CHAPTER - IV

Organisational Framework for the Implementation of Lead Bank Scheme
INTRODUCTION

The varied and complex responsibilities shouldered by commercial banks under the lead bank scheme has become essential for them to have an appropriate organisational set-up along with a procedural framework for an effective implementation of the scheme. It was also felt necessary to establish liaison between the financial institutions and other developmental agencies functioning at the district and State levels. Though, the lead banks could not visualise the need for organisational set-up for implementing and monitoring the scheme at the initial stages, it was later initiated various measures at various levels. As a result, separate cells have been established in their head offices by all the lead banks. The Lead Bank Officers and Lead District Officers have been appointed by entrusting with the responsibility of supervising the preparation and implementation of District Credit plans. The District consultative committee has been conceived as the forum for the discussions of issues of mutual interest among the financial and non-financial agencies. Further, the constitution of specific committees to study the deficiencies and the handicaps which obstruct the proper functioning of the banking in general and the lead bank scheme in particular along with the
corrective steps has become one of the most important organisational changes that have been conceived after the introduction of Lead Bank Scheme. The changes designed in the organisational set-up at various levels and the procedural changes adopted from time to time on the basis of recommendations made by various study Groups are presented in this chapter.

ORGANISATIONAL SET-UP

In the process of bringing changes in organisational set-up in the light of new responsibilities entrusted to the banking sector, several measures have been initiated. They include:
The constitution of District Consultative Committees; standing Committees at various levels; appointment of Lead Bank Officers, Lead District Officers, and Constituting various Study Groups.

District Consultative Committees

The Gadgil Study Group envisaged setting up of district or Zonal Committees which would serve as the apparatus to evolve an action programme for the succeeding one or two years. It was suggested that these committees might be constituted, preferably at the initiative of the State Governments concerned and
consisting, among others, of representatives of nationalised commercial banks, co-operative banks, and small industries. The committees were expected to have appropriate liaison with marketing, processing and other agencies of the central and state governments operating in the area.

The Banking Commission also found that there was need for such a forum. Towards this end, D.C.Cs came to be constituted in the various districts in the country. No explicit guidelines were issued either by Reserve Bank of India or the Government of India in regard to the constitution of these committees.

**Composition**

Since, there were no set rules for District Consultative Committees, their composition was influenced by the specific needs of each district. The district level forum is also termed as 'District Level Co-ordination Committees' in some States. Almost all D.C.Cs follow certain general pattern such as the District Collector being the Chairman and all the Commercial Banks, Co-operative Banks, Regional Rural Banks, representatives from the Reserve Bank of India, District Level Officials, Officials of the Zilla Parishad and other Officials connected with the developmental activities such as the District
Development Officer. The Industries and Agricultural Officers and representatives of Regional Development Corporations being members of the committee. Sometimes, a few non-official members who are interested in social work or developmental activities are also nominated as members of the L.C.C. At some stage it was felt that the size of the D.C.C. is unwieldy. The group which was appointed to study the review the working of the scheme was also felt that the unwieldy size has been one of the major factors impairing the efficacy of DCCs and it is necessary to consider reconstituting this forum into a very compact one which should meet once in two months. Only banks and other financial institutions, having a sizeable share in Annual Action Plan and the district level officials of the departments important from the point of view of Annual Action Plan should be members of DCC. Each member should be represented only by one officials of an appropriate level at DCC meetings.

In the group's view, membership of D.C.C. should be sizeable but not unwieldy.

1) District Collector (Chairman)
2) L.B.O. (Convener)

3) L.D.O.
4) District Planning Officer
5) Representatives of
   NABARD
   DCCB
   SLDB
   RRB
   DRDA
   DIC
6) About five or six Commercial Banks having a large share of AAP
7) About five or six Government departments say, agriculture, animal husbandry, minor irrigation, industries, co-operatives, tribal development.

Other Government departments and banks which are not permanent members may be invited to specific meetings, whenever considered necessary, on the basis of agenda items. The overall strength of DCC should be maintained at a compact level of 20 to 25 members so that the discussions at this forum are meaningful and result oriented.

Functions

In the changing conditions the District Consultative Committee is expected to perform the following functions.

1) Identification of potential for and formulation of bankable schemes for inclusion in DCP/AAP.
2) Finalisation of DCP/AAP/IRDP block plan.
3) Allocation of shares of DCP/AAP outlays.
4) Establishment of close liaison with various departments of the Government and other connected agencies.

