Highlights

Rural Economic Environment

The Indian GDP registered a growth of 9 per cent during 2007-08 owing to the consistently high growth trend of the services and the industry sectors. The growth rate of GDP emanating from agriculture and allied activities improved to 4.5 per cent. The year was characterised by turbulence in the global financial markets, increasing global prices of oil/commodities and subsequent inflationary pressures in the world and domestic economies.

Indian Economy

2. The Indian economy registered a GDP growth at of 9 per cent during 2007-08 as against 9.6 per cent during 2006-07 (at 1999-2000 prices). The GDP from industry and services sectors were 8.5 and 10.8 per cent during 2007-08 as against 10.6 and 11.2 per cent during 2006-07, respectively, while that of agriculture was 4.5 per cent during 2007-08 compared to 3.8 per cent during 2006-07.

3. The share of agriculture and industry sector in total GDP however, stagnated at 18 and 26 per cent, respectively, during 2007-08, while that of the services sector increased from 55 per cent during 2006-07 to 56 per cent. The savings and investment ratios increased to 34.8 and 35.9 per cent during 2006-07 from 34.3 and 35.5 during 2005-06, respectively. Annual inflation (year-on-year), measured in terms of variation in wholesale price index (WPI) was 7.4 per cent as at end-March 2008, owing to fluctuations in the international prices of crude oil/primary articles and turbulence in the global financial markets. However, as against increasing world food prices, the WPI of food articles in the country declined to 6.1 per cent during 2007-08 from 8 per cent during 2006-07.

4. The share of agriculture in total exports of the country declined to 9.9 per cent during 2006-07 from 11.8 per cent during 2003-04 but improved to and 10.7 per cent during 2007-08 (April-January). The share of agriculture to total imports also witnessed a decline to 2.9 per cent from 4.7 per cent and further to 1.91 per cent during the same period. However, both total exports and imports registered a growth of 22.9 and 26.9 per cent, respectively, during 2007-08 over the previous year.

5. The gross capital formation (GCF) in agriculture varied between Rs.39,027 crore and Rs.60,762 crore during the period 1999-2007 (at 1999-2000 prices). The ratio of GCF in agriculture to GDP from agriculture sector varied between 9.6 and 12.5 per cent during the same period. The investments in agriculture to total GDP varied between 1.9 and 2.2 per cent during the same period and improved from 1.9 (2003-06) to 2.1 per cent (2006-07).

6. The rainfall during the South-West monsoon season of the year was 5 per cent above normal and well distributed over time. However, rainfall during the North-East monsoon season was 32 per cent below normal. Of the 36 meteorological sub-divisions, 30 received excess/normal rainfall during the South-West monsoon and 27 received scanty/no rain during North-East monsoon. While satisfactory South-West monsoon helped to improve crop coverage during *kharif* 2007 (2.7%), shortfall in North-East monsoon resulted in drop in area during *rabi* 2007-08 (3.8%).

7. The production of foodgrains is estimated to have registered an increase at 230.7 million tonnes during 2007-08. Production of non-foodgrains crops, *viz.*, oilseeds and cotton is estimated to increase by 18.5 and 14.2 per cent, respectively, while that of sugarcane is estimated to fall by 3.2 per cent during 2007-08 over the previous year.

8. As against the target of Rs.2,25,000 crore of credit flow to agriculture for 2007-08, disbursements by all agencies stood at Rs.2,25,348 crore achieving more

than cent per cent of the target. Commercial banks, co-operative banks and RRBs disbursed Rs.1,56,850 crore, Rs.43,684 crore and Rs.24,814 crore achieving 106, 84 and 108 per cent of the targets, respectively. During the year, 82.68 lakh new farmers were brought under the institutional credit fold.

9. The Kisan Credit Card (KCC) scheme introduced in August 1998, has facilitated in augmenting the GLC flow for crop loans. In addition to ST credit and term loans, a certain component of loan through KCC also covers consumption needs. During the year, 38.64 lakh fresh KCCS were issued and co-operative banks and RRBs accounted for 20.91 lakh and 17.73 lakh of the cards issued, respectively. Of the total 714.68 lakh cards issued as on 31 March 2008, co-operative banks accounted for 49 per cent of the share, followed by commercial banks (37%) and RRBs (14%).

10. India maintained its position as the largest producer of milk with the estimated production reaching around 102 million tonnes during 2007-08. Production of eggs, wool and meat was at 51 billion, 45 million kg and 2.3 million tonnes, respectively, during 2006-07. Total fish production during 2006-07 increased to 6.9 million tonnes. Export earnings from this sector also rose as value of fisheries export increased to Rs.7,296 crore.

11. To promote and improve the agricultural marketing scenario, Ministry of Agriculture (MoA), GoI has prepared and circulated a model law on agri-marketing. The Government has also circulated operational guidelines of the scheme of operating terminal markets on the 'Hub-and-Spoke' format to states that have amended APMC Acts.

12. To give a fillip to the Micro, Small and Medium Enterprises Sector, the Union Budget 2008-09 suggested creation of a risk capital fund with SIDBI. During 2006-07 number of units set up and employment generated increased by 4 per cent each, while the value of output increased by 12.6 per cent.

Development Initiatives

13. NABARD continued to focus on watershed development, integrated development of backward areas, supporting non-farm activities, farmers' club programme, improving the outreach of the rural credit delivery system through micro-finance initiatives, supporting research and development activities and training of rural banking personnel.

Farm Sector

14. The corpus of the Watershed Development Fund (WDF) was augmented by Rs.34.74 crore during 2007-08, taking the cumulative amount to Rs.613.71 crore as on 31 March 2008. During the year, 63 watershed projects were sanctioned taking the cumulative number to 416 spread over 94 districts across 14 States. With a total commitment (loan and grant) of Rs.236 crore under these projects, an area of 4.16 lakh ha. is expected to be covered. During the year, 31 projects entered the full implementation phase taking the cumulative number of projects to 161. Consequent to GoI's announcement of the Prime Minister's package for 31 districts in four States, for developing an area of 15,000 ha. annually over three years in each of the districts, 3.98 lakh ha. is being developed involving total financial commitment of Rs.299 crore. During 2007-08, an amount of Rs.23.78 crore and Rs.3.80 crore were disbursed as grant and loan, respectively.

15. NABARD is implementing the participatory watershed development programme under the Special Plan for Bihar component of Rashtriya Sam Vikas Yojana (RSVY), to develop 80,000 ha. of wasteland in eight districts of south Bihar with an allocation of Rs.60 crore. During 2007-08, 18 watershed projects with grant assistance of Rs.13.50 crore were sanctioned and Rs.1.54 crore disbursed.

16. During 2007-08, NABARD introduced the Village Development Programme (VDP) across the country to

develop identified villages (one in each DDM district and five in each of the PPID blocks) in a holistic and integrated manner. The programme involves identifying a village and its socio-economic and infrastructure needs, creating awareness among stakeholders, engaging services of the implementing agency, preparing and implementing Village Development Plan, by pooling together the available resources, etc. As on 31 March 2008, 913 villages across 24 States were identified for implementation of the programme.

17. The pilot project for integrated development (PPID) of backward blocks launched in 10 such blocks spread over five States in 2003 was extended to cover 139 blocks across 16 States as at end-March 2008. NABARD through its special scheme, 'Capacity building for Adoption of Technology' (CAT) undertakes sensitisation of farmers to facilitate them in adopting new/upgraded technologies for agriculture developed by various organisations, progressive farmers/entrepreneurs, etc. During the year, 136 exposure programmes were conducted on vermi-culture, organic farming, poly-house technology, cultivation of medicinal and aromatic crops, etc., in collaboration with research institutes, KVKs and Agriculture Universities.

18. Assistance under NABARD Tribal Development Fund (TDF) created in 2004 with an initial corpus of Rs.50 crore, is provided for developing the tribal dominated areas through the wadi concept. It also includes taking-up micro-enterprises by the landless, women empowerment, community health, training and capacity building and building people's organisations. The Fund was augmented during 2007-08 by means of RIDF interest differential of Rs.348.86 crore taking the total amount to Rs.602.95 crore. During 2007-08, assistance of Rs.48.71 crore was sanctioned for 16 projects benefiting 14,538 tribal families in seven States.

19. The Farm Innovation and Promotion Fund was created in 2005 with an initial corpus of Rs.5 crore, to support initiatives/innovations in the farm sector. During the year, 29 projects involving grant assistance of Rs.1.66 crore in 15 States on areas like System of Rice Intensification techniques, introduction of hybrid khaki campbell duck farming, implementation of village farm development plan in distress districts, implementation of pilot projects for farmers' participation in commodity futures trading involving NCDEX/MCX, etc.

20. Under externally aided projects supported by KfW, which are at various stages of implementation, an amount of Rs.241.91crore was disbursed and Rs.236.79 crore received as grant assistance during the year.

21. During the year 5,277 farmers' clubs (FCs) were launched taking the total number of clubs to 28,226 covering 61,789 villages in 555 districts as on 31 March 2008. RRBs, commercial banks, co-operative banks and other agencies accounted for 45, 30, 18 and 7 per cent, respectively, of the clubs promoted. Region-wise distribution of clubs indicate, that the southern region has the major share (30%) while the NER accounted for only 3 per cent share. During the year, NABARD reviewed its policy for supporting FCs through various agencies and decided to extend cent per cent financial support to specified activities to RRBs and co-operative banks while the support for commercial banks would continue to be 50 per cent on cost sharing basis.

Rural Non-Farm Sector

22. Under the Rural Innovation Fund (RIF) constituted in 2005, support is provided for innovative projects in farm, non-farm and micro-finance sectors with potential to generate employment opportunities. During the year, 29 projects with financial support of Rs.7.78 crore were sanctioned.

23. The District Rural Industries Project (DRIP), introduced as a pilot project during 1993-94 was extended in phases, to cover 106 districts by end-March 2007. During 2006-07, the project was phased out in 23 districts. NABARD would however, continue to support various deserving developmental interventions in these districts. During 2007-08, GLC flow in 83 DRIP districts covered under various phases reached Rs.1,177.85 crore and refinance availed was Rs.275.41 crore. In all 70,000 units were set up, generating employment for 1.53 lakh persons.

24. The 'Scheme for Strengthening of Rural Haats' introduced in 1999 in DRIP districts was extended to all DDM districts and districts in the NER. Under the scheme, grant assistance is made available to Panchayati Raj Institutions (PRIs)/PACS for providing minimum essential infrastructure to new/existing haats. During 2007-08, grant support of Rs.53.45 lakh was sanctioned for infrastructure in three haats each in Chhattisgarh and Uttar Pradesh, two haats each in Andhra Pradesh, Tamil Nadu and West Bengal and one haat each in Bihar, Kerala, Madhya Pradesh, Maharashtra, Orissa and Rajasthan.

25. To promote rural industrialisation through the cluster approach, NABARD had decided to develop 55 clusters within a period of 3-5 years. During 2007-08, the cluster development programme was extended to 19 clusters, taking the total number of clusters adopted under this programme to 61 as at end-March 2008. In view of GoI's special emphasis on developing the handloom sector, NABARD decided to develop 50 handloom clusters in partnership with other developmental agencies. Extending the cluster approach further for developing rural tourism, the Bank approved two rural tourism clusters in Sikkim and one in Tamil Nadu and one tourism-cum-handicrafts cluster in West Bengal.

26. NABARD has been supporting the Rural Entrepreneurship Development Programme (REDPs) and the Skill Development Programme (SDPs) as a proven model for generating employment opportunities in the rural areas. During 2007- 08, grant support of Rs.767.61 lakh was provided for 1,422 REDPs/SDPs covering 33,148 rural youth. In addition, grant assistance of Rs.141.99 lakh was sanctioned for conducting 443 REDPs/SDPs by 14 RUDSETIs/RUDSETI type institutions in 15 States, as also, grant support of Rs.3.24 lakh extended to IL&FS for conducting four IT related SDPs for the rural youth of Jharkhand under the Common Service Centre Scheme of GoI.

27. During the year, 1.55 lakh Swarozgar Credit Cards (SCCs) involving credit limits of Rs.679.26 crore were issued. As on 31 March 2008, the banking sector had issued 8.34 lakh SCCs involving an aggregate credit limit of Rs.3,379.35 crore. Under the pilot scheme introduced during 2005-06, to support select RRBs and co-operative banks with one-time grant assistance to promote the scheme, 19 banks were sanctioned grant assistance of Rs.12.11 lakh during the year.

28. NABARD continued to support gender development programmes through its various schemes like Marketing of Non-Farm Products of Rural Women (MAHIMA) and Development of Women Through Area (DEWTA) programme. During the year, grant assistance of Rs.4.47 lakh was released during the year under MAHIMA. During 2007-08, the scheme for setting-up women development cells (WDCs) was modified and 69 WDCs in 37 RRBs, 31 DCCBs and 1 SCARDB were sanctioned as on 31 March 2008.

29. During the year, NABARD supported 206 marketing events/exhibitions across the country involving grant assistance of Rs.94.13 lakh. The pilot scheme for setting-up rural marts launched by NABARD in 2005 in nine States was extended to all States. During the year, 50 rural marts were sanctioned involving grant support of Rs.51.84 lakh. Meghalaya RO in partnership with the Department of Posts, GoI successfully set up an Artisans' Product Gallery in the General Post Office, Shillong to market the products of SHGs/artisans supported under NABARD's various development programmes.

30. During the year, 50 training programmes on financing NFS activities covering 1,327 officers from various banks were supported. During the year, NABARD released grant support of Rs.5.43 lakh to Tata Tea Ltd. for establishing a Training-cum-Production Centre (TPC) at Rowta, Assam to impart training on design development, manufacture of special products, marketing intervention and support to Bodo women weavers. About 40 participants received training at the TPC and 6 trainees have since set up their units.

Micro-Finance*

31. During the year 5,52,992 new SHGs were credit linked with banks and bank loan of Rs.2,541.98 crore was disbursed taking the cumulative number of SHGs credit linked to 34,77,965 as on 31 March 2008. In addition, 1,86,883 exsisting SHGs were provided repeat loans of Rs.1,685.60 crore. The programme has covered more than 5.80 crore poor households, making it the largest Micro-Finance (MF) programme in the world. As on 31 March 2007, 41.60 lakh SHGs maintained savings and had savings worth Rs.3,512.71 crore outstanding with the banking sector. During 2006-07, bank credit of Rs.6,570.39 crore and Rs.1,151.56 crore was disbursed to 11.05 lakh SHGs (including 1.88 lakh under SGSY) and 334 MFIs, respectively.

32. During 2007-08, grant assistance of Rs.1,369.77 lakh was sanctioned to various agencies for promoting 52,877 groups, taking the cumulative assistance sanctioned to Rs.6,119.37 lakh for 3.62 lakh groups as at end-March 2008.

33. Under NABARD's capacity building programmes for its partner institutions, 66 exposure/field visits to SHGs and institutions pioneering in MF for 2,754 bank/NGO officials, 606 training and awareness programmes for 22,452 participants from banks and NGOs, 258 sensitisation programmes covering 9,706 participants were arranged during the year involving an expenditure of Rs.13.32 crore. NABARD also extended support for conducting 4,121 awareness creation and capacity building programmes covering 2,68,870 SHG members.

34. To motivate and assist members of matured SHGs to take up income generating activities on a sustainable basis, NABARD continued to promote micro-enterprise development by SHG members. Under the Micro-Enterprise Development Programme (MEDP), 394 such programmes covering 9,182 SHG members were conducted during the year. The pilot project launched during 2005-06 for promotion of micro-enterprises among members of matured SHGs, is being implemented in nine districts across nine States involving 14 NGOs acting as 'micro-enterprise promotion agency' (MEPA). Cumulatively 2,759 micro-enterprises were established under the project involving bank credit of Rs.237.72 lakh as on 31 March 2008. NABARD also supported three exhibitions of products prepared by various SHGs for grant assistance of Rs.3.85 lakh during 2007-08.

35. NABARD selectively extends the Revolving Fund Assistance (RFA) to MFIs for experimenting with various MF models. During the year, RFA of Rs.8.06 crore was sanctioned to six agencies taking the aggregate support to Rs.36.38 crore as on 31 March 2008 for 35 agencies. In addition, to enable rating of MFIs and empowering them to intermediate between the lending banks and the clients, NABARD provides financial assistance to commercial banks and RRBs to avail the services of credit rating agencies for the purpose. During 2007-08, support of Rs.3.40 lakh was extended to four agencies for availing credit rating services. The scheme to provide capital/equity support to MFIs was introduced by NABARD to enable them to leverage capital/equity for accessing funds from banks, providing financial services at an affordable cost to the poor, and achieve sustainability in their credit operations over a period of 3-5 years. As on 31 March 2008, total capital support of Rs.9.25 crore was sanctioned to 11 agencies.

36. NABARD continued to implement the pilot projects launched during the earlier years. Encouraged by the progress of the pilot project on SHG-Post Office Linkage Programme in Tamil Nadu, the Bank extended it to Meghalaya. During the year, RFA of Rs.5 lakh was sanctioned for on-lending to 50 SHGs in East Khasi Hills. Cumulatively 2,831 SHGs have opened zero interest savings accounts of which 371 SHGs were credit linked by the participating Post Offices and loan amounting to Rs.88.23 lakh extended as on 31 March 2008. The pilot project for provding a social security system for SHG members in two villages

** Due to change in database and MIS, the reporting is for the postion as on 31 March 2007.*

covering 500 poor households from Betul district of Madhya Pradesh is being implemented through the Organization for Awareness of Integrated Social Security (OASIS) with a grant assistance of Rs.8 lakh. During 2007-08, grant assistance of Rs.1.20 lakh was released.

37. Recognising the growing role of the SHG federations and their value addition to SHG functioning, NABARD, during the year, decided to support the federations on model neutral basis and solely on merits of the proposal and also formulated the broad norms for deciding grant of financial assistance. Support would be extended to the federation by way of grant assistance for training, capacity building, exposure visits of SHG members, etc. During the year, grant assistance of Rs.10.48 lakh was sanctioned to two federations.

38. During the year, Rs.26.67 crore was utilised from the Micro-Finance Development and Equity Fund (MFDEF) for MF related activities. The North-Eastern Council (NEC), Shillong parked a fund of Rs.50 lakh with NABARD during the year for facilitating miscellaneous training programmes involving government/ bank officials, NGOs, SHGs from States in the NER and Sikkim. As on 31 March 2008, 73 programmes were sanctioned out of the fund involving a total grant assistance of Rs.45.01 lakh. During the year, Karnataka Agri-Development Finance Co. Ltd., was restructured into NABARD Financial Services Limited (NABFINS) as a wholly owned subsidiary of NABARD to facilitate setting-up of benchmarks and standards for the MFI sector

39. Under the NABARD-GTZ Rural Finance Programme, a study was undertaken to assess the transaction cost of various agencies and MFIs in purveying MF through SHGs or other types of groups. Training modules were developed to sensitise bank branch managers and SHG members for monitoring groups so as to minimise risks in lending through early warning and were circulated to training institutions involved in MF. The NABARD-KfW programme, Financial Cooperation with India-Capitalization Program SEWA Bank' aims at sustainable improvement in access of poor women to micro-credit, both in rural and urban areas. The project with financial contribution of Euro 4,090,330 will be implemented in Gujarat by SEWA bank and NABARD would act as the intermediary agency responsible for providing technical support and undertaking periodic review, monitoring and supervision of the project. During the year, KfW released grant assistance of Rs.1 crore to SEWA bank under the project.

Research and Development Activities

40. During the year, an amount of Rs.748.96 lakh was utilised from the R&D Fund as grant assistance for research projects/studies training activities and other activities like conduct of seminars, preparation of occasional papers, etc., taking the cumulative disbursement to Rs.99.92 crore. During 2007-08, 10 research projects/studies involving grant assistance of Rs.178.33 lakh were sanctioned and 7 projects/studies sanctioned earlier were completed.

41. Grant assistance of Rs.71.30 lakh was sanctioned during the year to various universities and research institutes for conducting 100 conferences, seminars and workshops. An Occasional Paper was sanctioned with grant assistance of Rs.1 lakh during the year. In addition, Rs.579.62 lakh was utilised from the Fund during the year for capacity building of the staff of RFIs in the NER. Under the Summer Placement Scheme being implemented since 2005-06, assignments/reports on agriculture and rural development, allied sector, agri-business and social development were received from 32 students from 17 ROs and involving financial outlay of Rs.6.96 lakh during 2007-08.

