CHAPTER-V

ASSAM GRAMIN VIKASH BANK-FUNCTIONAL POLICIES AND WORKINGS
5.1 A note of Assam Gramin Vikash Bank:

Assam Gramin Vikash Bank, the only restructured RRBs of the NE region was setup on 12th January, 2006 by amalgamating the erstwhile Pragjyotish Gaonlia Bank, Lakhimi Gaonlia Bank, Cachar Gramin Bank and Subansiri Gaonlia Bank as per provision under section 23 (A) of RRB Act, 1976. It is a matter of great pleasure that the govt of Assam has consented to this amalgamation and also assured active help to the RRBs by parking Government funds, disbursement of salaries to the government employees through the RRBs etc. Meanwhile, the Reserve Bank of India has also agreed to allow RRBs to install currency chest, offer ATM facility, carry out foreign exchange business etc. Thus, the Assam Gramin Vilash Bank is visualised as bigger, stronger, multidimensional, financial institution with an undiluted commitment to rural credit dispensation. The wide base, as the largest scheduled commercial bank in the state having the largest network of branches, and an enlarged exposure limit, provide the bank greater flexibility in the field of rural finance.

The operational area of Assam Gramin Vikash Bank consists of the entire area of operation of the aforesaid four pre-amalgamated RRBs, which covers 25 districts out of 27 districts in the State of Assam, barring only the two hill districts viz. Karbi Anglon and North Cachar Hills.

The objectives set before the RRBs remain intact for Assam Gramin Vikash Bank also. Assam Gramin Vikash Bank gives maximum emphasis on developing the rural economy by providing credit for agriculture, trade, in-
dustry and other productive activities particularly to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs, SHGs etc. and also to transacts business as defined in section 18 (2) of the RRB Act, 1976 and section 6 (1) of thy Banking Regulation Act, 1949.¹

Table : 5.1

Position of Assam Gramin Vikash Bank as on 12.1.2006

<table>
<thead>
<tr>
<th>PARTICULARS</th>
<th>FIGURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of districts</td>
<td>25</td>
</tr>
<tr>
<td>No. of branches</td>
<td>354</td>
</tr>
<tr>
<td>No. of staff</td>
<td>1769</td>
</tr>
<tr>
<td>Total deposit</td>
<td>1733.80 crore</td>
</tr>
<tr>
<td>Total loans and advances</td>
<td>758.25 crore</td>
</tr>
<tr>
<td>Of which Priority sector advances</td>
<td>Rs. 551.42 crore</td>
</tr>
<tr>
<td>Agriculture</td>
<td>Rs. 129.37 crore</td>
</tr>
<tr>
<td>C.D. ratio</td>
<td>44</td>
</tr>
<tr>
<td>KCC issued</td>
<td>41185 nos</td>
</tr>
<tr>
<td>SHGs credit linked</td>
<td>19366 Nos</td>
</tr>
<tr>
<td>Recovery percentage</td>
<td>75</td>
</tr>
<tr>
<td>NPA percentage</td>
<td>11</td>
</tr>
<tr>
<td>Profit</td>
<td>Rs. 1240 crore</td>
</tr>
<tr>
<td>Business per branches</td>
<td>7.00 crore</td>
</tr>
<tr>
<td>Business per employee</td>
<td>Rs. 1.41 crore</td>
</tr>
</tbody>
</table>

(Source : AGVB Bulletin, Ho. Guwahati)

After amalgamation of the aforesaid four RRBs into Assam Gramin Vikash Bank, the newly formed Bank has emerged as the largest scheduled commercial bank in the state of Assam in terms of branch network. It covers 25 out of 27 districts of the state.

[148]
### Table : 5.2

District wise break up of branches as on 31-03-2006

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>District</th>
<th>Rural</th>
<th>Semi-Urban</th>
<th>Urban</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Nalbari</td>
<td>18</td>
<td>01</td>
<td>–</td>
<td>19</td>
</tr>
<tr>
<td>2</td>
<td>Baksapur</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Burpara</td>
<td>16</td>
<td>04</td>
<td>–</td>
<td>20</td>
</tr>
<tr>
<td>4</td>
<td>Kamrup (M)</td>
<td>–</td>
<td>–</td>
<td>07</td>
<td>07</td>
</tr>
<tr>
<td>5</td>
<td>Kamrup (R)</td>
<td>14</td>
<td>02</td>
<td>–</td>
<td>16</td>
</tr>
<tr>
<td>6</td>
<td>Darrang</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Udalguri*</td>
<td>18</td>
<td>05</td>
<td>–</td>
<td>23</td>
</tr>
<tr>
<td>8</td>
<td>Sonitpur</td>
<td>25</td>
<td>05</td>
<td>–</td>
<td>30</td>
</tr>
<tr>
<td>9</td>
<td>Goalpara</td>
<td>11</td>
<td>01</td>
<td>–</td>
<td>12</td>
</tr>
<tr>
<td>10</td>
<td>Dhubri</td>
<td>08</td>
<td>05</td>
<td>–</td>
<td>13</td>
</tr>
<tr>
<td>11</td>
<td>Kokrajhar</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Chirang*</td>
<td>08</td>
<td>03</td>
<td>–</td>
<td>11</td>
</tr>
<tr>
<td>13</td>
<td>Bongaigaon</td>
<td>09</td>
<td>03</td>
<td>–</td>
<td>12</td>
</tr>
<tr>
<td>14</td>
<td>Sivasagar</td>
<td>20</td>
<td>02</td>
<td>–</td>
<td>22</td>
</tr>
<tr>
<td>15</td>
<td>Jorhat</td>
<td>15</td>
<td>–</td>
<td>01</td>
<td>16</td>
</tr>
<tr>
<td>16</td>
<td>Golaghat</td>
<td>20</td>
<td>03</td>
<td>–</td>
<td>23</td>
</tr>
<tr>
<td>17</td>
<td>Nagaon</td>
<td>27</td>
<td>03</td>
<td>–</td>
<td>30</td>
</tr>
<tr>
<td>18</td>
<td>Morigaon</td>
<td>10</td>
<td>01</td>
<td>–</td>
<td>11</td>
</tr>
<tr>
<td>19</td>
<td>Cachar</td>
<td>15</td>
<td>–</td>
<td>04</td>
<td>19</td>
</tr>
<tr>
<td>20</td>
<td>Hailakandi</td>
<td>05</td>
<td>03</td>
<td>–</td>
<td>08</td>
</tr>
<tr>
<td>21</td>
<td>Karimganj</td>
<td>12</td>
<td>05</td>
<td>–</td>
<td>17</td>
</tr>
<tr>
<td>22</td>
<td>Lakhimpur</td>
<td>15</td>
<td>01</td>
<td>–</td>
<td>16</td>
</tr>
<tr>
<td>23</td>
<td>Dhemaji</td>
<td>09</td>
<td>–</td>
<td>–</td>
<td>09</td>
</tr>
<tr>
<td>24</td>
<td>Dibrugarh</td>
<td>11</td>
<td>01</td>
<td>–</td>
<td>12</td>
</tr>
<tr>
<td>25</td>
<td>Tinsukia</td>
<td>07</td>
<td>01</td>
<td>–</td>
<td>08</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>293</td>
<td>49</td>
<td>12</td>
<td>354</td>
</tr>
</tbody>
</table>

*Baska, Udalguri and chirang are newly formed districts under Bodoland Territorial Council. The operational areas of bank branches are yet to be demarcated.

(Source : AGVB, Annual Report, 2005-06)
For smooth functioning, effective monitoring, administrative convenience and proper supervision of the branches, the bank has decided to redesignate the Head offices of the erstwhile PGB, LGB, CGB and SGB as Regional offices and thus the bank has setup four Regional offices at Nalbari, Golaghat, Silchar and Lakhimpur, headed by four officers on deputation from sponsor Bank. Further, the bank has a plan to open three more Regional offices at Guwahati, Kokrajhar and Dibrugarh. Moreover, the existing eleven Area offices at Dhubri, Barpeta, Mangaldoi, Guwahati, Tezpur, Kokrajhar, Sivsagar, Jorhat, Nagaon, Morigaon and Dibrugarh are allowed to continue with their respective area of supervision.

