

Analytical study on Performance of the Lead Bank of 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, Ahmednagar District.

1. 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.

2. OBJECTIVES OF THE STUDY:

- To study lead bank scheme in India.
- To study the lead bank of Ahmednagar district.
- To analyze the performance of the lead bank of Ahmednagar district.

3. 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.

4. 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.

5. 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.

- To survey the resources and potential for banking development in the allotted district.
- To examine the facilities or services for marketing of agricultural produce and industrial production.
- 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.

6. ROLE OF LEAD DISTRICT MANAGER IN THE DISTRICT:

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

7. 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.

8. ANALYSIS:

Table No.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
Grand Total	4975.09	3810.63	76.59	4015.42	3466.60	86.33

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

Table No.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
Grand Total	5239.30	2917.76	55.69	7045.43	3915.33	55.57

(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.

9. FINDINGS:

- 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.
- The average targeted achievement of credit disbursement in SSI sector during the study period is 94.38 %
- Achievement of credit supply to Other Priority Sector is maximum than any other sector in the year 2011-12.
- Non Priority Sector lending drastically declined after 2011-12 from 125.48 % achievement to 47.66% achievement than targeted in the subsequent year.
- During the year 2011-12 all sectors achieved more than 100% targets except agriculture and allied sector.

10. 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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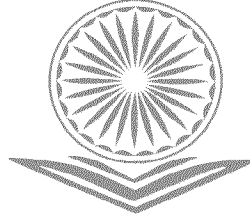
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1. Impact of globalization on management of Retail trade Practice in India

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Abstract

An Overview of the Retail sector

A look at the statistics shows that the retail sector in India is worth USD 394 billion and is growing at the rate of 30% annually. An ICRIER study has found that retailing (\$180 billion) contributes to 10 per cent of GDP and employs 7 per cent (21 million) of the workforce. According to AT Kearney, India is given the top ranking as the next foreign investment destination, as markets like China become increasingly saturated⁴. India is the 4th largest economy as regards GDP (in PPP terms) and is expected to rank 3rd by 2020 just behind US and China¹. Over the past few years, the retail sales in India are hovering around 33-35% of GDP as compared to around 20% in the US. The table gives the picture of India's retail trade as compared to the US and China.

Introduction

Large Indian players like Reliance, Ambanis, K Rahejas, Bharti AirTel, ITC and many others are making significant investments in this sector leading to emergence of big retailers who can bargain with suppliers to reap economies of scale. Hence, discounting is becoming an accepted practice. Proper infrastructure is a pre-requisite in retailing, which would help to modernize India and facilitate rapid economic growth. This would help in efficient delivery of goods and value-added services to the consumer making a higher contribution to the GDP.

International retailers see India as the last retailing frontier left as the China's retail sector is becoming saturated. However, the Indian Government restrictions on the FDI are creating ripples among the international players like Walmart, Tesco and many other retail giants struggling to enter Indian markets. As of now the government has allowed only 51% FDI in the sector to 'one-brand' shops like Nike, Reebok etc. However, other international players are taking alternative routes to enter the Indian retail market indirectly via strategic licensing

agreement, franchisee agreement and cash and carry wholesale trading (since 100% FDI is allowed in wholesale trading).

How has the Indian consumer changed over the years?

There has also been a shift from price considerations to designs and quality as there is a greater focus on looking and feeling good (apparel as well as fitness). At the same time, the Indian consumer is not beguiled by retail products which are high on price but commensurately low on value or functionality. However, it can be said that the Indian consumer is a paradox, where the discount shopper loyalty takes a backseat over price discounts.

An average Indian would see a mall as a perfect weekend getaway with family offering them entertainment, leisure, food, shopping all less than one roof.

Indian consumer is also witnessing some changes in its demographics with a large working population being under the age group of 24-35. The emergence of a larger middle and upper middle classes and the substantial increase in their disposable income has changed the nature of shopping in India from need based to lifestyle dictated.

FDI in Retail

The only opening in the retail sector so far has been to allow 51% foreign stakes in single brand consumer stores, private labels, high tech items/ items requiring specialized after sales service, medical and diagnostic items and items sourced from Indian small sector (manufactured with technology provided by the foreign collaborations).

