

## Introduction

- I. The genesis of the Lead Bank Scheme (LBS) can be traced to the Study Group headed by Prof. D. R. Gadgil (Gadgil Study Group) on the Organizational Framework for the Implementation of the Social Objectives, which submitted its report in October 1969. The Study Group drew attention to the fact that commercial banks did not have adequate presence in rural areas and also lacked the required rural orientation. The Study Group, therefore, recommended the adoption of an 'Area Approach' to evolve plans and programmes for the development of an adequate banking and credit structure in the rural areas.
- II. A Committee of Bankers on Branch Expansion Programme of public sector banks appointed by the Reserve Bank of India under the Chairmanship of Shri F. K. F. Nariman (Nariman Committee) endorsed the idea of an 'Area Approach' in its report (November 1969), recommending that in order to enable the Public Sector Banks to discharge their social responsibilities, each bank should concentrate on certain districts where it should act as a 'Lead Bank'.
- III. Pursuant to the above recommendations, the Lead Bank Scheme was introduced by the Reserve Bank of India in December 1969. The Scheme aims at coordinating the activities of banks and other developmental agencies through various fora in order to achieve the objective of enhancing the flow of bank finance to the priority sector and other sectors and to promote banks' role in the overall development of the rural sector. For coordinating the activities in the district, a particular bank is assigned 'Lead Bank' responsibility of the district. The Lead Bank is expected to assume a leadership role for coordinating the efforts of the credit institutions and the Government.
- IV. In view of the several changes that had taken place in the financial sector, the Lead Bank Scheme was last reviewed by the High Level Committee headed by Smt. Usha Thorat, Deputy Governor of the Reserve Bank of India in 2009.
- V. The High Level Committee held wide ranging discussions with various stakeholders viz. State Governments, banks, development institutions, academicians, NGOs, MFIs etc. and noted that the Scheme has been useful in achieving its original objectives of improvement in branch expansion, deposit mobilisation and lending to the priority sector, especially in rural/semi urban areas. There was overwhelming consensus that the Scheme needs to continue. Based on the recommendations of the Committee, guidelines were issued to SLBC Convenor banks and Lead Banks for implementation.
- VI. Envisaging greater role for private sector banks, Lead Banks were advised to ensure that private sector banks are more closely involved in the implementation of the Lead Bank Scheme. Private sector banks should involve themselves more actively by leveraging on Information Technology bringing in their expertise in

strategic planning. They should also involve themselves in the preparation as well as implementation of the District Credit Plan.

- VII. In view of the changes that have taken place in the financial sector over the years, the Reserve Bank of India had constituted a “Committee of Executive Directors” of the Bank to study the efficacy of the Scheme and suggest measures for its improvement. Based on the Committee’s recommendations and feedback received from various stakeholders, certain ‘action points’ were issued to SLBC Convenors/Lead Banks and NABARD on April 6, 2018.

## **State Level Bankers’ Committee (SLBC)**

### **Constitution of SLBC**

- I. The State Level Bankers’ Committee (SLBC) was constituted in April 1977, as an apex inter-institutional forum to create adequate coordination machinery in all States, on a uniform basis for development of the State. SLBC is chaired by the Chairman & Managing Director (CMD) /Executive Director of the Convenor Bank. It comprises representatives of commercial banks, RRBs, State Cooperative Banks, RBI, NABARD, heads of Government departments including representatives from National Commission for Scheduled Castes/Tribes, National Horticulture Board, Khadi & Village Industries Commission etc. and representatives of financial institutions operating in a State, who come together and sort out coordination problems at the policy implementation level. Representatives of various organizations from different sectors of the economy like industry bodies, retail traders, exporters, farmers’ unions, etc. are special invitees in the SLBC meetings for discussing their specific problems, if any. SLBC meetings are held on quarterly basis. The responsibility for convening the SLBC meetings would be of the SLBC Convenor Bank of the State.
- II. Recognising that SLBCs, primarily as a committee of bankers at the State level, play an important role in the development of the State, illustrative guidelines on the conduct of State Level Bankers Committee meetings have been issued.

## Conduct of SLBC Meetings

- I. SLBC meetings are required to be held regularly at quarterly intervals. The meetings are chaired by the Chairman & Managing Director (CMD)/Executive Director of the Convenor Bank and co-chaired by the Additional Chief Secretary or Development Commissioner of the State concerned. In cases where the Managing Director/Chief Executive Officer/Executive Director of the SLBC Convenor Bank is unable to attend SLBC Meetings, the Regional Director of the RBI shall co-chair the meetings along with the Additional Chief Secretary/Development Commissioner of the State concerned. A High Level of participation in SLBC/UTLBC meetings ensures an effective and desired outcome with meaningful discussion on issues of public policy of both the Government of India and the Reserve Bank of India.
- II. The Chief Minister/Finance Minister and senior level officers of the State/RBI (of the rank of Deputy Governor / Executive Director) may be invited to attend the SLBC meetings. Further, the State Chief Ministers are encouraged to attend at least one SLBC meeting in a year.
- III. State Level Bankers' Committee meetings should primarily focus on policy issues with participation of only the senior functionaries of the banks/ Government Departments. All routine issues may be delegated to sub-committee(s) of the SLBC. A Steering Sub-committee may be constituted in the SLBC to deliberate on agenda proposals from different stakeholders and finalise a compact agenda for the SLBC meetings. Typically, the Sub-Committee could consist of SLBC Convenor, RBI & NABARD representatives & senior State Government representative from the concerned department, e.g. Finance/ Institutional Finance and two to three banks having major presence.
- IV. Other issue-specific sub-committees may be constituted as required. The sub-committees may examine the specific issues relating to agriculture, micro, small/medium industries/enterprises, handloom finance, export promotion and financial inclusion, etc. in-depth and devise solutions/recommendations for adoption by the full committee. They are expected to meet more frequently than the SLBC. The composition of the sub-committees and subjects/ specific issues impeding/enabling financial inclusion to be deliberated upon, may vary from State to State depending on the specific problems/issues faced by the States.
- V. The secretariat/offices of the SLBC should be sufficiently strengthened to enable the SLBC Convenor Bank to effectively discharge its functions.
- VI. The various fora at lower levels may give adequate feedback to the SLBC on issues that need to be discussed on a wider platform.
- VII. Several institutions and academicians are engaged in research, studies etc. that have implications for sustainable development in agriculture and MSME sector.

Engaging with such research institutions and academicians would be useful in bringing in new ideas for furthering the objectives of the Lead Bank Scheme. The SLBCs may, therefore, identify such academicians and researchers and invite them as 'special invitees' to attend SLBC meetings occasionally both for adding value to the discussions and also associate them with studies appropriate to the State. Other 'special invitees' may be invited to attend SLBC meetings depending on the agenda items/issues to be discussed in the meetings.

- VIII. The activities of NGOs in facilitating and channeling credit to the low income households are expected to increase in the coming years. Several corporate houses are also engaged in corporate social responsibility activities for sustainable development. A linkage with such NGOs/Corporate houses operating in the area to ensure that the NGOs/corporates provide the necessary 'credit plus' services can help leverage bank credit for inclusive growth. Success stories could be presented in SLBC meetings to serve as models that could be replicated.