

# LAND BANK JOURNAL

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**December 2009**

**Issue III**

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**DECEMBER 2009**



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**K. K. RAVINDRAN**  
Managing Editor

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## EDITORIAL

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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.

International Year of Cooperatives is expected to give a big boost to the on-going programme of reforming and strengthening Indian Cooperative Movement.

**K.K. Ravindran**  
**Managing Editor**

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# A Study On Kudubashree Mission Of The Kerala State Governemnt-The Means To End Poverty Through Women Collectives

DR. G. VEERAKUMARAN\*

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## Statement of the Problem

Regional state of Kerala in India was established on first November 1956. Since then democratically elected both right and left political parties are trying to eradicate poverty. The international agencies and the governments are evolving programmes and flooding funds to uplift the people below the poverty line. Many schemes are history now but not the poverty. It has been called a “silent revolution” and for once that appellation seems to sit well on the shoulders of kudumbashree, the women oriented community based poverty alleviation programme being implemented in Kerala by the state government, with the active support of Government of India and the National Bank for Agriculture and Rural Development (NABARD).

Started in 1999, the project aims at eradicating absolute poverty in 10 years through

concerted community action under the leadership of local self governments by facilitating organization of the poor, combining self-help with demand led convergence of available services and resources to tackle the multiple dimensions and manifestations of poverty holistically. The mission has grown to be the largest network comprising 36 lakh women members and two lakhs neighborhood groups have made remarkable strides within a decade and proved how well defined goals and the right course of action can make successes of a movement for social and economic empowerment of women below poverty line.

## Objective of the Paper

This paper attempts to highlight the strategies, policies, and practices of kudumbashree Mission of the Kerala State Government.

## Methodology adopted

The data source for the study

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was generated both from primary and secondary sources. The secondary sources were derived from the authentic empirical studies carried out in this regard and the state government publications on kudumbashree Mission. Moreover the series of write ups on kudumbashree Mission was also extensively used. The primary data was collected from Focus Group Discussion (FGD). Five kudumbashree units were selected randomly from the Avinicherry Panchayat (Village Administrative Division) of Thrissur District. In each kudumbashree unit ten members have been chosen for discussion. The author himself conducted the FGD. The descriptive and narrative method was adopted to present the findings.

### **Strategies and Policies of the kudumbashree Mission**

The kudumbashree Mission was originally visualized with following strategies:

1. To facilitate economic development, suitable skill up gradation training will be given.
2. Formation of women cooperatives
3. Thrift-credit options and 24 hours banking
4. Better living conditions with all necessary infrastructure
5. Creation of micro-enterprise for economic development
6. Power to people especially the poor women
7. Leadership decision making power

The expected Milestones were:

1. Formation of 60,200 Neighborhood Groups (NHGs) all over Kerala
2. Formation of 10,500 Area Development Society (ADS) at ward level
3. Formation of 1048 Community Development Societies (CDS) at Panchayat/municipality/corporation level by federating various ADS
4. Linking at least 20% of NHGs with NABARDs scheme for linkage banking every year
5. At least one sustainable micro-enterprise in each NHG leading to large scale employment
6. Provide shelter to all poor
7. Safe drinking water within 300 meters of their residence
8. Sanitation facility in all families



9. Establish an informal bank of women on the model of Bangladesh Grameen Bank.
10. Implementation of special package programme for the development of Scheduled Castes and Schedule Tribes (SC/ST), the socially and economically underprivileged

Interestingly the movement is a very great success with high rate of growth exceeding the original target. However, no bank has been established so far for the benefit of women since the cooperative and commercial banks are lending more than the expected level.

### **Employment and Income Generating Activities**

The following are the major economic activities that are being carried out by the kudumbashree units of Kerala:

1. Microcredit and Thrift: The major thrust of the programme is to encourage the women to save and obtain loan when they need. This is a very great success in almost all the units. The cooperative banks and commercial banks are very happy to lend to the kudumbashree units since they have assured repayment.
2. Farming: The groups are more interested in engaging organic farming and producing fruits and vegetables. Moreover the groups even if they don't have lands of their own can go for leased lands. They cultivate banana, pine apple, arecanut, ginger, mushroom, paddy, and turmeric.
3. Dairy Farming: They produce milk milk products to meet the growing demand.
4. Fattening: They are also engaged in fattening of goats and rabbits. Poultry farming is also another area the units have more interest.
5. Fish: Kudumbashrees in the seashore areas are engaging in fish processing and producing fish pickle, fish meals.
6. Ready to Serve Foods: Particularly concentrating on child care many groups produces 'Nutrimix' by utilizing the locally available food materials & Ready to Mix like idly mix, and dosa mix.
7. Preschool: Another interesting development on child care is that the group volunteers are running day care centers.
8. Accounting and Auditing Services: Unique in nature,

some educated women are providing accounting and auditing services at fair costs to all kudumbashree units in their respective areas.

9. Health Care: Some of the kudumbashree units are engaged in preliminary health check ups by running labs with the support of the government hospitals.
10. Tourism: In Kerala there is high scope for tourism development. The women groups are running small traditional type restaurants.
11. Food Processing: The Units undertake almost all types of possible food processing activities. The major crops under consideration in many units are as follows;
  - a. Banana for chips
  - b. Pineapple for juice and squash
  - c. Tapioca for chips
  - d. Cashew fried
  - e. All other vegetable and fruit based
12. ICT: Many units are running Information and Computer Technology units both for soft and hardware support to the community where they live.
13. Garbage Removal: In many municipalities the major problem is garbage disposal. These units are volunteering to dispose for fair costs on sustainable ground. In some areas they ventured in to establishing recycling plant.
14. Apiculture: Honey is an important ingredient for traditional medicine and often used as food. There is high scope for producing honey in the hill ranges and many units are engaged in production and marketing of organic honey.
15. Entertainment: Group of ten women is trained in music running a traditional music band.
16. Printing Press: One or two groups in each district are running printing press to print the books and records needed for the Units.
17. Handicrafts: Kerala is also a land of arts and crafts. Many units are producing craft items to be sold for the tourists.
18. Other micro enterprises:
  - a. Carry bags manufacturing units
  - b. Coconut oil mills
  - c. Sea-food processing units
  - d. Chocolate manufacturing
  - e. Book binding

- f. Bakery unit
- g. Traditional medicine preparation
- h. Taxis and transport services
- i. Tailoring units
- j. Bricks manufacturing
- k. Pottery
- l. Carpentry
- m. Electro plated gold ornaments

The interesting phenomenon of the kudumbashree unit is that if they feel that their labor could be utilized for income generation within the permissive legal framework they take up the ventures. Now there is equal pay for equal work irrespective of gender. A woman hitherto not earning a single cent, but earns 100 to 300 rupees in a day.

### **Marketing Strategies and Critical linkages**

The products produced by the kudumbashree units had problem of marketing. However, due to the support given by the government of Kerala, the units now find it difficult to meet the demand.

1. Market led production: The Unit members were given proper training to produce the

products that are having market both in the domestic and foreign countries.

2. Price: Since labor is manageable, prices are competitive and many times less than the market price.
3. Distribution: The products are distributed through the kudumbashree sales outlets in the urban areas, participating in the sales exhibitions and festival trade fairs. Some units with USP are exporting their products particularly to Middle East.
4. Promotion: Government is the strong supporter of the programme and their media is propagating well. Kudumbashree units have their own brands like SMART and SAMGRA. They enjoy the reputation of Kerala consumers.

The kudumbashree units get support from different sources which is shown in Table 1.

However, the support extended by the village administration is vital to note here. They as local self governments provide all support to improve the living standard of their citizens. It is their duty to see that their economic activities are

taking place on sustainable way. More than subsidies and free distribution of items of necessity the people now demand for skill up gradation. The Agriculture, Animal Husbandry, Industries and Commerce departments of the government are acting in unison after seeing a sea change in the socio-economic condition of the poor mass. Every political party wants to share the fruits of this programme since the hitherto suppressed are empowering themselves. The Multi National Companies have identified this mass network for their products and services. It needs further detailed study whether it would harm or help them.

### **Policy Implications**

The impact of kudumbashree units can be summarized as follows:

1. Economic Impact: The member women of the kudumbashree units have started getting regular employment and thereby income to support the family. The production and marketing of goods and services has multiplier effect on the economy of the state.
2. Social Impact: The hitherto suppressed and depressed mass of the state are now empowered and enjoying social respect. The women particularly were considered to be the weakest sex in the male dominated society now enjoys equal rights and privileges.
3. Moral and Ethical Impact: The economic empowerment of women and collective training they get from the joint effort resulted in reducing the family violence particularly women beating and consuming alcohol by the men folk.
4. Political Impact: The political awareness of the women and the assertiveness in the voting pattern has changed the strategies of politicians to appease the neglected segments.

This above description leads to conclude that the original thinking emanated from Bangladesh has proved worthy for replication. The kudumbashree units are the best form of collective efforts to run any form of small business for women. This could also be considered theoretically as a cooperative effort for weaker sections of the

community to make them stronger. The success also underlines that the small group having face to face approach of doing business brings development. The

author feels that the macro economic impact is also significant. Hence, this model is worthy for replication.

**Table 1**

<b>Sl. No.</b>	<b>Nature of support required</b>	<b>Agencies</b>
1	Training to members on skill development	1. Government Agencies 2. Non-governmental organizations
2	Credit facilities	1. Cooperative banks a. Primary agricultural credit cooperatives b. Primary Urban Cooperative banks 2. Commercial banks
3	Infrastructural development	1. Government Agencies 2. NABARD
4	Product marketing	Tie ups with 1. Private Companies 2. Private hotels 3. Private traditional medical firms 4. Child care centers of government 5. Temples, Churches and Mosques 6. Exporters 7. MNCs

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## Cooperatives Need Creative Leadership

B. D. SHARMA\*

### Situation in which cooperatives are trapped

In all the people base organizations, leadership is the most crucial factor for their success. Cooperatives, being member centric institutions, succeed only if their leaders are creative enough to lead and adapt their organizations with the changes taking place around them without compromising their core values. Since the beginning of cooperatives in India, importance of leadership has been emphasized. The phrase "Find Raiffeisen" in the report of Sir Fredrich Nicholson underlined the need for leaders like Raiffeisen to mobilize the people to promote cooperatives spontaneously without any external influence and inducement. During the pre-independence period of history of Indian cooperative movement, the Government neither imposed the promotion of cooperatives nor induced the people to form cooperatives. They more or less,

assumed the role of pro-active facilitator for identifying and motivating local peer groups and leadership to form cooperatives. Thus initiative for promoting cooperatives and their leadership remained with the people with catalytic support from the Government.

With the adoption of economic planning and state partnership at all levels in cooperatives during post independence period, the leadership initiative slipped into the hands of the Government. This approach, although resulted in multifaceted expansion of cooperative sector, has not been effective in leadership development. Nehruji had realized negative points of this approach and felt that mistakes had been committed in accepting recommendations of All India Rural Credit Survey Committee and, therefore continued to emphasise on members' participation and democratic management as life blood of cooperatives. However the visual-

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Views expressed are personal.

ization of Nehruji did not materialize or rather very marginally materialized. The negative impact of state partnership on cooperative leadership still continues to be manifested in the following trends:

- In some states, politicians and the bureaucrats are in control of cooperative leadership;
- Cooperative members' role and participation has been sidelined;
- Elections in many cooperatives are fought on political lines;
- Cooperative law, particularly in the states, has been used as an instrument to grind political interests;
- Quantum of litigation in cooperatives has increased manifold; and
- Federations of cooperatives have been only marginally successful in providing effective institutional leadership to their constituents. This is manifest in a large number of sick cooperative societies at primary and secondary level.

The globalization and liberalization of Indian economy ushered in 1991 has created a peculiar situation for cooperatives. While on positive side, the demand for greater autonomy, self reliance, democratic control, legal reforms and concern for building competitive strength of cooperatives at market place is better appreciated by cooperative leaders and policy makers, the process of transition from state controlled and directed cooperatives to self reliant, autonomous and competitive cooperative enterprises has been very slow. The policy makers have responded with amendments in Multi-State Cooperative Law, assurance to bring out constitutional amendments to facilitate reforms of state cooperative laws to make cooperatives autonomous. Besides, self reliant cooperative laws in nine states have also been enacted. But these steps do not suggest any road map for cooperatives in the areas of mobilization of capital and strengthened competitiveness of cooperatives at market place. The producer company law brought with the aim of creating enter-

prises having resemblance of cooperative organization has inherent danger of converting cooperatives into full-fledged companies. In many countries it has happened.

### **Challengers before cooperatives**

Viewed in the context of above situation in which cooperatives are trapped, the biggest challenge is preserving their coop identity, being competitive and ensuring upward trajectory of their growth. Have cooperatives at enterprise level created any road map? Is cooperative leadership alive to the situation? Does a workable synergy exist between elected leadership of cooperatives and their professional management? Have cooperatives created effective process mechanisms or healthy conventions for renewal of leadership to respond to the emerging challenges of globalised and market oriented economy? These are a few questions/issues which cooperatives have to tackle. As the situation exists, cooperatives have been more or less dependent on lobbying with the government to solve their problems. Effectiveness of lobbying is sub-

ject to political clout of cooperative leadership with the government. Experience shows that external stimulus or agency can not help cooperatives to successfully face this challenge. What is important is their own willingness and readiness to adapt to the changes that are emerging in the environment around them.

### **Role of cooperative leadership**

The role of cooperative leaders assume an added significance in the above context. However to have an objective and proper appreciation of the role of cooperative leaders, some prevailing fallacies have to be removed. Generally those persons who are appointed as board members either through the process of election or by the administrative decree/order of the government are regarded as leaders of the cooperatives. It is well known that both these processes have limitation of being influenced by “other factors” and may not always facilitate the emergence of creative leaders to enable their cooperatives to face the above referred challenges.

Another fallacy prevailing in cooperatives is lack of appreciation of role of executives as leaders. Cooperatives are member centric business enterprises, and leadership in such enterprises acts as a catalyst for changes. Thus both elected leaders and executives are equally important in enhancing this process of change. While growth and stability in changing environment is the goal of the executive leadership, providing dynamic policy direction that leads to continuous improvement in the working of cooperatives is the principal role of elected leaders. Both executive as well as elected leaders should play their roles within these two goals posts. The constitutional and regulatory frame work of cooperatives should be such that both the streams of leadership function not as parallel wings but in union to create convergence of objectives.

With a view to facilitate effective functioning of the cooperative leaders in the areas of growth and sustainability, traditional leadership needs to be changed into a

kind of transformational leadership which can influence the functional, attitudinal, perceptual and future vision of the cooperative organizations. The transformed leadership would be capable of building shared vision among all the stake holders thereby energizing the work culture of cooperatives. The management experts like Mr. Peter Senge have prescribed following rules for building up transformational leadership in the business enterprises:

- The leadership should be in a position for building a shared vision among the stake holders regarding their organization;
- The effective leader should be in a position to challenge existing ways of thinking through innovation, experimentation with new ideas and innate ability to understand and solve problems. In a nut shell he should be a system thinker having personality trait with a blending of intelligence, creativity and wisdom.

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- The Bank also disburses long term loans under Non-Farm Sector mainly for setting up of Cottage and Village Industries, SRTTO, Establishment of Milk Chilling Plant, various service sector activities in rural areas, for Clinic, Nursing Home and Pathology, Radiology etc.
- To facilitate availability of loans to farmers at nearby place, the affiliated 38 Distt. ARDBs have opened 352 Branches in the State.
- The Bank has, so far disbursed long term loans of Rs. 2757.63 crores to 9,41,716 farmers from its inception in 1961.
- The Bank also accepts Term Deposits from Individuals & Institutions for the period of one year & above. All Distt. ARDBs in the State accept FD on behalf of MPSCARDB in various Schemes i.e. Fixed Deposit, Double Deposit, Recurring Deposit etc.
- Under Agriculture Debt Waiver & Debt Relief (ADWDR) Scheme 2008 the loan amount of Rs. 332.34 crores for 1,15,394 small & marginal farmers have been waived and relief to 25,269 farmers of Rs. 30.73 crores.

**Financial Particulars of the Bank as on 31 March 2009 (provisional)**

(Rs.in crores)

1. Paid up Share Capital	:	Rs. 49.65
2. Reserve and other funds	:	Rs. 129.31
3. Debentures in circulation	:	Rs. 1279.44
4. Fixed Deposit	:	Rs. 128.75
5. Loan Disbursed During the year	:	Rs. 79.65
6. Loan Outstanding	:	Rs. 1237.96
7. Investment	:	Rs. 60.16
8. Working Capital	:	Rs. 1766.89



## THE HARYANA STATE COOPERATIVE AGRICULTURE AND RURAL DEVELOPMENT BANK LTD.

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### Scale of finance and periodicity of Major Sectors

#### Farm Sector

Sr.No.	Name of the Scheme	Period	Scale of finance
1.	Minor Irrigation	9 years	Rs. 36,000 to 1,50,000
	i. WCS/UGPL	-do-	90% of the project cost
2.	Farm Mechanisation	5-9 Years	85% of the cost of the Machinery
3.	Purchase of Agriculture Land	10 Years	Upto Rs. 10.00 Lacs
4.	Horticulture/Plantation	5-9 Years	Rs. 40,000 to 1,55,000 per Acre
	i. Medicinal & Aromatic Plants	-do-	90% of the project cost
5.	Animal Husbandry	5-7 Years	90% of the project cost
6.	Rural Godowns	Upto 10 Years	75% of the project cost

#### Non Farm Sector

Sr.No.	Name of the Scheme	Period	Scale of finance
1.	Rural Housing	Upto 10 Years	Upto Rs. 5.00 Lacs
2.	Marriage Palaces	Upto 10 Years	90% of the Project Cost
3.	Community Halls	Upto 10 Years	90% of the Project Cost
4.	Village Cottage Industry	Upto 10 Years	90% of the Project Cost
5.	Public Transport Vehicles	Upto 10 Years	85% of the Project Cost
6.	Rural Educational Infrastructure	Upto 10 Years	90% of the Project Cost
7.	Other SSI Units	Upto 10 Years	90% of the Project Cost

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The Bank has revised the rate of interest and fixed it at 11.50% p.a. to be charged from the ultimate borrowers on all types of loans w.e.f. 01-04-09.

