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CHAIRMAN'S ADDRESS TO NEWLY INDUCTED OFFICERS

INDIAN AGRICULTURE – RETROSPECT AND PROSPECTS*

I extend a warm welcome to each one of you, who have chosen a career in NABARD, a premier institution for agriculture and rural development. The key drivers of success in life are integrity, an inquiring mind, industry and willingness to learn. I am sure that all of you are bubbling with enthusiasm to embark on your chosen path. Enthusiasm needs to be tempered with knowledge to successfully discharge the responsibilities assigned to you. Many of you are fresh out of the college and, excepting those from the rural milieu, may not have the requisite knowledge about the sector in which you have chosen to build your career. Today, I have chosen to take you, briefly, through the history of Indian agriculture and tell where we were, where we have reached and where we need to move from here on.

Background

Agriculture in India for centuries has been the backbone of the economy and continues to be so even today as about 57 per cent of the population depend (directly or indirectly) on it for their livelihood. The question that arises is, 'being primarily an agrarian economy, why has agriculture not developed that rapidly?' The answers lie to an extent in our past.

The agriculture system in pre-colonial India, though more or less self-sufficient was mostly under the land ownership systems (zamindari, ryotwari, jagirdari, etc.) put in place by the Mughals. The East India Company's rule sought to more firmly ingrain the systems already in place. Further, their introduction of the taxes in cash as against kind brought into existence the middlemen/traders/ arhatiyas who continue till date. Prior to 1870 (after the transfer of administration to the British Crown), no records of formal public instruction for agriculture development are found. Lord Mayo, the then Viceroy, for the first time initiated efforts in 1870 to improve agriculture and recognize government responsibility. Though not much effort were taken, the first of the three worst famines occurred between 1876-1878, causing more than 5 million people to die of hunger. Against this background, under the Viceroyship of Lord Ripon, a new government position – Secretary of Agriculture was created and provincial directors appointed (Punjab-1880, Bombay-1884).

It took another famine in 1899 for Lord Curzon, the then Viceroy, to take concrete and useful measures to improve agriculture production. He appointed the Irrigation Commission, established the Indian Agriculture Research Institute (IARI) in Pusa1, Agriculture Colleges in Nagpur (1905) & Pune (1907), Agriculture Research Stations and arranged to provide inputs like seeds and fertilizers to the farmers. John Augustin, who was working in Royal Agriculture Society, London, was sent to India to study Indian agriculture and suggest improvements. His report highlighted the need for irrigation and finance for use of technology.

There was no co-operative movement in India then. Sir Frederick Nicholson, an ICS Officer from Maharashtra province was sent to Germany, particularly, the Rhineland. He studied the co-operatives in the Rhineland area of Germany and submitted a report. The issue of making cash available to the farmers to invest in agriculture and increase production however remained unresolved. Lord Curzon took steps to enact the All India Co-operative Credit Societies Act in 1904 and Co-operative Movement was born in India. A structure was created for financing agriculture through Primary Agriculture Co-operative Credit Societies and Co-operative Banks.

The All India Co-operative Credit Societies Act was then converted to All India Co-operative Societies Act in 1912. At that time it was a central subject - in the Union List, but in 1919, it was transferred to the State list and each State enacted its own act. The Bombay State enacted the Bombay Co-operative Societies Act in 1925 and many other States followed.

The Royal Commission on Agriculture was appointed in 1925. ---The Royal Commission on Agriculture gave a blue print of agriculture development in India. The Indian Council of Agricultural Research (ICAR) and Research Stations for dryland agriculture were established as an outcome of the recommendation. Still we had the Bengal famine in 1943.

But after independence, agriculture got a big push as Pandit Nehru had said, "everything can wait but not agriculture". The Third Five Year Plan (1961-66) laid emphasis on improving productivity and capacity of the agriculture sector, and the objective of attaining self-sufficiency in food grain production. Nobel Laureate, Mr. Norman Borlaug who was working in International Rice Research Institute (IRRI) in Mexico had come to

India in 1964 and visited IARI. He arranged 100 kg of seeds for each of the four high-yielding varieties of wheat for trials. Our scientists worked on those lines in IARI, Pusa and in Punjab Agriculture University, Ludhiana and then came the wonder variety of seeds the Kalyansona and Sonalika - the first breakthrough of high yielding semi-dwarf variety of wheat in India. Also in the 1960s, IR8, a high yielding strain called 'miracle rice' developed by IRRI, Philippines was introduced. Thereafter it has been a different story.