Other Development Initiatives

42. During the year, NABARD conducted 368 training programmes through its training establishments for the benefit of 8,488 personnel of Rural Financial Institutions and supplemented the efforts of other training institutions in this area by providing technical and financial support. To provide focused attention on MF related issues, a Centre for Micro-Finance Research (CMR) was set up at BIRD, Lucknow and a sub-centre at IIBM, Guwahati. Grant

assistance of Rs.16.12 lakh was released to IIBM, Guwahati. Further, as recommended by the 'Committee on Financial Sector Plan for NER', a comprehensive training plan prepared by IIBM in collaboration with RTC (Bolpur) was approved for sharing of estimated expenditure of Rs.50 lakh equally with RBI. NABARD also continued its contribution towards subsidising the participation fees of personnel of client institutions through various schemes of providing such financial support. Financial support of Rs.278.29 lakh was extended to JLTCs, ACSTIs and ITIs during the year for conducting 330 programmes covering 5,544 participants out of the Co-operative Development Fund (CDF). National Institute of Rural Banking (NIRB), Bangalore was provided Rs.3.03 lakh for conducting 10 training programmes during the year. As part of the GoI package for revival of STCCS, BIRD has designed and developed programmes for capacity building of PACS functionaries. During the year, eight Trainers Training Programmes were conducted for 144 Master Trainers and two programmes exclusively for 38 NABARD officers. During 2007-08, NABARD entered into a MoU with Women's World Banking (WWB), New York to work out collaborative arrangements on initiating training strategies, conduct of suitable training courses with special emphasis on governance, strategic position and product diversification training in the MF sector and was also associated with the study team of GTZ, Germany to study 'Capacity Development and Certification System for Co-operative Credit Structure in India'. The Bank constituted a Working Group under the Chairmanship of Shri Amaresh Kumar, ED, NABARD, during the year to look into the capacity building needs of RRBs post amalgamation.

Business Operations

43. NABARD through its refinance operations has been facilitating the banking sector to augment credit support for production and investment purposes in the agriculture and rural sector, in addition to its continued involvement in developing rural infrastructure by providing loans under RIDF to State Governments for such projects. The total financial support extended by NABARD increased by 15 per cent and stood at Rs.38,680 crore as against Rs.33,496 crore during 2006-07.

Production Credit

44. Short-term (ST) refinance support scheme introduced on a pilot basis for SCARDBs in Haryana, Kerala and Punjab was extended to all SCARDBs during the year at 4.5 per cent against crop loans issued to farmers to whom long-term (LT) loans were granted. During the year, Rs.65.05 crore was disbursed to Kerala SCARDB for ST-SAO purposes.

45. The quantum of refinance support for co-operative banks for ST-SAO continued to be linked to their gross NPA levels. The ST credit limits sanctioned during 2007-08 (April-March) for SCBs and RRBs were Rs.14,825.71 crore and Rs.2,940.18 crore, against which they have reached the maximum outstanding levels of Rs.13,389.96 crore and Rs.2,688.60 crore, respectively. A consolidated ST (others) limit was sanctioned to SCBs on behalf of eligible DCCBs. During 2007-08, Rs.41.65 crore was sanctioned under this line of credit against which utilisation was Rs.24.96 crore (maximum under marketing of crop at Rs.23.96 crore).

46. During the year, ST (weavers) credit limits aggregating Rs.332.13 crore were sanctioned to eight SCBs (Andhra Pradesh, Gujarat, Karnataka, Kerala, Orissa, Tamil Nadu, Pondicherry and West Bengal) for financing production/procurement and marketing activities of Weavers' Co-operative Societies. With a view to reviving the handloom sector, NABARD has formulated a scheme for financing production/ investment/consumption needs of the members of Handloom Weaver's Groups (HWGs) by co-operative banks, RRBs and commercial banks. As at end-December 2007, co-operative banks in Andhra Pradesh, Assam, Orissa, West Bengal and Sikkim have formed 893 HWGs, of which 52 are were credit linked involving sanctioned loans of Rs.37.59 lakh. Similarly, RRBs in Orissa, West Bengal, Kerala and Himachal Pradesh have formed 41 HWGs of which 33 are were credit linked involving sanctioned loans of Rs.28.89 lakh.

47. NABARD continued to provide LT loans to State Governments for contributing to the share capital of co-operative credit institutions. During 2007-08, SCBs/DCCBs with gross NPAs not exceeding 20 per cent as on 31 March 2007 were considered eligible and sanction of loan to State Governments in respect of SCBs/DCCBs not complying with the provisions of Section 11(1) of the B.R. Act, 1949 (AACS), were also considered irrespective of deposit erosion, subject to certain conditions. During 2007-08, Rs.20.54 crore was sanctioned to State Governments of Haryana, Kerala, Orissa, Rajasthan and West Bengal.

48. The Grameen Tatkal Scheme, formulated by NABARD and GTZ to address the credit needs of all rural families comprehensively is being implemented since 2006-07 on a pilot basis in Andhra Pradesh, Haryana, Karnataka, Maharashtra, Punjab, Tamil Nadu, Uttar Pradesh and West Bengal. As on 31 March 2008, the Pandyan Gramin Bank and Salem DCCB in Tamil Nadu were sanctioned loan of Rs.255 lakh and Rs.2,385.02 lakh covering 468 and 829 families, respectively.

49. GoI had announced a relief package in 2006 to mitigate distress of farmers in 31 debt stressed districts of Andhra Pradesh, Karnataka, Kerala and Maharashtra. NABARD had settled interest waiver claims of the co-operatives and RRBs operating in these districts, amounting to Rs.896.30 crore as 50 per cent share of GoI under the package. To enable co-operative banks and RRBs tide over the liquidity gap arising out of implementation of the package for effecting conversion/ reschedulement of farmers' dues, the Bank has decided to extend liquidity support to SCBs and RRBs by way of medium-term (MT) refinance. The banks drew a sum of Rs.265.67 crore during the year.

50. The Union Budget 2007-08 had announced the continuance of interest subvention during 2007-08 to enable banks to provide crop loans upto Rs.3 lakh to farmers at an interest of 7 per cent p.a. Suitable interest subvention to NABARD and 2 per cent interest subvention on own involvement of co-operative banks and RRBs was envisaged. Accordingly, GoI has released to NABARD Rs.1,331.36 crore was received towards interest subvention for 2006-07 and it is estimated to be Rs.1,778 crore during 2007-08.

51. Based on GoI announcement, NABARD had launched a restructuring package for sugar mills in the country. However, in view of the falling sugar prices and difficulties faced by mills in meeting their financial obligations, GoI constituted a committee (Chairman: Shri S.K. Mitra, ED, NABARD) for re-examining the earlier package. The committee recommended, (i) covering all operational co-operative sugar mills which had term loan outstanding as on 31 March 2005 and were commercially viable with adequate operational surplus to repay the said term loan, (ii) considering term loans provided to the mills by SCBs, PUCBs and other FIs/agencies, either individually or in consortium and outstanding as on 31 March 2005 along with interest accrued or the outstanding as on the date of application whichever was lower, for restructuring and (iii) reducing interest rate on restructured loan to 10 per cent p.a. with effect from 1 April 2005. GoI has accepted most of the recommendations. Further, interest subvention to be provided by GoI to co-operative banks and other institutions on restructured loan upto maximum of 3 per cent. Under the package, Rs.75.31 crore was released to co-operative banks towards interest subvention. GoI also approved a scheme for extending financial assistance to all sugar mills that were/shall be functional during 2006-07 and 2007-08 sugar seasons, wherein, loan shall be sanctioned for clearance of cane arrears for 2006-07 and cane price of 2007-08 sugar season relating to statutory minimum price fixed/to be fixed by GoI and shall be granted equivalent to the notional central excise duty payable on total production of sugar during 2006-07 and 2007-08 seasons. GoI would provide interest subvention upto 12 per cent p.a. on such loan.

52. GoI continued it support to make available GLC at 7 per cent p.a. to farmers availing crop loan upto Rs.3 lakh fo *kharif* 2007 and *rabi* 2007-08. NABARD extended refinance to co-operative banks and RRBs at 3 and 4.5 per cent p.a., respectively, with interest subvention from GoI to only those banks, which including their own involvement, extended crop loans upto Rs.3 lakh per borrower at 7 per cent p.a.

Investment Credit

53. In view of their significant role in purveying agriculture and rural credit, NBFCs with AAA rating, experience of lending business for last five years, net profit during previous three consecutive financial years with no accumulated losses, were also included as eligible institutions for grant of refinance by NABARD. The tenure of refinance to be not less than three years and is proposed to be to the extent of 50 per cent of the loan to the ultimate borrowers.

54. To provide relief to farmers affected by the outbreak of avian flu, NABARD advised RRBs and co-operative banks to convert the principal and interest due on working capital loans, instalments and interest on term loans, due for payment on/after 31 December 2007 and remaining unpaid, into term loans. Further, the converted loans are to be recovered in instalments based on projected future inflows over a period of three years with an initial moratorium upto one year. The remaining portion of term loan is to be rescheduled similarly with a moratorium period upto one year depending upon the cash flow generating capacity of the unit. The reschedulement/conversion was to be completed on or before 30 April 2008 and the rescheduled/converted loans to be treated as current dues. The relief measures would be extended to all accounts of poultry industry, which were classified as Standard accounts as on 31 December 2007.

55. NABARD revised the eligibility criteria for drawal of refinance by various agencies for 2007-08. It comprised of, (i) **Broad Criteria** which included completion of audit of banks, compliance with Section 11(1) of B.R. Act, 1949, conduct of spot verification of assets by NABARD, etc., and (ii) a set of **Special Criteria** which are reviewed annually and would form the basis of classifying agencies in A/B/C/D categories based on their gross/net NPAs, recovery, net worth and profitability. The quantum of refinance under each category was linked to the refinance availed during the previous year and was hiked or decreased depending on improved or declined performance of the constituents. Further, release of refinance to SCBs and SCARDBs was only against government guarantee except in the case of good performing SCBs/DCCBs where requirement of the Guarantee was waived off on compliance of certain conditions by them. However, refinance to eligible Section 11 non-compliant SCBs/DCCBs and non-scheduled SCBs (for farm sector) was only against government guarantee. In the event of government guarantee, wherever required for SCBs/SCARDBs, not forthcoming, alternative security, *viz*., pledge of government securities or fixed deposit receipts issued by scheduled banks was considered on a case-by-case basis. Commercial banks, RRBs and PUCBs continued to be exempted from furnishing security/government guarantee for availing refinance.

56. During 2007-08, refinance disbursement to commercial banks, SCBs, SCARDBs and RRBs aggregated Rs.9,046.27 crore as against Rs.8,795.02 crore during the previous year. Commercial banks continued to be the single largest group availing refinance with the highest share (44%), while the share of RRBs improved considerably (25%) and that of co-operative banks (31%) declined further during the year.

57. The flow of refinance varied widely across regions. Southern, northern and central regions accounted for 36, 22 and 20 per cent, respectively, of the total refinance disbursed during the year. The share of southern region increased by around 5 percentage points during 2007-08, that of western region declined significantly, while NER remained almost stagnant. Sector-wise, farm sector activities accounted for 42 per cent, followed by non-farm sector including rural housing (30%), SHGs (18%) and other purposes (10%).

58. Under the scheme for financing purchase of land for agriculture purposes, bank loan of Rs.50.83 crore was disbursed for 1,468 units spread across 10 states and refinance support of Rs.41.76 crore for 1,216 units was extended during the year.

59. Of the total refinance disbursed under NFS during the year, Rs.876.41 crore was towards rural housing (32%). Agency-wise, commercial banks accounted for the major share (53%), followed by co-operative banks

(32%) and RRBs (15%). As on 31 March 2008, the cumulative refinance support under NFS stood at Rs.21,354.72 crore. The Working Group on Rural Habitat constituted by NABARD to address various issues relating to provision of bank finance for rural housing and rural habitat development, has recommended providing housing loans linked to livelihood loans to non-salaried class of individuals, including cost of construction of worksheds/shops for pursuing income generating activities in the housing loan, financing common work place for SHGs, construction of toilets and bathing rooms for individuals/community sanitation, delivery for infrastructure development through collaboration with Village Panchayats, etc. NABARD has advised all agencies that bank loans issued for the rural housing and rural habitat sector under the schemes formulated as per the recommendations of the Working Group would be eligible for refinance support under Automatic Refinance Facility.

60. During the year, NABARD extended refinance of Rs.1,615.50 crore under the SHG-bank linkage programme. During 2007-08, bank loan of Rs.4,227.58 crore was disbursed to 7,39,875 SHGs (including repeat finance of Rs.1,685.60 crore to 1,86,883 existing SHGs) taking the average loan disbursed per SHG to Rs.57,139. The agency-wise disbursements reveal that, as at end-March 2008, commercial banks accounted for 42 and 48 per cent of the SHGs credit linked and bank loan disbursed, respectively, followed by RRBs and co-operative banks. As on 31 March 2007, 28.95 lakh SHG accounts (including those under SGSY) had loans outstanding worth Rs.12,366.49 crore from all agencies and 41.60 lakh SHGs maintained savings outstanding of Rs.3,512.71 crore with the banks.

61. During the year, the interest rates on refinance for investment credit were revised thrice with effect from 14 May 2007, 1 November 2007 and 23 January 2008 depending on the money market conditions and cost of incremental market borrowings of NABARD. The rate of interest on refinance for commercial banks/PUCBs/ ADFCs/NEDFi and for co-operative banks/RRBs was fixed at 9 and 8.5 per cent p.a., respectively, for all eligible activities and at 8.5 per cent for all agencies in the NER, Sikkim and Andaman & Nicobar Islands. While the rate of interest on interim finance provided to SCARDBs was enhanced to 9.5 per cent p.a. in respect of drawals released on or after 6 July 2007, the interest rate on default in repayment of principal/interest amount of refinance under any line of credit was fixed at 11.5 and 10.5 per cent (depending on the amount of default for the period) for commercial banks and other agencies, respectively.

62. NABARD sanctioned 12 projects involving a total financial outlay of Rs.118.83 crore, bank loan of Rs.85.05 crore and NABARD's share of Rs.42.53 crore under the co-financing arrangement and an amount of Rs.27.31 crore was disbursed during the year. As a nodal agency, NABARD continued to oversee the operationalisation of the various Capital Investment Subsidy (CIS) schemes of GoI, monitoring its progress and administration of subsidy.

63. During the year, 30 investment and 8 scheme specific studies under farm sector, rural housing and cold storage projects were conducted in association with banks and nodal departments of State Governments to identify factors adversely affecting schemes and ensuring prompt corrective measures.

64. NABARD continued to review and refined its district level Potential Linked Credit Plans (PLPs) in view of RBI's decision to keep PLPs as basis for preparing DCPs. An exercise undertaken on dovetailing the DCP projections with PLP estimates during 2007-08, revealed a variation of only 4.64 per cent at macro level. To further improve the quality and content of PLPs, two new chapters covering 'Agri Extension and Other Support Services' and 'Panchayat Raj Institutions' were incorporated. The Working Group comprising members from RBI, NABARD, IBA and nine commercial banks, set up to review and recommend modifications in the Service Area Monitoring and Information System (SAMIS), recommended adopting BSR Codes in revised SAMIS returns to facilitate integration with the banks' internal MIS, thus ensuring timely submission of the returns. RBI is in the process of issuing the necessary guidelines on revised SAMIS to banks.

65. With a view to making the district planning process an integral part ofthe process of preparation of States' XI Five Year Plan (207-2012) and the annual plan (2007-08), GoI had constituted an Expert Group in 2005 to suggest the modalities.Accordingly, the District Plan for each district will be finalised by the District Planning Committee (DPC) as an aggregation of the Gram anchayat Plans, the Intermediate Panchayat Plans, District Pancayat Plans and plans of Urban Local Bodies and the same will be integrated with the sectoral plans and would also include the Comprehensive District Agriculture Plan (C-DAP).The Planning Commission and NABARD conducted regional wrkshops to orient various State/district level officials for prparing C-DAP. NABARD has been identified as one ofthe Technical Support Institutions for extending suppot for capacity building, consolidation of plans at ditrict levels, etc., in the 30 allotted districts covering 10 States. Two exposure-cum-trainers' training progrmme covering 58 officials including DDMs was conducted during the year.

66. NABARD continued its policy of facilitating largermittee on Financial Sector Plan for NER, the norms for minimum members in a SHG for NABARD's refinance and grant assistance were relaxed and the amount of grant per SHG enhanced. A Sub-Committee set-up under the Task Force on Revival of STCCS examined the issues regarding relaxations in eligibility for CCS in the NER with respect to the health of the STCCS in the NER and recommended different sharing pattern of losses.

Rural Infrastructure Development

67. The allocation under XIII tranche of RIDF was raised to Rs.12,000 crore for 2007-08 and Rs.4,000 crore allocated under the separate window for funding rural roads component of Bharat Nirman Programme. During the year 36,964 projects involving a loan amount of Rs.12,795.01 crore were sanctioned under RIDF XIII, taking the cumulative number of projects to 2,80,227 and amount sanctioned to Rs.74,073.41 crore. An amount of Rs.4,500 crore (Rs.4,000 crore and Rs.500 crore under RIDF XII and XIII, respectively), was disbursed under the Bharat Nirman Component. Of the total amount sanctioned during the year, irrigation accounted for 37 per cent, rural roads and bridges 36.5 per cent, social sector projects 12.5 per cent and others 14 per cent. Out of the total amount sanctioned during the year, the share of rural roads and bridges and power sector projects declined while that of irrigation and social sector projects improved as compared to their share in cumulative sanctions under RIDF I to XII.

68. As per the phasing of projects, the total amount phased was Rs.62,857.80 crore against which disbursements aggregated Rs.45,594.85 crore indicating 72.5 per cent achievement. However, the slow pace of actual utilisation of loans under RIDF compared to the sanctions in some states *vis-à-vis* the all-India level was mainly due to delay in administrative and technical approval by the State Governments, land acquisition problems, delay in obtaining statutory clearances and tendering process, inadequate budgetary support at State level, lack of coordination among implementing departments, etc.

69. During the year, disbursements increased by 29 per cent to Rs.8,034.93 crore, deposits of Rs.11,807.87 was received from commercial banks and repayment amounting to Rs.1,891.17 crore was received from the State Governments.

70. NABARD continued to monitor the projects through desk review based on periodic returns and field visits undertaken by its officers from ROs/HO/DDMs and consultants hired by the Bank for the purpose. Guidelines for monitoring were revised after rationalising the norms for better compliance and improvement in implementation of projects. During the year 5,506 projects were monitored through field visits. Major observations/issues were taken up with the implementing departments of the concerned State Governments for initiating the necessary actions so as to improve the pace and quality of implementation of projects.

Impact Evaluation of Investments

71. NABARD continued its efforts to obtain feedback on performance of various investment activities through evaluation studies. These studies

were undertaken to assess the impact of investments on income, employment generation and their viability. During 2007-08, in addition to two ex-post evaluation studies on projects supported under RIDF and four studies on comparative cost models for SHG-bank linkage programme, three commodity studies examining the entire supply chain management were completed.

NABARD Consultancy Services

72. NABARD Consultancy Services Pvt. Ltd Rs.1,019 lakh and Rs.381 lakh, respectively, during 2007-08.

Management of Resources

73. The financial resources of NABARD increased by Rs.17,486 crore during 2007-08 as against an increase of Rs.13,615 crore during 2006-07. The resources were augmented by issue of Corporate Bonds (Rs.10,403 crore), Bhavishya Nirman Bonds (Rs.1,783 crore), NABARD Rural Bonds (Rs.3 crore), RIDF Deposits (Rs.11,808 crore) and Certificate of Deposits (Rs.1,422 crore). The total working funds increased by 21.5 per cent to Rs.98,706 crore as on 31 March 2008 from Rs.81,220 crore as on 31 March 2007. The outstanding market borrowings of the Bank constituted 34 per cent of working funds as on 31 March 2008.

74. The funds raised have been utilised for schematic lending, ST/MT/MT (Conversion) loan assistance and loans to State Governments under RIDF and non-project loans. The outstandings under schematic lending, ST loan advanced for financing ST-SAO together with loans under NABARD line of credit/other ST loans and loans to State Governments under RIDF were at Rs.32,401 crore, Rs.17,381.50 crore and Rs.30,648.59 crore, respectively, as on 31 March 2008.

75. The total income of the Bank during the year was at Rs.5,509.10 crore (Rs.4,474.41 crore during the previous year). After making provision for Income Tax (Rs.521.95 crore), contribution to Special Reserve (Rs.320 crore), transferring to NRC (LTO) Fund (Rs.400 crore) and NRC (Stabilisation) Fund (Rs.10 crore), the balance income left over was Rs.4,257.15 crore. After meeting expenditure of Rs.3,761 crore, the surplus amounted to Rs.496.15 crore (includes withdrawals of Rs.30.31 crore from funds against expenditure debited to P&L Account) which was transferred to various funds maintained by the Bank.

Capacity Building of Client Institutions

76. The functioning and performance of rural co-operative credit institutions continued to suffer from several weaknesses including high NPAs/poor recovery and accumulated losses. In view of this, NABARD continued to provide focussed attention to facilitate the growth and development of rural credit institutions.

Institutional Development

77. During 2006-07, loans issued by SCBs and DCCBs increased by 9 and 12 per cent, respectively, while that by SCARDBs and PCARDBs declined by 16 and 14 per cent, respectively, over the previous year. The overall profit earned by 31 SCBs was Rs.319 crore, while the profit earned by 27 SCBs, which were in profit during 2006-07, was Rs.275 crore. The profit of profit-earning SCBs declined by 21 per cent during 2006-07, over the previous year. Out of 369 DCCBs, 271 were in profit to the tune of Rs.754 crore. However, at the aggregate level, DCCBs earned a net profit of Rs.30 crore during 2006-07, as compared to net profit of Rs.195 crore during the previous year. SCARDBs earned a net profit of Rs.90 crore during 2006-07 compared to profit of Rs.250 crore earned during 2005-06. However, PCARDBs as a whole continued to incur loss, aggregating Rs.147 crore during 2006-07.