5.2 Organisational Structure:

In consideration of the volume of business, area of operation and branch network of the amalgamated RRBs, NABARD with the approval of Govt. of India has provided guidelines on organisational set up to the amalgamated RRBs vide letter no. NB. IDD. RRCBD/2019/462/2005-06 dated 19-01-2006. As per the said guidelines, amalgamated RRBs have three tier structures viz.

- Head Office
- Controlling Offices and
- Branches.

Accordingly, the existing controlling office structure of the Bank has been reorganised to open seven controlling offices as shown herein-below in place of 4 Head offices and 11 area offices of the constituent RRBs.
<table>
<thead>
<tr>
<th>Structure of Controlling offices at the time of amalgamation</th>
<th>Reorganised structure of controlling offices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head office at Guwahati Rajgarh Road, Chandmari, Guwahati - 3 4 controlling offices at</td>
<td>Head office at Guwahati G.S. Road, Bhangagarh, Guwahati - 5 7 controlling offices at</td>
</tr>
<tr>
<td>1. Nalbari</td>
<td>1. Nalbari</td>
</tr>
<tr>
<td>2. Golaghat</td>
<td>2. Golaghat</td>
</tr>
<tr>
<td>4. Lakhimpur</td>
<td>4. Lakhimpur</td>
</tr>
<tr>
<td>11 Area offices at</td>
<td>5. Guwahati</td>
</tr>
<tr>
<td>1. Dhubri</td>
<td>6. Kokrajhar</td>
</tr>
<tr>
<td>2. Kokrajhar</td>
<td>7. Dibrugarh</td>
</tr>
<tr>
<td>3. Barpeta</td>
<td></td>
</tr>
<tr>
<td>4. Mangaldoi</td>
<td></td>
</tr>
<tr>
<td>5. Guwahati</td>
<td></td>
</tr>
<tr>
<td>6. Tezpur</td>
<td></td>
</tr>
<tr>
<td>7. Morigaon</td>
<td></td>
</tr>
<tr>
<td>8. Jorhat</td>
<td></td>
</tr>
<tr>
<td>9. Sivasagar</td>
<td></td>
</tr>
<tr>
<td>10. Nagaon</td>
<td></td>
</tr>
<tr>
<td>11. Dibrugarh</td>
<td></td>
</tr>
</tbody>
</table>

(Source: AGVB, Annual Report, 2006-07)
Table: 5.3
The area of operation of the controlling offices
District and category wise as on 31-03-2008

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Controlling office</th>
<th>No. of District(s) covered</th>
<th>Name of the District and no. of Branches</th>
<th>Category wise No. of Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Districts</td>
<td>Scale 1</td>
</tr>
<tr>
<td>1.</td>
<td>Nalbari</td>
<td>05</td>
<td>1. Nalbari 15</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2. Baksa* 09</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3. Barpeta 16</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4. Darrang 12</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5. Udalguri 11</td>
<td>4</td>
</tr>
<tr>
<td>2.</td>
<td>Golaghat</td>
<td>03</td>
<td>1. Golaghat 23</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2. Jorhat 16</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>3. Nagaon 30</td>
<td>15</td>
</tr>
<tr>
<td>3.</td>
<td>Silchar</td>
<td>03</td>
<td>1. Cachar 19</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2. Karimganj 17</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3. Hailakandi 08</td>
<td>3</td>
</tr>
<tr>
<td>4.</td>
<td>Lakhimpur</td>
<td>03</td>
<td>1. Lakhimpur 16</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2. Dhemaji 09</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3. Sonitpur 30</td>
<td>11</td>
</tr>
<tr>
<td>5.</td>
<td>Guwahati</td>
<td>03</td>
<td>1. Kamrup 14</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2. Kamrup(M) 07</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3. Morigaon 11</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Baksa* 02</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Kokrajhar</td>
<td>05</td>
<td>1. Kokrajhar 09</td>
<td>09</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2. Bongaigaon 09</td>
<td>09</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3. Cirang 05</td>
<td>05</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4. Goalpara 12</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5. Dhurhi 13</td>
<td>13</td>
</tr>
<tr>
<td>7.</td>
<td>Dibrugarh</td>
<td>03</td>
<td>1. Dibrugarh 12</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2. Tinsukia 08</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3. Sivasagar 22</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Total 25</td>
<td>355</td>
</tr>
</tbody>
</table>

* (02) two branches namely Naokata and Dwarkuchi under Baksa district are under the control of controlling office, Guwahati.
(Source: AGVB, Annual Report, 2007-08)
The Assam Gramin Vikash Bank (AGVB) came into existence in January, 2006. It is a joint undertaking organisation, i.e. Central Govt., Sponsoring Bank and state Govt. It has its main Head Office in Guwahati. As on 31st March 2008, 355 branches were established (Rural - 294, semi urban-49 and Urban-12) covering 25 districts of the state.

The management of the bank is under the control of Board of Directors. The Board of Directors frames the policy of the bank and control the activities of the bank. Currently, it consist of 9 directors, two of these directors nominated by the Central Govt., two directors nominated by the State Govt., one director nominated from NABARD, one director nominated by RBI, two directors nominated from sponsoring bank and chairman of AGVB is one of the Board of Directors.

The Chairman of Assam Gramin Vikash Bank is the Executive Director of the Board as well as the head office of the staff.

The present organizational structure of the Board of Directors a shown below:
Board of Directors

Head office

Chairman

Senior Manager
Personal Department

Senior Manager
Planning and development
and chairman secretariat Dept.

Senior Manager
Audit and Inspection
Department

Senior Manager
Information Technology
and MIS Dept.

Senior Manager
Accounts & Investment
Department

Senior Manager
credit and Recovery
Department

Controlling Offices

Officer on special
duty
Silchar controlling
office

Officer on special
duty
Golaghat controlling
office

Officer-in-charge
Nalbari controlling
office

Officer-in-charge
Guwahati Controlling
office

Officer-in-charge
Kokrajhar controlling
office

Officer-in-charge
Lakhimpur controlling
office

Officer-in-charge
Dibrughar controlling
office

(Source: AGVB, Annual Report, 2007-08)
5.3 Policy Initiatives:

The Government of India, Reserve Bank of India and NABARD took the following policy initiatives for efficient and effective functioning of the Regional Rural Bank (RRBs) as vibrant rural financing institutions. After the announcement of restructuring of RRBs by the GOI, sponsor banks have taken positive steps in this regard.

Bhandari Committee made wide ranging recommendations encompassing the gamut of all functions of RRBs with a view to enhancing their viability. These included:

- greater autonomy of sponsor bank in the appointment of chairman and General Manager of the sponsored RRBs.
- greater devolution of decision making powers to the Board of Directors of RRBs (in business and staff related matters).
- funds management.
- relaxation in norms for lending and non-fund business.
- branch relocation
- deregulation of interest rate.
- application of prudential norms.
- roles and responsibilities of different agencies supervising the work of RRBs.
- augmentation of shares capital and modalities for funding to cleanse the balance sheets of RRBs.
- modalities of MOUs/DAPs and
- monitoring review mechanism.

Policy Reforms for RRBs:

Based on the recommendations of Bhandari committee a forward looking policy framework has been provided to the RRBs to help them emerge as a viable rural credit delivery agency in the country as given below.
• Comprehensive restructuring of select 49 RRBs including financial assistance to them.

• Memorandum of Understanding between RRBs and their sponsor Banks.

• freedom to select 70 RRBs from service Area obligations in view of their inadequate business so as to provide them broader business base.

• Relocation of loss making branches and opening extension counters.

• Expansion and diversifications of loan portfolio by allowing Non-Target Group and Non-Priority sector and rural housing sector finance. Widening of avenues of profitable investment of surplus non-SLR funds.

• Strengthening Board of Directors of RRBs by induction of professionals as Government of India nominees.

