सीएबी कॉलिंग
CAB Calling

150th Issue

Volume 39 Issue 2 July-December 2016

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CAB Calling

कृषि बैंकिंग महाविद्यालय, पुणे की अर्धवार्षिक पत्रिका

Half-Yearly Journal of the College of Agricultural Banking, Pune

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मुख्य संपादक की कलम से

From the Desk of Editor-in-Chief

प्रिय पाठकों,

मुख्य संपादक के रूप में यह मेरा पहला संपादकीय है। सीएबी कॉलिंग का यह 150 वां अंक है। सीएबी कॉलिंग का पहला अंक 15 नवंबर 1977 को प्रकाशित किया गया था। 150 वे अंक के भाग के रूप में सीएबी कॉलिंग के पहले अंक की एक प्रति आपको देते हुए मुझे खुशी हो रही है। पहले अंक में गवर्नर महोदय, श्री एम. नरसिंहम, के भाषण का उद्धरण है जिसमें उन्होंने यह सुनिश्चित करने पर जोर दिया था कि ऋण के मात्रात्मक विस्तार के लिए भी गुणवत्ता आवश्यक है जो केवल प्रशिक्षण से ही प्राप्त हो सकती है। 150 वें अंक के लिए संदेश देने का अनुरोध करते हुए हमने सीएबी के कुछ भूतपूर्व प्रधानाचार्यों से संपर्क किया। डॉ. पी आर दुभाषी (1 अप्रैल 1970 से 26 दिसंबर 1979 तक सीएबी के प्रधानाचार्य) तथा श्री एच. आर. खान, भूतपूर्व उप गर्वनर, भारतीय रिजर्व बैंक, के संदेश इस विशेष अंक के लिए आप तक पहुंचाने में मुझे खुशी हो रही है।

इस अंक में दो केस अध्ययन है–एक किसान उत्पादक संगठन पर और दूसरा चुनिंदा राज्यों में बैंकिंग प्रवेश और ऋण तक पहूंच। इसके अलावा, प्रमुख लेखों में शहरी सहकारी बैंकों का विनियमन और पर्यवेक्षण, जैविक खेती, ग्रामीण खेती (हिन्दी में) और आईटी सक्षम सेवाओं के माध्यम से कृषि वित्तपोषण– शामिल हैं। अधिकांश लेखों में कृषि, कृषि वित्त और संबंधित क्षेत्रों में उभरती प्रवृत्तियों पर चर्चा की गयी है। इसमें पुस्तक समीक्षा भी शामिल है।

इस अंक को प्रकाशित करने में हुए विलंब का मुझे खेद है।

आपसे निरंतर सहयोग की आशा करते है।

– मधुमिता सरकार देब

Dear Readers,

This is my first editorial as the Editor-in-Chief. This is the 150th issue of CAB Calling. The first issue of CAB Calling was published on November 15, 1977. I am happy to share with you a copy of the first issue of CAB Calling as part of the 150th issue. The first issue contains extracts of the speech of the then Governor Shri M. Narsimham wherein he emphasised the need to ensure that quantitative expansion of credit has to meet also the test of quality which can only come through a good deal of training. We had reached out to a few former Principals of CAB requesting messages for the 150th issue. Dr. P. R. Dubhashi, Principal, CAB from April 1, 1970 to December 26, 1979, and Shri H. R. Khan, former Deputy Governor, Reserve Bank of India have sent their messages for this special issue which I am happy to share with you.

This issue contains two case studies- one on 'Farmers Producer Organization' and another on 'Banking Penetration and Access to Credit in Selected States', and articles on Regulation and Supervision of UCB's, Organic Farming, Rural Farming (in Hindi) and Financing Agriculture in Smart Way by means of IT-enabled services. It also contains a book review.

I apologize for the time lag in publishing this issue.

Looking forward to a continuing association.

- Madhumita Sarkar Deb

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I, Madhumita Sarkar Deb, hereby declare that the particulars given above are true to the best of my knowledge and belief.

Sd/-
Signature of Publisher

Date: December 31, 2016

Message to CAB

I am delighted to learn that 150th issue of "CAB Calling" is being issued. My hearty greetings and good wishes to the CAB Family. I had the privilege of being the Principal of CAB from April 1,1970 to December 26, 1979, functioning from the beautiful new campus of CAB which was built by RBI. CAB was started to promote training in Agricultural Credit and Banking to the staff of commercial banks when government decided that they should provide credit to agriculture as priority sector. At present, at the time of agricultural distress, CAB should play a critical role to support the agricultural economy.

Dubhashi

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Harun R Khan
Former Deputy Governor
Reserve Bank of India
Former Principal of CAB &
Editor-in-Chief, CAB Calling 2004-2007

I am extremely happy to learn that 150th issue of CAB Calling will be released soon. I take this opportunity to compliment the Principals, Members of the Faculty, Staff and the Printers/Designers who over the years have contributed to the growth and development of this prestigious journal.

I have fond memories of being associated with CAB Calling during my tenure as the Principal of the College of Agricultural Banking (CAB) from August 2004 to May 2007. During this period I and my colleagues and Sanjay Malpathak of Anson Advertising and Marketing as the designer and printer of the journal made concerted efforts to upgrade its quality and expands its reach. I remember spending many hours running late into the night in reviewing the proof of the magazine and tinkering with its design as I didn't want to have any issue of CAB Calling being printed with any unintentional mistakes and gaps. We made special efforts to get quality articles and research papers from within and outside RBI. The highlights along with the recommendations arising out of the deliberations of the seminars and conferences organized in the college were also published in the journal. Book reviews were made regular feature of the journal. Many special issues (e.g. Organic Agriculture, Financial Inclusion and ICT, SHG Movement, Agriculture Agenda for India, etc.) were brought out.

We made special efforts to qualitatively improve the design and layout of the journal by adding graphics, introducing photo features, improving the quality of the paper and using multi-colour printing.

The whole effort was aimed at making CAB Calling an important reference material on development banking and make it attractive enough for subscribers/readers to look forward to each issue. As a result, the subscription base increased substantially and, if I remember correctly, the print orders increased from about 1000 to more than 3000 copies.

My best wishes once again to the Editor-in-Chief and all the people involved with CAB Calling on this occasion of publication of its 150th edition.

Harun R Khan

Nov. 1977 to Aug 1[illegible]

CAB Calling

CAB RBI

Vol. 1 November 15, 1977 No. 1

About the Newsletter

In response to persistent requests from the participants of various CAB programmes to have continuing liaison and dialogue with the College, we have much pleasure in introducing 'CAB Calling', our quarterly newsletter Among others, it will include articles, empirical data based on field studies, important developments in the field of agricultural banking and allied subjects, and outlines of some of the successful agricultural projects.

The success of this newsletter largely depends upon the response of our alumni for whom it is primarily intended. We welcome any ideas, experiences, articles or success stories that our participants could offer to us. We hope to receive active cooperation and constructive suggestions from our readers in general and alumni in particular in improving the quality and in turn the utility of this newsletter.

In this maiden issue we have attempted to give a fairly good coverage to the activities of CAB among other important events but in the subsequent numbers we propose focus more on latest developments in the field of agricultural banking, technological innovations, success stories etc. Of course, all this largely depends upon the response from the alumni and other well wishers.

Activities of CAB :

The Indian agriculture has been witnessing an era of revolution over a decade. From traditional subsistence farming, agriculture has undergone tremendous technological development involving complex activities viz. use of irrigation water, hybrid seeds, chemical fertilizers, insecticides and pesticides. These changes have thrown a challange not only to banks in the cooperative sector, which have been in the field for several decades but also to commerical banks which have since taken to financing of agriculture in a big way. Unlike sporadic and scattered security oriented lending in the past, the emphasis now is on production oriented loans, village adoption / area and project approach to lending by financial institutions linked with the 'incremental income' concept. Banks have thus been called upon to shoulder greater responsibilities in dispensing diversified credit needs of agriculturists both quantitatively and qualitatively. This had made it necessary for the banking sector to have a cadre of skilled officers, well trained to handle the business of financing agriculture and other allied activities, short, medium as well as long term. With this end in view, the College of Agricultural Banking (formerly known as Cooperative Bankers Training College) was established in Pune in September 1969. It is a residential institution providing for fully equipped lodging and boarding facilities for all its participants. The College has an excellent auditorium which can accommodate over 350 persons. The college also offers facilities for indoor/outdoor games so that the participants can pursue extra-curricular activities during their stay in the College Campus as a necessary ingredient of a good corporate life.

To begin with, CAB's attention was bestowed mainly on urban/primary cooperative banks, central cooperative banks and state cooperative banks scattered all over India. Of late, however, increasing emphasis is being placed on the management staff of Land Development Banks and senior and middle level officers of commercial banks and Regional Rural Banks (RRBS). Added to these are the special training requirements of the Reserve Bank's own officers from the Agricultural Credit Department / Department of Banking Operations and Development as also from the Agricultural Refinance and Development Corporation. Besides, Officers of Central/ State Governments associated with preparation and execution of agricultural projects are also admitted to some of the general and specialised courses as are of interest to them. The CAB also attracts participants from neighbouring countries like Afghanistan, Sri Lanka, Nepal, Indonesia and some African countries.

The CAB's curriculam provides for a wide variety of programmes ranging from broad spectrum-standard courses to specialised courses on various subjects relating to financing of agriculture and allied activities. Keeping in view the varied requirements of middle-level and senior level officers of various institutions, 15 different courses are at present being conducted by CAB, 2 of which are held at Madras, at present. Of these, an assignment of far-reaching importance to the College relates to the responsibility taken up by it in introducing in September 1975 a 4 weeks' intensive training programme titled 'Agricultural Projects Course' (APC) for orienting officers of financing institutions as also State Government officials connected with agricultural development schemes, to project identification, formulation, appraisal, monitoring and follow up by using sophisticated techniques of appraisal such as Benefit Cost Ratio (BCR), Net Present Worth (NPW) and the Internal Rate of Return (IRR). The response to the various courses conducted by CAB has been very satisfactory as evidenced from it's turnover during the last two years of (July-June) 1975-76 and 1976-77 as indicated below.

	1975-76	1976-77	Total
No. of courses *	54	56	110
No. of participants *	1527	1665	3192

* Inclusive of outstation programmes.

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Outstation training programmes

One of the distinguishing features of the activities of the College is to conduct short duration intensive and incompany training programmes at outstation centres in response to specific demands from cooperative and commercial banks and the State Governments. The outstation programmes are conducted near about the place of work of the participants and are tailored to suit the specific needs of the sponsoring institutions and the participants concerned after carefully studying the peculiar problems of the region, level and educational background of the participants and the job expectations. During the last two years, CAB conducted 33 outstation programmes in which 1160 officers participated.

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Trainees from abroad

A few foreign countries particularly the African countries have expressed their eagerness to depute their officers for various courses conducted at CAB. Recently, 3 officers from Tanzania underwent 4 weeks training in the APC. We have received nominations from these countries for our Animal Husbandry as also Agricultural Finance Programmes. The Agricultural Development Bank of Nepal has sought admission for its officers to our Agricultural Finance (AFC) as also Agricultural Projects Courses (APC).

Teaching Methodology

The CAB deploys a wide variety of useful and interesting teaching techniques which include, in addition to the conventional lectures and discussion methods, syndicate and case studies, faculty quiz, brain storming and participative processes of learning by making increasing use of field visits emphasis being made on dissemination of knowledge and sharing of experiences through mutual inter-action between the participants and the faculty. This is more facilitated because of the residential nature of the institution. The CAB is also endeavouring to make extensive use of audio-visual equipment as an aid for imparting training. It has a compact agricultural museum deploying samples of rocks, soils, various types of hybrid seeds, wool, jute, tobacco as also exhibits of disease-affected plants and insects/pests. It has also set up a film library of its own. The College has a well equipped and rich library with a good collection of useful books on diverse subjects.

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New Programmes

Agricultural development is a complex process. The diversity in Indian agriculture offers scope for specialisation in different disciplines of agricultural and allied projects. After stabilising itself in two specialised courses, viz. Agricultural Projects Course (APC) and Animal Husbandry Course (AHC), CAB introduced 4 more specialised programmes.

(i) Regional Rural Bank Branch Managers' Programme

Following the decision of the Government of India to entrust to CAB the responsibility for training the chairmen and branch managers of Regional Rural Banks (RRBs), the first development programme for the branch managers was introduced on 15 November 1976. This programme is designed to cover the principles and practices of rural banking and certain essential aspects of branch management, with special emphasis on lending to the weaker sections of the society at the village level. The duration of the programme which was initially for 6 months, has been reduced to 3 months as it was felt that the reduced duration was adequate. During the training at CAB the participants are sent for field visits for a total period of 4 weeks with a view to exposing them to the day-to-day working of a bank particularly the sponsoring bank as also some of its rural branches. They also during this time, prepare a 'business plan' by collecting the data in the field from the farmers/villagers, identify the specific potential in the area and complete a format supplied to them by CAB. The 'business plan' so prepared by each participant for his own area (the participants are invariably sent to their own areas of operation) is discussed in detail during the last phase of the training and each officer carries with him a tentative plan for action. In the 4 programmes held so far, 127 branch managers have been trained; the fifth programme in the series is due to commence at CAB on 21st November 1977.

ii) Performance budgeting :

This programme of one week is intended for the Mangers/Senior level executives of the State/Central/Primary (Urban) Co-operative Banks. The main objectives of the programme are to develop attitudinal changes in the personnel of cooperative banks in regard to their working and develop conceptual depth in scanning environment, assessment of business potential and planning branch business as also to provide reorientation towards development of banking.

iii) Financing of Tree Crops :

A good deal of attention is to be paid to the requirements of small planters and small fruit orchard owners. With a wiew to covering in detail all aspects of identification, formulation, appraisal and implementation of plantation and horticultural schemes, particularly small plantations including nuts, spices, fruits, betelvine projects, this specialised programme of two weeks' duration has been introduced on a regular basis for the benefit of the middle-level officers of cooperative and commercial banks. The economics of cultivation of vegetables (which are often raised as an inter crop) is also covered in this programme with a view to ensuring adequate flow of credit to this important daily need.

iv) **Trainers' Training Programme :**

The first conference of the Principals of training colleges of coopetive and commercial banks in the country dealing with agricultural banking was organised by CAB on 27 and 28 June 1977. The objective of the conference was to share the experiences of the heads of training institutions and to examine the role CAB could play for providing pedagogic support training, monitoring and consultancy, designing and standardising of training material and other relative aspects such as planning, organising, conducting and directing, of various training programmes.

Following the consensus reached at the conference, first trainers' training programme was organised at CAB during the first week of August 1977 in which 31 members of faculty from different training institutions in the country participated. In response to the requests made at the conference, CAB has decided to serve as a 'clearing house' for the exchange of training materials, like handouts, case studies, model problems and exercises, etc. prepared by itself as also by other banks' training establishments.

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Other special programmes

i) The probationers recruited to various All India Administrative Services are expected to take up in due course, on completion of their training, key administrative posts like Project Officers, Registrars of Cooperative Societies, District Collectors etc. It was, therefore, felt desirable to brief them on the institutional set up available for financing agriculture, requirements of banks for adjudging a scheme 'Bankable', data needed for preparation of development schemes in agriculture as also their appraisal The College devised a suitable course content to cover these aspects in consultation with the director of the Academy and the Principal and a faculty member briefed a batch of Indian Administrative Service probationers in March 1977 at Lal Bahadur Shastri National Academy of Administration, Mussorie This assignment is going to be a continuing one.

ii) At the behest of the Government of Kerala, the College designed and conducted a week's programme in May 1977 for the District Collectors as also Secretaries of the State Government about the scope for agricultural development in that region as also the requirements of the financing institutions for lending for agricultural development.

Thus, in view of the larger and diversified demand for training programmes from various banks/ Government. CAB has been developed and is fully equipped to provide consultancy in designing and conducting as also directing of various training programmes. Its endeavour now is to develop itself more as trainers' training institute to ensure multiplier effect of training as also to develop standard training material which could be used in different training establishments.

iii) **Orientation programme for the non-officials in the cooperative sector**

The College conducted at its Campus in Pune the first programme for senior policy makers in the cooperative sector on 22 and 23 September 1977. In the programme the main thrust was to orient the directors of the state cooperative bank and four urban cooperative banks in Goa to the performance of their duties and responsibilities in the context of development banking.

Perspective for the future

Keeping in view the current thinking in the country as also our needs the College is contemplating to introduce in the near future (subject to approval of the College Committee) the following three specialised courses :

1) Integrated Rural Development
2) Financing of agro-based small scale industries
3) Financing of construction of godowns and market yards.

Participation certificates

There had been persistent requests from the participants of the earlier courses to grant them certificates in token of their completion of training programmes in the College. The CAB is now awarding participation certificates on the successful completion of training courses both in the College as well at its outstation programmes. For administrative convenience, these certificates are being awarded in respect of programmes held from January 1976.

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Visit of Reserve Bank Governor

Shri M. Narasimham, Governor, Reserve Bank of India visited CAB on 1 August 1977 and inaugurated the first programme on trainers' training and financing of tree crops and the fourth development programme for RRB branch managers.

In his inaugural address, the Governor said that CAB represents in a way a combination of two streams of interests which the Reserve Bank has always had–one in agriculture and the other in training. He emphasised the need to ensure that quantitative expansion of credit has to meet also the test of quality which can only come through a good deal of training. Due to the diversity in agriculture and existence of different agro-climatic regions in our country, the Governor exhorted that a certain amount of basic foundation through training is necessary for our bankers to gain familiarity with the special characteristics of different regions, their cropping pattern and the clientele. The whole concept of training, he explained, is to impart to the bankers the means to acquire the sixth sense of perception and adopt an objective and impersonal credit appraisal criteria.

The Governor said that there is close inter-dependence between agricultural sector and industrial sector and emphasised the need to put agriculture on the road to a sustained growth. It is agriculture one has to turn to either from the point of view of raising the standard of living or widening the areas of employment or improving the balance of payments position of our country. The physical inputs needed to improve agriculture can be applied to an optimal degree if only provision of adequate credit is ensured; it is agricultural credit which enables the farmers to transform traditional agriculture into high-technology agriculture and makes agriculture a remunerative and rewarding business proposition rather than a way of life.

The Governor reiterated the need to involve the small farmers in the technological revolution. Lending to small farmers is not only socially but economically desirable so as to provide for the widest possible base for economic growth accompanied by a measure of redistribution. While he impressed upon the bankers to take care of the credit needs of small farmers, he exhorted the concerned authorities for expediting tenurial legislations and land reforms.

Referring to the adequacy of agricultural credit, the Governor clarified that the co-operative system will have to bear the major share of the task of widening institutional agricutural credit because of the built-in provision of retail outlets which are so far flung that it will take a long time before any other type of institutional credit agency can percolate to all the corners of this country. He, however, added that all is not well with the cooperative movement. In this context, he suggested for broad-basing the membership of the cooperative system and speedy recovery of overdues which are virtually clogging the cooperative credit pipe-line. The Governor also mentioned about the impressive performance of commercial banks in extending agricultural credit since their entry into the field. He, however, added that there are certain basic organisational limitations in depending only on commercial bank lending for agriculture. It is in this context that the idea of setting up of Regional Rural Banks (RRBs) gained ground. The RRB is meant to be a local institution like a cooperative bank with the same familiarity with local conditions expanding its operations in a compact area without losing its local identity and at the same time being essentially a commercially organised bank like any other scheduled bank with the access to the main banking stream. The field of agricultural credit is so vast in India, the problem so diverse and complex and the field for experimentation so wide, that there is scope for different types of institutions to function as long as they do not overlap and come in each other's way.

Regarding the medium-term and long-term credit for agriculture, the Governor emphasised the need for making farm investment on schematic rather than sporadic basis. In this context, he appreciated the sophisticated modern appraisal criteria followed by CAB in its various training courses. Referring to the two new courses introduced by CAB for the first time, the Governor said that the special course on 'Financing of Tree Crops' was just appropriate in the context of rising prices for commodities like cotton, oilseeds, fruits and vegetables. The reduction of cost without detriment to the farmers' interests could be achieved only through improved yield which requires adoption of modern scientific approach not merely in terms of cultivation practices but credit appraisal as well. As regards the trainers' training programme, the Governor advocated the need for a standard course with a common syllabus, common methodology and common system of training and expressed his happiness over CAB for having taken up this assignment. He concluded his extempore speech by extending his very best wishes to the participants for their successful careers.

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Liaison with FAO and World Bank

With a view to re-orienting the faculty in the specialised training programme of agricultural projects, a few faculty members have been deputed to participate in different courses to the Economic Development Institute (EDI) of the World Bank. They were also associated with the functioning and working of the FAO, Rome, with particular reference to the identification of potential projects in the developing world.

Visit of foreign dignitaries

(i) Dr. J. Price Gittinger, Chief, Agriculture, Rural Development and General Projects Division, Economic Development Institute, International Bank for Reconstruction and Development visited the College during the period from 17 to 23 February 1977 in order to study the programme contents, teaching materials and methodology followed for imparting training in the Agricultural Projects Course conducted at CAB.

(ii) Prof DT Edwards, Director, Project Planning Centre for Developing Countries, University of Bradford, U. K., Mr. Perez Bukumunhe, General Manager, Cooperative Bank Ltd., Kampala, Uganda and Mr. PA Ryhanan, Agricultural Credit Officer, FAO, Rome visited CAB in February and March 1977 with a view to acquainting themselves with the working of the College.

(iii) A team consisting of 9 officers from Ethiopia, Kenya and Tanzania led by Mr. J P. Chausse, Agricutural Services Division, FAO, Rome visited CAB on 17 and 18 March 1977 with a view to acquainting themselves with the various courses conducted by the College as also exploring the possibilities of CAB offering training facilities for officials of their banks.

(iv) Six representatives hailing from the neighbouring countries, viz Nepal, Bangladesh and Sri Lanka, headed by Dr. S. G. Madiman, FAO, Rome visited CAB in May 1977 to explore the possibility of opening a regional centre sponsored by FAO for conducting the trainers' training programme for the teaching staff of these countries

(v) Mr. Charles Nyirabu, Governor, Bank of Tanzania accompanied by three other senior bankers from Tanzania viz. Mr. P.A. Magani, Chairman and Managing Director, Tanzania Rural Development Bank, Mr. D.A. Nekembo, Chairman and Managing Director, National Bank of Commerce and Mr. E.C. Ndissi, Senior Economic Adviser, Bank of Tanzania, visited the College on 25 August 1977 to study its working, etc.

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Feature Articles

Urban Co-operative Banks: Key Regulatory and Supervisory Challenges and the Road Ahead

Ashish Srivastava*

Soundness of the financial system participants is a key element of the financial stability framework. In India, the banking system plays a dominant role in the overall financial system. Therefore, one of the core objectives of the banking regulations is to ensure the safety of the banks from the financial distress and to protect the interests of depositors. However, the regulatory and supervisory structure has to remain alive to the existing weaknesses, unresolved issues and emerging challenges in order to stay on the curve. As a small though important part of the banking system, the urban co-operative banks (UCBs) perform important functions through their superior customer service and local reach. This paper discusses the key regulatory and supervisory challenges relating to the UCBs and suggests a way forward towards a healthy and vibrant UCB sector.

I. Introduction

A sound and resilient banking sector, well-functioning financial markets, dynamic liquidity management and efficient payment & settlement infrastructure are the cornerstones of a stable financial system. An important aspect of financial stability relates to the soundness of the financial system participants as the negative effects of bank failures on other financial and non-financial institutions could be destabilising and potentially reinforcing. The financial system is like a chain, which is only as strong as its weakest link. In India, although our financial system is quite safe and sound, yet there are some weak links. While these may not have broad systemic repercussions at present, the need for timely actions to safeguard the interests of common depositors and the public at large cannot be overemphasised.

Urban co-operative banks (UCBs) play an important role in providing banking services and meeting the credit needs of the small and medium scale borrowers through their local and community base. Over a period, a lot has been done to improve the regulation and conduct of the UCBs, there remains a number of unresolved issues and complexities and hence, the need for a continuous fine-tuning of the regulatory architecture. This paper is a practitioner's perspective on the key regulatory and supervisory challenges relating to the UCBs and also an attempt to suggest a way forward to a healthy and vibrant UCB sector.

II. The UCB Sector – Performance Indicators

Primary Co-operative Banks, popularly known as Urban Co-operative Banks (UCBs) are registered as co-operative societies under the provisions of, either the State Co-operative Societies Act of the state concerned or the Multi-State Co-operative Societies Act of 2002. The Reserve Bank of India has entered into a

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memorandum of understanding (MOU) with the central government and various state governments for harmonization of regulation and supervision of these banks under the provisions of the Banking Regulation Act of 1949, as applicable to co-operative societies (AACS). As at end-March 2016, the co-operative banking sector comprised of 1,574 urban cooperative banks (UCBs) and 93,913 rural co-operative credit institutions, including short-term and long-term credit institution†. During 2015-16, there was a moderation in the growth of UCBs' balance sheets. Their profitability indicators and asset quality also deteriorated.

An analysis shows that the most of the UCBs are very small and about 54% of the aggregated deposits of ₹ 3921.79 billion as on March 31, 2016 was controlled by only 63 (4%) urban co-operative banks. Similarly, only 35 (2%) UCBs have about 47% of the total advances of ₹ 2450.13 billion in the sector by the end of fiscal 2016 (Figure 1. 2).

UCBs are known for their excellence in customer service, relationship and community banking. However, lack of a critical mass in case of most of the banks, the absence of a clear sense of direction, and managerial deficiencies are generally considered as factors responsible for various maladies prevailing in this sector. Gradual convergence of regulations and the fact that most of the UCBs operate in cities and urban areas place them in the same space dominated by commercial banks, a challenge for which a number of the UCBs are ill prepared. At present, UCBs are supervised on the basis of a slightly relaxed CAMELS framework. The distribution of the 4-point supervisory ratings (Figure 3) on the basis of last inspections (up to March 2016) shows that about

Figure 1: Distribution of UCBs by Size of Deposits (Rs Bn)- 31 March 2016 : Number and Percentage of bank (Total 1574 UCBs)

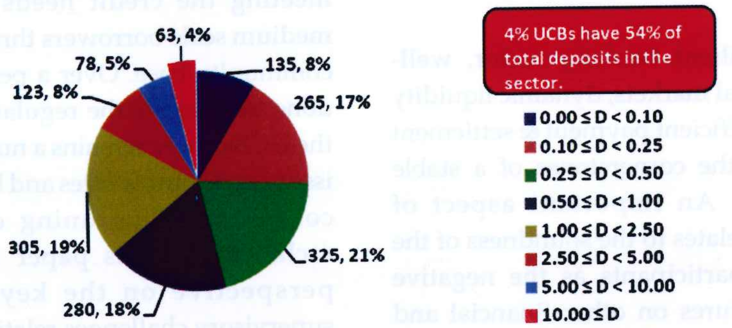
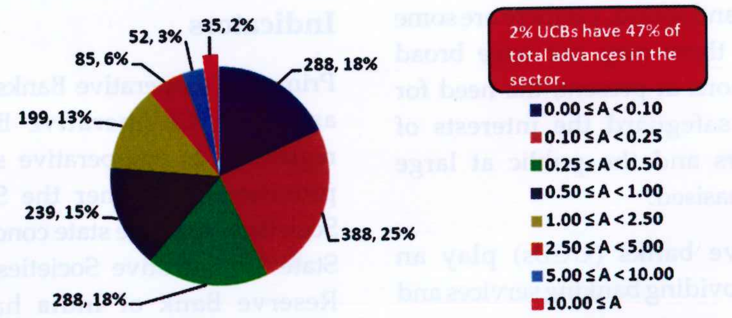


Figure 2: Distribution of UCBs by Size of Advances (Rs Bn) - 31 March 2016 : Number and Percentage of banks (Total 1574 UCBs)



†Report on Trend and Progress of Banking in India 2015-16.

22% of the banks had unsatisfactory/poor ratings (C and D). About 26% of the banks had the highest supervisory rating (A) and about 52% of the UCBs were rated as satisfactory (B). Notwithstanding the ratings, there are certain regulatory and supervisory challenges which require deliberations to safeguard the interest of depositors and to find a way forward for the sector.

III. Regulatory & Supervisory Challenges

The challenges emanating from the UCBs could be broadly clustered around three aspects, namely, Capital, Governance, and Systems. This is not to suggest that these three areas exhaustively cover all the regulatory challenges in this arena. However, the issues relating to these aspects broadly cover the concerns in respect of asset quality, liquidity, and earnings as well and hence; it may be sufficient to deliberate upon these clusters.

Regulatory Challenges - Capital

Regulatory capital requirements serve several purposes, in addition to provide a cushion to absorb unexpected losses during normal conditions as also during the periods of stress. Due to inherent risks in banks, the banking regulation seeks to ensure that banks operate in a safe and sound manner. One of the conditions a bank must meet to be considered safe and sound is that it holds sufficient capital to support the risks inherent

Figure 3: Rating wise distribution of UCBs (number and percentage of banks)

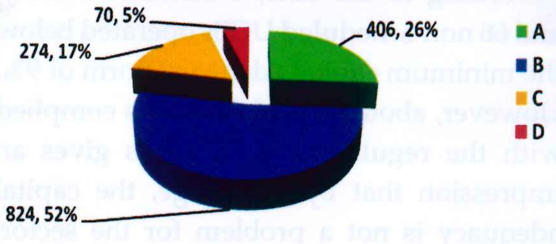
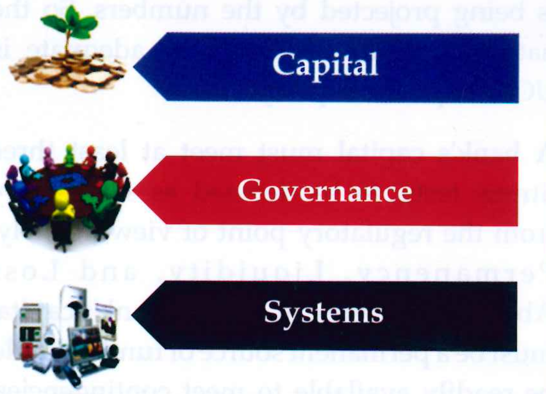


Figure 4: Key Regulatory Challenges



in its operations. The capital adequacy regimes in most countries are based on the international bank capital standards developed by the Basel Committee on Banking Supervision (BCBS), starting with the Basel Capital Accord of 1988 (also known as Basel I) and the subsequent frameworks known as Basel II and Basel III. At present, UCBs are subjected to a 9% capital adequacy requirement (capital to risk-weighted assets) largely based on Basel I norms for credit risk and an element of market risk.

Figure 5- CRAR Position of UCBs as on March 31, 2016

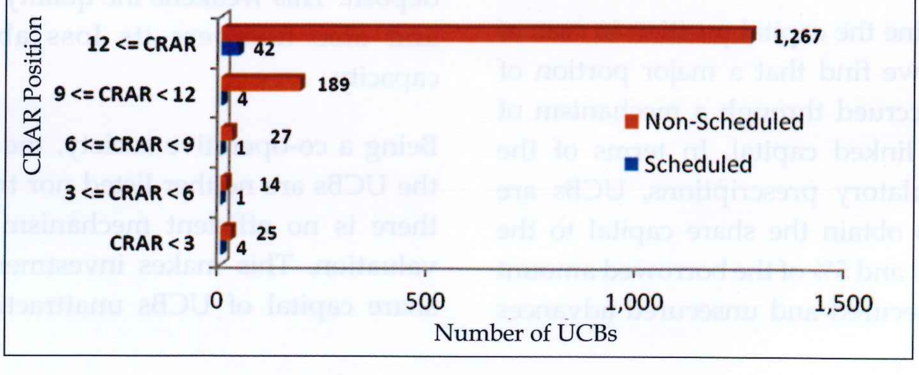
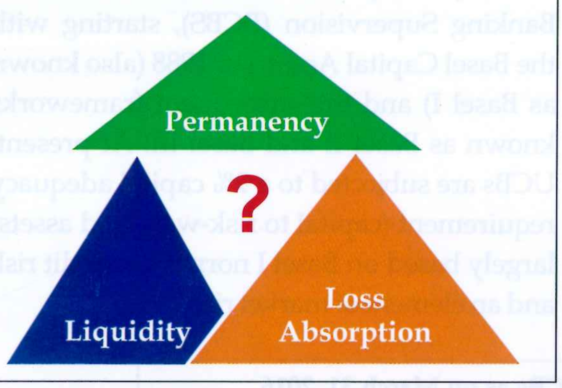


Figure 5 presents a position of capital adequacy of UCBs as on 31 March 2016. According to the data, 6 scheduled UCBs and 66 non-scheduled UCBs operated below the minimum capital adequacy norm of 9%. However, about 95% of the UCBs complied with the regulatory norm. This gives an impression that by and large, the capital adequacy is not a problem for the sector. However, if one digs a little deeper, the situation may appear to be contrary to what is being projected by the numbers. So the natural question is that how adequate is UCB's capital adequacy?

