

# **FIFTIETH**

# **ANNUAL REPORT**

## **2009-2010**



**NATIONAL COOPERATIVE AGRICULTURE & RURAL  
DEVELOPMENT BANKS' FEDERATION LTD.**

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# **NATIONAL CO-OPERATIVE AGRICULTURE & RURAL DEVELOPMENT BANKS' FEDERATION LTD., MUMBAI.**

## **ANNUAL GENERAL MEETING OF THE FEDERATION**

### **NOTICE**

Notice is hereby given, that the Annual General Meeting of the National Co-operative Agriculture and Rural Development Banks' Federation Ltd., for the year 2009-2010 will be held on **Monday, August 9, 2010 at 2.15 pm at Bogmallo Beach Resort, Goa** to transact the following business.

1. To confirm the proceedings of the Annual General Meeting of the Federation held on 30 September 2009 at Hotel Infiniti, Indore, Madhya Pradesh.
2. Consideration of Audited Statement of Accounts for the year 2009-2010.
3. Disposal of surplus for the year 2009-10.
4. Consideration of the Statutory Report of Auditors for the year ended 31.3.2010.
5. Consideration of Compliance Report on Auditor's remarks in Audit Report as on 31.3.2010.
6. Consideration of Annual Report for the year 2009-2010.
7. Appointment of Statutory Auditors for the year 2010-11 and fixing audit fees.
8. Consideration of Annual Budget for the year 2011-12.

In accordance with the provisions of Multi State Cooperative Societies Act, 2002, and the Byelaws of the Federation, the General Body shall consist of one representative of each member bank of the Federation who shall be either Chairman/President or the Chief Executive or a member of the Board of the member bank nominated by the Board of Directors of the respective Bank by a resolution, or the Administrator, by whatever name called, of a member bank where there is no Board. Accordingly, member banks are advised to inform the Federation the name of their representative to the General Body along with the resolution of the Board at least 10 days before the General Body Meeting.

***By Order of the Board of Management***

sd/-

**(K.K. Ravindran)**  
**Managing Director**

Place: Navi Mumbai  
Date: 1<sup>st</sup> July 2010

## **I. ECONOMIC SCENE**

The economic survey for the financial year 2009-10 urged a calibrated exit from fiscal stimulus, which cushioned India's economy from the worst of the global downturn. The continued recession in the developed world, for the better part of 2009-10, meant a sluggish export recovery and a slowdown in financial flows into the economy. Yet, over the span of the year, the economy posted a remarkable recovery, not only in terms of overall growth figures but, more importantly, in terms of certain fundamentals, which justify optimism for the Indian economy in the medium to long term.

As per the advance estimates of GDP for 2009-10, released by the Central Statistical Organization (CSO), the economy is expected to grow at 7.2% in 2009-10, with the industrial and the service sectors growing at 8.2% and 8.7% respectively. The growth rate of the agriculture and allied sectors is estimated to be minus 0.2% against the 1.6% of 2008-09. Sectors including mining & quarrying, manufacturing; and electricity, gas and water supply have significantly improved their growth rates at over 8% in comparison with 2008-09. The share of agriculture and allied sectors in GDP at factor cost has declined gradually from 18.9% in 2004-05 to 14.6% in 2009-10. During the same period, the share of industry has remained the same at about 28%, while that of services has gone up from 53.2% in 2004-05 to 57.2% in 2009-10.

Total food-grains production in 2008-09 was estimated at 233.88 million tones as against 230.78 million tones in 2007-08 and 217.28 million tones in 2006-07 which is a record. In the agricultural season 2009-10, the impact of the delayed and sub-normal monsoon is reflected in the production and acreage for kharif crops. As per the first advance estimates, covering only the kharif crop, food-grains production is estimated at 98.83 million tones in 2009-10, as against a target of 125.15 million tones.

As against the target of Rs 2, 80,000 crore (provisional) for agricultural credit in 2008-09, the banking system disbursed credit of Rs 2,

92,437 crore to the agricultural sector, thereby exceeding the target by around 4%. Commercial banks and Regional Rural Banks (RRBs) together extended credit to 81.02 lakh new farmers while cooperative banks provided loans to 13.88 lakh new farmers during 2008-09, thus taking the total number of farmers financed by the banking system to 94.90 lakh.

The Kisan Credit Card Scheme (KCC) which was introduced in August 1998 to provide adequate and timely credit support from the banking system to farmers for their cultivation needs has reached to 878.30 lakh farmers as on November 2009. The scheme now also covers borrowers of the long-term cooperative credit structure.

For fiscal 2009-10, exports and imports showed substantial decline during April-September (H1) of 2009-10 vis-à-vis the corresponding period in 2008-09. However, there has been improvement in the balance of payments (BoP) situation during H1 of 2009-10 over H1 of 2008-09, reflected in higher net capital inflows and lower trade deficit. Net capital inflows to India at US\$ 29.6 billion in April-September 2009 remained higher as compare to 2008. Given the uncertain global context, the Government did not fix an export target for 2009-10, instead the Foreign Trade Policy (FTP) 2009-14 set the objective of an annual export growth of 15% with an export target of US \$ 200 billion by March 2011. In December 2009 the recovery in export growth has continued with a positive year-on-year growth of 9.3%. During 2009-10 (April-December) import growth was a negative 23.6% accompanied by a decline in both POL (Petroleum Oil and Lubricants) and non-POL imports of 29.8% and 20.7% respectively.

The slew of measures introduced after September 2008 to enhance the liquidity in the system included a series of downward revisions in policy rates covering repo rate, reverse repo rate, CRR and SLR, besides providing specified windows for accommodating distressed sectors. Keeping in view the comfortable liquidity position, the SLR was restored to its earlier level of 25 percent of NDTL (Net Demand and Time Liquidities) with effect from

November 7, 2009. In the Third Quarter Review (January 29, 2010) the RBI announced that the CRR was being raised from 5.0 per cent of NDTL to a level of 5.50 per cent effective the fortnight beginning February 13, 2010 and to 5.75 per cent effective the fortnight beginning February 27, 2010.

The accommodative monetary policy stance adopted by the Reserve Bank of India, post-September 2008, in response to the global financial crisis, continued during 2009-10. The Indian Banking System has withstood the pressure of global financial turmoil which clearly shows in the improvement of CRAR (Capital to Risk Weighted Assets Ratio). The overall CRAR of all Scheduled Commercial Banks (SCBs) improved to 13.2% by end-March 2009 from 13% a year earlier. All commercial banks in India excluding RRBs and local area banks have become Basel II compliant as of March 31, 2009.

The fiscal expansion undertaken by the Central Government as a part of the policy response to counter the impact of the global economic slowdown in 2008-09 was continued in fiscal 2009-10. The net result was an increase in fiscal deficit from 2.6% in 2007-08 to 5.9% of the revised GDP (new series) in 2008-09 (provisional) and 6.5% in the budget estimates for 2009-10. India's fiscal deficit increased from the end of 2007-08, reaching 6.8% of GDP in 2009-10.

A major concern during the year 2009-10, especially in the second half, was the emergence of high double-digit food inflation. On a year-on-year basis, wholesale price index (WPI) headline inflation in December 2009 was 7.3% but for food items (primary and manufactured) with a combined weight of 25.4% in the WPI basket, it was 19.8%. As of the week ending January 30, 2010 the inflation in primary food articles stood at 17.9%, and that in fuel, power light and lubricants at 10.4%. A significant part of this inflation can be explained by supply-side bottlenecks in some of the essential commodities, precipitated by the delayed and sub-normal south-west monsoon.

The Indian economy was initially affected through a reversal of capital flows, rupee depreciation and stock market decline. The decline, however, was partly offset by the resilience of the rural economy due to improvement in the agricultural terms of trade because of higher support prices for agricultural produce, income generated through the National Rural Employment Guarantee Scheme (NREGS), agriculture loan waivers and building up of rural infrastructure under the Bharat Nirman programme. Together with the fact that it is largely domestic demand driven, (merchandise exports account for 15 per cent of the GDP), the Indian economy has exhibited considerable resilience in the face of the crisis.

In spite of increased Government outlays in the social sector in recent years, lack of identity proof results in harassment and denial of services to the poor and marginalized. As a result, there are still leakages in the programmes/schemes and the benefits do not reach the intended target groups of individuals/people in full. Providing identity proof to the poor and the marginalized through the UIDAI (Unique Identification Authority of India) will enhance their access to Government services, both at State and Central levels, and will enable smoother delivery of direct benefits to the poor and underserved. Specifically, it will improve the delivery of the flagship schemes of the Central Government. This will also prevent leakages as well as wastages in the implementation of these schemes.

***(Ref. Economic Survey 2009-10)***

## **II. COOPERATIVE LONG TERM CREDIT STRUCTURE – OVERVIEW**

Rural Cooperative Credit System in India evolved into two separate streams for ST credit and LT credit. The Long Term Credit Structure had its beginning in the early 1920s with the establishment of Land Mortgage Banks to provide long term loans to farmers to redeem their prior debts. The first Land Mortgage Bank was established in 1920 in Punjab followed by

establishment of large number of such banks in all provinces. The first Central Land Mortgage Bank started functioning in Madras to centralize the issue of debentures and to coordinate the working of Primary Land Mortgage Banks. The Bombay Banking Enquiry Committee (1930) mentioned about the inadequacy of resources of primary credit societies to undertake long term lending and advocated formation of Land Mortgage Banks to meet long term credit needs of farmers. The 1930s and 40s witnessed mushroom growth of Land Mortgage Banks throughout the country without any uniform pattern with regard to their size and operations. The All India Rural Credit Survey Committee recommended reorganization of Land Mortgage Banks with a State level apex body and Primary Land Mortgage Banks at taluka level affiliated to it. The Committee also assigned a developmental role to the Land Mortgage Banks by diversifying their operations into investment credit for agriculture. Central Land Mortgage Banks were established in almost all States during the II Five Year Plan which became State Cooperative Land Development Banks and in the 90s as State Cooperative Agriculture & Rural Development Banks.

The contributions of Agriculture & Rural Development Banks (ARDBs) to the development of Indian agriculture have been quite significant in the post Independence era. ARDBs played a very important role in improving the productivity of land especially through development of minor irrigation and facilitating farm mechanization in the 60s and 70s. While continuing to promote capital formation in agriculture, these banks started financing rural non-farm sector projects in a big way in the 80s and 90s which helped rural families to increase their incomes substantially through value addition to their produce apart from providing opportunities for alternate employment.

The training needs of about 25000 personnel of SCARDBs & PCARDBs as well as elected Board Members of the State & Primary ARDBs are largely met by JLTCS run by SCARDBs with financial support from NABARD, Institutes of Co-operative Managements and Regional Institutes of Co-operative Management (ICMs and RICMs) run by NCCT with funding

support from GOI & Regional Training Centres run by NABARD. Middle and Senior level personnel are trained mainly at VAMNICOM & CAB, Pune & BIRD, Lucknow and National Institute for Rural Banking, Bangalore.

While MIS (Management Information System) has been computerized by almost all SCARDBs, entire operations at all levels have been fully computerized by Kerala & Punjab SCARDBs. Computerization of operations is at varying stages of progress with regard to other major SCARDBs.

The LT Structure has done commendable work in speeding up capital formation in agriculture. The performance of ARDBs, however, started declining since the latter part of 90s mainly due to inherent deficiencies associated with their design as non-resource based specialized term lending agencies, severely restricting their ability to meet the financial service needs of members adequately in competition with other rural financial institutions.

These deficiencies, coupled with impairments and infirmities in key areas of their working due to factors internal as well as external to the system resulted in drastic deterioration of the financial health and viability of these institutions during the last 10 years or so.

Loan recovery in the sector has been badly affected after the announcement of ADWDR Scheme in February 2008. Frequent natural calamities affecting crops, govt interferences in the recovery process have also contributed to the trend of increasing overdues and NPAs.

Governance at State and Primary level ARDBs are impaired by a host of factors. Lack of autonomy and operational freedom, absence of elected board in majority of institutions, appointment of CEOs by Government without proper selection process, frequent change of CEOs, lack of professionals in various operational disciplines, inadequate training & HRD efforts, Government interferences in the management of the banks etc. are the major factors, responsible for poor governance.



In spite of these deficiencies, the structure continues to be relevant and needs to be revived to arrest the rapid fall in the proportion of investment credit in the total flow of farm credit. The revitalization of the structure, involves transformation of SCARDBs and PCARDBs into self reliant autonomous member driven organizations, capable of delivering financial services to the rural sector effectively, in a competitive environment, with focus on capital formation in agriculture.

### **III. DEVELOPMENTS DURING 2009-10 - HIGHLIGHTS**

#### **Revitalization Package for Cooperative Long Term Credit Structure**

##### Background

The announcement in the Union Budget 2008-09 to implement a revival package for institutions in the LTCCS based on the recommendations of Vaidyanathan Task Force II marks an important phase in the campaign undertaken by the sector for the intervention of the Government to strengthen the structure. The important events in the decade long efforts by the Federation towards this end are listed below:-

- Meeting of representatives of NCARDB Federation and National Federation of State Cooperative Banks (NAFSCOB) with Shri Yashwant Sinha, Union Finance Minister on 21 March 1999 regarding recapitalization of institutions in the cooperative rural credit structure.
- Appointment of high level Task Force by Govt of India to suggest measures to strengthen the cooperative credit structure under the chairmanship of Shri Jagdish Capoor, Deputy Governor, Reserve Bank of India in April 1999.

