**CAIIB - Rural Banking - Updates**

**Demographic transition** is a model used to represent the movement of high birth and death rates to low birth and death rates as a country develops from a pre-industrial to an [industrialized](https://www.thoughtco.com/industrial-society-3026359) economic system. It works on the premise that birth and death rates are connected to and correlate with stages of industrial development. The demographic transition model is sometimes referred to as "DTM" and is based on historical data and trends.

Demographic transition involves four stages.

* **Stage 1:** Death rates and birth rates are high and are roughly in balance, a common condition of a pre-industrial society. Population growth is very slow, influenced in part by the availability of food. The U.S. was said to be in Stage 1 in the 19th century.
* **Stage 2:** This is the "developing country" phase. Death rates drop rapidly due to improvements in food supply and sanitation, which increases life spans and reduces disease. Without a corresponding fall in birth rates, countries in this stage experience a large increase in population.
* **Stage 3:** Birth rates fall due to access to contraception, increases in wages, urbanization, an increase in the status and education of women, and [other social changes](https://www.thoughtco.com/sociology-key-concepts-4133512). Population growth begins to level off. Mexico is believed to be in this stage in the early decades of the millennium. Northern Europe entered this stage in the later part of the 19th century.
* **Stage 4:** [Birth rates](https://www.thoughtco.com/birth-rate-definition-3026096) and death rates are both low in this stage. People born during Stage 2 are now beginning to age and require the support of a dwindling working population. Birth rates may drop below replacement level, considered to be two children per family. This leads to a shrinking population. Death rates may remain consistently low, or they may increase slightly due to increases in lifestyle diseases linked to low exercise levels and high obesity. Sweden has reached this stage in the 21st century.

**Fisheries and Aquaculture Infrastructure Development Fund**

In the Union Budget 2018, the Hon’ble Finance Minister announced setting up of a Fisheries and Aquaculture Infrastructure Development Fund (FIDF) for fisheries sector. Accordingly, during 2018-19, the Department of Fisheries, Ministry of Fisheries, Animal Husbandry & Dairying, Government of India created a dedicated fund, FIDF, with a total funds size of Rs 7522.48 crore. FIDF envisages creation of fisheries infrastructure facilities both in marine and inland fisheries sectors and augment the fish production to achieve the target of 15 million tonnes by 2020 set under the Blue Revolution. Besides, the FIDF aims to achieve a sustainable growth of 8-9 per cent, in a move to augment the country’s fish production to the level of about 20 million tonnes by 2022-23.

FIDF provides concessional finance to the Eligible Entities (EEs), including State Governments/Union Territories and State entities for development of identified fisheries infrastructure facilities through Nodal Loaning Entities (NLEs) namely

1. National Bank for Agriculture and Rural Development (NABARD),
2. National Cooperatives Development Corporation (NCDC) and
3. All scheduled Banks

Under the FIDF, the Department of Fisheries provides interest subvention up to 3% per annum for providing the concessional finance by the NLEs at the interest rate not lower than 5% per annum. Loan lending period under FIDF is five years from 2018-19 to 2022-23 and maximum repayment period of 12 years inclusive of moratorium of 2 years on repayment of principal.

National Fisheries Development Board (NFDB), Hyderabad is the Nodal Implementing Agency for FIDF Scheme. NFDB has developed an online FIDF Portal. The portal encompasses information vv.r.t FIDF for all stakeholders, online application form for all types of entities, online processing and approval of FIDF applications. Each of the stakeholders have been given separate login for processing of the respective application. The portal also has FIDF Dashboard to monitor the progress of applications on a real time basis.

The portal can be accessed using the URL: [www.fidf.in](https://www.fidf.in/)

**Achievements of NABARD (2020-21)**

NABARD by virtue of its Financial, Developmental and Supervisory role is touching almost every aspect of rural economy, including providing refinance support, building rural infrastructure, preparing district level credit plans, guiding and motivating the banking industry in achieving credit targets, supervising Cooperative Banks and Regional Rural Banks, helping banks to develop sound banking practices, enabling them to on-board to the CBS platform, designing new projects for rural development, implementing GoI's development schemes, training handicraft artisans and providing them a marketing platform for selling their articles, etc.

**A) Financial Functions**

**Refinance**

NABARD disbursed ₹1,30,964 crore and ₹92,786 crore for supporting ST and LT financing by banks, respectively, during the year 2020-21.

NABARD provides by way of refinance, loans and advances repayable on demand or on the expiry of fixed period not exceeding 12 months, to Cooperative Banks and Regional Rural Banks for production, marketing and procurement activities. The basic objective of short-term refinance provision is to supplement the resources of banks and to improve credit flow at the ground level.

NABARD provides long-term and medium-term refinance to the various institutions to supplement their resources for providing adequate credit for supporting investment activities of farmers and rural artisans, etc.

**Short Term Loans**

Crop loans are extended to farmers for crop production by financial institutions, which support in ensuring food security in the country. During the year 2020-21, NABARD has disbursed ₹95,731 crore for Seasonal Agricultural Operations and ₹11,733 crore for other than seasonal agriculture operations to Cooperative Banks and RRBs. NABARD also introduced a new window of assistance to SFBs and under this facility Short Term Refinance of ₹49 crore was extended to North East SFB.

**Long Term Loans**

NABARD's long-term refinance provides credit to financial institutions for a wide gamut of activities encompassing farm and non-farm activities with tenor of 18 months to more than 5 years. During the year 2020-21, NABARD has disbursed ₹92,786 crore to financial institutions.

To address to the issue of rural migration and give boost to agriculture & rural sector post Covid period, NABARD introduced 4 special refinance schemes viz. Scheme for PACS as MSC, Scheme for beneficiaries of the watershed as well as Wadi project areas, Scheme for Water, Sanitation and Hygiene (WASH) and Scheme for Micro Food Processing activities.

Government of India has set up LTRCF with NABARD for providing long term refinance support for investment credit in agriculture activities exclusively for Cooperative Banks (State Cooperative Banks and State Cooperative Agriculture and Rural Development Banks) and Regional Rural Banks (RRBs). During the year 2020-21, an amount of ₹14881 crore was disbursed under the fund.

**Special Liquidity Facility**

NABARD, has disbursed ₹16800 crore to Cooperative Banks, ₹6700 crore to RRBs and ₹2000 crore to NBFC-MFIs to ensure unhindered flow of credit to farmers to carry out harvesting and production activities during lockdown due to which India outperformed in Agriculture production even during lockdown. NABARD provided additional SLF of ₹1567 crore to NBFC-MFIs with asset size less than ₹500 crore. SLF was also extended to eligible SCARDBs taking into account the liquidity crunch faced by them in the wake of Covid-19 pandemic. As on 31 March 2021, ₹908.16 crore has been disbursed to SCARDBs in 5 States under this line of credit.

**Rural Infrastructure Development Fund**

RIDF was set up with NABARD in 1995-96 by the Reserve Bank of India out of the shortfall in lending to priority sector by scheduled commercial banks for supporting rural infrastructure projects. NABARD disbursed ₹29193 crore during 2020-21 under RIDF which contributes substantially to the rural infrastructure funding in the country today.