A bank's capital must meet at least three litmus tests, to be deemed as satisfactory from the regulatory point of view, namely, Permanency, Liquidity, and Loss Absorption (Figure 6), i.e. the bank's capital must be a permanent source of funds, should be readily available to meet contingencies, and should have the capacity to reasonably absorb unexpected losses.

Figure 6: Capital Adequacy - Litmus Tests



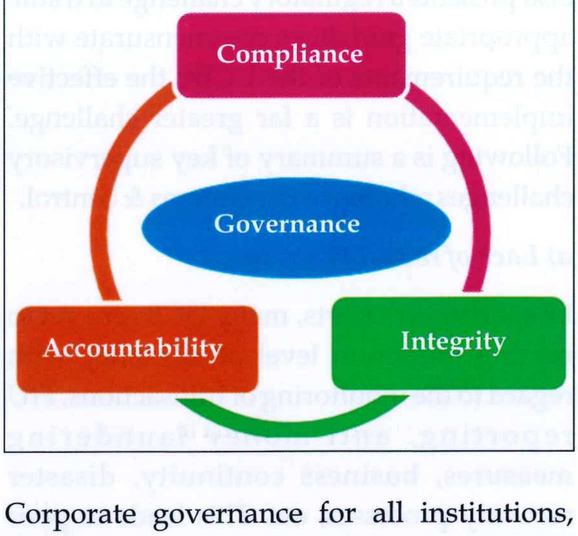
If we examine the capital position in case of the UCBs, we find that a major portion of capital is accrued through a mechanism of borrowing linked capital. In terms of the extant regulatory prescriptions, UCBs are required to obtain the share capital to the tune of 2.5% and 5% of the borrowed amount in case of secured and unsecured advances respectively, with some relaxation for the UCBs having a continuous higher capital adequacy position. In most of the cases, such accretion to the capital is accounted for through an adjustment in the actual funds disbursed against the total sanctioned amount. Therefore, at the time of accretion, such capital contribution essentially remains a book entry without any actual inflow of funds for the banks and in a way it is nothing but the financing of capital by advances. Therefore, such capital could neither be liquid nor loss absorbing. However, in a situation when the total debited advance is fully recovered by the bank with interest, the initial capital accretion may turn liquid. Unfortunately, though, the experience shows that the borrowing linked capital most often gets adjusted with loan closures notwithstanding certain restrictions in bye-laws/Co-operative Society Acts. Hence, practically the borrowers are disbursed only the capital adjusted amount of loan and they also usually repay only to that extent. They have to pay interest on the total debited amount to their loan accounts, though. Therefore, the borrowing linked capital in most of the situations fails to meet the tenet of permanency in addition to its failure to fulfil the requirement of liquidity and loss absorption. A behavioural dimension is that many shareholders remain oblivious to the risks attached to being a shareholder and consider the amount deducted by the bank towards the share capital just as a refundable deposit. This weakens the quality of capital and also hampers its loss absorption capacity.

Being a co-operative society, the shares of the UCBs are neither listed nor traded and there is no efficient mechanism for their valuation. This makes investments in the share capital of UCBs unattractive to the public at large and as such limits the ability of UCBs to raise durable and liquid capital funds. Another alternative is that the promoters/founding members provide the needed capital. However, experience in a number of cases shows that a high proportion of promoters'/founding member's share capital in UCBs create vested interests within the UCBs and this also goes against the co-operative character of the UCBs.

Regulatory Challenges – Governance

Governance is a multifaceted term that takes on a variety of meanings across disciplines. In the case of banks, an effective compliance to the prudential regulations and supervisory instructions, accountability in the decision-making structure and chain of command, and integrity in the managerial processes are the fundamental underpinnings of a good governance structure.

Figure 7: Governance Structure



Corporate governance for all institutions, including financial intermediaries, has become an important issue in various national and international fora. In 1997 the Organization for Economic Cooperation and Development (OECD) issued a set of corporate governance standards and guidelines to improve the legal, institutional, and regulatory frameworks for corporate governance.

Some of the UCBs suffer from poor governance structures and practices. As a matter of fact, lack of good governance is central to deficiencies in various areas of their operations ranging from the asset quality to various due diligence processes. In general, a number of UCBs suffer from the governance related deficiencies essentially related to the regulatory compliance, accountability and integrity. Specifically, the following issues pose serious challenges to the good governance standards in case of UCBs.

a) Cooperativeness of co-operatives

In terms of the organisational structure, UCBs are co-operative societies. However, there are certain question-marks on the cooperativeness of these co-operatives. Experience shows that in many cases the democratic functioning – elections, decision making, etc. is just a myth. Only a small fraction of members participate in elections/ general meetings and the UCBs are de-facto run by a small coterie of family and friends in many cases. This defeats the very purpose of the co-operative banking movement and in turn, such UCBs become nothing but family owned business entities financed by depositors.

b) Boards and Secretaries/CEOs

Prudential regulations place the highest responsibility for the functioning of UCBs on their boards and professional directors. However, it is ironical that many of the present day negative net worth UCBs have reached to their sorry state of affairs due to unscrupulous acts of their boards or

http://www.oecd.org/corporate/principles-corporate-governance.htm secretaries. An interesting phenomenon is that within the UCBs, two sets of operating mechanisms are observed. While some UCBs are essentially run by their boards and the secretaries execute the board's instructions, there also exist some UCBs in which boards play just a perfunctory role and the actual control vests with the secretary. Both the situations are unhealthy and call for corrective action as there are clearly delineated roles and responsibilities. Functioning of the audit committee/professional directors is also found unsatisfactory in many cases. Due to the RBI's rigorous persuasion, almost all UCBs have appointed independent professional directors. However, due to the lack of any stringent deterrent or market discipline, in many instances, the professional directors either do not evince interest in the affairs of the bank or in worst cases become a silent party to the misdeeds. Further, by camouflaging the regulatory restrictions, many superseded boards return back to the power through proxies/family members.

c) Fraud detection, reporting and action

The onus of fraud detection, prevention, reporting and action is placed on the bank's management. However, it has been observed especially in the case of small-sized UCBs that much more than the risk of frauds by employees or customers there exists a greater risk of frauds being perpetrated by the management itself. Such frauds seriously endanger the very existence of the bank and obviously, initiation of action becomes very tedious. Even the criminal complaints filed by the Reserve Bank or the Co-operative department keep on languishing for years and in many cases, the Administrators appointed in place of superseded boards also do not travel an extra mile. Several such instances including the Madhavpura case have resulted in the extinction of the bank to the peril of depositors.

d) Non-compliance

Recurring and wilful non-compliance is another critical governance problem. Many instances are observed where a deliberate violation of IRAC & provisioning norms is observed just to present a rosy financial position to the public. In most of the cases, either auditors turn a blind eye or limit their action to comments in the audit report instead of a memorandum of changes (MOCs). The fact that the public dissemination is limited to the published financial statements makes it impossible for depositors/other stakeholders and the public at large to know the real state of the bank's financial position. Of late, some UCBs have also started an unhealthy trend of raising a deliberate dispute with the statutory inspection findings just to delay or avoid the regulatory actions.

Supervisory Challenges-Systems and Control

Systems and Control is an area which is a serious supervisory challenge. Though it also presents a regulatory challenge to frame appropriate guidelines commensurate with the requirements of the UCBs; the effective implementation is a far greater challenge. Following is a summary of key supervisory challenges relating to the systems & control.

a) Lack of robust IT set up

Despite many efforts, many UCBs are yet to reach a minimum level of efficiency with regard to the monitoring of transactions, FIU reporting, anti-money laundering measures, business continuity, disaster recovery processes, etc. This leads to poor monitoring of transactions, lack of integrity in regulatory reporting and even wilful misreporting or concealments. There have been instances of the imposition of monetary penalties by the FIU-IND on some UCBs for deficient or non-reporting of transactions.

b) KYC-AML

With focus gradually shifting from the mere adherence to know your customer (KYC) norms to an extended anti-money laundering regime (KYC-AML), UCBs have to gear up to the challenges. In many UCBs, the KYC-AML compliance is far from satisfactory. They also need to make all-out efforts to meet the requirement of the central KYC registry.

c) Connected financial dealings

Connected financial dealings are gradually emerging as a serious control issue. This menace has grown much beyond the mere direct/camouflaged director related loans and now includes several other areas such as rental, supplies, maintenance, purchases, etc. in which connected financial transactions are carried out without scrupulously following the arm's length principle and propriety. Though there exist certain restrictions on connected transactions in the respective co-operative society acts, there is no credible deterrent to safeguard the interests of the depositors and the institution as a whole. Further, there is hardly any restriction on the Secretary related loans, which is grossly misused in many UCBs where the secretary enjoys a de-facto control.

d) The quality of human resources

Many UCBs suffer from poor quality or insufficient strength of the human resources. This leads to poor standards of the due diligence processes. While lower pay and allowances in UCBs is a reason for this predicament, at the same time nepotism and lack of a merit-based staff selection process are also reasons for this problem.

Emerging Regulatory & Supervisory Concerns

In addition to the issues discussed above, there are several areas of the concerns which have started emerging in recent time and hence, require due attention to ensure an effective action. Some of the critical issues are listed as follows.

a) Inter-branch accounts

Inter-branch cash and non-cash transactions are increasingly becoming a serious concern with UCBs trying to expand their branch network. Lack of proper automation and deficiencies in reconciliations amidst a maze of transactions leaves scope for unscrupulous/fraudulent entries remaining hidden in the books.

b) Expenditure is the holy cow

With increased supervisory surveillance on the asset side of the balance sheet, some unscrupulous entities have found an easy wash-off through the expenditure route. Due to ineffective concurrent audit system, many such instances remain out of the supervisory sight but could seriously jeopardise the financial health of the banks and the interests of depositors.

c) Certain types of loans

Experience shows that that certain loans such as loan against deposits, when unmonitored, could be misused as a tool for money laundering through intra-day/next day transactions. Another serious concern arises from the rising tendency towards the mortgaged loans (loans against property) without any identified end use of funds. A majority of such loans are raised in two ways –

(1) A shadow NINJA (no income - no job - no assets) borrower with the actual beneficiary / property owner merely acting as a guarantor, or,

(2) A property owner without any evidence of a commensurate repayment capacity or identifiable future cash flows.

Most of these loan proceeds are used in cash and repaid in cash without any identified source of repayment or end use of funds. In most of the cases, these loans are used as a cover for unidentified/undeclared sources of income. Many UCBs consider these loans as very safe and try their best to please the customer by acting as conduits for a possible tax evasion/money laundering. However, a regulated entity should not, knowingly or even unknowingly, promote any unscrupulous activities and hence, this is a cause for concern.

d) Manipulation around the balance sheet date

Window dressing around the balance sheet date is not a new phenomenon and though efforts were made to sensitise the banks against such practices, the menace assumes greater concern when it involves unscrupulous / fudged accounting entries to conceal certain aspects of the books of accounts.

IV.The Way Forward

There is a need for sustained efforts both on the part of the regulator as also the UCBs to ameliorate the deficiencies and to develop the UCB sector as a healthy supplement to the mainstream commercial banking. UCBs could play a very important and positive role in meeting the specific requirements of the certain segments of our socio-economic system. Following steps could be undertaken in this regards.

(A) For UCBs

a) Promoting Niche Banking

At present, most of the UCBs compete with the commercial banks for the same crowded space, which is not only difficult for them given their limited resources in comparison to the commercial banks, at the same time such competition is not at all productive and impacts the credit quality. A much better way for UCBs is to specialise in the sectors which need them, namely, small & affordable housing, small traders/artisans, two/three wheelers, etc. Each UCB could choose one or two sectors and focus exclusively on lending in that sector only.

b)Improving skill sets and risk management

In a niche model, it would be far easier for the UCBs to develop specialisation and manage their credit risk in a much more effective manner.

c) Rationalising lending rates

At present lending rates are quite high in case of many UCBs. Such higher rates deter a good borrower to approach UCBs when the market rates are lower and push the UCBs into a poor credit trap, where they find themselves catering to less creditworthy borrowers. A low creditworthy borrower enhances the credit risk and in turn, puts pressure on the risk premium component of the lending rate. This is a vicious cycle of high lending rates - inferior credit - higher lending rates and the UCBs must come out of this.

(B) For the Regulator

a)Improving the quality of capital

There is a need to improve the permanency, liquidity and loss absorption capacity of the capital. Within the constraints inherent in the co-operative structure certain steps

§https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=822

could be undertaken, for instance a suitable lock-in period and restrictions on the repayments (in case of a lower CRAR) could be introduced. Another way is to allow only transfer of shares after a certain period of time instead of the refund of the share capital and prescribe a cap, floor and time specificity on its accretion/movement. A proper and transparent disclosure about the loss absorbing nature of capital to the prospective members would go a long way in improving the quality of capital.

b)Looking beyond the TAFCUB

TAFCUB has played an important role during the last decade, though not without dysfunctions such as delayed decision making, conflicting interests of stakeholders, loss of confidentiality about crucial decisions, etc. Now it is high time to move forward either through a thorough restructuring of the TAFCUB set up or by way of managing a common control regime for all the banks through the legislative process. Once an entity is granted a banking licence, its form of organisation and applicable laws should be subordinate to a regulatory architecture under the Banking Regulation Act of 1949.

c) Strengthening enforcement

Creating a culture of compliance and strict enforcement of regulatory/supervisory instructions should be ensured at every cost. There is a need to establish a clearly defined *ex-ante* senior manager personal responsibility regime for actions and decisions of a regulated entity. Instituting a system of recognising good governance/ regulatory compliance and penalising its absence is the key. There is a need to effectively implement the rewards and punishments in respect of the regulatory compliance and governance standards and there should be a zero tolerance for impropriety by the key stakeholders.

d) Board of Management (BoM)

As suggested by the Malegam/Gandhi committee[§], there should be a Board of Management (BoM) in addition to the Board of Directors (BoDs). However, there should be certain restrictions on common membership/ conflict of interest between the BoD and the BoM.

e) Higher entry point capital norms

At present, the entry point capital norms for the UCBs are too low in comparison to the capital norms for small finance banks/payment banks, which have far more restricted operations than the UCBs. There should be no space for a regulatory arbitrage in the system which could be misused towards vested interests.

f) Resolution mechanism

At present, the resolution mechanism for UCBs is very inefficient and slow and the real sufferers are the hapless depositors. This required strengthening through a legislative route. In addition, there should be a better and quicker deposit insurance coverage with risk-based insurance premium. In the UK for example, the deposit insurance coverage of £85,000per person** is about 50 times the minimum monthly wage. In the USA, the deposit insurance coverage is $2,50,000 per depositor[††]. In contrast, our deposit insurance coverage of ₹1,00,000 is hardly 8 - 10 times the minimum monthly wage in India. Though a reliable data is not available, the average bank deposit size in India is reasonably higher in PPP terms in comparison to UK or USA. As such, there is a need to enhance the deposit insurance coverage as also the swiftness of the execution of the coverage for an improved depositor protection.

g) Thinking beyond the Traditional Wisdom

We need to think beyond the traditional wisdom to curb certain deficiencies prevailing in the UCB sector and put these banks on a healthy growth trajectory.

h)There is a need to make a distinction not only in terms of regulations but also in terms of public awareness about a full service fully regulated bank and others. For instance, in Europe, the Building Societies and Credit Unions are clearly distinguished from the banks. Though they provide somewhat similar services as banks, they operate on a narrow path and do not use the word 'bank' in their names.

i)The Gandhi committee had suggested an optional conversion of UCBs with the business size of ₹ 20,000 crores or more into a commercial bank. However, given the regulatory arbitrage between different structures, there have not been many takers for this suggestion. As such, there is a need to put in place a ceiling on the maximum number of branches and the business size under the present UCB model.

j)There is a need to ring-fence the deposits much before the deposit erosion creeps in. Deposit erosion turns out to be an irreparable loss in most of the situations. Any risk to the depositor's money should be nipped in bud and hence, the trigger for an effective supervisory action should be the capital erosion without waiting for the deposit erosion. There is also a need to recognise the fact the imposition of all inclusive directions for a protracted period of time neither helps the cause of depositors nor other stakeholders.

k)Market discipline plays a very effective role in the supervisory process. However, at present, the public gets to know only the financial statements put in place by the UCBs in some obscure publications in most of the cases. The quality and integrity of the financial information are really not good in a number of cases. As such, it is high time to consider limited information sharing with the public by the regulator. This could be done by placing summary inspection financials of the regulated entities on the RBI website. Though such disclosures are not a common practice in the international arena, their quality of corporate governance and integrity of financial statements and disclosures are very high and hence the situation is different. We need to establish and develop such good practices in our space as well. Until such time, there is a need for out of the box thinking for better results.

V.Concluding Observations

UCBs could play a positive role in spreading the financial inclusion and providing the needed banking services to their customers. UCBs must capitalise on their strengths namely, customer service and relationship banking and move forward under a niche banking model. There are sectors of the economy which need hand-holding and an adequate credit flow. UCBs could fill such gaps by transforming themselves to specialised niche institutions. Even retail banking has a lot of scope if someone could offer excellence in the customer service. Governance remains the central focal point for a continued success and for that UCBs have to initiate proactive steps rather than awaiting a diktat from the regulator.

**https://www.fscs.org.uk/what-we-cover/products/banks-building-societies/(accessed on 11 April 2017)

https://www.fdic.gov/deposit/deposits/(accessed on 11 April 2017)

Governance being a top-down function, a clearly defined *ex-ante* senior manager personal responsibility regime is highly essential. Moving from compliance to governance is the core of all regulatory requirements and thinking beyond the compliance is critical for agility and effectiveness. The regulator and the UCBs both should think differently as to what could be done instead of being worried about what cannot be done. With a renewed focus, effective governance, improved capital and integrity in operations, UCBs could position themselves at a bright spot.

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Financing of Agriculture in a Smart Way: Delineated Issues

C. L. Dadhich*

There is a dire need of financing agriculture in smart way to enhance production through higher productivity, increased resilience from risks and reduced side effects to ensure food security and economic development of the country. The success of smart agriculture will largely depend on availability of credit. Despite a number of measures taken for augmenting the flow of institutional credit, the availability of credit is far from satisfactory particularly for term loans needed for smart agriculture. However, banking network developed in recent years in the form of banking outlets under BC model, PMJDY accounts, introduction of kisan credit cards, agri-clinic scheme, revitalization of co-operatives reorientation of lending policies by NABARD and its proactive role, etc. will go a long way in augmenting the flow of credit.

I. Introduction

India's agricultural growth has been a cause of concern for some time now. Though the sector is poised to grow at 4.4 per cent in gross value added (GVA) for 2016-17, an impressive jump from the previous year's growth rate of 0.8 per cent, the swing only indicates the high dependency on the monsoons and the continued reliance on traditional farming methods. The contribution of agriculture in India's economic output is about 14 per cent now, down by almost half since the 1980s though more than 50 per cent of the country's population is involved in farm-related activities.

This state of affairs is unlikely to meet the needs of a nation that has emerged in global development mapping. On the one hand, we see stagnation and decline in agriculture coupled with emerging challenges posed by climate change and water shortages. On the other hand, there are dramatic socio-economic changes as literacy and life expectancy rise, more people are digitally connected and a data revolution takes root. These are opportunities to meet the emerging challenges of the agriculture sector and offer an opportunity to leap ahead. Such a leap can come only if the nation is driven in its mission to adopt the agriculture financing in a smart way. Just as the national conversation has moved swiftly towards digital payments and 'smart' cities, we need to move with even greater speed to make smart finance as a national priority.

Indian population is growing faster than food production in India. This phenomenon resulted in mismatch between demand and supply of food. We have to increase our food production through higher productivity without loss of further time. This apart, faster rise in income in recent years has impacted food consumption pattern

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significantly. The demand for high value agricultural commodities like fruits, vegetables, milk and milk products, egg and poultry products and fish, etc., has risen in recent years. Unless production is increased, food inflation may remain unabated. The lifestyle changes have also impacted demand for new agricultural products like low calorie foodstuff, etc.

There is a dire need to make judicious use of scarce natural resources like arable land, ground and surface water and limited fossil fuel for production of agricultural commodities in general and food production in particular. This will be possible only through the efficient use of these scarce natural resources for agricultural production.

Socio-economic changes like improvement in literacy rate in general and women literacy in particular, urbanization, age-wise composition of population (share of senior citizens in total population) and some specified program like MGNREGA. These changes impinge the availability of labour force, necessitating the smart agriculture.

India witnessed a number of agricultural revolution viz., green revolution, white revolution, blue revolution, and so on. These revolutions contributed to growth in agricultural sector, yet at times brought its unhealthy developments, such as, green revolution encouraged indiscriminate use of chemical fertilizers and pesticides impacting the quality of soil; excess irrigation caused water logging, etc. Similarly, market driven white revolution achieved milk production largely by increasing the number of milch animals rather than improving the yield per animal. This has caused adverse impact on environment, competition between men and milch animals for food and fodder, higher water consumption for producing milk particularly in arid zone areas. According to a study by Singh *et al.*, 2004, dairying based rural livelihoods systems are now threatening the limited water resources. Smart way to finance agriculture is needed to mitigate such side effects.

II. Literature Review

In common parlance, the smart agriculture is an approach for transforming and reorienting agriculture under the new realities like climate change, socio-economic changes, etc. (Lippur*et al.*, 2014). However, most comprehensive definition of the smart agriculture was given by the United Nations in 2013. Accordingly smart agriculture substantially increases productivity, enhances resilience (adaptation), reduces (mitigation) ill impact (side effects) of various developments to achieve food security and economic development of the country. It mainly addresses climate change effectively. As a result it is also known as Climate Smart Agriculture (CSA). The undercurrent of these definitions is transformation of the agriculture to increase production through enhanced productivity, enhance resilience and mitigate the ill-effects of various developments. It is a broad version of precision farming and sustainable farming with explicit focus on climate change.

Smart farming is the transformation and reorientation of farming to increase yields through enhanced productivity, improved resilience and reduced side effects. Only this can help India keep pace with the rising demand for agricultural commodities from a population marked by growing numbers, rising incomes and attendant changes in lifestyle and consumption patterns. Such changes and developments have generated a demand for high-value commodities such as milk and milk products, egg and poultry products, fruits and vegetables, and fish products. This has strained limited natural resources such as arable land, groundwater and fossil fuel, and re-enforced the need for smart farming.

Smart farming centres around six 'E's: (i) economic viability of the farming; (ii) efficient use of limited natural resources such as higher production per unit of water, land, and labour resources; (iii) energy saving of limited fossil fuel; (iv) equitable distribution of benefits across the farming community and inter and intra-regional distribution; (v) environment/ecology protection; and finally, (vi) employment generation to ensure high income levels.

III. Scope of Agricultural Financing – Smart Way

As we include allied and other ancillary activities under agriculture, the smart agriculture includes apart from the crop production, sub sectors like livestock, horticulture and plantations, fisheries, and forestry. It also includes whole gamut of supply chain and agri-business activities: soil management, drought tolerant varieties, dairy development, farming catfish, carbon finance to restore crop fields, waste reducing rice thresher, rainfall forecasting, incentive system for low carbon agriculture, etc. A typical example of smart farming intervention relates to National Dairy Plan (NDP) sponsored by National Diary Development Board (NDDB). Under the NDP, producer companies are encouraged to arrange village based milk procurement system that is equipped with electronic weighing and testing system to ensure transparency at all levels, with quality assurance and members payment in their respective bank account (member is informed through SMS). This intervention also ensured higher milk productivity through better feeding and breeding, i.e., ration balancing and quality services at the door step of producers using top genetic available in the country for producing superior calves with higher productivity. Advance technology is being used for milk payment processing, milk pricing and milk data transfer through general Pocket Radio Service route information with mobile technology. Call centres are in place to support field engineering services for better management of equipment and to control breakdown loss (Paayas, 2015-16).

Among the six 'Es' of the smart agriculture, the first is economic viability. The project should be economically viable and should generate at least 15 per cent internal rate of returns (IRR). Second, it should use the resources in an efficient manner. Main resources are land, water and labour. One of the measure of the efficiency is higher per unit production. This will ensure higher productivity and production. Third, the smart agriculture project should judiciously use the energy particularly of fossil fuel like crude oil, etc. It may also encourage production of bio-gas and solar energy. Fourth, these projects should benefit all the sections of society particularly weaker sections in less developed regions. It should not accentuate inter and intra-regional imbalances. Fifth, the smart agriculture should protect environment and restore the ecological balance. Finally, it should generate employment in the country particularly for the less privileged people.

IV. Technology for Smart Agriculture

The smart agriculture need to be based on technologies. That includes remote sensing like weather forecasting, land use pattern mapping, cropping pattern mapping and forecasting, soil testing, mineral mapping of animals for feed production, mineral mixture, etc., telematics technologies, software communication, system mobile banking, direct transfer payment system (milk payment), Kisan credit cards and hardware/software system. The ultimate objective is to design a robust network of sensors to combine all the data and analyse the same to shape a farm management information system to enable farmers to take better decisions at right moment. The higher use of technologies in agriculture also upgrades it to smart agriculture and enable it to achieve the desired results. The success of smart agriculture will depend on adoption of these technologies.

Because smart farming will necessarily be technology-centric, we can look to reap the benefits of huge IT capabilities within the country and open up a new era of growth. There is work to be done in terms of sensing technologies for weather forecasting, land-use pattern-mapping, cropping-mapping, soil-testing and soil-enriching techniques, mineral-mapping of animals, and so on. All this can be achieved through the higher use of software solutions involving data analytics leading to farm management information systems and a better network of communication systems. In this context, the importance of an intensive hardware network cannot be denied.

In short, smart farming is precision farming based on the use of the latest technology along with the mitigation of side effects of various development programmes including the green, white, blue and golden revolutions that have caused irreparable loss to ecology and environment. The side effects in many ways are silently creeping on us: the toll of increasing pollution, greenhouse effects, water-logging, high consumption of water resources, indiscriminate use of fertilisers and pesticides, etc, will be disastrous in the years to come.

A successful switch to smart farming will largely depend on the availability of credit. The formal rural credit system registered a marked increase in market share in terms of quantum of credit from 7.3 per cent in 1951 to 56.0 per cent in 2012, according to the last available numbers published by the NSSO. However, in terms of the number of indebted farmers, informal credit systems dominated by money lenders, etc. ruled the scene.

The agency-wise break-up reveals that in 2012, in the case of the formal credit market, commercial banks ranked first with a 25.1 per cent market share, closely followed by co-operatives at 24.9 per cent. Microfinance institutions accounted for only 2.2 per cent of market share. The meagre share would have only declined further since microfinance institutions have faced challenges and increased government scrutiny over the last several years.

Commercial banks and cooperatives rule the roost. Interestingly enough, while informal credit agencies have been neutral to the size of assets of the borrowers, formal credit agencies have a preference for higher asset households. Under the present dispensation, unless banks, both commercial and cooperative, are sensitised towards their social responsibility, flow of credit to the weaker sections of society will remain limited.

V. Delineated Issues

A number of innovations such as the kisan credit card (KCC) scheme, RIDF, financial inclusion plans including the PM Jan Dhan Yojana (PMJDY), the business correspondent scheme, and the stipulation of targets for financing of short-term production credit under subvention of interest scheme have a favourable impact on the flow of credit to the farm sector. Yet, non-inclusion of investment credit under the interest subvention scheme will have an adverse impact on the flow of investment credit. Needless to say, investment credit is crucial for capital formation in the farm sector and it should also be subsidised. This means subsidising purchases such as computers, computer software, sensor systems, satellite trackers, and information technology devices used in the agriculture sector.

We already have a huge network of banking outlets aggregating 5.54 lakh, including 48,536 branches along with 4.41 crore Basic Savings Bank Deposit Accounts (BSBDAs) including Jan Dhan accounts as at the end of September 2015. The number of these accounts has jumped to over 20 crore as of January 2016, with deposits exceeding ₹30,000 crore. However, to encourage banks, it is imperative that advances to technology providers for smart farming be treated as a part of indirect finance to agriculture under priority sector advance. Similarly, financing of farmers and technology service providers should be under interest subvention schemes irrespective of the tenure of credit.

The way to push this forward and get investments going on a large scale is to catch the imagination of the nation. For this, the Government must not only do more but also talk more about smart farming, certainly with as much enthusiasm as it has pushed its other digital initiatives for a technologically advanced and connected India.

Above all, as one of the financially sound agricultural development bank in the world, the National Bank for Agriculture and Rural Development (NABARD) with a pool of multi-disciplinary experts headed by an experienced banker belonging to farming community is in a position to whole hearty support the smart agriculture in the country in a big way. NABARD should play the role of World Bank in India and support smart agriculture revolution under various schemes like RIDF, jointly with other banks directly financing, etc.

VI. Concluding Observations

There is dire need of smart agriculture to enhance production through higher productivity, increased resilience from risks and reduced side effects to ensure food security and economic development of the country. The success of smart agriculture will largely depend on availability of credit. Despite a number of measures taken for augmenting the flow of institutional credit, the availability of credit is far from satisfactory particularly for term loans needed for smart agriculture. However, banking network developed in recent years in the form of banking outlets under BC model, PMJDY accounts, introduction of kisan credit cards, agri-clinic scheme, revitalization of co-operatives reorientation of lending policies by NABARD and it proactive role, etc. will go a long way in augmenting the flow of credit for smart agriculture. The recent innovations and developments coupled with some policy changes in favour of smart way of financial agriculture will ensure uninterrupted flow of credit and may pave the way for poverty reduction.

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Promoting Organic Farming in India: Augmented Role of the Government

Ajay Singh Rajput*

Organic farming should be promoted in phased manner by identifying suitable areas and crops. Certified organic farming with combination of tradition, innovation and scientific organic packages should be promoted in the de facto organic areas (hills) and rainfed/dryland regions. There should be coordination with SAUs/ICAR institutes to identify varieties suites to organic farming. The research institutes should screen existing varieties and also work on breeding new and appropriate varieties.

I. Introduction

Organic farming is a holistic production management system which promotes and enhances agro-ecosystem health including biodiversity, biological cycles, and soil biological activity. It emphasizes, the use of management practices in preference to the use of off-farm inputs, taking into account that regional conditions requiring locally adapted systems. This is accomplished by using, wherever possible, agronomic, biological, and mechanical methods, as opposed to using synthetic materials, to fulfil any specific function within the system.

Organic farming has grown out of the conscious efforts by inspired people to create the best possible relationship between the earth and men. Since its beginning the sphere surrounding organic agriculture has become considerably more complex. A major challenge today is certainly its entry into the policy making arena, its entry into anonymous global market and the transformation of organic products into commodities. During the last two decades, there has also been a significant sensitization of the global community towards environmental preservation and assuring of food quality. Ardent promoters of organic farming consider that it can meet both these demands and become the mean for complete development of rural areas. After almost a century of development, organic agriculture is now being embraced by the mainstream and shows great promise commercially, socially and environmentally. While there is continuum of thought from earlier days to the present, the modern organic movement is radically different from its original form. It now has environmental sustainability at its core in addition to the founders concerns for healthy soil, healthy food and healthy people.

This concept of organic farming is based on following principles:

- Nature is the best role model for farming,

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since it does not use any inputs nor demand unreasonable quantities of water.

- The entire system is based on intimate understanding of nature's ways. The system does not believe in mining of the soil of its nutrients and do not degrade it in any way for today's needs.
- The soil in this system is a living entity.
- The soil's living population of microbes and other organisms are significant contributors to its fertility on a sustained basis and must be protected and nurtured at all cost.
- The total environment of the soil, from soil structure to soil cover is more important.

