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PACKAGE OF RELIEF MEASURES TO THE VIDARBHA REGION

The Prime Minister has announced a package of relief measures to the Vidarbha Region in Maharashtra in respect of agri credit. The Package is applicable to Amravati, Wardha, Yavatmal, Akola, Washim and Buldhana districts of the State. Under the package the entire interest on overdue loans as on 01 July 2006 will be waived off and farmers will have no past interest burden as on that date, so that they will be immediately eligible for fresh loan from the banking system. The overdue loans of the farmers as on 01 July 2006 will be rescheduled over a period of 3-5 years with a one-year moratorium. An additional credit flow of Rs.1275 crore will be ensured in these six districts through the banking sector. This will be allocated by Bank of Maharashtra (being SLBC convenor among the banks functioning in these 6 districts).

Dr. YSP Thorat, Chairman briefed the media on the steps taken by the Government of India, Government of Maharashtra, Reserve Bank of India, NABARD and the banking system for supporting the relief and rehabilitation measures deemed necessary. The extracts of his address are as follows -

The burden of waiver of overdue interest will be shared equally by the State and Central Government in such a manner as the Central Government may specify in respect of its share of 50% of the waived amount. While apportioning the overdue interest, due care will be taken to offset releases if any, already made by the State Government on this count.

First, agrarian distress needs to be seen in a wider context of "risk" including market risk, price risk, operational risk,



etc. A farmer may be considered to be in distress if he is not in a position to hedge his risks. All distress does not lead to suicide. Thus for example, there is severe agrarian distress in Koraput and Kalahandi districts in Orissa coupled with an ability to cope. In Vidarbha, we are seeing a different phenomenon.

It is often assumed that all suicides are caused by indebtedness. Studies show that this is not always a case. Studies further show that indebtedness to the formal system constitute smaller percentage than suicide associated with indebtedness to the non-institutional system. However, suicides are a matter of fact and we have to deal with them.

The broad package comprises two parts: Credit part and/or the real sector part. The real sector part can be further divided into irrigation, watershed, provision of inputs, extension and farm advisory services.

On the credit side, the credit package comprises 3 items:

1. Waiver of entire interest on overdue loans as on 1st July 2006. The waiver of these loans has ensured that farmers will have no past

interest burden as on that date and will, therefore, become eligible for fresh loans from the banking system.

2. The overdue loans of the farmers on the same date have been rescheduled, with a one year moratorium, for 3 to 5 years.
3. The annual credit plan for the six districts is being increased by a sum of Rs.1,275 crore.

Action taken so far

- Firstly, the interest has been waived and the loans have been rescheduled by the Commercial, Cooperative Banks and RRBs.
- The agricultural credit target for the six districts has been revised from Rs.1,308 crore to Rs.2,583 crore. Not only has this been done, but it has also been allocated among the six districts on a bank-wise basis.
- With a view to facilitate credit, banks are not insisting on NOC from other bank branches.
- So far, as on 1 August 2006, Rs.950 crore have been disbursed as against Rs.730 crore for the whole year last year. Sowing has been completed in over 90% of the area.

There is a significant crop diversification from cotton to Soya and Tur in Vardha districts. Soya has been planted over nearly 2 lakh hectares as against cotton over 92,000 hectares.

This entire credit component is being monitored by special district level teams, headed by DDM of NABARD and LDM of the commercial bank concerned. In addition, an oversight is being provided both at the RO and the HO of NABARD.

The real sector initiatives fall into 2 broad categories i.e. irrigation and watershed.

On irrigation side, 1.59 lakh hectares will be brought under assured irrigation at a cost of Rs.2,177 crore over a period of 3 years by the state. This will include completion of all ongoing major and minor irrigation projects. On the watershed side, 3 initiatives have been taken like check dams, watershed development and rain water harvesting schemes. In these 6 districts, 500 check dams will be constructed over next 3 years at an average cost of Rs.2 lakh per check dam. This will cost Rs.60 crore per year. NABARD will meet this out of the RIDF.