Meanwhile, policy decision had been taken by Government of India to cover more RRBs under restructuring. The available reports, confirm that Basu Committee appointed to identify more RRBs for restructuring has submitted its report for consideration (as of February 1996). It is likely that another 70 RRBs, may be recommended for comprehensive restructuring.4

Policy initiatives during the year 2004-05:

The Government of India, Reserve Bank of India and NABARD took the following policy initiatives for efficient and effective functioning of the Regional Rural Banks (RRBs) as vibrant rural financing institutions.5
• As regards declaration of dividend by RRBs, Government of India advised that the RRBs may be encouraged to augment their reserves instead of declaring dividend, for the present.

• Definitions of the term ‘Willful Default’ as applicable to scheduled commercial banks and all notified All-India Financial Institutions is made applicable to RRBs.

• It was decided that RRBs should not insist upon succession certificate from legal heirs irrespective of the amount to the credit of the deceased deposit as also for release of assets of deceased customers irrespective of the amount. However, RRBs should adopt such safeguard in settling claims as they consider appropriate, including taking of indemnity bond.

• The study group of the Estimates committee felt that in the training programmes conducted by the sponsor banks and other institutions, a session covering the philosophy, rural character, recommendations of the Narasimham Committee may be included.

• In pursuance of the announcement made by the Hon’ble Finance Minister on 18 June 2004 regarding debt relief measures for enhancing the flow of credit to the agriculture sector RRBs were allocated a target to disburse Rs.8500 Crore during the year 2004-05 for agriculture purposes. Indicative guidelines on the measures for achieving this objective were issued to all RRBs.

• On a review of the position of service Area Obligations of Regional Rural Banks, Reserve Bank of India conveyed their decision to grant relaxations to 97 Regional Rural Banks (RRBs) as per list enclosed for a further period of one year from 1st April 2004 upto 31st March 2005.
It was, therefore advised that the existing arrangement in regard to financing of beneficiaries under SGSY and priority sector may be continued till 31st March 2005 subject to the conditions already indicated in Reserve Bank of India circular No. BC. 149/08.01.00/94-95 dated 21 April 1995.

• The Government of India, in consultation with Reserve Bank of India, decided that the monetary ceiling of the cases to be referred to the Lok Adalats, organised by civil courts stands enhanced from Rs. 5 lakh to Rs 20 lakh with immediate effect.

• The Reserve Bank of India decided to permit RRBs to undertake insurance business as corporate agent without risk participation subject to their fulfilling the certain norms and conditions.

• NABARD in consultation with Reserve Bank of India decided that the RRBs may frame guidelines on fair practices code for lenders, as is being implemented in scheduled commercial banks, and get it duly approved by their Board of Directors.

Policy Decisions of RRBs:

For RRBs, the following major decisions were taken by the NABARD:

• Implementation of revised inspections guidelines and the possibility of introducing inspections on the pattern followed by RBI for commercial banks on a pilot basis for amalgamated RRBs to be explored.

• Issue of Master circular on disclosure norms and instructions including capital to Risk Weighted Asset Ratio (CRAR) in the Annual Note on Accounts in their Balance sheets as on 31st March 2008. A road map for stipulation of CRAR for RRBs from 31st March, 2009 was suggested to RBI.

[158]
The ALM system introduced in 12 select RRBs during 2007-08 was extended to all RRBs from 1st August 2008.

- Issue of detailed guidelines for forming Audit Committees and convening their meetings.
- Master circular on frauds, rationalising the classifications of frauds, submissions of returns and monitoring thereof issued.
- A circular each on Lenders' Financial Discipline (for co-operative banks and RRB) codes of standards and Fair Practices to RRBs revised off-site surveillance (OSS) returns for RRB, were issued.
- RRBs were advised to follow the LFAR on the lines of commercial banks.
- Modus operandi of certain high-value frauds detected were shared with the banks for their safeguards.
- Instructions on Know-Your Customers (KYC) and Anti-Money Laundering (AML) obligations issued.

The following policies have been taken by the Regional Rural Banks as per their recommendations of various committees.

Human Resource Development Policies in RRBs:

The Human Resource Development (HRD) Policies generally include manpower planning, placement, transfer, career progression, training, disciplinary action, performance monitoring, wages salaries and perks. These policies in RRBs are based on the systems obtaining in their respective sponsor banks and instructions of Government of India, Reserve Bank of India and NABARD. Therefore, the HRD policies in RRBs differ from bank
to bank due to variation in the polices of sponsor banks and also the subjective interpretation of the guidelines of Government of India/NABARD/RBI by the chairman and the Management of the RRB.

Major recommendations of the committee to formulate a comprehensive Human Resource Policy for RRB Personal (Chairman: Dr. Y.S.P. Thorat) were accepted by Government of India during the year (2008). These include norms for,

- categorisation of RRB/their branches,
- staffing pattern at head office/controlling offices/branches,
- recruitment/promotion of staff, transfer, etc.

**Investment Policy:**

The basic function of a bank is acceptance of deposit from the public for the purpose of loan and investment and RRB’s are not exception to that. Bank invest their surplus fund after satisfying demand of the various loanee.

To maintain cash reserve ratio and statutory liquidity ratio every bank should keep the required amount of money in their account with Reserve Bank of India, for they can invest the money in the approx securities as per RBI norms. Normally, the approved securities are acceptable by the Reserve Bank of India for maintaining the statutory liquidity ratio.

Initially RRB’s investment policy was controlled by their respective sponsor bank as per guidelines issued by the Reserve Bank of India. Now as per instruction issued by the RBI, the RRB’s are free to invest their surplus fund except SLR in the available profitable securities in the market. Moreover, nowadays RRB’s can invest their surplus fund in the mutual fund securities with some limitations.
Previously RRBs were taking advice from their sponsor bank about the investment of surplus fund. Now, as per guide lines all RRBs are having their own investment committee to decide for their investment, of course it is stated in the guidelines RRBs are always free to seek as per opinion from the sponsor bank in case of need.

RRBs are also required to keep provision for non performing investment as per RBI guidelines.

**Information Technology Policy :**

The extent of application of information technology which emerged as a fusion of computers and telecommunications in the 1990s has greatly transformed banking operations. The use of computers and telecom technology is the main foundation around which most of the banks today are building their banking services and operations. The regional rural banks are also the users of the technology along with their banking fraternity.

- RRBs as a bank extending service like other commercial banks cannot be remained oblivious to accept computerization and information technology.
- RRBs as a member of clearing house have necessitated to embrace computerisation and information technology backed by telecommunication facilities to discharge their payment obligation.
- In a technology friendly banking world RRBs have to accept the updated computerised service to remain in the competition.
- RRBs are now extending wide range of customer service. Unless they provide technologically advanced service it is very difficult to achieve sustainable growth.
• RRBs are now free to invest their surplus fund to the best available securities in the market. When all are maintaining their profit accepting electronic technology RRBs just cannot remain oblivious.

• Acceptance of computerised technology helps to reduce cost and thereby to enhance profit.

All these factors compelled RRBs to accept computerised services. Many RRBs have already providing 100% computerised service to their customers. RRBs are also not averse to provide core banking solution (CBS). In this respect most of the RRBs are going slow mainly due to heavy initial cost. But all RRBs are progressing in planned way.

If one look back to the Annual Report of 2008-2009 of Assam Gramin Vikash Bank which reveals following facts about computerisatio, “Under technical upgradation programme the bank has computerised 27 branches, during the period raising the total number of computerised branches to 352. Further the bank has planned to implement Core Banking Solution (CBS) in selected branches of the bank besides installation of ATMs in a phased manner.”

5.4 Workings and Performance:

Various committees were appointed by different authorities from time to time to examine the working of the RRBs and suggest recommendation for their Re-structuring. Most of the committees reiterated the need of a stronger and viable rural financial institution in the interest of inculcating banking habits among the rural people and purveyal of credit in the rural sector. Of late, the Govt. of India has decided to bring about massive consolidation in the RRB
structure by amalgamating RRBs on a state wise and sponsors bank wise basis, and accordingly 9 Nos. (Nine) of RRBs have already been formed by amalgamating 28 Nos. of erstwhile RRBs.