In today's terminology, it is a method of farming system which primarily aims at cultivating the land and raising crops in such a way, as to keep the soil alive and in good health by use of organic wastes (crop, animal and farm wastes, aquatic wastes) and other biological materials along with beneficial microbes (bio-fertilizers) to release nutrients to crops for increased sustainable production in an eco-friendly pollution free environment. In philosophical terms organic farming means "farming in spirits of organic relationship. In this system everything is connected each other. Since organic farming means placing farming on integral relationship, we should be well aware about the relationship between the soil, water and plants, between soil-soil microbes and waste products, between the vegetable kingdom and the animal kingdom of which the apex animal is the human being, between agriculture and forestry, between soil, water and atmosphere, etc. It is the totality of these relationships that is the bedrock of organic farming.

II. Organic Agriculture in India

Since January 1994 "Sevagram Declaration" for promotion of organic agriculture in India, organic farming has grown many folds and number of initiatives at Government and Non-Government level has given it a firm direction. While National Programme on Organic Production (NPOP) defined its regulatory framework, the National Project on Organic Farming (NPOF) has defined the promotion strategy and provided necessary support for area expansion under certified organic farming.

II.1: Growing certified area

Before the implementation of NPOP during 2001 and introduction of accreditation process for certification agencies, there was no institutional arrangement for assessment of organically certified area. Initial estimates during 2003-04 suggested that approximately 42,000 hectare of cultivated land were certified organic. By 2009 India had brought more than 9.2 million hectare of land under certification. Out of this while cultivable land was approximately 1.2 million hectare, remaining 8 million hectare area was forest land for wild collection. Growing awareness, increasing market demand, increasing inclination of farmers to go organic and growing institutional support has resulted into phenomenal growth in total certified area during the last five years. As on March 2009, total area under organic certification process stood at 12.01 lakh hectare.

II.2: Important features of Indian organic sector

With the phenomenal growth in area under organic management and growing demand for wild harvest products, India has emerged as the single largest country with highest arable cultivated land under organic management. India has also achieved the status of single largest country in terms of total area under certified organic wild harvest collection. With the production of more than 77,000 MT of organic cotton lint India had achieved the status of largest organic cotton grower in the world a year ago, with more than 50% of total world's organic cotton.

II.3: Growing organic food market

Although no systematic information is available on size of organic food market by as per the survey conducted by the International Competence Centre for Organic Agriculture (ICCOA) in top 8 metro cities of India (which comprise about 5.3 per cent of the households) the market potential for organic foods in 2006 in top 8 metros of the country was at ₹562 crore taking into account current purchase patterns of consumer in modern retail format. The overall market potential is estimated to be around ₹1,452 crore.

III. Government Schemes for Organic Farming

The Government of India has realized the importance of organic farming and committed to promote it with emphasis on productivity while maintaining soil health. Organic Farming system is a holistic approach to maintain soil fertility, diversity in crop production, avoiding hazards to environment on a long term basis. Many farmers of different states have shifted to organic farming with modern scientific concepts and technologies which has given a fillip to the organic farming movement in India. Cultivated area certified under organic farming has grown from 4.55 lakh hectare in 2009-10 to 7.23 lakh hectare in 2013-14, with about 6 lakhs farmers practicing organic farming. Both cultivable as well as wild harvest area is certified under organic certification system. The organic export from India is about 1.6 lakh tons with a value of US$ 220 million.

Department of Agriculture and Cooperation (DAC) initially launched on National Project on Organic Farming (NPOF) with an outlay of ₹57.05 crore as a pilot project. The NPOF was implemented through National Centre of Organic Farming (NCOF) Ghaziabad at its six Regional Centres (RCOFs) located at Bangalore, Bhubaneshwar, Hisar (now in Panchkula), Jabalpur, Imphal and Nagpur. This was continued in Eleventh Five Year Plan with additional allocation of Rs.101 crore. During Twelfth Five Year Plan, the NPOF scheme was merged into central sector scheme "National Mission on Sustainable Agriculture" with an outlay of ₹293 crores for the promotion of organic farming. The programmes like 'National Mission for Sustainable Agriculture' (NMSA), 'Mission for Integrated Development of Horticulture' (MIDH), 'Rashtriya Krishi Vikas Yojna' (RKVY) and Network project on organic farming under Indian Council of Agricultural Research (ICAR) are also promoting organic farming.

However, these efforts have not yet achieved the desired result. Hence, the existing components of organic farming under NMSA have been put together under one programme called "Paramparagat Krishi Vikas Yojna" (PKVY) and Mission Organic Value chain Development scheme for North Eastern Region (MOVDNER). The major concepts are based on following parameters.

- To launch eco-friendly concept of cultivation reducing the dependency on agro-chemicals and fertilizer.
- To optimally utilize the locally available natural resources for inputs production. To create employment opportunities in both rural as well as urban sector. To develop potential market for organic products.

- To develop the organic village having the cluster of 50 farmers and 50 acre of land with a concept of 50:50 for both agriculture and horticulture emphasizing the mixed cropping instead of mono cropping.
- To use the available technology under IPM, INM and local indigenous traditional techniques for management of plant nutrition and plant protection.
- Promotion of low cost PGS certification system for organic produce. Promotion of marketing and branding of organic produce through financial assistance for packing, labelling, PGS logo and Hologram.

Components of the PKVY scheme

a) Mobilization of farmers: training of farmers and exposure visit by farmers.

b) Quality control: soil sample analysis, process documentation, inspection of fields of cluster members, residue analysis, certification charges and administrative expenses for certification.

c) Conversion practices: transition from current practices to organic farming, which includes procurement of organic inputs, organic seeds and traditional organic input production units and biological nitrogen harvest planting, etc.

d) Integrated manure management: procurement of Liquid Bio fertilizer consortia/Bio-pesticides, Neem cake, Phosphate Rich Organic Manure and Vermi compost.

e) Custom hiring centre charges: to hire agricultural implements as per SMAM guidelines.

f) Labelling and Packing assistance & Transport assistance.

g) Marketing through organic inputs.

Under PKVY Organic Farming is promoted through cluster approach and Participatory Guarantee System (PGS) of certification. The financial assistance will be given to clusters on different sub components for mobilization of farmers, for organic seeds, to harvest biological nitrogen, etc. It includes different components as given below.

For implementation of the Scheme on Paramparagat Krishi Vikas Yojna (PKVY) an amount of ₹300 crore has been allocated during the year 2015-16. The Annual Action Plan of 28 State and 1 UT has been approved with the total outlay of ₹508.46 crore to take up 7141 clusters ₹254.23 crore is Central Share on 50% basis. An amount of ₹178.76 crore has been released as First Instalment to the states till end-December 2015. Government has made a Budget announcement in 2014-15, to develop commercial organic farming in the North Eastern States. This scheme is being implemented through DACFW. For implementation of the Scheme an amount of ₹125 crore has been allocated during the year 2015-16.

Indian Council of Agriculture Research (ICAR) under Network Project Programme on Organic Farming (NPOF) with lead centre at Project Directorate for Farming Systems Research, Meerut, Uttar Pradesh is conducting research to develop package of practices of different crops and cropping systems under organic farming in different agro ecological regions of the country. Presently, the project is running at 13 cooperative centres including SAUs, spread over 12 states. Organic Farming packages of practices for 14 crops namely basmati rice, rainfed wheat, maize red gram, chickpea, soybean, groundnut, mustard, Isabgol, black pepper, ginger, tomato, cabbage and cauliflower has been developed and uploads in PDFSR website. The commodity-wise details of top 10 products is provided in Table below.

Commodity-wise Production Details of Top Ten Products (2011-12)

S.No.	Product Name	Organic Production (MT)	In Conversion Production (MT)	Total Production (MT)
1.	Cotton	107591	3792	111383
2.	Cereals & Millets (excluding rice)	33888	6898	40786
3.	Rice (Basmati & non Basmati)	17345	5329	22674
4.	Pulses	12504	453	12957
5.	Fruits and Vegetables	7801	427	8228
6.	Tea	5272	1.0	5273
7.	Oil Seeds excluding Soyabean	2835	15	2850
8.	Coffee	1139	238	1377
9.	Dry Fruits	490	32	522
10.	Medicinal & Herbal Plants	189	0	189

Source: Author's own compilation.

Cost and certification supports:

There are two ways of accreditation and certifying mechanism.

(I) Participatory Guarantee System (PGS) is a quality assurance initiative that is locally relevant, emphasize the participation of stakeholder, including producers and consumers and operate outside the frame of third party certification. As per International Federation of Organic Agriculture Movements (IFOAM) definition, Participatory Guarantee Systems are locally focused on quality assurance systems. PGS is a process in which people in similar situations (in case small holder producers) assess, inspect and verify the production practices of each other and collectively declare the entire holding of the group as organic. It is based on participatory approach, a shared vision, transparency and trust, and

(ii) To provide a focused and well directed development of organic agriculture and quality product National Programme on Organic Production (NPOP) was launched in the year 2001 under Foreign Trade & Development Act (FTDR). Regulatory body of NPOP under FTDR act is Agriculture and Processed Foods Export Development Authority (APEDA) under Ministry of Commerce. For quality assurance, the country has internationally acclaimed certification process for organic produce in place for export, import and domestic markets. It is referred as Third Party

Certification involving an independent agency for verification and certification of organic production processes. For international trade, NPOP system has equivalence with Europe and USA. All the importing countries in South-East Asia, Europe and USA are accepting the NPOP certified products. In case of domestic trade, 80-85% of the NPOP certified produce is consumed within India. Therefore, it can be said that NPOP standard is de-facto applicable for domestic trade.

The Bureau of Indian Standards is under process of developing domestic standards for organic farming in consultation with ICAR, APEDA, MOA, FSSAI and SAUs. There is a growing need for PGS Certification System in view of the high cost of Third Party Certification under NPOP.

Organic farming is advantageous particularly for the resource poor small and marginal farmers of rain fed areas where the use of costly chemical fertilizers is lower than national average. To begin with, strategically, organic farming can be focused on the following –

a) Area expansion –

- Areas with crops of higher market potential when produced organically.
- Areas with already active organic farmers groups, especially small and marginal farmers who are constrained to practice intensive conventional farming. States of Odisha, Himachal Pradesh, Jammu & Kashmir, Madhya Pradesh, Chhattisgarh, Gujarat and parts of Maharashtra and Karnataka have large areas under rain fed farming with little irrigation support. They can be targeted for conversion to organic farming.
- Regions/Areas of high biodiversity and ecologically fragile regions. States of North East Region, Jharkhand, Uttarakhand and Rajasthan are mostly under mono crop and can be focused for conversion to organic farming.

b) In addition, to expansion of area under organic farming, introduction of Domestic Organic Standard to cover animal husbandry, food processing, labelling, storage and transport are suggested to provide a boost to organic production.

Other strategies include capacity building of farmers through training and demonstrations, incentives for marketing and branding of organic products, incentives to set up State Certification Bodies and incentives for technology.

Organic Value Chain Development for North Eastern Region

Keeping in view of the potential of organic farming in the North Eastern Region of the country, Ministry of agriculture and Farmer Welfare has launched a Central Sector Scheme entitled "Mission Organic Value Chain Development for North Eastern Region" for implementation in the stats of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura, during the Twelfth Five Year Plan. The scheme aims at development of certified organic production in a value chain mode to link growers with consumers and to support the development of entire value chain starting from inputs, seeds, certification, to the creation of facilities for collection, aggregation, processing marketing and brand building initiative. The scheme has been approved with an outlay of ₹400 crore and ₹125 crore has been proposed in supplementary grant during 2015-16.

The Components

- Clusters development and formation of Farmer Producer Organization/Companies.
- Assistance for on-farm input production unit and off-farm inputs.
- Off farm inputs such as biofertilizers, biopesticides and neem cack.
- Assistance for quality seed and planting material.

Support for extension services, input facilitation, training handholding and certification at production stage

- Assistance for setting up of input delivery, distribution centres and agri machinery custom hiring centre.
- Training, handholding, ICS management, documentation and certification of crop production through service providers.

Value Chain Processing

- Value Chain Post Harvest
- Financial assistance for setting up of functional infrastructure for collection.
- Financial assistance for setting up of integrated processing units.

Value Chain Packaging, Storage and Transportation

- Integrated pack house
- Transportation/4 wheeler
- Cold Chain Component
- Cold chain component - refrigerated transport vehicle
- Cold chain component - Pre-cooling /Cold stores/Ripening chamber.

Value chain Marketing

- Branding, labelling, packaging, publicity and certification of processing units etc.
- Seminars/ conferences, workshops, Buyer-seller meets, Auction meetings, festivals
- Consumer awareness Information dissemination through publicity, printed literature, films and local advertisements
- Hiring of space in prime markets.

Value Chain Support Agencies

- Setting up of Lead agency
- Staff, Manpower, Travel and contingencies, Institutional strengthening and hire/purchase of machinery and equipment's
- Setting up of certification bodies.

Mission management at DAC&FW

- Mission Headquarter
- Any other Innovative requirement including surveys, consultancies information and knowledge ecosystem etc.
- Baseline surveys, market research and mapping and Consultancy service
- Information and Knowledge Ecosystems including traceability platform
- Any other innovative requirement
- State Lead Agency to Ensure Implementation keeping end goals in sight.

IV. Concluding Observations

Organic farming should be promoted in a phased manner by identifying suitable areas and crops. "Certified organic farming" with combination of tradition, innovation and scientific organic packages should be promoted in the *de facto* organic areas (hills) and rainfed/dryland regions for safe food security and climate resilience, besides increased income of farm households. There should be coordination with SAUs/ICAR institutes to identify varieties suites to organic farming. The research institutes should screen existing varieties and also work on breeding new and appropriate varieties.

The scientific Package of Practices (PoPs) for organic production of crops should be adopted for keeping the crop productivity at comparable or higher level and should be advocated through development schemes. Area specific best cropping systems suitable for organic farming should be mapped for upscaling. Integrated Organic Farming System (IOFS) models promises to meet 70-80% of organic inputs within the farm and should be given impetus for promotion. Decentralization/community based organic input production at local level should be promoted and need to be linked with Swatch Bharat, CHG's etc. which will lead to development of micro enterprises and self-employment for youths. Considering the advantages of organic farming, suitable market and premium price for organic produce needs to be ensured.

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समावेशी ग्रामीण वित्तीय प्रणाली

सुबह सिंह यादव*

ग्रामीण अर्थव्यवस्था की वित्तीय आवश्यकताएं

विगत 30 वर्षो में ग्रामीण अर्थव्यवस्था के लिए अनेक नवोन्मेषी वित्तीय उत्पाद और सेवाएं विकसित हुई हैं और ग्रामीणों को मुख्य धारा में लाया गया है। ग्रामीण क्षेत्रों में कृषि एवं अन्य ग्रामीण आर्थिक क्रियाकलापों की विशिष्ट प्रकृति के कारण वित्तीय सेवाएं प्रदान करना एक चुनौती है। कृषि एवं सम्बद्ध गतिविधियों की मानसून पर अधिक निर्भरता एवं उत्पादन चक्र दीर्घावधि के होते हैं और उनके साथ अनेक जोखिम भी जुडे.होते हैं। यही नहीं भूमि के उप विभाजन एवं विखण्डन ने अनेक समस्याओं को जन्म दिया है जिससे कृषि यंत्रीकरण की संभावनाएं बहुत कम हो गई हैं। साथ में कृषितर गतिविधियों का आकार बहुत छोटा होने के कारण बड़ी संख्या में छोटे ऋण के प्रावधान की आवश्यकता होती है जिससे बैंकों के लेन–देन की लागत में बहुत वृद्धि हो जाती है। इसके अतिरिक्त एक अन्य समस्या है कृषितर ग्रामीण वित्त की आवश्यकता बहुत बढ़ गई है। जहाँ छोटे–छोटे गरीब समूहों को साधारण बचत सेवा और उनकी उत्पादकता लागत तथा आकस्मिक व्ययों को पूरा करने के लिए छोटे ऋण की आवश्यकता होती है, वही कृषक तथा कृषि संगठनों को उत्पादन, इन्पुट, प्रसंस्करण तथा विपणन जैसी उत्पादक एवं फसलोत्तर प्रबंधन के लिए और साथ में उत्पाद के जोखिम को दूर करने के लिए ऋण की बड़ी राशि की आवश्यकता होती है। इसी परिप्रेक्ष्य में ग्रामीण क्षेत्र में संस्था गत ऋण को मजबूत करने और उसे उत्पादन/आवश्यकता से सम्बद्ध करने हेतु आरंभ में (छठे दशक में) जहाँ सहकारी ऋण संस्थाओं के मौजूदा तन्त्र को सुदृढ़ीकरण करने पर ध्यान केन्द्रित किया गया, वहीं यह भी माना गया कि वाणिज्य बैंकों को ग्रामीण क्षेत्र में अपनी संलग्नता बढ़ाने की जरूरत है। इसलिए 1955 में भारतीय स्टेट बैंक की स्थापना से लेकर बैको पर सामाजिक नियन्त्रण बैंकों का राष्ट्रीयकरण, क्षेत्रीय ग्रामीण बैंकों की स्थापना, नाबार्ड की स्थापना, प्राथमिकता प्राप्त क्षेत्र ऋण से संबंधित संशोधित दिशा निर्देश आदि कई कदम उठाये गये। फलस्वरूप विगत 46 वर्षों में वाणिज्य बैंकों ने ग्रामीण क्षेत्रों में अपने शाखा विस्तार का जाल बिछाया। यह कार्य शाखाओ को लाइसेंस देने की भारतीय रिज़र्व बैंक की प्रयोजन मूलक नीति के अन्तर्गत हुआ है, जहाँ कई कस्बाई एवं ग्रामीण क्षेत्रों में व्यापक प्रसार पर बल दिया गया है। साथ ही क्षेत्रीय ग्रामीण बैंकों को कमजोर वर्गों के विशिष्ट लक्ष्य समूहों, जिनमें लघु और नाममात्र की जोत वाले किसान, कृषि श्रमिक और कारीगरों पर विशेष ध्यान देने को कहा गया। इस प्रकार गांवों में ऋण देने के बहुएजेंसी दृष्टिकोण की अभिकल्पना की गई, जिसमें वाणिज्य बैंक भी शामिल हैं, ताकि ग्रामीण क्षेत्र को ऋण देने में स्थानिक एवं कार्यमूलक अन्तरालों को भरा जा सके। अतः ग्रामीण क्षेत्र के लिए समावेशी ऋण प्रणाली में अब सहकारी बैंक, वाणिज्य बैंक और क्षेत्रीय ग्रामीण बैंक शामिल हैं। ग्रामीण भारत में विद्यमान परिस्थितियों को ध्यान में रखते हुए वांछित सामाजिक–आर्थिक परिवर्तनों को लाने के लिए सहकारी ऋण विन्यास अपनी खामियों के बावजूद अभी भी कारगर माध्यम माना जाता है। सहकारी समितियां उत्पादन और प्रसंस्करण, विपणन और वितरण जैसे तमाम तरह के कार्य करती हैं।

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* सहायक महा प्रबंधक (सेवानिवृत), बैंक ऑफ बड़ौदा, जयपुर.

ग्रामीण ऋण एजेंसियों की प्रकृति एवं क्षेत्र

यह मानना होगा कि ऋण एजेन्सियों ने पंचवर्षीय योजनाओं में उनके लिए निर्धारित लक्ष्य प्राप्त करते हुए ऋण आपूर्ति में भारी वृद्धि की है, किंतु ऋण एजेंसियों में से सहकारी संस्थाओं का अंश लगातार गिरता जा रहा है। इसके दो कारण हो सकते हैं–

(1) कृषि क्षेत्र को दी गई प्राथमिकता के अनुसार वाणिज्य बैंकों के कुल ऋण का 18 प्रतिशत अग्रिम प्रदान करने के लिए अपेक्षित है। अब प्रत्यक्ष एवं अप्रत्यक्ष ऋण का वर्गीकरण खत्म कर लघु एवं सीमांत किसानों के लिए अलग लक्ष्य निर्धारित हैं।

(2) जिला मध्यवर्ती सहकारी बैंकों की असंतोषजनक वित्तीय स्थिति ने सहकारी क्षेत्र से ऋण प्रवाह को पंगु बना दिया है। अधिकांश सहकारी बैंकों की 'कमजोर' इकाइयों के रूप में पहचान की गई है और उन्हें पुनर्वास कार्यक्रम के अन्तर्गत रखा जाता है। यह बैंक उच्चतर वित्त पोषक एजेन्सियों से मिलने वाले ऋण को आत्मसात करने में असमर्थ रहे हैं क्योंकि वे ऋण देने वाली उच्चतर एजेंसियों से उधार लेने के पात्र नहीं रहे। रिज़र्व बैंक द्वारा इंगित कमजोर सहकारी संस्थाओं की ओर अविलम्ब ध्यान देने की आवश्यकता है।

सहकारी संस्थाओं के कार्यों में पर्याप्त वृद्धि के बावजूद उनके कार्य निष्पादन में अनेक खामियां हैं। वस्तुतः सहकारी ऋण प्रणाली की कुछ कमजोरियां, जो ग्रामीण ऋण सर्वेक्षण तथा तदनुरूपी समीक्षा समितियों ने बतायी थी, वे अभी भी विद्यमान हैं। सहकारी ऋण प्रणाली के लिए एक मजबूत और कारगर आधार होना जरूरी है। ये समितियां देश के सभी भागों में फैली हुई हैं और लगभग 65 प्रतिशत ग्रामीण परिवार इनके सदस्य हैं। कार्यों की गुणवत्ता में अपेक्षित सीमा तक सुधार नहीं हुआ है, हालांकि कृषि ऋण समितियों का पुनर्गठन करके इसके लिए अत्यधिक प्रयत्न किए गए थे। वे सहकारी ऋण विन्यास में सबसे कमजोर सम्पर्क सूत्र हैं। यद्यपि प्रारम्भ में उन्हें बचत जुटाने वाली समितियों के रूप में माना गया था, किंतु पंजाब व केरल जैसे कुछ राज्यों की समितियों को छोडकर अधिकांश समितियां कोई महत्वपूर्ण जमा राशि संसाधन जुटाने में असमर्थ रही हैं और वे ऋण विन्यास के उच्चतर स्तर संसाधन प्राप्त करके उन्हें प्रदान करने के माध्यम के रूप में ही काम करके रह गयी हैं। अब इन सहकारी समितियों को ग्रामीण विकास कार्यक्रमों में भी अधिकाधिक रूप से संलग्न किया जा रहा है। इसके अतिरिक्त प्राथमिक समितियों को सार्वजनिक वितरण प्रणाली तथा इस प्रकार के अन्य ऋणोत्तर कार्यों को करने में भी लगाया गया है। इसमें कोई संदेह नहीं है कि इस कार्य के लिए एक मजबूत और सक्षम विन्यास की आवश्यकता है। यह विश्वास किया जाता है कि प्राथमिक समिति की एक सक्षम इकाई बनने/बने रहने के लिए जिस स्तर का न्यूनतम कारोबार करना आवश्यक है, उतना यह समिति नहीं कर पाई, बल्कि यह समिति न्यूनतम स्तर के आधे रास्ते भी नहीं जा पाई। इसका अभिप्राय यह है कि उन्हें सदस्यों को एकीकृत सेवाएं प्रदान करने के लिए एकल संपर्क स्थान के रूप में परिवर्तन करना आवश्यक होगा, ताकि वे सक्षम बन सकें। इसके लिए समिति सदस्यता बढ़ाने के अत्यधिक प्रयत्न करने होंगे। जमा राशियों और कारोबार में वृद्धि करनी होगी। सहकारी संस्थाओं के विकास में राज्य सरकारें एक अत्यधिक महत्वपूर्ण केन्द्र बिंदु मानी जाती हैं और सहकारी संस्थाओं की समीक्षा करने वाली प्रत्येक समिति/आयोग ने राज्य सरकारों की भूमिका स्वीकार की है।

बैंक ऋण और आर्थिक विकास

संस्थागत ऋण विशेषकर बैंक ऋण के प्रभाव पर, वित्त और आर्थिक विकास के बीच सहसंबंध पर भी प्रकाश डालना उचित होगा। योजनाबद्ध विकास से हम संतुलित विकास की प्रक्रिया तक पहुंचे हैं अर्थात् योजना काल में क्षेत्रीय असमानताओं को कम करना हमारा ध्येय रहा है। विकास की प्रक्रिया में क्षेत्रीय असंतुलन होना कोई असामान्य बात नहीं है। इस प्रकार के असंतुलन से विशेषकर लैटीन अमेरिका और यूरोप में अनेक सिद्धान्तों का जन्म हुआ है जो समाभिरूपता के शुद्ध नव शास्त्रीय सिद्धान्तों, जिनमें कारक गतिशीलता और अन्तर क्षेत्रीय समानता प्राप्त कारक निहित हैं, से लेकर अपसरण के मिर्डल कार्ल्डर मॉडल तक हैं, जिनके अनुसार अनुकूल न होने वाले प्रभावों से प्रयास यदि कम हो तो असमानता बढ़ जाती है। भारत में देश की सामाजिक–आर्थिक विशेषताओं की दृष्टि से असंतुलन की प्रकृति और उसकी मात्रा में अंतर है, जिसका अर्थ यह है कि इस असंतुलनों

पर काबू पाने में और अधिक जटिल एवं चुनौती पूर्ण समस्याएं उत्पन्न होंगी जो सामान्य संदर्भ में विकास सिद्धान्तों में कल्पित समस्याओं से बड़ी होंगी। पिछड़े क्षेत्रों में उद्यमशीलता को बढ़ावा देने और उन क्षेत्रों में उद्यमकर्ताओं को आकर्षित करने के लिए सरकार को रचनात्मक हस्तक्षेप करना होगा, जिसके लिए कार्यनीति के कतिपय अनिवार्य तत्वों की आवश्यकता है और जो योजनाबद्ध विकास के प्रतिकूल नहीं हैं, किंतु विकसित एवं विकासशील देशों के बीच विकास संबंधी कार्यनीति को परिचालित करने में गुणात्मक भेद है। विकसित देशों में तकनीकी नवोन्मेष के माध्यम से संसाधनों के उच्चतर कुशलतापूर्वक उपयोग से विकास को प्राप्त किया जाता है, वही विकासशील देशों में जो बहुआयामी असमानताओं (आंचलिक, क्षेत्रीय, सामाजिक) को कम करके विकास करना चाहते हैं तथा भारी बेरोजगारी और अपने संसाधनों का पूर्ण उपयोग न होने की समस्या से जूझ रहे हैं, उनके संसाधनों को उत्पादक कार्यों के लिए लगने के कार्य को साम्यता के साथ आगे बढ़ाना है, ताकि विकास की प्रक्रिया को बढ़ावा मिल सके। ऋण प्रदान करने की बहुएजेंसी दृष्टिकोण का उद्देश्य ग्रामीण क्षेत्र की संस्थागत और कार्यगत दोनों तरह के अन्तरालों को भरना था। क्षेत्रीय ग्रामीण बैंक कम लागत वाले लघु विन्यास बैंक हैं, जिनमें वाणिज्यिक बैंकों की व्यावसायिकता और सहकारी संस्थाओं की स्थानीय अनुभूति का मिलाजुला रूप है।

समावेशित ग्रामीण वित्तीय प्रणाली की कार्यनीति

समावेशित ग्रामीण वित्तीय प्रणाली का मुख्य उद्देश्य गरीबी निवारण तथा रोजगार सृजन करना है। हमारे विकास के प्रारंभिक चरण में हम आर्थिक विकास के स्वीकृत सिद्धान्तों द्वारा निर्देशित होते रहे हैं, किन्तु जैसे जैसे योजना प्रक्रिया के कार्य के साथ साथ अनुभव प्राप्त किया, हमने अपनी निजी परिस्थितियों के अनुसार विश्लेषणात्मक ढांचा और नीतियां विकसित की हैं। प्रगति की ओर बढ़ने में भौगोलिक और साथ ही सामाजिक आयामों वाले असंतुलन पैदा हुए। पहले तो हमने गरीबी की विशद समस्या को हल करने के लिए वृद्धि दर बढ़ाने के परोक्ष मार्ग पर अपेक्षाकृत अधिक बल दिया, शायद यह समझकर कि गरीबी पर कारगर प्रभाव डालने के लिए वृद्धि दर का थोडा थोडा प्रभाव भी काफी होगा। किन्तु कुछ ही समय में यह स्पष्ट हो गया कि परोक्ष मार्ग पर निर्भर रहने से समुचित कार्यनीति नहीं अपनाई जा सकेगी। कार्यनीति का इतना ही महत्वपूर्ण एक अन्य पहलू पाया गया, वह है ऐसे उपायों को शुरू करना जो गरीबी पर सीधा प्रहार करें। प्रत्यक्ष और परोक्ष दोनों मार्गों के तत्वों को शामिल करने की कार्यनीति, जो गरीबी उन्मूलन के लिए है, हमारी 11वीं तथा 12वीं पंचवर्षीय योजना में भली भांति निरूपित की गई, जिसमें रोजगारोन्मुखी गरीबी विरोधी कार्यक्रमों के समन्वित विकास की एक व्यापक रूपरेखा में समेकित करने की परिकल्पना की गई है। यही नहीं इन योजनाओं में कम विकसित क्षेत्रों में संस्थागत ऋण और अधिक समावेशन के लिए अन्य उपायों को जारी रखने के लिए विशेष उपायों को भी जारी रखने के लिए कुछ प्रभावी उपाय भी ढूंढे हैं।

पिछड़े क्षेत्रों में विकास की प्रगति संतोषजनक नहीं रही है। समयपर्यन्त संतुलित क्षेत्रीय विकास के लिए नीतिगत और अधिक व्यापक तथा बड़े पैमाने पर बल दिया जा सका है। क्षेत्रीय विकास बेहतर ढंग से हो एवं मजबूती से जड़े पकड़ ले इस बात को सुनिश्चित करने के लिए सरकार की रचनात्मक संलग्नता के परिणामस्वरूप एक ऐसे वित्तीय मूलभूत ढांचे के निर्माण की प्रक्रिया शुरू की गई जो असमानता को कम करने पर अधिक जोर देने वाली थी। इसके लिए विकास बैंकों, राज्य वित्तीय निगमों तथा लघु उद्योग विकास निगमों का सहारा लिया गया। 11वीं योजना के दौरान यह सोचा गया कि बैंकिंग उद्योग ने भौगोलिक एवं कार्यमूलक प्रगति अच्छी तरह से कर ली है और इसके बाद समावेशन के चरण से गुजरना होगा। ऐसी स्थिति में बैंकिंग प्रणाली को मुख्य रूप से जमाराशियां जुटाने और वांछित क्षेत्रों को ऋण देने से संबंधित भर मान लेना बहुत ही साधारण दृष्टिकोण होगा। वाणिज्य बैंकों को न केवल ऋण अन्तराल पाटने, बल्कि ऋण की उपलब्धता के पूरक के रूप में अन्य सेवाएं प्रदान की आवश्यकता व्यक्त की गई ताकि उद्यमशीलता संबंधी जिम्मेवारियों को प्रोत्साहन मिले। योजनाबद्ध विकास में निहित विकास कार्य नीति के अनुसार बैंकों को लाभप्रदता तथा सामाजिक न्याय की आवश्यकताओं के मध्य संतुलन रखना है अर्थात् कुशलतापूर्वक बैंकिंग मानदण्डों को बनाये रखते हुए सामाजिक आवश्यकताओं की पूर्ति के लिए एक उपयुक्त मिला जुला दृष्टिकोण अपनाना होगा।

