

రాష్ట్ర స్థాయి బ్యాంకర్ల సమితి, ఆంధ్రప్రదేశ్  
राज्य स्तरीय बैंकर समिति, आन्ध्र प्रदेश  
STATE LEVEL BANKERS' COMMITTEE, ANDHRA PRADESH

ఆంధ్రప్రదేశ్ బ్యాంక్ ఆంధ్రా బ్యాంక్ ANDHRA BANK  
వెబ్సైట్: andhrabank.com, దిర్ఘ చిత్రాలు, ఆంధ్రప్రదేశ్ రిజర్వ్  
25 వంతెన, లక్ష్మీ నగర్ అపార్టుమెంట్, విజయవాడ - 520 001  
సంపాదక: ఆంధ్రా బ్యాంక్, కార్యకర్త కార్యాలయం, ఆంధ్రా బ్యాంక్ బిల్డింగ్  
2 మంజిల్, ఆర్ ఆర్ అప్పారావు రోడ్, విజయవాడ - 520 001  
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Lr. No. 2716/30/245/464

date: 26.12.2018

**The Controlling Authorities of all Banks and LDMS of AP**

Dear Sir,

Reg: **SERP, GoAP-Andhra Pradesh Rural Inclusive Growth Project (APRIGP) - Promotion of Farmer Producer Groups (FPGs) - Extending Bank Linkages and Access to Credit.**

Ref: SLBC letter No.2716/30/245/415 dated 28.11.2018

SERP is implementing the World Bank funded project, APRIGP, to promote livelihoods of small and marginal farmers and have mobilized farmers and formed Farmer Producer Groups (FPGs) and Farmer Producer Organizations (FPOs).

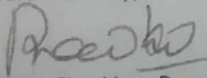
Banks have been requested to open SB accounts of FPGs formed in 161 Mandals of the state and extend credit linkage to FPGs.

The suggested guidelines for Bank linkage to the FPGs are placed as agenda item in 203<sup>rd</sup> SLBC meeting held on 13.07.2018 and this aspect has also been discussed in the Sub Committee meeting held on 03.08.2018.

Now, SERP Vide Letter No.SERP/102/LHF/AGRI/2016 dt. 18.12.2018 (Copy enclosed) furnishes clarifications on issues raised in the Sub Committee meeting held on 03.08.2018. SERP has also communicated "Precise guidelines" on promotion of FPGs and extending Bank linkage.

We request you to initiate action in this regard and advise the branches concerned to extend sanction of credit limits to all the eligible FPGs.

Yours faithfully,

  
(K S D Siva Vara Prasad)  
Circle General Manager & Convener, SLBC of AP



CC: The CEO, SERP, GoAP, 2<sup>nd</sup> Floor, Dr. NTR Administrative Block, Pandit Nehru RTC Bus Complex, Vijayawada 520001

## Guidelines for FPG Bank Linkages

**1.0 Main Objective of APRIGP:** The objective of the APRIGP is to enable selected poor households to enhance agricultural incomes and secure increased access to human development services and social entitlements

**2.0 APRIGP – Rural Value Chains:** Andhra Pradesh Rural Inclusive Growth Project is being implemented in 161 most backwards Mandals of Andhra Pradesh by Society for Elimination of Poverty (SERP) with the assistance of World Bank. It will be reaching out to 2.50 Lakh rural households who are small and marginal farmers and tenant farmers and are poorest of the poor. They can be both women and men but must be having agriculture as primary livelihoods.

**3.0 Importance of Value Chain Development and its primary objective:** In APRIGP one of the most important project components is improving the value chain of selected commodities of agriculture, livestock and fisheries sectors. By improving the value chain of the shortlisted commodities the stated objective of 50% incremental income has to be achieved that includes 70% of POP households.

### **4.0 Key activities - APRIGP – Rural Value Chains**

- 4.1 Mobilizing small and marginal farmers into Farmers Producer Groups (FPGs) alongside their key crops/commodities, commodities that include live stock and fisheries.
- 4.2 Adoption of improved best technologies towards productivity enhancement.
- 4.3 Linking to markets to these FPGs for better realization
- 4.4 Collective input procurement towards cost reduction and linkage the quality produce.
- 4.5 Convergence with government, private, corporate and research based organizations for improved seed, plants, live stock and other related services.
- 4.6 At micro level building quality infrastructure facilities for value addition on enterprise mode like organic input shops, custom hiring services or ware housing services.
- 4.7 To link the primary producers with financial services by converging with banks, NABARD and other financial institutions.
- 4.8 To leverage technical resources of organizations that has in depth experience in value addition.
- 4.9 To bring ICT to the last mile primary producer for efficient knowledge sharing and market intelligence.