RRBs are jointly owned by Government of India, the concerned State Government and sponsor bank (27 scheduled commercial banks and one state Co-operative Bank). The issued capital of a RRBs is shared by them in the proportion of 50%, 15% and 35% respectively. The area of operation of majority of RRBs is limited to a notified area comprising one or two districts in the state.

Table : 5.4
State wise summery of Key indicators of RRBs
(NE Region), 31st March, 2007

(Rs. in lakh)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of State</th>
<th>Net loan outstanding</th>
<th>Net NPA Amount</th>
<th>NPA %</th>
<th>Gross Profit</th>
<th>Loss Amount</th>
<th>Net Profit (After Tax Losses)</th>
<th>Accumulated Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Arunachal Pradesh</td>
<td>1304.54</td>
<td>304.09</td>
<td>23.31</td>
<td>0.00</td>
<td>325.59</td>
<td>0.00</td>
<td>3931.04</td>
</tr>
<tr>
<td>2</td>
<td>Assam</td>
<td>106805.85</td>
<td>6289.08</td>
<td>5.89</td>
<td>261.08</td>
<td>0.00</td>
<td>261.08</td>
<td>5193.49</td>
</tr>
<tr>
<td>3</td>
<td>Manipur</td>
<td>3199.32</td>
<td>1101.49</td>
<td>34.43</td>
<td>0.00</td>
<td>336.13</td>
<td>0.00</td>
<td>2206.62</td>
</tr>
<tr>
<td>4</td>
<td>Meghalaya</td>
<td>7217.22</td>
<td>668.28</td>
<td>9.26</td>
<td>348.99</td>
<td>0.00</td>
<td>198.99</td>
<td>0.00</td>
</tr>
<tr>
<td>5</td>
<td>Mizoram</td>
<td>12482.48</td>
<td>628.72</td>
<td>5.04</td>
<td>73.51</td>
<td>0.00</td>
<td>73.51</td>
<td>469.73</td>
</tr>
<tr>
<td>6</td>
<td>Nagaland</td>
<td>643.58</td>
<td>138.21</td>
<td>21.48</td>
<td>0.00</td>
<td>93.23</td>
<td>0.00</td>
<td>481.80</td>
</tr>
<tr>
<td>7</td>
<td>Tripura</td>
<td>42727.20</td>
<td>741.03</td>
<td>1.73</td>
<td>697.74</td>
<td>0.00</td>
<td>113.11</td>
<td>13260.99</td>
</tr>
</tbody>
</table>

(Source: Key Performance Report NABARD, 2007)

The table (5.4) shows that the NPA (%) position of RRBs in Tripura in comparison to the other RRBs of North-Eastern State is improving. The net profit of RRBs in Assam in comparison to the RRBs of other N.E. State is encouraging. Whereas the RRBs at Arunachal Pradesh, Manipur and Nagaland could not manage to earn any profit.

[163]
The Assam Gramin Vikas Bank (AGVB) grant loans and advances mostly to small and marginal farmers, agricultural labourers, rural artisans and weaker section of the society.

After amalgamation the workings and performance of Assam Gramin Vikash Bank highlights as follows:

**Performance highlights 2005-2006:**

- Total Business up by 10.37% from Rs.2324 crores to Rs. 2565 crores *
- Total Advance up by 19.11% from Rs.717 crores to Rs. 854 crores*
- Total Deposit up by 6.45% from Rs. 1607 crores to Rs. 1711 crores *
- Credit Deposit Ratio up from 44.61% to 49.92%*
- Recovery percentage up from 66.38% to 72.2%*
- Per Branch Business up from Rs. 6.52 to Rs.7.25 crore*
- Per Employes Business up from Rs.1.31 to Rs.1.45 crore *
- Combined Pre-amalgamated position as on 31-03-2005.

(Source : Annual report, AGVB, 2005-06)

**Performance Highlights 2006-2007 :**

- Total Deposit up by 15% from Rs.1711 crore to Rs. 1965 crore
- Total Advance up by 23% from Rs. 854 crore to Rs. 1047 crore
- Total Business up by 17% from Rs.2565 crore to Rs. 3012 crore
- Total credit disbursement up by Rs.288.32 crore to Rs.361.64 crore
- Credit Deposit Ratio up from 49.92% to 53.32%
- Per Branch Business up from Rs.7.25 crore to Rs.8.49 crore
- Per Employee Business up from Rs. 1.45 crore to Rs.1.71 crore

(Source : Annual Report, AGVB, 2006-07)
Performance highlight of the year, 2007-2008:

- Bank's total business reached Rs.3591.07 crore (deposits Rs.2366.92 crore and Advances Rs.1224.15 crores). Bank exceeded the total deposit target set at Rs. 2310.00 crore for the year 2007-08.
- Bank’s clientele base increased to 2879402.
- The total business of six branches of the Bank-viz, Nalbari, Silchar, Mangaldoi, Kokrajhar, Hailakandi and Guwahati. Crossed Rs. 50.00 crore.
- Priority sector Advances have increased from Rs. 724.71 crore to Rs. 877.78 crore thereby recording a growth of over 21%. Banks priority sector advance comprises 72% of bank’s total outstanding advances.
- Cost of deposit has decreased to 4.44% from 4.65%.
- Yield on Advance has increased to 8.89% from 8.55%.
- Bank has earned net profit amounting to Rs. 19.24 crore registering a growth of 8.62% over previous year.
- 335 branches have earned profit during the year.
- Per branch productivity has increased from Rs. 8.49 crore to Rs. 10.12 crore.
- Per employee productivity has increased from Rs. 1.71 crore to Rs. 2.07 crore.
- The share of demand deposits to the total deposits of the bank increased from 63% to 67%.
- Bank’s capital to Risk Weighted Assets Ratio (CRAR) has been improved from 5.10 to 8.70.
• 133100 new savings bank accounts opened during the year against target of 120000.

• Bank’s Gross NPA level decreased from 10.86 % to 9.32 % while net NPA level decreased from 6.23 % to 4.73 %.

• An amount of Rs. 73.00 lakh has been recovered from shadow Register accounts.

• Out of total 355 branches, 324 branches have been computerised.

• Bhakatpara Mahila Sangha, a Farmers club promoted by Bhakatpara Branch of the bank bagged National Award.

• Mou signed with Govt. Of Assam for extending Housing Loans to State Govt. employees.

• Bancassurance Tie-up arrangement with Bajaj Allianz General Insurance co. Ltd for sell of Non-life insurance products.

(Source: Annual Report, AGVB, 2007-08)

Performance highlights of the year, 2008-2009:

• Bank’s, total business reached Rs. 4280.58 crore (Deposits Rs. 2881.53 crore and advances Rs. 1399.05 crore) from Rs. 3591.07 crore (Deposit Rs. 2366.92 crore and Rs. 1224.15 crore) as on 31-03-2008.

• Bank, clientele base increased to 3333259 from 2879402 as on 31-03-2008.

• One branch of the bank namely Kokrajhar has crossed Rs 100.00 crore mark in terms of deposit.

• Six branches of the bank namely Nalbari, Silchar, Mangaldoi, Dhemaji, Guwahati and Barpeta have crossed Rs.50.00 crore mark in terms of total business.
- The share of demand deposits (CASA) to total deposits of the bank increased from 67% to 68%.
- Per branch productivity has increased from Rs. 10.12 crore to Rs 12.06 crore.
- Per employee productivity has increased from Rs.2.07 crore to Rs 2.49 crore.
- Priority sector advances have increased from Rs. 877.77 crore to RS 1031.57 crore thereby recording a growth of over 17.52 %.
- Banks priority sector advances comprises 74 % of bank's total outstanding advances.
- Advances to Agriculture has increased from Rs.276.10 crore (22.55 % of TOAD) to Rs.322.78 crore (23.07% of TOAD).
- 41019 nos. of fresh Kisan credit card (KCC) issued during the year through 349 branches (i.e., average 117 KCC per branch).
- 15025 nos of new Self Help Groups (SHGs) have been deposit linked during the year. Cumulative no. of SHGs deposit linked by the bank upto 31-03-2009 is 97719.
- 12142 nos. of new Self Help Groups (SHGs) have been credit linked during the year. Cumulative no. of SHGs credit linked upto 31-03-2009 is 67517.
- 8979 nos. of new General Credit Cards (GCCs) issued during the year, thereby raising the no of cumulative cards to 23945 as on 31-03-2009.
- 459896 new savings bank accounts (including No-Frill A/Cs) have been opened during the year against a target of 141600.
- Bank's Gross NPA level has decreased from 9.32 % to 7.31 % while net NPA level decreased from 4.73 % to 3.11%.

