CHAPTER II

The Lead Bank scheme-

A) The Gensis of the Lead Bank scheme.
B) Modes Apprentice of the Lead Bank scheme since last ten years.
C) The Lead Bank scheme improvement or otherwise in the New Nationalisation set up.
A) THE GENESIS OF THE LEAD BANK SCHEME:

The social control in banking took place through nationalisation of major 14 commercial banks in the year 1969 and Reserve Bank of India introduced the Lead Bank Scheme in December, 1969. The National Credit Council had appointed study group under the head of Prof. Gadgil for suggesting an appropriate organisational framework for implementation of social objectives. The Gadgil study group recommended an "area approach" for a particular area or a cluster of villages should be adopted for the development of financial structure through intensive efforts. Reserve Bank of India appointed Mr. F. K. F. Nariman Committee to study this recommendation and Committee suggested the formulation of lead bank scheme, under which banks may be entrusted with the "Lead Role" for lead districts. This scheme is now operated in 398 districts in India (excluding metropolitan centres) and identified banks have been designated as "the Lead Bank" of the respective districts.

The allotment of 398 districts amongst various banks is under:

<table>
<thead>
<tr>
<th>Bank</th>
<th>No. of Districts</th>
</tr>
</thead>
<tbody>
<tr>
<td>i) State Bank of India</td>
<td>77</td>
</tr>
<tr>
<td>ii) Subsidiaries of State Bank of India</td>
<td>34</td>
</tr>
<tr>
<td>iii) 14 Nationalised Banks</td>
<td>281</td>
</tr>
<tr>
<td>iv) 2 Private Sector Banks</td>
<td>6</td>
</tr>
</tbody>
</table>

398 Districts include Goa, Daman and Div which are three districts and rural areas of the union territories of Delhi and Chandigarh.
In September, 1983 the lead responsibility of 9 more districts have been entrusted to newly nationalised 5 banks. The total districts were covered under this scheme upto January, 1986 as 433.

**TASK ALLOTTED UNDER SCHEME:**

Main task under this scheme is to play lead role in servicing the credit needs, development of branch banking and extension of credit facilities in the districts allotted to it. More clearly a lead bank is required:

i) to survey the resources and potential for banking development in district.

ii) to survey the socio-economic position of the industrial, commercial and other establishments and firms which do not have credit as well as other banking facilities and depended upon money lenders.

iii) to examine backward and forward linkages i.e. supply of all required inputs, the facilities for marketing of agricultural produce and industrial production, storage and warehousing etc.

iv) to survey the facilities for stocking of fertilizers and other agricultural produce.

v) to recruit and train staff for offering advice to small borrowers and farmers and for the follow up and inspection of end use of loans.

vi) to assist other primary lending agencies.

vii) to maintain contacts with Government and Semi-Government agencies.
In addition to above most important task required to be completed by lead bank is to formulate District Credit Plans (D.C.Ps) Annual Action Plans (A. A. Ps) so as to achieve the national objective of particularly reaching the priority sectors and worker sections within priority sectors.

LEAD BANK OFFICER:

The bank which is lead bank for district has to designate one of its officer as Lead Bank Officer (L.B.O.) who takes care of the operation and implementation of the lead bank scheme in the district. The Reserve Bank of India advised that the LBO should be in the rank of senior manager of the district level branch and he should directly report to the controlling authorities. The tenure of the L.B.O. should be fixed. It may be for the period of three years. And he should be free from all administrative and operational functions.

The L.B.O. has to ensure that the financial institutions and government departments furnish to him beforehand suitable background notes on the subjects proposed for discussions to District Consultative Committee. The R. B. I. also guided that it should be cleared that to oversee the performance of branches in lead district is the part of duties of L.B.O. The L.B.O. has to function with close action and in consultation with the focal point officer of the State Government. The L.B.O. has to provide with supporting staff at least one junior officer, field officer (agriculture) and required clerical staff. A separate establishment may be provided to L.B.O. Other facilities like telephone, conveyance (jeep) and some discretionary allowance for incidental expenses should be provided.

ORGANISATIONAL SET UP FOR L.B.Os.

In each district, apart from Lead Bank, there are other banks. Some of which are lead banks in other districts, but for
the sake of convenience all these banks are called as non-lead banks. L.B.O. of each district collect and consolidate the data of all banks in district and forward it to respective authorities. In most of the districts, the manager of the district headquarter branch is designated as recognised official for attending D.C.C. meetings. The New Information System was introduced under which the consolidation of data was to be done by controlling/regional offices of the banks. Under this system, there is deficiency that the district branch manager is not aware of the position of other branches in the district and hence the work of consolidation of data either by LBO or regional/controlling offices of the bank is not of use and the post of District Co-ordinator is created.

DISTRICT CO-ORDINATOR:
The officer who was entrusted with the task of collections consolidation and submission of data regarding his bank to lead bank is generally designated as "District Co-ordinator". The district co-ordinator is nothing but agency created for representing the banks in all respects relating to LBS in the district. Generally the district branch manager is designated as District Co-ordinator and, however, he was unable to perform his job alongwith his responsibility of the branch work without necessary staff support. In this respect R. B. I. advised the banks to nominate one more officer in each district as the district co-ordinator and also to constitute a lead bank cell to assist the district co-ordinator in these districts where the bank had more than five branches. It is also advised that these cells should be provided with adequate staff including technical staff and other facilities to enable them to function effectively. The district co-ordinator has to represent his bank in the D.C.C. meeting.
and other Committees. He has to fulfil his role in various other matters involving co-ordination at district level, co-ordination with other banks including lead bank and co-ordination amongst his own branches. He has also involve co-ordination and to ensure proper liaison with Government authorities.

In the year 1983, Reserve Bank of India has accepted the recommendation of the working group regarding post of district co-ordinator and advised accordingly to the banks that district co-ordinator should be separate officer other than branch manager and report the matter directly to regional/controlling office. There should be separate district co-ordinator where there are two or more branches or one district co-ordinator may be incharge of two adjoining districts.

Role of Controlling offices of the Bank:

In many banks their branches are controlled through Regional/Zonal/Divisional offices. These offices are controlling offices and they have to play important role under lead bank scheme. But unfortunately they have not been adequately involved in overseeing the performance of the branches in their jurisdiction under the lead bank scheme. In this respect, it is suggested that the organisational set-up at controlling offices to look after the banks role under the L.B.Os. should be strengthened suitably and controlling office should review the position periodically by returns as well as visits by senior executives. At the head offices, there should be a separate cell to review the performance of branches under L.Bs. invarious districts. Every Head office has to give attention towards the fulfilment of shares in DCP/AAP accepted the bank in each district.
ROLE OF CO-OPERATIVES:

Apart from commercial banks and R. R. Bs, the major financial agencies which participate in implementation of DCP are co-operatives. The credit extended under agriculture and village cottage industries by co-operative banks is appreciated. And it is more and more involvement at various stages of formulation of DCP/AAP of co-operatives should be considered. In this respect co-operative banks play an active role under LBs. The district central co-operative bank is also playing major role for financing under agricultural loans. And it should be possible for DCCBs to create a separate cell at their Head office for participation in Lead Bank Scheme.

Primary Land Development Banks and branches of SLDBs are also financing agricultural term loans and participate in fulfilment of DCP/AAP under LBs. There are regional offices of SLDB in most of districts, and regional offices which will be most suitable for representing L.D.Bs.

TECHNICAL KNOW HOW TO OTHER BANKS:

Bankable schemes provided under DCPs are needed some technical expertise knowledge and every bank in district is enable to avail the same. Therefore, CRAFI CARD recommended that the technical expertise knowledge whenever necessary may be provided by the lead bank to other banks. In this respect, an adequate technical set up be provided in lead district and technical services make available to other banks/financial agencies on payment basis. The technical services provided by the banks are broadly classified as a) Identification and formulation of bankable schemes, b) Internal review/apprised of viability of scheme, c) Scrutiny of individual applications, d) Follow-up and supervision of the advances given including
recovery aspect. Based on this classification the technical staff in banks be classified as field officers, technical officers, veterinary officers, Agriculture Engineers etc. The field officers are generally posted in branches situated in potential areas and higher level technical staff at district headquarters. Lead bank also takes help for providing technical services to other banks from NABARD, specialists of Government department at district level, DRDA, DISC etc.

SUPPORTING ARRANGEMENTS IN DISTRICT ADMINISTRATION UNDER LBs.

