Lead Bank Scheme

Prelims: *Current events of national and international importance | Economy*

Why in News?

The RBI has released draft revised guidelines to strengthen district-level coordination under the Lead Bank Scheme and enhance credit flow to priority sectors.

- **Aim –** To coordinate banks and development agencies to enhance credit flow to priority sectors and promote rural development.
- **Launched by – *The Reserve Bank of India (RBI) in 1969.***
- **Historical Background – Gadgil Committee (1969) –** Recommended an "Area Approach" due to weak rural banking presence and poor rural credit orientation.
- **Nariman Committee (1969) –** Endorsed the Gadgil Committee's recommendation. Suggested that *each public sector bank should adopt specific districts as Lead Banks*.
- **Usha Thorat Committee (2009) –** Supported the continuation of the Lead Bank Scheme, recognising its importance in expanding PSL coverage.
- **Implementation –** Reserve Bank of India (administration and assignment of lead banks).
- **State Level –** The State Level Bankers' Committee (SLBC) acts as the highest forum.
- It ensures that state government policies align with banking services to remove large-scale infrastructure bottlenecks.
- **District Level –** The District Consultative Committee (DCC) and District Level Review Committee (DLRC) are the core planning bodies at the intermediate level.
- It works with the Lead District Manager (LDM) to finalize the District Credit Plan (DCP) and monitor the performance of all banks in the area.
- **Block Level –** The Block Level Bankers' Committee (BLBC) is the ground-level forum where individual bank branches and local officials meet.
- **Lead District Manager (LDM)**— Key official responsible for day-to-day coordination and implementation.
- **Objectives –** To *bridge the credit gap in rural and semi-urban areas* by coordinating efforts between banks and government agencies.
- **Features – Coordination & Leadership –** A designated Lead Bank leads and coordinates all banks and agencies with the government in the district.
- **Growth Identification –** Identifies growth centres and development potential.
- **Credit Assessment –** Assesses deposit potential and credit gaps.
- **Credit Planning –** Evolves a coordinated approach for district-level credit deployment.
- **Coverage –** The District is considered the basic unit for credit planning. ***At present,***

all districts in India are covered under the Lead Bank Scheme framework.

- **Beneficiaries –**
  - Rural and semi-urban populations,
  - priority sector borrowers,
  - Micro, Small and Medium Enterprises,
  - Self Help Groups,
  - farmers, and financially excluded households.
- **Target –** Benchmark of ***60% Credit-Deposit (CD) ratio in rural and semi-urban branches (all-India basis).***
  - To achieve 100% financial inclusion and banking penetration.
- **Significance – Coordinated Rural Development –** It ensures coordinated rural and regional development through institutional support.
- **Financial Inclusion –** *Expands banking infrastructure (branches, ATMs, business correspondents) to unbanked areas.*
- **Scheme Implementation –** Facilitates government initiatives like Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Jeevan Jyoti Bima Yojana, Pradhan Mantri Suraksha Bima Yojana, MUDRA, Stand Up India, and Atal Pension Yojana, etc.

Reference

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