

## **Swaminathan J: Catalysing inclusive growth - strengthening partnerships for reaching the last mile**

Keynote address by Mr Swaminathan J, Deputy Governor of the Reserve Bank of India, at the Conference for Lead District Managers of Maharashtra held in Tadoba, Chandrapur, Maharashtra, 30 November 2024.

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Good morning, it is my proud privilege today to be addressing this Conference for Lead District Managers of Maharashtra.

Being here near Nagpur and that, too, for a Conference of the LDMs, it would be amiss of me if I am not reminded of Shri Baba Amte, whose Ashram is within a few kilometres. As you all would be aware he was one of the proponents of rural economy-driven growth. There is this one part of a quote attributed to him, which says, "A balanced economic system is one which provides sufficiency for all and superfluity for some-"

When you parse the quote, you will realise that the LDMs are facilitating the sufficiency of the rural economy. And balancing the economy by facilitating sufficiency for the rural economy rings as much true today as it must have been when it was said. When you look at the results of the Economic Survey, 2023-24, it is observed that Indian agriculture sector provides livelihood support to about 42.3 per cent of the population and has a share of 18.2 per cent in the country's GDP at current prices.<sup>1</sup>

So, with the rural economy thriving, the role of Lead Banks assumes a renewed emphasis. In fact, the aspirational goals that RBI has set for RBI@100<sup>2</sup> in a Multi-Year Time Frame, reiterates its focus on 'Accessibility, Availability and Quality of financial services to all sections of the society'.

It is this underlying principle that had conceptualised the Lead Bank Scheme (LBS) in 1969. The Lead Bank is expected to assume a leadership role for coordinating the efforts of the credit institutions and the Government. And within this leadership role, the role of LDMs cannot be overstated.

As key pillars of the LBS framework, you hold the responsibility of extending banking services and credit to underserved regions, facilitating economic advancement, the results of which can be personally fulfilling. Having served as the Convenor of the SLBC in Telangana, I can attest to the deep satisfaction derived from the tangible impact created through LBS fora.

Over the years, the roles and responsibilities of the LDMs have evolved. But the underpinnings of these myriad objectives remain the same. Today I would like to highlight certain expectations that we have from the functioning of the LDMs. For easy recallability, I have attempted to give a different spin to the acronym – LDM – and identified three attributes viz., (L)iaison, (D)esigning and Development, and (M)onitoring and Motivating. I will now elaborate upon these.

## **Liaison**

The function of liaison is entrenched into the very inception of the Lead Bank Scheme. India's post-independence journey toward inclusive development has been shaped by numerous initiatives aimed at reducing poverty and enhancing living standards. Expanding access to essential services like education, healthcare, and sanitation, coupled with creating productive employment opportunities, has been central to these efforts. A key focus has been ensuring that the benefits of economic growth reach all segments of society, especially the marginalized groups. At its core, the LBS framework facilitates coordinated efforts among banks, financial institutions, and the government machinery, resulting in improved banking access and enhanced credit flow to vital sectors.

The machinery of LBS starting at the borrower level goes right up to the State. And the duty of LDMs in acting as a nodal body, ensures that mile-to-mile connectivity. Thus, she may have to co-ordinate at the grassroot level to gather information of unbanked centres, identify the bottlenecks or gaps requiring credit flow, by actively working with the District Development Managers of NABARD and RBI's Lead District Officers. Towards this, it is necessary to have a self-driving system in place wherein the various meetings, right from the District Consultative Committees to the SLBC are conducted effectively and in a timely manner. Thus, a significant attribute of the role of LDMs is effective liaisoning on the ground.

## **Design and Development**

The aspect of Design and Development starts with the Credit Plans. Credit planning should adopt a bottom-up approach to convey the needs of the centres and then designing a plan best suited to address those. It is also important to understand that, while the targets should strive to be aspirational in ideas, they should be realistic enough to translate into execution and reflect the local credit needs.

Moreover, in this age of abundance of data and analytical models, a data-based empirical approach to designing of credit plan is essential. Such techniques provide the ease with which targeted strategies can be developed for intervention. Having said that, the primary step of data collection should be through field surveys and not be substituted by just an academic understanding. The field surveys also enable to identify those areas which are more in need of credit flow and have a better capability of servicing the loans. This should be the premise on which you formulate bankable schemes.

Statistics show that about half of the Self-Help Groups (SHGs) are yet to be linked to formal credit, and a large proportion of small and marginal farmers still lack access to

bank financing. Another class of potential borrowers which has remained underserved are the MSMEs and within that, those led by women. Therefore, when we adopt an empirical approach coupled with your on-ground experience for designing of a credit plan, the credit requirements of such segments can be effectively addressed through suitable Potential Linked Credit Plans as well as in block and district-level credit strategies. The idea is to base your plans on a holistic assessment of the district. The ultimate objective is to bring about measurable outcomes through systematic designing of credit plans.