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

6) Identifying the problems in the provision of credit as also of infrastructure, inputs etc., and taking steps to overcome them.

7) Review of bank-wise position of credit disbursement under AAP/IRDP etc.,

8) Reviewing the progress of disposal of loan applications and ensuring that applications are sent in a phased manner and not bunched in the last quarter of the financial year.

9) Overseeing and ensuring smooth release of subsidies.

10) Monitoring the recovery position of financial agencies and rendering necessary help for recovery of overdues.

11) Taking-up with State Government at SLCC/SLBC, the items and issues which cannot be tackled at the district level and ensuring proper follow-up thereof.

12) Consideration of security arrangements and other infrastructural facilities for rural branches.

13) Identification of unbanked centres for opening of branches and reviewing the progress in the opening of branches.
14) Evaluation of the ground level implementation of various schemes and benefits accruing there under to the identified beneficiaries.

The district consultative committees have been asked to hold meetings regularly once in three months in all the districts with a view to bringing about an appreciation and understanding of the aims and objectives of the Lead Bank Scheme, the banks have organised workshops in both district and State levels. Wherever the D.C.C. meetings are not held at least once in a quarter, the Reserve Bank of India should take-up the matter with the concerned lead banks for appropriate action.

Review Meetings

Lead Banks were advised to convert one meeting of D.C.C. every year as a two-days District Level Review Meeting (DLRM). 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 measures. 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. Similar meetings were visualised at State level. The State level review meetings were to be organised after District
Level Review meetings were held in all or most of the districts in the States. The proceedings of all the DLRMs formed the basis of discussions at SLRM.

**Standing Committees of D.C.Cs**

The District consultative committee by virtue of its constitution and functioning may not be in a position to exercise supervision over the functioning of Lead Bank Scheme on an on-going basis and evolve a detailed procedure. The lead banks, therefore, been advised through the guidelines issued by Reserve Bank of India for formulation of DCPs 1980-82 on a uniform pattern envisaged the constitution of a district level task force comprising representatives of District Central Co-operative Bank, Commercial Banks having large number of branches in the district and the district planning Official, to assist the credit planning team/Lead Bank Officer. Subsequently, this task force was made permanent as a 'Standing Committee' of DCC so that the same body which was associated with the formulation of the credit plan could also continuously monitor the progress in its implementation. Lead District Officer would also be a member of the Standing Committee.

The membership of the committee was enlarged subsequently to include the representatives of Reserve Bank of India. Agricultural Refinance Development
Corporation, District Rural Development Agency, Co-operative Department, L.D.B. etc. In some districts the District Collector himself has been the Chairman of the Standing Committee. The periodicity of the Standing Committee meetings was also left to the exigencies of work but it was recommended that the meetings should be held at least twice in a quarter. With the extension of the Integrated Rural Development Programme to all the blocks in the country, review of implementation of the programme had to be undertaken at frequent intervals. And accordingly, Reserve Bank of India issued instructions for convening the meetings of the Standing Committees once in a month.

State Level Committee on Institutional Finance and its Sub-Committees

In order to keep pace with the structural and functional changes that have been brought about by the banking sector after the introduction of Lead Bank Scheme, the Government of Andhra Pradesh like other State Governments has constituted on April, 9, 1974 a State Level Committee on Institutional Finances with two subcommittees to provide useful forums for discussions and co-ordination of the activities of the various financing institutions and beneficiary departments/organisations of the State Government.
Regional Consultative Committees

During 1970-71 a consultative committee was formed at the centre to discuss and decide upon some of the issues of the banking sector in the wake of the implementation of the Lead Bank Scheme. The committee was composed of the Finance Minister and the Chief Executives of the various lead banks. The first meeting was held on July 15, 1970. However, it was later felt that the single consultative committee at national level may not be in a position to identify the problems and handle the varied situations in different regions. Hence, it was realised that only through establishment of Regional Consultative Committees, the Government can resolve some of the problems effectively. The Regional Consultative Committees of all the regions held their first meetings in 1972-73 at New Delhi.

High Power Committee at the National Level

Meeting of the Regional Consultative Committee of Western Region was held on August 2, 1975, under the Chairmanship of Union Finance Minister. The committee has recommended that two study groups be appointed to review the working of the Lead Bank Scheme in the States of Gujarat and Maharashtra. In pursuance of this decision the Reserve Bank of India constituted two study groups
with the representatives of these two State Governments
the Minister of Finance (Department of Banking), the
Reserve Bank and banks with lead responsibility in each
of these states as members.

