The economic development of India mainly depends on the prosperity of rural sector, the fortunes of which hinge on the progress of agriculture and its allied activities. In other words, removal of poverty, and economic development of the country needs the brisk pace of rural sector, without which development is a distant hope. Realising and recognising the vital importance of this sector in the promotion of economic status and quality of life, the Government of India have given much importance to the development of rural sector in the Five Year Plans.

Credit is important and constitutes the key element in the field of economic activity in the sense that natural available resources can be used to an optimum for better production and better income by the presence of it. The progress of rural sector thus is dependent on the availability of wherewithal on time in a required quantity.

In rural credit scene of India, the commercial banks, cooperative banks and grameena banks are extending services along with credit. In fact, credit catered to by these institutions is praiseworthy. However, lack of cooperation and coordination among the institutions made no break-through on the economic front, and instead imbalances were created. Added to it, discharge of certain
social objectives also emerged. How best the rural credit institutions would carry-out the task of catering credit alongwith required services to the needy, needed the searching of the right path. At this moment on the recommendations of Gadil Committee and Nariman Committee the Lead Bank Scheme came into operation in 1970.

Taking concerted efforts for overall economic development with an appropriate organisational framework ensuring participation in a coordinated way by the various credit agencies on the availability of services of the Government Departments on an area basis with the district as a 'unit' is the main motto of the Lead Bank Scheme. In otherwords, the lead bank scheme aims at the overall economic development of the district; and the lead bank is expected to act as the consortium leader.

K. NIRMALAMMA
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(K. NIRMALAMMA)