78. There were wide variations across the regions in the performance of co-operative credit institutions. During 2006-07, profits of SCBs declined in all regions except the western region. Losses of SCBs in the NER declined by 71 per cent during 2006-07 over the previous year. In the case of DCCBs overall profit declined across all

regions during 2006-07 due to decrease in number of profit-making DCCBs and amount of profit. While the losses of DCCBs in northern region increased considerably, those in the southern region reduced substantially during 2006-07 over 2005-06. SCARDBs in the western region increased their profits substantially during 2006-07 while those in central, eastern and southern regions incurred losses. During 2006-07, in the case of PCARDBs, despite central, southern and western regions earning profits, their losses increased.

79. As on 31 March 2007, of the reporting banks, 4 out of 31 SCBs, 97 out of 369 DCCBs, 53,050 out of 1,06,384 PACS#, 8 out of 17 SCARDBs and 342 out of 692 PCARDBs incurred losses, which together amounted to Rs.9,917 crore (excluding PACS). The poor recovery of loans/high proportion of NPAs to the outstanding loans and advances in co-operative banks continued to be an area of concern.

80. In view of the persisting weakness in the co-operative credit structure, Phase IV of preparing of institution specific DAPs by co-operative banks and entering into MoUs for ST and LT structures was initiated during the year with certain revisions. The revisions proposed repositioning NABARD's role to that of a facilitator. The methodology for conduct of ODIs was also revised during the year accounting for the changes in the environments of RRBs and co-operative banks. In the case of co-operative banks, ODIs were renamed as 'Business Revitalisation and Managing Human Aspirations' (BRAHMA).

81. With the objective of supporting developmental initiatives of co-operative credit institutions, NABARD provides financial support through the CDF. During the year, an amount of Rs.5.68 crore was sanctioned and Rs.6.27 crore was disbursed including earlier sanctions taking the cumulative sanctions and disbursements under CDF to Rs.82.03 crore and Rs.73.92 crore, respectively, as on 31 March 2008.

82. The GoI based on the recommendations of the Task Force on Short-Term Rural Co-operative Credit Structure (STCCS), announced a revival package with an outlay of Rs.13,596 crore. The assistance is to be provided for cleansing the balance sheets of STCCS (as on 31 March 2004), capital infusion to ensure CRAR of 7 per cent, technical support for capacity building, introduction of CAS and MIS and their computerisation, etc. As on 31 March 2008, 18 States have executed MoUs with GoI and NABARD, covering 95 and 93 per cent of the PACS and DCCBs, respectively.

83. The special audit of PACS as on 31 March 2004 was completed in six States (Andhra Pradesh, Gujarat, Haryana, Maharashtra, Rajasthan and Orissa), covering 59,294 PACS as at end-March 2008. State Level Task Forces comprising of State Government, RCS, RBI, NABARD and SCB have been constituted in the implementing States to review (i) the performance of the SCB/DCCBs, (ii) the aspects relating to good governance, and (iii) compliance with statutory requirements and actions suggested by RBI/NABARD, and suggest (i) improvements in the functioning of SCB/DCCBs and (ii) suggest measures required for improving the efficiency and viability of SCB/DCCBs.

84. As at end-March 2008, six States, *viz.*, Andhra Pradesh, Gujarat, Haryana, Madhya Pradesh, Orissa and Uttar Pradesh have passed bills to amend their Co-operative Societies Act (CSA) and Maharashtra has promulgated an ordinance. Amendments in the B.R. Act, NABARD Act and DICGC Act will be made wherever necessary.

85. A Working Group set up by NABARD prepared two separate training modules, training material and trainers' guides for Secretaries and staff of PACS and Board members. Training was imparted to 206 Master Trainers from 11 implementing States who in turn trained, 1,059 district level trainers for conducting actual field level programmes. Till date, 491 DCCB personnel and 40,391 secretaries/staff and 42,730 elected members of PACS from 10 States have been trained. The Technical Committee headed by MD, NABARD finalised guidelines on computerisation of CAS and MIS of PACS.

 # As on 31 March 2006.

86. As on 31 March 2008, NABARD released Rs.1,307.04 crore as GoI's share towards recapitalisation of eligible PACS in Andhra Pradesh, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Orissa and Uttar Pradesh, taking the total support released in these States to Rs.1,467.36 crore including State Government share of Rs.160.32 crore.

87. The Task Force appointed under the Chairmanship of Prof. A. Vaidyanathan, for the revival of Long-Term Co-operative Credit Structure (LTCCS) submitted its report to GoI in August 2006. Based on the observations and suggestions of the States as to the recommendations of the Task Force, Hon'ble Union Finance Minister in the Union Budget 2008-09 announced that GoI and State Governments have reached an agreement as to the contents of the package.

88. Following amalgamation (2005-06 onwards), the number of RRBs has been reduced from 196 to 96 as on 31 March 2007. In all, 81 RRBs showed improvement in their performance either by way of increase in profits or reduction in losses by transcending from loss to profits as at end-March 2007. The net profit of RRBs at aggregate level increased from Rs.617.13 crore during 2005-06 to Rs.625.15 crore during 2006-07. The net worth of RRBs increased from Rs.4,009.74 to Rs.4,526.48 crore during the same period. The performance of RRBs varied widely across regions. While all RRBs were in profit in the southern region, 29 (out of 31) in central, 14 (out of 16) in northern, 9 (out of 10) in western, 9 (out of 16) in eastern and 5 (out of 8) in north-eastern regions were in profit.

89. The recovery performance of RRBs as on 30 June 2007 was above 85 per cent in four States, *viz.*, Punjab, Tamil Nadu, Haryana and Himachal Pradesh. Out of 96 RRBs (as on 30 June 2007), 45 and 44 had recovery of above 80 and 60 per cent, respectively. At the aggregate level, the recovery of RRBs was 80.49 per cent as at end-June 2007.

90. There was a decline in gross NPAs of all RRBs as a percentage of loans and advances outstanding from 7.28 as at end-March 2006 to 6.55 as at end-March 2007. However, 51 RRBs had NPA levels below the national average of 6.55 per cent and only 6 RRBs had NPA levels above 20 per cent as at end-March 2007. Lowest level of NPAs was observed in the case of RRBs in southern (3.24%) and northern (3.9%) regions. NPAs of RRBs in the western (7.03%), central (8%), eastern (11.3%) and north-eastern (12.2%) regions were comparatively higher than the all-India average of 6.55 per cent as on 31 March 2007.

91. The recapitalisation support announced by Hon'ble Finance Minister in the Union Budget 2007-08, will be extended to RRBs with negative net worth in a phased manner. As at end-March 2008, out of 96 RRBs, 27 had negative net worth, requiring recapitalisation support worth Rs.1,795.97 crore. GoI, sponsor banks and State Governments will contribute in the ratio of 50:35:15. As on 31 March 2008, six State Governments contributed their share to 12 RRBs (7 full share and 5 partial share).

92. In accordance to the announcement in the Union Budget 2007-08, 49 hitherto uncovered districts will be covered by RRBs as notified by GoI and 11 districts are under consideration for notification. Of the 678 proposed branches, 268 were opened as at end-March 2008. Further, the Securitization and Reconstruction of Financial Assets and Enforcement of Securitization of Interest (SARFAESI) Act was extended for loans advanced by RRBs.

Supervision over Banks

93. NABARD inspects SCBs and DCCBs in terms of the powers vested under Section 35(6) of the B.R. Act, 1949 (AACS), and of RRBs under Section 35(6) of the B.R. Act, 1949. Keeping in view the need for effective supervision over a sizeable number of weak banks, NABARD's inspections are focussed on ensuring conformity with banking regulations and facilitating internalisation of prudential norms. Accordingly, statutory inspections of all SCBs, DCCBs and RRBs not complying with minimum capital requirements and voluntary inspections of all SCARDBs continued to be conducted annually. The statutory inspections of DCCBs

and RRBs having positive net worth and voluntary inspections of Apex Co-operative Societies/Federations are conducted once in two years.

94. During the year, statutory inspections of 366 banks (31 SCBs, 261 DCCBs and 74 RRBs) and voluntary inspections of 18 SCARDBs and 1 apex institution were conducted. Some of the supervisory concerns relating to these banks brought out by the inspections were, improper application of IRAC norms resulting in inflated profit/reduced losses, high level of NPAs/erosion of assets, inadequate risk management strategies, deficiencies in sanction and disbursement of loans, ineffective funds management, weak internal checks and control systems, violation of CMA norms, etc.

95. The Board of Supervision (for SCBs, DCCBs and RRBs) [BoS] met four times during the year. The issues reviewed by BoS included, (i) functioning of SCBs and SCARDBs, (ii) functioning of co-operative credit institutions of Orissa, Maharashtra, Karnataka and Gujarat and RRBs, (iii) functioning of insolvent SCBs and DCCBs, (iv) trigger-point policy for supervisory prescription and regulatory action for co-operative credit institutions, (v) impact of amalgamation of RRBs, (vi) policy, procedure and status of complaints, grievance redressal and courteous service, (vii) frauds, misappropriation, embezzlements, defalcations, etc., (viii) implementation of DAPs by co-operative banks, (ix) implementation of reforms under GoI package for STCCS, (x) the revised inspection strategy, (xi) revision of exposure norms and CMA guidelines, (xii) investment portfolio management based on special studies, etc.

96. As on 31 March 2008, 6 SCBs and 121 DCCBs were not complying with the Section 11(1) of the B.R. Act, 1949 (AACS). The total erosion in the value of assets of these non-compliant co-operative banks, aggregated Rs.14,998.10 crore, which had affected deposits to the extent of Rs.4,244.31 crore in addition to their entire share capital.

97. NABARD revised the inspection guidelines for on-site inspection of all banks keeping in view the latest development and policy environment. The Bank conducted pilot inspections of 20 select banks before implementing the revised guidelines which include, (i) revised audit classification/rating norms for audit of co-operative banks, (ii) guidelines on Customer Service and Grievance Redressal Mechanism in co-operative banks, (iii) guidelines on Asset-Liability Management to 5 SCBs and 12 RRBs to be introduced on a pilot basis, etc.

98. NABARD constituted a Central Fraud Monitoring Cell to monitor and investigate frauds above Rs.10 lakh. In addition special portfolio studies on internal control system in select RRBs, investment management, NPA management, CMA in select co-operative banks, etc., were also undertaken.

Organisation and Management

99. NABARD continued its efforts for capacity building of its employees/upgrading their skills and introduced new/refined training programmes, to enable them to keep abreast of the constantly changing socio-economic and technical environment.

100. During the year, the Board of Directors of NABARD met five times, while the Executive Committee, the Sanctioning Committee for loans under RIDF and the Audit Committee met four, six and five times, respectively. The Risk Management Committee met thrice during the year.

101. Reserve Bank of India conducted the financial inspection of NABARD with reference to the financial position as on 31 March 2007 between January and March 2008.

Training and Skill Enhancement

102. During the year, 91 training programmes covering 1,546 officers were conducted at NBSC, Lucknow on functional, behavioural and technical areas. Exposure visits for Natural Resource Management projects exclusively for senior officers, sensitisation of officers

posted in NER and 18 new programmes were also introduced. Besides 59 officers were deputed for tailor-made programmes on Appraisal and Scrutiny of RIDF projects, Commodity Futures and Derivatives, etc., as also 177 officers deputed for 103 workshops/seminars/ conferences at reputed institutions. Further, 103 officers were deputed abroad for various overseas training programmes, exposure visits, seminars, etc. In addition, 63 training programmes covering 860 employees were conducted at NBTC, Lucknow and ZTC, Hyderabad. Pre-promotional training programmes were also conducted for 41 and 112 Group 'B' and 'C' staff, respectively.

103. During the year, 50 employees availed of facilities under the incentive scheme, for professional studies in part-time and distance learning courses. The Bank also introduced during the year, a scheme for granting sabbatical to officers to encourage them to pursue research programme/project on subjects relevant to the Bank.

Other Matters

104. The process of recruiting 120 officers in Grade 'A' of RDBS and Rajbhasha Services and Grade 'B' of Legal Service was initiated during the year. Further, 163 promotions were effected in various grades of the officers' cadre. As at end-March 2008, NABARD had a total staff strength of 4,924 employees.

105. Preventive Vigilance Inspection of eight ROs/TEs and one Chief Technical Examiner type inspection of electrical work of the Bank at Assam were undertaken during the year. The Bank observed Vigilance Awareness Week in November 2007.

106. During the year, NABARD introduced *www.nabnet.in*, an inter-office portal accessible from any location in the country through the internet. The Bank's corporate e-mail '*NABARD mail*' was provided to all officers including DDMs/DDOs.

107. Inspection of 19 ROs/TEs and 17 HO departments was undertaken during the year. In order to improve the efficiency and effectiveness of the staff posted in concurrent audit Cells at ROs/TEs, two workshops were organised. It was decided to set up a Zonal Audit Cell at Guwahati to take care of the concurrent audit of seven smaller ROs in the NER. Chartered Accountants were engaged to conduct special audit of Treasury Operations for a period of one year commencing from the quarter ending 31 December 2006.

108. The Central Complaints Committee at HO and 23 Committees at ROs are functioning for prevention of sexual harassment of women at the work place.

109. The Bank continued to promote use of Hindi in its day-to-day working. In addition to 46 customised workshops, a sensitisation workshop towards official language policy of GoI for senior officers was conducted during the year. The Drafting and Evidence Sub-Committee of the Parliamentary Committee on Official Language reviewed the use of Hindi in the HO and Orissa and West Bengal ROs, while the third Sub-Committee of the Parliamentary Committee an Official Language inspected New Delhi RO. The Committees found the performance of these offices satisfactory. Inspections of nine ROs/TEs were undertaken with a view to accelerating the use of Hindi and to assess compliance to the official language policy of GoI.

I

Rural Economic Environment

The Indian economy has recorded in recent times more than 8 per cent growth in GDP powered by higher growth rates in the services and the industry sectors. Consistent with the trend, growth rates of 10.8 and 8.5 per cent in the services and industry sectors, respectively, have contributed to the overall growth of GDP at 9 per cent during 2007-08. The impressive sectoral growth rates have enabled per capita income (at 1999-2000 prices) to increase from Rs.15,881 during 1999-2000 to Rs.22,553 during 2006-07 and Rs.24,321 during 2007-08. Inflation remained stable for most part of 2007-08, despite disturbances in the global prices of commodities including oil and upsurge in capital inflows, and except for the jump above 7 per cent at the fag-end of the year. Revenue and fiscal deficits as percentage of GDP are expected to be 1.4 and 3.1, respectively, during 2007-08 as against 1.9 and 3.4 per cent during 2006-07.

1.2 Agriculture growth at 4.5 per cent during 2007-08 was higher than 3.8 per cent during 2006-07. The ensuing sections review the trends in agriculture and rural sectors in the Global and Indian economies.

Global Economy

Economic Scenario

1.3 Growth in the global economy witnessed a marginal decline from 3.7 per cent in 2006 to 3.4 per cent in 2007, as a result of the slowdown in the advanced economies and is expected to further dip to 2.6 per cent in 2008. Though the growth rate of emerging and developing economies (7.9%) was less affected by the financial turbulence in 2007, it is expected to decline to 6.7 per cent in 2008 (Table 1.1). The robust growth rates of Chinese (11.4%) and Indian (9%) economies as well as other emerging and developing countries counterbalanced the moderate growth recorded by the advanced economies (2.7%). The growth momentum was largely on account of strong productivity gains in these developing countries and their progressive integration into the global economy. However, the slow down in world output was also reflected in the drop in volume of world trade in goods and services by 2.4 percentage points.

1.4 During 2007, inflation around the world remained at high levels owing to consistently high food prices. Food price increase accounted for more than 70 per

Table 1.1: Overview of Global Economy

(Annual percentage change)

Growth	2006	2007	2008*
A. GDP (Real)			
a. World Output	3.7	3.4	2.6
b. Advanced Economies	3.0	2.7	1.3
i. United States	2.9	2.2	0.5
ii. Euro Area	2.8	2.6	1.4
iii. Japan	2.4	2.1	1.4
iv. Newly Industrialised Asian Economies	5.6	5.6	4.0
c. Other Emerging and Developing Economies	7.8	7.9	6.7
i. Developing Asia	9.6	9.7	8.2
ii. China	11.1	11.4	9.3
iii. India	9.7	9.0	7.9
iv. ASEAN – 5@	5.7	6.3	5.8
B. Consumer Prices			
a. Advanced Economies	2.4	2.2	2.6
b. Other Emerging and Developing Economies	5.4	6.4	7.4
C. World Trade Volume (goods & services)	9.2	6.8	5.6
a. Imports by Emerging and Developing Economies	14.4	12.8	11.8
b. Exports by Emerging and Developing Economies	10.9	8.9	7.1
D. Commodity Prices			
a. Oil Prices	20.5	10.7	34.3
b. Non-Fuel Prices	23.2	14.0	7.0

* : *Projections.*

@ : *Includes Indonesia, Malaysia, Philippines, Singapore and Thailand.*

Source: *(i) World Economic Outlook, IMF, April 2008.*
(ii) RBI Bulletin, June 2008.

cent increase in headline inflation in emerging economies compared to around 20 per cent in the case of advanced economies. The continuing slow down in growth in advanced economies could have an adverse impact on growth, trade performance and stifle capital inflow in emerging and developing economies. While the world inflation level increased marginally in 2007 over 2006 (Table 1.2), there was a 2.8 percentage point jump in the world food inflation level during the same period.

Table 1.2: Trend in Inflation

(Per cent)

Particulars	Headline Inflation		Food Inflation*	
	2006	2007	2006	2007
World	3.4	3.9	3.4	6.2
Advanced Economies	2.3	2.2	2.0	3.0
Developing Asia	3.7	4.9	4.4	10.0
Central & Eastern Europe	5.2	5.4	4.6	8.2

**: Changes in food related consumer prices (or closest equivalent).*
***Source:** Data on food and fuel price inflation based on 137 countries (World Economic Outlook, 2007).*

Indian Economy

A. Economic Scenario

a. Gross Domestic Product

1.5 Indian economy registered a growth of 9 per cent in GDP (at 1999-2000 prices) during 2007-08, as against 9.6 per cent during 2006-07. The average annual growth attained during the Tenth Plan Period (2002-07) at 7.8 per cent, though marginally less than the targeted 8 per cent, was the highest for any Plan period. The shortfall can be partly attributed to the low growth in agriculture and allied sectors (2.5%). Select economic indicators of the Indian Economy are presented in Table 1.3.

1.6 Sectoral analysis of growth rates reveal that deceleration in growth in agriculture and allied sectors brought down its share in overall GDP further by 0.7 percentage point to 17.8 per cent during 2007-08, while the share of services sector increased by similar proportion to 55.6 per cent and that of industry sector marginally declined to 26.6 per cent during the year (Table 1.4).

b. Consumption, Savings and Investments

1.7 Private final consumption expenditure as a proportion to GDP in the economy declined marginally from 55.8 per cent during 2006-07 to 55.3 per cent during 2007-08. However, a higher growth in Gross Fixed Capital Formation (GFCF) is expected to improve its relative share in GDP (at market prices) to 31.9 per cent during 2007-08 as against 30.6 per cent during 2006-07. The relative share of private consumption and GFCF in GDP during the Tenth Plan stood at 60.9 and 27 per cent, respectively. Gross domestic savings as a proportion to GDP also improved marginally to 34.8 per cent during 2006-07 from 34.3 per cent during 2005-06. The savings ratio during the Tenth FYP at 31.4 was substantially higher than that of Ninth FYP at 23.6. The gross domestic capital formation GDCF as percentage to GDP (at current market prices) also improved marginally from 35.5 during 2005-06 to 35.9 during 2006-07. However, the improvement was notable

Table 1.3: Economic Indicators

Particulars	2005-06	2006-07	2007-08
Growth in (%)			
a. Overall GDP ^	9.4	9.6^{Q}	9.0^{RE}
b. GDP from Agriculture & Allied Activities^	5.9	3.8^{Q}	4.5^{RE}
c. Foodgrain Production	5.2	4.2	4.6$^{\#}$
d. Industrial Production^	9.6	10.6	8.5^{P}
e. Inflation as measured by WPI	4.1	5.9	7.4^{B}
Gross Domestic Savings (as % of GDP)^	34.3	34.8	NA
Gross Domestic Investment (as % of GDP)^	35.5	35.9	NA
Fiscal Deficit (as % of GDP)^^	4.1	3.4	3.1
Imports (US$ million)^^	33.8	24.5^{R}	26.9^{P}
Exports (US$ million)^^	23.4	22.6^{R}	22.9^{P}
Trade Balance (as % of GDP)^^	-6.4	-6.9	NA
External Debt (as % of GDP)^^	17.2	17.8	18.8

Q : Quick Estimate. *RE : Revised Estimate.*
P : Provisional *R : Revised*
 # : 3rd Advance Estimate 2007-08. *NA : Not Available*
B : As at end-March 2008. *^^ : At current market price*
^ : At factor cost - 1999-2000 prices.
***Source:** (i) Economic Survey 2007-08. (ii) RBI Bulletin, June 2008.*

Table 1.4: Sectoral Growth Rates of Real GDP*

(Per cent)

Sector	2003-04	2004-05	2005-06	2006-07Q	2007-08RE
Agriculture & Allied	10.0 (22.2)	- (20.8)	6.0 (19.9)	3.8 (18.5)	4.5 (17.8)
Industry#	7.4 (25.8)	9.8 (26.0)	9.6 (26.1)	10.6 (26.8)	8.5 (26.6)
Services	8.5 (52.0)	9.6 (53.2)	9.8 (54.0)	11.2 (54.7)	10.8 (55.6)
Total GDP at factor cost	**8.5 (100.0)**	**7.5 (100.0)**	**9.4(100.0)**	**9.6 (100.0)**	**9.0 (100.0)**

Q : Quick Estimate. *RE : Revised Estimate.* *(* At : 1999-2000 prices.)*

 # : Includes mining & quarrying, manufacturing, electricity, gas and water supply and construction (ES 2003-04).

Figures in parentheses indicate percentage share in GDP

Source: *1. Economic Survey 2007-08.* *2. Central Statistical Organisation, GoI.*

during the Tenth FYP and averaged at 31.4 per cent as compared to 24.3 per cent during the previous Plan period and 25.2 per cent during the beginning of the Tenth Plan (2002-03).

c. Inflation

1.8 On a year-on-year basis, inflation measured in terms of wholesale price index (WPI) was 7.4 per cent as at end-March 2008, as against 5.9 per cent as at end-March 2007. However, on an annual average basis inflation was 4.7 per cent during 2007-08 as against 5.4 per cent during 2006-07. Inflation declined from 6.4 per cent at the beginning of 2007-08 to a low of 3.1 per cent in the middle of October 2007, before firming up at 4.4 per cent from mid-February 2008. A part of the inflation was due to increase in prices of steel, iron ore, crude oil derivatives, oilseeds and edible oils in line with the rise in international prices of these commodities. A notable feature was that while the world food prices recorded an increase during 2007 compared to 2006 (Table 1.2), the converse was observed in India with the WPI of food articles declining to 6.1 per cent during 2007-08 from 8 per cent during 2006-07.