Standing Committee in Reserve Bank of India

Besides reviewing the scheme, and offering various
suggestions on the issues covering the constitution of
working of the District consultative committees and the
nature and extent of liaison between the financial insti-
tutions and relationship established with the State
Governments at various levels, the study groups have
advocated that an appropriate standing committee be
formed in the Reserve Bank to critically review the
overall progress of the scheme. "The committee, apart
from reviewing the overall progress, could also study
specific problems that might arise in individual
districts and suggest measures of overcoming them both
to the banks and to the Government authorities." This
committee could also function as "a reviewing authority
for the Lead Bank Scheme, to which instances of non-
compliance of accepted commitments can be reported by
the Lead Bank."

2. Reserve Bank of India, Report of the Study Groups on
the Working of the Lead Bank Scheme in Gujarat and
Maharashtra 1975, Bombay, pp.24-25.
3. Ibid., p.22.
In accordance with the groups recommendations, a High Power Committee has been constituted under the Chairmanship of Dr. K.S.Krishna Swamy, by the Reserve Bank of India in 1976. To review the overall progress of the Lead Bank Scheme on a continuing basis.

**LEAD BANK DEPARTMENTS/CELLS IN THE HEAD OFFICES OF THE LEAD BANKS**

All the lead banks were expected to set-up a separate cell or department in their Head Offices for planning and monitoring the Lead Bank Scheme. These departments or cells are headed by Assistant or Deputy General Managers who are assisted by Economic advisors, Lead District Officers and Secretarial Assistants as shown in Fig. which indicates the Syndicate Bank's Head Office Structure.

**Regional Structure**

At the Regional level under the direct control of Regional or Area Managers, Lead Bank Officers were appointed to look after the scheme.

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Area Manager

Lead Bank Officer

Lead Bank Officer
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FIG. 4.1

HEAD OFFICE STRUCTURE

Board

Chairman & Managing Director

Executive Director

General Manager
(Planning Accounts Inspection and Development)

Dy. General Manager

Assistant General Manager

Dy. General Manager

Assistant General Manager

Dy. General Manager

Divisional Manager

Divisional Manager

Personnel Manager

Vigilance Manager

General Manager
(Credit)

Dy. General Manager

General Manager
(Personnel & Vigilence)

General Manager
(International Banking & Investment Wing)

Divisional Control Divisional Regional Accounts Officer Manager

Source: Personal Interview.
Divisional Structure

At the Divisional level the Divisional Managers will be assisted by Deputy Divisional Managers and Deputy Divisional Managers by Officers. It is reported that all the Officers at Regional and District levels were imparted special training on the various aspects of the Lead Bank Scheme, rural development, agricultural credit, area development approach, Credit Planning etc., at the Staff Training Colleges.

As at the end of November, 1988 nearly 600 lead bank officers were being trained at Pune for carrying the new schemes under Lead Bank Scheme. 4

Branch Structure

At branch level there is a uniform staffing pattern in all the bank ranches. The staff of a branch usually consists of a Branch Manager, Accountant, Cashier, Clerks, Attendees and in some cases Field Assistants or Field Officers.

With the increasing importance of lead bank scheme it was found necessary to have a certain minimum

organisational set-up for the Lead Bank at the district level. Reserve Bank of India accordingly advised lead banks to position, at the headquarters of each lead district, one Officer designated as lead bank officer who would exclusively look after the work relating to the lead responsibilities and to extend necessary support to this Officer.

**Lead Bank Officer**

In order to ensure that the lead banks have an adequate organisational base in their lead districts for the preparation of DCPs and monitoring their implementation, Reserve Bank of India advised lead banks in 1979 to appoint in each lead district an Officer designated as Lead Bank Officer for the purpose. Lead Bank Officer should ideally be of a rank not lower that of the manager of the district bearing on his area of responsibility such as opening of new branches, additional staff requirements of branches to cope with their increased lending for development, performance budgets etc., should be routed through Lead Bank Officer. But he should not be burdened with other unconnected functions of an administrative and operational nature such as business development, Supervision and control, sanction of credit
proposals, staff discipline etc. The tenure of Lead Bank Officer in a particular district is for a reasonable period say three years, to have a degree of continuity.

