



AGRICULTURAL DEBT WAIVER AND DEBT RELIEF SCHEME, 2008

ALL INDIA CONCLAVE OF REGISTRARS OF CO-OPERATIVE SOCIETIES
- KEY NOTE ADDRESS BY SHRI U. C. SARANGI, CHAIRMAN

CEOS OF SCARDBS MEET ADDRESS BY DR K.G. KARMAKAR, MD

ASSISTANCE FOR TRIBAL PROJECTS

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1. Introduction :

The Finance Minister, in his Budget Speech for 2008-2009, announced a Debt Waiver and Debt Relief Scheme for farmers. Guidelines for implementation of the Scheme are given below.

2. Scope :

The Scheme will cover direct agricultural loans extended to 'marginal and small farmers' and 'other farmers' by Scheduled Commercial Banks, Regional Rural Banks, Cooperative Credit Institutions (including Urban Cooperative Banks) and Local Area Banks. The Scheme shall come into force with immediate effect.

3. Definitions :

Direct Agricultural Loans means Short Term Production Loans and Investment Loans provided directly to farmers for agricultural purposes. This would also include such loans provided directly to groups of individual farmers (for example Self Help Groups and Joint Liability Groups), provided banks maintain disaggregated data of the loan extended to each farmer belonging to that group.

Short Term Production Loan means a loan given in connection with the raising of crops which is to be repaid within 18 months. It will include working capital loan, not exceeding Rs. 1 lakh, for traditional and non-traditional plantations and horticulture.

'Investment Loan' means

investment credit for direct agricultural activities extended for meeting outlays relating to the replacement and maintenance of wasting assets and for capital

investment designed to increase the output from the land, e.g. deepening of wells, sinking of new wells, installation of pump sets, purchase of tractor / pair of bullocks, land development and term loan for traditional and non-traditional plantations and horticulture; and

investment credit for allied activities extended for acquiring assets in respect of activities allied to agriculture e.g. dairy, poultry farming, goatery, sheep rearing, piggery, fisheries, bee-keeping, green houses and biogas.

‘Cooperative Credit Institution’ means a cooperative society that

- i) provides short-term crop loans to farmers and is eligible for interest subvention from the Central Government; or
- ii) carries on banking activities regulated or supervised by RBI or NABARD; or
- iii) is part of the Short-Term Cooperative Credit Structure or Long-Term Cooperative Credit Structure in a State or Union Territory.

‘Marginal Farmer’ means a farmer cultivating (as owner or tenant or share cropper) agricultural land up to 1 hectare (2.5 acres).

‘Small Farmer’ means a farmer cultivating (as owner or tenant or share cropper) agricultural land of more than 1 hectare and up to 2 hectares (5 acres).

‘Other Farmer’ means a farmer cultivating (as owner or tenant or share cropper) agricultural land of more than 2 hectares (more than 5 acres).

Explanation:

1. The classification of eligible farmers as per the above landholding criteria under the Scheme would be based on the total extent of land owned by the farmer either singly or as joint holder (in the case of an owner-farmer) or the total extent of land cultivated by the farmer (as tenant or share cropper), at the time of sanction of the loan, irrespective of any subsequent changes in ownership or possession.
2. In the case of borrowing by more than one farmer by pooling their landholdings, the size of the largest landholding in the pool shall be the basis for the purpose of classification of all farmers in that pool as ‘marginal farmer’ or ‘small farmer’ or ‘other farmer’.
3. In the case of a farmer who has obtained investment credit for allied activities where the principal loan amount does not exceed Rs.50,000, he would be classified as “small and marginal farmer” and, where the principal amount exceeds Rs.50,000, he would be classified as ‘other farmer’, irrespective in both cases of the size of the land holding, if any.
4. Direct agricultural loan taken under a Kisan Credit Card would also be covered under this Scheme subject to these Guidelines.
5. A short-term production loan and an investment loan taken by a farmer shall be counted as two distinct loans and the Scheme will apply to the two loans separately. Likewise, in the case of a farmer who has taken two investment loans for two separate purposes, the two loans shall be counted as two distinct loans and the Scheme will apply to the two loans separately.

