

# **STUDY ON THE POSSIBILITIES OF EVOLVING A LOCALLY APPROPRIATE AND INTEGRATED CREDIT PLAN FOR AKATHETHARA GRAMA PANCHAYATH**

## **ABSTRACT**

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### **Study Area**

Akathethara Grama Panchayath, Palakkad District

### **Back Ground**

Along with the basic resources such as land and water human resources, material resources and financial resources form the basic input to any successful development programme. Among these the role of financial resources is the prime. The banks, which are major custodians of financial resources, their involvement in development activities through credit linkages is crucial for overall growth - and development. Now in Kerala all local bodies have their own development plans formulated through peoples' participation. Thus the development project becomes locally specific and exclusive to suit the local needs. The local banks and other financial institutions were identified as the major source of financial support.

The credit needs of a local area is supported by the banks based on a credit plan prepared each and every year. Through the peoples plan campaign the local bodies in Kerala formulated thousands and thousands of locally specific development projects. Actually the schemes for credit plan were prepared by Service Area Banks and has been introduced to ensure credit availability to local development and also to formulate priority lending. Even though the people's plan campaign in Kerala has created a very conducive environment for banks to operate with the local area, none of the banks made any effort to tap the situation for the effective utilisation of the available financial resources for local level development. The credit plan of banks should be evolved in such a way that it can be integrated with the perspective development plan of the Local Self Government. This study has focussed on to evolve a methodology and approach that can be adjusted to evolve a participatory and locally appropriate credit plan integrated with the development plan.

## **Specific objectives of the study**

1. To assess the role of financial institution in Akathethara Grama Panchayath in the local development programme.
2. Critically assess the existing credit plan process and study its limitations.
3. Study the methodology and approach for evolving a locally appropriate credit plan integrated with the perspective development plan of the local Self Government Institution – the Grama Panchayath.

## **Observation**

The study reveals that there are several limitations in the process of credit plan preparation, such as;

1. Credit plan is not evaluated at Panchayath level
2. No background study to assess the local requirement and actual demands
3. The process is non-participatory
4. No integration with local level development plan
5. It is centralised

At the local level;

1. No timely planning
2. Lack of agency for co-ordination between Bank and the LSG
3. Lack of expertise at panchayath level to prepare bankable projects
4. Lending conditions of banks and the beneficiary criteria not mutually supporting

## **Results**

The result of the study shows that;

1. It is possible to constitute co-ordinating agencies at ward level onwards viz., ward level consultative committee, panchayath level consultative committee etc.
2. A supporting task force can be formed at panchayath level for preparing bankable projects.
3. The credit needs can be assessed using peoples participation through a credit need survey at ward level.
4. It is possible to bring closer the banks and the people through credit literacy programme.
5. The preparation of a perspective development plan by panchayath will help the banks for more effective integration of the plan.
6. If the bank and the authorities of the local self government comes closer to address the development issues, it is possible to improve the overall performance of the banks rural lending, effectively integrating it with the development plans and activities.

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Investigators

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## **1. INTRODUCTION**

There is no dispute regarding the role of financial resources in any kind of development. The banks, which are the major custodians of financial resources, with their involvement in development activities through credit linkages, are crucial for overall growth and development. Till now banks perform their lending based on an annual credit plan prepared at District level called Potential Linked Credit Plan. The process suggested for the credit plan preparation seems to be effective, but it never happens so. There will not be much questions regarding the suitability of this as far as the development planning process remains centralized. The situation has changed through Panchayathi Raj and its practical programme in Kerala, the Peoples' Plan Campaign (PPC). In PPC each and every grama Panchayath have their own development plan to address their development needs which are specific and some times unique. It will usually differ from the development plan of the nearby Panchayaths. Naturally, the resource requirements will be different. Hence their credits needs will also be different from the other and the current process of preparing credit plan will become unsuitable. The need for integrating the credit plan of the financial institutions with the development plan of the grama panchayath is inevitable. Present study was carried out considering the above assumptions and taking Akathethara Grama Panchayath of Palakkad District as the study area.

## **2. BACKGROUND**

Along with the basic resources such as land and water, human resources, financial resources and material resources forms the basic inputs to any successful development programme. Continued availability of these resources is a critical factor for locally sustainable development. In Kerala, through Panchayathi Raj, the process of decentralisation has reached a new level. All local bodies have their own development plan formulated through people's participation. The need and aspirations of the local people were transformed in to development projects, which together form an integrated development programme of that particular Panchayathi Raj Institution (PRI). Thus the development project became locally specific and exclusive to suit the local needs. The details regarding the sources of finance and other resources will also be identified and fixed in the plan documents itself. The local banks and other financial institutions were identified as the major source of financial support. These include both commercial and co-operative banks. Without materialising the credit linkages, these projects cannot be implemented. The situation become very crucial in the case of projects in the productive sector, such as the agricultural and industrial sectors.

In general, the banks in Kerala have not seriously looked into the changed situation. The reforms in the banking sector provide a justifiable cover to their withdrawal from areas of priority lending. There is a sharp decline in the credit-deposit ratio in Kerala. This has created serious hindrance to implementation of the local development programme.

### **3. RESEARCH PROBLEM AND ITS IMPORTANCE**

At present, the credit plan of the banks are prepared at district level as a general purpose one with a common approach. This has its relevance and is enough during the centralised planning process, where everybody gets from the common pool. Through the ongoing people's plan campaign, thousands and thousands of locally specific development projects were formulated by all local bodies in Kerala. Most of them are not falling in line with the general approach of the credit plan. Actually the scheme for credit plan were prepared by Service Area Bank has been introduced to ensure credit availability to local development and also to facilitate priority on lendings. Even though peoples plan campaign in Kerala has created a very conducive environment for the banks to operate with

in the local area none of the banks have made any effort to join with the situation. While reviewing the annual plan of the people's plan campaign, Dr. Thomas Isaac, the former Planning Board member made the following observation. "The contribution by the financial institutions leaves considerable scope for improvements in the coming years. It is the utmost importance that the credit plans of the banks are integrated into the plans of the local bodies an objective, which can be realistically achieved if the bank personals are also directly involved in the planning process. So far the bank management have taken a negative attitude towards the peoples planning process. There was not sufficient conscious effort during the campaign's first year to co-ordinate the co-operative movement and the local planning process". A serious debate is going on in Kerala regarding this divergence.

Taking in to consideration the local specificity and diversity, the banks should evolve a locally appropriate credit plan and be integrated with the perspective development plan of the local self-government. This is very much essential to channelise and utilise the available financial resources to the local level development activities.

The present study focuses on this issue. It proposes to study the methodology and approach that can be adopted to evolve a participatory and locally appropriate credit plan taking into consideration of the perspective development plan of the respective local self-government. The project had taken Akathethara Grama Panchayath of Palakkad district for this study.

#### **4. OBJECTIVES**

1. To assess the role of financial institutions in Akathethara Grama Panchayath in their local development programmes.
2. Critically assess the existing credit plan process and study its limitations.
3. Study the methodology and approach for evolving a locally appropriate credit plan, integrating with the perspective development plan of the local self-government institutions, the Grama Panchayaths.

## **4.1 Study area – selection**

1. Akathethara Grama Panchayath had been one among the 25 panchayath in Kerala where the Panchayath Resource Mapping had been undertaken by IRTC and CESS. This maps forms the primary database for evolving a integrated development plan at local level and this can be updated through a social mapping process.
2. Akathethara panchayath had made some attempts in the available framework of decentralisation to give new meaning to people’s participation. The organisational structures like Panchayath Development Society, Ward Samithy and Ayalkootams are fully functional in Akathethara, which facilitate more peoples participation and process of democratisation.
3. Local efforts for up gradation of the database is going on through different studies in Akathethara. They had completed the Socio- Economic survey, drinking water and sanitation studies, Watershed delineation and Micro Level Action Plan formulation, Health status study etc.
4. There are several innovative projects in the productive sector especially for employment generation for women.
5. Considering over all performance in peoples' plan campaign Akathethara Grama Panchayath has been selected by the State planning Board as the Best Panchayath in Palakkad District for 1998-99 period.

## **5. METHODOLOGY**

- Assess the role of financial institutions.
- Collection of the data regarding previous year's and current year's credit plans and achievements from three Commercial Banks and a Primary Co-operative Society in Akathethara Grama Panchayath
- Collect the details of lending rules, unit cost and other eligibility criteria of different banks.
- Collection of the process details of the local level development plan formulation and finding out the linkages and limitations.

- Conduct survey among Padasekhara Samithies, Karshaka Sanghams and SHG Groups
- Analysing the annual plans and perspective plan of Akathethara Grama Panchayath.
- Assessment of the local credit needs from the plan document.
- Evolve a methodology and approach for locally appropriate and integrated credit plan for the Panchayath.

**DURING THE COURSE OF PROJECT STUDY, THE PROJECT HAS FACILITATED THE STAKEHOLDERS TO PARTICIPATE ACTIVELY IN THE PROCESS OF IMPLEMENTING THE SUGGESTIONS IN THE ACTUAL SITUATION TO TEST ITS SUITABILITY AND VIABILITY. AT CERTAIN STAGES IT ATTAINED THE LEVEL OF A PARTICIPATORY ACTION RESEARCH**

## **AKATHETHARA GRAMA PANCHAYATH : PROFILE**

Area : 23 Sqkm  
Population : 21514 (1991)

### **Cultivated Area**

Paddy : 750 ha  
Other : 553 ha  
Waste land : 660 ha  
Agriculture families : 3640 nos.  
Forest : 4.5 sqkm  
Padasekhara Samithy : 11 nos.  
Kera Samithy : 10 nos.  
Kurumulaku Samithy : 1 no.  
Financial Institutions : 5 nos.  
SC/ST Colony : 9 nos.  
House holds : 5814 nos.  
Below Poverty Line : 1395 nos.  
Per capita Income : 10950 rupees  
In Employment sector: 744 nos.  
In industry : 869 nos.  
NRI Population : 450 nos.

# **PART - I**

## **Chapter 1 BANKING IN INDIA: AN OVER VIEW**

Banking institutions play major role in the development of the economy by mobilising the widely scattered saving for productive investment .To this end, number of financial institutions have been set up in the public sector in independent India, mandated to play a development role rather than act as a purely commercial institutions.

Prior to independence formal commercial banking in India was the British banking system providing short-term credit to trade and industry in tune with the colonial economy. Majority of the banking net work was confined to the metropolitan/port towns. Presence of banks in rural areas were negligible. In 1916 more than 2/5 of the commercial bank offices were located in 21 large cities which accounted only 4% of the total population. But when India became free the need to make organisational and institutional change in banking system was accepted for mobilising and channelising inevitable resource for stepping up the rate of capital formation.

Till 1960 Reserve Bank of India followed conservative policy towards opening of new bank branches and banks. The number of banks during the period 1951 and 1969 declined from 566 to 89 on account of closures, mergers/amalgamation with larger and stronger banks. The nationalisation of banks in 1969 can be considered as recognition of the potential of the banking system to promote broader economic objective such as growth, better regional balance of economic activity and the diffusion of economic power. This was a turning point from where a phenomenal expansion of bank branches took place. The population per branch was 65000 in 1969 and has since then sharply declined to 14000 in

1995. Average population per bank branch in India at the end of the 2000 was 15000 (Eco- review 2000)

In June 1969 number of branches in rural areas were only 1860 and in the urban area were 6461 only. Number of branches has subsequently increased to 33092 in rural areas and 29757 in urban area by 1995-96. These are mentioned that the transformation of the banking sector in size and structure of financial sector has been achieved as a result of planned intervention by the government.

## **1.1 SOCIAL CONTROL ON BANKING**

Appointing Rural Credit Committee, asked banks to open their branches in taluk head Quarters. Taking over the Imperial bank in 1955 and its re-emergence as State Bank of India can be taken as the first step towards effecting social control on banks. In 1959 seven Associate Banks were formed. Before nationalisation there were discussion on using commercial banks services to rural development. Various committees, like Agricultural Finance Subcommittee, Rural Banking Enquiry Committee and All India Rural Credit Survey Committee had pointed out that the credit provided by commercial banks in India to agriculture sector was negligible. The expansion of the banking net work with the emphasis on opening more branches in rural area was not only the step taken for reducing the disparities between different sectors and regions. The administrative intervention of laying down targets and sub targets in financing preferred sectors of the economy, called priority sectors was an innovative measure.

The concept of priority sector was evolved in the year 1960 and it is included in the following:

- (i) Agriculture
- (ii) Small scale industry
- (iii) Road and Water Transport
- (iv) Retail trade

### **(V) SMALL BUSINESS AND SELF-INDUSTRY.**

The informal group on institutional arrangements for agricultural credit suggested in 1964 that the commercial banks, which were gradually mobilising

resources through their rural branches should deploy these resources for developmental activities taking place in rural areas. Since the third plan, agriculture was getting higher priority because both agriculture and rural sectors require credit for the development purposes. This was the motivation behind the government of India to implement social control on banks in 1967. National Credit Council constituted under a resolution of Govt. No.F4(43) BC/67 dt. 22/12/67 in the following objectives.

- To assess demand for bank credit from various sectors of the economy.
- To determine priorities for grant of loans and advances for investment having regard to the availability of financial resources and requirements of priority sectors, particularly in agriculture, SSI and exports.
- Co- ordinate lending and investment policies between commercial bank and co- operative banks and other specialised agencies to ensure the optimum and efficient use of the over all resources.

## **1.2 NATIONALISATION OF BANKS**

The major step in the banking sector reforms was the nationalisation of 14 banks in 1969. This brought nearly 90% of the banking system in India under state control. The main objective of the nationalisation of banks was to control the heights of the economy and to meet progressively and serve better the needs of the development of the economy in conformity with the national policy and objectives and for matters connected there with or included there to. There are some specific objectives for nationalisation of banks in India as follows.

- (a) To remove control of few large industrial houses over commercial banking in the country
- (b) To provide adequate credit to priority sector, but hitherto neglected sectors of the economy like agriculture, small industry, exports and so on.
- (c) To introduce professional management in commercial banking business of the country.
- (d) To provide proper incentives and stimuli, so that a new class of entrepreneurship emerge in the country.

- (e) To make provision for adequate training and reasonable terms and conditions of service for bank employees.

