

NABARD

NEWSLETTER

VOL. 20

APRIL 2009

NO.1

NABARD'S OPERATIONS TOUCH NEW HIGHS

NABARD registered significant growth, both in percentage and absolute terms, in its financial operations during 2008-09. The total loans provided by NABARD to financial institutions and governments during 08-09 aggregated Rs.49,952 crore, registering 29% growth over 2007-08.

The total working funds of NABARD crossed the Rs. 1,00,000 crore mark and stood at Rs.1,19,000 crore, as on 31 March 2009, an increase of around 21% over last year's level of Rs.98,706 crore.

A wide range of development interventions like in the form of innovative technical support, capacity building interventions for farmers, rural entrepreneurs and institution building strategies for rural financial institutions (RFIs) were undertaken during the year by NABARD. The highlights of the financial operations and developmental interventions of NABARD during 2008-09 are:

Financial Support

In order to supplement the short-term (ST) funds of Co-operative Banks and Regional Rural Banks (RRBs), NABARD provided refinance credit lines towards crop loans for seasonal agricultural operations, weavers, etc. These banks availed Rs. 21,460 crore ST loans from NABARD during 08-09, registering 29% growth, as against Rs.16,640 crore during 07-08. Besides these, NABARD also provided liquidity support for *kharif* and *rabi* seasons to the co-operative banks and RRBs.

Refinance was provided by NABARD for promoting investments in agriculture &

allied sectors, non-farm sector activities and services sector to commercial banks, RRBs and co-operative banks. This aggregated Rs.10,535 crore during 08-09, an increase of 16% over 07-08.

A major portion of the Rural Infrastructure Development Fund (RIDF) assistance from NABARD to State Governments during 08-09 was used for investments in irrigation and other agri-related projects. Besides these, investments supported under the Fund included rural roads and bridges, rural drinking water, health, education and other vital infrastructure for rural areas. A separate credit line was also given by NABARD to the National Rural Roads Development Agency (NRRDA) for the rural roads component under Bharat Nirman. During 08-09, NABARD disbursed Rs.17,959 crore for rural infrastructure, which was 43% higher than Rs.12,535 crore during 07-08.

Technical and Developmental Interventions

NABARD has supported through dedicated funds, innovative developmental interventions, like watershed development, integrated development of backward and tribal areas, non-farm sector activities, farmers' clubs, micro-Finance initiatives, financial inclusion, research and development activities, institution building/strengthening and training of rural banking personnel. During 08-09, under watershed development projects, an amount of Rs. 80.35 crore was disbursed, covering an area of 11.41 lakh ha. This has helped promoting sustainable livelihoods and regeneration

of degraded environment. Further, 74 projects covering 61,924 families were sanctioned from the Tribal Development Fund (TDF) against which an amount of Rs. 25.35 crore was disbursed. Rural innovations for developmental purposes were supported during 08-09, through 61 projects with financial support of Rs. 12.04 crore.

NABARD continued to support the SHG Bank Linkage programme by extending refinance to commercial banks, co-operative banks and RRBs. An amount of Rs.2,620 crore was released as refinance to the banks. This constituted 25% of NABARD's total investment refinance disbursed during the year. NABARD has also supported strengthening of the SHG Bank Linkage programme by providing grant assistance of Rs.18.27 crore towards (a) training and capacity building of bankers, government officials, partner institutions, VVV clubs; (b) promotional grant support, (c) publication, documentation, monitoring and evaluation studies, etc. NABARD has extended support to Micro finance Institutions by providing assistance under Revolving Fund to the tune of Rs.6.35 crore and extended capital/equity support to the tune of Rs. 11.75 crore.

NABARD sanctioned Rs.4.19 crore under the Financial Inclusion Technology Fund (FITF) and Rs. 1.29 crore under Financial Inclusion Fund (FIF) to various agencies, mainly RRBs and co-operative banks for furthering financial inclusion related activities.

During 08-09, a total of 8,992 Farmers' Clubs were launched by different agencies with NABARD support, taking the total number of such clubs to 37,218 as on 31 March 09.

In order to ease ground level credit flow through co-operative banks and the RRBs, NABARD ensured the smooth implementation of agricultural debt relief package for the borrowers of these institutions. The amount disbursed to farmers under the package, during the year aggregated Rs.16,605 crore.