**Long-Term Irrigation Fund**

The Long-Term Irrigation Fund (LTIF) was announced in the Union Budget 2016–17 for fast tracking 99 identified medium and major irrigation projects, spread across 18 states in mission mode by December 2019. Subsequently, Government of India approved funding for four more projects under LTIF viz; Polavaram project in Andhra Pradesh, North Koel project in Bihar and Jharkhand, Relining of Sirhind and Rajasthan Feeder Canal project of Punjab, and Shahpur Kandi Dam in Punjab. Ministry of Jal Shakti (MoJS) is the nodal Ministry designated to coordinate and facilitate completion of the projects. During the year 2019-20, GoI approved the funding arrangement under LTIF beyond December 2019 and up to 31 March 2021 or till the continuation of the scheme is approved, whichever is earlier. During 2020-21, an amount of ₹2461.84 crore and ₹7761.20 crore was sanctioned and disbursed respectively. Cumulative loans sanctioned and released under LTIF as on 31st March 2021 stands at ₹84326.60 crores and ₹52479.71 crores respectively. The GoI has further extended the release of funds under the scheme upto 30 September 2021.

**Pradhan Mantri Awaas Yojana - Grameen (PMAY-G)**

NABARD sanctioned an amount of ₹20,000 crores and released ₹19999.80 crores during 2020-21 to the National Rural Infrastructure Development Agency (NRIDA) under PMAY-G. The cumulative amount sanctioned to NRIDA as on 31 March 2021 was ₹61975 crore out of which ₹48819.03 crore was released. The financial assistance was channelized towards PMAY-G, which plans to provide a pucca house, with basic amenities, to all houseless households including those living in kutcha and dilapidated houses, by 2022.

**Micro Irrigation Fund (MIF)**

MIF with a corpus of ₹5000 crore was operationalized in NABARD during 2019-20. The objective of the fund is to facilitate State Govts. in mobilizing additional resources for expanding coverage under micro irrigation and incentivizing its adoption beyond provisions of PMKSY-PDMC. Ministry of Agriculture and Farmers Welfare (MoA&FW), Government of India is the Nodal Ministry. During 2020-21, NABARD sanctioned and released loan amount of ₹1128.60 crore and ₹1827.47 crore respectively under MIF. The cumulative sanctions and releases as on 31st March 2021 stands at ₹3970.17 crores and ₹1827.47 crores, respectively.

**NABARD Infrastructure Development Assistance (NIDA)**

NABARD Infrastructure Development Assistance (NIDA) offers flexible long-term loans to well-managed public sector entities for financing rural infrastructure. Projects for agriculture infrastructure, rural connectivity, renewable energy, power transmission, drinking water and sanitation, and other social and commercial infrastructure are financed under NIDA. Inclusion of public–private partnership (PPP) and non-PPP projects to be undertaken by registered entities like corporates/companies, cooperatives, etc. has further broadened NIDA’s scope of funding. Financing under NIDA offers scope for off-budget and on-budget borrowing to state governments and aids in easing state budget constraints.

During the year 2020–21, term loan of ₹22767.75 crore was sanctioned under NIDA through 19 credit proposals constituting 08 irrigation projects (60.9%; ₹13864.98 crore), 04 Drinking water projects (21.66%; ₹4931.52 crore), 03 Transmission projects (3.93%; ₹893.68 crore) and 01 each under Rural connectivity (5.09%; ₹1158.53 crore), Rural Housing (3.48%; ₹792.44 crore), Sewerage (0.28%; ₹64.87 crore) and Communication sector (4.06%; ₹1061.73 crore)

**Direct Refinance Assistance to DCCBs for Short-Term Multipurpose Credit (DRA)**

NABARD has been providing ST refinance to StCBs for on-lending to District Central Cooperative Banks (DCCBs) for various purposes. Direct refinance assistance to DCCBs is an additional line of credit for diversification of lending and enhancing their earnings through profitable portfolios. The credit limit is sanctioned to well-governed and financially strong ‘A’ or ‘B’ rated StCBs or DCCBs, as per the latest inspection report of NABARD. The purpose of the loan covers inter alia working capital, repair and maintenance of farm equipment and other productive assets, storage/grading/packaging of produce, marketing activities, non-farm activities, etc. The limit is in the nature of cash-credit, operative for one year from the date of sanction. The limit is also available for a period of three months to meet the specific requirements of banks. Sanctions under DRA, registered growth of 33% i.e. from ₹8932 crore in FY 2019-20 to ₹11890 crore during FY 2020-21. The disbursements under DRA has decreased by 20% from ₹9200 crore during FY 2019-20 to ₹7373.49 crore during FY 2020-21.

**Credit Facility to Federations (CFF)**

Credit facility to Federations (CFF) provides short-term credit support to state government entities like agricultural marketing federations, civil supply corporations, dairy cooperatives, /milk unions or federations etc., for procurement, processing and marketing of agricultural commodities, input supply, and value and supply chain management. Under this facility, credit support is made available for procurement of food grains, pulses and oilseeds and other agricultural commodities like milk. The facility is also available for procurement and marketing of agricultural inputs like seed and fertilizer. This facility is extended as short-term loan for a period of twelve months and another product in the nature of a very short term loan for three months to meet the specific requirements of the agencies. Sanctions under CFF, has registered a growth of 60% i.e. from ₹25071 crore in FY 2019-20 to ₹40160 crore during FY 2020-21. Sanctions were made to 14 agencies, out of which 7 were new clients. The new activities financed were seed processing and procurement of coarse grains. The disbursements under CFF has increased by 29% from ₹37206.56 crore during FY 2019-20 to ₹47852.62 crore during FY 2020-21. The outstanding position as on 31 March 2021 was ₹20038.21 crore against ₹12123.24 crore as on 31 March 2020, which is an increase by 65%. The 5-year CAGR of sanctions, disbursements and outstanding under CFF was 45%, 47% and 32% respectively.

**Dairy Processing and Infrastructure Development Fund (DIDF)**

In accordance with its announcement in the Union Budget 2017–18, Government of India created a Dairy Processing and Infrastructure Development Fund (DIDF) in NABARD, with a total corpus of ₹8004 crore to be utilised over a period of five years. The objectives of the scheme are modernisation and infrastructure augmentation for milk processing and value addition, and to ensure optimum price realisation by the primary producers. It envisages creation of additional milk processing capacity of 12.6 million litres per day (MLPD), modernisation capacity of 1.2 MLPD, milk powder processing capacity of 210 million tonnes per day (MTPD), and other infrastructure facilities during the implementation period. During the FY 2020-21, sanctions to the tune of ₹943.61 crore were made to NDDB (6 milk unions) and NCDC (3 milk unions). The total disbursements made during the year were ₹120.70 crore.

**Fisheries and Aquaculture Infrastructure Development Fund (FIDF)**

In line with its announcement in the Union Budget 2018–19, Government of India created the Fisheries and Aquaculture Infrastructure Development Fund (FIDF) with a total corpus of ₹7,522.48 crore to be implemented over a period of five years. NABARD will fund the public infrastructure components to the State Governments to the tune of about ₹2600 crore for various facilities like fishing harbours, fish landing centres, modernized State fish seed farms, modern fish markets, disease diagnostic laboratories, aquatic quarantine facilities and training infrastructure.

During the FY 2020-21, total disbursements of ₹193.77 crore were made under FIDF.