- Seminar organized by the Federation on Structural Reforms in ARDBs from 16-18 August 1999 in Kathmandu, which was attended by Shri Jagdish Capoor and Shri Y.C. Nanda, Chairman and Member of the Task Force respectively, as main speakers.
- Meeting of representatives of the Federation with Shri Balasaheb Vikhe Patil, Union Minister of State for Finance on 21 January 2000 regarding the need for one time budgetary support for cleansing the balance sheets of ARDBs.
- Second meeting with Shri Balasaheb Vikhe Patil, Minister of State for Finance on 27 January 2000 to make a presentation on 'case for one time support for cleansing the balance sheets of ARDBs'.
- Sending messages to Prime Minister on 10 February 2000 by fax/telegram by all units in the structure demanding recapitalization.
- Joint press meeting by Chairman NCARDBF and Chairman NAFSCOB on 10 February 2000 in Delhi on the issue of recapitalization for cooperative credit structure.
- Constitution of Parliamentarians Forum for cooperatives in the 13<sup>th</sup> Lok Sabha with Shri Yerran Naidu, MP as Convenor.
- First Meeting of the Parliamentarians Forum on 2 March 2000 in New Delhi which decided to take up with the Govt the need to provide one time support to institutions in the cooperative credit structure for cleansing their balance sheets.
- Meeting of Chairmen of NCARDBF and NAFSCOB with Prime Minister along with Shri Yerran Naidu, MP on 3 March 2000 to apprise the decisions of the meeting of Parliamentarians Forum held on 2 March 2000.
- Meeting of Parliamentarians Forum organized by the Federation on 15 May 2000 in New Delhi. This meeting was attended by Shri C.M.G. Balayogi, Speaker of Lok Sabha, Shri Yashwant Sinha, Union Finance Minister, Shri Suresh Prabhu, Union Minister for Chemicals, Shri Balasaheb Vikhe Patil, Minister of State for Finance, Shri S.B.P.B.K. Satyanarayana Rao, Minister of State for Agriculture apart from

Parliamentarians across political parties from both Houses of Parliament.

- Submission of report by Jagdish Capoor Task Force in July 2000 recommending a revitalization package for cooperative rural credit institutions with financial support from Govt of India, State Govts and the members of the cooperatives.
- Consultation Meet convened by Govt of India in December 2000 regarding implementation of the report of Jagdish Capoor Task Force. Consensus on sharing pattern of financial support between Centre and State Govts was not reached in the meeting.
- Chief Ministers' Conference on 25 August 2001 regarding implementation of report of the Task Force headed by Shri Jagdish Capoor which resulted in the appointment of Joint Committee of Ministers under the chairmanship of Shri Balasaheb Vikhe Patil to make recommendations on issues on which consensus could not be reached in the Chief Ministers' Conference.
- Submission of the report of Joint Committee of Ministers in December 2001 recommending a sharing pattern on revitalization assistance of 60:40 by Central and State Govts. The Committee also recommended that the process of licensing strong SCARDBs to function as fullfledged banks should be expedited.
- Federation organized National Seminar on Challenges and Opportunities before ARDBs on 18 December 2001 in Chandigarh.
- The National Seminar on Challenges and Opportunities was followed by four Zonal Seminars on Challenges and Opportunities before ARDBs for east zone at Calcutta on 13-14 April 2002, for north zone at Delhi on 20-21 April 2002, for south zone at Bangalore on 29-30 April 2002 and for west zone at Pune on 6-7 May 2002.
- Appointment of a Working Group by RBI in May 2002 for conversion of ARDBs into fullfledged banks under the chairmanship of Shri P.B. Mathur, Executive Director. The Working Group was later on reconstituted under the chairpersonship of Mrs. Usha Thorat, Executive

Director. The Working Group, however, abandoned its work without submitting a report.

- Announcement of revitalization package in the Union Budget 2002-03 with a token allocation of Rs.100 crores. However, the announcement was not followed up by the Govt by circulating the Scheme to State Govts and constituting the National level Coordination Committee as envisaged in the Scheme.
- Assurance in the National Common Minimum Programme of UPA Government, to nurse the rural cooperative credit system back to health and appointment of Vaidyanathan Task force in 2005 marked fresh initiative in the direction of reviving cooperative credit system.
- However, the Vaidyanathan Task force decided to exclude long term cooperative credit structure from their recommendations and confine their deliberations to short term credit structure taking a view that the nature of issues involved in the long term credit structure is different and also that the time given to the Task Force was not sufficient to address the issues in both the structures.
- As a result of persistent efforts by the Federation, the Government appointed the same Task Force in January 2005 after they submitted their report on short term credit structure, to suggest a revival package for long term credit structure.
- However, the original terms of reference of the Task Force on revival of long term credit structure did not include 'suggesting an implementable action plan for revival and the assessment of financial assistance that may be required for revival' which were the central terms of reference of the earlier Task Force which confined their recommendations to short term credit structure.
- The Federation took up with the Government the need to modify the terms of reference on the lines of those assigned to the earlier Task Force.
- The Federation also decided to disassociate with the Task Force till its terms of reference were modified consistent with the objective for which it was set up.

- Subsequently, the Government vide order dt. 25 April 2005 included the additional terms of reference of “recommending an implementable action plan for reviving ARDBs engaged in long term lending for agriculture and rural development and make an assessment of the financial assistance required for such revival, its mode, sharing pattern and phasing”.
- The Task Force submitted its report to Government in August 2006. The Task Force recommended a financial package to wipe off accumulated losses and to provide technical assistance in the areas of computerization and training with an outlay of Rs.4839 crores. The Task Force also recommended wide ranging legal and policy reforms for institutional and functional restructuring of ARDBs.
- The Federation was expecting Central Govt to finalise a revival package in consultation with State Govts as was done in the case of short term credit structure. However, Govt did not take any action on the report for nearly 15 months since it was submitted in August 2006. Lack of response to the recommendations of the Task Force by State Govts was cited as the reason for the delay in taking action on the report by the Central Govt. It was informed that though the report of the Task Force was circulated to the State Govts for their remarks in September 2006, by end of April 2007 only a couple of States responded to the recommendations.
- The Federation had written to the States on 4 November 2006 with itemwise remarks on the recommendations of the Task Force as finalized by the Board with a request to send their response on the report to the Central Govt at the earliest. The matter was followed up through Chairman’s communication to Ministers of Cooperation in January 2007. The SCARDBs were also continuously interacting with the State Govts on this matter.
- The representatives of the Federation met Shri Sharad Pawar, Union Minister for Agriculture on 24 April 2007 and Shri Vinod Rai, Secretary (Financial Sector) on 8 May 2007 as advised by Finance Minister regarding early finalization of the revival package. The Federation has

also suggested to Ministry of Finance to convene a meeting of State Govts to obtain their views on the report as was done in the case of Task Force Report relating to the short term credit structure.

- The Government of India, Ministry of Finance convened a meeting of the Finance/Cooperation Ministers of States on 10 October 2007 in New Delhi to consider the recommendations of Vaidyanathan Task Force II on Revival of Long Term Cooperative Credit Structure. The meeting reached broad consensus on implementing a revival package comprising of recapitalization and structural reforms for institutions in the LTCCS. The meeting was attended by the representatives of all the 20 States having long term cooperative credit structure. The States unanimously endorsed the Task Force recommendations for implementing a revival package for LTCCS. States also have made the following suggestions relating to some of the recommendations of the Task Force:-

- (i) Eligibility criteria for selection of PCARDBs/branches of SCARDBs for revival support should be modified so as to include all branches/PCARDBs with recovery more than 30% in the revival scheme.
- (ii) Norms should be evolved for conversion of ARDBs into fullfledged banking institutions.
- (iii) Conversion of branches of SCARDBs into PCARDBs should not be insisted as a pre condition for revival support. This can be included in the memorandum of understanding for implementation within a period of five years.
- (iv) PCARDBs should not be given unrestricted freedom to borrow from any agency and to affiliate or deaffiliate with a structure of their choice.
- (v) The recommendation of the Task Force that NABARD Act should be amended to allow NABARD to provide refinance to PCARDBs either directly or indirectly through financial institutions other than SCARDBs should not be implemented.

- (vi) The States should be allowed to retain equity upto 25% of total equity in the institutions in the LTCCS with provision for one government nominee in their board and to convert State equity in excess of 25% into a grant as envisaged in the scheme for short term credit structure.

### **Package for revival of LTCCS as approved by Union Cabinet in February 2009**

The Union Cabinet cleared the Revival Package for LTCCS on 26 February 2009. The package aims at reviving the LTCCS and making it well managed, member centric and vibrant. Financial assistance to bring PCARDBs and SCARDBs to an acceptable level of financial health, introducing legal and institutional reforms to facilitate PCARDBs and SCARDBs to function as autonomous member centric institutions and steps to improve governance in these institutions are the three main components of the package. The package includes a special provision for funding the overdues under pre 1997 farm sector loans issued by the LTCCS which were not covered under the ADWDR Scheme 2008.

#### **Financial package**

- Funding accumulated losses of PCARDBs and SCARDBs upto 31.3.2008.
- ARDBs will also be given the overdues upto 31.3.2008 under loans issued before 31.3.1997 which remain uncollected till the announcement of the package as below:-
  - 100% in respect of small farmers and medium farmers.
  - 25% in respect of other farmers.
  - Banks have to collect the balance 75% in respect of other farmers.
- Additional funds required if any after providing accumulated losses for reaching 7% CRAR shall also be given.
- Approximate outlay of the package is estimated at Rs.3070 crores. However, the exact amount of losses will be assessed in the special audit to be carried out under guidelines being issued by NABARD.

- Government of India will also meet the cost of computerization of accounting system, human resources development and special audit.
- State Govts should enter into MoU with Government of India and NABARD before 30.9.2010.
- The share of State Govts in the package shall be as below:-
  - 20% of overdues under pre 1997 loans.
  - One third of accumulated losses in loan business other than direct agricultural.
  - Existing dues if any payable to the banks under debt waivers or interest subsidy schemes etc announced by the State govt.
  - The institutions have to bear 1/3<sup>rd</sup> of losses under loan business other than direct agricultural and amount involved in frauds, embezzlements etc.
- Accumulated losses of the entire structure will be covered in the package irrespective of eligibility of PCARDBs to receive the assistance directly.
- Accumulated losses of ineligible PCARDBs will be given to SCARDBs after winding up of such PCARDBs.

### **Eligibility to receive support**

- PCARDBs/unitary SCARDBs with recovery of 50% or more as on 30.6.2008 will receive capitalization in full.
- Those in the range of 30-50% recovery will receive 1/3<sup>rd</sup> of capitalization assistance on improvement of 10% from the position as on 30.6.2008. Such units will receive half of this amount if they improve recovery by 5% by 30.6.2009. The balance amount will be given after reaching 50% on any year upto 30.6.2011 which can be extended upto 30.6.2012 by the National Implementing and Monitoring Committee (NIMC).
- Any unit with recovery less than 30% as on 30.6.2008 will also become eligible to receive assistance if they reach 50% recovery in any year till 30.6.2011 which also may be extended by one year by the NIMC.



- Any PCARDB which failed to become eligible by 30.6.2011 or 30.6.2012 will have to be wound up or merged with another PCARDB.
- The eligibility criteria for unitary SCARDBs will be similar to that of PCARDBs. Accordingly, they will have to achieve 50% recovery latest by June 2012 to receive assistance.
- Ineligible PCARDBs or unitary SCARDBs will have to be wound up unless State Govts provide them the shortfall in recovery to reach 50% as a grant.
- State Govts should give an undertaking to convert unitary SCARDBs into federal structure within 5 years from the date of acceptance of the package.
- The average yearly business transactions of SCARDBs should be at least 10% of its balance sheet size in the three years ending 31.3.2008. However, NIMC will have the discretion to relax this condition. The State Govt in such cases will propose concrete measures and action plan for improving the business of such units and also may infuse funds to notionally improve the recovery.
- The revival package would not be applicable to ARDBs under liquidation on the cut off date of 31.3.2008.

### **Legal and institutional reforms**

- The financial assistance will be subject to fulfillment of legal and institutional reforms and other conditionalities of the package such as
  - Full membership rights to all users including depositors.
  - Removing State intervention in financial and administrative matters including decisions on operational areas such as borrowing and investment relationships with other financial institutions, staff matters including appointment of CEO etc. The CEO of SCARDB will have to conform to the fit and proper criteria prescribed by RBI or NABARD.