NABARD is the principal implementing agency for Revival of the Short-term Rural Co-operative Credit Structure in the country. As a part of this responsibility, financial assistance of Rs.4,874 crore was released for recapitalisation of 33,406 PACS. Thus, 38% of total PACS covered under the programme were fully capitalised.

Capacity Building Support

The entrepreneurial training programmes funded by NABARD for rural youth has facilitated in entrepreneur building of an estimated 35,000 persons during 08-09. Grant assistance of Rs.10.47 crore was provided by NABARD to different agencies for training rural youth under its Rural Entrepreneurship Development Programmes (REDPs) and Skill Development Programmes (SDPs).

During the year, NABARD extended support in organising 737 training programmes benefiting 17,095 personnel of Rural Financial Institutions (RFIs), comprising of co-operatives, RRBs, commercial banks, NGOs, government officials and other agencies.

A major initiative during the year was the financial and technical support provided for training of elected representatives on the Boards of co-operative banks and their senior managers. NABARD also facilitated recapitalization of 26 RRBs to make them financially vibrant. The branch network of RRBs also expanded through the opening of 600 new branches during the year. A pilot project for computerization of 15 RRBs with NABARD/World Bank assistance was also launched.

Research and Development

During 2008-09, an amount of Rs.1.63 crore was sanctioned by NABARD to universities, research institutes, NGOs and other agencies spread across the

country for conducting research projects, studies, seminars, conferences, etc. The sectors for which such studies or events were held related to agriculture and rural development, farm business economics, agri-extension, agri-marketing, rural infrastructure, micro-credit, bio-technology, fisheries, plantation and horticulture, etc.

REPOSITIONING OF NABARD

The bank is poised to take up an exercise to reposition itself in the context of the fast changing economic environment and is expected to mark its transition from development finance institution to development facilitating and financing institution. The repositioning exercise will cover business process engineering, product development, resource mobilisation, HRD, organizational structure and IT. The bank has decided to engage a professional agency to devise a detailed and elaborate implementation plan to reposition the bank. A Sub-Committee of the Board of Directors headed by RBI Dy. Governor Smt. Usha Thorat has been set up to launch the exercise.

Background

On completion of its 25th year, the Bank undertook a self-assessment of its performance vis-à-vis the mandate and the emerging requirements of its operating environment. A view emerged that NABARD had very largely met its expectations during the past 25 years and had pioneered many initiatives like the SHG-Bank Linkage Programme, Natural Resource Management, Kisan Credit Card, etc. It was also felt that growth of the rural economy comprising agriculture and non-land based SMEs and businesses would continue to be critical, as over 60% of the workforce depended on it. In order to enhance the impact of its functioning, especially in distressed and resource poor regions, the Bank should not only redesign and re-engineer its product range and work processes for the current set of operations using appropriate technology platform but also foray into new business

areas, offer new products using different delivery mechanisms, and forge new partnerships with institutions in the public, private and voluntary sectors enabling them to leverage funds for development initiatives. The financial sector reforms, especially those taking place in the co-operative sector, would also require NABARD to factor business risks in its operations more effectively. Such initiatives would also require organisational restructuring, capacity building of its human resources as well as additional financial resources. A comprehensive strategy is, therefore, called for to accomplish the above tasks.

Objective of the Repositioning Exercise:

‘To prepare a strategic action plan relevant for furthering the objectives as mandated in the NABARD Act, 1981 and to assist NABARD in rolling out the first year’s plan.’

The deliverables of the proposed assignment include, (but are not limited to) the following:

1 Business Process Re-engineering, Product Development and Resource Mobilisation:

- i. Assess the strengths of NABARD’s operations in terms of present activities and propose future growth pattern;
- ii. Propose re-engineering of the existing work processes of the Bank relating to investment credit, production credit, micro-finance, infrastructure funding and developmental areas for enhancing their efficacy;
- iii. Improve the product mix in current operations to enhance its impact in reducing imbalances in spatial and regional spread;
- iv. Assess the present set of development activities and integrate new activities to catalyse credit flow to critical areas and sectors;
- v. Design new products for direct finance, co-finance, refinance, infrastructure and support strategies:
 - to evolve new partnerships in private and cooperative sectors

- to design action plans for NABARD's direct finance subsidiaries

- to synergise development and business interventions

vi. Estimate the resource requirements for the proposed set of activities and suggest a suitable resource mobilization and investment plan;

vii. Review NABARD's risk management system and make recommendations to bring it in line with the new business initiatives and best practices;

viii. Propose a methodology for assessing new product offerings and suggest additional products directly or through subsidiaries with a high likelihood of success;

ix. Suggest measures for upscaling consultancy services of NABCONS; and

x. Design roadmap for the next 5 years, field test and handhold rolling out of first year plan.

