-06)

Sr. No.	Name of the bank group	2002	2003	2004	2005	2006
1	Commercial Banks	1088	1165.28	1279.48	1430.35	1301.99
2	RRBs	72	68.71	66.10	102.47	83.99
3	Cooperative Bank	737	642.30	649.57	620.05	805.27
Total		1897	1876.29	1995.15	2152.87	2191.25

Source: Annual Credit Plan, Aurangabad District (2002-08).

In the total advances, the share of commercial bank was 59.41%, RRBs 3.83% and Cooperative Banks it was 36.74% there is gradual increases in the advances of all the three banking groups.

Percentage of Advances to Deposits

Table No. 1.3

Percentage of advances to deposits (2002-06)

Sr. No.	Name of Bank Group	2002	2003	2004	2005	2006
1	Commercial Bank	81%	72%	75%	77.18%	61%
2	RRBs	67%	56%	43%	69.33%	64%
3	Cooperative Banks	185%	153%	129%	123.48%	128%
Total		98%	60%	84%	86%	76%

Source: Annual credit plan, Aurangabad District (2002-08).

From the above table it clearly shows that in case of commercial Banks and RRBs the percentage of advances to Deposits is going down day by day. It is the result of investment of Banks in other profitable sectors as the policy of liberalization announced by the Government.

Total credit and credit to priority sector

As per the directives of Reserve Bank of India the priority sector lending should not be less than 40% of the net advances. The position of total advances and priority sector lending is as under

Table No. 1.4

Total Credit and priority sector lending (2002-06)
(Rs. Lakhs)

Sr. No.	Year	Total Advances	Priority Sector Lending	Percentage
1	2001-02	1897.00	332.02	17.50%
2	2002-03	1876.29	185.06	9.86%
3	2003-04	1995.15	261.02	13.08%
4	2004-05	2152.87	491.53	22.83%
5	2005-06	2191.25	635.75	29.01%

Source: Annual credit plan, Aurangabad District (2002-08)

The above figures show that the percentage of priority sector lending is comparatively low in all the five years. However, it shows increasing trend after the year 2003-04.

Overall achievement of the lending Bank

The overall achievement of the target over a period of 5 years is as under.

Table No. 1.5

Overall target of achievements (2002-06)

Sr. No.	Year	Percentage (%)
1	2001-02	89%
2	2002-03	43%
3	2003-04	84%
4	2004-05	132%
5	2005-06	117%

Source: Annual credit plan, Aurangabad District (2002-08)

The achievement of target was in terms of distribution of amount to overall activities i.e. Agriculture, Non farm and other priority sector lending. The target was crossed only in 2004-05 and 2005-06. In rest of the years it was below the level of the targets laid down.

Sector wise achievements

The study is related to sector wise achievements of the target. In this study the achievement is discussed separately under the following groups.

Table No. 1.6

Sector wise achievements in terms of percentage (2002-06)

Sr. No.	Sector	2002	2003	2004	2005	2006
i)	Agriculture	105%	34%	63%	125%	70%
ii)	Non farm	22%	22%	55.02%	171%	168%
iii)	Other Priority sector	34.78%	98%	95%	124%	175%

	89%	43%	84%	132%	117%
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Source: Annual credit plan, Aurangabad District (2002-08)

The target of agricultural credit was crossed only in the year 2002 and 2005. In the year 2003 it was lowest i.e. only 34%. Similarly Non farm and other priority sector lending have shown variations over a period of five years.

Activity wise Achievements

The distribution of advances is also studied under the various activities i.e. crop loan, term loan, Allied activities, non farm Activities and other priority sector lending.

Table No. 1.7
Activity wise achievements (2002-06)

Sr. No	Activity	2001-02	2002-03	2003-04	2004-05	2005-06
i)	Crop loan	112%	29%	69%	103.19%	67%
ii)	Term loan	56%	64%	33%	261.14%	89%
iii)	Allied Activities	-	-	-	-	-
iv)	Non farm	22%	22%	187%	170.77%	168.25%
v)	Other priority	51%	95%	95%	123.65%	174.77%
Total		89%	43%	84%	132%	117%

Source: Annual credit plan, Aurangabad District (2002-08)

From the above table it is clear that there is vast variations in case of crop loan i.e. there is gap in achievement in the year 2002-03, 2003-04 and 2005-06. Similarly the term loan (inclusive of Allied activities) showed wide variations.

