Chapter – 3
ORGANISATIONAL SET-UP OF UTTAR PRADESH SAHKARI GRAM VIKAS BANK
Brief History of the Long Term Cooperative Credit Structure:

The agricultural cooperative credit system in the country is more than a century old. As the cooperative movement spread, it became obvious that the resources mobilised by the societies could mostly be used for short term (ST) loans. The societies were not in a position to extend loans to farmers so that they may liquidate past debts, redeem their land and other assets from usurious moneylenders. Loans from cooperative societies were also not enough to enable farmers to improve upon their land and augment their incomes. It was felt that the long term (LT) loans that farmers needed for these purposes would have to be met by a separate set of institutions. This realisation led to the establishment of the cooperative land mortgage Banks (LMBs) in the early 1920s. The first cooperative LMB was set up in Punjab in 1920, followed by two more in the Madras Presidency in 1925. Recognising the need for a separate set of institutions to cater for the long term lending requirements of farmers. Registrars of Cooperative Societies of various provinces held a conference in 1926. They felt that such institutions should be organised and functional under the Cooperative Societies Act. The role of LMBs was reviewed by the Royal Commission on Agriculture in 1926 and by the Indian Central Banking Enquiry Committee in 1931. Both these Committees emphasised the need for appropriate structuring of the LMBs, keeping in mind the need to ensure wide coverage and access to farmers, as well as sufficiently large operations needed for viability.

The major problem faced by the LMBs was raising resources to sustain lending on an appropriate scale and tenor. An effort was made to mitigate
this problem by enabling LMBs to float debentures, but because of their scattered network and small scale of operations, they were not able to attract potential investors. The Townsend Committee appointed by the Madras Government to overcome these limitations of the LMBs, suggested setting up a Cooperative Central Land Mortgage Bank (CLMB). The CLMBs in Madras and Mysore were subsequently created in 1929. Many more such Banks were formed soon after.

The LMBs mushroomed, but unevenly among the provinces in terms of numbers, membership and the volume of lending. While LMBs were constituted and functioned under the cooperative societies Acts of respective states, their structure varied, with some states preferring a federal structure, some a unitary structure and a few, a mix of both federal and unitary features.

The highly uneven development of LMBs was highlighted by the All India Rural Credit Survey Committee (AIRCSC) in 1954. Reviewing the performance of LMBs and their role in the overall rural credit system, the Committee observed that "Land Mortgage Banking has made little progressing India. Whatever development there has been is largely confined to Madras (including Andhra). Out of the 289 primary land mortgage Banks, as many as 130 were in Madras. More than half the states are without a single land mortgage Bank." The Committee also noted the difficulties faced by the LMBs in raising resources through debentures even with government guarantee, and lack of coordination between the LT and STCCS's. The Committee made several important recommendations in the organisation, resource mobilisation and functioning of the LTCCS.
The Committee, while recognising that the ST and LT structures catered for different rural credit needs, emphasised the need for coordination between them. Significantly, the Committee even suggested that while maintaining their separate legal status, the two structures should consider having a common pool of administrative staff, common building wherever feasible, a common board, or at least boards with overlapping membership.

It further recommended a shift in the lending policies of LMBs. The Committee felt that even as the LMB evolved mechanisms for funding subsistence needs of the agricultural producer, the structure should devise alternative mechanisms for meeting other social and lifecycle credit needs. The focus of lending should be on increasing production. The STCCS should provide medium term loans (for 15 months to 5 years), leaving long term loans (5 to 15 years) exclusively to the LT structure.

The scale and tenor of resources that LMBs could raise did not allow financing development projects of long gestation on a large scale. Consequently, the AIRCSC recommended establishment of a separate institution which could provide LMBs the resources for long term lending to farmers for the development of agriculture. This recommendation led to the establishment of the Agricultural Refinance Corporation in 1963 and enabled the LT structure to expand rapidly and change from being land 'Mortgage' Banks to land 'development' Banks (LDBs).
Between 1956 and 1970, the number of central LDBs increased from nine to 19, their membership increased from a mere 10,000 to about 10 lakh and the loans outstanding went up from Rs 13 crore to Rs 507 crore. Over the same period, the number of primary LDBs (PLDBs) grew from 304 to 809, their membership increased from about three lakh to nearly 20 lakh and outstanding loans went up from Rs 10 crore to Rs 367 crore. While the loan business of LDBs increased, the over dues in the structure also increased manifold.

The All India Rural Credit Review Committee (AIRCRC) of 1969 recommended provision for loans from the RBI to state governments for contribution to the share capital of PLDBs. This recommendation was accepted by the RBI and continued later by the ARDC and NABARD.

Another recommendation of the AIRCRC was that Primary Agricultural Credit Societies (PACS) could be used as channels for providing long term credit as agents of the LDBs.

The LTCCS was next reviewed by two other Committees, one headed by Shri K. Madhava Das (Committee on Cooperative Land Development Banks) in 1974 and the second by Dr. R.K. Hazari (Committee on Integration of Cooperative Credit Institutions) in 1975. The Madhava Das committee, while endorsing diversification of lending operations of the LDBs to cover a broader range of productive activities in agriculture, emphasised the need for greater coordination with the short term structure and the line departments of state governments. This led to the renaming of the structure from LDBs to Agriculture and Rural Development Banks (ARDBs).
The Committee suggested special arrangements for providing LT credit in smaller states and states with relatively less developed cooperative credit societies. In smaller states, it recommended that instead of creating a separate LT structure, the existing ST structure be encouraged to provide long term credit. In states with poorly developed cooperatives (especially Assam, UP, Tripura and West Bengal), it recommended integration of the ST and LT structures. The Hazari Committee also examined the viability of PCARDBs and suggested that a PCARDB should have a minimum loan business of Rs 35 lakh to be viable. The Committee did not agree with the recommendation of the AIRCRC that PACS should provide LT loans as agents of PCARDB. It felt that farming had become complex and modern technological methods had led to demand for investment credit for various purposes that the PACS would not be able to handle.

The Committee attributed the high level of over dues in the LT structure, which had grown from 11% in 1969 to 45% in 1973, to defective loaning policies. It said the over dues were an outcome of willful default, large scale misuse of loans, ineffective field supervision and lack of concerted efforts and will on the part of Banks' board of directors and staff to recover loans. It also observed that over dues were concentrated in loans extended to the bigger cultivators, with land of more than 10 acres. These features persist even today.

The Hazari Committee (1975) noted the increasing role of commercial Banks and emphasised on State level rural financing body to
be formed in financing agriculture directly and indirectly through PACS. It emphasised the need for increasing the role of commercial Banks and Regional Rural Banks (RRBs) in financing agriculture, especially because of their ability to provide both ST and LT credit. It sounded a note of caution on the viability of the LTCCS, and mentioned that although there is ample scope for lending by both cooperative Banks and commercial Banks; borrowers might prefer commercial Banks because of the package of credit facilities offered by them. The Committee apprehended that wherever the share of commercial Banks assumes much larger proportion than that of a PLDB in a taluk or district, the viability of PLDB could be adversely affected even though the viability of SLDB as a whole may be assured.