The ensuing Green Revolution introduced hybrid and resilient crop varieties that ushered in a period of improved productivity and production especially in the case of wheat and rice. There has been no looking back since then. From a meagre 50 million tonnes in 1951, foodgrains production increased to 107 million tonnes in 1971 and recorded an all-time high of 231 million tonnes in 2007-08. A lot of efforts have gone into to achieve this milestone. It has not come without the efforts on the part of Central Government, State Government, research institutions, technology transfer agencies and, of course, the Indian farmers. Despite an impressive performance in absolute terms, much needs to be done.

After the Green Revolution, no major break-through has occurred in this sector. The productivity in case of most crops has more or less stagnated. Bottlenecks in both forward and backward linkages, declining returns, polarized economic scenario at the macro and micro levels, redundant technologies, etc., are slowly choking up the sector. The result is visible in its declining share in GDP (18% during 2007-08) despite it still supporting about 57% of the population.

Opportunities and Constraints

A closer look at the varied agro-climatic conditions and natural resources available prove the immense untapped potential of the country. India has 2.3% of the world's land area, 11.6% of world's cultivable area and 20% of the world's irrigated area, even though only 60% of our irrigation potential has been harnessed till date. Compare it to China, with lesser cultivable area (130 million ha.) than India (142 million ha.) but is able to achieve food production that is double that of India. This should give you an idea about where India stands in terms of untapped potential.

India already ranks from first to fifth in terms of world production of milk, tea, pulses, rice, wheat, fruits, groundnut, coffee, sugarcane, coarse cereals, cotton, etc. India's productivity is not even 1/3rd of best achieved anywhere else in the world and still in terms of total production, India is either first, second, third or fourth. The challenge lies in converting these strengths into opportunities.

On the socio-demographic parameters too, development has been commendable. Death rate, infant mortality rate and birth rate have reduced while life expectancy, education, health, etc., have improved significantly. Despite having the third largest skilled manpower and varied resource base, the gap between the productivity levels that we have achieved and technolog-ically proven productivity potential is very large. If India attains the level of world average in different crops, achieves the best productivity that has been achieved anywhere in the world, one more India can be fed. That is where agriculture is very significant. For this to happen, we should first understand how we were able to usher in the Green Revolution before we plan to bring in another. True, the country was able to attain self-sufficiency in foodgrains production, but we must also recognise that it is sheer numbers that have taken us ahead and not productivity. Again, productivity is not the only issue that we need to look into. When we talk of productivity, the question of sustainability also arises so that we are able to maintain high productivity levels for all times to come. This necessitates that the issues facing Indian agriculture be looked at in detail and addressed in earnest.

Technological Gaps & Extension Services

The degree of inter-regional disparities in productivity is quite large, thus, affecting the all-India productivity at the aggregate level. This variance is not merely owing to failure of technology. It is because the technology adopted was not adapted to suit the agro-climatic conditions of the regions leading to their non-performance. The technology brought in by Green Revolution favoured areas/states with better infrastructure, linkages and enterprising farmers. Punjab's productivity in rice and wheat at 6 tonnes for paddy and 4 tonnes for wheat per ha is comparable to the best in the world. Haryana, Tamil Nadu, Andhra Pradesh are inching towards Punjab. But, that is not so in eastern India, i.e., Bihar, Jharkhand, Chhattisgarh, Orissa, West Bengal and Assam. This region accounts for 50% of India's paddy area and is a treasure house in terms of hidden potential. The states in the eastern region have tremendous potential, fertile lands, plenty of water, adequate monsoon. What we need to do is reach technology, provide credit and arrange marketing. When these three things are addressed, the potential of the region will be unleashed. Eastern India has to be the focus area for food security in India. This is because a little bit of effort will give a large gain here. This inter-regional disparity has to be taken care of by concentrating on those States where there is hidden potential. This is one point that you must keep in mind.

Technology has to be the basis of our development. It is not that we do not have technology. As I have said earlier our failure lies in adapting it to our needs. In lot many fora people have started talking that India's agriculture is suffering from a technology fatigue and that's true. In agriculture, when you bring a new variety, it takes time to reach to all those people who use it. Technology fatigue has to be removed, continuous flow of new technology has to be kept on in the system and where conventional technology has reached its limit, and we have to move to biotechnology. Look at Bt cotton. The worst enemy of cotton crop is bollworm, which punctures the cotton boll and eats the soft sugar tissue from inside finishing the boll before it matures. In a heavy bollworm infection year, India can lose cotton worth over Rs.5,000 crore. When the Bt cotton was introduced, there was large-scale agitation and there was a group, which said that genetically modified species should not be allowed in India but finally good sense prevailed and it was introduced. In five years after its introduction, cotton production has crossed 300 million bales. Maharashtra, which was producing 30 lakh bales earlier, is now producing 60 lakh bales.