**AFTER NATIONALISATION OF BANKS IN 1969, THERE WAS RAPID GROWTH IN THE NUMBER OF BANK BRANCHES IN COUNTRY. THE NUMBER OF BRANCHES WHICH WAS ONLY 8262 AT THE TIME OF NATIONALISATION, IT WAS INCREASED TO 56960 IN 1989. IN MARCH 2000 TOTAL NUMBER OF BANK BRANCHES STOOD AT 65521, SHOWING EIGHT-FOLD INCREASE. OUT OF THE 65521 BRANCHES 32719 (49.94%) ARE IN RURAL AREAS 14301(21.83%) IN SEMI URBAN AREA, 8325 (12.71%) IN METROPOLITAN AREA.**

Percentage of rural banks increased from 17.6% in 1969 to 56% in 1989. The share of rural area in the total deposits rose from about 3% to 15% during the period. The raise in the share of credit was more spectacular from 1.5% in 1969 to 16.3% in 1989. In the bank credit, gains of the rural area is entirely explained by the loss of the metropolitan areas. Over all, the two decades since the nationalisation of commercial banking in India saw the banking being taken from its urban confine to the vast rural stretches

**Table 1.1**

**Growth of banking after nationalisation - 1969-1989 (Percentage of share)**

Area	Branches			Deposits			Advances		
	1969	1979	1989	1969	1979	1989	1969	1979	1989
Rural	17.69	43.3	55.7	3.1	10.6	15.0	1.5	8.4	16.3
Semi	40.8	26.8	19.3	22.0	22.5	21.4	11.3	15.6	17.3
Urban	23.3	16.8	14.7	25.9	24.9	25.1	20.0	22.7	23.0
Metro	18.3	13.1	10.3	49.0	42.0	38.6	67.2	53.3	43.5

### **1.3 POLICY GUIDELINES OF RESERVE BANK OF INDIA (RBI)**

Following the nationalisation of banks, RBI had introduced the policy guidelines to direct credit to the priority sector consisting of Agriculture, small-scale industry, and weaker sections. For increasing the amount of priority sector lending, RBI took two steps. (i) To provide liberal finance facilities to the banks and (ii) to introduce credit guarantee scheme as a support measure for bank lending in the priority sector with view to enlarging the flow of credit to the neglected sectors. Public sector banks have advised by the Govt. Of India in 1974 that the priority sector lending should reach a level not less than one third of their outstanding credit by 1979 March. In 1978, RBI instructed the private sector banks also should oblige the norms by the end of 1980.

A working group on 20 Point Programme set up by RBI suggested certain changes in priority sector lending. It introduced the concept of weaker section with in priority sector. Accordingly RBI issued a policy guideline to banks in 1980 as follows.

- \* The priority sector advance should constitute 40% of the aggregate advance by 1985.
- \* 40% of the priority sector advance that is 18% of the total advance should be earmarked in agriculture.
- \* Direct advance to weaker sector - In agriculture and allied activities should reach a level of at least 50% of total credit lending to agriculture.
- \* Advance to rural artisans, village craft man and cottage industries should constitute 12.5% of the total advance given to agriculture.
- \* Rural and semi urban branches of public sector banks should secure a credit deposit ratio of 60%.
- \* The total outgoing to beneficiaries under DRI scheme should be 1% of the outstanding advance of the previous year.

#### **1.4 ESTABLISHMENT OF NEW INSTITUTIONS AND SCHEMES**

In addition to the above measures, govt. established two banks to assist the progressive expansion of rural credit. They are the Regional Rural Banks (RRB) and the National Bank for Agriculture and Rural Development (NABARD).

The Regional Rural Banks are established in 1975 with the objective of providing credit and other facilities especially to the small and marginal farmers, artisans and small entrepreneurs in rural area. The NABARD established in 1982 was another set up to promote rural credit in accordance with the recommendations of CRAFICARD, a committee set up by RBI. The basic idea was that this should be a national bank to pay individual attention to all regions of the country requiring credit and other needs related to agriculture and rural development. Secondly, fragmented the problem of agricultural and rural development should be viewed in an integrated and comprehensive way instead of a manner by several financial institutions in an uncoordinated way, which was happening till then. It was felt that if there were a banking institution at the national level the above objective would be achieved.

### **1.5 LEAD BANK SCHEME**

Based on the recommendations of National Credit Council headed by D.R.Gadgil, RBI introduced Lead Bank scheme in 1969. Under the scheme, each district has been allotted to a specific public sector bank named as Lead Bank. As per the scheme, each lead bank should co-ordinate the banking and financial activities of the district as a whole. The Lead Bank should identify their district opening of new branches of the commercial banks to meet the credit needs of the district, formulation of District Credit Plan and setting up of a District Consultative Committee etc., are other major duties of Lead Bank.

Another major reforms in banking sector was the village adoption schemes in 1975, some commercial banks have taken up the village adoption scheme with the objective to develop the village economy in all the aspects in a phased manner. By 1977 the bank took the responsibility of the development of more than 50000 villages.

## **1.6 SERVICE AREA APPROACH (SAA)**

Service Area Approach, for rural lending was introduced by the RBI in 1st April 1989. This approach was recommended by the Committee under the Chairmanship of Dr. P.D. Ohja, Deputy Governor of RBI. The SAA involves following five major aspects.

- \* Identification and allocation of service area for each bank branch.
- \* Survey of villages in the service area for assessing the potential for lending activities
- \* Preparing credit plan on annual basis for the service area by each branch.
- \* Co-ordination between credit institution on the one hand and the field development agencies on the other in an ongoing basis for the effective implementation of the plan.
- \* System of continuous monitoring of progress in the implementation of the plan

## **1.7 FINANCIAL SECTOR REFORMS**

The 1990s saw India implementing macro economic adjustment programmes of which the financial sector reforms is a major component. The grounds for reforms were the several distortions which had crept into the financial system sending it unable to meet the challenges of the competitive environment. The economic reforms started in 1991, has adversely affected the scope of rural lending. As financial sector reforms are essential part of the new economic policy, several changes have been introduced in the banking sector since 1991 most of them have adversely affected the rural lending.

The most important factor contributing to the weakness of the financial system, as argued by the Narasimhan Committee, was the "impact of policy induced rigidities such as an excessive degree of central direction for their operation in terms of investments, credit allocations, branch expansion, and even internal management aspects of the business". The reforms, based on the recommendations of Narasimhan Committee, set out to change the policy environment to ease these rigidities.

It is very clear that these reforms will affect the rural disbursement to priority sectors by commercial banks. Though the priority sector lending had reached the target of 40% in 1996, advance to the agriculture sector has also declined from 16.4% in 1991 to 14.3% in 1996. It is far below the National Policy guideline i.e., 18% of the net base credit. Besides this, it can be seen that CD ratio of banks has been continuously declining since 1991.

## Chapter 2

### DEVELOPMENT OF BANKING IN KERALA

The banking system in Kerala has attained tremendous growth in post nationalisation era in all aspects. At the time of its formulation in 1956 there were 174 scheduled banks which accounted for 6% of the bank offices in the country. In 1969 there were only 516 bank branches, but in 1989 the number increased to 2801. But the growth rate decrease from 5.8% to 4.8%. Deposit increased from Rs. 153 crores in 1989 and Rs.10481 crores in 1997.

**Table 2.1**  
**Growth of Banking System in India and Kerala**

Sl. No.	Particulars	1969		1989		1997	
		India	Kerala	India	Kerala	India	Kerala
1	Branches	8832	516	56960	2801	65485	3102
2	Deposit (Crores)	5148	153	144891	5667	551562	23029
3	Advance (Crores)	3717	105	96009	3701	305884	10481
4	Deposit/Branch(Crores)	0.58	0.29	2.5	2	7.8	7.4
5	Advance/Branch (Crores)	0.43	0.2	1.7	1.3	4.3	3.4
6	Population/Branch (No.)	69000	41000	13800	9000	15000	9331
7	Per capita Deposit (Rs)	95.8	73.4	1830	2222	5775	7941
8	Per capita Advance (Rs.)	64.2	50.5	1213	1451	3203	3614
9	C.D.Ratio (%)	72	69	66	65	56	46

**WHEN COMPARED TO THE NATIONAL GROWTH, KERALA STATE HAS A FAIRER GROWTH RATE IN ALL ASPECTS. IN THE DEPOSIT MOBILISATION, KERALA ACHIEVEMENT IS 150.52 TIMES BETWEEN THE PERIOD 1969 AND 1997 WHERE AS IT IS ONLY 107.14 TIMES AT THE NATIONAL LEVEL. IN THE CASE OF GROWTH OF ADVANCES IT IS 99.82 TIMES WHEN COMPARED TO THE NATIONAL LEVEL GROWTH OF 82.29 TIMES. PER CAPITA DEPOSIT AND PER CAPITA ADVANCES ALSO AHEAD OF NATIONAL LEVEL.**

**BUT CONSIDERING THE CD RATIO OF KERALA, IT SHOWS A DECLINING TREND DURING THE LAST DECADES. IN 1969 THE CD RATIO OF ALL BANKS IN KERALA WAS 69%. BUT BY 1999 IT DECLINED TO 43%. THIS FIGURE IS LOW COMPARED TO THE ALL INDIA LEVEL (54%) AS WELL AS THE CD RATIO OF NEIGHBOURING STATES SUCH AS TAMIL NADU (84%), KARNATAKA (64%) AND ANDHRA PRADESH (69%). IT CAN BE CLEARLY SEEN THAT (TABLE 2.2) ALL BANKS IN KERALA DECLINED BY 22.2% POINTS DURING THE LAST DECADE DESPITE A FIVE FOLD INCREASE IN DEPOSITS.**

**Table 2.2  
CD Ratio of India and Kerala (1969-2000)**

<b>Year</b>	<b>India (%)</b>	<b>Kerala (%)</b>	<b>Year</b>	<b>India (%)</b>	<b>Kerala (%)</b>
1969	72	69	1985	66	61
1970	76	71	1986	63	64
1971	70	69	1987	61	61
1972	69	71	1988	62	63
1973	70	71	1989	66	64
1974	71	71	1990	61	62
1975	73	72	1991	61	59
1976	77	68	1992	55	52
1977	72	61	1993	56	48
1978	70	63	1994	57	43
1979	68	63	1995	59	45

1980	77	68	1996	58	44
1981	68	72	1997	55	46
1982	68	66	1998	53	45
1983	67	66	1999	54	43
1984	69	67			

*(Avari Committee Report & SLBC statements)*

From the above table, we can see that CD ratio has been declining since 1989 at national level and at state level.

In Kerala, the priority sector advance of all banking groups also shows the same declining trend. The total priority sector advances in 1988 was 51% of the total advance. But in 1998, it was declined to 42%. During this period advances to weaker section the DRI advances are also in a declining trend.

The decentralised planning process has increased the local credit demand through thousands of development projects at panchayath level. The banks can definitely use this opportunity to establish a strong linkage at the panchayath level.

**Table 2.3**

**Details of the Priority Sector Advances during 1988-1998**

Year	Total Advance (Rs. in crores)	Total Priority Sector Advance	% of Priority Sector
1988	3116	1588	51
1989	3701	1783	48
1990	4118	1974	48
1991	4638	2012	43
1992	5003	2151	43
1993	5818	2380	41
1994	6442	2590	40
1995	7797	3407	44
1996	8961	3994	45

1997	10565	4539	43
1998	12274	5209	42

(Source: SLBC statements and Avari Committee Report)

**Table 2.4**

**Details of Agricultural Advances during 1988-1998**

<b>Year</b>	<b>Total Advance (Rs. in crores)</b>	<b>Agricultural Advances (Rs. in crores)</b>	<b>% to Total</b>
1988	3116	553	18
1989	3701	637	17
1990	4118	767	19
1991	4638	806	17
1992	5003	821	16
1993	5818	914	16
1994	6442	953	15
1995	7797	1198	15
1996	8961	1364	15
1997	10565	1597	15
1998	12274	1809	15

(Source: SLBC statements and Avari Committee Report)

## **PART II**

### **Chapter 3**

#### **PEOPLE'S PLAN CAMPAIGN IN KERALA: DEVELOPMENT PROJECTS AND RESOURCE LINKAGES**

The 73<sup>rd</sup> and 74<sup>th</sup> constitutional amendments were major steps toward the decentralization of power. These amendments have guaranteed that local self-government through out the country will have a uniform structure with regular, periodic elections. But the power, finance and functional autonomy of the local self-government has been decided by respective state and it does not mandate a minimum units of function to be devolved to the local self-government. In fact the constitutional amendment created only an enabling framework for the state legislature to determine the scope of actual devolution of power to the local bodies.

In Kerala the broad framework enabled by the amendment were used for decentralization of power to the local bodies by giving.

1. High autonomy to local bodies to decide the development priorities.
2. Financial devolution up to 35 to 40 % of the plan allocation.
3. Insisted on a comprehensive area plan to be prepared by each local body for claiming the designated plan amount as grant in aid.
4. Insisted for the planing process to start from the grass root with maximum involvement of the masses. This mass participation ensured through the constitutional bodies viz. Grama Sabha.

This has been achieved through launching a campaign viz. Peoples plan campaign ensuring maximum participation of the people. For the purpose of the local level development planing following steps were insisted.

1. Generation of intensive local database.
2. Comprehensive survey of all development sectors for all panchayats.
3. List of solution to the development problems.
4. Formation of task forces to prepare development projects for each development sectors.

When the projects were prepared by the task forcercs they were prioritized and incorporated in to a plan document of the Panchayath with eight chapters, including the Resource mobilization. The chapter should contains an estimate of additional local resource mobilization from the following sources, own funds, state sponsored schemes, centrally sponsored schemes, Co-operatives, other financial institution, voluntary contributions and others.

The total grant in aid to the local bodies as per their plan accounts was Rs. 755 crores, 1997-98, but the local bodies achieved a total out lay of Rs. 1735 crores. This was made possible by;

- i. Integrating state and centrally sponsored schemes in to the local plan.
- ii. Change upon the non-plan surplus and locally available funds of the Gram Panchayath.
- iii. Mobilizing additional local resources from financial institutions, voluntary labour and material contribution from the public and project beneficiaries.

**Table 3.1**

**Financing Pattern of the Annual Plans of the Local Bodies (Rs. in crores)**

*(Data of 1214 local bodies)*

	No.of Proje -cts	State Assis t- ance	Inter -nal Fund s	State Spon s- ored	Centra -lly Sponso -red	Loan from Co-op. Inst.	Loan from Fin. inst.	Volun- tary Contri - bution	Benefi -ciary Contri - bution	Oth- ers	Total

General	52946	526.5 2	93.83	67.83	110.64	23.74	169.93	60.50	316.92	47.8 5	1407.3 7
%		37.41	6.64	4.11	7.86	1.69	12.07	4.30	22.52	3.40	100.00
SCP	12538	190.4 5	7.41	12.54	6.68	3.38	12.80	6.48	37.20	4.60	281.54
%		67.65	2.63	4.45	2.37	1.20	4.54	2.30	13.21	1.64	100.00
TSP	2303	38.53	0.55	0.83	1.00	0.16	0.82	0.74	3.12	0.64	46.38
%		83.08	1.18	1.79	2.15	0.83	1.76	1.61	6.73	1.37	100.00
<b>Total</b>	<b>6778 7</b>	<b>755.5 1</b>	<b>101.3 9</b>	<b>71.20</b>	<b>118.31</b>	<b>27.27</b>	<b>183.5 5</b>	<b>67.72</b>	<b>357.2 4</b>	<b>53.0 9</b>	<b>1735.2 8</b>

(Source: People's Planing Handbook, SPB TVM. 1999)

The consolidated appendix form of the local bodies 1997-98 shows that in Kerala the 1214 local bodies had prepared 67787 nos. of development project at an average of 55 projects in each local bodies.

**Table 3.2**  
**Pattern of Plan Finance by Type of Local Bodies**

(Data of 1,212 local bodies)

Local Body/Tier	State Assistance	Internal Funds	State Sponsored	Centrally Sponsored	Loan from Co-op. Inst	Loan from Fin. inst .	SMALL CONTRIBUTION	Beneficiary Contribution	Others	Total Out-Lay
Grama Panchayat	42.71	6.36	3.24	2.39	1.90	8.87	4.35	27.39	2.69	100
Block panchayat	36.67	0.24	5.19	28.70	1.02	14.74	2.06	9.93	1.45	100
District panchayat	68.64	0.19	6.67	1.84	0.91	3.44	2.60	8.02	7.6	100

(Source: People's planing handbook, SPB TVM. 1999)

Table shows that the Grama Panchayath, Block Panchayath and the District Panchayath during the year 1997-98 expected about 8.87%, 14.74 % and 3.44 % of the project outlay from the banks and other financial institutions.

