

**SPERFORMANCE DURING 2005-2006 - MEDIA MEET - ADDRESS BY DR. Y S P THORAT,
CHAIRMAN**

I am delighted to mention that the institutional balance sheet grew at 20% during 2006-07, as against the historic trend of between 8% and 10% annually. This reflected in the balance sheet growing from Rs.67,705 crore to Rs.81,000 crore.

This reflected in three dimensions i.e. Investment Credit Refinance, Production Credit Refinance and Loans to State Governments for rural infrastructure. The overall growth of the balance sheet reflected in the growth of these segments, for eg. Production credit refinance grew at 53%, loans to State Governments for rural infrastructure grew at 32% and investment credit at 4%. (Table below)

	Outstanding Amount (Rs. crore)	
	2005-06	06-07
Production Credit	9617	14758
Loans to State Governments	15142	20005
Investment Credit	33329	34748

3. The growth in business was reflected in the bank's operating surplus, which is Rs.1128 crore on a business volume of around Rs.81,000 crore.

4. The growth has also reflected in increase in per employee business, which now stands at Rs.24.13 crore against Rs.19.30 crore last year. Therefore, increase in productivity.

5. This has been without breaching the 1% best practice of administrative cost as a percentage of working funds (.73%).

6. In 2007-08, which will be the Silver Jubilee Year of NABARD, we shall strive to reach a six-figure balance sheet.

7. Within investment credit refinance, 75% goes to farm sector supporting agriculture investments and 25% goes to non-farm sector. The 1/4th non-farm sector is important because 40% of rural households are non-cultivator households engaged in non-farm activities. This sector is unorganised, exclusion is high and our refinance, which has a credit plus orientation, is aimed at lessening the financial exclusion. In non-farm sector, the major activities are agro processing (55%) and rural housing (17%).

8. In farm sector, the major components are farm mechanization (21%), micro finance (15%), minor irrigation (7.6%) and dairy development (5.7%).

9. In the case of production credit refinance, the focus has been on realizing at ground level crop loans being extended to farmers at 7% as per GoI policy. With this end in view, NABARD has increased availability of refinance to 40% of ground level credit, facilitated more number of cooperative banks becoming eligible for refinance, provided refinance at concessional rate of 2.5% for cooperatives and 4.5% for RRBs and linked refinance to institutional reforms towards strengthening the cooperative banking system. This facilitated increase in production credit refinance to Rs.14,758 crore during 2006-07 as against Rs.9617 crore in 2005-06(53% growth).

10. I have so far been focusing on the levels of business operations. However, business performance of NABARD should be judged by other standards as well, viz.

- Promotional and development support extended by it.
- Institutional reforms
- Building rural infrastructure
- Banking supervision

11. Let me now turn to promotional and development support. This can be discussed under two heads : non farm sector and farm sector.

12. I have already mentioned that 40% of rural households are non-cultivator households, where financial exclusion is high and, therefore, our support to the non-farm sector by way of promotion and development initiatives are extremely critical.

13. Within the non-farm sector, we have four major initiatives. District-wise Rural Industry Programmes(DRIP), development of activity clusters, training of rural youth for purposes of employment through entrepreneur development programme and rural marketing.

14. Our DRIP programme now extends to 106 districts facilitating overall credit flow of Rs.13,363 crore with refinance support at around Rs.2,077 crore. This has facilitated setting up of around 12 lakh business units and providing employment to 26 lakh persons.

15. We have identified, promoted and developed as many as 42 clusters in 18 states during the last year alone. These include, handlooms, handicrafts, silk, horticulture, bamboo, leather goods, jute etc. We are grateful to our NGO partners for this support.

16. In regard to training of rural youth, we conducted 663 entrepreneur development programmes last year with a cost of around Rs.4.43 crore as grant funds. Cumulatively, 2.42 lakh youth have so far been trained for self-employment.