Over the years, we have been able to establish a chain of agriculture research institutes with a vast pool of qualified manpower involved in agriculture research that is on par with the best in the world. That is our strength. Our weakness has been our inability to transfer these results from the lab to our fields. We cannot hope to achieve better/ improved productivity with lackadaisical attitudes. We have to intensify indigenous research and take the results to the farmers.

It is here that the role of extension services and technology service providers become important. The problem of technology transfer has to be addressed to ensure results. Various institutions – state departments, agriculture universities, research centres, banks as well as NABARD cannot function in isolation. NABARD since 1982 has been promoting Farmers' Clubs (FC). These clubs act as a linkage between the farmers, banks and research institutes. We have today around 31,000 FC all over the country. We have to work hand in hand with the State Government for this purpose and see that they are providing assistance through NABARD for knowledge dissemination and technology transfer to farmer for higher production. Research has to be addressed and taking this technology to the farmer also has to be addressed equally. What we require today is to facilitate a convergence of efforts between the various institutions to ensure that farmers are better off.

Inputs supply

Inputs supply management, particularly for seeds and fertilizers, is an area of concern. One of the main factors for low productivity is the low seed replacement rate. Inputs supply management is very significant for those states, which do not have institutions that handle these requirements efficiently. These are areas that need to be looked into, particularly, when we create surpluses. Proper management of surpluses thus becomes imperative.

Soil and Climatic Conditions

Just as adequate and timely availability of inputs is essential so is its proper usage. Indian agriculture has been facing another major problem – soil fatigue. When we say soil, it is not only soil, it is air, water, earthworm, microbe, insects, fungus, etc., and all of them are working inside the soil. The earthworm is working like a tractor- day and night without asking any wage from us and in the process it is consistently enriching our soil. There is a law of emitting factors, which says when speed of any process is conditioned by a number of factors, the speed with which the process will go on will depend on the factor that is available in minimum.

Though we say that if soil nutrient is not enough, add fertilizer, but the usage is indiscriminate. Till date we do not know what percentage of fertilizer is actually used and what goes waste. The result is a steady depletion of essential nutrients from the soil cover. Scientists say that the ideal dose of NPK is in the ratio of 4:2:1. But the actual usage is quite skewed in favour of nitrogenous fertilisers. Farmers use more of urea, as it is cheaper and easily available.

The fertilizer subsidy is expanding year after year and it has now become a fiscal concern. Integrated nutrient management is the answer for addressing the problem of soil fatigue, i.e., a combination of both organic and inorganic fertilisers. There has to be a suitable integration of all these fertilizers, otherwise, these lands will go out of our hand forever. We are answerable to the future generations, who will accuse that we were irresponsible and squandered the soil wealth. We have a responsibility to those who come five generation hence and for that we have to ensure that the soil fatigue is addressed. In this context maintaining soil nutrient balance for sustainability acquires significance.

Diversification and Changing Cropping Pattern

With changing economic conditions and multitude of choices available, the palate of the consumer is changing and so is their food basket. Roti, chutney or little bit of bhaji is not all that goes into our plate today, we want milk, fruits, fish, mutton, chicken and eggs. The consumption basket has become highly diversified. While attempting to produce more, we have also to attempt to diversify our agriculture so that it becomes more remunerative. India enjoys diverse agro-climatic conditions. In terms of conducive agro-climatic conditions, any crop that is grown anywhere else in the world can be comfortably grown here. All types of climates are available - arid, semi-arid climate, tropical and temperate. With the diverse agro-climatic conditions available in the country, Indian agriculture has the ability to comfortably support cultivation of almost any crop. India produces four major horticulture crops – grapes, orange, apple and mango – that account for 60% of the total horticulture production in the world. The GoI's National Horticulture Mission with an allocation of Rs.15,000 crore during the XI FYP aims to develop and facilitate the horticulture sector to compete in the international market. Another area is cultivation under controlled environment, i.e., green house production. India is a very fit candidate for promoting production in the controlled environment, especially, floriculture. Nearly 50% of the green house flowers are exported from Maharashtra, Karnataka and Kerala. While 1 ha. of jowar generates employment of 250 person days, the same under green house generates employment of 10,000 person days. Floriculture, thus, has significant employment opportunities for rural women, as its cultivation employs mostly women. If you want to improve the condition of rural population, diversification, commercialisation and high value crops will have to be promoted as they would generate employment opportunity on-farm, post-harvest handling, transport, storage and export processing. These are our strengths that we need to convert to opportunities.