**Lead District Officers**

Simultaneously, with the appointment of Lead Bank Officer, Reserve Bank of India appointed its Officers designated as Lead District Officers (LDOs) who were allotted 4 or 5 districts each and were entrusted with the responsibility of overseeing the preparation and implementation of District Credit Plans in the allotted districts. Besides, LDOs were expected to watch the progress made by banks in discharging their social responsibilities such as lending to priority sectors and weaker sections, advances under DRI scheme, credit deposit ratio in rural and semi-urban branches, generation of self-employment, improved customer service etc.

**Study Groups**

As a follow-up measure for the effective and successful execution of the lead bank scheme, various study groups have been constituted for bringing necessary changes in various aspects of banking sector.
1) Credit Guarantee Schemes for Governing Small Loans to Borrowers in the Priority and neglected Sectors

A working group under the chairmanship of Sri S.S. Shiralkar was constituted in September, 1969 for formulating a scheme of guarantees or other comparable facilities for lending by banks to individual borrowers in sectors which had remained relatively neglected so far, such as small scale industrial concerns, small business, road transport, minor repair units, retail trade, small farming and also professional and self-employed persons, such as artisans, engineers, architects and doctors. The group submitted its report in November 1969. Accepting the recommendations of the group with minor modifications, the Reserve Bank of India has promoted a Company, named, the Credit Guarantee Corporation of India Ltd., as a Public limited company in January, 1971 under the Companies Act 1956. This corporation's business is to guarantee loans advanced to other Credit institutions. In pursuance of this objective, the corporation has so far formulated three guarantee schemes viz., 1) the credit guarantee corporation of India (Small loans) Guarantee Scheme 1971, 2) The credit guarantee corporation of India small loans

5. Reserve Bank of India, Guarantee Scheme for small loans to priority and neglected sectors, Bombay, 1972, pp.53-118.
(Financial Corporations) Guarantee Scheme (1971) and
3) the credit guarantee corporation of India (Service
Co-operative Societies) Guarantee Scheme (1971) to
cover credit risks incurred in financing various cate-
gories of small borrowers. Later, some terms and
conditions for the provisions of guarantee cover have
been liberalised.

2) Committee on Banks Credit Schemes with reference to
Employment Potential

At a meeting of the Chairman/Custodians of the
public sector banks, in July 1970, a committee was
appointed by the Reserve Bank of India under the Chair-
manship of Sri V.D. Thakkar to review the working of
Special Credit Schemes of banks in order to make them
more effective and purposeful. The committee designed
model application forms for assistance to professionals,
Retailers, Small traders and small business, Road
Transport Operators, Taxi-Driver etc., Small Scale
Industrial Units; a) For working capital loan, with
interview forms; b) For term loan/over draft/cash
credit etc. 6

3) Committee on Banking Statistics

In the context of the setting up of the Nations

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6. Reserve Bank of India, Report of the committee to
review the special credit schemes of Banks with
particular reference to their employment potential,
 Bombay, 1972, pp.31-50.
Credit Council, the uniform balance book system of reporting has been introduced to provide a detailed and upto-date picture of the sectoral and regional flow of bank credit. This was considered sufficiently comprehensive for policy and information purposes. Due to various reasons this system has failed to provide sufficient information as desired, and also there is a dire need for the introduction of Lead Bank Scheme and nationalisation of the commercial banks for a concrete policy diversifying the pattern of credit. Accordingly, a committee on Banking Statistics, \(^7\) was constituted by Reserve Bank of India in April, 1972, under the Chairmanship of A. Raman, Director, Credit Planning Cell with more members. In 1979, High Power Committee has constituted a sub committee to suggest ways and means for smooth flow of information system. The proforma, was further modified to make provision for the data under 20 Point Economic Programme.

4) **Banking Laws Committee**

To rationalise the credit and commercial laws affecting banking and financial institutions, the Government of India has constituted a Committee on Banking laws

under the Chairmanship of P.V. Rajamannar in November, 1972.

5) Study Group to Frame Guidelines for Follow-up of Bank Credit

A study group under the Chairmanship of P. Tandon was constituted in July, 1974, to frame guidelines for follow-up and supervise bank credit from the point of view of ensuring proper and use of funds and keeping a watch on the safety of the advances and suggest the type of operational data and other information that may be obtained by banks periodically from such borrowers and by the Reserve Bank of India from the lending banks. Further, the group was expected to make suggestions for prescribing inventory norms for different industries both in private and public sectors and also to make recommendations regarding the sources for financing the minimum working capital.