**NOTE:-** For further details, kindly contact The Haryana State Coop. Agri. & Rural Dev. Bank Ltd., Panchkula or the District Co-op. Agri. and Rural Dev. Banks at District level and its branches at Tehsil & Sub-Tehsil level in the State.

**SATBIR SHARMA**

Managing Director  
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## Microfinance and Women Empowerment

ASLAM-UL-RASHID\*

*The Confidence buliding measure being initiated by the successive managements have made the bank a centre of attraction for the women of the state. The corpus of the bank during 2006-07 was to the order of Rs. 10.00 crore and the numebr of depositors more than 51000. Of late in 1997, the bank has entered into financial relations with HUDCO for providing long term housing loans.*

### Microfinance, what it implies

Microfinance essentially implies the advancement of small loans to a population, which is too poor to qualify for traditional bank loans. The disbursement and recovery mechanism is comparatively hassle free and the repayment schedule does not exceed normally more than a year.

Microfinance implies providing the poor in rural and urban areas, especially the women with savings and credit facilities to set up or expand business, invest in self employment activities and increase house hold security. In India, the experiment has been gaining support for the past some time and it is commonly held that such a disposition would lead to poverty alleviation, besides ensuring access to the credit facilities in favour of the poor, who otherwise have no access to the stringent

and cumbersome credit delivery mechanism.

Women are the major beneficiaries of these schemes and the areas for which such loans are advanced include agriculture, distribution and trading small craft processing industries and consumption loans. The administrative structure is generally light and the participation is voluntary in nature. Apart from the easy access to the credit, it is also held that development alone cannot bring peace and prosperity, unless it is coupled with social justice and gender equity. In India, it is an admitted fact that development programmes have neglected women who constitute about 50% of the population. International conventions and the available constitutional dispositions highlight the imperative need for gender equality and women empowerment. The rural

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\* Dy. Registrar Counsel, RCS Office, Jammu and Kashmir.

poor being confronted with need for consumption credit for short periods to meet emergent needs, such needs are mostly being met by the informal sources at very exploitative interest rates, as the lower strata of population is not in a position to offer security to the banks for raising the loans. Besides the banks also face the problem of high transaction costs to finance large numbers in small quantities. The same constraint applies to the mobilising of small savings.

Against the above background, a need was felt for alternative policies, systems and procedures, savings and loan products, other complementary services which would fulfill the requirements of the poorest, especially of women. The emphasis was therefore, to improve the access of the rural poor to microfinance. The startling revelation was made by the World Bank in 1995, that in most of the developing countries only the top 25% of the economically active population had an access to the credit while the bottom 75% had no access to financial services, apart from the money lenders. This was also applicable to the conditions prevailing in India. The formal credit institu-

tions have not been able to reach the poor, particularly women in unorganised sector. The banking reforms introduced from time to time have not made any headway in recognizing the poor as credit worthy and the problem has been further compounded by low level of the influence of the poor, either about their credit worthiness or their demand for savings service.

### **Evolution of the concept of Microfinance in India**

The hassle free flow of credit to the rural population has received the priority of the successive Governments in India. In 1986 a work shop was held by Asia Pacific Rural and Agricultural Credit Association (APRACA) at the initiative of the Food and Agriculture Organisation (FAO) of the United Nations Organisations.

The participants admitted that in the Asian countries, innumerable measures initiated to improve the access of the rural poor to institutional credit had not fructified. The gap between the demand and supply persisted which was being bridged by the money lenders.

The participants in the workshop were of the view either to

institutionalize the money lending activities and to finance the money lenders to enable them to cover the entire gap between demand and supply or to encourage the formation of Self Help Group (SHG) among the rural poor and to frame policy and procedures to promote these organization besides linking them with institutional finance. However, the second option was acceptable to the majority of the participants while the option to institutionalize the money lenders was to admit the failure of the government policies to improve rural credit delivery system. Around the same period NGOs were promoted in the countries like Bangladesh, Srilanka and Zambia which had notably done well. The astounding progress of the Grameen Bank model development in Bangladesh became a role model for all.

### **First initiative in India**

NABARD as a member of the APRACA, decided to implement the recommendations of the workshop. The remarkable success of the model of Bangladesh Grameen Bank prompted formulation of policy by NABARD to start a similar experiment in India

involving commercial banks and the cooperative banks to promote and organize SHGs.

### **SHGs-Microfinance and Self Employed Women Association (SEWA) Bank.**

With the support of NGOs an informal sector comprising small self-help groups started mobilizing saving of their members and lending these resources among the members on a micro scale. Till March 2006, 1418558 SHGs had been organized and 797360 groups have been credit linked to the banking system. However, the dominant models of microcredit in India are different from the Grameen Bank Model of Bangladesh. The Global Summit on Microfinance held in February 1997 at Washington set a global target of covering 100 million poor families with credit by 2005, it was expected that 25.30 million could be in India alone. In 1999, the Human Development Report of UNDP indicated that 67% of the work in the world is being done by women while only 10% of the global income is earned by the women and mere 1% of global property is owned by women. The problem is more complex for women in India, despite the fact

that women's labour makes a critical contribution to the economy. But at the same time evidences are not lacking to quote that the groups of women are better customers than men and also better managers of resources. The benefits of the loan are more visible in case the amount of loan is routed through the women. The customary laws have prevented the women in the countries like India from their participation in the socio economic development.

Research has proved that in different parts of the world womens access to credit and savings has led to their economic empowerment helping in building their self confidence and sense of respect which has amply been proved by SEWA bank. It is important to briefly discuss how the present SEWA Bank has completed its evolutionary process.

The Self Employed Women's Association (SEWA) a Gujarat based trade union was registered in 1972. The mutual trust among the members of the association exhorted them to further unite and to form a cooperative bank in 1974, initially with a membership of about 4000 members and the capital was exclusively mobilized

from the members alone. The policies and programmes of the bank are formulated by the members themselves.

### **Objectives of the Bank**

- To make poor women understand the concept and importance of financial planning.
- To motivate poor women to plan for the future and bring change in their mind set.
- To educate women in various financial services and products.
- To inculcate the feeling of economic independence and the belief that the money earned can partly be saved for better returns in future besides offering an opportunity to the needy of the use of the surplus amount.

The distinguishing feature of microfinance is the prevalence of the hassle free client friendly credit delivery system. SEWA bank's clientele is made up of economically active low income women, who do not have the time to visit the bank frequently and instead the bank goes to them. In fact, door step banking was started by SEWA Bank in 1978

when its mobile van reached the door steps of its customers.

The confidence building measures being initiated by the successive managements have made the bank a centre of attraction for the women of the state. The corpus of the bank during 2006-07 was to the order of Rs. 10.00 crore and the number of depositors more than 51000. Of late in 1997, the bank has entered into financial relations with HUDCO for providing long-term housing loans. The recovery percentage of the loans has been between 90% to 95%.

Maximum amount of Rs. 25000/- can be granted to a member at a time without any collateral. The only formality is that the loanee has to produce a guarantor employee, holding a valid salary slip.

The SEWA bank provides all finance linked supportive services to its members and has started housing programmes. The bank presently provides a range of savings, loans and insurance products and services which include:

- Income generation loans.
- Emergency consumption

loans.

- Housing upgradation for infrastructure loans.
- Comprehensive insurance products.
- Capacity building through guidance, education and training.
- Training on legal aspects covering Minimum Wage Act, Factory Act, Accidental Claim Act, Bonus Act, Gratuity Act, etc.

The SEWA bank works only with poor women and loans are only advanced for economic activities and not personal use. The women mobilisers induce the poor women at their homes or work places, so that they can easily deposit their savings.

There are no subsidies or grants, the bank borrows and lends at market rates for full activities only. The loans are advanced mainly for the following purposes.

- Augmentation of working capital.
- Purchase of tools of trade.
- Investment loans like housing etc.

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## Pacs Under Tax Net-A Glimpse

\*A.K.ZAKIR HUSSAIN

\*\*DR. P. NATARAJAN

*As the expenditure is on the increase, the Government is managing its revenue by widening the tax net. However, the voice raised by many co-operators at regular occasions kept the Government to consider Primary Agriculture Cooperative Credit Societies (PACS) and Primary Cooperative Agriculture and Rural Development Banks (PCARDBs) untouched while deleting the Section 80 P related to credit cooperatives and introducing a new Section 80 P (4). However, the deduction available to PACS is not on entirety but only to its banking activities. This article narrates the income tax provisions pertaining to PACS by highlighting its taxable activities.*

In the budget speech of 2006-07, the cooperative banks were taxed by deleting them from 80 P of the Income tax Act. As the expenditure is on the increase, the Government is managing its revenue by widening the tax net. In the era of accommodating more taxpayers in the income tax net, the Government policy is such that it slowly penetrates on the financial structure of many organizations. However, the voice raised by many co-operators at regular occasions kept the Government to consider Primary Agriculture Cooperative Credit Societies (PACS) and Primary Cooperative Agriculture and Rural Development Banks (PCARDBs) untouched while

deleting the Section 80 P related to credit cooperatives and introducing a new section 80 P(4). Presently, the credit cooperatives like State Cooperative Banks, District Cooperative Banks, State Agriculture and Rural Development Banks, Urban Cooperative Banks and Employees' Cooperative Societies, are liable to pay tax on their net profit. Further, income of PACS is not exempt in its entirety as the income made out of non banking activities are taxable. This article narrates the tax provisions applicable to PACS.

### **Taxable Activities of PACS**

The Income tax Act has classified cooperative societies on the

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basis of various activities carried out by them. Eventhough PACS are getting the tax deduction u/s 80(P)(a)(i), the deduction is pertaining only to its banking business and the income from non banking activities are taxable. The income tax provisions applicable to PACS are discussed as follows:

### **1. Trading activities**

PACS doing other than credit business like running a Consumer Store, Medical Store, Fertilizer Depot, Ration Shop, etc., shall not be entitled to claim exemption from income tax on the profit made from these activities, since these are not part of credit business and the income from these non banking activities are not eligible for deduction u/s 80 P (2)(a)(i).

### **2. Rent received from letting out property**

If the godown or warehouse is let out for a purpose other than storage, processing or facilitating the marketing of commodities, the income derived therefrom by a cooperative society would not be deductible u/s 80 P(2)(e). [(Ahmedabad Maskati Cloth Dealers Cooperative Warehouses Society Ltd. (1986) 162 ITR 142 (Guj.)].

In above case, the society let out its property to a firm doing wholesale and retail business in cloth. In this case, as purpose of the let out is not for godown, the society could not get deduction for the rent received. This point was also considered by the Rajasthan High Court in [CIT Vs. Udaipur Sahakari Upbhokta Thok Bhandar Ltd., (295, ITR, 164)]. The facts in this case were that the assessee was a cooperative society engaged in running a consumer cooperative store.

The provision u/s 80 P(2) (e) grants exemption in respect of income derived from the letting of godowns or warehouses only where the purpose of letting is for storage, processing or facilitating the marketing of commodities. [Surat Vankar Sahakari Sangh Vs.CIT (70, ITR, 722)]; [Udupi Taluk Agricultural Produce Cooperative Marketing Society Ltd., Vs. VIT (166, ITR, 365)]

Therefore, a PACS which lets out its property for any purpose like auditorium, running government institutions, cooperative institutions, shops, etc., other than for godown or warehousing purpose, the whole of the rent

received from such activity is fully taxable. However, the PACS can deduct an amount equivalent to 30% of rent received from the rent for arriving taxable rental income.

### **3. Payments exceeding Rs. 20,000 in cash**

As per Section 40 A(3) of the Income tax Act, if any payment exceeding Rs. 20,000/- is made otherwise than by an account payee crossed cheque or draft, the entire amount is disallowed. This provision shall not apply in respect of expenditure for which no deduction is claimed. For example if a machinery is purchased by remitting cash, no disallowance can be made u/s 40 A(3) as the PACS is not claiming any deduction for the machinery. Further, from 1.10.2009 onwards, transportation charges may be paid by cash upto an amount not exceeding Rs. 35,000. Therefore, PACS which are dealing with many trading activities purchase goods from local wholesales which are normally above Rs.20,000 resulting in making the payment by account payee demand draft or account payee cheque. However, as the PACS are distributing consumer and other

essential goods to its customers keeping only a meager margin, they bargain the local wholesales to accept a better price and for which many of the sellers make a condition to remit the payment in cash.

### **4. Penalty for certain payments**

If a PACS makes a payment to its member or a relative of its member in respect of an expenditure which is considered to be excessive or unreasonable having regard to the market value of such goods or services, such excess amount is disallowed as per Section 40A(2) of the Income tax Act. For instance a PACS where Mr. X is a member, purchased goods manufactured by the son of Mr. X for Rs. 5000 whose fair market price is Rs. 3000. In such case, the excess amount i.e. Rs. 2000 (Rs. 5000-Rs. 3000) shall be disallowed from the profit of the society.

In the above case, the excess amount i.e. Rs. 2000 is disallowed from the profit of the society. This means the society can claim only Rs. 3000 as expenditure and not Rs. 5000. Therefore, the society not only loose Rs. 2000 by excess

purchase value but also liable to incur tax on Rs. 2000 which works out to Rs. 600 (i.e. Rs. 2000 @ 30%).

## **5. Interest income in certain cases**

The Supreme Court in the cases of Gujarat State Cooperative Bank Ltd. Vs. CIT (2001) 251 ITR 522, CIT Vs. Karnataka State Cooperative Bank Apex Bank (2001) 251 ITR 194 (SC) and Bihar State Cooperative Bank Ltd. Vs. CIT (1950) 39 ITR 114 (SC) held that income from investments made with the banks, Central Government undertakings and KVP's are part of income derived from ordinary banking business, which are eligible for deduction u/s 80 P(2) (a)(i). The Supreme Court confirmed the above decision by a larger bench, in the case of CIT Vs. Ramanathapuram District Central Cooperative Bank Ltd. (2002) 255 ITR 423, and held that interest on securities, subsidies from government, dividend received by the assessee, cooperative society carrying on banking business are eligible for deduction u/s 80P(2)(a)(i). However, there are few instances in States like

Kerala where PACS are being targeted for thorough scrutiny which resulted in finding out some of the abnormal transactions whose issue is given below:

PACS invested good amount of funds in Government treasury. PACS received the soft loan from district cooperative banks for investing the same in the government treasury. PACS paid the interest quarterly and repaid the loan part by part whose duration is normally high ranging more than 5 years. At the time of sanctioning of soft loan it has been prescribed that the loan should be deposited in Treasury small saving fixed deposit certificate. The assessing officer viewed the difference between the interest due to the District Cooperative Bank and interest accrued from treasury was interest profit which is not considered to be falling under definition of banking activity u/s 80P (2)(a)(i) and taxed under income from other source. The above case is analyzed in detail:-

### **From the PACS point of view:**

1. The Deposit kept with the government treasury is approved security for investment of

primary cooperative banks. As per Cooperative Societies Act, a society may invest or deposit its funds:

- In government savings bank or
  - In any of the securities specified in Section 20 of the Indian Trust Act, 1882 or
  - In the shares or securities of any other society approved for the purpose by the Registrar in general or special order or
  - In any bank approved for the purpose by the Registrar or
  - In any other prescribed manner
2. The loan was sanctioned in the ordinary course of banking business
  3. Funds invested in treasury is considered to be a working capital funds
  4. The deposits in treasury were made to solve the State Government's impending financial crisis

**From Income Tax Department point of view:**

1. The investment made in the Government treasury is directly relatable to the soft loan taken from District Central Cooperative Bank

(DCC Bank).

2. At the time of sanctioning of soft loan it has been prescribed that the loan should be deposited in Treasury small saving fixed deposit certificate.
3. The total interest due to the DCC Bank and interest accrued from treasury resulted in interest profit
4. The PACS instead of providing credit facilities to its members, has involved in making investment in treasury by diverting soft loan from DCC Bank. The investment in treasury has been made for the long term where the amount has been locked.
5. This investment deprived PACS to do its normal banking business to provide credit facilities to its members.

Based on the above views, few PACS were taxed on the income generated out of such investments.

**6. Other income tax issues pertaining to PACS**

**a. Taxing of DCCBs-problems to PACS**

Apart from having tax liability on its non banking activities, PACS get affected indirectly due to the taxing of District Central Cooperative Banks as they are member societies of DCCBs. For instance, when a District Central Cooperative Bank is taxed at around 30% of its profit of say 1 crore, such DCCB will have balance of profit i.e. Rs.70 lakh for distribution as dividend to its member societies and set aside for any beneficial service to its member institutions.

**b. Power to collect information at bank's premises**

As per Section 133 B, an income tax authority may, for the purpose of collecting any information useful or relevant for the purposes of the Act, enter the place of business of any institution and insist to furnish such information as may be prescribed. This Section empowers an income tax official to enter any such place during the business hours. Institutions failing to comply this section will be liable for penalty up to Rs.1000 under section 272AA. Few similar cases already experienced by PACS in Kerala.

**c. Information of general nature**

Some of the Income Tax Officers enquired regarding complying with TDS provisions to few PACS in Kerala in the form of enquiry letter. The letter sent by Income Tax Department called for reply on issues such as proper deduction of tax, Proper filing of income tax returns by PACS, Availability of TAN for PACS, Availability of PAN for PACS and Details of filing of returns by employees of PACS.

