REPORT OF THE STUDY GROUPS ON THE WORKING OF THE LEAD BANK SCHEME IN GUJARAT AND MAHARASHTRA

RESERVE BANK OF INDIA
BOMBAY

DECEMBER 1975

Price Rs. 2/- per copy
(inclusive of postage)

Published by Kum. Meenakshi Tyagarajan for the Reserve Bank of India, Bombay and Printed by Mr. V. B. Gharpure at Tata Press Limited, Bombay 400 025.

REPORT OF THE STUDY GROUPS ON THE WORKING OF THE LEAD BANK SCHEME IN GUJARAT AND MAHARASHTRA

At the meeting of the Western Regional Consultative Committee on August 2, 1975, presided over by the Union Finance Minister, Shri C. Subramaniam, it was decided that the working of the lead bank scheme in the States of Gujarat and Maharashtra be studied in its various aspects. In pursuance of this decision, the Reserve Bank of India constituted two Study Groups, comprising representatives of the two State Governments, the Ministry of Finance (Department of Banking), the Reserve Bank and the banks with lead responsibility in each State. The members of the Groups were:

GUJARAT

1. Shri M. G. Shah,
   Secretary,
   Finance Department,
   Government of Gujarat.
2. Shri M. Sivagnanam,
   Secretary,
   Industries, Mines and Power,
   Government of Gujarat.
3. Shri D. J. Kanvinde,
   Additional Chief Officer,
   Economic and Statistical Research Department,
   State Bank of India.
4. Shri B. M. Shukla,
   Deputy General Manager,
   Bank of Baroda.
5. Shri J. J. Choksey,
   Deputy General Manager,
   Dena Bank.
6. Shri L. D. Kataria,
   Director,
   Department of Banking,
   Ministry of Finance,
   Government of India.
7. Shri P. K. Venkateswaran,
   Deputy Chief Officer,
   Department of Banking Operations and Development,
   Reserve Bank of India.
8. Dr. (Kum.) Meenakshi Tyagarajan,
   Director,
   Banking Division,
   Economic Department,
   Reserve Bank of India.
   (Convener)

MAHARASHTRA

1. Shri V. Subramaniam, Special Secretary, Planning Department and Additional Development Commissioner, Government of Maharashtra.

2. Shri B. K. Chougule, Secretary, Agriculture and Co-operation Department, Government of Maharashtra.

3. Shri L. D'Mello, Chief Economic Adviser, State Bank of India.

4. Shri K. S. J. Banaji, Assistant General Manager, Central Bank of India.

5. Shri A. D. Rege, Executive Regional Manager, Bank of India.

6. Shri A. T. Akolkar, Assistant General Manager, Bank of Maharashtra.

7. Shri L. D. Kataria, Director, Department of Banking, Ministry of Finance, Government of India.

8. Shri P. K. Venkateswaran, Deputy Chief Officer, Department of Banking Operations and Development, Reserve Bank of India.

9. Dr. (Kum.) Meenakshi Tyagarajan, Director, Banking Division, Economic Department, Reserve Bank of India. (Convener)

Shri S. B. Kaji, Deputy General Manager, Bank of India, took the place of Shri A. D. Rege on the Maharashtra Group while Shri S. S. Hasurkar, Under Secretary, Department of Banking, replaced Shri L. D. Kataria on both Groups.

2. The terms of reference of the Groups were as follows :

To review the functioning of the lead bank scheme in the two States with particular reference to

(i) The constitution and working of the District Level Consultative Committees;

(ii) The nature and extent of liaison between financial institutions and relationship established with the State Government at various levels and

(iii) The extent of involvement of banks in the formulation and implementation of area development programmes.

Arising from these, the Study Groups were asked to formulate appropriate guidelines for the more effective operation of the lead bank scheme.

3. Before the formal meeting of the Groups, the banks having lead responsibilities in the two States were requested to prepare notes on their experiences in each of their lead districts which were circulated to all the members.

4. The first meeting of the Maharashtra Group was held on August 21, 1975 and that of the Gujarat Group on August 29, 1975. It was decided that subsequent meetings would be held at selected district headquarters to enable the members to have an idea of the actual functioning of the District Consultative Committees. Accordingly, the Gujarat Group met at Himmatnagar, Broach, Amreli and Bhavnagar while the Maharashtra Group met at Bhir, Aurangabad and Kolhapur. This enabled the Groups to attend specially convened meetings of the District Consultative Committees and discuss various issues relevant to the operation of the scheme with the district officials, representatives of co-operative institutions, bankers and others. The Maharashtra Group had the opportunity of a discussion with the Chief Minister of Maharashtra, the Maharashtra Finance Minister, the Minister of State for Planning and concerned State Government officials, while the Gujarat Group met the concerned officials of the State Government.

5. Because of the close similarity in the problems relating to the operation of the lead bank scheme in both the States, it was decided to have a common report for both Groups. The draft report, circulated earlier among members, was discussed and finalised at a joint meeting of the two Groups on December 16, 1975.

Genesis of the Scheme

6. The "lead bank" concept arose out of the National Credit Council's Study Group on the Organisational Framework for the Implementation of Social Objectives which submitted its report in October 1969. This Group felt that in attempting to overcome the glaring disparities in the availability of banking facilities, adaptation to local condition was essential. The Group hence suggested the adoption of an "area approach" in evolving plans and

programmes for the development of the banking and credit structure. It recommended that "depending upon the area of operation and location, commercial banks should be assigned particular districts in an area where they should act as pace setters, providing integrated banking facilities and in this way, all the districts in the country should be covered". Thus, the district was accepted as the unit for the area approach.

7. As a first step in the implementation of the "area approach", the various districts in the country were apportioned between all the public sector and a few of the private sector banks. In the districts allotted to it, each bank was designated as the "lead bank" for initiating the spread of banking and accelerating banking development. Even at the time of the allocation, the tasks of the lead bank were broadly outlined. In the circular letter dated December 23, 1969 informing the concerned banks of the distribution of districts under the scheme, the Reserve Bank said "The lead bank will be expected to assume the major role in the development of banking and credit in the allocated districts. At the same time, there is clearly no intention that the lead bank should have a monopoly of banking business in a district. The bank assigned the lead role is thus expected to act as the consortium leader and after identifying through survey, areas requiring branch expansion and areas suffering from credit gaps, it should invoke the co-operation of other banks operating in the district for opening branches as well as for meeting credit needs."

Objects of the Scheme

8. The allocation of districts between the banks was made on the basis of certain criteria, the most important of which were the size of the bank; its resources; geographic contiguity that would yield "clusters" of lead districts and the desirability for each State to have more than one lead bank operating in its territory and for each bank to have lead responsibility in more than one State. Although to the extent possible the role of leadership was assigned to the banks with a relatively good foothold in the district, in several cases the lead bank's own branch net-work was not adequate for its functions (Statement 1). The primary task, therefore, was that of ensuring a swift and wide branch expansion of reaching into rural areas hitherto unexposed, or relatively little exposed, to commercial banking.