भारत में ग्रामीण बैंकिंग का लघु विन्यास वाले कम खर्चीले माध्यमों के रूप में होना आवश्यक है, जो ग्रामीण परिस्थितियों को ध्यान में रखते हुए कार्य करें। ग्रामीण ऋण के लिए मांग का अभी भी एक बड़ा क्षेत्र विद्यमान है, जिसकी मांग संस्थागत प्रणाली द्वारा पूरी की जानी है और इस प्रकार की मांग के बड़े अनुपात की पूर्ति के लिए विशेष प्रयास करना आवश्यक है। बैंकों तथा ग्रामीण विकास के संबंध में एक मूलभूत मुद्दा यह है कि क्या बैंकों ने विकासात्मक भूमिका में वृद्धि की है। मूलभूत सुविधाओं की कमी ऋण की उस भूमिका पर बहुत अधिक प्रतिकूल प्रभाव डालती है, जो कृषि की वृद्धि और विकास में भूमिका निभा सकती है। जब उत्पादन/उत्पादकता की वृद्धि दर को विभिन्न राज्यों में ऋण की वृद्धि के साथ रखा जाता है तो यह देखा जाता है कि ऋण में वृद्धि कृषि उत्पादन/उत्पादकता में हुई वृद्धि को पूरी तरह से स्पष्ट नहीं कर पाती और यह भी स्पष्ट होता है कि इस संबंध में सुधार निश्चित करने के लिए कुछ अन्य अति महत्वपूर्ण निवेश वस्तुएं आवश्यक हैं। नाबार्ड ने गैर कृषि क्षेत्र के लिए उपयुक्त विशेष प्रकार के ऋणों को पुनर्वित्त देने के कतिपय उपाय आरंभ किए हैं, जो पूर्णतया कारीगरों पर आधारित ग्रामीण उद्योगों को सम्मिश्र ऋण देने के रूप में हैं और अति लघु क्षेत्र के अन्तर्गत आने वाले आधुनिक उद्योगों की आवश्यकताओं की पूर्ति के लिए एकीकृत ऋण के रूप में हैं, जो कार्यकारी पूंजी की उचित आवश्यकताओं का ध्यान रखते हैं। कृषि पर आधारित औद्योगिक परियोजनाओं को लगाने के लिए मूलभूत सुविधाएं, परियोजना वित्त के लिए ऋणों के पुनर्वित्त, छोटे उद्यमकर्ताओं ब्याज रहित सीमांत धन सहायता जैसे कतिपय अन्य प्रतिपूरक उपाय भी किए गए हैं। इस तरह की पहल करने से कुछ उपलब्धियां मिलने के बावजूद भी ग्रामीण अर्थव्यवस्था में कृषि से इतर क्षेत्र के विकास की समस्या काफी बड़ी चुनौती प्रतीत होती है। विस्तृत योजना न होने, मूलभूत सुविधाओं का पर्याप्त समर्थन उपलब्ध न लेने, विपणन के अवसरों से संबंधित सूचना का आधार, पर्याप्त विपणन सुविधाएं आदि न होने से विकास के प्रयत्न बहुत कुछ व्यर्थ सिद्ध हुए हैं। इसके अलावा इन उप क्षेत्रों को गौण उत्पादक व्यवस्थाओं अथवा तकनीक और उत्पादन कुशलता के उन्नत बनाकर संगठित उद्योगों के साथ एकीकृत करने का अभाव रहा है। इन क्षेत्रों में कच्चे माल की आपूर्ति और उनके उत्पादन के वितरण की भी कतिपय समस्याएं विद्यमान हैं। इससे कृषि और कृषितर क्षेत्र के कार्यकलापों को और सुनियोजित योजना बनाना तथा विशिष्ट उत्पादन अथवा निवेश संबंधी कार्यकलापों के लिए उपयुक्त उचित ऋण व्यवस्था का विकास करना आवश्यक है।

बैंकों के विकासात्मक एवं संवर्द्धनकारी क्रियाकलाप

बैंकों की विकासात्मक एवं संवर्द्धनकारी कार्यकलापों में संलग्नता ग्रामीण ऋण का ही सकारात्मक परिणाम है। इससे बैंकों ने मात्रात्मक लक्ष्य भी पूरे किए हैं। किन्तु इस काल में योजना की मौजूदा प्रणाली और ग्रामीण ऋण के वितरण में अनेक खामियां सामने आयी है। यह भी देखा गया कि बैंक शाखाओं द्वारा ग्रामीण ऋण देने में कुछ अव्यवस्था भी रही और व्यापक क्षेत्र में फैले गांवों की विशाल संख्या में ऋण वितरण होने से निधियों के अन्तिम उपयोग पर क्षेत्र में फैले गांवों की विशाल संख्या में ऋण वितरण होने से निधियों के अन्तिम उपयोग पर निगरानी रखना भी कठिन रहा है। इसलिए ऋण तथा अन्य निवेश वस्तुओं के माध्यम से विकास के लिए संगठित एवं एकाग्रतापूर्ण दृष्टिकोण से ग्रामीण ऋण के लिए और अधिक जोर देने हेतु 1 अप्रैल, 1989 से सेवा क्षेत्र दृष्टिकोण लागू किया गया, लेकिन कालान्तर में इसमें भी अनेक कमियां पाई गई और फलस्वरूप 2004 से इसे भी सरकारी कार्यक्रमों तक सीमित कर सामान्य ऋण पद्धति से हटा दिया गया। यह सच है कि भारतीय साख संस्थाओं ने कृषि विकास की भूमिका को निभाने करने में अद्वितीय भूमिका अदा की है। इन्होंने गरीबी कम करने के देश के प्रयासों में काफी सीमा तक अपना योगदान दिया है, तथापि इस दिशा में बहुत कुछ करना बाकी है ताकि इस ग्रामीण वित्तीय प्रणाली को भावी चुनौतियों पर भी खरा उतरना होगा। ग्रामीण साख प्रदायक प्रणाली को कम्पायमान एवं गत्यात्मक बनाने तथा ग्रामीण वित्तीय संस्थाओं के कार्यों को सक्रिय करने के दृष्टिकोण से इन संस्थाओं का समयपर्यन्त सर्वाधिक परीक्षण किया जाता रहा है। इसमें निष्कर्ष यह निकला कि 1991-92 से 2002-03 के बीच ग्रामीण गृहस्थों को बैंक से मिलने वाले ऋण का हिस्सा कम हो गया था । इसके सुधारात्मक उपाय के रूप

में भारत सरकार तथा भारतीय रिज़र्व बैंक ने ग्रामीण क्षेत्रों के लिए कार्य कर रही संस्थाओं के साथ मिलकर वित्तीय समावेशन के व्यापक नीतिगत प्रयासों से बैंक ऋणों के इस हिस्से को पिछले दशक में कुछ सीमा तक बढाया है। वित्तीय समावेशन एक गुंजायमन अवधारणा है जिसकी चमक दमक विश्व में बनी हुई है और भारत भी इससे अछूता नहीं है। भारत में रिज़र्व बैंक इसे एक ऐसी प्रक्रिया के रूप में देखता है जिसके अन्तर्गत मुख्य धारा के संस्थागत खिलाडी उचित वित्तीय उत्पाद को वहनीय लागत पर उपयुक्त, पारदर्शी एवं सुरक्षित तरीके से उपलब्ध करवाते हैं। इस प्रकार के वित्तीय उत्पादों और सेवाओं की उपलब्धता, सामान्य रूप से न केवल समाज के लिए है बल्कि प्रभावित समूहों जैसे कमजोर वर्गों, छोटे व्यावसायिकों तथा कम आय वर्ग के लिए भी है। ये छोटे छोटे ग्राहक मिलकर खुदरा जमा राशि तथा अन्य प्रकार के ऋण एवं तीसरी पार्टी उत्पाद का एक बड़ा एवं स्थिर बाजार बनाते हैं। इस दृष्टिकोण के अन्तर्गत बैंक जन्य मॉडलों पर ध्यान दिया गया है, किन्तु साथ ही बैंक इतर वित्तीय खिलाड़ियों में निहित सहयोग का भी उपयोग किया जा रहा है। देश के इन दूर दराज ग्रामीण क्षेत्रों में बैंकिंग की सेवाओं का विस्तार करने के लिए अनेक कदम उठाएं गए हैः-

(अ) शाखा प्राधिकरण नीति को अधिक युक्ति परक बनाया गया है, जिसमें वाणिज्यिक बैंकों को यह निर्देश दिया गया है कि वे खोली जाने वाली कुल शाखाओं में से एक चौथाई से अधिक शाखाएं ऐसे क्षेत्रों में खोले जो अभी तक बैंक रहित क्षेत्र हैं।

(आ) पक्के मकानों में तेजी से शाखाएं खोलने की चुनौती तथा संसाधनों एवं समय की कमी को देखते हुए बैंकों को इस बात के लिए प्रोत्साहित किया गया कि वे वित्तीय समावेशन के अपने प्रयासों को आगे बढ़ाने हेतु बैंक व्यवसाय प्रतिनिधि/बैंक व्यवसाय सहायक की सहायता लें। इसके अतिरिक्त रिज़र्व बैंक ने बैंक व्यवसाय प्रतिनिधि मॉडल के प्रयोग पर लगे कुछ प्रमुख प्रतिबंधों को हटा लिया है और लाभ कमाने वाली गैर बैंकिंग वित्तीय कम्पनियों को भी बैंक व्यवसाय प्रतिनिधि के रूप में कार्य करने की अनुमति दी है तथा किसी बैंक व्यवसाय प्रतिनिधि (बीसी) को शाखा स्थान से 30 किलोमीटर के घेरे के भीतर बीसी संपर्क बिंदु की अनिवार्यता को समाप्त कर दिया है।

(इ) बैंकों से कहा गया है कि वे कोर बैंकिंग सोल्यूशन (सीबीएस) की सुविधा हासिल करें और यथाशीघ्र/यथासंभव प्रौद्योगिकी का सहारा लें। बैंकिंग प्रौद्योगिकी पर बढ़ता हुआ जोर ऐसी पहल का पयार्यवाची बन गया है।

(ई) इसी प्रकार भुगतान बैंकों को सिद्धान्तः लाइसेंस लेने की अनुमति दे दी गई है। ऐसे बैंकों की भी अन्य बैंकों की व्यवसाय प्रतिनिधि के रूप में सेवाएं ली जा सकती हैं ताकि बैंक रहित तथा अपर्याप्त बैंकिंग सुविधा वाले क्षेत्रों की समस्या हल हो। इन भुगतान बैंकों को इसलिए महत्व दिया जा रहा है कि अब इन्हें ऐसे प्रयास के रूप में देखना होगा कि प्रौद्योगिकी आधारित भुगतान प्रणाली उत्पादों के माध्यम से वित्तीय समावेशन को बढ़ाया जाएगा।

इसके अतिरिक्त आधार को प्रमुख पहचान बनाने का मामला साफ होते ही पूर्व प्रदत्त लिखितों का उपयोग करते हुए नगदी रहित तरीके से धन भेजने के लिए, रिज़र्व बैंक द्वारा प्रायोजित कार्यक्रम में गति निर्माण होगी और बिना बैंक खाता रखे वित्तीय समावेशन की दिशा में एक उल्लेखनीय पहल दिखाई देगी।

वित्तीय समावेशन का गुणात्मक मूल्यांकन

यह सन्देह से परे हैं कि विगत वर्षों में वित्तीय समावेशन प्रक्रिया में मात्रात्मक एवं गुणात्मक रूप से उल्लेखनीय वृद्धि हुई है। आज हम यह संतोषपूर्वक कह सकते हैं, लेकिन साथ में यह भी सलाह देते हैं कि इस वित्तीय समावेशन को और अधिक गहरे तक ले जाने की आवश्यकता है ताकि अधिकाधिक लोग वित्तीय सेवाएं प्रदान करने के लिए परंपरागत ईंट एवं गारा मॉडल बी सी/बी एफ मॉडल, चैनल मॉडल (जहाँ मोबाइल बैंकिंग प्रमुख स्थान ले रहा है) का प्रयोग कर सकें। इस बात के भी पर्याप्त संकेत मिल रहे हैं कि वित्तीय समावेशन अब एक नीतिगत दायित्व की अपेक्षा एक व्यवसाय का रूप धारण कर रहा है। लेकिन यहां पर एक सरोकार यह है कि अभी बड़ी संख्या में लोग इन सेवाओं से वंचित हैं जैसे, छोटे एवं सीमांत किसानों

तथा छोटे कारोबारियों के लिए संस्थागत ऋण की सुविधा अभी भी सीमित प्रकृति की ही है। यही कारण है कि ये किसान तथा कारोबारी इकाइयों गैर संस्थागत स्रोतों पर ही निर्भर हैं और उनसे अधिक ब्याज दर पर ऋण ले रहे हैं। इन परिस्थितियों में यह प्रश्न उपस्थित होता है कि योजना के खिलाड़ी कितने प्रभावशाली हैं और वित्तीय समावेशन योजना की सतह रूप से जुडे रहने में उनकी कितनी भागीदारी है। वहीं पर वित्तीय समावेशन के लिए अधिक अधिदेशात्मक कार्यक्रम चलाना और मात्रात्मक लक्ष्यों पर ध्यान केन्द्रित करना एवं समानान्तर रूप से यह दृष्टिकोण रखना कि वित्तीय समावेशन अभियान का अर्थ यह है कि सरकार कुछेक मात्रा में सब्सिडी देती रहेगी, इस कार्यक्रम से जुडे. थोड़े बहुत अच्छे उपायों तक ही सीमित होकर रह जाएगा जिसमें न तो सेवा देने वालों के लिए कारोबार को आगे बढाने और न ही वित्तीय सेवा लेने वालों के लिए कोई अर्थ रह जाएगा। इसलिए इसके लिए सावधानी पूर्वक योजना बनाने तथा इन कार्यक्रमों का गुणात्मक मूल्यांकन करने की आवश्यकता है।

स्वयं सहायता समूह और बैंक सम्बद्धता संबंधी विचारणीय विषय

स्वयं सहायता समूह ग्रामीण गरीबों का एक ऐसा छोटा आर्थिक रूप से समरूप एवं समान परिस्थितियों में रहने वाले व्यक्तियों का समूह है जो कि छोटी धन राशि को नियमित रूप से बचाने के उद्देश्य से एक साथ एकत्रित होते हैं तथा अपनी आकस्मिक जरूरतों को पूरा करने के लिए सामूहिक निधि में योगदान देते हैं। इस समूह में सामूहिक रूप से निर्णय लिए जाते हैं तथा समूह द्वारा निर्धारित शर्तों पर एक दूसरे को बिना किसी कोलेटरल ऋण प्रदान किया जाता हैं। यह कार्यक्रम ऐसे ग्रामीण गरीबों की वित्तीय सेवाएं प्रदान करता है, जिन्होंने अभी तक बैंकिंग माध्यमों से वित्तीय सेवाएं प्राप्त नहीं की हैं तथा ऋण उद्देश्य को उपयोग उद्देश्यों की अपेक्षा आय सृजन क्रियाओं, सामूहिक परिसंपत्ति निर्माण आदि की ओर परिवर्तित करता हैं। भारत में स्वयं सहायता समूह बैंक सम्बद्धता कार्यक्रम का प्रयोगात्मक चरण 1992 में शुरू किया गया बाद में भारतीय रिज़र्व बैंक द्वारा गैर सरकारी संगठनों तथा स्वयं सहायता समूहों पर नियुक्त किये गए दल ने स्वयं सहायता समूह संधारणा के सुस्थापित पर व्यापक सिफारिश प्रस्तुत की। इस दल ने स्वयं सहायता समूह को गरीबों के साथ बैंकिंग करने के क्षेत्र में एक संभाव्यपूर्ण हस्तक्षेप माना। प्रयोगात्मक चरण की सफलता से प्रभावित होकर भारत सरकार ने स्वयं सहायता समूहों को ग्रामीण लोगों के सशक्तिकरण, बैंकिंग प्रणाली तथा उनकी बढ़ती हुई पहुंच को गरीबी उन्मूलन के लिए एक महत्वपूर्ण अस्त्र के रूप में महत्व प्रदान किया।

स्वयं सहायता समूह बैंक लिंकेज कार्यक्रम ग्रामीण निर्धन लोगों को बैंकिंग सेवा प्रदान करने का एक सफल प्रयास सिद्ध हुआ है। मार्च 2015 के अंत तक भारत में लगभग 7.7 मिलियन स्वयं सहायता समूह बैंकों से जुड़े हुए थे जिनमें वित्तीय संस्थाओं की पूरी श्रृंखला संलग्न थी, साथ में वाणिज्यिक बैंक, क्षेत्रीय ग्रामीण बैंक और सहकारी बैंक भी थे। यह संख्या सन् 2012 की सम्बद्धता से थोड़ी कम थी (सन् 2012 में मार्च तक सम्बद्ध किए गए स्वयं सहायता समूहों की संख्या 8 मिलियन थी) जो इस कार्यक्रम में आई कुछ सुस्ती या उदासीनता को सूचित करती है। स्वयं सहायता समूहों के बकाया ऋणों की संख्या 2015 के अंत तक 515 मिलियन थी। आज स्वयं सहायता समूह बैंक सम्बद्धता एक नियमित बैंकिंग कार्यक्रम बन गया है, विशेषतः इसलिए कि नाबार्ड ने इस कार्यक्रम में बेहद सक्रियता से अपनी भूमिका का निर्वहन किया है और भारतीय रिज़र्व बैंक ने इस कार्यक्रम को विकसित होने के लिए प्रेरक विनियामकीय वातावरण का सृजन किया है। किंतु स्वयं सहायता समूहों को कुछ समस्याओं का सामना करना पड़ रहा है:–

1. ऐसी गुणवत्ता वाली एजेंसियों की संख्या अपर्याप्त है, जो क्षमता निर्माण का कार्य कर सकें और के हाथ थाम सकें। अभिशासन और नेतृत्व की चुनौती, प्रबंधन सूचना प्रणाली का अभाव तथा गैर भरोसेमंद रिपोर्टिंग आदि कुछ अन्य प्राथमिक समस्याएं हैं।
2. पर्यवेक्षण और प्रबंधन क्षमता का अभाव इन समूहों के सामने दूसरी विकट चुनौती है।
3. आवश्यक सेवाओं के लिए प्रवर्तक एजेंसियों पर अत्यधिक निर्भरता ने इनके आत्मविकास में कमी ला दी है।

4. सम्पूर्ण क्षेत्र में स्वयं सहायता समूहों का असमान वितरण एक अन्य ऐसी समस्या है जो इनके क्षेत्रवार संतुलित विकास में बाधा बनकर खडी हुई है।

5. वित्तीय समावेशन कार्यक्रमों में दी गई प्राथमिकता के अनुसार इस कार्यक्रम में बैंकिंग क्षेत्र की घटती सहभागिता ने स्वयं सहायता समूहों को उनके फोकस से लगभग हटा दिया हैं।

6. गैर निष्पादक परिसंपत्तियों की बढ़ती घटनाओं ने इन समूहों के प्रति बैंकों का मोह भंग कर दिया है।

7. इन समूहों के सामने आजीविका की गतिविधियों को मूल्य श्रृंखला से जोड़ने की एक नवीन चुनौती मुंह बांए खड़ी है। मूल्य श्रृंखला से जुड़ने बाद ही इन समूहों की आजीविका गतिविधियां आमदनी का सतत माध्यम बन सकती हैं। इनमें बहुत सी आगे और पीछे की गतिविधियों का होना भी आवश्यक है।

स्वयं सहायता समूहों की इन समस्याओं से निपटने के लिए हम निम्नांकित उपाय सुझाते हैं

(अ) आवश्यकता इस बात की है कि सूक्ष्म वित्त से संबंधित शाखा प्रबन्धकों को उत्प्रेरणा प्रदान करने हेतु विगत वर्षों में इन कार्यक्रमों के निराशाजनक अनुभव से सीख तथा शानदार सफलता के अनुभवों से उत्साहित होकर समुचित कदम उठाने चाहिए।

(आ) साख माध्यमों को अपने आप पात्र लाभार्थियों की पहचान तथा चयन करने की अनुमति दी जानी चाहिए। हॉ, इतना अवश्य ध्यान में रखा जाए कि इन साख माध्यमों को इस प्रकार का चयन सुपरिभाषित चयन मानदण्डों के आधार पर करना होगा।

(इ) प्रत्येक साख माध्यम को अपने सेवा क्षेत्र में लाभार्थियों, गैर सरकारी संगठनों, पंचायती राज संस्थाओं के साथ होने वाले विचार विमर्श तथा उपयुक्त सर्वेक्षण के माध्यम से अपने लक्ष्य को प्राप्त करने लायक लक्ष्यों का निर्धारण करना चाहिए।

(ई) गैर सरकारी संगठनों,पंचायती राज संस्थानों, लाभार्थियों तथा साख माध्यमों के सन्निकट समन्वय से जिला ग्रामीण विकास अभिकरणों, जिला औद्योगिक केन्द्रों तथा अन्य सरकारी एजेंसियों को चाहिए कि वे लाभार्थियों द्वारा अपनाई गतिविधियों/योजनाओं को ऐसी आधारिक संरचना सुविधाएं एवं विस्तार सहायता प्रदान करें।

(उ) जहाँ एक ओर लाभार्थियों, गैर सरकारी एवं सरकारी संगठनों को प्रशिक्षण जरूरी है, वही दूसरी ओर सांसदों और विधायकों को भी इस कार्यक्रम से सुविज्ञ करवाना चाहिए। इससे ऋणों के पुनर्भुगतान का वातावरण बनेगा एवं उत्पादन के लिए ऋण सृजन का उपयोग होगा।

(ऊ) सूचना प्रौद्योगिकी के क्षेत्र में खुले संभाव्य का पूर्ण विदोहन किया जाना चाहिए।

(ऋ) सरकार की पारदर्शक नीतियों के साथ साथ व्यापारिक घरानों को भी आगे आना चाहिए।

(ल) सूक्ष्म वित्त संगठनों तथा कोषों के अन्तिम उपयोग के लिए सभी स्तरों पर, विशेषकर आधारभूत स्तर पर निरन्तरता के आधार पर सुनिश्चित किया जाए ताकि मॉनीटरिंग के द्वारा यह आसानी से सुनिश्चित किया जाए कि धनराशि का प्रयोग सही रूप में उसी कार्य के लिए हो रहा है।

समावेशी ग्रामीण वित्तीय प्रणाली में उभरते मुद्दे

1. ग्रामीण क्षेत्र को ऋण के संस्थागत प्रवाह में कार्यमूलक और भौगोलिक विस्तार के बावजूद अतिदेय राशियों की समस्या बनी हुई है। भारी अतिदेय राशियों के कारण ग्रामीण विकास के लिए ऋण के पुनर्निवेश में रूकावट आयी है, जिससे ऋण की उपलब्धता तथा अन्य निविष्टियों के बीच तालमेल नहीं बैठ पाया। इसलिए यह अत्यावश्यक है कि इस मामले को हल किया जाए, ताकि बैंकिंग प्रणाली की वित्तीय स्थिति फिर से अच्छी बन सके।

2. ऋण के संस्थागत प्रवाह को सही रास्ते पर लाने के अत्यधिक प्रयासों के बावजूद भी कृषि क्षेत्र में ऋण और उत्पादकता के बीच सम्बन्ध विरल होता जा रहा है। ऐसा प्रतीत होता है कि मात्रात्मक लक्ष्यों की प्राप्ति पर अत्यधिक बल दिया जा रहा है और ऋण

का गुणात्मक पहलू उपेक्षित हो रहा है। प्रौद्योगिकी, जल प्रबंधन, विपणन और विस्तार सेवाओं जैसी पूरक एवं अनिवार्य सेवाओं का अभाव उत्पादकता/उत्पादन में हुई असन्तोषजनक वृद्धि में परिलक्षित हुआ है। ऋण प्रदान करने के योजनाबद्ध और सघन क्षेत्रीय दृष्टिकोण पर प्रतिकूल प्रभाव पड़ा है, जिससे ऋण के छितराव की स्थिति पैदा हुई है।

3. यद्यपि बैंकों द्वारा गांव गोद लेने (ग्राम अभिस्वीकरण) योजना से अच्छे कारोबार वाले क्षेत्रों के लिए तो अच्छी प्रतिस्पर्धा हुई, लेकिन जो गांव अच्छे कारोबार वाले नहीं समझे गए, उन्हें छोड़ दिया गया, इससे असमानता घटने की बजाय बढ़ने लगी। सरकार द्वारा प्रायोजित आपूर्ति पर आधारित और लक्ष्योन्मुखी योजनाओं के संबंध में ऋण और उत्पादकता के बीच संबंध कार्यान्वयन की खामियों के कारण कमजोर प्रतीत हुआ।

4. कृषि क्षेत्र में ऋण और उत्पादन के बीच सूक्ष्म और स्थूल दोनों स्तरों पर, संबंध में निहित विभिन्न मानदंडों का गहन विश्लेषण करने पर यह प्रश्न उठाया गया कि क्या ग्रामीण ऋण का वितरण सम्यक् है या यह धनी परिवारों के पक्ष में झुका हुआ है। इस बात से इतना सा संकेत अवश्य मिलता है कि लघु एवं सीमान्त किसानों को वृद्धिशील अनुपात में ऋण प्राप्त हो रहा है, जो ग्रामीण जनसंख्या के कमजोर वर्गों के लिए और अधिक ऋण प्रदान करने की नीति के अनुसरण में कार्यान्वित विभिन्न उपायों का परिणाम है। अब समय आ गया है जब ग्रामीण क्षेत्रों में ऋण के संस्थागत प्रवाह और आय के वितरण के बीच संबंध का विश्लेषण करना चाहिए जिसके लिए आय संपत्ति के वितरण पर प्रभाव डालने वाले अन्य कारकों का ध्यान रखना होगा।

5. नियोजनबद्ध विकास से आज तक भारतीय अर्थव्यवस्था के ढांचे में संरचनात्मक परिवर्तन हुआ है। प्राथमिक क्षेत्र जिसमें कृषि एवं अन्य सम्बद्ध क्रियाकलाप आते हैं, राष्ट्रीय आय में इस क्षेत्र का अंश घटकर अब 15 प्रतिशत के आसपास ही रह गया है। दूसरी ओर कुल जनसख्या में ग्रामीण जनसंख्या का अंश 68 प्रतिशत के आसपास है। कृषि क्षेत्र में उत्पादक की वृद्धि दर लक्षित 4 प्रतिशत को एक दो वर्षों को छोडकर प्राप्त नहीं की गई, इसके विपरीत विनिर्माण एवं सेवा क्षेत्रों में उत्पादन दर तेजी से बढ़ी है। राष्ट्रीय आय में कृषि क्षेत्र के अंश में गिरावट अर्थव्यवस्था के अधिक से अधिक विशाखाकृत होने से होती है, जैसाकि हमारे यहां तेज विकास प्रक्रिया के कारण हो रहा है। किंतु इसी के साथ विशाल ग्रामीण जनता को रोजगार के अवसर प्रदान करने के लिए पण्य उत्पादन क्षेत्रों में विकास की पर्याप्त तीव्र दर होना आवश्यक है।

6. ग्रामीण क्षेत्रों में यह भी देखा गया है कि कृषि क्षेत्र में संख्या में अभूतपूर्व वृद्धि हुई है। परिणाम स्वरूप प्रति ग्रामीण परिवार औसत जोत आज घटकर 1.15 हैक्टर ही रह गई है। यह थाइलैण्ड की औसत जोत का 1/10 और इण्डोनेशिया की औसत जोत का आधा है, जबकि अमेरिका में जोत का औसत आकार 170 हैक्टेर है। भूमि उपविभाजन के साथ साथ भूमि अपखण्डन की समस्या भी विकट है जिससे कृषि में यन्त्रीकरण संभव नहीं है।

7. जिला सहकारी बैंकों की वित्तीय स्थिति संतोषजनक नहीं हैं। ऐसे बैंकों की संख्या बहुत बड़ी है जो उच्चतर एजेन्सियों से प्राप्त होने वाले ऋण को ग्रहण तक नहीं कर पाते। इसके अतिरिक्त वे ऋणदेने वाली उच्चतर एजेंसियों से उधार लेने के भी पात्र नहीं हैं। ऋण प्रदान करने की प्रणाली को यदि ग्रामीण क्षेत्र में अपने दायित्वों का निर्वहन करना है तो उसे अच्छी वित्तीय स्थिति में रहना होगा। उनकी पुनर्व्यवस्था के लिए नये प्रयत्नों के लिए रिज़र्व बैंक ने जोर दिया है, किंतु कमजोर सहकारी बैंकों की पुनर्व्यवस्था करने के लिए राज्य सरकारों को भी अपने दायित्वों का निर्वहन करना होगा। इस पहलू पर तुरंत ध्यान देने की आवश्यकता है।

8. इस बात पर भी विचार करना चाहिए कि अधिकाधिक ग्रामीण ऋण सुनिश्चित करने के लिए किसानों के अपने स्वामित्व वाले संसाधनों को हिसाब में लिया जाए।

9. ऋण देने में बहुएजेंसी दृष्टिकोण के इतने वर्षों से कार्यरत रहने से यह स्पष्ट हुआ कि इसकी सबसे बड़ी कमजोरी अनेक संस्थागत एजेंसियों का बढ़ जाना है, जिससे बहुत से कार्यों की पुनरावृति हो जाती है। ऋण देने की इस बहुएजेंसी प्रणाली को औचित्यपूर्ण बनाने की आवश्यकता है और शायद अब इस प्रश्न पर विचार करने का उपयुक्त समय आ गया है कि एजेंसियों की संख्या अधिक से अधिक कितनी हो, जो ग्रामीण वित्त के अल्पावधि एवं दीर्घावधि पहलुओं के संबंध में वित्तीय सक्षमता और सामाजिक न्याय को साथ साथ चला सकें।

10. आने वाले समय में ग्रामीण अर्थव्यवस्था की गतिविधियां भी संख्या में अधिक तथा विविध प्रकार की होगी तथा साथ में उपेक्षित वर्ग उनकी ओर अधिक ध्यान देने की मांग करेंगी। इन सबके कारण अधिक कृषि ऋण की मांग होगी, जो प्रकृति, मात्रा, अवधि तथा पुनर्भुगतान के रूप में काफी भिन्न होंगी। विभिन्न उभरती हुई संस्थाओं को देखभाल करने में आने वाला लचीलापन तथा क्रियाओं का सम्मिश्रण (जो शोध तथा विकास इन्पुट आपूर्ति उत्तरोत्तर प्रबंधन तथा विपणन प्रणाली से समर्थित होगा) ग्रामीण ऋण प्रणाली के मुख्य कारक होंगे।

11. इस प्रकार की मांगों को पूरा करने क लिए साख प्रदायक प्रणाली की समता अपनी अतिरिक्त अन्तर्निहित शक्ति के रूप में काफी सीमा तक प्रतिबन्धित है। कई मुख्य समस्या परक क्षेत्र आज भी विद्यमान है, जो समय पर उचित कदम न उठाने के कारण और भी तीक्ष्ण हो सकते हैं। इस संदर्भ में सर्वप्रथम हमें सहकारिताओं के प्राथमिक आधार की ओर ध्यान देना होगा। प्राथमिक कृषि सहकारी समितियां जिस पर सहकारी साख संरचना का ढांचा आधारित है, सहकारी साख संस्थाओं को पुनजीर्वित करने हेतु आत्मनिर्माता का समावेशन महत्वपूर्ण है, क्योंकि इससे आधारभूत संगठनों की कोष गतिशीलता एवं स्वायत्ता संभव हो पाएगी। इस हेतु इस तक प्रदर्शित वित्तीय विवेकपूर्ण मानदण्डों से कही अधिक विवेकशीलता की आवश्यकता होगी और यह मानव संसाधन प्रबंधन पर ज्यादा बल प्रदान करेगी।

12. क्षेत्रीय ग्रामीण बैंकों को अपने मूल उद्देश्य के प्रति पुनः उन्मुख होना होगा तथा उनके निर्माण के सही उद्देश्य के प्रति सजग रहना होगा। इन बैंकों की स्थापना का मूल उद्देश्य समाज के उपेक्षित वर्ग की साख आवश्यकताओं को पूरा करने के लिए वाणिज्यिक रूप से सक्षम संस्थाओं का ढांचा खड़ा करना था। उन्हें अपने प्रायोजक बैंक के जमा संग्रहण करने वाले केन्द्रों की प्रवृत्ति से दूर रहना होगा, अपितु उन्हें अपने सुदृढ़ स्थानीय आधारों को प्राप्त करके एक सक्षम बनाने का उद्देश्य सामने रखना होगा। इन उद्देश्यों के अन्तर्गत परस्पर कोई विरोध नहीं माना जा सकता क्योंकि देश के बाहर एवं भीतर ऐसे अनेक साक्ष्य उपलब्ध हैं जो यह बताते हैं कि गरीब के साथ भी अच्छी बैंकिंग की जा सकती है। वाणिज्यिक बैंकों को भी ग्रामीण बैंकों के प्रति अपना दृष्टिकोण बदलना होगा। इस परिप्रेक्ष्य में दृष्टिकोणात्मक परिवर्तन आवश्यक हो गए हैं। यदि ऐसा बहुत कुछ ज्यादा भी न हो सके तो व्यवस्था तथा तरीकों को तो अवश्य तराशना होगा। ग्रामीण ग्राहक लाभार्थी मात्र ही नहीं है, उन्हें सम्माननीय ग्राहकों के रूप में व्यवहार देना होगा। आकस्मिक मांगों को पूरा करने के लिए पुराने ऋणों की समय पर एवं पर्याप्त वसूली भी निणयिक है। वित्तीय संस्थाओं को न केवल वसूली की स्थिति को सुदृढ़ करने की आवश्यकता को लक्ष्य बनाना चाहिए, बल्कि इससे भी महत्वपूर्ण बात यह है कि चूककर्ताओं को रोकने के लिए एक वातावरण का सृजन करना चाहिए, साथ में पात्र उत्पादों को आसानी से साख उपलब्ध करवाकर सुविधाजनक बनाना चाहिए। इस संबंध में गैर सरकारी संस्थाओं को अपनी विकासात्मक भूमिका को और अधिक सघनता से निभाना होगा। जवाबदेहता तथा मध्यवृद्धि सुधार के लिए प्रभावी नियामक तरीकों को लागू करने की आवश्यकता है। उन्हें ऐसी भूमिका का निर्वहन करना चाहिए जो अंकेक्षण की अपेक्षा सहायता परक अधिक हो।