**d. Tax audit**

Section 44AB of the Income Tax Act provides that every person including PACS get their accounts audited by a Chartered Accountant before 30th September of the Assessment Year and furnish the report in the prescribed forms when their turnover exceeds Rs.40 lakh. Since many of the PACS do business of more than 40 lakh, many falls under the purview of submitting tax audit report. The tax audit report has to be signed by a Chartered Accountant in Form 3 CA or 3 CB and Form 3CD. Form 3 CA and 3 CB are the tax audit certificates and Form 3 CD is a questionnaire containing 32 questions.



PACS have to submit the tax audit report along with its audited Profit and Loss account and Balance Sheet given by their Cooperative Registrar. It is a known fact, that audit of cooperatives are not upto date and normally delay due to various limitations. Due to this fact, many of the PACS could not file the tax audit report in time. Further, those PACS who get their financial statements audited after 30th September of the assessment year, not willing to file the tax audit report owing to the fear of penalty that might be imposed for the delayed filing. Furthermore, there is a common opinion regarding tax audit that through Form 3 CD, the income tax department could very well access the tax liability of the PACS evading tax and may get notice form the income tax department seeking them to file the returns.

#### **e. Books and records maintenance**

To comply with various income tax requirements, Income Tax Act requires every person including PACS to compulsorily maintain their books and records for a period not less than 6 years u/s

44 AA of the Income Tax Act. The income tax authorities have the right to reassess the books and records for a maximum period of 6 years.

#### **f. Repayment of deposits**

Section 269SS requires that when PACS repay the deposit amount to customers exceeding Rs.20,000 then the same should be paid by cheque, demand draft or credited in customer's other accounts like SB or Current Account in the bank. Failure to comply with this provision attracts penalty u/s 271 D of an amount equivalent to the deposit repaid in excess of Rs. 20,000.

#### **Conclusion**

Credit is considered as a critical input that affects agricultural productivity and the PACS play a vital role in disbursing agricultural and non-agricultural credit to the needy people. Imposing of taxes and other complications on the co-operatives will definitely restrict the growth and adversely affect the co-operative movement, which are for the betterment of poorer sections of the community and people of limited means. By considering the impact, the PACS



extend on the socio-economic development of our economy, therefore still continued to get deduction u/s 80 P on their banking income. It is necessary to ensure that the co-operatives especially those concerned with agricultural sector, should be completely exempted from payment of income tax and complying from various income tax necessities. Therefore, the income from non banking activities of PACS like undertaking many govern-

ment service activities like procuring agricultural commodities from farmers; distribute seeds, fertilizers and pesticides among farmers; running consumer stores, ration shop, etc., should also be totally exempted from payment of Income tax and excluded from undertaking Tax Audit. This will help the agriculture sector whose growth is interconnected with the growth of PACS.

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## दूबे पांव आती भुखमरी

रमेश कुमार दुबे\*

१९४६ में नोआखली में महात्मा गांधी ने कहा था 'भूख के लिए रोटी ही भगवान है'। इसी से प्रेरणा लेकर भारतीय संविधान के अनुच्छेद २१ में जीवन के अधिकार के तहत भोजन के अधिकार को सम्मिलित किया गया है। संयुक्त राष्ट्र संघ ने भी मानवाधिकारों की सार्वभौम घोषणा (१९४८) में भोजन के अधिकार को जन्मसिद्ध अधिकार माना है। लेकिन पिछले एक दशक के घटनाक्रमों को देखने से स्पष्ट हो जाता है कि सभी के लिए भोजन का लक्ष्य आम आदमी से दूर होता जा रहा है। २००६-०७ के बीच विश्व में खाद्यान्न की कीमतों में ८३ प्रतिशत बढ़ोत्तरी हुई जिससे भूख, कुपोषण व राजनीतिक अस्थिरता बढ़ी। विकासशील देशों में जहां परिवार की आय का ६० से ८० प्रतिशत हिस्सा भोजन पर खर्च होता है वहां खाद्यान्न की कीमतों में २० प्रतिशत की बढ़ोत्तरी १० करोड़ लोगों को अतिगरीबों (प्रतिदिन एक डालर से कम आय) की श्रेणी में शामिल कर देती है।

भारतीय संदर्भ में देखें तो यहां हर जगह भूख पसरी है। संयुक्त राष्ट्र के विश्व खाद्य कार्यक्रम के अनुसार विश्व के २७ प्रतिशत अल्पपोषित भारत में रहते हैं। देश के ५ वर्ष से कम उम्र के ४३ प्रतिशत बच्चे कम वजन के हैं। यह विश्व औसत (२५) तथा उपसहारा के औसत (२८) से अधिक है। ५ वर्ष से कम उम्र के ७० प्रतिशत (बच्चे) ऐनिमिया से ग्रस्त हैं और ८० प्रतिशत को पूरक विटामिन नहीं मिल पाता। देश में प्रतिवर्ष २१ लाख बच्चों की अकाल मौत हो जाती है। सर्वेक्षण के अनुसार देश में १५ से ४९ आयु वर्ग की महिलाओं का बाडी मास इंडेक्स (बीएमआई) १८.५ है जो उनमें पोषण की गंभीर कमी की ओर संकेत करता है। इसी तरह १५ से ४९ वर्ष के आयु वर्ग के ३४ प्रतिशत

पुरुषों का बीएमआई भी १८.५ से कम है। स्वयं भारत सरकार द्वारा गठित अर्जुन सेनगुप्त समिति की रिपोर्ट के अनुसार देश के ७७ प्रतिशत अर्थात् ८४ करोड़ लोगों का दैनिक खर्च ६ से २० रुपये के बीच है। स्पष्ट है इस खर्च में कोई क्या नहाएगा और क्या खाएगा? भुखमरी, कुपोषण, असमान विकास की यह स्थिति तब उत्पन्न हुई है जब उंची विकास दर के कारण भारतीय अर्थव्यवस्था को दुनिया की अग्रणी अर्थव्यवस्थाओं में शुमार किया जाने लगा है। एक विडंबना यह भी है कि देश में एक ओर जहाँ भूख की समस्या बढ़ी है तो दूसरी ओर एक छोटा वर्ग लगातार फलफूल रहा है। गरीबी के समुद्र में संपन्नता के टापू रुपी यह वर्ग खर्च के मामले में दुनिया के संपन्न वर्गों से किसी भी मामले में कम नहीं है।

भुखमरी के प्रसार को गहराई से देखने से स्पष्ट हो जाता है कि इसकी जड़ स्वायत्तशासी आत्मनिर्भर ग्रामीण अर्थतंत्र के क्रमिक पतन में निहित है। आजादी के बाद पूँजी प्रधान विकास रणनीति अपनाने से विकास क्रम में मानव शक्ति का महत्व गौण हो गया है। इसके परिणामस्वरूप भारत के अपने शिल्प, लघु व कुटीर उद्योग, कला और पारंपरिक रूप से चलते आ रहे अन्य धंधे धीरे-धीरे खत्म होने लगे। इन धंधों से ग्रामीण क्षेत्रों में रहने वाली अधिकांश जनता को रोजी-रोटी मिलती थी, लोगों की जरूरतें स्थानीय स्तर पर पूरी होती थी और गरीबों का पेट पलता था। इन धंधों के उजड़ने से गरीबों का सहारा छिनता रहा। इससे धीरे-धीरे गांव उद्योग विहीन हो गए और वहां खेती-पशुपालन के अतिरिक्त नियमित आय का कोई स्रोत नहीं रह गया। अब गांव और खेती एक दूसरे के पर्याय तथा गांव

\*उच्च श्रेणी लिपिक, खाद्य एवं सार्वजनिक वितरण विभाग, कृषि भवन, दिल्ली-०१

और उद्योग परस्पर विरोधी हो गए । आत्मनिर्भर ग्रामीण अर्थतंत्र के बिखराव के कारण परंपरागत व्यवसायों में लगे करोड़ों लोगों की जीविका छिन गई । बढई, लोहार, कुम्हार, चमड़े का कार्य करने वाले, दस्तकार, बुनकर आदि के पेशे विकास की अंधी दौड़ में समाप्त हो गए । इसी के साथ वे शहर भी सूख गए जिनकी ये शान हुआ करते थे जैसे बनारस, अलीगढ़, मुरादाबाद । यहां के उत्पाद अब सामान्य की जगह विशिष्ट हो गए और हाट-बाजार, गली-कूचे की जगह दिल्ली हाट व शापिंग माल जैसी जगहों में प्रदर्शनी की वस्तु बन गए ।

गरीबों, वंचितों, बुनकरों, अनुसूचित जातियों, जनजातियों के कल्याण के लिए जो योजनाएं बनाई गईं उनका स्वरूप दान-दक्षिणा वाला ही रहा । उन्हें विकास प्रक्रिया का अभिन्न अंग नहीं बनाया गया । परंपरागत पेशों के आधुनिकीकरण, इन्हें छोटी मशीनों से जोड़ने, लोगों को बड़े पैमाने पर प्रशिक्षण देने की महती संभावना को भी भुला दिया गया । उदारीकरण, निजिकरण ने जहां किसानों, मजदूरों, बुनकरों, दस्तकारों के लिए अभाव और दरिद्रता का समुद्र निर्मित किया वहीं दूसरी ओर शिक्षित, कौशल संपन्न युवा वर्ग के लिए समृद्धि का टापू बनाया । इसका परिणाम यह हुआ देश, इंडिया व भारत में विभाजित हो गया । यही असमान और विभाजनकारी विकास रणनीति गरीबों, वंचितों को भुखमरी व कुपोषण की गहरी खाई में धकेल रही है ।

आम आदमी की खाद्य सुरक्षा नष्ट करने में हरित क्रांति की एकांगी नितियां भी उत्तरदाई रही हैं । हरित क्रांति में कृषि उत्पादन उन्हीं क्षेत्रों में बढ़ा जहां सिंचाई, डीजल, बिजली, रासायनिक उर्वरक की सुविधाएं विद्यमान थी । फिर हरित क्रांति का स्वरूप पूंजी प्रधान रहने से छोटे व सीमांत किसान इसे बड़े पैमाने पर नहीं अपना सके । हरित क्रांति में एक-दो

फसलों की खेती होने से दलहनी, तिलहनी फसलें पीछे छूट गईं । इससे जहां एक ओर कुपोषण बढ़ा वहीं दूसरी ओर फसल चक्र रूका और मिट्टी की उर्वरा शक्ति, भूजल पर विपरीत प्रभाव पड़ा । इसकी कृत्रिम भरपाई के लिए उर्वरकों, कीटनाशकों, सिंचाई का प्रयोग बढ़ा जिससे खेती की लागत बढ़ी जबकि उसी अनुपात में उपज की कीमतें नहीं बढ़ीं, फलतः खेती घाटे का सौदा बन गई । कृषि क्षेत्र में उदारीकरण की नीतियों के लागू होने के बाद सब्सिडी युक्त कृषि उपजों का आयात बढ़ा जिससे किसान गहरे संकट में घिर गए । उदारीकरण के दौर में सेवा, उद्योग, व्यापार, विनिर्माण, जैसे क्षेत्रों पर बल देने के कारण कृषि क्षेत्र में निवेश घटता गया । जिससे उत्पादकता में ठहराव आया और कुल उत्पादन लगभग स्थिर रह गया । दूसरी ओर जनसंख्या में वृद्धि जारी रही जिससे प्रति व्यक्ति खाद्यान्न उपलब्धता तेजी से घटी । उदाहरण के लिए १९८९-९२ के दौरान प्रति व्यक्ति खाद्यान्न उपलब्धता १७७ किग्रा वार्षिक थी जो कि २००४-०७ के दौरान १५५ किग्रा ही रह गई ।

उपर्युक्त विवरण से स्पष्ट है कि महानगर केंद्रित पूंजीवादी विकास रणनीति, बढ़ती जनसंख्या, खाद्यान्न उत्पादन में ठहराव, घटती क्रय शक्ति जैसी स्थितियों में सभी को खाद्य सुरक्षा मुहैया कराना एक चुनौतीपूर्ण कार्य है । इस चुनौती का सामना खाद्यान्न उत्पादन में बढ़ोत्तरी करके ही किया जा सकता है; क्योंकि भारत, पनामा, व सिंगापुर जैसा कोई छोटा देश तो है नहीं जो आयातित खाद्यान्नों के बल पर ११० करोड़ से अधिक निवासियों को खाद्य सुरक्षा दे सके । अतः उत्पादन में बढ़ोत्तरी के दीर्घकालिक उपाय करने ही होंगे । उत्पादन के साथ-साथ प्रभावी वितरण व्यवस्था और क्रय शक्ति में वृद्धि के उपाय भी करने होंगे । यह प्रभावी वितरण व्यवस्था व क्रय शक्ति की कमी का ही परिणाम है कि एक ओर अनाजों के सरकारी खरीद का रिकार्ड बन रहा है तो दूसरी ओर

देश में २० करोड़ लोग ऐसी हालत में जीवन जी रहे हैं कि सुबह उठने पर उन्हें पता नहीं होता कि दिन में खाना मिल पाएगा या नहीं।

यूपीए सरकार अपने चुनाव वायदे के अनुरूप खाद्य सुरक्षा कानून बनाने पर विचार-विमर्श कर रही है। इसके तहत गरीबी रेखा से नीचे गुजर-बसर करने वाले परिवारों को तीन रुपये प्रति किलो के हिसाब से हर महीने २५ किलो गेहूं या चावल देने की योजना है। लेकिन जिस सार्वजनिक वितरण प्रणाली (पीडीएस) के तहत इसे क्रियान्वित किया जाना है वह पहले से ही भारी अनियमितताओं का शिकार है। सरकारी आंकड़ों के अनुसार पीडीएस में ५३ प्रतिशत गेहूं व ३९ प्रतिशत चावल खुले बाजारों में बिक जाता है। २००४-०५ से २००६-०७ के दौरान गरीबों के लिए आवंटित ३१५८५.९५ करोड़ रुपये का आनाज खुले बाजार में बिक गया। ११ राज्यों व केंद्र शासित क्षेत्रों को छोड़कर देश भर में राशन की बड़े पैमाने पर कालाबाजारी हो रही है। ऐसे में वर्तमान वितरण व्यवस्था में आमूलचूल सुधार किए बिना खाद्य सुरक्षा कानून भुखमरी निवारण में आंशिक रूप से ही सफल होगा।

पीडीएस को प्रभावी बनाने के लिए सबसे पहले जवाबदेही सुनिश्चित करनी होगी। यह कार्य पीडीएस का समुदायीकरण करके किया जा सकता है। दूसरे खाद्यान्नों की खरीद, भण्डारण व बिक्री की वर्तमान व्यवस्था को भी बदलना होगा। वर्तमान में खाद्यान्नों कि सरकारी खरीद कुछेक राज्यों व फसलों तक सीमित है जैसे गेहूं की सरकारी खरीद मुख्यतः पंजाब, हरियाणा, पश्चिमी उत्तर प्रदेश से होती है जबकि धान (चावल) की आंध्र प्रदेश, पंजाब व हरियाणा से। इससे किसान उन्हीं फसलों को प्राथमिकता देते हैं जिनकी सरकारी खरीद की पक्की व्यवस्था होती है। इससे फसल विविधीकरण रुकता है जो खेती के

प्राकृतिक सिद्धांतों के विपरीत है। सरकार इन अनाजों का भण्डारण करके इन्हें देश भर में वितरित करती है जिससे परिवहन लागत बढ़ जाती है। कृषि विशेषतों का मानना है कि सरकार को खाद्यान्नों की खरीद-भण्डारण-विपणन की व्यवस्था स्थानीय स्तर पर करनी चाहिए। उदाहरण के लिए दक्षिण भारतीय राज्यों में रागी व राजस्थान में ज्वार जैसी फसलों की सरकारी खरीद की जाएं और उन्हें स्थानीय स्तर पर पीडीएस के माध्यम से वितरित किया जाए। यह तभी संभव है जब सरकार इन फसलों के लिए लाभकारी समर्थन मूल्य घोषित करे और उनकी सरकारी खरीद की पक्की व्यवस्था की जाए। इससे किसान गेहूं, धान के कुचक्र से बाहर निकलेंगे और विविध फसलों की खेती करने लगेंगे। ऐसा होने पर फसल चक्र का पालन होगा और मिट्टी की उर्वरता, नमीपन, भूजल में वृद्धि होगी।

भारतीय संदर्भ में देखें तो भूख की समस्या भूमिहीनों, अनुसूचित जातियों एवं जनजातियों, महिलाओं, अनियत श्रमिकों में अधिक है। इन वर्गों का आधार ग्रामीण एवं कृषि क्षेत्र है। अतः ग्रामीण एवं कृषि क्षेत्र में निवेश बढ़ाकर भूख की समस्या का स्थायी समाधान किया जा सकता है। यहां उपसहारा के देश घाना का उल्लेख प्रासंगिक है। घाना अफ्रीका का एकमात्र देश है जिसने कृषि विकास के बल पर विश्व खाद्य समिति के भुखमरी घटाने और संयुक्त राष्ट्र सहस्त्राब्दि विकास लक्ष्य को हासिल करने में सफलता हासिल की। भारत में भी अर्थशास्त्री लंबे समय से इस बात पर बल दे रहे हैं कि ग्रामीण क्षेत्रों में दूसरे काम-धंधे तभी पनप सकते हैं जब खेती खुशहाल हो। अतः कृषि क्षेत्र के लिए पैकेज घोषित किया जाए। इससे न केवल भुखमरी का दीर्घकालिक निदान होगा अपितु अर्थव्यवस्था में छाई मंदी भी दूर होगी।

# **THE WEST BENGAL STATE CO-OPERATIVE AGRICULTURE AND RURAL DEVELOPMENT BANK LIMITED**

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Chairman

**Gurupada Chowdhury**

Vice-Chairman

**Asish Kumar Bhowmik**

Managing Director

## NEWS & NOTES

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### 128<sup>th</sup> Meeting of the Federation

The 128th Meeting of the Board of Management of the Federation was held in the Conference Hall of NCUI, New Delhi on 11<sup>th</sup> January 2010 under the Chairmanship of Shri K. Sivadasan Nair. Welcoming the members of the Board and Special Invitees, he informed that the Task Force constituted by the Govt of India under the chairmanship of Shri G.C. Chaturvedi, Addl. Secretary, MOF, GOI, has recommended in favour of implementing the revival package for long term coop. credit structure at the earliest. The other major decisions taken were

(1) All SCARDBs to initiate steps

for advancing crop loans under the NABARD scheme for which NABARD has issued guidelines.