The organisational set-up on the part of the district administration for dealing with lead bank scheme is nothing but only to set-up other important agencies and deputing Government officials. Most of the State Governments have envisaged the posts like Additional District Magistrate, Deputy Commissioner, District Planning officer, Project officer of DRDA/DPAP. All these officials are treated as focal point in the district for the financial institutions.

Though Government has created this focal point officers the experience regarding arrangement made by Government for helping LBO at the time of formulation of DCP/AAP is not satisfactory and LBO has to invariably approach different department and continuously pursue the matter with them. This is observed because there is no proper system of collection, dissemination, continuously updating of data. Another reason is that the focal point officer is unable to co-ordinate various Government departments and concerned developmental agencies.

The rural development programme is covering all the blocks of the country during the sixth plan. The main idea
is that every block can develop its potential for growth according to efforts of the people and resources of the block.

**DISTRICT CREDIT PLANS & ANNUAL ACTION PLANS.**

The preparation of DCPs by lead banks and its implementation in some of the districts had begun as in the year 1973. But this system geared up from year 1978 after the endorsement of Group for LBs. The DCPs so prepared in the first round had some deficiencies based on different methodology, no uniformity regarding period covered or method of presentation, no active participation of all financial agencies. In order to overcome these deficiencies, and ensure qualitative plans the lead banks were advised to terminate these plans and prepare fresh credit plans for the period 1980-82. In this connection, RBI had issued a set of guidelines for preparation of the new credit plans and also guidelines for AAP for each calendar year in March, 1979. The guidelines were based on the objectives of bank leading under which should be i) to finance labour intensive schemes which generate employment in general, ii) to assist weaker section of the society for production purpose to the maximum extent, iii) to help for increasing productivity of land and allied sectors/activities so as to reduce unemployment and increase income levels.

**GUIDELINES ISSUED BY RESERVE BANK OF INDIA.**

a) Lead banks should ensure alignment of the credit plan with credit based development schemes both on existing in the district.

b) Individual block is treated as unit of planning means DCPs should be prepared on blockwise basis.

c) Credit planning should be participative, all concerning agencies should be participate through Task Force.
d) DCP should be prepared for specific period and a separate action oriented plan should be prepared for implementation of DCP for particular year. Such action oriented plan is known as Annual Action Plan. AAP should be flexible and should cover any new scheme introduced or existing modified.

The lead banks had prepared and implemented the DCPs/AAPs as per guidelines for the period of 1980-82. And the preparation of DCPs for the period 83 to 85, the RBI had revised its guidelines earlier issued. The revision had taken place after considering the feedback received regarding the formulation/implementation of earlier DCPs/AAPs studies conducted by R. B.I. and inferences drawn at DLRM/SLRM. The revised guidelines are helpful to lead banks in preparation of DCPs more realistic and meaningful. Some of the important guidelines are as follows:

i) The availability of district development plans was uncertain, R. B. I. introduced specific formats in which essential data for purpose of DCP could be provided by State Government authorised to furnish information in these formats to the lead banks.

ii) The DCP should contain only these programmes which require bank assistance and schemes are technically feasible and bankable one.

iii) To ensure active participation for exercise of DCPs it should be seen that involvement of standing committee of the DCC, DROA, DIC etc. in the formulation process be active.

iv) The States are required to indicate specifically the infrastructural support and other assistance they would provide for making various developmental
programmes but lead bank should formulate these information in DCPs so as to facilitate monitoring overall progress.

v) Under DCPs special emphasis has been given for various Government schemes viz. 20 point programme, including IRDP, special component plan for SC/ST etc. In respect of IRDP, physical and financial outlay should be separately indicates.

Considering earlier deficiencies and guidelines given by RBI the ideal DSP should contents the following information and reveal qualitative aspects.

a) The DSP/AAP should be more realistic in regard to both formulation and implementation.

b) DCP should indicate levels of credit deployment to the priority sectors and physical as well as financial outlay for Government sponsored schemes.

c) The period covered under DCP should correspond to that of national five year plan.

d) The DCP should project credit demand under various programmes and the resources availability in a balanced manner.

e) The DCP should take efforts to allocate surplus resources towards the backward areas of the districts whenever necessary for undertaking genuine development.

f) The DCP should be prepared considering the aim to reduce blockwise imbalances in the availability of credit for productive purpose. In this context area having low deposit potential should get adequate support.
g) The DCP should indicate the broad sectoral and sub-sectoral activities and other major activities for which institutional credit would be required.

h) The DCP should clearly indicate the various existing programmes for which necessary infrastructure, inputs etc. are already available and only credit to be provided, and other programmes being taken up which require not only credit but also requisite governmental support by way of infrastructure, input supplies, extension services, marketing facilities etc.

i) The DCP should indicate not only the various activities to be undertaken but also description of all activities with physical programme the economic size of the unit, the unit costs and potentials of the areas in district.

j) Annual phasing of the total credit plan outlay should be indicated in DCP document, alongwith financing agence-wise allocation of entire DCP period.

**GOVERNMENT SCHEMES/PROGRAMMES AND DCP/AAP:**

The inclusion of Government programmes in DCP/AAP is the important aspect under exercise of development plans. In the case of IRDP which is one of the important programme under new 20 - point programme, separate arrangements have been made for preparation of block plans by DRDA.

In respect of other programmes, a specific formal had been prescribed in which district-wise data or development programme should be furnished by State Government authorities to the lead banks. Lead banks are required to supplement the data so made available by district authorities by collecting block-wise data from DRDAs/BDOs RBI and planning commission had also advised State Government to furnish data in prescribed
format to lead bank. In addition to that planning commission had requested to State Governments that one officer at district level should be designated to maintain liaison with lead bank for the purpose of providing information.

As per the Gosh working group who had studied the role of banks in the implementation of new 20 point programme, bank assistance under various points should form an integral part of DCP/AAP. In this connection, the estimates of institutional finance for various Government sponsored schemes/programmes to be undertaken in each State should be discussed by Government authorities and banks at State level giving district-wise allocation so that all such schemes/programmes should be incorporated in DCP/AAP.

**PERFORMANCE BUDGET OF BANKS AND AAP:**

Integration of AAP share with performance budgets of bank branches has not been possible due to several reasons. But the main reason is that the period of allocation of shares under AAP and period of performance budget exercise in banks. Generally the banks prepare their performance budgets around October and complete picture is cleared by December. But allocation of shares is to be expected by February of the proceeding year. In other-words, bank budget is based on calender year while AAP is to be prepared on financial year.

In this connection, it is suggested that bank should take into account DCP allocations and annual phasing is to be done by banks. And such performance budgets be considered by lead banks for drafting AAP. means for effective implementation of developmental plans. DCP, AAP and performance budgets of banks have to play important role and would be aligned to a large extent. AAP may be revised, if necessary, on the basis of
projections of all financing agencies. Performance budgets of financial agencies or the district perspectives should form basis for aggregate outlays of AAP. And hence the banks should follow the system of surpressing their performance budgets sector-wise i.e. Agriculture, small scale industry services etc.

DCP/AAPs are the documents prepared for delivery of credit from various financial agencies for different purpose in accordance with national plans, considering the Government schemes/programmes and policies subsidies available, public investments in infrastructure developments etc. The exercise of DCP/AAP is nothing but joining of hands by the State Government with various financing agencies through lead bank system for finding of resources and fulfilling their commitments of extending credits.

**CO-ORDINATION SET UP UNDER LBS.**

As we have seen that the exercise of LBSs is not job of either lead banks or State Government but there must be co-ordination between two. In this respect, the Gadgil Study Group suggested for setting up district committees. The Committees must be constituted at the initiative of the State Governments, consisting their concerning officials and other representatives from commercial banks, co-operative banks and other financial agencies. No specific guidelines were issued either by RBI or by Government of India in regard to the constitution of these committees but after existence of these committees certain guidelines were issued for their functioning.

**DISTRICT CONSULTATIVE COMMITTEE:**

No specific rules are framed for formation of DCC, their composition is different as per need of the each district.
The DCC is the district level forum and it is also termed as District Level Co-ordination Committee in some States. But certain general pattern followed by all DCCs in the District is such as District Collector being the chairman and all commercial banks, co-operative banks, RRBs and most of the concerned Government departments and allied agencies being members of the Committee. The study group recommended that DCC should meet at-least once in a quarter to review the progress of individual schemes and this practice of holding quarterly meeting has been adopted in most of the districts.