**NEW PRODUCT - Rural Infrastructure Assistance to State Governments (RIAS)**

NABARD has launched a new product “Rural Infrastructure Assistance to State Governments (RIAS)” with an initial corpus of ₹15000 crore. Under RIAS, NABARD will provide financial assistance to State Governments in Eastern Region, for creating infrastructure that supports rural livelihoods, hinging on 5-J approach – Jan (human being), Jal (Water), Jameen (land), Janwar (livestock) & Jungle (forest)

**Warehouse Infrastructure Fund**

Government of India created Warehouse Infrastructure Fund (WIF) in the year 2013- 14 with NABARD with a corpus of ₹5,000 crore for providing loans to meet the requirements for scientific warehousing infrastructure for agricultural commodities in the country. The cumulative disbursement as on 31 March 2021 stood at ₹7,620.69 crores.

**Food Processing Fund**

With a view to promoting food processing industries in the organised sector on a cluster basis, the Government of India instituted the Food Processing Fund (FPF) in NABARD in 2014–15, with a corpus of ₹2,000 crore. NABARD sanctioned ₹116.4 crore for setting up of 7 Agro Processing Clusters and 5 individual food processing units during 2020-21 taking the cumulative loan sanctioned to ₹701.18 crore for 12 Mega Food Park (MFP) projects, 10 Agro Processing Clusters and 10 Food Processing Units as on 31 March 2021. During the year, ₹53.24 crore was disbursed, taking the cumulative disbursements to ₹409.38 crore for the sanctioned projects.

**Geo Tagging of Warehouses**

NABARD took on the onus of creating a web based Agri-Storage Information System, which not only captures the details of the infrastructure but also captures the Geo-spatial coordinates. The project of Geo Tagging of warehouses (dry & wet) was started as a pilot in two States (Haryana and Tamil Nadu) and the work was taken up by NABCONS, our consultancy arm. Meanwhile, the Union Budget 2020 outlined a 16-point Action Plan for achieving the goal of “Doubling of Farmers’ Income by 2022” that included undertaking an exercise to map and geotag agri-warehousing, cold storage, refer van facilities by NABARD. As a result, the study has become an all India exercise and is a priority of the Government of India. Thus exercise was initiated in the month of November 2020 and is scheduled to be completed by end of June 2021.

The Farmers APP (Kisan Bhandar) has been developed for both Android and IOS supporting devices which will be used by Farmers/Traders/Producers to locate the geotagged assets in the vicinity. The APP will be launched by Government of India and thereafter users can download it from Google Play Store and Apple Store.

**B) Supervisory Functions**

For the FY 2020-21, 302 statutory inspections and 9 voluntary inspections were scheduled with reference to the financial position of banks/ other institutions as on March 31, 2020.

**C) Developmental Functions**

**Watershed Development**

Cumulatively, as on 31 March 2021, against 3401 watershed development projects sanctioned covering total project area of 23.43 lakh ha, 1,914 projects have been completed successfully. Grant assistance committed under all programmes stood at ₹2389.51 crore, out of which an amount of ₹1902.46 crore has been disbursed.

**Tribal Development**

Tribal Development Fund (TDF) was set up by NABARD in the year 2003-04 with a corpus of ₹50 crore out of its profit. As on 31 March 2021, a total of 835 projects benefitting 5.60 lakh families spread across 5.33 lakh acre area have been sanctioned. Cumulative sanction and disbursement stood at ₹2378 and ₹1688 lakh respectively.

**Climate Change Adaptation Projects**

Under Adaptation Fund, the cumulative sanction for six projects and two Readiness Grant stood at USD 9.94 million (₹60.95 crore). NABARD has facilitated sanctioning of two projects with total outlay at USD 134.35 million (₹915.6 crore) under Green Climate Fund. We have also cumulatively sanctioned 30 projects under NAFCC amounting to ₹847 crore at the end of FY 2020-21. NABARD disbursed an amount of ₹0.97 crore during 2020-21 under Climate change fund for promoting and supporting activities aimed at addressing climate change impacts, adaptation and mitigation measures, awareness generation, knowledge sharing and for facilitating sustainable development.

**Umbrella Programme on Natural Resource Management**

Cumulatively 334 UPNRM projects have been sanctioned across the country covering 10 major natural resource management sectors with a financial assistance of ₹738.55 crore including grant assistance of ₹45.38 crore. The cumulative disbursement as on 31 March 2021 stood at ₹577.22 crore including grant assistance of ₹31.54 crore.

**Financial Inclusion**

As on 31 March 2021, a cumulative amount of ₹4,592.81 crore was sanctioned and an amount of ₹2,527.67 crore was disbursed towards various schemes implemented under FIF (Financial Inclusion Fund) by generating demand for banking services and building payment/acceptance infrastructure at the ground level. To bridge the gap between the demand and supply side of FI, under differentiated strategy adopted to address the regional disparities and to bring about inclusive and equitable financial inclusion across the country since 2019, grant assistance was extended at an enhanced rate of 90% in 358 Special Focus Districts which includes aspirational districts, LWE districts, Credit Deficient Districts, Lakshadweep, Andaman and Nicobar Island and districts in Hilly states and NER.

**Microfinance Sector**

NABARD had launched the Self Help Group-Bank Linkage Programme (SHG-BLP) in 1992. The programme has empowered 112.23 lakh Self Help Groups (SHGs) and 13.5 crore rural households in India as on 31 March 2021. Nearly 28.87 lakh SHGs availed credit support of ₹58070 crore from various banks during 2020-21, at an average of ₹2.01 lakh per SHG. 41.30 lakh JLGs were promoted and financed by banks during 2020-21.

**EShakti**

In a bid to digitise SHGs, project EShakti was launched on 15 March 2015 in 02 districts as a pilot. As on 31 March 2021, data pertaining to 12.33 lakh SHGs involving 140.91 lakh members in more than 1.67 lakh villages of 281 districts have been on-boarded in EShakti portal. The Project has enabled the Bankers in providing on line credit to SHGs based on an inbuilt grading system in the portal. It has resulted into increase in credit linkage with banks from 4.68 lakh (38% groups ) to 6.49 lakh (53% groups) as on 31 March 2021. SMS alerts received by SHG members on their banking transaction in local language (10 languages) boosted the confidence and empowerment among the women.

**SHG based Livelihood Interventions**

For stimulating micro entrepreneurship movement NABARD has launched two skill building and capacity building programmes viz., Micro Enterprise Development Programme (MEDP) and Livelihood and Enterprise Development Programme (LEDP). As on 31 March 2021, 5.22 lakh SHG members were trained through 18434 MEDPs since 2006 with total sanctioned grant support of ₹35 crore. As on 31 March 2021, more than 1.36 lakh SHG members have been supported through 1284 LEDPs with grant sanction of ₹63 crore.

**Skill Development**

In tune with GoI’s goal, NABARD has developed a structured approach for addressing the skill gap in rural India through demand and outcome-based programmes through multiple stakeholders in skill development ecosystem leading to wage/self-employment. NABARD has so far extended support for training 9.58 Lakh rural youth through 35,557 programmes with grant assistance of ₹174 crore by gainfully engaging rural youth both in wage as well as self-employment. During 2020-21, NABARD has skilled 31,890 rural youth by supporting 679 skill development programmes with grant assistance of ₹20 crore. During 2020-21, various initiatives were taken to address the employability of reverse migrants during the crucial times of COVID-19. A mega project on “Rapid Reskilling and Quick Employment for 10,000 Reverse Migrants” was supported in Uttar Pradesh (Raebareli, Gorakhpur, Mirzapur, Maharajganj and Allahabad), Bihar (Muzaffarpur, Vaishali, Rohtas and Gaya) and Jharkhand (Hazaribagh).