- (2) SCARDBs to initiate steps to avail short-term refinance from NCDC for making other short term credit needs of LT borrower.
- (3) SCARDBs to take immediate steps to revamp their accounting system as well as preparation of financial statements in accordance with the provision of IT Act.

The meeting concluded with vote of thanks to the chair.

### Finmin rules out blanket waiver of farm loans

The finance ministry, which has been closely monitoring the impact of the truant monsoon on farmers, has ruled out the need for any blanket restructuring of loan or interest rate moratorium on farm sector loans. The ministry is likely to ask the public sector banks to take a call on restructuring farm loans and giving interest rate waivers on a case-to-case

basis. There seems to be no need for a blanket waiver scheme or interest rate moratorium. In most of the states, whether it is Haryana, Uttar Pradesh, and Punjab standing crops have survived as farmers were able to use ground water with the state government providing free electricity. Banks are not expecting a rise in default on loans either.

Union Bank's General Manager LNV Rao pointed out that though a slight rise in defaults in lending to agri sector cannot be ruled out non performing assets in the farm loan portfolio would remain under manageable level and is likely to

decline to 2.2% from 2.5% as of now. The credit offtake for farming sector which had nose dived in June, 2009 on account of delayed onset of monsoon, has witnessed a robust uptake in the month of September 2009.

### **Govt. notifies 1% interest subsidy on home loans**

The government has recently notified 1% interest subsidy scheme for housing loans up to Rs 10 lakh for units costing a maximum of Rs 20 lakh. The scheme will be for one year between October 1, 2009 and September 30, 2010. "The subsidy amount will be adjusted upfront in the principal outstanding, irrespective of whether the loan is on fixed or floating rate basis," it said. It will be applicable to the first twelve installments of all such loans sanctioned and disbursed during the validity of the scheme. Subsidy will be defined as a 100

basis points reduction per annum from the existing rate of interest. Finance Minister Pranab Mukherjee has announced this scheme in Lok Sabha in July'09 to boost demand for low cost housing. The government will implement the scheme through scheduled commercial banks and housing finance companies registered with the National Housing Bank. The Reserve Bank of India and the National Housing Bank will be the nodal agencies for this scheme for banks and housing finance companies.

### **RBI seeks credit details of traders, firms dealing in farm commodities**

Apprehending a rise in prices of essential commodities due to a moderate-to-scanty rainfall in the country followed by floods, the Reserve Bank of India (RBI) has asked all banks, including cooperative banks, to furnish details on credit to commodity traders

and companies using agricultural commodities raw materials. This data primarily relate to working capital requirement and other forms of short-term loans. Banks would also have to explain as to why some loans were continuously being rolled over for months



together. Banking sources added that the move was aimed to stop hoarding of essential commodities. RBI has also instructed banks to conduct adequate due diligence for credit to such entities if the demand was more than

normal. Demand above the normal level will be judged in terms of working capital or other form of short-term loans taken by the company/trader in the last one or two financial years for similar period.

### **Govt. renames NREGA after Mahatma Gandhi**

The government on Oct.2 renamed its flagship rural job guarantee programme National Rural Employment Guarantee Act (NREGA)- after Mahatma Gandhi. At a function in Delhi to observe the 50th anniversary of the launching of panchayati raj, Prime Minister Dr. Manmohan Singh announced the rechristening of NREGA after the 'father of the nation'. The Union Cabinet has decided to rechristen NREGA as Mahatma Gandhi Rural Employment Guarantee Act. "Several states have still not provided adequate funds, functions and functionaries to Panchayat Raj Institutions (PRIs). This system needs to be changed."

Dr. Singh said. He stated that India was still to see the full rollout of the concept that was spelt out by Mahatma Gandhi as part of the struggle for independence. "The 73rd amendment of the constitution provides that state legislature should empower PRIs as the institutions of local self government and strengthen them so that they can evolve schemes for social justice and economic development," Dr. Singh said. "But these legal provisions have not been used effectively in our country till date," the PM maintained while announcing that 2009-10 would be observed as the year of 'Gram Sabha (Village Councils).

### **Govt gives nod to SBI-State Bank of Indore merger**

The government has given an in-principle approval to State Bank of India (SBI) and State Bank of Indore's merger, a senior finance ministry official said. "The Boards of both the banks will

now work out the modalities of the merger, and come to the government for final approval. We expect the merger to be completed soon," the official said. State Bank of India was unlikely to merge any

more of its subsidiaries with self, the official said. SBI has already

merged State Bank of Saurashtra in August last year.

### **RBI may direct banks not to penalize pre-payment of retail loans**

The Reserve Bank of India (RBI) plans to direct banks to stop levying penalty on pre-payment of retail loans, heeding to a long-standing demand of borrowers availing of floating rate loans who find benefits of periodical interest rate cuts eluding them. "The right to avail of loans at lower rates of interest should not be curtailed by prepayment penalties. We will direct banks to do away with the prepayment penalty in case of loans disbursed in future," said an RBI official. However, the banking regulator is yet to decide on whether this benefit should be given to existing borrowers, he said, requesting anonymity. Currently, banks and institutions levy prepayment charges of 1-4% on refinancing of home, auto and personal loans. However, prepayment using own funds do not attract penalties in most case. This move will lead to greater

competition in the retail segment and result in the convergence in interest rates offered by various lenders, as borrowers will be able to refinance expensive loans with cheaper credit without attracting any penalty. The banking regulator can ask banks to drop the prepayment penalty mentioned even in existing loan agreements, as the Indian Contracts Act provides that an appropriate authority can strike down a clause in a contract if it is against public policy. If the penalty is dropped for existing loans as well, it could result in a rush of borrowers wanting to shift to public sectors bank, some of which are offering home loans at less than 8%. Private sector banks charge anything between 2% and 4% of the outstanding loan amount as prepayment penalty, while public sector banks charge 1-1.5% for foreclosing a loan.

### **Supreme Court rules against Maharashtra State Coop Bank**

The Supreme Court (SC) has ruled that the sugar bags pledged by mills in favour of a bank as security for repaying loans with interest could be attached and

sold for realization of employees' provident fund (EPF) dues of the mills. In the Maharashtra State Coop Bank Ltd. vs Assistant Provident Fund Commissioner,

the bank advanced loans during the season to Kannad Sahakari Sakhar Karkhana Ltd and Gangapur Sahakari Sakhar Karkhana Ltd. against pledge of their sugar stocks. When they

failed to contribute to the EPF, the commissioner attached the sugar bags, auctioned and deposited the amount in the EPF. The bank challenged the action.

### **Unclaimed/Dormant Accounts in UCBs: RBI provides clarification**

RBI in a circular RBI/2009-10/211 UBD.BPD (PCB) Cir No19/13.01.000/2009-10 dated November 9, 2009 addressed to Chief Executive Officers of All Primary (Urban) Co-operative Banks, said, "we clarify that since the interest on Fixed Deposit account is credited to the Savings Bank accounts as per the mandate of the customer, the same should be treated as a customer

induced transaction. As such, the account should be treated as an operative account as long as the interest on Fixed Deposit account is credited to the Savings Bank account. The Savings Bank account can be treated as inoperative account only after two years from the date of the last credit entry of the interest on Fixed Deposit account.

### **RBI panel suggests replacing BPLR with base rate regime for more transparency**

To introduce greater transparency in pricing of loans given by banks, the working group constituted by the Reserve Bank of India has recommended the introduction of base rate to replace the existing benchmark prime lending rate (BPLR) system applicable for loans with maturity of one year and above, including all working capital loans. The base rate would also serve as the reference benchmark rate for floating loan

products, apart from the other external market-based benchmark rates. The report prepared by RBI Working Group headed by Shri Deepak Mohanty, Executive Director was released by the RBI for the public comments on Oct.20, 2009.

The constituents of the base rate would include four factors such as card interest rate on retail deposits (deposits below Rs 15

lakh) with one year maturity (adjusted for current account and savings account deposits), adjustment for the negative carry in respect of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR), unallocatable overhead cost for banks which would comprise a minimum set of overhead cost elements; and average return on net worth. Under the proposed mechanism, all banks will be required to declare a base rate and charge interest rates over that depending upon the credit profile of the borrower and repayment period. In order to make the lending rates responsive to the Reserve Bank's policy rates, the working group has recommended that banks may review and announce their base rate at least once in a calendar quarter with the approval of their boards. The base rate alongside actual minimum and maximum lending rates may be placed in public domain. With the proposed system of base rate, banks will not be required to lend below the base rate as it represents the bare minimum rate below which it will not be viable for the banks to lend.

The RBI working group, however, recognises certain situations when lending below the base rate may be necessitated by market conditions. The committee is of the view that the need for such lending may arise as an exception only for very short-term periods. Accordingly, the base rate system recommended by the Working Group will be applicable for loans with maturity of one year and above (including all working capital loans). Banks may give loans below one year at fixed or floating rates without reference to the base rate. However, in order to ensure that sub-base rate lending does not proliferate, the RBI working group recommends that such sub-base rate lending in both the priority and non-priority sectors in any financial year should not exceed 15 % of the incremental lending during the financial year. Of this, non-priority sector sub-base rate lending should not exceed 5%. That is, the overall sub-base rate lending during a financial year should not exceed 15% of their incremental lending, and banks will be free to extend entire sub-base rate lending of up to 15% to the priority sector.

### **RRBs, co-op banks get Nabard warning on NREGA a/c openings**

National Bank for Agriculture and Rural Development (NABARD) has warned that Regional Rural Banks (RRBs), State Cooperative Banks (SCBs) and District Central Cooperative Banks (DCCBs) will face action if they are involved in irregularities in opening and servicing of deposit accounts of National Rural Employment Guarantee Act (NREGA) beneficiaries, without observing the norms prescribed under the “Know Your Customer” (KYC) guidelines. According to NABARD, gross violations observed in opening and servicing of deposit accounts defeat the purpose of transparency in pay-

ments. In many cases, it has been observed that banks are used as conduits to perpetrated frauds on the workers. “Any violation in this regard will be viewed seriously by the Reserve Bank of India and Nabard”. “In many cases, the branches did not appear to have observed customer identification procedures and did not obtain the photographs of depositors when the accounts were opened. Further, payments were also made from these deposit accounts to third parties. In some cases, even specimen signatures of depositors were not verified,” NABARD said.

### **Cabinet approves Constitution Amendment Bill for Incorporating special provisions related to co-op societies**

The Union Cabinet on Oct 29, 2009 gave its approval to the proposal of Department of Agriculture and Cooperation to introduce the Constitution (One Hundred and Tenth Amendment) Bill 2009 in the ensuing Winter Session of Parliament for incorporation of special provisions relating to Cooperative Societies in the Constitution.

The salient features of the proposed amendment to the constitution are as follows:

- (i) Insertion of new article 43 B in Part IV of the Constitution providing for the State obligation to promote voluntary formation, autonomous functioning, democratic control and professional management of the cooperative societies.

- (ii) Incorporation of cooperative societies on the principles of voluntary formation, democratic member control, member economic participation and autonomous functions;
- (iii) Conduct of election of a cooperative society by an independent authority;
- (iv) Fix term of five years for office bearers of the cooperative society;
- (v) Supersession of Board of cooperative society for a period of not exceeding six months;
- (vi) Independent professional audit of the cooperative societies;
- (vii) Convening of the General Body meeting of every cooperative society within a period of six months of the closed of the financial year;
- (viii) Access to every member of the society to the books, information and the accounts of the cooperative society;
- (ix) Filing of the returns by every cooperative society within six months of the close of every financial year;
- (x) Free fair, impartial and timely elections of cooperative societies by the State Election Commission or by any other appropriate and independent body as may be provided by State law;
- (xi) Audit of the cooperative societies to be carried out by the auditors from the government approved panel of auditors or firms;
- (xii) Maximum number of 21 Directors to be applicable to all cooperative societies irrespective of their size; and
- (xiii) Co-opted members not to be eligible to be elected as office bearers of the Board.

### **Dr. Subir Gokarn takes over as RBI Deputy Governor**

Dr. Subir Vithal Gokarn on Nov.24,2009 took over as the 4th Deputy Governor of the Reserve Bank of India. Dr. Gokarn has been appointed Deputy Governor for three years from the date of his taking over. He will be the fourth

Deputy Governor, the other three being Smt. Shyamala Gopinath, Smt. Usha Thorat and Dr. K.C. Chakrabarty. As Deputy Governor, Dr. Gokarn will look after the Monetary Policy Department, Department of

Economic Analysis and Policy, Department of Statistics and Information Management, Department of Communication and Deposit Insurance and Credit

Guarantee Corporation. Prior to joining the Reserve Bank, Dr. Gokarn was Chief Economist of Standard & Poor's Asia Pacific, based in New Delhi.

### **RBI directs banks to install Note sorting Machines**

RBI vide its notification DCM. No. Cir. NPD.3158/09.39.00 (Policy)/2009-2010 dated November 19, 2009 has directed all banks to ensure that all notes in denominations of Rs. 100/- and above are processed through machines conforming to the standards/parameters prescribed by Reserve Bank of India from time to time, before issuing them over their counters or through ATMs." The notification further states:

- (i) All bank branches having average daily cash receipts of over Rs. 1 crore shall start using such machines by March 2010.
- (ii) All bank branches having average daily cash receipts between Rs. 50 lakh to Rs. 1 crore shall have to start using such machines by March 2011.

### **Polymer notes of Rs.10 denomination to be introduced**

To increase the life of bank notes, the Government has decided to introduce 1 billion pieces of polymer banknotes in Rs.10/- denomination on trial basis. Polymer notes are being introduced in Rs.10/- denomina-

tion, where the incidence of counterfeiting is negligible. This information was given by Minister of State for Finance, Shri Namo Narain Meena in written reply to a question raised in Lok Sabha on Nov.20, 2009.

### **NABARD aid for rating micro finance institutions**

National Bank for Agriculture & Rural Development (NABARD) has extended a scheme for financial assistance to commercial

banks, Regional Rural Banks (RRBs) and cooperative banks for rating of Micro Finance Institutions (MFIs) upto March



31, 2010. The basic purposes of the scheme are to facilitate the banks to identify appropriate MFIs for providing funds and to encourage proper standards, systems and safeguards, efficiency and transparency in MFIs. The scheme, which was supposed to come to an end on Nov.30, 2009 has also been revised in view of encouraging responses from banks and also from MFIs. NABARD sources said, "Banks can avail the services of credit rating agencies including Crisil, M-CRIL, ICRA, CARE and Planet Finance or any other agency approved by NABARD from time to time, for rating of MFIs. The banks

can avail of 100% reimbursement of expenses towards cost of rating of MFIs upto Rs 3 lakh by way of grant only for first rating of MFI. MFIs with the minimum loan outstanding of Rs 50 lakh and maximum loan outstanding of Rs 10 crore would be eligible for support under the scheme. The grant assistance for meeting the cost of rating of MFIs would be only for professional fee of the rating agency subject to a ceiling of Rs 3 lakh. Banks/MFIs may furnish a copy of the rating report to Nabard and it will have the right to publish the information, if it desires to do so."

### **Banks to accept Cheques written in regional languages**

Reserve Bank of India (RBI) vide its Master Circular dated July 1,2009 has advised all Scheduled Commercial Banks (excluding Regional Rural Banks) that all cheque forms would be printed in Hindi and English. The Customer may, however, write

cheques in Hindi, English or in the concerned regional language. This information was given by Minister of State for Finance, Shri Namo Narain Meena in a written reply to a question raised in Rajya Sabha.

### **NABARD to extend finance to JLGs for non-farm sector financing**

The National Bank for Agriculture and Rural Development (NABARD) has extended its refinancing scheme through Joint Liability Groups

(JLGs) to the non-farm sector, to cover the micro entrepreneurs and artisans among others. The scheme was earlier available to small and marginal farmers and

tenant farmers and small farmers cultivating land without possessing proper title to their land. "The move would help augment credit flow to the micro entrepreneurs segment and would also help build mutual trust and confidence between bank and the target group. It would also minimize the risks in the loan portfolio for the banks through group approach, cluster approach, peer education and credit discipline, according to a press release by

NABARD. A JLG is an informal group comprising preferably of four to 10 individuals coming together for the purpose of availing bank loan, either singly or through the group mechanism against mutual guarantee. The members offer a joint undertaking to the bank that enable them to avail loans. Rural Non Farm Sector (RNFS) provides alternative employment and income generation opportunities in rural areas in a sustainable manner.

### **RBI provides clarification on treatment of different types of provisioning**

Further to the circular (UBD.PCB.Cir.No.73/09/14.000/2008-09) dated June 29, 2009 prescribing guidelines in regard to the prudential treatment of different types of provisions in respect of loan portfolios. RBI in its circular RBI/2009-10/256 UBD.BPD(PCB).Cir.No.30/09.14.000/ 2009-10 dated December 16, 2009 has clarified as under:

(i) **Additional Provisions for NPAs at higher than prescribed rates**

As per the extant instructions, provisions made for NPAs as per prudential norms are deducted from the amount

of Gross NPAs to arrive at the amount of Net NPAs. In cases where banks make specific provision for NPAs in excess of what is prescribed under the prudential norms, the total specific provision may be deducted from the amount of Gross NPAs while reporting the amount of Net NPAs.