Viability of Agriculture

Despite the measures that need to be initiated/up-scaled to improve agriculture, the bottom line does not reveal it to be a viable proposition for our farmers. Farmers till their farms not because they wish to but because they have no other alternative for gainful employment and income generation. For agriculture to be viable, economies of scale have to operate. This can be realized on large scale farms. In India today, 84% of the farmers fall within the categories of small (2.5-5 acres) and marginal (<2.5 acres) farmers. Holding size being so small and likely to get smaller in future recovery, economy of scale cannot be thought of. We are given a situation where we have to think of strategies accepting that situation.

As a result, the cost of cultivation assumes significance. We have to make smallholdings operationally viable, reduce cost of cultivation, increase farmer's margin, ensure value addition and see that he gets more for his produce. This would require that we ardently promote a shift towards integrated nutrient and pest management – techniques that would improve productivity without inflating costs, thus allowing the farmer to realize better returns. Here, as I have mentioned earlier horticulture has huge potential. NABARD has already experimented and succeeded in improving livelihood conditions of small/ marginal/tribal farmer families through its 'wadi' (small orchard) concept.

Apart from these small/marginal farmers, there is also a significant population of tenant farmers/share croppers/landless labourers, who need to be provided with employment opportunities and improved livelihood options. It is here that the role of the allied (dairy, poultry, piggery, etc.,) and non-farm (artisans, weavers, potters, etc.) activities become important. This requires apart from promoting and capacity building, facilitating proper linkages and marketing to enable them to realize good returns.

Credit support

Last but not the least, adequate and timely credit support is essential for the various initiatives to materialize. The farmer does not bother about the cost of credit. His dependence on the moneylenders is proof enough. What he is bothered about is the timeliness and adequacy of its availability. It is here that NABARD's role as an Apex-Institution becomes more responsible. NABARD, through its initiative/directives has been striving towards providing adequate, timely and cheap credit to the farmers, apart from its development and promotional efforts to increase the credit absorption capacity of the rural poor. The Kisan Credit Cards for farmers & Swarozgar Credit Cards for NFS facilitate easy credit. Credit as an input has to reach one and all. An extension of credit is insurance. Like the former, the latter too is very important, more so for the resource poor/small/marginal farmers, especially in arid and semi-arid regions, who are unable to hedge their risks and are open to the vagaries of nature. Access to credit and insurance is crucial for these farmers to use technology. We have 13 crore farmers in India. We do not reach credit for formal insurance to more than 3 crore farmers. They are borrowers but because of drought, hailstorm, cyclone, etc., are unable to return the loan. As they cannot again access the formal banking system, they turn to moneylender and then access capital, paying very high rates of interest, some times as high as 48 per cent per annum or more.

In the End

Whatever I have discussed with you is merely the tip of an iceberg. In order to develop agriculture, it needs to be treated as an industry. It has to be dealt with in a manner where we are able to create enough employment opportunities in rural area - on or off-farm. Promoting diversification, commercialisation and cultivation of high value crops will open up further employment opportunities. Agriculture does not prosper if we do not increase the buying power of rural population, and you cannot sustain a high phased economic growth. The buying power of rural population has to increase. If buying power is increased in rural area, they will buy more goods and services and keep the economy going on. Without agriculture doing well, we cannot sustain a high growth rate of our economy. In addition, we have to see that there is neither over production nor there is shortage. We are able to maintain a stable price line and deal with international market to our advantage. This is possible when we are able to minimize our post-harvest losses & plug the leakages. Encouraging agro-processing and value addition to our products would ensure better returns to investments for our farmers in general and the country in particular.

** Excerpts from the Chairman's Address to the First Batch of Assistant Managers (DR) at NBSC, Lucknow on 15 December 2008.*

1 IARI originally established in PUSA was destroyed in 1935 due to earthquake and then it was shifted to Delhi and that is why the campus in Delhi is called Pusa campus.

REVISION OF INTEREST RATE ON REFINANCE

Keeping in view the money market conditions, the macro economic scenario and the nmeed for promoting capital formation in rural areas, NABARD reduced the interest rates on refinance for investment credit by 25 basis points to 75 basis points for lendings made by various Rural Financial Institutions (RFIs).

The revised interest rates with effect from 2 February 2009 will be 9.5% pa for Commercial Banks and 9% pa for Cooperative Banks and RRBs. Special relaxation of 50 basis points has been extended for NE region, hill states and A & N islands in respect of financing made by Commercial Banks.

FRAUD DETECTED IN CCB

The Centralised Fraud Monitoring Cell (CFMC) attached to Department of Supervision of the bank has observed occurrence of a fraud in a central cooperative bank involving an amount of Rs. 774.79 lakh in its branch in Cash Credit account under consortium arrangement.

