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SHG - POST OFFICE LINKAGE PROGRAMME LAUNCHED



SHG - Post office linkage programme was formally launched on 15 December at Chennai. Smt. Jyotsna Dinesh, Secretary, Department of Posts presided over the function. Dr. K.G. Karmakar, MD delivered special address on the occasion. The occasion was also sought to present ISO certificate to Foreign Post, Chennai at the hands of Shri P. Sengupta, Deputy Director-General Bureau of Indian Standards. Smt. Radhika Doraiswamy, Chief Postmaster General, Tamil Nadu Circle and Ms Nirmala Devi, Ass Post Master General, DoP also attended the function.

Dr. Karmakar in his address said "December 15, 2006 is a historic day in the annals of the banking as well as of the postal department as the two have joined hands to spread the micro credit for the rural poor"

Dr. Karmakar further added that the Pilot Project could not be launched initially due to certain amendments made in the Postal Savings Bank Rules subsequent to signing of MoA on 20 May 2005. However due to the constant efforts taken by the present CPMG, Ms Radhika Doraiswamy the necessary revisions in the amendments were made to make this innovative model workable and the revised MoA between DoP and NABARD was signed on 15 November 2006. He added that every great journey starts with a small and firm step in the right direction. He shared his views on how the SHG linkage programme, started with a meagre target of 500 SHGs in 1992 had grown to 22 lakh groups as on date and has been accepted as the world's largest micro credit programme. He explained that as compared to one bank branch for 18000 households, there is one post office for every 600 household and also out of 1.55 lakh post offices, 1.30 lakh are in rural areas and as such the outreach of the post office is

NEW YEAR GREETINGS

CHAIRMAN



Wishing you and yours, happy healthy and prosperous new year

Dr. Y S P Thorat

MANAGING DIRECTOR



A New Year dawns upon us hopefully bringing in a Happy and Prosperous Year for all members of the NABARD Parivar. Let us together look forward to challenging tasks and achievements which will keep the NABARD flag flying high.

With Best Wishes to all.

Dr. K G Karmakar

NABARD-POST OFFICE PILOT PROJECT

phenomenal. Therefore, the present project will result in greater financial inclusion. Explaining the concept of financial inclusion he said it means -

- (a) availability of right credit / cheaper credit in right time
- (b) availability of insurance and remittance products and
- (c) availability of face to face financial services.

As Post Office is already having the other three services except credit, through the new scheme the Post Office will fulfill all the four services and transforms into Postal Banks as in the case of Germany.

While elaborating the nitty gritty of the newly launched scheme, Dr. Karmakar explained that Post Offices would open savings account in the name of SHG and allow transactions to authorised members. Under the pilot project, initially the scheme will be implemented in Sivaganga and Pudukottai districts. Over 200 staff members of the post offices in these districts have already been trained by the NABARD Officials.

Dr. Karmakar indicated that the credit risk would be borne by NABARD for the time being. The repayment of principal amount received from SHGs would be credited back to the revolving fund maintained by the postal department so that the resources could be reutilised for further lending. The programme would be monitored by a team of postal officials and NABARD officers.

The SHG bank linkage programme was initiated by NABARD in 1992 as a delivery methodology that linked the banking system to the poorest while providing them two important financial services, viz., savings and credit. The idea was to leverage the vast outreach and financial resources of the formal banking system under the given legal framework while providing these two financial products to the poorest and keeping the transaction costs, both of the banking system and the poor, low so that the financial relationship between the banks and the poor becomes lasting.

Despite the high density of the formal banking network (including cooperatives) in the country which translates to about one retail outlet per 1,000 rural households. Members of SHGs in many areas, specially hilly and tribal areas, often found themselves walking tens of kilometres to reach the nearest bank branch. The transaction costs of the SHGs in such cases was bound to increase. At the same time, the banks also found it difficult to keep up their relationship with the SHGs due to the physical distances, resulting in either increasing their own transaction costs or diluting the intensity of their relationship.