[167]
• An amount of Rs. 54.57 lakh has been recovered from shadow Register Accounts.
• NPA investment has reduced from Rs. 1.57 crore to Rs. 1.37 crore.
• Operating profit has increased from Rs. 26.68 crore to Rs. 54.75 crore registering a growth of 105.21%.
• Bank has earned Net Profit amounting to Rs. 25.50 crore as against Rs. 19.24 crore during the previous year thus registering a growth of 32.54%. Bank has wiped out entire accumulated loss.
• Total income of the bank increased by 31.71 % to reach a level of Rs. 243.34 crore.
• Interest Income has increased from Rs. 169.75 crore to Rs. 214.65 crore thereby registering an increase of 26.45%.
• Non-Interest income has increased from Rs. 15.00 crore to Rs. 28.69 crore thereby registering an increased of 91.31%.
• Provision made at Rs. 29.24 crore, as compared to Rs. 7.44 crore made during the last year. Adequate provisions made to take care of ensuring pay Revision, Gratuity and Leave encashment liabilities of staff.
• 334 branches have earned profit during the year.
• The cost of deposit has come down to 4.44% to 4.39%.
• Yield on on Advance has increased to 9.48 % from 8.89 %.
• Yield on investment has increased from 7.51 % to 7.70 %.
• Bank’s capital to Risk Weighted Assets Ratio (CRAR) has been improved from 8.70 to 9.09.
• The Bank has participated in cluster Development Programme of NABARD and has developed various clusters of Handloom, Sericulture, Muga and Vegetable dying etc.

• Bank organised Trainings to SHG members in all 25 districts, besides arrangement of SHG Meals in five different places in the state, to facilitate sale of SHG Products.

• Bank has promoted 51 new Farmers’ clubs during the year 2008-09. With this the total number of Farmers Clubs has reached 407.

• Bancassurance business has been intensified. During the period, business worth Rs. 1.17 crore have been referred to insurance partners.

• Out of total 355 branches, 352 branches have been computerised.

• Bank has been listed as scheduled bank by Reserve Bank of India.

( Source : Annual Report, AGVB, 2008-09)

Performance highlights of the year, 2009-2010 :

• Bank’s total business has crossed Rs. 5000 crore mark (Rs. 5080.57 crore). With this, AGVB could make its place in the category IV RBBs, as per H R Policy approved by the Govt. in India, in terms of both volume of Business as well as nos. of branches.

• Growth recorded against Total Business is 18.67% over previous year.

• Of the Total Business, Rs. 3462.34 crore consists of Deposit Rs. 1618.23 crore consists of Loan & Advances.

• Growth against Total Deposit is 20.16%, while growth recorded against Otg. Loans & Advances is 15.66%.

• Bank’s clientele base has increased to 3743576 showing a growth of 12.31%. 410317 now new accounts (Deposit + Loan) have been opened during the period.
314860 new Savings Bank Accounts have been opened during the year against a target of 200000.

Another branch (Nalbari) has crossed Rs. 100.00 mark in terms of Total Business, besides Kokrajhar.

09 branches of the Bank namely Guwahati, Silchar, Fancy Bazar, Mangaldoi, Dhemaji, Ganeshguri, Rangia, Goalpara and Dhubri have crossed Rs. 50.00 crore mark in terms of Total Business. The number of branches under this category was 06 during the previous year end.

The share of demand deposits (CASA) to the total deposits of the bank increased to 70% from 68% during the previous year end.

Per branch productivity has increased from Rs.12.06 crore to Rs.14.27 crore.

Per Employee, productivity has increased from Rs. 2.49 crore to Rs. 2.99 crore.

Priority Sector Advances have increased from Rs.1031.57 crore to Rs.1229.95 crore thereby recording a growth of over 19.23%.

The Agriculture advance has increased from Rs. 322.78 crore to Rs. 382.44 crore.

51079 nos. of fresh Kisan Credit Card (KCC) issued during the year through 350 branches (i.e. Average 146 nos. Fresh KCCs per branch).

14703 nos. of new Self Help Groups (SHGs) have been Deposit Linked during the year. Cumulative no. of SHGs Deposit Linked by the bank upto 31-03-2010 is 112422.

16108 nos. of new Self Help Groups (SHGs) have been Credit Linked during the year. Cumulative no. of SHGs Credit Linked upto 31-03-2010 is 83625.
• 10142 nos. of new General Credit Cards (GCCs) issued during the year thereby raising the no. of cumulative cards to 34087 as on 31-03-2010.
• Bank’s Gross NPA level has decreased from 7.31% to 6.85% while Net NPA level decreased from 3.11% to 3.05%.
• An amount of Rs.49.97 lakh has been recovered from Shadow Register Accounts.
• Bank has earned Net Profit amounting to Rs. 37.45 crore as against Rs. 25.50 crore during the previous year, thus registering a growth of 46.86%.
• Income against Bancassurance Business has increased to Rs. 88.74 lakh as against Rs. 10.90 lakh during the previous year, thus registered a growth of 714%.
• Bank has promoted 79 new Farmers’ Clubs during the year 2008-09. With this, the total number of Farmers’ Clubs has reached 443.
• Accomplished all formalities and preliminary works for implementation of Crore Banking Solution (CBS) in the bank.
• Established Assam Gramin Vikash Bank Rural Self Employment Training Institute (AGVB RSETI) at Tezpur for imparting training to the unemployed rural youths for taking up various economic activities.

(Source : Annual Report, AGVB, 2009-10)

5.5 Performance of SHGs :

The Self Help Group-Bank Linkage programme (SBLP) launched by NABARD in 1992, with the policy thrust of Government of India and Reserve Bank of India, has proved that- poor are bankable and have high propensity to save if opportunity and motivation are provided to them. This programme is the largest non-directed micro saving and micro credit
programmes in the developing world. The Self Help Groups (SHGs) consist of members who are poor, have low saving capacity and depend on informal sources for meeting their consumption and production needs.

The hallmark of the SBLP is that it is built upon existing banking infrastructure obviating the need for creation of a new institutional set up. Unlike most Accumulating Saving and credit Associations found in several countries, SHGs in India obtain loan from the bank and lend to their members. The lending methodology under the programme is novel in contrast to the individual and activity based lending that bank’s follow normally. SHG lending is organisation based, ‘purpose natural’ and ‘collateral free’. The operational guidelines under the SHG-Bank linkage programme have been deliberately kept simple and flexible to enable the participating banks and field functionaries to innovate and contributing to building and strengthening the concept.

Human beings have an intrinsic propensity to form and work in groups. Sociologists are of the opinion that the task is best carried out by small groups as the they allow active participation and contribution of the members as the interaction takes place face to face. According to group behavior theory, people come together and function as a group if they are organised for a purpose, which furthers their common interest.

SHGs are voluntary associations of people formed to attain certain collective goals, both social and economic. The existence of SHGs thus, dates prior to any organized intervention by any external agency as they have originated of their own.

The use of SHGs as conduit for delivering saving and credit services to rural poor, however, is of relatively recent origin. Co-operative movement in
the country, started at the turn of last century, probably represents one of the earliest examples of Self Help to bring together people for fostering thrift and mutual help for economic betterment of the members. However, unlike SHGs co-operatives are larger in size and members come from heterogeneous economic status.