(ii) **Excess Provisions on sale of NPAs**

In case of sale of NPAs, if the sale proceeds exceed the book value of asset, net of provisions held, the excess amount of provision should not be written back to Profit and Loss

account. For example, for an NPA of Rs. 1,00,000, the bank holds provision of Rs 50,000 (i.e., 50%). If the asset is sold for Rs 70,000, there will be a loss of Rs 30,000, which will be adjusted against the provision of Rs 50,000 leaving an excess provision of Rs 20,000 on account of the sale of the NPA. Such excess provisions should continue to be shown under 'provisions' and would be considered as Tier II capital subject to the overall ceiling of 1.25% of risk weighed assets.

(iii) **Provisions for diminution of fair value**

In terms of paragraph 5.1 of circular UBD.PCB.BPD.No.

53 dated March 6, 2009, banks were advised that they should hold provisions for restructured advances as per the extant provisioning norms. In addition to such provisions, banks were advised to make provisions to cover the economic loss to the bank due to reduction in the rate of interest or reschedulement of repayment of principal amount of loan restructured. Such additional provisions made for diminution in the fair value of restructured advances, both in respect of standard assets and NPAs, are permitted to be netted from the relative loan asset.

**IBA to initiate move on uniform home loan rates**

The difference in floating interest rates among old and new home loan borrowers may soon be scrapped after a move by the Indian Banks Association (IBA) to introduce a uniform rate. While the details are still being worked out, floating rate home loans may soon get more efficient in reflecting interest rates prevailing in the market. At present, the dichotomy in rates is a result of banks reducing rates only for new bor-

rowers through special schemes available for a limited period. They are reluctant to reduce interest rates across the board and bring down the overall yield on advances. For instance, in many cases, new home loan borrowers pay only 8.5% while existing ones are stuck with 9.5%.

CEOs of large commercial banks discussed the issue at a recent IBA meeting, which was

held after RBI Deputy Governor Usha Thorat asked banks during an informal meeting to justify the difference in rates for old and new home loan customers. RBI told banks that it has been flooded with complaints from home loan borrowers alleging that floating rate loans only moved upwards while a reduction in interest rates was made available only to new customers.

There is clearly a perception that the old floating rate borrowers have been let down and something needs to be done about it. It

is also a question of retaining customer loyalty. The rate difference for new and old home loan customers varies from bank to bank and depends on loan size. The spreads are narrower for small-ticket loans and wider for big ones, ranging between 50 and 150 basis points (0.5 to 1.5 percentage points). For over a year now, many banks have been offering floating rate loans where rates for the first year are frozen at 8-8.5% while old customers on floating rates continue to pay interest rates in the 8.5 to 10% range.

### **Statutory dues have precedence over mortgage**

The Supreme Court has dismissed the appeal of the Orissa State Financial Corporation and ruled that sales tax and other

statutory dues shall have precedence over mortgage created in favour of banks and financial institutions.

### **Banks to seek govt nod for issuing tax free bonds**

Banks are making a strong pitch to the government for permission to issue tax-free bonds to fund infrastructure projects. Bankers, are arguing that the bonds will help them to raise long-term resources and reduce dependence on retail fixed deposits, whose maturity is getting shorter. In recent months, banks have been saddled with deposits in the one-year maturity bucket,

while infrastructure loans have a tenure of 15-20 years. "If our cost of funds is 10%, lending is going to happen at 13%. But 13% is unviable for infrastructure developers," said the chairman of a large public sector bank. Even last year, the Indian Banks' Association (IBA) had raised voice for permission to issue tax-free bonds.

At present, infrastructure companies are allowed to float tax-free bonds. With the policy makers asking banks to beef up infrastructure lending, bankers fear the mismatch in asset liabil-

ity profile to further widen. Loans to infrastructure constitute 11-12% of the total loan currently and is expected to go up to at least 20% over the next five years.

### **SC holds Vijaya Bank responsible for deficiency of service**

The Supreme Court has dismissed an appeal of Vijaya Bank which was held responsible for gross deficiency in service resulting in Unlawful withdrawal of Rs 3,50,000 from the account of a customer by using a cheque leaf of the newly-issued cheque book. Gurnam Singh, the complainant had a savings bank account with the appellant bank. Somehow he lost his cheque book containing one unused leaf and the requisition slip required for issue of a new cheque book. On September 24, 1999, when Mr Singh visited the bank to draw money, he was surprised to find a balance of Rs 1,682.93. It was found that the requisition slip had been used to get a new cheque book issued from the bank and the remaining cheque in cheque book was used to withdraw Rs 2,500 from the complainant's account. It was also discovered that Rs 3,50,000 had been withdrawn from the account by using a leaf of the new

cheque book. Having failed to get the amount reimbursed, Mr Singh approached District Consumer Disputes Redressal Forum, Chandigarh, alleging deficiency in service by the bank.

After examination of his account-opening form, the requisition slip and the cheque in question, the District Forum on December 4, 2001, came to the conclusion that there was gross deficiency in the service by the bank which resulted in loss to the customer. The District Forum found that the specimen signatures on the account-opening form and the cheque used for withdrawal of money were different. More significantly, when the cheque for Rs 3,50,000 was presented, the balance in the account was only Rs 3,46,682.93 and yet it was honoured by recording a debit entry of Rs 3,317.07 as recoverable from the complainant. Consequently, the

District Forum accepted the complaint and directed the bank to credit Rs 2,500 and Rs 3,50,000 less Rs 5,000 in the account of the complainant along with interest @ 10% per annum from August 17, 1999, till the date of the correct entry. The findings of the forum were challenged by the bank in the Consumer Disputes Redressal Commission, Chandigarh, which upheld the

order. The National Consumer Disputes Redressal Commission also turned down the bank's plea. It finally came to the apex court. A bench comprising Justice DK Jain and Justice TS Thakur while dismissing the plea said, in the absence of overdraft facility, how did the bank honour a cheque for an amount more than the balance in the account.

### **Interest on bonds, debentures not taxable, rules Supreme Court**

The Supreme Court has ruled that interest earned by the companies on investments in bonds and debentures is not chargeable to tax under the provision of the interest Tax Act. A bench comprising Justice Kapadia and Justice HL Dattu dismissed a batch of appeals of the revenue on the issue. The department had said that by an amendment effective from October 1, 1991, the item, namely, "amount chargeable to income tax under the head interest on securities" stood deleted and, consequently it would fall within the definition of the word "interest under section 2(7) of the Interest Tax Act, 1974. The court, however, rejected it on two grounds. First, section 2(7), read as a whole, focuses only on

interest accruing on loans and advances, commitment charges and discount on promissory notes and bills of exchange. Second, it also specifically excludes interest under section 42(IB) of the Reserve Bank of India Act as well as discount on treasury bills.

The court said, it was very easy for parliament to expressly provide for "interest on investment" to fall under section 2(7) of the Interest Tax Act but that has not been done as the Act was enacted as an anti-inflationary measure. In an inflationary situation, the cost of borrowing for the government increases. One of the ways by which the cost of borrowing can be reduced is to see that they are made to invest in bonds and securities so that the government

is able to borrow money at cheaper rates as compared to its borrowing in the market, court said.

Zeroing in on the directions of the central bank, the court said, when companies, including a non-banking institution receiving deposits from public buys bonds and debentures of approved

nature, they constitute investment and they cannot be treated as loans and advances. Therefore, interest on such investment cannot be taxed under the Interest Tax Act, 1974. The department had dragged Sahara India Saving & Investment Corporation and others in the apex court.

### **Nabard gets Rs 10 crore to improve output, processing of dairy products**

In a bid to boost milk production and improve processing of dairy products, government has released Rs 10 crore to Nabard under the Dairy Venture Capital Fund (DVCF) for the current year. Since launched in 2004-05, close to Rs 123 crore had been released to Nabard under the fund. States such as Maharashtra, Assam, Rajasthan, Karnataka, Tripura and Uttarakhand have availed financial assistance under the fund. The fund is aimed at supporting the setting up of small dairy farms, purchase of machineries such as tester or cooling unit etc., purchase of dairy processing

equipment, establishment of dairy product, transportation facilities, including cold chain, cold storage facilities for milk and milk products and setting up of private veterinary clinics. The scheme is being implemented through Nabard and the funds released by the centre are kept as revolving fund for further release of interest free loan of 50% to the beneficiary through lead banks. Entrepreneur's contribution is 10% and the remaining fund is sanctioned by the concerned lead bank as loan. The annual production is estimated to be around 108 million tonne during last fiscal.

### **Registration of Power of Attorney not compulsory**

It is not compulsory to register General Power of Attorney (GPA). Though the Registration Act

makes this clear there is a wide belief that Power of Attorney needs to be registered. As early as



1979, the Supreme Court in the Syed Abdul Khader Vs. Rami Reddy and others case (AIR 1979 SC 553) has made this clear. Again, in July 2009, the Madras High Court, in its judgment in the case involving Mrs. B. Maragathamani and Chennai Metropolitan Development Authority (CMDA), has reiterated this. In the above mentioned case, when an application was submitted for regularisation of an apartment complex, the CMDA rejected it on the ground that the GPA accompanying the application was not registered.

The counsel for the CMDA argued that though there was no specific provision under the Building Regulations requiring for a registered power of attorney, the office order (No. 18/2007 dated 25 July 2007) had directed that "henceforth Registered Power of Attorney shall be insisted for all planning permission applications". The division Bench said such an office order had no legal

sanctity in the absence of any provision empowering the Member Secretary to impose such a restriction. The question as to whether a power of attorney should be registered or not should be decided only with reference to the provisions under Section 17 and 18 of the Registration Act.

Under Section 85 of the Indian Evidence Act the court shall presume that every document purporting to be a power of attorney and signed by a Notary Public was so executed and authenticated. The Court observed that the power of attorney in question would be considered to be a valid and legal document for the purpose of making an application for regularisation and such application cannot be rejected solely on the ground that it is not registered. The reason of misuse cannot be a ground to insist for a registered power of attorney as in this case. With the above observations the Court rejected the impugned order by the CMDA.

### **Agri reforms must to attract investments, says US**

India should push through agriculture reforms and strengthen intellectual property protection for increased US investments in the agriculture

and food processing industries, said Mr Bob Milligan, Chairman, US Chamber of Commerce. Addressing a seminar on food processing industries, Foodpro

2009, organised by the Confederation of Indian Industry, Mr Milligan said the Centre and State Governments must unify agriculture markets across the States for the development of food processing industries. Food safety laws should be harmonised with international laws. Also, India should bring down tariffs on processed foods to enable the US companies to test market their products cost-effectively. The intellectual property protection systems should also provide “safeguards against the illegal transfer of technology to third parties,” he said.

The US companies have the

technology to address issues relating to the development of agriculture in India. But while small and medium Indian companies' investments in the US have increased more than 80 per cent since 2007, the US companies are investing elsewhere and not in India. The US and India should collaborate on policies and technologies that foster a stronger trade relationship, he said. Mr Milligan, who is leading a delegation of 26 representatives from a range of industries relating to agriculture and food processing, said these companies, which have a presence in India, are looking to expand their businesses here.

### **RBI allows free branching in Tier-3 to Tier-6 cities**

RBI on Tuesday allowed domestic scheduled commercial banks to open branches freely in Tier-3 to Tier-6 cities, having a population of up to 50,000. The central bank also announced the constitution of a working group to examine a proposal of making the priority sector loan portfolio of banks tradable. Banks may plan their branch expansion in these cities in such a manner that at least one-third of these branches are in under-banked districts of

under-banked states, RBI said. “Domestic scheduled commercial banks (other than RRBs) will now be free to open branches in Tier-3 to Tier-6 centres, as identified in Census 2001 (with a population up to 50,000) under general permission”. The opening of branches in Tier-1 and Tier-2 cities will continue to require prior authorisation, from RBI. The central bank also added that this will be one criterion for considering SCBs' proposals to open

branches in Tier-1 and Tier-2 centres. “In considering such proposals, the Reserve Bank will, in addition, take into account

banks' performance in financial inclusion, priority sector lending and the level of customer service, among others,” it said.

### **What is WPI?**

WPI is a price index representing the wholesale prices of a basket of goods. In several countries such as India it is used to measure the inflation, the general rise in the prices of goods. It is released on a weekly basis on every Thursday to measure the change in the wholesale prices of a set of goods. As the name suggests it does not take into account the price at which consumers buy goods but on the wholesale basis. The rationale of having WPI is to know the demand and supply condition of goods included in the economy. Earlier the base year for the calculation of WPI was 1981-82. But with effect from April 1, 2000, the office of the economic adviser to the government of India, part of the ministry of commerce & industry, revised the base year to 1993-94. The WPI is based on the prices of 435 commodities.

WPI became the buzzword after the news of its replacement by a

new comprehensive WPI. It is expected to be functional from the start of April 2010. The base year for the new index is going to be 2004-05. According to the proposal, the number of products included for the calculation of WPI will increase from 435 to 1,224 as many new products such as cell phones, laptops and digital cameras will be added. While WPI represents the wholesale prices of goods, Consumer Price Index (CPI) indicates the average price paid by households for a basket of goods and services. Some countries such as India and Philippines use WPI to measure the inflation. They calculate inflation as percentage change in WPI for that period. Now India and the US have come out with producer price index. CPI is also used in different countries, however, with different names. For instance in United Kingdom it is called retail prices index. In Canada CPI is published on a monthly basis.

## **Haryana makes solar water heating must for industry**

In a bid to save energy, the Haryana Renewable Energy Development Agency has so far installed as many as 1,412 solar water heating systems in the State resulting in a saving of 18.13 million kilowatt of electricity annually. "Solar water heating technology has emerged as a cost effective and environment friendly option for water heating applications all over the world. Installation of 1,000 solar water heating systems of 100 litre

capacity each could save one megawatt of power. "A 100 litre solar water heating system could avoid emission of 1.5 tonnes carbon dioxide annually". The Haryana state Government had made the use of this system mandatory in industries, where hot water is required for processing including hospitals and nursing homes, hotels, jail barracks, canteens, housing complexes set up by the Group Housing Societies or Housing Boards.

## **Energising the renewable sector**

With the wind blowing in its direction and the sun shining bright, things have never been so good for the renewable energy sector in the country. The Centre's plans for the renewable energy sector have remained mere intentions so far. But all that is set to change with the Government becoming serious about promoting the sector, not just to increase the power generation capacity, but also to promote Green Power.

The Centre recently announced a National Solar Mission, to have 22,000 MW of grid-connected solar power by 2022, from almost

next to nothing now. It is considering extending the generation-based incentive scheme for wind power to cover a larger capacity. The scheme provides 50 paise a kWh as an incentive for wind power projects that feed electricity to the grid without availing of the tax benefits that are now available only for 50 MW. With the wind power industry lobbying for extending the scheme, the Centre is set to increase the cap for availing of the benefits. Of course, solar and wind energy are just two of the renewable energy sources that are being tapped.

The renewable energy programme is not without its critics. The main complaint is that renewable energy sources are not reliable enough for power sector managers to plan and manage the grid effectively. Power from renewable energy sources are expensive, when compared with coal-based power or from hydro-electric sources. The capital cost of Green Power is high -Rs 5.5-6 crore a MW for wind and more than Rs 15 crore a MW for grid-connected solar power. The important complaint against players in the Green Power sector is that they always adopt a moral high ground, making it next to impossible to have any rational discussion, let alone an argument.

Power from renewable sources appears more expensive than that from coal-based plants, mainly because thermal power plants enjoy enormous hidden subsidies that are never talked about. For instance, no one talks about the

cost of the water used for cooling purposes in thermal power plants; the cost of ash disposal is never taken into account; the pollution to the environment and the health hazards they cause are hardly ever mentioned; and, the cost of mining and the environmental degradation that follows is never highlighted. Green Power players also argue that scale economies will bring down capital cost of the equipment, making renewable power sources more attractive.

Justifying higher cost on the pollution mitigated is an argument that will not hold for long, especially as most State power utilities that are expected to buy power from such projects are bankrupt. Instead of just relying on subsidies and incentives to make them attractive, renewable energy projects need to look at bringing down the capital cost substantially so that they become more attractive.

### **Why SIPs are the way to go**

There are just a few basic rules that an investor needs to follow in order to make sure that his investments are functioning as per his requirements. The one simple

aspect of investing that quite a few people end up floundering is Systematic Investment Plans (SIP). The problem here is that many investors expect SIPs to be

miracle tools. The expectations from SIPs are too high and too misconceived. The two most common misconceptions about SIPs are that they always generate more returns than lump-sum investments and that they can never turn in negative returns. Both of these points are misconceptions and extremely wrong. Systematic investments are advocated by fund companies, experts and the media because SIPs ensure that an investor doesn't fall into the trap of timing the markets. Stocks prices and fund NAVs are on the whole expected to go up but when and how they will go up is something that no one can predict, and shouldn't even try to predict. The best manner of investing for a common investor is to put in an equal amount regularly. As time goes by, the SIP route will make sure that you end up buying more units when the NAV is low and lesser when the NAV is higher. When you redeem, all the units will be worth the same but you'll have purchased a higher number of units, hence making your returns higher as well.

