

IMPACT OF LEAD BANK SCHEME ON SOCIO-ECONOMIC UPLIFTMENT OF BENEFICIARIES

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ABSTRACT:

A country's economic development depends heavily on its banks. Following independence, India's banking sector became one of the recognized organisations for extending loans to rural areas. Numerous new and creative plans and initiatives have been created and put into action. The RBI developed the Lead Bank, a novel model, to lessen sectoral and regional economic imbalances. By lessening disparities between areas and sectors, the LBS seeks to put every district on the growth path. At the state and district levels, Lead Bank, as the district's leader bank, organises the actions of banks, government agencies, and other stakeholders. The purpose of the study is to analyze the impact of lead bank scheme on Socio-Economic Upliftment of Beneficiaries. The technique used in the current study is SEM using SMARTPLS. The findings of the study indicated that there is a significant impact of Participation in the lead bank scheme on Economic empowerment, financial stability, and social development.

Keywords: *Structural Equation Modelling, Lead Bank Scheme, LBS, Socio-economic.*

Introduction:

In October 1969, the Lead Bank Scheme was initially presented by Professor D.R. Gadgil's study group as a way to execute social goals within the organisational framework. According to the study group's findings, commercial banks severely overlook the credit needs of rural residents, particularly in the areas of agriculture, small-scale businesses, and services, because they are not present in the unreachable rural areas. To create banking and credit facilities for rural residents, the study group led by Professor D.R. Gadgil has suggested adopting the "Area Approach" with specific programs and plans. Later in November 1969, the Reserve Bank of India established the Nariman Committee, a committee of bankers on the branch expansion program of public sector banks, to verify the Area Approach report. The committee was chaired by Shri F. K. F. Nariman. Each bank is assigned to specific districts to focus on the credit programs; these banks are referred to as the Lead Bank of that district. The Service Area Approach (SAA) was implemented in 1989, whereby communities are designated and bank branches are distributed to them according to their distance from their homes and financial requirements. This Service Area Approach makes it easier for low-income individuals, farmers, and small borrowers to visit the lead bank's branches to meet their credit needs. Nearly 26 commercial banks, primarily public sector banks, have been granted primary responsibility over 622 districts nationwide by the end of March 2009. Manoharan, et al. (2016)

1.1 Lead Bank Schemes Role in Financial Inclusion

Access to banking and financial services, particularly for those from underserved and unreachable rural areas, is referred to as financial inclusion. To meet these requirements, the Reserve Bank of India developed a plan known as a "Lead Bank Scheme." Under this program, a bank known as a lead bank was assigned to each district to provide credit facilities for small borrowers, small company owners, and rural residents with low incomes. The Lead Bank Scheme, according to Rupa.K.N (2015), aims to improve banking services for the impoverished in rural areas and provide loans to important sectors. Allocating credit facilities for agricultural finance to promptly acquire fertiliser inputs is made easier by the Lead Bank Scheme.

1.1.1 Functions of Lead Bank Scheme

The Reserve Bank of India has asked the Lead Bank Scheme to perform the following functions:

- Assessing the district's banking development potential and available resources.
- Examining the number of businesses, factories, farms, and other organizations that lack bank accounts and heavily rely on moneylenders to increase their resources by creating surpluses from supplemental production that is funded by the banking system.

- Examining the district's marketing facilities for both industrial and agricultural production, as well as the area designated for storage and warehousing and the link between credit and marketing.
- Observing the provisions made for maintaining and repairing machinery and tools, as well as for storing fertilizers and other agricultural inputs.
- Hiring employees and giving them enough training so they can educate farmers and small borrowers about credit insurance programs, follow up with them, and inspect them before granting loans.
- Encouraging additional final lending organizations and maintaining contact and cooperation with governmental and quasi-governmental organizations.

1.2 Social-Economic Uplifment

Socio-economic refers to the area of a person's life where social features are shaped and impacted by economic activities. It examines how societies advance, stall, or regress according to their local, regional, or global economic conditions. The socioeconomic component is made up of several economic and social indicators.

1.2.1 Social Factors:

Individuals' or communities' well-being is described via social indicators. One variable or a combination of multiple components can make up an indicator. Social, economic, and psychological welfare were once utilised to characterise and assess communal well-being.