NABARD also collaborated with NSDC affiliated training institutes for capacity building of rural youth in new age skills like Mechatronics, Arc welding, Refrigeration, etc. Sensing a business and livelihood opportunity in the Covid-19 pandemic, NABARD supported projects for training rural women in the manufacturing of face masks and PPE kits that were in much demand to adhere to the Covid-19 protocols.

**OFPO**

In order to upgrade artisans/weavers/ off farm activity clusters and join them into a formal registered entity as also to support producers take up collective business through capacity building, business planning, market linkages, design development etc, a scheme for formation and nurturing of Off Farm Producer Organisations (OFPOs) was initiated during the year 2016-17. Under this, support is extended to an eligible entity to act as Producer Organisation Promoting Institution to mobilises rural off farm producers for undertaking business collectively so as to enable scale as well as better bargaining power, facilities and opportunities of business. As on 31 March 2021, 40 OFPOs covering around 14,043 beneficiaries have been supported with grant assistance of ₹17.4 crore across 20 states. Of which, 27 OFPOs have been registered under Companies/Societies Act and are undertaking business activities through aggregation, marketing and input distribution. Eight OFPOs are all-women OFPOs and are expected to empower 3325 women weavers/artisans directly.

**Marketing Initiatives**

To support rural producers in the farm and off-farm sector to market their produce effectively, NABARD has been extending support for setting up of Rural Haats, Rural Marts and participation of artisans and craftsmen in National/Regional level Exhibitions and Melas.

**Rural Haats**

Rural Haats have been vital to the lives of rural communities by providing them accessible market place to buy and sell their farm and off-farm produce. Rural Haats have emerged as an effective marketing link for Producer Organizations, Village Watershed and Tribal Development Committees. NABARD support to Rural Haats is towards infrastructure creation like raised platforms, roofing, drinking water facility , Sanitation etc . During 2020-21, a total of 58 Rural Haats have been sanctioned with a grant support of ₹7.6 crore. As on 31 March 2021, 636 Rural Haats have been supported with grant assistance of ₹54.23 crore.

**Rural Marts**

Rural Marts help to promote entrepreneurship amongst producer communities and provide market link for domestic products manufactured by rural community particularly women and weaker sections. It helps in generating income and employment at grassroot level. During 2020-21, 155 Rural Marts have been sanctioned with a grant support of ₹7.6 crore. As on 31 March 2021, 1,085 Rural Marts have been supported with grant assistance of ₹23.2 crore.

**Exhibitions/Melas**

Exhibitions and Melas provide a direct marketing platform to the artisans with access to market intelligence, customer preferences and bulk orders. Participation in these melas empowers the artisans to face the challenges in doing business. The COVID-19 pandemic and the subsequent lockdown, and government restrictions impacted organizing of exhibitions and melas. As the situation eased, 09 Regional offices organized 10 exhibitions with grant assistance of ₹2.74 crore.

During the course of exhibitions, initiatives are taken to empower the participating producers by organizing Buyer-Seller Meets, conducting training programmes and workshops on branding, marketing, packaging, effective communication and entrepreneurship development, promoting financial inclusion and digital payment mechanisms.

**Agri Business Incubation Centres (ABICs)**

In order to develop a supportive ecosystem for agri entrepreneurs NABARD started supporting setting up of Agri Business Incubation centre in 2017-18. The policy envisaged extending support to eligible institutions like Agriculture universities /similar institutions (Host Institution) for setting up ABICs and meet the eligible operational expenditure for functioning for a period of five years. It is a step towards promoting more agri startups, Agri /Rural entrepreneurs and enterprises. The ABICs supported will nurture start- ups /Agri enterprises/ entrepreurs/Farmers/Farmer Producer Organisations etc working in irrigation, seed production, bio- pesticides, bio fertilizers, precision farming, agro-processing, marketing, bio fuel, drinking water, sanitation, energy, health, education, etc. The ABICs will provide business support services and resources, marketing, finance to agri-startups and agri-entrepreneurs to develop them into viable commercial entities which will result in both direct and indirect benefits accruing to the farmers.

**Setting up of Catalytic Capital Fund**

In India, most of the Agri based start-ups face challenges with respect to funding sources. These start-ups which have innovative enterprises and have an early stage technology/ innovative products/ process innovations/ supply chain innovations/ business model innovations struggle to find financial support at the right time. To support the Agri Start-ups, NABARD has set up “Catalytic Capital Fund for supporting Rural and Agri Start-ups”. The Scheme is to support Startups in the valley of Death stage so that they become viable units.

**Promotion of GI Products**

Geographical Indications (GI) is an Intellectual Property right that identifies goods originating from a specific geographical location and having distinct nature, quality and characteristics linked to that location. A GI right allows its holder to prevent its use by a third party whose product does not conform to the applicable standards.

NABARD has supported GI registration of 72 products. NABARD has facilitated creation of an FPO for marketing of Mattu Gulla Brinjal (GI Product) resulting in increased turnover and direct selling to urban markets. NABARD has also provided financial support for the creation of dedicated product catalogue in three international languages for 10 GI products. A marketing outlet for GI products at Deendayal Hastakala Sankul, Varanasi has also been supported.

**Credit Linked Capital Subsidy Scheme (CLCSS)**

NABARD is one of the nodal agencies for implementing the Credit Linked Capital Subsidy Scheme (CLCSS) for Technology Upgradation of Micro & Small Enterprises of Government of India. The Scheme supports the induction of proven and improved technologies into micro and small units in specified products/sub-sectors. NABARD is the nodal agency for application from Rural areas.

**Stand-Up India Scheme**

Stand-Up India Scheme (SUI) launched by Government of India on 5 April 2016 facilitates bank loans ranging from ₹10.00 lakh to ₹1.00 crore to at least one SC or ST borrower, and at least one women borrower, per bank branch for setting up an enterprise. NABARD continue to be the connect centres for organizing pre and post disbursement handholding events at District level, to share best practices, review of the programmes, problem solving and guiding the potential borrowers. As on 31 March 2021, a total of 2,437 handholding events with 1,06,357 participants have been conducted in 507 districts across the country.

**Report of the Internal Working Group to Review Agricultural Credit (Shri. Mahesh Kumar Jain)**

Agriculture is a key sector of Indian economy in view of its contribution to employment and GDP. Agricultural credit plays a vital role in farm sector development and facilitates adoption of new technologies. However, any amount of credit even at the most reasonable rates cannot guarantee higher productivity or adequate income among the farmers, as the success depends upon many other supporting factors including the availability of agricultural inputs, services and remunerative markets for the products.

The agricultural credit policies designed and implemented in India are mainly supply driven through targeted ground level credit, interest subvention scheme and directed lending by way of regulatory prescription under Priority Sector Lending guidelines. These policies along with other policy interventions at the level of Government and RBI have yielded commendable results in the field of agricultural credit. However, agricultural sector still faces challenges such as lack of capital formation, regional disparity, dependence of farmers especially small and marginal farmers, tenant farmers, landless labourers and share croppers on non-institutional sources of credit at significantly higher rates, non-realization of the fair price for agricultural produce causing farmers’ distress and farm loan waivers impacting credit culture and weakening state finances.

