



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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RPCD.CO.LBS.HLC.BC.No.56 /02.19.10/2009-10

February 26, 2010

CMDs of all SLBC Convenor Banks

Dear Sir,

**Report of the High Level Committee to Review Lead Bank Scheme -
Implementation of the recommendations**

Over a period of four decades, since the inception of the Lead Bank Scheme (LBS), several changes have taken place necessitating a relook at the scheme to make it more effective in the changed economic scenario with sharper focus on financial inclusion and recent developments in the banking sector. A High Level Committee to review Lead Bank Scheme was, therefore, constituted by Reserve Bank of India.

2. The Committee recommended that the LBS is useful and needs to continue. The overarching objective of the Scheme is to enable banks and State Governments to work together for inclusive growth.

3. All the action points emanating from the recommendations of the Committee requiring action to be taken by the SLBC convenor banks at the state level and lead banks/commercial banks at the district level are appended at Annex I & II respectively. You are advised to initiate actions for speedy implementation of the recommendations and also closely monitor the progress made by the lead banks / commercial banks in this regard.

ग्रामीण आयोजना और ऋण विभाग, केन्द्रीय कार्यालय, 10वीं मंजिल, केन्द्रीय कार्यालय भवन, शहीद भगतसिंह मार्ग, पोस्ट बॉक्स सं.10014, मुंबई-400 001

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हिन्दी आसान है। बैंक हिन्दी में भी पत्राचार का स्वागत करता है।

4. The SLBC plays a very important role in development at state level, There is, therefore, a need for streamlining and strengthening of the same. With a view to improving the efficacy of the Lead Bank Scheme, we advise that the various fora under the Lead Bank Scheme need to be strengthened. We draw your attention specifically to the recommendations of the Committee relating to strengthening of implementation of the Lead Bank Scheme at state and district level. Illustrative guidelines on the conduct of State Level Bankers Committee (SLBC) meetings are detailed below:

I. Conduct of SLBC Meetings

- i) The SLBC meetings may be held regularly at quarterly intervals and they should be chaired by the Chairman & Managing Director (CMD) of the convenor bank. Additionally, the SLBC meetings may be co-chaired by Additional Chief Secretary or Development Commissioner of the State concerned.
- ii) In view of the large membership of the SLBC, it would be desirable for the SLBC to constitute Sub-Committees for specific tasks. The sub committees may examine the specific issues in-depth and devise solutions/recommendations for consideration of the SLBC. The composition of the sub-committee 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.
- iii) The secretariat/offices of SLBC should be sufficiently strengthened to enable the SLBC convenor bank to effectively discharge its functions. Each SLBC may have its own website. In each State, a full day sensitisation workshop may be convened by the SLBC convenor bank in April/May every year.
- iv) The various fora at lower levels may give adequate feedback to the SLBC on issues that need to be discussed on a wider platform.
- v) Several institutions and academicians are engaged in research and 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 SLBC/DCC may, therefore, identify such academicians and researchers and invite them as 'special invitees' to attend SLBC/DCC meetings occasionally both for adding value to the discussion and also associate them with studies for product formulation appropriate to the State/District. Other 'special invitees' may be invited to attend SLBC meetings depending on the agenda items/issues to be discussed in the meetings.

vi) 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. Bank's 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/DCC meetings to serve as models that could be replicated.

Agenda Items

While all SLBCs/Lead Banks are expected to address the problems particular to the concerned states, some of the important areas which are common to all States on which the SLBCs/Lead Banks should invariably discuss in the fora are as under:

- i. monitoring mechanism to periodically assess and evaluate the progress made in achieving the road map to provide banking services within the time frame prescribed
- ii. identification of unbanked/under banked areas for providing banking services in a time bound manner with a view to achieve 100% financial inclusion
- iii. the specific issues inhibiting and enabling IT enabled financial inclusion
- iv. issues to facilitate 'enablers' and remove/minimise 'impeders' for banking development for inclusive growth

- v. monitoring initiatives for providing 'Credit Plus' activities by banks and State Governments such as setting up of Credit Counselling Centres and RSETI type Training Institutes for providing skills and capacity building to manage businesses
- vi. review of performance of banks under Annual Credit Plan (ACP)
- vii. regional imbalances in deployment of credit to various sectors of the economy
- viii. Credit - Deposit Ratio of the State
- ix. flow of credit to priority sector and weaker sections of the society
- x. assistance under Government sponsored schemes
- xi. grant of educational loans
- xii. progress under SHG - bank linkage
- xiii. SME financing & bottlenecks thereof, if any
- xiv. steps taken for improving land record and recovery mechanism
- xv. timely submission of data by banks
- xvi. review of relief measures (in case of natural calamities wherever applicable) and
- xvii. issues remaining unresolved at the DCC/DLRC meetings

The above list is illustrative and not exhaustive. The SLBC convenor banks may include any other agenda item considered necessary.