Eligible amount :

The amount eligible for debt waiver or debt relief, as the case may be shall comprise of:

- (a) in the case of a short-term production loan, the amount of such loan (together with applicable interest):
 - (i) disbursed up to March 31, 2007 and overdue as on December 31, 2007 and remaining unpaid until February 29, 2008;
 - (ii) restructured and rescheduled by banks in 2004 and in 2006 through the special packages announced by the Central Government, whether overdue or not; and
 - (iii) restructured and rescheduled in the normal course up to March 31, 2007 as per applicable RBI guidelines on account of natural calamities, whether overdue or not.
- (b) in the case of an investment loan, the installments of such loan that are over due (together with applicable interest on such installments) if the loan was:
 - (i) disbursed up to March 31, 2007 and overdue as on December 31, 2007 and remaining unpaid until February 29, 2008;
 - (ii) restructured and rescheduled by banks in 2004 and in 2006 through the special packages announced by the Central Government; and
 - (iii) restructured and rescheduled in the normal course up to March 31, 2007 as per applicable RBI guidelines on account of natural calamities.

Explanation: In the case of an investment loan disbursed up to March 31, 2007 and classified as non-performing asset or suit filed account, only the installments that were overdue as on December 31, 2007 shall be the eligible amount.

The following loans shall not be included in the eligible amount:

- (a) advances against pledge or hypothecation of agricultural produce other than standing crop; and
- (b) agricultural finance to corporates, partnership firms, societies other than cooperative credit institutions and any similar institution.

Nothing contained in this Scheme shall apply to any loan disbursed by a lending institution prior to March 31, 1997.

Debt Waiver :

In the case of a small or marginal farmer, the entire 'eligible amount' shall be waived.

Debt Relief :

In the case of 'other farmers', there will be a one time settlement (OTS) Scheme under which the farmer will be given a rebate of 25 per cent of the 'eligible amount' subject to the condition that the farmer pays the balance of 75 per cent of the 'eligible amount';

Provided that in the case of revenue districts 'other farmers' will be given OTS rebate of 25 per cent of the 'eligible amount' or Rs.20,000, **whichever is higher**, subject to the condition that the farmer pays the balance of the 'eligible amount'.

Implementation :

Every branch of a scheduled commercial bank, regional rural bank, cooperative credit institution, urban cooperative bank and local area bank covered under this Scheme shall prepare two lists, one consisting of 'small and marginal farmers' who are eligible for debt waiver and the second consisting of 'other farmers' who are eligible for debt relief under this Scheme. The lists shall include particulars of the landholding, the eligible amount and the amount of debt waiver or debt relief proposed to be granted in each case. The lists shall be displayed on the notice board of the branch of the bank/society on or before June 30, 2008.

A farmer classified as 'small farmer' or 'marginal farmer' will be eligible for fresh agricultural loans upon the eligible amount being waived.

A farmer classified as 'other farmer' eligible for OTS relief shall give an undertaking agreeing to pay his share (that is eligible amount minus the amount of OTS relief) in not more than three instalments and the first two instalments shall be for an amount not less than one-third of his share. The last dates of payment in the case of three instalments will be September 30, 2008; March 31, 2009 and June 30, 2009.

The undertaking shall be in such form as may be prescribed by RBI/NABARD.

The amount of OTS relief (i.e. the Central Government's share) will be credited to the account of the 'other farmer' upon the farmer paying his share in full.

In the case of a short-term production loan, the 'other farmer' will be eligible for fresh short-term production loan upon paying one-third of his share.

In the case of an investment loan (for direct agricultural activities or allied activities), the 'other farmer' will be eligible for fresh investment loan upon paying his share in full.