Thus it can be said that this investment boom could change the face of Indian retail by offering quality goods at lower prices to the consumers. In addition to this, the presence of global retailers will further enhance exports from India as they would also source Indian goods for their international outlets in a big way leading to a remarkable increase in Indian exports.

Segment Analysis

The structure of Indian retail is developing rapidly with shopping malls becoming increasingly common in the large cities and development plans being projected at 350 new shopping malls by 2020. With the introduction of organized retail, it has been noticed that the sale of Basmati rice has gone up by four times than it was a few years back; as a superior quality rice (Basmati) is now available at almost the same price as the normal rice at a local kirana. Thus, the way a product is displayed and promoted influences its sales. If the consumption continues to grow this way it can be said that the local market would go through a

metamorphoses of a change and the local stores would soon become the things of the past or restricted to last minute unplanned buying.

Food and Grocery Retail

The food business in India is largely unorganized adding up to barely Rs. 40,000 crore, with other large players adding another 50% to that. The All India food consumption is close to Rs. 900,000 crore, with the total urban consumption being around Rs.330,000 crore. This means that aggregate revenues of large food players is currently only 5% of the total Indian market, and around 15-20% of total urban food consumption. Most food is sold in the local 'wet' market, vendors, roadside push cart sellers or tiny kirana stores. According to McKinsey report, the share of an Indian household's spending on food is one of the highest in the world, with 48% of income being spent on food and beverages.

Apparel Retail

The ready-mades and western outfits are growing at 40-45% annually, as the market teems up with international brands and new entrants entering this segment creating an Rs.500 crore market for the premium grooming segment. The past few years has seen the sector aligning itself with global trends with retailing companies like Shoppers' stop and Crossroads entering the fray to entice the middle class. However, it is estimated that this segment would grow to Rs. 300 crore in the next three years.

Gems and Jewellery Retail

The gems and jewellery market is the key emerging area, accounting for a high proportion of retail spends. India is the largest consumer of gold in the world with an estimated annual consumption of 1000 tonnes, considering actual imports and recycled gold. The market for jewellery is estimated as upwards of Rs. 65,000 crores.

Pharma Retail

The pharma retailing is estimated at about Rs. 30,000 crore, with 15% of the 51 lakh retail stores in India being chemists. According to Vikas Bali, Principal, A.T. Kearney (India) Ltd, "Pharma retailing will follow the trend of becoming more organised and corporatised as is seen in other retailing formats (food, apparel etc)". A few corporates who have already forayed into this segment include Dr Morepen (with Lifespring and soon to be launched Tango), Medicine Shoppe, Apollo pharmacies, 98.4 from Global Healthline Pvt Ltd, and the recently launched CRS Health from SAK Industries. In the south, RPG group's Health & Glow is already

in this category, though it is not a pure play pharma retailer but more in the health and beauty care business.

Music Retail

The size of the Indian music industry, as per this Images-KSA Study, is estimated at Rs.1100 crore of which about 36 percent is consumed by the pirated market and organized music retailing constitutes about 14 percent, equivalent to Rs.150 crore.

Book Retail

The book industry is estimated at over Rs. 3,000 crore out of which organized retail accounts for only 7% (at Rs.210 crore). This segment is seen to be emerging with text and curriculum books accounting to about 50% of the total sales. The gifting habit in India is catching on fast with books enjoying a significant share, thus expecting this sector to grow by 15% annually ¹¹.

Consumer durables retail

The consumer durables market can be stratified into consumer electronics comprising of TV sets, audio systems, VCD players and others; and appliances like washing machines, microwave ovens, air conditioners (A/Cs). The existing size of this sector stands at an estimated USD 4.5 Billion with organized retailing being at 5%.

As noticed in the figure above, the organized retail penetration (ORP) is the highest in footwear with 22% followed by clothing. Though food and grocery account for largest share of retail spend by the consumer at about 76%, only 1% of this market is in the organized sector. However, it has been estimated that this segment would multiply five times taking the share of the organized market to 30 percent in the coming years.