The Internal Working Group in this report has highlighted the findings supported by data and research and recommended suitable measures to address the issues being faced by farmers in accessing agricultural credit.

**Summary of Recommendations**

**5.1 Measures to Improve the Reach of Institutional Credit**

i. GoI should push state governments to complete the digitisation process and updation of land records in a time bound manner.

ii. State governments should give access to banks to digitised land records in order to verify land title and create charge online. In such states banks should not insist on submission of land title documents.

iii. State governments having a highly restrictive legal framework should be encouraged to reform their legal framework on the basis of Model Land Leasing Act proposed by NITI Aayog/ Land Licensed Cultivators’ Act, 2011 of the state of Andhra Pradesh so that formal lending to tenant farmers can improve.

iv. GoI should set up a federal institution, on the lines of GST Council, having participation from both the Centre as well as the states to suggest and implement reforms in the field of agriculture.

v. Aggressive efforts are needed to improve institutional credit delivery through technology driven solutions to reduce the extent of financial exclusion of agricultural households. Banks should explore collaborations with agri-tech companies/start-ups so as to provide access to credit in an integrated, timely and efficient manner to the farmers.

vi. IBA should come out with a technology driven portal for the banks to facilitate ease of credit to the farmers for agriculture and allied activities on the lines of PSBLoansIn59 minutes to MSMEs.

vii. Innovations like movable warehouses/cold storages and mobile based apps providing farm machineries on rental basis have been successfully operating but on a small scale. Hence, the GoI should identify the successful models in these areas which can be scaled up across the country. Further, banks should be encouraged to provide credit to such innovative solutions which support the agriculture sector.

**5.2 Addressing Regional Disparity**

i. PSL guidelines should be revisited in order to explore the feasibility of introducing suitable measures for improving the credit off-take in central, eastern and north eastern states.

ii. NABARD should gradually increase the allocation of RIDF in central, eastern and north eastern states over a period of time.

iii. Corpus of RIDF should be increased and state governments should be sensitised to allocate a larger portion of their borrowing from RIDF for the purpose of absorbing funds for rural infrastructure development in their state.

**5.3 Increasing Credit Flow to Allied Activities**

i. GoI should set separate targets for working capital and term loan towards allied activities under GLC.

ii. PSL guidelines define SMF based on land holding size. To make it easier for banks to give credit for allied activities PSL guidelines should prescribe a separate definition for SMFs seeking credit for allied activities of upto ₹0.2 million. Accordingly, banks should not insist on land records from borrowers seeking credit of upto ₹0.2 million for allied activities.

**5.4 Enhancing the sub-target of SMF under PSL**

i. Revise the sub-target for small and marginal farmers from the existing 8 per cent of ANBC to 10 per cent with a roadmap of two years.

ii. Step up FI and FL initiatives for SMFs.

**5.5 Land Consolidation**

State governments should promote and conduct awareness drives for land consolidation so that the farmers can achieve economies of scale and have the incentive to make long term investments.

**5.6 Interest Subvention Scheme**

i. The interest subvention scheme should be replaced with DBT to targeted beneficiaries, i.e. small and marginal farmers, tenant farmers, sharecroppers, oral lessees and landless labourers as individual borrowers or through SHG/JLG model with an overall limit of ₹0.3 million per individual farmer.

ii**.**In order to curb the mis-utilisation of interest subsidy, banks should provide crop loans, eligible for interest subvention, only through KCC mode.

**5.7 Agricultural Loans against Gold as Collateral**

There is a need to address the issue of sanctioning of agricultural loans against gold as collateral. Presently such loans are not separately flagged in core banking solution (CBS) platform of banks. Hence, banks should develop an MIS to flag agricultural loans sanctioned against gold as collateral in CBS in order to segregate such loans for effective monitoring of end use of funds.

**5.8 Consumption Needs of Agricultural Households**

Banks should be allowed to give consumption loans to farmers upto a sanctioned limit of ₹0.1 million under PSL provided banks are able to obtain collateral security and are satisfied with their repayment capacity based on the cash flows of the borrowers. However, such loans will not classify for PSL-Agri.

**5.9 Improvement of KCC Scheme**

i. To improve ease of credit, the limit of ₹0.3 million for waiving collateral security by the banks in case of tie-up arrangements should be revised to ₹0.5 million under the existing KCC guidelines subject to the condition that the tie-up arrangements are between the producers and processing units without any intermediaries.

ii. For better monitoring of branches by banks and easier implementation of KCC there should be uniformity in scale of finance (SoF) for both crops and allied activities. Towards this objective state-wide SoF for crops should be prescribed separately for irrigated and unirrigated areas by the State Level Bankers’ Committee (SLBC). IBA in consultation with NABARD should fix a pan-India SoF for allied activities.

**5.10 Farmer Producers’ Organisations**

i. NABARD should design a financing model for credit requirements of FPOs/FPCs across the entire supply and value chain. Further, NABARD should promote women-oriented FPOs by identifying successful women SHGs.

ii. Bank loans to FPOs/FPCs undertaking farming with assured marketing of their produce at a pre-determined price, having at least 75 per cent SMF, should be eligible for PSL with a credit cap of ₹50 million.

iii. To widen the scope and reach of the guarantee fund currently available to FPCs through SFAC, GoI should augment its corpus and extend the facility to FPOs so that banks can lend without insisting on collateral.

**5.11 Priority Sector Lending Certificates**

The impact of PSLC-Agri and PSLC-SMF on lending to the agriculture sector at the ground level should be examined in detail.

**5.12 Regional Rural Banks**

As per the annual reports of RRBs, they are mainly sellers of PSLCs on account of overachievement of PSL targets. Although they have the incentive for overachievements, there is no disincentive in case of underachievement. Accordingly, RBI in consultation with NABARD, should examine whether RRBs should be made to contribute to RIDF in the event of PSL shortfall.

**5.13 Farm Loan Waivers**

GoI and state governments should undertake a holistic review of the agricultural policies and their implementation, as well as evaluate the effectiveness of current subsidy policies with regard to agri inputs and credit in a manner which will improve the overall viability of agriculture in a sustainable manner. In view of the above stated, loan waivers should be avoided.

**5.14 Database for Indian Agriculture sector**

At present there is no database of the Indian agriculture sector due to which the planning/ policy formulation lacks effectiveness and is difficult to monitor. GoI with the help of state governments should develop a centralised database capturing details related to crops cultivated, cropping pattern, output, sown/irrigated area, health of soil, natural calamity, etc. Besides, farmer-wise details like identity, land records, loan availed, subsidy given, insurance and details of crop cultivated, etc. should also be captured.

**5.15 Credit Guarantee Scheme for Agriculture sector**

In India there is no guarantee scheme available to banks to cover the default risk of the borrowers. GoI in partnership with state governments should set up a credit guarantee fund for the agriculture sector on the lines of credit guarantee schemes implemented in the MSME sector.

For more:

<https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=942#CII5>

**The High Level Group (HLEG) on Agricultural Exports**

The High Level Group (HLEG) on Agricultural Exports set up by the Fifteenth Finance Commission to recommend measurable performance incentives for States to encourage agricultural exports and to promote crops to enable high import substitution, has submitted its report to the Commission today.