2 Human Resource Development

- Outline the resource requirement in terms of new skills, knowledge, etc., to achieve the deliverable 1 above, assess the presently available human resources and design a suitable intervention for HRD.

3 Re-designing Organizational Structure

- Design a suitable organizational structure, including subsidiaries - Position and Department identification;

- Defining authority, responsibility and accountability attached to the positions;

- Suggest HR Management policies and strategies; and

- Assess Organizational governance, with emphasis on e-governance

4 Leveraging Information Technology :

Dovetailing the Bank's IT architecture with the emerging requirements

Indicative Timelines : The entire assignment is expected to be completed within a period of 18 months from the date of commencement, covering the following two phases:

Phase I: Start up – 3 months

Phase II: Design, Roll-out and Implementation – 15 months

Rolling out certain 'Quick Win' initiatives would be taken up simultaneously with Phase I indicated above and completed within 6 months.

The assignment shall be executed at the Head Office of the Bank at Mumbai and other offices/units of NABARD, across the country.

Exit Clause : Once the objectives spelt out under the above phases are realised within the time frame indicated, the assignment shall be treated as complete and the contract ceases to exist.

OPERATIONAL GUIDELINES FOR FIF & FITF

Under the Financial Inclusion Fund and Financial Inclusion Technology Fund delegation of sanctioning power for the following activities have not been given to the ROs, as policy guidelines are yet to be framed in respect of these activities.

Financial Inclusion Fund (FIF)

- Defraying expenses of approved institutions for undertaking interventions for financial inclusion in certain states ;

- Funding support for setting up of Rural Credit Bureaus and credit rating of rural customers;

- Supporting initiatives of local level associations / federations.

Financial Inclusion Technology Fund (FITF)

- Encouraging user-friendly technology solutions;

- Providing financial support in respect of technological solutions aimed at providing affordable financial services to the disadvantaged sections of the society;

- Creating a common technology infrastructure with comprehensive credit information;

- Funding support to technologies facilitating the documentation for processing of loans;

- Providing viability gap/pilot project funding for unproven but potential technological interventions.

*No. NB. FID / 494 / FI - 01 / 2008-09
Dated 31 March 2009 Circular No. 61 / FID - 04 / 2009*

PRUDENTIAL NORMS ON INCOME RECOGNITION

Under the Agriculture Debt Waiver and Debt Relief Scheme, 2008, Govt. of India has since decided to extend the last date of repayment of first installment by the 'other farmers' to 31 March 2009. The dates of payment of second and third installments remain unchanged at March 31 and June 30, 2009.

It has also been clarified that the additional period of one month from the pre-specified due dates, permitted to the farmers eligible under the Debt Relief Scheme, for paying their share of the settlement, without affecting the standard asset classification status of the relevant account, shall be available only for the first two installments, viz., those due on March 31, 2009. However, no grace period is allowed for the last installment and entire share of the farmer is payable by June 30, 2009 itself, in order to maintain the eligibility of the 'other farmers' for Debt Relief Scheme and to retain the standard asset classification status.

Ref. No. NB.DoS.HO.POI/ 56 /J.1 /2008-09 Circular No 70 ./ DoS 14 / 2009 dated 06 April 2009

LEVY OF SERVICE CHARGES FOR ELECTRONIC PAYMENT PRODUCTS

Reserve Bank of India had issued Directions to all banks (SCBs/DCCB/RRBs) specifying ceiling for levy of service charges for Electronic Payment Products and Outstation Cheque Collection. It was, however, observed that many banks had either not implemented the same or the charges levied were in excess of the ceilings prescribed.