This led NABARD to look for alternate solutions in the form of the vast network of over 100,000 outlets of the postal system. It was contemplated that wherever the physical distance between a bank branch or a cooperative was too large, ways of tapping the postal outlet should be found.

Subsequently, following the budget announcement, a Memorandum of Agreement was signed on 20 May 2005 between NABARD and the Department of Post for implementing the Pilot Project. But then the Project could not take off due to the instructions issued by the Finance Ministry that Public Accounts should not be opened in the Savings Bank of Post offices and

therefore DOP was hesitant to open Savings account in the name of SHGs which is the prime requirement of the linkage programme. However, due to the keen interest shown by the Chief Post Master General, Tamil Nadu Circle in the implementation of the Programme and the concerted efforts put in by her, DOP could solve the problem and revised Memorandum of Agreement with suitable amendments was signed on 15 November 2006.

The Pilot Project will be implemented initially in Sivaganga and Pudukottai districts. Based on the experience gained, it will be extended to other districts and to other parts of the country. Under the Scheme, NABARD has already trained the postal staff in the identified districts on appraisal of SHGs, determining their maturity for handling larger financial resources and availing loans. The method would also include determining the safe loan limit that can be sanctioned to a particular SHG. For the present, SHGs will be formed by NGOs working in the area.

The Post Office will open a savings account in the name of the SHG (and not in any individual's name) and allow transactions to authorised members.

NABARD will place bulk loan (presently Rs.34 lakh) with the Postal Department for undertaking the retail lending. The amount will be released by NABARD in instalments based on the ground level credit requirements. Loans will be sanctioned and issued to SHGs at an interest rate of 9% p.a. When loans are repaid by the SHGs, the Postal Department will retain a service fee @ 3% of the interest charged under the loan issued and pass on the balance to NABARD. The repayment of principal amount received from the SHGs will be credited back to the Revolving Fund Account (RFA) maintained by the DoP so that the resources can be re-utilised for further lending. This arrangement is

REVIVAL PACKAGE FOR COOPERATIVES

The Revival Package for Short Term Cooperative Credit Structure announced by the Government of India, based on the recommendations of the Vaidyanathan Committee has received good response from State Governments. So far eleven states viz., Andhra Pradesh, Gujarat, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Sikkim, Tamil Nadu, Uttaranchal and Uttar Pradesh and one Union Territory viz., Dadra & Nagar Haveli have accepted to implement the Package. Of these eight states i.e. Andhra Pradesh, Madhya Pradesh, Maharashtra, Rajasthan, Orissa, Uttaranchal, Uttar Pradesh and Gujarat have executed Memoranda of Understanding (MoUs) with Government of India and NABARD for implementing the Package. The 11 States account for 60.7 percent of total Primary Agricultural Credit Societies (PACS) and 70 percent of total DCCBs.

The Revival Package aims at integrated development of short term cooperative credit structure and seeks to :

- (1) provide financial assistance to wipe out accumulated losses and increase capital base so as to make the system financially healthy and sound,
- (2) introduce legal and institutional reforms by amending the State Coop. Societies Acts making the cooperative structure fully autonomous, member centric, member driven, self-reliant and professionally managed,
- (3) Provide technical assistance by introducing Common Accounting System, efficient Management Information System and Internal Control Systems, proper Human Resources Development System and application of Information Technology at all levels.

The financial assistance under the Package is tentatively estimated at Rs. 13,596 crore to be shared by GoI, State Governments and cooperative credit structure. The exact amount of financial assistance and share of each agency will, however, be based on the special audits of CCS.

Implementation of the Scheme is guided and monitored by the National Implementing Monitoring Committee (NIMC) constituted by GoI under the Chairmanship of Governor, Reserve Bank of India. Similar Committees have been set up for monitoring the performance at state and district levels. These Committees will be assisted by dedicated support teams constituted by NABARD which will help in implementing the scheme.

