

April 11, 2005

The Chairman/Managing Director
All Scheduled Commercial Banks
(including RRBs)

Dear Sir

**Rural Lending – Annual Credit Plans based on the Potential
Linked Plans (PLPs) prepared by NABARD**

Please refer to our circular No. RBI/2004-05/293 [RPCD. LBS (SAA). BC. No.62/08.01.00/ 2004-05] dated 08 December 2004 on the above subject. As already indicated in paragraph 2 (iii) of the letter under reference, the Annual Credit Plans will be based on the Potential Linked Plans (PLPs) prepared by NABARD. The modalities for preparing the credit plans were discussed by NABARD with select Commercial Banks to make the planning exercise more participative ensuring active involvement of Branch Managers, Controlling Offices and Government Departments at the district level. Taking into account the views that emerged during the above consultation, it has been decided to adopt the following procedure for the preparation of Annual Credit Plans:

a) A pre-PLP meeting may be convened by LDM during August/September to be attended by the banks, Government agencies, etc., to reflect their views and concerns regarding credit potential (sector/activity-wise) and deliberate on major financial and socio-economic developments in the district in the last one year and priorities to be set out for inclusion in the PLP DDM/DDO of NABARD will make a presentation in this meeting outlining the major requirements of information for preparing the PLP for the following year.

b) PLPs prepared by NABARD and containing block-wise/activity-wise potential will be placed before a Special meeting of the District Consultative Committee (DCC) attended by LDM, DDM/DDO, Line Departments of State Government, Controlling Offices of Commercial Banks, District Coordinators and the representatives of DCCB and RRB. The potentials indicated in the PLP will be presented by DDO/DDM of NABARD and thoroughly reviewed prior to finalizing an implementable District Credit Plan (by 30 November).

c) Controlling Offices of Commercial Banks and Head Office of RRB and DCCB/LDB will circulate the accepted block-wise/activity-wise potential to all their branches for preparing their Branch Credit Plans (by 10 December).

d) Branch Credit Plans will be prepared by the Branches in consultation with their respective Controlling Offices (by 31 December).

e) A special Block Level Bankers Committee (BLBC) meeting will be convened for each Block where the Branch Credit Plans will be discussed and aggregated to form the Block Credit Plan (by 31 January). DDM of NABARD and LDM will attend the meeting and guide the BLBC in finalizing the plan ensuring that the Block Credit Plan is in tune with the potentials identified activity-wise and even in respect of Government sponsored programmes, the credit planned is within the activity-wise overall potential.

f) Only in case of significant variations from the PLP projections, the Branch Credit Plan will be sent to the Controlling Offices for second approval. The Branch Credit Plan will be deemed to be finalized as at Step (d), if revised plans are not received by the LDM from the Branches/Controlling Offices by the due date (by 15 February).

g) The Block Credit Plan finalized in the special BLBC meetings will be aggregated by the Lead District Manager to form the District Credit Plan (by 28 February).

h) The District Credit Plan will be again placed before the DCC by the Lead Bank Office for final acceptance/approval and then launched. The branch credit plan received in soft form from branches will be aggregated block-wise and then for the district as a whole reflecting branch-wise, block-wise, activity-wise plan. This may be treated as an attachment to the PLP and form the District Credit Plan document, if the Lead Bank so desires. The attendance of the Controlling Offices in the BLBC, DCC and Special meetings convened to discuss PLP may be ensured (by 31 March).

i) Launching of AAP/DCP (by 01 April).

The above exercise will facilitate the active involvement of all concerned in the credit planning exercise at the block/district level and also ensure flow of credit to different sectors based on properly assessed potential.

Please acknowledge receipt.

Yours faithfully

(G. Srinivasan)
Chief General Manager