



Potential Linked Credit Plans (PLPs) - 2011-12

The PLP projections along with a background note should be made available to the Lead District Manager of the district latest by 31 August 2010. The printed document may be brought out by 30 September 2010 and copies forwarded to HO by 10 October 2010. With the early completion of PLP exercise, necessary steps may be initiated to conduct the State Credit Seminar in November/ December 2010.

The physical and financial estimation of all sectors, including NFS and OPS, may be made available to the LDM, as was the practice in the past.

A new sub chapter titled 'Food and agro processing' shall be added to the PLP as Chapter III.12 and projections shall be made for loans to individuals, SHGs, Cooperatives in rural areas in tune with priority sector guidelines of RBI where such loans are classified under direct agriculture. Though there may be a mismatch as regards to availability of credit flow data and projections on account of the existing reporting system, a beginning may be made by making projections under 'Food and Agro Processing' sub sector as part of agriculture sector. The activity list may be finalised by RO so as to have uniformity. Accordingly, 'agro processing' which is now part of NFS chapter, would now be part of agriculture sector. Suitable changes may also be made in annexure I (Activity wise- Block wise Physical and Financial Projections) and also in 'summary of sector/ sub sector wise PLP projections'.

While drafting the chapters in PLPs for 2011-12, the following aspects may be kept in mind :

- ⇒ Increasing food production and productivity for food security of the country especially against the backdrop of the proposed law to ensure food security for weaker sections.
- ⇒ Promoting crop rotation and replanting.
- ⇒ Bringing more arable land under cultivation
- ⇒ Extending Green Revolution to the eastern region of the country - Bihar, Chhattisgarh, Jharkhand, Uttar Pradesh (Eastern region), Orissa and West Bengal.
- ⇒ The role and importance of small and marginal farmers in agricultural production and food security.
- ⇒ Enhancing production and productivity of oilseeds and pulses - Accelerated pulses production programme under National Food Security Mission in select states.

- ⇒ Integrated development of small ruminants and rabbits, modernization / establishment of slaughter houses in Andhra Pradesh, Uttar Pradesh, Meghalaya and establishment of poultry estate and mother units.
- ⇒ Promotion of dry land agriculture for pulses and oilseeds farmers in select villages in rain fed areas of select states.
- ⇒ Availability and use of appropriate technology.
- ⇒ Raising the water table that is fast getting depleted on account of over exploitation and need for judicious utilisation.
- ⇒ Improving soil quality.
- ⇒ Usage for modern farm implements on larger scale.
- ⇒ Creating post harvest infrastructure - grading, scientific storage, pre cooling, packaging, transportation, cold storage, canning, etc.
- ⇒ Bridging the increasing gap in dairy sector - milk production and supply.
- ⇒ Integrated approach towards agriculture.
- ⇒ Investment in rural infrastructure for the growth of agriculture sector.
- ⇒ Impact of MGNREGA in the rural economy, especially agriculture sector.

The PLPs shall have not more than 100 pages (A4 size paper). Chapter - 1 "Introduction" and Chapter - 11 "Policy initiatives and Credit innovations" will be prepared by CPD, HO (state specific topics to be collated and prepared by ROs) and forwarded to ROs in the first fortnight of September 2010, for being incorporated in the PLPs.

(For more details see - Ref. No. NB. CPD: BPD / 473-508 /BP 9 / 2010-11 dated 21 May 2010. CIRCULAR No. 105 / CPD - 03 / 2010)

Short-Term Credit limits to SCBS/DCCBS for financing the working capital requirements of Primary/Apex/Regional Weavers' Cooperative Societies etc. Policy for 2010-11

1. NABARD's policy in regard to sanction of Short-Term (ST) credit limits to State Cooperative Banks (SCBs) on behalf of District Central Cooperative Banks (DCCBs) for financing the working capital requirements of (i) Primary Weavers' Cooperative Societies (PWCSs) for production and marketing of cloth (ii) Working capital requirements of individual weavers, handloom weavers groups and master weavers for production and marketing of the cloth and (iii) Apex/Regional WCSs for procurement and marketing of cloth/trading-in-yarn for the current financial year 2010-2011 have been reviewed and finalised. Except for certain refinements/modifications, the guidelines for 2010-11 would broadly continue as during 2009-10. Important policy changes effected are indicated below :

2. (i) As in 2009-10, the quantum of ST-Weavers' credit limit to SCBs/DCCBs would be continued to be linked to the level of " NPAs of SCB as on 31 March 2010. A

consolidated limit will be sanctioned to SCB in respect of eligible DCCBs to the extent of normal eligibility or maximum outstanding refinance availed by SCB against limit sanctioned by NABARD during 2009-10, depending upon SCB' net NPA level. A relaxation in NPA norms by 5% will be given to banks in North Eastern Region, Sikkim, Jammu & Kashmir, Himachal Pradesh, Uttarakhand and Andaman & Nicobar Islands. Further, SCBs in Eastern Region i.e. Bihar, Chhattisgarh, Orissa, West Bengal and Jharkhand would be eligible for additional refinance of 5% over and above the applicable quantum of refinance.