- A cap of 25% on State Govt equity with maximum one director in the SCARDB with State Govt equity and one director in the PCARDB with State Govt equity.
- State Govt or ARDB wishing to reduce the State equity would be free to do so.
- There shall be no restrictive orders limiting the operational and financial autonomy of ARDBs.
- SCARDBs and PCARDBs should have autonomy to make independent borrowing/credit related decisions through a range of alternative financial instruments.
- Long term cooperative credit structure may concentrate on providing investment credit in the agriculture sector but based on necessity and past experience may provide short term loans or crop loans to its members.
- PCARDBs should be free to convert themselves with other cooperative federal structures and transact business with them, commercial banks or RRBs, irrespective of their membership in the SCARDB.
- SCARDBs should also be free to access resources from the SCB or other banks by becoming its share holder member, if necessary.
- Limiting powers of State Govts to supersede boards only under specific conditions prescribed on par with STCCS package.
- Ensuring timely elections before expiry of term of the existing boards.
- Maximum six months time may be given to ensure timely elections in case of boards of ARDBs which have been superseded.
- Adoption of prudential norms including CRAR as and when suggested by NABARD.
- Ensuring audit of SCARDBs by chartered accountants from the panel to be approved by NABARD.
- The State Govts should bring in all the amendments through an ordinance or through the legislative process.
- SCARDBs to be allowed to mobilize a variety of deposits from the public.

- NABARD to prescribe terms and conditions which must be fulfilled by ARDBs before accepting or continue to accept deposits of any form from the public.
- NABARD would further examine the terms and conditions on which SCARDBs accessing public deposits could be brought within the scope of a deposit protection scheme.
- Any financial institution including NABARD should be free to provide resources to an ARDB in any tier directly or indirectly through any financial institution regulated by RBI or a federal cooperative using alternative financial instruments and on its own terms and conditions without necessarily resorting to State Govt guarantee.

### **Governance**

- To facilitate professional and prudent governance in SCARDBs the fit and proper criteria prescribed by RBI from time to time for elections and professionalisation of boards of cooperative banks in the STCCS would be adopted for the boards of SCARDBs as well.
- Amendments will be carried out in the NABARD Act as well as relevant State Acts to empower NABARD to inspect SCARDBs which are permitted to accept public deposits.
- On signing MoU, grants will be released for conduct of special audit, HRD initiatives and installation of computerized accounting system.

### **Release of financial assistance**

- On Act amendment through ordinance or legislative process, 75% of Govt of India share of funding accumulated losses will be given. After elections to the board and induction of professionals in the board under the amended provisions of the Act, the balance 25% of GOI's share of funding accumulated losses will be disbursed.

### **Implementation mechanism**

- NABARD will be the principal implementing agency. National, State and District level Implementing and Monitoring Committees will guide and monitor implementation. The representatives of LTCCS to be nominated to existing committees for STCCS package at the State level.

### **Present status**

Even though the final package was approved by Union Cabinet in February 2009, Government of India did not take further action for implementing the same. In our meeting with officials of Ministry of Finance, it was informed that the scheme would be circulated to the State Govts for implementation immediately after general elections. In the meantime, Ministry of Finance had convened a meeting of representatives of select states to finalise the MoU format. However, there were no further initiatives on the part of Ministry of Finance to implement the scheme even after elections were over. The Federation had taken up the issue of undue delay in implementing the package even after approval by the Cabinet in the meeting of its representatives with Shri Pranab Mukherjee, Union Finance Minister for Finance on 4 August 2009. Subsequently, the Ministry of Finance had set up a Task Force under the chairmanship of Additional Secretary (FS) with representatives of NABARD, RBI, Ministry of Agriculture and representatives of some of the States to examine the need for implementing a revival package for LTCCS in the context of implementation of ADWDR Scheme 2008. A delegation from the Federation met Principal Secretary to Prime Minister on 17.12.2009 to inform the concern of the sector over the move to stop implementation of revival package by constituting one more Task Force to review the scheme which was already approved by the Cabinet. The Federation had also approached State Govts for their interventions in the matter. The representatives of State Govts had strongly advocated for reviving the structure in the final meeting of the Task Force held on 5 January 2010. The Task Force headed by Shri G.C. Chaturvedi submitted its report to Govt in February 2010 favouring early implementation of the package for reviving LTCCS which was already

finalized in consultation with State Govts with a reduced outlay in view of the impact of ADWDR Scheme on the financial position of institutions in the structure. Govt of India has also retained the allocation of Rs.10000 crores in the budget proposal for 2010-11 for implementing the revival package for LTCCS. It is expected that the package will be circulated to State Govts for implementation shortly.

### **Extending the period of ADWDR Scheme 2008**

Agriculture Debt Waiver and Debt Relief Scheme (ADWDR) 2008 which was announced in the Union Budget 2008-09 had two components viz., (i) waiver of overdues under direct agricultural loans issued to small farmers between 31.3.97 and 31.3.07 and (ii) one time settlement in the case of other farmers with a rebate of 25% of eligible amount subject to the condition that the farmer pays the balance amount of 75% in instalments. The relief could be 25% or Rs.20000 whichever is higher in 237 districts covered under DPAP, DDP and PM's special relief package. In view of setback to agriculture production during 2009 due to widespread drought conditions across the country, the Govt decided to extend the period of repayment of farmers' share under the second component of the scheme till 30 June 2010.

Aggregate claims of 19 SCARDBs under ADWDR Scheme 2008 were Rs.3920.77 crores, of which claims amounting to Rs.3703.63 crores were admitted as eligible, out of which SCARDBs have so far received from the Govt Rs.3141.09 crore.

### **Direct Taxes Code Bill and tax issues of ARDBs**

The Direct Taxes Code Bill envisages sweeping changes in the income tax law relating to cooperative societies.

At present, the gross total income of cooperative societies at all levels including federal cooperatives are generally exempted from income tax with

a few exceptions like banking cooperatives as per an amendment to section 80P introduced in 2005-06.

The Direct Taxes Code Bill, however, proposes to restrict tax exemptions only to a 'co-operative society whose rules and byelaws restrict the voting rights to individuals engaged in agriculture or agricultural related activities'. If the Bill becomes a law in its present form, all other cooperative societies will have to pay income tax from 2011-12 onwards at the rate of 30% on the whole of the amount of profits and gains of their business as well as on their incomes by way of interest earned on investments of funds.

As per this Bill, the income tax exemptions will be limited only to the following type of cooperatives:-

- (1) A Primary Agricultural Credit Society within the meaning of part V of the BR Act 1949.
- (2) A Primary Cooperative Agriculture & Rural Development Bank which has its area of operations confined to a taluk.
- (3) Any other Primary Cooperative Society engaged in agricultural related activities such as purchase of agricultural implements, agricultural inputs for supplying to its members, marketing of agricultural produce including dairy, poultry, fisheries etc of its members.

The incomes of primary cooperative societies engaged in non agricultural activities are eligible for exemption upto Rs.1 lakh.

#### Rates of income tax for cooperatives

Upto Rs.10000	:	10%
Rs.10000 to Rs.20000	:	20%
More than Rs.20000	:	30%

### Implications of the proposed changes

- (1) Cooperatives are exempted from income tax based on the principle of mutuality i.e. no one can make a profit out of himself. At present all cooperatives are covered by tax exemption based on mutuality principle. The Direct Taxes Code Bill, however, limits tax exemption based on mutuality principle only to primary cooperative societies engaged in agriculture related activities.
- (2) At present federal cooperatives are exempted from income tax which is proposed to be withdrawn.
- (3) As per section 80P (d) in respect of any income by way of interest or dividends derived by the cooperative society from its investments with any other cooperative society, the whole of such income will be exempted from tax. The investments made by cooperatives in other cooperatives are now given tax exemption. Such exemptions are also proposed to be withdrawn.
- (4) The income tax rate for cooperatives is proposed at 30% whereas for corporates the rate will be reduced to 25% from 30% at present.

### **Issues taken up by SCARDBs**

- (1) The incomes of cooperatives are exempt from tax under section 80P of Income Tax Act 1961 based on the principle of mutuality. Direct Taxes Code Bill recognizes the validity of tax exemptions to cooperatives on the ground of mutuality principle. However, the Bill proposes to restrict tax exemption only to primary cooperative societies engaged in agriculture or agricultural related activities resulting in withdrawal of tax exemptions permitted at present to other cooperatives including non agricultural primary societies in various sectors and federal cooperatives of all types at all levels. This

is a contradiction to the fundamental rationale for tax exemptions to cooperatives. Since the principle of mutuality is applicable to all types of cooperatives including federal cooperatives at all levels, the changes in the tax treatment of incomes of cooperative societies proposed in the Direct Taxes Code Bill need reconsideration.

- (2) The Government had withdrawn tax exemption as per section 80P in respect of 'cooperative banks' as defined in BR Act 1949 through an amendment to Income Tax Act 1961 introduced in 2006-07. Cooperative Agriculture & Rural Development Banks which are not engaged in normal banking business of accepting deposits of all types and giving loans of all kinds are not cooperative banks as per BR Act 1949 and hence are not liable to pay tax on their incomes even after the amendments to section 80P introduced in 2006-07. The Direct Taxes Code Bill, however, proposes to withdraw the tax exemptions given to Agriculture & Rural Development Banks other than a primary ARDB with jurisdiction not more than one taluk. The tax exemptions entitled to ARDBs at State and primary levels need to be restored by withdrawing the new provisions proposed in the Direct Taxes Code Bill.
- (3) The interest on dividends from investments with other cooperatives are at present fully exempted under section 80P(d) of Income Tax Act 1961. The Direct Taxes Code Bill, however, does not retain the above provision, resulting in imposition of tax on incomes of cooperatives by way of interest and dividends from its investments with other cooperatives. The present provision in this regard should be retained in the new Bill.

Section 80P benefit was withdrawn by the Government for all cooperative banks from the financial year 2006-07 so as to bring them at par with commercial banks. The change in law has been so worded that the Govt intended to continue tax relief for financial cooperative which are not



banks, as per BR Act. However, as per explanation to subsection 4, a PACS and a PCARDB with jurisdiction not more than a taluk has been exempted from applying subsection 4. The above amendment has resulted in income tax department serving notices to SCARDBs for payment of income tax like cooperative banks coming under BR Act. However, the Federation had received legal opinion that sub section 4 to section 80P cannot be applied to ARDBs for the following reasons:-

- (1) In the explanation to sub section 4, it was clarified that the term cooperative bank shall have the meaning assigned to it in part V of the BR Act 1949 and ARDBs at state or primary levels are not included in the definition of cooperative bank as given in BR Act 1949.
- (2) The wording of subsection 4 that the 'provisions of this section shall not apply to any cooperative bank other than a PACS or PCARDB' do not amount to include SCARDB in the category of cooperative bank so long as SCARDB remains outside BR Act.

(The Federation in fact, has been representing to the Govt for bringing ARDBs under BR Act as recommended by Capoor Committee. Probably, Govt wanted PCARDBs with jurisdiction less than one taluk, continue to enjoy tax exemption, even after bringing them under BR Act.)

The grounds for tax exemption given by SCARDBs after the amendment to section 80P were found to be generally acceptable to the income tax department even though SCARDBs continue to receive notices in isolated cases. During the current year also instances of getting notices from income tax department u/s 80P(4) has been reported.

The accounting system in ARDBs is generally not in conformity with the provisions of IT Act. The accounting system needs to be revamped taking into account the various provisions of Income Tax Act especially relating to service tax, tax deduction at source etc even if banks are not required to pay

income tax. Moreover, the balance sheet of banks has to be prepared taking into account all permissible deductions from the income as per the IT Act. This will help banks to substantially reduce tax burden even when they are required to pay tax.

Finance Bill 2007 extended benefits of certain deductions to cooperative banks in respect of bad debts upto 7½% of total income computed before making any deduction towards bad debt as well as those under chapter VI-A plus an amount not exceeding 10% of the aggregate average advances made by the rural branches (units located in places with population not more than 10000). Further as per clause viii of sub section 1 of section 36, an amount not exceeding 20% of the profits derived from the business of providing long term finance for agriculture, industry etc can also be deducted from the total income for creating a special reserve. Even if ARDBs are made liable to pay income tax now or in the future, the tax payable will not be substantial after these deductions. However, these deductions have to be properly provided for in the balance sheet and books of accounts and accounting system has to be in conformity with the provisions of IT Act. Since most of the banks do not prepare balance sheets and making provisions in accordance with the IT Act, there is a need to review the accounting system and method of preparing balance sheet followed by the banks on an urgent basis for corrective steps.

### **Proclamation of International Year of Cooperatives by United Nations General Assembly**

The United Nations General Assembly declared 2012 as the International Year of Cooperatives by adopting Resolution No.64/136 on 18<sup>th</sup> December 2009. The focus of International Year of Cooperatives will be to encourage member States of United Nations and other relevant stakeholders to promote cooperatives and raising awareness of their contribution to social and economic development. The objectives of International Year of Cooperatives also include utilizing and developing fully the potential of cooperatives for the attainment of social development goals

particularly eradication of poverty, creating supportive and enabling environment for development of cooperatives and raising public awareness of the contribution of cooperatives to employment generation and socio economic development.

United Nations through its resolution invited National Governments in collaboration with cooperative movement to develop programmes aimed at enhancing capacity building of cooperatives including strengthening the organizational, management and financial skills of their members, to promote the growth of agricultural cooperatives through easy access to affordable finance, adoption of sustainable production techniques, investments in rural infrastructure and irrigation, strengthened marketing mechanisms and support for the participation of women in economic activities. United Nations has also suggested programmes to promote the growth of financial cooperatives to meet the goal of inclusive finance by providing easy access to affordable financial services for all.

