

Lead Bank Scheme

April 8, 2021

About Lead Bank Scheme

- 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 Lead Bank Scheme, introduced towards the end of 1969, envisages assignment of lead roles to individual banks (both in public sector and private sector) for the districts allotted to them.
- A bank having a relatively large network of branches in the rural areas of a given district and endowed with adequate financial and manpower resources has generally been entrusted with the lead responsibility for that district. Accordingly, all the districts in the country have been allotted to various banks.
- The lead bank acts as a leader for coordinating the efforts of all credit institutions in the allotted districts to increase the flow of credit to agriculture, small-scale industries and other economic activities included in the priority sector in the rural and semi-urban areas, with the district being the basic unit in terms of geographical area.

Objectives of The Lead Bank Scheme

- To identify those regions which are unbanked and underbanked in districts and also to evaluate their physiographic, agro climatic and Socio-economic conditions through economic survey.
- To help in removing regional imbalances through appropriate credit deployment.
- To extend banking facilities to unbanked areas.

Area Approach

- The basic idea was to have an “area approach” for targeted and focused banking.
- The banker’s committee, headed by S. Nariman, concluded that districts would be the units for area approach and each district could be allotted to a particular bank which would perform the role of a Lead Bank.

Usha Thorat Committee Recommendations

- High-Power Committee headed by Mrs Usha Thorat, Deputy Governor of the RBI, to suggest reforms in the LBS.
- The committee recommended enhancing the scope of the scheme and suggested a sharper focus on facilitating financial inclusion rather than a mere review of the government sponsored credit schemes.