Nature of fraud: A cash credit limit amounting Rs.1780.00 lakh was sanctioned under consortium arrangement with the Apex bank and other DCCBs to a sugar mill outside the cooperative fold. One of the DCCBs was the leader of the consortium. The sugar factory utilised the limit to the extent of 51 % of the sanctioned limit during the sanctioned period. The stock position was submitted by the factory after the expiry of period of credit limit. The total loan outstanding as on that date was found to be fully covered at the prescribed margin of 15 % of stock value. The sugar factory, reportedly, thwarted moves of stock verification by the Apex bank on two occasions and by the 'leader bank' on one occasion on the pretext of leave absence of 'godown keeper' and the keys of the godown being with him.

Detection: The Chairman-cum-Managing Director of the factory admitted that the sugar stock had been disposed off and the proceeds had been utilised without informing the leader bank. The proceeds were, reportedly, utilised to pay cane dues in view of the farmers' protest and pressure from the State Government.

Action initiated: The Clerk and the Branch Manager of the leader bank were issued show cause notice and were suspended. The act of disposing off the pledged stock of sugar by the sugar factory was considered by the bank as an act in violation of the terms of the sanction and amounted to criminal breach of trust. The bank filed a criminal case against bank officials and also against the 8 directors of the sugar factory, jointly and severally alleging theft in godown, unathorised disposal of sugar stock and unlawful utilisation of proceedings. The bank believed the active collusion of the bank staff since the bank officials were holding the second key of the godown. The bank's officials suppressed the fact and did not report to HO of the DCCB and also the other members of the consortium.

Observations: A. The bank had not renewed the limit when the fraud came to notice of the bank.

b. In terms of the consortium agreement, the leader bank was given the task of reviewing the stock position every month and to forward a copy of the same to member banks. However, the leader bank reviewed the stock position after the expiry of the Cash Credit period.

c. There was no system of reviewing high value pledge limits monthly by HO of the bank.

d. The stock of pledged sugar was not covered under insurance.

e. The bank did not follow up the case with Police authorities.

Ref. No. NB.DoS.HO.CFMC/ 3676 /P.78/ 2008-09 dated 7 January 2009

ASSISTANCE TO THE SERVICE CENTRE AGENCIES

The National e-Governance Plan 2006 of the GoI plans to establish one lakh Common Service Centres (CSCs) which are ICT enabled kiosks to provide citizen/farmer centric data/information and delivery of Govt. as well as private sector services. The scheme has a three tier implementation framework which is as under :

- At the field level, Local Village Level Entrepreneurs (VLE), loosely analogous to franchisees, to service the rural consumer in a cluster of 5-6 villages are to be financed to set up their Common Service Centres (CSCs).
- At the middle level, a Service Centre Agency (SCA), loosely analogous to a franchiser, operates, manages and builds the VLE network and business including selecting,training and providing equipment to the VLEs. Even SCA would cover 100-200 CSCs and would need financial support for its set up and working.
- At the state level, the State, the State Designated Agency (SDA) facilitates implementation of the Scheme within and to provide requisite policy, content and other support to the SCAs.

No capital subsidy is envisaged under the scheme, and CSCs are provided support in the form of guaranteed provision of revenue from Govt. services. Against the national plan for setting up of one lakh CSCs, only about 22,000 CSCs have been rolled out across the country till date.

The SCAs have cited funds constraint as one of the reasons for delay in the CSC rollout. Therefore, support from Banks to SCAs and CSCs is crucial for implementation of the project on schedule. The Ministry of Communication Information Technology, GoI have requested all the banks to formulate suitable schemes for extending financial support to the Service Centre Agencies (SCAs) and the Village Level Entrepreneurs (VLEs).

We request you to impress upon all RRBs/SCB/DCCBs/SCARDB in your state to formulate suitable schemes for extending financial support to the Service Centre Agencies (SCAs) and the Village Level Entrepreneurs (VLEs), if need may be for successful and smooth implementation of the scheme.

Ref. No. NB / FID / 344 / FI-01 / 2008-09 30 January 2009

PRUDENTIAL NORMS FOR DEBT WAIVER SCHEME

Under the Debt Waiver Scheme, the Government of India has since decided to pay interest on the secondand third and fourth installments, payable by July 2009, July 2010 and July 2011 respectively at the prevailing Yield to Maturity Rate on 364-day Government of India Treasury Bills.

The interest will be paid on these installments from the date of the disbursement of the first installment (i.e. November 2008) till the date of the actual reimbursement of each installment.

ii) It has also been decided that SCARDBs / PCARDBs need not make any provisions for the loss in Present Value (PV) terms for moneys received only from the Government of India, for the accounts covered under the Debt Waiver Scheme and Debt Relief Scheme.