STANDING COMMITTEE OF THE DCC:

As per guidelines issued by RBI for formulation of DCPs and its uniform pattern, requirement of set up district level task force comprising representatives of DCCB, commercial banks, district planning officials, to assist for credit planning by L&O subsequently, this task force was made permanent and known as standing committee of DCC.

The membership of standing committee was enlarged afterwards to include the representatives of R.BI, NABARD, DRDA, co-operative department, LDB etc. The District Collector has been chairman of the Standing Committee. There was not stipulated any rigid periodicity for composition or meetings of Standing Committee. But it is suggested that Committee should meet at-least twice in a quarter. Afterwards, IRD programme was introduced to all blocks of the country and it is emergence that to take review of IRD programme at frequent intervals and hence RBI instructed that Standing Committee should meet once in a month.

FUNCTIONING OF STANDING COMMITTEE:

The Standing Committee is more effective than DCC for discussing various issues and taking quick decisions but
unfortunately it has not proved quite effective as intended. There are several causes for ineffectiveness out of which some are; i) District Collectors are not associated with standing committees in many districts, ii) In many times various government department officials are irregular in attendance or meetings are attended by junior level officials. iii) The financial institutions also did not seem to have ensured that attendance of meetings by District Co-ordinators. iv) There is general feeling that the decisions taken in meetings are not find and needed to be ratified by DCC which reduced the effectiveness of the standing committee.

WORKING OF DCC:

The success of the DCC largely depends upon active interest of chairman of the DCC. Generally, the chairman of the DCC is District Collector and his aptitude towards DCC is not of special nature but like as other Government Schemes. At the District Collector is leader of the government administration at district level, he did not seem to have sufficient time to give for this job. In many cases, he could not attend the meetings of DCC regularly and hence only motivation of financial agencies is not of use for implementation of the DCP/AAP.

The organisational set up of the DCC is, the District Collector is the chairman and representatives of the financial agencies, other officials of government departments and government and semi-government bodies are the members. It is nothing but unwidely cluster of members which affected the efficiency of the DCC. There are also other causes which affect the efficiency of the DCC. such as large size, representation by junior level officials, inadequate involvement of the members, unsatisfactory follow-up of the decisions taken in the meetings, inadequate secretariat, and lack of proper attitude
among the members. In this connection, the Group recommended compact reorganised set up which should meet once in two months. The nature of the compact set up is based considering the more efficiency of the DCC. And instead of unwidely cluster of members, the strength of members is restricted about 20 to 25 so that the discussion at this forum are meaningful and result oriented.

**FUNCTIONS OF THE DCC:**

1) Identification of potentials for bankable schemes to be included in DCP/AAP.

2) Finalisation of DCP/AAP/IRDP block plans etc.

3) Monitoring overall progress in physical and financial terms of the implementation of IRDP/AAP/TPEP etc.

4) To identify the problems/difficulties of credit in respect of infrastructure, inputs, etc. and taking steps to overcome these.

5) Review of bankwise position of credit disbursement under AAP/IRDP/TPEP.

6) Reviewing the position of disposal of loan applications, and monitoring the support from Government officials.

7) Overseeing and ensuring smooth release of subsidy amounts.

8) Monitoring recovery position of financial agencies and rendering necessary help in this regard.

9) To make proper steps for follow-up of problems/issues beyond the capacity at district level and refer these issues to State Government/SLBC/SLCC.

10) Considering security arrangements and other infrastructure facilities for rural branches.
11) Identification of unbanked centres for opening new bank branches.

12) Evaluation of implementation various schemes in respect of benefits accruing there under to the beneficiaries.

PREPARATION THE AGENDA AND FOLLOW-UP OF THE DECISION:

In respect of preparation of the Agenda of the meeting the necessary information/notes related with issues/subject matters to be discussed in the meeting should be prepared by the financial agencies and other Government Department and submitted the same to the LBO in advance. The Agenda and notice of the meeting should be sent to sufficiently in advance say 15 days.

The proceedings of the meeting should be clear in respect of decision taken and summary of discussion. It also contains the agencies responsible for taking actions on decisions and time taken for action. The LBO and focal point officer of State Government should follow-up the subject matters requiring action.

DISTRICT LEVEL REVIEW MEETINGS:

DLRM is being held every year at District headquarter. It is nothing but one meeting held by DCC with view to review the progress made under implementation of various schemes programmes included in DCP/AAP. In this connection, identification of problem areas and taking suitable steps for remedial action is important task which will facilitate no repetition of these cases in formulation of DCP for the next period. DLRM is called by DCC once in a year which create useful forums for bringing together various organisations participating in the lead bank scheme and non-officials agencies connected with rural development and also evolve forums for general review of
performance under DCP/AAP. High Power Committee has been
decided in its meeting held in February, 1981 and advised
globally to lead banks to organise one meeting of DCC every
year as two day DLMR. On the first day the participants from
separate sectoral groups to evaluate the progress made in the
implementation of schemes under each sector to identify the
problems and evolve remedial steps. And on the second day, the
work done on the first day is being discussed sectorwise and
group-wise to final remedial action for the implementation of
the DCP/AAP so as to ensure regular participation of all conferred
agencies including non-officials in the developmental programmes.

ASSOCIATION OF NON-OFFICIALS WITH DCC:

In the initial stage when DCCs were being set up and
lead banks were surveying the districts for identification of
potential centres for opening of bank branches a demand arose
that prominent non-officials should also be associated with
this task so that their views regarding the banking needs in
different areas of the district could be considered. And in
this connection, Estimate Committee of Lok Sabha recommended that
the LBs set up should be broad based by including persons who are
active in industry, commerce, education, social upliftments,
representatives of ZP and weaker sections of society etc. In
pursuance of this recommendation, RBI advised the lead banks to
associate on an experimental basis two non-officials with DCC. The
section of the non-officials was required to be made on the
basis of their close or intimate association with critical sectors
of developments like agriculture, small scale industry, tribe
development and Marizan welfare so that DCC would enable to get
an insight into the problems of related sectors. The system was
put into effect in the 67 districts. This issue was discussed in the meeting of Regional Consultative Committee Central Region in September 1978 and appreciated the need to maintain functional character of DCC with association of expertise non-officials. And it was decided that a regular representation should be given to principal group of beneficiaries of bank credit in activities/occupations considered central to district economy and requiring special attention from credit institutions.

FORUMS OF CO-ORDINATION AT STATE LEVEL:

At the State Level, the pattern of forums available for co-ordination in between financial agencies and various government departments is not uniform in all the States. The forums are broadly at two types and known as State Level Bankers' Committee (SLBC) and State Level Co-ordination Committee (SLCC). Both SLBC and SLCC are in existence in all States except Maharashtra; where only SLBC is functioning. In Andhra Pradesh and U. P. the SLCC is known as State Level Committee on Institutional Finance and State Level Advisory Committee on Institutional Finance respectively.

STATE LEVEL BANKERS' COMMITTEE:

The origin of SLBC takes place as per instructions of Government of India. The position of SLBC is an an inter-institutional forum for co-ordination and joint implementation of development programmes by all financial institutions operating in a State. The functioning of these committees based on guidelines issued by Government of India in April, 1977 and revised instructions issued time to time. In addition to bank officials, the government officials are also included in SLBC as members in some State, such representation being even at Secretary's level. However, SLBC consist of representatives from commercial
banks, RRBs, SCBs, SLDB, RBI, NABARD.

The meeting of SLBC is called by lead bank as convener Bank and most of the States these meeting are held regularly. The subject matter discussed at the SLBC, mainly related with review of branch expansion, implementation of AAP/DCP, support available from Government agencies, inter bank differences, problems raised in DCC meeting which require attention of the State. In some States sub-groups have been constituted by SLBC to look into specific areas like agriculture, small industries, handloom, finance etc. The group suggested that the SLBC may be reorganised so as to do the necessary spade work for formulation of DCP/AAP by getting in time district-wise resource allocation by banks and disaggregations of the various governmental programmes, undertake critical analysis of the progress of implementation of AAP in various districts review the assistance required and provided by Government agencies, consider to problems referred by District Forum and take necessary follow-up action etc.

STATE LEVEL COMMITTEE:

The SLCCs are started their functioning as main forum for co-ordination between State Government and Financial Institutions for review of the performance of banks regarding credit based development programmes taken up by State Government. But it is observed that there is neither uniformity in the constitution of SLCCs in various States nor there is regularity in the meetings. In some States like AP, Assam, Meghalaya, and Tripura, the meetings of SLCC are convened by designated Government officials such as Chief Secretary, Director of Institutional Finance, Registrar of Co-operative societies etc.