### **Report of High Powered Committee on Cooperatives**

The Government of India constituted a High Powered Committee to review the achievements and challenges of cooperative sector and suggest appropriate policy and legislative framework in May 2005. The Committee was headed by Shri Shivaji Rao G. Patil with President NCUI, Chairman NAFCUB, Chairperson NDDB, Managing Director NABARD and Central Registrar of Cooperative Societies as members. The Committee submitted its report in May 2009.

Following are the major recommendations of the Committee:-

- All States should amend State Cooperative Societies Act on the lines of Model Cooperative Act. The Committee recommended that such amendments should consider the following points also:-

- Incorporate the concept of active membership for right to vote and contest in election.
  - Clearly defined roles and responsibilities for the board.
  - Professionalisation of board through cooption of experts and training to elected directors.
  - Rotational retirement of board members.
  - Provision to repatriate government equity.
  - Autonomy regarding establishment, staffing and operations.
  - Policy framework for level playing field.
  - Deputation of govt officers only on explicit request of the cooperative.
  - Delaying for cost effectiveness.
  - Undertaking member awareness and education programmes by the cooperative.
  - Budgetary support for soft loans to farmers for taking shares of cooperatives.
  - Income tax exemption to all cooperatives.
  - Alternative organizational set-up for funding support to cooperatives in the place of NABARD.
  - Developing financial instruments for cooperatives to raise resource.
- The Committee also recommended constitutional amendment as proposed in the 106<sup>th</sup> Amendment Bill 2006 with the following changes.
    - Amendment should be incorporated in such a way that the distinct identity of cooperatives, as different from govt/constituent of state governance should be projected.
    - To incorporate definition of cooperative 'to form and run cooperatives based on principles of voluntary, democratic member control, member economic participation and autonomous functioning'.
    - Only elected members of the board to be made eligible to vote in election of office bearers and to be elected as office bearers.

- Candidates who lost in elections to the board not to be coopted on the board.
  - Functions relating to the conduct of elections may vest in the board as meetings of general body cannot be held frequently.
  - There should be no provision for supersession of board in cooperatives with govt share holding less than 51%.
- Amendment to Multi State Cooperative Societies Act:- The Committee suggested following amendments to Multi State Cooperative Societies Act 2002
    - Introducing definition of cooperative societies reflecting its voluntary, autonomous and democratic nature.
    - Introducing the concept of active membership.
    - Introducing enforceable provision for fiduciary responsibility for directors as provided in the Companies Act and also provision to disclose information in order to avoid conflict of interest and also for cooption of experts on the board.
    - Provision to restrict contribution to political and religious organizations.
    - Provision for raising capital through issue of non voting shares and IPO.
    - Removing rule making powers by the Govt.

### **Meeting with NABARD on policy issues**

The Members of the Executive Committee of the Federation and representatives of Member Banks met Chairman, Managing Director and other Senior Executives of NABARD on 21 July 2009 to discuss important general issues in the sector. The meeting provided opportunity for detailed interaction with NABARD on problems and difficulties faced by SCARDBs and to evolve certain action points for SCARDBs, Federation as well as NABARD to tackle such problems. Following are the main important action points emerged in the meeting.

- (1) The structure is required to be recasted and transformed to banks. A roadmap needs to be drawn for this. NABARD will consider providing support in terms of capacity building etc.
- (2) NABARD was requested to initiate action to formulate the scheme for mobilizing public deposits by SCARDBs and for insuring such deposits as envisaged in the proposed package for revival of LTCCS.
- (3) Federation expected NABARD's support for implementing scheme for interest incentive for prompt recovery. NABARD clarified that interest on refinance has been revised periodically taking into account the cost of funds for NABARD. SCARDBs, therefore, will have to implement interest subvention schemes within the interest rate structure based on cost of refinance from time to time. (Action: SCARDBs and ICD)
- (4) Extent of refinance:- While 100% refinance is extended for certain purposes, a small share is left for contribution by State and Central Govts is for other purposes to ensure govt's involvement. The request of Federation for 100% refinance for all purposes is being examined on the above background. (ICD)
- (5) In response to the suggestion of Federation to reduce benchmark recovery level for refinance eligibility, NABARD clarified that conditions have been suitably relaxed to the advantage of SCARDBs so that smooth credit flow at ground level is maintained. NABARD also agreed to examine the possibility of enhancing allocations and earmarking the same to PCARDBs having good recoveries where SCARDBs have restricted eligibility.
- (6) Govt guarantee:- NABARD clarified that in terms of section 28(i) of NABARD Act, release of refinance to SCARDBs will be only against govt guarantee and in the absence of govt guarantee, pledge of govt securities or fixed deposits receipts issued by scheduled banks could be considered on case by case basis depending on the health of the cooperatives.
- (7) Reschedulement of principal dues:- NABARD agreed to examine and consider postponement on case to case basis.

- (8) Extending interest subvention scheme of Govt of India to investment credit:- Chairman, NABARD informed that the chances of extending the interest subvention scheme to investment credit are remote in view of the additional financial burden and difficulties to administer the scheme.
- (9) Cash credit limit to borrowers of investment credit:- NABARD agreed to examine the request of the Federation to extend funding support to implement the scheme. (Action: ICD)
- (10) Allocations for advancing crop loans:- NABARD agreed in principle to consider the request of Federation to give additional allocations for giving crop loans to eligible SCARDBs to avoid drop in investment credit.
- (11) The Federation agreed to organize capacity building for financing crop loans in collaboration with NABARD. (Action: Federation)
- (12) State specific issues:-
- (i) Managing Director, NABARD said that the additional interest collected from Uttar Pradesh SGVB will be refunded if the cheque towards remittance against NABARD demand which was due on 31.1.09 was actually received by NABARD office at 1.00 pm on 30.1.09. (Action: FD-HO, UP RO, ICD-HO).
  - (ii) NABARD agreed to consider the suggestion of Ms. Roshan Warjri, Chairperson, Meghalaya CAB for regulating the audit fee charged by chartered accountants in the panel approved by NABARD.
- (13) Kisan Credit Card:- NABARD was requested to consider extending funding support to implement Kisan Credit Card scheme in the place of SAO Policy (crop loan). (Action: PCD/ICD)
- (14) Chattisgarh SCARDB raised the issue of financing the SCARDB upto last year's utilization level instead of eligibility on the whole as the State has a sizeable tribal population and recovery is poor in PLDBs functioning in tribal districts. As a result, good PLDBs are not getting refinance from NABARD. (Action: ICD)

## **Copenhagen Accord on Climate Change**

Rising global temperature due to excessive emissions of green house gases has become a threat to the existence of mankind, mainly on account of rising sea levels and steep decline in agricultural production. The world today is increasingly aware of containing the devastating impact of climate change. Commitments for reduction in the emissions of carbon and other green house gases by countries, however, involve complex issues. A few developed countries as well as emerging economies account for most part of the industrial pollution. The developed countries had been polluting the environment ever since the days of industrial revolution. In fact, the wealth acquired by developed countries is at a heavy cost for the environmental stability and safety at the global level. Today these countries have the resources and know-how to adapt to greener technology. However, the story of developing countries is different. They can fulfill high targets for reduction in carbon emissions only at the cost of further economic advancement. Smaller and least developed countries especially small island nations on the other hand are victims of pollution by other countries without reaping any economic benefits accrued from such pollutions. Negotiations for a global agreement to contain climate change, therefore, are centered round the concerns of all these countries individually and in groups.

The United Nations framework Convention on Climate Change at the Rio de Janeiro Earth Summit in 1992 is the first international treaty on climate change. It established the vital principle that the developed countries should take the lead in combating climate change and adverse impact thereof. The legally binding targets under the Kyoto Protocol was negotiated in 1997 as supplement to the UNFCC.

The Climate Change Conference in Bali in 2007 concluded with the adoption of Bali Road Map which also included Bali Action Plan charting the course for a new negotiating process designed to tackle climate change with the aim of signing a comprehensive agreement by 2009. The launch of adoption fund, review of Kyoto Protocol, decisions on technology transfer



and on reducing emissions from deforestation were the important agenda for negotiation process scheduled for completion with the Copenhagen Summit in December 2009.

The United Nations Conference on Climate Change attended by representatives of 192 countries held in Copenhagen from December 7 to 18, 2009 did not succeed in signing an agreement with legally binding commitments for reduction in carbon emissions. The Conference took note of a statement outlining the future approach to contain climate change which was evolved in discussions by US and a few other countries, including India as a last ditch effort to save the Conference after negotiations failed to bring in consensus till the scheduled final day on 18<sup>th</sup> December.

The Accord requires developed countries to list their reduction targets and developing countries to list the actions they will take to cut global warming pollution by specific amounts. The Accord also includes a method for evolving reductions of heat trapping gases and promises 30 bn dollars in emergency aid in the next three years and a goal of channeling 100 bn dollars a year by 2020 to developing countries with no guarantees.

The draft agreement negotiated in the Conference envisaged 80% reduction of green house gases by the developed world. That proposal has now been scuttled. It is now agreed that developed and developing countries will work out carbon reduction goals together and attempt to sign a global agreement in December 2010 in Mexico.

### **UN Secretary General's Message on International Day of Cooperatives 2009**

Following is the extract of United Nations Secretary General Message on the International Day of Cooperatives on 4 July 2009.

“The first cooperatives were born more than two hundred years ago when rural entrepreneurs and farmers decided to pool resources and help one another to overcome their limited access to commercial opportunities. Subsequently, retail cooperatives emerged to help poor households escape the debt trap and provide access to better quality goods and services. Cooperatives have since developed in many areas, from manufacturing to financial services, spurred by the desired for amore equitable way of working and doing business.

At a time of global economic distress, this history deserves to be more widely known. The theme of this year’s observance of the International Day of Cooperatives – “Driving Global Recovery Through Cooperatives” – highlights the value of cooperative enterprise. Cooperatives can strengthen the resilience of the vulnerable. They can help to establish more balanced markets for small farmers and give small entrepreneurs access to financial services. They can create job opportunities and improve working conditions.

The economic model of cooperatives is based not on charity but on self-help and reciprocity. In countries hit by the financial crisis, the cooperative bank and credit union sector expanded lending when other financial institutions had to cut back, easing the impact of the credit freeze on the most vulnerable. This highlights the importance of strong alternative business models and institutional diversity for the resilience of the financial system.

Cooperatives deserve greater support. I urge Governments to adopt policies that support the establishment and development of cooperatives. Consumers, too, can help by buying food produced by small-holder cooperatives that is traded in fair markets.

In the face of the current economic crisis, communities around the world are rediscovering the critical necessity to work for the common goal. On this International Day, I encourage Governments and civil society

everywhere to recognize the effectiveness of cooperatives and to engage with them as vital partners for global recovery and achieving internationally agreed development goals.

## **Union Budget 2010 – Highlights**

The Union Budget 2010 announced a package of measures that focus on agriculture growth, infrastructure and banking services. The fiscal accommodation due to world wide recession led to an increase in fiscal deficit from 2.7 per cent in 2007-08 to 6.2 per cent of GDP in 2008-09.

Following are the highlights of other important proposals relating to agriculture & rural sectors:-

- Economic growth estimated at 9% & agricultural growth at 4% during 2009-10 against 6.7% and 1.4% respectively in 2008-09.
- Foodgrain production estimated at 233.88 million tones in 2009-10
- The banking system has disbursed agricultural credit of Rs 2, 92,437 crore & target for the year 2009-10 is being set at Rs.3, 25,000 crore
- Short term crop loans will continue to be given at a subsidized rate of 7% & an additional subvention of 1 per cent as an incentive to those farmers who repay their short term crop loans on schedule.
- The Gross Capital formation in agriculture & allied sectors relative to GDP has shown an improvement from 14.07 per cent in 2004-05 to 21.31 per cent in 2008-09
- To initialize a green revolution in eastern India, Rs 400 crore is to be allocated
- New Food Policy from April 1, 2010 which will ensure that every family living below the poverty line in rural or urban areas will be entitled by law to 25 kilos of rice or wheat per month at Rs.3 a kilo.
- Rs 300 crore to be allocated to the production of pulse
- To ensure balanced application of fertilizers, a move towards a nutrient based subsidy regime instead of the current product pricing

regime has proposed. In due course it is also intended to move to a system of direct transfer of subsidy to the farmers.

- An additional Rs.1, 000 crore over Interim BE for the Accelerated Irrigation Benefit Programme (AIBP), marking an increase of 75 per cent over the allocation in 2008-09(BE)
- The allocation for the Rashtriya Krishi Vikas Yojna (RKVY) is also being stepped up by 30 per cent over Budget Estimates of 2008-09.
- The Swarna Jayanti Gram Swarozgar Yojna (SGSY) is being restructured as the National Rural Livelihood Mission to make it universal in application, focused in approach and time bound for poverty eradication by 2014-15. Apart from providing capital subsidy at an enhanced rate, it is also proposed to provide interest subsidy to poor households for loans upto Rs. one lakh from banks.