Reserve Bank of India shall be the nodal agency for the implementation of the Scheme in respect of scheduled commercial banks, urban cooperative banks and local area banks. NABARD shall be the nodal agency in respect of regional rural banks and cooperative credit institutions.

Interest and other charges

The lending institutions shall not charge any interest on the 'eligible amount' for any period after February 29, 2008. However, in the case of an 'other farmer' who defaults in paying his share of the eligible amount on or before June 30, 2009 and becomes ineligible for OTS relief, the bank may charge interest for the period after June 30, 2009.

Instalments of investment credit which fall overdue after 31.12.2007 shall be recovered by the lending institutions along with the applicable interest. Lending institutions may, however, in appropriate cases, reschedule these instalments in accordance with the normal policy of the lending institution concerned.

Notwithstanding anything contained in this Scheme, the amount of interest that a lending institution may claim as reimbursement from the Central Government under this Scheme shall not, in any case, exceed the principal amount of the loan.

Ministry of Finance will issue supplemental instructions to the lending institutions in respect of all incidental and ancillary matters including instructions on interest and other charges that shall not be claimed by the lending institutions from the farmer or the Central Government.

Certificate of debt waiver or debt relief :

In the case of small and marginal farmers, upon waiver of the eligible amount, the lending institution shall issue a certificate to the effect that the loan has been waived and specifically mention the eligible amount that has been waived.

In the case of 'other farmers', upon granting OTS relief, the lending institution shall issue a certificate to the effect that the loan account has been settled to the satisfaction of the lending institution and specifically mention the eligible amount, the amount paid by the farmer as his share and the amount of OTS relief.

The certificate shall be in such form as may be prescribed by RBI/NABARD and upon issuing the certificate the lending institution shall take an acknowledgement from the farmer.

Obligations of the lending institutions :

Every lending institution shall be responsible for the correctness and integrity of the lists of farmers eligible under this Scheme and the particulars of the debt waiver or debt relief in respect of each farmer. Every document maintained, every list prepared and every certificate issued by a lending institution for the purposes of this Scheme shall bear the signature and designation of an authorised officer of the lending institution.

Every lending institution shall appoint one or more Grievance Redressal Officers for each State (having regard to the number of branches in that State). The name and address of the Grievance Redressal Officer concerned shall be displayed in each branch of the lending institution. The Grievance Redressal Officer shall have the authority to receive representations from aggrieved farmers and pass appropriate orders thereon. The order of the Grievance Redressal Officer shall be final.

Any farmer who is aggrieved on the ground that his name has not been included in either of the two lists referred to above or on the ground that his name has been included in the wrong list or on the ground that the relief granted to him has been calculated wrongly, may make a representation through the branch from which he received the loan or directly to the Grievance Redressal Officer of the lending institution concerned and every such representation shall be disposed of within 30 days of receipt thereof.

Audit :

The books of account of every lending institution that has granted debt waiver or debt relief under this Scheme (including the books of accounts maintained at the branches) shall be subject to an audit in accordance with the procedure that may be prescribed by RBI/NABARD. The audit may be conducted by concurrent auditors, statutory auditors or special auditors as may be directed by RBI/NABARD. The Central Government, if it is satisfied that it is necessary to do so, may direct a

special audit in the case of any lending institution or one or more branches of such lending institution.

Publicity :

A copy of this Scheme in English and in the official language or languages of the State/Union Territory shall be displayed in each branch of every lending institution covered under this Scheme.

A copy of this Scheme will be available on the websites of the Ministry of Finance, Department of Financial Services; RBI; and NABARD.

Interpretation and power to remove difficulties :

If any doubt arises on the interpretation of any paragraph of this Scheme or any instructions issued thereunder, the Central Government shall resolve the doubt and the decision of the Central Government shall be final.

If any difficulty arises in giving effect to the provisions of the Scheme or any instructions issued thereunder, the Central Government may by order do anything which appears to it to be necessary or expedient for the purposes of removing the difficulty.