## **Monitoring and Motivating**

The 'M' of the 'LDM' attributes reflect monitoring and motivating. In fact, the monitoring part is entrenched in the stipulated duties of the LDMs. Being a liaison between the government departments and the blocks, the very important link of communicating the success of the ground-level implementation of the ACPs and the various programmes rests on an effective monitoring mechanism. This will also help in identifying the problems or bottlenecks in the flow of credit, which can then suitably be factored in while designing the credit plans for targeted interventions.

You have an entire machinery of monitoring mechanisms starting from district level up to the State Government, SLBC or SLCC. The efficacy of monitoring by each level depends upon the quality of review that you employ and then communicate through the right channel. In my working, I always insist upon 'closing the loop'. Probably you, too, can develop a similar suitable system wherein your monitoring leads through necessary communication and to eventual closure of the problem at the appropriate level.

I now come to the motivating part of the attributes. I mean 'motivating' in a very specific sense. LDMs need to lay special emphasis on furthering financial literacy. Taking the baton ahead, you may also create awareness and direct or motivate towards greater adoption of digital financial inclusion. Financial literacy is a cornerstone of holistic inclusion, empowering individuals to make informed decisions.

Members of public should be made aware of various financial products available to them, be it social security products such as insurance and pension schemes, which will cover the risks, or category specific loan products which will enable them to undertake productive economic activities. A special focus needs to be given to Digital Financial Literacy for improving public confidence in undertaking digital transactions.

In Maharashtra alone, there are 118 Centres for Financial Literacy (CFLs) and 61 Financial Literacy Centres (FLCs) spreading awareness of financial products at the grassroots level. LDMs must play a crucial role in ensuring that FLCs perform their functions effectively, supporting CFLs, participating in CFL camps, and facilitating the linkage of financial services while overseeing the proper conduct of these camps.

Harnessing technology not only expands our reach but also makes banking more accessible, efficient, and cost-effective. RBI's recent push for digital public infrastructure, including the Unified Payments Interface (UPI) and the pilot Public Tech Platform for Frictionless Credit (PTPFC), now renamed the Unified Lending Interface (ULI), is in line with improving digital financial inclusion, which aims to simplify and broaden access to credit, especially in rural regions.

You may also be aware that, under 'Expanding and Deepening of Digital Payments Ecosystem Programme (EDDPE)', SLBCs have taken a lead role in the objective of making every district in the country digitally enabled, which has steered the expansion of digital payments. I am happy to note that, as on date, 410 districts are digitally enabled across the country and 13 states, and six Union Territories have achieved 100 per cent coverage of districts under this initiative. I hope to see the state of Maharashtra also in this list soon. For this, I request all the stakeholders including LDMs for effective co-ordination for successful execution of the programme.

Another facet which I want to point out is the issue of sustainable financing. We all have been hearing about the effect of climate change and how the financial entities are gearing up to address the risks arising out of it. A key point in the discussion revolving climate change is sustainable financing. In the present milieu, we need to encourage financing that supports sustainable and climate-resilient practices, to mitigate climate risks and protect vital livelihoods. The avenue to bring about these changes are more amplified in the agriculture and rural infrastructure. You, working at the ground level, have the platform to motivate the change required to drive the country towards a green economy.

## **Conclusion**

The theme of the conference is 'Catalysing Inclusive Growth: Strengthening Partnerships for Reaching the Last Mile'. The LDMs, given their role, act as the most potent catalysts for effecting a seamless programme for driving economic progress at various levels – block, district, and state.

Over the decades, LBS has evolved in alignment with India's developmental priorities. At its core, the LBS framework facilitates coordinated efforts among banks, financial institutions, and the government machinery, resulting in improved banking access and enhanced credit flow to vital sectors. To this effect, we have already defined in detail the role of LDMs. The 'LDM' attributes that I have highlighted today are an attempt to better understand and implement these roles and responsibilities.

We are here in the Tadoba sanctuary today. If I may draw an analogy, the intent behind the LBS is also to create a sort of economic sanctuary wherein resources are directed towards the underserved and marginalised and to protect the vulnerable ones. And if I extend the analogy, the LDMs are the equivalent of the wildlife rangers.

I am sure you have found this conference useful, and I encourage you to utilise this forum fruitfully to air your concerns and gather as many thoughts for the continued progress of your districts and the State of Maharashtra and thereby the country. I wish the very best in all your endeavours and thank the Regional Directors for this opportunity.

Thank you.

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<sup>1</sup> [Economic Survey 2023-24 presented in the Parliament on July 22, 2024](#)

[2 Governor's Statement: June 7, 2024](#)