90000 hectare will be treated under watershed development programme to conserve moisture and soil. This will cost Rs.60 lakh per watershed of 1000 hectare, entailing an outlay of about Rs.50 crore. NABARD will meet this out of its watershed development on a full grant basis. These watersheds will generate nearly Rs.50 lakh mandays over a period of 4 years, thus providing employment in the rural sector to that extent.

Thirdly, rain water harvesting scheme is now being extended to all small and marginal farmers under a credit cum subsidy arrangement. Banks are being advised to take up this programme on a large scale.

On the other front, the Government of Maharashtra is gearing up its machinery for extension, input, supply and marketing.

I am particularly happy to announce that suicides have seldom been

committed in households which have subsidiary income. With a view to broad base this, a quick study has been done by NDDB and NABARD which shows that in some of these six districts, animals do exist but what is required is institutional structure to collect and market milk. NABARD and NDDB propose to create formal linkages including processing on an urgent basis through a collaborative arrangement costing about Rs.100 crore. Additionally, we also propose to expand the scope of animal husbandry.

It is often mentioned that suicides do not stop despite initiatives and doubts are cast on the quality of the initiatives. What is often forgotten is that there is a gestation period between the administration of the medicine and the kicking in of the cure. The question, therefore, is what should we do during the gestation period. My Executive Director, Dr. R. Balakrishnan has suggested and I agree with him that the primary initiative during this period is in the nature of reaching out to the vulnerable families in each village to be identified by the villages themselves through auspices of the banking system and the Government.

In regard to extension, I have said before and I repeat now that Farmers' Clubs are by far the best way for taking primary knowledge relating to extension into farmers' fold. The Chairman Bank of India, Bank of Maharashtra, Central Bank and ourselves are forming a small group to off-scale the Farmers' Club four-fold in the next year. In the same vein the Maharashtra RO of NABARD has informed that it will promote 1000 fresh groups every month for the next 2 years and ensure the linkage of all the non-linked groups during the same period. I believe that these measures in aggregate will greatly help.

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The media was also addressed by Shri Umesh Chandra Sarangi, Secretary to CM, Maharashtra, Shri M. Balachandran, CMD, Bank of India, Shri M. D. Mallya, CMD, Bank of Maharashtra and Shri K Subramaniam, ED, Central Bank of India.

CHANGE OF OFFICE TIMINGS

With the introduction of the 5 day week in the Bank w.e.f. 14 August 2006, it has been decided to change Head Office timings and the changed timings are from 09.30 hrs to 17.30 hrs on Mondays and 09.30 hrs. to 17.15 hrs. from Tuesday to Friday.

DISCS RENAMED AS CSID

It has been decided to rename the Department of Information Systems and Computer Services (DISCS) as Central Statistical Information Department (CSID).

MEDICAL ASSISTANCE FUND

At present for medical claims pertaining to serving staff members for indoor medical treatment, admissibility of each item of claim is determined first under Bank's Medical Facilities Scheme (BMFS) and thereafter, for the residual amount under MAF Scheme, provided the concerned staff member is a member of the Scheme. It has now been decided that the admissible pre/post hospitalisation treatment, identifiable and relatable to the ailment(s) for which indoor treatment has been undergone would be treated as an integral part of hospitalisation treatment. Accordingly, admissibility of each item of pre/post hospitalisation claim may be determined first under BMFS and thereafter for the residual amount, if any, under MAF Scheme, if the concerned employee is a member of the Scheme. This procedure would also apply to eligible dependents including dependent parents.

(Ref. Circular No.110/PPD-24/2006 dated 1 July 2006)

MEDICAL FACILITIES

As per existing rules, married female employees are eligible to claim medical facilities either for their dependent natural parents or parents-in-law by giving an irrevocable declaration to that effect. However, it has now been decided that a married female employee can claim reimbursement of medical expenses in respect of her dependent parents-in-law only if her husband is no more or is not earning.

Circular No.109 / PPD-27/2006 21 July 2006

REFINANCE UNDER SCHEMATIC LENDING-POLICY FOR 2006-07

The policy guidelines for refinance during 2006-07 towards investment credit have been communicated to all the client banks. The salient features of the policy as regards eligibility etc. are as follows -

Client banks eligible for availing of refinance are expected to have positive networth and earned profit during last 2-3 years. Further, CBs, RRBs and SCBs are categorised as A and B on the basis of level of NPAs and SCARDBs on the basis of recovery percentage.