SHG is a small, economically homogeneous affinity group of resource poor people, voluntarily formed to save small amounts, convenient to all the members who mutually agree to contribute to a common fund and lend it to the members, as per the collective decision of the group, to meet the emergent consumption, and production needs. The informal credit delivery system with SHGs at the centre stage suits the rural conditions and has found favourable response from the people throughout the country. Besides reaching banking services to the unreached rural poor through the medium of SHGs, it has also proved to be the most cost effective delivery mechanism for all developmental programmes.

Basic Requirement of SHGs:

Homogeneity, Regular meetings, savings, Internal lending and book keeping are the basic tenets in SHGs. While forming and nurturing of SHGs the importance of group dynamics has to be kept in mind.

- **Homogeneity**: The SHGs should consist of members coming from a similar socio economics background with mutual affinity from the same locality. Homogeneity ensures affinity and mutual support group cohesiveness. This would also prevent the possibility of domination by a few members.

- **Regular Meetings**: The members of the group should meet regularly at fixed date, time and place. All the members should attend the group
meetings regularly. All the decisions of the group should be taken collectively after discussion. All the group transactions such as savings, credit repayment etc. Should be transacted in the meetings in the presence of all the members to ensure transparency and for developing trust.

- **Savings**: Savings is not merely aimed at building internal resources but also to build the stakes of the members. The savings help in:
  
i) Bringing in the sense of security and improve self image of the members.
  
ii) Meeting the emergent needs such as health and other social obligations.
  
ii) Managing seasonalities and serves as primary capital for lending operations.
  
iv) Increasing the credit worthiness of the group.

- **Internal lending**: The savings may be used by the SHG for lending to its own members. The purpose, terms and conditions, interest may be decided by the group through discussions during the meeting. The process helps the group members to imbibe the essential of financial intermediation such as prioritization of members demands, setting terms and conditions, and ensuring repayment of loans: This will be of help when they later borrow from the bank.

- **Book Keeping**: A proper system of book keeping enhances the confidence and trust of the members. It helps members to know their savings, outstanding loans and repayment obligations. A good book keeping also helps in earning the trust of banks in the group process.
The concept of self-help groups is very simple but at the same time very effective in helping the rural poor. The self-help group is a group of rural poor generally comprising small- marginal farmers, landless agricultural labourers, rural artisans, women folk and other micro entrepreneurs organized themselves to achieve economic development by raising their resources. Its workings is described below.6

- The SHGs collect deposits from their members and do on-lending to the needy members for production purpose and also for subsistence and consumption needs.
- The SHG also takes loans from banks/ Voluntary Agencies / Self- help promoting institutions to meet the needs of the members. But before starting their gainful activities, the members undergo training imparted by voluntary agencies/non-governmental organisations.
- The SHG itself or with the help of NGOs makes assessment of individuals credit needs of its members and submits to the bank for sanction of collective loans in its name.
- The NGO helps the SHG in procuring raw materials and also marketing of the produce.
- Finally, the SHG collectively ensures repayment of bank loan. The recovery percentage is almost 100 percent.
- The entire loan amount disbursed to self-help groups is refinanced by NABARD to the financing bank.

Success of the self help group and NGOs in several parts of the country is demonstrating that the twin objectives of improving access to credit on the
one hand and ensuring formal sector credit sustainability through reduced 
transaction costs, on the other, may not be mutually exclusive. By and large, 
members of SHGs are assetless rural poor. Not only have these small and 
homogenous groups been able to mobilise members savings, thereby 
showing that the rural poor have much higher saving capacities than hitherto 
recognized, but are also lending to their members small consumption and 
production loans at interest rates ranging from 36 to 60 percent per annum 
indicating that argument for low interest rates in general might be invalid. 
It may well be that the benefits of subsidised interest rates are largely being 
cornered by a minority of privileged and powerful rural borrowers.7

It can be observed that financing through self-help groups will take care 
of four important aspects of viable business for RRBs.8

• As all the loans released to self help group by banks is eligible for 100 
  % refinance, RRBs will not experience any funds constraints for helping the 
rural poor.

• NABARD lends these funds at 6.5 % to the financing bank and the 
lending rate that can be charged by the financing bank to SHG is 12%. Thus 
a clean margin at 5.5 % is a substantial gain for the bank.

• The most serious problem confronting RRBs is effective monitoring 
and recovery of loans in the rural areas. This problem is also taken care of 
if funds are lent through SHGs, instead of direct lending to individuals. The 
NGOs involved or the SHG themselves monitor the loans and ensure 
repayments. In fact, the experience in India shows that the recovery 
performance is touching almost 100% in respect of loans to SHG.

[176]
• In financing through SHGs, the transaction cost to the bank is considerably low.

The SHGs are informal groups consisting of members not exceeding 20, who agree to save periodically a certain amount, create a corpus of their own, recycle the same among their members for a period of at least six months when they can be considered ripe for availing loans assistance up to four times their own savings in a phased manner.

SHG-Bank Linkage Programme, since its pilot in 1992, has emerged as the leading micro-Finance (MF) programme in the country. It is recognized as an effective tool for extending access to formal financial services to the unbanked rural poor. Encouraged by the success, the programme has been adopted by state Government as a major poverty alleviation strategy. It has also led to the emergence of Micro-Finance institutions (MFI) as a bridge between the banking sector and the rural poor.

During the year 10,81,474 SHGs were credit linked with banks and bank loan of Rs. 11,131.74 crore (including repeat loans) disbursed taking the number of SHG credit linked to Rs. 47,07,415 SHG as on 31st March, 2009. As on 31st March 2008, 50.09 lakh SHG maintained savings bank accounts had savings worth Rs. 3785.39 crore. The programme has covered more than 7 crore poor households, making it the largest MF programme in the world.\textsuperscript{9}
**Promotion and credit linkage of self-help group:**

Empowerment of rural populace particularly women in the lowest strata, by developing the habit of thrift and credit, topped the list of agenda for the social institutions including banks. This has motivated the institutions/organisations to go with the concept of SHG and accordingly involve themselves in the process of promoting SHGs. Against this backdrop, the bank is actively associated in promoting and credit linkage of SHGs in the area of operation, since inception of the concept. The scheme for credit linkage of SHG has got momentum in the operational area of the bank during the period under review.

- Up to 31-03-2009, The bank has formed as many as 97719 SHGs involving 1172628 members. Of the above, 67517 SHGs have been credit linked till 31-03-2009 with sanction limit of Rs. 2001399 thousand.
- During the year under report, 15025 SHGs have been formed by the bank covering 180300 members. The bank has provided credit assistance to 12142 SHGs amounting Rs. 497946 thousands during the year.
- Many of the SHGs have availed credit from the bank for the second or subsequent times and have been able to qualify themselves as the micro enterprise and there by entitled for large size of credit for establishment of their own enterprise for economic sustainability.

In order to create awareness about micro finance, workshops and Group Meetings were organized at village level. In order to give boost to market the products of SHGs, a number of exhibitions and fairs were organised at district/block head quarters during the year.
Table : 5.5
Region-wise breakup of performance of the bank during the year 2008-2009

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Region</th>
<th>Credit Linkage during 2008-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Nalbari</td>
<td>3311</td>
</tr>
<tr>
<td>2</td>
<td>Golaghat</td>
<td>1745</td>
</tr>
<tr>
<td>3</td>
<td>Silchar</td>
<td>779</td>
</tr>
<tr>
<td>4</td>
<td>Lakhimpur</td>
<td>1894</td>
</tr>
<tr>
<td>5</td>
<td>Guwahati</td>
<td>2396</td>
</tr>
<tr>
<td>6</td>
<td>Kokrajhar</td>
<td>911</td>
</tr>
<tr>
<td>7</td>
<td>Dibrugarh</td>
<td>1106</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
<td><strong>12142</strong></td>
</tr>
</tbody>
</table>

(Source : 4th Annual Report, AGVB, 2008-09)

**NGOs in Assam**: The concept of SHGs has been widely spread among the rural poor by the promoting agencies, particularly the NGOs who facilitate formation of SHGs. Through regular contacts, they nurture the SHGs and guide them in various aspect of savings and credit operation, book-keeping, conduct of meeting, group process, social awareness, etc. when the SHGs are matured, the promoting agency facilitates credit linkage of the SHGs with banks.

