Invited Article for Golden Jubilee Year of NIBM

Fifty Years of NIBM through the Prism of Banking for Development

Rajaram Dasgupta

National Institute of Bank Management is completing its 50th year of journey towards academic excellence. The paper highlights NIBM's engagement in leadership development for banking and financial services industry through training, teaching, research and consultancy programmes. The author describes the key roles of the institute in advanced learning and its important contributions in the area of Development Banking.

Keywords: Banking, Higher Education, Development Economics

JEL Classification: G21, I23, I25

First Impression

What impressed me most on joining NIBM (National Institute of Bank Management) in December 1983 at 85 Nepean Sea Road, Bombay was Director’s Office. It was a big room with an oval-shaped large table along with a few standard office chairs. None, even Director, had a reserved seat. All had a choice to select any of the vacant seats. There were no two sides to the table. All were equal during any discussion. This Director who was fourth in succession order had advised us not to bother about failure; rather we should do our work freely, honestly, logically and professionally without any bias, fear and vested interest for achieving NIBM’s goal. This ethos might have continued from the beginning from the time of the first Director.

Rajaram Dasgupta, Former Professor, National Institute of Bank Management, Pune.
This narrative has been based on personal experience of thirty years at NIBM, the book Taking Banking to the People: NIBM’s Role, NIBM, 2002 by K Dinker Rao, and informal discussion with Jacob and Aruna. Thanks to all the three and to Arindam Bandyopadhyay, Editor, PRAJNAN for giving me the opportunity to traverse the memory lane.
NIBM

NIBM was established in 1969 to facilitate the new role of "social banking" to be taken up by the then Indian private sector banks. Before shifting to Reserve Bank of India's (RBI) premise at Nepean Sea Road, it functioned for few months at Bankers' Training College (BTC) of RBI at Dadar, Bombay. NIBM was trying to get space in Bombay itself, which houses a large number of corporate offices of banks, and this would facilitate close and frequent interaction between policy units of banks and NIBM. It had even got a piece of land at Bandra seashore, but the pro-environment lobby prevented NIBM from constructing its own campus there although that very area now is full of commercial establishments.

When the banks were nationalised later in the same year, the NIBM was accorded the status of a premier training institute to cover the senior personnel of the banks and conduct research and consultancy relating to the banking industry. Also, NIBM was to train the trainers in banks for transferring the skill, knowledge and ideas from NIBM to the entire bank personnel. NIBM was neither a purely academic institution nor a member of banking industry. There were however, talks in NIBM corridors of transforming NIBM into a unique Banking University, but not pursued seriously. NIBM is in between; close to both academic and banking fraternity. NIBM on the one hand had the limited objective of sharpening the banking skills; on the other hand objective was to change the orientation of both banks and people. For the latter, NIBM had to conduct research, sometimes action research for getting feedback on the thought process and also the suitability of generalizing at a large scale. The then Director was very clear that we should be responsible more for delivering what is truly needed for the banking industry so that it can deliver efficient service to the economy in particular and society at large mainly for long term growth, rather than delivering what they felt that they needed for short term goals.

Development Banking and Action Research

Development Banking (DB) later renamed as Rural Finance and Development (RFD) is one of the area groups in the academic structure of NIBM. It was more in favour of core values of life at micro-level: (i) life sustenance, (ii) self-esteem, and (iii) freedom rather than macro concept of growth and per capita income. DB stood for "banking for development", a "bottom-up" approach. DB group was concerned more with changing the perception of bankers towards Development: from aggregated income growth to disaggregated welfare; from maximizing growth to minimizing poverty. And to convince the bankers the group involved itself quite intensively and extensively in Action Research (AR) to establish whether its ideas are workable or not. AR in fact had been forte of DB area group.

Initiating Farmers' Service Society

AR is a special type of research which is usually carried out for the development
process by launching pilot projects at the field level in order to find out workable and affordable solution of the problem. This may be seen as counterpart of laboratory experiment in physical science in the area of social science. Farmers' Service Society (FSS) was the first such initiative in rural banking. After realizing in 1974 that only about (i) 15 per cent of requirement in agricultural sector was available through commercial bank credit; (ii) nearly 60 per cent of credit was for term loans; and (iii) farmers having landholding above 2 ha. accounted for 74 per cent of credit, National Commission on Agriculture (NCA) in 1976 suggested a new ground-level organization: FSS, supposed to combine the strong points of cooperative and commercial banks. FSS already conceived by NCA in 1971 was to (i) provide all types of credit and a full package of services and technical guidance to farmers, particularly small, (ii) cover effectively a large area of operation for ensuring viability, and (iii) enable the weaker sections to control the society while servicing all categories of farmers.