Commercial banks having net NPAs above 9%, RRBs above 10% and CBs with gross NPAs above 20% and SCARDBs having recovery of less than 50% are not eligible for refinance.

With a view to increasing the credit flow in the North Eastern Region including Sikkim, the NPA norms are relaxed by 5% in case of RRBs and 10% in case of SCBs. Similarly in case of SCARDBs recovery percentage is relaxed by 10%

In case of natural calamities in the area of operation, stipulation of NPA level is further relaxed by 5% in case of SCBs and RRBs and relaxation in recovery level upto 10% is allowed in case of SCARDBs.

Quantum of refinance will be decided on the basis of lending programme drawn up by the bank and acceptable to NABARD and depending on the category (wherever applicable) of the bank.

The eligibility norms will be applicable for drawal of refinance under both Farm and Non Farm Sector including Industry, Services and Business (ISB) components to be financed under Govt. Sponsored Schemes.

The banks under rehabilitation will be given a special package depending on the progress in implementation under the rehabilitation programme.

The banks which are neither covered under Category 'A' nor 'B' and also not under rehabilitation presently will be considered for refinance provided they furnish a realistic Business Development Plan/rehabilitation programme to the satisfaction of NABARD.

In case of reduced eligibility the refinance support for financing SHGs under SHG Bank Linkage Programme will be permitted without reckoning the same towards the quantum of eligibility.

RRBs not complying with Section 42 (6) (a) (i) of RBI Act, 1934 with deposit erosion exceeding 30% will not be eligible for refinance.

There is no change in the existing policy in respect of banks falling under Section 11 of B. R. Act for releasing refinance.

The SCARDB / PCARDB/SCB/DCCB concerned should have been audited up to the year 2004-05 and the relative reports with financial statements should have been received by NABARD.

Normally release of refinance to State Co-operative Banks will be against Govt. Guarantee. Refinance to Section 11 non-compliant SCB/DCCB will always be against Govt. Guarantee. In the event of Govt. Guarantee (wherever required) not forthcoming, alternative security like pledge of Govt. Securities or pledge of Fixed Deposit Receipts issued by Public Sector Banks could be considered on a case by case basis.

SHORT -TERM REFINANCE TO SCARDBs

It has been decided to continue the pilot scheme for provision of short-term refinance support to Punjab, Haryana and Kerala SCARDBs for the period of July 2006 to June 2007 towards Crop loans and Working capital credit provided for activities allied to agriculture

The limit will be available against finance provided by the SCARDB/PCARDB having audit rating of 'A' or 'B' class to their farmer borrowers for meeting their short term credit needs relating to the agriculture and allied activities for whom long term loans have been granted.

The eligibility for grant of the limit will be reckoned on the level of recovery (70%) to demand as on 30 June 2005 at SCARDB level.

Quantum of refinance assistance under the scheme will be determined on the basis of the Realistic Lending Programme (RLP) of the eligible PCARDB/s.

Refinance support under the facility has to be fully secured by State Government Guarantee.

Rate of interest on refinance by NABARD

The individual farmers are to be given crop loans at 7.00 % p.a. for loans up to a maximum of Rs.3.00 Lakh and the interest rate on refinance towards the same will be at 4.00%.

Circular 125/NB.ICD/3/2006 dated 2 August 2006

INVESTMENT CREDIT - INTEREST RATES ON REFINANCE

For loans	Rate of interest on Refinance % per annum		
	Coop Banks	RRBs	CBs / UCBs/ADFCs/NEDFI
Upto Rs 50000	6.5	7.0	7.5
Above Rs. 50000	7.0	7.5	8.0
for NER, Sikkim, A & N			
Upto Rs 50000	6.5	6.5	6.5
Above Rs. 50000	7.0	7.0	7.0

In case of SGHs, wherever interest on refinance exceeds 7%, it will be capped at 7%.