In view of the dual considerations of competition from commercial Banks and to enable farmers to have easy access for all their ST & LT credit requirements, the committee strongly suggested the integration of the ST & LT structures. This, the committee felt, would enable greater access, correct imbalances in growth, increase business volumes and ensure greater viability of the cooperative institutions and help them to compete effectively with commercial Banks.

In 1981, the Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) not only approved the growing diversification in lending by the LT structure, but also recommended lending for non farm activities. The Committee did not, however, favour integration of LT and ST structures or making any significant change in the extant structure and operations of ARDBs.
The Committee also recommended establishment of the National Bank for Agriculture and Rural Development (NABARD). The NABARD was set up in July 1982 by integrating the functions of Agricultural Credit Department (ACD) and the Rural Planning and Credit Cell (RPCC) of the RBI and its wholly owned subsidiary, the Agricultural Refinance and Development Corporation (ARDC).

It may be observed from Table 3.1, that between 1985 and 1995, borrowings of the LTCCS increased by two and half times and owned funds (share capital and reserves) by nearly 200%. Total loans outstanding increased 2.8 times and the fresh loans disbursed more than trebled. At the PCARDB level, the policy of merging weak PCARDBs with strong ones resulted in a reduction in their numbers from 889 to 757 and membership from 84 lakh to 54 lakh. However, fresh lending volumes more than doubled, and total loans outstanding increased by 80 per cent. The PCARDBs' own resources (share capital and reserves) increased by around 65%, but still constituted a small proportion (around 11%) of their resources. The PCARDBs were not allowed to accept deposits and their borrowings consisted entirely of funds on-lent by SCARDBs. During this phase, the ratio of fresh advances to total outstanding also increased from about 20% to about 25%.
Table 3.1

Salient features of LTCCS from 1985 to 1995

(Figure in Crore)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>1985</th>
<th>1990</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>SLDBs/SCARDBs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>19</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td>Membership (000)</td>
<td>3,314</td>
<td>3,646</td>
<td>4,793</td>
</tr>
<tr>
<td>Own Funds</td>
<td>434.02</td>
<td>651.64</td>
<td>1235.55</td>
</tr>
<tr>
<td>Borrowings + deposits</td>
<td>2771.28</td>
<td>4192.55</td>
<td>7215.71</td>
</tr>
<tr>
<td>Loans issued</td>
<td>462.33</td>
<td>742.64</td>
<td>1574.78</td>
</tr>
<tr>
<td>Loans Outstanding</td>
<td>2411.24</td>
<td>3899.21</td>
<td>6816.39</td>
</tr>
<tr>
<td>% of over dues to demand</td>
<td>32</td>
<td>50</td>
<td>33</td>
</tr>
<tr>
<td>PLDBs/PCARDBs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>889</td>
<td>711</td>
<td>757</td>
</tr>
<tr>
<td>Membership (000)</td>
<td>8,400</td>
<td>7,483</td>
<td>5,353</td>
</tr>
<tr>
<td>Own Funds</td>
<td>205.37</td>
<td>256.75</td>
<td>339.88</td>
</tr>
<tr>
<td>Borrowings + deposits</td>
<td>1455.57</td>
<td>1857.58</td>
<td>2749.92</td>
</tr>
<tr>
<td>Loans issued</td>
<td>325.02</td>
<td>344.15</td>
<td>651.49</td>
</tr>
<tr>
<td>Loans Outstanding</td>
<td>1504.11</td>
<td>1879.75</td>
<td>2708.58</td>
</tr>
<tr>
<td>% of over dues to demand</td>
<td>45</td>
<td>69</td>
<td>48</td>
</tr>
</tbody>
</table>

The problems faced by the LTCCS in mobilising resources were looked into by the study group set up in 1996 to examine the scheme of 'Mobilisation of Deposits by ARDBs' under the Chairmanship of Dr M.C. Bhandari. The study group recommended that SCARDBs be allowed to mobilise deposits of a wider range and tenor as a supplementary source of funds for lending and to meet their interim finance needs. Other recommendations made by the Group included permitting ARDBs to issue Tax Free Bonds and Debentures, exploring the possibility of financing by public and private sector Banks and DFIs and switching from debenture floatation to a loan system with the objective of obviating the need for Government Guarantee. The study group also recommended consortium financing with other Banks, lending in the call money market and extending the provision of BR Act to ARDBs. The
recommendations of the study group were quite radical and most of them were not implemented. Based on the recommendations of the group, though, SCARDBs, which met certain eligibility criteria, were permitted to mobilise deposits from the public for periods of not less than one year maturity.

A Task Force headed by Jagdish Capoor was set up in 1999 to study the functioning of the cooperative credit system and suggest measures for strengthening it. This Task Force recommended that ARDBs work as full-fledged Banks under the BR Act, 1949. Wherever this was not possible, it recommended that a merger of the ARDBs with the ST structure be considered. This suggestion was supported by the Joint Committee on Revitalization Support to Cooperative Credit Structure (Vikhe Patil Committee) in 2001. A few recommendations of the committees have been acted upon.

In the previous chapter the economic scenario of the State was presented. This chapter seeks to analyse the status of the Bank's profile.

3.1 Establishment:

Rural development has been the prime objective the very commencement of economic planning in the country. India began her march on the road of planned economic development in the year 1951. This path of planning been accepted as the most effective instrument in transforming a static society into dynamic order. The most pressing problem in the country today is of improving the economic and social conditions of a large number of people, who are living in rural
areas by providing them proper employment. It may be stated that socio-
economic development of Indian villages is of crucial significance in the
frame work of integrated growth and social justice.

In order to benefit the poorest of the poor in the early 70's various
programmes and schemes were framed so as to provide assistance to
small and marginal farmers, agricultural labour, landless and economically
shattered communities of rural sector.

Since, independence, high priority has been given to
emancipation of the poor with the clear-cut objective of reducing
unemployment, creating self-employment opportunities and keeping a
check over the migration of rural population to urban sectors.

