

ALTERNATIVE APPROACH FOR LEAD BANK SURVEY

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PART — I

Origin of Lead Bank :

Gadgil study group of the National Credit Council recommended the adoption of an 'area approach' to evolve plans and programmes for the development of the backward regions and expansion of branch network in the rural areas. In order to evolve a coordinated programme for ensuring the spread of adequate banking facilities in the country, Nariman Committee was appointed. After considering the recommendations of both the Committees (i.e. Gadgil and Nariman), the Reserve Bank of India formulated (in early 1970) the 'lead bank' scheme, which gave concrete shape to the 'area approach' for development.

Under the 'lead bank' scheme, banks were allotted, by the Reserve Bank of India, certain areas (i.e. districts) for development. While allocating this responsibility for development of the districts, the resource base of the banks were taken into consideration by the Reserve Bank. Also the existing network of branches, both in number and location, was taken into consideration while allocating the areas. According to this 'lead bank' scheme, in each state there are at least two or more lead banks, and nearly all banks have been allotted districts in more than one state. These lead banks were asked to spread the branch network in the districts and were to identify areas of credit gaps for the purpose of evolving an integrated credit plan for the financing of various sectors.

Functions of Lead Bank :

Branch expansion assumes considerable importance in the light of the new role assigned to public sector banks as an instrument for achieving socio-economic objectives of the nation. Branch expansion is to be viewed not only in the context of making available banking facilities (i.e. spreading the branch network) to areas and people