

## 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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