The agenda of SLCC generally contents a) legislative
and administrative steps taken by State Governments to facilitate bank lending for developmental schemes, b) infrastructure and extension facilities, c) problems of banking developments in the State, d) development of resources of banks, e) review of banks' performance of Government, f) special problems of the State. The meetings of SLCC are held annually or even less frequently in most of the States. Although the agenda of the meetings contents subjects related with qualitative and quantitative improvement in all respects, the more emphasis is given towards credit deposit ratio and performance of banks in disbursing finance under various government sponsored schemes. But adequate attention is not given towards forward and backward linkages, marketing and infrastructural facilities and extension of services required for effective implementation of developmental programmes and performance of various Government departments in providing them. The SLCCs have thus had a somewhat limited role in the lead bank scheme as a whole.

In many States, the SLCCs are chaired by Chief Minister, Finance Minister of the State who are not able to attend and take active part on account of their multifarious responsibilities, which affect the efficiency of SLCCs. And hence, it is suggested that efforts may be made to improve the functioning of SLCCs. In this connection, one more suggestion is that standing committee of SLCC be constituted to provide compact forum of co-ordination between financial institutions and government departments.

TALUKA/BLOCK LEVEL COMMITTEES:

Block level committee comprising representatives from financial institutions and block level officials have been set up in several States. These committees mainly look after IRD programme with a view to monitoring the progress in identification
of beneficiaries, provision of credit to these beneficiaries and implementation of various schemes. Under constitution of these committees, almost all the States prescribed that, the branch of lead bank in block or any other branch functioning in the block, if there is no branch of lead bank would be the convener.

But lead banks are not taking responsibility convenership of block level because it is stated that under each block, there are rural branches having inadequate machinery for implementation of various schemes and the branches are not attending the meetings of block level committee etc. considering the view, such forum were constituted by State Government and banks are advised to send their representatives to the meetings and give adequate co-operation.

The BDO generally acts as convener of committee. The financial agencies and Government machinery meets monthly under co-ordination forum of BLCC. But these committees are not of much more effective as the district level formation of DCP etc. is done by senior officials and BDOs are not taking any pressure with senior officials of the financial institutions.

(Source: Report published by RBI on working of the Lead Bank Scheme).

B) MODAS APPRENTIC OF LEAD BANK SCHEME

Under LBs each lead bank has to take lead responsibility for implementation of government programmes and credit deployment under DCPs. In this connection, other Government agencies, RBI etc. are helping to lead banks. The lead role for credit needs, development of bank branches extension of infrastructural requirements, monitoring DCPs etc. needs a specific system under which lead bank would collect all necessary data and consolidate the same for reporting or otherwise. As per
recommendation of the group, the RBI has prepared information system of LBs which would facilitate the procedure for collecting the data, consolidating the same and arriving at conclusions.

**INFORMATION SYSTEM:**

The monitoring of DCP was expected to be achieved by making use of data furnished through information system of LBs. To review the progress under DCP, it is necessary to have some feedback from the field level to the various forums and/or authorities. With the event of DCPs in the year 1970, DCC started the practice of monitoring the progress in implementation of credit plans, even prior to this, DCC in many districts were regularly monitoring the flow of credit to priority sectors. It was systematic approach towards assessment of progress achieved. In 1976, High Power Committee was established to assess the progress achieved under implementation of DCP.

HPC had one of the first task to be taken was to devise a return to be submitted by lead banks indicating the progress made and difficulties encountered in implementation of lead bank scheme. These progress report referred to as HPC formal, was to be watch the progress in the implementation of credit plan.

Government of India had advised all lead banks in November, 1976, to collect and furnish data for the period of June and December every year, data regarding performance of credit institutions, Via-a-Vis their shares of credit plan outlays. There were two statements, the first related with the position of each credit institution in the district while the second gave the consolidated position of all the participating institutions.

In addition to that subsequently Government of India constituted a study group known as Quetta Committee which devised a third
return for supply of statistical data at quarterly intervals at district and State levels. These three returns were not in a position to furnish identical and purposeful information, hence, submission of these returns was on the whole unsatisfactory and nothing but to the multiplicity of returns on the same aspect.

**COLLECTION AND CONSOLIDATION OF DATA:**

It is obvious to mention in respect of the system of collecting the data from each bank and consolidation thereof district-wise was entrusted to lead banks. But lead banks complained their unwillingness and in December, 1975, RBI was taken over the responsibility for consolidating the data. In this connection, data on priority sector advances of banks, district-wise was collected by regional offices of RBI and after consolidation submitted to the various authorities including DCC. In the June, 1977, Quota Committee formats were introduced under which individual branches were required to submit their information to the district co-ordinators and District Co-ordinators were required to submit consolidated position of the bank in the district to lead bank. The lead banks were to consolidate district-wise and bank-wise data for the purpose of DCC and also submit it to regional office of RBI which would consolidate the data for the State as whole and would furnish such data to State and Central Government and Central Office of R.B.I.

**NEW INFORMATION SYSTEM OF LEAD BANK SCHEME:**

The rationalisation of the three returns and evolving a simplified return for submission of data, it was necessary to divert the attention of HPC towards poor data flow. HPC in its meeting held on 22nd December, 1978, decided that an attempt should be made for simplifying the system of returns which could be replace the existing returns. As per need to
have a simplified set of returns which would adequately
serve data at various levels such as DCC, State Government,
R.B.I., Central Government etc. To considering this task of
evolving set of returns a sub-committee was constituted by
HPC. The Committee was represented by a few lead banks,
Government of India and R.B.I. The format advised by this
Committee was referred as New Information System under LBs.
NIS was introduced with effect from March, 1980. And information
under NIS was called for last quarter of December, 1980. However,
earlier returns prescribed by HPC Guttta Committee, and half
yearly returns by Central Government discontinued.

The format under NIS attempted unification of several
returns. These returns were incorporated with following
information related with DCP.

a) Quarterly returns on priority advances.
b) Half yearly returns on agricultural sector advances.
c) Annual returns on recovery of agricultural advances.
d) Half yearly Returns on implementation of DCP.
e) Quarterly returns on Differential Rate of Interest
Scheme.

Consolidation work of all branches of a bank in district
was to be done by the controlling office of the bank and further
consolidation for all banks at district and State level was
entrusted to R. B. I.

In January 1980, the Government of India announced
TPEP and also accepted recommendation of Krishnaswamy Working
Group on bank lending to priority sectors. Under TPEP scope of
priority sector was enlarged and weaker sections were defined.
This requires a corresponding revision of the reporting system
which was done by committee appointed by R.B.I. Under revised
system four returns are introduced of which branches have to submit two returns quarterly and two returns annually. The consolidation of returns by each bank for its branches in the district. The procedure for future consolidation of data remained unchanged.

MEASUREMENTS TAKEN FOR POOR DATA FLOW:

Despite rationalisation of the returns neither the information system of lead bank scheme strengthened nor position of receipt of returns under NIS was progressed in well. In this connection, HPC declared its worry at its meeting held in August, 1981 and directed that all banks asked to launch crash programme for submission of the returns within stipulated period. A review of submission of returns was under taken and according to the data received upto June, 1982, the position was not satisfactory. The details of position were, out of total 5818 schedules in form No. Qa/23 to be received from all banks for all 411 districts, 1282 were still to be submitted for December, 1980, 1302 for March, 1981, 1442 for June, 1981, 1790 for September, 1981 and 2967 for December, 1981. The position of data from co-operations and other banks having small shares (less than 15% in aggregate) in AAP have been received for 227 districts, relating to December, 1980. 100 districts for March, 1981, 46 districts for June, 1981, and 19 districts for September, 1981. As against total of 411 districts. The position of receipt of data upto September, 1981 was better in respect of AP, Gujarat, J &K, HP, Karanataka, Kerala, Orissa, Punjab, Rajasthan, and Tamil Nadu while in other States, it was extremely unsatisfactory. The causes observed for late submission or not submission of data were related with man-power and procedural system of working in banks. The
bank managements have to provide adequate trained man-power at the branch and controlling office level to look after the statistical requirements. Under NIS the collection and consolidation of data through various returns seem to be complex and tedious job at branch level as well as R. B. I. level. This has inevitably involved further delay.