Allocation of Districts

Branch Expansion Strategy

9. This task represented the first phase of the operation of the lead bank scheme. Action taken towards its fulfilment had to be speedy, without duplication of effort. The lead banks were asked first to gain familiarity with the salient features of the economy of the districts allotted to them through quick, "impressionistic" surveys in the course of which they were to identify "growth centres" holding potential for banking activity. The broad methodology of the surveys and centre identification was explained to the bank officials in charge of the survey work at a meeting convened by the Reserve Bank in April 1970.

10. As the initial survey work proceeded, it was clear that there was inadequate appreciation of the objectives of the scheme. For instance, some banks approached the task of identification of growth centres from their own viewpoint and not from that of the entire banking system. Some guidance to the banks was hence considered necessary. Accordingly, late in 1970, a small team consisting of two officers of the Reserve Bank and one from the Department of Banking, Ministry of Finance, had discussions with the Chief Executives and senior officials of each of the banks. The Report of the team laid special stress on the task of centre identification and branch expansion strategy which, at that time, was the objective of most immediate concern. But the Report also discussed the future tasks and requirements of the scheme. For instance, the need for the lead banks to invoke the co-operation of other banks was stressed; it was pointed out "In the minds of bankers, the lead bank scheme had not taken a distinct, operational shape. The fact that the scheme would require the concerted effort of all banks and other institutions in the district, under the leadership of one bank, is not fully appreciated." The team's Report, which was in the nature of guidelines for the operation of the scheme, was circulated among all banks*.

11. The allotment of centres identified by the lead banks was done through mutual collaboration. To set the pattern, the Reserve Bank initially held meetings at which the identified unbanked centres were distributed between the banks, the accepted principle being that the lead bank would not have any special preference in the choice of centres merely by virtue of its role. This method was

* For further details of the Report, see "The Lead Bank Scheme: Progress and Perspective", *Reserve Bank of India Bulletin*, November 1970.

subsequently followed by the lead banks who convened similar meetings in respect of the identified centres in their own lead districts. Besides establishing the practice of mutual consultation and co-operation, these meetings also considerably speeded up the process of branch expansion. While there have been complaints of some banks failing to fulfil the commitments for opening branches, this has usually arisen out of genuine difficulties such as the lack of some basic facility in the centre, manpower constraint etc. By and large, therefore, it can be said that the first phase of the lead bank programme was a success both in terms of the number of new offices opened and in the emergence of a pattern of collaborative effort, hitherto unknown to commercial banking. Between end-June 1969 and end-December 1972, a total of 6437 offices were opened in the whole country of which 3831 were in rural areas. By mid-1975, the total of new offices i.e. offices opened after nationalisation was 8654, which was more than the total number of offices functioning at the time of nationalisation. The branch expansion in Gujarat and Maharashtra is as follows:

NUMBER OF OFFICES OF SCHEDULED COMMERCIAL BANKS

	July 19, 1969		June, 1975		Absolute Increase	
	Gujarat	Maharashtra	Gujarat	Maharashtra	Gujarat	Maharashtra
Rural ..	234	156	607	508	373	352
Semi-urban	290	338	479	540	189	202
Urban	118	199	254	428	136	229
Metropolitan ..	116	430	212	708	96	278
TOTAL ..	758	1123	1552	2184	794	1061

Both the States have benefited substantially from the branch expansion since nationalisation. Of the total bank offices opened between July 1969 and June 1975, those opened in Gujarat formed 7.6% and those in Maharashtra 10.2%. In consequence of this expansion, population covered per bank office improved from 34,000 in Gujarat and 44,000 in Maharashtra to 17,000 and 23,000 respectively.

12. With rapid branch expansion accomplished, the basic infrastructure for banking development was established and the stage was set for the second phase of the lead bank scheme viz. the formulation

and implementation of area development programmes. However, it has to be borne in mind that this phase of the programme, which commenced hardly two years ago, presents greater difficulties in implementation, involving as it does collaborative efforts not only between banks but with various levels and types of government agencies as well. The district credit plans completed and in respect of the implementation of which some action has been initiated are Gorakhpur—Uttar Pradesh (State Bank of India); Rai Bareli—Uttar Pradesh (Bank of Baroda); Seoni—Madhya Pradesh (Central Bank of India); Ujjain—Madhya Pradesh (Bank of India). In this regard, progress has been slow both in Gujarat and Maharashtra. In Maharashtra, a district credit plan has been formulated for one district only, viz. Sholapur (Bank of India) and it has recently been formally launched. State Bank of India, which took over only last year, the lead responsibility for the four Marathwada districts originally allotted to its subsidiary, State Bank of Hyderabad, is currently engaged in the formulation of credit plans for each of these districts. In Gujarat, State Bank of Saurashtra is engaged in a similar exercise for its lead districts. Apart from this, some "in depth" studies have also been completed. Besides, there has been some progress in banks' involvement in the economies of the two States. Statement 2 shows the relative increase in the shares in banking business of different categories of offices. The increasing activity of rural offices, especially in Gujarat, and of rural and semi-urban offices in Maharashtra is illustrated. Advances to the priority sectors have increased and there have been innovative efforts at reaching sections of the community hitherto totally precluded from commercial banks' operations. However, these have been through the individual actions of the banks and there are no sizeable schemes of collective action spearheaded by the lead banks in either State. Meanwhile, the feeling that banks have "failed" in their responsibility appears to be gaining ground, especially among the State Governments and local authorities and the tendency appears to be to blame the lead bank for this failure. Altogether, there is inadequate appreciation of the scope and content of the lead bank scheme, its limitations and the pre-conditions for its successful operation. This would apply even to banking circles, especially at the branch level.

District Credit Plans in the two States

13. At present, the sole evidence of the operative existence of the lead bank scheme is the institution of the District Consultative

District Consultative Committee

Committee (DCC), which has been constituted in all the districts of the two States and which is reported to meet with fair regularity in most cases. This, in itself, marks an achievement since the Committee has provided a forum for bankers and administrators to meet and discuss subjects of common interest and understand each other's viewpoints. Frequently, the exchange of information on lending to specific sectors has prevented duplication of effort. Such discussions also sometimes bear tangible results, as they may expedite administrative decisions, pending which lending to a particular sector or even a particular client cannot proceed. However, in the absence of any concrete development programme for collective action, discussions at the DCC meetings have tended to be of a somewhat general nature, amounting frequently only to an assessment of the progress in lending to the priority sectors. Also, follow-up action is often not taken on points raised at the meetings requiring further discussions with officials and others. As one of the banks having lead responsibility in Gujarat has put it "A feeling is growing that the Consultative Committee meetings are mere rituals, not to be taken seriously. It is this feeling that has created some dissatisfaction as well as disillusionment with Government agencies and the public at large."

14. There are, no doubt, differences in the experiences of various lead banks in respect of the DCC. These differences apply not only to the deliberations in the meetings but also to the composition of the Committee, the extent of participation by the members and their attitudes and the kind of issues that they raise, relevant to the lead role. A brief examination of these points of difference, based on the special reports prepared by the lead banks in the two States, the reports submitted by the officers of the Reserve Bank's regional offices of the Department of Banking Operations and Development who have attended several DCC meetings, as well as our own field trips and discussions with bankers and officials, would be useful for highlighting the weakness in the present status of the scheme and for pointing out future lines of action.