Monitoring:

There shall be a National Level Monitoring Committee consisting of following to monitor the implementation of the Scheme.

- i) Secretary, Department of Financial Services, Ministry of Finance – Chairperson
- ii) Secretary, Department of Agriculture and Cooperation, Ministry of Agriculture
- iii) Deputy Governor, Reserve Bank of India;
- iv) Chairman, NABARD;
- v) Chairman and Managing Director of two public sector banks;
- vi) Chairman of two Regional Rural Banks; and
- vii) Managing Director of two State Level Cooperative Banks.

**ALL INDIA CONCLAVE OF REGISTRARS OF CO-OPERATIVE SOCIETIES
- KEY NOTE ADDRESS BY SHRI U. C. SARANGI, CHAIRMAN**

I am happy, all of you could make it to Lucknow to attend this conclave. I had two intentions, two vested interests you can say behind holding this conference at Lucknow. As premier training institute on Cooperatives, this institute primarily caters to the needs of the Cooperatives and RRBs. I wanted all of you to see the physical infrastructure, the facilities and have a feel of the intellectual capital of this institution. So that you will be convinced that it has served some purpose to send your people for training to this institution.

Cooperatives, in particular Cooperative Credit Institutions are at a turning point in their course of further movement. When the country is all set to observe the

centenary of cooperation, there is fear of Cooperative Credit Institutions dying. Out of 367 DCCBs in the country, as many as 157 have gone under Sec. 11 of BR Act. They are suffering a great deal in terms of credit deployment for agriculture production.

It was at that point of time that a momentous decision was taken to appoint Vaidyanathan Committee. The journey of cooperative institutions in the last 100 years started in 1904 with enactment of All India Credit Cooperative Societies Act. This was done by Lord Curzon who himself had a lot of interest in agriculture. He was the youngest viceroy of India and he joined as Viceroy, in 1898 when the famous famine in western India took place. Millions of people died and Curzon felt something needs to be done to improve agriculture production.

Technology is what you require to use and technology use requires investment and investment is just not available with the farmer. Curzon brought this Act called All India Cooperative Credit Societies Act. That time it was a central subject, later on it was modified to Cooperative Societies Act to make it possible to form any kind of cooperatives under the Montague-Chelmsford administrative reforms in 1919. The subject was transferred to States and each State enacted its own act. The Bombay State enacted the Bombay Cooperative Societies Act in 1925 and many other States followed. Since then cooperatives has been a State subject though there is a Central Register and there are cooperatives registered with the Central Registrar.

Fifty years then, (from 1904 to 1954) nothing much happened in cooperatives. There were some cooperative banks giving little bit of credit, particularly for the irrigated tracts. After independence on the eve of first plan, Pandit Nehru said everything can wait but not agriculture. The All India Credit Survey Committee was appointed and he used a famous phrase "Cooperatives have failed but Cooperation must succeed". He envisaged large scale State patronage of cooperatives by contribution of share capital. Cooperative banks came all over the country and that is how we have today more than 1,00,000 Primary Agriculture Cooperative Credit Societies at every nook and corner of 6,00,000 villages. We have 367 credit cooperative banks.

The Land Development Banks were established in 1922 and since then they have been doing a big job of providing long-term credit for capital formation in agriculture. Both these structures did wonderfully well to start with. If you ask me who provided the credit support to the green revolution, I would have no hesitation in saying that it was the cooperative banks not as much the nationalized banks. The Commercial banks, 14 of them were nationalized in 1969, 6 more in 1980. By the time they established their branches in rural areas and started disbursing credit the first phase of green revolution was over.

RRBs came in 1975; NABARD came into existence from RBI. Earlier it was the Rural Planning Credit Dept. in RBI and it became an independent unit in 1982. Last year we celebrated our Silver Jubilee year. But late eighties, early nineties and late nineties the cooperative banks started declining; their ability to support agriculture went down. In absolute terms, the total credit deployed by the cooperative banks may be looking impressive, today it is around Rs.40000 – 42000 crores but it is much less than what possibly they could have done, if they had maintained their financial health of seventies and eighties. Mounting overdues, impairment in governance, poor human resources, recruitment & training, consistent and frequent supercession of Board of Directors, lack of elections, all

this became reasons for decline of financial health of the Cooperatives and they had gone weak at the time the country needed their support most.

