

Guidelines

on

e – Passbook



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The Team

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Guidelines on e-Passbook

1. Introduction

In terms of Loans for Agricultural Purposes Act, 1973 (later amended vide Finance Act, 1986 as Loans for Agricultural, Commercial & Industrial Purposes Act, 1973) and SBP circular No. ACD.2/73, banks were encouraged to provide loans to borrowers against the passbook. A comprehensive system has been provided in the said Act that covers all the aspects of the passbook including issuance of the passbook, creation of charge by banks, endorsements by the revenue authorities, final settlement of the loan and release of bank's charge on the agricultural land.

The system has been running successfully since its inception; however, the overall structure of banking in the country has undergone complete transformation since issuance of the said Act. In addition, branch network has increased many folds in the rural areas, and the disbursement of credit to agri / rural sector has tremendously increased during the last 5 to 7 years i.e. from Rs. 39 billion in 1999--00 to Rs. 169 billion in 2006-07. However, banks are currently meeting only 42% of the agri credit needs of the country and have succeeded in providing agri financing to only 1.5 million borrowers as against the total estimated 6.6 million farmers. One of the main reasons of slow penetration of banks into agri financing is slow process of issuance of agricultural passbook and its authentic verification. The way revenue staff works in issuing of passbooks is not only cumbersome but also inaccessible to the farmers which delays the timely delivery of agricultural credit. Not only borrowers but also banks face many problems such as verification of land title, creation and redemption of charge etc. It has been observed in some instances that fake passbooks were used by the borrowers which had resulted in loss of funds to banks. In order to streamline the land record of agri land and to facilitate improving access to finance in rural areas the provincial governments have initiated automation of land record.

2. Significance of Automation of Land Record

Computerization of land record will reduce the pressure of the shortage of revenue staff and provide instant access to the public to their land record through a network of computer kiosks. Related records automation will augment opportunities for wealth creation in the rural economy, as small landowner would be able to obtain loans from commercial banks. Clean and computerized record would encourage

foreign investment, augment revenue generation and help generate accurate statistical data for proper socio-economic planning. Automation of land record provides an alternative method of correct, effective & swift assessment of land title and its details including owner's profile in respective provinces / localities by bank in support of sanction / disbursement of agriculture / rural credit transactions.

3. Purpose of the Guidelines

The guidelines on e-passbooks are aimed at facilitating banks and their borrowers to benefit from the automation of land records and improving access to agri / rural finance by the rural community on fast track basis, for economic development and poverty alleviation in the country.

4. e-Passbook

Automation of land records would lead into an electronic system of passbook i.e. e-passbook. The system of electronic passbook would entail on-line verification of land record of the borrower, creation and redemption of banks' charge on the property, etc. as outlined in the Loans for Agricultural, Commercial & Industrial Purposes Act, 1973.

It is suggested that in order to develop comprehensive computerized / automated land records, Provincial Revenue Authorities or Automation Agencies may formulate a Coordination Committee comprising of all major stakeholders including banks, SBP and farmers representatives. The Coordination Committee will ensure that all necessary details / particulars of land and its owners identified as prerequisites for providing finance to the farming / rural community by lending banks, are built into the system. The requirements, inter alia, include charge creation, redemption, nature of land, valuation of land, purpose of loan, previous history of loans drawn, etc. It will also address administrative and implementation issues of the system the system needs to be integrated for use of all banks' branches and all users on the pattern of NADRA's CNIC Verification System.

5. The Guidelines

New system will replace the existing manual procedure of handling passbooks and maintenance of land record by the Provincial Revenue Boards, therefore, banks are advised to follow the guidelines given below: -

a. Signing of Agreement

Under the automation, each province will develop its own database of land records since its existing system does not have relevance with regard to other provinces, system of recording, level of hierarchy, geographical problems etc. As such, banks are required to deal with different automation agencies working in all provinces so that they could sign an agreement with the agency. The agreement will clearly define the roles and responsibility of the parties, procedural arrangements, authorizations, costs, liabilities of banks/automation agencies, etc. in order to safeguard the interest of the bank / borrower. The agreement should generally contain the followings: -

- a. User's/Automation Agency's Responsibility to ensure accuracy of input data
- b. Safeguards against fraudulent change of data in transit
- c. Input Submission
- d. Submission of Input files for Settlement
- e. Validation of Input Files
- f. Duplicate Records
- g. Credit Records with Ledger Number/ Ledger Folio Number
- h. Data Validation Report
- i. Request for withdrawal/modification of input data
- j. Settlement Report for Lending Bank
- k. Preservation period of the historical data
- l. Advice to the borrower
- m. Borrower's right to information on e-Passbook and allied transactions
- n. Schedule of service charges / fees.
- o. The system should also provide the following:

- i. Mode of transfer/acquisition i.e. purchase/sale, succession, gift etc.
- ii. Type of land i.e. irrigated, cultivated, barren etc.
- iii. Cropping pattern of borrower
- iv. 3 years sale price or PIU value of land
- v. Measurement of land in uniform units
- vi. History of loans drawn
- vii. Purpose of loan
- viii. Tenure of loan and repayment schedule
- ix. On line charge creation and redemption and its endorsement by revenue authorities and banks

In this regard, it is suggestive that to facilitate banks, PBA may develop a standardized draft agreement to be executed between database agencies and banks.

b. Development of software/database

The banks should coordinate with Provincial Revenue Board & Automation Agency while developing the software so that maximum loopholes can be eliminated right at the inception stage.

c. Development of Operational Manuals/SOPs

In order to align the banks' existing manual system with the e-Passbook System, banks are required to develop Comprehensive Operation Manuals / SOPs which, inter alia, cover the following:-

- a. Prepare operational manuals describing details of access, powers of data validated/verification, data entry of disbursement and recovery, creation of charge, release of charge, etc.
- b. Assign branches that will be linked to the head / zonal office for back-ups.
- c. Details of charges / fees to be borne by the borrower
- d. Prepare policy for processing and disbursement of loans through e-pass book
- e. Methodology for e-Passbook record keeping
- f. Prepare list of definitions relating to e-Passbook
- g. Other related matters.

d. Provision of Guidance down the line

Banks shall issue clear instructions to all agri lending branches to provide guidance to the borrowers on the e-Passbook system and to link all the agri/agribusiness loans & products to this system.

e. Training & Awareness Program

Banks and SBP in coordination with Provincial Revenue Authorities /Automation Agencies will arrange training & awareness programs for the Agricultural Credit Officers of banks. The suggested Coordination Committees will chalk out a comprehensive program in this regard.

6. Compliance to Prudential Regulations

All lending by banks, under the e-Passbook guidelines, shall be subject to the compliance with Loans for Agricultural, Commercial & Industrial Act, 1973, SBP Prudential Regulations, and other rules/ regulations issued by the SBP from time to time.

7. Date of effect

Islamabad Capital Territory & Capital Development Authority has completed the spade work for automation of their land record. Punjab and Sindh are working on pilot projects. Therefore, it is advised that banks should commence supporting deliberations & evaluation of pre-requisites for e-passbook in collaboration with Provincial Revenue Board and their automation agencies. The implementation will start as soon as the Provincial Govt. will roll out the automation of land record and issuance of e-passbooks for banks.

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