



### PERFORMANCE DURING 2007-2008 - CHAIRMAN's address to media

#### Financial Results 2007-08

During 2007-08, NABARD registered growth of 21% in business operations as compared to 17% growth in the previous year. The size of its balance sheet, as on 31 March 2008, touched Rs.98500 crore, to be seen in comparison with Rs.81220 crore as on 31 March 2007.

Significant among different business segments was loans to State Governments for supporting rural infrastructure. RIDF supported loans to State Governments increased by 53% from Rs.20005 crore as on 31 March 2007 to Rs.30650 crore as on 31 March 2008. Short term refinance for crop loans registered 18% growth (from Rs.14758 crore to Rs.17382 crore). Investment credit refinance was to the tune of Rs.34848 crore. In terms of disbursements, both by way of refinance to Rural Finance Institutions (RFIs) and loans to State Governments for RIDF, a quantum jump of 30% (from Rs. 29792 crore to Rs.38965 crore) was evidenced.

Source of funds for NABARD during 2007-08 comprised mainly of RIDF deposits contributed by commercial banks against their shortfall in agricultural and priority sector lending and market borrowed funds, apart from its own equity and dedicated funds. NABARD had outstanding market borrowings of Rs.33381 crore (excluding RIDF deposits) as on 31 March 2008 as against Rs.32146 crore as on 31 March 2007. With the withdrawal of General Line of Credit for Short Term refinance operations by the Reserve Bank, NABARD was faced with a tight funds position. Government of India has since allowed NABARD to float NABARD Rural Bonds with income tax exemption under Section 80-C and has also announced the creation of a ST(SAO) fund of Rs.5000 crore in the Union Budget 2008-09. Further, Gol has subvented NABARD to the extent of the difference between market cost of borrowings and its concessional refinance against crop loans to cooperative banks at 3% and RRBs at 4.5%. This concessional funds support from NABARD facilitated cooperative banks and RRBs to extend crop loans to farmers at 7%.

Riding on a higher volume of business and through prudent funds management NABARD was able to take its gross operating surplus to a level of Rs.1470 crore during 2007-08 ( Rs. 1169 crore in 2006-07). The net operating surplus after providing for taxes was to the tune of Rs.972 crore in 2007-08 (Rs.819 crore in 2006-07).

#### Highlights of the performance :

##### Rural Infrastructure Development

Union Budget 2007-08 had allocated a corpus of Rs.16000 crore (including Rs.4000 crore for Bharat Nirman) under RIDF. Against RIDF corpus of Rs.12000 crore, total sanctions to various State Governments amounted to Rs.12795 crore taking the cumulative sanctions from RIDF I to RIDF XIII to Rs.82225 crore. Further under Bharat Nirman cumulative sanctions reached a level of Rs.8000 crore.

During 2007-08, sectoral coverage of RIDF reflected a 50% sanction for agriculture and allied sectors (including 37% for irrigation projects), 36% for rural connectivity (roads and bridges), 13% for social sector investments (rural health, education and drinking water) and 1% for power sector. A special focus was placed on soil and water conservation, rain water harvesting etc. in the 31 distressed districts in the four states of Andhra Pradesh, Karnataka, Kerala and Maharashtra where a rehabilitation package for affected farmers was launched by Gol. Aggregate sanctions for projects in these districts amounted to Rs.2168 crore.

Disbursements under RIDF (including Bharat Nirman) during 2007-08 touched a level of Rs.12535 crore, the highest ever since the launch of RIDF in 1996-97. Commutative disbursements as on 31 March 2008 were to the tune of Rs.50095 crore. RIDF corpus (including Bharat Nirman) has been enhanced to a level of Rs. 18000 crore in the Union Budget 2008-09.