B. Trade

1.9 The Indian economy showed progress in integration with the world economy as evident from the improved trade to GDP ratio, at 34.8 during 2006-07 as compared to 22.5 during 2000-01. The openness indicator by including services trade showed further improvement of 48 per cent as against 29.2 per cent during the same period. India's export and import growth in US$ terms were 22.6 and 24.5 per cent, respectively, during 2006-07 over 2005-06. During 2007-08, both exports and imports in US$ terms registered growth of 22.9 and 26.9 per cent, respectively, over the previous

Table 1.5: Trends in Exports and Imports

(US$ billion)

Year	Total Exports	Share of Agri. in Total Exports (%)	Total Imports	Share of Food & Allied Products in Total Imports (%)
2003-04	63.84 (21.1)	11.8	78.15 (27.3)	4.7
2004-05	83.54 (30.8)	10.2	111.52 (42.7)	3.5
2005-06	103.10 (23.4)	9.91	149.17 (33.8)	2.5
2006-07 R	126.36 (22.6)	9.91	185.75 (24.5)	2.9
2007-08P	155.40 (22.9)	10.7*	235.70 (26.9)	1.91**

R : Revised. *P : Provisional.* ** : April-January.* ***: April-December*

Figures in the parentheses refer to percentage change over the previous year.

Source: *1. DGCI&S, Kolkata.* *2. Ministry of Commerce and Industry* *3. Economic Survey 2007-08* *4. RBI Bulletin, June 2008*

year (Table 1.5). Share of agriculture in total exports was 10.7 per cent during 2007-08 (April-January). However, it was higher compared to the share of 9.7 per cent during the same period of the previous year. The share of agriculture in total imports also declined during the year to 1.91 per cent (April-December), and was marginally lower than 1.93 per cent registered during the same period of the previous year.

C. Agricultural Marketing and Commodity Futures

1.10 The model law on agricultural marketing was prepared and circulated by Ministry of Agriculture (MoA), GoI, to promote and improve agricultural marketing. Till date, 15 States and 5 UTs have modified their APMC Act to derive benefits of market reforms. During the 53rd Meeting of the National Development Council, MoA, requested States and UTs to complete the process of amendments and notification in respect of APMC by 2007-08. GoI has taken an initiative to promote modern terminal markets for fruits, vegetables and other perishables in important urban centres, providing state-of-the-art infrastructure facilities for electronic auction, cold chain and logistics and operating through primary collection centres conveniently located in producing areas. The terminal markets are envisaged to operate on a 'Hub-and-Spoke' format wherein the terminal market (the hub) would be linked to a number of collection centres (the spokes). Operational guidelines of the scheme have been circulated to the States that have amended their APMC Acts.

Replantation of paddy crop

1.11 The commodity futures markets help farmers in price discovery and risk management. To make the price discovery process more efficient, the Forward Market Commission, initiated various steps in 2007 to attract larger participation of all stakeholders, by creating awareness about the markets, organising training programme for the farmers, etc. GoI has also allowed investments upto 26 per cent FDI and 23 per cent FII, subject to the condition that no single investor holds more than 5 per cent, in commodity markets from January 2008. The total volume of trade in the commodities futures market increased to Rs.36,540 billion as against Rs.34,840 billion in 2006, wherein the MCX and NCDEX registered a share of 74.7 and 21.2 per cent, respectively, in total transactions in 2007.

D. Support Prices, Procurement and Stock of Foodgrains

1.12 Minimum Support Prices (MSPs) were announced for 24 major crops before the sowing season, enabling farmers to plan their crops. During 2007-08, MSPs were revised upwards and were significantly higher by 33.3, 11.2, 11.8, 11.8 and 9.9 per cent for wheat, paddy, moong, urad and arhar, respectively. During 2006-07, decline in wheat procurement (35.8 million tonnes) during the *rabi* season led to the reduction in the overall procurement of cereals as compared to 2005-06 (42.4 million tonnes). While the procurement of rice remained almost the same during 2006-07 (26.3 million tonnes) as compared to 2005-06 (26.7 million tonnes), wheat procurement further declined to 9.2 million tonnes during 2006-07 as against 14.8 million tonnes during 2005-06. Actual stock of foodgrains (rice and wheat) at 21.4 million tonnes as on 1 February 2008 was marginally higher than the buffer stock norms of 20 million tonnes for the month (Box 1.1).

Box 1.1

National Policy for Farmers 2007

GoI's National Policy for Farmers, 2007, provides greater focus on the economic well being of the farmers, in addition to production and productivity. The policy aims to stimulate attitudes and actions, which result in assessing agricultural progress in terms of improvement in the income of the farm families in terms of their consumption requirements and capacity to invest in farm related activities. Broad coverage of the policy includes:

a. Asset reforms ensuring that farmer household/s has access to a production asset/marketable skill for sustainable income generation.

b. Water use and rain water harvesting for maximising yield and income per unit of irrigation water in all the crop production programmes.

c. Encouraging use of biotechnology, information and communication technology (ICT), renewable energy technology, space applications and nano-technology, etc., for improving productivity per unit of land and water.

d. Establish National Agricultural Bio-security System to organise a co-ordinated agricultural bio-security programme.

e. Involving co-operatives, SHGs, Agricultural Universities, seed companies in providing quality seeds, disease free planting material and soil health enhancement.

f. Development, introduction and diffusion of environmentally safe and effective pesticides, encouraging bio-pesticides and preventing use of spurious pesticides.

g. Timely, adequate and accessible financial services available at reasonable interest rates. Revamping NAIS to make it more farmer friendly.

h. Gyan Chaupals at village level with the help of ICT and farm schools in the fields of outstanding farmers to promote farmer-to-farmer learning.

i. Measures to cover farmers, especially SF/MF and landless in social security scheme.

j. MSP mechanism to be implemented effectively across the country and market intervention scheme to be strengthened. Efforts to develop a single national market by relaxing internal restrictions.

k. Initiatives to improve the economic condition of tribal farmers, pastoralists, small plantation farmers, island farmers, urban farmers, organic farmer, etc.

l. Suitable institutional support for organic farming, green agriculture, genetically modified crops, protected (green house) agriculture, etc.

E. Agriculture and Rural Economy

a. Rainfall Situation

1.13 Cumulative precipitation during the South-West monsoon season (1 June to 30 September) 2007 was 5 per cent above normal and well distributed over time. However, during the North-East monsoon season (1 October to 31 December) 2007, it was 32 per cent below normal as against 21 per cent below normal during the corresponding period of the previous year. Out of the 36 meteorological sub-divisions in the country, rainfall was excess/normal in 30 sub-divisions (26 sub-divisions during 2006) during the South-West monsoon and scanty/no rain in 27 sub-divisions during the North–East monsoon (Table 1.6). Water storage capacity in 81 major reservoirs in the country during South-West and North-East monsoons declined to 79 and 55 per cent during 2007 from 89 and 59 per cent, respectively, during 2006.

Table 1.6 : Trends in the Rainfall and Water Storage

Particulars	South - West Monsoon			North - East Monsoon		
	2005	2006	2007	2005	2006	2007
A. Cumulative rainfall (% variation from normal)	-1	-1	5	10	-21	-32
B. Number of Sub-divisions with						
i. Normal	23	20	17	6	6	7
ii. Excess	9	6	13	11	3	2
iii. Deficient/Scanty/No Rain	4	10	6	19	27	27
C. Reservoir status (% of FRL*)	81	87	79	37	59	55

Normal: ± 19 % Excess: + 20% or more Deficient: -20 to - 59% Scanty: - 60 % or less. No Rain: - 100%

** : Full Reservoir Level in 81 major reservoirs(accounting for 63 % of total reservoir capacity in the country) as at the end of season.*

Source: *Indian Meteorological Department*

b. Crop Acreage

1.14 Satisfactory rainfall and remunerative market prices enabled improved coverage during *kharif* 2007 at 104.9 million ha. (increase of 2.7%), especially in the case of pulses and sugarcane (Table 1.7). Shortfall in North-East monsoon adversely affected the sown area under *rabi* crops (3.8%). As a result, while area under all major crops improved during *kharif* season, it declined during the *rabi* season, except coarse cereals which registered a reverse trend.

Banana Plantation

c. Agricultural Production

i. Foodgrains and Non-Foodgrains

1.15 Overall foodgrains production during 2007-08 is estimated at 230.7 million tonnes as against the previous year's production of 217.3 million tonnes and target of 221.5 million tonnes. The achievement during 2006-07 at 217.3 million tonnes was on account of improved production of wheat, rice and pulses. During the year, production of coarse cereals, pulses, paddy and wheat is estimated to increase by 20.3, 6.3, 3.2 and 3.4 per cent, respectively. Production of oilseeds and cotton is estimated to increase by 18.5 and 14.2 per cent, respectively, while that of sugarcane is likely to fall by 3.2 per cent as compared to 2006-07 (Table 1.8).

ii. Plantation Crops

1.16 Tea production in the country stagnated at 9.47 lakh tonnes during 2006-07 and is estimated to drop to 8.05 million tonnes during 2007 (April-November) (Table 1.9). Export of tea, however, increased both in terms of volume and value by 11 and 14 per cent, respectively, during the year. For funding replantation and rejuvenation activities, aimed at improving productivity of tea gardens, GoI has set up a Special Purpose Tea Fund, to be under implementation till the end of Eleventh FYP with the plan outlay of Rs.567.10 crore. Union Budget 2008-09 has proposed setting up of similar Funds for rubber (Rs.19.41crore), coffee (Rs.18 crore) and cardamom (Rs.10.68 crore) (Box 1.2).

Table 1.7: Area Sown under Major Crops

(Million ha.)

Crop	Kharif (a)		Rabi* (b)		Total (a+b)	
	2006	2007	2006	2007	2006	2007
Rice	37.1	37.3	0.9	0.8	38.0	38.1
Wheat	-	-	28.0	27.4	28.0	27.4
Coarse Cereals	22.1	22.0	6.4	6.5	28.5	28.5
Pulses	11.4	12.6	13.7	12.9	25.1	25.5
Oilseeds	16.8	17.7	9.5	8.5	26.3	26.2
Cotton	9.0	9.3	-	-	9.0	9.3
Sugarcane	4.8	5.1	-	-	4.8	5.1
Total	**102.1**	**104.9**	**58.5**	**56.3**	**160.6**	**161.2**

Source: *Ministry of Agriculture, GoI.* **: Upto 18 January 2008* *- : Nil*

Table 1.8: Production of Foodgrains and Non-Foodgrains Crops

(Million tonnes)

Crop	2003-04	2004-05	2005-06	2006-07	2007-08	
					Target	Achievement*
Paddy	88.5	83.1	91.8	93.4	93.0	96.4
Wheat	72.2	68.6	69.4	75.8	75.5	78.4
Coarse Cereals	37.6	33.5	34.1	33.9	37.5	40.8
Pulses	14.9	13.1	13.4	14.2	15.5	15.1
Foodgrains	**213.2**	**198.4**	**208.6**	**217.3**	**221.5**	**230.7**
Kharif	*117.0*	*103.3*	*109.9*	*110.6*	*114.2*	*121.8*
Rabi	*96.2*	*95.1*	*98.7*	*106.7*	*107.3*	*108.9*
Oilseeds	25.2	24.4	28.0	24.3	30.0	28.8
Sugarcane	233.9	237.1	281.2	355.5	310.0	344.2
Cotton@	13.7	16.4	18.5	22.6	22.0	25.8
Jute & Mesta@@	11.2	10.3	10.8	11.3	11.0	11.3

@: In million bales of 170 kgs. each. *@@: In million bales of 180 kgs. each.* **: Fourth Estimate.*

Source : *Ministry of Agriculture, GoI.*

Box 1.2

Union Budget 2008-09: Highlights on Agriculture and Rural Sector

- A scheme of debt waiver and debt relief to farmers for loans taken from scheduled commercial banks, RRBs, co-operative banks, upto March 2007, overdue as on 31 December 2007 and remained unpaid as on 29 February 2008. Complete waiver in the case of 3 crore SF/MF farmers (Rs.50,000 crore) and 25% rebate (Rs.10,000 crore) to 1 crore other farmers. The process is to be completed by 30 June 2008 and farmers availing the scheme would be entitled to fresh loans from credit institutions.
- Setting-up of a Fund with corpus of Rs.5,000 crore in NABARD to enhance its refinance operations to ST co-operative credit institutions. The Fund is to be created on the lines of RIDF and will be governed by the general guidelines applicable to RIDF with some modifications. The corpus of RIDF-XIV raised to Rs.14,000 crore for 2008-09 and the window for rural roads to continue under RIDF XIV with a corpus of Rs.4,000 crore. The GoI and the State Governments have agreed to implement the Vaidyanathan Committee's Report on reviving the LT co-operative credit structure, at an estimated cost of Rs.3,074 crore (GoI's share: Rs.2,642 crore).
- Farm credit target for 2008-09 fixed at Rs.2,80,000 crore. ST crop loan to continue at 7% interest and Rs.1,600 crore allocated for interest subvention during 2008-09. Two recommendations of the Financial Inclusion Committee accepted, *viz.*, (i) to advise commercial banks, including RRBs, to add at least 250 rural household accounts every year at each of their rural and semi-urban branches, and (ii) to allow individuals such as retired bank officers, ex-servicemen, etc., to be appointed as business facilitator/ business correspondent/credit counsellor. Banks will be encouraged to embrace the concept of Total Financial Inclusion.
- Commercial banks to meet the entire credit requirements of SHG members, *viz.*, (i) income generation activities, (ii) social needs like housing, education, marriage, etc., and (iii) debt swapping. All women SHGs credit linked to banks will be covered under Janashree Bima Yojana operated by Life Insurance Corporation of India, with 50% subsidy in premium from the Social Security Fund (contribution of Rs.500 crore for 2008-09).
- Tax exemption for income arising from saplings or seedlings grown in a nursery. NHM to be provided Rs.1,100 crore during 2008-09, 500 soil-testing laboratories to be set up in the public and private sectors during the Eleventh Plan period with GoI's assistance of Rs.30 lakh/laboratory. Before March 2009, 250 districts of the country will get one fully fitted mobile soil-testing laboratory. The Special Purpose Fund for plantation crops such as cardamom (Rs.10.68 crore), rubber (Rs.19.41 crore) and coffee (Rs.18 crore) to be created and a crop insurance scheme for tea, rubber, tobacco, chilli, ginger, turmeric, pepper and cardamom to be introduced during 2008-09.

Table 1.9: Production and Consumption of Major Plantation Crops

(Lakh tonnes)

Year	Tea			Coffee			Rubber		
	Production	Consumption	Exports	Production	Consumption	Exports	Production	Consumption	Exports
2003-04	8.79	7.14	1.83	2.71	0.70	2.33	7.12	7.20	0.76
2004-05	9.07	7.35	2.06	2.76	0.75	2.12	7.50	7.55	0.46
2005-06	9.49	7.57	1.97	2.74	0.80	2.02	8.03	8.01	0.74
2006-07	9.47	7.71	2.18	2.88	0.80	2.49	8.53	8.20	0.57
2007-08*	8.05	NA	1.01	2.62	0.85	1.20	8.19	8.57	NA

: April-November.* *NA : Not available* ***Source:* *Ministry of Commerce and Industry, GoI.*

1.17 During 2006-07, coffee production improved by 5.1 per cent over 2005-06, and volume and value (in US$) of coffee export by 23.3 and 28.3 per cent, respectively. However, domestic consumption stagnated at 0.8 lakh tonnes. India is the fourth largest producer of natural rubber accounting for 9 per cent of the world production and enjoying highest productivity (1,879 kg/ha.) among the major producers. During 2006-07, domestic production and consumption of rubber increased by 6.2 and 2.4 per cent, respectively, over the previous year.

iii. Horticulture

1.18 Horticulture sector, contributed nearly 28 per cent of GDP in agriculture during 2005-06. Despite an increase of 1.4 per cent in the area under horticultural crops to 18.98 million ha. during 2006-07 over 2005-06, growth in production decelerated by 2.8 per cent to 186.9 million tonnes during the same period (Table 1.10). It was mainly on account of decline in production of onion and stagnation in production of spices. Under the National Horticulture Mission (NHM) launched in 2005, during 2005-06 and 2006-07, a sum of Rs.1,575.3 crore was released. During 2007-08, Rs.1,150 crore was earmarked for implementation of the scheme and as at end-January 2008, Rs.691 crore was released.

d. Agricultural Inputs

i. Seeds

1.19 The share of private sector in production and distribution of seeds in the country was 46 per cent of the seeds sold commercially. Breeder seed production by National Agricultural Research System, reached 0.74 lakh quintals during 2006-07 registering a 7.5 per cent growth over previous year. Quality seed distribution during 2006-07 at 155 lakh quintals was 22.3 per cent higher than the previous year's distribution level.

Table 1.10: Area and Production of Major Horticultural Crops

(Area - million ha; Production - million tonnes)

Year	Area				Production			
	Fruits	Vege-tables	Flowers	Total Horticulture	Fruits	Vege-tables	Flowers	Total Horticulture
2002-03	4.8	5.9	0.1	16.4	49.2	84.8	0.2	152.0
2003-04	5.1	6.7	0.2	20.6	49.8	101.4	0.6	165.5
2004-05	5.1	6.7	0.1	17.8	50.9	101.2	0.7	167.0
2005-06	5.3	7.1	0.1	18.7	55.4	110.1	0.7	181.8
2006-07^{P}	5.5	7.2	0.1	18.9	57.7	111.8	0.9	186.9

P: Provisional ***Source****: 1. National Horticulture Board. 2. Horticulture Division., Dept of Agriculture & Co-operation, GoI*

ii. Fertilizers

1.20 During 2006-07, fertilizer consumption reached 220.45 million tonnes and 113.26 kg/ha. both registering an increase of 8.4 per cent. Current pricing mechanism coupled with the unscientific use of chemical fertilizers has resulted in nutrient imbalance with excessive use of urea and a bias against micronutrients. As against the desirable proportion of 4:2:1 of NPK, the average use is 6:2.4:1, thus adversely affecting soil profile, micronutrient use and crop productivity.

iii. Irrigation

1.21 Total irrigation potential in the country created through major, medium and minor irrigation schemes improved from 94 million ha. during Ninth FYP to 102.8 million ha. during the Tenth Plan and is estimated to be 73.5 per cent of the ultimate potential. However, only 85 per cent of the potential created was utilised. Accelerated Irrigation Benefit Programme (AIBP), started in 1996-97, aimed at extending assistance to incomplete irrigation schemes for their completion. As on 29 January 2008, loan/grant assistance of Rs.24,867 crore was extended under AIBP to State Governments for 229 major/medium irrigation projects and 6,205 surface minor irrigation schemes. Till 2006-07, total potential of 4.64 million ha. has been created under AIBP. The outlay for 2007-08 was Rs.11,000 crore and estimated outlay for 2008-09 is Rs.20,000 crore with grant component of Rs.5,500 crore. The centrally sponsored scheme on micro irrigation, launched in January 2006, has brought in 3.4 lakh ha. under drip and sprinkler irrigation as at end-March 2007, involving budgetary support of Rs.366.40 crore. Under the scheme, Rs.550 crore was allotted for covering 3.6 lakh ha. during 2007-08 of which, Rs.266.70 crore was released as at end-January 2008.

