



Role of Lead Bank Scheme

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Abstract

Lead Bank Scheme introduced by the RBI in Dec. 1969 has helped the commercial bank in their march to the rural areas. It marks a major step towards the implementation of the two fold objective of the mobilization of deposits on a massive scale throughout the country and stepping of lending to weaker sections of the economy. Under this scheme, a bank is not merely expected to provide banking facilities in the district where it is assigned the Lead Bank role, but also to help their all round development. For this purpose, the banks have conducted socio-economic survey of their respective areas. The object is to survey the potential of banking development in extending branches and expanding credit facilities.

Introduction

The concept of Lead Bank Scheme was developed at National Credit Council constituted under the chairmanship of Dr. D.R. Gadgil in 1969, which was subsequently also viewed favorably by banker's committee headed by Shree F.K.F. Nariman, which recommended that specific districts be allotted to certain banks to play the lead role for banking development. Based on the findings and recommendation of National Credit Council was that bank should adopt Area Approach to evolve programs for the development of banking and credit structure. Under the scheme the various districts in different states of the country were assigned to different nationalized banks. These banks were to act as consortium leaders for socio-economic development of those districts and involve the other commercial banks and financial agencies functioning in those districts for the economic development and upliftment in these districts.

Objective

The Lead Bank as a consortium leader of financing institution has the responsibility of preparing District Credit Plan are aimed at correcting both regional and sectoral imbalances in the district.

A District Credit Plan is development plan for an area consisting of technically feasible and economically viable schemes, which

can be taken up for financing by financial institutions. It should be drawn up on basis of a strategy of development suitable for the area, taking into the account its natural endowments, principal economics activities and their potential for development current and proposed development projects and felt needs of the people. It should be comprehensive and integrated in the sense that the various projects and schemes included in the credit plan should as far as possible cover all the major sectors of the economic viz. agriculture and allied activities, industries and service sector, depending upon their natural linkages. Further, the scheme should be such that they can be immediately taken up for implementation within the existing or marginally strengthened frame work of infra structure and other facilities available. The gap in such facilities which stand in the way of effective implementation of the plan should be specifically pin pointed in the plan. The main objective of the Lead Bank Scheme is to insure adequate supply of credit for the economic development of the district concerned. While estimating the credit demand for different sectors it is necessary to link the credit plan with the production or development plan as chalked out by the state Government and the Government of India. The Lead Bank is expected to estimate credit gap in the existing pattern of economic activities and



also these emerging while growth oriented programmers are being implemented and to evolve the scheme for filling these gaps in the cooperation with other banks and financial institutions operating in the district.

A credit plan is, thus not a mere exercise in estimation of credit needs of an area but a blue print for action by banks and other financial institution. Such an action plan can be prepared only on the basis of an intensive study of a small area such as community development block. Depth studies of small compact area enable the evolving of programmes of action based on a strategy of development suitable of the need and resources endowments of the blocks.

Special responsibilities devolves of the lead bank he takes periodic review of implementation of the credit plan both in regards to its own contribution and of the consortium financial institutions as a whole. Necessary particulars in this regards will have to be obtained from all the participative agencies. In order to avoid overlapping and wastage of efforts the Reserve Bank of India asked the lead bank to create an appropriate forum by setting up the District Consultative Committee (D.C.C.) in their lead districts. Accordingly, all the lead banks setup District Consultative Committee which is meeting once in quarter. The manager of lead bank at the district headquarters has to function as the convener of the committee and the district collector should act as the chairman. Bottle-necks holding up the progress should be discussed at the meeting of the District Consultative Committee and the consultative committee for banking development. Issues falling beyond the powers of the district level officials which cannot be solved locally should be taken up for consideration at the State Level Banker's Committee and State Level Coordination Committee through the controlling office. The exercise should be directed for ensuing effective coordination in implementation of the credit plan.

Difficulties in the wav of implementation of different schemes of Lead Bank

Lead Bank Scheme is an intensive effort to centralize banking activities of development and betterment of the common people residing in the district. It is an effort of reach even the marginal man in order to bring him to the basic level which is needed in a well organized society. Every good effort has short coming, lead bank also face a number of difficulties are enumerated below :

1 Commercial banks have complained that there is undue delay on the part of the State Electricity Board's in giving connection for energisation of wells after consideration of the applications by them.

2 There is a general complained that the District Central Cooperative Bank was lending to the defaulting borrowers in the villages adopted by it and this had resulted in double financing. The bank also alleged that some of the borrowers had availed of loans from it after obtaining false no dues certificate from the Central Cooperative Banks.

3 Non Lead Banks are not taking much interest in the District Consultative Committee and other activities of the districts.

4 There is no systematic and continues involvement of government agencies and banks in implementing Lead Bank Scheme at grass root level i.e. Village Level- Village Officer, Block Development Officer and Branch Manager.

5 Inadequate staffing particularly in respect of field personnel happens to be a common handicap for all banks.

6 The decision taken in District Consultative Committee meetings are not is enforced upon them. In many cases even the attendance at the meeting of District Consultative Committees has been rather poor. Even when these meetings are attended the representative of the participating agencies are not senior enough to commit on behalf of their institutions.

Suggestions for efficient implementation of scheme



The lead bank ideology, though understood at the head office/regional offices of banks and State Governments head quarters, has not percolated at the district level. The Branch Managers of other banks and district officials do not lend active support to the efforts of lead banks in shouldering the responsibilities of development work. In order to create awareness among society and district functionaries it is suggested that :

- 1 The lead bank may arrange lectures on Lead Bank Scheme in selected colleges in there allotted districts.
- 2 Special work shop may be held at the district level for the bank staff and Government official on Lead Bank Scheme.
- 3 Village level meeting may be arrange by the lead bank for explaining the scheme to the villagers and for the distribution of the brochures on the Lead Bank Scheme in the local language.
- 4 The lead bank may arrange to open a stall in important exhibitions, Local fares and Melas depicting the activities of the banking sectors in the district.
- 5 Each bank should create and develop its own system of promoting awareness and understanding of the objectives of the scheme and salient features of the district credit plan.
- 6 Appropriate training and orientation of the operational managers at the field level training to be imparted. to government officials also to apprise them about the operational procedure and bank rules.
- 7 In order to make the Lead Bank Scheme effective the Reserve Bank and the Ministry of Finance will have to consider giving specific authorities to Lead Bank Scheme. For recovery purposes judicial powers should be given to lead banks for their speedy recovery of the loans.

Conclusion

The Lead Bank Scheme holds out promise of a positive impact on economic development at the district level. The Lead Bank Scheme has provided a frame work for

coordinated development of banking and credit at the grass root level.

While the Lead Bank Scheme, no doubt contains certain inherent areas of conflicts, it has helped bringing together financial institution and Government agencies, on common platform to develop a total prospective of developmental needs not only with horizontal coordination but also vertical integration in the functioning of various constituents of developments in the areas.. The Lead Bank Scheme has imparted development orientation to the operations of commercial banks and given a sense of direction to their priority sector lending in the rural areas.

Perhaps, India is only country in the world where such a gigantic task of rural development is under taken on such a massive scale in an integrated manner, with the help of the banking system and through collaborative efforts of governments and financial institution. It should be therefore is the endeavor of all concern to work together for the achievement of the goal.

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