### **NABARD's refinance to SCARDBs - Programmes & Policies Debenture programme of SCARDBs**

The Government of India made an allocation of Rs.58 crores during the financial year 2009-10 for investing in the debentures of SCARDBs. While NABARD is contributing from 85 to 95% of the amount in respect of special development debentures floated by SCARDBs depending on the purposes, the balance amount is contributed by Central and State Govts on matching basis. The allocation for govt contribution to the debentures has been coming down in view of the lower requirement on account of enlargement of purposes financed by SCARDBs which are eligible for 100% refinance from NABARD.

### **Eligibility criteria for drawal of refinance by SCARDBs from NABARD during 2009-10**

NABARD vide circular No.NB.ICD/11/pps-9/2007-08 DT. 31 March 2008 announced its policy regarding eligibility criteria of SCARDBs for drawal of refinance from NABARD during the year 2009-10. The eligibility of SCARDBs is determined on the basis of its recovery level prevailing on 30

June 2008 or 30 June 2007 or average recovery of preceding three years, excluding the current year i.e. June 2005, 2006 and 2007 whichever the highest as per the schedule given below:-

<b>Criteria</b>	<b>Quantum of refinance</b>
<u>Category A</u> Recovery at 70% and above as on 30 June 2008	The quantum of refinance will be unrestricted subject to the realistic disbursement plans of the bank acceptable to NABARD and the overall allocation for the state.
<u>Category B</u> Recovery at 60% and above, but less than 70% as on 30 June 2008	The quantum of refinance will be fixed at 5% above the refinance drawn in the previous year subject to the banks' realistic disbursement plans acceptable to NABARD and the overall allocation for the state.
<u>Category C</u> Recovery at 50% and above, but less than 60% as on 30 June 2008	The quantum of refinance will be fixed at the level of refinance drawn in the previous year subject to the banks' realistic disbursement plans acceptable to NABARD and the overall allocation for the state.
<u>Category D</u> Recovery at 30% and above but less than 50% as on 30 June 2008	The quantum of refinance will be fixed at 5% less than the level of refinance drawn in the previous year subject to the banks' realistic disbursement plans acceptable to NABARD and the overall allocation for the state.

As per the policy for 2009-10, SCARDBs with recovery less than 30% are not eligible for refinance. However, if there is any improvement in recovery as on 30.6.2009, the same was to be considered for eligibility. Apart from recovery performance, the eligibility of refinance is also subject to the following conditions:-

- (i) Commitment to implement reform measures in the areas of recovery, financial housekeeping and internal system of checks and controls which are to be included in the MoU executed by SCARDBs with NABARD. Banks would be eligible for additional refinance to the extent

of 10% over and above the eligibility for showing distinct improvements in the implementation of reform measures outlined in the report of Vaidyanathan Task Force II.

- (ii) The SCARDBs/PCARDBs concerned should have been audited upto the year 2007-08 and audit reports with financial statements should have been received by NABARD. The SCARDB must have been given the audit class of A or B and PCARDBs must have been awarded audit class of A, B or C.
- (iii) Minor irrigation and micro irrigation, fisheries, dairy development, SHGs/JLGs/RMGs, linkage programme, agriclinics and agribusiness centres, agro processing, wasteland development, dryland farming, contract farming, plantation and horticulture, agro forestry and agri marketing infrastructure projects have been identified for thrust areas for refinance for 2009-10. The extent of refinance would be 100% for all purposes in eastern States viz., West Bengal, Orissa, Bihar & Jharkhand, north eastern region, Sikkim and Andaman & Nicobar island, Lakshadweep, Jammu & Kashmir, Himachal Pradesh and Uttarakhand. For other regions also, 100% refinance would be available for minor and micro irrigation, SHG, fisheries, dairy development, contract farming, dryland farming, wasteland development, agro processing, agriclinic and agribusiness centres, plantation & horticulture, agro forestry & agri marketing infrastructure projects. For all other purposes, extent of refinance would be 95% except for Krishak Sathi Yojana where it is 80%.
- (iv) Automatic refinance facility will be available for projects with total financial outlay upto Rs.50 lakhs. For projects exceeding Rs.50 lakhs, refinance will be available under pre sanction procedure.

- (v) Refinance is extended on the security of govt guarantee. Pledge of govt guarantees or fixed deposit receipts could be considered for security on a case by case basis in the absence of govt. guarantee.
- (vi) SCARDBs shall also be eligible to avail short term (SAO) refinance from NABARD against loans provided by them to their LT credit clients for meeting their crop loan needs within the overall eligibility year.

### **Short term refinance to SCARDBs under section 25 of NABARD Act 1981**

NABARD vide circular dt. 10 September 2009 issued detailed operational guidelines for issuing short term crop loans and availing refinance against such loans by ARDBs. For availing this facility, SCARDBs are required to put in place proper systems and procedures for operationalising the scheme and take measures for capacity building of their staff. NABARD has also offered support for undertaking capacity building for crop loan financing.

The salient aspects of the scheme are as follows:-

- Short term credit limits for SAO operations being extended to SCARDBs under section 25 (1) (d) of NABARD Act 1981.
- Limit provided against crop loans/working capital loans issued to non defaulting members of ARDBs who have already availed long term loans.
- Limit for 2009-10 would be from 1<sup>st</sup> April 2009 to March 31, 2010.
- Audit should have been completed for the year 2007-08 with audit rating of either A or B for SCARDBs and A, B or C for PCARDBs.
- Wherever audit report for 2007-08 not available, 40% of the sanction limit will be disbursed on the basis of audited accounts for the year 2006-07.

- The eligibility will be decided on recovery position as on 30 June 2008 or 30 June 2007 or average recovery of preceding three years ending June 2007 whichever is highest at the SCARDB level. Eligibility being upgraded based on improvement in recovery as on 30 June 2009.
- SCARDBs with recovery more than 30% only be eligible.
- The rate of interest on drawals shall carry interest rate of 4.5% on condition that rate of interest for crop loans at ultimate borrower level does not exceed 7% p.a. and individual borrowing limit for a farmer not to exceed Rs.3 lakh.
- The drawals have to be secured by State Govt guarantee or pledge of government securities or FDRs.
- Refinance application should be made in prescribed proforma.
- Each drawal will be repayable on expiry of 12 months.
- Extent of refinance will be 100%.

### **Revision of interest rates on refinance from NABARD**

NABARD fixes the rate of interest to SCARDBs from time to time keeping in view the macro economic scenario and the rate of interest on its borrowings. Accordingly, the rate of interest on refinance by NABARD to SCARDBs remained flexible during 2009-10 in the range of 8.5% to 7%. This rate which was 8.5% in the beginning of the year was slashed to 8%, 7.5% and 7% in the successive revisions in July 2009, October 2009 and February 2010 respectively. The downward trend in the interest, however, was reversed in March with an upward revision by 50 basis points from 7% per annum to 7.5% per annum. The interest rate payable on the amount of default, if any, to NABARD remained at 10% pa. throughout the year.

### **Relief measures to borrowers affected by drought**

Late arrival of southwest monsoon coupled with uneven distribution and scanty rainfall, estimated to be 29% below normal had adversely affected the crop sowing/transplanting of major kharif crops like paddy, oil seeds etc in many States of the country. Subsequently, there was a decline



of 15-20% in the production of kharif crops. NABARD vide circular dt. 2 September 2009 issued guidelines for extending relief to borrowers affected by drought and the relief being extended to banks by way of postponement of dues to NABARD. The borrowers affected by natural calamities were given the facility of rescheduling of current demand by extending the period of loan. Accordingly, in areas affected by natural calamities the recovery of loan instalments representing the current demand due from the concerned borrower was allowed to be postponed by one year. Corresponding to the postponement allowed at the borrower level NABARD allowed postponement of current demand of refinance from SCARDBs as per existing procedure.

### **Central Sector Scheme of Establishing Agri-clinic and Agribusiness Centres – Major observations of Evaluation Study**

Govt of India in 2002 launched the Scheme for Agri-clinic and Agribusiness Centres with the objective of strengthening agricultural extension system. Department of Agriculture & Cooperation, Govt of India conducted an evaluation study of the scheme through M/s. Global Agri System Pvt Ltd., New Delhi in 2009. Following are the major findings of the study.

- Total 4152 ventures have been established under the scheme with average investment of Rs.8 lakhs per unit. The average bank loan was only 30% of the total investment as against the prescribed eligibility of 90-95%.
- The scheme could absorb only 6% of the agricultural graduates qualified during the period 2002-03 to 2006-07.
- The units benefited client farmers in increasing productivity and income as well as by increased awareness of scientific farming.
- However, awareness about the scheme among the public as well as input suppliers is not adequate.
- The study points out the need to popularize the scheme to more areas with better coverage of farmers and increased involvement of banks in the process.

## Reimbursement loans to State Governments for contribution to share capital of cooperative credit institutions – Policy for 2009-10

NABARD announced its policy for the year 2009-10 regarding reimbursement loans to State Govts for contribution to share capital of cooperative credit institutions including ARDBs vide its circular dt. 23 June 2009. Following are the highlights of the policy:-

- The credit facility to State Govts will be available at interest rate of 8.5% p.a.
- The eligibility of SCBs, DCCBs is linked to their net NPA which should be less than 10%.
- There is no change in the present eligibility norms with regard to SCARDBs and PCARDBs.

## Dairy and Poultry Venture Capital Fund

NABARD vide circular dt. 19 June 2009 has extended the period of Venture Capital Fund for Dairy and Poultry Scheme for the financial year 2009-10 also with separate allocation of Rs.38 crore for dairy and Rs.10 crore for poultry. The components of dairy and poultry projects eligible for venture capital assistance are furnished below:-

Sl. No.	Component	Maximum total Project Cost
<b>A</b>	<b>Dairy</b>	
1	Establishment of small dairy units – 10 animal units (Buffalo and crossbred cows) for milk production	Rs.3.00 lakh - Any Non Operation Flood areas. - The total cost depends on the infrastructural facilities required.
2	Purchase of milking machines /milkotesters/bulk milk cooling units (upto 2000 lit capacity)	Rs.15.00 lakh
3	Purchase of dairy processing equipment for manufacture of indigenous milk products	Rs.10.00 lakh per unit - Unit cost depends upon the quantum of milk to be handled and the type of products to be manufactured. - The total cost depends upon the investment on civil structures, type and source of machinery.

4	Establishment of dairy product transportation facilities and cold chain	Rs.20.00 lakh per unit - Unit cost depends upon the quantum of milk/milk products to be transported/handled and the type of products to be transported. - The total cost depends upon the investment on type and source of transport vehicle and machinery.
5	Cold storage facilities for milk and milk products	Rs.25.00 lakh per unit - Unit cost depends upon the quantum of milk/milk products to be stored and the type of products to be stored. - The total cost depends upon the investment on type and source of machinery used.
6	Establishment of private veterinary clinics	Rs.2.00 lakh per unit for mobile clinics and Rs.1.5 lakh for stationary clinic. - Area of operation from 1 to 10 villages having 5000 to 6000 cattle units.

## B Poultry

1	Establishing poultry breeding farms with low input technology birds and also for ducks/turkey/guinea fowl/quail/emu/ostrich etc	Rs.30 lakh
2	Establishment of feed godown, feed mixing unit, feed analytical unit	Rs.18.00 lakh
3	Marketing of poultry products (specialized transport vehicle, cold room, retention shed for birds etc)	Rs.25.00 lakh
4	Egg grading, packing and storage for export capacity	Rs.80.00 lakh
5	Retail poultry dressing unit (upto 300 birds per day)	Rs.5.00 lakh
6	Egg/broiler carts for sale of poultry products	Rs.0.10 lakh
7	Central grower unit (12,500 birds per batch and 4 batches per year)	Rs.20.00 lakh

## Financing Joint Liability Groups (JLGs) of Micro Finance Entrepreneurs/Artisans in Non Farm Sector

In view of the success of Joint Liability Groups' (JLGs) concept in financing small/marginal farmers/tenant/oral lessees and share croppers, NABARD has formulated a separate scheme for financing JLGs in rural non

farm sector. The detailed operational guidelines of this scheme was issued vide NABARD circular No.203/MCID-10/2009 dt. 3 December 2009. Following are the salient features of the scheme:-

#### Scope of activities

Rural non farm sector covers all non farm activities in the secondary tertiary sectors of the economy primarily benefiting rural areas which also includes a variety of traditional activities in handlooms, wood, metal, fibre, handicrafts, carpets, leather-works etc.

#### Promotional support from NABARD

NABARD offers promotional grants to implementing banks for farming, nurturing and financing JLGs on an annual basis for the first three years. Banks are allowed to use the services of suitable agencies for undertaking the above interventions. The support of NABARD also includes support for training, exposure visits, experience sharing etc. for banks staff and publicity and awareness building measures.

#### General features of JLG

- 4-10 individuals to form an informal grouping to avail bank loan.
- Executing joint undertaking for giving mutual guarantee.
- Members more or less should belong to same socio economic class who are known to each other residing in the same locality who have not defaulted to any financial institution in the past.
- One of the members to assume leadership of the group and will be the focal point for group activities.
- Members to have regular meetings to discuss issues of common interest.
- Business facilitators, NGOs, farmers associations, panchayatraj institutions, PACS, cooperatives, individuals' etc can form JLGs.
- Under model A, individuals in the group are financed directly by the bank, after ascertaining the credit requirement, credit absorption capacity of the individual etc and subject to all members in the group

jointly executing a loan document making each other jointly or severally liable for repayment.