NIBM involved in research and training on rural banking suggested an experiment on the formulation of FSSs. It was accepted, and was asked to experiment in the northern and eastern states of India with the Agricultural Finance Corporation (AFC) as associate. Anand Milk Union Ltd. (AUML) model of extension was decided to be adopted in which Spear-Head Teams (SHTs) were sent to the villages where they would integrate with the people in the process of creating awareness of the socio-economic reality of their life and organizing them to overcome the constraints to chart out their path of development.

NIBM’s first task in 1977 was to select SHT members from the local population who had empathy for villagers and the poor, tenacity, mental agility, willingness to learn and act, organizing capacity and team spirit. Finally selected SHT members comprised males and females between the age group 23 to 30 belonging to poorer strata, across the social categories. Next task was to train these SHT members for building up a cadre. The orientation training programme spanning over six months consisted of both classroom session and on the job exposure with the goals of: (i) increasing sensitivity, (ii) improving diagnostic skills, and (iii) bringing attitudinal change. And the course contents included (i) aims and objectives of FSS, (ii) socio-economic rural structure with contradictions within, (iii) power relationship in the rural structure, (iv) information on rural banking, cooperative credit system and government agencies, (v) skill training of conducting survey, and formulating schemes, (vi) self analysis and group dynamics, (vii) effective communication skill, and (viii) role of SHTs of organizing the people and making them understand the need for change from dependency to self-reliance.

Twenty SHTs were formed in the villages of Assam, West Bengal, Orissa, Bihar, Madhya Pradesh, Uttar Pradesh, Rajasthan and Haryana. During 18 months of the project period, these 20 SHTs could form only 5 FSSs in West Bengal, Orissa and Bihar despite unfavourable conditions: lack of support from both
state governments and sponsor banks in spite of the slogan "Garibi Hatao" during that period.

After the end of the project in 1978, the NIBM coordinator of this Action Project who had joined NIBM leaving his corporate profile established a Non Government Organization (NGO) in New Delhi in association with some of the other faculty members: People's Institute for Development and Training (PIDIT) where these SHTs continued to work. PIDIT, which is an offshoot of NIBM, gave rise to many NGOs, and networks with NGOs both within and outside the country.

**Involvement in the Lead Bank Scheme**

Lead Bank Scheme (LBS) with the objectives of: (i) extension of institutional finance to the neglected areas, (ii) extension of credit to the priority sector, and (iii) integration of various elements of development viz. infrastructure, extension and credit was launched in the very beginning of bank nationalization in 1969. But when encouraging results were not emerging in spite of large scale branch expansion, RBI appointed Study Group recommended the speedy preparation of District Credit Plan (DCP) after in-depth deliberation in District Consultative Committee (DCC). After tardy progress of DCP preparation High Power Committee (HPC) on LBS realized the need for better understanding of schemes and interrelationships among different agencies. NIBM was requested to look into the problem. NIBM conducted a few District Level Workshops (DLWs) and State Level Workshops (SLWs) for changing the ad hoc discussion to systematic rigorous deliberation at DCC for DCP preparation. Later, the responsibility was devolved to the lead banks. But technical skill of plan preparation was still missing at the grassroots level. NIBM acting as Training Adviser to the HPC was asked to conduct seminars on technical contents of DCP in number of states. The Seminars discussed various aspects of DCP: (i) gathering developmental plan data from government offices either from formal records or through semi-formal discussions with government personnel, (ii) the perspective of DCP, (iii) the formulation of schemes considering: (a) technical viability and economic feasibility, (b) estimating the potential number of technically feasible and economically viable units, and (c) estimating the number of units to be financed and quantum of finance, (iv) Annual Action Plan (AAP) broken into Quarterly Action Plans (QAPs) based on environmental conditions, (v) implementation and monitoring of these QAPs and AAPs, and (vi) role of different forums at Block, District and State levels in this process.