As per the available data, there are about 276 NGOs functioning in the 24 (undivided) districts of Assam. It is observed that the major concentration of NGOs is in Kamrup District.
Table 5.6
The district-wise position of NGOs

<table>
<thead>
<tr>
<th>Districts</th>
<th>No. of NGOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barpeta</td>
<td>12</td>
</tr>
<tr>
<td>Bongaigoan</td>
<td>1</td>
</tr>
<tr>
<td>Cachar</td>
<td>11</td>
</tr>
<tr>
<td>Darrang</td>
<td>12</td>
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<tr>
<td>Dhemaji</td>
<td>4</td>
</tr>
<tr>
<td>Dhubri</td>
<td>4</td>
</tr>
<tr>
<td>Dibrugarh</td>
<td>6</td>
</tr>
<tr>
<td>Goalpara</td>
<td>4</td>
</tr>
<tr>
<td>Golaghat</td>
<td>2</td>
</tr>
<tr>
<td>Hailakandi</td>
<td>5</td>
</tr>
<tr>
<td>Jorhat</td>
<td>6</td>
</tr>
<tr>
<td>Kamrup</td>
<td>55</td>
</tr>
<tr>
<td>Karbi Anglon</td>
<td>11</td>
</tr>
<tr>
<td>Karimganj</td>
<td>14</td>
</tr>
<tr>
<td>Kokrajhar</td>
<td>15</td>
</tr>
<tr>
<td>N. Lakhimpur</td>
<td>9</td>
</tr>
<tr>
<td>Morigaon</td>
<td>13</td>
</tr>
<tr>
<td>Nagaon</td>
<td>14</td>
</tr>
<tr>
<td>Nalbari</td>
<td>37</td>
</tr>
<tr>
<td>NC Hills</td>
<td>11</td>
</tr>
<tr>
<td>Sibsagar</td>
<td>10</td>
</tr>
<tr>
<td>Sonitpur</td>
<td>19</td>
</tr>
<tr>
<td>Tinsukia</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>276</strong></td>
</tr>
</tbody>
</table>

(Source: Compiled from Annual Report, AGVB)
Although these so many NGOs are in the field, the number of NGOs actively involved with the SHG-Bank linkage programme is very low. Lack of committed agencies with experience, poor infrastructure, manpower, poor regional spread of the NGOs, etc. hindered the expansion of SHG programme on a massive scale in the state.

During, 2008-09, NABARD extended refinance of Rs. 2,620 crore under the SHG-bank linkage programme, registering an increase of 62% over the previous year. The savings kept as deposits and loans outstanding position of SHG as on 31st March, 2008 revealed that both the number of saving accounts and amount of savings mobilized improved by 20% and 8%, respectively. However, while savings per SHG declined by 11 percent, loans outstanding per SHG increased by 10 percent.
### Table 5.7
Agency-wise savings and loans outstanding to SHGs (As on 31 March)

(Rs. crore)

<table>
<thead>
<tr>
<th>Agency</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>Amount</td>
</tr>
<tr>
<td><strong>a. Savings</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>22,93,771 (55)</td>
<td>1,892.42 (54)</td>
</tr>
<tr>
<td>RRBs</td>
<td>11,83,065 (28)</td>
<td>1,158.29 (33)</td>
</tr>
<tr>
<td>Co-operative Banks</td>
<td>6,83,748 (16)</td>
<td>462.00 (13)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>41,60,584 (100)</td>
<td>3,512.71 (100)</td>
</tr>
<tr>
<td><strong>Savings per SHG (Rs.)</strong></td>
<td></td>
<td>8,469</td>
</tr>
<tr>
<td><strong>b. Loans outstanding</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>18,93,016 (65)</td>
<td>8,760.38 (71)</td>
</tr>
<tr>
<td>RRBs</td>
<td>7,29,255 (25)</td>
<td>2,801.76 (22)</td>
</tr>
<tr>
<td>Co-operative Banks</td>
<td>2,72,234 (9)</td>
<td>804.35 (06)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>28,94,505 (100)</td>
<td>12,366.49 (100)</td>
</tr>
<tr>
<td><strong>Loan O/s per SHG (Rs.)</strong></td>
<td></td>
<td>42,724</td>
</tr>
</tbody>
</table>

Figures in bracket indicate percentage to total.

(Source: 4th Annual Report, AGVB, 2008-2009)
The recovery position of banks with respect to their SHG portfolios revealed that as on 31st March, 2008, of the 329 reporting banks, 223 banks (68%) reported recovery <80 percent. Agency-wise, 24 (out of 33), commercial banks 47 (out of 70) RRBs and 152 (out of 226) co-operative banks reported recovery more than 80 percent.

**NABARD initiatives-promotional Measures :**

**Grant Assistance :** NGOs as SHPIs : NABARD extends grant assistance to NGOs in order to meet the cost of promotions. Capacity building, credit linkage and monitoring of the SHGs. 65 NGOs in the state have been sanctioned grant assistance of Rs. 170.14 lakh for promotion and linkage of 7,539 SHGs for the period upto November 2006.

**RRBs as SHPIs :**

RRBs are also provided grant assistance in their endeavour to promote SHGs and credit linking them with their branches. The scheme involves training the bank staff by experienced NGOs in the field of social mobilization and group process. The erstwhile RRBs viz. Pragjyotish Gaonlia Bank, Subansiri Gaonlia Bank, Lakhimi Gaonlia Bank (now merged as Assam Gramin Vikash Bank) were provided grant assistance of Rs. 10.95 lakh who promoted and credit linked over 1,200 SHGas with their branches. Apart from this, Farmer clubs are also support by NABARD as SHPIs in promotion and credit linkage of SHGs.
Training Programmes:

With a view to creating awareness on the conceptual as well as operational aspect of the SHG bank linkage programme, NABARD has been conducting a series of awareness/exposure meets, training programmes, workshops etc. at the state/district level/village level for SHG members, bankers, NGOs, Govt. officials and other stake holders. A cumulative number of 1428 training programmes covering 80,850 trainees have been organised up to 30th November 2006, of which 76 programmes were organised during the year 2006-07.

Reading Materials/Publicity:

NABARD, Regional office has developed reading materials/brochures in English and in the local language for use at the training programmes. Besides brochures in Assamese, English and Hindi have been brought out for wide publicity of the SHG-Bnak Linkage programmes among the rural poor.

Revolving Fund Assistance (RFA):

As a promotional measure, NABARD also provides Revolving Fund Assistance (RFA) on a selective basis to good working NGOs for lending to the SHGs. RFA of Rs. 55.00 lakh was sanctioned to two agencies in the state.

Individual Rural Volunteers (IRVs) in SHG Bank Linkage Programme:

In areas where the NGOs and bank network are weak, a scheme for associating IRVs in promotion and linkage of SHGs is in vogue in 13 priority states including Assam. The objective of the scheme is to promote and link at least 250 SHGs per district by involving about 25 socially committed rural volunteers. The scheme provides compensation to the IRVs for promotion
and credit linkage of SHGs apart from incentives to banks for increasing their participation in the SHG programme. The scheme is currently implemented through the AGVB, LDRB and SBI.

**Joint Liability Group (JLG):**

With a view to increasing the flow of credit, particularly to the small borrowers having limited or no collateral to offer, a new concept of Joint Liability Group (JLG) lending has been evolved wherein social collateral substitutes the physical collateral. A group of 5 to 10 members come together voluntarily to avail bank loans. Borrowers are individually and jointly liable for repayment. JLG is considered to be in default even if one of the members defaults to the bank. JLG lending was introduced on a pilot basis in the state of Assam with grant assistance of Rs. 3.00 lakh each to the RRBs for promoting the concept.

**Specific Issues and Problems in SHG-Bank Linkage Programme:**

- Lack of awareness/exposure at various levels including at the senior official level of banks and the state Government.
- Inadequate flow of instructions from the controlling offices to the branches on corporate policy supporting the programme.
- Apprehension regarding the bank's recovery, NPAs, security, legal status of SHGs.
- Lack of clear understanding of the subsidy linked SGSY programme and NABARD's concept of SHG-Bank Linkage Programme among bankers and Government Officials.