- Under model B, the group will be sanctioned a single loan equivalent to combined credit requirements of all members based on the credit requirement of the micro enterprise to be jointly undertaken. However, all members should jointly execute the document and own the debt liability jointly and severally.
- JLG promotion institutions will be eligible for grant from NABARD.
- The banks will be given grant at the rate of Rs.2000 per JLG for group formation and nurturing. Banks to undertake the capacity building measures like conduct of training programmes for stakeholders.
- NABARD will provide 100% refinance in respect of their lending to JLGs.

### **Agriclinic and Agribusiness Centres Scheme – Inclusion of new categories of candidates**

The scheme for setting up Agriclinics and Agribusiness Centres by agricultural graduates is under implementation since 2005-06. The Government of India has now decided to include the following categories of candidates also eligible for providing benefits under the scheme.

- i) Graduates in agriculture and allied subjects from state Agriculture Universities/Central Agricultural Universities/Universities recognized by ICAR/UGC.
- ii) Diploma holders in agriculture and allied subjects from State Agricultural Universities.
- iii) Science graduates with Post Graduation in in Agriculture and allied subjects.

### **Centrally Sponsored Scheme for Integrated Development of small Ruminants and Rabbits**

The Government of India decided to launch a Centrally Sponsored Scheme to encourage sheep/goats/rabbit rearing farmers to go in for commercial rearing rather than subsistence farming by providing incentives.

The scheme will be implemented during the remaining period of 11<sup>th</sup> Plan period with a focus on 114 districts for small ruminants and 12 districts for rabbits in 24 States as per annexure-I to the scheme. The scheme will be implemented through financial institutions including SCARDBs. The maximum project cost for rearing of sheep and goats of 40+2 units will be Rs.1 lakh and sheep and goat breeding units of 500+25 will be Rs.25 lakhs and rabbit rearing units will be Rs.2.25 lakhs. 50% of the project cost will be financed through interest free loan and the remaining amount will be given as bank loan at normal interest rate after the entrepreneurial contribution of minimum 10% in the case of rearing units and 25% of the delay in the case of breeding units.

The detailed guidelines of this scheme were communicated by NABARD vide circular No.219/ICD-46/2009 dt. 24 December 2009.

### **Centrally Sponsored Scheme for Establishing “Poultry Estates” and Mother Units for Rural Backyard Poultry**

Government of India has launched Centrally Sponsored Scheme for poultry development with a total outlay of Rs.150 crores during the remaining period of 11<sup>th</sup> Five Year Plan. The scheme involves the following:-

- i) 100% financial assistance for strengthening the existing State poultry farms.
- ii) Establishing mother units for rural backyard poultry development of unit size of 1500 chicks with a subsidy of Rs.20000 and interest free loan of Rs.36000 per units.
- iii) For setting up of poultry estates in low commercial activity States like Bihar, Chhattisgarh, Jharkhand, Gujarat, Madhya Pradesh, Orissa, Uttarakhand and part of Uttar Pradesh and West Bengal, Vidarbha

region of Maharashtra and north eastern States. The State Govts will be provided grant for infrastructure development. The scheme envisages establishment of maximum 100 units of broiler or layer of 2000 birds each. Each estate will be eligible for interest free loan @ 50% of financial outlay.

The detailed guidelines of the scheme were communicated by NABARD vide circular No.218/ICD-45/2009 dt. 24 December 2009.

#### **IV. REVIEW OF MEMBER BANKS' OPERATIONS DURING 2009-10**

##### **A. Borrowings of SCARDBs during 2009-10**

The aggregate borrowings of 13 SCARDBs (Assam, Bihar, Gujarat, Himachal Pradesh, Maharashtra and Orissa have NIL borrowings) out of 19 SCARDBs during the year 2009-10 amounted to Rs.2579.01 crores, as against Rs. 2451.22 crores during the previous year, resulting in an increase of Rs. 127.79 crores i.e. by 5.21%. The share of NABARD refinance in the total amount raised by SCARDBs amounted to Rs. 2097.27 crores accounting for 81.32% of the total borrowing raised during the year as against 83.4% in the previous year. Tamil Nadu (134.60%), Tripura (72.9%), U.P. (52.6%), W.B. (37.7%), Punjab (31.6%), & Chhattisgarh (24.3%) registered growth in borrowings. However, there was substantial decrease in the case of Pondicherry (30.7%), M.P. (26.7%), Karnataka (25.2%) and Kerala (13.5%), while for Haryana & Rajasthan SCARDBs it was marginally lower than in the previous year. Assam, Bihar, Gujarat, H.P. Jammu and Kashmir, Maharashtra, Orissa and Tamil Nadu continued to remain ineligible for borrowings from NABARD.

The Borrowing Outstandings of 18 SCARDBs (Except Tripura) as on 31<sup>st</sup> March 2010 amounted to Rs. 15171.60 crores as against Rs. 15517.60 crores as on 31<sup>st</sup> March 2009 showing a decrease of 2.22.% (Rs. 345.97

crores). Tamil Nadu (43%), Jammu and Kashmir (28.89%), Gujarat (28.2%) & Chhattisgarh (10.7%) (Refer table 2) had negative net borrowings.

## **B. Deposit Mobilisation**

During the year 2009-10, 12 SCARDBs, mobilized deposits (same number as last year) aggregating to Rs. 175.28 crores as against Rs. 173.32 crores during the last year. No data was received from Tripura SCARDB.

The deposits outstanding as on 31<sup>st</sup> March 2010 amounted to Rs. 509.59 crores in respect of 14 SCARDBs as against Rs. 464.15 crores as on 31<sup>st</sup> March 2009. (Refer Table 3).

## **C. Loans advanced by SCARDBs during 2009-10**

The total loans advanced by SCARDBs during the year 2009-10 amounted to Rs.3398.84 crores as against Rs. 2572.13 crores advanced during the previous year. Advances during the year increased by Rs. 826.71 crores registering a growth of 32% over the previous year. The increase in lending was contributed mainly by Jammu and Kashmir (425%), T.N. (403%), Uttar Pradesh (44%), West Bengal (40%), Tripura (36.8%), Pondicherry (27%), Gujarat (23%) and Kerala (22%). There was decrease in respect of Punjab (33%), M.P. (17%) & Chhattisgarh (11%). Lending by Maharashtra, Bihar, Assam, & Orissa were nil or negligible as these banks were not getting refinance from NABARD and did not raise lendable resources from other sources. The aggregate outstanding loans at Ultimate Borrowers level stood at Rs. 17152.70 crores as on 31<sup>st</sup> March 2010 as against Rs.16787.04 crores as on 31<sup>st</sup> March 2009 (refer table 4)

## **D. Financial performance of SCARDBs**

Out of 19 SCARDBS, only 7 SCARDBs have reported the profit / loss position as on 31<sup>st</sup> March 2010 (at the time of preparing the report in May'10) as others are yet to ascertain the financial position. The profit / loss position as on 31<sup>st</sup> March 2009, in respect of 18 SCARDBs except Tripura SCARDB which has not furnished data, shows that 11 banks were in profit and the remaining 7 banks incurred losses. The total profit of 11



banks as on 31<sup>st</sup> March 2009 were Rs.417.33 crores and the losses of 7 SCARDBs were Rs.384.95 crores.

### **E. Recovery Performance**

The yearly recovery performance at ultimate borrower level is worked out for the period July – June. As the data as on 30<sup>th</sup> June 2010 are not due at the time of finalizing this report, the position as on 30<sup>th</sup> June 2009 is considered for review. The total ground level demand of ARDBs during 2008-09 ending 30<sup>th</sup> June 2009 were Rs. 9474.60 crores against which collection were Rs. 3481.97 crores which works out to 36.75% of demand as against 29.53% as on 30<sup>th</sup> June 2008. The recovery performance of banks improved by more than 7% during 2008-09 inspite of continued adverse impact of ADWDR Scheme 2008. The recovery percentage at ultimate borrower's level was above 50% in the case of 7 banks viz. Chhattisgarh, H.P., Kerala, Pondicherry, Punjab, Tripura & West Bengal whereas, Karnataka & Rajasthan was in the range of 40 to 50%. Because of the implementation of ADWDR the total demand fell from 10952.33 crores in 2007-08 to 9474.60 crores in 2008-09. While seven banks i.e. Kerala, Karnataka, Punjab, Pondicherry, Tripura, Uttar Pradesh & West Bengal could improve recovery, others except Rajasthan registered marginal decline compared to the previous years. The recovery performance of Rajasthan remained at 41% for 2007-08 and 2008-09.

### **F. General Information**

There was no change in the structural pattern of SCARDBs during the year under report. Of the 19 SCARDBs, the number of federal and unitary SCARDBs continued to be 10 and 7 respectively and the remaining 2 SCARDBs having a mixed structural pattern comprising of affiliated PCARDBs as well as own branches. 7 unitary SCARDBs were operating through 750 branches as on 31<sup>st</sup> March 2010. The Federal structure had 703 PCARDBs which in turn had 1064 branches as on 31<sup>st</sup> March 2010. The total membership of 11 SCARDBs as on 31<sup>st</sup> March 2010 was 132.52 lakhs of which the borrowing members were 85.61 lakhs as on that date. While

12 SCARDBs had elected board the remaining 7 SCARDBs did not have an elected board as on 31<sup>st</sup> March 2010. At PCARDBs level, only 432 PCARDBs out of 703 PCARDBs had elected board as on 31<sup>st</sup> March 2010. The data in brief in this regard is as under:-

<b>Sr. No.</b>	<b>Particulars</b>	<b>2009-10</b>	<b>2008-09</b>
1)	Number of SCARDBs (Federal)	10	10
2)	Number of SCARDBs (unitary)	7	7
3)	Number of SCARDBS with mixed Structural pattern	2	2
4)	Number of Branches of SCARDBs (Unitary)	750	754
5)	Number of PCARDBs (Federal)	703	700
6)	Number of Branches of PCARDBs (Federal)	1064	1142
7)	Total Membership (in lakhs)	132.52	130.76
8)	Of item 6, Borrowing members (in lakhs)	85.61	85.81
9)	Number of SCARDBs having Elected board	12	12
10)	Number of PCARDBS having elected board	432	401
11)	Staff in SCARDBs (Number)	7006	7610
12)	Staff in PCARDBs (Number)	6134	8074

## **V. PROGRAMME OF ACTIVITES OF THE PLANNING, RESEARCH AND DEVELOPMENT (PRD) CELL**

The Planning, Research and Development (PRD) Cell was established in 1973 in the Federation to undertake specific research and development activities with financial support by way of grant-in-aid from the Ministry of

Agriculture, Government of India. The PRD Cell has undertaken the following activities during the current year.

## **(A) Conferences / Seminars / Workshops**

### **1) CEOs Policy Seminar**

A Policy Seminar of CEOs was held on 28.05.09 at New Delhi.

- i) The Seminar considered the important policy issues relating to the revival package of LTCCs based on Vaidyanathan Task Force II as approved by the Cabinet on 26th February 2009.
- ii) Recommendations of National Conference on Revival of Rural Co-op. Structure.
- iii) Financing of Joint Liability Group by ARDBs
- iv) Implementation of Agriculture Debt Waiver and Debt Relief Scheme (ADWDR Scheme).
- v) Recommendations of National Seminar on Strengthening the Competitiveness of Indian Co-operative Banking Sector in the context of Global Financial Crisis.

### **2) Meeting of Core Group for National Conference**

The Meeting of Core Group of organizers of the National Conference on Revival of Rural Co-operatives Credit Structure was held on 01.06.09 at Mumbai.

The meeting finalized the detailed Action plan based on the decision in the National Conference.

### **3) Conference of CEOs**

The Conference of CEOs of SCARDBs was held in Delhi on 17.06.09 for considering the following important issues in the Sector.

- i) Refinance policy of NABARD.
- ii) Interest Rate policy of NABARD.

- iii) Need for implementing interest incentive for prompt repayment by SCARDBs.
- iv) Preparedness of the LT sector for full-fledged banking.

#### **4 ) Interactive meeting of Chairmen and CEOs Of SCARDBS with NABARD Chairman, MD & Senior Executives**

Interactive meeting of Chairmen and CEO's of SCARDBS with NABARD Chairman, MD & Senior Executives was held on 21st July 2009 at NABARD, H.O. Mumbai.

The meeting discussed important policy and operational issues relating to NABARD refinance interest rates on refinance etc.

#### **5 ) Seminar On Guidelines for Investments by SCARDBs**

Seminar on Guidelines for investments by SCARDBs was organized on 30th July 09 at Federation's office, Navi Mumbai. The object of the Seminar was to review the system, practices and policy environment prevailing in SCARDBs regarding investments of funds and to make recommendations to NABARD for issuing appropriate guidelines on investments by SCARDBs. The Seminar was attended by Chief/ Senior executives of 11 member banks who have substantial investments. Mr. S.K. Bansal, G.M. (Finance Dept), NABARD Mumbai was the resource person for the interactive session on issues in Financial management in SCARDBS. Seminar also considered recent policy initiative with regard to revival of LT Co-op Structure, impact of Debt waiver etc. and came out with recommendations/ suggestions.