After intensive research and consultations and taking inputs from stakeholders and the private sector through intensive consultations, the HLEG has made its recommendations, major among which are:

1. Focus on 22 crop value chains – demand driven approach.

2. Solve Value Chain Clusters (VCC) holistically with focus on value addition.

3. Create State led export plan with participation from stakeholders.

4. Private Sector should play an anchor role.

5. Centre should be an enabler.

6. Robust institutional mechanism to fund and support implementation.

The Group in its report has recommended a State-led Export Plan - a business plan for a crop value chain cluster, that will lay out the opportunity, initiatives and investment required to meet the desired value chain export aspiration. These plans will be action-oriented, time-bound and outcome-focused. The Group has also said that for the success of the State led Export Plan, the following factors needed to be considered:-

* Plans should be collaboratively prepared with private sector players and Commodity Boards.
* Leveraging of state plan guide and value chain deep dives.
* Private sector should play an anchor role in driving outcomes and execution.
* Centre should enable state-led plans.
* Institutional governance should be promoted across state and centre.
* Funding through convergence of existing schemes, Finance Commission allocation and private sector investment.

The Group was of the view that the private sector players had a pivotal role to play in ensuring demand orientation and focus on value addition; ensuring project plans are feasible, robust, implementable and appropriately funded; providing funds for technology based on business case and for creating urgency and discipline for project implementation.

The HLEG feels that-

* India’s agricultural export has the potential to grow from USD 40 billion to USD 70 billion in a few years.
* The estimated investment in agricultural export could be in the tune to USD 8-10 billion across inputs, infrastructure, processing and demand enablers.
* Additional exports is likely to create an estimated 7-10 million jobs.
* It will lead to higher farm productivity and farmer income.

The Members of the HLEG include Shri Sanjiv Puri, Chairman and Managing Director, ITC Chairman; Ms. Radha Singh, Former Agriculture Secretary; Shri Manoj Joshi, Representative of Ministry of Food Processing Industries; Shri Diwakar Nath Misra, Chairman and Shri Paban Kumar Borthakur, Former Chairman, APEDA; Shri Suresh Narayanan, CMD, Nestle India; Shri Jai Shroff, CEO, UPL Limited; Shri Sanjay Sacheti, Country Head India, Olam Agro India Ltd; Dr. Sachin Chaturvedi, Director General, Research and Information System for Developing Countries (RIS).

The Terms of Reference of the HLEG include:

* To assess export & import substitution opportunities for Indian agricultural products (commodities, semi-processed, and processed) in the changing international trade scenario and suggest ways to step up exports sustainably and reduce import dependence.
* To recommend strategies and measures to increase farm productivity, enable higher value addition, ensure waste reduction, strengthen logistics infrastructure etc. related to Indian agriculture, to improve the sector's global competitiveness.
* To identify the impediments for private sector investments along the agricultural value chain and 3 suggest policy measures and reforms that would help attract the required investments.
* To suggest appropriate performance-based incentives to the state governments for the period 2021-22 to 2025-26, to accelerate reforms in the agriculture sector as well as implement other policy measures in this regard.

The Commission appreciated the efforts of the Group and will now look into all the recommendations for finalising its own Report to the Government of India.

**Report of the Expert Committee to examine Three Tier Short Term Cooperative Credit Structure (ST CCS) (Prakash Bakshi)**

**Summary and Recommendations**

1. The Expert Committee was constituted by RBI to have a relook at the functioning of the short-term cooperative credit structure (ST CCS) from the point of view of the role played by ST CCS in providing agricultural credit, to identify central cooperative banks (CCBs) and state cooperative banks (StCBs) which may not remain sustainable, and to suggest appropriate mechanisms for consolidation or delayering of the ST CCS and make recommendations for action to be taken by various stakeholders. The analysis, conclusions drawn, and recommendations made by the Committee are indicated below.

2. The Committee noted that the share of ST CCS in providing agricultural credit has fallen to a mere 17% at the aggregate level although there are small pockets where its share is more than 50%. The Committee is of the opinion that ST CCS, which was primarily constituted for provision of agricultural credit must provide at least 15% of the agriculture credit requirements in its operational area, gradually increasing to at least 30%.

3. The Committee also noted that almost 40% of the loans provided by PACS and almost half the loans provided by CCBs are for non-agricultural purposes, although the share of many of these PACS and CCBs in agricultural credit was less than 30% in their operational area. The Committee noted with concern that these PACS and CCBs were not performing the role for which they were constituted. The Committee therefore recommends that CCB should strive to provide at least 70% of their loan portfolio for agriculture. The Committee also recommends that if a CCB or StCB consistently underperforms and provides less than 15% share of agricultural credit in the operational area, then that bank should be declared and treated as an urban co-operative bank. The Committee also noted that StCBs in the NER region as well as smaller states and union territories like Delhi, Goa, Chandigarh, etc. provide insignificant credit to agriculture and are catering to the requirements of only the urban population and may therefore be declared and treated as urban cooperative banks. Necessary amendments in the State Cooperative Societies Acts, Rules and byelaws of these banks may have to be carried out for this purpose.

4. As deposits made by members with PACS are not covered by DICGC, and not being part of the banking system PACS will not be in a position to issue kisan credit cards (KCC) transactable/working on ATMs and POS devices, it would be most appropriate for CCBs to provide these services directly by using PACS as their business correspondents (BCs). All the depositors and borrowers of PACS therefore would become normal shareholding members of the CCB with voting rights for all 'active' members. Definition of active members with reference to deposits and loans may be provided by RBI or an agency authorised by it. Necessary amendments in the State Cooperative Societies Act, Rules and bye-laws will be necessary in each state.

5. Almost two thirds of the deposits with StCBs are deposits made by CCBs in the form of term deposits for maintenance of their SLR and CRR requirements. However, StCBs lend far higher amounts to the same CCBs and also invest in loans which had generally resulted in higher NPAs, thus actually putting the SLR and CRR deposits made by CCBs to risk. While StCBs should definitely try to diversify their lending portfolio, ways to keep these investments safe need to be found. The Committee recommends that StCBs (and CCBs) may as a possible measure, be given a higher share in the food consortium credit.

6. To the extent StCBs are able to mobilise deposits from individuals, cooperatives other than CCBs and other entities, and also function as aggregators of refinance requirements on part of CCBs, they would continue to conduct the important function of providing liquidity support to affiliated CCBs, although technically each CCB can receive such liquidity support directly from any other bank or financial institution also.

7. Division of a state into two or more independent states should not be a compelling reason for the division of a well-functioning StCB and the possibility of converting such StCB into a multistate federal cooperative bank must be explored. Necessary amendments in the Multistate Cooperative Societies Act, BR Act, and NABARD Act would have to be carried out for this purpose.

8. About 238 CCBs already have a CRAR of 7% or more, and 2/3 of them would be able to meet additional capital requirements and sustain CRAR of at least 7% by 2014-15 and of 9% by 2016-17. However, a large number of CCBs and some StCBs do not have adequate capital to meet even the relaxed licensing norm of 4% CRAR. The Committee recommends that 31 March 2013 may be set as the deadline for these banks to mobilise the required capital either internally or from any other external source so as to achieve 4% CRAR failing which RBI should take the necessary regulatory action.