It is a great need for rural reconstruction today which is not a new
concept. Several pioneering experiments have been made by many
eminent experts in the country. Mahatama Gandhi deeply acknowledged
the problems of rural people and attempted an indigenous solution of the
economic ills of rural India. He reminded that 'the soul of India lives in its
villages and in rural reconstruction alone lies in its salvation.' Gandhiji also
emphasized the role of Agricultural Sector in the overall strategy for
maximizing employment and for making rural India self reliant. The post
independence economic shortfalls are mainly related to the known
realization of the aspect of ensuring fair distribution of income and
wealth for raising the standard of living of the weaker section of the
society, mainly in the rural areas. So far as the objective of securing a
higher growth rate is concerned, the performance of the economy, at
least in the generation of employment, is disappointing.
In the present context of Globalisation of Economy, the Economy of India is increasingly becoming a market driven economy. The state of affairs are such that unless micro entrepreneurial activities are not initiated in rural areas and finance is not properly channelized towards these activities, the rural poor will not be able to break the grinding cycle of poverty. In the present research work an attempt has been made to examine the direction and importance of rural finance in terms of generating self-employment through various schemes initiated by the Bank under study which will offer the easiest method of empowering the rural poor.

Uttar Pradesh Sahakari Gram Vikas Bank a pioneer cooperative financial agency was established in the country to provide long term lending. It was established on March 12, 1959 by the name of Uttar Pradesh State Cooperative Land Mortgage Bank, with 30 branches undertaking long term financing to the farmers of the state. During the Last 50 years, the Bank has transformed itself to Uttar Pradesh State Cooperative Land Development Bank in the year 1964 and to Uttar Pradesh State Cooperative Agriculture and Rural Development Bank in 1989 and now finally rechristened in its present nomenclature of Uttar Pradesh Sahkari Gram Vikas Bank since 1994. The change of name suitably denotes the objectives of the Bank which is the development of the total village through various schemes and programmes which will help in generating self employment and spirit of self reliance among the rural mass.

Presently Uttar Pradesh Sahkari Gram Vikas Bank is advancing loans for the purpose of Minor Irrigation (Tube wells, Pump sets, Wells, Boring,
Wheels, Sprinklers, Drip Irrigation, On Farm Water Management Scheme), Farm Mechanism (Tractor, Tillers, Harvester, Thresher etc.), Bio Gas, Animal Husbandry, Poultry Farm, Dairy Development, Horticulture, Sericulture, Floriculture, Transport Vehicles, Non-Farm Sector including SRTO, Rural Housing, Institutional Finance, and to encourage Self Help Groups.

The Bank under study has been one of the major agencies in ushering of Green Revolution in the State in the Seventies and is now concentrating its efforts towards bringing White and Blue Revolution by creating employment opportunities in rural areas. The steady increase in membership is a strong indicator of the confidence imposed by the beneficiaries in the Bank. In order to serve the farmers more efficiently and near their door steps, new branches are being opened every year. In fact service to the beneficiary has been a stronger guiding factor for the institution, rather than profitability for which it will keep on striving continuously.

3.2 Organisational Setup of Uttar Pradesh Sahkari Gram Vikas Bank:

The previous chapter presented different aspects of environment available to the Bank for its operations. Here the researcher seeks to analyse the status of the Bank’s profile.

Structure:

UPSGVB Ltd was established in the year 1959 for providing long term loans to the farmers in the state. At present, the Bank is operating through 323 branches and 17 Regional offices covering all the 70 Districts.
The Head Office is situated in its own building at 10, Mall Avenue, Lucknow. The structure of the Bank is unitary.²

**Management Organisation:**

The Bank at its apex level has a Board of Directors to direct and control its operations. The term of the elected Board is of 5 years. The management of the Bank is vested in a Board of Directors nominated by the State Government.

The Managing Director (MD) who is the Chief Executive Officer (CEO) of the Bank is appointed/deputed by the State Government from among the cadre of its senior officials. The arrangement takes care of continuity and stability in administration but very often lacked professionalism which had become primary need in view of all round liberalisation in the financial sector.

**Head Office:**

The positions starting from the Managing Director down below to the level of Deputy General Manager are at Head Office. Head Office has following departments either headed by a Chief General Manager or General Manager.

- General Administration
- Finance
- Planning
- Legal and Recovery
- Inspection and Audit
- Technical Cell
One Deputy General Manager is posted as the Principal. J.L.TC is looking after all aspects relating to training, and he has a support of 5 FM's plus administrative Staff. All the Departments are required to obtain the approval of the Managing Director in each and every operational area including the routine ones of the Bank.

**Regional Office:**

The Bank has 17 Regional Offices headed by the Regional Managers. The job of Regional Officers had not been clearly defined. They merely form a linkage between the Branches and the Head Office. The RMs is reviewing the loan disbursement and recovery position of branches by convening a meeting of branch managers at monthly intervals. The role of RMs is largely advisory in nature. His visit to the branches covers sample verification of the utilisation of loans disbursed. Office of the Regional Manager functions like a post office between Head Office and the branches as every week a man from RM's office goes to HO with branch level statements and instruments of funds remitted and comes back with necessary instructions and papers/instruments of funds received from HO and to be sent to branches. Audit and inspection work assigned to ROs is the last priority area as may be observed from the particulars of one RO (Varanasi)

**Table No. 3.2**

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of branches Audited/inspected</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>5</td>
</tr>
<tr>
<td>2006-07</td>
<td>1</td>
</tr>
<tr>
<td>2007-08</td>
<td>3</td>
</tr>
<tr>
<td>2008-09</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
</tr>
</tbody>
</table>
On an average, 2 to 3 branches had been audited by one RO in a year.

Generally, RM visits a branch as per the directions of the Head Office if there is any serious public complaint against the branch or officials of the branch. The Regional Manager visits the branch to investigate the matter and submits his visit note to Head Office.

**Branches:**

The branches of the Bank operating generally at Tehsil level covered 1 to 4 Development Blocks. The role assigned to them is deposit mobilisation, disbursement of loans, creation of mortgages, and recovery of Bank dues and submission of various control returns to ROs/HO.

**Human Resource Management and Development:**

Management is concerned with the accomplishment of organisational objectives by utilising physical and financial resources through the efforts of human resources, and it can be defined as the total knowledge, skill, creative, effective and efficient decision making abilities, talents, values, beliefs, aptitudes, attitudes and commitment of individuals and groups involved in and concerned with an organisation.

**Manpower Planning and Deployment:**

The Bank was assessing its requirement of staff in various categories in an adhoc manner. The assessment of staff requirement was done in 1999-00 on the basis of level of business operations. The assessment of staff requirement for Regional offices was also made during 1999-00. There was no record to show that any such exercise had been done in respect of HO. There had not been any proper assessment
of manpower need at any level taking into account the past trend, present need and future growth of the institution.

The assessment of the staff requirement is generally done by Head Office and is put up to the Board of Management for adoption. The Board Resolution is sent to Registrar Cooperative Societies for approval. The RCS may agree, or disagree or delay in according his approval.

Most of the staff except those directly recruited as Asstt. Accountants are either Graduates or Post graduates. And most of them continue in the same cadre due to lack of promotional avenues.

Staff Training Centre:

Training Centre (JLTC) has six members of teaching staff inclusive of the Principal. The present strength may be increased to eight. And the level of officers should be Assistance General Manager or Senior Managers.