### **Strengthening of Rural Finance Institutions**

Rural cooperatives account for less than 30% of agricultural credit disbursed but more than 50% of agricultural loan accounts serviced by the banking system. Prof. Vaidyanathan Committee had recommended strengthening of the rural cooperative credit structure by way of recapitalisation with stringent conditionalities for effecting needed reforms in cooperative banking. Gol has approved the scheme for recapitalisation and entrusted the responsibility of implementing the reforms with NABARD. Nineteen States involving 93% of District Central Cooperative Banks and 95% of PACS in the country have executed MoUs with Gol and NABARD and the reform process has been initiated with the amendment of the respective State Cooperative Societies Acts in some of the States. Special audit of PACS/ DCCBs, training of PACS personnel/ elected board members, etc. have also been done. A common accounting system and MIS have been evolved for cooperatives and funds from Gol to the tune of Rs.3325 crore have been released to the States so far. A broad agreement between the Centre and States has also been reached on the LT cooperative credit structure for effecting reforms and recapitalisation, as announced in the union budget 2008-09.

Gol had initiated the process of amalgamation and merger of RRBs sponsor bankwise at State level. The process has been almost completed. 196 standalone RRBs have been merged sponsor bank-wise and the number of RRBs is presently reduced to 89. Amalgamated RRBs have emerged as fairly large sized institutions having sizeable credit and investment portfolios. However, 27 banks are still having a negative networth. Gol has agreed for recapitalisation of RRBs with negative networth. Capacity building of RRBs for undertaking their new responsibilities would be one of the major challenges for NABARD. The Committee on financial inclusion headed by Dr C Rangarajan has also observed that RRBs have a strong presence in regions featuring high levels of exclusion and their contribution in the SHG bank linkage programme in such regions is very significant. NABARD will have to play a very significant role in supporting cooperatives and RRBs in the coming years by means of :

- Setting exclusive targets for microfinance and financial inclusion and facilitating its achievement
- Providing funding support &
- Providing technology support.

Gol support for strengthening RFI during 2007-08 included subvention of Rs.784 crore to NABARD for extending concessional refinance to cooperative banks and RRBs, Rs.547 crore direct subvention to cooperative banks and RRBs for providing crop loans at 7%, Rs.3325 crore by way of recapitalisation funds (as on 3 April 2008) under the Vaidyanathan Committee recommendations. Further, RRBs with negative networth are also being extended recapitalisation support.

### **Refinance for production credit**

NABARD extends concessional refinance to short term cooperatives and RRBs to supplement their resources for extending crop loans. There was a 18% growth in refinance for this purpose during 2007-08 taking the volume to Rs.17,382 crore. Refinance support together with interest subvention of 2% by Gol, facilitated disbursements of crop loans upto Rs.3 lakh to farmers at 7% p.a.

### **Investment Credit Refinance**

NABARD provides refinance to commercial banks, cooperative banks and RRBs for investment credit purposes. The total amount of refinance extended during 2007-08 was of the order of

Rs.9074 crore. In collaboration with other banks NABARD has been financing projects under a co-financing arrangement in areas like agro processing, animal husbandry, milk processing etc.

### **Kisan Credit Card Scheme (KCC scheme)**

The KCC scheme formulated by NABARD in August 1998 has facilitated flexible, hassle free and cost effective credit to farmers for composite loans for crop cultivation as well as investment purposes. During 2007-08, 29.87 lakh KCCs were issued taking the cumulative number of cards issued to 7.06 crore as on 31 January 2008. Cooperatives had a share of 49%, commercial Banks 37% and RRBs 14% in the total number of cards issued to farmers.

### **Micro Finance (SHGs)**

SHG bank linkage programme, initiated by NABARD in 1992 with 500 pilot groups, has emerged as one of the largest micro finance systems in the world today. So far 44.60 lakh SHGs covering 5.8 crore poor households have been linked with the banking system with saving bank accounts. More than 90% of such groups are exclusive women groups. The Committee on Financial Inclusion headed by Dr C Rangarajan has observed that the SHG bank linkage programme has emerged to be a major plank of the strategy for delivering financial services to the poor in a sustainable manner. During 2007-08, nearly 4.20 lakh SHGs were provided bank loans to the tune of nearly Rs.2994 crore. Refinance by NABARD to banks was of the order of Rs.1615 crore in 2007-08 recording a 25% increase over the previous year. It is heartening to note that the SHG-Bank Linkage Programme which was strongly present in the southern region has now become a national movement with the non southern states presently having a share of more than 50% of credit linked SHGs.