9. To assess the additional capital requirements, the Committee used four scenarios: Model 1 with fixed growth rates for different parameters, Model 2 with continued past trend, and Models 3 and 4 with accelerated growth for different parameters.

10. The Committee estimated that 209 CCBs of the 370 CCBs will have to mobilise, as an aggregate, Rs. 4,024 crore by 2014-15 and Rs. 6,498 crore by 2016-17 to achieve CRAR of 7% and 9% respectively. Bank-wise, these amounts range from as low as Rs. 1.84 lakh to Rs. 282 crore. The Committee has estimated that about 151 CCBs should be able to mobilise the required capital from their members1 by asking the members to contribute amounts ranging from Rs. 2 to Rs. 4000 over a period of 4 years.

11. The Committee also recommends the following to help CCBs augment their capital.

a. CCBs may be permitted by RBI to issue fixed interest bearing deposits of 10 years or more with a lock-in period of five years for its members and to treat such deposits as tier 1 capital. These deposits could be converted into regular shares after the CCB achieves the required CRAR.

b. CCBs may be permitted to issue perpetual bonds or debt instruments to be contributed by states, individuals and other entities, and the same to be treated as tier 1 capital.

c. Share capital deposits with PACS created through releases of GoI and the state shares may be transferred to the concerned CCBs if not eroded due to the losses.

d. CCBs may increase the percentage of share linking for all the loans provided by them

e. RBI may permit tier 2 capital to be treated as tier 1 capital to an extent of 150% of tier 1 capital fund for a period of five years.

12. The Committee has also estimated that about 58 CCBs would generally not be able to mobilise the required capital, or their business sizes are so small that they would not be sustainable in the long run and would have to be therefore consolidated with other CCB(s). The Committee has worked out illustrative examples of such possible consolidations and recommends that a working group may be constituted in each state for working out details of such possible consolidations in dialogue with the concerned stakeholders and preparing an action plan. The Committee recommends that broad parameters for attempting such consolidations should be a minimum business level Rs 200 crore for the consolidated CCB and achieving CRAR of 7% by 2014-15 and 9% by 2016-17 with a concrete action plan for contributing any additional capital that may be required. Contiguity of operational area may be given preference.

13. Most of the CCBs and StCBs will also have to take concrete steps to improve their internal systems, human resources, and technology adoption. The Committee has also recommended various steps for improving the governance and management in StCBs and CCBs on the lines of recommendations of the Vaidyanathan Task Force.

14. An autonomous cooperative election authority may conduct elections for StCBs and CCBs and amendments may be made in the Cooperative Societies Act of each state ensuring that any director on the Board of these banks removed or superseded by RBI for any financial irregularity or if the bank incurs losses in any three years during their term of five years may be barred from contesting elections to any CCB or StCB for a period of five years.

15. BR Act may be amended to give direct and overriding authority to RBI over any other law for superseding the Board or removing any director on the board of StCB or CCB and to prescribe the number of professionals, each from a different specialisation, to be elected, or co-opted within three months of the election, on the board of StCB or CCB.

16. The panel of statutory auditors for StCB or CCB, being a banking entity, to be prescribed by RBI or an agency authorised by RBI although the recent Constitutional amendment requires the state government to prescribe the same.

17. RBI to modify banking licence of any CCB to include additional operational area from which a PACS could work as BC of a CCB.

18. State Cooperative Societies Acts to be amended so as to provide the authority to StCBs and CCBs in taking business decisions such as percentage of share linkage, making investments, paying dividends etc within the directions and guidelines prescribed by RBI.

19. 30 September 2013 to be set as deadline for all StCBs and CCBs to be fully operational on CBS and providing RTGS, NEFT, ATM and POS device based services.

20. StCBs and CCBs to be fully included in the financial inclusion and EBT drive. Deposits of governments and government agencies to be also made in StCBs and CCBs which have achieved 7% CRAR and are on CBS.

21. CCBs and StCBs to be covered by the banking Ombudsman or a similar mechanism that may be developed by RBI with NABARD.

22. A working group to be set up to make recommendations on the human resources requirements following the transition of StCBs and CCBs on CBS and other ICT platforms.

23. GoI may consider giving income tax exemption to StCBs and CCBs up to 2016-17 for incentivizing them to achieve 9% CRAR.

24. RBI may consider graded CRAR norms for CCBs and StCBs of different business sizes.

25. An independent organisation may be set up by CCBs and StCB in each state for providing support services.

**Panchayati Raj system – Overview, Principles and Objectives**

Rural development is one of the main objectives of Panchayati Raj and this has been established in all states of India except Nagaland, Meghalaya and Mizoram, in all Union Territories except Delhi and certain other areas. These areas include:

1. The scheduled areas and the tribal areas in the states
2. The hill area of Manipur for which a district council exists and
3. Darjeeling district of West Bengal for which Darjeeling Gorkha Hill Council exists

The 73rd Constitutional Amendment Act of 1992 added Part IX to the Constitution, “The Panchayats” and also added the Eleventh Schedule which consists of the 29 functional items of the panchayats. Part IX of the Constitution contains Article 243 to Article 243 O.

With the Act, Panchayati Raj systems come under the purview of the justiciable part of the Constitution and mandates states to adopt the system. Further, the election process in the Panchayati Raj institutions will be held independent of the state government’s will.

The Act has two parts: compulsory and voluntary. Compulsory provisions must be added to state laws, which include the creation of the new Panchayati Raj systems. Voluntary provisions, on the other hand, are the discretion of the state government.