**BACK UP REGISTERS:**

Data on bank lending traditionally expressed for various purposes to outstanding levels. In other-words, the quantum of disbursement of credit in particular period was not introduced but outstanding balances of credit extended were introduced as per personal ledgers. Under NIS, the lead banks require actual disbursement of sector-wise credit to assess the progress of implementation of DCPs. The actual disbursements of credit need for preparation of DCPs. The targets of various sector-wise credit would be more hypothetical, if we consider estimates of increase in the level of outstanding advances taking into account actual disbursement. But almost all banks faced the difficulty in taking out figures of actual disbursement of credit from the existing books of accounts, register etc. In this connection, some of the banks have studied the problem and introduced suitable back up registers. To overcome this problem, RBI had Goiporia Working Group to study the existing accounting procedure and maintenance of records at bank branches with special reference to the task of furnishing various types of statistical data recommended under NIS. The Group suggested certain back-up registers to facilitate filling in of data regarding disbursements under various categories of advances. The role of banks under implementation TPEP was studied by the Ghosh Working Group and suggested simplified quarterly return
in place of existing two returns. The Group was also of the opinion that there was scope for simplification of the other returns prescribed under NIS.

On the suggestion made by HPC, Rural planning and credit Department (RBI) held discussion with representatives of Government of India, a few State Governments and certain banks to consider the need for and desirability of simplification of schedules/returns under NIS.

Against this problems, the Group considered short term as well as long term measures necessary to improve information system. Following were the some of the short term measures suggested by the Group.

1) The process of consolidation of data beyond district-wise is not of use. For the implementation of AAP the lead bank should have data as quick as possible. The consolidation of data for all the banks should be done at district level by lead banks. The copies of consolidated district-wise returns of each bank are submitted to DCC in addition to lead banks. Under new role of LDO and reorganised set up of DCC, it should be possible timely submission of data by all the banks to lead bank. The State-wise consolidation data may continue to be done by RBI.

2) Every bank on their part should take more seriously the task of consolidation of data and to make information system efficient. At each regional/zonal office, there should be small statistical cell to monitor the position of completion of various statistical returns in time at branch level. The part of submission of various returns should be
considered for the annual assessment of the performance of concerned staff.

iii) It is observed that there is considerable lead of data reporting at branch level. However, sizeable portion thereof is due to overlapping and duplication or introduction of new returns without discounting the old ones. In this connection, each bank should constitute a small working group to examine their management reporting system and the returns which are out dated should be replaced by new ones, when introducing new returns, it should be ensured that the information required to R.B.I. and others also should be incorporated in new returns, so as to branches have not to submit some information again and again.

iv) To facilitate timely compliance of NIS returns by branches, the bank should introduce appropriate back up registers on the lines recommended by Goiporia Working Group.

**MONITORING OF DATA BY DCC:**

The ACC should monitor the data collected and submitted by lead banks. The task of evaluation and implementation of DCP/AAP is mainly based on data submitted by lead banks. For the preparation of the DCPs the information regarding total outstandings, disbursement, recovery of credit is more important. But all these aspects of DCC would be fruitful, if the required data would be generated timely, and NIS could not achieve this goal of generating data timely. When we consider, the generation of data in time not only problems of banks are to be considered but also it should be seen that whether
there is any defect in formulation of DCPs, such as - there was no schematic approach and lending to a particular activity were being considered on scheme but not on project basis. The data available for monitoring at DCC was unsatisfactory and monitoring was not objective adequately. The achievements of targets related only to financial aspect but fulfilment of physical targets were not considered.

IMPLEMENTATION OF SUGGESTIONS/RECOMMENDATIONS OF working groups:

The suggestions/recommendations of working group under chairmanship of Shri Ghosh were discussed in the meeting of HPC and RBI had issued and circulated to all commercial banks and State Governments regarding implementation of these recommendations, in March, 1983 onwards, under this there made some changes in NIS. The returns submitted under NIS were changed. The modifications arrived at various levels of submissions and in case of certain schedules the formats are also modified in respect of information called in, periodicity of returns, consolidation of data etc. The modifications effected during the year 1983 to 1985 under LBs in relation with effectiveness of NIS are summarised as below :-

RBI had accepted recommendations of working group and with some modifications implemented the same. The recommendations to be implemented by commercial banks were circulated to all banks in August, 1983. Some of these are:

1) Reconstructions of DCCs and standing committees to make effective forums. This may be done in consultation with district administration.

ii) Conduct of DCC meetings, preparation of agenda, minutes etc.
iii) Constitution of District Level Review Committee in place of existing DLRM.
iv) Status, designation and role of the lead bank officer,
v) Appointment of separate district co-ordinators.

The schedules prescribed for collection of data under NIS viz. A1/B1/A2/B2 were modified rural planning and credit department and some part of schedules was delated and supplementary statement to schedules as on last Friday of each quarter ending regarding advances to weaker sections in priority sector was introduced.

In month of May, 1984, RBI, RPCP had issued circular to all commercial banks regarding implementation of recommendations related with simplification of returns. Instead of five returns which were in existence since December, 1980 new set of 6 returns were devised as under:-

L.Bs. 1 - Outstanding advances to priority sectors and weaker sections (Branch level returns quarterly).

L.Bs. 3 - Progress achieved in implementing AAP. (Branch level returns quarterly).

L.Bs. 5 - Recovery of Advances for the year ending June (Branch level returns Annually.)

The information contained in the above branch-wise returns will be consolidated by the district co-ordinators for the districts and submitted to L.O.B.c. The formats used for such consolidation were L.Bs2, 4 and 6 respectively first two quarterly and last one annually. The new set of returns put into use with effect from March, 1985. RBI has also advised time schedule for different stages of data collection under New modified/simplified
returns to all commercial banks along with guidelines for filling of various returns and explanations for various aspects such as progress of implementation, overdues, schemes/activities to be included etc.

Time schedule for different stages of data collection is as under:

<table>
<thead>
<tr>
<th>Sr.No.</th>
<th>Return</th>
<th>Complying Consolidating Office</th>
<th>To be furnished</th>
<th>Time limit to be observed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>LBS 1</td>
<td>Branch</td>
<td>District Co-ordinator/Lead Bank Officer</td>
<td>Within 15 days from close of the quarter which it relates.</td>
</tr>
<tr>
<td>(1)</td>
<td>LBS 3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1)</td>
<td>LBS 5</td>
<td>Branch</td>
<td>do</td>
<td>Within one month from close of the year.</td>
</tr>
<tr>
<td>(1)</td>
<td>LBS 2</td>
<td>Dist. Co-ordinator</td>
<td>Lead Bank Officer</td>
<td>Within 4 weeks from the close of the quarters</td>
</tr>
<tr>
<td>(1)</td>
<td>LBS 4</td>
<td>-do-</td>
<td>-do-</td>
<td>Within two months from close of the year.</td>
</tr>
<tr>
<td>(1)</td>
<td>LBS 6</td>
<td>-do-</td>
<td>-do-</td>
<td>Within six weeks from the close of the quarter.</td>
</tr>
<tr>
<td>(1)</td>
<td>LBS 2</td>
<td>Dist. Consultative Committee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1)</td>
<td>LBS 4</td>
<td>-do-</td>
<td>DOC/SLBC/Convenor/RBI/RPCD</td>
<td>-do-</td>
</tr>
</tbody>
</table>

Implementation of DCPs observed through AAPs for the year.

District Credit Planning is to be done for particular year for two or three years such as DCPs were prepared for 80-82, 83 to 85, 86 to 88 etc. But DCPs are divided into yearly basis for effective implementation and it is termed as AAP. In other-words, DCPs for more than one year period and AAP for only one year (i.e. April to March) upto 1984 the AAP were prepared for
financial year i.e. April to March. But it was observed that due to lack of effective linkage between AAP and banks branch performance budgets which are prepared on calendar year base. The banks are should not achieve better correlation between AAP and performance budgets and hence, RBI (RPCD) advised all banks to prepare AAP for calendar year instead of financial year for better effective documents for implementation. The preparation of APP after presentation of the performance budgets or presentation of allocations under AAPs in terms of disbursements as against outstanding under performance budget may present some difficulty. Means, under AAP targets and achievements are based on disbursement of credit while outstanding balances of credit are considered for performance budget. To overcome this difficulty of presentation, it is suggested that the Divisional Offices are required to convert as district-wise basis the performance budgets in terms of outstanding into disbursement targets. In this connection, necessary allowances for recoveries, interest debited, overdue etc. The procedure suggested may be applied only loan accounts and the operating limit like cash credits, overdrafts should not be covered its limit sanctioned is to be treated as outstanding/disbursements. In this connection, since 1984 the banks are advised by RBI to prepare their budgets taking in account DCP allocations which are accepted them for which annual phasing is to be done by them.