Government Sponsored Programmes

In case of SGSY the target achievement was more than 100% in all the five years. Regarding PMRY, only the year 2002 could cross the target. In remaining four years the target achievement was 87% in 2003, 77% in 2004 88% in 2005 and 87% in 2006. Regarding SGSRY the target achievement was just below 50%. Only in the year 2005-06 it was 60%.

SLRS, MPBCDC, LASDC, KUIB etc. also showed poor achievement in terms of percentage. It is because of verity of reasons, i.e. lack of awareness among the barrows,

complicated procedure of the banks, poverty of the borrowers, attitude of the employees, interference of the middleman etc.

Over dues

All the banking institutions are facing serious problem of recovery of advances given under priority sector lending. The position shows that in the year 2006, the total overdues were 43.83%. The percentage of overdues was 64.89% on 30.6.2003. Agriculture sector recorded highest overdues in all the years, the overdues were 72.15% in the year 2006. In case of SSI the recovery of advances was 50% in 2003 and 72.96% in 2006 and in case of other priority sector; the recovery percentage was above 50%.

The causes of over dues are poor quality of loan appraisal, saturation of activities, ineffective follow up of loans by bank branches due to paucity of staff, inadequate services by the Government Agencies, lack of awareness among borrowers, too much insistence on quantitative achievement of target disregarding qualitative aspects, lack of systematic monitoring of recovery efforts, delay in receiving cotton and sugarcane payments by the farmers etc.

Overall Conclusions

On the basis of the information available and after making the analysis of the figures the following conclusions have been drawn.

- 1) There are nine blocks in the District. The total population is 29.20 lakhs of which 18.34 lakhs is occupied by rural area and 10.86 lakhs by urban. The ratio of rural to urban is 18:10.
- 2) There are 319 bank branches in the district of which 188 are located in rural area; the average population per branch is 7003.
- 3) Total Deposits on 31.12.2005 were 3548.21 crores and total advances were 4235.73 crores. The C. D. Ratio is 119.37%. There is an increasing trend of deposits as well as advances.

- 4) There is uneven distribution of bank branches in the district. Aurangabad block was having 116 branches, Khultabad 14, Kannad 35, Soegaon 14, Sillod 40, Paithan 32, Gangapur 34 and Vaijapur 34. It shows the need of opening new branches in remaining 8 blocks.
- 5) There are 95 urban banks branches, 36 Semi urban and rural areas are having 188 branches. If the population is considered there is a need to open new branches in rural areas.
- 6) There is a lack of irrigation facilities. The irrigated area is about 15.30% of net cropped area. Irrigation by dug well is 944 and irrigation by surface water is 174. There is a need to bring more and more land under irrigation.
- 7) Out of the total co-operative dairy societies 50% are not functioning, there is a need to make them viable units through micro-finance system.
- 8) The amount of priority sector lending is showing increasing trend every year. The share of agricultural loan is highest as compared to other priority sectors.
- 9) The achievement of the target as regards to distribution of advance is satisfactory after the year 2003-04 only.
- 10) In case of the Government sponsored schemes, only SGSY could cross the target, other schemes were below the target laid down every year.
- 11) The recovery of advances given for agriculture sector is quite unsatisfactory.

Overall Suggestions

Bank of Maharashtra is working as a lead bank for Aurangabad district. It has introduced various schemes under lead bank scheme as per the directives of R.B.I. It has achieved success in many fields; still there are some shortcomings in the implementation process. To make lead bank scheme more successful the following suggestions are made.

- 1) New branch offices of the banking institutions should be opened in rural as well as semi-urban areas.