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.

5. Further, we draw your attention the following major recommendations:

I. BANKING PENETRATION

i) SLBC convenor banks / lead banks are advised to focus attention on the urgent need for achieving 100% financial inclusion through penetration of banking services in the rural areas. Such banking services may not necessarily be extended through a brick and mortar branch but can be provided through any of the various forms of ICT-based models, including through BCs. However, ICT connectivity should not be an issue of constraint for not pursuing financial inclusion by commercial banks/RRBs. In this connection you may be guided by our Circular RPCD.CO.LBS.HLC.BC.No.43/02.19.10/2009-10 dated November 27, 2009.

ii) SLBC convenor banks may take up impellers with the State governments as issues of road/digital connectivity, conducive law and order situation, uninterrupted power supply and adequate security etc. for ensuring banking expansion at all centres where penetration by the formal banking system is required. However, these should not inhibit the introduction of financial inclusion initiatives.

II. GREATER ROLE FOR PRIVATE SECTOR BANKS

The private sector banks should involve themselves more actively by bringing in their expertise in strategic planning and leveraging on Information Technology. The Lead banks, on their part, should also ensure that private sector banks are more closely involved in the Lead Bank Scheme, both while drawing up and in implementing the ACP/DCP.

III. PREPARATION OF DISTRICT CREDIT PLAN/ANNUAL CREDIT PLAN

i) NABARD prepares PLPs for all the districts of the country. These plans must be prepared by October-November every year and so as to serve as inputs to the district planning authorities for preparing their budgetary plans and to the lead banks for preparing the District Credit Plans (DCP). Preparation of PLP is to be advanced to be completed by August every year to enable the State Governments to factor in the PLP projections. While preparing the PLP for districts, NABARD should take into account the firm commitments given by the State Government/ banks/other stakeholders for the year.

ii) The Zonal/controlling offices of banks, while finalizing their business plans for the year, should take into account the commitments made in the **ACP which should be ready well in time before the performance budgets are finalized.** It may be ensured that there is little or no divergence between the PLP and the DCP/ACP.

IV. QUARTERLY PUBLIC MEETING AND GRIEVANCE REDRESSAL

The Lead District Manager may convene a quarterly public meeting at various locations in the district, in coordination with banks having a presence in the area and other stakeholders to generate awareness of the various banking facilities, policies and regulations which impact the common person, obtain feedback from the public and provide grievance redress to the extent possible at such meetings or facilitation for approaching the appropriate machinery for grievance redress.

V. CAPACITY BUILDING/TRAINING/SENSITIZATION PROGRAMMES

i) There is a need for sensitising the District Collectors and CEOs of Zilla Parishads on banks and banking in general as also on the specific scope and role of the Lead Bank Scheme. Such sensitisation should form part of the probationary training of such officers. Further, as soon as they are posted in a district, the SLBC may arrange for exposure visits for the District Collectors to the SLBC convenor's office for sensitisation and understanding of the Lead Bank Scheme.

ii) Staff at the operational level of banks and government agencies associated with implementation of the Lead Bank Scheme need to be aware of the latest developments and emerging opportunities. There is need for staff sensitisation/training/seminars, etc. at periodic intervals on an ongoing basis.

VI. LIAISON WITH STATE GOVERNMENT

As the effectiveness of the Lead Banks Scheme depends on the dynamism of the District Collector and the LDM, with supportive role of the Regional/Zonal Office, you are advised to follow up with the respective State Governments for extending necessary support as it may be impossible for the banks to achieve the objective of financial inclusion in its most comprehensive sense.

6. All other instructions issued prior to this circular will continue to remain operative /effective.
7. We shall be glad if you will please keep our respective Regional Offices informed of the action taken by you on the various recommendations at quarterly intervals.
8. Please acknowledge receipt.