The implementation of AAPs needs much more co-operation from other government authorities in addition to financial agencies. The study group observed that instead of lead bank and other government authorities joined their hands together, efficient implementation is no possible and hence, some
important recommendations are suggested by group which require action taken by State Government.

1) The State Governments should make necessary organisational arrangements to provide data required for preparation of DCPs/AAPs in order to make them realistic.

ii) A separate cell/or section should be created in each district for looking after all aspects of lead bank scheme and priority sector lendings.

iii) Officials of development departments of district level should be made accountable to the district collector in so far as their responsibilities under DCPs/AAPs are concerned.

iv) A separate Directorate of Institutional Finance with senior official of the rank of secretary incharge may be set up where such arrangement is not in exist.

v) The size of DCC should be compact and meet once in quarter.

vi) A small sub-committee of the style of DCC should be constituted to monitor IRDP at district level.

viii) Against multi-agency system for development, there should be common forums and co-ordinating machinery to formulate and implement schemes for development.

Over the period of time, looking to the steps of formulation and implementation and its assessment by second and third round respectively for the period 1980-82 and 1983 to 85, considerable refinement has been given to the credit planning exercise at district level. The DCPs incorporate into its block-wise credit to be provided by each book and share of that bank under each sector. The credit programme under each individual sector and scheme of development. The AAP is further
refinement and sophisticated exercise towards micro level planning which requires fulfilment of targets in each year through a well defined strategy or plan of action to be evolved by each of the participating bank.

After DCPs were prepared by lead banks, DCC also works out on AAP and monitors its implementation. There is quarterly review of the scheme and annual review of the plan is taken at DLRM. Two days special meeting of DCC is to be called for discussion in depth the problems in implementation of individual scheme. DCC also approves the APP for the next year. There standing committee of DCC which functions as experts of DCC and make study of problems encountered by the banks in implementing DCP scheme. Standing Committee has to study the viability of schemes included in the IRD programme also. The Block level Committee at every block, which implement the IRD programme and also other government schemes, is set up as per recommendations of the study group. This block level forum mostly effective for implementation of AAPs particularly IRDP.

It would be observed from that the LBs is doing important role for effective implementation of DCPs/AAPs, the overall machinery of the scheme developed expertise in the formulation of credit programmes which can contribute to the development of rural economy.

(Source: Circular RPCD No.LBC 556/40-84 dated 20th May, 1984).

C) THE LEAD BANK SCHEME IMPROVEMENT OR OTHERWISE IN THE NEW NATIONALISATION SET-UP.

It would be appropriate to see how for the objectives of LBs are fulfilled and what criteria followed at the time of introduction of LBs regarding allocation of districts, size of banks, resources etc. and what is position at present of
LBs would result improvement or otherwise under lead bank scheme.

SIZE AND RESOURCES OF LEAD BANKS:
The size and resources of a bank was one aspect in deciding the extent of lead responsibility to be allocated. It should be seen that the banks which had allocated lead responsibility, there should be adequate capability of special staff, organisational set-up and provision of adequate facilities for the staff to discharge their functions in an efficient manner. The distribution of lead districts among public sector banks was not equal due to wide disparity in the size and resources of public sector banks. The impact of disproportionate distribution was that large number of more difficult and relatively backward districts have been assigned and lead banks were encouraged to expand their branch. Net-work in the less developed districts while opportunity for branch expansion in developed districts was not available. Considering willingness of banks, RBI has also changed its branch licensing policy by omitting the emphasis on lead bank in allocating branches. It is not correct to say that the backward districts do not have potential for development banking or fluctuating bank branches. And hence, banks should appreciate the lead responsibility of backward districts for better implementation of the socio-economic policies of the government through institutional credit programmes.

FORMATION OF CLUSTERS OF LEAD DISTRICTS:
In the new nationalisation set up, it is observed that the allocation of lead district was done disproportionately and created cluster of lead districts of the same banks. In other-words, most of the districts are allocated among few major banks. The statistical information regarding allocation
of lead responsibility show the position like out of total 412 districts, 111 districts were allocated to SBI and its subsidy banks, 238 districts allocated among major banks and only 63 districts allocated among remaining banks. It was observed that one bank having large number of lead districts in a State could not devote adequate attention to all the districts. To overcome these defects, it was observed regarding allocation of lead responsibility, firstly rephasing of allocation of lead responsibility among newly nationalised banks and secondly to create smaller clusters than at present. In this connection, it would be also considered that concerned banks would also have improve branch net-work in newly allocated district or the banks which have already established their branch net-work in particular district and organisational set-up of that bank is capable to shoulder lead responsibility of district, that district should be allocated to that bank.

The presence of more than one bank as lead bank in a State has been helpful to the banks concerned. The area for development and lead responsibility in number of districts is also reduced or divided in between banks. The allocation of lead responsibility among more than one banks is beneficial to State Government also under which the opportunity to benefit from the experience and resources of different banks.

**NEWLY NATIONALISED BANKS:**

In September, 1983, five more banks came under purview of lead responsibility viz. Corporation Bank, Vijaya Bank, New Bank of India, Oriental Bank of Commerce and Punjab and Sindh Bank, respective districts are Kodagu & Chikmagalur, Dharwar & Mandya, Mohindargarh & Alwar, Firozpur & Srinagar and Ludhiyana, in addition to the existing lead district of Faridkot. These banks have fairly good presence in their
traditional area of operation which are comparatively better developed.

**L.Bs. and R. B. I.**

R. B. I. has playing important role in respect of improvement of L.Bs. R. B. I. has been joined with DCCs from very beginning at the field level. Prior to 1979, officers from regional offices of RBI (DBOD) were attending DCC meetings but at that times no special arrangement was made and many times, meetings were not attended at all. It was considered necessary that there should be designated officer at district level to see developments in the district and also reporting to RBI regarding district planning achievements etc. In this connection, at the time of second round of DCPs in 1980, need for closer involvement of RBI in monitoring both preparation and implementation of DCPs was felt, and RBI designated its officer as Lead District Officer and he was entrusted with monitoring of 4 or 5 districts. Apart from attending DCC and standing committee meetings LDO was required to function in close co-ordination with LBO regarding preparation and implementation of DCP/AAPs. LDO was expected to watch the progress made by banks in discharging their social responsibilities such as lending to priority sectors and weaker sectors, advances under DRI scheme, CD ratio in rural and semi-urban branches, generation of self employment and improved customer services etc.

**ROLE OF LDO:**

The LDO is liaison officer without any powers over participating agencies. The performance of LDO depends upon the responsiveness of credit plans. As the LDO is junior level officer, his role and effectiveness depends upon his experience, exposure to field work, individual aptitude and capacity and relation he is able to maintain with chairman of the DCC, the
collector. It is, however, suggested that officer having seniority and sufficient experience should be posted as LDO. Another defect regarding effectiveness of LDO was area coverage. LDO has been assigned 4 or 5 districts and he was not able to tour allotted districts adequately. The dates of meetings of DCC and Standing Committee some-time same in one and other districts and he was not able to attend the meetings regularly. The position was acute in the case of backward districts which did not have proper communication or transport facilities. As the LDO is representative of RBI, he has to establish wider and closer contacts with district administration as well as lead banks. He has to give service and guidance to LBO on various aspects of the lead banks scheme and promote co-ordination between banks and district administration on the one side and lead bank and non-lead bank on the other.

FUNCTIONS OF LDO:

The functions/responsibilities of LDO should mostly include the following 7-

i) Effective participation in the meetings of DCC and other forums and lending support to LBO.

ii) Discussion with LBO district co-ordinators, Government developmental agencies to identify problems and help in finding solutions.

iii) Monitoring implementation of AAP by various financial agencies and government departments with special reference to IRDP.

iv) Visit to bank branches in the district.

v) Monitoring ground level implementation of simplified procedures of RBI.
vi) He should act as link between the district level and State level in respect of various matters connected with LBs.

In order to discharge above functional responsibilities, it is necessary to spend about a week in each allotted district and look into aspects like performance under AAP, priority sector lending, lending to TPEP beneficiaries with special reference to IRD programme. In this regard, LBO and district co-ordinators of various banks should extend necessary credit to LDO. Not more than 3 districts may be allotted to one LDO in general but in case of backward and inaccessible, hilly districts allotment may be restricted to two districts.

