

## A Study on Achievement of Priority Sector Lending Under the Lead Bank of the Ahmednagar District

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### ABSTRACT

For growth of Indian economy there is necessity of fulfillment of credit needs and mobilization of funds and need to offer credit facility to the people. Reserve Bank of India has taken program in progress by introducing lead bank scheme in 1969. The main aim behind it was to provide credit to rural area for growth of businesses, agricultural activity and consequently financial development of that area. The lead bank prepared District Credit Plans for a period of three years and also Annual Credit Plan every year. The Lead Bank for Ahmednagar District is Central Bank of India. The research study includes study of sector wise credit allocation in Ahmednagar district for the year 2010-11 to 2014-15.

**Key words:** lead, bank, district, credit, plan

### INTRODUCTION

*“Our banks must adopt a new attitude be-friending the poor and taking the benefits of progress to the rural areas and become agents of change and development.” -Smt.Indira Gandhi*

The National Credit Council (NCC) appointed a study group on the organizational framework for the implementation of social objectives in Oct 1968 under the Chairmanship of Prof. D R Gadgil. The Banking requirements of the rural in general and backward areas in particular were not attained by the Commercial Banks. Hence, the study group recommended the adoption of an area approach for filling the credit gaps in rural area. On the basis of the recommendations of both the Gadgil Study Group and Banker's Committee (Nariman Committee) Reserve Bank of India introduced the “Lead Bank Scheme” in 1969. To facilitate banks to think their lead role in an effective and systematic manner, all districts in the country were allotted among Public Sector Banks and a few Private Sector Banks. The Lead bank role is to perform as an association leader for co-coordinating the efforts of all credit institutions in the allotted districts for growth of banking services and for meeting the credit requirements of the rural economy.

### OBJECTIVES OF THE STUDY

1. To study lead bank scheme in India.
2. To study the lead bank of Ahmednagar district.
3. To analyze the performance of the lead bank of Ahmednagar district.

### SCOPE OF THE STUDY

As the Ahmednagar district is the geographically largest district in the Maharashtra state, this study is mainly confined to the lead bank scheme in the Ahmednagar district. Central Bank of India is the lead bank of Ahmednagar district. This study analyzes the performance of the lead bank of Ahmednagar district.

### LEAD BANK SCHEME

The first job of a lead bank is to carry out an assessment in the district to develop an action plan for opening bank branches. Every lead bank used to prepare district credit plan by considering all potential bankable projects in the district and assign credit plan targets among various banks and financial institutions in the district. The function of the lead banks is to co-ordinate the efforts of all participated banks, financial institutions and other development agencies in the concern district for bringing about the overall development of the districts. The lead bank scheme now covers 624 districts in the country.

### FUNCTIONS OF THE LEAD BANK

In order to achieve the objectives behind the introduction of Lead Bank Scheme, the Reserve Bank of India spelt out the following functions to be performed by the Lead Bank.

1. To survey the resources and potential for banking development in the allotted district.
2. To examine the facilities or services for marketing of agricultural produce and industrial production.
3. To recruit and train staff for offering advice to small borrowers and farmers in the priority sectors and for the follow-up and inspection of the end use of loans and assist other primary lending agencies.

### ROLE OF LEAD DISTRICT MANAGER IN THE DISTRICT

1. Collection of various data from Scheduled Commercial Banks, Regional Rural Banks, Co-operative Banks, other banks and various government agencies.
2. Drawing up the road map for banking penetration and Preparation of Annual Credit Plan for the concern district.
3. Monitoring implementation of district annual credit plan and various Government Sponsored Schemes in the district.
4. Associate with organizing financial literacy camps by Financial Literacy Centers (FLCs) and rural branches of banks.
5. To raise the issue in order to inform necessary infrastructure in order to achieve Annual Credit Plan effectively.
6. Play a leading role in poverty alleviation programs launched by the State/Central Government.
7. Holding annual sensitisation workshops for banks and Government officials with participation by NGOs/Panchayati Raj Institutions (PRIs).
8. Arranging for quarterly awareness and feedback public meetings, grievance redressal etc.