Yours faithfully

Sd/-
(Deepali Pant Joshi)
Chief General Manager

Encl: As above

Annex - I

High Level Committee to Review Lead Bank Scheme -Action Points for SLBC Convenor Banks

Sr. No.	Reco. No.	Recommendations
1	1	The Lead Bank Scheme (LBS) is useful and needs to continue. The State Level Bankers Committee (SLBC) and various fora under LBS should focus on addressing the 'enablers' and 'impeders' in advancing greater financial inclusion and flow of credit to priority sectors, while monitoring Govt. Sponsored Schemes. (Para 3.1, 3.8)
2	3	The overarching objective of Lead Bank Scheme shall be to enable banks and State Governments to work together for inclusive growth. (Para 3.4)
3	4	It is necessary to broad base the scope of the scheme to cover initiatives for financial inclusion, role of State Governments, financial literacy and credit counselling as also 'credit plus' activities, formulate action plans to facilitate 'enablers' and remove /minimise 'impeders' for banking development for inclusive growth, develop grievance redressal mechanism, etc.(Para 3.7)
4	7	Banks need to take the maximum advantage of available IT solutions. The funding arrangements available under Financial Inclusion Technology Fund (with NABARD) or other options such as the support offered for distribution of Government payments by RBI may be explored for the purpose. However, connectivity should not be an issue of consideration for not pursuing Financial Inclusion by commercial banks/RRBs. (Para 3.13)
5	9	Although permitted, Primary Agricultural Credit Societies (PACS) are not being used as BCs. Concerted efforts may be made for using PACS as BCs where such PACS are running well. (Para 3.16)

6	11	State Governments to ensure road/ digital connectivity to all centres where penetration by the formal banking system is required. The achievement of such connectivity may be monitored by a sub-committee of the DCC. Advantage may be taken of the special scheme offered by RBI of satellite connectivity through small V-SATs in remote areas. (Para 3.19)
7	12	State Governments to ensure conducive law and order situation, adequate security, uninterrupted power, water supply and irrigation facilities. (Para 3.20)
8	18	The DLCCs/SLBCs may monitor initiatives for providing 'credit plus' services by banks and State Government. The lead banks would need to take expeditious steps to set up RSETIs as per the plan projections. As recommended by the Working Group on Rehabilitation of Sick SMEs (Chairman: Dr. K.C. Chakrabarty, April 2008), a scheme for utilising specified NGOs for providing training and other services to tiny micro enterprises may be considered by the SLBC convenor banks in consultation with State Governments as per the guidelines contained in RBI circular RPCD.SME&NFS.BC.No. 102/06.04.01/2008-09 dated May 04, 2009. (Para 3.26)
9	31	The educational loans granted by banks may be monitored and progress reviewed in the meetings of the SLBC by evolving a tracking mechanism with the help of state Governments, educational institutions and banks, so as to ensure proper recovery of such loans. (Para 3.44)
10	32	The activities of NGOs in facilitating and channelling credit to the low income households are expected to increase in the coming years. Bank's 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 DCC/SLBC meetings to serve as models that could be replicated. (Para 3.45)
11	33	SLBC/DCC to identify academicians and researchers engaged in research and

		development studies to be invited occasionally to the meetings of these bodies. (Para 3.46)
12	37	In States where the Chief Minister or the Finance Minister takes active interest in the SLBC and is present in the meetings, the SLBC has been more effective as a coordination forum. (Para 4.2)
13	39	In view of the large membership of the SLBC, it would be desirable for the SLBC to constitute Sub-Committees for specific tasks. In addition to the Sub-Committees already in existence, these could include IT enabled financial inclusion, financial inclusion in urban areas, action plan for financial literacy, grant of educational loans, improvement in land records/ other evidence for land ownership/occupation, improving recovery systems, measures to deal with downturn, promoting bank/SHG linkage and addressing issues relating to provision of microfinance in the State. (Para 4.4)
14	41	The various fora at lower levels should give adequate feedback to the SLBC on issues needed to be discussed on a wider platform. Important issues/ decisions of the BLBC, DCC and DLRC should be placed before the next meeting of the SLBC, so that these receive adequate attention at the State Level. (Para 4.6)
15	42	The secretariat/offices of SLBC should be sufficiently strengthened and the SLBC convenor bank should have a full fledged secretariat for effective discharge of its functions. (Para 4.7)
16	60	Every SLBC should have its own website where all instructions pertaining to the Lead Bank Scheme as well as other instructions issued by Reserve Bank and other agencies as also in respect of Government Schemes for the benefit of common person are made available. (Para 5.8 & 5.9)
17	62	Each SLBC may have a dedicated Financial Literacy Division to propagate the various instructions. The local media should be encouraged to frequently interact with the Financial Literacy Division and its help taken to reach out to the common persons. (Para 5.11)