17. Promotional initiatives in the farm sector covered watershed development, tribal development programmes and micro finance related initiatives. NABARD has set up a Watershed Development Fund (WDF) of Rs.200 crore and also gets support from kFW for the Indo-German Watershed Development Project. Our focus during 2006-07 has been on getting a cluster of watersheds of 15000 hectares each in the distressed 31 districts across 4 states. This programme will address the issue of soil and moisture conservation and help improve agronomic practices in distressed areas. Apart from this, the Indo-German Watershed Development Project has also been extended to Maharashtra to Andhra Pradesh and Gujarat covering the entire Maharashtra and 4 districts each in AP and Gujarat.

18. NABARD has a Tribal Development Fund (TDF) of Rs.50 crore which has been used for development of orchards in tribal settlements. NABARD has sanctioned an assistance of Rs.21.16 crore for 11 projects in 9 states.

19. The micro finance movement in India has been designed and nurtured by NABARD for over a decade. During 2006-07, against a target of 3.85 lakh SHGs to be credit linked, 3.12 lakh new SHGs and 2.41 lakh existing SHGs were facilitated credit linkage. Bank loan of Rs.2922 crore was disbursed supported by NABARD refinance of Rs.1161 crore. Cumulatively, the number of SHGs credit linked as on 31 March 2007 was 25.50 lakh groups with a bank loan of Rs.14320 crore and NABARD refinance of Rs.5320 crore. One redeeming feature is that the share of non-Southern states in SHG movement has increased from 29% in 2000-01 to 50% in 2006-07. NABARD has been extending support for this programme by providing grant support to banks and NGOs for promoting and credit linkage of SHGs, training and capacity building of NGO personnel, bank/ government officials and SHG members. In 9 states, NABARD has also initiated a pilot project for graduating matured SHGs into micro enterprise groups.

20. Institutional Reforms

The focus has been mainly on building a vibrant and healthy cooperative banking structure. The revival package for the Short Term Cooperative Credit Structure (STCCS) is presently being implemented in 10 states. 7 more states have already agreed in principle to implement the reform package. Amendments to the Cooperative Societies Act giving effect to the reforms as envisaged in the package have already been passed in Andhra Pradesh and a number of other states are in the process of amending their Cooperative Societies Act. Special audit of Societies have commenced. Training modules for Cooperative Societies and bank personnel have been designed, a Common Accounting and Management Information System is being finalized and implementation of the package is monitored by a National Level Monitoring Committee. In the RRBs segment, sponsor bank wise merger of RRBs at state level is near completion.

Plans for 2007-08

I would like you to focus on some of the initiatives that we plan to put in position during the next year. The first one is regarding carrying through the institutional reforms in the Cooperative Credit Structure. As you are aware, 10 states have signed the Memorandum of Understanding with NABARD. Special audits are under way and the first tranche of capitalisation will be released soon. Simultaneously, we will be focusing on human resources development, introduction of Common Accounting System, Management Information System and better governance procedures. The amount of support will depend upon the special audits and so I am not giving you the figure at this stage.

As you know, around a fourth of agriculture credit is purveyed by cooperatives; they also account for 50% of agricultural loan accounts. Therefore, it is very important that they should be turned around and freed from their impairment in terms of management, governance etc. This will be our most important task.

Secondly, we will be extending the frontiers of financial inclusion through the fund that is proposed to be created in NABARD. This fund will have a size of around Rs.500 crore and will be specifically used for the purpose of improving credit absorption levels, particularly, among the vulnerable sections of the society. The branches of banks will be enabled in course of time to provide credit plus services which includes farm advisory services, financial information services, technical inputs, marketing knowledge and so on.

In regard to financial inclusion, a technology fund is also being set up and this will significantly improve the level of inclusion through the usage of technology and the adoption of Business Correspondent Model.

Co-financing will play a major role during 2007-08. As you are aware, dairying is an important source of subsidiary income to millions of small farmers. It is a relatively stable stream of income compared to crop production. Women comprise about 70% of the labour force in this sector. It has been estimated that demand for milk would be around 172 million tones in 2021-22 and to meet this demand, milk production will have to grow at 4% p.a. i.e. incremental production of 5 million tones per year as compared to 2.5 million tones p.a. in the last 15 years. NABARD, in association with NDDDB, will be launching a National Dairy Plan to support activities pertaining to milk production, handling, processing and marketing in 325 identified districts. The plan would aim at increasing productivity and optimizing cost of production through quality breeding, necessary institutional credit support, optimizing use of feed and enhancing feed availability and providing superior animal health services etc.