Recruitment & Placement:

The Bank has a system of recruitment through service Board from the level of Assistant Accountants/Junior Typists/Assistant Field Officers to the level of Assistant General Managers.

The Bank had recruited directly a number of times at the level of Asst. Accountants/Jr. Typists/Asst. Field officers, Accountants/Field officer, Managers, Senior (District) Managers etc. at various intervals since inception. The frequency had increased from 1979 onwards.
Promotion:

It was observed that there was no conscious effort to design career planning and promotion prospects for the staff on a systematic basis. The Bank had not adopted any specific promotion policy for promotion from one level to another.

Transfer:

During the visits to the branches, it had been observed that the employees had been very much concerned about the transfers and postings in the Bank. The employees are very keen to remain nearer to their native places or where they retain their families on account of children's education or the places they intend to settle down after retirement etc. As a result, there had been large concentration of the staff at some places and in others there is no requisite man power to manage the branches and the business development. There was no resentment on part of employees to go on transfers provided there were in and around their native places.

It was observed that as the number of employees from Eastern U.P were more they continued to stay in and around their native places due to influence from various sources. As a result other areas like Bundelkhand regions suffered from inadequate staff problem.

Motivation Level of Staff:

The staff was generally found to be disgruntled and highly demotivated. The reasons are not far to seek in the areas of recruitment, promotions and placements.
Incentive Scheme:

Reward on Loan Disbursed-

The Bank had adopted a policy of payment of incentive to staff on the basis of performance of the branches in the level of loan disbursed in comparison to previous year's performance.

Reward on Recoveries-

If the % of recovery is 90%, then the branch would be awarded one twelfth of the achieved recovery % (7.5%), subject to maximum percentage of 8% (ie: 100%). If the branch achieves 20% (say) more than actual recovery made during the previous year (say 2006-07), then the branch is awarded one fourth of the excess recovery that is 5%, subject to maximum of 7%. Thus, the employees of the branch shall get 21% of their annual drawn salary as Ex gratia if all above conditions are satisfied.

Punishment:

Every branch is required to verify all the assets for which the loans have been disbursed. The percentage of incentive received on loan disbursed and recoveries made would be reduced by a certain percentage, if proper verification of mortgage property had not been done.

In view of the above and also the prevailing low scale of pay drawn by the employees, there exists a healthy competition among the branches and also co-operation among the branch staff to achieve the maximum so that they enjoy the benefit of ex-gratia to the maximum extent possible. Ex-gratia for the employees of RO/HO is decided on an average performance basis.
3.3 Working at Regional and Tehsil Level:

The role of UPSGVB in fostering the overall development of villages in the State is worth appreciating. The Bank under study since its inception has contributed a lot in disbursement of rural credit.

The branches generally operate at Tehsil level covering 1 to 4 Development Blocks. Branches are also working at Block level were required. In Western Region of the state it was found that even at one Tehsil two or more branches are working. The role assigned to them is mobilisation of funds, disbursement of loans, creation of mortgages, recovery of Bank dues and submission of various control returns to ROs/HO. The role of regional office is only supervisory in nature. They seemed to be merely a link between the Branches and the Head Office. The RO reviews the loan disbursement and recovery position of branches and regular intervals.

The Bank has played a pivotal role in development of Total Village in the state. The Bank has laid down emphasis on disbursement of loan at branch level under the strict supervision of RO’s/HO. The much needed help is sort of village Panchayat, Field Officer, Sahayogi and BDO’s in identifying the poorest amongst the poor and loans are provided accordingly. The primary requirement for raising loan is submission of copy of Khasara and Khatauni in case of primary loan and in case of joint loans a Share certificate of the proposed mortgage property is to be submitted. Their has been a continuous improvement in the policies and program of the Bank for generating self employment in the state. Out of the total loan disbursed the major share goes to small and marginal farmers. UPSGVB has been trying its best to improve the standard of
living of rural masses by increasing the employment opportunities in
villages. Study reveals that the Bank has helped to overcome the disparity
in income distribution amongst the rural masses. As per the requirement
of the state government the Bank has taken serious measures to provide
easy loans to SC, ST and OBC families under various schemes. In the year
2005-06 out of the total loan disbursed by the Bank under various
schemes, 50.87% was given to those under the category of SC, ST and
OBC which has increased to high of 59.28% in 2007-08.3

It is quite evident from the activities of the Bank under study that
the Bank is trying its level best to overcome the problem of chronic
unemployment probing amongst the rural masses and has been making
its continuous efforts to improve their standard of living. After visiting few
branches at Tehsil level in Lucknow, Gorakhpur and Kanpur region it was
observed that the Bank provides loan only after studying the proposal for
loan in detail. And once the incumbent Incharge is satisfied with the
proposal the fund is granted to the beneficiary. The study also revealed
that previously the Bank was not cautious while granting loans which was
one of the reason for increasing number of NPA's of the Bank today.

During the visit to branches and interacting with the beneficiaries it
was found that they were not satisfied by the Banks procedure of lending.
As they expressed that the Bank does not give full amount of project cost,
due to which the fund could not be properly utilised in business which
often results in failure of business and leads to incapability of
beneficiaries to repay their loan. Thus, the role of Field Officer and
Manager becomes vital in deciding the loan to be disbursed according to
the project cost so that beneficiary could make proper utilisation of funds and repay his loan within stipulated time.

The study reveals that generally the Bank is able to grant loans more than the target set for it by NABARD/ State Govt. /Central Govt. under various schemes. Previously, the Bank was not fixing any specific target for its branches but since 1998 the Bank has started fixing the targets for each branch on the basis of its previous performance and loans are sanctioned by the Branch Manager with the approval from the HO. What was threatening in this regard was that neither the Regional office nor the Head office after fixing the target kept a track of what branches were doing and no explanation was asked for not achieving the target, which needs to be revised.

The Bank since its inception worked with a clear cut objective of providing maximum support in overcoming the problem of unemployment and rural poverty in the State. It is making all its efforts; by providing cheap loans to farmers, so that they could get their lands free from the clutches of moneylenders prevailing in the villages and also tried to refrain the rural masses from falling in the trap of such indigenous bankers in future. During the research work it was observed the small and marginal farmers were the once who were benefited the most as records shows that in 2007-08 out of total loan disbursed 88.84% was given to such small and marginal farmers which clearly states that the Bank objectives of the Bank are fulfilled. The researcher during the course of work found that the repayment installments set by the Bank were not been in accordance with the amount of earnings that the beneficiary could make out of their business which need to be looked upon. The
UPSGVB must take proper measures to fix the installments for their credits in such a way that it could be recovered in stipulated time without putting much burden on the beneficiaries. The Bank takes help of BDO’s and Amine in case if the beneficiary shows incapability to pay off his installments on time.