As compared to this, in case of a lump-sum investment, you would be left with a certain number of

units only, without having the advantage of buying cheap when the markets would have gone down. However, there can be instances when a lump-sum investment would have done better than SIPs, but you would come to know about this only in hindsight. This would happen when the markets don't fall below the level that they were in when the lump-sum investment were made. This, we know, is a rarity. And in the longer run, SIPs always work better than lump-sums. Most investors, especially salaried ones, wouldn't have large amounts to invest in lump-sums anyway. The prudent thing for them to do would... be to keep aside a fixed monthly amount to invest. And that for is the real benefit of SIPs. Our psyche has been tuned in such a way that we tend to invest when the markets are on a high and altogether stop investing when the markets are low. Apart from being another example of timing markets, this is the exact opposite of what we should be doing. Common sense says that stocks and funds or any investment should be bought at lower valuations and sold at higher ones. SIPs are the best way of ensuring that you do just that.

### **More sops to boost handloom sector**

In a bid to provide sustenance and facilitate growth in the handloom sector, the government has introduced the Integrated Handloom Clusters Development Scheme (IHCDS) in 20 selected handloom clusters of the country. Under the scheme, each cluster will be developed in a time frame of four years at a cost of Rs 2 crore, covering about 5,000 handlooms per cluster.

The textile ministry inaugurated the Handloom Clusters Expo-2009 which kick-started as a week-long celebration to facilitate collectivisation of handloom weavers and service providers. The expo showcased a handloom

cluster gallery for exhibition-cum-sale of the finest and exclusive handloom products developed by 20 clusters under the IHCD scheme. While inaugurating the expo, the textile minister Dayanidhi Maran said "This is the first time such an event has been organised by the textile ministry at national level. We plan to organise similar events in 2010, for which financial allocations have been made." The Textile Ministry is seeking more sops to prop up the handloom and handicraft sectors and will initiate talks with the commerce ministry in this regard.

### **ADB to extend \$850 m loan for infrastructure, khadi sectors**

The Central Government on Tuesday inked two loan agreements with the Asian Development Bank (ADB) for a total assistance of \$850 million over three years for funding the country's infrastructure projects and development of the khadi industry. According to an official statement, the Manila-based multilateral institution is to provide a \$700 million loan to India Infrastructure Finance

Company Ltd. (IIFCL) as the executing agency for supporting the government's "infrastructure development agenda through enhancing the availability of the long-term funds for infrastructure financing."

As for the khadi reform and development programme, a loan of \$150 million is to be released in four tranches over three years. With the Ministry of Micro, Small



and Medium Enterprises as the executing agency and the Khadi and Village Industries Commission as the implementing agency, the ADB assistance is to

be utilised for implementing a comprehensive plan for revitalising the khadi sector through a series of policy, legal and institutional framework.

### **GST will cut tax burden by 25-30%, says govt.**

The government on Wednesday said the tax burden on people will come down by 25-30% with the introduction of the proposed Goods & Service Tax (GST). "Distortions in indirect tax system will be fully removed and addressed after the GST is put in place. Burden on tax payers will be reduced by at least between 25-30% and the new system will ensure complete transparency to smooth tax compliance. The draft

legislation on GST has been referred to legal experts and would be finalized shortly to enable the government achieve target of implementation of the goods and service tax. The new tax regime will replace excise duty and service tax at the central level and VAT at the state level, besides the cess, surcharges and local taxes being levied on good and services.

### **Changes in ARDBs**

- i) Shri H.K. Nagdev, Jt. Registrar of Co-op. Societies, has assumed charge as Managing Director of the Chhattisgarh Rajya Sahakari Krishi Aur Gramin Vikas Bank Ltd., w.e.f. 1<sup>st</sup> October 2009.
- ii) Shri A.K. Dharni, IFS, has assumed charge as Managing Director of the Kerala State Co-operative Agricultural & Rural Development Bank Ltd., w.e.f. 3<sup>rd</sup> October 2009.
- iii) Shri Gopal Sharma, has assumed charge as Managing Director of the Himachal Pradesh State Coop. Agri. & Rural Dev. Bank Ltd., w.e.f. 5<sup>th</sup> October 2009.
- iv) Shri B.K. Swamy, has assumed charge as Managing Director (FAC), of the Andhra Pradesh State Coop. Bank Ltd., w.e.f. 21<sup>st</sup> December 2009.



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**Animal Husbandry:** Dairy development, Cattle rearing, Cattle sheds, Bullock cart, Sheep & Goat rearing, Poultry, Sericulture, Fisheries etc.

**Land Development:** Land levelling, Land reclamation etc.

**Non Farm Sector :** Small scale industries, Cottage industries including service sector, Rural housing, SRTOs, Rural godowns, APMCs, Cold storage etc.

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1 year 8%p.a.

2 years and above 8.25%p.a.

Double 105 months

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1. Interest payable: Quarterly / half yearly and yearly as per demand.
2. Monthly Income Scheme is available.
3. TDS is not deducted on maturity of FDs.
4. FD outstanding as on 31.3.09 is within the own fund limit.
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Chairman

**Shri M. B. Chaudhari**  
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Managing Director



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## FINANCIAL HIGHLIGHTS

(As on 31.03.2008)

(As on 31.03.2009)

• Paid up Share Capital & Reserves	: Rs. 6615.30 Lakhs	Rs. 8425.65 Lakhs
• Deposits	: Rs. 71947.65 Lakhs	Rs. 79279.24 Lakhs
• Loans & Advance	: Rs. 19388.52 Lakhs	Rs. 20549.81 Lakhs
• Investments	: Rs. 22613.15 Lakhs	Rs. 27804.26 Lakhs
• Net Profit	: Rs. 202.77 Lakhs	Rs. 352.00 Lakhs
• Working Capital	: Rs. 86408.26 Lakhs	Rs. 97942.73 Lakhs

## Our Banking Products & Services

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• <i>Current Deposits</i></li> <li>• <i>Savings Bank Deposits</i></li> <li>• <i>No Frills Savings Deposits</i></li> <li>• <i>Fixed Deposits</i></li> <li>• <i>Recurring Deposits</i></li> <li>• <i>Monthly Income Deposits</i></li> <li>• <i>Double Benefit Scheme</i></li> <li>• <i>Cash Certificates</i></li> <li>• <i>Fixed Deposit linked with Recurring Deposits</i></li> <li>• <i>Housing Loan Linked Deposits</i></li> <li>• <i>Children Education Deposits</i></li> <li>• <i>Crop Loans for Agriculture through KCC / SHG / Cooperatives</i></li> <li>• <i>Term Loans for Agril. &amp; Allied Agriculture</i></li> <li>• <i>Aquaculture Development One Thousand</i></li> </ul> | <ul style="list-style-type: none"> <li>• <i>Ponds Scheme</i></li> <li>• <i>Loans for Housing Complex</i></li> <li>• <i>Loan for SRTO</i></li> <li>• <i>Consumer Durables Loans</i></li> <li>• <i>Loans to Technocrats &amp; Professionals</i></li> <li>• <i>Loans to educated unemployed youths</i></li> <li>• <i>Cash Credit &amp; Overdraft Facilities</i></li> <li>• <i>Loans for Children Education</i></li> <li>• <i>Integrated Village Development Scheme</i></li> <li>• <i>Term Loan for Tourism Development</i></li> <li>• <i>Personal loan to salary earners</i></li> <li>• <i>Bank Guarantee</i></li> <li>• <i>Safe Deposit Lockers &amp; Other</i></li> <li>• <i>Ancillary Services</i></li> <li>• <i>Loans to Tribals under NSTFDC Schemes</i></li> </ul> |
|--|---|

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**Chairperson**

## AGRICULTURAL NEWS

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### Solar tunnel dryer for copra production

In India, about 30 per cent of coconut production goes for producing copra for oil extraction while the remaining is used as tender coconut and for producing other value-added products. Though only 30 per cent of the coconut goes for oil extraction, the farm level price of coconut is purely based on the oil price, resulting in unstable revenue to the coconut farmers. The conventional method of copra drying is by spreading the split coconuts on open surface for sun-drying. This takes 6-8 days for drying and also leads to quality deterioration due to deposition of dirt, dust and microbial contamination of wet kernel.

The production of copra using the solar tunnel dryer is an improved and effective method, which addresses the drawbacks associated with open sun drying and kiln-drying. A community model solar tunnel dryer of size 4m x 10m with 3m height at the center was designed and con-

structed at Negamam village in Coimbatore district. A semi-circular roof portion of the dryer was covered with 200 micron UV stabilized polyethylene film. Exhaust fans, one each at front and rear end were fixed. Three exhaust vents with adjustable butterfly valves have been provided at the top of the roof for the flow of moist air by natural convection. Three-tier metallic racks for keeping the coconut in layers during drying are provided inside the dryer.

The unit has the capacity of drying 5,000 nuts in one batch. The temperature inside the solar tunnel dryer was found to be 20-25°C more than the ambient temperature. The quality of copra obtained from solar tunnel dryer was superior as compared to the copra produced from open sun drying. The dryer can also be used for drying of any other commodities like chilli, spices, groundnut, sago, coir pith etc.

### White flower cardamom blooms into a popular variety

A farmer's invention is a result of a curious mind, a keen eye for

observation and hours of relentless pursuit. Mr. K.J. Baby of

Puliyannmala, Idukki district, Kerala, developed a white flowered variety of cardamom, with higher oil content than other varieties.

The productivity of this variety is higher than that of other varieties and it can be grown in waterlogged areas as well. The plant with its sturdy and deep rooting system, makes it resistant to various infestations. The prominent features of the variety are (a) a single tiller planted in the nursery gives rise to about 30 tillers, (b) recovery ratio of one kg dry cardamom from four and half kilograms of green cardamom (c) a single plant yields nearly 4 - 5 kg dry cardamom with size varying from 6 mm to 8 mm.

Common agricultural crops cultivated by the farmers in the region are cardamom, pepper, coconut, and on a very limited area, arecanut, banana and lemon. While strolling through his garden he noticed a white flower plant which seemed to be unique. He carefully isolated the plant and multiplied it through vegetative propagation. By 2001, the farmer raised around 800 plants, which

were similar to the mother plant and bore white flowers. In the same year, when experts from Indian Institute of Spice Research (IISR), Kozhikode visited his farm to inspect the rare variety, they appreciated his efforts.

The farmer started selling the plants to several farmers from Idukki and surrounding districts of Kerala and border districts of Karnataka. As a result, the variety is commonly found in Idduki, Wayanad (Kerala) and Chikmangalur (Karnataka), as also some parts of Tamil Nadu. Several researchers' also evinced keen interest in this variety, bearing white flowers, as it negates the whole concept that peculiar colour of the cardamom flower attracts insects for pollination. "As far as agriculture is concerned the selection of best quality seeds and technical inputs from research and development institutions are sufficient to prevent losses for the farmers," he says. For more information contact Mr. K.J. Baby, Kalaricakal (H), P.O. Puliyannmala, Idukki, Via: Kattappana, Kerala - 685 515, phone: 04868270254.

## **Rare weed, common bacteria: double trouble for Kuttanad**

Just when things appeared to be moving smoothly for paddy farmers in Kuttanad, who had ventured onto their fields for the second round of cultivation, a rarely seen weed and a common bacteria have joined hands to present a new headache. The season, which saw around 9,000 hectares being readied for the second round of cultivation and where harvest is just round the corner, bacterial leaf blight infestations were noticed in many areas. Yellow to orange discolouration starting from the tip and progressing downwards along the sides of the leaves and subsequent drying were commonly reported in many places. Fields in Kainakary and Nedumudi too were on the sick list initially, but the threat has subsided after authorities took up chemical spraying and other remedial measures.

However, even as the bacterial leaf blight was coming down, reports of a rarely seen weed in these parts of the State are cropping up fast. The situation, termed filed rice infestation (karinellu in Malayalam) by the Centre for Pest Management

(CPM), Mankombu, has been reported mostly from Kainakary, where almost all areas have been infested with the weed, according to CPM officials. An effective control measure is yet to be worked out, and farmers are finding their expenses spiralling after engaging labour to weed out the menace. CPM officials have collected samples and submitted a detailed report to the Government, in which they have mentioned that farmers might have to be paid damage costs since weeding expenses dented their budgets.

The weed could have sprung up because the same farm beds were being used for both the first and second round of cultivation. Though the weed has been noticed in a few places in previous years, such "intensive infestation" is a first in Kuttanad, the official said.

In early September, there was an occurrence of insect pests such as brown and white plant hoppers since the prevailing weather conditions were favourable for their spread.

## **Enhancing plant growth using organic inputs**

Organic farmers and those practising conventional farming are mostly at loggerheads regarding cultivation practices, and are in mutual disapproval. Several farmers in Uthamapalayam (Ambasamuthuram) Theni district, Tamil Nadu, grow vegetables in conventional way using chemicals and as usual these methods fail to effectively control the pests, especially root grubs, thereby reducing yield. Mr. S. Pandiaraj was growing cabbage in his 47 cent land and regularly use chemical sprays to prevent white grub infestation. He has regularly followed this practice for several years. "But these sprays instead of controlling the pests, either seem to increase their numbers or fail to suppress them," says Mr. Pandiaraj.

Mr. Jeya Prakash, who used to help his father in his field work, took up a project to work on an organic alternative to control the white grub problem. Since chemicals failed to control the problem he used locally available resources. After several permutations and combinations he discovered that a combination of ginger, garlic, asafoetida, cow's urine and

water, mixed every day biodynamically for about 15 days and applied with recommended dilution did wonders on my cabbage field.

The spray accompanied with foliar sprays enhances plant growth, and makes the plants resistant to pest attacks. About 100gms of ginger, garlic each, 10 gms of asafoetida, one litre of cows urine and nine litres of water are the necessary inputs. Ginger, garlic and asafoetida are crushed. The urine and water is poured into a clay pot and the crushed ingredients are mixed along with it. The mouth of the pot is tied with a clean cloth. This preparation is thoroughly mixed once a day for 15 days. After 15 days, the fermented solution is filtered and diluted with 10 per cent water and sprayed onto the plants and field.

"The spray has been named NCBT-01 (New College Bio-Technology) and is effective in controlling the grubs," says Mr. Jeya Prakash. In the beginning Pandiaraj did not believe his son when he said this locally made solution could control the pest. But he did not discourage his son and allotted about 7 cents of his



40 cent land for his experiments. While he continued his conventional methods, his son started using his finding (named NCBT-01) on his crops. Mr. Pandiaraj harvested 175 bags in his 40 cents and his son harvested 35 bags from his 7 cents. He harvested his crops in 80-85 days (usual time is 90-100 days) and sold it for Rs.9 a kg. His cabbages weighed half a kg more than his father's," says Mr. Jeya Prakash.

The buyers do not possess any knowledge on organic crops or methods and view everything as equal. All they are interested in is the appearance of the vegetable. It must be glossy and shining for them to fix a price. They are not

bothered how you grow your crops, reasons, Mr. Pandian.

"It is true that traders are not bothered about the cultivation methods and simply do not care about their customers. To them it is money and not consumers," adds Mr. Jeya Prakash. Mr. Jeya Prakash has started a group called V5, which is doing its best to create awareness on the benefits of using organic inputs and organic farming. Readers can contact Mr. Jeya Prakash, no 8/3A, VOC Nagar, New Colony, Ist street, Anna Nagar (East), Chennai: 600102, email: v5organic@gmail.com, mobile: 96008-77686 and 98417-92530.

### **A potential not fully extracted**

India is among the world's 10 largest producers of oilseeds. Soyabean (85-95 lakh tonnes), rapeseed/mustard (55-70 lakh tonnes) and groundnut in-shell (60-70 lakh tonnes) constitute nearly three-fourth of the total annual output of around 260-270 lakh tonnes of nine major cultivated oilseeds.

There are serious structural and other issues that stymie the

growth of oilseeds output. Despite large acreage of 260-270 lakh hectares under cultivated oilseeds (in kharif and rabi seasons), average yields are a low 1,000 kg a hectare, far less than the global average of 1,600 kg/ha and western world average of over 2,500 kg/ha. Cultivation is predominantly rainfed, the level of input usage is low and agronomic practices antiquated. No wonder, oilseeds output shows year-on-

year fluctuation and often, quality is variable. Quality-related pricing is absent. The system of minimum support price has failed to motivate growers.

With rapid economic growth and demographic pressure, demand for oilseeds and their derivative products (mainly vegetable oil and oilmeals) keeps rising. Domestic oilseeds output continues to trail demand by a large margin.

India traditionally had oilseed processing capacities far in excess of domestic raw material production. This has to an extent supported prices as oil mills and solvent extraction plants vie for limited supplies. The industry has for long been lobbying for oilseeds import rather than oils, but the Government has resisted it saying oilseed imports would heighten the risk of entry of exotic pests and diseases into the country.

It is imperative that future growth in oilseed output comes not from area expansion but from

yield increases. Unfortunately, there has been no notable breakthrough in seed technology in the country. Improved input and water management as also agronomy can play a vital role in raising yields. The Technology Mission of Oilseeds set up as far back as 1987 deserves to be revamped.

In terms of production and productivity, India has a long way to go to catch up with the world's best, but there is hardly any evidence of even an attempt. The oilseeds sector lacks clear policy direction for its future growth. It should not be such a daunting challenge for the policymakers, scientists and growers to raise yields by a paltry 100 kg a hectare a year over the next five years. It will arrest further widening of the supply gap. A perspective plan needs to be drawn up taking into account financial, technological and human resource required. The oilseeds sector needs a vision and a commitment to march towards it. Readers are invited to send their responses to [agribiz@thehindu.co.in](mailto:agribiz@thehindu.co.in)

### **Farming with mobile phones**

Mobile phones are an important communication channel today. Be it personal or business,

dependancy on the hand held instrument has become an absolute necessity. But with the onset

of the technological revolution mobile phones are also being used to help the farmer today by informing him when to sow his crops and what fertilisers to use. Thanks, to wireless solution provider Handygo Ltd, farmers across the country can now learn about good farm practices and share their views with experts on their mobiles.

