



AGRICULTURAL DEBT WAIVER & DEBT RELIEF SCHEME, 2008

BUSINESS PLAN MEET OF OFFICERS-IN-CHARGE OF REGIONAL OFFICERS

VALEDICTORY ADDRESS BY CHAIRMAN

SGSY CREDIT MOBILISATION TARGET

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CONFERENCE OF NODAL OFFICERS

In pursuance of the announcement by Government of India of Debt Waiver and Debt Relief Scheme, 2008, for farmers and issuance of the Government of India guidelines, NABARD has geared itself to ensure the successful implementation of the Scheme. The Union Government has identified NABARD as the nodal agency to oversee the implementation of the scheme relating to Cooperative Credit Banks and RRBs.

The Government of India guidelines and the subsequent clarifications received from the Government of India, were forwarded to all the Cooperative Banks & RRBs through its ROs with instructions to initiate the process of preparation of list of Small & Marginal Farmers as well as other farmers eligible under the Scheme.

To oversee the implementation, NABARD has appointed its Executive Director, Shri S.K. Mitra, as the nodal officer. In addition, it has also designated nodal officers in all its ROs.

A Conference of all the nodal officers of the ROs was convened on 02 June 2008 to clarify the issues concerning the implementation of the Scheme as also to impress upon the ROs to ensure that the Scheme is implemented within the scheduled date, i.e. 30 June 2008, so that the fresh loans can be issued to all the eligible farmers.

The Conference was addressed by Shri U.C. Sarangi, Chairman & Member of National Implementation Committee, Dr.K.G. Karmakar, MD and Shri S.K. Mitra, Executive Director.

A control room has also been set up at HO to oversee the implementation of the Scheme on a day-to-day basis and giving feedback to Government of India accordingly.

MEETING OF COOPERATIVE BANKS

Further, a meetings of CEOs of State Cooperative Banks and CEOs of State Cooperative Agriculture and Rural Development Banks was organised on 4 June 2008 as part of series of meetings to firm up the modalities of Debt Waiver and Relief package and also to discuss institutional developmental issues.

Addressing the CEOs of Cooperative Banks across the country, Dr K G Karmakar, MD said, “the past of Cooperatives had been uneven, but we ensure a better future”. He advised them to calculate the amounts to be written off by 30 June 2008 so that fresh finance can be ensured to the farmers.

Shri Umesh Chandra Sarangi, Chairman shared his thoughts with CEOs and said “You have been witness to the rise and fall of the Cooperatives and never before the sector has seen so much activity than in last four years”. There is acute incidence of distress among the farmers which should be the exclusive concern of the credit delivery system and specially the cooperatives. He advised them to work out the cash flows statement and credit requirement of the farmers before 30 June 2008. Fresh loans must be ensured to the distressed farmers to put them back on track – as is the mandate of the Government of India.

S/shri S.K. Mitra and Amaresh Kumar, Executive Directors also guided the deliberations.

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BUSINESS PLAN MEET OF OFFICERS-IN-CHARGE OF REGIONAL OFFICERS

The 49th Business Plan Meet of Officers-in-charge of all ROs held in Mumbai on 15-16 May 2008 was inaugurated by Dr. K. G. Karmakar, MD. Valedictory session was chaired by Shri U. C. Sarangi, Chairman.

Dr. Karmakar in his inaugural address observed that two major policy statements from Gol and RBI, namely the Union Budget (2008-09) and the Annual Monetary and Credit Policy, had been announced since the last Meeting. Some of the major policy announcements therein had significant ramifications for NABARD.

Dr. Karmakar reminded everyone that NABARD’s mandate was to ensure that farmers got a fair deal. However, of late, problems relating to food security coupled with inflation have cropped up leading to acute distress to farmers. He indicated that farming was no longer a viable proposition for most farmers. He urged that necessary steps should be initiated for mitigating the problems of farmers.

Indicating that the coming years are crucial, Dr. Karmakar advised NABARDians to strive hard and become a knowledge worker contributing to policy formulation and innovations within NABARD and at the Government level. This is the only way, he said, we can maintain our relevance and make an impact on the ever changing rural economic scenario.

The Board has advised the bank to prepare a Strategic Action Plan to address the issue of repositioning of NABARD. We need to develop a vision for the next 25 years which could then be translated into objectives.