The following are the main social indices displayed in the table:

Parameters	Indicators
Demographic	Birth rate, Demographic increase rate
Demographic And Health	Child mortality rate, Life expectancy at birth, Rate of death per causes, Morbidity and health attendance, Under-nutrition, Malnutrition rate
Educational And Cultural	Illiteracy rate, Average schooling, Information and culture access
Housing And Urban Infrastructure	House condition, Urban services accessibility, Transport infrastructure, Satisfaction with house, neighborhood, city, Basic infrastructure
Quality of Life And Environment	Crime and homicides , Environment (air condition, water, waste treatment, garbage collection)

Source: Khagesh Pratap Singh, (2015).

1.2.2 Economic factors:

A statistic about economic activity is called an economic indicator. Economic indicators make it possible to forecast future performance and analyze current economic performance. The analysis of business cycles is one used for economic indicators. Various indexes, earnings reports, and economic summaries are examples of economic indicators.

The following table displays the main economic indicators:

Parameters	Indicators
Employment (Labor Market)	Unemployment rate, Average income, GDP per capita, Average family income
Income And Poverty	Gini Index, Theil Index, Poverty rate

Source: Khagesh Pratap Singh, (2015).

2. Review of Literature:

- 2.1 **Suman, Kumari. (2020)** The aim of this study was to assess the contribution of lead banks to the reduction of poverty. By putting government plans into practise at the local level and placing a strong emphasis on lending money to skilled workers, farmers, and artisans in need, the lead bank plays a crucial part in reducing poverty and creating jobs. The study's conclusions showed that opening more bank branches helps to reach all societal levels, giving loans to those in need, generating employment possibilities, and eventually reducing poverty through a variety of government initiatives. There is still a long way to go before the district's banks can fully improve their branch network and banking structure, even with their remarkable post-nationalization success.
- 2.2 **Samarth Gupta. (2020).** The research looked at how the Lead Bank Scheme of India's organisational structure affects the provision of financial services and the results of financial inclusion. It focuses on how Lead Banks and Convenor Banks align within districts and states, respectively, and how such alignment affects credit intake and withdrawals from savings. According to the study, credit uptake is 21% greater in aligned areas where Lead and Convenor banks are owned by the same company. This result implies that Lead Bank employees work harder since there are lower monitoring expenses and more employees are concerned about their career inside the same company, as suggested by Williamson (1981) and Holmstrom and Roberts (1998), respectively.
- 2.3 **Tamboli, M. A., & Bankar, N. U. (2020).** The purpose of this research was to investigate the workings of the Indian banking industry, with a focus on the Lead Bank Scheme and its contribution to agricultural and rural development. Based on their income levels, farmers' understanding of the Lead Bank Scheme did not change much. Rather than being dependent on wealth, awareness disparities were found depending on variables including landholding size and education level. Human problems were shown to be major barriers to credit availability, such as recipients' ignorance and bankers' indifference. Despite the existence of official banking systems, farmers tended to rely more on informal sources of financing. Perceptions of restrictions were positively connected with income levels, with higher-income farmers reporting less challenges. Farmers' perceptions of lending restrictions were also influenced by their landholding size, indicating that different agricultural segments have different needs and experiences.
- 2.4 **Gupta, S. (2019).** This study looked at how organisational limitations affect loan lending between districts in Indian commercial banks. The key findings are: Credit disbursement is 9.9% higher in districts when the lead bank and convenor bank are the same, even after accounting for a variety of factors. In areas where the convenor and lead banks are the same, credit lending increases by 15.8%. The availability of more loans in aligned regions shields household savings from negative income shocks like bad monsoons. Organisational pressures, such as those brought on by loan lending, are shown to skew social service initiatives through the examination of transaction costs.
- 2.5 **Mohit, Kumar, S. (2018).** This study focused on the Lead Bank Scheme in India, particularly in the Meerut district of Uttar Pradesh. It recognised the value of collecting money and bridging credit gaps to promote economic growth. The study led to the conclusion that India's Lead Bank Schemes have been very successful, significantly influencing the development of small businesses, benefiting farmers, and assisting several socioeconomic groups. The study further states the benefits of the LBS improved socio, economic and personal development.
- 2.6 **Manoharan, et al. (2016)** analysed the LBS and the districts respective success in implementing financial inclusion under the LBS in Tamil Nadu. It was found that RBI's greatest innovation, the LBS was created and put in place to see and close credit bottlenecks in the society's priority sectors. Furthermore, it was seen that LBS acts as a roadmap for the rural population for transparently and swiftly obtaining loans.