समावेशी ग्रामीण वित्तीय प्रणाली के विकास की चुनौतियां

एक समावेशी एवं वहनीय ग्रामीण वित्त प्रणाली का विकास करना अत्यधिक चुनौतीपूर्ण है और इसके लिए अनेक

प्रतिपूरक विषयों की विशद समझ आवश्यक हो जाती है। इसे निम्न बिन्दुओं द्वारा सहज भाव से स्पष्ट किया जा सकता है–

1. बहुत छोटे आकार के लेन देन की ढेर सारी आवश्यकताओं को पूरा करने के लिए क्या उत्पादों की लोच, निरन्तर उपलब्धता तथा उसकी सुलभता की स्थिति से समझौता किए बिना उपरोक्त उद्देश्यों के लिए अनेक प्रकार के उत्पादों एवं सेवाओं के एक पैकेज को विकसित किया जा सकता है? इसके लिए वित्तीय साक्षरता का भी सहारा लिया जा सकता है।
2. वंचित जिलों और क्षेत्रों निर्धनता को कम करने के लिए तथा वृद्धि दर को ऊपर उठाने में किस तरह के उत्पाद सबसे अधिक प्रभावी होंगे। ये दोनों बिंदु उत्पाद रणनीति ढांचे को इंगित करते हैं।
3. बैंक रहित एवं अपर्याप्त बैंक सुविधा वाले खण्डों में बैंकिंग किन प्रक्रियाओं की सहायता से पहुंच सकती है और साथ में ग्राहकों को उनके दरवाजे तक बाधा रहित सेवाएं प्रदान की जा सकती हैं? ऐसा बिना वित्तीय नुकसान किए करना होगा।
4. एक ऐसे लागत प्रभावी हब तथा उदग्र मॉडल का निर्माण कैसे किया जाए जहाँ एजेंटों की सहायता से परिचालित की जाने वाली शाखा रहित बैंकिंग की रूकावटों को आसानी से दूर कर वित्तीय सेवाओं की सुलभता को सुनिश्चित किया जा सके। उपरोक्त दोनों बिन्दु (3) तथा (4) प्रक्रियाओं के ढांचे की ओर इशारा करते हैं।
5. ऐसी कौनसी बाधाएं है जो सेवाओं की कम उपलब्धता/सेवाओं से वंचित खण्डों द्वारा विभिन्न प्रकार के सेवा प्रदाताओं से मिल रही वित्तीय सुविधाओं को प्रभावित कर रही हैं?
6. क्या बैंक भागीदार वित्तीय सेवाओं की सुलभता और उपलब्धता को आसान बनाने के लिए कुशलतापूर्वक कार्य कर रहे हैं। ये बिन्दु (5) तथा (6) दोनों भागीदारी ढांचे से संबंध रखते हैं।
7. किस प्रकार के उपायों तथा प्रणालियों को विकसित करने की आवश्यकता है जिनके द्वारा ग्रामीण वित्त प्रदान करने वाले इस प्रकार की सेवाओं के दुरुपयोग से बचा जा सके?
8. क्या इस क्षेत्र में हानि पहुंचाने वाले उधारकर्ताओं के जोखिमों से बचने का पर्याप्त तरीका उपलब्ध है?
9. क्या उधारदाता ऋण संस्कृति की अनिश्चितता के उतार चढ़ाव से सुरक्षित हैं? ये सभी बिंदु (7), (8) तथा (9) संरक्षण ढांचे से संबंधित है।
10. क्या कारोबारी कार्यनीतियां और सेवा देने के मॉडल ग्रामीण ग्राहकों को सुलभ एवं स्वीकार्य सेवाएं देने के लिए उन्मुख हैं? साथ में यह भी सुनिश्चित करना कि ग्रामीण वित्त सेवा प्रदाता लाभप्रद रूप से नियमित आधार पर कार्य कर रहा है? ग्राहकों की इच्छा इस बात के लिए किसी प्रकार प्राप्त किया जा सकता है ताकि वे उचित मूल्य निर्धारण मॉडल के माध्यम से भुगतान करें? यह बिन्दु लाभप्रदता ढांचे से सम्बद्ध है।
11. ग्रामीण क्षेत्रों में दी जा रही वित्तीय सेवाओं की उत्पादकता को किसी तरीके बढ़ाना भी अपने आप में एक बड़ी चुनौती है। वित्त (ऋण प्लस दृष्टिकोण के अन्तर्गत) के साथ अन्य संसाधनों को जोड़ने के लिए किस प्रकार की कार्यनीति विकसित की जाए ताकि वित्तीय सेवाओं का और उत्पादक एवं अनुकूल तरीके से उपयोग सुनिश्चित किया जा सके। यह बिंदु उत्पादकता ढांचे से संबंधित है।
12. अगला मुद्दा वित्तीय सेवा प्रदाताओं की अगली पंक्ति पर काम करने वाले कर्मचारियों से संबंध रखता है। क्या ये कर्मचारी इतने विज्ञ एवं सुसज्जित हैं कि वित्तीय समावेशन की प्रक्रिया को ज्ञान, कौशल और मनोवृति के अनुसार संचालित करने की आवश्यकता को पूरा कर सकें? क्या इन लोगों में इतनी क्षमता, बोध और प्रतिबद्धता है कि वे अच्छे ग्राहकों की पहचान कर सकें तथा उन्हें समय पर परामर्श देते हुए अधिक से अधिक सेवाएं प्रदान कर सकें? इस बिन्दु को लोग ढांचे के अन्तर्गत वर्गीकृत किया जा सकता है।

यहां पर जो 12 प्रश्न चुनौतियों के रूप में उठाए गये हैं, इनमें से कई चुनौतियां बहुत पुरानी हैं जिनका आज भी कोई समाधान नहीं निकाला जा सकता है। यह चुनौतियां नीति निर्माताओं तथा विनियामकों के लिए अत्यधिक

दिक्कत पैदा कर रहे हैं। इन चुनौतियों का यथाशीघ्र समाधान भी वांछनीय हैं। यह विश्लेषण एक ऐसे प्रारूप की वकालत करता है जो मांग से संचालित होती है और जिसमें अनेक वित्तीय उत्पादों एवं सेवाओं का कुशलतम प्रावधान हो, जिसे समावेशी वित्तीय क्षेत्र की ऐसी वहनीय संस्थाओं के माध्यम से किया जाए जो ग्रामीण क्षेत्र के विविध प्रकार के ग्राहकों को सेवाएं प्रदान कर रही हैं। सभी संबंधित संस्थाएं स्वतः अपने कार्य में बहुत कुछ प्राप्त कर सकती हैं, बशर्ते वे अपना आत्मविश्लेषण करें। समस्या का मूल पक्ष यह है कि एक ग्रामीण बैंकर को, चाहे वह किसी संस्था से जुड़ा है, किसी स्थान पर कार्य करता है अथवा व्यवस्था के किसी भी स्तर पर हो, उसे ग्रामीण परिदृश्य में कार्य करते हुए एक दक्ष विकासगत बैंकर बनना होगा।

एक संस्था को बहुत सारे संभागों, तथा व्यक्तिगत समस्याओं के विश्लेषणकर्ता रूप में देखा जाना भी संभव भी है। इससे लक्ष्य प्राप्ति में सहायता भी मिलती है। इससे भी महत्वपूर्ण बात यह है कि व्यवस्था की संपूर्णता पर ध्यान दिया जाए तथा इसकी शक्तियों, कमजोरियों, अवसरों चुनौतियों एवं उपचारात्मक उपायों को एक समग्र परिप्रेक्ष्य में रखा जाए। भारत की ग्रामीण सामाजिक–आर्थिक व्यवस्था सुदृढ़ एवं प्रभावी साख प्रदायक प्रणाली पर निर्भर है। आन्तरिक विश्लेषण में तरलता एवं साख प्रवाह किसी भी आर्थिक प्रणाली के रूप में समान है। साख को मजबूती प्रदान करने के लिए नाबार्ड एक शीर्षस्थ संस्था के रूप में विद्यमान है जो ग्रामीण वित्तीय प्रणाली को समावेशी बनाने में अपनी अहम् भूमिका अदा कर रहा है तथा आर्थिक सुधारों के संदर्भ में किसी भी चुनौती से निपटने में कारगर भूमिका अदा करता दिखाई देता है।

उपसंहार

बैंकों का राष्ट्रीयकरण ग्रामीण बैंकिंग की दिशा में एक उल्लेखनीय घटना थी। राष्ट्रीयकरण का मूल उद्देश्य अर्थव्यवस्था को बुलन्द ऊँचाइयों तक पहुंचाकर सभी क्षेत्रों में ऋण सुविधाएं सुलभ करना तथा इस उपलब्धि में क्षेत्रीय विसंगति को कम करना था। इसके बाद कई कदम उठाये गए जिससे बैंकों को आर्थिक विकास में प्रभावशाली भूमिका के निर्वाह में सहायता मिली। इसमें पहला कदम था ग्रामीण शाखा विस्तार। दिसम्बर 1969 में अग्रणी बैंक योजना शुरू की गई जिसके अनुसार प्रत्येक राष्ट्रीयकृत बैंक को आवंटित जिले बैंकिंग कार्यकलाप विस्तार का दायित्व सौंपा गया और बैंकों को जिला ऋण योजनाएं तैयार करने के लिए कहा गया जिससे देश के सभी जिलों में अनुमानित ऋण अंतर को पूरा किया जा सके। यह परम्परागत बैंकिंग से हटकर उठाया गया एक बड़ा कदम था। बैंकों ने अपनी शाखाएं खोलकर ग्रामीण क्षेत्रों में प्रवेश किया। लेकिन ग्रामीण ऋणों के संवितरण और समाज के कमजोर वर्गों को उपलब्ध कराने की दिशा में राष्ट्रीयकृत बैंकों ने जो प्रगति की, उससे योजना निर्माता संतुष्ट नहीं थे। यह देखकर कि विकास मूलक योजनाओं के लाभ जरूरतमंद लोगों को यथेष्ट रूप से नहीं पहुंच रहे हैं, यह अनुभव किया गया कि लघु कृषक, सीमान्त कृषक तथा खेतिहर लक्ष्य समूहों की आवश्यकताओं की पूर्ति के लिए एक अलग अभिकरण आवश्यक हैं। वाणिज्यिक बैंकों को केन्द्रीय एवं राज्य सरकारों के सहयोग से देश के विभिन्न भागों में, क्षेत्रीय ग्रामीण बैंकों का उद्भव हुआ, विशेषकर उन इलाकों में जहाँ सहकारी बैंकिंग प्रणाली कमजोर थी तथा वाणिज्यिक बैंक बहुत सक्रिय नहीं थे। विगत कई दशकों से ग्रामीण ऋण, भारत के ग्रामीण विकास की समस्याओं का समाधान करने का एक सशक्त नीतिगत उपाय बनकर उभरा है। भारतीय ऋण प्रणाली विकास और हस्तक्षेप दोनों का उत्पाद बनकर उभरी है। ग्रामीण ऋण प्रणाली के क्षेत्र में ऋण के संस्थागत का विस्तार करने का ध्यान केंद्रित किया गया है। ग्रामीण ऋण के संस्थागत स्वरूप का विस्तार किया गया है तथा इन प्रयासों के फल अभी तक उत्साहवर्धक रहे हैं, फिर भी संस्थागत विकास एवं आधार के विस्तार, दोनों दृष्टि से व्यापक ध्यान दिये जाने के बावजूद ग्रामीण ऋण पर पुनर्विचार और इसमें निहित कमजोरियां दूर करने के प्रयास किए जा रहे हैं। अतः इस बात पर बल दिए जाने की आवश्यकता है कि ग्रामीण ऋण के व्यापक प्रारूप में कृषि एवं कृषितर कार्यों के लिए ऋण सहायता शामिल हों। कृषि क्षेत्र को अवधिपार दिए गए ऋणों से पता चलता है कि कृषि क्षेत्र को दिया गया कुल दीर्घकालीन ऋण का हिस्सा समान रूप से कम होता जा रहा है। फसली ऋण पर ध्यान केन्द्रित करना और ब्याज संबंध अनुदान उपलब्ध कराना इस विषय की आंशिक व्याख्या करता है। इससे पता चलता है कि कृषि क्षेत्र में

पूंजी निर्माण को अनदेखा किया गया। ग्रामीण क्षेत्र की बुनियादी सुविधाओं का बेहतर जीविका तथा उत्पादकता एवं कम गरीबी के साथ सकारात्मक संबंध है। समग्र रूप से पिछले वर्षों में ग्रामीण मूलभूत सुविधाओं पर व्यय बढ़ा है और सन् 2000 से 2012 की अवधि में ग्रामीण बुनियादी सुविधाओं की विभिन्न मदों पर लगभग 3 ट्रिलियन रुपये व्यय किए हैं जिनमें से सिंचाई पर हुआ व्यय (16 प्रतिशत) भी शामिल है वहाँ लगभग 69 प्रतिशत निवासियों को सड़क मार्ग से जोड़ दिए हैं। यह सब समावेशी ग्रामीण वित्तीय प्रणाली के सुचालक के रूप में कार्य करता दिखाई देता है। लेकिन यह भी ध्यान में रखना होगा कि अभी भी ग्रामीण क्षेत्रों में 45 प्रतिशत गृहस्थों के घरों में बिजली के कनेक्शन नहीं लगे हैं और 50 प्रतिशत से भी अधिक भूमि की सिंचाई नहीं हो पा रही है। फिलहाल आवश्यकता इस बात की है कि छोटे पैमाने के निर्माताओं की वाणिज्यिक जरूरतों को निर्माता संगठनों तथा सहकारी संस्थाओं एवं उनके फेडरेशनों द्वारा पूरी की जाए। उत्पादक आस्तियों में सामूहिक निवेश करने के महत्व को मानते हुए भारत सरकार ने एक इक्विटी अनुदान निधि की स्थापना की है ताकि किसान निर्माता कंपनियों को उनकी आवश्यकता के अनुसार वित्त मिल सके और ऋण गांरटी निधि (85 प्रतिशत चूक पर गारंटी कवर) स्थापित किया जा सके। दूसरी ओर खेती करने वाले 140 मिलियन घरेलू परिवारों में से जो 86 प्रतिशत छोटे और सीमांत किसान हैं, उन्हें वित्त उपलब्धता की पूरी श्रृंखला की परिधि में लाया जाए ताकि समावेशी ग्रामीण वित्तीय प्रणाली की अवधारणा सार्थक सिद्ध हो सके।

संदर्भ

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Case Studies

Evaluation of Banking Penetration and Access to Credit in Selected States: A Survey-based Approach*

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The basic objective of this paper is to assess the extent of banking penetration in four states – Gujarat, Rajasthan, Madhya Pradesh and Delhi. The focus is to assess the pattern of bank account penetration and to identify the extent of financial services gaps and provision of credit to poor households and small businesses through a sample survey. It has been assessed that banking penetration has increased appreciably in recent years both in demographic and geographic terms with more government subsidies and payments being made through banks. However, the frequency of bank accounts usage is still lower than expected. The respondents indicated that opening a bank account serves as an entry point into the formal financial sector and it is easier to transfer wages, remittances and government payments. The shortage of disposable income is the major reason for not having bank accounts for rural poor. Other plausible reasons for not having bank accounts pointed to be distance, documentation and lack of trust with the banks. Mobile and internet banking users among all the respondents constitute only a minority. Short-term credit needs of the respondent are widespread and they mostly borrow from informal sources. The complexities and time involved in getting funds from banks and/or other financial institutions are the major reasons for which the small businesses are not approaching formal financial sector. Broadly, gender, education level, age profile and rural-urban characteristics determine the banking penetration in surveyed states.

I. Introduction

(a) Background of the Study

The rationale for deepening the banking penetration has been recently emphasised in recommendations of the *Committee on Comprehensive Financial Services for Small Businesses and Low Income Households* (Nachiket Mor Committee Report, January 2014; MCR, hereafter) towards financial

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*The current paper tracks the banking penetration and credit access through survey based method before the Pradhan Mantri Jan Dhan Yojana (PMJDY) was launched. Although, lots of changes took place immediately after the survey conducted for the purpose, still the findings provide basis for measuring the progress/change after the launch of PMJDY. Moreover, this article is the part of a broader project to assess financial inclusion in recent years.

**Authors are/were attached to the Monitoring and Research Unit of the Regional Offices (Ahmedabad, Jaipur, Bhopal and New Delhi, respectively) of the Reserve Bank of India. This paper's findings, interpretations, and conclusions are entirely based on sample survey. Therefore, the views are those of the authors' and do not necessarily represent that of the Reserve Bank of India. However, the usual disclaimer applies.

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inclusion in India. The *MCR* had mentioned that in the absence of fruitful financial services to low income households and small businesses, there is a plethora of informal finances available at higher rates of interest in the remote villages as well as in urban centres. The Report was of the view that, "the scheduled commercial banks are using their own branches and a network of mostly informal agents (*such as*, Business facilitators/Correspondents) to reach financially excluded people and this mechanism of credit delivery leads to an extremely high risk portfolio of assets but not responsive to low income households and small businesses" (MCR, page 3).There has been a widespread debate amongst the policy makers about the skewed distribution of the benefits of inclusive growth in India. Though, a number of development schemes for the poor have been implemented by the Central and State Governments, they have not reached them to the desired extent.

The Government of India (starting from UPA regime and also recently formed BJP Government) has placed financial inclusion as a prioritised policy agenda. The Reserve Bank has also extended critical help to make wider scope of the organised financial system to include people with low incomes within its ambit. While financial inclusion facilitates inclusive economic growth, the latter in turn, eventually lead to widening the customer base of the banks. In order to reach across the poor, the banks, at the initiative of the Reserve Bank of India, had introduced zero balance accounts or no-frill accounts and recently extended it to the minors. The BC model has also been modified by RBI to suit the non-banking financial companies (NBFCs). The Government on its part has helped inclusive banking by making MGNREGA and a number of social security payments directly credited to the bank accounts of the poor households. The present move of the Government of India to pass on the subsidy to the target groups through banks is another initiative in this direction. With the widespread introduction of *Aadhar* cards (by UIDAI) in the country, opening mass bank accounts of the poor[1] and transferring money to the poor will become much easier. For making financial inclusion more target oriented and designing financial products to suit the poor households and small businesses, it is of utmost importance to understand their financial needs, as well as their emergency requirements. There are also informal institutions and instruments in the hinterland that caters the diverse needs of the poor. A grass root level understanding on these aspects may help in devising a scheme for meaningful financial inclusion, as prescribed by the MCR, 2014.

Despite the differences in the definition, scope and approaches towards the banking penetration and financial deepening, the objectives of banking penetration and financial inclusion have remained central point in the contemporary policy discussions. The Report of the *Rajan*

[1]Pradhan Mantri Jan Dhan Yojana (PMJDY) is an ambitious scheme for comprehensive financial inclusion launched by the Prime Minister of India on August 28, 2014. On the inauguration day, 1.5 crore bank accounts were opened under this scheme. The scheme has been started with a target to provide 'universal access to banking facilities' starting with Basic Banking Accounts with overdraft facility of ₹5,000 after six months and RuPay Debit Card with inbuilt accident insurance cover of ₹1 lakh and RuPay Kisan Card. In next phase, micro insurance and pension etc. will also be added. As per https://www.pmjdy.gov.in/scheme- this scheme provides access to pension and insurance products.

Table 1: Selected Social, Economic and Financial Indicators of Surveyed States

Sl. No.	Variable	Reference Period	Rajasthan	Madhya Pradesh	Gujarat	NCT of Delhi	All-India
1.	Per capita NSDP constant prices*	2016-17	66,342	51,852	122,502	240,318	82,269
2.	Number of Bank Offices	As on Mar 31, 2016	6,648	6,148	7,303	3,408	132,587
3.	Population per branch	As on Mar 31, 2016	10,973	12,667	8,603	6,246	9,571
4.	Density of Population (per sq. km)	2011	201	236	308	11,297	382
5.	Credit-GDP Ratio	2015-16	28.4	31.9	38.0	175.8	55.0
6.	Rural Unemployment rate	Apr 2015-Dec 2015	77	44	10	45	51
7.	Urban Unemployment rate	Apr 2015-Dec 2015	43	40	7	33	49
8.	Rural+Urban Unemployment rate	Apr 2015-Dec 2015	71	43	9	33	50
9.	Rural Population (%) below Poverty line	2011-12	16.1	35.7	21.5	12.9	25.7
10.	Urban Population (%) below Poverty line	2011-12	10.7	21.0	10.1	9.8	13.7
11.	Rural Population (%)	2011	76.6	73.5	62.6	6.8	72.2
12.	Households availing Banking Services (%)	2011	68.0	46.6	57.9	77.7	58.7
13.	Per Capita Deposit (₹)	As on Mar 31, 2016	35,701	36,843	83,153	458,617	76,125
14.	Per Capita Credit (₹)	As on Mar 31, 2016	26,155	22,255	62,456	456,000	59,268
15.	GSVA by Industry of Origin (%)**	2016-17	Agr: 26.4 Ind: 21.1 Ser: 52.5	Agr: 33.6 Ind: 16.2 Ser: 50.2	Agr: 15.3 Ind: 38.5 Ser: 46.2	Agr: 0.5 Ind: 14.1 Ser: 85.3	Agr: 15.2 Ind: 23.2 Ser: 61.7
16.	Literacy rate (%)	2011	66.1	69.3	78.0	86.2	73.0

Source: Ministry of Statistics and Programme Implementation; Economic Survey, 2016-17; Report on Fifth Annual Employment - Unemployment Survey, 2015-16, Vol-I, Labor Bureau; Census 2001 and 2011 and Planning Commission

*: Base Year is 2011-12 and Data for Gujarat and Rajasthan belong to 2015-16

**: Data for Gujarat belongs to 2015-16 and that of Rajasthan to 2014-15

Note :Urban & Rural Unemployment rate (per 1000) for persons of age 15 years & above according to usual principal status approach & refers to the reference period, Apr 2015-Dec 2015.

The financial indicators of the states indicate that financial inclusion in Madhya Pradesh is not at par with the national average. For instance, the percentage of households availing banking services is much lower in Madhya Pradesh while the other three states are either higher or at par with the national average. Even the Credit-GDP ratio and per capita credit is lower in Madhya Pradesh. Population per branch is also quite high in Madhya Pradesh in comparison to all-India and other three states. The per capita deposit is least in the state of Rajasthan among the four states. NCT of Delhi performs better than the other three states as per the economic and financial indicators (Table 1).

The first set of survey questionnaire consists of indicators with regard to access to formal bank accounts, frequency of the use of such accounts, mode of access, the purpose of these accounts (personal or business, receipt of payments from work, government or family), barriers to account use and alternatives to formal accounts. The survey also delves into indicators such as individual or joint ownership of formal accounts – accounts at a formal financial institution such as commercial bank, cooperative societies, post office, or micro finance institution (MFIs). It also captures information on the debit card/ATM card tied to an account as well as *Kisan* Credit Card (KCC). Information relating to the receipt of payments measure the use of formal accounts to receive wages (payments for work or from selling goods), payments or money from the government, and family remittances.

The second set of indicators focuses on saving behaviour. This relates to the use of accounts, as people often save at formal financial institutions like commercial banks, cooperatives and post office saving banks. Other indicators also explore the use of community-based savings methods and the prevalence of savings goals. The third set focuses on sources of borrowing (formal and informal); purposes of borrowing (mortgage, emergency or health purposes, agricultural purposes, etc.).

The information is collected from 420 households and 75 small business entities based on field survey questionnaire interview. Around 100 households and 20 small business entities are covered from each of these four states drawn from both urban/sub-urban cluster and rural village area. The survey was executed in about 10-12 villages/clusters each across the four states during April-May 2014. In each state, half of the areas covered falls in underdeveloped areas (rural villages where there is no post office) and the other half is from relatively more developed regions (urban and semi-urban villages having post office and banking and financial structure). These villages are selected from service area plan of State Level Bankers' Committee (SLBC[§]) schedule and Lead District Manager (LDM) and District

[§]In June 2012, the State Level Bankers' Committees (SLBCs) were asked to prepare a service area roadmap covering all unbanked villages having population of less than 2000 and allot these villages to lead banks for providing banking services in a time-bound manner either through BCs/BFs.

**NABARD has 405 District Development offices, manned by District Development Managers (DDMs), across the country to focus on credit planning, monitoring, developmental and promotional activities in these districts. In addition, 107 districts are tagged to specific DDM districts, thus covering almost all the districts of the country.

Development Manager (DDM**) were consulted for guidance of the survey team. These villages/clusters (Table 2)fall under the suitable category for designed survey and LDMs and DDMs who are involved in discussions with Gram *Panchayats* and key informants such as BCs/BFs to ensure that the selected households are well-spread among beneficiaries of financial inclusion. However, best efforts were made to ensure representation of households from different occupational groupings. In order to account for geographical and socio-economic diversities of these districts, households were selected from contiguous Gram Panchayats/Taluks and having different demographic set up (like SCs/STs population) at household level. For example, Dahod district of Gujarat has 72 per cent SCs/STs population and Rajkot district has only 8 per cent of SCs/STs. Respondents are randomly selected within the selected households in the village as identified on the basis of SLBCs list.

The broad structure of questionnaire designed for the field survey has following dimensions: (i) Level of credit penetration-awareness and actual, (ii) Need and usage of financial intermediation, (iii) Type of financial intermediation- formal and informal, involving banks and non-banks, (iv) Standard of Living and level of development and need for credit, (v) Problems in accessing credit – quantum, cost and conditions, and (vi) Likely improved version of credit penetration. The survey has also included interviews with banks (mostly lead bank managers in the concerned districts), business correspondents involved in the process, SHGs/NGOs wherever available, co-operatives, and NBFCs that are active in the survey area. The findings of this study are completely based on field survey data from interviews.

Table 2: Villages Covered in the Study

Districts (State)	Village Names	Name of the Lead Bank
Dahod (Gujarat)	Bandibar, Lukhawada, Vadela and Chhapri	Bank of Baroda
Rajkot (Gujarat)	Ghanteswar, Madhapar, Manharpur and Kalipat	State Bank of India and Bank of India
Jaipur (Rajasthan)	Sirsali, chomu, sanganer, Katputli nagar	State Bank of Bikaner and Jaipur
Bikaner (Rajasthan)	Jamsar, Rampura, Ganga Sheher	State Bank of Bikaner and Jaipur
Ajmer (Rajasthan)	Kisangarh	State Bank of Bikaner and Jaipur
Bhopal (Madhya Pradesh)	Phanda, Intkheri	Allahabad Bank & UCO Bank, respectively
Sehore (Madhya Pradesh)	Barkhera Hasan, Pathariya	Bank of India
South and South-West (Delhi)	Sangam Vihar, Najafgarh	State Bank of India
East, North-East and North-West (Delhi)	Gandhi Nagar, Seelam pur, Badli	Punjab National Bank
Gurgaon (Haryana)	Garhi Harsaru	Syndicate Bank

Source: SLBC, Respective States.

However, it was assessed that past efforts have focused largely on agriculture. As the Indian economy diversifies and more people move away from farming to small businesses, there is an urgent need to focus on other segments as well, for instance the poor in urban areas. To capture the essence of this aspect, the present study covers small businesses who are assumed to be urban poor in the selected states. While mandated branching, especially by public sector banks in rural and semi urban areas, has made banks easier to reach for significant portions of the population, these branches have not gone out of their way to attract the poor. Rural branches are seen as a burden rather than an opportunity by the increasingly profit-oriented public sector. At the same time, it appears that mere branches itself cannot be the way to reach the poor, since the poor in richly branched urban areas have little access to the banking services.

Limitations of the Study: The indicators based on data collected from various households and villages have several important limitations. First, data are collected only from identified villages which are pre-determined at LDM/DDM levels and may provide a biased view of financial access. Second, aggregation of data from four states can be misleading because of multiple accounts or dormant accounts at household level. Importantly, this approach does not allow disaggregation of financial service users by income or other identified characteristics. That leaves policy makers unable to identify segments of the population with the lowest use of financial services, such as the poor, women, or youth, who are sometimes considered as un-bankable.

(D) Organisation of the Study

With above facts in the background, the rest of the study is organised as follows. Section II briefly discusses the recent survey of literature on banking penetration in India and financial inclusion in general. In Section III, we have explained the characteristics of the field survey questionnaire. Surveys were commissioned separately for each of the four states and surveyors are different. Section IV has covered state-wise analysis along with an aggregate analysis of both households and small businesses. Section V provides conclusions derived from survey as well as policy implications.

II. Literature Survey

The banking penetration, frequently referred to as financial inclusion, has primarily been defined as the delivery of formal financial services to each and every adult member of an economy. In the literature, *access to financial services* most often refers to the supply of services, while use is determined by demand as well as supply (World Bank, 2008). Therefore, the present study focuses on analysing both the demand and supply sides of banking penetration. Alternatively, financial inclusion can be defined as a process that serves to remove the barriers and overcome the inabilities of some disadvantaged groups and individuals, including the poor, to access and use low-cost, fair and safe formal financial services, such as credit, deposits, insurance and payments, whenever needed (Demirguc-Kunt and Levine, 2009; Rajan, 2009). In the same vein, Rangarajan (2008) defined financial inclusion *"as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost"*.

The earlier literature on financial inclusion suggests that easy access to credit enables households to smooth consumption expenditure over time, which may also facilitate education of children and reduce incidence of child labour (Becker, 1975; Mincer, 1974). Recently, Menon and Rodgers (2011) have pointed out that greater access to formal credit services can augment self-employment and, thus, reduce the extent of unemployment and under-employment. Easy access to credit is emphasised in the poverty literature, but easy access to deposit services to mobilise savings and availability of affordable insurance products to effectively deal with risks are also equally important for the well-being of the poor. Recently, a number of studies have documented that both poverty and inequality are negatively associated with access to formal financial services [Beck, Demirguc-Kunt, and Martinez Peria (2007); Beck, Demirguc-Kunt and Levine (2007), and Burgess and Pande (2005)]. It is also argued that greater access to financial services is likely to improve economic efficiency as well as equity (Conroy, 2005).

In Indian context, the role of financial services in economic growth received a renewed attention during second half of 1990s and early 2000s, which has been succinctly captured by Mehrotra, *et. al.*, 2009; and Kumar and Mishra, 2011. Different countries adopted different strategies for the development of this instrument as a policy variable in order to bring more and more sections of population into the purview of financial services. Development and access to financial services by all sections of population is considered an important policy variable for the growth of the economies (Levine, 1997). As such, policy makers and institutions are engaged in increasing the intensity of financial services across the population. In spite of policy initiatives, there are great variations in the financial inclusion index not only across countries but also within a country (Demirguc-Kunt and Klapper, 2012).