(ii) It has been decided to extend refinance to Apex societies through SCB towards financing of working capital requirement of those PWCS where DCCB is Sec 11 non-compliant bank (in case byelaws of the apex society permit).

3. Compliance with Section 11(1) of B R Act, 1949(AACS):

(a) Section 11(1) non compliant SCBs / DCCBs in States which **have executed MoU on implementation of VC-1** will be eligible for refinance even though their exemption applications are pending for more than a year with RBI/Govt. of India. However, the banks whose license applications have already been rejected, will not be sanctioned any limit.

(b) Section 11(1) non compliant SCBs / DCCBs in States which **have not executed MoU on implementation of VC-1** will be considered provided they have been granted exemption or their exemption application, recommended by NABARD, is not pending with RBI/Gol for more than one year.

4. Working capital finance extended for production and marketing of cloth by Primary Handloom/Power loom WCSs /**Apex weaver' society (AWCS, trading in yarn by apex weaver society**, individual weavers, working capital loans extended to weaver members of defunct/non-working cooperative societies and Handloom Weavers Groups (HWGs) as well as master weavers would be eligible for refinance.

5. The rate of interest on refinance would be 7.50% per annum. The above rate is subject to revision from time to time.

6. In the event of default in repayment of principal and payment of interest, the SCBs 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.

(No.NB.PCD-Policy(Weavers)/ 354 / A.7(P)/2010-11dated 21 May 2010.Circular No. 104 /PCD- 5 /2010)

Enhancement of Audit capacities in Short-Term Credit Cooperative Institutions (STCCS) - Issuance of engagement letters to Statutory Auditors

Consequent on the signing up of MoU between the Government of India, NABARD and 25 State Governments for implementing the covenants of Cooperative Reforms Package, State Cooperative Societies Acts have been amended in 14 States so as to facilitate undertaking of statutory audit of Cooperative Banks by the Chartered Accountants. The respective Cooperative Banks were given the freedom of selecting the Chartered Accountants out of the panel circulated by NABARD.

In a study on 'Enhancement of Audit Capacities in Short Term Cooperative Credit Structure by the German Technical Collaboration (GTZ) Consultants along with the senior officer from the Department of Supervision (DoS), NABARD, Head Office under NABARD-GTZ Rural Financial Institutions Programme (RFIP) in the States of Andhra Pradesh, Gujarat, Orissa and Tamil Nadu, it was observed that there was no system of issuing formal engagement letters to the Chartered Accountants listing out the items of work to be attended to by them while undertaking the statutory audit of banks. The Study Team has since submitted its report and most of the recommendations have been accepted by NABARD for implementation. The Study Team has suggested, among others, that the following items may be included in the Statutory Audit engagement letters to be issued to the Chartered Accountants by the Cooperative Banks. This will be in addition to the areas which have been indicated in the existing State Cooperative Societies Act.

- Verification of cash balances and securities;
- Verification of balances at the credit of depositors and creditors and of the amount due from the debtors of the bank;
- Examination of overdue debts;
- Valuation of assets and liabilities of the bank;
- Evaluation of the accounting system and internal controls in operation and reporting on the weaknesses observed;
- Examination of accounts and related records and verification of financial statements and expression of auditor's opinion on the same;
- Review of the adequacy of compliance with Risk Management framework of the bank;
- Review of the adequacy of and compliance with the Internal Audit function of the bank;
- Review of classification of loans and advances and comment on the adequacy of provision for losses and classification of assets;
- Review of compliance with applicable laws, regulations, guidelines/instructions and report on violations; and
- LFAR as already prescribed by NABARD.