PROMOTION POLICY - REFINEMENTS

With effect from 01 August 2006 a new Scheme of "Assured Personal Promotion" is being introduced for all confirmed officers in Grade 'A' and 'B' (all services). The scheme is an additional feature to the existing promotion policy. The normal promotions will continue to be governed by the existing provisions in the NABARD (Staff) Rules 1982 / promotion policy in vogue.

Under the scheme an officer in Grade 'A' or 'B' will be granted Personal Promotion to Grade 'B' or 'C' respectively after completion of seven years in their existing grade.

Grant of Personal Promotion will depend on the suitability of the officer concerned based on the ratings obtained in his/her Performance Appraisal Reports, leave, discipline, vigilance record and any such other criteria which may be decided by the Bank from time to time.

An officer on Personal Promotion will also be eligible for regular promotion through the normal selection process.

Officers granted the personal promotion will be eligible to draw annual increments and stagnation increments in the higher grade as in the case of regular promotion.

The officers who have already availed the benefit of Personal Promotion will now be eligible for consideration under the regular promotions through the normal selection process.

Since benefit of personal promotion confers on an officer only financial benefits without reference to the grade-wise seniority, the pay anomaly, if any, arising out of grant of personal promotion will not be taken into account for extending financial benefit to his/her senior/s.

There will be no change in the designation of an officer who has been granted the benefit of personal promotion and he/she will continue to hold the same post and will continue to attend to the duties/work of the existing grade in which he /she is placed. However, the Bank reserves the right to entrust him / her with the duties and responsibilities of the higher grade as per administrative convenience.

The Officers in Grade 'A' in Secretarial Services will not get the benefit of elongated pay scales as applicable for Grade 'B' & 'C' (Secretarial Service) till their actual promotion to Grade 'B' through the normal selection process. For such officers pay scale as applicable to Grade 'B' officers in RDBS will be reckoned for the purpose of fixation.

The officers who had earlier opted for non-transferrability and whose option had not been subsequently revoked by the Bank are not eligible for such Personal Promotion.

SPECIAL ALLOWANCE

At present on promotion from Group 'B' to Grade 'A' or from promotion from a lower grade to a higher grade in the Officers' cadre, adequate financial gain is not available. As a result the financial compensation is not commensurate with the status and increased responsibility. Therefore, it has been decided to grant Special Allowance (monthly) as follows.

- a) Grade 'A' to 'D' - Rs. 1000
- b) Grade 'E' and 'F' - Rs. 2500

This Special Allowance would be reckoned for Dearness Allowance and Superannuation benefits.

Ref. AC No. 03 dated 22 August 2006

FACILITIES TO SENIOR OFFICERS

With effect from 1 August 2006, officers in Grade 'F' will be reimbursed

expenses on petrol up to 225 litres per month at Mumbai, New Delhi, Kolkata and Chennai and 180 litres per month at other centres. It has also been decided that the eligible senior officers will be reimbursed Driver's Salary upto a ceiling of Rs.5000/- p.m. at Mumbai and Rs.4000/- p.m. at other centres.

TELEPHONE CALL LIMIT REVISED:

The existing call limits on residential telephones of the officers have been enhanced with effect from 1 July 2006. New call limits will be as follows:

Grade 'F'	30,000
Grade 'E'	
EA to Chairman/MD/EDs, PPS to Chairman, Senior PS to MD and ED).	18,000
Grades 'A', 'B' and 'C' (P&SS) and DDMS	12,000

Officers having personal telephone either in their name or family member's name at their residence at the place of posting:

Grade 'C'	12,000
Grade 'B'	6,000
Grade 'A'	3,600

The enhanced limit will include the charges for Internet use, modem rent but will not include charges like initial deposit, installation, registration, etc.

PROMOTIONS / POSTINGS

Dr. K.R. Rao, GM, Bangalore RO has been transferred on promotion to Mumbai, HO and posted as CGM, DIT.

Shri S. Mahadevan, DGM, ICD has been promoted and retained as GM in ICD.

Shri A.K. Mukhopadhyay, DGM, Orissa RO has been promoted and retained as GM, Orissa.

Shri S.N.A. Jinnah, DGM, DPD(FS) has been promoted as GM and retained in DPD(FS).

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