In view of the immense importance of development of formal financial system and greater reach of banking services to the masses, India has adopted targeted avenues for achieving inclusive growth along with financial inclusion. Nationalisation of banks, among many other steps, was the pioneering effort towards broadening the banking root deep into the hinterlands. However, in Indian context, as per Financial Development Report 2012 of the World Economic Forum (WEF), the number of commercial bank branches per lakh population at 10.9; market penetration of bank accounts at a formal financial institution (15 years or older) at 35.2 per cent; debit card penetration at 8.4 per cent; the number of commercial bank branches per one lakh population at 7.4 in 2011 appears to be far from satisfactory compared with advanced countries as well as the BRICS countries. In fact, Rural India appears particularly worse off with an even lower coverage of bank branches at 6.7 compared to urban India at 8.9. Though there is an increasing trend of financial inclusion in most of the states in recent years, the pace of financial inclusion has slowed down following the Andhra Pradesh Crisis relating to Micro Finance Institutions (MFIs) as many of them reported low growth.

III. Characteristics of the Sample Survey

(a) Profile of the Households

The number of households covered altogether in four states consists of 420 – Gujarat (105), Rajasthan (106), Madhya Pradesh (100) and Delhi NCR (109). The gender and age profiles of the households covered in the targeted sample survey corresponds to that of family-head and mainly as chief earning member. With regards to occupation, the profiling also relates to the main source of income for the households. The analysis is done across rural and urban classifications and also gives the overall picture of the sample households.

About 85 per cent of the respondents were male and the remaining 15 per cent were female members. Gujarat, being a majority business community population, the choice of headman in the family is obvious. It may be mentioned that, this study does not provide any gender specific findings due to the low level of representation of female respondents in the sampled population. Female headed households are considered to have an economic disadvantage due to the lower earnings compared to male counterpart and also the time constraints at work, given the dual responsibility at work and home.

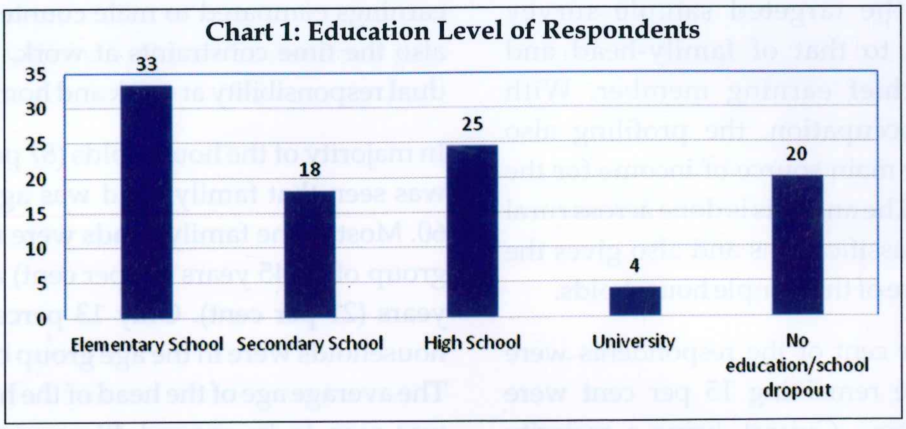
In majority of the households (87 per cent), it was seen that family head was aged below 60. Most of the family heads were in the age group of 26-45 years (48 per cent) and 46-60 years (21 per cent). Only 13 percent of the households were in the age group of over 60. The average age of the head of the household was seen to be around 48 years (Table 3). There is no significant difference in the age of the heads of the rural and urban households. It may be mentioned that, in majority cases the reported head may not necessarily be the one who provides the main economic support to the family. In many cases, either the son or daughter were the main earning members.

Table 3: Demographic Characteristics of the Household

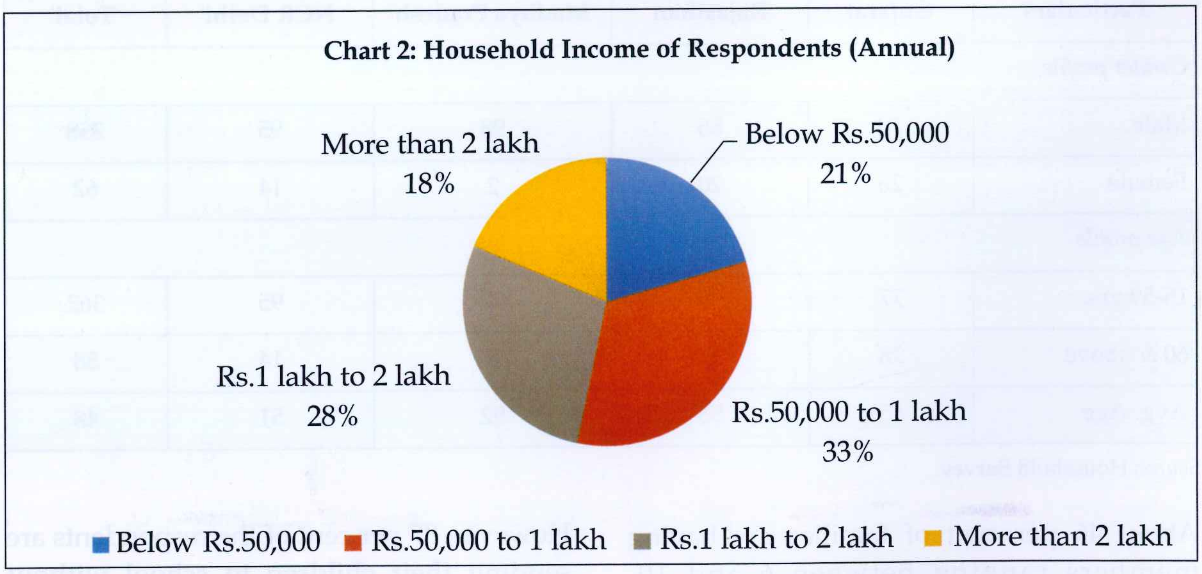
Particulars	Gujarat	Rajasthan	Madhya Pradesh	NCR Delhi	Total
Gender profile					
Male	79	86	98	95	358
Female	26	20	2	14	62
Age profile					
15-59 yrs.	77	98	92	95	362
60 & above	28	8	8	14	58
Avg. Age	45	53	52	51	48

Source: Household Survey.

About 46 per cent of families are having members ranging between 6 and 10. Maximum numbers of family heads (80 per cent) reported that they could read and write in vernacular language. Of the 420 responding about education background, 20 per cent of the respondents were school dropouts or had received no formal education and very few of the respondents (4 per cent) had graduated from university (Chart 1). However, 87 per cent of the respondents are sending their children to school without incurring any loan. Around 50 per cent of the households have no cultivable land but majority of them (84 per cent) are holding Aadhar Card. Majority of the houses were owned by these households and people living in rented accommodation were seen only in the urban areas. Only one-fifth of the households were living in *kutcha* houses.



About one-third of the respondents were having cultivable land and mostly those were marginal land-holding with a land-size below 1 hectare. In Rajasthan, it was interesting to note that many families with land holdings and relatively higher income had BPL cards, whereas, many respondents living in *kutcha* houses and very low incomes did not feature in the BPL list. Almost three-fourths of the respondents were self-employed in their own land or supplemented their agriculture income with dairy farming and other casual/daily wage labour. About 60 per cent of the respondents were in the income bracket of 50 thousand to 2 lakh per annum (Chart 2). More than 50 per cent are having two-wheelers and about 95 per cent of the respondents are mobile phone owner.



(b) Profile of the Small Businesses

The number of small businesses covered in four states altogether consists of 75 – Gujarat (19), Rajasthan (22), Madhya Pradesh (25) and Delhi NCR (9). The analysis is carried out across rural and urban classifications and also gives the overall picture of the sampled small businesses. In the survey conducted for small businesses, 70 per cent of the units were wholly owned, 25 per cent were having partnership and 5 per cent were companies. About 70 per cent of the business units are more than 20 years old (Chart 3). Most of the units were registered under one of the act or any agency or with government. Most of businesses were in services sector (Chart 4).

Chart 3: Year of Business Incorporation

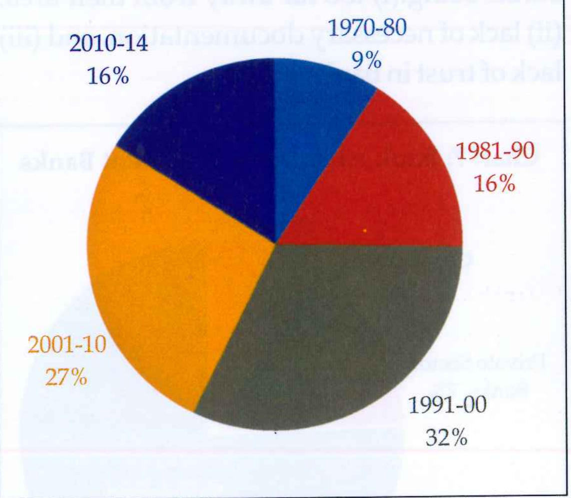
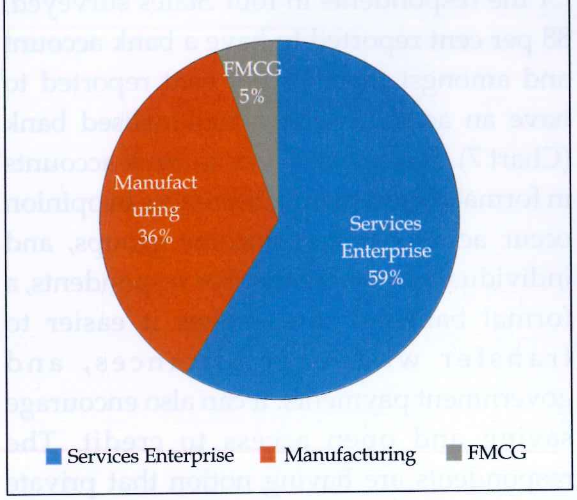


Chart 4: Type of Small Business



The annual turnover of 33 per cent of the units were below ₹10 lakh, these were basically small service units. About 55 per cent of the units were having annual turnover of Rs.15 lakh and above (Chart 5). More than three-fourths of the units were directly selling their products into the market, whereas, 16 per cent were selling through agents and 7 per cent undertook job-work. Majority of the units were selling in local markets, 27 per cent were exporting their products. Almost half of the units were employing maximum 5 workers (Chart 6). Some of the units also reported about under-utilisation of their fixed capacity citing the reasons as lack of marketing avenues (mainly tiny units), and lack of adequate working capital requirements.

Chart 5: Annual Turnover of the units

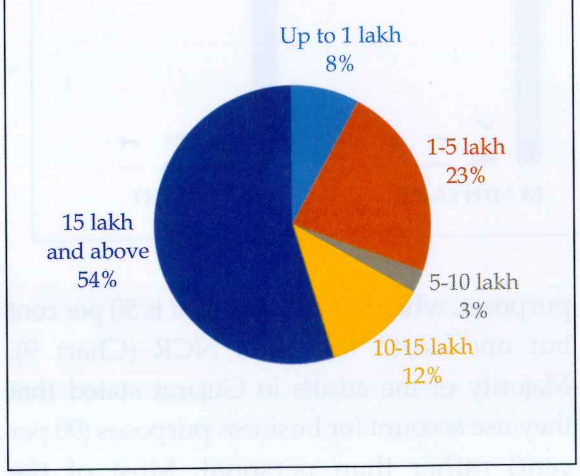
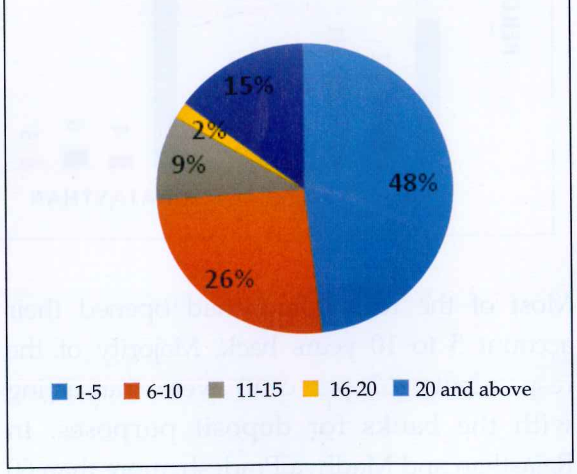


Chart 6: Number of Labour Employed by Units



IV. Analysis of Survey Results

A. Findings of Survey: Households

(a) Primary reason for a Bank account

Of the respondents in four States surveyed, 88 per cent reported to have a bank account and amongst them 76 per cent reported to have an account with a nationalised bank (Chart 7). Having said 'yes' to bank accounts in formal sector, many differences in opinion occur across villages, income groups, and individual characteristics. For respondents, a formal bank account makes it easier to transfer wages, remittances, and government payments. It can also encourage saving and open access to credit. The respondents are having notion that private sector banks mainly cater to the needs of richer class. However, in Gujarat, about 22 per cent of the respondents, though poor households, have their accounts with private banks (Chart 8). In fact, the respondents who didn't have bank accounts mentioned that shortage of disposable income as the major reason. The other reasons reported were banks being:(i) too far away from their area, (ii) lack of necessary documentation, and (iii) lack of trust in banks.

Chart 7: Bank Accounts in Different Banks

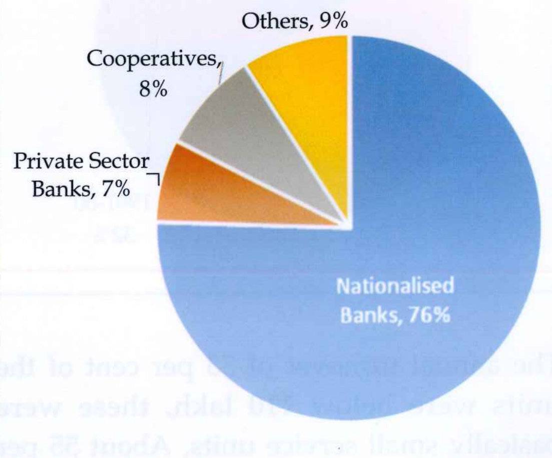
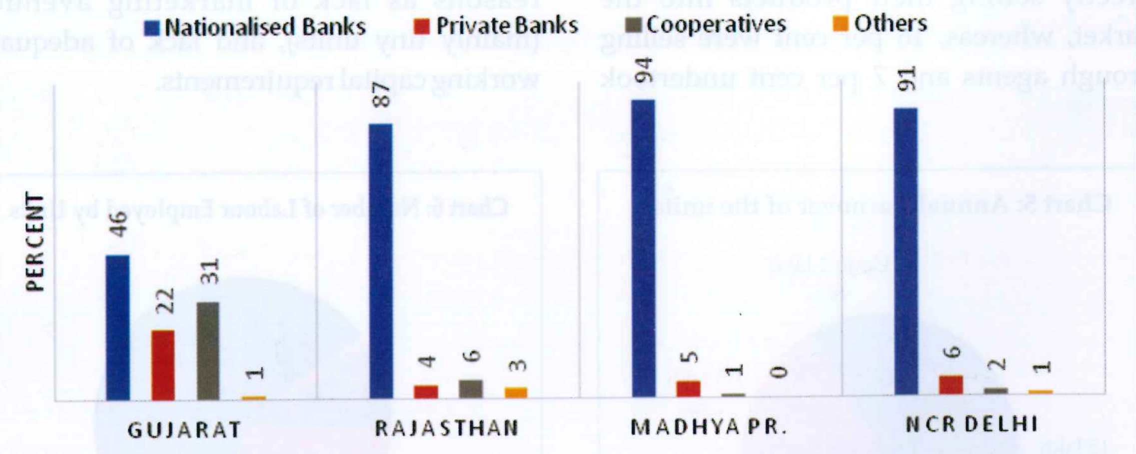
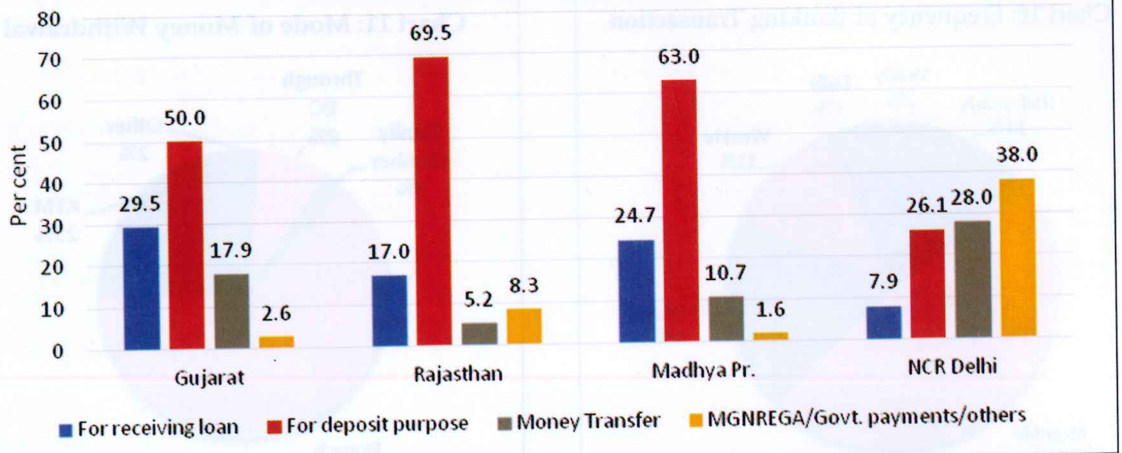


Chart 8: Accounts with Different Banks



Most of the respondents had opened their account 5 to 10 years back. Majority of the respondents (62 per cent) were transacting with the banks for deposit purposes. In Rajasthan and Madhya Pradesh, more than 60 per cent have bank accounts for deposit purposes, where as for Gujarat, it is 50 per cent but one-fourth for Delhi NCR (Chart 9). Majority of the adults in Gujarat stated that they use account for business purposes (90 per cent) rather than personal. Most of the personal uses are for receiving wages or selling of business goods. Receiving payment from MGNREGA is common in Dahod district while selling is important for Rajkot district. In Rajkot district, 27 per cent have reported remittance related receipt from abroad which is steady source of fund for the most private sector commercial banks. Overall, about 10 per cent of the respondents reported that besides banks, they have deposit with non-banking financial companies and chit funds.

Chart 9: Basic Purpose of Bank Account



Majority of the respondents (47 per cent) reported that they visit their bank on a monthly basis. More than 60 per cent of the respondents reported that they withdraw money by visiting the bank branch by themselves. Only 25 per cent reported that they use ATM for withdrawal. The respondents were of the view that withdrawing money from ATM is not good from the point view of safety of their money. The other reason for little use of ATM was reported as non-operational ATM machines in their areas. Some of the respondents also stated about the stealing of ATM machines. Only two-third of the respondents were aware about presence of business correspondent (BC) in their area. About 70 per cent of the respondents complained that they don't have enough banking facilities in their area.

Overall, more than 70 per cent of the respondents are not aware of mobile banking facility. Hardly, 16 per cent of the respondents have reported having used mobile banking technology in the past one year. In Gujarat, many respondents have used Western Union Money Transfer and Moneygram facilities available in the main hub of the town. It is a tendency to save money through bank account for future unforeseen expenses like education, wedding or housing purposes. Overall, only 20 per cent of the adult respondents have reported that they have saved for future emergencies in the past one year. The higher income group people and those with more education reported having saved at a bank in the past 12 months. This indicates that the customers have to be educated on the safety and convenience aspect of formal banking financial transactions in order to have meaningful financial inclusion.

(b) Frequency of Account Operation

The frequency with which an individual transacts with a bank shows how occasionally he/she needs a banking service, though at the same time use of technology in the banking industry limits the visits of individuals to banks. But, in rural areas where such technological advances are not prominent, frequency with which they visit bank branches is an indicator of use of banking services. Majority of the respondents (47 per cent) reported that they visit their bank on a monthly basis (Chart 10). About 60 per cent of the respondents reported that they withdraw money by visiting the bank branch themselves (Chart 11).

Chart 10: Frequency of Banking Transaction

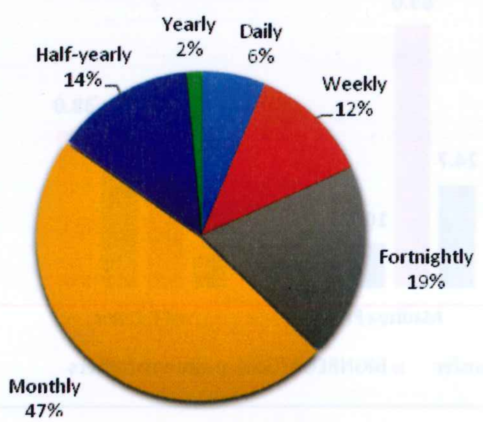
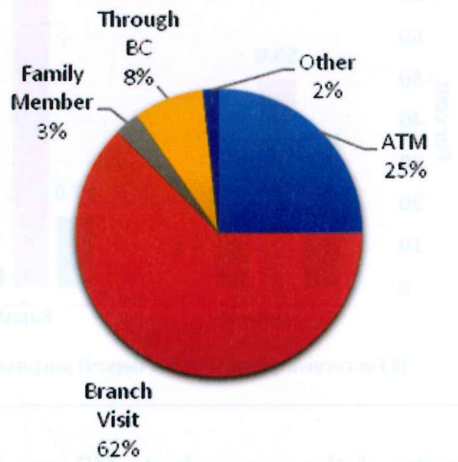


Chart 11: Mode of Money Withdrawal



Many of the respondents also cited the need for updating passbook and/or withdrawing money over counter as the reasons for visiting bank branch. However, visiting bank branch involves cost in terms of time and effort and respondents complained about spending more time, especially, during the beginning of the month when monthly receipts and deposits are made.

About 2 per cent of account holders have reported that they do not operate the account once in a month, though they have operated once in a six-month/yearly basis just to have a sense that account did exist for future transactions. About 60 per cent of the respondents having bank account withdraw their wages monthly and 30 per cent withdraw fortnightly (deposited by an employer).

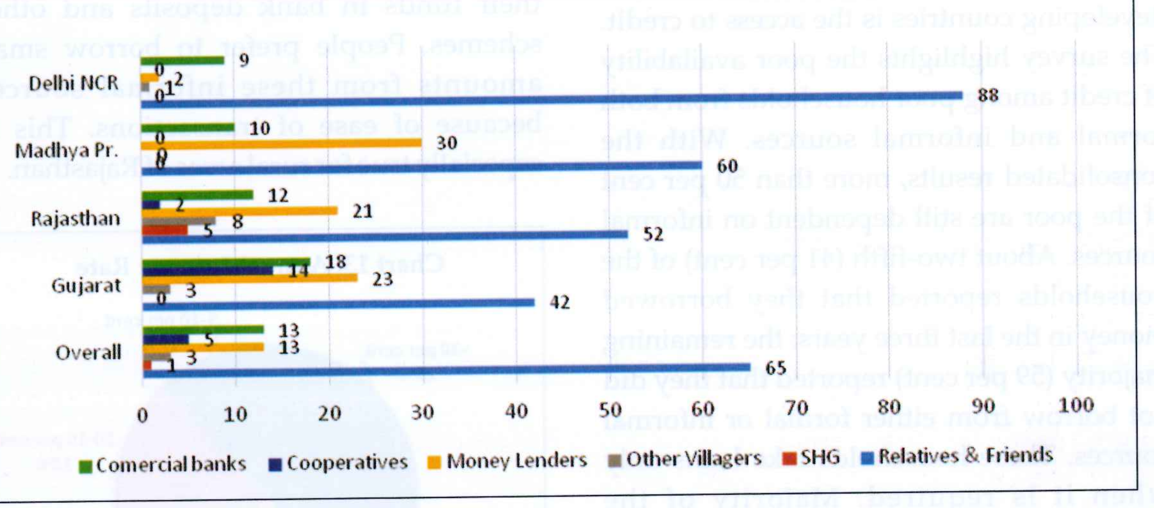
Ninety seven per cent of the respondents reported that the nearest commercial bank branch or cooperative society is less than 5 km away from their house. Sixty three per cent of the respondents reported that the behaviour of bank staff is friendly, fourteen per cent reported indifferent and twenty three per cent reported their behaviour to be non-cooperative. Sixty per cent of the respondents reported that they are not aware of the various services offered by banks. Sixty five per cent of the respondents reported that they don't know how a complaint against the services provided by a bank can be registered. The respondents reported that they use public transport as well as their private vehicle for visiting a bank.

© Access to Credit by Households

Borrowing needs of the households are universal in order to buy or renovate a house, invest in education of children, for agricultural purposes, for meeting wedding expenses, etc. About two-fifth (41 per cent) of the households reported that they borrow money; the remaining majority (59 per cent) reported that they do not borrow from either formal or informal sources. In the Households surveyed, it was found that households take loans only when it is required. Households preferred banks for borrowing only under government sponsored programs. According to them, banks have the capacity to meet their loan requirements as such institutions have huge source of funds. For obtaining loan, it usually takes one month from the date of application. Households reported that they do not borrow from banks other than government sponsored program because of the higher interest rates, collateral requirements and stricter terms and conditions.

For immediate borrowing, short-term credit needs of the respondents are widespread and they mostly borrow from 'relatives and friends' (65 per cent), money-lenders (13 per cent) and only 22 per cent borrowed from commercial banks and cooperatives (Chart 12). The tenure of the credit is mostly 1 year (50 per cent) and interest payments to moneylenders to the tune of 24 per cent but to relatives, sometimes none.

Chart 12: Sources of Households Immediate Borrowing



The introduction of credit cards has had a big effect on the demand for and use of short-term formal credit. For example, in Gujarat, households having 75 per cent account holders have only 42 per cent of them with formal credit cards tied to bank account (27 per cent are having KCC and 13 per cent are having general credit card and 2 per cent are having both). Due to extensive use of credit cards, urban households may have less need for short-term loans from financial institutions. This may help explain the lower share of loan in the past three years from a formal financial institution. This may indicate lower credit-worthiness or less demand for loans among less educated adults.

We also take an assessment of financial services from banker's perspectives. They reported that commercial banks ask for the collateral, such as, registry of land, gold, national saving certificates, fixed deposits, stock of inputs etc. Majority of the bank respondents (65 per cent) considered guarantors as essential and that ensures lower risk of default. The rate of default has now reduced with the legal notice sent to the borrower. Majority of the respondents reported that the competition in their locality has increased over the time due to competition among credit providers. The issues highlighted by them includes lack of security staff for branch and ATMs, infrastructure bottlenecks such as outdated computers, poor condition of building, unacceptability of power of attorney as a proof of asset which doesn't allow banks to lend money to the high net worth borrowers etc.

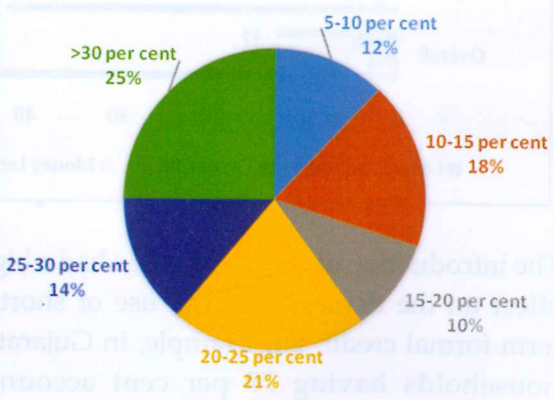
(d) Credit Penetration: Profile of formal and informal sources

One of the key drivers of economic growth in developing countries is the access to credit. The survey highlights the poor availability of credit among poor households from both formal and informal sources. With the consolidated results, more than 50 per cent of the poor are still dependent on informal sources. About two-fifth (41 per cent) of the households reported that they borrowed money in the last three years; the remaining majority (59 per cent) reported that they did not borrow from either formal or informal sources. These households take loans only when it is required. Majority of the households (47 per cent) use the borrowed funds for farming related requirements. Other pressing needs of them for which they borrow include personal needs (22 per cent) and the purchase of daily needs such as food and non-food essentials like marriage (31 per cent). Marriage expenditure and consumption loans are basically funded by informal sources.

As a practice, households pay an interest rate of 24 per cent on informal sources of credit (Chart 13). In the formal sector, interest ranges from 4 to 18 per cent. Most of the loans (43 per cent) were between 1 to 5 year tenure, while 34 per cent of loans were of less than one year tenure. Only 28 per cent borrowed against collateral of land (15 per cent), gold (4 per cent) and vehicle (2 per cent). Most of the collateral was given to formal sources of funds.

The profile of money lenders has changed over time. Legendary image of the village *sahukar* has been replaced by an informal network of people with sufficient disposable income. These persons can be local property dealers with a lot of cash transactions, big farmers, service employer and even small farmers with seasonal excess income. These people find it more lucrative to lend to people known to them rather than parking their funds in bank deposits and other schemes. People prefer to borrow small amounts from these informal sources because of ease of transactions. This is especially true for rural areas of Rajasthan.

Chart 13: Annual Interest Rate



In case of informal finance in rural areas, for small amounts up to ₹3 lakhs, there is no need for collateral. Money is handed over without any delay and at the same time there is hardly any paper work. One of the most attractive features of informal finance is the flexibility of repayment. Surprisingly, with such lenient terms there are hardly any defaults mainly because of close knit social fabric of interdependency in villages. In case of funds of larger amount (more than ₹3 lakh) people approach bigger moneylenders who ask for collateral in the form of either land or gold/silver jewellery. Unlike documentation required in bank loans there is no need for either identification certificate or clear tittles of land, even unregistered land records are also accepted as collateral by these moneylenders. Hardly any respondents have complained about the moneylender.

At the individual level, following characteristics have impact on financial inclusion, such as, gender, education level, age, and rural or urban household. Between two districts of Gujarat that have been examined, there are significant disparities in account penetration along gender lines. In Rajkot, 80 per cent of male heads reported having an account at a formal financial institution, while only 30 percent of female head manage with formal account. Most of the female members manage with joint accounts together with a family member as their movement is limited to the bank. The gender gap is particularly prominent in developed district like Rajkot. In less developed district like Dahod, hardly any female members have formal bank account. Education level also helps explain the large variation in the use of formal accounts. In Gujarat, though higher education percentage is comparatively lower (60 per cent of respondents having education level between 9th and 12th standard and hardly 10 per cent take any study loan for higher education), bank account penetration is lower as is evident from Dahod district. This fact underscores the importance of education, particularly financial literacy, in expanding financial inclusion as an issue that is receiving growing attention in banking circles. In both the districts, adults living in cities are significantly more likely than those living in rural areas to have a formal bank account.

B. Findings of Survey: Small Businesses

The small businesses are more likely to withdraw money through ATMs (60 per cent) but deposit on person to get their passbook updated. Holding a physical passbook is the key for about 60 per cent of account holders – the reason for visiting bank branches. Of the respondent business units, 60 per cent does not believe in business through banking correspondents (BCs) who considered them un-trustworthy.

Overall, about 90 per cent of small businesses have bank accounts. Nationalised banks were the main source of lending (73 per cent), followed by private commercial banks (12 per cent), cooperatives (11 per cent) and others (4 per cent) (Chart 14). Maximum number of units operate their accounts either weekly (56 per cent) or daily (20 per cent) (Chart 15).

Chart 14: Bank Accounts of Business Units

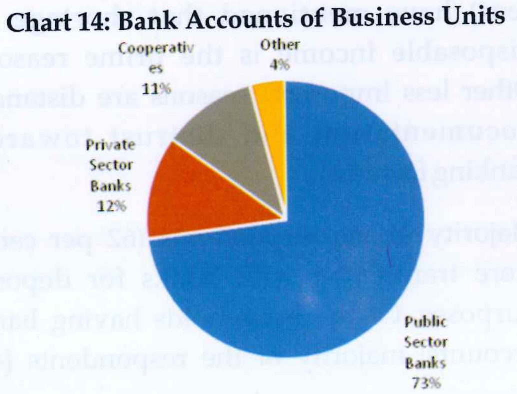
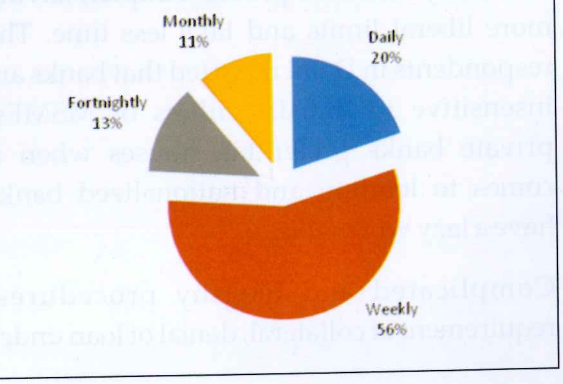


Chart 15: Frequency of Banking Use



Half of the respondents reported that they have borrowed money in last three years. About 50 per cent of the units paid the interest on borrowed money in the range of 5-10 per cent, while one-fourth of the units paid interest in the range of 10-15 per cent. On mortgage for loan, more than 30 per cent has fixed deposit as collateral and 18 per cent of the units mortgaged land for taking loan. Almost all the units were able to meet their repayment schedule and were aware of consequences of not repaying their loans. About 90 per cent of the units were serviced by bank branches within 5 km and 83 per cent of the respondents reported that they were satisfied with the level of banking facilities available in their areas. On banking awareness, 59 per cent of the respondents reported that they did not know about where a complaint regarding banking services can be registered.