The Finance Minister had announced in 2004 budget speech doubling of credit in three years. It was not doubled, it became almost 3 times. Being encouraged by this, the FM has kept a target of Rs.2,80,000 crores for the year 2008-09. Cooperatives would have their share in this target. But are they in a position to discharge this responsibility with the kind of financial health they enjoy today? The answer is a clear 'no'. Would they be able to do it entirely on NABARD refinance? The answer is again 'No'. Their financial health has to come back, they need to become more vibrant, they need to ensure to enjoy investors' and depositors' confidence, accumulate more deposit and work in competition with the Commercial Banks (CBs).

The functioning of CBs before 1990 was in no way significantly different from cooperatives but after the Narasimham Committee Report and its full-scale implementation, CBs have changed tracks. They have almost transformed themselves in last 15 years. The Indian Banking system, Commercial banking system today can compete with the best in the world anywhere.

BASEL I has already been implemented and Basel II is now under implementation. So CBs have done significantly well, have gone for largescale computerization, Core Banking Solutions (CBS), new innovative financial products etc. The Cooperative Banks are still lagging behind. The CRAR norms have not been applied to Cooperative Banks, CBS are still not implemented in Coop banks. Now my friends, would the cooperatives survive in the manner they are running today? To me answer is 'no'. They also need to change, to accommodate, adjust with the changing needs of time to be able to compete with their counterparts, remain vibrant and provide credit.

Our food production, has not been very good at the turn of this century. We crossed 200 million tons in 1998, reached 212 million tons by 2002, but thereafter there was a lull in production and only in 2006-07 we reached 216 million tons and this year we have reached 217 million tons. Despite a bumper crop of sugarcane, cotton, soya bean, this year the overall agriculture production growth rate is estimated at 2.6%. To achieve a double-digit growth rate, we want it to be 4%.

Over the years, the land holding size has become smaller & smaller due to fragmentation. 82% of the farmers in the country have less than 2 hectares of land. They are under small & marginal farmers categories, and in some States like West Bengal 94% of farmers are in this category.

The average per capita lending of coop. bank is around Rs.20000-25000. The average per capita lending of commercial banks is around Rs.90,000. The average per capita lending by RRB is around Rs.33,000. This clearly shows that Coop. banks take care of the most vulnerable section, the small & marginal farmers.

Now in terms of share in the total credit, cooperative banks go for only 27% whereas share in terms of no. of accounts coop. banks account for more than 50% of total account holders. So 50% of farmers who access capital from banks, to do their agriculture are from coop banks and majority of them, are small and marginal farmers. Investment has to go to the land of small & marginal farmers. If in the final run, we have to ensure food security, we have to ensure higher agriculture production and that cannot happen unless coop. banks become vibrant.

When the Vaidyanathan Committee was appointed, I was fortunate enough to be a member of both Vaidyanathan I and II. The All India Rural Credit Survey Committee said that 'Cooperatives have failed; Cooperation must succeed'. We didn't write so but we virtually came to a conclusion that cooperatives are dying, they must not be allowed to die.