- 2) Instead of passive observer Government agencies should play an important and active role in the recovery drives arranged by the banks.
- 3) More attention should be given to create awareness among villagers. They should be given proper understanding, education and training about the schemes.
- 4) Publicity and propaganda regarding recycling of funds of banks should be made.
- 5) Village level Government functionaries should be made more active in the implementation of the various Government sponsored schemes.
- 6) There should be effective tie-up arrangement with the agencies already existing e.g. market committees, Sugar factories, milk cooperative societies etc.
- 7) More cooperation is expected from, local leaders, voluntary agencies, people and Representatives of Government department and other agencies.
- 8) Mass education to the borrowers about the various schemes should be provided, for which frequent meeting of bank officials with the villagers should be arranged.
- 9) The bank should adopt quality approach instead of quantity approach.
- 10) The viability of the projects should be properly assessed then only the loan should be sanctioned.
- 11) The middlemen local leaders should not be entertained by the bank authorities. There should be direct liaison between bank and borrowers.
- 12) It has been found that the recovery of advances is more effective if the responsibility is give to the groups. In this regard the SHGS should be encouraged.
- 13) There should be proper coordination between lead bank and other institutions.
- 14) Sincere and systematic efforts should be made to make the recoveries of the advances given under different schemes.

- 15) Incentives should be given to those who make prompt repayment of the loan installments.
- 16) Some changes are necessary in our legal system also so that the percentage of defaulters will come down. Simplified procedures, speedy disposal of the cases, special courts for recovery are some of the remedies.
- 17) Trained and skilled staff should be deputed for the schemes which come under priority sector lending.
- 18) Those who are willful defaulters for them there should be a system which will compel them to make the repayment of loans in time.
- 19) Mis-use of funds given under priority sector lending should be curtailed for which the strong system covering all the aspects should be introduced. All the leakages should be properly controlled.

In brief some of the suggestions which are necessary for making the priority sector lending are more effective. The purpose of priority sector lending under lead bank scheme is to bring the below poverty level population at par with others. Mere distribution of amount and fulfillment of the targets is not sufficient. There should be proper utilization of funds distributed under such schemes. Every factor which is related with such schemes should be serious about proper utilization and recovery of advances. It should not be a programme of the Government but in the real sense, it should be the activity of the masses.

Concluding Remarks

The lead bank scheme was introduced to our economy with some social objectives, i.e. bringing the below poverty level population at par with others. The lead bank is expected to assume the major role in the development of banking and credit in allocated district. It should involve the cooperation of all the banks and other financial institutions operating in the District for opening branches as well as for meeting credit needs. It has to conduct the survey to estimate credit gap and identify growth centres. It has to formulate bankable schemes and credit plans for the district.

Bank of Maharashtra is actively working as a lead bank for Aurangabad district since 1969, Aurangabad district is having agriculture as a predominant activity hence the major share of plan provision is made in all the annual credit plans. About 40% to 48% share has been allocated to agriculture, about 7% to 9% is allocated to non farm sector and about 38% to 43% is allocated to employment generation programmes for retail and small business and to self employed persons.

The Government sponsored schemes like SGSY, PMRY, SJSRY and schemes of all backward class development corporation and other related programmes have been covered with adequate financial allocation to create self employment to large numbers. The schemes are actively implemented in 9 blocks of the district. Through these schemes employment opportunities have been created for unemployed persons.

In spite of the above facts there are some short comings in the functioning of lead bank schemes still there is a wide gap between credit demand and credit supply. There is uneven development of banking institution and other agencies. There are many lacunas in the implementations of the various programmes and schemes. With the suitable appropriate remedial measures and active cooperation of all the agencies including borrowers, leaders, Government agencies etc. the various activities/programmes under lead bank schemes can be made more successful. Bank of Maharashtra after considering the need of training, for the young generation decided to start one institute.

Mahabank Self Employment Training Institute (M-SETI) has been established at Pune for giving training to the unemployed persons, so as to promote new entrepreneurship. Many courses are offered to the young unemployed persons. From the year 2003-04 to March 2007, 595 persons were trained through this institute. They have established new 423 units. All the branch managers are advised to extend finance help to MSETI trained candidates with preference. Thus the bank has placed one step ahead in this area, as to create new employment opportunities.

Finally we conclude that the scheme of priority sector lending is an important step towards the object of social welfare as has been laid down in the constitution. The Directives of Reserve Bank of India clearly state that 40% advances should be given to the priority sector and responsibility is given to the lead bank which is established in

each district. It is the experience that the target is completed by the agencies, but whether the funds have been properly utilized or not, that is an important issue. If there is mis-use of funds and if there is no control over the activities of the borrowers the lead bank scheme will never become successful. To make it more fruitful, there should proper co-ordination among the various agencies involved in lead bank scheme.

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