1.22 As per the Union Budget 2008-09, an Irrigation and Water Resource Finance Corporation is proposed to be set up, with an initial capital of Rs.100 crore, with the objective of mobilising large resources, required to fund major/medium irrigation projects. Under the National Project for Repair, Renovation and Restoration of Water Bodies, being implemented since 2005 in 26 districts across 15 States covering 1,098 water bodies, an amount of Rs.179.30 crore was released as on 30 November 2007. Following the pilot scheme, Andhra Pradesh, Karnataka and Tamil Nadu have signed agreements for assistance with the World Bank, for a total sum of Rs.3,276 crore covering 7.02 lakh ha. The irrigation component of **Bharat Nirman** aims at creating the irrigation potential of 10 million ha., mainly through completion of on-going major and medium irrigation schemes. During 2005-06 and 2006-07, irrigation potential of 1.68 million ha. and 1.94 million ha., respectively, have been created.

iv. Agricultural Credit

1.23 As against the target of Rs.2,25,000 crore of credit flow to agriculture for 2007-08, the banking system has disbursed Rs.2,25,348 crore as on 31 March 2008, achieving more than cent per cent of the target. Commercial banks, co-operative banks and RRBs disbursed Rs.1,56,850 crore, Rs.43,684 crore and Rs.24,814 crore during 2007-08, against the targets of Rs.1,50,000 crore, Rs.52,000 crore and Rs.23,000 crore, respectively. Commercial banks, co-operative banks and RRBs thus achieved 104,84 and 108 per cent of the targets, respectively (Table 1.11).

1.24 During the period 2003-07, the GLC flow for agriculture and allied activities registered a compounded annual growth rate (CAGR) of 38 per cent wherein the CAGR for crop loans and term loans disbursements was 36 and 42 per cent, respectively. During 2006-07, GLC flow for both crop loans (31%) and term loans (21%) witnessed high growth over 2005-06. Sub-sectoral credit flow during 2006-07 reveals that highest growth was observed in the case of hi-tech agriculture, fisheries and land development (Table 1.12).

1.25 The GLC flow during 2006-07 stood at Rs.2,29,400 crore registering a 27 per cent growth over 2005-06. Over the period 2003-08, the CAGR of credit flow from co-operative banks, RRBs and commercial banks was 13, 35 and 32 per cent,

Table 1.11: Agency-wise Ground Level Credit Flow

(Rs. crore)

Agency	2003-04	2004-05	2005-06	2006-07	2007-08P	Growth Rate (%)	
						2003-08#	2006-07*
Co-operative Banks	26,875	31,231	39,404	42,480	43,684	13	8
RRBs	7,581	12,404	15,223	20,435	24,814	35	34
Commercial Banks	52,441	81,481	1,25,477	1,66,485	1,56,850	32	33
Other Agencies	84	193	382	NA	NA	-	-
Total	**86,981**	**1,25,309**	**1,80,486**	**2,29,400**	**2,25,348**	**27**	**27**

*#: Compound Annual Growth Rate. *: Percentage change over the previous year. NA: Not Available. P: Provisional*

respectively. As against the target set by GoI for 2007-08, 82.68 lakh new farmers were brought under the institutional fold by all agencies as at end-March 2008.

Kisan Credit Card Scheme

1.26 The Kisan Credit Card (KCC) scheme, introduced in August 1998 for short-term (ST) loans for Seasonal Agricultural Operations (SAO), with the objective of providing adequate, timely, cost effective and hassle free credit support to the farmers is being implemented across the country by all public sector commercial bank, RRBs and co-operative banks. To cater to the comprehensive credit requirements of farmers under a single window, the scope of KCC was broad-based by NABARD, from time to time. In addition to ST credit and term loans for agriculture and allied activities, a certain component of loan through KCC also covers consumption needs.

1.27 During 2007-08, 38.64 lakh KCCs were issued with co-operative banks and RRBs issuing 20.91 lakh and 17.73 lakh KCCs, respectively (Table 1.13). Of the

Table 1.12: Sub-sector-wise Ground Level Credit Flow for Agriculture and Allied Activities

(Rs. crore)

Sr. No.	Sector/ Sub-sector	2003-04	2004-05	2005-06	2006-07	Growth Rate (%)	
						2003-07@	2006-07*
I	Crop Loan (ST-Production Credit)	54,977	76,062	1,05,350	1,38,455	36.05	31.42
II	Term Loans (MT & LT Investment Credit)	32,004	49,247	75,136	90,945	41.64	21.04
	i. Minor Irrigation	2,730	4,186	8,663	8,566	46.40	-1.12
	ii. Land Development	579	840	1,749	2,285	58.03	30.65
	iii. Farm Mechanisation	3,986	4,555	9,695	10,113	36.39	4.31
	iv. Plantation & Horticulture	1,436	1,720	4,481	5,266	54.21	17.52
	v. Animal Husbandry#	2,928	3,097	7,341	8,045	40.06	9.59
	vi. Fisheries	1,142	1,301	1,019	1,424	7.63	39.74
	vii. Hi-tech agriculture	4,017	6,648	9,737	21,498	74.92	120.79
	viii. Others$	15,186	26,900	32,451	33,748	30.50	4.00
	Total (I+II)	**86,981**	**1,25,309**	**1,80,486**	**2,29,400**	**38.16**	**27.10**

** : Percentage change over the previous year. @: Compound Annual Growth Rate.*

 # : Includes Dairy Development, Poultry Farming and Sheep/Goat/Piggery.

$: Others include Storage/Market Yards, Forestry/Waste Land Development, RIDF, Bullock and Bullock Carts, Bio- gas and credit flow through Private sector commercial banks for which sector-wise break-up is not available.

Table 1.13: Agency-wise, Year-wise Kisan Credit Cards Issued

(lakh)

Year	Co-operative Banks	RRBs	Commercial Banks	Total
2003-04	48.78	12.75	30.94	92.47
2004-05	35.56	17.29	43.95	96.80
2005-06	25.98	12.49	41.65	80.12
2006-07	22.97	14.06	48.08	85.11
2007-08	20.91	17.73	- *	38.64
Cumulative#	**348.01**	**100.56**	**266.11**	**714.68**

** : Data for commercial banks available upto 31 March 2007.*
 # : Since inception of the scheme. NA : Not Available

total 714.68 lakh cards issued by the banking system since inception of the scheme, co-operative banks accounted for the largest share (49%), followed by commercial banks (37%) and RRBs (14%). State-wise analysis of KCCs issued as at end-March 2008 revealed that Andhra Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Tamil Nadu and Uttar Pradesh were the forerunners in implementation of the scheme, accounting for 75 per cent of total cards issued by banks across the country. The progress was however, slow in Goa, Jammu & Kashmir, Sikkim and the States in NER.

1.28 Keeping in view GoI's emphasis on increasing credit flow to agriculture sector, NABARD has advised banks to bring into the KCC fold all farmers including defaulters, oral lessees, tenant farmers, etc., and to identify new farmers. The banks were advised to issue KCCs in a hassle-free manner, extend and renew crop loans only though KCC to ensure 'quality in operations'.

F. Agrarian Distress

1.29 Witnessing the continued low growth and productivity in agriculture, as also to tackle issues related to farmers' indebtedness and distress, GoI had constituted the Dr. R. Radhakrishna Committee on Agricultural Indebtedness, Dr. S.S. Johl Committee on Agricultural Distress, Dr. C. Rangarajan Committee on Financial Inclusion, National Farmers' Commission under Dr. M.S. Swaminathan, etc. These Expert groups had made a number of useful recommendations. In order to address farmers' distress in a focussed and time bound programme, MoA, GoI and NABARD in collaboration with the Swiss Agency for Development and Cooperation (SDC) set up an Independent Expert Panel to prepare an Implementable Action Plan to address Agrarian Distress. The Panel's Report submitted in February 2008, recommends a four-pronged strategy involving Financial Management, Risk Mitigation, Social Support Networking Mechanism and Farm Practices (Box 1.3).

G. Capital Formation

1.30 Gross Capital Formation in Agriculture (GCFA) showed an improvement during 2005-06 and 2006-07, wherein an increase of 12 and 11 per cent were discerned, respectively. However, GCFA as share to GDCF declined substantially from 10.2 per cent during 2001-02 to 5.8 per cent during 2006-07 (Table 1.14). During the same period, GCFA as a share to total GDP was almost stable at 2 per cent and as a share of agri GDP fluctuated between 10.2 (2003-04) and 12.5 (2006-07) per cent. Though GCFA as a ratio to agricultural GDP improved gradually since 2000-01, there is a need to further step up capital formation in agriculture on account of targeted 4 per cent growth in agriculture sector and the level of incremental capital output ratio (which was 5 during the Tenth FYP).

H. Agricultural Insurance

1.31 The National Agricultural Insurance Scheme (NAIS), being implemented since *rabi* 1999-2000 season

Table 1.14: Gross Capital Formation in Agriculture (At 1999-2000 prices)

(Rs. crore)

Year	GCF in Agri	Ratio of GCF in Agriculture to (%)		
		GDCF	Agri. GDP	Total GDP
1999-00	43,473	8.6	10.6	2.2
2000-01	39,027	8.0	9.6	1.9
2001-02	48,215	10.2	11.1	2.2
2002-03	46,823	8.4	11.8	2.1
2003-04	44,833	6.7	10.2	1.9
2004-05	49,108	6.2	11.1	1.9
2005-06	54,905	5.8	11.7	1.9
2006-07	60,762	5.8	12.5	2.1

Box 1.3

Expert Panel to address Agrarian Distress: Recommendations

A. Financial Management

- One-Time Settlement (OTS) for formal sector loans and the financial burden to be shared among the banks, State Governments and GoI.
- Debt-swapping facility to enable farmers to switch over their loans from moneylenders to the formal sector.
- Putting in place a Credit Guarantee Scheme to be implemented by DICGC. The scheme shall be applicable soon after declaration of distress and before rescheduling of loans instead of granting compensation in areas with consecutive distress year.
- Any kind of distress to be addressed immediately through insurance, risk mitigation and credit guarantee mechanism.

B. Risk Mitigation

- Setting-up a Fund for Agriculture Risk Mitigation (FARM) with the Agricultural Insurance Corporation of India (AICI) for the drought prone and flood prone areas, created from the budgetary resources of GoI.
- Setting-up of Agriculture Meteorological Laboratories in 31 distress districts by Indian Meteorological Department, and to be managed by Panchayat/Village Knowledge Centres.

C. Social Networking

- Promoting social network groups on the lines of Pragati Bandhu (Karnataka) and Rythu Mitra Groups (Andhra Pradesh).
- Setting-up debt counselling centres, based on the Bank of India model in Wardha district, Maharashtra. The centres should be first extended in the remaining distress districts of the State, followed by Andhra Pradesh and Karnataka and subsequently to cover the remaining 100 agriculturally backward districts in other States covering 204 lakh SF/MF.

D. Farm Practices

- Replication of *'Integrating Poor Into Market System' (IPMAS)* Model implemented by International Development Enterprises India (IDEI) wherein small farmers are assisted to overcome poverty by removing water & market constraints and increasing agricultural output.
- Adoption of organic agriculture and non-pesticide agriculture to ensure sustainable agriculture.

E. Other Aspects

- Medium-term implementation plans for financial management through Financial Inclusion.
- Providing food security to households based on the Rice Credit Line model (Andhra Pradesh).
- Regulatory mechanism for inputs (seeds for quality and price), risk mitigation for relief from failure of investments and reduce vulnerability on health related issues. Covering price risk through making micro futures.
- Engage private insurance companies to offer crop insurance by giving incentives similar to the programme in USA.
- Developing agro-economic region specific insurance products for various crops and a systematic documentation of crop losses as a result of different eventualities in different agro regions.

to cater to both loanee and non-loanee farmers, is aimed at providing insurance coverage in the event of crop failure due to natural calamities, pests and diseases. Since inception of the scheme, till *rabi* 2006-07, 9.71 crore farmers have been covered with claims amounting to Rs.9,855 crore and benefiting 270 lakh farmers. The NAIS will be continued in *kharif* and *rabi* 2008-09 seasons also. The weather based crop insurance scheme (WBCIS) being implemented in select States on a pilot basis by Agriculture Insurance Corporation of India (AICI) provides insurance protection to farmers against vagaries in weather conditions, *viz.*, deficit/excess rainfall. The WBCIS was implemented during *kharif* 2007 in Karnataka, covering eight rainfed crops, over an area of 50,000 ha. involving a sum of Rs.50 crore and for *rabi* 2007-08 in 12 States. The WBCIS will be continued during 2008-09 also.

I. Agriculture and Allied Sector

a. Livestock and Poultry

1.32 India ranks first, second, third and fifth in buffalo, cattle and goat, sheep and poultry populations in the world, respectively. The sector contributes 25 per cent of the GDP from agriculture and provides gainful employment to 5.5 per cent of the working population (61st Round NSSO) in the country. With 102 million tonnes of milk production during 2007-08, the country continues to rank as the largest producer of milk in the world. During 2006-07, the country produced 51 billion eggs, 45 million kg of wool and 2.3 million tonnes of meat from the organised sector. Per-capita availability of milk increased to 246 gms/day during 2006-07 but continued to be low (by 8%) as compared to world

average of 265 gms/day. Milk production in the country continues to be dominated by the unorganised sector with a share of 80 per cent while co-operative and private dairies account for the remaining share. Under the livestock insurance scheme implemented since 2005-06 on a pilot basis in 100 selected districts, 5.2 lakh animals were insured involving a cover of Rs.23.40 crore during the initial two years. The scheme was continued during 2007-08 with an outlay of Rs.35 crore.

b. Fisheries

1.33 Fisheries sector accounted for livelihood options for over 14 million people during 2005-06. Total fish production in the country during 2006-07, increased by 4.5 per cent and reached 6.9 million tonnes (3 million tonnes marine and 3.8 million tonnes inland). Export earning from the sector is also on the increase with the value of fisheries export amounting to Rs.7,296 crore (increase of 4%) during 2006-07.

J. Agro and Food Processing Sector

1.34 India is one of the world's major food producers but accounts for only 1.5 per cent of international food trade owing to low level of value addition to food production. The food-processing sector in India covers fruits and vegetables, meat and poultry, milk and milk products, fisheries, plantation, grain processing and other consumer product groups. The Eleventh Plan, targets to utilise over 20 per cent of agricultural products for processing from 6 per cent and 35 per cent towards value addition. The Food Industry presently employs 1.6 million workers directly, which is projected to grow to 37 million (direct and indirect job workers) by 2025 (Box 1.4). To achieve the target, consistent efforts need to be made to minimize expenses at all levels of food processing, develop facilities for storage of agricultural food produce, transportation and processing, utilise residues and by-products of food processing industries, encourage R&D in food processing and packaging, HRD to meet the increased demand for managers, entrepreneurs and skilled workers, etc. Food processing industry has been identified as one of the thrust areas for export promotion and hence, GoI initiated wide ranging fiscal policy changes, excise and import duty relief, reduction in custom duty, various tax reductions/ incentives for new manufacturing units.

Inland Fisheries

K. Initiatives for NER

1.35 With a view to harnessing the potential of horticulture in the NER and other special category States, the 'Technology Mission for Integrated Development of Horticulture in northeastern States, Sikkim, Jammu & Kashmir and Uttarakhand' scheme was sanctioned in 2001-02. During 2007-08, Rs.323.4 crore was earmarked for the scheme of which, Rs.227.40 crore was for NER. An amount of Rs.210.60 crore was released as at end-January 2008.

1.36 The Special Accelerated Road Development Programme for the North Eastern Region (SARDPNE) aims at improving 3,846 km of National Highways (NH) and 4,891 km of State Highway, providing connectivity to 85 district headquarters in the region to NHs and State roads. The High Powered Inter Ministerial Committee has approved sub-projects, covering 664 km at an estimated cost of Rs.1,613 crore as at end-December 2007. Union Budget 2008-09, made an enhanced allocation of Rs.1,455 crore to the Ministry of Development of NER. Total budgetary allocation for NER will increase to Rs.16,447 crore during 2008-09 from Rs.14,365 crore during 2007-08. In order to start the process of identifying the urgent needs of NER, especially Arunachal Pradesh and border areas, and address them through special mechanism, a dedicated fund was also created with a sum of Rs.500 crore.

Box 1.4

Conditions of Work and Promotion of Livelihoods in the Unorganised Sector

The National Commission for Enterprises in the Unorganised Sector was constituted in September 2004, to examine work conditions and livelihood issues of the unorganised sector.

Report highlights:

- Substantial proportion of wage workers in agriculture and all workers in non-agriculture are either landless or land poor.
- Low education level and poor access to assets (including land) denies access to jobs in organised sector. Educational levels and skill development among farmers are to be enhanced to increase occupational diversification among the farmers.
- Nearly 88% of rural women workers are either illiterate or have primary education requiring promotional interventions with strong emphasis on education.
- Casual work and SC/ST status have high association with incidence of poverty. About 85% and 57% of the casual workers in rural and urban areas, respectively, earn below minimum wages.
- Of the total workforce, 8-10 % are migrants and their limited social network increases their vulnerability in the labour market.
- Self-employed outweigh the share of wageworkers in agriculture and other activities. Majority of the self-employed are own account workers, i.e., working as tiny enterprises requiring greater access to credit, marketing and infrastructure.
- Within the group of agricultural workers, labourers are worse off compared to the farmers. Seasonal nature of agricultural work and low wages lead to high poverty levels among the agricultural labourers. MF/SF belonging to SC/STs are most affected by poverty and economic status.
- More than 40% of MF/SF households dislike the occupation and would rather give it up.
- Liberalisation and globalisation have accentuated the risks and vulnerability faced by the unorganised enterprises and workers as the laws/regulations are biased in favour of large producers and well off and impact negatively on the livelihoods of the poorer unorganised workers.

Recommendations:

- Revival of targeted programme focused on SF/MF with an initial thrust on areas where the existing yield gap is high. Improved access to institutional credit to SF/MF
- Accelerated expansion of Watershed Development and Rainfed Area Programmes to revive agriculture in rainfed areas.
- Creation of a National Fund for the Unorganised Sector to promote livelihood of the unorganised workers.
- Encouraging SHGs & MFIs for livelihood promotion.
- Increasing employability through skill development.
- Two comprehensive bills for unorganised agricultural and non-agricultural workers to ensure minimum working conditions, welfare, livelihood promotion and social security.

L. Micro and Small Enterprises

1.37 The micro and small enterprises (MSEs) achieved significant growth in terms of production (12.3%) and export earnings (20.8%) during 2005-06 over the previous year (Table 1.15). The sector accounted for 39 per cent of the gross value of output in the manufacturing sector. During 2006-07, number of units established and employment generated showed a rise of 4 per cent each compared to 2005-06, while the value of output increased by 12.6 per cent during the same period. Various initiative were taken to revitalise the sector, *viz.*, implementation of Micro, Small, and Medium Enterprises Development Act, 2006, announcement of a package for promotion of Micro and Small Enterprises, modification in credit guarantee scheme, phased deletion of products from the list of items reserved for exclusive manufacture of micro and small enterprises, etc. Further, Union Budget 2008-09, to give fillip to the sector, suggested creation of a risk capital fund with SIDBI. As on 31 January 2008, the Credit Guarantee Trust with SIDBI has extended guarantee worth Rs.2,479 crore to 89,129 units. SIDBI was asked to reduce the guarantee fee from 1.5 to 1 per cent and annual service fee from 0.75 to 0.5 per cent.

Table 1.15: Performance of Micro and Small Enterprises

(Rs. crore)

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07*
1. Total Units (No. million)	10.95 (4.1)	11.40 (4.1)	11.86 (4.4)	12.34 (3.4)	12.84 (4.1)
of which Unregistered	*9.35*	*9.68*	*10.00*	*10.41*	*10.81*
2. Value of Output (2001-02 prices)	3,06,771 (8.7)	3,36,344 (9.6)	3,72,938 (10.9)	4,18,884 (12.3)	4,71,663 (12.6)
3. Employment (million persons)	26.37 (4.5)	27.53 (4.4)	28.76 (4.5)	29.99 (4.3)	31.25 (4.2)
4. Exports	86,013 (20.7)	97,644 (13.5)	1,24,417 (27.4)	1,50,242 (20.8)	NA

**: Estimation based on the definition prior to enactment of MSMED Act, 2006.* *NA: Not Available*
Figures in the parentheses indicate percentage growth over previous year.
Source: *Office of the Development Commissioner (MSME), Economic Survey 2007-08.*

II

Development Initiatives

This chapter discusses the various development initiatives supported by NABARD related to farm sector activities, *viz.*, watershed development, village development, farmers' club programme, integrated development of backward area etc. It also considers non-farm activities, promotion of Micro-Finance Institutions (MFIs)/Self-Help groups (SHGs), capacity building in the rural banking sector, women empowerment, research and development activities in agriculture and rural sector, during the year. In addition it recounts the various developmental programmes of GoI and State Governments.