Emphasising the need for effective agri- extension services, Dr. Karmakar indicated that there was a need to establish ground level contact with farmers by adopting a credit plus approach. One effective way is by forming more Farmers' Clubs. He observed that, presently, margins available to farmers were very low on account of increasing input prices and controlled output prices. Therefore, in his opinion, arranging for quality inputs and technology for farmers assumes prime significance.

Dr. Karmakar also observed that refinance flow for minor irrigation schemes had declined to around 5% from around 52% in the ARDC era. This is a cause for concern. He added that, despite the present emphasis of GoI culminating in significant public investment in major irrigation projects, around 60% of the cultivated area was still under rainfed farming. In order to increase agricultural production and productivity, massive investments in irrigation must continue. He advised to initiate immediate steps for better implementation of the "Dugwell Recharge Scheme" in applicable States.

MD listed the following major internal and external issues facing the Bank and sought suitable suggestions.

Internal :

There is need to mobilise large volumes of resources at low cost. The implementation of the Debt Relief & Debt Waiver Scheme is expected to open up choked lines of credit and it is envisaged that a large number of farmers shall become eligible for fresh finance. This may result in greater demand for refinance. A suitable strategy, therefore, needs to be outlined for raising required resources without straining the financial margins of the institution. One of the ways could be laying greater attention to marketing of NABARD Rural Bonds.

Around 60% of NABARD's senior officers shall be retiring in the next few years. This brings us to the critical area of succession planning based on knowledge sharing and management. We need to improve informal exchanges, mentoring and knowledge sharing culture. The scope for vertical and lateral expansion needs to be examined proactively.

Organisations are rarely designed; they evolve around work structures. Often the structure is put in place before developing strategy. Sometimes strategy changes and structure is unaffected and likewise the structure is changed without a new strategy being developed. We are at a critical juncture and there is a need to examine the existing structure of the organisation.

Outdated systems and processes are required to be replaced with need based computerisation. Centralised accounts and salary shall release staff for business and developmental areas.

Fresh and innovative ideas should be encouraged, particularly those that emanate from the field level as also from young talent.

External :

Debt Relief and Debt Waiver Scheme :

The Bank has been actively involved in the formulation of draft guidelines in respect of the Debt Waiver/Debt Relief Scheme. While this is a welcome move that will open up the lines of credit

from the banks for millions of Indian farmers, it devolves great responsibilities on the Bank. Of immediate concern is an expected spurt in credit demand at the ground level leading to liquidity crunch.

He emphasised, we need to initiate steps for augmenting the resources of Cooperative Banks and RRBs through enhanced refinance and liquidity support. In this context, the announcement of the Rs. 5,000 crore Fund for NABARD to augment its resources for ST(SAO) purposes is most opportune. MD pointed out that the Scheme was required to be implemented expeditiously and all eligible debts waived/relief provided latest by 30th June.

Financial Inclusion :

Dr. Karmakar outlined various historical steps taken by GoI/RBI/NABARD for ensuring financial inclusion. Despite these efforts, he observed, a vast majority of rural population continued to be financially excluded. Micro finance aided by suitable technology could prove a very important tool for financial inclusion. In this context, he emphasized the need for grounding steps for achieving 100% financial inclusion within the next three to five years. In this context, it was pointed that there did not exist uniform methodologies for securing FI. Rather, innumerable localised initiatives need to be adopted in each State.

He suggested that PACS and SHGs, which are grass roots level and democratic entities may be used as Business Facilitators / Business Correspondents. SHG Federations may be encouraged to assume the role of capacity building. Similarly, cost effective, secure and upscalable technology models also need to be developed.

Micro Finance Regulations :

The Micro Finance Regulations are expected to be ratified in the next session of Parliament. As a pioneer in the field of micro finance, NABARD needs to enter the field of MF Regulation proactively and provide leadership in the field of micro finance.

100% Government Ownership :

RBI is expected to divest its equity stake in NABARD by 30 June, whereupon NABARD shall become fully owned by government. NABARD shall consequently need to outline a suitable agenda. In this context, Dr. Karmakar mentioned that two Committees for exploring New Business Models for NABARD and HR Issues have been constituted under the leadership of Executive Directors Shri S.K. Mitra, and Shri Amaresh Kumar respectively. He welcomed new ideas from the members and also exhorted the Committees to finalise the recommendations expeditiously.