The process of obtaining loan is found to be cumbersome by 67 per cent of the respondents. This was especially so for nationalised banks. Both micro units and larger of the small factories say banks do not value their time and make them visit the branch several times for unnecessary work. There was a divergence in opinions of respondents across states regarding private versus public sector banks. For instance, many bigger units in Rajasthan reported that they have started shifting their loan portfolios to private banks. Even though these banks charge a slightly higher interest rate many find their process simpler, having more liberal limits and take less time. The respondents in Delhi reported that banks are insensitive to the difficulties of MSMEs: private banks prefer big houses when it comes to lending and nationalized banks have a lazy work culture.

Complicated and lengthy procedures, requirement of collateral, denial of loan under Credit Guarantee Fund Trust for Micro and Small Enterprises have also been highlighted as the reasons for cumbersome process of obtaining bank loans. The borrowers with longer association and good credit history feel that they are entitled for enhanced personalised services from their banks.

No small traders/businesses carry out any mobile banking technology for banking transaction. Gold is considered to have an alternative method of saving and also act as collateral for obtaining any loan even from informal sources. Only 8 per cent of the respondents have reported having purchased land as saving for future use.

V. Conclusions and Policy Implications

From the above discussion on survey results, it can be deduced that banking penetration has increased appreciably in recent years. However, the frequency of bank accounts usage is still quite low. With more and more of government subsidies and payments being made through banks (even with the implementation of Aadhar), the demand on banking services is quite lower than expected.

According to respondents from four states, 88 per cent (family heads) are reported having a bank account, either individual or joint. Amongst them, 76 per cent reported to have accounts with a nationalised bank. Respondents having no accounts (12 per cent) have mentioned that shortage of disposable income is the prime reason. Other less important reasons are distance, documentation and distrust towards banking facilities.

Majority of the respondents (62 per cent) were transacting with banks for deposit purposes. Of the households having bank accounts, majority of the respondents (47 per cent) reported that they visit their bank on monthly basis. A miniscule of respondents (2 per cent) operate their accounts once in every six months. For withdrawal, more than 60 per cent respondents visit the bank branches themselves. Only 25 per cent have ATM withdrawal. Many visits to branches are for updating passbooks.

Two-thirds of the respondents are aware about presence of business correspondence. Most of them (70 per cent) complaint about their approach to service. Only 16 per cent of the household respondents have used mobile banking technology in last one year. Only 20 per cent of the respondents have saved for their future emergencies during last one year.

About 40 per cent of the households have borrowed money either from formal or informal sources. They prefer banks for borrowing only under government sponsored program. For immediate borrowing, relatives and friends (65 per cent) are the major source. Commercial banks/cooperatives (22 per cent) and moneylenders (13 per cent) are second and third choice. More than 50 per cent of the households are dependent on informal sources of finance. Agricultural related requirements (47 per cent) are major reason for borrowed funds followed by food and non-food essentials (31 per cent) and personal needs (22 per cent). The profile of money-lender has changed to informal network of people with sufficient disposable income resembling trader-money lender in rural areas.

Broadly, gender, education level, age profile and rural-urban characteristics determine the banking penetration in surveyed states. Majority of the bank respondents (65 per cent) considered guarantor as essential conditions for loan and that ensures lower risk of default. Infrastructure bottlenecks are also reported by the banks at branch level.

About 60 per cent of the small businesses withdraw money through ATMs but deposit on person at branch. They don't trust BCs for doing business. For small businesses, nationalised banks are main source of lending (73 per cent). Maximum number of units operate on weekly basis (56 per cent).

The households would like to save with formal financial institutions provided they have simplified banking procedures. The lower transaction charges for small value transactions may help. The customers require education on the safety and convenience aspect of mobile financial transactions in order to have meaningful financial inclusion. The loan waiver scheme of government should be discouraged for prompting people to pay back their dues on time. The grievance redressal mechanism needs to be in place with Lead Banks at district level along with Banking Ombudsman Scheme of RBI in central place.

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Opportunity for Bank Finance through Farmers Producer Organization – A Case study of Chagantipadu Farmers Producer Company

N. Madhumurthy*

The Farmers Producers' Organizations (FPOs) are actively encouraged and supported by the Government of India (GOI) and State Governments in order to organize farmers and small producers as a professional body and to infuse a business sense and market orientation in their production activities. Small Farmers' Agribusiness Consortium (SFAC) is the designated agency of Department of Agriculture, Cooperation & Farmers Welfare (DAC&FW) to act as a single-window for technical support, training needs, research and knowledge management and to create linkages to investments, technology and markets for the FPOs. SFAC has introduced Credit Guarantee Fund Scheme (CGFS) for financing Farmers Producer Companies (FPCs). GOI created a Producers' Organization Development and Upliftment Corpus Fund (PRODUCE Fund) of ₹200 crore in NABARD, to be utilized for the formation of 2,000 farmer producers' organizations (FPOs) throughout India. NABARD has promoted 2,173 FPOs under PRODUCE Fund during the financial years 2014-15 and 2015-16. These initiatives addressed the initial requirements of the emerging FPOs, which would subsequently be able to upscale their business activities with the support of credit from financing institutions. This article looks at how different are the Farmers Producer Organizations in terms of business orientation and the opportunities for bank finance to the FPOs. The case study of Chagantipadu Farmers Producer Company (FPC) in Krishna district of Andhra Pradesh presented in this article shows that the new breed of Collectives of Farmers in the form of Producer Companies are emerging as one of the most effective ways to address the challenges in agriculture especially improved access to technology, inputs and markets to small and marginal farmers.

I. Introduction

The conventional agriculture with its sustainable farming methods like *in-situ* production of inputs has been replaced over a period of time with capital, resource and knowledge-intensive agriculture. Ironically, it has not attracted young talent/entrepreneurs over the years. On the other hand, many young members of farming families are quitting farming in favour of petty jobs in cities. In the resultant socio-economic milieu, farmer to farmer exchange of information, joint effort and community problem solving have reduced to a great extent. In today's competitive world, an individual farmer has to fend for himself for everything right from finance, procuring inputs, farming and marketing for converting his produce into cash. Each of these activities is a competitive area and one cannot expect a small farmer to get the upper hand in bargaining for better resources, technology, market linkages. The existing cooperative societies mostly were

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unable to provide the necessary bargaining strength for small farmers.

In order to professionalize the farming communities/cooperatives and introduce a new breed of corporate farmers the Ministry of Company Affairs, Government of India has introduced a Bill for amendment (based on the Report submitted by High Powered Committee under the Chairmanship of Dr. Y. K. Alagh) in the Companies Act, 1956 by inserting Part IX A, paving the way for enactment of the Producer Companies Act, 2002. The objective of this legislation was to enable incorporation of cooperatives as companies and conversion of existing cooperatives into companies, while ensuring that the unique elements of the cooperative business remain intact in the new dispensation. The Act has allowed primary producers to organize themselves to gain maximum profit from the market-oriented economy. This article looks at how different are the Farmers Producer Organizations *vis-a-vis* the existing cooperative societies and the opportunities for bank finance to the Farmer Producer Organization (FPO). The article analyses the issue with reference to a case study in Krishna district of Andhra Pradesh.

II. Farmers' collectives, the new pathway to progress

Collectivization of producers, especially small and marginal farmers, into producer organizations has emerged as one of the most effective ways to address challenges in agriculture especially improved access to technology, inputs and markets. A Producer Organization (PO) is a legal entity formed by primary producers, *viz.*, farmers, milk producers, fishermen, weavers, rural artisans, craftsmen, etc. It can be a company, a cooperative society or any other legal body which provides for sharing of profits/benefits among the members. While the individual farmer members in the PO are involved in the farming activities, the management of the PO takes care of the farm business activities. The transparency, public accountability and absence of vested interests in the dealings of a PO makes it an ideal business entity working for the welfare of its members and an effective medium for delivery of programmes, funds by the Government, Banks and Financial Institutions.

Features of a Producer Company (PC)

Only persons engaged in an activity connected with, or related to, primary produce can participate in the ownership of a 'Producer Company'. The members have to be necessarily 'primary producers'. The following are some definitions with regard to a producer company.

(i) Primary Produce

Primary produce has been defined as the produce of farmers arising from agriculture including animal husbandry, horticulture, floriculture, pisciculture, viticulture, forestry, forest products, bee-raising and plantation products; produce of persons engaged in handloom, handicraft and other cottage industries; by-products of such products; and products arising out of ancillary industries.

(ii) Producer

Any person engaged in any activity connected with or relatable to any primary produce.

(iii) Producer Institution

Producer Company or Institution having only producer(s) or Producer Company(ies) as its members (may or may not be incorporated) having specified objects and agreeing to make use of the services of the Producer Company(ies).

(iv) Producer Company

Formation of any ten or more individuals, each of them being a producer i.e., any person engaged in any activity connected with primary produce or any two or more producer institutions i.e., producer companies or any other institution having only producers or producer companies as its members or a combination of ten or more individuals and producer institutions, can get incorporated as a producer company registered under the Companies Act, 1956; and having specified objects and activities. Ownership and membership of such companies is held only by 'Primary Producers' or 'Producer Institution', and member equity shall not be publicly traded. However it may be transferred, only with the approval of the board of directors of the Producer Company.

(v) Objects

The objects of producer companies shall include one or more of the eleven items specified in the Act, the more important of these being: (i) Production, harvesting, procurement, grading, pooling, handling, marketing, selling, export of primary produce of members or import of goods or services for their benefit; (ii) Processing including preserving, drying, distilling, brewing, canning and packaging of produce of its members; and (iii) Manufacture, sale or supply of machinery, equipment or consumables mainly to its members. The other objects include rendering technical or consultancy services, insurance, generation, transmission and distribution of power and revitalization of land and water resources; promoting techniques of mutuality and mutual assistance; welfare measures and providing education on mutual assistance principles.

(vi)Members' Benefits

Members will get the benefit of services offered by the producer company, for instance direct marketing of their produce to wholesale centers or business establishments. At the time of making payments to individual members in respect of the produce/products marketed by them collectively, a small amount is withheld and pooled into an operating surplus. A portion of this withheld amount/surplus generated from the business may be disbursed later to the members, as per the board resolution, either in cash or in kind or by allotment of equity shares (akin to dividend) based on the their participation in the business activities and not based on their shareholding. This is called patronage bonus.

(vii) Patronage and its bonus

Use of the services offered by the producer company and the extent of participation of members in the activities of the producer company is called Patronage. The distribution of surplus income or bonus declared after the annual accounts are approved on the basis of individual member's participation in the activities (i.e., patronage) is called patronage bonus.

III. Government of India's Initiatives in promotion of Producer Companies

The formation and development of FPOs is actively encouraged and supported by the Central and State Governments and their agencies, using financial resources from various centrally sponsored and State-funded schemes in the agriculture sector. Department of Agriculture, Cooperation & Farmers Welfare (DAC&FW), Ministry of Agriculture & Farmers Welfare, Government of India launched a pilot programme for promoting member-based

Farmer Producer Organisations (FPOs) during 2012, in partnership with state governments, which was implemented through the Small Farmers' Agribusiness Consortium (SFAC). The pilot involved the mobilization of approximately 2.5 lakh farmers into 250 FPOs (each with an average membership of 1000 farmers) across the country, under two sub-schemes of the Rashtriya Krishi Vikas Yojana (RKVY), namely National Vegetable Initiative for Urban Clusters and Programme for Pulses Development for 60,000 Rainfed Villages. The purpose of the project is to collectivize farmers, especially small producers, at various levels across several states, so as to foster technology penetration, improve productivity, enable improved access to inputs and services and increase farmer income, thereby strengthening their sustainable agriculture based livelihoods. Detailed guidelines for the promotion of FPOs, including methodology of selecting Resource Institutions, budgets and registration processes has been given by GOI. These are meant to guide the Central and State Government agencies engaged in FPO promotion and provide a detailed roadmap to achieve the vision of building FPOs, especially if funds under Central schemes are being used to promote FPOs. However, State Governments are free to develop their own independent guidelines to support FPOs if they are using state budgetary funds for the same. DAC&FW, Ministry of Agriculture& FW, Govt. of India is acting as the nodal agency for the development and growth of FPOs.

Role of State Governments in supporting FPOs

Government of India, besides encouraging State Governments to take up formation of FPOs on a large scale through centrally sponsored and State-financed programmes and schemes, suggests the following steps to be taken by State Governments to support and strengthen FPOs:

a) Declaring FPOs at par with cooperatives registered under the relevant state legislation and self-help groups/ federations for all benefits and facilities that are extended to member-owned institutions from time to time.

b) Making provisions for easy issue of licenses to FPOs to trade in inputs (seed, fertilizer, farm machinery, pesticides etc.) for use of their members as well as routing the supply of agricultural inputs through FPOs at par with cooperatives.

c) Using FPOs as producers of certified seed, saplings and other planting material and extending production and marketing subsidies on par with cooperatives.

d) Suitable amendments in the APMC Act to allow direct sale of farm produce by FPOs at the farmgate, through FPO owned procurement and marketing centres and for facilitating contract farming arrangements between FPOs and bulk buyers.

e) Appointing FPOs as procurement agents for MSP operations for various crops.

f) Using FPOs as implementing agencies for various agricultural development programmes, especially RKVY, NFSM, ATMA etc. and extending the benefits of Central and State funded programmes in agriculture to members of FPOs on a preferential basis.

g) Linking FPOs to financial institutions for working capital as well as term loans for storage and processing infrastructure and other investments.

h) Promulgating state level policies to support and strengthen FPOs to make them vibrant, sustainable and self-governing bodies

Small Farmers' Agribusiness Consortium (SFAC)

Small Farmers' Agribusiness Consortium (SFAC) is the designated agency of DAC&FW to act as a single-window for technical support, training needs, research and knowledge management and to create linkages to investments, technology and markets. SFAC will provide all- round support to State Governments, FPOs and other entities engaged in promotion and development of FPOs. In particular, SFAC will create sustainable linkages between FPOs and inputs suppliers, technology providers, extension and research agencies and marketing and processing players, both in the public and private sectors.

Credit Guarantee Fund Scheme:

SFAC has introduced Credit Guarantee Fund Scheme (CGFS) for financing Farmers Producer Companies (FPCs). The main objective of introducing this scheme is to minimize the credit risk and to extend collateral free credit to FPCs. The scheme is applicable for any credit facility up to the extent of ₹100 lakhs and maximum guarantee cover is available up to 85% of the eligible sanctioned credit facility or ₹85 Lakh, whichever is lower, without any collateral or third party guarantee. Credit Guarantee shall be available for the registered FPC having minimum 500 individual shareholders. Banks can enter into MoU with Small Farmers Agri Business Consortium (SFAC) for participating in Credit Guarantee Fund Scheme (CGFS) for Farmer Producer Companies (FPCs). Guarantee cover will be extended for all fund based and non-fund based credit facilities extended to FPCs by banks. One time Guarantee Fee @ 0.85% of the sanctioned credit facility, subject to a maximum of ₹85,000 and an annual service fee @ 0.25% on the outstanding balances in the borrower accounts will be levied. Risk cover is 75% of the amount in default in respect of the credit facility extended by the bank subject to a maximum of 75% of the guaranteed cap amount. The balance 25 % of the default or guaranteed cap amount shall be paid on conclusion of recovery proceedings by bank.

Role of NABARD in promotion of FPOs

Government of India created a Producers' Organisation Development and Upliftment Corpus Fund (PRODUCE Fund) of ₹200 crore in NABARD, to be utilised for the formation of 2,000 farmer producers' organisations (FPOs). To supplement the efforts in this direction, NABARD also has set up a Producer Organisation Development Fund (PODF) to financially support the FPOs. During the financial year 2014-15 and 2015-16, NABARD has promoted a total to 2,173 FPOs under PRODUCE Fund. These initiatives by NABARD addressed the initial requirements of the emerging FPOs, which would subsequently be able to avail of new business opportunities with the support of credit from financing institutions.

Business Opportunities for Farmers Producer Company (FPC)

The following are some of the business opportunities for a Farmers Producer Company (FPC)

- Input Dealership for sale of seeds, pesticides, fertilizers, drip equipment.
- Seed production for seed companies

- Contract farming for processor
- Custom hiring of farm implements.
- Post-Harvest activities
- As an aggregator by undertaking direct market license
- Tie-up with warehouses for pledge loan financing
- Direct marketing to the urban consumers
- Export of quality produce of member farmers
- E-trading - both spot and futures trading
- Secondary processing and value addition for members produce
- Procurement for government agencies.

Opportunities for bank finance

The following are some of the illustrative list of infrastructure activities for a Farmers Producer Company (FPC) which a banker can finance

- Storage infrastructure
- Grain cleaning, drying, grading, and packing machinery with shed
- Need based agricultural equipment.
- Computer with internet connectivity.
- Auction hall for trading activity.
- Drying yard
- Shops for input suppliers.
- Small common pack house for fruits and vegetables.
- Plastic crates.
- Grading and packing tables for fruits and vegetables

The case study: Shri Vigneswara Farmers Producer Company (FPC)

Shri Vigneswara Farmers Producer Company is a successful initiative of the farmers cultivating banana in Thotlavalluru mandal of Krishna District in A.P for collective marketing of banana. NABARD initially promoted farmers clubs in Thotlavalluru mandal with the support of an NGO-NESTHAM. Shri Chandramohan Reddy, a progressive farmer in *Chagantipadu* village and Shri V.Subba Reddy, President of *Chagantipadu* PACS mobilized the members of these farmers clubs mostly growing banana crop with the support of the NGO and organized them into a federation registered as Sri Vigneswara Farmers Mutually Aided Marketing Cooperative Society on January 25, 2013 under Mutually Aided Cooperative Society Act (MACS 1995). Subsequently the NGO - NESTHAM, with the financial support from NABARD, converted the society into a Farmers Producer Company (FPC) and registered under the Companies Act.

Sri Vigneswara Farmers Producer Compnay Ltd., promoted by the banana growers in Krishna District was registered under the Companies Act 2013 on 30.06.2015. It's headquarters is located at *Chagantipadu*, Thotalavalluru Mandal, Krishna District, Andhra Pradesh. The command area of the producer company consists of ten villages in Thotlavalluru mandal. The main objective of the producer company is collective marketing of banana produce and increasing the productivity of banana crop. The FPC consists of 500 banana farmers as members in the *Chagantipadu* and surrounding villages in Thotlavalluru mandal. Shri.K.Chandra Mohan Reddy is the chairman of the company.

Problem description:

Banana crop is cultivated in about 1000 acres in 10 villages of Thotlavalluru mandal. Farmers grow Karpura (70%), Chakkarakeli (10%) and some local varieties (20%). Before the producer company came into existence, the farmers used to sell the fruits to the commission agents who visited their fields and lifted the produce. The commission agents offered them ₹50 to ₹90 per fruit bunch while market rate would be ranging from ₹70 to ₹300 depending upon the season. Farmers were not aware of the prevailing market rate. Even if they knew the market rate, they were individually not able to transport and sell the produce to the whole sale markets because of the difficulty and risks involved in logistics. They were thus at the mercy of traders. The average yield per acre is around 10t to 15t depending upon the management practices and variety. A fruit bunch will weigh about 40 to 50 kg. By taking an average yield of 10t per acre, the farmer gets a net income of ₹40,000 to ₹50,000 Where as if the farmer was able to access the external market he could sell at ₹150. Thus farmers were losing about ₹5 crore on an average in a year on account of their inability to access the market.

Initiatives adopted to overcome the problem

Initially the farmers came together under Sri Vigneswara Farmers Mutually Aided Marketing Cooperative Society registered under MACS Act in 2013 to carry out direct marketing activities w.e.f 14.10.2013. The society members pooled resources and constructed a temporary market yard at a vacant private land of one of the members and held banana auctions in the market yard twice every week on Monday and Thursday. The society members would find out the ruling market rates at Vijayawada, Gudiwada and Pamarru banana market yards and accordingly fix up the floor price for auctions. The produce would be transported by the farmers company in the autos or tempos. The *Chagantipadu* PACS had come forward by providing the necessary working capital support to their members.

Project outcome

After establishing the market yard the farmers were able to realize an average price of ₹150 per fruit bunch after deducting all the market expenses and thus were able to double their net income. The NGO-NESTHAM supported the society to convert into a Producer Company. The NGO facilitated the producer company to establish sound marketing network with the local traders and facilitated in auctioning banana produce twice in a week (Monday and Thursday). On an average around 50,000 banana bunches are auctioned in the market yard with a turnover of around ₹10 lakh per month. The market commission earned by the FPC is around ₹30,000 to ₹50,000 per month. NABARD and Government of Andhra Pradesh came forward and extended financial support to the farmers for the construction of godown cum market yard for banana. The total sales of the FPC during 2015-16 was to the tune of ₹85,37,834 and the commission earned during the year was ₹5,27,699. The Earnings per Share for the members was ₹2.67 during the year 2015-16.

Increase in productivity due to use of improved technology

The NGO in collaboration with Krishi Vignan Kendra (KVK), Ghantasala, Krishna district promoted new advanced technology in banana cultivation with banana bunch covers, mulching, propping of banana with bamboo poles etc. for getting high yield. A series of workshops were held for the farmers for demonstrating the technology of using banana bunch covers. The agency arranged an exposure visit of the banana farmers to the Banana Market yard at

Ravulapalem, Banana Research Station at Kovvuru and Tiruchirapalli, Tamil Nadu. The result was that the farmers could get more yield as well as good quality banana which increased their value realization per unit area.

Bank Finance:

State Bank of India had extended working capital support to the FPC for carrying out its market operations and the market infrastructure was funded by NABARD and Horticulture Department of Andhra Pradesh Government. The *Chagantipadu* PACS extended the crop loans and term loans to the FPC members.

Compliments:

Shri Chandramohan Reddy, Chairman of the Shri Vigneswara Farmers Producer Company was of the opinion that both the banana farmers and traders are very happy as farmers are getting attractive market price for their produce and traders are getting good quality produce without taking the pain of approaching individual farmer.

Key factors for success of the project:

Shri Chandramohan Reddy, a progressive farmer in *Chagantipadu* village has provided good leadership to the farmers in the area. The NGO, *NESTHAM* had successfully made use of funding support from both NABARD, Government of Andhra Pradesh and banks for training and capacity building, setting up of market infrastructure and working capital support to FPC and its members. The agencies as well as the FPC members have worked together to realize the potential of banana crop for income generation for the farmers.

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Policy and Process Guidelines for Farmers Producer Organisations, Ministry of Agriculture and Farmers Welfare, Department of Agriculture, Cooperation & Farmers Welfare, GOI

Presentation by Dr. Abhay Gaikwad, Co-ordinator, AgriMarketing, World Bank Assisted Maharashtra Agricultural Competitiveness Project.

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Article in Brief

Capital Investment Subsidy Scheme for Vegetables and Fruits Market – An Assessment

Ajay Singh Rajput, Sarita K. Yadav*

I. Introduction

There has been a vigorous increase in the indiscriminate use of synthetic fertilizers and pesticides, which has resulted in deteriorated soil health and productivity. Organic farming is the only solution to overcome this problem. The organic farming is gaining momentum world over in recent years. The intensive agriculture practises in the present scenario has lead to soil fatigue, which ultimately has lead to deterioration of soil health.

The present day intensive agriculture practices have resulted into soil fatigue, and gradual deterioration of soil health. To restore the chemical properties of soil it is vital for us to minimize the usage of chemical inputs and upgrade the use of biological and organic inputs. Nutrient mobilization and plant protection through natural and biological route should be the first option followed by chemical option to fill the gap.

Organic farming is a holistic production management system which is based on basic principle of minimizing the use of external inputs and avoiding the use of synthetic fertilizers and pesticides. Organic farming emphasizes on growing awareness for safe and healthy food.

II. Objectives

- To make available the organic inputs such as bio-fertilisers, bio-pesticides and fruit & vegetable market waste compost, so as to promote organic farming and thereby better return for the produce.
- To maintain the soil health and environmental safety to increase agricultural productivity.
- To minimize the dependence on chemical fertilizers and pesticides by increasing the availability and improving the quality of bio-fertilizers, bio-pesticides and composts in the country.
- To produce plant waste resources into organic waste.
- To promote conversion and utilization of organic waste, so as to prevent pollution and organic waste.

III. Eligible Organizations

Bio-fertilisers and Bio-pesticides Production Unit	Fruit & Vegetable Waste Compost Unit
Individuals, group of farmers/growers, proprietary, and partnership firms, Co-operatives, Fertilizer industry, Companies, Corporations, NGOs	APMCs (Agricultural Produce Market Committees), Municipalities, NGOs and Private entrepreneurs

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Both new and existing units (for expansion and renovation) involved in the production are also eligible under the scheme.

IV. Project cost

Depending upon the capacity, technology, invoice prices of the machines etc., the cost of the project depends, which is also subject to norms of appraisal of financing banks and NABARD. Another important point is that the project should be technically feasible and financially viable. Jointly National Centre of Organic Farming and NABARD shall be responsible for the circulation of Model project profile for Vegetable and Fruit Market Waste Compost and Bio-fertiliser-Bio-pesticide units.

Name of Unit	Capacity	₹ lakh
Fruits and Vegetable Market Waste Compost	100 Tonne/day	190
Biofertilizer-Biopesticide	200 Tonne/annum	160

Project cost shall include civil works, plant & machinery, scientific instruments and equipments etc. The computed cost of land should not be more than 10% of the project cost. The cost of the land and civil structures (buildings) should not exceed 50% of the total financial outlay. The cost of land computed in the project cost can be reckoned towards the margin money required to be met by the enterprise, depending upon the following conditions:

1. If the land is to be purchased by the enterprise, then only the cost of land can be added to the project cost.
2. The purchase value of the land should be considered in the project cost not the market value.
3. The value of that portion of the land which is need based for the project only will be considered.

V. Quantum of Subsidy

The scheme provides credit linked and back-ended capital investment subsidy as described below.

Biofertilisers & Biopesticides production Unit	Fruit & Vegetable Waste Compost Unit
25% of total financial outlay subject to the maximum of ₹40 lakh per unit, whichever is less.	33% of total financial outlay subject to the maximum of ₹60 lakh per unit, whichever is less.

The limit of subsidy for expansion/renovation will be restricted to 25% in case of bio-fertilizer/bio-pesticide units, whereas the actual expenditure to be incurred by the promoter towards expansion/renovation will be 33%, subject to the maximum ceiling prescribed for each activity, whichever is less.

Release of subsidy

- The units which are financed by Commercial Banks, Regional Rural Banks (RRBs), State Cooperative Banks (SCBs), State Cooperative Agricultural and Rural Development Banks (SCARDBs), Scheduled Primary Urban Cooperative Banks (PUCBs) and such other institutions will be provided subsidy by NABARD
- In the cooperative sector, NCDC may release subsidy to projects financed by it. Depending upon the lesser amount between original total financial outlay

sanctioned by the bank and the actual expenditure incurred by the promoter, will be referred to decide the amount of subsidy, subject to verification by the Joint Monitoring Committee (JMC).

Procedure for Sanction and Release of Subsidy

Subsidy will be released in two instalments.

Advance subsidy

Depending on the requirement, the eligible amount shall be released to NABARD/ NCDC by DAC in advance as per the requirement.

Subsequently, the participatory bank would be provided with 50% advance subsidy through NABARD to be kept in subsidy reserve fund account of the concerned borrower. This will be adjusted finally against loan amount of the bank towards the end of the repayment period.

This 50% advance subsidy would be released by NABARD to the participating bank on submission of project profile cum claim form after sanction of bank loan and disbursement of first instalment of loan. NCDC may release 50% advance subsidy to Cooperative society on submission of project profile cum claim form directly or through any scheduled Cooperative bank.

Final instalment of subsidy

After conducting an inspection by the Joint Inspection Committee consisting of officials from the financing bank, NABARD/NCDC and NCOF/DAC, the remaining 50% would be disbursed to the participating banks by NABARD or to Cooperative society by NCDC.

The remaining 50% would be disbursed to the participating banks by NABARD or to Cooperative society by NCDC after conduct of an inspection by the Joint Inspection Committee consisting of officials from the financing bank, NABARD/NCDC and NCOF/DAC and their recommendations to the effect.

Adjustment of subsidy to Borrower's Account

The amount of subsidy received to the bank for individual project will be kept in a separate borrower-wise account. The adjustment of subsidy will be back-ended. Accordingly, the full project cost including the subsidy amount, but excluding the margin money contribution from the beneficiary, would be disbursed as loan by the banks. There payment schedule will be drawn on the loan amount in such a way that the total subsidy amount is adjusted after the full bank loan component with interest is liquidated.

Utilization Certificate

Once the final instalment of subsidy is released, a Utilization Certificate is required to be submitted by the financing bank certifying that the full amount of subsidy received in respect of the project has been fully utilized (by way of crediting to the "Subsidy Reserve Fund Account-Borrower-wise"). This should be adjusted in the books of account under the sanctioned terms and conditions of the project within the overall guidelines of the scheme.

No interest chargeable on subsidy portion

In order to calculate the interest, the subsidy should not be considered by the bank. Only the loan component shall be considered for charging the interest. The balance lying to the credit of the subsidy reserve fund A/c will not form part of demand and time liabilities for the purpose of SLR/CRR.

Pattern of Assistance

Sl. No.	Biofertilizer-Biopesticide production unit	Fruits and Vegetable Market Waste compost unit
i)	Owner's contribution 25-33%	Owner's contribution 25-33%
ii)	Subsidy from GoI subject to the maximum ceiling 25%	Subsidy from GoI subject to the maximum ceiling of 33%
iii)	Bank Loan 42-50%	Bank Loan 34-42%

VI. Institutional lending

Eligible Financing Institutions - The following financing institutions are eligible to be part of the scheme: a) (i) Commercial Banks, (ii) Regional Rural Banks (RRBs), (iii) State Cooperative Banks (SCBs), (iv) State Co-operative Agricultural and Rural Development Bank (SCARDBs), (v) Scheduled Primary Urban Cooperative Banks (PUCBs), (vi) Agricultural Development Finance Companies (ADFCs), (vii) North Eastern Development Finance Corporation (NEDFI) and such other institutions which will be eligible for refinance from NABARD, and b) Cooperatives where they seek loan from NCDC.

Term Loan – Out of the total amount of the project, 50% can be raised as term loan from the financing banks. Being back-ended subsidy, eligible amount of subsidy (25%) would be initially allowed as term loan to the beneficiary. The repayment schedule will be drawn on the total loan amount (including subsidy) in such a way that the subsidy amount is adjusted after liquidation of net bank loan (excluding subsidy). The financial institution may provide working capital separately for undertaking the business.

Rate of Interest to the ultimate borrower

As decided by the financing bank.

Security

The security will be as per norms prescribed by RBI from time to time and as per the norms of financing banks.

Repayment period

Bio-fertilisers and Bio-pesticides production Unit	Fruit & Vegetable Waste Compost Unit
Depending upon the revenue generated, the repayment can be done within a period of 10 years with a grace period of 2 years.	Depending upon the revenue generated, the repayment can be done within a period of 10 years with a grace period of 2 years.

Time limit for completion

From the date of sanction by bank, a time limit of maximum 15 months is prescribed for the completion of the project. However, a grace period of 3 months may be allowed by the participating bank, provided, the reasons are justified. In case of inability to complete the targeted work in this specific time, the benefit of subsidy may be withdrawn and advance subsidy has to be refunded forthwith.