Never before had Govt. taken a decision to recapitalise cooperative banks to the tune of Rs.15000 crores. Twenty states have already signed the MoUs so far. This will cover 95% of DCCBs and 97% of PACS in the country. So you all have responded very well when we said that we are giving a bitter pill to the State by asking them to undertake legal, institutional and structural reforms and to remove this bitterness with a sweetener, we are giving them fund assistance for recapitalisation, but after the reforms. Last year we disbursed around Rs.3500 crores. This year we would like to disburse at least Rs.5000 crores and next year we want to complete this process. The entire Rs.15000 crores must reach the banks to write off their losses, bring back the PACS in good standing again and enable them to disburse credit to agriculture in a much larger manner than they have been doing so far. Another side of Vaidyanathan Committee or even in absence of Vaidyanathan, is training of those who manage Cooperatives. As RCS Maharashtra, I arranged for training programme at State Training Institute and in a matter of 3 years we could train 10000 directors and managers of Cooperative banks. The training was so useful that the members of the Board of Directors who got trained, the Branch managers who got trained, went back and told the people that there is no escape from this training. So send more people. Now training exposure to changes that are taking place around us would make them think that they must change or else they stand to perish.

The fear of either change or perish will bring more vibrance in the management of Coop. Credit Institutions and that will help us implement the propositions in Vaidyanathan Committee Report. So I would request you to have more training programmes through the Cooperative Development Fund maintained by NABARD. We support the State Coop. Training Institutes. From this Fund, I want the RCS to prepare a detailed training module. We have expertise at BIRD to help you design courses. I am not bothered whether this training is held in your State Government institutes, whether held in State Coop. Training Centers or you get them trained, the Senior Management level at BIRD, If you get all the senior and middle management level trained and make them aware of responsibilities that lie ahead of them, I think Vaidyanathan Committee Report would serve a great purpose for revival of cooperative credit institutions.

About the issue of subvention, I myself feel bad; we all at NABARD feel bad that the Govt. announced 2% subvention is not going to the Coop. Credit Institutions in time. Gol says that the audited accounts certifying the requirement of subvention must come from CCI. Some States take a very long time and pooling it together and sending it to Gol for one or two releases delays final release of subvention and it affects the finances of the concerned coop banks. So I would request the RCS to ensure that the banks send their audited statements in time. If you give us the statements by end June or July then we will get the money released in August itself.

Many of us who are sitting here have our roots in villages. We have come here to do a job in Govt. or private sector. But who is tilling our land? We have given it to share croppers. More and more people leave rural areas to come in pursuit of jobs. Their land in the village will have to be tilled by a labourer, share cropper a tenant farmer or oral lessee. Their number is increasing year after year. But they don't have access to capital so they do farming without investment, without use of technology and that does affect his production and national production as well. The FM has announced that at least 2% of accounts must be

advanced to Joint Liability Groups. If somebody has taken three acres of land on lease and given loan under Joint Liability Group then his loan will be eligible for waiver. So share croppers, tenant farmers and oral lessees have become an important and significant constituent of our farming pool. I believe we must enable them to do good quality agriculture.

NABARD started an experiment in 1987 and gave concrete effect to it on ground in 1992. This is what you all know today as Self Help Group Movement. We never knew that the sapling we had planted would be like a Banyan tree so fast, so soon. By the end of year 2007-08 covering 42 lakh SHGs have been credit linked covering around 500 lakh families. For banks, this SHG mechanism is a wonderful way of financial inclusion. We have been able to reach as many families who otherwise did not have a credit card, who otherwise did not have access to capital. The SHG mechanism made it possible. But when we look into the share of the CCIs in micro finance, it is again not very significant. They are the ones who are in touch with the poorest of the poor and they are the ones who are visible in every nook and corner of the country, and so I would request the RCS to take up this movement in big way in cooperatives.

There are 87 lakh women covered under SHG programme in Andhra Pradesh, with 8 lakh groups and their recovery, I am told, is 98%. You make money while serving the poor. Now the micro finance organizations are doing the same thing but they charge them a very high rate of interest. What you can do at 10%,12% &15% they are doing at 30% or 35% per annum. So, that is one area where there is tremendous scope to establish a credit linkage with the poor.