## **Chapter 4**

### **AKATHETHARA GRAMA PANCHAYATH**

#### **4.1 ROLE OF BANKS IN THE DEVELOPMENT PROJECTS**

During the first year of the people's plan campaign, in 1997-98, Akathethara Grama Panchayath had prepared 63 development projects. Among these 9 projects were prepared with expected financial assistance from Banks. The panchayath authorities and task force members did not have much knowledge and skill for preparing bankable projects. So they sought the help of Banks of the panchayath and arranged a meeting for this at panchayath level. But banks of the panchayath did not co-operate with the programme and other activities related to peoples planning programme. The panchayath also did not take any steps to bring in the involvement of banks in the peoples planning activities. They implemented 6 projects out of the 9 projects only with plan fund and beneficiary contributions. The remaining 3 projects were not implemented, plan fund of these projects were shifted to some other projects.

**Table 4.1**  
**Details of the project with bank finance**

<b>Sl. No.</b>	<b>Projects</b>	<b>No. of Projects</b>
1	Agricultural Sector	3
2	Live Stock	2
3	Irrigation	1
4	Self employment (SSI)	2

5	Co-operative Sector (Labour Contract Society)	1
<b>Total</b>		<b>9</b>

(Source: Primary data collection)

Table I shows that all these 9 Projects are in the productive sector, 6 projects are almost bankable. All Commercial banks and Co-operative banks have similar schemes in their credit plan for the year.

**Table 4.2**

**Details of the projects expected Bank finance during the period of 1997-98**

Sl. No.	Name of the Project	Plan fund	Bank finance	Beneficiary contribution	Total
1	A cow for each house (SCP)	20,000	60,000	22,000	1,02,000
2	Poultry farming (GE)	24,500	60,000	6000	90,500
3	Mixed Cropping (Coconut plantation)	30,000	60,000	30,000	1,20,000
4	Plantain Cultivation in the coconut Plantation	17,000	15,000	15,000	47,000
5	Vegetable cultivation in the paddy field as a third crop	4750	17,500	45250	67,500
6	Irrigation for paddy crops (GE)	5,86,000	50,000	60,000	6,96,000
7	Self employment unit for jobless S.C. women (SCP)	10,000	91,300	-	1,01,300
8	Readymade Garments for Women (GE)	3,06,000	40,000	1,00,000	4,46,000
9	Labour Contract Society	20,000	50,000	20,000	90,000
	Total	10,18,250	4,43,800	2,98,250	17,60,300

Source: Primary data collection & panchayath planning documents.

**MAJOR FINANCIAL INSTITUTIONS IN AKATHETHARA GRAMA PANCHAYATH ARE THREE SCHEDULED COMMERCIAL**

**BANKS BRANCHES AND ONE SERVICE CO-OPERATIVE BANK WITH 2 BRANCHES. THE PANCHAYATH CONSIST OF 9 WARDS (NOW IT IS TWELVE, 10,11,12 WARDS ARE NEWLY CONSTITUTED). AS PER THE SERVICE AREA APPROACH 1,2 WARDS OF AKATHETHARA GRAMA PANCHAYATH, & PUDUPPARIYARAM GRAMA PANCHAYATH ARE THE SERVICE AREA OF UNION BANK OF INDIA. THIS BRANCH IS SITUATED AT RAILWAY COLONY AKATHETHARA. WARDS 3,4,5,6, & 7 OF AKATHETHARA AND 6TH WARD OF PUDUPPARIYARAM ARE THE SERVICE AREA OF INDIAN BANK'S BRANCH SITUATED AT AKATHETHARA. AND WARDS 8,9 OF AKATHETHARA PANCHAYATH ARE THE SERVICE AREA OF STATE BANK OF INDIA BRANCH, OLAVAKODE. SERVICE CO-OPERATIVE BANK HAS NO SPECIFIC SERVICE AREA. AMONG THESE BANKS, INDIAN BANK AND SERVICE CO-OPERATIVE BANK PLAY VERY IMPORTANT ROLE IN THE ECONOMIC ACTIVITIES OF AKATHETHARA PANCHAYATH.**

**DURING THE 97-98 FINANCIAL YEAR TOTAL CREDIT AMOUNT TARGETED BY THREE COMMERCIAL BANKS OF AKATHETHARA WAS ABOUT 84.67 LAKH RUPEES. AND THE AKATHETHARA CO-OPERATIVE BANK WITH TWO BRANCHES TARGETED CREDIT AMOUNT RUPEES 294.30 LAKH RUPEES DURING THE SAME YEAR. TOTAL CREDIT AMOUNT TARGETED BY ALL BANKS IN AKATHETHARA DURING THE FINANCIAL YEAR WAS ABOUT 379 LAKH RUPEES (TABLE 4.3).**

And the Credit disbursement/achievement of the commercial banks during the year was 65.28 lakh rupees. Co-operative bank spends 490.99 lakhs as credit in Akathethara. Total credit disbursement of all banks in Akathethara in 97-98 was 556.27 lakhs rupees.

**Table 4.3**

**Targets and Disbursements of Banks in Akathethara Panchayath During 1997-98**

SI.	Name of Banks	Targets	Disbursements
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No.		Priorit y sector	Non Priorit y	Total	Priorit y sector	Non Priorit y	Total
1	Indian Bank	19.64	-	19.64	3.19	-	3.19
2	Union Bank	30.48	4.00	34.48	23.89	3.00	26.89
3	State Bank	22.50	8.00	30.50	25.20	10.00	35.20
4	Co-operative Bank	24.30	270.00	294.3 0	57.56	433.43	490.9 9
	<b>Total</b>	<b>96.92</b>	<b>282.00</b>	<b>378.9 2</b>	<b>109.87</b>	<b>446.43</b>	<b>556.2 7</b>

*(Source: Primary data collection)*

**DURING THIS PERIOD AKATHETHARA GRAMA PANCHAYATH PREPARED 9 DEVELOPMENT PROJECTS WITH EXPECTED BANK FINANCE. ITS FINANCIAL OUTLAY ESTIMATED AROUND 4,43,800 RUPEES. FROM THE ABOVE TABLES AND ANALYSIS WE CAN UNDERSTAND THAT EITHER THE BANKS OR THE PANCHAYATH DID NOT TAKE ANY INTEREST TO GET THESE PROJECT IMPLEMENTED.**

## **Chapter 5**

### **CREDIT PLAN PREPARATION AND ITS LIMITATIONS**

Lead Bank Scheme in 1969 and Service Area Approach in 1986 are the two major reforms implemented in the Banking sector after the Nationalisation.

According to the Lead Bank Scheme different district are allotted to the Commercial Banks. Responsibility of banking development of a district is given to a commercial bank known as Lead Bank of the district. The Lead Banks are selected according to some criteria's such as the size of areas of the operation of the bank in the district, their resources, their geographical contiguity etc. Preparation of district level credit plan is the major work of lead bank. Other functions as follows.

1. Conduct a comprehensive and effective socio- economic survey and find out the actual credit need.
2. Collection of secondary data
3. Find out the basic facilities of the district, credit gap etc
4. Find out the centres for starting bank branches in rural and semi urban Areas.
5. To implement all Govt. departmental schemes and assist the participation of bank branches.
6. Evaluating Block level credit plan and prepare a district level credit plan every year.
7. Fixation of target to banks at Block level and district level

8. Evaluate the progress of credit disbursement.
9. To co-ordinate the work of govt departments and other credit departments in the district.

Co-ordination of these activities were done through the following committees.

1. Regional Consultative Committee (RCC)
2. State Level Consultative Committee (SLCC)
3. State Level Banks Committee (SLBC)
4. District Consultative Committee (DCC)
5. Block Level Bankers Committee (BLBC)
6. Block Level Consultative Committee (BLCC)

However, lead bank works as a leader for the credit linked development activities of the district by co-ordinating all banks and ensuring the credit availability in the district. Along with the preparation of District Credit Plan, Lead Bank also prepares an annual work plan.

## **5.1 SERVICE AREA APPROACH**

This programme was started in 1989 for effective channelisation of the rural credit system. Accordingly, villages are allotted to the Bank Branches to consider as the Service Area of the corresponding Bank. In Kerala, considering its special features wards are allotted as Service Area. Following are the activities for the effective implementation of the service area approach.

1. Find out Service Area for each rural and semi urban Bank Branches.
2. Decide beneficiaries for the different development programme and find out the credit gap for the different development and service-oriented activities.
3. Prepare yearly Branch-Block-District Credit plans

4. Assure the integration of different govt departments and development agencies for the effective implementation (execution) of the credit plan.
5. For evaluating the progress of execution of the plan, establish a continuous monitoring cell

Sample survey conducted among the bank officials of Akathethara panchayath and some selected banks of the Palakkad district shows that 62% of the Banks are not conducting any village survey before preparing the credit plan. Most of the banks prepare credit plan only on the basis of the background paper issued by the lead bank. 62% of the banks commented that they are lending credit not on the basis of the service area credit plan because of lack of suitable loan application for the sector which emphasised in the credit plan. This shows that the credit plans of the branches are not appropriate and not taking into consideration the actual local credit needs.

## **5.2 PREPARATION OF CREDIT PLAN\*<sup>1</sup>**

**EACH BRANCH WOULD PREPARE ANNUAL CREDIT PLAN FOR ITS OWN SERVICE AREA ON AN ON- GOING BASIS. FOR THIS PURPOSE THE CREDIT PLAN WILL BE FIRST PREPARED FOR EACH VILLAGE AND THE VILLAGE CREDIT PLAN COMBINED FOR THE SERVICE AREA CREDIT PLAN OF THE BRANCH. THE CREDIT PLAN SHOULD REFLECT BOTH THE NEEDS AND POTENTIALITIES OF THE AREA, ON THE BASIS OF THE INFORMATION GAINED THROUGH THE SURVEY AND ALSO OTHER AVAILABLE INFORMATION FROM LOCAL DEVELOPMENT AGENCIES SUCH AS BLOCK AUTHORITIES AND OTHER OFFICIALS CONNECTED WITH AGRICULTURE, ANIMAL HUSBANDRY, IRRIGATION, SMALL SCALE INDUSTRY, AND VILLAGE OFFICE, PANCHAYATH ETC. THE RESOURCES AVAILABLE FOR MEETING THE CREDIT PLAN BY WAY OF DEPOSITS, INCLUDING ADDITIONAL DEPOSITS TO BE MOBILISED, WITHIN THE SERVICE AREA AND THE FUNDS THAT COULD BE OBTAINED FROM THE HEAD OFFICE**

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<sup>1</sup> RBI Manual 1988 – SAAP: Formulation of Credit Plan, Rural Planning and Credit Department, Bombay.

**SHOULD ALSO BE KEPT IN VIEW IN FINALISING THE PLAN. THE LEAD BANK OFFICER HAS A CRUCIAL ROLE IN THIS REGARD. HE SHOULD PROVIDE NECESSARY GUIDANCE AND SUPPORT TO ALL BRANCH MANAGERS IN THE DISTRICT IN THE FOLLOWING AREAS:**

- i) Making available information obtained from concerned District Authorities and other agencies regarding likely developments in infrastructure and supporting services for different activities in the near future in the area of the branch and special programmes to be taken up.
- ii) Making available standard schemes for guidance of Branch Managers covering among others the economics of different activities identified as suitable for the district, incorporating them in the economic unit, unit cost, repayment period etc. the availability of refinance facilities from IDBI, NABARD as well as subsidy, if any, from govt. and other agencies etc. While preparing the credit plans, branches may keep in view the existing District Credit Plan (DCP) and identify suitable schemes for financing in their service area. The branch managers should use their own judgement in the light of the first hand information from the village surveys and also other information available to them indicating the activities to be financed and the number of units to be financed. The state sponsored programmes such as IRDP, SGSY etc. will continue to be handled as hitherto. The targets under such programmes will form part of each branch's credit plan.

The RRB branches should prepare credit plan only for the target group, and preparation of such plan for the non-target groups in their service area will be the responsibility of the designated commercial bank branch. The co-operative sector will continue to operate in the service area of the commercial bank branches as hitherto. Hence the later should take in to account the lending programme of the Agriculture Credit Societies and Local Agricultural Banks while formulating their (commercial bank branches) own credit plans.

The credit plan thus prepared will also contain the performance budgets of the branches. The activities proposed for inclusion in the credit plan of each branch

in the block and the number of units to be financed should be discussed in a meeting with the Block Development Officer and his supporting staff before finalisation of the credit plans. This co-ordination with the field-level government officials is expected to ensure smooth operation of the schemes and availability of non-credit inputs and other infrastructural support required.

The annual credit plan prepared by all the branches in a block, together with the lending programmes of the co-operatives, would be consolidated into to the Block Credit Plan. This work would be done by the main branch of the lead bank in the block. In exceptional cases where the lead bank may not have a branch at the block level, the work of consolidation of branch credit plans into block credit plans could be done by another bank which has the maximum presence in the block, with the assistance and guidance of the lead bank. The lead bank should designate the name of the bank which will perform this task. The block plans in turn would be aggregated to form the annual credit plan for the district.

### **5.3 BRANCH LEVEL CREDIT PLAN (SERVICE AREA PLAN)**

Rural-commercial Banks prepare this Service Area Plan (Branch Wise Credit Plan) in December every year. The credit plans are prepared on the basis of the Potential Linked Credit Plan (PLCP) issued by NABARD and Background paper issued by Lead Bank. These documents are issued by NABARD in October, and lead Bank in November every year. After the preparation of the credit plan by the branches it should be completed its approval from the concerned bank before January 31. This approved plan are submitted in BLCC for Block level evaluation in February. All these plans consolidate and integrate at district level in March. And before 31st of March the district level credit plan should be launched.

It is suggested that the service area plans are prepared on the basis of the PLCP, back ground paper and also discussions with the panchayath authorities and other development officials of the same panchayath. Each and every bank branches should prepare a village profile every year. In connection to this they should conduct a village survey to assess the actual credit needs of the panchayath.

### **5.4 LIMITATIONS**

For the project study, we collected the details regarding the process of credit plan preparation by using questioners and interviews among bank managers and also from NABARD & Lead bank. Besides this we convened a meeting of Bank experts at IRTC discussed about the credit plan process of banks and identified the limitations in the process of credit plan preparation.

### **(a) Credit plans are not evaluated at the Panchayath level**

Service Area Plans prepared by the bank branches are evaluated by the co-ordination committee at the block level. The Block Level Consultative Committee and the Block Level Bankers Committee are convened every quarter to monitor and evaluate the progress of the credit plan. The credit plans of all banks in the block are integrated only at the Block Level. There after these plans are submitted to the co-ordination committee at the District level. The District Consultative Committee integrates the credit plan with the govt sponsored schemes and launches the district credit plan. It is very clear that each and every panchayath has its own diversity in their resources.