NABARD has also constituted State Level Task Forces in States which have executed MoUs. The Task Force will review the performance of SCB and CCBs in the State on aspects relating to good governance, compliance with statutory requirements of regulatory and supervisory norms and actions suggested by RBI/NABARD. As prescribed in the Package, cleansing of the balance sheets of the CCS units will be based on a special audit of the accounts as on 31 March 2004 to arrive at the amount of accumulated losses and erosion in the assets. NABARD has designed formats for special audits of PACS and also developed a manual for the use of auditors. Requisite number of Master Trainers (about 500) have been trained in six states viz. Andhra Pradesh, Gujarat, Madhya Pradesh,

Maharashtra, Orissa, and Rajasthan who in turn have trained the auditors. The training of auditors is in progress in other States. The special audits have commenced in the States of Andhra Pradesh and Orissa.

NABARD is pursuing closely with the State Governments to hasten the process of cooperative reforms and amendments to Coop. Societies Act as required in the Package.

Govt. of Andhra Pradesh and Govt. of Madhya Pradesh have already prepared a draft legislation for the purpose while the other states are in different stages of preparation of the draft bills. It is expected that by the end of February 2007, most of the states would have promulgated ordinance ushering reforms in the cooperative law.

NABARD has constituted separate Groups of Experts and consultants to suggest a Common Accounting System, MIS, Internal Control Systems, HRD initiatives etc. These Groups are expected to submit their recommendations by the end of January 2007. NABARD is having a dialogue with various service providers for facilitating computerisation of the cooperative credit structure.

NABARD TO ISSUE ZERO COUPON BONDS

Govt. of India has permitted NABARD to issue Zero Coupon Bonds to the tune of Rs.10,000 crore. The resources raised through this bond will be channelised for priority areas of agriculture and rural development. The salient features of the bonds will be as under:

- The bonds will be issued at discount and repaid at face value. The face value per bond will be Rs.20,000.
- The tenure of the bonds will be 10 years. However, investors will have option to sell it in the secondary market.
- The bonds will be listed in Bombay Stock Exchange (BSE) making it a liquid investment.

- The income accrued on the bonds i.e. the difference between maturity value and the amount of investment, will be treated as a capital gain and will be taxed accordingly.

- No tax will be deducted at source.

- The long-term maturity will allow the investor to plan for long range goals such as paying for children's education/ marriage or post retirement requirements, etc.

- The bonds will be available for subscription at all the offices of NABARD and select bank branches.

DOS & DONTs FOR DIRECTORS OF THE COOPS

Although the cooperative banks have been functioning under the supervision of NABARD and regulatory control of the Reserve Bank for banking related functions, the administrative and managerial functions, elections and appointment of directors etc of these banks come under the purview of respective state/central government.

The Boards of Directors of Cooperative Banks have the responsibility of overseeing the performance of the respective bank's operations and ensure that they function in accordance with the guidelines issued by the RBI/NABARD/Govt. of India and the state government and achieve the objectives set before them.

The eligible directors either elected from amongst the members or co-opted ones must be knowledgeable and persons of high integrity. The Board of Directors must ensure that proper loan policies are adopted and followed. In general directors are expected to follow the norms in discharge of their duties and responsibilities as indicated below:

Discipline & Involvement:

The directors should -

- attend the board meetings regularly and effectively and they should work in the spirit of cooperation,
- study the board papers thoroughly and use the good offices of the Chief Executive Officer (CEO) for eliciting any information at the Board Meetings,
- ask the Chairman to furnish the board papers and follow up reports on a definite time schedule,
- be familiar with the broad objectives of the bank and the policy laid down by the Central and State Governments, Reserve Bank of India and NABARD and
- involve themselves thoroughly in the matter of formulation of general policy and also ensure that performance of the bank is monitored adequately at board level.

