

Position of Lead Banks Schemes in Uttar Pradesh

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ABSTRACT

The main aim of the lead bank scheme is to provide collective action by banks and other financial institutions in the implementation of bankable schemes for improvement in the district economy. For ensuring effective and collective action coordination becomes a vital function to be performed by lead banks. The vast expansion of banking network and the major shift in their orientation towards new role assigned to banks through Lead Bank Scheme, brought into sharp focus the need for adequate machinery for enquiring coordination at different levels of the organization.

1. Introduction

Uttar Pradesh is the heart of India and has a very colourful history. Although, no mention has been made in Rig Ved, but in Vedic age it has been mentioned as Madhya Desh. In the medieval period it was under the Muslim rule and hence we find have a synthesis of Hindu and Muslim culture. Britishers reorganised it and merged Agra and Oudh into one province known as 'United province of Agra and Oudh'. Later it was called 'United province' in 1935. After independence various states were reorganised and in January 1950 the United province was renamed as Uttar Pradesh.

The state of Uttar Pradesh consists of seventy districts, which are grouped into eighteen divisions: Agra Division, Aligarh Division, Allahabad Division, Azamgarh Division, Bareilly Division, Basti Division, Chitrakoot Division, Devipatan Division, Faizabad Division, Gorakhpur Division, Jhansi Division, Kanpur Division, Lucknow Division, Meerut Division, Mirzapur Division, Moradabad Division, Saharanpur Division and Varanasi Division. The largest district in terms of area is Lakhimpur Kheri. The largest district in terms of population is Allahabad followed by Kanpur Nagar.

2. Implementation of Lead Bank Scheme In Uttar Pradesh

A study group (headed by late Dr. R. Gadgil on organizational framework for implementation of social objectives was set up by the National Credit Council in October 1968. The group recommended adoption of "area approach" for evolving plans and programmes for the development of banking and credit structure in October 1969. The group suggested that district should be the unit in area approach.

Soon after nationalization of major commercial banks in 1969, a committee of banks headed by Sri F.K.F. Nariman, the then custodian of Union Bank of India, was appointed by Reserve Bank of India to evolve a coordinated programme for ensuring the spread of adequate banking facilities in the country. The committee had a view that for assisting the process of the balanced regional development each bank should concentrate on certain districts.

Based on the recommendations of Gadgil study group and of the Nariman Committee, Reserve Bank of India finalized

Lead Bank Scheme giving concrete shape to area development approach and Commercial Banks were assigned with the lead banks responsibilities in particular districts to act as pace setters in providing integral banking facilities under Lead Bank Scheme in 1969.

The main aim of the lead bank scheme is to provide collective action by banks and other financial institutions in the implementation of bankable schemes for improvement in the district economy. For ensuring effective and collective action coordination becomes a vital function to be performed by lead banks. It was in this context that Reserve Bank of India advised the lead banks to create an appropriate forum by setting up District Level Consultative Committees (DLCCs) in their lead districts.

The vast expansion of banking network and the major shift in their orientation towards new role assigned to banks through Lead Bank Scheme, brought into sharp focus the need for adequate machinery for enquiring coordination at different levels of the organization. The study group on the working of lead bank schemes in Gujarat and Maharashtra in their report recommended that the State Level Committees be set up (where they do not exist) or be activated to ensure coordination and periodical review of lead bank scheme at state level. These state level committees, known as State level Consultative committees were expected to make significant contribution in resolving problems which could not be settled at DCC meetings being beyond the powers of District level functionaries. The Department of Revenue and Banking, Government of India, at the close of 1976 desired immediate organization of State Level Bankers' Committee in all the states to create adequate coordination machinery at State level on uniform basis. Convenorship of SLBC was assigned to Lead Bank of the State. The guidelines on functioning of these SLBCs are given here below :

- **Status of the Committee:** The State Level Bankers' Committee (SLBC) has been envisaged as a consultative and co-ordination body of all financial institutions operating in each state. The Committee is expected to discuss issues, consider alternative solutions to the various problems in the field of banking development and evolve a consensus for co-

ordinate action by the member institutions. All the member institutions are, therefore, expected to approach the committee's tasks in spirit of co-operation and intimate involvement without which the committee is likely to lose its utility and become a mere debating forum.

