



Financial Inclusion – A roadmap to provide banking services through a banking outlet in every village having a population of over 2,000, by March 2012

The Hon'ble Union Finance Minister in his Budget Speech 2010 –2011 announced that all banks should prepare a road map for providing banking services through a banking outlet in every village, having a population of over 2000 by March 2012. RBI has since advised CMDs of all SLBC Convenor Banks that road maps have to be drawn up for achieving financial inclusion for monitoring mechanisms to assist and evaluate progress made in achieving financial inclusion.

Each State Cooperative Bank needs to draw an achievable road map for financial inclusion in the State through the network of DCCBs and its branches as well as PACS in the districts. The roadmap should include, among others, opening of new account plans for financial literacy, issue of KCC, GCC / SCC to all eligible borrowers for greater financial inclusion by all DCCBs. SCB / DCCBs may get in touch with our Regional Offices to prepare proposals for support from FIF and FITF.

SCBs are advised to help the DCCBs in their area of operation, in preparation of a suitable roadmap to provide financial services to the excluded population in their area of operations. The roadmaps drawn by individual DCCBs and duly approved by the DCCB Board may be consolidated at the SCB level, and sent to the respective NABARD Regional Offices.

(Ref. No. NB / FID/ 01 / FI - 01 / 2010 - 2011 dated 01 April 2010. Circular No. 72 / FID - 10 / 2010)

Provision of Short-term (ST) refinance by NABARD to RRBs for financing Seasonal Agricultural Operations (SAO) - Policy for the year 2010-11 – Highlights

- The quantum of refinance will be linked to Net NPA level of the RRB and the level of ST(SAO) credit limit utilisation by the RRB during the year 2009-10. Accordingly, RRBs that had availed the sanctioned credit limit under ST(SAO) to the extent of 90% and above during 2009-10 will be eligible for enhanced quantum of refinance of 5% vis-a-vis the prescribed quantum during 2010-11. Further, to enable the RRBs to avail of more refinance, the NPA slabs have been restructured.
- Sanction norms stipulated for the year 2009-10, viz., segregation of limit into Other Crops (OC), Oilseeds Production Programme (OPP), National Pulses Development Programme (NPDP) and Development of Tribal Population (DTP) sub-limits, Financing of tenant farmers / oral lessees, additional interest in case of NODC deficit will continue for the year 2010-11.

- As in 2009-10, RRBs in the North Eastern Region, Jammu & Kashmir, Sikkim, Himachal Pradesh and Uttarakhand will be eligible for enhanced refinance with relaxation in Net NPAs norms. Further, RRBs in eastern region viz., Bihar, West Bengal, Orissa, Jharkhand and Chattisgarh States will be eligible for additional refinance of 5% over and above the applicable quantum of refinance.
- RRBs can make drawals against sanctioned limits on the basis of aggregate NODC under all sub-limits, i.e., for all the purposes (OC/OPP/NPDP/DTP) taken together. For sub limit wise shortfall in NODC, no penal interest will be charged if overall NODC is available.
- In the event of default in repayment of principal and / or payment of interest, the RRB will be liable to pay to NABARD interest on amount of default at 10% p.a. for the period for which the default persists. Further, it may be noted that the penal interest rate prescribed by NABARD for default under investment credit from time to time will be applicable for ST(SAO) defaults, as well.

2. The rate of interest on ST(SAO) refinance will be 4.5% p.a. (subject to revision, if any, by Govt. of India). Further, the concessional refinance @ 4.5% p.a. referred to above will be available only to those Regional Rural Banks who provide ground level ST (SAO) credit at 7% p.a. (crop loans upto Rs.3 lakh per borrower) including their own involvement.

3. As announced by the Hon'ble Union Finance Minister in his Budget Speech for the year 2010-11, Govt. of India will provide 2% interest subvention to farmers who repay their crop loans on / before due date, thus making available crop loans upto Rs.3 lakh to farmers at 5% p.a.