Now you are all aware of the Rangarajan Committee Report. The FM has made a reference to this report in his budget speech this year and we want every bank branch, whether it is a cooperative bank branch or RRB branch or a commercial or private sector bank branch, to cover atleast 250 accounts in a year continuously for next 5 years and we are calculating that this can go to 10 million accounts. We want him to provide at least 4 services viz. 1. Savings if you want to save money, 2. Credit, if you want to take a loan, 3. Insurance if you want insurance and 4. Remittances if you want to send money to somebody else. So these four facilities must be made available to all those who are till today not having.

The FM has created two Funds viz. Financial Inclusion Fund and Financial Inclusion Technology Fund because it is difficult to open a branch and serve in remote area. A branch doesn't become financially viable, so we have decided that these 2 funds have been created at the level of NABARD with an initial contribution of Rs.10 crore from RBI, Rs.10 crore from GOI, Rs. 5 crore from NABARD for both the Funds each. We want to take these funds in 2-3 years to Rs.500 cr each. Any of you who wants to take aid of technology, or to appoint Business facilitator and Business Correspondent and provide them technological aid, can have smart cards and they can do branchless banking in rural areas. If they are able to do that then banks would be able to reach every household, poor and rich alike all over the country. The 11th plan document says "towards a faster and more inclusive growth" and inclusive growth is not possible without Financial Inclusion and that is where again I would request you to take greater interest.

NABARD has been entrusted with the task of compiling the Cooperative Statistics and bringing out the publication, "Statistical Statements Relating to Co-operative Movement in India" which is a valuable document used in the planning process at various levels of the Government. But I find that the Statistics is more than 4 years old. It should be our endeavour to bring out the publication within a period of one year. This would be possible only if there is timely flow of data from RCS office.

The last point before I close, is audit. When I was working as RCS in Maharashtra, I was surprised that for 6 months, not a single file regarding audit came to me so I called the Additional Registrar 2-3 times and I found no response. I went to the Audit Department once and I found that only 50% of Audit Report has been received for period three years back and 20% of audit report for the previous year had been received in the month of February. Annual General Body Meeting (AGM) cannot be held without audited accounts being made available to the General Body. If the AGM is to take place before 15 August, audited results have to come before 31 July.

I have been telling people that treat the ailment the moment it is noticed and don't take too long to diagnose the ailment. You must keep a watchful eye to be able to notice the sickness promptly. I have seen banks who started showing signs of sickness in 1992 but it was finally accepted by authorities in 2002 by that time the institution was in a very bad shape. So we need to respond in time and for that audit is a wonderful instrument.

Three years back RBI and the Commissioner, Cooperation, RCS agreed on the Task Force on Urban Cooperative Banks. I had told RBI Governor at that time that Sir you have the expertise but don't have the reach I have the reach but don't have the expertise. If we join together perhaps we would be able to do a more meaningful job for improving the conditions of the coops. The Task force was formed and the DG was telling me that the experience of last 3 years was very good. Things are getting sorted out.

NABARD has been entrusted the responsibility of supervision and monitoring of inspection of Cooperative Banks. Very valuable resource through inspection and corrective measure can be taken. we have similar such structure where the State in-charge of NABARD, the RCS and the CEO of the apex State Cooperative Bank and the Cooperative Bank Federations representative sit together once in a quarter and look into the financial health and other functional aspects of various cooperative banks and decide about the actions to be taken by NABARD, RBI on one side and by cooperative banks on the other side. So I will work on this and send a communication to all of you. If it is agreed, a similar kind of arrangement we can bring in place where all of you I want the Commissioner, Cooperation to chair this structure.

CEOS OF SCARDBS MEET ADDRESS BY DR K.G. KARMAKAR, MD

The XVIth Meeting of CEOs of SCARDBs held on 8 May 2008, held at BIRD, Lucknow was inaugurated by Dr. K.G. Karmakar, MD. Extracts of the key note address delivered by Dr. Karmakar on the occasion are given below.

The long term cooperative credit structure is passing through a critical phase. Past has been uneven and we had to move forward and plan for better future. The Loan Waiver Scheme has created problems in recovery climate of the banks. The SCARDBs should think in prospective manner and ensure that fresh loans can be extended to ultimate borrowers. There is a bigger challenge for meeting the resource crunch.

