

*Around 6 billion rural people in the world live in poverty and the vast majority is involved in farming. In developing countries, 75 percent of poor people live in rural areas - 2.1 billion living on less than \$2 a day, 900 million on less than \$1 a day - and most of them depend on agriculture for their livelihoods. Therefore, promoting agriculture is imperative for reducing rural poverty, one of humanity's great challenges.*



# Uplifting Rural Poor :

## A Case of Punjab National Bank

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### Financial Inclusion

In December 2005, PNB has introduced the 'Family Linkage Banking Programme' (FLBP) in all the 57 Lead Districts. The bank has adopted four districts in State of Punjab and Haryana for total financial inclusion, where the bank has the SLBC responsibilities. The FLBP cover one village each by all the branches of the lead districts. Meetings/ seminars/ goshies highlighting the performance of the bank in rural sector and various deposit and credit schemes of the bank are being organized to create awareness among the villagers about the programme.

The bank has identified 3,012 villages for this programme. The number of families identified for linkage is 6, 47, 000. The bank has already linked around 3, 70,000 families. 100% linkage has been reported in 1730 villages. Enthused by the RBI directives, PNB being SLBC convener in two States - Haryana and Punjab- has given greater drive to financial inclusion in these States.

Under the 100% financial inclusion initiative, five districts in Haryana have already been covered. Eleven more districts are proposed to be covered by December 31, 2007 and the remaining districts by March 31, 2008. In

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Punjab, two districts have already been covered and six more districts are proposed to be covered by September 30, 2007 and the remaining districts shall be covered by March 31, 2008. In the State of Himachal Pradesh, where PNB are not the SLBC Convener, but having lead bank responsibilities of 6 districts, 100% financial inclusion have been achieved in the whole state by January 2007.

The bank has introduced (i) 'No Frills' accounts, namely 'PNB Mitra Savings A/C' with zero/nominal balance and (ii) 'General Credit Card' scheme for providing loans upto Rs 25000/- per borrower for fulfillment of consumption requirements. Till June 2007, the bank has opened more than 2.5 lakh No Frills accounts and around 21,500 General Credit Cards. In North Eastern States, overdraft facility has also been provided in 4,764 No-Frills Accounts with outstanding of Rs 23.64 lakh. The facility of overdraft has now been extended on pan India basis.

## Financial Literacy

The bank has organised loan melas/farmers' meet/kisan goshties/workshops /puppet shows/rural libraries to make the farmers aware about the steps initiated by the bank and facilities being offered, particularly the small and marginal ones, who are still in the grip of money lenders. Pamphlets for agriculture credit schemes are got printed in Hindi, English and vernacular languages and distributed among farmers. From April, 2004, cumulatively 16,716 goshties were conducted in which 8,59,580 farmers/villagers have participated.

As per RBI directives, the bank has opened Financial Literacy cum Credit Counselling Centres in Gurdaspur district in Punjab and Yamuna Nagar district in Haryana. Financial education is being provided to the rural and urban poor to manage their money and to avail financial support for their betterment.

## PNB's "Innovative" Actions for Farmers

### *Formation of "PNB Farmers Welfare Trust"*

In the year year 2000, the bank started a pioneer missionary project 'PNB Farmers' Welfare Trust', totally committed to the development and progress of the farming sector and rural population, without any commercial motive. Under the aegis of the trust, the training is imparted FREE OF COST by the PNB Farmers' Training Centres (FTCs).

Till March 2007, the following eight FTCs have been established in different States, in about eight acres of land, given free of cost, by the respective State Governments.

- FTC Sacha Khera, District Jind, Haryana;

- FTC Vidisha, district Vidisha, Madhya Pradesh;
- FTC Neemrana, district Alwar, Rajasthan;
- FTC Shamshernagar (Sirhind), district Fatehgarh Sahib, Punjab;
- FTC Saifai, district Etawah, Uttar Pradesh;
- FTC Labhandi, district Raipur, Chhattisgarh;
- FTC Mehraj, district Bathinda, Punjab;
- FTCs at Pillaiyarpatti, Tamil Nadu.

Besides, the Trust has started a training centre in association with State Institute of Rural Development (SIRD), Govt of Assam (w.e.f 15th May 2007). The training programmes are being organised at field level or in the campus of the Institute of Development of Entrepreneurs in Assam (IDEA), Kahikuchi.

### The Services provided by FTCs are :

- educating the farmers about the bank's various deposits & credit schemes;
- helping the farmers in adoption of modern agriculture technologies;
- helping farmers in enhancing productivity by making judicious use of inputs like water, fertilizer, insecticides, etc;
- training the farmers for diversification of crops. For this demonstration, plots on various crops, including medicinal, aromatic, fruits, flowers, vegetables, bio-diesel, etc. have been developed;
- Long duration training to rural youth in computer, so that they can get gainful employment. The bank has tied up with Rajeev Gandhi Computer Saksharta Mission for computer training;
- long duration training to ladies in sewing/cutting, so that they can get gainful employment;

- ⦿ conservation of solar energy, water resources, production of organic manure;
- ⦿ maintenance and repairing of tractors and other farm equipments; Improvement of animal health and human health by arranging check up camps in different villages;
- ⦿ visits of farmers to different Agriculture Universities/ Colleges/Govt.Farms/ Progressive Farmers' farms, etc;
- ⦿ demonstration plots at farmers' fields are being developed;
- ⦿ preparation of home made articles like achar, papad, etc. for ladies through NGOs;
- ⦿ helping the farmers in getting finance from banks either directly or through formation of Self Help Groups (SHGs);
- ⦿ publishing monthly news letter giving detail of forthcoming training programmes.