NABARD will also be partnering with other organizations for catalyzing investments in agriculture. Overall, we have budgeted Rs.600 crore during the current year for co-finance.

Investment Credit purposewise

	Rs. in Crore
Minor Irrigation	670.97
Land Development	651.29
Farm Mechanisation	1857.51
Plantation & Horticulture	313.73
PF/SGP/AH-Oth	206.58
Fisheries	38.30
Dairy Development	503.98
Bio-Gas	0.84
Forestry	8.25
Storage/Market Yard	35.61
SGSY	350.45

NFS	2171.45
SC/ST-AP	28.31
SHG	1292.86
Others	664.89
TOTAL	8795.02

Village Adoption

On the occasion of NABARD's Silver Jubilee year, we plan to launch an ambitious programme of Village Adoption and Total Development (VATD) scheme. This will be for integrated and holistic development. One village in each of the 400 districts where we have our DDMs, will be adopted. In addition, the Lead Bank of the respective district will also be requested to adopt 2/3 villages. Development plan will encompass preparation and implementation of social and economic infrastructure plans for achieving 100% financial inclusion. It will entail, among other things, debt counseling, financial education, centre for information on prices, seed replacement, testing and quality certification, extension practices, deepening of SHGs etc. I believe that financial education and counseling, credit counseling and debt counseling are extremely important for the villagers and will strive towards achieving this objective.

Investment credit agencywise

Rs. in Crore	
SCARDBs	1742.72
State Co-op Banks	1130.67
Regional Rural Banks	1352.81
Commercial Banks	4568.82
TOTAL	8795.02

Micro Finance Bill

As you are aware, Micro Finance Bill has been introduced in Parliament on 20 March and is before the Select Committee.

Rural Infrastructure

Developing rural infrastructure has emerged as a major portfolio for NABARD in the last 12 years. With the Rural Infrastructure Development Fund (RIDF), running through XII tranche so far, the cumulative sanctions for infrastructure investments to various State Governments has crossed Rs.60,000 crore. Nearly 72% of sanctions as per phasing of projects has been disbursed so far. During 2006-07, under RIDF XII more than 42000 projects were sanctioned to various State Governments for Rs.10,571 crore. Rural connectivity (36%), irrigation (32%) and social sector projects (19%) were the major investment categories. Apart from this, a separate window under RIDF to fund the Rural Roads Component of Bharat Nirman has also been opened in NABARD. This would help in providing all weather road connectivity to all villages with a population of above 1000 (500 in the case of hilly or tribal areas) by 2009. The corpus for RIDF (2007-08) has been raised to Rs.12,000 crore and added to this will be Rs.4,000 crore under Bharat Nirman.

STATES	Rs in crore
NORTHERN REGION	
Chandigarh	0.02
Delhi	8.38
Haryana	581.74

H.P.	146.18
J&K	25.91
Punjab	879.60
Rajasthan	469.26
Total	2111.10
N. E. Region	
Arunachal	1.63
Assam	93.15
Manipur	8.01
Meghalaya	13.79
Mizoram	24.50
Nagaland	2.00
Tripura	19.87
Total	162.96
EASTERN REGION	
Sikkim	4.91
Bihar	168.06
Jharkhand	61.69
Orissa	344.14
West Bengal	522.02
A N Islands	6.92
Total	1107.74
CENTRAL REGION	
M.P.	442.65
Chhattisgarh	85.28
U.P.	1122.57
Uttaranchal	45.12
Total	1695.62
WESTERN REGION	
Dadra/N.Haveli	-
Gujarat	593.37
Goa	12.74
Maharashtra	400.88
Total	1006.98
SOUTHERN REGION	
A.P.	966.43
Karnataka	698.91
Lakshadweep	0.75
Kerala	517.12
Pondicherry	5.06
Tamil Nadu	522.35
Total	2710.62
GRAND TOTAL	8795.02