REF.No.NB.DoS.HO.POL/ 3691 /J.1/ 2008-09 dated 7 January 2009

REVIVAL PACKAGE FOR DORMANT FARMERS' CLUBS

It has been observed that about 7% of the 32000 Farmers' Clubs is reported to be dormant. The issue was discussed at the Exposure-cum-Sensitization meets held at Chandigarh and Hyderabad. It has now been decided to provide an assistance of Rs.10,000 per club towards meeting the revival cost including exposure visit to be arranged for the benefit of dormant club members and the concerned branch managers and the assistance to be provided, will be the upper ceiling limit. The expenditure may be booked under "FTTF".

Ref. NO.:NB.DPD-FS/1474 / FCP-1 / 2008-09 dated 01 January 2009

VILLAGE DEVELOPMENT PROGRAMME - INCENTIVE TO NGOS

The Village Development Programme is being implemented in 916 villages spread over 421 districts across 25 states. The plans are under implementation in more than 50% of the villages identified for development. With a view to ensuring capacity building measures for better planning and implementation, Exposure-cum-Sensitisation meets are organized at Nagpur, Amravati and Bhubaneswar for the benefit of nodal officers of Regional Offices as well as select nodal agencies. Based on feedback received, it has now been decided that

i) Regional Office-in-Charge will have powers under the head "Miscellaneous interventions" to the tune of Rs.15,000 per intervention towards meeting the cost of specified purposes such as "Art of Living Programme" (upto a maximum of Rs.10,000/- per programme) and other unforeseen but essential expenses to the tune of Rs.5,000.

ii) The incentive under Village Development Programme for NGOs, which are operating in hilly / remote / naxal affected areas will be increased from Rs.10,000 to Rs.16,000 per village per annum.

Ref.No.NB.DPD-FS / 1142/ VDP / 2008-09 dated 31 December 2008

FACILITIES TO DDMS

Presently, the DDMs are eligible for reimbursement of

a) call charges upto the annual call limit of 12,000 (plus rentals and applicable service tax) for the landline phone and;

b) mobile call charges @ Rs.12,000 p.a. (plus rental to the extent of Rs.250/- and service tax) etc.

At the end of the financial year, expenses under both the above facilities are reviewed separately and in case of excess calls, in either of the facility, the DDMs are required to pay the amount to the extent of excess telephone calls made by them (and service tax thereon), vis-a-vis their eligibility.

For the purpose of annual review of telephone charges, it has since been decided to combine the eligibility of DDMs for reimbursement towards charges of landline and mobile phones, w.e.f. financial year 2008-09.

The clubbing of eligibility for reimbursement of charges for landline and mobile facilities is applicable only to DDMs and not to any other officer who may have been provided with both the facilities (i.e. landline and mobile).

Ref.No.NB.HRMD.PPD / C-37 / DDM.INST. / 2008-09 dated 19 January 2009

HOUSING LOAN LIMITS ENHANCED

It has been decided to bring about modifications in the present Housing Loan facility with effect from 13 January 2009.

i) **Quantum of Loan :** As against the present policy of 80 times of the basic pay, the quantum of loan eligibility will be enhanced to 90 times of pay for all classes of employees.

ii) **Monetary ceiling on loan amount :** As against a different slab now adopted for Housing Loan eligibility for various classes of employees, the ceiling on the amount of housing loan eligibility is revised to Rs.30.00 lakh uniformly for all classes of employees.

iii) **Interest rate :** Rate of interest applicable will be as under :

Loan upto Rs.15 lakh - 5% p.a.

Loan beyond Rs.15 lakh - 9% p.a.

iv) **Aggregate ceiling :** The aggregate ceiling on Housing Loan and Provident Fund withdrawal/ advance will be restricted to Rs.45 lakh.

v) **Period of Recovery :** The recovery of Housing loan together with the interest thereon will be made through a maximum of 360 monthly instalments (240 for principal amount and 120 for interest amount).

The recovery of Housing Loan will commence from the month following the month in which the first instalment of loan is disbursed. In case where employees with lesser service (say 10 years) will not be in a position to repay the monthly instalment as per the norms indicated above, the Housing Loan in such cases would be sanctioned depending upon the PF balance available to the credit of the employee and 50% of the Gratuity payable as a cushion /security, by ensuring that at the time of cessation of his/her services in the Bank, the outstanding Housing Loan is fully recoverable and for the purpose the employee would execute an unconditional/irrevocable undertaking stating that he/she will not withdraw any amount from his/her PF during the currency of the loan. The employee will also furnish the letter of assignment in favour of the Bank.