(For more details please see Annexure to circular No.NB.PCD(Policy)/ 88 / 334(P) / 2010-11 dated 20 April 2010. Circular No 87 / PCD - 02 /2010)

Provision of Short Term (ST) refinance by NABARD to State Cooperative Banks in respect of eligible District Central Cooperative Banks (DCCBs) for financing Seasonal Agricultural Operations (SAO) - Policy for the year 2010-11 – Highlights

- The quantum of ST(SAO) refinance in 2010-11 will be linked to Net NPA level of the SCB and ST(SAO) credit limit utilisation level during the year 2009-10. Accordingly, SCBs which have availed the sanctioned credit limit under ST (SAO) to the extent of 90% and above during 2009-10 will be eligible for enhanced quantum of refinance of 5% vis-a-vis the prescribed quantum during 2010-11. Further, to enable the SCBs to avail more refinance, the net NPA slabs have been restructured.
- Sanction norms stipulated for the year 2009-10 viz. sanction of consolidated limit to SCB in respect of eligible DCCBs, segregation of limit into Other Crops (OC), Oilseeds Production Programme (OPP), National Pulses Development Programme (NPDP) and Development of Tribal Population (DTP) sub-limits, sanction of limits to Section 11(1) non-compliant SCBs/ Non-Scheduled SCBs against State Govt. Guarantee etc. will continue for the year 2010-11.

- Certain operational norms stipulated for the year 2009-10, viz., release of refinance within consolidated NODC of eligible DCCBs, extending at least 30% crop loans to small and marginal farmers out of the total crop loan disbursed during the year, disallowing operations to DCCBs in case of continuous default to SCB, additional interest in case of NODC deficit will continue for the year 2010-11.
- The norms stipulated for the year 2009-10 for sanction of credit limit to Section 11(1) non complaint SCB/ DCCBs operating in the States where Vaidyanathan Committee (VC-1) recommendations have been accepted and MoU executed will continue during 2010-11.
- SCBs in the North Eastern Region, Jammu & Kashmir, Sikkim, Himachal Pradesh, Uttarakhand and Andaman & Nicobar Islands will be eligible for enhanced refinance with relaxation in Net NPAs norms. Further, SCBs in eastern region viz., Bihar, Chattisgarh, Orissa and West Bengal will be eligible for additional refinance of 5% over and above the applicable quantum of refinance.
- In States where MOU have been executed in terms of VC-I recommendations and Cooperative Societies Act have been amended, credit limit application need not be routed through RCS. However, in case of other States, the consolidated credit limit application shall be recommended by RCS, as hitherto.
- In case of default in repayment of principal and payment of interest by the SCB, the SCB will be liable to pay to NABARD interest on amount of default at 10% p.a. for the period for which the default persists. The penal interest rates are subject to revision from time to time. Further, it may be noted that the penal interest rate prescribed by NABARD for default under investment credit from time to time will be applicable for ST (SAO) defaults, as well.

2. It is expected that with concessional refinance from NABARD and interest subvention on bank's own involvement from GoI, banks will be in a position to provide crop loan upto Rs.3.00 lakh at 7% p.a to farmers during 2010-11. NABARD refinance to SCBs will be provided at 4% p.a. (in terms of Govt. of India instructions) only if the ST Cooperative structure in the state together with their own involvement provide crop loan upto Rs.3.00 lakh to farmers at 7% p.a.

3. As announced by the Hon'ble Union Finance Minister in his Budget Speech for the year 2010-11 Govt. of India will provide 2% interest subvention to farmers who repay their crop loans on / before due date, thus making available crop loans upto Rs. 3 lakh to farmers at 5% p.a.

(For detailed guidelines please see Annexure of circular (Ref.NB.PCD(Policy)/ 86 /A-1(Gen)(RP)/2010-11 dated 20 April 2010. Circular No.NB./ 86 /PCD - 01 /2010)

Credit Target under Swarnajayanti Gram Swarozgar Yojana (SGSY) for the year 2010-11

The Government of India have since finalised the credit disbursement target for the year 2010-11 under SGSY. The State Level Bankers Committee (SLBC) will allocate state-wise targets indicated among the CBs, Co-op. Banks and RRBs by SLBC among

the CBs, Co-op. Banks and RRBs. The SLBCs are also to finalise the targets of individual banks on the basis of acceptable parameters like resources, number of rural/semi-urban branches, etc. so that each bank will be in a position to achieve the target for the bank as a whole.