Annex II

High Level Committee to review Lead Bank Scheme - Action Points for Lead Banks/Commercial Banks

Sr. No.	Reco. No.	Recommendations
1.	1	The Lead Bank Scheme (LBS) is useful and needs to continue. The State Level Bankers Committee (SLBC) and various fora under LBS should focus on addressing the 'enablers' and 'impeders' in advancing greater financial inclusion and flow of credit to priority sectors, while monitoring Govt. Sponsored Schemes. (Para 3.1, 3.8)
2.	2	Penetration of banking in several parts of the country is still limited. Hence, it is critical that banking services are seen as a public good and are also made accessible to all sections of population and regions of the country at affordable cost. The State development machinery has to ensure the availability of backward and forward linkages to ensure that credit is gainfully deployed and income levels enhanced. (Para 3.3)
3	3	The overarching objective of LBS shall be to enable banks and State Governments to work together for inclusive growth. (Para 3.4)
4	4	It is necessary to broad base the scope of the scheme to cover initiatives for financial

		inclusion, role of State Governments, financial literacy and credit counselling as also 'credit plus' activities, formulate action plans to facilitate 'enablers' and remove /minimise 'impeders' for banking development for inclusive growth, develop grievance redressal mechanism, etc.(Para 3.7)
5	7	Banks need to take the maximum advantage of available IT solutions. The funding arrangements available under Financial Inclusion Technology Fund (with NABARD) or other options such as the support offered for distribution of Government payments by RBI may be explored for the purpose. However, connectivity should not be an issue of consideration for not pursuing Financial Inclusion by commercial banks/RRBs (Para 3.13)
6	9	Although permitted, Primary Agricultural Credit Societies (PACS) are not being used as BCs. Concerted efforts may be made for using PACS as BCs where such PACS are running well. (Para 3.16).
7	11	State Governments to ensure road/ digital connectivity to all centres where penetration by the formal banking system is required. The achievement of such connectivity may be monitored by a sub-committee of the DCC. Advantage may be taken of the special scheme offered by RBI of satellite connectivity through small V-SATs in remote areas. (Para 3.19)
8	17	Lead banks to open a Financial Literacy and Credit Counselling Centre (FLCC) in every district where they have lead responsibility. (Para 3.25)
9	18	The DLCCs/SLBCs may monitor initiatives for providing 'credit plus' services by banks and State Government. The lead banks would need to take expeditious steps to set up RSETIs as per the plan projections. As recommended by the Working Group on Rehabilitation of Sick SMEs (Chairman: Dr. K.C. Chakrabarty, April 2008), a scheme for utilising specified NGOs for providing training and other services to tiny micro enterprises may be considered by the SLBC convenor banks in consultation with State Governments as per the guidelines contained in RBI circular RPCD.SME&NFS.BC.No. 102/06.04.01/2008-09 dated May 04, 2009. (Para 3.26)
10	23	The present planning process envisages preparation of PLPs by NABARD for all the districts of the country. These plans are to be prepared by October-November every year and