Farm Sector

A. Watershed Development

2.2 The corpus (Rs.200 crore) of the Watershed Development Fund (WDF) setup in NABARD during 1999-2000 to create replicable watershed development models with participatory approach, was augmented during the year by way of interest accrued on the unutilised portion of the Fund (Rs.34.74 crore), thus taking the total amount to Rs.613.71 crore as on 31 March 2008. During 2007-08, 63 watershed projects were sanctioned, taking the cumulative number of watershed projects to 416 spread over 94 districts in 14 States. With a total commitment (loan and grant) of Rs.236 crore under these projects, an area of 4.16 lakh ha. is expected to be covered. These projects are implemented in two phases, *viz.*, Capacity Building Phase (CBP) and Full Implementation Phase (FIP). During the year, 31 projects graduated to FIP, taking the total to 161.

Canal irrigation in watershed area

2.3 Consequent to Government of India's (GoI) announcement of the Prime Minister's package for 31 districts in four States, for developing an area of 15,000 ha. annually over three years in each of the districts, 3.98 lakh ha. is being developed involving a total commitment of Rs.299 crore. The watersheds are implemented in a holistic manner on a cluster basis, focussing on family based livelihood activities in the project area and are to significantly mitigate farmers' distress. Several innovations and initiatives were taken by the Bank to expedite implementation of the projects, *viz.*, engaging Resource Support Agencies for handholding and capacity building among implementing agencies, use of satellite imageries for planning, software development for enhancing family based livelihood opportunities, and greater convergence with Government implemented programmes.

2.4 While the projects are entirely grant based in the distress districts, assistance in non-distress districts is a combination of grant and loan. During the year, Rs.23.78 crore and Rs.3.80 crore were disbursed as grants and loans taking the cumulative disbursement to Rs.58 crore and Rs.7 crore, respectively.

2.5 The participatory watershed development programme being implemented by NABARD under the Special Plan for Bihar component of Rashtriya Sam Vikas Yojana (RSVY), aims to develop 80,000 ha. of wasteland in Aurangabad, Banka, Bhabua, Gaya, Jamuai, Munger, Nawada and Rohtas districts of Bihar with an allocation of Rs.60 crore. During 2007-08, 18 watershed projects with grant assistance of Rs.13.50 crore were sanctioned and a sum of Rs.1.54 crore disbursed.

B. Village Development Programme

2.6 During 2007-08, NABARD introduced the Village Development Programme (VDP) across the country to develop identified villages in a holistic and integrated manner. It aims towards involving the local populace, governmental agencies, banks, NGOs, etc. The programme envisages developing one village in each DDM district and five villages in each of the PPID blocks. The programme involves, (i) identifying a village and its socio-economic and infrastructure needs, (ii) awareness creation among stakeholders, (iii) engaging services of the implementing agency (governmental/ NGOs), (iv) conducting base line survey/PRA and (v) preparing and implementing Village Development Plan, by pooling together the available resources. A Village Development Committee comprising of progressive villages, government departments, banks, NGOs, select academicians/social workers, etc., would take care of plan preparation, implementation, monitoring, etc. As on 31 March 2008, 913 villages across 24 States have been identified for implementation of the programme.

C. Integrated Development of Backward Blocks

2.7 The objective of pilot project for integrated development (PPID) launched in 2003, is to bring about integrated development of backward blocks through credit and convergence of development programmes of various agencies. The programme is being implemented primarily by Regional Offices (ROs) through DDMs. The project, which was initially implemented in 5 States covering 10 blocks was subsequently expanded to 5 more States to cover 40 more blocks. As at end-March 2008, the project covers 139 blocks across 16 States. During the year, NABARD conducted three field visits-cum-sensitisation workshops on PPID and VDP programmes for DDMs and nodal officers from ROs. These programmes brought forth the need for merging PPID/ VDP in Haryana, Kerala, Punjab and Uttarakhand and delegating powers to DDMs as per the approved plans under PPID, VDP and Farmers' Club programmes.

D. Capacity Building for Adoption of Technology

2.8 With a view to facilitating farmers to adopt new and innovative methods of farming, NABARD has been implementing the 'Scheme for Capacity Building for Adoption of Technology' (CAT) through exposure visits and training. Farmers, preferably marginal, small and tribal, are taken on exposure-cum-training visits to innovative projects adopting proven technologies developed by research institutes, corporate houses, NGOs and progressive farmers/entrepreneurs. Such visits/ programmes are supported under the Rural Innovation Fund (RIF). During the year, 136 exposure visits were conducted in collaboration with select research institutes, KVKs, and Agriculture Universities on areas like bio-globules, vermi-culture, bio-manures, organic farming, poly-house technology, medicinal and aromatic plant cultivation.

E. Tribal Development

2.9 The Tribal Development Fund (TDF) was created by NABARD in 2004 with a corpus of Rs.50 crore to support integrated tribal development projects with wadi as the core component. The Fund was augmented by means of RIDF interest differential during 2006-07 (Rs.219 crore) and during 2007-08 (Rs.348.86 crore). As on 31 March 2008, the Fund had balance of Rs.602.95 crore after marking out disbursements (Rs.10.68 crore) and taking into account amounts

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credited by State Governments (Rs. 56 lakh) during 2007-08. Assistance is available for 'wadi' programme for cultivation of suitable horticulture/agriculture crops, soil conservation and water resource development through people's participation for sustainable development of select tribal families on a cluster basis. Support is also extended for micro-enterprises for the landless, women development, community health, training and capacity building. The projects will ensure sustainable livelihood opportunities for tribal families, increased horticulture production and ecological sustainability. During 2007-08, assistance of Rs.48.71 crore was sanctioned for 16 projects benefiting 14,538 tribal families in Andhra Pradesh, Assam, Chhattisgarh, Karnataka, Madhya Pradesh, Orissa and Rajasthan, thus taking the sanction to Rs.104.35 crore covering 31,293 families in 15 states and one UT.

F. Farm Innovation and Promotion Fund

2.10 The Farm Innovation and Promotion Fund (FIPF) was created in 2005 with Rs.5 crore to support initiatives/ innovations in farm and information technology, develop bankable concepts in agriculture/allied sectors and its prototypes, undertake market survey, acquire/obtain patents of innovative technologies, etc. During 2007–08, 29 projects were sanctioned in 15 states involving grant assistance of Rs.1.66 crore on areas like system of Rice Intensification (SRI) techniques, introduction of hybrid khaki campbell duck farming, implementation of village farm development plan in distress districts, implementation of pilot projects for farmers' participation in commodity futures trading involving NCDEX, MCX, etc.

G. Commodity Futures Trading

2.11 Despite significant development and the fast pace of growth of the commodities markets, the benefits of commodity futures trading have not percolated to the farming communities. For this, NABARD in collaboration with the Forward Market Commission (FMC) had undertaken pilot projects for skill upgradation of farmers to ensure their participation in the market. During 2007-08, 22 farmers' awareness programmes were conducted to create awareness among farmers and rural extension workers *vis-à-vis.*, three programmes conducted in the previous year. To facilitate farmers' participation in commodity futures trading, NABARD sanctioned three pilot projects involving assistance of Rs.9.87 lakh, Rs.10 lakh and Rs.8.46 lakh to Aga Khan Rural Support Programme- Ahmedabad, Viswas Business Synergies (P) Ltd.- Andhra Pradesh and Shakari Sheetgrih Sanstha Maryadit- Indore, respectively.

H. Kutch Drought Proofing Project

2.12 The Kutch Drought Proofing Project, being implemented through community based organisations and NGOs, aims to (i) improve capacity of vulnerable sections of society to cope with natural calamities and (ii) strengthen village communities to shoulder responsibility to improve and maintain natural resources, improve quality of drinking water/fodder/food availability and overall livelihood security. NABARD is implementing the programme since 2005. Of the 10 on-going projects, implementation in the case of six projects is complete. As on 31 March 2008, NABARD received Rs.3.54 crore from GoI of which Rs.2.54 core was disbursed.

I. Cattle Development Projects

2.13 The Cattle Development Projects of GoI aim at providing gainful employment to rural poor through animal husbandry and livestock development. It is being implemented in 13 districts of Bihar and 17 districts of Uttar Pradesh since 2004-05 for a period of five years. NABARD has been designated as the co-ordinating agency and facilitator for channelising funds, ensuring its utilisation, project supervision and monitoring. As on 31 March 2008, Rs.726.50 lakh and Rs.702.90 lakh were released to BAIF, Pune, the implementing agency for Uttar Pradesh and Bihar, respectively, of the Rs.13.61 crore each allocated. BAIF organised two Central Monitoring and Review Committee meetings and field visits to project areas during the year.

J. Livelihood Based Development Project

2.14 The Special Project on Livelihood Based Development sanctioned under SGSY by GoI in Sultanpur and Rae Bareli districts of Uttar Pradesh is under implementation since 2006-07. The project aims to cover 11,500 below poverty line families in each district at an approved cost of Rs.14.97 crore for Sultanpur and Rs.14.90 crore for Rai Bareli. NABARD is the project holder on behalf of MoRD. As on 31 March 2008, of the grant of Rs.5.16 crore and Rs.5.13 crore received from GoI for Sultanpur and Rae Bareli districts, an amount of Rs.4.02 crore and Rs.2.21 crore was disbursed, respectively.

K. Externally Aided Projects

2.15 NABARD disbursed an amount of Rs.241.91 crore and received Rs.236.79 crore as grant assistance during the year under the KfW supported externally aided projects, which are at various stages of implementation (Table 2.1).

a. On-going Projects

2.16 The *KFW-NABARD-V-Adivasi Development Programme in Gujarat* with an outlay of Rs.62.89 crore has been under implementation since 1994-95 in Valsad and Dangs districts. The programme scheduled to end by 30 December 2007 was extended upto 30 December 2010. The focus is on development of wadi (small

Table 2.1: Support Extended under KfW-NABARD Externally Aided Projects

(Rs. lakh)

Sr. No.	Name of the Project	Effective From	Closing Date	External Assistance (million)	Disbursements made by NABARD		Amount received by NABARD	
					During 2007-08	Cumm. upto 31.03.2008	During 2007-08	Cumm. upto 31.03.2008
1.	KfW-NABARD							
i.	V-Adivasi Development Programme in Gujarat*	23 Dec 1994	30 Dec 2010	Euro 13.29 (+ 1.5 Suppl. Grant)	276.19	5,507.72	250.23	5,5556.19
ii.	IX-Adivasi Development Programme in Maharashtra	2 June 2000	30 Dec 2010	Euro 14.32	746.51	4,040.59	710.17	4,021.11
iii.	Indo-German Watershed Development Programme in Andhra Pradesh	15 July 2002	31 Dec 2011	Euro 8.69	124.27	301.97	141.52	349.30
iv.	Indo-German Watershed Development Programme in Maharashtra (Phase III)	27 Aug 2005	30 Dec 2009	Euro 19.94	684.97	1,030.59	127.72	868.09
v.	Indo-German Watershed Development Programme in Gujarat	7 Feb 2006	31 Dec 2012	Euro 9.20	43.47	57.30	92.63	129.54
vi.	Indo-German Watershed Development Programme in Rajasthan	7 Dec 2006	30 Dec 2014	Euro 11	49.51	49.51	90.22	90.22
vii.	Adivasi Development Programme in Gujarat (Phase II)	28 March 2006	31 Dec 2014	Euro 7.00	-	-	-	-
viii.	KfW-Sewa Bank Project	28 June 2002	31 Dec 2009	Euro 4.09	100.00	100.00	100.53	100.53
2.	NABARD- X- Credit Line							
i.	Grant	20 Oct 2006	31 Dec 2008	Euro 1.20	-	-	-	-
ii.	Loans	20 Oct 2006	31 Dec 2008	Euro 40.00	22,165.88	22,165.88	22,165.88	22,165.88

** : Includes Rs.145 lakh transferred to Gujarat Special Programme*

orchard) while other supportive interventions, *viz.*, development of water resources and agricultural activities, women development, health and sanitation are also effected. While small and marginal farmers, including women, are selected under the programme, the landless are supported through provision of micro-enterprises in farm and non-farm sectors, employment opportunities in processing units. The programme has helped in reducing distress migration, a shift in cropping pattern towards cultivation of vegetables and pulses, regular income generation and development of saving habits through SHGs. Since inception of the programme, savings of Rs.97.75 lakh was achieved through 181 Gram Vikas Mandals (GVMs) and Rs.30.01 lakh through 466 SHGs from 127 villages.

2.17 Through this programme 13,663 families (target: 10,000 families) have been rehabilitated. Wadis of cashew and mango along with boundary plantations of fuel wood and fodder on 5,155 ha. of private land belonging to those families have been established. Ten tribal co-operatives have been registered to facilitate self-sufficiency in processing and programme management. These co-operatives collected 283.54 tonnes of raw cashew (165.3 tonnes were processed), traded in 5.13 tonnes of mangoes and processed 1.09 tonnes of karvanda (a forest fruit) and 2.90 tonnes of mango for making pickles through GVMs. Under the in-built credit programme since 1998-99, loan disbursed and recovery effected was to the tune of Rs.4.82 crore and Rs.3.96 crore, respectively, through GVMs as on 31 March 2008. The KfW has also sanctioned Phase II of the programme involving grant assistance of Euro 7 million (equivalent Rs.42.47 crore) to cover 4,700 families from these districts. The baseline surveys for the project villages were conducted during the year.

Terrace farming

2.18 Under *KfW-NABARD-IX-Adivasi Development Programme in Maharashtra,* the 'wadi' model, which succeeded in Gujarat is replicated in Nasik and Thane districts through Maharashtra Institute of Technology Transfer for Rural Areas (MITTRA), Nasik. The programme with project period of ten years (2000-2010) aims to support 13,000 tribal families by developing wadis on their marginally productive lands. A total of 13,848 families from 258 villages and wadi area of 4,975.06 ha. were covered till end-March 2008 as against the target of 4,046.90 ha. As on 30 September 2007, an area of 138 ha. was brought under block plantation and 3,714 ha. under soil conservation work. Under water resources development activities, construction of 1,316 temporary check dams, 28 permanent dams, 641 spring development sites, 2,714 jalkunds and deepening/de-silting of 18 old wells was completed as at-end December 2007.

2.19 The *Indo-German Watershed Development Programme (IGWDP) in Maharashtra,* introduced in 1990s is an integrated programme for the regeneration of natural resources implemented by Village Watershed Committees (VWCs) in association with NGOs. In all, 95 watersheds aggregating 1.13 lakh ha. spread over 25 districts have been covered under the two phases of the programme. Under Phase III, which commenced in January 2005, 91 projects were sanctioned under CBP of which 40 have entered the FIP, while 17 are under feasibility/interim phase. An additional 32 projects have been further identified.

2.20 KfW, Germany committed to provide grant assistance of Euro 8.69 million (approx Rs.48.66 crore) under the *Indo-German Watershed Development Programme in Andhra Pradesh*, for rehabilitation of

watershed in four districts (Adilabad, Karimnagar, Medak and Warangal). Of the 9 projects sanctioned under Phase I of the programme, 7 have graduated to FIP, and 23 new projects have been selected for implementation. An additional assistance of approx Euro 2 million (approx.Rs.11 crore) was approved by KfW for Complementary Measures Programme for capacity building of stakeholders.

2.21 The *Indo-German Watershed Development Programme in Gujarat* envisages rehabilitation of watersheds in four districts (Dahod, Panchmahal, Sabarkantha and Vadodara) involving commitment of Euro 9.2 million (approx. Rs.51.52 crore). Treatment measures under CBP are in progress in eight projects. Baseline survey in respect of the first set of projects was undertaken and the findings shared with the stakeholders. NABARD has also positioned a Programme Management Unit (PMU) at Dahod, to oversee the implementation of the project.

2.22 Under the *Indo-German Watershed Development Programme in Rajasthan*, KfW, Germany committed to provide grant assistance of Euro 11 million (approx Rs.61.60 crore) for Banswara, Chittorgarh, Dungarpur and Udaipur districts. In all 41 projects were identified, hydrological survey completed in 14 watersheds and CBP sanctioned for 10 projects. A PMU has also been set up at Udaipur.

b. Indo-German Umbrella Programme for Natural Resource Management

2.23 Based on the outcome of feasibility study on Umbrella Programme for Natural Resource Management (UPNRM) finalised during 2006-07, NABARD in consultation with KfW and GTZ has finalised a business plan for implementing the same during the year. While the Bank finalised its NRM Policy, the Guiding Principles of UPNRM and Appraisal Matrix for channel partners and NRM Projects were developed in consultation with KfW-GTZ. The first phase of the programme was launched by utilising currently available funds under various Indo-German projects. During the year, four community managed and sustainable NRM based livelihood projects in Gujarat, Maharashtra and Orissa were sanctioned.

2.24 Discussions were also held between a joint KfW-GTZ Appraisal Mission on UPNRM and NABARD on various aspects of the programme and the projects mobilised. Visits to some of the project sites in Maharashtra and Orissa were also undertaken. The Mission appreciated the modalities *vis-à-vis*, the rating of channel partners/project proposals and quality of appraisal for projects sanctioned under Phase-I. The Minutes of Meeting (MoM) outlined various modalities for implementing the programme and the way forward for bilateral agreement on UPNRM. The total cost of the programme has been at Euro 22.4 million (Rs.123.2 crore), of which KfW and NABARD contribution being Euro 19.4 million (Rs.106.7 crore) and Euro 3 million (Rs.16.5 crore), respectively. In addition, assistance of Euro 3 million will be made available by GTZ for capacity building, information knowledge management, product development, etc., under Technical Cooperation.

L. Farmers' Club Programme

2.25 Farmers' Club (FC) Programme was redesigned to be in line with 'Farmer First' agenda in the development strategy. The programme aims to organise farmers to gain access to credit, technology and extension services. During the year 5,277 clubs were launched taking the total number of clubs to 28,226 covering 61,789 villages in 555 districts as on 31 March 2008. Agency-wise RRBs promoted the maximum number of clubs (12,604),

Storage tanks for bio-diesel

followed by commercial banks (8,471), co-operative banks (5,237) and other agencies (1,914). The region-wise distribution of clubs indicate, that the southern region has the major share (30%) followed by central (24%), eastern (18%), western (16%) and northern (9%) regions while NER accounts for only 3 per cent share.

During the year, NABARD reviewed its policy for supporting FCs through various agencies. It was decided to extend cent per cent financial support to specified activities to RRBs and co-operative banks while the support for commercial banks would continue to be 50 per cent on cost sharing basis.

Rural Non-Farm Sector

A. NABARD-SDC Rural Innovation Fund

2.26 Under the Rural Innovation Fund (RIF) constituted with effect from 1 October 2005, support for innovative, risk friendly, experiments in farm, non-farm and micro-finance sectors is provided and projects having potential to generate employment opportunities in rural areas assisted. During the year, 29 innovative projects with financial support of Rs.7.78 crore were sanctioned. As on 31 March 2008, financial assistance of Rs.8.19 crore was sanctioned for 32 projects spread across 16 States and Rs.2.03 crore disbursed for 13 projects.

2.27 The projects supported involve both product and process innovations. Of the 32 projects sanctioned, 6 are from NER, 4 from Karnataka, 3 each from Orissa, Uttar Pradesh and West Bengal, 2 each from Chhattisgarh, Gujarat, Maharashtra and Tamil Nadu, 1 each from Himachal Pradesh, Kerala, Punjab and Rajasthan, and 1 with pan-India coverage. With a view to developing the skills of staff involved in RIF work, three regional workshops on Identification and Funding of Innovative Projects, two workshops on Evaluation of Innovative Projects and a workshop on Innovation for OICs of ROs were organised. A special software was also developed to monitor the promotional programmes sanctioned under RIF.

B. District Rural Industries Project

2.28 The District Rural Industries Project (DRIP), introduced as a pilot project in six districts during 1993-94 aimed at creating sustainable employment opportunities in rural areas through enhanced credit flow to the rural non-farm sector (RNFS). It was extended in phases, to more districts across the country and by end-March 2007 covered 106 districts. During 2006-07, the project, on its successful implementation, was phased out in 23 districts. NABARD would however, continue to extend promotional support to various deserving developmental interventions in these districts.

2.29 During 2007-08, GLC flow in 83 DRIP districts covered under various phases reached Rs.1,177.85 crore and refinance availed was Rs.275.41 crore. In all 70,000 units were set up, generating employment for 1.53 lakh persons. Since inception, GLC flow aggregated Rs.22,240.95 crore, facilitating establishment of 17.99 lakh units and generating employment opportunities for 41.08 lakh and persons. The cumulative amount of refinance availed was Rs.3,514.70 crore.

C. Strengthening of Rural Haats

2.30 The 'Scheme for Strengthening of Rural Haats' introduced in 1999 to create marketing opportunities for farm and non-farm products in DRIP districts has also been extended to all DDM districts and districts in the NER. Under the scheme, grant assistance is made available to Panchayati Raj Institutions (PRIs)/PACS for providing minimum essential infrastructure to new/ existing haats. During 2007-08, grant support of Rs.53.45 lakh was sanctioned for infrastructure in three haats each in Chhattisgarh and Uttar Pradesh, two haats each in Andhra Pradesh, Tamil Nadu and West Bengal and one haat each in Bihar, Kerala, Madhya Pradesh, Maharashtra, Orissa and Rajasthan. Cumulatively, grant

assistance of Rs.144.91 lakh was sanctioned for strengthening infrastructure in 55 rural haats across 16 States.