15. From the Government side, membership of the DCC generally consists of district level officials, headed by the Collector, officials of the Zilla Parishad and other officials connected with development activity such as the District Development Officer, the

Industries and Agricultural Officers and representatives of Regional Development Corporations, where such exist. From the side of the financial institutions, representatives of all the commercial banks operating in the district, co-operative lending institutions and term-lending corporations are included. In a few cases, prominent non-officials, interested in developmental activity or social work are also members of the Committee. The attempt to have a wide and comprehensive representation by including those with only tangential connection or interest in banking development leads to a Committee of unwieldy size. In some cases, the regular members of the Committee included such officials as the representatives of the National Seeds Corporation and Regulated Markets and among non-officials, even journalists. In one district, the DCC consisted of as many as 63 members, while there were "sub-committees" with 35 or more members. While all the members may not attend all the meetings, it is obvious that a large, non-homogenous composition would not serve much of a purpose beyond perhaps gaining a certain degree of publicity.

Composition of the DCC

16. The attendance at the DCC meetings so far held in both States has not been uniformly good. This judgement applies not only to the number attending but is based also on the status or importance of those who failed to attend. There have been significant defaults from the side of both the Government and the banks. The absence of the District Collector and other important district officials has been reported in several cases, although there appears to be some improvement in this regard in the more recent meetings. Occasionally the Collector sends as his nominee to the meeting a junior official which lowers the quality of the dialogue between banks and the Government. The example set by the Collector is frequently followed by the other officials. However, the formal presence of the officials does not necessarily mean the establishment of a base for purposeful deliberation as they sometimes display apathy or lack of interest in what the banks have to say. One of the banks has said of its experience in one of its lead districts "They (Government officials) are not non-co-operative but they are not active also. They choose their words in such a way that they do not become committal." These features are clearly indicative of the fact that no effective rapport has been

Attendance and Participation in DCC Meetings— Government Representatives

established between the lead bank and the Government at the district level, which is an important prerequisite for the operation of the scheme. The point here is not to apportion blame between the Government and the lead bank but only to underline the fact that unless effective coördination between the Government, as represented by the Collector and other district officials and banks, as represented by the lead bank is established, it would be difficult to formulate workable credit programmes and virtually impossible to implement them.

Participation by Banks

17. Apathy and indifference in the DCC meetings are not confined to Government officials alone but are applicable to banks also. The experience not only in Gujarat and Maharashtra but in other States as well shows certain common features in the absenteeism by banks. In the districts where the lead bank is a relatively small bank, or a bank whose roots in the area are more recently established, the larger banks and the banks with older contacts with the area tend to ignore the efforts of the lead bank, or strike a somewhat patronising, observer attitude. Similarly, banks which have a limited representation in the area, with only one or two offices, also tend to avoid the meetings, probably because of a feeling of insignificance. Even among the other banks, the tendency seems to be to avoid any commitment or involvement with the lead bank's activities and to press ahead with their own programmes in the area, even where it might clash with the lead bank's objectives. Several instances have been reported of the "adoption" of villages by some banks in other banks' lead districts or areas of operation, without seeking their prior approval or giving even a formal indication of intention. While the "lead bank ideology" may be understood at the head offices of banks, the attitude that each bank's responsibility under the scheme is limited to its own lead districts and that in other districts what counts is its own individual effort appears to be widely prevalent among bank managers and staff at the branch level. Even in the lead districts the idea of "leadership" appears sometimes to be only that of getting ahead of other banks, taking on the best portion of the better schemes possible in the district. Efforts have to be made to correct such tendencies, if the scheme is to make any progress.

18. The regional office of the Reserve Bank's Department of Banking Operations and Development tries to send its representa-

tive to all DCC meetings but it has not so far been possible to cover all meetings in all the districts. Some banks feel that the Reserve Bank's representation is necessary at all meetings. For various reasons, the same officer is not able to attend all the meetings of a particular DCC and there are changes in the nomination. It has also been felt by some that continuity should be maintained to the extent possible, so that the understanding of local problems gained by the officer is put to use.

Representation of RBI

19. The deliberations in some DCC meetings show certain trends that are not only contradictory to the lead bank scheme but could also undermine the basis of banking operations in the area. A significant example is the failure on the part of Government officials to appreciate the importance of viability in the schemes that banks can attempt to finance. In some cases where the District Collectors and other officials evince keen interest in the operations of banks, suggestions are brought up for banks to undertake basically "unbankable" projects. These include the establishment of infrastructural facilities such as roads, bridges, etc. and the provision of support for relief operations in natural calamities such as drought, flood, or famine.

DCC Deliberations—Banks' Involvement in Infrastructural Development

The extension of Government guarantee as a cover for such lendings does not, in itself, make them viable. Even where the State officials are appreciative of the difficulties of banks in undertaking such schemes, officials at the district level apply pressure on banks which bankers at the district level find difficult to resist. The functional limitations of banks in this regard have to be recognised.

20. Other discussions relating to bank lending usually centre around priority sector advances and the district officials use the occasion to ascertain the progress in this regard. Particular interest is evinced in Government-sponsored schemes such as the half a million jobs programmes, educated unemployed schemes, etc. and banks are asked to report on the cases pending with them. An offshoot of this interest is the demand for up-to-date district-wise (and some times even taluk-wise) statistics on the progress of banking—on deposits, total advances and advances to each of the priority sectors. Under the Basic Statistical Returns Scheme, in operation

Demand for Statistics

since 1972, the Reserve Bank provides detailed district-wise data on deposits and credit, as of end-June and end-December each year. This is the first time that such comprehensive data are available on the basis of districts and States. These data are compiled from returns received from individual bank branches which now number over 19,000. There is hence an unavoidable time lag of about a year in the compilation and publication of these statistics. However, from the time series that the half yearly BSR publications provide, an idea can be gained of the general trend and progress of banking in each district. In addition, the Department of Banking Operations and Development of the Reserve Bank is arranging to provide district-wise data on priority sector lending at quarterly intervals in all States. It is the genuine fear of the Reserve Bank that excessive and repetitive pressures on bank branches for the supply of data might result in the breakdown of the entire reporting system, which has yet to attain full stability. It is hence in the interest of the system as a whole to keep the demands for district level data at a minimum.

Second Phase of the Scheme

21. The preceding paragraphs have sought to assess the deficiencies in the operation of the lead bank scheme hitherto. With the preparation of "district credit plans" by some banks, the scheme is entering the crucial second stage. As a leader of the consortium of financial institutions, the lead bank is expected to contribute to the economic development of the districts by preparing bankable schemes to cover viable economic activities, estimating the credit demand arising under these schemes and invoking the co-operation of other financial institutions in meeting this. From an assessment of the trends so far and the insights gained through the field visits and discussions in the two States, it is possible to make some recommendations on the general line of action to be followed hereafter. In a country of the size and diversities of India, it may not be possible to recommend an uniform approach to district credit planning, as the needs of development will vary from region to region and much will have to be left to the innovative capacities of each bank. Hence, what can be indicated are only some broad suggestions, which would underline the spirit of the scheme, rather than precise 'directions' to be observed.