- **Organizational Structure:** The State Level Bankers' Committee comprise of the representatives of all the commercial banks and the Chairmen of Regional Rural Banks operating in the state. Representatives of State Co-operative Bank, Land Development Bank, Reserve Bank of India and NABARD are also to be invariably invited to attend the meeting of the committees. The concerned State Govt. officials also participate in the meetings of this forum by invitation. Banks having sizeable scale of operations in the relative state are expected to be represented at the level of Zonal/Regional Managers so that expeditious decision making becomes possible. The Regional Rural Banks would be represented by the Chairmen. Banks having less than 5 branches in a state could, however, be represented by Manager of the Branch of the Bank located at state headquarters.
- **Periodicity of Meetings:** Each State Level Bankers' Committee may meet as often as necessary keeping in view the business on hand. It is, however, expected that the frequency of such meetings will in no case be less than once every quarter. The Steering sub-committee' is expected to meet more often than the main committee. It would, however, be useful if the State Level Bankers' Committee do meet and discuss issues before every meeting of the State Level Coordination Committees, so as to facilitate the banks to take a constructive and coordinated view of the problems proposed to be discussed by the State Level Bankers' Committee.
- **Attendance at the Meetings:** It is expected that the nominated representatives of the Bank will attend all the meetings of the main committee, the Steering Sub-committee or any study group. If for any unavoidable reason a nominated representative of bank can not be present at any particular meeting, he should nominate his next-in command to attend the meeting on his behalf, after duly briefing him about the Bank's views on the various items of the agenda for the meeting. The objective should be that issues for considerations do not get postponed for want of attendance of the representatives of the banks.
- **Proceedings of the meetings and follow-up action:** The proceedings of the meetings of the committee or its sub-committees may be drawn up by the Convenor Bank and circulated to all the members within a fortnight of the date of the meetings. Each bank is expected to initiate follow-up action on the consensus arrived at the meetings of the committee. Every endeavor should be made to implement all the recommendations of committee. In any case, the decision not to implement any of the recommendations of the committee be taken only after reference to examination of the question at the head office of the Bank. The Convenor Bank may

present to the committee an assessment report on the following-up action taken by the bank on decisions of the committee. Cases of non-acceptance of non-compliance with the recommendations of the committee may be specifically listed in such reports.

- **Scope of Activities:** All the State Level Bankers' Committees are expected to take up for consideration such issues as have been raised by the member banks or by the State Government authorities and questions or inter bank difference of views and approach remaining unresolved at the district level consultative committee. While all the State Level Bankers' Committee are expected to address themselves to the problems particular to the concerned State, some of the problems which are expected to be concerned to all the states and which many of the State Level Bankers' Committees have already taken up or decided to take up for consideration are Regional imbalances in availability of banking facilities; Regional imbalances in deployment of credit; Area demarcation for effective coverage; Liaison with State Government; Review of the functioning of District Consultative Committees, District Credit Plans and Regional Consultative Committees; Uniformity in terms and conditions of lending; Review of Credit Flows etc.

3. State Level Bankers' Committee, Uttar Pradesh

The responsibility of SLBC, Convenorship in Uttar Pradesh is with Bank of Baroda. This job has been assigned to Bank of Baroda in the year 2001-02. Prior to this the State Bank of India was performing the role of Convenor. There is an important Sub-committee of SLBC i.e. Sub-committee of SLBC for Export Promotion. This Sub-committee has been constituted on the instance of RBI in the year 2004-05 to ventilate the grievances of exporters in relation to export finance and other bank related issued at the state level. The Sub-committee comprises with members from Exporters' Associations, Major Banks, DGFT, Customs, State Govt. representatives from Industry and Finance Deptt., EXIM Bank, ECGC, FEDAI and RBI as permanent members. The Sub-committee meets at half yearly intervals with Executive Director of the Convenor Bank as its Chairman.