With more than one in every third Indian a mobilephone owner, Handygo has tied up with mobile service provider Bharti Airtel to offer expert advice and information about farming as a value-added service. Handygo is also negotiating with Tata Teleservices and Idea Cellular to further increase its reach. Farmers will have to call the company's service centre on a particular number charged at Rs. 1 per minute to get inputs about

weather, fertiliser, seeds, pesticide and irrigation through its interactive voice response (IVR) technology.

The company has hired a team of farm sector experts to answer the queries. The service will also provide weather forecast using its tie-up with the Indian Meteorological Department. Though information is now being provided through recorded messages, the company is targeting to make the service interactive very soon. It is dispersing information in 20 local languages. Information on bank loans, wholesale rates of various farm items and human and cattle diseases along with their prevention and treatment, will also be added to the services soon. This service began in Haryana and Punjab and till now about 70,000 calls have been received by the company.

### **Groundnut digger makes cumbersome work easier**

Loss in agriculture does not mean only a poor yield, pest attack or natural calamities; it can also be attributed to poor harvesting methods. Many farmers suffer nearly 15- 20 per cent loss during harvest as they are not aware of how to minimize such

wastage. In groundnut cultivation, soon after the pods are harvested, on careful scrutiny one can see many pods still buried under the soil. Normal groundnut diggers fail to dig out all the groundnuts from the field and many pods still remain buried in

the ground and must be manually extracted. The work is strenuous, time consuming and costly for the farmer. An enterprising groundnut farmer, Mr. Yusuf Khan in Rajasthan, thought of developing a machine which could make the cumbersome work easier.

After hard and time consuming work he developed a machine with an elaborate system of crankshafts, flywheel, connecting linkages, and rotating vanes fitted on the shaft to dig out the pods from underground. The machine, retrofitted on a 35 HP tractor, draws power by a coupler from the tractor unit. As the tractor moves forward, the vanes rotate and dig into the ground, scoop, and drop the groundnut into a vibrating storage device with a sieve base.

The sieve filters the pods from the soil. The machine is designed in such a way that the loose soil is thrown back into the field and the pods stay trapped at the top. A movable window hatch provided at the back helps a person to manually remove the pods. Compared to other groundnut diggers, this machine weighs less, can move easily on uneven ground and also be used for collecting stones from fields and roads. Most farmers in Rajasthan

possess large land holdings (more than 2 hectares to 50 hectares) and are forced to complete the harvest as soon as possible to prepare the fields again for the next sowing. The machine seems an excellent way to improve productivity, cut costs and address labour shortage. (Using manual labour for harvesting needs 50 people working at Rs.80 a day to remove the groundnuts from a hectare). Losing even 25 per cent of the harvest in the harsh desert climate means a loss of Rs. 12,000, a huge amount for farmers. Several farmers who bought the machine, loan it to others, thus making a handsome profit.

Those using this machine on rent are quite happy as they spend only Rs.1,500 as hire charges instead of Rs 4,000 (payment to labourers). The unit consumes four litres of diesel per hour and completes digging a hectare in one day. It weighs 300-400 kg and costs Rs.45,000.

Apart from this groundnut digger, modified ploughs and trench diggers are some of his other developments. The trench diggers are also popular as they are more flexible, cost-effective and attachable to any tractor.

## **New cane seeds could wipe out sugar shortage**

Farmers in North India got a welcome gift in the form of three new high yielding sugarcane seeds to be introduced by the Coimbatore-based Sugarcane Breeding Institute. The seeds CO-238, CO-239 and CO-118 will be sown at 27 sugarcane growing centres in the North from the crop season starting October 2010.

The Sugar Technologists Association of India (STAI) has taken the lead to propagate the seeds through the institution's sub-station in Karnal, Haryana. Farmers have been steadily moving away from growing sugarcane to other remunerative crops, leaving most sugar mills with little cane to crush. Dr G. S. C. Rao, President, STAI, said, "We have tested the seeds on 40,000 hectares and found that the yields are about 70 tonnes a hectare against the conventional 55 tonnes. The recovery ranges between 10 and 10.5 per cent against 9.5 per cent normally." The new seeds will be a boon to farmers and sugar companies particularly in Uttar Pradesh

and Maharashtra, which have been facing a huge cane shortage.

Even as the new sugarcane variety will take a year to mature, farmers will gain from higher yield and good prices to be offered by sugar mills.

The sugarcane from the new seeds grow up to 14-feet, against the usual 5-5.5 feet. The longer sugarcane will also produce higher bagasse, which is the fibrous residue of cane stalk obtained after crushing and extraction of juice. One tonne of conventional sugarcane can yield 250 kg of bagasse. In the sugar industry, bagasse is usually combusted in furnaces to produce steam for power generation. A typical sugarcane complex with a capacity of 3,000 tonnes crushed a day can produce 345 tonnes of refined sugar, 6,000 litres of alcohol, 3 tonnes of yeast, 15 tonnes of potash fertiliser, 25 tonnes of pulp, 15 tonnes of wax, 150 tonnes of press-mud fertiliser and 240 MWh of exportable electricity from bagasse.

## **Finance minister calls for review of 'inefficient' farm system**

Finance minister Pranab Mukherjee called for reviewing the country's 'inefficient' farm system

which neither provides remunerative prices to the farmers nor fair prices to customers.

“Our agriculture markets in India are characterised by market imperfections. A huge gap exists between the consumer price and the price received by primary producers. While farmers do not get (remunerative) prices, consumers end up paying more than what should be paid if agriculture markets are competitive and efficient,” Mukherjee said at a CII conference. Pointing out that despite low inflation, food prices have been continuously rising, the minister said, “There is tremendous scope of increasing competition in the (farm) market

to formulate policy changes and innovate products which, in turn, would contribute to farmers as well as consumers.” “There are many anti-competitive practices in our system that needs to be reviewed,”

Terming the procurement of goods and services as a 'key economic activity of the government', Mukherjee also asked the CII to ensure an effective procurement policy. “This will increase the cost effectiveness of public spending in infrastructure and social sector as well,” he said.

### **Chance discovery leads to high-yielding new pigeon pea variety**

Mr. Raj Kumar Rathore, a progressive farmer from Sehore in Madhya Pradesh has developed a new pigeon pea variety that has bushy growth and good yield. Mr. Rathore says, “Wheat is the main crop grown here followed by pigeon pea and soya bean. Earlier, we grew sugarcane. But after the only sugar mill in this area closed down, we switched over to other crops”.

In his 18 acres, he grows wheat and soya bean [15 acres] and on another two acres mango, strawberry, litchi, etc. The remaining one acre he uses for growing

pigeon peas for seed collection. His logic for allotting only one acre to seed production is simple. “It will not be possible to maintain the quality and purity of the seeds if grown on a larger area,” he said.

He accidentally noticed a different plant in his field a few years back. This unusual plant drew his attention as it had bigger flowers with two different colours. Its leaves were long and its pods grew at the top, in bunches. Noticing this unique feature he immediately thought that if he is able to increase the pod bearing and number of branches in the



plant the yield can be improved,. He removed the plant and carefully stored its seeds for sowing in an isolated patch of land in the ensuing year, to observe its growth and the various characteristics. Unlike the regular pigeon pea variety, the plants bore fewer branches.

He tried cutting the top portion a day prior to weeding to facilitate better growth and to restrict further weed growth and enhance branching. Six branches emerged as a result.

He repeated the practice of clipping twice (45 and 90 days) and observed that total of 12-14 branches emerged from a single plant. He repeated this for three seasons, thereby standardizing the technique and multiplying

seeds to a sufficient number. Going by the suggestions of some well-wishers, he sent seed samples to several governmental institutions; he faced ridicule and contempt.

In fact, when he took the seeds to the Agricultural College at Sehare, the scientists did not want to help him. They tried to force him into giving his findings to them. However, encouraging feedback now keeps pouring in from farmers who use his seeds. For more information readers can contact Mr. Raj Kumar Rathore, Mata mandir chouraha, Galla mandi, Sehare, 466001 Madhya Pradesh, phone: 07562-262625, mobile: 09406-528391 and Dr Vipin Kumar, email: vipin@nifindia.org, mobile 98253-16994.

### **Small landholders key to global food security**

“Small landholders and rural development hold the key to global food security and if the small landholders are to fulfill their global potential, then measures, policies and investments are needed at the global, regional and national levels,” said Kanayo F. Nwanze, president of the International Fund for Agriculture Development.

Addressing the millennium lecture at the M.S. Swaminathan Research Foundation at Chennai, Mr. Nwanze called for support to the small landholders with policies and programmes. Only then it would be possible for them to contribute effectively to global food security and reverse the trend in poverty and hunger. While small landholders had to



increase their production to enhance national food security, the government on its part should create favourable environment to enable them to do so.

Stating that food was an integral part of overall security both at national and international level, the IFAD chief said food price crisis had led to riots in about 40 countries and it was estimated that more than one billion people could not afford to buy food and therefore suffered from chronic hunger. He warned that many more would fall into the trap if corrective steps were not taken. Agricultural growth remained the only solution to poverty. The world could ill afford underinvestment in agriculture and it was not enough to increase

production and productivity. Farmers should be linked to vibrant and competitive local markets. He said climate change was one of the most serious threats that would disproportionately harsh impact on millions of poor rural people. Small landholders must be provided with means to adapt to climate change by providing seeds that were more resistant to drought or to floods, besides cutting edge agricultural technologies.

Chairman of the Foundation M.S. Swaminathan said the adverse impact of climate change would cover every aspect of human life. Obviously poor nations and poor people in all countries would suffer more.

### **A labour-saving device to cut sugarcane, remove buds**

The current method of deploying sugarcane setts proved laborious, time consuming and costly. Mr. Roshanlal Vishwakarma, a farmer in Mekh village, Madhya Pradesh, faced acute difficulties in cultivation and alternative method of planting individual saplings. It was hampered by lack of availability of saplings in large numbers. The farmer wondered whether the sugarcane buds,

instead of being planted, could be sown like potatoes on the fields.

He discussed this idea with an expert. Based on the encouraging feedback received, he started working on the idea and developed a simple device after two years of persistent and hard labour. The device, called sugarcane bud chipper, is floor-mounted and equipped with a

knife with a semicircular edge to surgically cut out the buds in a high impact operation, with clean finish and practically no damage to the cane. "Using this device a person can remove nearly 100 buds in an hour," says Mr. Vishwakarma.

The machine can also chop the cane into small pieces, and can handle various sugarcane sizes and diameters. Traditional hand-held cutting tools create a strain on the hands and thumb, cause wastage, and damage with slanting cuts, and are incapable of dealing with hard plant graftings.

The bud-chipper consists of a surface plate, holding stand, reciprocating assembly, actuating lever with adjustable screws, connector, U-shaped cutting knife bolted with a spring stopper projecting downward into a matching groove, supporting studs and spiral spring for gener-

ating thrust. The machine, priced at Rs. 600, comes with a guarantee offer of five years. The unit allows the user to be comfortably seated on the ground and continuously feed the cane with the left hand, while swinging the right arm in a smooth arc to cut the sugarcane buds using the ergonomic spring loaded handle.

It can be used more broadly as grafting equipment wherein buds of large plants can also be removed. The unit is designed in such a way that it could handle any cane-size with the user conveniently sitting on the ground and work.

For details contact Mr. Roshanlal Vishwakarma, P.O. Mekh, Gotegaon, Narsinghpur, Madhya Pradesh 487002 Telephone No. 09300724167 and email: [info@nifindia.org](mailto:info@nifindia.org) and [bd@nifindia.org](mailto:bd@nifindia.org), phone: 079-26732456 and 26732095.

### **Big ticket investors line up for first-ever kisan SEZ**

The proposed Indian Farmers Fertiliser Cooperative Ltd (IFFCO) kisan SEZ project coming up at Nellore district in Andhra Pradesh has attracted investments to the tune of Rs 2,000 crore in the first phase. This is significant as the

multi-product SEZ is the first-of-its-kind in the country in which farmers' cooperatives are participating as stakeholders having primary focus on food processing and agri-based industries.

The SEZ, coming up on around 2,700 acre with an approximate investment of Rs 5,000 crore, has caught the attention of some big investors. Some of them who have shown interest in the project include Mother Dairy's Safal for vegetables and fruits processing, Swaraj Paul group's Fresco for greenhouse and dairy, Ushar Agro for paddy processing and their products; Beejo Sheethal Seeds besides National Fisheries Development Board for ready-to-eat aqua foods; Marine Processing Export Development Authority (MPEDA) for aquaculture, apart from a research centre by the Acharya Ranga Agricultural University in Hyderabad. An MoU

with these companies is expected to be signed in the next three to four months and fresh letters of intent (LoI) would be issued by mid of 2010.

The project has, so far, received 20 LoIs from corporates for allotment of about 925 acre to set up dairy, vegetable and fruit processing industries, cold storages, warehouses and greenhouses. One of the challenges in completion of the project is that there is a taxation issue after the FTA with Asian countries. However, there is no FTA concession for the products made out of SEZ. IFFCO is in talks with the government to extend the concession for this SEZ as well.

### **World Bank to support large projects in India**

The World Bank Group plans to shift focus from individual projects to large consolidated projects to allow it to support India's key priorities with substantial impact of overcoming poverty, its President, Mr Robert B Zoellick, has said. The effort would be to see if World Bank can have billion dollar interventions not only to support financially but also build institutional capacities and help connect other sources of funding, Mr Zoellick said at a press conference.

Mr Zoellick, who met the Prime Minister, Dr Manmohan Singh, said that the World Bank Group plans to double its investments in the Indian agriculture sector to \$ 5 billion in the next three years.

It highlighted that India's strong fiscal and monetary policies had helped counteract a decline in exports and withstand some of the external shocks brought on by the multiple food, fuel and financial crisis. Mr

Zoellick also said that the World Bank Group is also keen to support Indian firms with operations in other developing countries, especially in Africa. The World

Bank has already delivered about \$5.3-billion to India this fiscal year with commitments to power, roads, banking, rural development and water.

### **Integrated management of leaf webber in mulberry**

The leaf webber, *Diaphania pulverulentalis*, is one of the serious pests which infests mulberry predominantly in winter season in many parts of southern states. The female moth lays 150-200 eggs at the rate of 1 to 2 eggs per apical shoot of mulberry plant and they hatch into larvae after 4 days. The larvae have 5 stages (instars) which last for 15 days and then pupate into the soil or in dry leaves. Pupal stage lasts for 9-10 days. The total lifecycle completes within a month's period. The larvae defoliate on the apical shoot after webbing the tender leaves together and inhibit the growth of plants. Hence farmers face shortage of tender leaves to rear chawki (young age silkworms).

Collection and burning of dried leaves from the infested garden and deep ploughing followed by flood irrigation to expose the hidden pupae to their natural

enemies like bird predators is the best method to reduce the emergence of moths. Setting light traps in the mulberry gardens attracts and kills the moths enmasse. The larvae can also be collected and destroyed mechanically by hand picking. Release of the pupal parasitoid, *Tetrastichus howardii* at 20,000 numbers per acre and the larval parasitoid *Bracon bravicornis* at 200/acre 15 days after pruning, *Trichogramma chilonis* at 3 cc/acre sprayed 10 days after pruning assures significant reduction in the incidence.

Spraying of dichlorovos at 1ml/litre of water (200 to 250 litres of solution/acre) two times at the interval of 10 days is recommended in case of severe infestation. It is advisable to use the mulberry leaves for silkworm rearing 10-12 days after spray of the insecticide.

### **Multiple sowing machine saves labour cost**

When small farmers with minimal physical resources or financial assets attempt to improve productivity, they have a limited choice. The only resource they can maximize is knowledge in which they are not poor. The Government of India spends billions through its various ministries for agriculture and rural development activities. However, are we even aware as to what portion of it is spent on promoting innovations that reduce costs, improve productivity, and generate sustainable alternatives.

Mr. Gopal Dave in Rajasthan runs a workshop for repairing agricultural machinery. He also worked as an agricultural labourer and this made him realize the need for a machine to sow multiple seeds, simultaneously.

Farming work is arduous and physically straining. But in our country still a major part of the farming operations are done manually. "Though we do get much information from some authentic sources that some machines are available on hire for

certain practices, the irony is, we do not get them on time and the rules are complicated. With limited financial resources small farmers cannot think of investing in them as prolonged drought or floods will create more problems," laments Mr. Dave.

He developed a simple and cheap machine which can be used for multiple sowing which reduces unnecessary dependence on costly machines or manpower. It is a seed drill with a single metering mechanism, irrespective of the number of rows to be sown, and for range of seed sizes. The seed drill consists of a hopper, seed metering mechanism, ground wheel, power transmission system and seed distributor. The seed metering mechanism is similar to an inverted conical auger housed in a bush fitted in the opening (at bottom) of the hopper. The annular space between auger and bush can be adjusted manually according to the desired seed rate and size.

The seeds passing through the gap are distributed evenly by a distributor unit to all the feed

pipes (eight or nine). The device can be used for sowing single kind of seed (general practice) as well as for mix cropping. The seed drill can be used for sowing even 100gms of seed.

Provision for marking and adjusting the position of auger according to the seed, and also rate desired is provided. In addition, the seed rate can be adjusted from 3 kg/acre for small size seeds to 60 kg/acre for grain or similar crops. Eight distributors (it can be nine for standard cultivator), for distributing seeds evenly in all the furrow openers through seed pipes and a movable lever for disconnecting power from ground wheel to the seed metering mechanism, are also provided.

Hopper capacity of seed drill varies according to customers demand from 20 kg to 80 kg. Due to single point of seed metering and concentrated shape of hopper, very low quantity of seed can

also be sown. There is a view glass in the hopper to enable the user to know quantity of seed inside the hopper.