22. The first suggestion relates to the plans for development financing. Collective action by banks and other financial institutions

in the implementation of bankable schemes that would have a definite impact in the area is indeed the crux of the lead bank scheme. The action in the formulation of the schemes now proposed by some lead banks vary in methodology and coverage. The State Bank group is committed to the introduction of a "credit plan" in each of its lead districts, all of which are in the least developed areas of the country. From the first of such credit plans to be completed, that for Gorakhpur district in Uttar Pradesh, it is seen that the plans will be comprehensive and integrated, in that they will cover all the major sectors of the economy (agriculture, allied activities, industries and service sector). The strategy of development ingrained in the plan is based on "depth studies" for representative community development blocks, from which bankable schemes are drawn up to be implemented over a period of five years. This elaborate and comprehensive approach, entailing as it does considerable effort and outlay, may not necessarily be suitable to the stage of development of all districts in the country. Further, individual lead banks will have to take into account their own resources in manpower and funds. The district credit planning methodology will thus have to be tailored to meet the developmental needs of the districts concerned, as also the resources of the individual lead bank. The emphasis should be not so much on methodological excellence in the academic sense, but on expeditious preparation of technologically feasible and economically viable schemes and their collective implementation by all financial institutions.

Credit Plans

23. Even in those banks which have the resources and ability to undertake comprehensive planning and indeed have already set about the task, the credit plan should cover only activities for which bankable schemes can be evolved and not areas which are clearly outside the purview of direct credit extension by banks. For example, one of the credit plans prepared recently for a district elsewhere than in Gujarat and Maharashtra entails an annual outlay of Rs. 110-140 crores, and covers activities such as drainage schemes and drinking water supply programmes etc. The schemes which comprise the plan will have to be drawn with a sense of realism, taking account of the overall resources of the financial system. It would be helpful if, besides credit demand likely to arise under the bankable schemes, resource mobilisation in the district by all financial institutions is also estimated. It is understood

from some banks that the Government officials sometimes express dissatisfaction when the plans outlined by the banks involve a relatively small order of outlay and that more "ambitious" plans are called for. Since what is desired by all is perceptible progress in the pace of development in the short-run, it is essential that targets are pitched at a realistic, if modest, level. Estimates of the financial and organisational resources required for implementing the schemes included in the credit plan should be considered as an integral part of the exercise which also would contribute to a sense of realism and the drawing up of a practical and action-oriented programme. The success of the schemes begun on a modest scale can pave the way for an acceleration of the pace in the future. The banks would gain confidence and enthusiasm from the completion of the schemes while the scope for other development schemes could be opened up through demands from affiliated or linked sectors and through the "demonstration effect" of the success of the completed schemes.

Individual Schemes

24. It is, therefore, suggested that to start with, banks should set about the task of formulating individual, viable and bankable schemes which can be immediately implemented and completed over a reasonable time span of 3 to 5 years. It is further suggested that these schemes should be in the broad area of the priority sectors—that is, in agriculture, small scale industry and small business and self-employed. To the extent possible, the schemes drawn up by the lead bank could be fitted into the major schemes in operation in some districts such as the MFAL, SFDA, DPAP, etc. Schemes need not be drawn up in respect of large and medium industry and trade, whether in the public or private sector, though their incremental credit needs during the period of the credit plan may be broadly estimated with a view to matching the total credit demand arising in the district, with the resources to be generated.

Basic Requirements of the Schemes

25. In the formulation of the bankable schemes, certain fundamental ground rules may be observed. Firstly, it is necessary that the schemes should be based, as far as possible, on the existing infrastructural facilities available throughout the district. Only if this is assured would the scheme be ready for immediate implementation. In some cases, extra facilities of a secondary nature may be found necessary. These should be pinpointed and taken up with

the authorities. But at the same time, care should be taken not to launch programmes dependent on the establishment of facilities in the distant future. To the extent possible, the schemes should be dovetailed with plan programmes being implemented in the district. The priorities indicated in the district plans should be taken into account in framing the schemes. If adequate liaison is established with the district officials, there may even be scope for altering the priorities in order to provide for some investments which might assist the formulation of certain bankable schemes. Further, the "linkages" of various economic activities should also be given due weightage. For example, if agricultural lending for the cultivation of a certain crop is envisaged, care should be taken to provide for the financing of appropriate marketing or processing facilities; again, in the case of schemes of dairy development, it has to be ensured that capacity exists to store/market/process the increased supply of milk that would follow from the extension of credit. Other relevant considerations are the availability of veterinary services, fodder supply, etc.

Project Profiles

26. The bankable schemes should include details that would assist in the process of actual extension of credit to individual borrowers. In regard to activities covered by the schemes (for example, tailoring, carpentry, poultry, etc.) representative project profiles may be prepared which should give basic economic and technical data. These could serve as a standard check list which would help prospective borrowers in the submission of application forms as well as banks for expeditious appraisal and sanction of the proposals.

Bankable Schemes and District Plans

27. There are instances where the lead banks have not proceeded with the formulation of schemes because the planning process is slow and the district authorities are unable to indicate any priorities in areas requiring development. The lead banks need not necessarily await the progress of planning for the formulation of bankable schemes. Important data that would be of assistance to banks are sometimes available at the State level. For instance, in Gujarat, the infrastructure corporations such as the Gujarat Industrial Development Corporation, the Gujarat Industrial Investment Corporation and the Gujarat Small Scale Industries Corporation have prepared district profiles which include lists of projects

that may be implemented with financial and technical details. Such data should be made use of to the fullest extent possible. This, however, would not obviate the need for separate action on the part of the lead banks. It is suggested that the lead banks make some arrangement at the district or regional level for project formulation and follow-up. To expedite matters, the district authorities could assist the lead banks in identifying areas offering scope for specific schemes. However, it is obvious that the lead banks cannot assume the responsibility for drawing up a district development plan and even a full-fledged "credit plan" is not a substitute for this. Where the process of planning at the district level has yielded a perceptible and progressive pattern, it is of course necessary to ensure that the bankable schemes proposed fit into and supplement the plan programmes, to the extent possible. At present, such "dovetailing" of banks' operations with the district plan is often interpreted in terms of the provision of bank credit to individuals under such programmes as the half-a-million jobs for educated unemployed. Difficulties sometimes arise because the district authorities have in view only one or two specific avenues of employment e.g., the plying of auto rickshaws or the ownership of milch cattle and offer to banks an excessive number of applications for their financing. Obviously, there is a limit to the spread of any single activity in any area and hence to the extent to which bank finance can be provided for the purpose.

28. No particular methodology is recommended for the formulation of the schemes and each bank may follow the method best suited to its own resources and the conditions in the district concerned. It is possible that some banks, perhaps out of a sense of inadequacy, might consider handing over the task of formulating a "credit plan" to an outside agency. This was done by a few banks for the preparation of district survey reports and even at that time, it was stressed that such work should be done by the banks themselves, so that a real "feel" of their area of operations could be gained. Since then, all banks have acquired more experience and expertise in survey work and programme formulation. The reliance on outside agencies should hence be avoided. What is important is the adoption of a practical, as against a purely academic, approach. "In depth" studies should not be an end in themselves and it should be ensured that bankable schemes emerge from such studies. On the other hand, the idea of a scheme could

lead to a depth study, which should really be a detailed examination of the practical aspects of the scheme and an evaluation of its feasibility.