Within the above conditionalities, the request for lowering of monthly instalments, when received from employees, may be considered by the Sanctioning Authority on a case to case basis taking into consideration the years of service left of the concerned employee and after satisfying that the circumstances provide ample justification for such relaxation.

The sanctioning authority may use his/ her discretion while sanctioning the loan and may reduce the quantum of loan applied for or reject the application altogether if there is no repaying capacity of the employee after reckoning the normal deductions from the salary as also the likely adjustment from the PF balance and 50% of gratuity towards recovery of the total dues.

vi) **Minimum amount of Housing Loan :** The minimum amount of Housing Loan in respect of Group B and C will be revised as follows :

Group	Revised minimum amount
Group B	Rs.5.25 lakh
Group C	Rs.5.00 lakh

The revised rate of interest will also apply to the existing outstanding balance of Housing Loans.

5. Subject to the conditions contained herein above, the eligible loan amount/ additional loan amount in case of an employee shall be decided by the Bank, based on his/her repaying capacity as per the criteria/norms stipulated by the Bank and the decision of the Bank in this regard shall be final and binding on the employee.

Ref. No. NB.GAD.HLS/ 337 /HL-1(Policy)/ 2008-09 dated 13 January 2009

ENHANCEMENT OF TRAVEL ELIGIBILITY OF GROUP 'C' STAFF

At present, Group 'C' employees are entitled to travel by train in Second / Sleeper Class on official tours / training / transfer. On a review, it has been decided that Group 'C' employees shall now be entitled to travel by train in AC - III Tier for the above purposes. The enhancement is effective for the journeys performed on or after 01 January 2009.

Ref.No.NB.HRMD.PPD/C-36/TA-I/ 2008-09 dated 07 January 2009

DELEGATION OF POWERS FOR RIDF LOANS

Powers to sanction and release Mobilisation Advance and release of RIDF loans had been delegated to CGM/GM/DGM/OIC. It has been decided to dispense with the system of test check of 10% of release of loan by the higher authority and also the submission of Certificate in the MDO.

REF. NO. NB.SPD/1675 /RIDF XIV (Gen)/2008-09 DATED 17 MARCH 2009 Circular No.52 / SPD- 01 /2009

SCHEME FOR HIGHER STUDIES

The instructions issued by the bank vide circular letter No.NB HRMD PPD 676/HS/1994-95 dated 07 July 1994 regarding grant of study leave for higher studies have been revised. Accordingly, an officer sanctioned Study Leave under the Scheme up to a maximum of 3 years will be required to execute a Bond/Agreement with the Bank undertaking to serve the Bank on return from such leave for a minimum period of five years. Alternatively, the liquidated damages to be paid by the officer have been enhanced to Rs.5 lakh from Rs.1 lakh and this will be reviewed periodically. The amount of liquidated damages will not be reduced proportionnately even when the officer has served the Bank for a part of the bond period, after return from Study Leave.

These instructions are applicable to courses commencing after 06.02.09.

Ref NB HRDD No/ 5142 / III (1) /2008-09 Circular No. 50/ HRDD - 01 /2009 dated 13 March 2009

GRATUITY TO EMPLOYEES ENHANCED

It has now been decided to revise the ceiling on gratuity payable for the first 20 years of service in terms of Rule 11(a) of the National Bank for Agriculture and Rural Development - (Payment of Gratuity to Employees) Rules, 1983 from 20 months' pay plus dearness allowance or Rs.3,15,000/-, whichever is less to 20 months' pay plus dearness allowance or Rs.9,00,000/-, whichever is less.

The tax to be borne by the employee on the gratuity granted shall be restricted to tax on that portion of the taxable gratuity as is equivalent to the difference between the amount of Bank's revised ceiling and the amount of the Bank's previous ceiling as divided by the total gratuity and the balance of the tax shall be borne by the Bank.

The amendments are applicable to employees ceasing to be in the Bank's service on or after 01 January 2006.

The employees ceasing (retired, died, terminated, dismissed, etc.) to be in Bank's service during the period 01 January 2006 to 18 September 2008, will be paid gratuity as under Rule 11(a) a sum equal to one month's pay plus dearness allowance for each completed year of service in the Bank or part thereof in excess of six months subject to a maximum of 20 month's pay plus dearness allowance or Rs.9,00,000 whichever is less for the first 20 years of service. The benefit of additional gratuity to such employees will be admissible under Rule 11(b) (pre-amended) @ a sum equal to half month's pay plus dearness allowance for each completed year of service in the Bank or part thereof in excess of six months for service in excess of 24 years.