D. Cluster Development

2.31 Recognising the innate potential of development through cluster approach in promoting rural industrialisation and realising economies of scale by the rural artisans in the entire range of production operations, NABARD in 2005-06 decided to develop 55 clusters (50 partnering with other agencies and 5 intensively on its own) within a period of 3-5 years (Box 2.1). During 2007-08, the cluster development programme was extended to 19 clusters, i.e., 17 clusters under participatory mode and 2 under intensive mode taking the total number of clusters adopted under this programme to 61 (56 in partnership and 5 under intensive mode) as at end March 2008.

2.32 In view of GoI's special emphasis on developing the handloom sector, NABARD decided to develop 50 handloom clusters in partnership with other developmental agencies. As on 31 March 2008, 28 handloom clusters (10 from Assam) were adopted.

Box 2.1

From Wage-earners to Wage-providers

Shri Addala Ramakrishna and Smt. Addala Suryakala, participated in NABARD's Cluster Development Programme on Brass and Bell Metal in Srikakulum district. The couple was trained under the Bank's programme and financially supported by Andhra Bank, Cheedipudi branch, for their term and working capital requirements, to the extent of Rs.70,000 for setting-up of a unit. KVIB provided Rs.30,000 as margin money and the balance of Rs.5,000 was the couple's own contribution. As a result, the couple journeyed from being daily wage earners, earning Rs.150/ day to becoming proud owners of a brass and bell metal unit with ten employees.

Impressed by their quality of and variety in workmanship, Lepakshi Emporium, Visakhapatnam, became their regular clients. The unit has become the highlight of the cluster. In addition to being profiled in the Srikakulum Tourism Brochure, they were also invited by the Dastakar Haat Samiti, Mumbai to present their art in an exclusive exhibition at the Prince of Wales Museum, Mumbai.

Extending the cluster approach for developing rural tourism, especially, home-based rural tourism and agri-tourism in association with State Tourism Department, Tourism Corporations, private tour operators and the rural community, NABARD approved three rural tourism clusters- two in Sikkim and one in Tamil Nadu, and one tourism-cum-handicrafts cluster in Santiniketan, West Bengal.

2.33 To ensure smooth implementation and monitoring of the cluster development initiatives, capacity building, training programmes were organised through BIRD and RTC, Mangalore. During 2007-08, the Bank conducted four on-location workshops on cluster development and one exclusive programme on Rural Tourism at Kewzing (Sikkim) for bank/NGO personnel.

E. Rural Entrepreneurship Development Programmes and Skill Development Programmes

2.34 NABARD has been supporting both Rural Entrepreneurship Development Programmes (REDPs)

REDP on fabric painting

and Skill Development Programmes (SDPs) since early nineties as a proven model for generating employment opportunities in rural areas. During 2007-08, grant support of Rs.767.61 lakh was provided for 1,422 REDPs/ SDPs covering 33,148 rural youth. Cumulatively, grant support of Rs.4,735.94 lakh have been sanctioned for 9,822 REDPs/SDPs covering 2.49 lakh persons. NABARD also sanctioned Rs.141.99 lakh as grant for conducting 443 REDPs/SDPs by 14 RUDSETIs/RUDSETI type institutions in 15 States. Grant support of Rs.3.24 lakh was also extended to Infrastructure Leasing & Financial Services (IL&FS) for conduct of four IT related SDPs for the rural youth of Jharkhand under the Common Service Centre Scheme of the Department of Science & Technology, GoI.

F. Women Empowerment

2.35 The scheme for setting-up of Women Development Cells (WDCs) in RRBs and co-operative banks was modified during the year and was made performance linked. As on 31 March 2008, 69 WDCs in 37 RRBs, 31 DCCBs and 1 SCARDB were sanctioned under the modified scheme.

2.36 Two of the three projects implemented under the pilot scheme for Development of Women Through Area programme (DEWTA)- one each in Andhra Pradesh and Orissa were closed on successful completion. The third one in Aligarh district, Uttar Pradesh was extended up to March 2008. Under the Scheme for Marketing of Non-Farm Products of Rural Women (MAHIMA), introduced in 1997, assistance of Rs.4.47 lakh was released during the year.

Marketing of pottery wares in the NER

G. Marketing/Other Initiatives

2.37 NABARD continued to provide promotional and financial support for marketing of products of rural craftsmen/entrepreneurs. During the year, 206 marketing events/ exhibitions were supported across various States involving grant assistant of Rs.94.13 lakh. NABARD also co-sponsored SARAS-Mahalaxmi Fair at Mumbai wherein 84 artisans from 23 States participated in the 12 day long exhibition-cum-sale. Participation in such events/exhibition provides necessary exposure opportunities to directly interact with the consumers, to the artisans thus enabling them to understand the urban market/client preferences.

2.38 The pilot scheme for setting-up of rural marts launched by NABARD in 2005 in nine States was extended to all States to enable rural artisans/craftsmen realise optimum prices and enable marketing linkages. During the year, 50 rural marts were sanctioned with grant support of Rs.51.84 lakh. Cumulatively, grant support of Rs.125.62 lakh has been provided to SHGs/ producers' groups for setting-up of 129 rural marts across 17 States.

2.39 Meghalaya RO in partnership with the Department of Posts, GoI was successful in setting-up an Artisans' Product Gallery in General Post Office, Shillong to market the products of SHGs/artisans supported under NABARD's various development programmes. Efforts are on to replicate this model in other States.

H. Swarozgar Credit Card Scheme

2.40 The Swarozgar Credit Card Scheme (SCC) was introduced in 2003 for facilitating hassle-free availability of credit for meeting investment and working capital requirements of small/micro-entrepreneurs. During the year, 1.55 lakh cards with credit limit of Rs.679.26 crore

were issued. As on 31 March 2008, various banks issued 8.34 lakh cards involving credit limits of Rs.3,379.35 crore. Under the pilot scheme introduced during 2005-06 for supporting select RRBs and co-operative banks with one-time grant assistance for promoting the SCC scheme, 19 banks were sanctioned grant assistance aggregating Rs.12.11 lakh.

I. Training and Sensitisation Programmes

2.41 NABARD continued to provide financial support to institutions like BIRD- Lucknow, RTCs at Mangalore and Bolpur, NIRB-Bangalore and IIBM-Guwahati for imparting training to participants in financing NFS activities. During the year, NABARD supported 50 training programmes covering 1,327 officers from various banks.

2.42 During the year, NABARD released grant support of Rs.5.43 lakh to Tata Tea Ltd. for establishing a Training-cum-Production Centre (TPC) at Rowta, Udalgiri district, Assam, to impart training on design development, manufacture of special products, marketing intervention and support to Bodo women weavers. About 40 participants received training at the TPC and 6 trainees have since set up their units.

Micro-Finance*

2.43 The SHG-Bank Linkage Programme of NABARD has emerged as the primary model for providing Micro-Finance (MF) services in the country. It is a proven tool of extending to the unbanked rural clientele access to formal financial services. Encouraged by the success of the programme, NABARD promoted the linkage of Micro-Finance Institutions (MFIs) with the banking sector. The MFI–bank linkage model too has assumed importance on account of credit support extended by banks for on-lending to clients by MFIs. During the year 5,52,992 new SHGs (excluding SGSY) were credit linked with banks and bank loan of Rs.2,541.98 crore disbursed, taking the cumulative number of SHGs credit linked to 34,77,965 as on 31 March 2008. In addition 1,86,883 existing SHGs were provided repeat loan of Rs.1,685.60 crore. As on 31 March 2007, 41.60 lakh SHGs maintained savings and had savings of Rs.3,512.71 crore outstanding with the banking sector. The programme has covered more than 5.8 crore poor households, making it the largest MF programme in the world. During 2006-07, bank credit of Rs.6,570.39 crore and Rs.1,151.56 crore was disbursed to 11.05 lakh SHGs (including 1.88 lakh under SGSY) and 334 MFIs, respectively. The overall progress of the MF programme is given in Table 2.2.

Table 2.2: Progress of the Micro-Finance Programme
(As on 31 March 2007)

(Rs. crore)

Particulars	Self-Help Groups*				Micro-Finance Institutions#	
	2006-07		2007-08 @$			
	No.	Amount	No.	Amount	No.	Amount
Loans disbursed	11,05,749	6,570.39	7,39,875	4,227.58	334	1,151.56
	(1,88,962)	(1,411.02)	-	-		
Loans outstanding	28,94,505	12,366.49	-	-	550	1,584.48
	(6,87,212)	(3,273.03)				
Savings Accounts with banks	41,60,584	3,512.71	-	-	-	-
	(9,56,317)	(757.50)	-	-	-	-

*: Figures in parentheses indicate the share of SHGs covered under SGSY. @ Provisional data excluding SGSY groups.
#: Actual number of MFIs provided with bank loans would be lower as several MFIs have availed loans from more than one bank
$: Including repeat loans of Rs.1,685.60 crore to 1,88,883 existing SHGs..

* Due to change in database and MIS, the reporting is for the position as on 31 March 2007.

A. Support to Partner Agencies

2.44 NABARD by way of grant assistance continued to support NGOs, RRBs, DCCBs, Farmers' Clubs and Individual Rural Volunteers (IRVs) for promoting and nurturing of quality SHGs. It continued to direct its efforts towards roping in the services of new Self-Help Promoting Institutions (SHPIs) while continuing to support the existing ones. During 2007-08, grant assistance of Rs.1,369.77 lakh was sanctioned to various agencies for promoting 52,877 groups, taking the cumulative assistance sanctioned to Rs.6,119.37 lakh for 3.62 lakh groups as at end-March 2008 (Table 2.3). As on 31 March 2008, an amount of Rs.2,541.04 lakh was released and 1.75 lakh SHGs credit linked to banks.

B. Capacity Building of Partner Agencies

2.45 NABARD continued to play the role of a facilitator in scaling-up the MF programme. Three zonal workshops covering all regional offices were conducted to fine tune strategies for up-scaling support to the MF sector. During 2007-08, an expenditure of Rs.13.32 crore was incurred on various promotional activities as against Rs.11.07 crore in the previous year.

2.46 During the year, NABARD supported conduct of:

- 4,121 awareness creation and capacity building programmes for SHG members covering 2,68,870 SHG members to inculcate skills for managing thrift and credit;
- 135 awareness-cum-refresher programmes for CEOs and field staff of NGOs, covering 3,664 participants;
- 471 training programmes for officers of commercial banks, co-operative banks and RRBs covering 18,788 participants;
- 52 trainers' training programmes covering 2,382 participants;
- 66 exposure visits to banks and institutions pioneering in MF initiatives for 2,754 bank/NGO officials;
- 206 field visits to nearby SHGs for 4,877 Block Level Bankers' Committee members;
- 38 programme for the elected members of PRIs covering 1,423 participants to create awareness among them;
- 5 training-cum-exposure visits for new DDMs/ DDOs and 2 exposure programmes on MF and SHGs for senior IAS officers;
- 258 sensitisation programmes for government officials covering 9,706 participants;
- 704 other programmes covering 34,523 participants.

C. Documentation and Dissemination

2.47 During the year, 107 meets/seminars on MF were supported with financial assistance of Rs.11.14 lakh. In order to get practical insights into the challenges, issues and bottlenecks in the way of expanding and smooth

Table 2.3: Grant Assistance Extended to various Partners in SHG-Bank Linkage Programme

(Rs. lakh)

Agency	Sanctions during the Year			Cumulative Sanctions@			Cumulative Progress		
	No.	Amount	No. of SHGs	No.	Amount	No. of SHGs	Amount Released	SHGs Formed	SHGs Linked
Co-operative Banks	6	45.70	3,400	83	426.22	44,410	178.49	34,381	19,388
RRBs	1	22.35	1,750	111	368.60	43,790	173.73	51,061	33,850
NGOs	351	1,166.13	40,194	2,007	4,841.41	2,45,276	2,093.08	1,74,890	1,11,828
Farmers' Clubs	-	-	-	-	-	-	60.90	14,023	7,640
IRVs	14	135.59	7,533	59	483.14	28,643	34.84	6,116	2,655
Total	**372**	**1,369.77**	**52,877**	**2,260**	**6,119.37**	**3,62,119**	**2,541.04**	**2,80,471**	**1,75,361**

@ : Discrepancies in cumulative sanctions position from last years position is on account of revised position being advised by a few ROs subsequent to submission of data for Annual Report.

flow of financial services to clients in depth studies are necessary. Two study proposals were sanctioned during the year. On account of varied and successful MF system in the country, several foreign delegations from China, Pakistan, South Korea and Bahrain visited NABARD to understand the MF perspective.

D. Micro-Enterprise Promotion by SHGs

a. Micro-Enterprise Development Programme

2.48 NABARD had launched the micro-enterprise development programme (MEDP) on skill upgradation and development for sustainable livelihoods for members of matured SHGs during 2005-06. During the year, 394 MEDPs were conducted covering 9,182 SHG members on activities like bee-keeping, mushroom cultivation, horticulture and floriculture, vermi-compost/organic manure preparation, dairy, etc. As on 31 March 2008, 674 MEDPs had been conducted covering 16,761 participants.

b. Pilot Project for Promotion of Micro-Enterprises

2.49 Launched in 2005-06, the pilot project for promotion of micro-enterprises among members of matured SHGs is being implemented by 14 NGOs acting as 'micro-enterprise promotion agency' (MEPA) in nine districts, *viz.*, Ajmer (Rajasthan), Chandrapur (Maharashtra), Kangra (Himachal Pradesh), Madurai (Tamil Nadu), Mysore (Karnataka), Panchmahal (Gujarat), 24 Pargana (West Bengal), Puri (Orissa) and Rae Bareli (Uttar Pradesh). The project is being implemented in two blocks in each of the selected district. Cumulatively 2,759 micro-enterprises were established under the project involving bank credit of Rs.237.72 lakh as on 31 March 2008.

c. Marketing Support

2.50 During the year, NABARD supported three exhibitions of products prepared by various SHGs at Bhopal, Chennai and Navi Mumbai involving grant assistance of Rs.3.85 lakh.

E. Support to Micro-Finance Institutions

2.51 Recognising the role played by MFIs, in extending MF services in the unbanked areas, NABARD extends support to these institutions through grant and loan based assistance.

a. Revolving Fund Assistance

2.52 NABARD has been selectively supporting MFIs for experimenting with various MF models like replication of Grameen Model, NGO Networking (bigger NGO supporting smaller NGOs), credit unions, SHG Federations, etc., to meet credit requirement of the unreached poor. During the year, Revolving Fund Assistance (RFA) amounting to Rs.8.06 crore was sanctioned to six agencies taking the cumulative credit sanctioned to Rs.36.38 crore covering 35 agencies.

b. Rating support to MFIs

2.53 To identify, classify and rate MFIs and empower them to intermediate between lending banks and clients, NABARD provides grant assistance to commercial banks and RRBs to enable them to avail the services of credit rating agencies (CRISIL, M-CRIL, ICRA, CARE and Planet Finance) for rating of MFIs. The financial assistance by way of grant for meeting the cost of rating is met by NABARD to the extent of cent per cent of the total professional fees subject to a maximum of Rs.1 lakh. The assistance is available for the first rating of MFIs with loan outstanding greater than Rs.50 lakh and

SHG members engaged in basket making

less than Rs.500 lakh. During the year, rating support of Rs.3.40 lakh was extended to four agencies.

c. Capital/ Equity Support

2.54 The scheme seeks to provide capital/equity support to MFIs to enable them to leverage capital/equity for accessing commercial and other funds from banks, providing financial services at an affordable cost to the poor, and to enable MFIs to achieve sustainability in their credit operations over a period of 3 to 5 years. As on 31 March 2008, capital/equity support amounting to Rs.9.25 crore was sanctioned to 11 agencies.

d. Support to SHG Federations

2.55 The SHGs Federations are emerging as important players in nurturing of SHGs, increasing the bargaining powers of group members and livelihood promotion. However, the features and functions of SHG federation models promoted in the country vary depending on the promoting agencies. Recognising the growing role of the SHG federations and their value addition to SHG functioning, NABARD, during the year decided to support the federations on model neutral basis and solely on merits of the proposal. Support would be extended to the federation by way of grant assistance for training, capacity building, exposure visits of SHG members, etc. The Bank also formulated the broad norms for deciding grant of financial assistance to SHG federations (Box 2.2). During the year, grant assistance of Rs.10.48 lakh was sanctioned to two federations.

Box 2.2
Financing of SHG Federations

- SHG Federation should evolve as per the need of the SHGs wherein each SHG is free to join /not join the Federation.
- The promoting organisation to ensure that the Federation is able to sustain its functioning and becomes self-managed over a period of 3 years.
- The Federations should be member-owned, member-driven institutions and democratic in its functioning.
- The SHG Federations may act as business facilitator/ business correspondent to the banks.
- Support for SHG federations should clearly establish value additions to the SHG functioning.

F. Innovative Pilot Projects

2.56 To assess the suitability of various innovative initiatives and also enhance the sustainability of MF activities, NABARD continued to extend support for various pilot projects.

a. SHG-Post Office Programme

2.57 The pilot project on SHG-Post Office Linkage Programme was initially launched in five select districts of Tamil Nadu (Pudukottai, Sivaganga, Tiruvannamalai, Thanjavur and Tiruvarur) to examine the feasibility of utilising the vast network of Post Offices in rural areas in disbursement of credit to rural poor on agency basis. Encouraged by its progress, the project was extended to Meghalaya. During the year, RFA of Rs.5 lakh was sanctioned for on-lending to 50 SHGs in East Khasi Hills. Cumulatively 2,831 SHGs have opened zero interest savings accounts of which 371 SHGs have been credit linked by the participating Post Offices and loan amounting to Rs.88.23 lakh granted as on 31 March 2008.

b. Social Security System for SHG Members

2.58 The pilot project launched during 2004-05 in two villages covering 500 poor households from Betul district of Madhya Pradesh with a view to developing a community based social security system for SHG members in rural areas is being implemented by a NGO, Organization for Awareness of Integrated Social Security (OASIS), with a grant assistance of Rs.8 lakh. The scheme envisages providing a single package covering health and life insurance by paying premium generated through discounts offered by service providers like grocery shops, cloth merchants, etc., in the project area. During 2007-08, grant assistance of Rs.1.20 lakh was released to the agency.

c. Financial assistance for developing software-MYRADA

2.59 NABARD had sanctioned financial assistance of Rs.10.29 lakh to MYRADA for developing a software

for NGOs. The software, NABYUKTI is being made available to all NGO partners involved in the promotion and linkage of SHGs.

G. Other Developments

2.60 The Micro-Finance Development and Equity Fund (MFDEF) maintained by NABARD is used for promotion of MF through scaling-up of the SHG-bank linkage programme, extending RFA and capital support to MFIs and undertake various promotional initiatives. During the year, Rs.26.67 crore was utilised from the fund towards MF related activities.

2.61 The Advisory Board of MFDEF consisting of representatives from RBI, commercial banks, professionals with domain knowledge and NABARD provides guidance in formulation and refinement of policy initiatives. The Advisory Board met four times during the year.

2.62 The North-Eastern Council (NEC), Shillong parked a fund of Rs.50 lakh with NABARD during the year for facilitating miscellaneous training programmes involving government/ bank officials, NGOs, SHGs from States in the NER and Sikkim. Accordingly, an Advisory Group has been constituted to guide and review the progress under the fund. As on 31 March 2008, 73 programmes were sanctioned out of the fund and total grant assistance of Rs.45.01 lakh released during the year.

2.63 The State Level 'Agriculture Development Finance Companies' (ADFCs) were established during 1996-97 in Andhra Pradesh, Karnataka and Tamil Nadu for strengthening credit flow for hi-tech/high value export oriented agriculture, processing, storage, transportation, marketing and infrastructure support systems. During the year, Karnataka Agri-Development Finance Co. Ltd., was restructured into NABARD Financial Services Limited (NABFINS) as a wholly owned subsidiary of NABARD to facilitate setting-up of benchmarks and standards for the MFI sector. NABFINS will promote and continue providing MF, life insurance, general insurance services, etc., to individuals, either directly or through groups/MFIs/Federations in rural and urban areas throughout the country.

2.64 Under the NABARD-GTZ Rural Finance Programme, a study was undertaken to assess the transaction cost of various agencies, *viz.,* commercial banks, RRBs, co-operative banks and MFIs in purveying MF through SHGs or other types of groups. Training modules were also developed to sensitise bank branch managers and SHG members for monitoring groups so as to minimise risks in lending through early warning. The training modules were circulated to the training institutions involved in MF. One of the components of the programme aims at linking savings and credit SHGs to banks, focussing on improving the quality and viability of financial services under SHG-linkage banking. The project period has been extended upto 31 December 2008.

2.65 The NABARD-KfW programme titled 'Financial Cooperation with India-Capitalization Program SEWA Bank' to be implemented in Gujarat aims at sustainable improvement in access of poor women to micro-credit, both in rural and urban areas. The project will be implemented by SEWA bank and NABARD would act as the intermediary agency responsible for providing technical support and undertaking periodic review, monitoring and supervision of the project. The financial contribution of Euro 4,090,330 under the programme would be utilised for setting-up, (i) Capitalisation Fund (designed as a revolving fund) for financing the loan portfolio growth in rural and urban areas and (ii) Development Fund for providing consultancy services to increase the institutional capacity of SEWA bank, rural district associations (RDAs), extension counters (ECs) and equipment of RDAs. The funds will be routed through NABARD. During the year, KfW released grant assistance of Rs.1 crore to SEWA bank under the project.