#### *Lead Bank Activity in Ahmednagar District:-*

On 21st December 2011, Central Bank of India completed its 100 years of successful progress. Central Bank of India is India's first bank, which was established by the Indian for the Indians. Central Bank of India can be really described as an all India Bank, due to distribution of its large network in 27 out of 29 states as also in 3 out of 7 Union Territories in India. Central Bank of India holds a very significant place in the public sector banks on account of its network of 3656 branches and 178 extension counters at various centers throughout the country. In Maharashtra state, 7 districts are allotted to Central Bank of India under Lead Bank Scheme and Ahmednagar district is one of allotted district. As per Reserve Bank of India's guidelines of Lead Bank Scheme, 'Financial inclusion' project is running in Ahmednagar district. Under this all household of all villages in district suppose to open an account in nearest bank branch. Objective behind this is to provide banking service to everyone in the district. Average population served by per bank branch in Ahmednagar district is 7,597 while average population in rural areas served by per service area branches of commercial banks is 14,838. In financial inclusion along with the opening of account other services are provided by the lead bank of Ahmednagar district to the people like establishment of SHG, give loan to SHG, establish farmer groups in different villages, give loan to rural and small workman, give benefit of insurance policy.etc. Various banks have formulated farmer group in different areas. These groups are registered with NABARD and getting various grants from NABARD. As per the Reserve Bank of India Central Bank of India, the lead bank of Ahmednagar district started financial literacy centre and loan counseling Center.

Analysis:

**Table 1:** Performance of Lead Bank of Ahmednagar District

(Amt in Crore)

Particular	Year 2010-11			Year 2011-12		
	Target	Achieved	% Achieved	Target	Achieved	% Achieved
1.Crop Loan	918.99	760.87	82.79	1280.75	938.24	73.26
2.Agri Term Loan	813.69	202.69	24.91	976.30	182.58	18.70
Total Agri. Loan	1732.68	963.56	55.61	2257.05	1120.82	49.66
3.SSI/NFS	240.21	235.28	97.95	312.04	431.85	138.40
4. OPS	330.67	318.36	96.28	413.59	618.04	149.43
Total Priority Sector Lending	2303.56	1517.20	65.86	2982.68	2170.71	72.78
5.NPS	938.85	1329.87	141.65	1032.74	1295.89	125.48
<b>Grand Total</b>	<b>4975.09</b>	<b>3810.63</b>	<b>76.59</b>	<b>4015.42</b>	<b>3466.60</b>	<b>86.33</b>

(Source: Annual Credit Plan Ahmednagar district, Central Bank of India, Lead Bank)

**Table 2:** Performance of Lead Bank of Ahmednagar District

(Amt in Crore)

Particular	Year 2012-13			Year 2013-14		
	Target	Achieved	% Achieved	Target	Achieved	% Achieved
1.Crop Loan	1610.13	1871.00	116.20	2416.48	1823.65	75.47
2.Agri Term Loan	1220.67	150.10	12.30	1461.02	324.27	22.19
Total Agri. Loan	2830.80	2021.10	71.40	3877.50	2147.92	55.39
3.SSI/NFS	374.65	96.50	25.76	561.83	648.54	115.43
4. OPS	794.56	209.48	26.36	1094.17	489.06	44.71
Total Priority Sector Lending	4000.01	2327.08	58.18	5533.50	3285.53	59.00
5.NPS	1239.29	590.68	47.66	1511.93	629.80	42.00
<b>Grand Total</b>	<b>5239.30</b>	<b>2917.76</b>	<b>55.69</b>	<b>7045.43</b>	<b>3915.33</b>	<b>55.57</b>

(Source: Annual Credit Plan Ahmednagar district, Central Bank of India, Lead Bank)

#### Interpretation:

Above table shows the sector wise credit targeted and achieved for the year 2010-11 to 2013-14 of Ahmednagar district under the lead bank scheme. Percentage achieved is calculated for each sector in the given year.

### FINDINGS

1. Achievements of credit disbursement in agriculture and allied sector are continuously fluctuating and it is because of low disbursement in agricultural term loan. In the year 2012-13 shows maximum achievement in crop loan disbursement which is 116.20 % than targeted.
2. The average targeted achievement of credit disbursement in SSI sector during the study period is 94.38 %
3. Achievement of credit supply to Other Priority Sector is maximum than any other sector in the year 2011-12.
4. Non Priority Sector lending drastically declined after 2011-12 from 125.48 % achievement to 47.66% achievement than targeted in the subsequent year.
5. During the year 2011-12 all sectors achieved more than 100% targets except agriculture and allied sector.

### CONCLUSIONS

The main function of the lead banks is to identify the unbanked areas and take necessary actions for opening of bank branches to decrease the imbalances in the banking facilities across the district. Lead bank have to prepare district credit plan, by consisting of feasibility for the progress of the districts. Lead bank of the district acts as a bridge between banking and other developmental agencies in the country. No doubt the Lead Bank has a greater impact on economic development of the nation.

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