Apart from providing refinance support, NABARD has also been engaged in providing capital/ equity support to micro finance institutions from out of its Micro Finance Development and Equity Fund (MFDEF) and is also extending support to SHG Federations and NGOs for encouraging new models and innovations in the micro finance sector.

### **Non-farm Sector**

According to NSSO situation assessment survey on 'Indebtedness of farmer households 2003', nearly 40% of rural households were non cultivator households engaged in non farm activities in rural areas. NABARD has, over a period time, evolved a strong policy support for promotion of the Rural Non Farm Sector (RNFS). During 2007-08, NABARD extended refinance support to banks to the tune of Rs.2748 crore- (30.6% of its total long term refinance) to RNFS which included Rs.756 crore for supporting rural housing. NABARD has also been actively engaged in vocational training of rural youth and has supported rural clusters of artisans and rural haats and rural marts. Combined with its refinance support, the promotional and development initiatives of NABARD contributed to a significant improvement in the credit absorption capacity of rural artisans and entrepreneurs.

### **Farmers' Clubs**

Technology transfer through Farmers' Club is a good initiative of NABARD. NABARD is presently supporting 25000 Farmers Clubs and it is proposed to

increase the number of Farmers' Clubs to 1 lakh Clubs. State Governments, Agricultural Universities, KVKs, Banks, etc. will join NABARD in this effort and with a view to supporting this process, NABARD has created a Technology Transfer Fund of Rs.25 crore to start with.

### **Financial Inclusion**

The Committee on Financial Inclusion headed by Dr C Rangarajan has submitted its report in January 2008. The Committee has made certain recommendations which cast a high level of responsibility on NABARD. The Committee has recommended implementation of a National Financial Inclusion Plan on a Mission Mode.

GoI has already accepted the Committee's recommendations regarding constitution of two Financial Inclusion Funds, one on Promotion and Development and the other for Technology Adoption. Both the funds have been placed with NABARD. NABARD has a major responsibility in implementing the National Financial Inclusion Plan and also in operationalising the two funds placed with it. Of particular significance will be the role NABARD has to play in facilitating cooperative banks and RRBs in adopting the Business Correspondents and Facilitators models and in internalising technology based solutions. Facilitating this process in cooperative banks and RRBs would be a major challenge for NABARD in the coming 3 to 5 years.

### **Business Plan for 2008-09**

NABARD has prepared a budget of Rs.22000 crore for short term refinance to cover crop loans issued by cooperative banks and RRBs. On the investment credit front, NABARD refinance support will be around Rs.9500 crore focussing on thrust areas and regions with higher levels of exclusion. RIDF corpus has been enhanced to Rs.18000 crore including the Bharat Nirman component of Rs.4000 crore. This will be fully utilised.

Apart from the above financial dimension, addressing concerns of food security, implementation of Vaidyanathan Committee recommendations, shouldering responsibilities under the financial inclusion plan and effective implementation of RIDF with an enhanced corpus would be the focus of attention for NABARD in the coming year.

### **NABCONS**

Apart from its refinance functions NABARD has also promoted institutions like Bankers' Institute for Rural Development for training officers in client institutions, NABCONS, etc. NABCONS, a consultancy arm of NABARD achieved business of Rs.10.02 crore as compared to Rs.9.45 crore in the previous year. During the year, 350 consultancy assignments were executed of which, 266 were from Government of India, 26 from State Governments, 19 from Corporates and 39 from individuals and others.

### **FARMERS' CLUBS, BANK BRANCHES BESTOWED AWARDS**

NABARD conferred Best Performer Awards to chief volunteers of Farmers' Clubs and associated Bank Branch Managers from States all over India, at an awards function held at New Delhi on 08 February 2008. The function was presided over

by Union Finance Minister, Shri P. Chidambaram. Union Minister of State for Finance, Shri Pawan Kumar Bansal was the Guest of Honour. Chief Volunteers of Farmers' Clubs and bank branch managers representing 25 states were honoured on the occasion with a certificate, cash award and a memento.