Industry analysis of the Indian retail sector:

In the coming years it can be said that the hypermarket route will emerge as the most preferred format for international retailers stepping into the country. At present, there are 150 hypermarkets operated by four to five large retailers spread across 67 cities catering to a population of half-a-million or more. Estimates indicate that this sector will have the potential to absorb many more hypermarkets in the next four to five years

Apart from metro cities, several small towns like Nagpur, Nasik, Ahmedabad, Aurangabad, Sholapur, Kolhapur and Amravati as witnessing the expansion of modern retails. In order for the market to grow in modern retail, it is necessary that steps are taken for rewriting

laws, restructuring the tax regime, accessing and developing new skills and investing significantly in India.

Business analysis of the Indian retail sector:

Asian markets are considered attractive for retail as per the AT Kearney's report; India is being placed on the radar by the USA and UK. Global giants like Tesco and Walmart are experimenting with various options to enter India. One possibility for Walmart would be to open Sam's club wholesale business through a joint venture and sell strictly to other retailers. On the other hand, Tesco is planning to get into a partnership with Home Care Retail Mart Pvt. Ltd expecting to open 50 stores by 2020.

Merger and acquisition activity:

India witnessed a record number of M&A deals in the first half of 2006, which were collectively worth USD 25.6 billion. A significant number of deals have being carried out in the Indian retail sector in the past few months in order to acquire a larger share in the growing domestic market and to compete against the prospective global and domestic players.

Business models for entry in Indian markets:

Due to the FDI restrictions the international players are looking for alternative avenues to enter the Indian markets. The chart below shows the current formats permitted by the Government of India for the international players.

Employment opportunities in this sector:

The Indian retail sector offers an economic opportunity on a massive scale both as a global base and a domestic market. This sector yields many positive results like generating more jobs and bringing numerous goods to the consumers at reasonable prices. According to Ernst &Young's report 'The Great Indian Retail Story' this sector is expected to create 2 million jobs by 2020. The next few years are expected will see the sector offering new jobs to 50,000 young graduates and diploma holders.

What makes foreign firms come to India?

India has the youngest population in the world, with large population between 20-34 age groups in the urban regions boosting the demand. All these factors have tempted the foreign firms such as Walmart, Tesco and Carrefour to enter India. India is now firmly placed on the US and UK radars as US retailers are gradually realizing the potential of the retail and consumer goods sector. The timing is the most important source of competitive advantage for global and

regional retailers in the globalization race. Knowing when to enter emerging retail markets is the key to success.

A look at the rural retailing:

More than half of retail market in India is in the rural areas (55%); although share of urban market is increasing by almost 5% every 8-10 years. Accommodating almost two-third of the country's consumers and generating almost half of the national income, the rural India offers tremendous opportunities for organized retailers which many companies have failed to access. According to the study conducted by NCEAR, the number of 'lower middle income' group in rural areas is almost double as compared to the urban areas, having a large consuming class with 41% of the Indian middle class and 58% of the total disposable income.

Significant impact on other retailers and branded good players - creating new opportunities and threats:

According to ASSOCHAM, the overall retail market would grow by 36 per cent with the organised sector expected to register three-fold growth to Rs 15,000 crore by 2008. The total size of the market is also expected to increase to Rs 14, 79,000 crore from the current level of Rs 5,88,000 crore.

Challenges faced by this sector:

Shortage of trained manpower. To make supply chains more efficient in order to deliver the levels of quality and service that consumers are demanding. Long intermediation chains would increase the costs by 15%.

Lack of adequate infrastructure with respect to roads, electricity, cold chains and ports has further led to the impediment of a pan-India network of suppliers. Due to these constraints, retail chains have to resort to multiple vendors for their requirements, thereby, raising costs and prices.

The available talent pool does not back retail sector as the sector has only recently emerged from its nascent phase. Further, retailing is yet to become a preferred career option for most of India's educated class that has chosen sectors like IT, BPO and financial services.

Even though the government is attempting to implement a uniform value-added tax across states, the system is currently plagued with differential tax rates for various states leading to increased costs and complexities in establishing an effective distribution network.

The retail sector does not have 'industry' status yet making it difficult for retailers to raise finance from banks to fund their expansion plans.

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