The Working Group set up to review the working of LBS in regard to preparation and implementation of DCP was more concerned with the utility and the implementation of DCP rather than emphasizing village wise planning and integrating credit and non-credit inputs although NIBM rooting for the latter itself was a part of this Group. NIBM then on its own took up action research of preparing village wise plan with "bottom-up" approach in Bailhongal Block.
in Belgaum, Syndicate Bank’s lead district in Karnataka in 1981 and in Indri Block in Karnal district, Punjab National Bank’s lead district in Haryana in 1984. And subsequently coverage was extended to one lead district of each of the six banks: Bank of Baroda, Bank of India, Central Bank of India, Canara Bank, Punjab National Bank (other than Indri) and State Bank of India. Some of the banks succeeded well, some did not, in preparing village wise plan including both credit and non-credit inputs and implementing and monitoring the same. Involvement of Lead Bank Officers (LBOs) turned out to be crucial factor, which in turn depended on the support provided by their Head (Corporate) Offices.

**Preparing Service Area Plans**

During this period, on the one hand NIBM was negotiating with Rural Planning and Credit Department (RPCD) of RBI for launching an industry level experiment covering 28 districts/blocks of 28 Public Sector Banks (PSBs) for preparing such location-specific i.e. village wise plans, RBI on the other hand was coming out with Service Area Approach (SAA). RBI commissioned NIBM to write the guidelines for SAA, and design the training programme for the same. NIBM introduced people’s participation in its draft SAA guidelines. It was however, not emphasized in the official document of RBI. But responsibility was shifted from LBO to Branch Manager (BM); Service Area (SA) became the grassroots unit of LBS.

NIBM again on its own initiatives started an action-based project on credit planning: Planning for Development of Village (PDV), with the people, which aims at building an organic link between rural bank branches and the people, both current and prospective customer, which involves the latter’s participation in village credit planning. It was the time when NIBM was on transit, shifting from glossy Malabar Hills of the then Bombay to Kondhwa Khurd in the outskirt of quiet city of Pune. NIBM selected Junnar block of Pune, Lead district of Bank of Maharashtra (BOM) for this Action Research. The Bank, which was a State Level Bankers’ Committee (SLBC) convener, became banker of NIBM when NIBM shifted to Pune. SA credit planning exercise here was done in three steps: (i) physical potential plan, (ii) credit potential plan, and finally (iii) credit action plan. The methodology of regional planning i.e. dividing the whole area is different (i) natural and (ii) agro-climatic zones was applied. Sixteen SAs were formed in the block of 163 villages. Grassroots teams (GT) consisting bank and government functionaries were formed for formulating, implementing and monitoring of SA plans (SAPs). BMs obtained data on village profile. Government functionaries explained their forthcoming location-wise schemes. BMs were provided with technical formula as rule of thumb to estimate potentials. And individual village level credit plans (VLCPs) were prepared after simultaneous discussion of all the VLCPs of a block at block level forum. Government functionaries and credit agencies selected different types of beneficiaries (they had yet not graduated from "beneficiary" to "customer") for
implementation. In one of the villages of each SA i.e. in 16 of the 163 villages, PDV approach was introduced whereby people were involved in all the stages of planning process. The year 1989-90 was a watershed phase of transition from disaggregating block plan for village wise implantation to making block plan by aggregating village plans, a "bottom-up" from "top-down" approach.

**Experimenting on DWCRA Project**

While Junnar experiment was continuing, DWCRA (Development of Women and Children in Rural Areas) project was launched in Velhe block of Pune district at the instance of United Nations Children's Education Fund (UNICEF) in 1986. Till now the focus was on poor in general. But this did not serve the causes of women. They are "doubly poor": poor family income and burdened with unpaid inside work having no right over property. NIBM, because of its organic links with banks was asked to coordinate the project in association with the Rural Development Centre (RDC), think tank of BOM for its rural and agricultural credit. After several rounds of visits, meetings and discussions women groups were formed. They were trained for different activities. Bank loans were arranged for no-defaulters. During the period 1986-89 15 different economic activities involving 327 women with a capital investment Rs18,56,300 was initiated. Economic activities of leather-bag making, hosiery, umbrella making, pickle making, dairy along with supportive actions on drinking water, health, education and organisation building, basic tenets of DWCRA, were undertaken. Results were not very encouraging. The pilot project was then extended to three other blocks of Pune district which were supposed to adapt the ideas better because of their higher development status compared to Velhe. To continue the effort a district-level trust Gramin Mahila Va Balak Vikas Mandal (GMBVM) was registered in 1989 with BOM and NIBM as co-founders from which NIBM had withdrawn later.