### **5.0 What is FPG?**

- 5.1 FPG is an informal group formed with 15 to 20 contiguous farm holding members based on the selected commodity at Mandal level in the SHG spirit
- 5.2 The FPG is coterminous with a village or Panchyats

- 5.3 The binding factor for the members of FPG is the common interest in a commodity is its better production practices, value addition or marketing.
- 5.4 The households may be both men and women headed, belonging to the Poorest of Poor (POP) and most backward communities.
- 5.5 The group shall regularly meet once in a month
- 5.6 Maintain simple books like Minutes Book, Cash book and ledger
- 5.7 It is mandated to open Bank Account in the nearest Bank Branch in the name of the FPG with two of its leaders as signatories to the Account
- 5.8 The group need not be registered
- 5.9 Should follow the principles of Panchasutra: a) Regular meetings b) continuous savings c) maintenance of books d) internal lending e) prompt repayment

## **6.0 Basic minimum qualifications to join as members in FPG**

- 6.1 Primary Producers of same crop/commodity whether small and marginal farmers or tenants; either male or female can join means active farmer.
- 6.2 They should be in contiguous landholders or habitation.
- 6.3 They should agree to patronage the FPG and FPO to be formed out of FPGs by supply of their committed commodities for processing or marketing, buying of agriculture in puts, purchase of minimum prescribed shares and to do minimum prescribed savings.
- 6.4 They should agree to participate in the periodical meetings of the FPG Trainings and actively participate in its activities
- 6.5 There should not be more than 1 member from the same family as far as possible

## **7.0 FPG functions:** the following are the simple rules for FPG to function.

- 7.1 Common agreement on when to met
- 7.2 Decision on time and place of meetings
- 7.3 Agreed penalties for non-attendance
- 7.4 Agreement on amount of savings: The amount may be small, but savings have to be a regular and continuous habit with all the members
- 7.5 Giving small loans to each other (internal lending): The savings to be used as loans for members. The purpose, amount, rate of interest etc to be decided by the group itself.
- 7.6 Taking loan from banks, repayment habits

## **8.0 Roles and Responsibilities of the FPG Leaders:** Leaders of the FPG are elected by the FPG members for a term of 1 year. The FPG should be encouraged leadership rotation giving opportunity to other members of the FPG to be leaders on rotation basis.

- 8.1 To conduct regular meetings of the FPG as per scheduled dates/time/place.
- 8.2 To operate Bank account in the name of the FPG and inform the FPG about the Bank transactions of the month in every monthly meeting

- 8.3 To represent the FPG as secondary share holder or constituency of the FPO looking after the interests of its primary members through mobilization of share capital, savings and patronage from individual members of the FPG.
- 8.4 To effectively patronage the services of FPO as stipulated by the Board of FPO from time to time and such patronage should be atleast minimum prescribed as per bye laws and business rules of the Organization.
- 8.5 To leverage the loan and grant support available exclusively for FPGs under Agriculture and Horticulture Mission either directly or through their FPO channel.
- 8.6 To proactively participate in the various committees formed by FPOs like marketing committee, custom hiring committee etc.,
- 8.7 To develop micro plans on bottom up approach starting from primary household to FPG level.

## 9.0 Potential Convergence Opportunities at FPG level :

- 9.1 **Financial:** Local Banks can recognise the FPG and extend group based loan facility.
- 9.2 **Technical:** The FPG can establish technical partnership with local research stations, Agri & allied departments or agri business company for certain agri-related activity like seed production, input marketing, local aggregation for marketing or technical job work in agriculture through the FPO
- 9.3 **Market:** The FPG can get into marketing partnerships with aggregation of the raw commodity for processing, value addition and marketing either as constituent of the FPO or by itself with the knowledge of its FPO

## 10.0 Importance of book keeping in FPG

- 10.1 Accurate and Update Books denote transparency and credibility to the FPG
- 10.2 Books provide accurate and update information to the FPO to formulate its business plans
- 10.3 Books help avoid conflicts amongst members
- 10.4 Accurate and Update Books can strengthen the case of FPG to leverage loans from Banks
- 10.5 Book keeping is vital requirement for the FPG to do enterprise promotion or custom hiring at FPG level
- 10.6 Books at FPG should be simple and should be possible to be written by the FPG members. Suggested Books to be maintained at FPG Level are a) meeting minutes book b) cash book c) Ledger book

### FPG Bank Linkage

**11.0 Opening of savings Bank account :** Soon after FPG is formed and one or two meetings held where the savings are collected, a savings bank account can be opened in the name of FPG after obtaining from the following documents from the group

- 11.1 The group has to pass a resolution in the group meeting, signed by all members, indicating their decision to open Savings bank account with the bank.
- 11.2 The group should authorise at least two members to jointly operate upon their account.
- 11.3 KYC verification of all the members of group shall not be required while opening the savings bank account of the FPG as KYC verification of all the office bearers shall suffice. No separate KYC verification of the members or office bearers shall be necessary at the time of credit linking of SHGs.
- 11.4 A savings bank account pass book should be issued to the group in the name of FPG and not in the name of any individual/s.