3. Objectives of the Study:

1. To analyse the impact of lead bank scheme on socio-economic upliftment of beneficiaries.
2. To give suggestions towards improving the effectiveness of the scheme in financial inclusion and credit accessibility.

4. Hypothesis:

- H₀: The impact of lead bank scheme on socio-economic upliftment of beneficiaries is insignificant
H₁: The impact of lead bank scheme on socio-economic upliftment of beneficiaries is significant.

5. Research Methodology:

Table No: 1 Research Methodology

Aspect	Details
Sample Size	200 Lead Bank Beneficiaries using digital financial services (Minimum necessary sample size: 173, See Figure No: 1)
Sampling Method	Non-random purposive sampling
Data Gathering Methods	Primary and secondary data
Analytical Method	Structural Equation Model (SEM)
Analytical Tool	SMART PLS

Figure No: 1 A-Priori Sample Size Calculator for SEM

Anticipated effect size: 0.3 ?

Desired statistical power level: 0.9 ?

Number of latent variables: 4 ?

Number of observed variables: 18 ?

Probability level: 0.05 ?

Calculate!

Minimum sample size to detect effect: 173

Minimum sample size for model structure: 88

Recommended minimum sample size: 173

6. Data Analysis and Interpretation:

Table No: 2 Reliability and validity

Path	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Economic Empowerment	0.891	0.890	0.618
Financial Stability	0.886	0.886	0.611
Participation in the lead bank scheme	0.793	0.794	0.564
Social Development	0.901	0.901	0.646

As all the values are as per the recommended criteria of Hair et al 2013, we can conclude that there exist an adequate reliability and convergent validity.

Table No: 3 Discriminant Validity

Path	Economic Empowerment	Financial Stability	Participation in the lead bank scheme	Social Development
Economic Empowerment	0.786			
Financial Stability	0.768	0.782		
Participation in the lead bank scheme	0.784	0.776	0.751	
Social Development	0.782	0.747	0.744	0.804

As all the values are as per the recommended criteria of Hair et al 2013, we can conclude that there exist an adequate reliability and convergent validity.