Monitoring

i) Implementing agency shall monitor each project through its Regional offices/branches.

ii) Inspection committee shall include

officials from NABARD/NCDC, implementing agency and participating bank(s). The inspection would be carried out within the overall scope of the operational guidelines of the scheme and would submit its report. They would inspect the project work with in the overall scope of the operational guidelines of the above scheme and would submit its report. In order to avoid any delay in release/adjustment of subsidy, the promoter/participating bank should initiate necessary action to get the inspection conducted at the project site by the committee well in time.

iii) A utilization certificate is to be submitted by the participating bank to NABARD, after crediting the final instalment of subsidy in the reserve fund of the borrower, to the effect that amount of subsidy received by them has been fully utilized/adjusted in the account books under the sanctioned terms and conditions of the project, within the overall guidelines of the scheme.

iv) As per the format, the progress report shall be sent by NABARD/NCDC to the Ministry of Agriculture, GoI on quarterly basis.

v) To facilitate expeditious sanction of project and release of refinance/subsidy amount under the scheme, NABARD would delegate powers to Chief General Manager/General Manager/In-charge of the Regional Offices of NABARD.

Other Conditions

- For appraisal of projects, the participating banks and NABARD etc. will adhere to their own norms.
- A signboard with "Financially Assisted under Subsidy Scheme of National Project of Organic Farming, DAC, Government of India" will be exhibited.
- Government of India interpretation of various terms would be final.
- As and when required, pre & post inspection may be undertaken to find out physical and financial progress.
- The right to modify, add and delete any of the terms and condition without assigning any reason is reserved with the Government of India.

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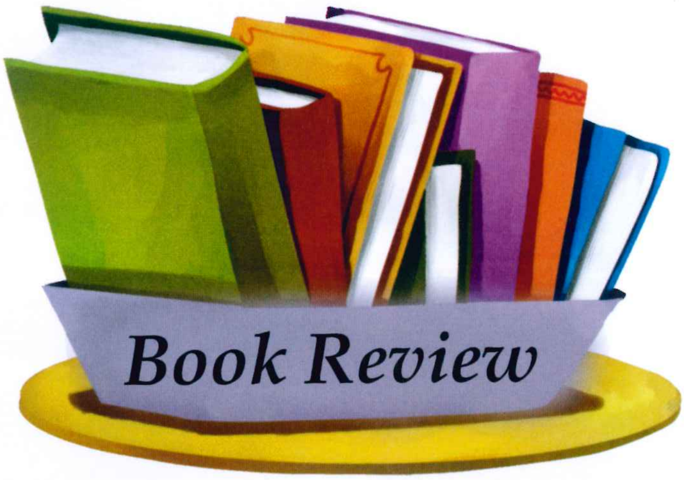
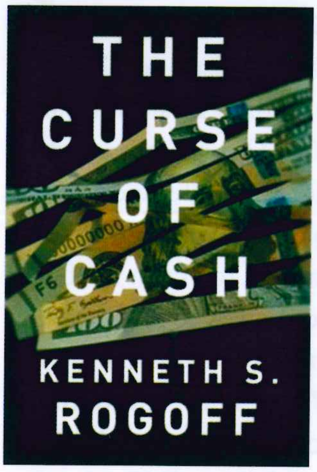

Book Review



The Curse of Cash

By Kenneth S. Rogoff, 2016; Princeton, New Jersey: Princeton University Press, pp. 248, US$ 29.95.

Some of the good books have been written recently about electronic money, including *The End of Money* by David Wolman (2012) and *The Age of Cryptocurrency* by Paul Vigna and Michael Casey (2015). But these books are mostly about what is happening in the world of alternative payment mechanisms rather than a fundamental rethink of the global monetary system. The advances in payment technology have always driven both new medium of payment and paves the way for rethinking on monetary theory. In *The Curse of Cash,* Kenneth Rogoff argues forcefully that advanced economies should phase out cash because it facilitates crime and put constraints on monetary policy. With a wealth of data and clear explanations, the book demystifies central banking and negative interest rates, thus elevating the discussion of both. For the sake of lucidity as well as clarity, we may start with the discussion of the history of coins and paper currency.

History of Coins and Paper Currency

It is surprising to know that *Europeans* came to know about paper currency usage in China from Marco Polo's insightful history. The Chinese emperor introduced paper money to increase spending and pay off state debt runs from the eleventh century through the fifteenth century. The history has portrayed that without paper money, there might have been no German hyper-inflation, and perhaps no World War II. Failed paper money may be cursed, but successful paper money has long been a cornerstone of the world's most powerful economies – the US, China, and European economies, most probably. The history of paper money is immensely fascinating and deeply interlinked with the development of technology and society. Paper money has the characteristics of portability, homogeneity, security, durability and convenience, as the author of the book opined.

Kenneth Rogoff runs through a brief history of China's debasement of paper currency prior to the 1500s, when "its leaders could not resist the temptation to rely excessively on printing to pay its finances, eventually debasing the currency and causing rampant inflation."

Technology has always played a central role in printing currency management, because of the need to produce monies that are easily seen to be genuine and not counterfeit. Although counterfeiting has been a constant concern everywhere, the biggest threat to the value of the currency is often the government itself, according to Rogoff.

In page 20, he has demonstrated the select peak debasement years of the coinage all over the world. The ability of coins to persist despite periodic sharp debasements illustrates an absolutely fundamental property of long-lived successful currencies: they succeeded in part because citizens have faith in the government that stands behind the currencies. They succeed in part because the government can exercise its coercive power to insist that they can be accepted at a minimum in payment of taxes, debts, and government contracts.

Paper currency also played a major role in the American War of Independence from 1775 to 1783, financing the vast majority of the colonists' military expenditures. The public's familiarity with paper currency, and willingness to accept it on faith for goods and services, provided invaluable assistance to the success of the revolution. Although, the United States made it through the war, confidence in any kind of national currency was a casualty. The US inflation reached 24 per cent in 1864 during the American civil war, after the Union reintroduced unbacked paper currency in 1862 to support the war efforts. The period 1870-1914 is often referred to as the peaceful days of the gold standard. During the World War I, US inflation again soared to 19 per cent in 1918. And then of course came the double digit peacetime inflation of the 1970s.

Cash in Circulation

The vast bulk of the world currency supply is in large-denomination notes that ordinary citizens seldom use. Those notably are US$100, EURO€ 500, Swiss Franc CHF 1,000, Japanese Yen ¥10,000. The most important is, high denominations are lifeblood of the underground economy. What is remarkable about the huge demand for cash is that it persists and grows despite the proliferation of alternative payment mechanism. The questions arises: Where is all the demand coming from? Another question is: how much of it is being held abroad? The foreign holdings seem to be significant only for a few select currencies and might explain as much as 50% of US dollar holdings. About 40% of Deutsche Mark (DM) were held outside Germany. Interestingly, much of the demand for euros comes from European Union members that are not yet part of the single currency, including central Europe and United Kingdom.

Although the share of cash in total value of expenditures is steadily declining in the legal economy, it is still used in a big way for small transactions. Cash is convenient, and unlike credit cards, one need not have to worry about account numbers being stolen. Transactions clear instantaneously, and cash is almost universally accepted. Almost everyone uses cash to some degree, and in some countries like the US, many poor and low-income individuals rely on it heavily. To back this phenomenon, Rogoff says he doesn't want to get rid of cash all at once. First, he would prefer to phase out 100s, then 50s, then 20s, leaving smaller bills in circulation for the foreseeable future. So to say, he wanted to have a 'less-cash society', not a 'cashless society'.

So what is all that cash being used for? The answer is simple: a large part is feeding tax evasion, corruption, terrorism, counterfeiting, drug trade, human trafficking, human smuggling, exploitation of migrants and money laundering, just to name a few. Eliminating paper currency would have numerous desirable effects, including reduced tax evasion for high-volume cash and off-book businesses and unreported wages. For example, to overthrow the Taliban, U.S. agents delivered blocks of $100 notes to mercenary tribal armies to get them to switch sides. Stanford University economist and former Treasury Under-Secretary John Taylor has recounted how the United States flew in bales of $100 notes to pay the Iraqi bureaucracy prior to currency reform.

As Rogoff shows, paper money can also cripple monetary policy. In the aftermath of the recent financial crisis, central banks have been unable to stimulate growth and inflation by cutting interest rates below zero for fear that it would drive investors to abandon treasury bills and stockpile cash. This constraint has paralysed monetary policy in virtually every advanced economy, and is likely to be a recurring problem in the future. Even academics, who are supposed to think outside the box, have concentrated their attention on complex and risky policy ideas for dealing with the impotence of monetary policy once interest rates are zero.

Plan for Phasing out Paper Currency

The proposal for phasing out paper currency is driven by three guiding principles. First, the ultimate goal is to make it more difficult to engage in anonymous untraceable transactions repeatedly and on a large scale. Relatedly, it is intended to make it more difficult to secretly transport and store large quantities of cash. The idea is to reduce wholesale use of cash in tax evasion or illegal activities. Second, the speed of transition needs to be slow, stretching changes out over at least 10 to 15 years. Gradualism helps avoid excessive disruption and gives institutions and individuals their time to adapt. It puts authorities in a position to make adjustments as issues arise and as new options become available. Third, it is essential that poor and unbanked individuals have access to free basic debit accounts and possibly also basic smartphones.

The theory is that negative rates will induce people to save less and spend more, which will revive growth. Savers won't tolerate negative interest rates on their savings as long as cash is an alternative. Why not simply withdraw stacks of $100 bills and keep the cash in a mattress or a safe? The issue of negative interest rates is an extremely complex one that hits on many of the challenges and problems facing monetary policy. Lowering interest rates to negative level would temporarily raise aggregate demand and strongly incentivize banks to lend out excess reserves. But for such efforts to be truly effective, there should not be incentives to hoard cash.

Finally Speaking

Phasing out cash or paper currency over a period of time is not that easy process. As is happened in case of Indian economy starting from November 8, 2016, one can experience long queues before banks and ATM machines. Workers in the unorganised sector, petty shopkeepers and small businesses are finding it difficult to cope with. There is a visible tendency to hoard available legal tender in denominations of ₹100 and below as emergency funds. There seems to be some dip in immediate consumption expenditure. Given the scale of demonetization of 86% of total currency, this was anticipated. While there will be an immediate dip in demand and negative short-term impacts on the economy coupled with hardships for citizens, demonetisation, as a policy measure, certainly has large-scale positive effects. This move is likely to improve tax compliance, given that the Goods and Services Tax (GST) is also on its way to become reality.

As with any policy decision, this move too will have multiple direct as well as indirect effects. The biggest positive certainly seems to be the eradication of some stocked and staked up money, perhaps earned through illegitimate means or tax evasion. If the smaller short-term risks, especially those emanating from the demand side are addressed carefully, if we undertake a holistic net cost benefit analysis, the expected results seem to be promising. Does the demonetization move in India takes a cue from Rogoff's present book. To my imagination, it is 'yes'. The reader may read it thoroughly to connect the rationale of the book and demonetization drive of the Government of India in the recent past.

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Gist of Circulars on Inclusive Finance

Gist of Important Circulars

Master Direction - Lending to Micro, Small & Medium Enterprises (MSME) Sector

In terms of Master Direction FIDD.CO.Plan.1/04.09.01/2016-17 dated July 7, 2016 on 'Priority Sector Lending - Targets and Classification', bank loans to Micro, Small and Medium Enterprises, for both Manufacturing and Service sectors are eligible to be classified under the Priority Sector as per the prescribed norms. It also includes loans to units in the KVI sector, loans to MFIs for on-lending to MSME sector, Credit outstanding under General Credit Cards, etc. Banks are mandated not to accept collateral security in the case of loans up to Rs.10 lakh extended to units in the MSE sector. Banks may, on the basis of good track record and financial position of the MSE units, increase the limit to dispense with the collateral requirement for loans up to Rs.25 lakh (with the approval of the appropriate authority). A composite loan limit of Rs.1 crore can be sanctioned by banks to enable the MSE entrepreneurs to avail of their working capital and term loan requirement through Single Window.

FIDD.MSME & NFS.3/06.02.31/2016-17 dated July 21, 2016

Master Circular - Mobile Banking transactions in India - Operative Guidelines for Banks

Banks are permitted to offer mobile banking services (through SMS, USSD or mobile banking application) after obtaining necessary permission from the Department of Payment & Settlement Systems, Reserve Bank of India. Mobile Banking services are to be made available to bank customers irrespective of the mobile network. Banks are permitted to offer mobile banking facility to their customers without any daily cap for transactions involving purchase of goods/services. However, banks may put in place per transaction limit depending on the bank's own risk perception, with the approval of its Board. Transactions up to Rs 5000/- can be facilitated by banks without end-to-end encryption.

DPSS.CO.PD.Mobile Banking.No./2/02.23.001/2016-2017 dated July 1, 2016

Master Circular - Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM)

The Ministry of Rural Development, Government of India launched a new programme known as NRLM now renamed as Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM), by restructuring and replacing the Swarnjayanti Gram Swarozgar Yojana (SGSY) scheme with effect from April 01, 2013. DAY-NRLM is the flagship program of

Government of India for promoting poverty reduction through building strong institutions of the poor, particularly women, and enabling these institutions to access a range of financial services and livelihoods services. DAY-NRLM complements these institutional platforms of the poor with services that include financial and capital services, production and productivity enhancement services, technology, knowledge, skills and inputs, market linkage, etc.

FIDD.GSSD.CO.BC.No.07/09.01.01/2016-17 dated July 1, 2016

Master Circular - Deendayal Antyodaya Yojana - National Urban Livelihoods Mission (DAY-NULM)

The Government of India, Ministry of Housing and Urban Poverty Alleviation (MoHUPA), restructured the existing Swarna Jayanti Shahari Rozgar Yojana (SJSRY) and launched the National Urban Livelihoods Mission (NULM) in 2013. NULM has been under implementation w.e.f. September 24, 2013 in all district headquarters (irrespective of population) and all the cities with population of 1 lakh or more. The Self Employment Program (SEP) is one of the components (Component 4) of NULM which will focus on providing financial assistance through a provision of interest subsidy on loans to support establishment of individual & Group Enterprises and self-Help Groups (SHGs) of urban poor. The erstwhile provision of capital subsidy for USEP (Urban Self Employment Program) and UWSP (Urban Women Self-Help Program) components of SJSRY has been replaced by interest subsidy for loans to Individual enterprise (SEP- I), Group enterprise (SEP- G) and Self Help Groups (SHGs).

FIDD.GSSD.CO.BC.No.04/09.16.03/2016-17 dated July 1, 2016

Master Circular - Credit facilities to Scheduled Castes (SCs) & Scheduled Tribes (STs)

Special emphasis has been given to the welfare of the scheduled castes and scheduled tribes. The credit planning by banks should be weighted in favour of SC/ST and special bankable schemes suited to members of these communities should be drawn up to ensure their participation in such schemes and larger flow of credit to them for self-employment. In order to encourage SC/ST borrowers to take advantage of credit facilities, greater awareness among them about various schemes formulated by banks will have to be created.

FIDD.CO.GSSD.BC.No.03/09.09.01/2016-17 dated July 1, 2016

Master Circular - Credit Facilities to Minority Communities

Government of India has forwarded a list of 121 minority concentration districts having at least 25% minority population, excluding those States/UTs where minorities are in majority (J&K, Punjab, Meghalaya, Mizoram, Nagaland and Lakshadweep). Accordingly, all scheduled commercial banks are required to specially monitor the credit flow to minorities in these 121 districts, thereby, ensuring that the minority communities receive a fair and equitable portion of the credit within the overall target of the priority sector. Communities notified by the Government of India, Ministry of Minority Affairs as minority communities include – Sikhs, Muslims, Christians, Zoroastrians, Buddhists and Jains.

FIDD.GSSD.BC.No.01/09.10.01/2016-17 dated July 1, 2016

Master Circular on SHG-Bank Linkage Programme

Banks have been advised to meet the entire credit requirements of SHG members. The SHGs registered or unregistered which are engaged in promoting savings habits among their members would be eligible to open savings bank accounts with banks. Bank lending to SHGs should be included in different credit plan of bank. As per operational guidelines of NABARD, SHGs may be sanctioned savings linked loans by banks (varying from a saving to loan ratio of 1:1 to 1:4). However, in case of matured SHGs, loans may be given beyond the limit of four times the savings as per the discretion of the bank. The approach to financing of SHGs should be totally hassle-free and may include consumption expenditures.

FIDD.FID.BC.No.06/12.01.033/2016-17 July 1, 2016

Master Circular – Lead Bank Scheme

Lead Bank Scheme is administered by the Reserve Bank of India since 1969. The assignment of lead bank responsibility to designated banks in every district is done by Reserve Bank of India following a detailed procedure formulated for this purpose. As on June 30, 2016, 25 public sector banks and one private sector bank have been assigned lead bank responsibility in 673 districts of the country. State Level Bankers' Committee (SLBC)/Union Territory Level Bankers' Committee (UTLBC) as an apex level forum at State/Union Territory (UT) level coordinates the activities of the financial institutions and Government departments in the State/Union Territory under the Lead Bank Scheme. SLBC Convenorship is assigned to banks for this purpose. The Lead Bank Scheme (LBS) has been extended to the districts in the metropolitan areas thus bringing the entire country under the fold of the Lead Bank Scheme.

FIDD.CO.LBS.BC.No.5/02.01.001/2016-17 dated July 1, 2016

Priority Sector Lending – Targets and Classification - Bank loans to MFIs for on-lending - Qualifying asset - Revised loan limit

Banks may refer to paragraph 19 (b) (iv) of the Master Direction on Priority Sector Lending – Targets and Classification FIDD.CO.Plan.No.1/04.09.001/2016-17 dated July 7, 2016. The limit of the loans extended by Non-Banking Financial Company - Micro Finance Institutions (NBFC-MFIs) for which the tenure of the loan shall not be less than 24 months, has been raised to ₹30,000 from the earlier limit of ₹15,000. Accordingly, paragraph 19 (b) (iv) of the above Master Direction stands modified as follows: "Tenure of loan is not less than 24 months when loan amount exceeds ₹30,000 with right to borrower of prepayment without penalty."

FIDD.CO.Plan.BC.No.8/04.09.001/2016-17 dated July 28, 2016

Union Budget – 2016-17 Interest Subvention Scheme

Government of India has approved the implementation of the Interest Subvention Scheme for the year 2016-17. A subvention of 2% per annum will be made available to Public Sector Banks (PSBs) and in respect of loans given by the rural and semi-urban branches of Private Sector Scheduled Commercial Banks, for short term crop loan upto ₹3 lakh per farmer provided the lending institutions make available short term credit at the ground level at 7% per annum to farmers. An additional interest subvention of 3% per annum will be available to the prompt payee farmers. This also implies that the farmers paying promptly would get short term crop loans @ 4% per annum during the year 2016-17. This benefit would not accrue to those farmers who repay after one year of availing such loans.

FIDD.CO.FSD.BC.No.9/05.02.001/2016-17 dated August 4, 2016

Priority Sector Lending status for Factoring Transactions

To increase liquidity support for the MSME sector, the Reserve Bank has decided that factoring transactions on 'with recourse' basis shall be eligible for priority sector classification by banks, which are carrying out the business of factoring departmentally. The factoring transactions taking place through TReDS shall also be eligible for classification under priority sector upon operationalization of the platform. Banks may classify their outstanding factoring portfolio on the reporting dates under MSME category, wherever the 'assignor' in the factoring transaction is a Micro, Small or Medium Enterprise, subject to the corresponding limits for investment in plant and machinery/equipment and other extant applicable guidelines for priority sector classification.

FIDD.CO.Plan.BC.10/04.09.01/2016-17 dated August 11, 2016

Operating Guidelines for Payment Banks

The Reserve Bank issued 'Operational Guidelines for Payment Banks' considering the differentiated nature of business and financial inclusion focus of these banks. These Operating Guidelines are supplementary to the 'Guidelines for Licensing of Payments Banks', issued on November 27, 2014 and are effective from October 6, 2016. These include guidelines on prudential regulatory framework, Capital Adequacy Framework (CAR) requirements, large exposures limits (for investments in deposits of SCBs), Capital Measurement Approaches, Inter-bank Borrowings, investment classification and valuation norms, loans and advances, para-banking activities, risk management, CRR, SLR, etc.

DBR.NBD.No.25/16.13.218/2016-17 dated October 6, 2016

Operating Guidelines for Small Finance Banks

The Reserve Bank issued 'Operational Guidelines for Small Finance Banks' considering the differentiated nature of business and financial inclusion focus of these banks. These Operating

Guidelines are supplementary to the 'Guidelines for Licensing of Small Finance Banks' issued on November 27, 2014 and are effective from October 6, 2016. These include guidelines on prudential regulatory framework, Capital Adequacy Framework (CAR) requirements, leverage Ratio, Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), inter-bank borrowings, investment classification and valuation norms, loans and advances, para-banking activities, risk management, CRR, SLR, etc.

DBR.NBD.No.26/16.13.218/2016-17 dated October 6, 2016

'Doubling Farmers' Income by 2022' - Measures

The Government of India in the Union Budget 2016-17 had announced its resolve to double the income of farmers by 2022. The Lead Bank Scheme through its various forums monitors and reviews the performance of banking developments in the State/district/block with special reference to Annual Credit Plans, Government Sponsored Programs, flow of credit to priority sector, etc. for enhancing the flow of bank finance particularly to the rural areas. The Scheme, which ensures inter-departmental/governmental coordination in financial sector, should therefore be leveraged to further the objective of doubling farmer's income by 2022.

FIDD.CO.LBS.BC.No.16/02.01.001/2016-17 dated September 29, 2016

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Campus Capsule

Campus Capsule

Conference of the Chairman of Regional Rural Banks

Conference of Chairman of RRBs was held during September 15 to 16, 2016. The Conference was attended by Chairman of 49 RRBs (out of 56 RRBs). The Principal, in his inaugural address, stated that the Conference had been designed specifically taking into account the emerging landscape of the banking scenario with new players, technological advancements and reforms in the financial markets where innovation is the key for survival. In the Conference, there were three panel discussions and four interactive sessions with experts from different fields. The first panel discussion was on "Agri–Financing for Doubling of Farmers Income (DFI) by 2022: Emerging Opportunities and Delivery Models". The second panel discussion was on "Driving MSME Growth: Credit as an Enabler". The third panel discussion was on "Risk-Mitigation and Intervention for Better Management". Shri S S Barik, CGM-in-Charge, DBS, RBI, Central Office dealt with the topic - 'Regulatory Issues : Perspectives and Policy Concerns of RRBs' while Shri K V Rao, CGM and Dr. U.S. Saha, CGM from NABARD Head Office interacted with the participants on supervisory and governance issues with the chairmen of RRBs.

Workshop for Lead District Managers (LDMs)

The workshop was conducted from September 7 to 9, 2016 to sensitize them about the recommendations made by the High Level Committee on the Lead Bank Scheme and to focus on the challenges faced by them and also to explore ways to enhance their effectiveness thereby facilitating their role as enablers in the inclusive growth of the district. A total of 32 LDMs from various banks and different districts of the country participated in the workshop. The workshop covered the recent developments in the lead bank scheme and the duties and responsibilities of the LDMs. The issues and challenges post PMJDY was a matter of great interest and concern for all the participants. The ways to enhance the credit plus activities in the districts, PLP of NABARD and the collection of data for MIS was among the issues discussed at length. The LDMs appreciated the platform offered to them by conducting this kind workshop and was a good learning experience for all of them by experience sharing as well.

Customized program on Agri financing for Sarva Haryana Gramin Bank

A five days onsite customized program on Agri-financing was conducted for Sarva Haryana Gramin Bank at Gurgaon from September 19 to 23, 2016. A total of 42 officers from the RRBs' various branches across Haryana participated in the program. The program focused on explaining the participants about the overview of agriculture and the doubling the farmers income by 2022. Various lending practices for agriculture and allied activities like dairy, horticulture and modern techniques of farming were discussed in detail. Regulatory guidelines on KCC, priority sector lending and IRAC norms were explained, apart from the legal aspects of documentation and NPA recovery management techniques.

Customized Programme on Agri-financing for officers of Assam Gramin Vikash Bank

The programme conducted from October 24 to 28, 2016 at Guwahati was designed specifically taking into account the requirements of the Assam Gramin Vikas Bank, the potential sectors in Assam and keeping in view the emerging competitive banking scenario. The training programme was attended by 30 officers of the bank. The programme was useful for the bank in terms of identifying potentials available in various activities/sub-sectors in Assam as also challenges to be faced and strategies to be adopted by the bank with the entry of new differentiated banks like Payment Banks and Small Finance Banks. The participants were assigned topics on three themes viz., "(i) Developing innovative products for agricultural financing, (ii) Newer ways of conducting rural banking to make branches as profit centers and (iii) Managing risks in agricultural credit - current position and what more can be done. At the end of the programme participants made their presentations on these topics.

State focused programme on financing agriculture

This State specific programme was conducted at Coimbatore, Tamil Nadu in collaboration with Tamil Nadu Agricultural University (TNAU) and NABARD, Chennai. The programme was delivered at TNAU campus and the expertise of the century old university was leveraged for the benefit of the bankers. In addition to the regular sessions on agri-financing, the participants had a first-hand understanding on financing to startup firms emerging in food processing and bio-technology areas at the Technology Business Incubator (TBI) located in the campus. This incubator is unique, as it is the only incubator accredited by Department of Industrial Policy and promotion (DIPP) for promoting agribusiness, established by an agricultural university. In this Agribusiness Incubator, about 150 members have enrolled. The members include start-ups, entrepreneurs and corporates involved in food processing, coir industry, agricultural engineering, banana fiber products, organic production of vegetables and fruits, ware-housing, electricity from poultry waste, garments with organic colorants, aeroponics, etc. An interaction with the start-ups was arranged and the participants could get not only the first hand information on the agri start-up ecosystem but also understand the financial requirements of start-up firms.

Programme on Financing Post-Harvest Management Infrastructure (P-FPM)

The programme was held from November 15 to 18, 2016. This is a new programme introduced during the current year. The programme was inaugurated by Shri Pramod Kumar Panda, Principal & PCGM, CAB. It was attended by 20 officers from public and private sector commercial banks. The programme was designed with an objective to provide the participants an overview and insights into different aspects of post-harvest management of agro and allied sectors and to create awareness regarding agri-finance avenues for these activities. Experts from different organisations were invited to handle sessions on agricultural marketing, warehouse financing, collateral management, food and agro processing, food safety management, commodity trading, etc. Case exercises on appraisal of few agricultural infrastructure projects like rural godowns, cold storage and greenhouse projects were included in the programme.

Programme for Lead District Officers (LDOs) of RBI – Catalysing Rural Credit Flow in the District

The programme held from December 14 to 16, 2016 provided clarity on several issues so that District Officers could play their role and represent RBI in different district level meetings and forums effectively. The programme gave insight into Lead Bank Scheme with live examples out of practical experience and interaction with the participants. The program was very interactive, so as to make a two way learning process with the inputs and issues of the field level through the LDOs. Shri Prabhat Kumar, DGM, FIDD, CO discussed the issues in implementation of Lead Bank Scheme and showed the way forward to it in the light of Mohanty Committee recommendations. The mock DLRC was conducted and was a good learning experience for LDOs.

Customised programme on agri-finance for Rural Co-operative Banks

College has started to conduct customised programme for rural co-operative banks from the current year on the lines of the programmes customised for commercial banks and RRBs. The first such programme was conducted for the officials of District Central Co-operative Banks (DCCB) and State Co-operative Bank in Maharashtra from December 16 to 23, 2016. The programme focused on new lending avenues for co-operative banks while retaining their character primarily as lenders to agriculture. Developments in agri value chain ecosystem, new payment products were discussed. Issues associated with migration of DCCB's SLR investment from State Co-operative Banks to G- Sec were also deliberated in detail.

Seminar on Policy Issues for Chairmen, Directors, and CEOs of Urban Cooperative Banks: "Changes in Banking Landscape – Implications for UCBs"

The seminar was held at CAB from December 19 to 20, 2016 with the objectives to discuss the recent policy changes and evaluate its business implications for the Urban Cooperative Banks and sensitize and prepare the top management of these banks to deal with the same. The two-day seminar was concluded with the valedictory address by Mrs. Meena Hemachandra, Executive Director. She spoke about the supervisory aspects relating to Urban Coop Banks. 'Professionalize and Progress' was the mantra given by the ED. Cost income ratio, risk mitigation, corporate governance, diversification of portfolio, technology and cyber risk were the other aspects emphasized during the valedictory address.

Development Centre Workshop for Small Lending

The College had offered a new path breaking Development Centre Workshop for Small Lending from December 26 to 29, 2016. This workshop has emerged from our realization that successful MSME branch managers have common behavioral competencies linked to empathy and innovation. The Workshop assessed these competencies through various simulation exercises, management games, psychometric tests, etc., and provided developmental feedback to participants to develop their aptitude for MSME lending. In this unique endeavour, the College potentially leveraged on the Development Centre resources and practices that hitherto have been catering to the needs of the RBI Officers.

RBI Archives (RBIA)

The Foundation Day of RBIA was celebrated on August 24, 2016. To mark this occasion, a special lecture by Prof. Vasant Shinde, Vice-Chancellor, Deccan College, Pune, was organised. The topic was: 'Importance of history and keeping of records during ancient period'. RBIA also organised a training programme on "Records Management" for officers of Reserve Bank of India in Gr. 'A' to Gr. 'C' from August 29 to 31, 2016. Moreover, RBIA officials provided faculty support for a day-long workshop on 'Records Management' meant for officials of Jaipur RO.

Rajbhasha Shield by Town Official Language Implementation Committee (TOLIC)

Rajbhasha Shield Scheme is run by TOLIC under which a shield is given to a member bank once a year for excellence in implementation of Rajbhasha. CAB, Pune which is a member of TOLIC has been awarded First Prize under this scheme for the year 2015-16.

Hindi Fortnight

CAB has celebrated Hindi fortnight from September 1 to 14, 2016. During the period, various Hindi competitions were organised for the Staff Members. Hindi Day was celebrated on September 14, 2016.

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वित्तीय क्षेत्र में क्षमता निर्माण एवं विकास

कृषि बैंकिंग महाविद्यालय (सीएबी) की स्थापना भारतीय रिज़र्व बैंक द्वारा 1969 में ग्रामीण एवं सहकारिता बैंकिंग में प्रशिक्षण प्रदान करने के लिए की गयी थी। तत्पश्चात, भारतीय वित्तीय क्षेत्र की बदलती आवश्यकताओं को पहचानकर, महाविद्यालय ने सूचना प्रौद्योगिकी, मानव संसाधन प्रबंधन, साधारण बैंकिंग और गैर-बैंकिंग वित्तीय सेवाओं जैसे क्षेत्रों में प्रशिक्षण प्रदान करने के लिए अपना दायरा बढ़ाया। महाविद्यालय कई अंतर्राष्ट्रीय संस्थाओं जैसे एफएओ, अपराका, सिकटैब, यूएनडीपी एवं कॉमनवेल्थ सेक्रेटेरिएट के सहयोग से भी प्रशिक्षण कार्यक्रम आयोजित करता आ रहा है। महाविद्यालय ने विकास बैंकिंग में उत्कृष्टता के अंतर्राष्ट्रीय केंद्र के रूप में ख्याति प्राप्त की है। भारतीय वित्तीय क्षेत्र की वर्तमान चुनौतियों के मद्देनज़र महाविद्यालय ने ग्रामीण विकास एवं सहकारी बैंकिंग के अलावा महाविद्यालय, विभिन्न संस्थोओं (राष्ट्रीय व अंतर्राष्ट्रीय) के लिए उनकी विशिष्ट आवश्यकता के अनुसार भी प्रशिक्षण कार्यक्रम आयोजित करता है।

महाविद्यालय, समय की मांग के अनुसार वित्ती य क्षेत्र में क्षमता निर्माण एवं विकास के लिए प्रतिबद्ध है।

Building & Enhancing Capabilities in the Financial Sector

College of Agricultural Banking (CAB) was established by the Reserve Bank of India in 1969 to provide training inputs in Rural and Cooperative Banking. Subsequently, recognising the changing needs of the Indian financial sector, the College has expanded its scope to provide training in other areas like Information Technology, Human Resource Management, General Banking and Non-Banking Financial Services. The College also conducts programmes in collaboration with international agencies like FAO, APRACA, CICTAB, UNDP and the Commonwealth Secretariat. It has earned acknowledgement as an international centre of excellence for development banking. The College also conducts customized taining programmes for institutions, both national and international, as per their specific requirements.

The College is committed to enhancing and building capabilities in the financial sector in tune with the changing times.

College of Agricultural Banking
www.cab.org.in