#### **6 ) Interactive Session of CEOs with Board of Directors**

Interactive Session of CEO's with Board of Directors was held on 30.9.09 at Indore (MP).

- i) The Interactive session considered the decisions in the Meeting with Chairman, NABARD on 21.07.09 relating to Federation and member banks and decided on Action Plans to implement the decisions.
- ii) The Conference also considered the Report of the high powered Committee on Co-operatives constituted by GOI.
- iii) Considered the likely impact on Agriculture production and loan recovery consequent to deficient rainfall in 2009 and declaration of 266 districts in 10 states as drought affected and took the following decisions.
  - \* SCARDBS to take early steps for rescheduling of dues of affected farmers and submission of proposals to NABARD for corresponding rescheduling of refinance.
  - \* Intensify efforts to achieve substantial improvement in recovery in districts not affected by drought as well as recovery in respect of loans issued for non-agricultural purposes.
  - \* To ensure that the benefits/reliefs under drought relief programmes of Government are made available to eligible borrowers.

## **7 ) Conference of Standing Committee of CEOs**

The First Meeting of the standing Committee of CEOs was held on 8.02.2010 at Federations office in Navi Mumbai. The Chairman of the Federation inaugurated the Conference which was attended by the CEOs of the member SCARDBS, Sr. officials of the banks and staff of the Federation

The Conference of the Standing Committee discussed the issues concerning the sector, progress of the revival package etc and discussed the modalities of the meet and recommended the following.

- 1) The terms of reference of the Committee will include follow –up action of Board decisions including preparing action plans to implement decisions.

- 2) Documenting success stories.
- 3) Information / experience sharing.
- 4) Regularity of meeting – Meeting shall be held once in three months after one month from the previous Board meeting and before one month from the next Board meeting.
- 5) Meetings will be on self financing basis.
- 6) Meetings shall be held in various states by rotation. Local SCARDB to provide local transport, lunch etc. Travel, boarding and lodging shall be on self financing basis.
- 7) Each bank to appoint a person to coordinate matters relating to the working of the Committee including furnishing required information to the Federation.
- 8) It was also decided that Federation shall issue guidelines on resource mobilization, diversification of lending, loan recovery etc. incorporating suggestions in the Meeting.

## **(B) EXPOSURE/STUDY VISITS**

### **1) Study visit programme for Directors and officials of ARDBs during 7<sup>th</sup> – 11<sup>th</sup> September 2009**

The Federation organized a study visit programme during 7th – 11th September 2009 to Kerala for Directors and Officials with participation of delegates from different states to study rural credit system in Kerala state. The group of 7 delegates comprising of Chairmen and M.D.s of 4 states accompanied by Chief Executive of the Federation undertook the study visit which included interaction with Senior functionaries of Kerala SCARDB, field visit to PCARDB and other local visits.

## **(C) Publications**

- (a) **Monthly Progress Report of ARDBs** The Federation compiles and publishes data relating to key operational areas on a monthly basis to review the working of banks and to furnish information on credit flow and other

related aspects to Govt. of India, Planning Commission etc. 10 consolidated monthly reports were brought out during the year 2009-10.

(b) **Annual Statistical Bulletin** contains comprehensive information about the audited financial position, structural aspects and operational details relating to SCARDBs as well as PADBs affiliated to SCARDBs. The Bulletin for the year 2007-08 was brought out during the year and the bulletin for the year 2008-09 is under compilation. The Statistical Bulletins are now brought out in a Compact Disc (CD) for reference purposes.

(c) **Publication of Land Bank Journal**: The Land Bank Journal is one of the oldest publications of the Federation in rural finance, which is published by the Federation on quarterly basis for the last 47 years. The Journal apart from publishing research articles and success stories relating to agriculture and rural credit, cooperation, etc., is also covering news and reports on agriculture and other related activities in the sector as also on general areas of interest relating rural credit. During the year, 2 quarterly issues i.e. June 2009 and September 2009 have been published and the December 2009 issue is under print.

## VI. FINANCE AND ACCOUNTS

The summary of Assets and Liabilities and Income & Expenditure as per audited accounts for the year 2009-10 are given below:

### ASSETS AND LIABILITIES

Sr. No.	LIABILITIES	As on		Sr. No.	ASSETS	As on	
		31.3.10	31.3.09			31.3.10	31.3.09
1.	Reserve Fund & Other Funds	1429.71	972.21	1.	Cash & Bank Balances	1.93	17.35
2.	Secured Loans	0.00	235.39	2.	Investments	1146.37	1366.64
3.	Other Liabilities & Provisions	149.72	49.42	3.	Fixed Assets	277.65	274.53
4.	Surplus from Income & Exp.A/C	30.33	466.44	4.	Sundry Debtors & Receivables	70.43	49.44
				5.	Loans & Advances	10.04	12.07
				6.	Sundry Deposits & Prepaid Exps.	4.42	1.31
				7.	Advance FBT paid	2.12	2.12
				8.	Income Tax	96.80	0.00
	<b>TOTAL</b>	<b>1609.76</b>	<b>1723.46</b>		<b>TOTAL</b>	<b>1609.76</b>	<b>1723.46</b>

Sr. No.	Particulars	Amount (Rs. in lakhs)	
		2009-10	2008-09
	<b>INCOME</b>		
1.	Annual Membership Subscription	60.80	56.50
2.	Interest on Bank A/cs, Earmarked Memorial Funds & Deposits not earmarked.	31.10	45.45
3.	Dividend on Shares	0.15	0.15
4.	Additional contributions from member banks	15.17	9.00
5.	Guest House Misc. Income/service charges	0.38	0.42
6.	Grant-in-Aid	33.00	15.80
7.	Profit on sale of Asset (G.H.)	0.00	457.58
8.	Miscellaneous Income/Amt. recd. from previous year's provision/provision reversed etc.	2.50	5.87



9.	Surplus in Journal Activities	0.00	0.07
	<b>TOTAL (1 to 9)</b>	<b>143.10</b>	<b>590.84</b>
	<b>EXPENDITURE</b>		
1.	Salaries & Allowances, P.F.	48.38	42.26
2.	Seminars/Conferences/Training Programmes	4.30	2.34
3.	Travelling/Conveyance Expenses/L.F.C.	13.15	12.37
4.	Depreciation on Fixed Assets	11.30	11.38
5.	Deficit in Journal Activities	0.15	--
6.	Meeting Expenses	2.29	1.59
7.	Office premises maintenance charges & taxes	7.05	6.58
8.	Membership Fees & delegation fees	4.58	4.88
9.	Postage/Telegram & Telephones/Internet	2.82	2.21
10.	Guest House Expenses	3.47	2.76
11.	Prior Period Item A/c.	0.15	0.78
12.	Repairs & Maintenance	2.33	2.06
13.	Stationery, Printing & Publicity	3.12	2.03
14.	Legal & Professional charges	3.42	2.67
15.	Insurance	0.19	0.12
16.	Establishment/Sundry Expenses	1.97	3.53
17.	<u>Provisions</u>		
i)	Staff Gratuity	1.40	11.27
ii)	Leave Encashment	2.70	8.98
iii)	Demand from Defaulted Member Banks	--	5.43
18.	Income Tax & FBT	0.00	1.16
	<b>Total (1 to 18)</b>	<b>112.77</b>	<b>124.40</b>
	<b>Surplus</b>	<b>30.33</b>	<b>466.44</b>
	<u>Apportionment of Surplus by General Body</u>		
	(1) <b>Reserve Fund</b>	--	(2.22)
	(2) <b>Contingency Reserve Fund</b>	--	(3.31)
	(3) <b>Cooperative Education Fund of NCUI</b>	--	(0.08)
	(4) <b>Education Fund of Federation</b>	--	(0.08)
	(5) <b>Building Fund</b>	--	(70.51)
	(6) <b>Income Tax on Capital Gains</b>	--	(96.80)
	(7) <b>Development Fund</b>	--	(290.27)

	(8) <b>Staff Welfare Fund</b>	--	(0.50)
	(9) <b>Exgratia to Staff</b>		(2.66)
	<b>Total</b>	<b>30.33</b>	<b>466.44</b>

(Figures shown in bracket pertain to Financial Year 2008-09)

As per Byelaw No.37 of the Federation, the appropriation of surplus shall be made by the General Body in the Annual General Meeting.

### **JOURNAL ACTIVITIES**

#### **Income**

Sr. No.	Particulars	Amount (Rs.)	
		2009-10	2008-09
1.	Journal Subscription	49080.00	41520.00
2.	Advertisement charges	97000.00	97000.00
3.	Sale of Publications	180.00	60.00
4.	Excess provision written back	2906.00	6494.00
5.	Amount received from previous Year's provision	15074.00	26660.00
<b>TOTAL (1 to 5)</b>		<b>156140.00</b>	<b>171734.00</b>

#### **Expenditure**

1.	Printing charges	132923.00	145037.00
2.	Postage, Tel. & Telegrams	14642.00	10971.00
3.	Honorarium to Contributors/ Authors/other expenses	7100.00	7700.00
4.	Miscellaneous Expenses	1415.00	1147.00
5.	Excess provision Written off	60.00	--
<b>TOTAL (1 to 5)</b>		<b>156140.00</b>	<b>164855.00</b>
<b>Net Surplus/Net Deficit (+)/(-)</b>		<b>(-) 15074.00</b>	<b>(+) 6879.00</b>

## VII. ENDOWMENT FUNDS

The position of various endowment funds as on 31<sup>st</sup> March 2010 are briefly enumerated below:

<b>Name of the Fund</b>	<b>Balance as on 31.3.2010</b>	<b>Activities under the Fund</b>
1. B. Venkatratnam Memorial Fund	77861.99	B.V. Memorial Trophy is awarded for the best ARDB in Category-I every year.
2. Udaybhansinhji Memorial Fund	124473.42	(i) Awarding prizes to the meritorious trainees of Diploma Course in Land Development Banking at the Institutes of Coop. Management in the country run by the National Council for Coop. Training. (ii) Udaybhansinhji Memorial Trophy awarded to category-I every year.
3. Dattatrayalu Memorial Fund	59647.50	The Dattatrayalu Trophy for the best bank in Category-III is awarded every year.
4. M.N. Nambiar Memorial Fund constituted for Kerala SCARDB	52570.86	M.N. Nambiar Trophy is awarded for the best performance in lending by ARDBs every year.
5. Punjab Chief Minister's Trophy Fund Constituted by Punjab SCARDB	46331.00	Punjab Chief Minister's Trophy is awarded for best performance in Recovery by ARDBs every year.
6. Silver Jubilee Fund	327405.10	Under this Fund, Federation is giving Fellowship of Rs.25, 000/- to one every or any member of any member bank for doing the Post Graduates Business Management Diploma Course conducted by VAMNICOM, Pune.

7. Asian Raiffeisen Center Fund constituted by Federation.	142632.18	--
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## VIII. GENERAL BODY, BOARD AND EXECUTIVE COMMITTEE

### General Body

The General Body consists of members of the Federation, represented by the Delegates nominated by the Board of Directors of the respective bank.

Following is the list of members of the Federation.

1. Andhra Pradesh State Co-operative Bank Ltd., Hyderabad.
2. Assam State Co-operative Agriculture & Rural Development Bank Ltd., Guwahati.
3. Bihar State Co-operative Land Development Bank Ltd., Patna.
4. Chhattisgarh Rajya Sahakari Krishi Aur Gramin Vikas Bank Maryadit, Raipur.
5. Gujarat State Co-operative Agriculture & Rural Development Bank Ltd., Ahmedabad.
6. Haryana State Co-operative Agriculture & Rural Development Bank Ltd., Panchkula.
7. Himachal Pradesh State Co-operative Agriculture & Rural Development Bank Ltd., Shimla.
8. Jammu & Kashmir State Co-operative Agriculture & Rural Development Bank Ltd., Srinagar.
9. Karnataka State Co-operative Agriculture & Rural Development Bank Ltd., Bangalore.
10. Kerala State Co-operative Agricultural & Rural Development Bank Ltd., Thiruvananthapuram.
11. Madhya Pradesh Rajya Sahakari Krishi Aur Gramin Vikas Bank Ltd., Bhopal.
12. Maharashtra State Co-operative Agriculture Rural Multipurpose Development Bank Ltd., Mumbai.
13. Orissa State Co-operative Agricultural & Rural Development Bank Ltd., Bhubaneshwar.
14. Pondicherry Co-operative Central Land Development Bank Ltd., Pondicherry.
15. Punjab State Co-operative Agricultural Development Bank Ltd., Chandigarh.
16. Rajasthan Rajya Sahakari Bhoomi Vikas Bank Ltd., Jaipur.
17. Tamil Nadu Co-operative State Agriculture & Rural Development Bank Ltd., Chennai.

18. Tripura Co-operative Agriculture & Rural Development Bank Ltd., Agartala.
19. Uttar Pradesh Sahakari Gram Vikas Bank Ltd., Lucknow.
20. West Bengal State Co-operative Agriculture & Rural Development Bank Ltd., Kolkata.
21. Delhi State Cooperative Bank Ltd., New Delhi.
22. Goa State Co-operative Bank Ltd., Panaji.
23. Meghalaya Co-operative Apex Bank Ltd., Shillong.