**BUT THE LOCAL DIVERSITY OF RESOURCES DOES NOT REFLECT IN THE DISTRICT LEVEL CREDIT PLAN. EVENTHOUGH IT IS PROPOSED TO CONSIDER ALL POTENTIALS AND DIVERSITIES AT THE PANCHAYAT LEVEL IN PRACTICE, IT NEVER HAPPENS.**

### **(b) No study of the local level requirement and actual demand**

The Service Area Approach and the Lead Bank Schemes insisted that a village survey should be conducted by the banks before the preparation of the credit plan. And also discussions with development officers, peoples representatives etc., for assessing the actual credit need of the people. But our survey among banks shows that about 62% of the banks are not conducting any village survey or discussion before the preparation of credit plan. Most of the banks followed a routine method of depending on the Potential Linked Credit Plan and Back Ground Paper issued by the NABARD and Lead Bank respectively. The PLCP and the Back Ground Paper prepared by the respective authorities are not reflecting

the ground realities. The NABARD and the Lead Bank do not conduct any survey for assessing the potentials and credit requirements of the District.

### **(c) It is completely a non - participatory process**

Usually the credit plans are prepared by the manager of the bank or any other responsible persons of the bank. It is completely an official process, one or two bank officers are responsible for preparing the credit plan every year. They do not seek any other method or database than the PLCP and Back Ground Paper. Eventhough development planning is decentralised, the banking activities are still as a part of the centralised system, particularly in the credit planning programme

### **(d) No integration with local development plans**

Another important drawbacks of the existing credit plan process is lack of integration with local development plans. As per the peoples plan campaign, LSGs are preparing their development projects and annual plan every year. The process of preparing the annual plans are very similar to the proposed credit plan preparation process of banks. Eventhough the panchayath development plan and the banks credit plan aims in the local level development, these plans are prepared without any co-ordination in time and process. If the credit plans are integrated at the panchayath level it would be helpful for the maximum utilisation of the potential financial resources in the panchayath.

### **(e) Centralised planning**

Banks are preparing their credit plan according to the suggestions given by the RBI. This process is completely as part of the centralised planning system. The local bodies are preparing and implementing their annual plans at the local level. All govt. programmes are also implemented at the local level with the people's participation.

## **Chapter 6**

### **INTEGRATION OF CREDIT PLAN WITH PANCHAYAT DEVELOPMENT PLAN**

**PREPARATION OF ANNUAL CREDIT PLANS HAVE BEEN ONE OF THE MAJOR ACTIVITIES UNDERTAKEN BY BANKS. THESE CREDIT PLANS HAVE A MAJOR ROLE TO PLAY IN DETERMINING THE QUANTITY AND DISTRIBUTION OF BANK CREDIT FOR LOCAL LEVEL DEVELOPMENT PROJECTS. BANKS WERE FURTHER EXPECTED TO PLAY A MORE CONCRETE ROLE IN THE PEOPLE'S PLAN CAMPAIGN. IT WAS MENTIONED EARLIER THAT PREPARATION OF DEVELOPMENT PROJECTS IN VARIOUS DEVELOPMENT SECTORS AT LOCAL LEVEL WOULD FORM AN IMPORTANT COMPONENT OF THE NINTH PLAN AS PART OF PEOPLE'S PLAN CAMPAIGN. BOTH THE PANCHAYATH AND THE BANKS PREPARE THEIR PLANS THROUGH NEARLY SIMILAR PROCESS.**

**SURVEY AMONG BANK OFFICIALS OF THE DISTRICT ALSO SHOWS THAT THE NEED OF INTEGRATION OF CREDIT PLAN WITH THE PERSPECTIVE DEVELOPMENT PLAN OF THE PANCHAYATH. FROM THE 37 BANKS SURVEYED, 60% OF THEM OPINED THE SAME AND 76% OF THE BANKS SUGGESTED A PANCHAYATH LEVEL SAMITHI OR A CO-ORDINATION COMMITTEE SHOULD BE REQUIRED FOR THE INTEGRATION OF CREDIT PLAN.**

**Table 6.1**

**Need of integration with bank credit plan and panchayath annual plan**

<b>Particulars</b>	<b>% of Responds</b>
Needed	59.46
No Need	29.73
Not Respond	10.81

## 6.1 FACTORS REQUIRED FOR AN INTEGRATED CREDIT PLAN

The factors discussed for the integration of credit plan with the annual plans of the panchayath are the following:

### 6.1.1 Timely planning

The banks are preparing their credit plan in time according to the Reserve Bank of India norms. They start the process in the month of October every year. The service area credit plan should be completed by the bank branch in December. And this plan would be submitted to the Lead Bank for approval in January. The approved plan is submitted for Block level evaluation in the month of February. Before 31st March District credit plan would be launched.

Whereas the panchayath development plans are not prepared in time. State Planning Board (SPB) had given necessary instruction to all LSGs to start the planning process in January by convening all Grama sabhas and also get completed their administrative, technical sanction and approval before 31st March. But unlike the RBI directives, the SPB suggestions were not taken seriously. When we examined the last four years people's plan campaign the planning activities of LSG's are not completed in proper time. (Table 6.2)

So the integration is possible only through the timely preparation of the panchayath development plan. The panchayath should have to prepare their development plans in time or in advance and hand over it to the banks for their consideration in the credit plan.

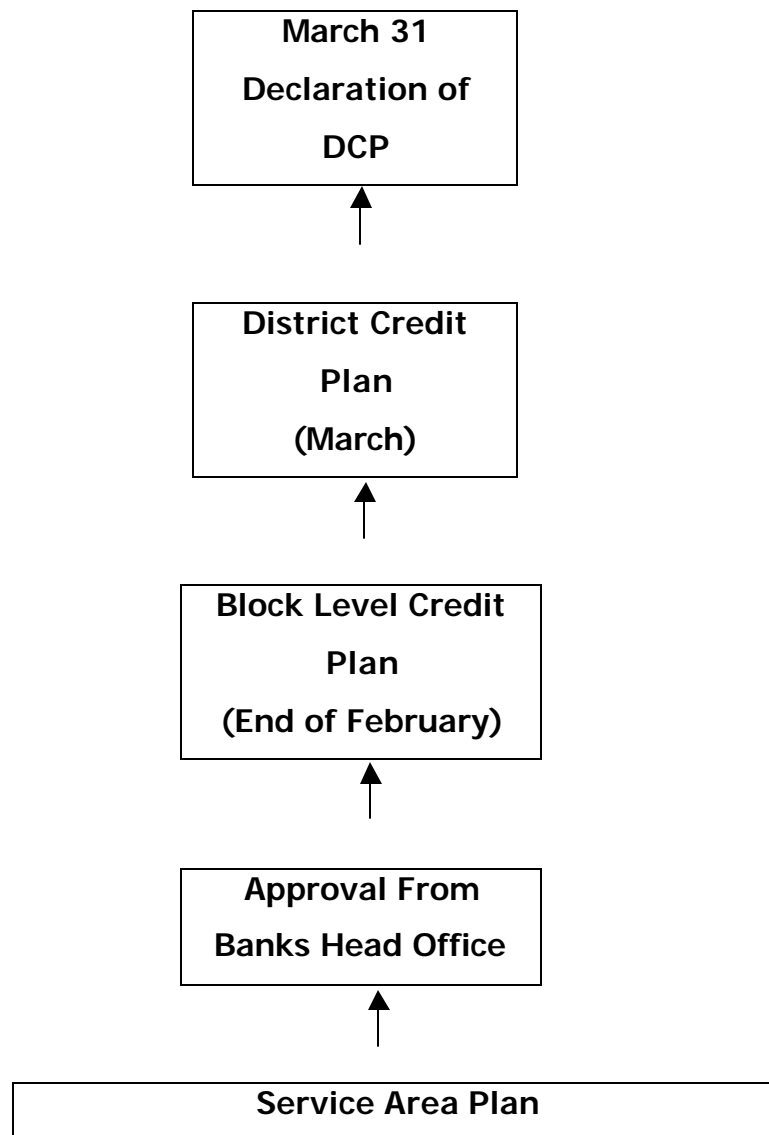
**Table 6.2**  
**Activity Calendar of Peoples Plan Campaign during the last 4 years of**  
**Akathethara Grama Panchayath**

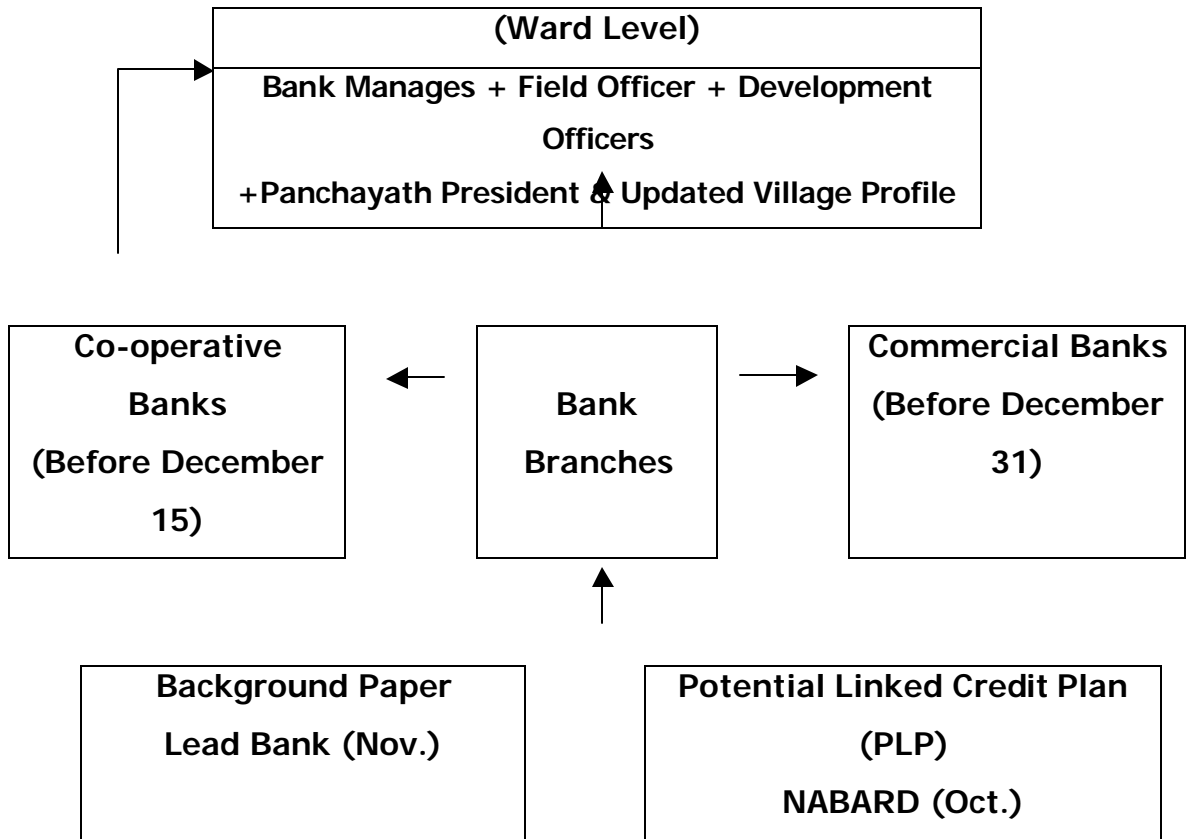
Year	Grama Sabha (1st)	Development seminar	Preparation of Projects (taskforce)	Administrative Sanction	BLEC Approval	DLEC/DP C Approval
1997-98	28 Dec 1996	15 Mar 1997	March-April	17 April 1997	May	13 Jun 1997

1998-99	29 May 1998	11 July 1998	July	27 July 1998	August	24 Sept 1998
1999-00	20 April 1999	16 May 1999	May	21 May 1999	May-June	29 Jun 1999
2000-01	02 July 2000	08 Apr 2000	April	18 April 2000	May	03 Jun 2000

(Sources: Panchayath Planning Documents)

### Chart 1 CREDIT PLAN PROCESS

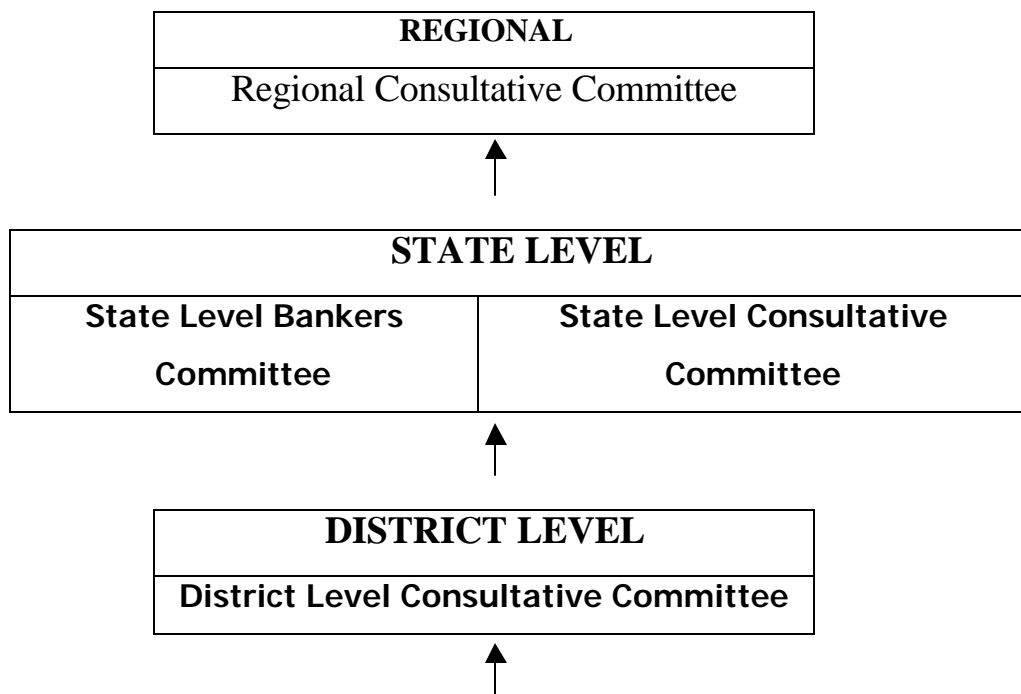




### 6.1.2 Agency for co-ordination

PRESENTLY THE CREDIT PLANS ARE INTEGRATED AT BLOCK LEVEL AND ABOVE. THERE IS NO CO-ORDINATING AGENCY AT THE LOCAL LEVEL TO EVALUATE AND MONITOR THE CREDIT PLAN PREPARED BY THE BANKS. BEFORE PREPARING THE CREDIT PLAN THE BANK SHOULD HAVE DISCUSSED WITH THE PANCHAYATH AND OTHER DEVELOPMENT OFFICERS AND ALSO ASSES THE ACTUAL CREDIT NEEDS OF THE SERVICE AREA. BUT N FACT, THE BANKS WILL NOT GIVE MUCH IMPORTANCE TO SUCH ACTIVITIES AND USUALLY DEPEND ON SOME ARBITRARY ASSESSMENT FOR PREPARING THE CREDIT PLAN AND THUS IT WILL NOT CONTAIN THE ACTUAL CREDIT NEEDS AT LOCAL LEVEL.

**Chart 2**  
**EXISTING CO-ORDINATION COMMITTIIES**



<b>BLOCK LEVEL</b>	
<b>Block Level Bankers Committee</b>	<b>Block Level Consultative Committee</b>

### **6.1.3 Lack of expertise for preparing bankable projects**

Lack of viable projects is the major problem faced by the banks in their credit disbursement. In the people's plan campaign lot of projects are prepared by the panchayath with the active participation of local people. But the majority of these projects are not acceptable to the banks because of the non-viability and bankability of these projects. This is because of the lack of expertise at the local level to prepare bankable projects.