The location of LDO is regional office of RBI which is inconvenient and it is demanded from lead banks as well as State Government prospective and act more effective manner. But this suggestion is not acceptable as LDOs location at RBI is more important as he is link between RBI and State Government and Central Government etc.

RDCD AND LBS:

RBI has constituted a separate department named Rural Planning and Credit Department (RBI) to look after lead bank scheme, priority sector lending, lending under IRD programme etc. The officer incharge of this Department at the State level should function more or less as the chief LDO for the State as whole. The problem under implementation of DCPs/AAPs reported by LDO which require attention at higher level would be taken up by him with State Government and banks. In addition to this he should be able to attend a few DCC meetings every year and in case of problem at districts, the frequency of attendance may be more. He has to maintain close contact with State level Committees and concerned functionaries
of both State Government and banks.

HIGH POWER COMMITTEE AND LBS:

RBI has been constituted a committee known as High Power Committee on the working of Lead Bank Scheme. HPC has been constituted at all India level for review the progress made by LBs and also provide necessary guidance in various matters. HPC consists of representative of few major lead banks, Government of India, and NIBM and is presided over a Deputy Chief Governor of RBI. The first meeting of HPC was held in March, 1976 and presently HPC meets on an average twice a year. The membership of HPC may be extended to the NABARD, All India Federations of SCBs and SLDBs, Directorate of Institutional Finance from two or three States besides six lead banks, and membership lead banks and State Governments should be rotated periodically, in order that different view points and approaches towards problems could be presented before HPC. It should be ensured that minutes of HPC alongwith agenda notes be sent to all lead banks and State Governments.

It is not necessity for HPC to review district-wise performance under DCP/AAP as this is done at DCC level but it may review qualitative aspects of functioning of lead bank scheme and implementation of credit plans with a view to giving a positive direction to the lead bank scheme. And in this connection review of the performance in different States may be placed before HPC periodically. The meetings of HPC should be held in different regions.

TRAINING NEEDS UNDER LBS:

It is observed that, the willful implementation and success of the LBs is wholly depends upon proper understanding of the concept undergoing the LBs. The issue of proper understanding concept also discussed by HPC and also felt that
there was an immediate need to credit: better understanding about the scheme among the various agencies. The issue was referred to NIBM and NIBM proposed a programme of workshops at district and State level. The District level workshops were intended to bring together various financing and government agencies involved in implementation of credit plans to promote better understanding amongst themselves and greater co-ordination in their activities towards resolving the grass root level problem.

NIBM conducted District level workshops in U. P. and West Bengal and some other districts in other States. By the end of March, 1980, DLWS had been held in most of the districts. SLWS were organised in 20 out of 21 States.

HPC in its meeting held in February, 1981 decided that training programme should be geared up and it should be ensured that steps should be taken for evolving a system which would ensure, on an on going basis, training inputs to all the functionaries connected with the lead bank scheme. All lead banks were advised to organise one meeting of DCC every year as two-day District Level Review Meeting and on the first day the participants from separate sectoral groups to evaluate the progress made in the implementation of schemes under each sector, identify the problems and evolve remedial steps. These suggestions are discussed on the second day in the plenary session comprising all the members and conclusions are arrived at for being followed up for their implementation. In this connection, same meetings should be held at State Level but State level meeting to be conducted after DLRMs were held in all or most of the districts in the State. The proceeding of DLRMs should be discussed in SLRMs.
NIBM also organised a service of eight seminars each covering three or four States at different centres. These seminars are attended by bankers and State level Government officials. The main objective of the seminars were to identify the areas requiring the improvement in the technical contents of DCP and implementation and monitoring of DCP.

In 1983, at third round of DCPs with view to improve the quality of DCPs, RBI took the initiative in respect of conducting another series of training programmes. Each programme was 6 days duration and was made for LBOs, LDOs, Government officials particularly at District level and officials from controlling Regional offices of lead banks four lead banks viz. State Bank of India, Bank of Baroda, Bank of India and Syndicate Bank, were organised programmes for their LBOs in which LDOs and other Government officials also participated. NIBM organised 13 such training programmes all over the country. These programmes were conducted in various centres, course material developed jointly by RBI, ARDC(NABARD) and NIBM covering all aspects relating to the formulation, implementation and monitoring of DCPs. In addition to this, RBI has also organised a few programme on the lead bank scheme of Bankers Training College, Bombay for Regional Managers of banks.

With a view to improve the quality of various aspects of the lead bank scheme and better co-ordination amongst forums, State Governments and non-lead banks also emerge the necessity of training inputs provided to their staff. And in this connection, various commercial banks initiated training activities relating to the scheme at their own staff training activities covering the concept of the scheme, role of branch managers and
POSITION OF ISOLATED BRANCHES:

It is observed that in some district particularly in the Southern States, there was not much scope for opening new branches and it might not be possible for the lead banks in those districts to improve their branch expansion programme. In this position, if non-lead bank operating with a few branches therein was desirous moving out of the district for its own reasons, it might be allowed to do so by *swopping* its branches with those of the lead bank. The working group suggested that the swopping of branches be observed in some circumstances like: i) Both the banks involved are lead banks. ii) The scope for opening of new branches was limited in one of the districts involved on account of the fact that the district was adequately banked. iii) The lead bank which is to take over the branches, does not have adequate branch network in that district. The position of the branch distribution of the public sector banks was perused in March, 1982 and it is observed that the banks were generally not inclined to swap their branches. This is because to that the total number of single branches (Rural/Semi-Urban) in the districts considered adequately banked according to the branch licensing policy of RBI. Afterwards some variations to the extent of 5% to 10% were allowed for branch expansion programme. This provisional expansion allowed to banks having existing number of branches on a selective basis in the case of non-deficit districts as well and the lead bank would benefit by this on account of its presence in the district. Even in the case of such districts, it is not essential to resort swopping of branches for increasing number of branches the problems like transfer of assets and
liabilities, absorption of staff of such branches etc. There was not any deliberate policy but when mutually agreed banks approach to the RBI, for swopping proposals, RBI considered the proposals and cancelled existing licences and issued fresh licence.

TRANSFER OF RURAL BUSINESS TO RRBs.

Regional Rural Banks has been doing rural banking business but the resources and ability of these banks have not adequate to take over rural business. Also these banks have not able to compact with other public sector banks. In this connection, RBI has set up Dantawala Committee which after considering the pros and cons recommended that the eligible business of commercial banks may be transferred to RRBs, in phased manner. It was observed that some commercial banks preferred to sponsor RRBs rather than opening their own branches at rural centres due to high operational cost and difficulties experienced in posting their urban oriented staff to rural branches. The transfer of rural business to RRBs mainly based on selective basis and promote loaning policy to weaker sections at large.

At the end of June, 1981, the deposits and advances of rural and semi-urban branches of commercial banks amounted to Rs.14739 and Rs.7690 crores respectively. The figures for rural branches alone being Rs.5254 and Rs.3032 crores respectively. Total branches rural and semi-(rural) urban of commercial banks were 20395 and 8763 respectively of these RRBs accounted for 4748 and 330 offices. The 107 reporting RRBs had aggregate deposits and advances of Rs.335 & Rs.436 crores respectively. Advances of RRBs contents beneficiaries like small/marginal farmers, landless labourers, and rural artisans. The question of widening scope of lending by RRBs is under consideration,
but it should be ensured that RRBs should not lose their character as small man's rural bank. There is restricted scope for transfer of rural business to RRBs and it is not intention to relieve commercial banks of their role in rural financing after achieving such vast expansion in their rural branch net-work and building up the necessary infrastructure. The question of transfer of rural branches of commercial banks to RRBs, was also consider at recent conference of RRBs convened by NABARD. The base taken for transfer was that the selected rural branches of commercial banks existing not more than two years and lending to non-target groups should be minimal.

Multi-agency approach to rural credit is the accepted policy under which the working of RRBs which depend upon the rural/semi-urban branches of commercial banks for cash requirement, remittance of surplus cash/transfer of funds etc. In fact, at present there is a demand in certain States for allowing commercial banks also to open branches in RRB districts either due to organisational constraints of RRBs to open branches at all centres or other reasons. Further the present branch licensing policy ensures that over-riding priority is given in allotting identified centres to RRBs in the concerned districts. It is expected that RRBs will cover three fourth of the number of districts in the country by the end of sixth plan.
STAGEWISE POSITION TO LEAD BANK SCHEME:

The position of LBs either progress or otherwise has been assessed considering three stages of its working. The first stage concerned with mass branch expansion programme under the period of June, 1969 and June, 1980, second stage for reviewing the progress attained by LBs under implementation of DCPs/AAPs etc. and third stage after issue of guidelines etc. as per recommendations of study groups.