[185]
• Lack of experienced NGOs involving in the promotion and nurturing of SHGs despite the existence of a good number of NGOs engaged in various socio-economic developmental activities.

• Law and order situation in some areas of the state hamper’s the programme.

**Strategy for 2007-2008 and beyond:**

The focus includes launching special campaigns to set up larger number of SHGs in areas where the spread is low and also to work out strategies for promotion of micro enterprises among the SHG members where SHG-Bank linkage has stabilized. This would include consolidation of the SHGs and building their capacity for taking up ventures. The strategy would help the poor people in rural areas to graduate to income generating activities and increase their income potential. The real challenge would be to upgrade the SHGs Bank Linkage Programme and ensure that credit facilities through SHGs are made available to support employment and income generation among the poor in rural areas. The strategies would include:

- Organizing more number of sensitization training programmes/exposure visits for all the stake holders.

- Increased support to committed and effective agencies-NGOs/Farmers clubs to function as SHPI.

- Collaboration with district administration to promote SHGs on a qualitative and holistic approach for long term gains to the people.
• Ensuring an affective rating system for evaluation and monitoring SHGs by banks and SHPIs.

• Organizing activity based training utilizing the local raw materials through skill upgradation training etc. among the matured SHGs to promote micro enterprises.

• Support access to market information and market outlets, participation in exhibitions etc.

**State Government:**

• Increased support from state government in promoting, guiding and nurturing SHGs qualitatively among the rural poor. The government may adopt SHG Bank Linkage programme as a state policy as done in some other states like uttar Pradesh, Orissa etc.

• State Government may also consider waiver of stamp duty against borrowings by the SHGs from the banks in order to reduce the cost of borrowings to the poor.

• Proper maintenance of data base is required at all levels, viz. Banks, DRDA and NGOs. This will facilitate taking appropriate decisions on increasing the quality and number of SHGs functioning.

• Co-ordination between NGOs working in the field of Micro Finance and DRDAs should be achieved. Meetings and exchange of information on problems and prospects relating to SHGs movement may be held at regular intervals between DRDAs and NGOs in a structured manner. DRDAs may like to take the initiatives in this regard.
• Involvement of Anganwadi workers in SHG promotion-The Anganwadi Workers are in constant touch with the rural people. They can be effectively utilised to promote SHGs.

Banks:

• Banks may consider lending to SHGs as part of their mainstream credit operation both at policy and implementation levels and incorporate Micro Finance programmes in their branch credit plans. Specific branch wise goals under the SHG Bank Linkage Programmes should be set by banks. The response from banks, especially commercial banks towards SHG Linkage Programme needs further toning up.

• The lead bank may ensure conduct of BLBC/ DCC/DLCC meetings and review the progress regularly under SHG-Bank Linkage Programme.

• Proper maintenance of data base is required at all levels, viz. Banks, DRDA and NGOs. This will facilitate taking appropriate decisions on increasing the quality and number of SHGs functioning.

• Involvement of Farmers club-bank may promote SHGs through the Framers’ Club operating under their jurisdiction.

• SHPIs may design innovative and fully participatory modules for Rural Entrepreneurship and skill upgradation programmes and inculcate confidence among the rural folk for setting up of micro-enterprises coupled with effective projects opportunities could with effective project opportunity and guidance.
5.6 Position of Non-Performing Assets:

The NPA concept was introduced in India by the RBI with effect from April 1, 1992 and prudential Norms were issued as to the method of:

- NPA identification
- Assets classification
- Provisioning
- Income recognition

The accrual concept of accounting convention has also been followed without reckoning the amount actually realised. The word 'realised' is distinct from the word 'realisability'. As long as expected income is realised from an asset, it is treated as a performing assets and as a Non-performing assets, when it fails to generate income or deliver value on date.

The basis for identifying NPAs varies depending on the nature of the loans assets-term loan, cash credit, bills etc. For example, a Term Loan would become an NPA if interest or a loan instalment is in arrears for any two out of four quarters during the year. The interest/instalment is considered to be arrears if it is past due, i.e, remains outstanding for 30 days beyond the due date.

An over-draft/cash credit account would be treated as an NPA if it remains out of order for two quarters during a year i.e, a situation where in:

- the outstanding balance remains continously in excess of the sanctioned limit/drawing limit (whichever is lower), or
- the outstanding balance while being within the sanctioned limit/drawing power, there are no credits continuous by for a period of six months or if credits are made, they are insufficient to cover even interest debits.
All performing Assets are classified as standard assets. Non-Performing Assets are classified into:

- Sub- Standard
- Doubtful
- Loss

Classification of an asset as performing or Non-Performing affects both:

- Income-recognition
- Provisioning requirements

If the asset is performing (standard), income can be recognized even on accrual basis. If the asset is non-performing, interest thereon can be recognized on actual (cash) basis. While no provisioning is necessary in respect of standard assets 10 percent provision is required to be maintained on substandard assets.

On loss assets, the provision required is 100% of the balance outstanding. Doubtful assets are to be classified age-wise as D$_1$, D$_2$, and D$_3$. While the unsecured portion attracts 100% provisioning, additional provision at 20, 30 and 50%, respectively of the portion is required to be maintained.

The aggregate gross NPA of all RRBs improved from 6.55% as at end-March 2007 to 6.05 percent, as at end-March, 2008 and further to 5.58 as on 31st March, 2009. During 2008-09, 56 RRB recorded the gross NPA levels below the national average. 22 RRBs had NPA level above the national average (>5.58% and < 20%) and only 3 RRBs registered high NPA level (>20%). Low NPAs levels were observed in the case of RRB in southern region (2%) fol-
allowed by northern (3%), central (5%), western and eastern (8%) regions, while RRBs in NER had NPA of 14% as at end-March, 2009.\textsuperscript{11}

**NPA Management:**

During the year under report, the bank could recover and reduce a sum of Rs.370684 thousand from NPAs as against Rs.307309 thousand during the previous fiscal. The movement of NPA during the financial year 2008-2009 along with corresponding figures of the previous financial year is furnished here in below:

**Table : 5.8**

NPA Management figure during 2007-08 and 2008-09

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NPA at the beginning of the year</td>
<td>1138028</td>
<td>1140473</td>
</tr>
<tr>
<td>Recovery / Reduction of NPA</td>
<td>307309</td>
<td>370684</td>
</tr>
<tr>
<td>Addition to NPA during the year</td>
<td>309754</td>
<td>253229</td>
</tr>
<tr>
<td>NPA at the end of the year</td>
<td>1140473</td>
<td>1023018</td>
</tr>
<tr>
<td>NPA net Provision</td>
<td>550584</td>
<td>416721</td>
</tr>
<tr>
<td>Net NPA as % of net advances</td>
<td>4.73</td>
<td>3.11</td>
</tr>
</tbody>
</table>

(Source : 4\textsuperscript{th} Annual Report, Assam Gramin Vikash Bank)

The amount of Gross Non-Performing Assets (NPA) has decreased by Rs. 117455 thousand, Net Non-Performing Assets has decreased by Rs. 133863 thousand. In terms of percentage both the Gross NPA and the net NPA have decreased from 9.32 % to 7.31 % and 4.73 % to 3.11%, respectively.\textsuperscript{12}
Initiatives taken by Assam Gramin Vikash Bank during the year (2008-09) to reduce NPAs:

- Bank has formulated a compromise settlement policy to encourage reduction of long standing NPAs through compromise settlement.
- Incipient NPA account/Special Mention Account was identified for effective follow-up and to initiate recovery measures.
- Top NPA accounts of the bank have been taken up for intensive follow up and recovery by the controlling offices/Head office in addition to the respective branches.
- However, bank has made adequate provisions amounting to Rs. 606297 thousand towards NPAs which will take care at any future eventuality.

In the next chapter, A comparative Analysis of Gramin Bank of Assam and Tripura has been discussed.
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