### **6.1.4 Lending conditions of the banks v/s criteria for beneficiary selection**

In the local level planning process criteria for selection of the beneficiaries were done by the Grama Sabhas and banks do not have any role in this process.

**IN THE PEOPLE'S PLAN CAMPAIGN BENEFICIARIES OF DIFFERENT DEVELOPMENT PROJECTS ARE SELECTED ACCORDING TO SOME CRITERIA. THROUGH THIS METHOD THE PANCHAYATH CAN VERY SIMPLY SELECT MOST DESERVING PERSON OR GROUPS WITHOUT ANY DISCRIMINATION AND CORRUPTION. ALONG WITH THIS THE PANCHAYATH CAN ALSO ASSES THE ACTUAL CREDIT NEEDS AND SELECT THE CREDIT BENEFICIARIES WITH THE HELP OF BANKS. THIS WOULD BE HELPFUL FOR THE EFFECTIVE DISBURSEMENT OF BANK CREDIT.**

## **PART III**

### **Chapter 7 METHODOLOGY AND APPROACH FOR INTEGRATION**

#### **7.1 APPROACH**

In Akathethara Grama Panchayath, as part of the project, evolved a methodology and approach for integrating the credit plan with the panchayath annual plans. This should be proposed on the following way.

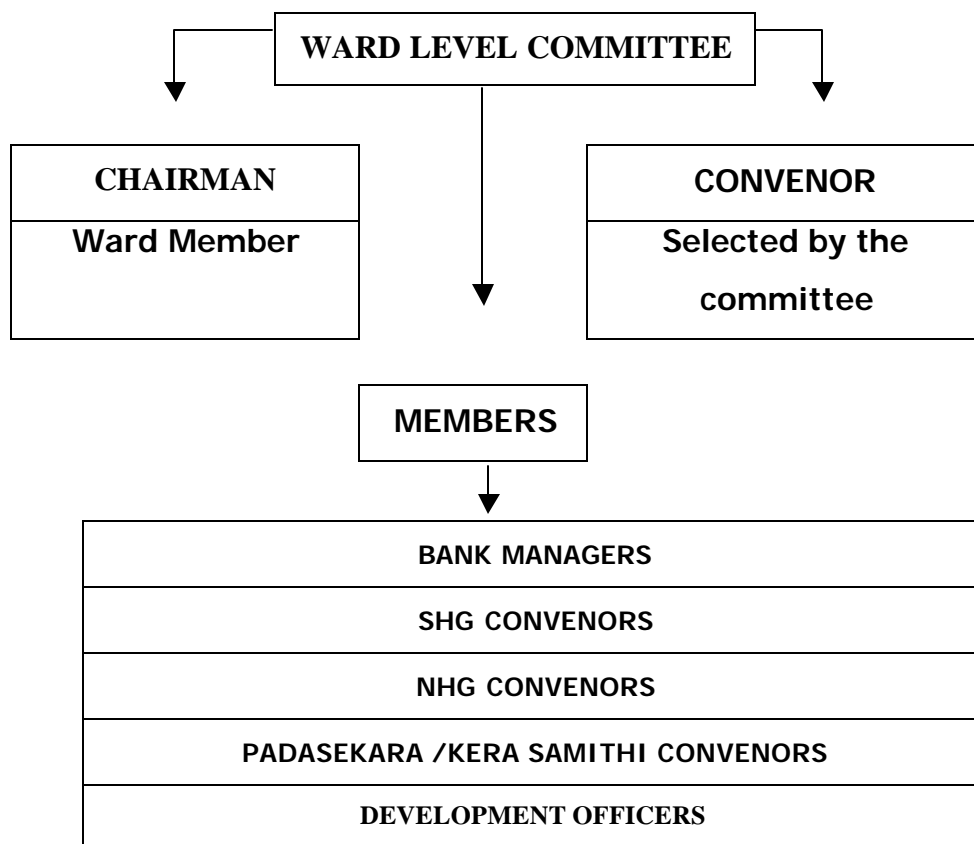
##### **(a) Formation of Ward Level Committee**

The Ward Level Committees (WLC) are the grass root level planning committees formed at the ward level with the help of service area bank. This committee would be helpful to the micro level planning process. The WLC can play a vital role in the credit planning process of banks. Actual credit need of the particular ward and prioritising the credit needs etc. can be assessed in the WLC meeting.

A WLC should be formed in the ward level meeting, and the respective ward member is the chairman of the committee. A convenor is also selected from the committee meeting. Convenors of SHGs, NHGs and padasekara samithis, Kera samithis, development officers and service area bank manager are the members of the WLC. The WLC should function in the following manner.

- (i) The WLC should be convened in every quarter and discuss about the credit related problems of the ward.
- (ii) It should work as the grass root level planning agency to discuss and assess about the credit requirements of the ward
- (iii) WLC should take initiative to create awareness among the people about the credit programmes and schemes of banks in right time with the help of the service area bank.
- (iv) WLC can work as a helping agency to resolve credit problems, repayment etc. of the respective ward.

**Diagram 3**



**(b) Panchayath Level Consultative Committee**

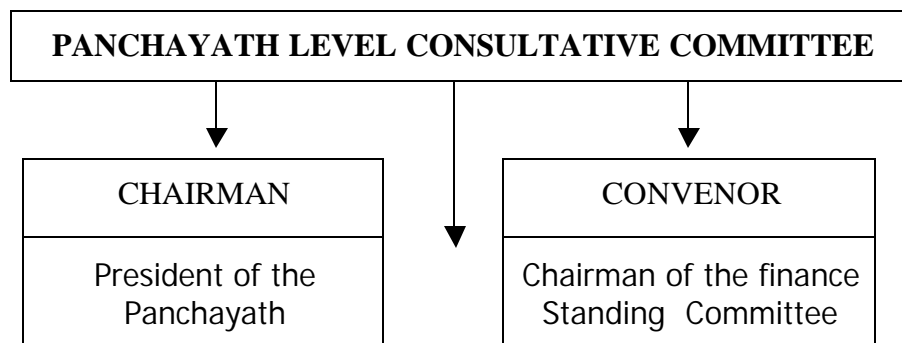
Panchayath Level Consultative Committee is the important co-ordinating agency at the local level worked for the integration of bank credit plan with the panchayath development plan. The committee consists of all ward members and commercial bank managers of the panchayath, secretary and president of the service co-operative bank, secretaries of other co- operatives, and all development officers at panchayath level.

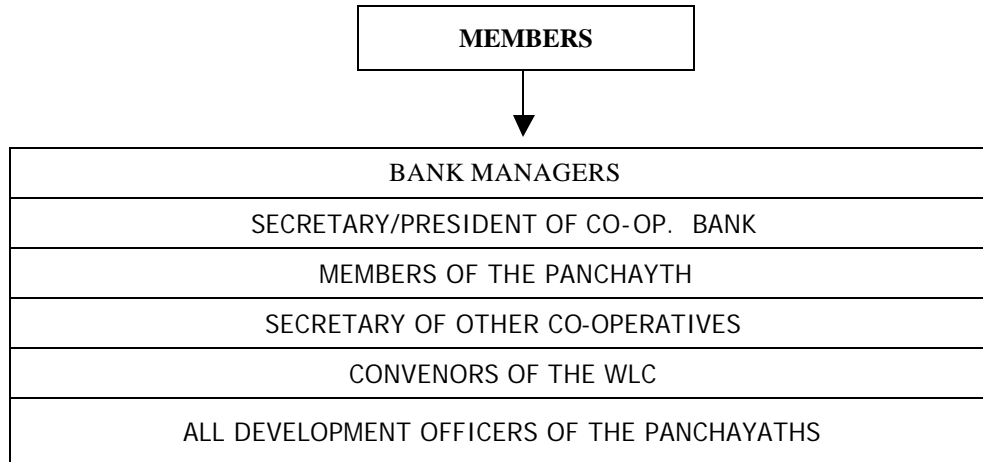
The PLCC can act as a co- ordinating agency between the banks and panchayath. The structure of PLCC is that the chairman, the president of the panchayath and the chairman of the finance standing committee act as the convenor of the PLCC.

**Functions of the PLCC are as follows:**

- (i) PLCC can work as an advisory committee for the credit plan preparation of banks.
- (ii) PLCC will be convened every three months for resolving the issues.
- (iii) PLCC can helps the banks to assess the potential resources of the panchayath.
- (iv) PLCC can discuss the preparation of the credit plan.
- (v) PLCC can help the panchayath to integrate their annual development project and long term development issues with the resource availability from the banks.
- (vi) It will be help as a better linkage with bank and people.

**Chart 4**





## **7.2 TRAINING TO THE TASK FORCE MEMBERS OF THE PANCHAYATH IN PREPARING BANKABLE PROJECT**

One of the major problem mentioned by the banks for the low credit disbursement is lack of viable projects. In Kerala, during the people's plan campaign, each and every panchayath has set up a task force for preparing development projects. But most of these taskforce have not enough expertise in preparing bankable projects (preparing viable projects according to the norms and conditions of the banks). If the task force were trained in preparing the bankable projects or most of the issue related to this can be solved

The training can be organised at the panchayath level with the help of PLCC. The PLCC can seek the service of the Lead Bank and NABARD for the training. These trained groups can help the panchayats for preparing development projects with bankable propositions.

## **7.3 ASSESSING THE CREDIT NEEDS OF THE PANCHAYATH**

Another methodology evolved for an integrated credit plan process of banks in Akathethara is the assessment of the credit needs of the panchayath. Every year before preparing their annual credit plan each bank should prepare the village profile and assess actual credit need of the service area. But in practice, banks will not carry out these activities.

A comprehensive credit plan should reflect the actual credit requirements of the service area. So it should be necessary to conduct a credit need survey at the local level. This could be conducted by the PLCC with the help of volunteers from NHGs, SHGs and other voluntary organisations of the panchayath and also seek the help of WLC of the respective ward. The survey should assess the credit needs of the different sectors separately (eg. Traders, Farmers, Groups etc.) Area to be covered, collection of data, size of the sample, etc., should be discussed in the PLCC. With the help of bank managers and other officials, necessary training should be given to the field investigators for carrying out the survey. The PLCC should compile and consolidate the survey, add if any more suggestion after a discussion of the report. The credit need survey report should be submitted to the banks before 15<sup>th</sup> December as a major document of the PLCC for the process of credit plan preparation.

#### **7.4 CREDIT LITERACY PROGRAMME**

The PLCC can undertake another activity in the panchayath to make aware the people about the bank credit and the banking activities. Generally local peoples are not aware of the banking policies and schemes. Banks are also not taking any interest to create the awareness to the people regarding the credit policies.

In such a situation, the PLCC should undertake the credit awareness programmes with the help of Lead Bank and other banks. The PLCC can conduct ward level seminars, discussions. WLC and the service area bank should conduct all these activities. Emphasis should be given to the need of repayment of the loan in time so that a healthy relation can be established between bank and the beneficiaries.

## **PART IV**

## **Chapter 8**

### **ACTION PLAN: ACTIVITIES UNDERTAKEN**

In order to fulfil the approach, following activities were undertaken by the project. Most of the activities were decided and designed based on the responses created by the prior activities.

#### **8.1 SECONDARY DATA COLLECTION**

The project team prepared a work schedule and based on a preliminary discussion the team decided to collect the available secondary data to assess the existing situation.

The following data were gathered.

1. District credit plan for the last 5 years.
2. Potential linked credit plan for the last 5 years.
3. Lead Bank Returns (LBR).
  - a. LBR for every quarter
  - b. LBR for half year
4. Literature regarding credit plans and peoples plan.

After assessing the secondary data, the programmes for primary data collection and visits were planned.

1. Prepared a format for collection of data from banks.
2. Visit to lead Bank and NABARD.
3. Convene a meeting of experts from banks and Akathethara Panchayath.

#### **8.2 EXPERT COMMITTEE MEETING**

The main objective of this meeting was to share the idea of the project with the panchayath authorities, Bank officials and invited experts from the banking field. A discussion note was prepared (Annexure 1) as a background paper for the

discussion. The Lead Bank Manager and NABARD Asst, General Manager were also invited. The meeting was well attended.

1. President of Akathethara Grama Panchayath
2. Vice president of Akathethara Grama Panchayath
3. Assistant General Manager of NABARD
4. Lead Bank District Manager
5. President of Akathethara Service Co-operative Bank
6. Officers from other banks
7. Trade union leaders from banking sector
8. The project team

**IN THE MEETING BOTH THE BANK OFFICIALS AND THE PANCHAYATH AUTHORITIES SHARED THEIR OPINIONS AND EXPERIENCES.**

Following are the responses from panchayath authorities.

1. **THERE ARE SEVERAL PROJECTS IN THE PANCHAYATH REQUIRING THE BANK ASSISTANCE. BUT THE RULES AND REGULATIONS OF THE BANKS BLOCK THE OPPORTUNITIES FOR UTILISING THE BANK FINANCE FOR THE LOCAL LEVEL PLANNING.**
2. Banks are not usually contacting the panchayath authorities or other development officers while preparing the credit plans.
3. The banks and bank officials had not co-operated and helped in the preparation of the development projects of the panchayath.
4. Several projects which required bank finance during the first year of the peoples' plan campaign were excluded due to this.
5. In 1998-99 panchayath sought the help of service co-operative banks of Akathethara. But they also not co-operated in the planning processes.
6. Lack of experts in the panchayath for preparing viable projects for the banks.
7. Bank should follow participatory approach while preparing their credit plan.

8. The help of bank officials is necessary for preparing the long term perspective plan of the panchayath. This would help to identify the potentials and credit requirements of the panchayath.

Bank officials categorically denied few observations made by the panchayath but agreed in full on the need of the integration of the credit plan with the panchayath development plan. They suggested the following points for the integration.

1. Banks credit plan preparation is time bound and is released by March 31<sup>st</sup>. For integrating the credit plan, panchayath plan preparation also becomes time bound with in this period.
2. If panchayath can prepare a perspective plan this can be used as a base document for banks in the preparation of the credit plan.
3. The requirement of the panchayath can be considered in the credit plan only if the panchayath should prepared this plan in advance and submit it to the respective bank before the month of November every year.
4. While preparing the projects, panchayath should consider linking the existing banking schemes like SGSY etc.
5. More preference should be given to group schemes in the panchayath development plan.
6. The project, which need bank finance, must have a real cost benefit analysis and economic viability. Panchayath should follow this while preparing such projects.
7. Panchayath should also help the bank to recollect the loans.

The expert committee made suggestions and action for facilitating the integration of credit plan.

1. A panchayath level committee should be formed at Akathethara, with the representation of banks, panchayath and other development offices.
2. Necessary training should be given to the task force members in agriculture, animal husbandry, industry, etc. for preparing bankable projects.

3. The panchayath should prepare a long term perspective plan and assess the credit needs of the panchayath. The banks should consider this as an obligatory base document for the credit plan preparation.

### **8.3 TRAINING TO THE TASK FORCE MEMBERS FOR PREPARING THE BANKABLE PROJECTS**

As per the decision of the expert committee actions were initiated to conduct the training programme. The suggestion was officially presented in the Panchayath board meeting and decided to carry out it as a panchayath programme. The project team co-ordinated it for the panchayath.

1. Communications were given in the name of panchayath.
2. Date and venue decided accordingly.
3. The resource persons for the training were invited by the panchayath.