A study conducted recently covering 30 banks (7 State Co-operative Banks, 14 DCCBs and 9 RRBs) in nine States across the country revealed that out of the 30 banks in which sample checks were carried out, 9 banks had

implemented the RBI Directions (2 SCBs, 3 DCCBs and 4 RRBs) while in other banks, the same was not implemented as the charges were not revised. Most of the banks did not offer electronic fund transfer facility. Some banks continued to charge postage/courier charges in addition to the collection charges while in others the charges were far in excess of the prescribed ceiling.

The Inspecting Officers of the bank are, therefore, being advised to verify the extent of adherence to the Directions issued by the RBI as indicated in the RBI circular dated 8.10.2008.

Ref. No.NB.DoS.HO.POL./ 58 /J-1/2008-09 Circular No. 69 /DoS 13 /2009 dated 06 April 2009

SCHEME FOR ATTACHMENT OF GRADE 'C' AND 'D' OFFICERS

NABARD has the policy of rendering services of its officers on the basis of deputation to various organisations on the demand of such organisations and options of officers, subject to case-by-case decision of Bank's convenience for such deputations. It has been decided to formulate a new scheme entitled "Scheme for Attachment with NABARD's Designated Agencies" for full time officers in Grade 'C' and 'D'. Further, this scheme will be operating in addition to the Bank's current policy of deputation.

The salient features of the scheme are as follows:

- The objective of the scheme is to enrich experience and to provide greater exposure to the full time officers in Grades 'C' and 'D', through their attachment to the Designated Agencies in the Governmental / Non-Governmental / Financial sectors, for a specified period.
- This will be an open-ended scheme and the interested officers would themselves

source the deputation offer from the concerned agencies.

- This scheme is applicable to officers in Grade 'C' and 'D' in the Bank who have completed 45 years of age or 15 years of services in the Bank as on 31 December of previous calendar year.

- The maximum period of attachment would be 5 years.

- On completion of the term, the officer would have to serve NABARD for a minimum period of 5 years. Accordingly, such officers would not be eligible for early retirement till completion of the 5 years' period in NABARD after resumption of their service back in NABARD.

- The officer who opts for the fixed period attachment will retain his seniority and promotion opportunity in the Bank.

- The officer may have the option to negotiate the emoluments with the borrowing organisation. The Bank will not be involved in finalising the emoluments, terms and conditions of attachment or any other related issues. Further, no deputation allowance whatsoever will be available to the applicant.

- In case of any officer taking up an attachment in NE region, incentives available to officers posted by the Bank to NER States will not be available.

- So far as disciplinary and vigilance matters, if any, during the period of attachment are concerned, the officer shall be governed under NABARD (Staff) Rules, 1982 and Vigilance set-up of NABARD.

- The major part of compensation (on cost to company basis) for the officer will have to be borne by the borrowing agency. NABARD may consider to bear upto 30% of the compensation amount on case - to - case basis if the concerned organisation is not in a position to provide appropriate compensation.

- During the period of attachment, the officer will not be eligible to retain/ avail of the residential accommodation provided by the Bank.

- NABARD would not bear any expenses during the tenure of attachment. Accordingly, expenses relating to shifting of personal belongings/ other benefits of transfer, housing and other perks and facilities available in NABARD, would not be borne by NABARD.

- Acceptance or non-acceptance of the option submitted by the officer would be based on performance, discipline and other parameters at the sole discretion of the Bank.

- On acceptance of an officer's option by the Bank, his/her date of relieving from service will be decided by the Bank in keeping with administrative exigencies/ convenience and the same shall be advised in writing. Once an employee's application under Scheme for attachment with NABARD's designated agencies has been accepted, the option will be irrevocable.

- In case of dispute as to the interpretation of the any terms and conditions of the Scheme, the decision of the Bank shall be final and binding on all parties concerned.

- The Annual Performance Appraisal of such officers would be recorded by the agencies/organisation with which they get attached. The same would be submitted to the In-charge of the NABARD ROs/SOs in whose jurisdiction the officer is having his Head Quarters.

Also in cases of sub-PAR performance of such officers, NABARD reserves the right to recall the officers.

Ref. No.NB.HRMD.PA/ 6471 /ST.34 /2008-09 Circular No. 54 / PA-.03 /2009 20 March 2009

Visit NABARD website at www.nabard.org

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Edited and published by **B. Jayaraman** for National Bank for Agriculture and Rural Development, Bandra-Kurla Complex, Mumbai-400051.