Figure No: 2 SEM model

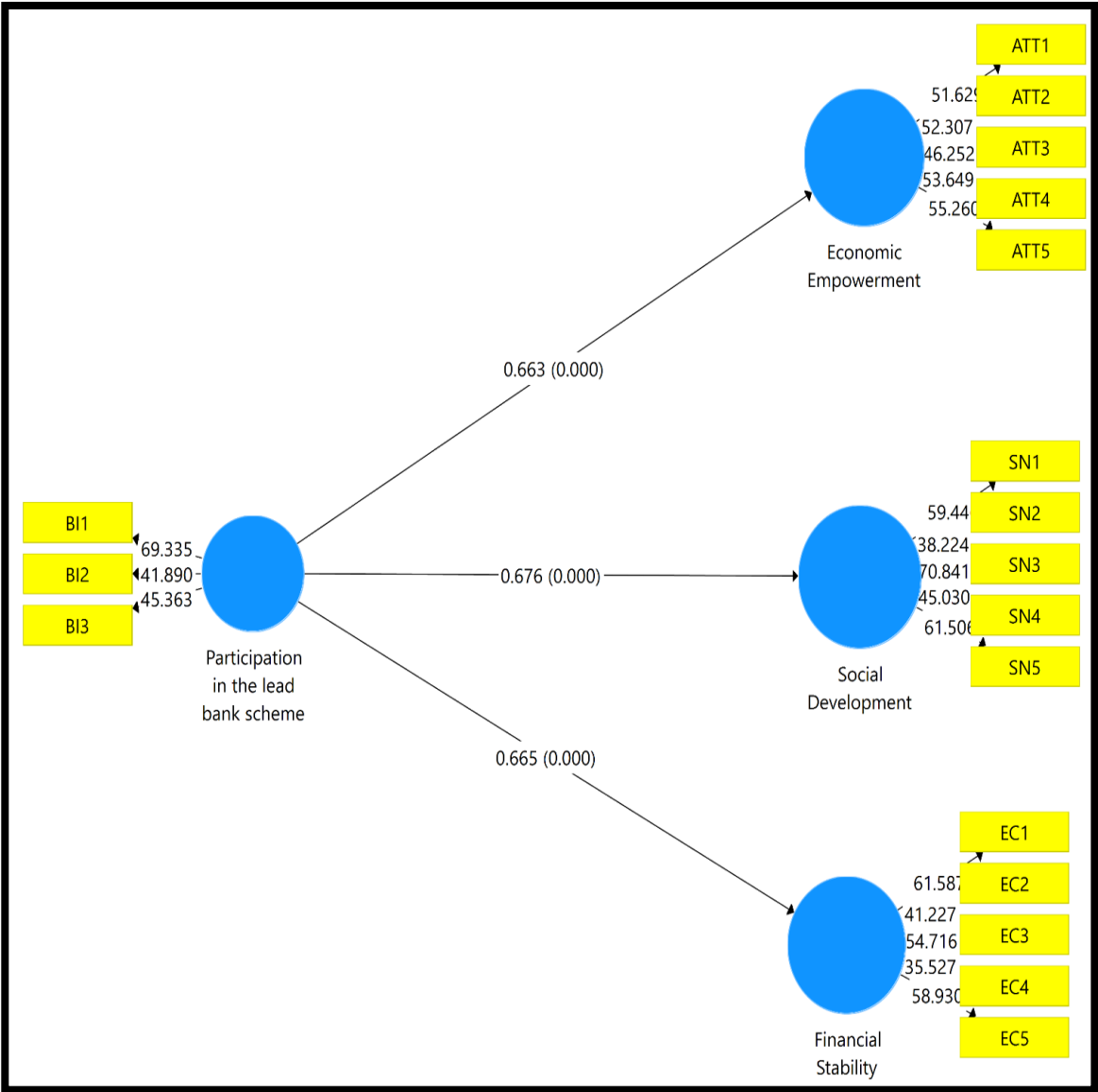


Table No: 4 Hypothesis testing

Path	Beta Coefficient	T-Statistics	P-Value
Participation in the lead bank scheme → Economic Empowerment	0.663	21.134	0.000
Participation in the lead bank scheme → Financial Stability	0.665	22.212	0.000
Participation in the lead bank scheme → Social Development	0.676	21.880	0.000

P (value) < level of significance 5% thus H₀ is rejected and H₁ is accepted in all the cases indicating significant impact of Participation in the lead bank scheme on Economic empowerment, financial stability, and social development.

7. Conclusion:

The findings of the study indicate that participation in the LBS has a significant impact on the economic empowerment, financial stability and social development of the beneficiaries. It can be concluded that the socioeconomic advancement of the beneficiaries is positively influenced by their involvement in the LBS. it should be expanded more for the generation of revenue production, boosting financial stability and also for making credit more accessible to the rural population, this program majorly promotes the economic empowerment of these people. It makes it possible for the people to become more financially secure and independent and also provides them with social development. The findings of the study underscore the significance of the program in advancing the financial inclusion of the rural masses by bolstering benefits for overall financial well-being. The LBS has proven to be successful, but still, this can be more improved by proper execution and outreach initiatives, which can lead to an increase in its influence among the rural.

8. Suggestions:

The LBS is in dire need of optimizing their accessibility and awareness so that the efficacy of this scheme reaches the underserved and rural areas. The loan application procedures should be simplified for the masses to apply for loans without much hassle. The administrative barriers should be lowered to encourage increased participation. The banks can also incorporate financial literacy programs to teach users how to handle their money and make right financial decisions. Operational efficiency can be increased by fortifying monitoring systems, guaranteeing prompt credit distribution, and improving cooperation between banks and local government. Additionally, cooperation with governmental and non-governmental organizations can aid in broadening the program's appeal and guaranteeing its long-term viability. The program can have a more significant effect on beneficiaries' socioeconomic growth by tackling these issues.

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