Still, their is no doubt that UPSGVB has extended its full support in rural financing. It has helped those who were below poverty line to raise their standard of living to great extend. The support extended by the Bank for poor peasants and the weaker section of rural society is unparallel and neither the RRB’s, Garmin Banks, District cooperative Bank nor Commercial Banks could match with it. The Bank has provided credit under various development programs which has resulted in increasing use of automatic equipments and machineries in farming which has increased the agricultural yields tremendously. Still there is much more left for the Bank to explore in future ahead.

3.4 Cluster of Villages at Block Level:

It has been realized in the course of the research work that the Block organisation in Uttar Pradesh, is not well equipped with staff. There is only one statistician at the block which needs to be increased. The elementary work conducted by the Bank at block level should be done more professionally as it seems more static.

The conversion of villages to Total village (i.e. a developed village) has been the prime motive of UPSGVB. The bank had adopted a cluster approach for rural financing in the villages, so that the integrated and
comprehensive development of the villages may take place. Efforts are made to provide loans under schemes run by the Bank, but reckless lending is always avoided. The approach of the Bank in providing necessary assistance to rural masses for the overall development of the villages with minimum resources is quite unique.

The schemes are formulated in accordance to the need of rural masses and then brought to the branches for its utilisation at local level.

The main activities of the village development are formulated by Gram Sabha, headed by Gram Pradhan assisted by members.

The Gram Sabha is expected to do following functions:-

(i) The Gram Sabha helps the Officers (agriculture officer / development officer / Manager) in selecting persons who are qualified to be given benefits under various schemes of the Bank.

(ii) The Gram Sabha is also responsible for enacting under special schemes running in coordination with the State Govt. from time to time for Free boring, Akikrit Gram Vikas Yojana, Vishes Samanvay Yojana, Sangh Mini Dairy Schemes, Kshetriya Rozgar Yojana etc. in the village.

(iii) The Sabha also assist the incumbent officer in recovery process of loans and to identify the reason for failure if any in doing so.

The pan of village is evolved at the Block level and then finances for the schemes are finalized.
3.4 Management of Financial Resources:

Status:

The main functions in the area of funds management of UPSGVB relate to remitting funds to branches for lending purposes, receiving recoveries from branches and investing surplus funds besides monitoring accretion of funds at the branches and floating debentures based on the mortgages collected by the branches.

Chief General Manager (Finance) is the head of the Finance Department at Head Office. He attends to all functions like according approval for remitting funds to branches in response to the request for funds received from branches, monitoring deposit of recoveries of loan into the current account, investment of funds in short term fixed deposits. The decisions of Chief General Manager (Finance) are generally ratified by the Managing Director. Other than these two officials in the Bank none has any financial powers in fund management. However, other officers in Funds and Accounts Department assist the CGM (Finance) in decision making by providing required data and other information.6

- The existing system of fund management in the Bank is centralised and is simple.

- Since all decisions including routine ones are taken by CGM (Finance) it is very easy to have overall picture of the fund position of the Bank. And this helps in taking quick financial decisions to gain optimum benefit from various investment opportunities.
• Since, all powers are centralised in CGM (Finance) and Managing Director there is no problem in fixation of responsibility and accountability.

Advances Department and Funds & Accounts Department:

The activities under taken by the Advances Department (Planning) are as under:

• Formulation of loan policies and its transmission to branches
• Determination of Interest rates.
• Fixation of Unit costs and related correspondence.
• Opening of new branches.
• Formulation of loan disbursement procedures.
• Attending to the complaints and issue of clarifications to the branches and Regional Office with respect to the lending policies.
• Fixation of targets for lending.
• Consolidation and monitoring of the statements relating to IRDP, Special Component Plan, Subsidy and Risk fund and cash disbursement.
• Sanction of loans where the loan amounts are more than Rs. 1.5 lakhs.

Of the above activities of the Advances Department fixation of loan targets has direct bearing on main function of Funds and Accounts Department. Advances Department is fixing the loan targets based on the loan disbursements achieved by the branches during the previous years. However, from the 2001-02 the Bank has started the practice of branches fixing their own loan targets in tune with potentials available in various activities under the overall policy of the H.O. Loan targets are fixed for Normal and Special Development Debentures, Region-wise and Purpose-
wise. Further the loan targets are also segregated quarter-wise and month-wise.

The Bank was fixing a target of 10%, 20%, 30% and 40% of the annual target for lending in the four quarters of the year respectively. The quarterly targets are equally divided among the three months in that quarter. In the target fixing exercise there is no involvement of Funds Accounts Section and no meeting or discussion usually takes place between these two departments. However, a copy of the targets fixed by the loans and advances department is given to the Funds and Accounts Department. The following table indicates the quarterly lending against the targets from 2007-08 to 2009-10.

### Table 3.3

**Quarterly Lending against the set Target**

(Figures in Crore)

<table>
<thead>
<tr>
<th>S. No</th>
<th>Quarter</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Target</td>
<td>Ach.</td>
<td>Target</td>
<td>Ach.</td>
</tr>
<tr>
<td>1</td>
<td>April-June</td>
<td>85</td>
<td>72.28</td>
<td>88</td>
</tr>
<tr>
<td>2</td>
<td>July-September</td>
<td>95</td>
<td>104.52</td>
<td>100</td>
</tr>
<tr>
<td>3</td>
<td>October-December</td>
<td>125</td>
<td>154.39</td>
<td>120</td>
</tr>
<tr>
<td>Total</td>
<td>460</td>
<td>561.64</td>
<td>500</td>
<td>494.01</td>
</tr>
</tbody>
</table>

Ach. = Achievement

In all the three years it was found that the first quarter achievement ranged from 12% to 16%, second quarter achievement ranged from 17% to 19%, third quarter achievement ranged from 26% to 29% and fourth quarter achievement ranged from 40% to 43%. Hence, the targets of 10%, 20%, 30% and 40% were nearer to the achievements.
However, it is possible to fine-tune these targets keeping in view the past trend also.\footnote{7}

For planning the fund flows in the Bank, the Funds and Accounts Department is interested in having quarterly/monthly targets for lending so that funds can be arranged to facilitate smooth lending operations.

Funds and Accounts Department while sending funds to the branches follow broad criteria i.e. funds to the extent of 90% of the annual target of the branch are provided to the branch till December of every year. Thereafter, HO reviews the total disbursement position and balance 10% of their target will be provided to the branches in the month of March.

**Cash Management:**

The Bank is not preparing any cash flow statement at present. The cash is managed more or less based on the intuition of the fund managers with their experience. During the study it was found that many Branch Managers have entrusted the management of cash of the branches to the cashiers or accountants. Cashier takes a decision as to how much and when the cash is to be deposited into the current account of the Bank. As a result some branches were keeping heavy amounts of cash. The normal procedure envisaged depositing cash on daily basis to current account was not followed in practice.
Promptness in availing refinance from NABARD, other agencies and repayment of dues on or before the due dates:

The disbursement of loans and floatation of debentures during 2008-09 and 2009-10 is indicated in the following table.