Due to use of single metering mechanism and concentrated hopper, cost has come down; and the seed drill can be used with very low quantity of seeds. No seed loss (in terms of remaining in the hopper after sowing) occurs. Price of the machine varies from Rs. 10,000- Rs.12,000. Farmers buy it because it eliminates the drudgery of sitting over the cultivator/seed drill and putting seeds in seed tubes continuously.

The National Innovation Foundation in Ahmedabad has extended financial support and guidance to patent the machine and the State Government gives 25 per cent subsidy. Mr. Gopal Dave can be reached at Salawas Tehsil village, Luni Dist. Jodhpur, Rajasthan, mobiles: 09460249145, 09314442804, phone: 0291-2696517.

## **Two circle irrigation**

### **What is two circle irrigation?**

A circular trench is dug at a distance of about a foot away from

the main stem. A second trench is also dug around the first trench. Water is irrigated in the space

between the two trenches. Coconut husks, dried leaves can also be placed in the two trenches and covered lightly with fine soil. The husks and dried leaves absorb the water like a sponge

and release the water during high temperatures to the crop roots and keeps the area moist. This type of irrigation can be done for fruit, palm and other trees.

### **A versatile bean with great future**

India is the world's largest producer, consumer and exporter of castor oil, a versatile vegetable oil amenable to a wide range of industrial applications including in paints, varnish, lubricants, cosmetics and soaps in addition to speciality applications. Castor oil is also used in aviation fuel. Harvested in the kharif season, the bean has a long shelf life and can be stored for an extended period. As for castor seed, from 7.62 lakh tonnes in 2006-07, the output expanded to a record 10.53 lakh tonnes the following year and to a new high of 11.15 lakh tonnes in 2008-09.

In the current year, however, due to inadequate precipitation, output has fallen to 9.46 lakh tonnes, according to the first estimate of the Ministry of Agriculture. Gujarat is the principal State for production of castor seed, followed by Rajasthan and Andhra Pradesh.

### **Exports**

Growing of castor seed is impacted by not only by weather conditions, but also by price the growers receive. Given its large production base, India is the dominant player in the world castor oil market enjoying almost 80 per cent of the export market share. Our export markets are well diversified to include Europe, the US and Japan. A significant part of export is raw castor oil which fetches lower prices than value-added products. Despite opportunities in the last two decades, as a group, Indian exporters have failed to directly cultivate end-users in industrialised countries. Much of the value-addition takes place outside India. Also, domestically, investment in research and development of value-added products is limited, while backward integration by large processing companies is virtually non-existent.



## **Bright prospects**

With the world going green and use of fossil fuels becoming

expensive, the prospects are bright for castor oil.

## **India set to retain top spot in milk production**

India is expected to maintain last year's record of being the world's largest milk producer, with an estimated 110 million tonnes in 2008-09. The country achieved the distinction with the production of 104.8 million tonnes in the 2007-08, according to a spokesman of the National Dairy Development Board. The spokesman said the world's milk production was expected to be 688 million tonnes in 2008-09, a marginal 1.7 per cent increase over the previous year as against about four per cent increase achieved by India.

Within the country, farmers'

milk cooperatives showed a better performance. They procured about 9.2 million tonnes, an increase of 9.7 per cent over the previous year, handling over 14 per cent of the national marketable surplus. The cooperative sector covered about 21 per cent of the country's villages and over 18 per cent of the total milk-producing households in rural areas. The NDDB had prepared a Rs. 173 billion plan for the next 15 years to increase milk production with better productivity, substantially strengthening and expanding the infrastructure for procurement and human resources development.

## **Machine that transplants, applies fertilizers, digs irrigation channels**

Farmers in South Maharashtra cultivate onion as a cash crop during the Rabi season (October to January). But transplanting 8 to 10 weeks-old seedlings to the main field is a labour intensive operation. Mr. Pandharinath Sarjerao More, a farmer in

Ahmednagar, Maharashtra, on the banks of the river Godavari (45 km from Shirdi), noticed a scarcity of skilled farm workers during planting season.

As for quality harvest, accurate row and plant spacing, and handling transplants without damage

was required, he decided to develop a device to mechanize the sowing of onions. He failed in his initial attempts to make a fully automatic version.

Spending a month on various configurations, he finally built a semi-automatic working model at a cost of Rs 18,000. The tractor drawn onion transplanter performs three functions at a time transplanting, applying fertilizers, and digging irrigation channels. The unit assembly consists of a cultivator frame, fertilizer box, fertilizer conveying tubes, trays for keeping the seedlings, two ground wheels, furrow openers, chutes to deliver the seedlings, and seating arrangement for up to four people.

The machine retrofitted to a 22-35 HP range tractor moves forward and the star wheel type metering mechanism gets the drive to release the fertilizer in the tubes.

On the field, the speed of operation is kept at 1-1.5 kmph. The seedlings are delivered manually in the delivery chutes for planting. Row-to-row distance of about 17 cm and plant-to-plant distance of 8 cm can be maintained using this machine, whereas conventional

methods usually achieve a distance of 22cm and 11 cm respectively. Two depth controlling wheels fitted on either ends of the equipment maintain the uniform depth of planting, which is kept at 1 cm. In the conventional method of planting, it is very difficult to maintain straight rows, which is a barrier in mechanical weeding. Using the machine, a hectare (2.5 acre/day) can be planted. One driver and four workers are needed to operate it and the machine is superior compared to the conventional methods which cover 0.05 hectare per day.

At Rs 1,000 per hectare, this machine achieves a cost savings of 80 per cent in transplantation cost in the region. Also, in the conventional method of onion planting, about 1, 70,000 to 1, 90,000 seedlings per acre are transplanted using 40 people whereas 20,000 to, 25,000 seedlings per acre can be transplanted using this machine. Owing to the uniform furrow and spacing, mechanical harvesting of onion becomes easier once transplanting has been done. This also results in uniform bulb size, which fetches a good price in the market.

The machine also sows seeds of cereals and pulses. The farmer declared the technology as open source for people and firms to manufacture or sell as per requirements. Some manufacturers in Pune and Nasik and Ahmednagar are manufacturing and selling the transplanter to customers. On an average, the

machine costs Rs. 30,000 with a fertilizer drill and Rs 18,000 without it. For more details readers can contact Mr. Pandharinath Sarjerao More, At. & Po., Sangavi Bhusar, Kopargaon Ahmednagar, Maharashtra 423602, phones: 02423-262070, 202070, mobiles: 9881269253 and 9420748253.

### **SRI principle may be applied to other crops**

Encouraged by the growing acceptance of the System of Rice Intensification (SRI) technique in the State of Tamil Nadu, authorities in-charge of the World Bank-funded Irrigated Agriculture Modernisation and Water Bodies Restoration and Management (IAMWARM) project are contemplating applying the SRI principle for pulses and sugarcane crops. At present, around 70,000 hectares of irrigated area have been brought under SRI as part of the IAMWARM project. However, overall coverage in the State at the end of 2008-2009 was about 5.4 lakh hectares as the concept was being promoted by different agencies. Essentially, SRI seeks to combine best agronomic practices. It is a cultivation method that requires less nursery area,

water and labour and fewer seeds. More importantly, the yield is more than in the conventional system. Alternate wetting and drying of fields, use of rolling markers and mechanical weeders and transplanting seedlings less than 15 days old with one seedling in a square of 25 cm x 25 cm are some of the characteristics of SRI.

A senior official associated with the project says Cornell University in the United States has been approached on the application of the SRI principle in the case of pulses. This is because Cornell University is associated with the promotion of the concept. Tamil Nadu Agricultural University (one of the implementing departments of the Project) has started working on sugarcane

independently. The objective behind the IAMWARM project is to improve irrigation service delivery and productivity of irrigated agriculture with effective integrated water resources management in a river basin/ sub-basin framework in selected 63 sub-basins, commanding an area of 6.17 lakh hectares.

Going by official data, the SRI concept has resulted in increased

yield in the last two years of implementation of the IAMWARM. Compared to the conventional system, the yield increase has been 20 per cent in Arjunanadhi (Virudhunagar district) sub-basin, 44 per cent in Varaghanadhi (Villupuram), 58 per cent in Ponnaiyar (Krishnagiri) and 92 per cent in Swethanadhi (Salem and Namakkal).

### **Put agri reforms back on track: CII**

The Centre should push through reforms in agriculture and food processing for economic development of the rural sector and farmers, according to Mr S. Sivakumar, Chairman, Foodpro 2009 an exposition on food processing industries being organised by the Confederation of Indian Industry. Mr Sivakumar said that the recent implementation of the Food Safety and Standards Act, 2006 with the establishment of an authority to supervise is a welcome step. This should be followed up with a unified food law that does away with complicated systems in place now.

The authorities should get the reforms process in agriculture back on track by toning down the Essential Commodities Act and restarting futures trading in commodities. Taxes on agriculture commodities should be done away with or if needed should be in the minimum slab under the proposed Goods and Services Tax that is set to replace VAT. Also, local taxes should be done away with and free movement of agriculture goods should be ensured. This would help development and attract investments in food processing industries, he said.



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3. 0.50% of incentives will be given to PCA&RD Banks on Deposit amount collected on behalf of SCA&RD Bank remitted to KSCA&RD Bank by PCA&RD Bank.

## STRENGTHEN THE FARMERS BANK

**FOR DETAILS, PLEASE CONTACT US OR OUR BRANCH OFFICES OR ANY PRIMARY  
CO-OPERATIVE AGRICULTURE AND RURAL DEVELOPMENT BANK IN THE STATE.**

A. R. Shlvaram, B.Com, LL.B.  
President

R. Shivaprakash, K.C.S.  
Secretary

M. Venkatarreddy, K.C.S.  
Managing Director

# THE HIMACHAL PRADESH STATE COOPERATIVE AGRICULTURE & RURAL DEVELOPMENT BANK LTD.



Kasumpti, Shimla – 400 009.

The Bank was established in 1961 to extend long term and medium term loans to farmers for agriculture and allied agriculture activities through 49 branches respectively in the State of Himachal Pradesh.

## THE BANK FINANCES FOR:

<b>Farm Mechanization:</b>	Tractor, Thresher set and other implements etc.
<b>Horticulture/Plantation:</b>	Apple, Stone, Citrus and other plantations.
<b>Animal Husbandry:</b>	Dairy development, Cattle sheds, Sheep & Goat rearing, Poultry, Sericulture, Floriculture, Fisheries, Mushroom, Piggery, Rabbit rearing, Packing & Grading House etc.
<b>Land Development:</b>	Land levelling, Land reclamation etc.
<b>Non Farm Sector:</b>	Small scale industries, Cottage industries including service sector, Rural housing, SRTOs, Rural godowns, etc.
<b>Minor Irrigation:</b>	Construction/repairs of irrigation well, Tubes well, Deep tube well, Installation of pumpsets, Pipelines, Lift irrigation, etc.

## Bank accepts FD for 1 year and above at following rate of interest.

1 year 8.00%      2 years above 8.25%      0.5% more interest for Senior Citizens.

## SALIENT FEATURES:

1. Interest payable: Quarterly/half yearly and yearly as per demand.
2. Monthly income scheme is available.
3. TDS is not deducted on maturity of FDs.
4. FD outstanding as on 31.3.09 is within the own fund limit.
5. All the loans issued by the Bank are theoretically recoverable since they are secured by registered mortgage of land.
6. Loan against FD to the extent of 75% of FD amount.

Bank provides 1% P.A. rebate of interest on loans to the regular loanees.

**FOR FURTHER DETAILS PLEASE CONTACT US OR OUR BRANCHES OF THE  
BANK IN THE STATE.**

**Sher Singh Chauhan**  
Chairman

**Mohar Singh Thakur**  
Vice Chairman

**K. D. Rana**  
Managing Director





# उत्तर प्रदेश सहकारी ग्राम विकास बैंक लि०

10, माल एवेन्यू, लखनऊ - 226001

उ०प्र० को उत्तम प्रदेश बनाने हेतु पूरे प्रदेश में तहसील एवं कतिपय विकास खण्ड स्तर पर कार्यरत अपनी 323 शाखाओं के माध्यम से समग्र ग्रामीण विकास कार्य हेतु दीर्घकालीन वित्तीय ऋण सुविधा उपलब्ध कराने वाली शीर्षस्थ सहकारी संस्था।

## उद्देश्य

1. लघु सिंचाई योजना : ट्यूबवेल, पम्पसेट, स्प्रिंकलर आदि
2. कृषि यंत्रीकरण : ट्रैक्टर, हार्वेस्टर, थ्रेशर रोटावेटर आदि
3. विविधीकरण योजनायें : डेयरी, पशुपालन, मुर्गी पालन, मत्स्य पालन आदि
4. औद्योगिक विकास : आम, अंगूर, आंवला, पान, केला ग्लैडियोलाई, गुलाब, औषधीय पौधों की खेती एवं वनीकरण
5. अकृषि क्षेत्र : ग्रामीण कुटीर एवं लघु उद्योग परम्परागत उद्योग, तेलघानी, धानमिल, कोल्हू, आटा चक्की, स्कूटर, मोटर साइकिल रिपेयरिंग सेंटर, बैट्री चार्जिंग, टेलीविजन, रेडियो, टेपरिकार्डर एवं मोबाईल रिपेयरिंग, हेयर कटिंग सैलून, कम्प्यूटर टाइपिंग एवं साइबर कैफ़े, वायरमैन एवं मोटर बाईडिंग, माडर्न लॉन्ड्री, जलपान गृह, बेकरी उद्योग, 22 हा.पा. की क्षमता के जनरेटर सेट, आफसेट प्रिंटिंग प्रेस आदि।

## विशेष सुविधाएं

- दीर्घकालीन कृषि ऋण किसानों को न्यूनतम ब्याज दर पर उपलब्ध।
- समय पर ऋण अदायगी करने वाले किसान भाइयों को ब्याज में एक प्रतिशत अतिरिक्त की छूट।
- अपना समस्त बकाया अदा करने वाले किसान भाइयों को बैंक की एक मुश्त समाधान योजना के अन्तर्गत ब्याज में 50 से 60 प्रतिशत तक की छूट। योजना 30.06.2010 तक लागू।

## आकर्षक मासिक आय जमा, दोहरा लाभ जमा/सावधि जमा योजना

अब एक वर्ष व उससे अधिक अवधि के लिए लागू, उपभोक्ता की मांग के अनुरूप तिमाही, छमाही अथवा वार्षिक ब्याज भुगतान की सुविधा के साथ मासिक जमा योजना की सुविधा भी उपलब्ध।

## बैंक की सावधि जमा योजना में 9% तक वार्षिक ब्याज

अमल कुमार वर्मा

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नियुक्त प्राधिकारी

नवल किशोर

प्रबन्ध निदेशक

उत्तर प्रदेश सहकारी ग्राम विकास बैंक लि०

प्रधान कार्यालय : 10-माल एवेन्यू, लखनऊ

दूरभाष : 0522-2238844, 2238842, 2238840, फ़ैक्स : 0522-2239806

वेबसाइट : [www.upgramvikasbank.up.nic.in](http://www.upgramvikasbank.up.nic.in), ई-मेल : [lbd@up.nic.in](mailto:lbd@up.nic.in)



## THE PUNJAB STATE COOPERATIVE AGRICULTURAL DEVELOPMENT BANK Ltd.

SCO 51-54, BANK SQUARE, SECTOR 17-B, CHANDIGARH


Ph: 2727253, 2703581, 2708134,

Fax: 2705513, 2703105

### PROMOTING THE ECONOMIC INTERESTS OF THE RURAL PEOPLE OF PUNJAB

The Bank through the 89 Primary Cooperative Agricultural Development Banks, provides long-term loans for investment purposes.

The major activities of lending are as under:-

- 
1. Land Development & Minor Irrigation
  2. Dairy Development
  3. Animal Husbandry including Poultry, Sheep, Goat & Rabbit Rearing etc.
  4. Horticulture, Farm Forestry & Floriculture
  5. Farm Mechanisation
  6. Inland Fisheries.
  7. Swarojgar Credit Card
  8. Mushroom Cultivation
  9. Two Wheelers
  10. Kisan Credit Card
  11. Agro Service Centre
  12. Rural Godowns
  13. Rural Housing
  14. Contract Farming
  15. Calf Rearing
  16. Agri. Development & Agri. Marketing Infrastructure
  17. Non-Farm Sector Activities
  18. Bee Keeping, SRTIO
  19. Sprinkler Irrigation
  20. Education Loan

Disposal of Loan Application done within 15 days of submission of application.



#### Rates of Interest on Loans w.ef. 2-2-2009

1. Upto Rs. 50000/-
2. Above Rs. 50000/-

10.50%  
11.75%

1½ % rebate in interest to Good Pay Masters  
Additional 0.50% rebate to Women borrowers.  
PADBs charge only simple rate of interest on loans.  
Rate of interest is one of the lowest among ARDBs in the country.  
Loan Fees of only Rs. 100/- per loan case. No loan fees from women loanees.

**For further details contact the Manager of the PADB of your area**

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For over four decades, we have been working towards the enhancement of farm productivity in the country by ushering in modern means of mechanisation. Our current range of high-performance tractors, coupled with advanced agri implements, like rice transplanters, sugarcane cutting solutions and combine harvesters, helps farmers enhance

productivity in their farms manifold. And to make sure all these technologies are available to each and every farmer, we have a nationwide network of dealerships and service centres offering doorstep services.

Every Mahindra tractor reflects our commitment to superior quality. In fact, we are the world's only tractor company to win the prestigious Japan Quality Medal and the Deming Application Prize for excellence in quality. But a matter of greater pride for us is that Mahindra Tractors is a reason for over 15 lakh families to lead a prosperous life.

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