29. While the development schemes would have to be formulated in consultation with the district authorities, banks should not await their suggestions or programmes. The establishment of liaison and coordination with district authorities would hence commence at the stage of preparation of the schemes and would increase and strengthen as the programmes gather momentum. While the other banks in the district may have direct contact with the district level authorities only at the DCC meetings, for the lead bank such contacts would have to be far more frequent and at various levels.

30. Although the total resources available to banks in a district would be an important consideration determining the overall size of the schemes, this need not be an overriding constraint, especially in backward districts, where the existing deposit levels might be low. However, too much dependence on the inflow of funds from the head offices of banks might cause difficulties of an operational nature. External resources provided by such institutions like ARDC and IDBI should be exploited to the fullest extent. The initiative in arranging for these funds for joint projects would have to be assumed by the lead bank.

Allocation of Shares

31. The first task in implementation of the programme is that of allocation of shares between the commercial and co-operative banks. The schemes drawn up should cover as wide a geographic area as possible in the district, depending on local conditions. Hence in the allocation of the shares, the spread of the branch net-work of individual banks would be an important deciding factor. As far as possible, no bank should be "excused" from participation merely because of its limited representation in the district. The existing level of lending in the district of each bank would also have to be taken into account in allotting shares but where this level is high, the scope for recycling existing funds and altering the pattern of lending in order to accommodate the proposed schemes should be examined.

32. In some cases a distribution of the credit requirements of the schemes between the participating agencies is spelt out in the credit plan with specific "shares" indicated for each

bank/institution. It is certainly not envisaged in the lead bank scheme that the lead bank should take upon itself the task of allocating the credit outlay envisaged in the schemes among the participating agencies. What is important is that the co-operation of other institutions should be invoked and the responsibility for implementation of the plan shared through a process of mutual consultations and consensus.

33. The allocation of shares for all the participating institutions should be finalised in consultation with each institution. Prior consultation should provide time for the approval of the commitment from the appropriate authorities. It is not necessary that the final, or formal, allocation should be done at the DCC. Actually, some of the banks which have recently finalised credit plans have arrived at a consensus for allocation of shares at special meetings of bankers. In fact, a Committee of bankers, as distinct from the DCC, may, if necessary, be formed at the district level for discussion of the technical banking problems arising in the progress of lending which subject may not be of interest to the DCC. Such a forum might also be instrumental in building up greater rapport between bankers and help in sharing information in regard to individual banks' experience in identification of borrowers, recovery etc.

Forum of Bankers

34. The experience of banks in the second phase of the lead bank scheme has so far extended mainly to the formulation of credit plans and that too in respect of very few districts. Not many banks have yet gone through the process of even partial implementation of a full-fledged programme, involving the participation of other banks and requiring the co-operation of Governmental and other agencies at various levels. As the plans "take off" from the paper to the action stage, various difficulties are bound to arise. These difficulties would of course vary, in kind as well as in degree, from district to district. But it is possible to envisage at least some of these difficulties, identify the "problem areas" and also indicate possible ways of countering them.

Possible Difficulties in Implementation

35. The sharing of the outlay between banks could pose a problem in districts where the pattern of branch expansion is lopsided, with only the lead bank having offices in the interior and

the other banks being concentrated in and around the district headquarters. In such cases, the lead bank may have to assume major responsibility for the schemes involving the dispensation of credit in the interior which would include virtually all agricultural lending. Commercial banks operating at urban and semi-urban centres and co-operatives should, however, lend suitable support to the lead bank in the field of agricultural lending, to lighten its burden. Implementation of the programmes would be assisted through proper delegation of powers to branch managers.

36. A major practical difficulty could arise from the fact that while the decision making in respect of the programmes is done at the district headquarters, the actual work will be spread over the entire district. With the allocation made to individual banks and areas demarcated for specific schemes, the responsibility for achieving the targets is not necessarily pin-pointed. The bank agent or manager of a bank's main office at the district headquarters, who would represent his bank at the DCC and as such might be called upon to explain shortfalls in performance, has no authority or supervisory powers over the agents/managers in the interior of the district. So far as the lead bank's own Districts are concerned, provision is generally made for a special officer for overseeing the bank's own performance, apart from attending to the general work of coordination. Most banks have the equivalent of a lead district officer if not for individual lead districts atleast for a cluster of districts. But this sort of administrative arrangement is hardly possible in areas where a bank has no lead authority. For the success of the lead bank scheme, it is necessary that the progress of the schemes taken up by a bank in areas other than its lead districts is suitably monitored by an appropriate authority in the bank.

DCC's Functions in overall Monitoring

37. The task of overall monitoring of the progress of the schemes would have to be that of the DCC. Effectively handled, this could provide collective supervision which is important since a feeling of domination from either the lead bank or the Government would have adverse effects on the psychology of the participating banks.

38. The effective operation of the DCC calls for some pre-requisites. It should be compact and comprise only of officials directly connected with the programmes in hand. If found necessary, such non-officials as might have something to contribute to the

deliberations of the Committee as also non-member officials connected with some minor aspects of the schemes may be invited to the meetings, depending on the requirements of the agenda. Needless to say, the presence and active participation of the District Collector and other officials and all bankers is an essential requirement for the DCC to be an useful forum. To instil a feeling of involvement of the outlying branches and the "man on the spot" carrying out the actual lending, it is suggested that the DCC should hold some meetings at tehsil headquarters and that the branch agents in the area should be invited to such meetings and encouraged to discuss their experiences and problems.

DCC—Necessary Features

39. The DCC should meet at regular intervals, at least once a quarter, and review the progress of the individual schemes. To assist such review, data relating to the lending to the specific schemes included in the credit plan may be called for from individual branches by the lead bank and the consolidated data may be circulated to the members. Since the nature and content of the schemes would vary from district to district, no uniform proforma can be prescribed for general use. A suitable proforma may be devised by the concerned lead bank for each district. It is also necessary at the DCC meetings to define issues which require further action and pin-point the responsibility of follow-up to a particular institution, whether the lead bank, any other bank or financial institution or a particular Government official. A full record of the discussions at each meetings should be prepared and sent to the lead/regional offices of each bank so that where necessary, the appropriate authorities may activise recalcitrant branches. Copies of the minutes should also be sent to every bank branch in the district.

Identification of Borrowers

40. The translation of specific schemes into action requires clients, willing and able to borrow from banks, fulfilling the minimum conditions of credit-worthiness. Banks often expect and Government departments offer to provide lists of borrowers but it sometimes happens that some persons on the list have no inclination to accept the facilities of the bank and abide by its discipline. More often, while the bank loan is readily accepted, repayments are not made as scheduled. These difficulties would serve to illustrate the fact that rapport between the banks and the Government and the involvement

of officials with banks' financial programmes should not be restricted to the district headquarters but should percolate to the village branch level. It has been reported that in a district in Maharashtra, progress in the extension of credit to a specific project (setting up of gobar gas plants) was made possible through the combined efforts of the Tahsildar, the Block Development Officer and the concerned lead bank, working together for a few days to screen the applications collected by the Tahsil officials and select borrowers. Similar arrangements for the bank or banks allotted areas for individual schemes would help in speeding up implementation.