**Table No. 3.4**

(Figures in Crore)

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Month</th>
<th>2008-09</th>
<th>2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Disbursements</td>
<td>Debentures Floated</td>
</tr>
<tr>
<td>1</td>
<td>April</td>
<td>14.02</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>May</td>
<td>29.86</td>
<td>11.01</td>
</tr>
<tr>
<td>3</td>
<td>June</td>
<td>28.96</td>
<td>23.36</td>
</tr>
<tr>
<td>4</td>
<td>July</td>
<td>32.86</td>
<td>12</td>
</tr>
<tr>
<td>5</td>
<td>August</td>
<td>41.79</td>
<td>0</td>
</tr>
<tr>
<td>6</td>
<td>September</td>
<td>45.67</td>
<td>37</td>
</tr>
<tr>
<td>7</td>
<td>October</td>
<td>38.69</td>
<td>59.13</td>
</tr>
<tr>
<td>8</td>
<td>November</td>
<td>58.41</td>
<td>68.65</td>
</tr>
<tr>
<td>9</td>
<td>December</td>
<td>45.51</td>
<td>48.01</td>
</tr>
<tr>
<td>10</td>
<td>January</td>
<td>46.68</td>
<td>52.74</td>
</tr>
<tr>
<td>11</td>
<td>February</td>
<td>42.77</td>
<td>46.8</td>
</tr>
<tr>
<td>12</td>
<td>March</td>
<td>68.80</td>
<td>43.29</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>494.01</strong></td>
<td><strong>382.86</strong></td>
</tr>
</tbody>
</table>

The Bank has floated debentures according to their lending and availability of Bank guarantee. The Bank is taking 45 days for floating the debentures after the disbursement.

The Bank was receiving statements of effective mortgages generally in time and compiling the same at H.O. within a reasonable period.
Repayment of Dues:

- The Bank had been prompt in repayments to NABARD and was found to be extremely cautious. It had never defaulted to NABARD in repayment of refinance.

- Delay in obtaining Bank guarantee had affected the profitability of the Bank. The Bank had to avail either overdraft facilities against the existing investments at a higher rate of interest or premature closure of the deposits. The Government of Uttar Pradesh need to review this situation and should provide block guarantee so that the credit flow in the state is not affected and the Bank is able to plan and manage their funds more efficiently.

Deployment of Resources:

The Bank deploys funds mainly in Loans and Investments. The review of lending and recovery operations of the branches is carried out by the Regional Offices at branch level once in a month or as and when they had an occasion to meet the branch manager/s in their regions. Further, Managing Director meets all the Regional Managers once in a month and reviews the position regarding the lending and recovery.

Head Office sends funds to the branches generally on weekly basis based on the demand received from the branches. Branches remit the amounts recovered from the borrowers, subsidy received and share capital etc. to Head Office as and when they have sizeable funds.

The Bank has advised their branches to have 3 current accounts for maintenance of the funds at the branches. Accordingly branches are
maintaining three current accounts viz. Loan Account, Recovery Account and General Account.

**Loan Account:**

The branches receive funds from Head Office for lending purpose on requisition. Hence, branches are not allowed to use the recoveries or other collections for lending purpose. Branches get funds from HO for lending purpose on requisition. These funds are credited to their Current account (Loans) as and when received from HO. Loan disbursements are made through account payee cheques drawn on this current account in the names of the borrowers. The borrowers generally open their savings Bank accounts with the DCCB/SBI/Commercial Bank/RRB branch where the UPSGVB branch is having its current account and encash their loan cheques.

For convenience of remitting funds to branches, the Bank has divided its branches into three categories, viz. (a) District Head Quarter branches, (b) other branches (other than district head quarter branches) where branch of State Bank of India's (SBI) is located (c) other branches where SBI branch is not located.

**Recoveries Account:**

The amount recovered in the loan accounts and the subsidies received from the sponsoring agency are credited to this account. The amounts are transferred to Head Office through Bankers Cheque or through Demand Drafts.

It is observed in all the branches visited that the administrative expenses like salaries, TA and DA are spend from the recoveries in the
branch and balance cash is credited to the recovery account. Head Office guidelines indicate that no administrative expenses should be met from the recovery amounts. For administrative expenses there is need to obtain money from HO through the General Account.

**General Account:**

The branches are required to maintain another current account for General and administrative expenses and for share money received from the borrowers. The branches are supposed to operate this current account for all the administrative expenses. In practice it was found that the branches were not using this account for all the administrative expenses since balances in the account are low. The major expenditure of the branch would be salaries, ex-gratia, travelling allowance. In all the branches visited it was found that the branches were utilising the cash recoveries for meeting these expenditures and balance is deposited in the recovery account.

**Idle Funds:**

The Bank is having a system of funds flow statement received from the branches on a weekly basis. This statement is the basic statement through which the Bank is analyzing the funds position of the branches. This statement is used for remitting funds to the branches and also to monitor idle funds in the branches. For Fund Monitoring a computerized System had been implemented in the H.O. of the Bank. Under this system the fund requirement statements of all the branches every week are fed to computer and the funds position is determined. Various statements indicating the idle funds are generated (weekly, monthly and annual basis and as and when required). These statements are put up to Chief General
Manager (Finance). The researcher had observed that the present system of Idle Fund Monitoring System had not helped the management to reduce the level of idle funds.

The weekly idle fund statement indicating the idle funds position at branches provided by the Bank was analysed for the year 2006-07. An analysis of the weekly idle fund position revealed that the branches are maintaining on an average idle fund of Rs. 8.76 lakhs, maximum being Rs. 18.89 lakhs and minimum being Rs. 4.97 lakhs. This idle fund consisted of cash at branches, balances in the current accounts maintained by the branches which are over and above the minimum allowed by Head Office. The above figures do not include cash in transit and cash at Head Office and balances in the current accounts at Head Office. The level of idle funds both at most of the branches and also in transit had remained very high as may be observed from the table given below in respect of one of the branches:

**Table No. 3.5**

(Figures in Lakh)