Under the first stage of the scheme the lead banks launched a massive branch expansion programme particularly to cater to the credit requirements of rural-areas. The identification of potential banking centres was to be based on surveys (impressionistic to be conducted by lead banks). The objective was substantially achieved by the banks when almost 4 branches (rural or semi-urban) were opened every day between the period of June, 1969 to June, 1980. (After nationalisation of major 14 banks). The total number of branches have increased from 8262 to 48932 as on February, 1985. The number of rural and semi-urban branches increased in the above period from 5154 to 37645. During that period branch expansion programme was more swift nearly about 18000 branches were opened.
Following table shows yearwise position of commercial banks branch offices after nationalisation of major 14 banks.

<table>
<thead>
<tr>
<th>Year</th>
<th>Rural</th>
<th>Semi-Urban</th>
<th>Urban</th>
<th>Metropolitan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>June, 1969</td>
<td>1832</td>
<td>3322</td>
<td>1447</td>
<td>1661</td>
<td>8262</td>
</tr>
<tr>
<td>Dec. 75</td>
<td>7385</td>
<td>6164</td>
<td>3589</td>
<td>3308</td>
<td>20446</td>
</tr>
<tr>
<td>Dec. 76</td>
<td>8839</td>
<td>7024</td>
<td>4135</td>
<td>3657</td>
<td>23655</td>
</tr>
<tr>
<td>Dec. 77</td>
<td>11092</td>
<td>7493</td>
<td>4445</td>
<td>3966</td>
<td>26996</td>
</tr>
<tr>
<td>Dec. 78</td>
<td>12806</td>
<td>7778</td>
<td>4668</td>
<td>4352</td>
<td>29504</td>
</tr>
<tr>
<td>June, 79</td>
<td>13333</td>
<td>7845</td>
<td>4717</td>
<td>4307</td>
<td>30202</td>
</tr>
<tr>
<td>June, 80</td>
<td>15105</td>
<td>8122</td>
<td>5178</td>
<td>4014</td>
<td>32419</td>
</tr>
<tr>
<td>June, 81</td>
<td>17658</td>
<td>8468</td>
<td>5453</td>
<td>4127</td>
<td>35706</td>
</tr>
<tr>
<td>June, 82</td>
<td>20398</td>
<td>8763</td>
<td>5360</td>
<td>4659</td>
<td>39180</td>
</tr>
<tr>
<td>June, 83</td>
<td>22618</td>
<td>9036</td>
<td>5575</td>
<td>4787</td>
<td>42016</td>
</tr>
<tr>
<td>June, 84</td>
<td>25372</td>
<td>9262</td>
<td>5769</td>
<td>4929</td>
<td>45332</td>
</tr>
<tr>
<td>June, 85</td>
<td>28116</td>
<td>9529</td>
<td>6132</td>
<td>5155</td>
<td>48932</td>
</tr>
</tbody>
</table>

(Source: BSR Statistics of RBI)

SECOND STAGE OF LBS.

The system of preparing plans on a uniform basis commenced with the second round of DCPs from 1980. The first DCP was prepared for the period of 1980-82. The AAPs were prepared for each year under which physical targets were allotted to the banks blockwise and sectorwise. The targets and achievements under AAP show the aggregate performance could be considered realistic in major districts. This is due to district credit planning exercise is still at initial stage and there is no appropriate allocation of resources, consideration
of manpower with financial agencies etc.

RBI constituted two study groups to review the working of lead bank scheme in Gujarat and Maharashtra State, the group submitted common report in which group recommended that the massive branch expansion programmes have been success but the progress in the formulation and implementation of area development programme was slow. The group favoured expeditious preparations of technically feasible and economically viable schemes and their collective implementation by all financial institutions. The suggestion regarding effective operation of the LBs, formulation and implementation of DCPs, for issuing policy guidelines and to examine specific problems in regard to effective implementation under LBs and to act a reviewing authority for non-compliance of the accepted commitments by banks, the RBI constituted standing committee for reviewing overall progress of the LBs. In this connection and as recommended by study group a High Power Committee under chairmanship of a Deputy Governor was set up in RBI.

RBI considered the problems of preparation of DCPs and AAPs and issued certain guidelines in March, 1979 regarding preparation of New DCPs. The DCPs prepared in the first round were terminated in December, 1979 and the lead banks advised to formulate fresh plan for the period linking with five year plan. The DCPs prepared blockwise, sectorwise and scheme-wise credit requirements. And AAPs prepared for the year by December end each year from 1980 onwards indicating sectoral schemewise and institution groupwise break up of the total outlays.

** TASK FORCE: **

Under the new guidelines Task Force Committee was
set up in each District. The task force comprised district planning officials and representatives of commercial banks having large number of branches in the district, representative from central co-operative Bank and LBO. District plan is formulated by Task Force considering the concept of participative planning. Four important features of the methodology suggested for DCPs/AAPs were i) scheme-wise credit target on a blockwise and bankwise basis were to be indicated so that development of infrastructural facilities could be facilitated. ii) The term loans, loans for working capital and crop loans etc. are separately show. iii) Unit cost and scale of finance were to be uniform for all credit institutions and should be linked with indicated by NABARD/RBI. iv) Each bank in the district was to plan its financial and man-power resources and match them with the shares allocated to that bank under DCP. By the end of June, 1980 DCPs in regard to 359 out of 397 districts had been prepared and for the remaining 40 districts DCPs were delayed due to distributed law and order situation in North Eastern Zone.

THIRD ROUND OF DCPs.

In February, 1982 RBI issued guidelines to lead banks to formulate DCPs for the year 1983-85 for period January, 1983 to March, 1985. The DCPs for the third round to be formulated in 1982 which has been declared as the productive year by the Prime Minister, and have to promote optimum use of land, labour and financial resources. The DCPs prepared should be link with a) banks lending for priority sector activities and Government subsidy programme. b) Banks lending under DCPs independently of Government subsidy to achieve the overall commitments for priority sector lending. c) DCPs have to ensure that the RBI directives for ...
priority sectors are properly followed by the banks.
RBI issued following directives to increase priority sector advances:

1) Attain by March, 1985 a level of 40% of total lending to the priority sector, i.e. agriculture, small scale industries, small road and water transport operations, retail trade with credit limit not exceeding Rs. 25000/-. Small business with working capital limits not exceeding Rs. 1 lakh, Professional and self employed persons with credit limit not exceeding Rs. 1 lakh, scheduled caste/tribe corporation, education, housing finance to SC/ST and weaker sections and pure consumption loans. (Advance for acquisition of only one tractor is considered as priority sector advances under agriculture.

2) Credit for direct finance to agriculture and allied activities should reach 15% of total bank credit upto March, 1985 and 16% to March, 1987.

3) Advances to weaker sections should reach a level of 25% of priority sector advances or 10% of the total bank credit by end of March, 1985. The weaker section comprise small and marginal farmers, with land holdings of 5 acres or less, landless labourers, tenant farmers and share croppers, artisans, village and cottage industries. IRDP beneficiaries, SC/ST, DRI beneficiaries, net funds made available by sponsor banks to RRBS.

4) Attain credit deposit ratio of 60% in respect of their semi-urban and rural branches.
5) Disburse at least 1% of their total advances as interest at the end of the previous years under DRI scheme. It should be ensured that 4% of such advances go to SC/ST beneficiaries. Further, at least two-thirds of DRI advances are made through rural and semi-urban branches.

6) Pay particular attention to the credit needs of SC/ST under the special component plan and sub-plan and make special efforts to prepare bankable schemes for them.

Position of preparation and implementation of DCPs/ AAPs was reviewed by the study group of RBI in 1982-83 and the group felt that if AAPs and performance budgets of banks were for different periods, meaningful linkage between the two could not be ensured. Based on this, the RBI has since advised the lead banks to prepare AAPs for calendar years 1984 & 1985 and outlays proposed under AAPs should be suitably revised while preparing AAPs. Further, the RBI has advised banks to prepare AAPs for 1985-86 on the basis of earlier guidelines. Guidelines for DCP 1987-90 yet to be issued by RBI.

(Sources: RBI Circular, Banker Magazine, Indian Banking to-day & To-morrow, Report of RBI etc.)