4. Major Achievements of State Level Bankers' Committee (U.P.)

SLBC, UP took up various issues with the concerned department of State Government and got them resolved. Some of the important issues having direct bearing on the vast sections of the society enumerated hereunder:

- Enhancement in the exemption limit of Stamp Duty for agricultural advances from existing Rs.1.00 lac to Rs.5.00 lacs.
- Permission for mortgage of agricultural land as collateral security against the housing loans in rural areas.
- Waiver of 10% Recovery Charges in RC filed accounts pertaining to agriculture and allied activities involving amount upto Rs.1.00 lac, that have been

rephased/rescheduled on account of Natural Calamities.

Name of Lead Banks and Districts allotted to them in Uttar Pradesh

S. No.	Name Of Lead Banks	Disticts Allotted
1.	Canara Bank	Agra, Aligarh, Etah, Hathras
2.	Union Bank of India	Azamgarh, Chandauli, Ghazipur, Jaunpur, Mau, Sant Ravidas Nagar, Varanasi.
3.	Bank of India	Bara Banki, Farrukhabad, Hardoi, Kanauj, Lucknow, Mainpuri, Unnao.
4.	Bank of Baroda	Allahabad, Ambedkar Nagar, Bareilly, Faizabad, Fatehpur, Kanpur Dehat, Kanpur Nagar, Kaushambi, Pilibhit, Pratapgarh, Rai Bareli, Rampur, Shahjahanpur, Sultanpur.
5.	Allahabad Bank	Bahraich, Balrampur, Banda, Chitrakoot, Gonda, Hamirpur, Jalaun, Kheri Lakhimpur, Shravasti, Mahoba, Mirzapur, Sitapur, Sonbhadra,
6.	State Bank of India	Basti, Firozabad, Gorakhpur, Maharajganj, Sant Kabir Nagar, Sidharthanagar.
7.	Punjab National Bank	Bijnor, Budaun, Bulandshahr, Jhansi, Lalitpur, Muzaffarnagar, Saharanpur.
8.	Syndicate Bank	Baghpat, Gautam Buddha Nagar, Ghaziabad, Jyotiba Phule Nagar, Mathura, Meerut, Moradabad.
9.	Central Bank of India	Auraiya, Ballia, Deoria, Etawah, Kushi Nagar.

5. High Level Committee to review Lead Bank Scheme

Pursuant to the announcement of the mid-term review of Annual Policy for 2007-08, it has been decided to constitute a High Level Committee to review the Lead Bank Scheme and improve its effectiveness, with a focus on financial inclusion and recent developments in the banking sector. Chairman, NABARD and Chairman, SIDBI will be permanent invitees for all the meetings of the High Level Committee. The Committee will be free to invite other officials/experts/stakeholders for interaction/exchange of views.

The terms of reference of the Committee will be to review the Lead Bank Scheme with a focus on financial inclusion and recent developments in the banking sector and in the light of the review to:

- prepare a comprehensive set of objectives and scope of the Lead Bank Scheme;
- make recommendations for rationalisation of the various committees/fora and functionaries under the Scheme;
- recommend measures to improve the effectiveness of the Scheme, especially for encouraging greater decentralised approach, dissemination of policies/guidelines, implementation of policies at local level and creation of awareness of banks' products/policies;
- make recommendations relating to timely and consistent information and monitoring system, taking

advantage of improved IT capabilities in the banking system; and

- prepare comprehensive guidelines and a manual of instructions based on the above.

6. RBI panel for continuing lead bank scheme

The lead banking scheme (LBS), introduced in 1969, should be continued to accelerate financial inclusion in the unbanked areas of the country, a high-level RBI committee has proposed. Lead banks are those lenders, assigned by the RBI in specified areas to promote banking services and financial literacy. These banks will have strong presence in the respective regions. The committee, led by Reserve Bank deputy governor Usha Thorat, also felt that private sector banks should be given a greater role in LBS action plans, particularly in areas of their presence.

Other recommendations included enhancing the business correspondent model, making banking services available in all villages having a population of above 2,000, and relaxation in KYC (know your customer) norms for small value accounts. "The review on LBS has been made with a focus on financial inclusion and in view of the recent developments in the banking sector. The scheme has been found useful to promote financial inclusion in the country. Hence it should be continued".

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