6) Committee on the Functioning of Public Sector Banks

(James Raj Committee)

To examine the branch expansion of Public Sector banks since, 1969 a committee under the Chairmanship of


James Raj, has been constituted in 1977 by the Reserve Bank of India. The committee has opined that the rapid growth in the number of branches and their geographical spread over a wider area of operations have resulted in severe strains on the bank's management, reduced supervisory control and contacts of higher management with branches. The committee felt that the gains achieved with regard to branch expansion should be consolidated periodically, and the size of the banks should be in the range of 1000 to 1500 branches; those having below 1000 may be permitted to grow up to 1000 or more but below 1500 branches during the period of consolidation (3 to 5 years) while for banks having branches over 1500 no expansion may be allowed during this period, except for strategic and compelling reasons.\(^\text{10}\)

7) **Working Group on Multi-Agency Approach to Agricultural Finance**

Under the Chairmanship of C.E. Kamat, a working group on the multi-agency approach on Agricultural Finance has been appointed by Reserve Bank of India to study the problems of overlapping and duplication under the multi-agency approach. Defining the roles of co-operatives and commercial banks and finding the ways to bring co-operation

\(^{10}\) Reserve Bank of India, Report of the committees on the functioning of the Public Sector Banks, Bombay, 1977.
among them will be the core of the problem lies with the multi-agency approach. The group came to a conclusion that the geographical demarcation in the fields of commercial banks and co-operatives provides more suitable solution. The working group further opined that the commercial banks and Regional Rural Banks are to play essentially supplementary role and the future branch expansion of these institutions should be rationally regulated with a view to prevent un-necessary proliferation of their branches in rural areas well served by co-operatives.¹¹

8) **Expert Committee for making commercial banks lending to Agriculturists**

In order to make financing of agriculture by commercial banks more effective so as to produce visible impact on the rural economy and levels of living of people in rural areas, an Expert Committee was set-up by the Reserve Bank of India under the Chairmanship of Dr.Gunvant Desai in 1978. The committee has covered various aspects like:

1) appraisal of the credit schemes at the sanctioning stage;

ii) Sanctioning of loans to individual borrowers;

iii) Legislation on the guidelines issued by the Talwar committee;

iv) Land records and revenue pass books;

v) Disbursement of loans and supervision of credit schemes;

vi) Recovery of loans and overdues;

vii) Task-force to facilitate implementation of agricultural credit schemes and

viii) Maintaining and evaluation of credit schemes etc.  

9) Working Group to Review the System of Cash Credit

In the light of the need for exercising continued restraint on further expansion of credit and the major problem faced by banks in implementing the credit regulatory measures, viz., the extensive use of the cash credit system, a small working group under the Chairmanship of K.B. Chore was set-up by the Reserve Bank of India in 1979.  


At the meeting of the Finance Minister with the Chief Executive Officers of the Public Sector Banks held


on the 6th March, 1980, it was agreed that banks should aim at raising the proportion of their advances to priority sectors to 40 per cent by 1985, and that within the overall targets a significant portion would be allocated to the beneficiaries of the 20 point programmes. Towards this end, Reserve Bank of India has constituted a working group under the Chairmanship of K.S.Krishna Swamy. 14


The committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) set-up by the Reserve Bank of India (RBI) at the instance of Government of India, had inter alia, made a comprehensive review of the existing field level arrangements for planning and implementing credit based development programmes in the context of the multi-agency system for rural financing and for ensuring effective co-operation and co-ordination among the various agencies concerned with rural development. In this regard, the committee made the following recommendation.

"In view of the fact that the lead bank scheme has completed a decade of working, the committee suggests that a review of its working may be undertaken by Reserve Bank of India".

In pursuance of this recommendation, Reserve Bank of India set-up the working group in November, 1981 to review the working of the lead bank scheme in all its aspects.

12) Committee to Review the Working of the Credit Authorisation Scheme

The committee constituted by the Reserve Bank of India in November, 1982 to review the working of the Credit Authorisation Scheme submitted its report in July, 1983.