**12.0 Eligibility criterion to avail bank finance :**

- 12.1 The FPG should open Bank account in the name of FPG and operate the account regularly
- 12.2 The FPG should have prescribed books of accounts and they should be update
- 12.3 The FPG should be meeting regularly at least once in a month and should be active in its functions. FPGs are mandated monthly savings minimum of Rs.50-Rs.100/- based on the group decision. But it is intended to save monthly.
- 12.4 The FPG should have been functioning for minimum 6 months actively pursuing its collective efforts in agri value chain.
- 12.5 The FPG should follow Panchasutras of availing bank finance.

**13.0 Assessment of FPG:** The checklist given below will help to assess each FPG in a simple and effective manner.

**Check list to assess the performance of Farmer Producer Group**

SI No.	Factor	Very Good (5 marks)	Good (4marks)	Unsatisfactory (3 marks)
1.	Group size	More than 12 members	10-12 members	Less than 10
2.	Commodity specific	Limited to commodity specific	Limited up to two commodities	Mixed commodities
3.	Number of meetings	One meeting in a month	Bimonthly meeting	No meetings
4.	Attendance of the members	More than 90%	70 to 90%	Less than 70%
5.	Participation of members	Very high level participation	Medium level participation	Low level participation
6.	Amount to be saved	Fixed amount	Varying amount by less than	Varying amount by more than 50% of

			50% of the members	the members
7.	Accumulated savings	More than Rs.5,000/-	Rs.3,000 to Rs.5,000/-	Less than Rs.3,000/-
8.	Interest on internal lending	Depending upon the purpose	12-24%	More than 24%
9.	Utilisation of savings	Fully utilised for internal lending	Partly utilised	Poor utilisation
10.	Loan recovery in lending	More than 90%	70 to 89%	Less than 70%
11.	Book keeping	Regularly maintained and updated	Most important books are updated	Irregular in maintaining and updating books
12.	Knowledge of rules and regulations of FPG	Known to all	50% members are known	Not known to all

Rating scale ranges between 60 to 36. Marks obtained 48 and above can get loans immediately. Marks obtained between 42 to 47- needs 1 to 3 months to improve. Marks obtained below 41 will not be considered for loan.

#### 14.0 Sanction of credit facility to the FPG

- 14.1 FPGs may be sanctioned savings linked loans by banks up to 1:4. However, in case of matured FPGs, loans may be given beyond the limit of four times the savings as per the discretion of the bank.
- 14.2 Savings of the group constitutes, a) the group's balance in the SB account, b) amount held in cash with the authorised persons c) revolving fund, grants, donations received by the group from Government or any other agency d) amount internally lent amongst the members e) amount of interest received on the loans
- 14.3 Bank cannot withhold the SB account balances of FPG as security.
- 14.4 The loan is sanctioned and disbursed in the name of the group but not in the name of the individual members
- 14.5 The group will discuss and decide about the purpose for which loans are to be given to its individual members. However, FPG is formed to promote agricultural and allied activities, the purpose be definitely for agricultural and allied activities.
- 14.6 The group is collectively responsible for repayment of loan.
- 14.7 **Service/ Processing charges:** No loan related and adhoc service charges/inspection charges should be levied on priority sector loans up to ₹ 25,000. In the case of eligible priority sector loans to SHGs/ JLGs, this limit will be applicable per member and not to the group as a whole
- 14.8 **Margin and collateral security:** as applicable to SHGs in accordance with RBI guidelines.
- 14.9 **Interest rate :** as applicable to Self Help Groups
- 14.10 **Documentation :** SHG loan documentation designed by IBA/NABARD and translated into telugu by SLBC of Andhra Pradesh

- 14.11 **Presence of defaulters in FPGs:** Defaults by a few members of FPGs and/or their family members to the financing bank should not ordinarily come in the way of financing FPGs by banks, provided the FPG is not in default. However, the bank loan may not be utilized by the FPG for financing a defaulter member to the bank.
- 14.12 Since the group decides the purpose of lending, no crop insurance is collected from FPG by the bank.
- 14.13 Banks are advised not to cross sell the products of insurance. Pension or medical policies to the FPG members