**Participating in SHG Policy**

During this period a nationwide experiment inspired by micro-credit programme of Prof Muhammad Yunus in Bangladesh was underway at a very small level. NIBM was involved in assessment of the project along with National Bank for Agriculture and Rural Development (NABARD). In India these groups formed and nurtured by NGOs were named Self Help Group (SHG). RBI later constituted a committee to study the experiment and provide input for policy implication. NIBM was one of the members of this committee. And a historic policy of allowing banks to extend loans to SHGs, which were "informal" association of less than twenty members, was taken by RBI on the basis of the recommendation of this committee in 1995. RBI was perhaps the first central bank in the world to give support to such a product without having enough legal protection.
Planning for Development of Village (PDV): NIBM's Own Initiative

NIBM was seriously involved in its own PDV approach, which espouses people's participation in rural credit. It started experimenting on the preparation of People's Action Plan (PAP) at village level in 1984. In the first phase of 1984-86 banks were requested to choose only one branch for the experiment. All the 28 banks had participated. Methodology included three steps: (i) Integration i.e. establishing organic link between delivery system and user system i.e. people, and forming Village Development Council (VDC) consisting mainly of good customers of the branch from all strata, roughly spanning over six months, (ii) Formulation i.e. preparation of the credit plan in collaboration with village people in general and VDC in particular again spanning over six months, and (iii) Implementation i.e. dispensing credit at individual level by selecting the customers/beneficiaries in consultation with VDC. In evaluation process at the end of the first phase nine, nine and ten branches were categorised as good, fair and less than average respectively. As any social experiment cannot be evaluated in such a short period, the experiment was extended to second phase: 1987-89. Whereas all the branches were requested to experiment with at least two villages, the nine good branches were coaxed to experiment in more number of villages. Twenty-seven banks participated. Then in the third phase of 1990-92 the experiment was shifted from branch to regional level with participation of about 20 branches in each region. As SAA was adopted officially in 1989 i.e. villages were demarcated exclusively for each branch, selection of villages for the experiment became easier. Only Eighteen banks had participated in the study. NIBM thought it was wise to make PDV an integral part of SAA, and initiated National Experiment under the official banner of RBI. RPCD issued circular in this regard in 1994 to all the public sector banks. Six Regional Rural Banks (RRB): one each from the six banking regions were invited to take part in the experiment. All the above experiments were jointly sponsored by NIBM and the participating banks. While national experiment was being implemented during 1994-98, an in-depth evaluation study was undertaken by NIBM to analyze (i) implementation of PDV, (ii) the changes that had taken place in PDV villages, and (iii) performance of PDV branches. PDV indeed became a familiar term in the priority sector departments of banks by 1990s. In some cases, it was considered the main plank of innovative rural banking. But no PSB seems to have incorporated this in their corporate policy as a methodology for rural banking. Some of the RRBs, however, had indeed adapted this approach for their rural banking.

Maharashtra Rural Credit Project (MRCP): An Extension of PDV

In 1994, when PDV was in its last stage of experiment with NIBM’s involvement, the International Fund for Agricultural Development (IFAD), Rome had launched Maharashtra Rural Credit Project (MRCP) in 1994. Its Appraisal Report (APR) acknowledged NIBM’s PDV approach and its positive impact; and adopted PDV model in MRCP with the goal of increasing and improving the contribution of appropriate financial services to the rural poor for poverty alleviation and
development. It was proposed to be seven year project to be implemented in 440 branches of five banks in eight districts of Maharashtra in two phases. However, after mid-term review, the project extended to four more districts i.e. twelve in total. The project had objective of strengthening both (i) credit delivery system and (ii) credit reception system through awareness, management development and skill training programs. Government of Maharashtra (GOM) and NABARD were joint coordinators. NIBM took up the role of (i) Technical Adviser to the project (a) guiding the overall design of the village outreach approach through its PDV approach, and (b) conducting half yearly ongoing evaluation of the project, and (ii) Trainer for senior and middle-level bank executives. Maharashtra Industrial and Technical Consultancy Organization (MITCON) provided market intelligence service and microenterprise database. Maharashtra Centre for Entrepreneurship Development (MCED) had organised Entrepreneurship Awareness and Development Programmes (EAP/EDP). Mahila Arthik Vikas Mahamandal Ltd (MAVIM) and a few other NGOs were involved in forming and nurturing SHGs. District Rural Development Agencies (DRDA) coordinated the various line departments at the district level.