Following were the resource persons:

1. Lead Bank Manager, Palakkad
2. Assistant General Manager, NABARD, Palakkad.

All the banks of the panchayath were invited to the training programme but only two bank representatives attended the training.

Following were the output expected from the training.

1. To make the intervention of banks in the peoples' plan activities of the panchayath and develop an active relationship with bank and the people.
2. To create awareness to the local planners about the possibility of utilising the bank resources.
3. To train the local planners for preparing viable projects and the bankable projects.

The training could not achieve all the objectives because:

1. Out of 4 banks only two banks were attended and co-operated in the training programme. Lack of effective participation from both side, the Panchayath and bank.

- 2 In the training programme, major thrust was given to discussion regarding the credit schemes and did not get enough time to practice and get expertise in the preparation of bankable project.

Even with above limitations the training programme had been a major step in the Credit plan integration of banks. The training camp gave following realisation to the panchayath and Bank authorities.

- a) Majority of the people in the panchayath, (the peoples plan activist also), do not have enough knowledge about the banking activities. So awareness among the people regarding credit schemes and other banking activities is required.
- b) An agency or a co-ordinating body is needed to convene and co-ordinate both the activities of panchayath and banks.
- c) Effective training would be given to the local level planners in preparing bankable projects with the help of experts from the banking sector.

**ABOVE ALL THESE, THE TRAINING PROGRAMME HAS HELPED TO CREATE A GREAT CONCERN REGARDING THE ROLE AND SCOPE OF FINANCIAL INSTITUTIONS IN THE DEVELOPMENT ACTIVITIES OF THE PANCHAYATS.**

#### **8.4 CONDUCTED SURVEY AMONG COMMERCIAL BANKS**

In the months of April and May, the project team had conducted a sample survey among commercial banks of Akathethara Panchayath and some other banks of the district. We have surveyed 37 commercial banks to know the process of existing credit plan preparations. However it is very difficult to get information from banks. But with our continuous effort and repeated request we got the informations.

#### **8.5 PANCHAYATH LEVEL MEETING (MAY 2000)**

**IT IS AGREED UPON THE NEED OF CO-ORDINATION AMONG THE PANCHAYATH, BANKS AND OTHER DEVELOPMENT OFFICES AT THE LOCAL LEVEL FOR A COMPREHENSIVE AND**

**INTEGRATED DEVELOPMENT. VARIOUS LEVELS OF DISCUSSIONS WERE CONDUCTED REGARDING THE NATURE, STRUCTURE AND LAYERS OF CO-ORDINATING BODIES AT PANCHAYATH LEVEL. SINCE THE WARDS ARE EMERGED AS THE GRASSROOT LEVEL UNIT IN THE DECENTRALISATION AND PLANNING PROCESS, IT IS PROPOSED TO HAVE AGENCIES OR CO-ORDINATING BODIES FROM WARD LEVEL ONWARDS. ON THIS VIEW PROJECT TEAM DISCUSSED WITH EXPERTS AND SUGGESTED TO FORM A PANCHAYATH LEVEL CONSULTATIVE COMMITTEE. BEFORE THE FORMATION OF PANCHAYATH LEVEL COMMITTEE THE PROJECT TEAM SHOULD FACILITATE TO FORM COMMITTEES AT GRASS ROOT LEVEL I.E., THE WARD LEVEL.**

To discuss the project plan and for the formation of the ward committees with the help of banks and panchayath, convened a meeting at Akathethara Panchayath in the month of may 2000. All banks, development officers, ward members of the panchayath were invited to the meeting.

But the meeting was not much effective due to lack of participants. Only very few members were attended the meeting. Anyhow the meeting had decided to form a work schedule for the ward level committee meeting. According to the convenience of the bank managers and the ward members, prepared a programme schedule of ward level committee in all wards of Akathethara Grama Panchayath.

The following decisions were taken in the meeting:

- i) To form ward level committees in all wards of Akathethara
- ii) Prepare a work schedule for the programme
- iii) To ensure the participation of banks in the ward level meeting with the intervention of Lead Bank & NABARD

## **8.6 FORMATION OF WARD LEVEL COMMITTEES (MAY, JUNE, JULY)**

As per the decisions at the panchayath level committee meeting, ward level committees are formed to;

- a) Build up the relation between banks and people at the grass root level
- b) Banking activities are extended at the service area level. So the grass root level approach would be effective in all means
- c) In the people's plan campaign all the planning activities begin from the micro level. So the banking activities also be decentralised

**THE WLCS ARE FORMED WITH THE HELP OF RESPECTIVE WARD MEMBERS OF THE PANCHAYATH. THE WARD CONVENORS, SHGS, NHGS, PADASEKHARA SAMITHIS, KERA SAMITHIS ETC. AND LOCAL ENTREPRENEURS WERE THE PARTICIPANTS OF THE MEETING. AVERAGE 15 PARTICIPANTS WERE ATTENDED IN EACH MEETING. IN AKATHETHARA GRAMA PANCHAYATH 9 WLCS WERE FORMED OUT OF 10 WARDS. 10TH WARD IS THE RAILWAY COLONY, SO THE COMMITTEE COULD NOT BE FORMED.**

In each and every ward level meeting, respective service area bank managers and ward members were attended. Lead Bank Manager has also attended in some WLC meetings. They had an open discussions with the participants regarding the banking schemes, viable projects, banking policies, credit needs, repayment etc. According to the participants WLC is a necessary to act as an agency at local level to develop the relation between bank and people.

**Table 8.1  
Details of the participation in WLC**

Ward	Date	Place at which the meeting held	No. of participants	Banks participate			Panchayath Representatives
				Com . Bank	Co-op. bank	Lead Bank	

I	2/6/2000	Ummini School, Dhoni	18	Yes	-	yes	Ward Member
II	2/6/2000	Ummini School, Ummini	16	Yes	-	yes	Ward Member
III		Panchayath hall	7	Yes	-	-	Ward Member
IV	7/6/2000	Panchayath hall	12	Yes	yes	-	Ward Member
V	29/5/2000	Akathethara Samskarika Nilayam	15	-	yes	-	Ward Member
VI	6/6/2000	Yuvakalavedi, Akathethara	8	Yes	-	-	Ward Member
VII	5/6/2000	Andimadam LPS, Akathethara	11	Yes	-	-	Ward Member
VIII	20/6/2000	Hemambika Arts Club	11	Yes	-	-	Ward Member & President
IX	<i>(Railway Colony) WLC Convenor nominated to the Panchayath committee</i>						
X	30/5/2000	NSS High School, Akathethara	16	Yes	-	yes	Ward Member

## **8.7 COLLECTION OF DATA FROM BANKS AND THE PANCHAYATH**

Achievement and disbursement of banks of Akathethara Panchayath for the last 4 years and also details regarding the existing plan preparation were collected.

Simultaneously, we have collected the financial details of the projects of Akathethara panchayath prepared during the last 4 years of peoples plan campaign.

## **8.8 PANCHAYATH LEVEL CONSULTATIVE COMMITTEE**

Another major task carried out by the project was formation of a panchayath Consultative Committee. From the earlier discussion and interviews among the Bank officials and other local level representatives, it is agreed to the need for a co-ordinating agency at panchayat level. All banks managers, development officers, WLC convenors, panchayath board members were invited to the meeting. The panchayath prepared an invitation letter and invited all the officers and other members to the meeting. To assure the participation of bank officials, Lead bank manger made his personal effort. The meeting was very successful in all means.

A discussion note was prepared and given to the participants regarding the need of the co-ordinating agency at the local level. The following are the aims of the meeting:

1. Formation of Panchayath Level Consultative Committee.
2. Evaluation of the panchayath development projects of the year 2000-2001
3. Discussions regarding the credit plan preparation of the year 2001-2002
4. Credit Literacy Programme.

**IN THE MEETING THE PANCHAYATH LEVEL CONSULTATIVE COMMITTEE WAS FORMED. THE AKATHETHARA PANCHAYATH PRESIDENT WAS THE CHAIRMAN OF THE COMMITTEE AND THE FINANCE STANDING COMMITTEE CHAIRMAN AS THE CONVENOR OF THE PLCC. ALL DEVELOPMENT OFFICERS AND WARD MEMBERS ARE MEMBERS OF THE PLCC.**

## **8.9 ONE DAY WORKSHOP AT PANCHAYATH LEVEL**

The Panchayath Level Consultative Committee has decided to conduct a panchayath level workshop;

1. To initiate discussion regarding the new methodology and approach for evolving a locally appropriate credit plan and integrating with the development plan of the panchayath.
2. Make aware the people about the credit programme and schemes of banks and other departments.

The workshop was attended by:

1. The District Panchayath President
2. The Chairman, PLCC
3. Lead Bank Manager
4. Asst. General Manager, NABARD
5. Manager, District Industries Centre
6. Manger, Indian Bank
7. Manger, Union Bank
8. Manger, State Bank of India

The following observations were made in the workshop.

The workshop was inaugurated by Sri. K. V.Ramakrishnan, the President of the District Panchayath, Palakkad. In his inaugural speech, he emphasised the significance of Peoples' Planning Campaign to achieve the development objective of Kerala. At the same time he pointed out that most of the projects prepared by panchayats are facing financial crisis. So banks in our state can play a major role by providing credits to bankable projects. Then, he went through the existing situations of the economy and requested people to adopt alternative efforts to correct them.

A presentation on *banking schemes and credit planning* was made by Sri.N.S.Unni, the Lead Bank Manager of Palakkad District. In his class, he explained the need of an integrated credit plan at panchayath level by considering the diversity of the resources and credit requirements of each panchayat. For this, each panchayath has to prepare bankable projects on the basis of local credit requirements. For all these, a better co-operation among banks and other departments in the panchayath (peoples representatives, development officials, etc.) are inevitable. He added that banks should come

very closer to the public. Then he gave a class on the preparation of the credit plan of banks.

In the next presentation, Sri M.K.Rajan, Assistant General Manager of NABARD, explained the schemes of NABARD. He mainly talked about the activities of NABARD.

**DISCUSSIONS ON CREDIT REQUIREMENTS WERE PILOTTED BY MANAGER OF DIC, MANAGERS OF INDIAN BANK, UNION BANK AND SBI OF AKATHETHARA PANCHAYATH. AS PART OF THE DISCUSSION, SRI.P.K.IYPE, MANAGER OF DIC, PALAKKAD, EXPLAINED ABOUT THE PROBLEMS OF PREPARATION OF BANKABLE PROJECT AT PANCHAYATH LEVEL.**

Following this discussion, Secretary of AIBEA (All India Bank Employees Association) Mr. Gopinath gave some suggestions for improving development process of the panchayath.

1. It is necessary to involve the services of bank employees and other persons who are interested to participate in the activities of development of the panchayath.
2. To change the attitude of banks from the target oriented credit plan to need based credit plan.

After a detailed discussion an action programme was presented and approved.

- i) Credit Literacy Programme should be conducted in the month of February.
- ii) A handbook should be prepared and distributed among the public.
- iii) Panchayath must prepare their credit requirements of the financial year 2001-2002 as early as possible.

## **8.10 CREDIT NEED SURVEY (OCTOBER-JANUARY)**

According to the PLCC decision, the project team started the credit need assessment survey with the help of SHG volunteers in the month of November. Four types of survey formats were prepared and necessary training were given to the SHG volunteers to collect information from the field. The drinking water

and sanitation survey -2000 conducted at Akathethara Panchayath identified that 6128 household in Akathethara Grama Panchayath. For assessing the credit needs of the people, we took a sample size of 10% of the total households of the Panchayath. The samples were selected at intervals of 10; 1<sup>st</sup>, 10<sup>th</sup>, 20<sup>th</sup> house like wise. Besides this, we conducted survey among 31 SHGs out of the 36 registered SHGs of the Panchayath, 14 Padasekhara/Kera smithies; out of the 21 smithies of the Panchayath. And also surveyed the 84 trade groups out of 700 (as per the panchayath development report) traders of the Panchayath. The survey was completed in December.

### **8.11 PREPARATION OF HAND BOOK (JANUARY, FEBRUARY)**

As part of the credit literacy programme, we have prepared a credit schemes handbook. This handbook will be very helpful to the task force members as well as the people who were engaged in the planning activities of the Panchayath for preparing the bankable projects.

### **8.12 TRAINING FOR TASK FORCE MEMBERS AND FORMATION OF A TECHNICAL SUPPORT GROUP (MARCH 2001)**

Two days training conducted at IRTC on 17, 18 March 2001. The training programme aimed at to develop a technical support group at Akathethara for preparing bankable project and group of resource person for the proposed Credit Literacy Programme. About 30 persons were participated in the training, 7 selected task force members from Akathethara Panchayath and 23 members from other panchayats attended the training programme.

#### ***17 March 2001(Saturday)***

The training programme started on 17th 2 pm. Sri P.P Nair, Asst. General Manager of Reserve Bank of India inaugurated the function. Dr. N.K.Sasidharan Pillai, the Principal Investigator of the project briefed about of the project. And as per the programme schedule, the Lead Bank Manager Sri N.S. Unni, one of the resource person of the programme given a class about the role of banks in local level development. There after Sri. K.K.Rajan, Asst. General Manager of NABARD briefly presented the credit schemes of NABARD. Next session started with the

class of Sri Koshi Varghese, Manager of South Indian Bank, Thrissur, on the subject "what is a bankable project and how to prepare a bankable project?" He explained features of the bankable projects and the method and techniques of its financial analysis. Another session of the training programme was the class of Sri T.K.Devarajan, Indian Overseas Bank, Kannur about the history and evolution of banking system in India.

The next session started after the dinner, the participants were divided in to three groups and given some assignment to the groups to prepare bankable projects. The groups were guided by Dr. N.K.Sasidharan Pillai, Sri M.G.Jayasree and Sri. M.Ramachandran from IRTC.

### ***18 March 2001(Sunday)***

The next day session started at 9am was the presentation of the bankable projects prepared by the groups. The evaluation of the project were done by Sri V.V.Subramanyan, State Bank of Travancore, Alathur. There after he presented the credit schemes handbook prepared by IRTC in connection with the project. The last session was the brief presentation of some income generating projects of IRTC like soap making, mushroom cultivation, vermi composting, aquaculture, etc. The training programme ended up at 1 p.m.

## **Chapter 9**

### **CONCLUSION**

The project experiences shows that the panchayath authorities and the banks can come closer to address the local level development issues. Both the sides agrees to the fact that more and more positive interactions and sharing of dreams were possible and can create more conducive environment for the bank to support, and the local bodies to tap the financial resources from the bank to the developmental needs.

Institutional mechanism like Ward Level and Panchayath Level Consultative Committees are suitable and can be made effective as a common platform for the banks and the local planners to share and contribute for the over all development at panchayath level.

The panchayath being the local self government should take more active role as a facilitator to bring closer the people and the financial institutions in the panchayath.

The participatory credit need survey had given an opportunity to the people as well as the bank authorities to realize the diversified "genuine" needs of the people.

To conclude from the experiences of the project implementation the suggested measures had shown positive results in improving the relationship between the local bodies and the financial institutions in Akathethara Panchayath. A continued effort to channelize all available resources to local level development is

a major deciding factor for the local development. This will definitely come as a result of the deliberate nurturing of the over all democratization process which will go beyond a sectoral mind set. If there is a will, there is a way.