The committee observed in its Report that credit authorisation Scheme is not to be looked upon as a mere regulatory measure confined to large borrowers and that the basic purpose of credit authorisation scheme is to ensure orderly credit management and to improve the quality of bank lending so that all borrowings whether large or small, are in conformity with the policies and priorities laid down by the Central Banking Authority.
It found credit authorisation scheme to be extremely useful in improving the quality of credit appraisal and shifting the focus from security based lending to need based lending determined on established criteria. The committee concluded that it would be desirable to evolve a system in which there is an incentive for the borrowers to comply with all the requirements of the scheme including the information system and for the banks to improve the quality of credit appraisal.

13) Standing Co-ordination Committee

The standing co-ordination committee which was appointed in January, 1979 following recommendations of the Inter-Institutional group (Bhuchar Committee) to consider issues pertaining to co-ordination between banks and term-lending institutions was reconstituted in August, 1983 under the Chairmanship of Sri A.Ghosh, Deputy Governor of the Reserve Bank.

The committee will provide a lending forum for sorting out inter institutional problems relating to term lending in the light of experience gained in the past and review the involvement of banks and term lending institutions in extending term credit, besides dealing with compilation and sharing of information on
term credit and any other issues that may be referred to it.

14) Working group on data collection relating to credit support to retail outlets of Public distribution system

The Reserve Bank set-up a working group in December, 1984 to examine under the existing reporting system, the availability of data on, and make an estimate of credit support to retail trade and distribution of essential commodities under the public distribution system.

15) Working group on Bank Credit to State Handloom Development Corporations

The working group appointed by Reserve Bank in June, 1984 to study operational problems of the State Handloom Development Corporations in relation to Bank credit.

16) Study group on the Flow of Credit to IRDP Beneficiaries

A study group was set-up by RBI in November, 1985 headed by the Chairman of NABARD with the objective of streamlining the arrangements for flow of credit and supply of inputs and assets to the IRDP beneficiaries so that they would draw the full benefit of the anti-poverty programme.
Based on the recommendations of the study group contained in its interim report, which have been accepted by the Government of India, banks were advised to implement, on an experimental basis, a system of cash disbursement of IRDP assistance for specified purposes in 22 selected blocks all over the country with effect from 1st April, 1986 viz., i) when the asset is of a standard type, make or brand name marketed by reputed suppliers ii) when the loan is for ISB sector activities and a number of sundry items are to be bought disbursement upto ₹3000/- may be made in cash in such cases; and iii) for purchase of animals. In all these cases, the borrowers should produce documentary evidence to the bank for having purchased the assets and banks should verify them by actual inspection.15

17) **High level standing committee to review the flow of Institutional credit to the Rural sector and other related matters**

A high level standing committee was appointed under the chairmanship of a Deputy Governor of Reserve Bank of India to review the flow of institutional credit to the rural sector and other related matters. The

committee will also suggest measures for improving the credit delivery system for the greater benefits of the farmers, artisans, landless labourers and other weaker sections, particularly, the S.Cs and S.Ts. The committee comprises the representatives of Reserve Bank of India, Government of India, NABARD, Indian Bank's Association, State Bank of India, General Insurance Corporation, Agricultural Finance Corporation Limited, Planning Commission, State Governments, National Federation of State Co-operative Banks Limited, National Co-operative Land Development Banks Federation Ltd., ICAR (Indian Council of Agricultural Research), Indian Institute of Science, Punjab Agricultural University, National Co-operative Development Corporation, Khadi and village Industries Commission and Indian Agricultural Research Institute.

The committee met thrice during the year 1986. At its second meeting held on March 6, 1986, the committee decided to constitute a working group, i) to consider the problems relating to non-availability of credit to new and non-defaulting members of co-operative credit institutions and ii) to suggest measures to ensure smooth flow of credit adequately to these borrowers and iii) to recommend measures that could be taken to assist co-operative credit
structure in areas susceptible to repeated natural cala-
mities to insulate itself and its members from increasing
burden of overdue loans. Accordingly, a working group
has already been constituted under the Chairmanship of a
former Union Minister of Agriculture. 16

18) Working Group to Review the Norms for Consortium
Advances

In accordance with the suggestion made by the
National Finance and Credit Council in its first meeting
in Dec. 1986 a working group to examine the present system
and formulate norms relating to advances made both to
healthy and sick units by banks in consortium with or
without participation of financial institutions and to
make appropriate recommendations from the point of view
of speeding up the decision-making process and providing
timely and adequate credit to borrowers was set-up by

Based on the first report of the group, detailed
instructions have been issued to banks in June, 1987.
These envisage, inter alia, a major role to be played
by the lead bank and the second largest financing bank
(or two major banks under multiple financing arrangements).