**FTCs** provide the above mentioned facilities to all farmers of the neighbouring districts, irrespective of the fact that whether they have taken any loan from any financial institution or not or whether they are customers of PNB or any other bank or not. As on 31st March 2007, PNB's FTCs conducted 3,272 programmes and provided training to more than 87,000 persons. Besides, on location training is provided to more than 28,000 persons through 862 programmes. Besides, these FTCs arrange for (i) animal health check up camps; (ii) human health check up camps and (iii) farmers' visits to agri fairs/colleges, etc.



**Mobile FTC :** At the FTC Sacha Khera in Haryana, one Mobile van FTC (w.e.f November 12, 2006) has (i) soil & water testing equipments, (ii) infrastructure & multi media LCD projector with screen, (iii) a laptop, (iv) public address system, (iv) Jatropha Oil Processing Demo Plant and (v) a generator set. The idea behind launching this van is to reach out to the farmers rather than farmers coming to us. It will serve as a mobile agri clinic besides serving as information kiosk for all agriculture related activities and institutional credit to farmers.



**Kisan Mitra Scheme :** With the objective of financial inclusion of the common masses, the Trust has introduced 'Kisan Mitra' Scheme at FTC Sacha Khera (December 2006). Each of the four Kisan Mitras has been allotted 10 villages for helping the farmers in formation of Kisan clubs, Self Help Groups and motivating them to undertake vermi compost units, orchard farming, attending training, opening of accounts in the bank, etc. Each Kisan Mitra visits the allotted villages for extension work and financial inclusion. So far, they have brought 41 villages under 100% financial inclusion. The Trust is in the process of starting of a new scheme "Kisan Bandhu" especially for the purpose of financial inclusion at all FTCs.

**Village Adoption Scheme** : Each FTC has adopted one village for developing it as a 'model village' at a cost of Rs 5 lakh. The activities like establishment of village library (including color TV, book shelf, SFF items, etc.), water coolers and other electrical items for Government schools, adult literacy centre, solar lights, homeopathic clinics, sports materials, etc., have been undertaken under this Village Adoption Programme. The Trust has decided to start training, in collaboration with State Institute of Rural Development (SIRD), Assam for the economic empowerment of rural youth & women in North Eastern States.

### Micro Credit

In order to tap the vast potential available in micro finance sector, the bank has played a pro-active role in formation and credit linkage of Self Help Groups (SHG). Emphasis is being laid on training of field functionaries in formation and linkage of SHGs, directly or through intermediaries such as NGOs, Govt agencies, etc. As at the end of August 2007, the bank had credit linked more than 1 lakh SHGs with a disbursement of Rs 531 crore.

#### PNB's Credit Linked SHGs (As at the end of)

	March 2005	March 2006	March 2007	August 2007
No. of SHGs*	41,060	71,254	100,650	105,953
Amt Disbursed (Rs Cr)	208	341	490	531

\* Cumulative

The bank has entered into a tie up arrangement with Ambuja Cements, a leading corporate, to set up Rural Development & Self Employment Training Institute (RUDSETI) in Himachal Pradesh for imparting skill development training and for conducting entrepreneurship development programmes. The bank has also contributed Rs 22.75 lakh towards share in the corpus formed for providing financial assistance towards creation of infrastructure for the RUDSETI being run by J&K Govt.

### Conclusion

Provision of financial services to rural communities especially the poor communities has traditionally focused exclusively on extending credit. Need for providing effective training facilities, financial advice and insurance, especially against the failure of activity was largely ignored.



The need for such facilities takes precedence over the need for credit because it improves clients' ability to smooth consumption with their own resources without carrying the burden of debt during income downswings. However, the only difference is that structure or nature of products required or delivery mechanisms may differ in rural areas.

PNB believes that the poor are more bankable; the poor are more creditworthy. Poor people will give more margins. All over the world, large ticket, commercial lending is more loss making. It is so in London, in Mumbai and in New Delhi. The bank plans to first cover districts with high poverty level, poor infrastructure, poor social indicators and low banking coverage. The aim of the bank is to open 1 million No Frill Accounts by March 2008; cover 30,000 villages & 15 million people under financial inclusion by March 2010 and introduce new products such as Health Insurance, Micro Insurance, and Pension, etc by next year. And this is where technology will come into play at PNB. Besides, the bank envisages the role of BCs/BFs for this purpose. We hope that over a period of time, PNB's customers under financial inclusion plan will start prospering making the bank beneficiary of their prosperity. ■