Shri U.C. Sarangi, Chairman and Dr. K.G. Karmakar, MD spoke on the occasion.

### Cofinancing

During 2007-08 NABARD has sanctioned 10 new projects with NABARD's share at Rs.42.62 crore under co-financing arrangement. This has resulted in cumulative sanction of 26 projects involving NABARD's share at Rs.173 crore under the co-financing arrangement. During the year, NABARD disbursed Rs.27.31 crore against these sanction.

Projects sanctioned under cofinancing include areas such as, agro processing, bio-fuels, bio-fertilizers, controlled atmospheric storage, animal husbandry, milk processing, plantation and horticulture, food processing, organic farming, medical & aromatic plants and RNFS.

Disbursements under RIDF (including Bharat Nirman) during 2007-08 touched a level of Rs.12535 crore, the highest ever since the launch of RIDF in 1996-97.

### RURAL INNOVATION FUND

Rural Innovation Fund (RIF) created in 2005 made substantial inroads during the year. **32 rural innovations were supported with the Fund** during the year with grant support of over Rs 9.00 crore. The innovations supported included pilot marketing of fuel saving kerosene-water stove, cotton plucking machine, solar driers for agro-processing, conversion of mango peel into organic manure, integrated neem development through Self Help Groups of the landless, an innovative Jute retting process, conversion of coir pith into fuel bricks, developing rural haats into rural business hubs, etc.

### INVESTMENT CREDIT PURPOSEWISE

Minor Irrigation	403.68
Land Development	462.14
Farm Mechanisation	1747.65
Plantation & Horticulture	322.36
PF/SGP/AH-Oth	341.82
Fisheries	25.45
Dairy Development	605.87
Bio-Gas	0.98
Forestry	6.39
Storage/Market Yard	136.28
SGSY	258.58
NFS	2747.95
SC/ST-AP	20.52
SHG	1615.50
Others	392.12

**TOTAL 8981.22**

**INVESTMENT CREDIT AGENCY WISE**

Commercial Banks	3951.73		
RRBs	2313.98	SCBs	826.55
		SCARDBs	1885.53
		PUCBs	3.42
Sub-Total	8981.22	Cofinancing	27.31
Grand Total	<b>9008.53</b>		

**INVESTMENT CREDIT: STATEWISE**

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<b>STATES</b>	Rs in crore
<b>NORTHERN REGION</b>	
Chandigarh	6.01
Delhi	15.54
Haryana	538.47
H.P.	138.76
J&K	25.31
Punjab	754.49
Rajasthan	479.19
<b>Total</b>	<b>1957.77</b>
<b>N. E. Region</b>	
Arunachal	1.80
Assam	114.57
Manipur	6.44
Meghalaya	15.10
Mizoram	11.80
Nagaland	1.45
Tripura	23.89
<b>Total</b>	<b>175.05</b>
<b>EASTERN REGION</b>	
Sikkim	3.52
Bihar	184.05
Jharkhand	60.94
Orissa	358.51
West Bengal	521.23
A N Islands	10.00
<b>Total</b>	<b>1138.25</b>
<b>CENTRAL REGION</b>	
M.P.	483.75
Chhattisgarh	89.44
U.P.	1174.85
Uttarakhandl	62.36
<b>Total</b>	<b>1810.40</b>
<b>WESTERN REGION</b>	
Dadra/N.Haveli	0.17

Gujarat	310.15
Goa	12.31
Maharashtra	389.63
<b>Total</b>	<b>712.26</b>
<b>SOUTHERN REGION</b>	
A.P.	1412.14
Karnataka	770.14
Lakshadweep	0.00
Kerala	505.83
Pondicherry	6.99
Tamil Nadu	492.39
<b>Total</b>	<b>3187.49</b>
<b>GRAND TOTAL</b>	<b>8981.22</b>

Over 1200 REDPs were sanctioned during the year covering 30000 rural youth involving a funding support of over Rs 6.77 crore. Till date NABARD has extended funding support for the conduct of over 9600 REDPs/ Skill Development Programmes involving a grant support of over Rs 46.46 crore to train over 2.45 lakh rural youth.