41. It is also desirable that lead banks should be automatically admitted as regular members in SFDA/MFAL Committees. The present constitution of such committees does not appear to provide for such membership, except where a bank is specially invited by the Committee to become a regular member.

Motivation

42. The lack of interest in banks' lending schemes among the potential borrowers is an important factor limiting the area's absorption capacity. This situation would be especially pronounced in backward and predominantly tribal districts. The problem of motivation is not one that banks can handle by themselves and the usual media of publicity and advertisement may not help much. Perhaps only through some effective demonstration of the service potential of banks can a break-through be achieved. The assistance of private social service organisations and non-official workers should be sought in such areas.

Terms and Conditions of Credit

43. The financing of the specific schemes drawn up by the lead bank would mean the extension of virtually the same type of credit for the same purpose in different areas by different banks. In the extension of any credit, there are divergences in terms and conditions required by banks, as in the rate of interest, margins, terms of repayment, security etc. While it would not be desirable or feasible to require the stipulation of identical terms and conditions by all banks, some degree of conformity in the provision of credit under the same scheme in the same area would be expected. Such uniformity or near uniformity is particularly necessary in the scales of finance for crop loans in each area.

44. However realistic the assessment of the order of outlay in respect of individual schemes on a total plan, and however fair the allotment of shares between institutions, escalations and shortfalls in fulfilment are likely to occur. It should be an accepted principle that any increase in outlay arising out of a reasonable extent of escalation should be met by the participating institutions. The failure on the part of an individual institution to meet its share may arise either out of wilful neglect, or indifference or unavoidable reasons. In the case of certain institutions such as Land Development Banks, the involvement has an in-built element of chance as they are unable to extend any commitment beyond one year, their resources for future deployment being dependent on the repayments during the year. Delay in administrative sanctions or clearance may result in lags in the programme and the lead bank, with its close liaison with the authorities, should offer its assistance to other banks in overcoming these. Sometimes the difficulties may be deeper and cannot be resolved in the short run. In such cases, as also in instances of unwillingness or inability of some institutions to meet their share despite persuasion or appeals to higher authorities, the whole programme might be jeopardised. In these circumstances, to expect the lead bank to salvage the situation by taking on the share of the defaulters would be neither fair to the lead bank nor in conformity with the spirit of the scheme. Where the lead bank is willing and able to take on the shares of other participants, the tendency to default might spread, resulting in an increase in the burden of the lead bank. This extra demand on the resources of the lead bank would mean that its ability to fulfil its role in other districts where it has no lead responsibility would be affected, thus distorting the overall operation of the scheme. Any tendency on the part of the district authorities to pressurise the lead bank into fulfilling all the schemes at all costs and to expect the lead bank to function as a sort of "lender of the last resort" should be avoided. It is necessary to institute a reviewing authority for the lead bank scheme, to which instances of non-compliance of accepted commitments can be reported by the lead bank.

Defaults in Operation—Role of Lead Bank

45. In the formulation of schemes that would make an impact on the district economy, agriculture has a significant role. In advancing credit to agriculture in areas where the co-operative

movement is well developed, which applies to both Gujarat and Maharashtra, hostility and unhealthy competition develop between co-operative and commercial banks. In Maharashtra, the position has been clarified. The recent report of the study team on co-operative agricultural credit institutions in Maharashtra has indicated areas where commercial banks would be free to lend directly to farmers and where lending may be done mainly through primary co-operative societies. The scope for similar action in Gujarat may be examined. It appears possible that apart from financing primary co-operative societies, commercial banks could share with co-operatives the task of providing credit to this sector through appropriate participation arrangements.

Agricultural Lending

46. In some districts in the country, lead responsibility has been jointly assigned to two banks. This has been changed in some cases, on the representation of both the banks, but in other cases, joint leadership continues. Aurangabad district in Maharashtra is such an instance where Bank of Maharashtra and Central Bank of India have been designated as joint lead banks. In practice, the "Joint" leadership is not found to be working well. Bank of Maharashtra has a wider spread of branches in the district than Central Bank of India (25 branches as against 5). It is suggested that full leadership be transferred to Bank of Maharashtra. A review of the position in other districts where a similar arrangement prevails may be made and the responsibility given to the bank with the stronger branch base in the district.

Joint Lead Responsibility

47. The effective operation of the lead bank schemes also requires appropriate training and orientation programmes for the staff of both the banks and the Governments of the district and higher levels. The training programmes for the banks may be provided in the individual banks' colleges and in the Reserve Bank's Bankers' Training College. The orientation programmes for State Government officials would, however, have to be specially designed and introduced by the concerned lead banks not necessarily in each district but perhaps for the State as a whole. Joint action in this regard by all the banks with lead responsibility in a State may also be considered.

Training

48. The question of further branch expansion and the function of the lead bank in this regard also need to be clarified. The

extensive spread of the branch net-work of commercial banks achieved since 1969 has yielded a banking infrastructure that is generally adequate. The problem now is mainly that of activising the structure to fulfil its role in area develop-

Future Branch Expansion

ment. The process of further branch expansion will of course continue; but it would seem that the original pioneering role of lead banks in the identification of centres is no longer necessary. Both in the case of banked centres requiring additional bank offices and unbanked centres now grown sufficiently to attract a bank office, the process of further expansion may be left to individual banks, subject to the branch expansion policy of the Reserve Bank. However, the requirements of further bank offices may form one of the topics for discussion at the DCC. In fact even as the development schemes gain momentum, new centres with growth potential, including rural centres, would be indicated. In this connection, the view was expressed by the State Government representatives that the area constraint on operations of individual branches has come in the way of lending programmes. It was hence suggested that this factor should be taken into account, to the extent possible, in drawing up branch expansion programmes for the area. The question of providing banking facilities in particular centres may be brought up at the DCC meetings. This could be considered by banks generally and acceptable decisions taken, but no special responsibility should be expected from the lead bank. Special consideration would have to be given to the need for banks with long established and flourishing branches limited to district headquarters to spread into the interior of the districts.

49. State-level Consultative Committees are established and functioning in several States. The Committees, or fully authorised sub-committees thereof, should meet as often as necessary, to review not only the progress of the scheme and

State-level Consultative Committees

the problems faced in implementation but other issues relevant to banks' operations in the State. Issues which cannot be resolved in the DCC meeting because they are beyond the powers of the district level officers could be referred by the lead banks to the State-level Consultative Committee.

50. The overall progress of the scheme has to be kept under critical review. For this purpose, it is suggested that an appropriate

Standing Committee be constituted in the Reserve Bank. This 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 of the lead bank scheme, referred to in paragraph 44.