Constructive and Developmental Role:

- Welcome all constructive ideas for the better management of the bank and for making valuable contribution.
- Try to give as much of their wisdom, guidance and knowledge as possible to the management.
- Try to analyse the trends of economy, assist in the discharge of management's responsibility to public and formulation of measures to improve customer service and be generally of constructive assistance to the bank management.

- Work as a team and not sponsor or be prejudiced against individual proposals. Management on its part is supposed to furnish full facts and complete papers in advance.

Business Specific Contribution

The directors should bestow attention on the following aspects of the bank's working :

- compliance with monetary and credit policies of Central & State Government, RBI and NABARD,
- observance of cash reserve and statutory liquidity ratio,
- efficient management of funds and improving profitability,
- compliance with guidelines on income recognition, assets classification, provisioning towards non-performing assets,
- deployment of funds to priority sector/weaker sections,
- to ensure that recoveries are made promptly and overdues reduced to the minimum,
- review of action taken on NABARD inspection/statutory audit reports,
- Vigilance, frauds and misappropriation,
- development of good management information system and
- computerisation.

Non-Interference - The directors should not -

- interfere in the day-to-day functioning of the bank,
- involve themselves in the routine or every day business and in the management functions,
- send instructions/directions to any individual officer/employee of the bank in any manner.

No Sponsorship : The directors should not -

- sponsor any loan proposal, buildings and sites of bank's premises, enlistment or empanelment of contractors, architects, doctors, lawyers, etc.,
- approach or influence for sanction of any kind of facility,
- participate in the Board discussion, if a proposal in which they are directly or indirectly interested comes up for discussions.

- sponsor any candidate for recruitment or promotion or interfere in the process of selection/appointment or in transfers of staff.

- do anything which will interfere with and or be subversive of maintenance of discipline, good conduct and integrity of the staff.

- involve themselves in any matter relating to personnel administration whether it is appointment, transfer, posting or a promotion or a redressal of individual grievances of any employee.

- encourage the individual officer/employee or unions approaching them in any matter.

Confidentiality : The directors should

- not reveal any information relating to any constituent of the bank to anyone.
- ensure confidentiality of the bank's agenda papers.
- not directly call for papers, files notes etc. in respect of agenda items to be discussed in the meetings.
- not display bank's logo on his visiting card or letterhead.

RELIEF MEASURES

To mitigate distress among farmers in the 25 debt stressed districts of Andhra Pradesh, Karnataka and Kerala, a rehabilitation package for agriculture credit has been announced.

Under the package entire interest on overdue loans as on 01 July 2006 will be waived and farmers will have no past interest burden as on the date, so that they will be immediately eligible for fresh loan. The estimated amount of interest waiver on overdue loans for these districts is Rs.1436.44 crore in Andhra Pradesh, Rs.209.81 crore in Karnataka and Rs.360 crore in Kerala.

Further, the overdue loans of the farmers as on 1 July 2006 will be rescheduled over a period of 3-5 years with a one-year moratorium.

Banking sector during 2006-07 will ensure credit flow of Rs.13817.78 crore, Rs.3076.20 crore and Rs.1945.07 crore in the affected districts of Andhra Pradesh, Karnataka and Kerala respectively.

The burden of waiver of overdue interest will be shared equally by the State Governments (50%) and Central Government (50%).

AFFECTED DISTRICTS

Andhra Pradesh (16)

Prakasam, Guntur, Nellore, Chittoor, Cuddapah, Ananthpur, Kurnool, Adilabad, Karimnagar, Khammam, Mehboobnagar, Medak, Nalgonda, Nizamabad, Rangareddy, Warangal.

Karnataka (06)

Belgaum, Hassan, Chitradurga, Chickmagalur, Kodagu, Shimoga

Kerala (03)

Wayanad, Palakkad, Kasargod

DONATIONS BY COOPERATIVE BANKS

The guidelines to be followed by SCBs and DCCBs in respect of Donations / Contributions for public purposes out of their profits have been communicated by RBI/NABARD. Accordingly, banks will adhere to following guidelines while giving any donations :

i) Reserve Fund or any other Fund created out of profits should not normally be diverted for purposes other than those for which the funds are meant.