16. IBID.,
The instructions cover carrying out viability studies and formulation and implementation of rehabilitation packages within a specified period, adherence of commitments given thereunder, exchange of information between banks and financial institutions, carrying out joint reviews, adoption of a unified stand on recall of advances, vesting of bank officials with larger discretionary powers, up-gradation of skills and training of staff etc., for ensuring greater co-ordination between banks and financial institutions in the financing of sick and weak industrial units so that decisions on measures for their rehabilitation and implementation thereof are expedited.17

19) **Single Window concept of Lending by Banks on Consortium Advances**

The working group constituted to review norms of consortium advances, in its report had suggested that under consortium financing arrangements, a 'single window' concept for disbursements and recovery of banks may be considered. In pursuance to the recommendations of the working group, a committee comprising officials from the Reserve Bank of India and Commercial Banks was set-up in

July, 1987 under the Chairmanship of one of the Managing Directors of the State Bank of India. The committee has since submitted its recommendations accepted by the Reserve Bank of India are being issued.  

CO-ORDINATION

"Co-ordination is an orderly arrangement of group effort to provide unity of action in the pursuit of a common purpose". Bringing about co-ordination among financial, non-financial agencies is one of the most essential tasks envisaged under the Lead Bank Scheme. It refers to the synchronisation of the activities of various agencies both financial and administrative at various levels, district, block and village in the formulation and implementation of technically feasible and economically viable schemes incorporated in the credit plans. The commercial banks are entrusted with the responsibility of meeting the credit needs of the priority sectors.

However, the involvement of commercial banks in agriculture and other priority sectors is not to create an unhealthy competition among institutional

agencies in rural areas, but to supplement the co-operative credit through co-ordination between commercial and co-operative banks. 20

The District Administration has to provide the necessary infra-structural facilities for the smooth implementation of the D.C.P. The effectiveness of the Plan implementation depends upon a great degree of co-operation to be achieved among the participating agencies. In all, the district administration has an un-enviable role in implementing the district credit Plan. Though the banks and other financial agencies are instrumental in disbursing credit as per the allocation in the plan, it is the district administration that acts as a catalyst and in capable of giving the much needed motivation and direction to the entire process.

The Government Departments and the developmental agencies also have to furnish report of the progress in creating various required infra-structural facilities for smooth implementation of the District Credit Plan. The financial agencies and Government authorities were working without any understanding of the relationship even in

common areas and activities. This communication gap has resulted in chaos and unawareness of things and activities of each inspite of the fact that every agency is expected to contribute its own mite to the process of development of the district. Thus, it has become essential to develop a system through which proper communication is established for an efficient and co-ordinated planning of all the agencies operating in the district. Such an understanding will provide a scope to utilise the available resources in the best and profitable manner by eliminating conflicts and constraints and leads to the development of the district. This will bring together all the concerned elements in the district. This kind of group effort would always be something more than the sum of the individuals effort. This implies that co-ordination is ensured among the Reserve Bank of India, Commercial Banks, the Co-operative Banks, including Land Development Banks and the Purchase, Sale, Supply, Marketing and processing organisations, the State Governments and the financial institutions set-up by the State, such as the State Financial Corporation, the Agro Industries Corporation and any others.  

all these elements lies on the shoulders of the Lead Bank. Co-ordination under the Lead Bank Scheme may be conveniently divided into two categories.

1) Co-ordination among financial agencies,

2) Co-ordination between commercial banks and District Development Authorities.

Co-ordination among Financial Agencies

In the opinion of the Banking Commission, the objectives of co-ordination between the co-operative and commercial banks should be a) creation of a wide spread and progressive institutional base at the Primary level in direct touch with rural producers which can provide adequate and timely credit at reasonable rates and also attract local savings into the system; b) consolidation, strengthening and expansion of the framework of co-operative banking at higher levels for mobilisation of resources and c) programmes of training and equipping the personnel in the co-operative banks to carry out their tasks in an efficient manner. The co-ordination among financial agencies may be in the areas like promotional, lending and operational policies.