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**Annexure 1**  
**DETAILS OF THE TWO BANKABLE PROJECTS**  
**PREPARED BY AKATHETHARA PANCHAYATH**  
**DURING 2000-01**

**IN THE YEAR 2000-2001 OUT OF 86 PROJECTS, 2 PROJECTS REQUIRED BANKS' FINANCIAL ASSISTANCE. DETAILS OF THE PROJECTS ARE THE FOLLOWING:**

***1. The Cocoon reeling industry***

The projects aims that:

- (a) To assure employment for 10 unemployed women of the panchayath
- (b) To develop the socio-economic status of the women
- (c) To develop productive sector of the panchayath.

**THE PROJECT PLANNED TO FORM A CO-OPERATIVE SOCIETY UNDER THE DISTRICT INDUSTRIAL CENTRE AND THE BENEFICIARIES OF THE UNITS ARE THE 10 WOMEN THOSE WHO WERE TRAINED IN THE COCOON REELING AS PER THE PREVIOUS YEAR PROJECT. THESE TRAINED WOMEN WERE SELECTED BY THE PANCHAYATH FROM DIFFERENT WARDS. THE TOTAL OUTLAY OF THE PROJECT WAS 4,80,000. THE EXPECTED AMOUNT AS BENEFICIARIES RS. 25,000 AND PLAN FUND RS. 50,000. GOVT. SCHEMES CONTRIBUTION RS. 1,50,000 AND THE BANK LOAN RS. 2,55000.**

***2. The Umbrella manufacturing unit***

**MAJOR OBJECTIVES OF THE PROJECT ARE:**

- (a) To assure employment for SC women in the panchayath.
- (b) To ensure socio-economic development of women.
- (c) To assure good quality Umbrella at reasonable prices.

This project also planned to organise a co-operative society under DIC and the beneficiaries of the panchayath during the previous year.

The total financial outlay of the project was 2,77,000. And the beneficiary contribution was Rs. 10,000 and plan fund Rs. 50,000, govt. share Rs. 60,000 and bank loan expected Rs. 1,62,000. In this project also the beneficiaries are selected from different wards of the panchayath.

Another important factor relating to these projects, both the project are submitted to BLEC after the approval administrative sanction. But the BLEC only given temporary approval for this project. They didn't mention any reason for the non approval.

**ANY HOW, THE BANKS POINTED OUT SOME MAJOR DRAWBACKS FOR THESE 2 PROJECTS, DUE TO THE REASON THESE PROJECT ARE NOT ACCEPTABLE AND VIABLE TO THE BANKS. THE REASONS ARE THE FOLLOWING.**

- (a) These projects are planned to register as Co-operative society. Banks are very difficult to finance the co- operative sector.
- (b) There is no clarity regarding the Technical -Know-how of the projects.
- (c) Marketing of the products, sales return etc.. are not clear
- (d) In the case of Umbrella manufacturing unit, it is a seasonal work, it didn't mentioned the off - seasonal work.

Another important drawbacks mentioned by the bank, both these projects beneficiaries area selected as each one from each ward. If the beneficiaries of this project are the members of a group only bank can finance easily.

**Annexure 2**  
**DETAILS OF SHG'S OF AKATHETHARA PANCHAYATH**

Sl.No.	Established	No. of Members	Bank a/c	Deposit	Loan taken
1	99 October	20	Indian Bank	7950	No
2	99 December	20	Indian Bank	8000	No
3	2000 July	20	Union Bank	5000	No
4	2000 July	20	Union Bank	2500	No
5	2000 August	20	Union Bank	4000	No
6	2000 August	27	Union Bank	5000	No
7	2000 August	20	Union Bank	2000	No
8	2000 August	20	Union Bank	3600	No
9	99 September	51	Union Bank	6000	No
10	2000 September	18	Union Bank	3000	No
11	2000 August	15	Union Bank	2500	No
12	2000 September	15	Union Bank	2000	No
13	2000 August	12	Indian Bank	1410	No
14	2000 August	17	Indian Bank	3060	No
15	2000 August	18	Indian Bank	2700	No
16	2000 August	16	Indian Bank	2560	No
17	2000 August	17	Indian Bank	2970	No
18	2000 August	18	Indian Bank	2880	No
19	2000 August	19	Indian Bank	3110	No
20	2000 August	19	Indian Bank	3110	No
21	2000 August	19	Indian Bank	3275	No
22	2000 June	20	Indian Bank	3000	No
23	2000 July	20	Indian Bank	2500	No
24	99 November	19	Indian Bank	6175	Yes
25	2000 August	20	Indian Bank	1750	No
26	2000 August	20	Indian Bank	3200	No
27	2000 August	20	Indian Bank	3200	No
28	2000 September	10	Indian Bank	2000	No
29	2000 January	17	Indian Bank	6000	No
30	99 December	14	Indian Bank	4000	Yes

31	99 August	12	Indian Bank	4000	Yes
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**Annexure 3**  
**SECTOR WISE TARGETS OF BANKS & GROWTH RATE**  
**IN AKATHETHARA GRAMA PANCHAYAT**

<b>UNION BANK</b>				
<b>Years</b>	<b>Priority</b>	<b>N.Priority</b>	<b>Total</b>	<b>%Growth</b>
1995-96	0.00	0.00	<b>0.00</b>	0.00
1996-97	33.72	9.75	<b>43.47</b>	0.00
1997-98	30.48	4.00	<b>34.48</b>	-20.68
1998-99	30.78	6.00	<b>36.78</b>	6.67
1999-2000	43.50	5.00	<b>48.50</b>	31.87
2000-01	80.60	20.00	<b>100.60</b>	107.42

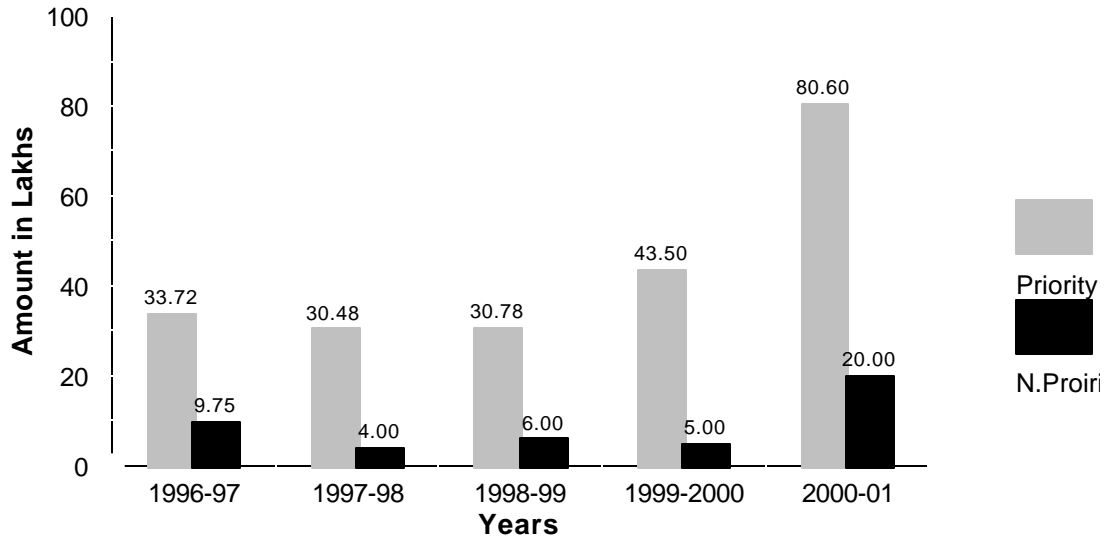
<b>INDIAN BANK</b>			
<b>Priority</b>	<b>N.Priority</b>	<b>Total</b>	<b>%Growth</b>
6.57	0.00	<b>6.57</b>	
26.00	0.00	<b>26.00</b>	295.74
19.54	0.00	<b>19.54</b>	-24.85
15.62	1.00	<b>16.62</b>	-14.94
20.70	0.00	<b>20.70</b>	24.55
20.50	2.50	<b>23.00</b>	11.11

<b>STATE BANK OF INDIA</b>				
<b>Years</b>	<b>Priority</b>	<b>N.Priority</b>	<b>Total</b>	<b>%Growth</b>
1995-96	14.36	3.20	<b>17.56</b>	0.00
1996-97	22.50	8.00	<b>30.50</b>	73.69
1997-98	22.50	8.00	<b>30.50</b>	0.00
1998-99	17.50	26.00	<b>43.50</b>	42.62
1999-2000	65.00	13.00	<b>78.00</b>	79.31
2000-01	78.17	15.00	<b>93.77</b>	20.22

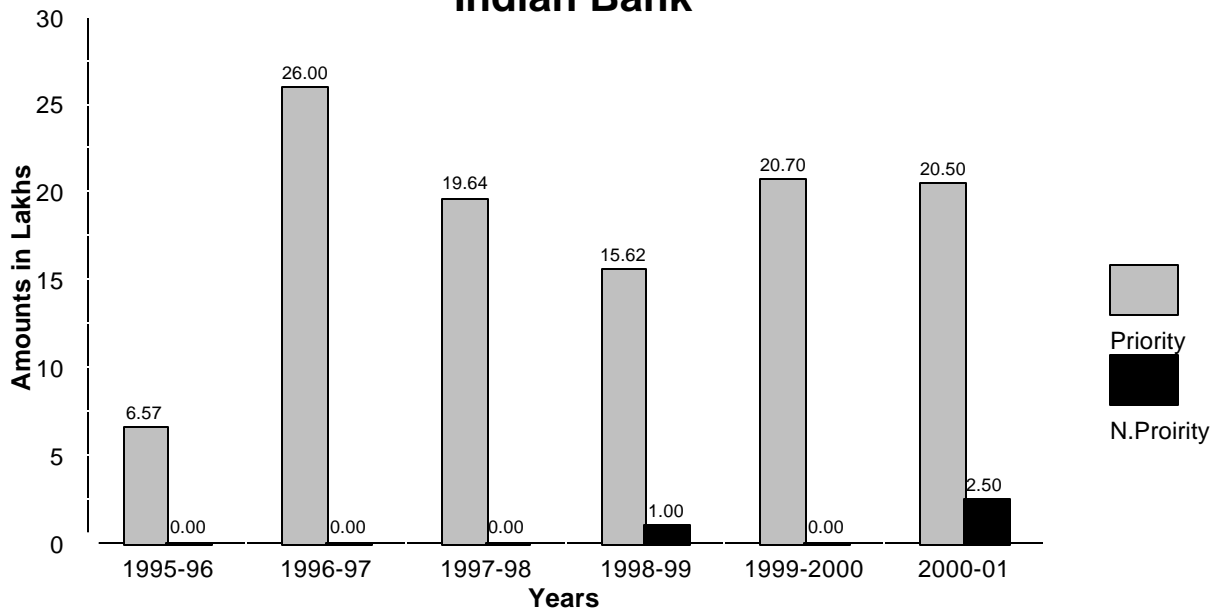
<b>ASC BANK</b>			
<b>Priority</b>	<b>N.Priority</b>	<b>Total</b>	<b>%Growth</b>
9.05	260.00	<b>269.05</b>	0.00
11.65	265.00	<b>276.65</b>	2.82
24.30	270.00	<b>294.30</b>	6.38
28.65	430.00	<b>458.65</b>	55.84
37.10	600.00	<b>637.10</b>	38.91
53.75	650.00	<b>703.75</b>	10.46