(For details please see annexure to circular No NB. MCID/ 175 /SGSY 2-B/2010-11 dated 30 April 2010.Circular No. 91 /mCID- 04 /2010)

Cooperative Development Fund (CDF) – Revision in delegation of powers for sanction under CDF

The revised delegation of powers for sanctions under CDF (which will come in to effect immediately) are as under:

(Rs in lakh)

Sanctioning Authority	Existing powers to sanction	Revised powers to sanction
OIC of RO - GM	Nil	Up to 1*
OIC of RO - CGM	Nil	Up to 2*
CGM – IDD, HO	Nil	2 to 3*
ED – IDD, HO	Up to 1	3 to 5
MD	1 to 5	5 to 15
Chairman	5 to 10	15 to 25
Management Committee	More than 10	More than 25

* Subject to budget allocation / adherence to the operational guidelines and based on specific recommendations of Advisory Committee Constituted at RO level consisting of OIC and two senior officers not below the rank of DGM from departments other than IDD. Similarly, the Committee in HO will consist of CGM and two senior officers, not below the rank of DGM from IDD.

(Ref No NB HO IDD / 19 /CDF 64 / 2009 - 10 dated 5 April 2010.Circular No 80 / IDD- 06 / 2010)

Conduct of meeting with RCS and SLTF

It is clarified that the instructions to hold the meeting with the RCS were issued prior to the constitution of the State Level Task Force (SLTF). Pursuant to the constitution of the SLTF, which is a broader platform wherein issues relating to the health of the co-operative institutions are invariably discussed, there appears to be no need to hold half yearly meetings with the RCS of the State concerned. Therefore, in supersession of our earlier instructions, ROs are advised not to hold a separate meeting with the RCS, henceforth. However, if in the opinion of the RO there are some very specific & special supervisory related issues/ agenda which have not been discussed in the SLTF and where the intervention of the RCS is essential and warranted, then, ROs can continue to hold separate meetings with RCS as and when required.

(Ref.No.NB.DoS.HO.POL./ 29 /J.1/2010- 11 dated 13 April 2010.Circular No. 82 /DoS- 10 /2010)

Compliance with Section 22(3)(a) and Section 22(3)(b) of the B.R. Act, 1949 (AACS) - revised licensing norms of RBI

The revised norms as under :

- a) The licensing focus has been shifted to CRAR requirements at 4% and above, compliance with the CRR and SLR requirements and ignoring stray default cases during the last one year.
- b) Compliance with Section 11(I) / 22(3)(a) of the Act, *ibid*, should continue to be the major deciding factor.
- c) Absence of an efficient internal checks and control system leading to occurrence of major frauds in the bank, should be considered as one of the major factors while deciding the issue of compliance with Section 22(3)(b) of the Act, *ibid*.
- d) Non-compliance or partial compliance with major covenants of the KYC / AML guidelines by the bank, will be construed as violation of Section 35(A) of the B.R. Act, 1949 (AACS) and will be construed as non-compliance with Section 22(3) (b) of the Act, *ibid*.

2. Besides, certain aspects that were earlier being considered as factors weighing for the compliance of the said Section of the Act, *ibid*, may now be viewed as operational lapses which can be corrected if timely and appropriate action is taken by the bank. These are -

- a) Compliance with Section 9 - Disposal of Non-banking Assets
- b) Some of the co-operative banks have huge premises, a part of which is being rented out by them. RBI has since clarified that out of the total premises, if the bank was using the major portion and only a part thereof was given on rent, then, it need not be deemed as violation of Section 6 of the Act, *ibid*.
- c) Compliance with Section 19 - Investments in other co-operative institutions -
- d) Compliance with Section 21 read with Section 35A – Requirement of the Bank while granting additional interest of 1% on staff deposits, to obtain a declaration from the staff concerned that the money deposited with the bank actually belonged to them.
- e) Level of NPAs
- f) Internal Checks and Control System

(For more details refer to Circular No.NB.DoS.HO.Pol./453/J.1/2010-11dated 30 April 2010. Circular No. 92 /DoS 12 /2010)

Editorial Board - S. K. Mitra, Amaresh Kumar, P.L. Behera, Dr. Prakash Bakshi and V. Ramakrishna Rao

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