Co-ordination between commercial banks and District Development Authorities

Co-ordination between commercial banks and Development Authorities is essential at the same time it is very difficult to achieve the same. It is more essential because, the credit alone can not bring the development in the district. It is one component only. For the success of any viable scheme, certain infrastructural facilities such as marketing and storage facilities, roads, communication, power and general administrative support which will be provided by the State Government are essential. The main area of co-ordination that can be achieved between the financial institutions and district administration is to dovetail the credit plan of the Lead Bank with the district development plan and recovery of loans.

Banks and District Administration

The district administration which will act as a catalyst has a stupendous role to play in motivating the various government agencies, besides, extending its unstinted co-operation to the banks in solving a number of field level problems. The District Administration and banks have to work hand in hand to make the objectives of the Annual Action Plan and District Credit Plan to come out with desirable results.
Under the Lead Bank Scheme, the commercial banks are expected to discharge varied responsibilities. For fulfilling them effectively an appropriate organisational set-up has been initiated. Towards this end, all the lead banks in the country have set-up separate cells in their head-offices for planning and monitoring different programmes under the lead bank scheme. Further, at the regional level, the lead bank officers were appointed under the direct control of regional or area managers to lookafter the scheme. Besides this, at the divisional level, the divisional managers and the Deputy Divisional Managers have been assigned the task of designing the programmes to help the implementation of the lead bank scheme effectively. However, at branch level, there is some uniformity in the staffing pattern.

The lead bank officers in the lead districts who have been appointed in 1979 onwards on the advice of the Reserve Bank of India have to look into the functioning of District Consultative Committees and also preparation and implementation of the district credit plans. Besides this, the Lead District Officers who are appointed by the Reserve Bank of India have been entrusted with the responsibility of over-seeing the
preparation and implementation of district credit plans in the allotted districts comprising four or five. The district consultative committee whose composition, though influenced by the specific needs of the district normally includes the District Collector, and the representatives from the commercial, regional and co-operative banks, as well as Reserve Bank of India, members from Zilla Parishads District Development Officers. The District Consultative Committees are expected to identify the potential for and formulation of bankable schemes under District Credit Plan and Annual Action Plan, finalise DCP/AAP/IRDP at block level, establish liaison with various departments, review and identify the problems in the implementation of Annual Action Plans and integrated Rural Development Programmes. The district consultative committees have further constituted the standing committees for evolving the detailed procedures and supervising the functioning of Lead Bank Scheme. These committees are expected to meet every month. Every state Government including Andhra Pradesh has constituted the State level committees on institutional finances in mid 1970s for the purpose of discussion and co-ordination of the activities of the various financial institutions, departments of government. Further, the Regional consultative committees have also been constituted
to discuss and arrive at decisions, on some of the issues of Lead Bank Scheme. To be more effective two study groups have been appointed to make an assessment in Gujarat and Maharashtra states by the Union Finance Minister, with the specific of the objective of reviewing the progress of lead bank scheme.

As a follow-up measure for the effective and successful execution of the lead bank scheme and also fulfill the objectives of nationalisation of commercial banks various study groups have been constituted for bringing necessary changes in the structural and functional aspects in banking sector. They include:

1) Credit guarantee scheme for governing small loans to borrowers in the priority and neglected sectors;

2) Committee on banks credit schemes with reference to employment potential;

3) Committee on Banking Statistics;

4) Banking laws committee;

5) Study group to frame guidelines for follow-up for bank credit;

6) Committee on the functioning of public sector banks;

7) Working group on multi-agency approach to agricultural finances;
8) Expert committee for making commercial bank lending to agriculturists.

9) Working group to review the system of cash credit.

10) Working group on priority sector lending and the 20 Point economic programme.

11) Working group to review the working of Lead Bank Scheme.

12) Committee to review the working of credit authorisation scheme.

13) Standing co-ordination committee;

14) Working group on data collection relating to credit support to retail outlets of public distribution system;

15) Working group on bank credit to State handloom development Corporation.

16) Study group on the flow of credit to IRDP beneficiaries.

17) High level standing committee to review the flow of institutional credit to the rural sector and other related matters.

18) Working group to review the norms for Consortium Advances.

19) Single window concept of lending by banks on Consortium Advances.
Under the lead bank scheme the co-ordination of an orderly group effort - at various levels of administration viz., block, district and State has been envisaged. This has been one of the major organisational problems under the scheme due to the very basic efforts involved in bringing different financial and non-financial agencies to one place, for enabling them to understand the mutual interests and constraints.