### **Board of Management**

As per Byelaws No.20 (iii), the Board of Management of the Federation consists of 20 Directors elected by the General Body, 1 Director being nominated by the Central Govt., 2 Directors co-opted by the Board apart from Managing Director, who is ex-officio member of the Federation.

The Board of Management as on 31.3.2010 consisted of the following persons:-

<b>Sr. No.</b>	<b>Name of Board Member</b>	<b>Member Bank representing</b>
1.	Shri K. Sivadasan Nair, MLA Chairman	Delhi State Co-operative Bank Ltd.,
2.	Shri Gobinda Roy Vice Chairman	West Bengal State Coop. Agri. & Rural Development Bank Ltd.
3.	Shri B.H. Jadeja, MLA Vice Chairman	Gujarat State Cooperative Agriculture & Rural Development Bank Ltd.
4.	Shri Vasanta Nageswara Rao Vice Chairman	Andhra Pradesh State Coop. Bank Ltd.
5.	Shri Sukhdarshan Singh Mrar Vice Chairman	Punjab State Coop. Agricultural Development Bank Ltd.
6.	Shri Bijay Kumar Singh	Bihar Rajya Sahakari Bhumi Vikas Bank Simit
7.	Shri Devendra Kumar Pandey	Chhattisgarh Rajya Sahakari Krishi Aur Gramin Vikas Bank Ltd.
8.	Shri R.G.N. Mule	Goa State Cooperative Bank Ltd.
9.	Shri Dalip Singh Yadav	Haryana State Coop. Agriculture & Rural Development Bank Ltd.
10.	Shri B.S. Vishwanathan	Karnataka State Coop. Agriculture & Rural Development Bank Ltd.
11.	Shri Kishan Singh Bhatol	Madhya Pradesh State Coop. Agriculture & Rural Development Bank Ltd.
12.	Ms. Roshan Warjri	Meghalaya Cooperative Apex Bank Ltd.
13.	Shri J. Sekar	Pondicherry Cooperative Central Land Development Bank Ltd.

14.	Shri Sukumar Barman	Tripura Coop. Agriculture & Rural Development Bank Ltd.
15.	Shri Nawal Kishore	Uttar Pradesh Sahakari Gram Vikas Bank Ltd.
16.	Vacant	
17.	Vacant	
18.	Vacant	
19.	Vacant	
20.	Vacant	
21.	Shri K.K. Ravindran	Ex-officio

### **Executive Committee**

1. Shri K. Sivadasan Nair, Chairman.
2. Shri B.H. Jadeja, Chairman, Gujarat SCARDB.
3. Shri Gobinda Roy, Chairman, West Bengal SCARDB.
4. Shri Sukhdarshan Singh Mrar, Chairman, Punjab SCADB.
5. Shri Vasanta Nageswara Rao, President, Andhra Pradesh SCB.
6. Shri Dalip Singh Yadav, Director, Haryana SCARDB.
7. Shri J. Sekar, Chairman, Pondicherry CCLDB.
8. Shri Kishan Singh Bhatol, Chairman, Madhya Pradesh SCARDB.
9. Shri R.G.N. Mule, Chairman, Goa SCB.
10. Shri Bijay Kumar Singh, Chairman, Bihar RSBVB.
11. Smt. Roshan Warjri, Chairperson, Meghalaya CAB.
12. Shri K.K. Ravindran, Managing Director.

### **Administrative Committee**

1. Shri K. Sivadasan Nair, Chairman.
2. Shri B.H. Jadeja, Vice Chairman.
3. Shri Gobinda Roy, Vice Chairman.
4. Shri Sukhdarshan Singh Mrar, Vice Chairman.
5. Shri Vasanta Nageswara Rao, Vice Chairman.
6. Shri K.K. Ravindran, Managing Director.

## Meeting of General Body, Special General Body, Board and Executive Committee during the financial year 2009-10

The Meetings of the General Body, Administrative Committee and Executive Committee during the year under report with dates and venues are listed below:

<u>Meetings</u>	<u>Place</u>	<u>Date</u>
<b>(a) General Body (49<sup>th</sup> Meeting)</b>	Indore (M.P.)	30 Sept. 2009
<b>(b) Board of Management</b>		
126 <sup>th</sup> Board	New Delhi	28 May 2009
Special Meeting	New Delhi	17 June 2009
127 <sup>th</sup> Board	Indore ( M.P)	30 Sept. 2009
128 <sup>th</sup> Board	New Delhi	11 Jan. 2010
<b>(c) Executive Committee Meeting</b>		
	Cochin(Kerala)	4 April 2009
	Mumbai	21 July 2009
	Alleppey (Kerala)	8 Nov .2009

The Board Meetings continued to be the main forum for discussing the policy and operational issues related to rural credit apart from reviewing the operations of member banks.

During the year under report, the Board, besides discussing the regular items related to business operations of member banks and periodical review of performance under debenture floatations, advances, recovery etc., also considered and discussed the following subjects in its meetings.

- 1) Package for Revival of Long Term Cooperative Credit Structure approved by Government of India.
- 2) Recommendations of National Conference on Revival of Rural Cooperative Credit Structure.
- 3) Guidelines for financing Joint Liability Groups by ARDBs.

- 4) Review of progress of action with regard to new deposit and loan products, recovery and reporting system.
- 5) Agriculture Debt Waiver and Debt Relief Scheme
- 6) Debenture programme of State Cooperative Land Development Banks under the scheme of Investment in Debentures of State Land Development Banks during 2009-10.
- 7) National Seminar on Strengthening Competitiveness of Indian Cooperative Banking Sector in the context of Global Financial Crisis – Recommendations.
- 8) Review of performance of member banks for 2008-09 (upto March 2009)
- 9) Issues to be taken up with Government of India.
- 10) Financing and prioritizing action points on the basis of the recommendations of National Conference on Revival of Rural Cooperative Credit Structure.
- 11) Meeting with Chairman, NABARD on 21 July 2009
- 12) Deficient rainfall in 2009-likely impacts on agriculture and loan recovery.
- 13) Report of the High Powered Committee on Cooperatives.
- 14) Courses on Cooperatives proposed to be offered by IGNOU.
- 15) United Nation's message on International Cooperative Day.
- 16) Reimbursement loans to State Governments under Section 27 of the NABARD Act, 1981 for contribution to share capital of cooperative credit institutions – policy for the year 2009-10.
- 17) CISS for rural godowns – farmer category – clarification.
- 18) Dairy and poultry venture capital funds
- 19) Proposal for United Nations International Year of Cooperatives.
- 20) Review of performance of member banks for the year 2009-10 (Upto July 2009).
- 21) Short-term refinance to SCARDBs under section 25 of NABARD Act 1981.
- 22) Direct Taxes Code Bill and other income tax issues of ARDBs
- 23) Revision of interest rates on refinance from NABARD



- 24) Relief measures to borrowers affected by drought.
- 25) Central Sector Scheme – Establishing Agriclinc and Agribusiness Centre – Evaluation Study Report – Major Observations and Recommendations.
- 26) Manual on Internal Checks and control system for SCARDBs
- 27) International Year of Cooperatives 2012.
- 28) Copenhagen Accord on Climate Change
- 29) Financial position and performance of SCARDBs – A quick review.

## **IX. REPRESENTATION AT NATIONAL AND INTERNATIONAL LEVELS**

### **Membership at National and International Levels**

**At the national level, the Federation continued its membership with the**

- 1) National Co-operative Union of India (NCUI)
- 2) Indian Merchants' Chamber (IMC)
- 3) Indian Banks' Association (IBA)
- 4) Centre for International Co-operation and Training in Agricultural Banking (CICTAB) and
- 5) Indian Society for Studies in Cooperation.

The Federation is also holding membership as shareholder of the

- 1) National Film and Fine Arts Cooperatives Ltd. (NAFFAC), New Delhi.
- 2) Indian Tourism Cooperative Ltd. (ITC), New Delhi.
- 3) Co-operative Bank of India (COBI), New Delhi.

The Federation is represented on the management of some of these institutions.

**At international level, the Federation continued to be affiliated to the**

- 1) International Cooperative Alliance (ICA), Geneva.
- 2) International Raiffeisen Union (IRU), Bonn and

- 3) Asia and Pacific Regional Agricultural Credit Association (APRACA), Bangkok.

Affiliation to these international bodies gave the Federation and member banks opportunity to interact with fellow members at regional and global levels on matters of common interest.

### **Representation and participation of Chairman and Chief Executive – National Level**

The Federation continued close liaison with various agencies including Central and State Governments, NABARD, RBI etc., during the year under report.

The Chairman and Managing Director of the Federation were either nominated or continued to represent on various bodies as also on committees constituted by the Govt. of India, Reserve Bank of India, NABARD, NCUI, COBI etc. They attended the meetings on various Boards/Committees besides participating in the Seminar, Workshop, and Conference etc., convened at different levels.

During the year under report, the Chairman of the Federation was nominated/represented as a member of the following committees/Board.

- (i) General Body and Governing Council of NCUI.
- (ii) Board of Trustees of the National Institute for Rural Banking.
- (iii) Member on the Committee for Cooperative Education constituted by NCUI.
- (iv) Member of the Board of Directors, NAFFAC.
- (v) Member, National Council for Cooperative Training.
- (vi) Member, General Body of ICA.
- (vii) Member, General Body of ICA (ROAP).
- (viii) Member, General Body of IRU.

The Managing Director was also nominated and continued to represent the Federation on the following Committee/Boards during the year.

- (i) Vice Chairman, Global HRD Committee of ICA.
- (ii) Member, General Council, APRACA.
- (ii) ICA Committee on Human Resource Development for Asia and the Pacific.
- (iii) Member, Governing Council, Indian Society for Studies in Cooperation.
- (iv) Member of General Council and Committee of Directors of CICTAB.

## **X. ACKNOWLEDGEMENT**

The Federation continues to maintain close contacts and liaison with Central and State Govts., NABARD, RBI, NCDC, NCUI and various other agencies and institutions in its endeavour to strengthen the structure and expand the operations of member banks. The Board of Management places on record its gratitude to all these agencies and institutions for the support and cooperation extended to the Federation.

The Federation is grateful to the management of NABARD and its officers for their initiatives and guidance in strengthening ARDBs, their refinance support to SCARDBs as also policy relaxations to help solving the problems faced by some of the member banks. The Board places on record the support and guidance received from Shri U.C. Sarangi, Chairman, Dr. K.G. Karmakar, Managing Director, Executive Directors and other Executives and Officers of NABARD.

NCDC has come in a big way to provide funding support to SCARDBs which helped them to meet the credit needs of their members better. We acknowledge our gratitude to the Board of NCDC and more particularly Shri Govindan Nair, Managing Director respectively, for the same.

Government of India, Ministry of Finance has finalized in consultations with State Governments a package for reviving long term cooperative credit structure based on the recommendations of VTF II. The Union Cabinet accorded its approval to the package on February 26, 2009. The Board places on record its gratitude to Financial Minister Shri Pranab Mukherjee, Secretary (Financial Services) Shri R. Gopalan, Joint Secretary (Financial Services) Shri K.V. Eapen for their valuable contributions in this regard.

The Board places on record its appreciation and gratitude to Shri Sharad Pawar, Hon'ble Minister for Agriculture for the valuable support

extended to the sector and to Secretary (Agri. & Coopn.) Shri Prabeer Kumar Basu and Joint Secretary & Central Registrar of Cooperative Societies Shri Rajendra Kumar Tiwari and other officers of the Ministry for the support and guidance given to the Federation.

The NCUI has been providing active support to the Federation in its activities. The Federation places on record its appreciation and gratitude to Shri Chandrapal Singh Yadav, President and Ms. Anita Manchanda, Chief Executive.

The Federation continued to receive financial and other supports as well as active cooperation from its member banks during the year under report. We acknowledge our deep debt of gratitude to the management and staff of all our member banks particularly to the Chairmen and Chief Executives of SCARDBs. The Board of Management also places on record the dynamic leadership of Shri K. Sivadasan Nair, MLA, Chairman with the able support of Vice Chairpersons Shri Gobinda Roy, Shri Vasanta Nageswara Rao, Shri Sukhdarshan Singh Mrar and Shri B.H. Jadeja, MLA, to the Federation and the LT credit sector during an extremely challenging period.

The Board appreciates the services of Shri K.K. Ravindran, Managing Director, who ably discharged the responsibilities of Chief Executive with dedication. The Management also appreciates the services of its officers and staff during the year.

On behalf of the Board of Management

**K. Sivadasan Nair, MLA**  
**Chairman**



Meeting of Federation's representatives with Union Finance Minister regarding Revival Package for LTCCS on 4th August 2009, New Delhi.





Chairman addressing the delegates of member banks on the occasion of 127th Board Meeting & Annual General Meeting of NCARDB Federation Ltd, at Indore ( Madhya Pradesh) On 30th September 2009.



Visit by the Board Members to a Dairy Farm financed by ARDB (District Dhar, Madhya Pradesh) on 30th September 2009.