<table>
<thead>
<tr>
<th>Month</th>
<th>Recovery</th>
<th>Funds Submitted to H.O.</th>
<th>Loan disbursed</th>
<th>Funds received from H.O.</th>
<th>Idle funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apr-07</td>
<td>15.64</td>
<td>6.53</td>
<td>5.33</td>
<td>6.00</td>
<td>9.78</td>
</tr>
<tr>
<td>May-07</td>
<td>12.37</td>
<td>16.16</td>
<td>7.82</td>
<td>8.00</td>
<td>3.61</td>
</tr>
<tr>
<td>Jun-07</td>
<td>20.33</td>
<td>22.28</td>
<td>7.49</td>
<td>10.00</td>
<td>0.56</td>
</tr>
<tr>
<td>Jul-07</td>
<td>3.40</td>
<td>6.21</td>
<td>2.94</td>
<td>-</td>
<td>-6.67</td>
</tr>
<tr>
<td>Aug-07</td>
<td>1.82</td>
<td>5.52</td>
<td>9.19</td>
<td>13.00</td>
<td>0.11</td>
</tr>
<tr>
<td>Sep-07</td>
<td>4.36</td>
<td>2.00</td>
<td>13.21</td>
<td>12.00</td>
<td>1.15</td>
</tr>
<tr>
<td>Oct-07</td>
<td>4.22</td>
<td>5.35</td>
<td>16.61</td>
<td>16.00</td>
<td>-1.74</td>
</tr>
<tr>
<td>Nov-07</td>
<td>4.16</td>
<td>4.54</td>
<td>9.42</td>
<td>7.00</td>
<td>-2.80</td>
</tr>
<tr>
<td>Dec-07</td>
<td>4.46</td>
<td>4.15</td>
<td>-</td>
<td>-</td>
<td>0.31</td>
</tr>
<tr>
<td>Jan-08</td>
<td>7.60</td>
<td>8.66</td>
<td>5.10</td>
<td>5.00</td>
<td>-1.16</td>
</tr>
<tr>
<td>Feb-08</td>
<td>3.46</td>
<td>2.93</td>
<td>5.50</td>
<td>10.00</td>
<td>5.03</td>
</tr>
<tr>
<td>Mar-08</td>
<td>7.70</td>
<td>3.35</td>
<td>20.92</td>
<td>17.00</td>
<td>0.43</td>
</tr>
<tr>
<td>Total</td>
<td>89.52</td>
<td>87.68</td>
<td>103.53</td>
<td>104.00</td>
<td>8.61</td>
</tr>
</tbody>
</table>
From the above statement it may be observed that idle fund at the branch was maintained continuously for 3 months from April 2007 to June 2007. The minus figures in the above statement under the idle fund column are the result of remittance of accumulated idle fund from the previous months.

**Investments:**

All investment decisions were taken by a committee under the supervision of the Chief General Manager (Finance) and the Managing Director who review the investments portfolio at quarterly intervals.

After meeting the demand for the funds from the branches for loaning and administrative purposes the Bank deploys the surplus seasonal funds in short-term investment. The long-term surpluses like reserves, sinking fund and employee funds are used for long-term investment.

It was observed that the Bank was using surplus available for investment in three broad categories of account a) Reserve Fund Investments b) General Investments and c) Employee security monies. This surplus fund consists of 84% from the General Investment category, 16% from Reserve Funds and less than 1% from employee security monies.

Surplus available from Reserve funds and Employee Security monies are available for long term investment and General Investments are basically for short term since these surpluses are of seasonal nature. The Bank needs to have greater analysis of the short term surpluses so that optimum return can be obtained by investing them for appropriate
periods. To have this type analysis and to calculate the quantum surpluses and periods for which they are available there is need to have funds-flow (cash-flow) statements.

It was also found that some of the surplus funds in General Investments, invested for longer periods were to be foreclosed to meet the requirements of funds for loaning operations. Major portion of the short-term surplus arises in the Bank from the recoveries the bulk of which are affected during April to June quarter. The money so recovered is invested in the short-term investments to make repayment of the special development debentures due in January.

The Bank is floating only special development debentures. There is no normal lending programme in the Bank during the last few years. The Bank is repaying interest in July and Principal in January on the special development debentures to NABARD.

The Bank is following the method of remitting funds to branches for lending purpose. The branches are advised to pass on the recoveries to Head Office. Hence, there are two distinct flows of funds in the Bank. Funds flowing from Head Office to Branches for lending purposes and funds flowing from branches to head office with respect to recoveries affected by the branches. Head Office is insisting on the branches to send the entire recovery to Head Office and not allowing the branches to use the funds for lending purpose mainly due to the fear of default to NABARD in case the branches do not pass on the funds to HO.

The total volume of liquid funds as estimated from the Balance Sheet figures provided as at the end of March of every year is given in the following table.
Table No.3.6

(Figures in Crore)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>March-09</th>
<th>March-08</th>
<th>March-07</th>
<th>March-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cash and Bank Balances</td>
<td>34.54</td>
<td>19.42</td>
<td>83.62</td>
<td>65.34</td>
</tr>
<tr>
<td>2. Funds in transit</td>
<td>30.70</td>
<td>62.73</td>
<td>6.53</td>
<td>17.48</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>65.24</td>
<td>82.15</td>
<td>90.15</td>
<td>82.82</td>
</tr>
<tr>
<td>3. Investment of Funds</td>
<td>591.81</td>
<td>326.19</td>
<td>393.30</td>
<td>398.75</td>
</tr>
<tr>
<td>Total</td>
<td>657.05</td>
<td>408.34</td>
<td>483.45</td>
<td>481.57</td>
</tr>
</tbody>
</table>

However, the above table does not provide any clue to the volume of funds available at various periods within the year. Yet the magnitude of the problem is indicated.

As the Bank is sending funds from HO to Branches for loaning purpose and getting the recovery and other monies from Branches. Head Office is sending money through DDs and Banker's Cheques drawn on UP Co-operative Bank at district head quarter branches/head office branches of DCCBs. In case of branches located in places other than district head quarters and where SBI branches are there, DDs on SBI branches are sent. On an average the funds are in transit for 15 days for remittance of funds from HO to Branches and 17 days for remittances of funds from Branches to Head Office.

Head Office is sending money to branches once in a week based on the demand raised by the branches. In respect of branches visited it was found that on an average the HO sends 2-3 Drafts to each branch per month and the amount was generally lying unutilised in the current account on an average for 8 days.

The Bank is investing the recoveries received during the period from April to June in short-term investments till January to repay the debentures to NABARD. The Bank is investing its short-term funds in
State Bank of India and UP Co-operative Bank only. The average interest earned by the Bank from the short term investments during 2008-09 averages to around 8.29%. Whereas, the Bank is paying an average of 8.4% interest on the debentures. Hence, it is clear that the investments are not fetching interest equivalent of the interest payable on debentures.

From quarterly lending and recovery pattern of the Bank it is found that the recovery is more than lending during the first quarter. In the second and third quarters the recovery and lending are almost equal. Only during the last quarter the lending is exceeding the recovery.

From the data collected from the branches it is found that it takes 4 to 6 days on an average for sending money from Head Office to Branches for lending purposes. The branches are having problems in remitting the recoveries to Head office promptly. It takes on an average 7 to 15 days for the branches to remit the funds to Head Office. The DCCBs could not provide drafts promptly due to their poor liquidity position.