The employees ceasing to be in Bank's service on or after 19 September 2008, will be paid gratuity as under Rule 11(a) a sum equal to one month's pay plus dearness allowance for each completed year of service in the Bank or part thereof in excess of six months subject to a maximum of 20 month's pay plus dearness allowance or Rs.9,00,000/- whichever is less for the first 20 years of service. The benefit of additional gratuity to such employees will be admissible under Rule 11(b) (amended) @ half month's pay plus dearness allowance for each completed year of service in the Bank or part thereof in excess of six months, beyond 20 years. The amount of gratuity paid to eligible employees will be accordingly reworked out and payable amount may be released to them at the earliest. Necessary amendments to Rule 1983 of the National Bank for Agriculture and Rural Development (Payment of Gratuity to Employees) Rules, 1983

- Tax to be borne by the employee on the gratuity granted shall be restricted to tax on that portion of the taxable gratuity as is equivalent to the difference between the amount of National Bank's revised ceiling and the amount of the National Bank's previous ceiling as divided by the total gratuity granted and balance of the tax shall be borne by the National Bank.

Income Tax and super tax, if any, payable on the amount of Gratuity granted to an employee will be borne by the National Bank. Provided that the income tax and super tax, if any, payable on the difference between the amount of Gratuity admissible on account of revision of ceiling under Rule 11(a), above, from 20 month's Pay or Rs.2,25,000, whichever is less to 20 month's Pay plus Dearness Allowance or Rs.3,15,000, whichever is less, shall be borne by the employee himself in such manner as may be decided by the National Bank.

Ref.No.NB.HRMD.PPD /C-43 /SA-01/ 2008-09 - Circular No. 46 /PPD -08 / 2009 05 March 2009

REIMBURSEMENT OF EDUCATION EXPENSES

It has been decided that with effect from 01 April 2008, all confirmed employees of the Bank who are having atleast one school or college going ward may be reimbursed part of the education expenses as follows :

Amount	Category
Rs.400 p.m.	Group 'C'
Rs.600 p.m.	Group 'B'
Rs.1000 p.m.	Officers

Both the spouses working in the Bank are eligible to get reimbursement of education expenses separately irrespective of number of wards. The reimbursement shall be subject to the following conditions :

a - The Ward should be pursuing a course of study which requires him / her to attend regular classes.

b - Reimbursement will be made till such time the ward is pursuing the study;

c - the employee will have to give an application once every academic year giving details of the school / college going ward along with Bonafide Certificate from the respective institutes to show the period of concerned session and that the ward is studying in the school /college/ institution.

The amount will be reimbursable irrespective of the number of school / college going wards. The amount so reimbursed will be treated as monetary perquisite. Accounting procedure in this regard is being advised separately.

The existing scheme of education allowance payable to transferee officers/ employees stands withdrawn from the close of business on March 31, 2008.

However, officers/ employees transferred on or before 31 March 2008, and are presently drawing educational allowance under the old Scheme, may be reimbursed the differential amount from 01 April 2008, as per the present Scheme.

Ref.No. NB.HRMD.PPD/ C-41 / SAL-II /2008-09 - Circular No. 44 /PPD - 06 / 2009 dated 02 March 2009

LEAVE TRAVEL CONCESSION FACILITY - PACKAGE TOURS

At present, in case of journey under LTC facility by package tours, employees are reimbursed the actual cost of only the journey fares provided such break-up is available. It has now been decided to permit reimbursement of the cost of entire package tour in cases where the journey under LTC is undertaken by package tours operated by reputed tour operators to the extent of employee's entitlement. Except the cost of the package, no other expenses such as incidental expenses would be permissible for reimbursement. The tour operators, for journey by air, should invariably be IATA approved. In case of packages involving travel by other modes, the tour operator should be either a member of the Travel Agents Association of India or similar other body or tourism departments of Government of India or a State Government or other public sector bodies such as ITDC / Indian Railway Catering and Tourism Corporation.

In case of journeys abroad by package tour, the entire reimbursement would be treated as income of the employee and tax thereon will be recovered from the employee as per the extant Income Tax rules. For domestic travel, if a break-up towards journey fare and other items is made available in the receipt issued by the tour operator, the applicability of Income Tax on the journey fares will be as per extant Income Tax rules ; reimbursement towards all other items would be treated as income of the employee and would be subjected to tax as per the existing rules.

The above instructions will be applicable to the claims submitted by employees for outward journey commenced on or after 06 March 2009.

Ref.No.NB.HRMD.PPD/C-44 / LTC / 2008-09 - Circular No.47 /PPD - 9 /2009 06 March 2009

Visit NABARD website at www.nabard.org

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