Supervision of the Scheme by the Reserve Bank

51. It needs to be stressed again that the lead bank scheme requires continuous effort on the part of all banks and that equal attention has to be given to those districts where a bank has lead responsibility and to those where it has to act under the leadership of another bank. The latter is perhaps more difficult and for that reason requires more attention. At one of the DCC meetings we attended, the Collector made the point that there was a sad lack of awareness about the lead bank scheme among the general public. The best form of publicity for the scheme would be its successful operation in at least some districts in each State.

52. The guidelines for the more effective operation of the lead bank scheme, required under the terms of reference, have been drawn from the main conclusions of this report and are given in the Appendix. These may be given wide circulation to improve the understanding of the lead bank scheme.

Conclusion

53. The lead bank scheme holds out promise of a positive impact on economic development at the district level, but its success is dependent on collaborative effort by all the agencies concerned— commercial banks, co-operatives and the State Governments—and a basic attitudinal change and involvement in the implementation of credit plans or bankable schemes prepared by the lead bank. Hitherto, because of a lack of focus on development and the absence of a clear understanding about the nature and content of the scheme, the potential of the scheme has not been evident. The conclusions reached in this report and the guidelines drawn therefrom seek to spell out the tasks involved in the scheme and their organisational implications. An appropriate monitoring system at the level of the lead bank, the Reserve Bank as well as the State Governments has also been recommended. We are hopeful that with proper implementation of

these recommendations, the full potential of the scheme will come to be felt.

54. We would like to place on record our deep appreciation of the arrangements made in connection with our visits to the various districts by the concerned lead banks and the Governments of the two States, especially the Government of Maharashtra who placed their plane at our disposal for the purpose. Our thanks are due to Dr. K. S. Krishnaswamy, Executive Director and Shri A. Raman, Adviser, Reserve Bank of India, for their guidance and help. Dr. A. C. Shah, Economic Adviser, Bank of Baroda was associated with our work from the inception. We are also thankful to the Division of Rural Economics of the Reserve Bank's Economic Department, in particular to Smt. Mythreyi Raman, Deputy Director, for the excellent secretarial assistance provided.

Acknowledgements

J. J. Choksey
D. J. Kanvinde
M. G. Shah
B. M. Shukla
M. Sivagnanam*
A. T. Akolkar
K. S. J. Banaji
B. K. Chougule
L. D'Mello
S. B. Kaji
V. Subramaniam
S. S. Hasurkar*
P. K. Venkateswaran
Meenakshi Tyagarajan
(Convener)

Bombay.
December 27, 1975.

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* Sarvashri Sivagnanam and Hasurkar were not able to attend the last meeting of the Groups and hence could not sign the Report. They are, however, in agreement with the views expressed here.

STATEMENT 1

BRANCH NET-WORK OF LEAD BANKS—1969 AND 1975

(a) Maharashtra

Sr. No.	Name of the District	Name of the Lead Bank	No. of Offices as on 30-6-1969	No. of Offices as on 30-6-1975
1.	Bhir	State Bank of India*	7	13
2.	Nanded	—do—	8	14
3.	Osmanabad	—do—	9	17
4.	Parbhani	—do—	10	17
5.	Akola ..	Central Bank of India	1	2
6.	Amravati	—do—	1	2
7.	Aurangabad (..	—do—	2	6
	(	Bank of Maharashtra	3	26
8.	Buldhana ..	Central Bank of India	1	4
9.	Dhulia	—do—	1	2
10.	Jalgaon	—do—	2	6
11.	Yeotmal	—do—	1	4
12.	Ahmednagar	—do—	2	18
13.	Bhandara	Bank of India	—	6
14.	Chanda	—do—	—	6
15.	Kolaba	—do—	—	13
16.	Ratnagiri	—do—	—	12
17.	Sangli	—do—	—	10
18.	Sholapur	—do—	2	6
19.	Wardha	—do—	—	7
20.	Kolhapur	—do—	1	18
21.	Nagpur	—do—	4	17
22.	Nasik ..	Bank of Maharashtra	3	18
23.	Poona	—do—	27	70
24.	Satara	—do—	2	28
25.	Thana	—do—	11	30

* Jointly with State Bank of Hyderabad,

STATEMENT 1

BRANCH NET-WORK OF LEAD BANKS—1969 AND 1975

(b) Gujarat

Sr. No.	Name of the District		Name of the Lead Bank	No. of Offices as on 30-6-1969	No. of Offices as on 30-6-1975
1.	Amreli	..	State Bank of India*	13	21
2.	Bhavnagar	..	—do—	19	32
3.	Jamnagar	..	—do—	13	21
4.	Junagadh	..	—do—	16	42
5.	Rajkot	..	—do—	15	31
6.	Surendranagar	..	—do—	13	17
7.	Baroda	..	Bank of Baroda	22	39
8.	Broach	..	—do—	6	12
9.	Bulsar	..	—do—	17	35
10.	Dangs	..	—do—	—	2
11.	Kaira	..	—do—	17	34
12.	Panch Mahals	..	—do—	1	13
13.	Surat	..	—do—	16	42
14.	Ahmedabad	..	Dena Bank	18	43
15.	Banaskantha	..	—do—	1	15
16.	Gandhinagar	..	—do—	—	4
17.	Kutch	..	—do—	4	28
18.	Mehsana	..	—do—	8	31
19.	Sabarkantha	..	—do—	1	17

* Jointly with State Bank of Saurashtra.

STATEMENT 2

POPULATION GROUP-WISE DISTRIBUTION OF OFFICES, DEPOSITS AND ADVANCES IN GUJARAT AND MAHARASHTRA

(Amount in lakhs of rupees)

Sr. No.	Population Group	Gujarat						Maharashtra					
		June 1969			June 1974			June 1969			June 1974		
		No. of Offices	Deposits	Advances	No. of Offices	Deposits	Advances	No. of Offices	Deposits	Advances	No. of Offices	Deposits	Advances
1.	Rural	199 (26.4)	23,83 (5.9)	3,51 (1.8)	578 (40.2)	110,27 (13.4)	33,53 (6.6)	121 (10.9)	8,05 (0.7)	4,58 (0.4)	447 (22.4)	54,77 (2.3)	40,63 (1.9)
2.	Semi-Urban	314 (41.7)	146,02 (36.3)	36,62 (18.7)	454 (31.6)	283,26 (34.5)	115,87 (22.7)	328 (29.4)	81,65 (7.3)	29,58 (2.8)	507 (25.3)	196,92 (8.3)	96,30 (4.6)
3.	Urban	124 (16.5)	131,49 (32.7)	45,90 (23.5)	219 (15.3)	229,38 (27.9)	151,05 (29.8)	239 (21.5)	147,35 (13.1)	96,06 (9.0)	392 (19.7)	312,07 (13.1)	209,36 (9.8)
4.	Metropolitan ..	116 (15.4)	100,63 (25.1)	109,40 (56.0)	186 (12.9)	198,68 (24.2)	208,27 (40.9)	426 (38.2)	887,37 (78.9)	940,40 (87.8)	653 (32.6)	1821,34 (76.3)	1780,16 (83.7)
	TOTAL ..	**753 (100)**	**401,97 (100)**	**195,43 (100)**	**1,437 (100)**	**821,59 (100)**	**508,72 (100)**	**1,114 (100)**	**1124,42 (100)**	**1070,62 (100)**	**1,999 (100)**	**2385,10 (100)**	**2126,45 (100)**

Note: Figures in brackets indicate percentage to total.