Where exceptions are proposed, prior permission of the RCS and prior concurrence of NABARD has to be obtained in writing before utilising the fund for that purpose.

ii) The normal donations to be made during the year, in the aggregate, to be restricted to a ceiling of 1% of the published profit of the bank for the previous year.

iii) The normal donations together with those that may be made to National Funds and other Funds recognised / sponsored by the State / Central Government during a year may not exceed 2% of the published profit of the bank for the previous year.

iv) The normal donations in the individual cases may not exceed Rs.20,000/- and Rs.10,000/- for SCBs and DCCBs respectively, subject to the stipulations mentioned above.

v) Any relaxation in respect of a donation in any individual case will require the prior permission of the RCS and NABARD.

The Cooperative banks carrying accumulated losses are not eligible to make any donation.

ANNUAL PAINTING COMPETITION 2006- RESULTS

Adults

Ist Prize

Varsha w/o Sanjay M. Gadkari, Jaipur

IIInd Prize

Swati w/o Satchidanand Kalekar, Kolkata

III Prize

Sonee Kanchan d/o Niranjan Das, NBSC, Lucknow

Children - 12 to18 years

Ist Prize

Sanjana d/o Bidisha and S.K. Dora, Ahmedabad

IIInd Prize

Adyasha d/o Smt Swarna Manjari Nayak, Raipur

III Prize

Shweta d/o R. B. Desai, Mumbai

Children upto12 years

Ist Prize

Abhishek s/o Chandan Chakraborty, Ahmedabad

IIInd Prize

Rohit s/o Smt V. Tulaskar, Mumbai

III Prize

Krishnashish s/o Smt Raji Gain, Mumbai

For detailed results please refer notice board or NABARD Parivar October - December 2006 issue

necessitated as the Postal Act does not allow the Department of Post to take credit risk. The credit risk under the Pilot Project would therefore be borne by NABARD.

A project implementing and monitoring committee (PIMC), one at district level and another at the state level, comprising NABARD, Department of Posts, and the NGOs associated in the Project would oversee the programme. Over a period, the regular contact that the postman has with the villagers and the trust that villagers have in the post office would be leveraged to help postal department staff to form SHGs. Necessary training to postal staff in this social intermediation would be organised by NABARD. The Post Office would, over a period, offer other financial products to members of SHGs. These include Postal Linked Insurance, Term deposits, and wherever necessary money transfers.

The Pilot Project aims at:

- perfecting the training need assessment methodology for the postal staff and designing training modules and course material for expansion of the programme to other areas.
- designing integrated financial products that include various forms of deposits, loans, and insurance suiting the needs of the poor, simplifying accounting systems in the DoP as also in the transactions of the SHGs.
- improving the outreach of the SHG programme while amplifying the business opportunities for the DoP by providing a range of services at a single window.
- It is also hoped that the Pilot Project will give an opportunity to the DoP to seriously look at provision of banking services to rural India as “the Big Business” and later transform itself into a Postal Bank.

Who knows, the largest bank in the country, in the near future, would be the NABARD Post Bank!



SARAS – Mahalaxmi – 2006 was organized at Mumbai during 23 December, 2006 to 3 January, 2006 by the Government of Maharashtra. NABARD sponsored participation of 100 artisans from 27 States in the Fair. These artisans sold their goods worth over Rs. 40 lakh.

The products exhibited by these artisans represented a microcosm of Indian artistry from terracotta artefacts from Orissa, Bidri work from Karnataka, beautiful bamboo products from the North East, the ultimate in colours from Rajasthan, Gujarati Handloom delights, intricate artistic products from Tamil Nadu, shining brass products from UP and many more.

The Exhibition was inaugurated by Shri Shahnawaz Hussain, Principal Secretary (Revenue), Government of Maharashtra in presence of Dr. R. Balakrishnan, ED, and Shri Krishna Vatsa, Secretary (Rural Development), Government of Maharashtra.