(Ref.No.NB.DoS.HO.POL/713/P.163/2010-11 dated 12 May 2010. Circular No. 98 /DoS. 13 /2010)

**NABARD-GTZ Rural Financial Institutions Programme (RFIP) –
Study on Enhancement of Audit Capacities in respect of Short Term Cooperative
Credit Structure (STCCS) - Important recommendations**

The Study Team had since submitted its final draft report containing suggestions of far reaching implications in changing the shape of audit system in Cooperative Credit Structure. Most of the recommendations of the Study Team have been accepted by

NABARD in principle. Some of the important suggestions wherein the State Government and banks concerned may have to initiate necessary action are as under:

- Setting up of State level independent audit body to make the audit function fully independent of any government control or influence.
- Adoption of relevant Accounting Standards of ICAI by all Cooperative Banks.
- Lay down a standardised internal control framework for cooperative banks and PACS by which the auditors specifically comment in their audit reports about the adequacy of and compliance with such controls.
- Preparation of a Standard Audit Manual for Cooperative Banks and PACS.
- Reorient the audit strategies by introducing (i) Risk Focused Internal Audit covering all activities and all branches on a quarterly basis, (ii) half-yearly credit portfolio audit, (iii) annual EDP/Systems audit and (iv) annual statutory audit.
- All the Cooperative Banks may consider either completely outsourcing or co-sourcing critical areas of their internal audit to Chartered Accountants and/or Departmental Auditors.
- Internal auditor is not appointed as statutory auditor of the same bank/PACS.
- Banks should issue proper engagement letters to the Statutory Auditors covering certain areas in addition to the items of work to be attended to by the auditors in the respective State Cooperative Societies Act.
- To standardise the audit report of cooperative banks in line with Audit and Assurance Standard (AAS) 28 for use by the Chartered Accountants and Departmental Auditors and also adopt the format for the audit reports of PACS.
- The future role of Departmental Auditors (wherever CAs are already in position for undertaking statutory audit of cooperative banks and special audit of PACS) and institutionalising an appropriate platform for a continued role of Departmental Auditors for the benefit of all stakeholders.
- Undertaking appropriate amendments in the bye-laws of cooperative banks and PACS indicating the specific books of account to be maintained.
- Need for designing and delivering periodically training inputs on professional development and skill upgradation for the Departmental Auditors.

NABARD has already taken up the matter with the RBI regarding introduction of Common Accounting System in Cooperative Banks as also AAS 28 as suggested by the Study Team.

(No.NB.DoS.HO.POL./715 /P.163/2010-11 dated 12 May 2010. Circular No. 99 / DoS. 14 /2010)

Dairy and Poultry Venture Capital Funds

Both the captioned schemes will be continuing during 2010 -11 also with an allocation of `32.40 crore for Dairy VCF and `10.70 crore for Poultry VC. Allocation for poultry includes `1.37 crore for NE States.

The interest free loan disbursed under the schemes is repayable and the bank has to remit 5/9th of the repayment received from the borrowers to NABARD for crediting back to the funds. Necessary steps should be taken for improving the recoveries and to pass on the repayments on a proportionate basis to NABARD.

Claims for interest subsidy should be claimed in respect of all regular loans under the scheme.

(Ref. No. NB.TSD. 200 / VCF-4 / 2010-11 dated 07 May 2010.Circular No. 96 /TSD - 1 / 2010)

National Fisheries Development Board (NFDB) - Subsidy Schemes for Fisheries Development

- National Fisheries Development Board (NFDB) with the approval of Gol has introduced a number of subsidy schemes for supporting activities like intensive aquaculture in ponds and tanks, mariculture, coastal aquaculture, seaweed cultivation, fish dressing centres & solar drying of fish, domestic marketing, deep sea fishing, tuna fishing etc. The details of these programmes / schemes and the formats of the application are available on the NFDB website www.nfdb.ap.nic.in
- Under the scheme the individual beneficiaries, companies/ corporate firms, SHGs, Fisheries Cooperative Societies, Fishery Federations etc., will be provided with a subsidy ranging from 20% - 50% as the case may be. The subsidy will be back ended and not necessarily credit linked and the implementation will be monitored by the respective State Fisheries Departments.
- The subsidy will be released by the NFDB, Hyderabad through the respective State Fisheries Departments, which are the implementing agencies.
- NABARD will be refinancing eligible financing banks for the term loans disbursed to individual beneficiaries under various programmes @100% of the amount financed by the banks at the prevailing rate of interest as per the refinancing policy issued by NABARD from time to time.

(Ref. No. NB/TSD/ FS3(3) / 291 / 2010 - 11 dated 17 May 2010.CIRCULAR No 103/ TSD-2 / 2010)

Central Sector Scheme - Establishing Agri-Clinic and Agri-Business Centres (ACABCs) by Agricultural Graduates

The captioned scheme would continue during the current financial year i.e. 2010-11.

(Ref. No.NB.ICD/ 606 /ACABC-4/2010-11 dated 24 May 2010.Circular No. 106 / ICD - 26 / 2010)

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