APPENDIX

Guidelines for the operation of the Lead Bank Scheme

General

1. Collective action by banks and other financial institutions in the implementation of bankable schemes that would make a definite impact on the district economy is the aim of the Lead Bank Scheme. The Lead Bank should formulate bankable schemes based on resource potential and felt needs of the people of the district. (para 22).

2. The establishment of an effective rapport and coordination between the Government at the district level and the lead bank is an important prerequisite for the operation of the scheme. (para 16).

3. Rapport between the banks and the Government and the involvement of officials with banks' financial programmes should not be restricted to the district headquarters but should percolate to the village branch level. (para 40).

4. The tendency on the part of banks to interpret their own responsibilities under the scheme in terms of efforts in their own lead districts and to consider their role in other districts in terms of individual performance should be corrected through proper inculcation of the spirit of the lead bank scheme, particularly at the branch level. (para 17).

Formulation of Bankable Schemes

1. The role of the lead bank, as the leader of the consortium of financial institutions, consists in preparing "credit plans" or bankable schemes and invoking the co-operation of other financial institutions in meeting the credit demand arising from the schemes. (para 21).

2. While the lead bank should bear the responsibility for drawing up the schemes, they should make use of all information available in this regard with the State Governments. (para 27).

3. No uniform methodology or approach is prescribed in respect of the formulation of the district credit plan. What is important is the expeditious preparation of "bankable" schemes—viz. schemes that are technologically feasible and economically

viable—which can be immediately implemented and completed in a period of 3 to 5 years. The schemes should cover as wide a geographic area as possible in the district. (paras 21, 22, 24, 31).

4. The schemes should be based on the existing infrastructure facilities available in the district. The schemes should be in the broad area of the priority sectors and to the extent possible fitted into the major schemes in operation such as SFDA, MFAL etc. Schemes need not be drawn up in respect of large and medium industry though the incremental credit needs of this sector would have to be kept in view. (paras 24, 25).

5. In the formulation of the schemes the linkages of various economic activities will have to be taken into account. (para 25).

6. The schemes should be prepared by the banks themselves and reliance on outside agencies for this purpose should be avoided. (para 28).

7. To the extent possible, the schemes should be dovetailed into the district plan. This may be possible only where the district level planning process is well established. In districts where this is not the case, the lead banks need not necessarily await the progress of planning for the formulation of the schemes although the co-operation of the district officials would be necessary for this. It has also to be remembered that no credit plan can be substitute for a district development plan. (para 27).

8. It is suggested that the lead banks make some arrangement at the district or regional level for project formulation and follow-up. (para 27).

9. Besides credit demand likely to arise through the bankable schemes, resource mobilisation in the district by all financial institutions may also be estimated. (para 23).

10. Representative project profiles of activities covered by the schemes giving basic economic and technical data, which would be of assistance in the actual extension of credit, should also be prepared. (para 26).

Implementation

1. The schemes drawn up should be implemented collectively by the commercial and co-operative banks. In the allocation of shares, the spread of the branch net-work of each institution would

be an important deciding factor, but limited representation should not be a reason for exemption from participation. (para 31).

2. The allocation of the shares for all participating institutions should not be unilaterally determined by the lead bank but finalised through a process of consultation with each institution. It is not necessary that this should be done by the District Consultative Committee but may be finalised at special meetings of bankers. (para 33).

3. A Committee of bankers may be formed at the district level if considered necessary for the discussion of banking problems etc. (para 33).

4. Where the pattern of branch net work is lopsided with only the lead bank having offices in the interior, the major share of some schemes such as those of agricultural development may devolve entirely on the lead bank. In such cases, other commercial banks and co-operatives should also lend suitable support to the lead bank. (para 35).

5. It should be an accepted principle that any increase in outlay arising out of a reasonable extent of escalation should be met by the participating institutions. (para 44).

6. In the event of heavy default by other institutions, the lead bank cannot be expected to take on the shares of the defaulters. (para 44).

7. For the success of the lead bank scheme, it is necessary that the progress of the schemes taken up by a bank in areas other than its lead districts is suitably monitored by an appropriate authority in the bank. The record of discussions of the DCC meetings should be persued and appropriate action taken to activise recalcitrant branches. Implementation of the programmes should also be supported through proper delegation of powers to branch managers. (paras 35, 36, 39).

The District Consultative Committee

1. The District Consultative Committee should assume the task of overall monitoring of the progress of the schemes. (para 37).

2. The presence and active participation of the District Collector, other officials and representatives of all banks are essential

requirements for the District Consultative Committee to be an useful forum. (para 38).

3. The membership of the DCC should be limited and the Committee made as compact as possible. Depending on the requirements of the agenda, non-members may be specially invited to particular meetings. (para 38).

4. To instil a feeling of involvement of the outlying branches, some meetings of the DCC may be held at tehsil headquarters. (para 38).

5. The DCC should meet at regular intervals, at least once a quarter and review the progress of the individual schemes. (para 39).

6. To assist in such a review, data relating to the lending to the specific schemes (and not to total lending or lending to any other sector) may be called for from individual branches by the lead bank and the consolidated data circulated among the members. A suitable proforma may be devised for this purpose for each district by the concerned lead bank. (para 39).

7. At the meetings, issues requiring further action may be defined and the responsibility of follow-up may be pin-pointed to a particular institution or Government official. (para 39).

8. Copies of the full record of discussions should be sent to the lead/regional offices of each bank and to every bank branch in the district. (para 39).

9. The requirements of further bank offices in the district may also form a topic for discussion in the Committee. (para 48).

Other points

1. It is desirable that lead banks should be automatically admitted as regular members in SFDA/MFAL Committees. (para 41).

2. The financing of the specific schemes would mean extension of virtually the same type of credit for the same purpose in different areas by different banks. While stipulation of identical terms and conditions by all banks may not be feasible, some degree of conformity in the provision of credit under the same scheme would be necessary. (para 43).

3. In areas where the co-operative sector is active and well developed, the extension of agricultural lending by commercial banks may be examined through some appropriate participation arrangements. (para 45).

4. In the districts where lead responsibility has been jointly assigned to two banks, the full responsibility may be given to the bank with the stronger branch base in the district. (para 46).

5. The pioneering role of lead banks in the identification of centres is no longer necessary and the process of further expansion may be left to individual banks, subject to the Reserve Bank's branch expansion policy. (para 48).

6. Appropriate training and orientation programmes would have to be organised for the staff of both the banks and the Governments at the district and higher levels. The orientation programme for State Government officials would have to be specially designed and introduced by the concerned lead banks. Joint action in this regard by all the banks with lead responsibility in a State may be considered. (para 47).

7. The State-level Consultative Committee or a fully authorised sub-committee thereof should meet as often as possible and review the progress of the scheme. For keeping the overall progress of the scheme under review, it is recommended that a Standing Committee be constituted in the Reserve Bank. (paras 49, 50).