**Salient Features of the Act**

1. Gram Sabha: Gram Sabha is the primary body of the Panchayati Raj system. It is a village assembly consisting of all the registered voters within the area of the panchayat. It will exercise powers and perform such functions as determined by the state legislature. Candidates can refer to the functions of gram panchayat and gram panchayat work, on the government official website – https://grammanchitra.gov.in/.
2. Three-tier system: The Act provides for the establishment of the three-tier system of Panchayati Raj in the states (village, intermediate and district level). States with a population of less than 20 lakhs may not constitute the intermediate level.
3. Election of members and chairperson: The members to all the levels of the Panchayati Raj are elected directly and the chairpersons to the intermediate and the district level are elected indirectly from the elected members and at the village level the Chairperson is elected as determined by the state government.
4. Reservation of seats:
	* For SC and ST: Reservation to be provided at all the three tiers in accordance with their population percentage.
	* For women: Not less than one-third of the total number of seats to be reserved for women, further not less than one-third of the total number of offices for chairperson at all levels of the panchayat to be reserved for women.
	* The state legislatures are also given the provision to decide on the reservation of seats in any level of panchayat or office of chairperson in favour of backward classes.
5. Duration of Panchayat: The Act provides for a five-year term of office to all the levels of the panchayat. However, the panchayat can be dissolved before the completion of its term. But fresh elections to constitute the new panchayat shall be completed –
	* Before the expiry of its five-year duration.
	* In case of dissolution, before the expiry of a period of six months from the date of its dissolution.
6. Disqualification: A person shall be disqualified for being chosen as or for being a member of panchayat if he is so disqualified –
	* Under any law for the time being in force for the purpose of elections to the legislature of the state concerned.
	* Under any law made by the state legislature. However, no person shall be disqualified on the ground that he is less than 25 years of age if he has attained the age of 21 years.
	* Further, all questions relating to disqualification shall be referred to an authority determined by the state legislatures.
7. State election commission:
	* The commission is responsible for superintendence, direction and control of the preparation of electoral rolls and conducting elections for the panchayat.
	* The state legislature may make provisions with respect to all matters relating to elections to the panchayats.
8. Powers and Functions: The state legislature may endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government. Such a scheme may contain provisions related to Gram Panchayat work with respect to:
	* The preparation of plans for economic development and social justice.
	* The implementation of schemes for economic development and social justice as may be entrusted to them, including those in relation to the 29 matters listed in the Eleventh Schedule.
9. Finances: The state legislature may –
	* Authorize a panchayat to levy, collect and appropriate taxes, duties, tolls and fees.
	* Assign to a panchayat taxes, duties, tolls and fees levied and collected by the state government.
	* Provide for making grants-in-aid to the panchayats from the consolidated fund of the state.
	* Provide for the constitution of funds for crediting all money of the panchayats.
10. Finance Commission: The state finance commission reviews the financial position of the panchayats and provides recommendations for the necessary steps to be taken to supplement resources to the panchayat.
11. Audit of Accounts: State legislature may make provisions for the maintenance and audit of panchayat accounts.
12. Application to Union Territories: The President may direct the provisions of the Act to be applied on any union territory subject to exceptions and modifications he specifies.
13. Continuance of existing law: All the state laws relating to panchayats shall continue to be in force until the expiry of one year from the commencement of this Act. In other words, the states have to adopt the new Panchayati raj system based on this Act within the maximum period of one year from 24 April 1993, which was the date of the commencement of this Act. However, all the Panchayats existing immediately before the commencement of the Act shall continue till the expiry of their term, unless dissolved by the state legislature sooner.
14. Bar to interference by courts: The Act bars the courts from interfering in the electoral matters of panchayats. It declares that the validity of any law relating to the delimitation of constituencies or the allotment of seats to such constituencies cannot be questioned in any court. It further lays down that no election to any panchayat is to be questioned except by an election petition presented to such authority and in such manner as provided by the state legislature.

**The Provisions of the Panchayats (Extension to the Scheduled Areas) Act, 1996 No.40 of 1996 (24th December, 1996)**

An Act to provide for the extension of the provisions of Part IX of the Constitution relating to the Panchayats to the Scheduled Areas. Be it enacted by Parliament in the Forty-seventh Year of the Republic of India as follows:-

**Short title**

1. This Act may be called the Provisions of the Panchayats (Extension to the Scheduled Areas) Act, 1996 Definition

2. In this Act, unless the context otherwise requires, “Scheduled Areas” means the Scheduled Areas as referred to in Clause (1) of Article 244 of the Constitution. Extension of part IX of The Constitution

3. The provision of Part IX of the Constitution relating to Panchayats are hereby extended to the Scheduled Areas subject to such exceptions and modifications as are provided in section 4. Exceptions and modifications to part IX of The Constitution

4. Notwithstanding anything contained under Part IX of the Constitution, the Legislature of a State shall not make any law under that Part which is inconsistent with any of the following features, namely:-

(a) a State legislation on the Panchayats that may be made shall be in consonance with the customary law, social and religious practices and traditional management practices of community resources;

(b) a village shall ordinarily consist of a habitation or a group of habitations or a hamlet or a group of hamlets comprising a community and managing its affairs in accordance with traditions and customs;

(c) every village shall have a Gram Sabha consisting of persons whose names are included in the electoral rolls for the Panchayat at the village level;

(d) every Gram Sabha shall be competent to safeguard and preserve the traditions and customs of the people, their cultural identity, community resources and the customary mode of dispute resolution;

(e) every Gram Sabha shall-

i. approve of the plans, programmes and projects for social and economic development before such plans, programmes and projects are taken up for implementation by the Panchayat at the village level;

ii. be responsible for the identification or selection of persons as beneficiaries under the poverty alleviation and other programmes;

(f) every Panchayat at the village level shall be required to obtain from the Gram Sabha a certification of utilisation of funds by that Panchayat for the plans, programmes and projects referred to in clause(e);

(g) the reservation of seats in the Scheduled Areas at every Panchayat shall be in proportion to the population of the communities in that Panchayat for whom reservation is sought to be given under Part IX of the Constitution; Provided that the reservation for the Scheduled Tribes shall not be less than one-half of the total number of seats; Provided further that all seats of Chairpersons of Panchayats at all levels shall be reserved for the Scheduled Tribes;

(h) the State Government may nominate persons belonging to such Scheduled Tribes as have no representation in the Panchayat at the intermediate level or the Panchayat at the district level: Provided that such nomination shall not exceed one-tenth of the total members to be elected in that Panchayat;

(i) the Gram Sabha or the Panchayats at the appropriate level shall be consulted before making the acquisition of land in the Scheduled Areas for development projects and before re-setling or rehabilitating persons affected by such projects in the Scheduled Areas; the actual planning and implementation of the projects in the Scheduled Areas shall be coordinated at the State level;

(j) planning and management of minor water bodies in the Scheduled Areas shall be entrusted to Panchayats at the appropriate level;

(k) the recommendations of the Gram Sabha or the Panchayats at the appropriate level shall be made mandatory prior to grant of prospecting licence or mining lease for minor minerals in the Scheduled Areas;

(l) the prior recommendation of the Gram Sabha or the Panchayats at the appropriate level shall be made mandatory for grant of concession for the exploitation of minor minerals by auction;

(m) while endowing Panchayats in the Scheduled Areas with such powers and authority as may be necessary to enable them to function as institutions of self-government, a State Legislature shall ensure that the Panchayats at the appropriate level and the Gram Sabha are endowed specifically with-

(i) the power to enforce prohibition or to regulate or restrict the sale and consumption of any intoxicant;

(ii) the ownership of minor forest produce;

(iii) the power to prevent alienation of land in the Scheduled Areas and to take appropriate action to restore any unlawfully alienated land of a Scheduled Tribe;

(iv) the power to manage village markets by whatever name called;

(v) the power to exercise control over money lending to the Scheduled Tribes;

(vi) thepower to exercise control over institutions and functionaries in all social sectors;

(vii) the power to control over local plans and resources for such plans including tribal sub-plans;

(n) the State Legislations that may endow Panchayats with powers and authority as may be necessary to enable them to function as institutions of self-government shall contain safeguards to ensure that Panchayats at the higher level do not assume the powers and authority of any Panchayat at the lower level or of the Gram Sabha;

(o) the State Legislature shall endeavour to follow the pattern of the Sixth Schedule to the Constitution while designing the administrative arrangements in the Panchayats at district levels in the Scheduled Areas. Continuance of existing laws on panchayats:

5. Notwithstanding anything in Part IX of the Constitution with exceptions and modifications made by this Act, any provision of any law relating to Panchayats in force in the Scheduled Areas, immediately before the date on which this Act receives the assent of the President, which is inconsistent with the provisions of Part IX with such exceptions and modifications shall continue to be in force until amended or repealed by a competent Legislature or other competent authority or until the expiration of one year from the date on which this Act receives the assent of the President;

Provided that all the Panchayats existing immediately before such date shall continue till the expiration of their duration unless sooner dissolved by a resolution passed to that effect by the Legislative Assembly of that State or, in the case of a State having Legislative Council, by each House of the Legislature of that State.

K.L. MOHANPURIA,

Secy. To the Govt. of India