

RBI/2004-05/408

RPCD.PLFS.BC.No. 89/05.02.02/2004-05

March 30, 2005

The Chairman/ Managing Director/Chief Executive Officer
(All scheduled commercial banks)

Dear Sir/ Madam,

**The Advisory Committee on Flow of Credit to Agriculture and Related
Activities from the Banking System**

Please refer to our circular RPCD.Plan.BC.40/04.09.01/2004-05 dated October 15, 2004 communicating some of the accepted recommendations of the above Committee set up under the chairmanship of Prof. V.S. Vyas. The following recommendations have since been accepted and are being forwarded for immediate implementation by banks:

i) A branch advisory committee comprising select elected representatives, including women leaders, of local *panchayati raj* institutions within the service area of the branch, may be established at every rural branch. It should meet at least once a quarter. These meetings may be made mandatory and be attended by the controlling official of the bank.

(Paragraph 6.5(v))

- Banks may consider constituting local advisory committees for branch/group of branches comprising some users of the bank's services as members.

ii) Banks in states where the SHG-Bank linkage programme has not shown satisfactory progress need to gear up their rural branches for facilitating bank linkages of SHGs by evolving a three-year action plan. All banks may

set up adequately staffed micro-finance cells at central offices and in each state.

[Paragraph 6.12]

- Banks may consider setting up micro-finance cells at their Central Offices.

iii) As the quality of books of accounts maintained by SHGs is an area of concern, banks may encourage using local book writers in association with concerned agencies promoting these SHGs. Such an arrangement could be on a cost-sharing basis, with some support from banks.

[Paragraph 6.15]

- Banks may consider the recommendation for implementation.

2. Banks are requested to initiate action on these recommendations immediately and ensure that suitable instructions are issued to their controlling offices and branches in this regard. The action taken may please be communicated to us at the earliest.

3. Please acknowledge receipt.

Yours faithfully

(C.S.Murthy)

Chief General Manager-in-Charge