He reminded that the policy on loan waiver will be out shortly. (incidentally policy was announced on 23 May 2008 and carried in this issue). SCARDBs have to gear up for assessment of impact of loan waiver scheme, quantity of fresh loans to be disbursed and mobilisation of resources. Long term structure need to increase its membership which is very meagre as compared to that of short term structure and bring more and more potential clientele under its fold. It has to focus more on clientele base and services to the rural masses in the years to come. They have to slowly move towards Universal Banking. Diversification of loans, innovative

banking products, new upcoming areas like housing loans, rural/eco tourism, drinking water, rural sanitation are some of the areas which could be taken as an opportunity to bank with. The micro finance route is not adequate and there is tremendous competition. Rural infrastructure sector can be taken as a challenge or opportunity by the SCARDB. Hon'ble Finance Minister has emphasised 4% growth in agriculture during the XI Plan period. However, under agriculture, we have small land holdings which lack adequate technology to make them viable. For increasing business in agriculture we have to resort to use of good quality seeds, farmers training, opening of Farmer's Clubs, organising Joint Liability Groups and SHGs. The Loan Waiver Scheme is an opportunity to cleanse the Balance Sheets. He made the following suggestions :

i. Work out the details of quantum of eligible amount of Reschedulement of Principal ii. Assess the impact of Loan Waiver Scheme iii. The amount of assistance receivable under reform package (under Vaidyanathan II) based on accurate assessment of overdues.

He insisted that SCARDBs should undertake this exercise before 30 June 2008. This would help NABARD and SCARDBs to assess amount of assistance of Reschedulement. After the process of loan reschedulement is completed, the Loan Waiver Scheme will be implemented. The third stage of implementation of Vaidyanathan II will be taken up after the process of implementation of Loan Waiver Scheme is completed.

Structural viability is one of the important issues and one has to think seriously as how it can be done through mergers / arrangement with competitors. The structure has also to think seriously of its increasing NPAs which have reached 35%, build a strong banking relationship, arrest declining recoveries, bring down the high cost of management through expansion of business and its outreach, post follow-up, deposit mobilization, innovative products, safe and small deposits. There is no need to have 101 goals but have a few strong achievable goals. Improve internal checks and control, refine HRD policies in tune with current scenario of professional approach, introduce Risk Management System. NABARD on its part supporting the initiatives through CDF, increase the number of Farmer Clubs formation and involvement of Joint Liability Groups (JLGs). The Long Term structure needs most importantly the good governance, frame some norms for it.

Let everyone here be frank on discussion on the challenges of LT structure is facing and, how to reach the next century is in the hands of SCARDBs and find your own ways and means to reach it through your sustained efforts.

ASSISTANCE FOR TRIBAL PROJECTS

Under its Tribal Development Fund (TDF), the bank recently sanctioned nine projects with an assistance of Rs 26.05 crore. These projects will benefit 6800 poor tribal families in the states of Rajasthan, Chhattisgarh, Orissa, Andhra Pradesh and Bihar. With this, the total sanction from NABARD under the fund is Rs 130.04 crore, benefiting more than 38,000 families spread over 16 states and Union Territory of Dadra & Nagar Haveli.

The Tribal Development Fund (TDF) set up by the bank with its own resources and a corpus of Rs. 50 crore during 2003-04 and augmented every year, aims at

integrated tribal development focussing on WADI (small fruit orchard) approach with peoples' participation. With the objective of achieving sustainable development of the tribal poor, other components like livelihood support for landless, health, women development, capacity building are also supported in these projects. These projects are implemented through voluntary agencies with experience in Natural Resource Management and social mobilisation in tribal areas.

Special focus is given for formation and release of funds through the people's organisations formed in the project area. These people's organisations are planning to take up common activities such as processing and marketing of wadi products & other non timber forest.