NIBM not only worked for PAP but developed Management Information Service (MIS) formats and credit rating tools for effective monitoring of SHGs and their creditworthiness. NIBM redesigned PAP for including both individual-level and SHG level targets. Methodology for including non-credit inputs in the plan was sharpened. NABARD had introduced Participatory Rural Appraisal (PRA) technique for preparing PAP. The project came to an end in 2002. It gave Maharashtra a prominent place in SHG map of India, and also brought a tremendous change in attitudes of villagers towards the overall development of the communities and their relationship with bankers and line agencies. The 30-year action research movement of NIBM of taking banking to the people almost came to an end by this time.

**Developing a Prototype for Implementation of SGSY**

SHG had become quite a viable conduit of effective rural lending especially for women. But it was misread by policymakers, and Integrated Rural Development Programme (IRDP) credit, notoriously subsidy linked, was decided to be dispensed through SHGs under Swarnjayanti Gram Swarozgar Yojna (SGSY) scheme in 1999. Till now subsidy and income (directly) generating credit were not on the agenda of SHG portfolio. But these were the main points in SGSY. Also SHGs generally belonged to women, not that men were ineligible to form such groups. But in SGSY men were the majority. All these killed or at best retarded the evolution process of SHG movement, especially in eastern and northern regions where SHGs of 1995 circular were not yet born. NIBM had completed a study in this regard in 2001, which unearthed quite a few shortcomings. Consequently Ministry of Rural Development, Government of India (MORD, GOI) commissioned NIBM to undertake an action research project: Gendering Microfinance under SGSY, sponsored by MORD, GOI and
nine PSBs, in 2003 in collaboration with National Institute of Public Finance and Policy (NIPFP), Delhi. The task was to both: (i) developing a prototype for the implementation of SGSY by training grassroots agencies in forming and nurturing SHGs, and preparing and implementing SGSY plans, and (ii) conducting benchmark and evaluation studies. Another round of AR was thus waiting for NIBM.

Outside the Action Research Activities
NIBM besides conducting these AR projects was also involved in a large number of empirical studies in the areas of agricultural economy, irrigation system, rural credit, rural banking including cooperative system, credit policies, recovery issues, microfinance, etc., using either NIBM’s own resource or sponsored fund from Government of India (GoI), RBI, NABARD, Small Industrial Development Bank of India (SIDBI), PSBs, and recently from Commonwealth of Learning (COL) Canada. A large number of such studies have been published as books or monographs or in national and international level journals widely read by academicians, policymakers and practitioners. NIBM had collaborated with Ministry of Finance, GoI, World Bank, COL, etc. in organising conferences in the areas of service sector indices, microfinance, lifelong learning of farmers, etc.

Wish for Tomorrow
Quite a few changes have taken place during the last fifty years. The most recent is the introduction of management diploma course Post Graduate Programme in Banking and Finance (PGPBF) in 2003. NIBM got the opportunity to interact closely with young minds, which is very much needed at any academic institution. Earlier a long duration management programme, of nine months at NIBM and another nine months for project work at the working environment at bank, titled as Bank Management Programme (BMP) for young bankers was run for about fifteen years since early 1980s. And Management Education Programme (MEP) initially of ten weeks and later of six weeks for senior bankers was also run during same time. A large number of participants of those programmes later rose to become head of the banks. While BMP and MEP along with other training programmes and research works created a wide space for NIBM in the world of public sector banks, PGPBF made NIBM "visible" in the larger financial world including private sector institutions.

Now at the end of fifty years, it is a time for all the stakeholders to retrospect, analyse the past, visualize the future and chart out the new direction so that it can prove itself to be more useful in the society for both short term growth and long term development. NIBM has to make itself more "visible" in both the academic and policymaking world.

Primary onus undoubtedly lies on the faculty members who have to make classrooms animated, present rigorous analytical research works to the
academic world for in-depth understanding of the issues around us and exploring solution, continuous dialogue with different stakeholders of the society and learn from them for improving the delivery system, and provide policy inputs at different levels. However, faculty alone cannot achieve these goals. They need support from the institute leadership for taking NIBM to new heights.