RIDF :

Continuing further and referring to the recent announcements in the Union Budget (2008-09) and the Monetary & Credit Policy announced by RBI in the context of the increased corpus of RIDF XIV in 2008-09 to Rs. 14,000 crore, MD emphasized the need for a long term window under RIDF. At the same time, he indicated the need for greater professionalism in view of the increasing competition from entities such as ILFS, etc. In this connection, the impact of the stipulations in the April, 2008 RBI Monetary and Credit Policy regarding classification of sponsor banks loans to RRBs as indirect agricultural finance, including shortfall in lending to weaker sections towards RIDF contribution and allowing RRBs to sell loan assets to other banks in excess of their prescribed priority sector exposure need detailed examination. This may encourage many private sector banks to improve their priority sector portfolio by buying into such assets and thus impact the amount available for RIDF.

Rural clusters and rural marketing using new age retailers such as Subhiksha, Reliance Agro and Food Bazaar source agri-products or agro-based processed foods which are in many cases, manufactured in smaller towns. ROs may explore the sourcing mechanisms of these companies and, if possible suggest a useful role for Farmers' Associations in the rural supply chain. Contract farming also needs to be encouraged actively.

MD reiterated the challenges facing NABARD as follows :-

- Setting up a Deposit Protection Scheme for SHG members, as part of NABARD's efforts towards sound and effective micro finance regulation;
- Facilitating micro insurance in rural areas;
- Offering micro-insurance in partnership in other organisations;
- Ensuring adequate margins for farmers by adopting a credit plus approach;
- Ensuring 100% financial inclusion in 3-5 years;

Having outlined the challenges, MD indicated that greater emphasis might be placed in existing areas of functioning of NABARD, such as support to SHG Federations, promotion of micro enterprises, grant-cum-loan based products for financing sustainable livelihoods from FIPF, TDF and under Cluster development.

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VALEDICTORY ADDRESS BY CHAIRMAN

Shri U. C. Sarangi, Chairman delivered his valedictory address at the conclusion of the Meet. In his address, he observed that NABARD makes money out of its refinance business, RIDF & Treasury Management, and NABARD spends money on various developmental programmes through WDF, TDF, RIF, etc. Chairman regretted that the various developmental funds available with NABARD are not being utilised to the optimum level. He observed that the expenditure in many of them is less than the interest that accrues to the fund. He observed that pilot initiatives taken become showpieces unless we are in a position to scale them up into programmes. The Bank has to ensure flow of regular and sufficient resources to these fund, if the upscaling has to be sustained. He indicated that the Balance Sheet grew by 17% last year and this year, it has grown by 21% to Rs.99,000 crore. During the year 2008-09, efforts should be made that the Balance Sheet should reach Rs.1,30,000 crore registering a 30% growth. The gross surplus should reach Rs.2,000 crore during the current year and Rs.3,000 crore in the coming year. He urged the participants to analyse how it would be possible to translate into practice. He further observed that RIDF outstanding grew by 53% in the last year. He indicated that RIDF could be an ideal vehicle for expanding the balance sheet and at the same time remaining revenue surplus. While at 0.5% margin, the earnings from this would be meagre, the interest differential would be sizeable to augment the development funds. This, he indicated could be largely achieved through improvement in the RIDF process. Hence, allocations were communicated to State Governments by 25 March. This year, the first PSC sanction took place in April and many Finance Ministers and Secretaries from State Governments have complimented NABARD at this initiative. The sanctions should be completed by October so that State Governments have adequate time to effect their drawal as well as plan for projects for the coming year. ROs need to pursue with the State Governments to ensure adequate budgetary provision.

NABARD appears to be a very flexible organisation. It is so flexible that the staff requirement in each of the RO is not known while undertaking the transfer exercise. Coming from a Government set up, such a thing is unthinkable. Such issues should be clearer and there should be devolution of powers to MD/EDs/CGMs.

Monitoring the performance of each of the RO based on monthly targets allocated for various business and development indicators would be the priority. There shall be a rating system based on the achievement of target. The evaluation of performance of RO-in-Charge would be transparent if evaluation is done in this way. He hoped that all RO-in-Charges would carry their targets seriously and give him an opportunity to congratulate them in the end of the year by achieving the same.

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SGSY CREDIT MOBILISATION TARGET

The Government of India has finalized the credit mobilisation target for the year 2008-09 under SGSY. The State Level Bankers Committee SLBC would allocate the targets among individual banks on the basis of acceptable parameters. The banks are also expected to achieve the credit target fixed and ensure minimum subsidy credit ratio of 1:3. The total target for the year is expected to be Rs.3929.80 crore. NABARD will continue to monitor the implementation of the programme.

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