3.6 Utilisation of Financial Resources at Branch Level:

Funds are remitted from the Head Office to the branches in the region according to the requirement sent by the branches. The funds are remitted to the branches mostly for lending purposes, in order that the funds are properly utilised the financial appraisal report of the farmer are taken. The technical appraisal of the project is also done. Once it is proved that the loan is bankable and viable, the payment is made to the beneficiary by an account payee cheque. Before this an undertaking is
taken from the borrower that he will submit a project utilisation certificate within 15 days. After the certificate is received the project is revisited by the field officer and final utilisation report is submitted to the branch manager, this ensures the 100% utilisation of the loan and funds remitted by the Bank for lending.

In addition to this the funds are also sent to the branches to meet the administrative and general expenses. The branches are motivated to extend their support by increasing the Resource Mobilisation scheme by inducing the borrowers to deposit their savings with Bank under fixed deposit scheme. In all the role of branches is just confined to lending's only. Now as the Bank has started mobilising the rural savings through Fixed Deposit scheme, it has also extended its operations. Still there is much that the Bank has to explore both for extending its support for rural credit and channelizing the rural savings in a far better way.

3.7 Implementation of Government Sponsored Policies and Programs:

UPSGVB is a pioneer cooperative financial agency which was established to provide long term lending. Since its inception the Bank is marching with the same objectives and is trying its level best to develop the total village through various schemes and programs which help in generating self employment and sprit of self reliance amongst the rural masses.

The increasing number of members year after year is clear evidence that the Bank is doing a lot for rural uplifment in the state. The basis for
Sahkari Andoloan was to increase the number of contributors and one would become a contributor only when he is a member. The number of its members is ever increasing. In 2001-02 it had 4170991 members which have increased to 5594332 members in 2009-10. The average increase in members is around 4.25% yearly. The increasing number of members proofs that the Bank is trying its best to support farmers and create self employment opportunities for them in the state.

The loan portfolio of the Bank remained heavily inclined towards minor irrigation mainly due to the demands of the Government Sponsored Free Boring Scheme. Under this scheme Government has provided free bore wells to large numbers of small and marginal farmers. And to make this scheme successful, the government provided subsidy for the purchase of pump sets. The UPSGVB had rightly taken up the government's concern of providing irrigation facilities to large number of small and marginal farmers and provided loans for pump sets, which constitutes 92% of the loan disbursed under minor irrigation.

During the course of the research it was observed that the Bank under study had shown an optimistic approach towards the programs and policies introduced by the Central or the State Government for the rural upliftment on a whole. The Bank had rightly implemented Golden Jubilee Rural Housing Scheme (GJRHS), which was in the national agenda of the country. The scheme provides for housing finance in rural areas. As per the revised guidelines on lending to priority sector loans to an individual per family (upto Rs.5Lakhs) for purchase/construction of dwelling units and loan upto Rs.1 Lakhs in rural areas for repairs/renovation /extension of house is granted by the Bank. The State Government has made
amendment in the Uttar Pradesh Agricultural Credit Act 1973, through a
gazette notification no.1342/VII-1-1-(ka)-27-2005, Dt 29.11.2005 as per
the recommendation of State Level Bankers Committee (UP), which
provides the constructional repairs/extension of a house on Abadi land in
rural area for personal use shall be deemed as an agricultural purpose.
This amendment will enable farmers to obtain hassle-free ‘Housing
Finance’ by offering their agricultural land as security. It will surely help
the Bank to boost up credit flow to “Rural Housing” sector in rural areas
substantially.

Under the Government sponsored Self Employment Generation
Programs, the Bank has implemented various schemes. Amongst them
Swarnajayanti Gram Swarozgar Yojana (SGSY) is one. Under this scheme
the beneficiaries living Below Poverty Line (BPL) are being sensitized/skill
upgraded/financed under the concept of Self Help Groups (SHG). The
Bank has recently implemented this scheme, although not much has been
financed under this scheme yet but the future prospects of the scheme
seems to be very bright and would play a vital role in proper identification
of the actual needy and provides the required financial assistance to
them.

Another scheme under Self Employment Program is Prime
Minister’s Employment Generation Program (PMEGP). This scheme is
implemented by the Bank from 15.08.2009. The purpose of the scheme is
the Empowerment of first generation entrepreneur to setup micro
enterprises thereby creating additional employment opportunities during
the Eleventh Five Year Plan in rural areas of the State. The target group
under this scheme is individuals with a minimum educational qualification up to VII standard, the BPL families reorganized.

Yet, another Government sponsored scheme which has been implemented by the Bank effectively and has helped in catering the problem of seasonal unemployment to a great extent is Saghan Mini Dairy Pariyajana (SMIDP). Under this scheme the Bank has financed for setting up of mini dairies so that a source of regular income could be attained by the beneficiaries. The scheme is launched under the supervision of National Agricultural Development Scheme of Government of India.

Under the Poverty Elevation Program and Government Sponsored Scheme for Generating Self Employment in the State, a Special Component Plan (SCP) has been initiated by the Bank. Under the scheme Bank aims at providing financial assistance to members of schedule cast/schedule tribes living Below Poverty Line by way of loans to them under agriculture and allied activities and other non farm sectors.

The Mukhya Mantri Gramodyog Rojgar Yojana has been implemented by the Bank on 15th August, 2006, to fulfill the organisational objectives to provide employment opportunity to the rural artisans at their door steps. The loan portfolio depicts that not much has been financed under this scheme by the Bank, during last one year of its launching. It was observed that the Bank lacks in proper implementation of any scheme mainly because of the lack human resource to make rural masses aware of the new schemes launched by the Bank, this need a serious attention of senior officials.
The scheme of **Swarojgar Credit Card** (SCC) was implemented by the Bank, under the NABARD as its nodal Agency to monitor the scheme. The scheme assisted in providing hassle free and timely credit to artisans, handloom weavers, fishermen's, and poultry farm developers and other such self employed persons. A composite loan of Rs.25000 (maximum) per borrower is permissible under the scheme. However the Bank may consider for higher limit in deserving cases. SHG's may also be considered under this scheme.

Government of India has launched a special scheme with the help of NABARD with an objective to facilitate the farmers by extending new technologies of farming through trained agriculture graduates. As per the scheme, technical knowledge of the agriculture graduate is to be utilised for setting up agric-clinics and agri-business centers in rural areas, for which the Bank has started providing the financial assistance since July, 2007.

**Rashtriya Krishi Beema Yojana** (RKBY), the scheme is implemented by the Bank since the Bank has launched the scheme for Kisan Credit Card. As it is a compulsory scheme, all farmers brought under the umbrella of the KCC scheme, should be necessarily covered under RKBY.
Reference


3. Annual Report, UPSGVB, Pg. 64, June 2008.