## Graphical Representation of Sectorwise Targets of Banks in Akathethara Grama Panchayath

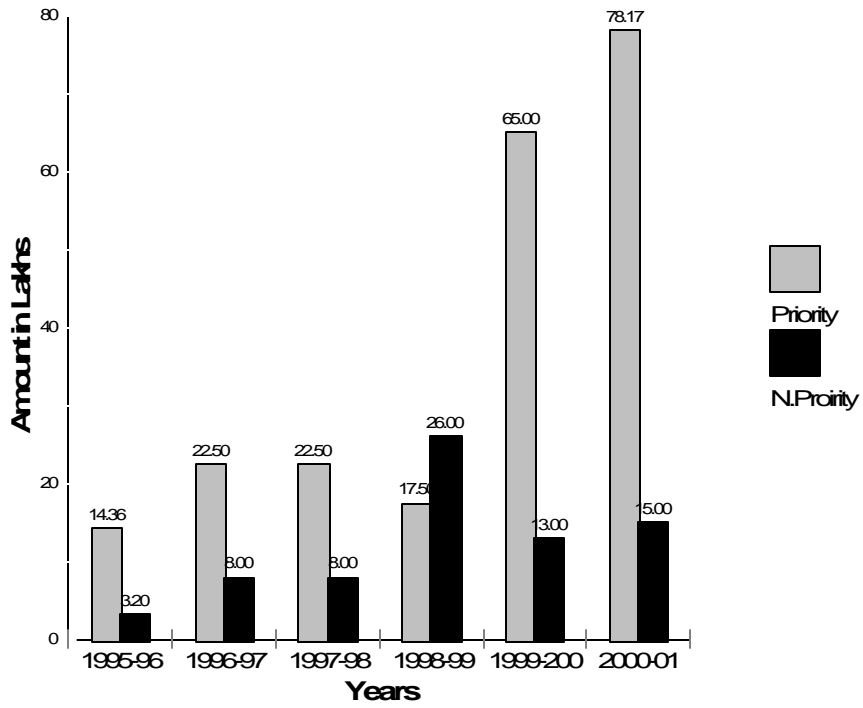
### Union Bank of India



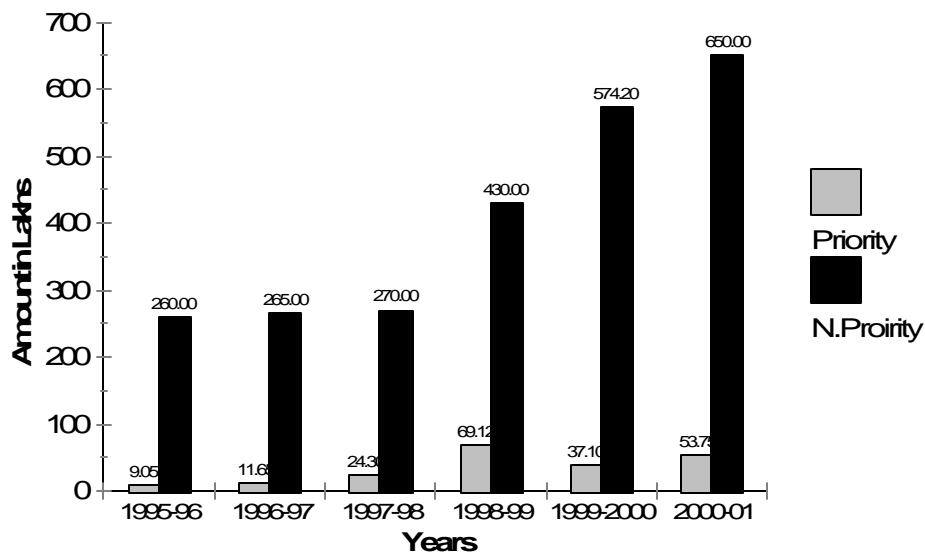
### Indian Bank



## State Bank of India



## Akathethara Service Co-op. Bank



#### Annexure 4

### SECTORWISE ACHIEVEMENTS/DISBURSEMENT OF BANKS & GROWTH RATE IN AKATHETHARA GRAMA PANCHAYATH

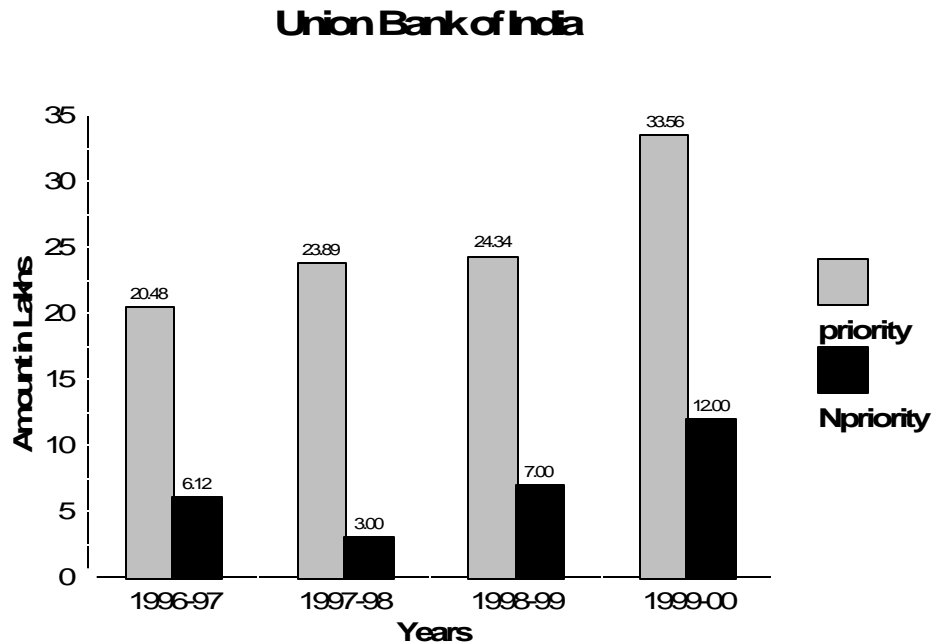
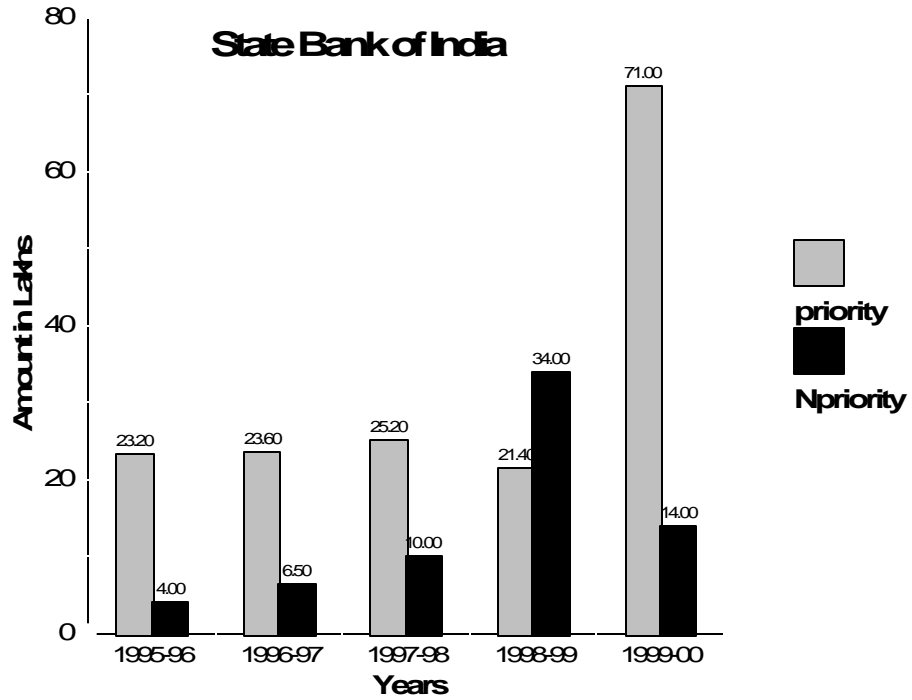
STATE BANK OF INDIA						
Years	Priority	Priority %	N.Priority	N.Priority%	Total	% Growth
1995-96	23.20	85.29	4.00	14.71	<b>27.20</b>	0.00
1996-97	23.60	78.41	6.50	21.59	<b>30.10</b>	10.66
1997-98	25.20	71.59	10.00	28.41	<b>35.20</b>	16.94
1998-99	21.40	38.63	34.00	61.37	<b>55.40</b>	57.39
1999-00	71.00	83.53	14.00	16.47	<b>85.00</b>	53.43

INDIAN BANK						
Years	Priority	Priority %	N.Priority	N.Priority%	Total	% Growth
1995-96	28.66	92.72	2.25	7.28	<b>30.91</b>	0.00
1996-97	11.71	97.50	0.30	2.50	<b>12.01</b>	-61.15
1997-98	3.19	100.00	0.00	0.00	<b>3.19</b>	-73.44
1998-99	9.60	76.49	2.95	23.51	<b>12.55</b>	293.42
1999-00	15.77	87.37	2.28	12.63	<b>18.05</b>	43.82

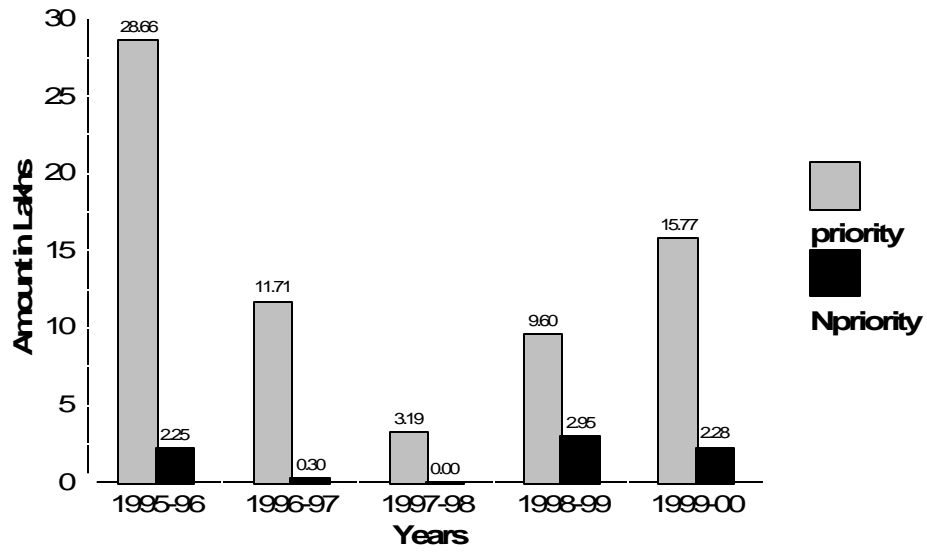
UNION BANK						
Years	Priority	Priority %	N.Priority	N.Priority%	Total	%Growth
1995-96	0.00	0.00	0.00	0.00	<b>0.00</b>	0.00
1996-97	20.48	76.99	6.12	23.01	<b>26.60</b>	0.00
1997-98	23.89	88.84	3.00	11.16	<b>26.89</b>	1.09
1998-99	24.34	77.66	7.00	22.34	<b>31.34</b>	16.55
1999-00	33.56	73.66	12.00	26.34	<b>45.56</b>	45.37

ASC BANK						
Years	Priority	Priority %	N.Priority	N.Priority%	Total	%Growth
1995-96	12.58	2.83	431.99	97.17	<b>444.57</b>	0.00
1996-97	12.84	2.04	615.95	97.96	<b>628.79</b>	41.44
1997-98	57.56	11.72	433.43	88.28	<b>490.99</b>	-21.92
1998-99	64.27	10.07	574.20	89.93	<b>638.47</b>	30.04
1999-00	98.29	12.19	707.90	87.81	<b>806.19</b>	26.27

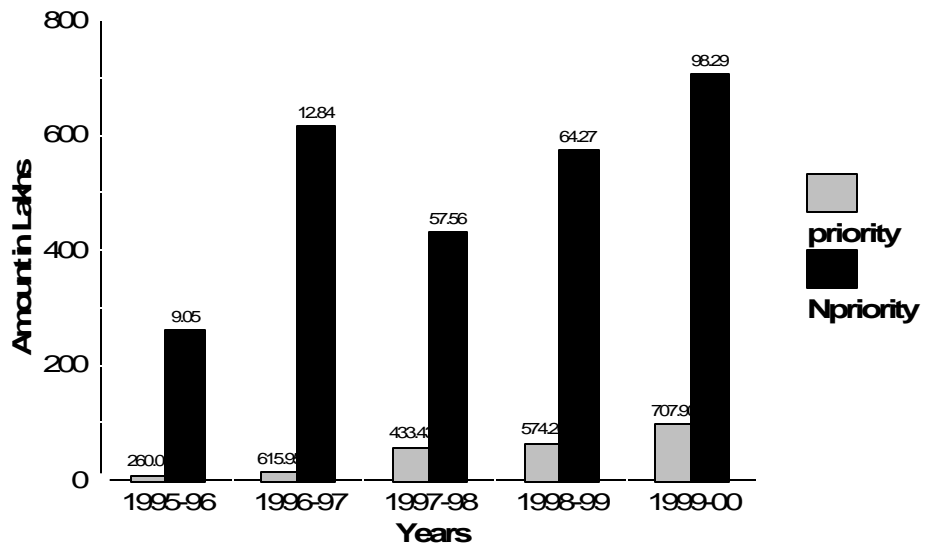
## Graphical Representation of Sectorwise Achievement/Disbursement of Banks in Akathethara Grama Panchayath



### Indian Bank



### ASC Bank





**Annexure 5**  
**SURVEY AMONG BANK OFFICIALS**

<b>Sl. No.</b>	<b>Questions</b>	<b>Respond</b>	<b>Percentage</b>
<b>1</b>	<b><i>Advances in 98-99</i></b>		
	Agriculture	7	18.92
	Animal Husbandry	0	0.00
	Industry	9	24.32
	Trade	3	8.11
	Housing/consumer Loan	6	16.22
	Others	5	13.51
	No response	7	18.92
	Total	37	
<b>2</b>	<b><i>Major difficulties for loan disbursement</i></b>		
	Stagnation in productive sector	7	18.92
	Low chance for large scale credit	8	21.62
	Effects of new economic policy	9	24.32
	SAAP	4	10.81
	Lack of suitable credit schemes	5	13.51
	Banks interested only in investment	1	2.70
	No response	3	8.11
	Total	37	
<b>3</b>	<b><i>Sector which disb. Is very low</i></b>		
	Agriculture	19	51.35
	Animal Husbandry	1	2.70
	Industry	7	18.92
	Trade	1	2.70
	Other credits	1	2.70
	General	8	21.62
	Total	37	
<b>4</b>	<b><i>SAAP is good for credit</i></b>		
	Yes	16	43.24
	No response	16	43.24
	Not know	5	13.51
	Total	37	
<b>5</b>	<b><i>Village survey</i></b>		
	Yes	9	24.32
	No	23	62.16
	No need	3	8.11
	No response	2	5.41
	Total	37	
<b>6</b>	<b><i>Base of SAAP</i></b>		
	Previous year plan	6	16.22
	Previous year return	5	13.51

	Potentialities of panchayat	7	18.92
	Background paper	10	27.03
	Suggestions of the sr. Officials	2	5.41
	Not know	4	10.81
	No response	3	8.11
	Total	37	
<b>7</b>	<b>Co-operation of employees</b>		
	Yes	6	16.22
	No	11	29.73
	Not seek	13	35.14
	No response	7	18.92
	Total	37	
<b>8</b>	<b>How the potentialities consider</b>		
	Village survey	6	16.22
	Discussions with Devt. Officers	8	21.62
	Discussion with People's representatives	5	13.51
	Panch. Devpt. Report	9	24.32
	Self assessment	8	21.62
	No response	1	2.70
	Total	37	
<b>9</b>	<b>Credit plan sufficient for local</b>		
	Yes	12	32.43
	No	11	29.73
	Not say	9	24.32
	No response	5	13.51
	Total	37	
<b>10</b>	<b>How the plans evaluate</b>		
	Compare with previous plan	9	24.32
	Base of background paper	8	21.62
	Base of block level return	10	27.03
	Banks high official	5	13.51
	Not evaluate	2	5.41
	No response	3	8.11
	Total	37	
<b>11</b>	<b>Difficulties preparing credit plan</b>		
	Lack of data	17	45.95
	Lack of staff	7	18.92
	Non co-operation of depts.		0.00
	Non co-operation of Peoples rep.	2	5.41
	Non co-operation of bank branches	10	27.03
	No response	1	2.70
	Total	37	
<b>12</b>	<b>Bank loans based on credit plan</b>		
	Yes	11	29.73
	No	23	62.16
	No response	3	8.11
	Total	37	
a	<i>if not, reason</i>		

	impractical	6	26.09
	lack of suitable applicants	12	52.17
	lack of resource	0	0.00
	lack of employees	3	13.04
	No response	2	8.70
	Total	23	
b	If yes, aims of bank		
	Total Credit	3	27.27
	Regional achievement	4	36.36
	No. of beneficiaries	2	18.18
	Poverty irradiation program.	0	0.00
	No response	2	18.18
	Total	11	
<b>13</b>	<b><i>Credit plan monitoring not well</i></b>		
	Bank returns	15	40.54
	BLBC	4	10.81
	DCC	0	0.00
	DLRC	0	0.00
	All	8	21.62
	No comment	10	27.03
	Total	37	
<b>14</b>	<b><i>Why</i></b>		
	Lack of data	14	37.84
	Lack of banks participation	5	13.51
	Lack of department office	0	0.00
	Lack of peoples repre.	2	5.41
	Lack of employees	2	5.41
	No response	14	37.84
	Total	37	
<b>15</b>	<b><i>Loan which more emphasis</i></b>		
	Large scale loan	3	8.11
	Small scale loan	14	37.84
	Both	19	51.35
	No response	1	2.70
	Total	37	
a	<i>Sector which more emphasis</i>		
	Agriculture	16	43.24
	Small scale industry	12	32.43
	animal husbandry	1	2.70
	vehicle loan	0	0.00
	housing	3	8.11
	Trade	1	2.70
	Consume loan	0	0.00
	Other	0	0.00
	No response	4	10.81
	Total	37	
<b>16</b>	<b><i>Any loan through peoples plan</i></b>		
	Yes	6	16.22

	No	21	56.76
	No response	10	27.03
	Total	37	
<i>a</i>	<i>If not, reason</i>		
	Lack of application	9	42.86
	Lack of bankable project	8	38.10
	Loan dues	1	4.76
	No comments	3	14.29
	Total	21	
<b>17</b>	<b><i>Integration of CP &amp; year plan required</i></b>		
	Yes	22	59.46
	No	11	29.73
	No response	4	10.81
	Total	37	
<b>18</b>	<b><i>Panchayat level samithi is necessary</i></b>		
	Yes	28	75.68
	No	4	10.81
	No response	5	13.51
	Total	37	
<b>19</b>	<b><i>How the integration possible?</i></b>		
	Group discussion	5	13.51
	Panchayat level samithi is necessary	15	40.54
	Plan proposals given to banks in adv.	4	10.81
	Use service area bank officials	5	13.51
	Plans prepare with IRDP/PMRY	1	2.70
	Banks give details of schemes to	5	13.51
	No response	2	5.41
	Total	37	

**Annexure 6**  
**REPORT OF THE CREDIT NEED SURVEY**  
**CONDUCTED AT AKATHETHARA PANCHAYAT**