		provide inputs both to the district planning authorities for preparing their budgetary plans and to the lead banks for preparing the District Credit Plans (DCP), respectively. Preparation of PLP may be advanced to be completed by August every year to enable the State Governments factor in the PLP projections. (Para 3.31)
11	25	The Zonal / Controlling offices of banks, while finalising their business plans for the year, should take into account the PLPs prepared by NABARD and plans prepared by the LDMs for sectors other than agriculture and allied activities which should be ready well before the performance budgets are finalised. (Para3.33)
12	26	The Annual Credit Plan would be prepared by the Lead District Manager of the Lead banks concerned taking into account the PLPs. The Annual Credit Plans, among others, should clearly indicate the proposed coverage for SCs/STs, minorities and promotion of SHGs in the district. (Para 3.34)
13	30	Banks should involve themselves actively in the selection of beneficiaries and focus on the bankability and viability of the scheme in the overall interest of ensuring better recovery and ensuring that the subsidy is effectively used for the intended purpose. Governments should evaluate outcomes rather than whether the amounts allocated are fully spent. (Para 3.43)
14	32	The activities of NGOs in facilitating and channelling credit to the low income households are expected to increase in the coming years. Bank's 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 DCC/SLBC meetings to serve as models that could be replicated.(Para 3.45)
15	33	SLBC/DCC to identify academicians and researchers engaged in research and development studies to be invited occasionally to the meetings of these bodies. (Para 3.46)
16	34	Private sector banks to involve themselves more actively in LBS by bringing in their expertise in strategic planning and leveraging on Information Technology. The Lead banks may involve private sector banks more closely in the LBS while drawing up and implementing the ACP. (Para 3.47)

17	35	State Governments should be able to leverage on the benefits of undertaking government business by banks to incentivize in Government sponsored schemes. Private sector banks may actively involve with the DCC and Action Plans where they have a presence and extend their services through permitted channels in underbanked and unbanked area. (Para 3.49)
18	41	The various fora at lower levels should give adequate feedback to the SLBC on issues needed to be discussed on a wider platform. Important issues/ decisions of the BLBC, DCC and DLRC should be placed before the next meeting of the SLBC, so that these receive adequate attention at the State Level. (Para 4.6)
19	49	A Sub-Committee of DCC may be formed to work intensively on specific issues. There could be different sub-committees to deal with role of SHGs/MFIs, IT based financial inclusion, MSE sector, etc.(Para 4.14)
20	50	The role of LDM should cover convening meetings of the DCC and DLRC, periodical meetings of DDM/LDO/Government officials for resolving outstanding issues, facilitating setting up of Financial Literacy and Credit Counselling Centres (FLCCs), RSETIs by banks, holding annual sensitisation workshops for banks and government officials with participation by NGOs/PRIs, grievance redressal, credit planning at the district level and monitoring implementation of the annual credit plan. (Para 4.15)
21	51	LDM's office being the focal point for successful implementation of the Lead Bank Scheme, due care should be taken in selecting the incumbent and the posting should be made a coveted one. (Para 4.16(i))
22	53	There is a need for putting in place a mechanism to facilitate greater co-ordination between LDM, LDO and DDM outside the scheduled DCC/DLRC meetings, on an ongoing basis, which will, inter alia, also help in redressal of grievances of the users of banking services. LDMs should be sufficiently empowered and delegated with powers to discharge their responsibilities.RDs/CGMs to review adequacy of support available. (Para 4.16(iv)(v)(vi))

23	54	As soon as Reserve Bank, Government of India, NABARD and IBA's instructions are placed on their websites, banks may communicate the same to their branches electronically so that the relative instructions come into operation immediately. (Para 5.2)
24	56	Bank officials posted as Lead District Managers may be given two to three weeks attachment at Zilla Parishad/Collectorate for familiarization with government's role and functioning with regard to the developmental programmes. (Para 5.4)
25	57	Exposure visits may be arranged by the Lead Bank for District Collectors, Block Development Officers, bank officials, SHGs at various levels to leverage upon success stories. (Para 5.5)
26	58	Bank Managers should also visit the SHG meeting places to help understand SHGs better. (Para 5.6)
27	59	Functionaries of PRIs, especially gram panchayats should be familiarized with preparation of bankable schemes, so that budgetary funds for livelihood promotion can be leveraged for promoting financial inclusion and increasing credit absorption capacity. The LDM/DDM could take initiatives in this regard. (Para 5.7)
28	64	Every quarter, the lead bank may organize an awareness and feedback public meeting in its district. (Para 5.14)
29	65	The LDM may invite the Banking Ombudsman (BO) for such meetings who may attend the same at his/her convenience. (Para 5.15 & 5.16)
30	66	Each lead bank is expected to open a Financial Literacy and Credit Counselling Centre (FLCC) in every district where it has lead responsibility by following the recent guidelines issued by RBI in this regard. The State Government machinery may support the efforts made by banks for financial literacy. Towards this, State Government may proactively provide assistance of the government machinery, especially at the grass root level such as schools, panchayats, etc., for this purpose. (Para 5.18)