NABARD had been supporting the rural artisan sector in many ways for many years now. The support from NABARD includes:

- Imparting skill training to rural artisans including market oriented skill improvement
- Entrepreneurship training for rural youth
- Participation of artisans in exhibitions/ melas
- Promoting rural industrialisation through synergy of development

actions at the block/ district level.

- Promoting rural artisan clusters
- Establishing mother units/ common facility centers to help the artisans in the decentralized sector (satellite units)
- Establishment of rural marts/ rural haats
- Establishment and nurturing of self help groups of rural artisans
- Registration of patents (GI registration) of rural artistry (Pochampally Sarees have been registered and more are being registered with NABARD assistance)

Among the latest initiatives of NABARD to support the rural artisans is to help the artisans to participate in Exhibitions and Melas organized in all important consumer markets. Participation in these Melas is intended to help the artisans not only to show case their products to the urban consumers and thus create a demand for their products, but also to get useful feedback on what the market demands. Many artisans who participated in such Melas have improved their products' appeal by way of suitable changes in the design of the product, packaging and even learning from dealing with consumers. Needless to say, this has resulted in substantial income generation to the artisans. Within the last 1-2 years, NABARD has been sponsoring participation of rural artisans in Melas/ Fairs being organized in Mumbai, Bangalore, Bhubaneshwar, Chandigarh, Chennai, Delhi, Hyderabad, Kolkatta, Lucknow, Raipur, and many other towns.

WAIVER OF GOVERNMENT GUARANTEE FOR SCBs

Norms for waiver of Government Guarantee for availment of refinance by State Cooperative Banks (SCBs) under Section 25 of NABARD Act, 1981 have been revised as follows :

FARM SECTOR

SCBs with 'A' class audit under 2 tier and 3 tier structures

- The scheme for which refinance is sought is technically feasible and financially viable.
- The Security to be obtained should be in accordance with the instructions of RBI/NABARD.

- The SCB should be in category 'A'

For SCB to be categorised as 'A', the following norms have been laid down in the policy for 2006-07:

- should have gross NPAs not exceeding 15%
- should have positive net worth,
- should have earned profit for the past 3 years.

SCBs with 'B' class audit under 3 tier structure

- The scheme for which refinance is sought, is technically feasible and financially viable.
- The DCCB which finances the scheme should have 'A' class audit and should be satisfying the norms prescribed for SCB to be categorised as 'A'.
- The security to be obtained should be in accordance with the instructions of RBI/NABARD.

NON FARM SECTOR

The SCBs should have 'A' or 'B' class audit either under 2 or 3 tier structure.

The security obtained should be in accordance with the instructions of the Reserve Bank of India.

Scheme in respect of which accommodation is sought should be technically feasible and financially viable.

KISAN CREDIT CARDS THROUGH ARDBs

The Kisan Credit Card (KCC) Scheme introduced in August 1998, to provide adequate and timely credit support in a flexible, hassle free and cost effective manner, has so far covered about six crore farmers throughout the country.

At the time of introduction of the KCC Scheme, it was envisaged that in due course, allied and non-farm activities may also be covered under the Scheme. Accordingly, the scope of KCC was broad-based to cover term loans for agriculture and allied activities as also small quantum of consumption loan. Further, the coverage of KCC was extended to landless labourers, oral lessees, tenant farmers including defaulters. It has now been decided to extend the scheme to the borrowers of the long term co-operative credit structure also. This would pave the way for acceptance of KCC as a single window for comprehensive rural credit delivery.

As present coverage of KCC, is restricted to short term loans and medium term loans. However, taking into consideration the nature of requirement of the clientele of State

Cooperative Agriculture and Rural Development Banks, it has been felt appropriate to address all the loans requirements of borrowers of these banks under KCC viz; short term/medium term/long term loans and a reasonable component of consumption credit within the overall limit sanctioned to the borrowers.