Research and Development Activities

2.66 The Research and Development (R&D) Fund was set up since inception by NABARD to provide financial support for conducting in-depth studies, promoting applied research and technology based innovations. It also aimed at training and skill upgradation of personnel of client institutions and dissemination of research findings. As on 31 March 2008, the corpus of the Fund stood at Rs.50 crore.

A. Utilisation of the Fund

2.67 During the year, an amount of Rs.748.96 lakh was utilised for supporting activities like research projects/ studies, training, conduct of seminars and other activities. As on 31 March 2008, the cumulative disbursement under R&D Fund stood at Rs.99.92 crore.

B. Research Projects

2.68 During 2007-08, ten research projects/studies, *viz.*, (i) Corporate initiatives on agricultural/rural transformation, (ii) Study on risk management system in NABARD, (iii) Preparation of comprehensive infrastructure plan, (iv) Agricultural credit in Rajasthan-status and performance, (v) Study on agricultural credit in Maharashtra (2004-05 to 2006-07), (vi) An analysis of outreach and effectiveness of agricultural credit policy in Tamil Nadu, (vii) Study on issues relating to Doubling of Agricultural Credit : mismatch between credit flow and agricultural production, (viii) Performance and challenges to agricultural lending: an empirical study in Madhya Pradesh, (ix) A monograph on 'Kangayam cattle – A retrospective and prospective study' and (x) Study of transgene expression towards increasing oil content of Jatropha – Phase I were sanctioned involving total grant assistance of Rs.178.33 lakh. Further, seven projects sanctioned earlier, were completed during the year.

Testing and developing newer plant varieties.

2.69 The project on empowerment and capacity building to implement herd health and productivity improvement in dairy animals by Bombay Veterinary College, successfully developed a computer based dynamic dairy annual data grid with village as a primary herd unit, thus aiding farmers in optimising animal productivity and quantity gains in herd improvement and production. It also resulted in training of milk union staff in new animal health delivery system focusing on farm business planning and profit optimisation by reducing economic losses due to health fertility and related problems.

2.70 The project on Casuarina Nursery EDP for coastal farmers of north-eastern zone of Tamil Nadu was conducted by sugarcane Research Centre, Tamil Nadu Agriculture University,Cuddalore. The project created awareness on scientific knowledge of raising elite seedlings of Casuarina and farmers were encouraged to form a Nursery Farmers Association. Seven EDPs were conducted covering 227 farmers.

2.71 Krishi Vigyan Kendra (KVK)–PIRENS, Babhaleswar, Ahmednagar, Maharashtra as part of the integrated project to improve the agricultural productivity in saline/alkali affected soils conducted 9 on-campus and 35 off-campus training programmes covering 1,341 participants and 105 crop demonstrations and an exposure visit. Integrated crop management and practices advocated by the agency resulted in lowering pH and electrical conductivity, improved soil's organic carbon

content resulting in increased yield. They also advocated conversion of soil residue into compost through vermi-compost technologies as part of soil improvement practices.

2.72 Shri Paramkalyani Centre for Environmental Sciences, Manonmaniam, Sundaranar University, Alwarkurichi, Tamil Nadu in its study on bio-management of sugar factory and paper mill sludge through the application of vermi and mico-technology revealed that the earthworm *'Eudrilus eugeniae'* is more active, breeds rapidly and produces more compost within a short period. Field studies conducted on black gram and paddy revealed that use of vermi-compost resulted in increased yield and enhanced the texture, colour, smell and shelf life of the agricultural produce.

2.73 The project on improved cropping system for commercial exploitation of medicinal plants in red soils of semi arid tropics conducted by CIMAP, Lucknow, studied the cropping systems involving suitable combination of select crops *(Centellaasiatica, Bacopamonieri* – both called Brahmi, *Withania Somnifera-Aswagandha*, *Ocimumsanchem*-tulasi/holy basil, Aloevera) and evolving agro-techniques for productivity improvement. They also conducted a field demonstration for farmers, representatives from industries, NABARD and the State Medicinal Plant Board.

2.74 The project on incubation-cum-development fund for grassroots technologies conducted by Sustainable Agriculture and Environmental Voluntary Action (SEVA), Madurai, Tamil Nadu supported 17 innovators to work on new technologies, encompassions like herbal pesticide, modified panchakavya, herbal veterinary medicine, automatic border weft insertion (handloom), sugarcane off bearer-cum-trash mulcher, garlic peeler, mobile sewing machine, three wheel weeder-cum-intercultivator, coconut dehusker, cashew nut peeling machine, palmyrah tree climber, etc. The agency has trained/demonstrated these field tested technologies to 1,025 farmers and 30 weavers.

2.75 The University of Agricultural Sciences, Dharwad, Karnataka conducted a case study in Belgaum and Haveri districts on impact of SHGs on rural poor. The study revealed that the social and economic impact of SHGs resulted in development of leadership qualities, improving confidence level amongst members, increasing asset position of the members by way of household durables and improving the economic status through various income generating activities (poultry, cattle rearing, marketing of agricultural produce, tailoring, dairy, etc.). It was also observed that for SHG members the employment period increased from 26 to 72 persondays p.a. in the post SHG phase. Further, a positive change through less borrowings and higher savings and reduced dependence on moneylenders was also observed.

C. Seminars, Conferences and Workshops

2.76 During the year, grant assistance of Rs.71.30 lakh was sanctioned to universities, research institutes, NGOs and other agencies spread across the country for organising 100 seminars, conferences, symposia and workshops covering subjects/areas related to agriculture and rural development, farm business economics, agri-extension, agri-marketing, rural infrastructure, commodities' futures, micro-credit, bio-technology, fisheries, plantation and horticulture, etc. The grant support extended enabled the organisers to document the proceedings, publish background papers, have wider dissemination of the recommendations/action points to initiate suitable policy interventions by agencies concerned.

D. Occasional Papers

2.77 Publication of occasional papers was yet another channel to seek increased dissemination of research findings on policy issues in the realm of rural and agricultural development. As part of this programme, an occasional paper titled 'Hi-Tech Floriculture in Karnataka' involving grant assistance of Rs.1 lakh was sanctioned during the year.

E. Training Activities

2.78 Apart from extending grant assistance for the above activities, an amount of Rs.579.62 lakh was utilised from the Fund during the year for capacity building of the staff of RFIs in the NER.

F. Summer Placement Scheme

2.79 The Summer Placement Scheme is being implemented since 2005-06 to enable students selected from reputed agriculture and management institutes, to be associated with various projects/studies taken up by NABARD with respect to agriculture and rural sector. Under the scheme, students are assigned tasks/projects of relevance to the Bank and are intended to generate new product and service ideas that could be introduced for the benefit of its constituents. During 2007-08, assignments/reports on agriculture and rural development, allied sector, agri-business and social development were received from 32 students from 17 ROs and involving financial outlay of Rs.6.96 lakh.

G. Utilisation of Research Findings and Future Prospects

2.80 Major recommendations and proceedings of NABARD assisted conferences/seminars, findings of research studies/projects and occasional papers supported out of the Fund were internalised. They were also forwarded to state/central government, financing agencies, NGOs and bankers for wider dissemination and follow up action at their end. The research institutes/ universities, individual research scholars were also provided copies of the report on request.

Training Personnel of RFIs

2.81 The three training establishments (TEs) set up by NABARD, *viz.*, RTCs at Bolpur, Mangalore and BIRD, Lucknow for training the personnel of RFIs aim at improving the effectiveness of the RFIs. These establishments also supplement the efforts of other training institutions by providing technical and financial support. To provide focused attention on Micro-Finance related issues, a Centre for Micro-Finance Research (CMR) was set up at BIRD, Lucknow. BIRD has executed a MoU with IIBM, Guwahati to set up a sub-centre of CMR at Guwahati (Box 2.3). A consultative meet to identify research themes was held. During 2007-08, RTCs and BIRD conducted 368 training programmes covering 8,488 participants (Table 2.4).

Box 2.3

Centre for Micro-Finance Research at BIRD

The committee formed under the Chairmanship of Shri S.K. Mitra, Executive Director, NABARD, had recommended establishing a Centre for Micro-Finance Research at BIRD, Lucknow as the main centre and a sub-centre at IIBM, Guwahati. This was suggested to enable focussed attention on issues relating to MF in the NER that are varied and different than the rest of the country. The Centre at BIRD would be involved in, (i) research covering critical and relevant themes spanning different geographical locations, (ii) publication and sharing of research outcomes, best practices and (iii) policy planning and advocacy through conferences, seminars, etc. The sub-centre would support the main Centre in all of its activities, including collection and uploading of data to the main centre.

Table 2.4: Training of RFI Personnel

(Number)

Training Institute	Programmes Conducted			Personnel of RFIs Trained		
	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08
BIRD, Lucknow	240	207	192	5,553	4,969	4,311
RTC, Mangalore	81	86	103	2,080	1,946	2,399
RTC, Bolpur	67	60	73	1,515	1,207	1,778
Total	**388**	**353**	**368**	**9,148**	**8,122**	**8,488**

A. Programme Diversification

2.82 Keeping in mind the shift in business strategies, having regard to future needs, findings of specific studies and feedback received from the trainees/institutional clients, TEs constantly endeavour to update their programmes, design new ones, in consultation with the client banks. During 2007-08, BIRD introduced 17 new programmes like, 'Know Your Customer and Anti- Money Laundering', 'Managing non-SLR Investments', 'Financial Inclusion', 'Information Risk and IT Security', 'ICT Banking Avenues in Rural Credit', 'Management of Change', 'Tree Borne Oilseeds', 'IT in Banking and Management and Troubleshooting for Computer Resources', etc. The training calendars of RTCs are finalised based on the recommendations of Academic Advisory and Syllabus Committees. During the year, the RTCs in addition to conducting bank specific programmes, introduced newer programmes on Designing and Marketing of Banks Products, Audit Rating, Change Management, Integrated Programme on MSMEs, Motivation and Men Management, etc.

2.83 NABARD's efforts towards capacity building of the personnel of RFIs through various programmes organised at the TEs have had a positive impact on the performance of the participants.

2.84 To explore the use of information and communication technology in rural areas, NABARD organised a seminar titled *'Seminar on e-Empowerment'*. The seminar was attended by delegates from commercial banks, co-operative banks and RRBs wherein 15 papers were presented by experts in this field. Similarly, a workshop on 'Redefining Rural Financial Services through ICT' was organised at BIRD. The workshop aimed to provide a platform to discuss various opportunities available for the use of ICT in rural areas and to identify the issues in adopting them as also finding suitable solutions for widespread up-scaling.

2.85 NABARD continued to subsidise the participation fees of personnel from client institutions. National Institute of Rural Banking (NIRB), Bangalore was provided Rs.3.03 lakh for 10 training programmes during the year. Under the Scheme of Financial Assistance for Training of Co-operative Bank Personnel (SOFTCOB), the Bank provides technical and financial support to 10 Junior Level Training Centres (JLTCs), 11 Agricultural Co-operative Staff Training Institutes (ACSTIs) and 3 Integrated Training Institutes (ITIs) set up by SCARDBs and SCBs, respectively, to enable them to improve their training system. During 2007-08, Rs.278.29 lakh was disbursed to JLTCs, ACSTIs and ITIs out of the Co-operative Development Fund (CDF) for conducting 330 programmes (5,544 trainees) as against Rs.258.72 lakh disbursed during 2006-07 for conducting 793 programmes (17,558 trainees).

2.86 As part of the GoI package for revival of the Short-term Co-operative Credit Structure (STCCS), BIRD has designed and developed programmes for capacity building of PACS functionaries. During the year, eight Trainers Training Programmes were conducted for 144 Master Trainers. Similarly, two programmes exclusively for 38 officers of NABARD were also conducted to enable them to provide handholding support to Master Trainers wherever required. A team of FMs from BIRD, NBSC and RTCs (Mangalore and Bolpur) prepared training modules, reading material and trainer's guides for training supervisors and inspectors of DCCBs on CAS and training PACS Secretaries on CAS, MIS and business development/diversification under Phase II of capacity building initiatives under the revival package for co-operatives.

2.87 The capacity building requirements of RRB personnel and lateral assimilation of work in the reconstituted RRBs have assumed greater significance in view of the restructuring and consolidation processes

under the on-going amalgamation of RRBs. To understand the training needs of the RRB personnel, study the existing arrangements and suggest measures for addressing the key issues requiring intervention, NABARD constituted a Working Group under the Chairmanship of Shri Amaresh Kumar, Executive Director, comprising of General Managers from two sponsor banks and Chairmen of three RRBs as members.

2.88 During 2007-08, NABARD entered into a MoU with Women's World Banking (WWB), New York to work out collaborative arrangements on initiating training strategies, conduct of suitable training courses with special emphasis on governance training, strategic position training and product diversification training in the MF sector. WWB has since organised an Individual Training Workshop. During the year, NABARD facilitated and associated BIRD with the study team of GTZ, Germany to study 'Capacity Development and Certification System for Co-operative Credit Structure in India'. The team visited BIRD, NABARD ROs in Maharashtra and West Bengal, SCBs and the TEs of the respective states, Co-operative Training Institutes of West Bengal and other co-operative training institutions, State Governments, etc. The findings and recommendations of the team are under examination.

B. Training Arrangements for NER

2.89 NABARD continued to focus on skill upgradation of RFIs in NER through grant support to Indian Institute of Bank Management (IIBM), Guwahati and Manpower Development and Management Institute (MDMI), Shillong in addition to own training establishment. During the year, Rs.16.12 lakh was released to IIBM, Guwahati as NABARD's share. Further, as recommended by the 'Committee on Financial Sector Plan for NER', a comprehensive training plan prepared by IIBM in collaboration with RTC (Bolpur) was approved for sharing of estimated expenditure of Rs.50 lakh equally with RBI. The travel cost of participants from co-operative banks in the NER is also being subsidised by NABARD to enable them to attend training programmes of National Institute of Rural Banking (NIRB), Bangalore.

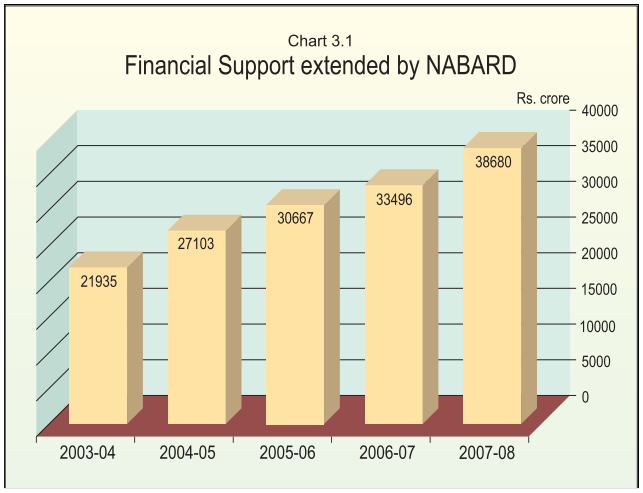
Business Operations

Through its refinance operations, NABARD has been aiding the banking sector to augment credit support for production and investment purposes in the agriculture and rural sector, is actively involved in further streamlining and improving its credit planning process at grass root level taking into account the changing requirements of the agriculture and rural sector. The Bank also continued its involvement in developing rural infrastructure by providing loans under RIDF to State Governments for such projects.

3.2 By leveraging on the core competence and multi-disciplinary expertise of its parent organisation, NABARD Consultancy Services Pvt. Ltd. (Nabcons), a wholly owned subsidiary of NABARD has established itself as a committed and professional consultancy service provider.

3.3 This Chapter presents a review of the Bank's refinance and loaning operations, their impact at the ground level, consultancy services provided by its subsidiary and mobilisation and management of its resources. The total financial support extended by NABARD during 2007-08 increased by 15.5 per cent and stood at Rs.38,680 crore as against Rs.33,496 crore during 2006-07 (Chart 3.1).

Chart 3.1
Financial Support extended by NABARD



Production Credit

A. Short-Term Refinance

a. State Co-operative Agriculture and Rural Development Banks

3.4 During 2007-08, the scheme of extending short-term (ST) refinance to SCARDBs for seasonal agricultural operations (SAO), hitherto available on a pilot basis only to SCARDBs in Kerala, Punjab and Haryana, was extended to all SCARDBs (Box 3.1) at 4.5 per cent for crop loans issued to farmers to whom long-term loans have been granted. An up-to-date audit, receipt of audit reports by NABARD, A/B audit classification and minimum recovery level of 80 per cent was prequisite for the SCARDBs to be eligible for refinance under the scheme. During the year, Rs.65.05 crore was disbursed to Kerala SCARDB for ST-SAO purposes.

Box 3.1
Study on ST Refinance to Kerala SCARDB

NABARD conducted a quick study in four districts of Kerala on the effect of ST loans extended by KSCARDB under NABARD's pilot scheme launched during 2004-05. The study revealed that the facility enabled the borrowers to, (i) carry out farm operations like manuring, plant protection, soil and water conservation, etc., from a single window, (ii) bring additional land under banana and vegetable cultivation, (iii) save interest burden enormously by avoiding credit from private sources and (iv) avail ST loans from PCARDBs on early repayment of their LT loans. An increase of 20% to 30% in the business volume of the PCARDBs was also observed. Further, the recovery under ST loans in the PCARDBs under study ranged between 86.3 to 99.5 % and was much more than the overall recovery of the SCARDB. As the procedure for renewal of loan was fairly simple, the satisfaction level of the borrowers and bank was high. The scheme was well received in Kerala.

b. State Co-operative Banks

i. Support for Seasonal Agricultural Operations

3.5 The quantum of refinance assistance for short-term Seasonal Agricultural Operations (ST-SAO) to co-operative banks continued to be linked to their gross NPA level. Consolidated ST-SAO limits were sanctioned to eligible SCBs to the extent of 35 to 40 per cent of crop loans expected to be issued during 2007-08, depending on their NPA levels. The limit continued to be divided into core and flexible components in the ratio of 80:20. Further, the minimum coverage for SF/MF was stipulated at 30 per cent.

3.6 During 2007-08 (April-March), ST-SAO credit limits aggregating Rs.14,825.71 crore were sanctioned to 18 SCBs against Rs.12,800.64 crore sanctioned during 2006-07 (July-June) to 16 SCBs. The credit limits included Rs.1,439.61 crore for the Oilseeds Production Programme (OPP), Rs.180.92 crore for National Pulses Development Programme (NPDP) and Rs.414.22 crore for credit requirements of tribals under the Development of Tribal Population (DTP). The operative period of ST-SAO credit limit has been changed from 1 July-30 June to 1 April-31 March with effect from the year 2007-08. The SCBs had reached a maximum outstanding of Rs.13,389.96 crore during 2007-08 constituting 90 per cent utilisation as against 87 per cent utilisation during 2006-07 (July-June).

3.7 While the SCBs in northern (Haryana, Punjab and Rajasthan) and southern regions (Andhra Pradesh, Karnataka, Kerala, Pondichery and Tamil Nadu) accounted for 36 and 25 per cent, respectively, of aggregate credit limits sanctioned, those in the central (Chhattisgarh, Madhya Pradesh and Uttar Pradesh), western (Gujarat and Maharashtra) and eastern (Bihar, Orissa and West Bengal) regions accounted for 13, 18 and 8 per cent, respectively. Refinance availed by the co-operative banks in NER continued to be low despite relaxations. Only Meghalaya SCB could avail of credit limits during the year.

3.8 A consolidated ST (others) limit was sanctioned to SCB on behalf of eligible DCCBs. It included ST-agriculture, allied and marketing activities/ marketing of crops/ pisciculture/ industrial co-operative societies (other than weavers)/ labour contract and forest labour co-operative societies (including collection of minor forest produce)/ rural artisans (including weaver members of PACS/LAMPS/FSS)/ procurement and distribution of agricultural inputs. The assessment norms hitherto followed for different purposes continued *mutatis mutandis*. During 2007-08, Rs.41.65 crore was sanctioned under this line of credit against which utilisation was Rs.24.96 crore. The major take-off was in the case of marketing of crop at Rs.23.96 crore.

ii. Support to Weavers

3.9 The policy in respect of sanction of working capital credit limits to SCBs/DCCBs for financing production/ marketing activities of Primary Weavers' Co-operative Societies (PWCS), procurement and marketing operations and trading-in-yarn by regional/apex weavers' co-operative societies was reviewed and the following modifications effected.

i. Eligibility norms as linked to NPAs were de-linked from working results and were made less stringent.
ii. NPA norms relaxed by 5 per cent for banks in the NER, Sikkim, Jammu & Kashmir and Andaman & Nicobar Islands.

3.10 During 2007-08, ST (weavers') credit limits aggregating Rs.332.13 crore were sanctioned to eight SCBs (Andhra Pradesh, Gujarat, Karnataka, Kerala, Orissa, Tamil Nadu, Pondicherry and West Bengal) for financing production/procurement/ marketing activities.

3.11 The High Level Committee appointed by GoI, to suggest measures for revival of Handloom Sector under the Chairmanship of Managing Director, NABARD had recommended organising weavers outside the co-operative fold/members of non-viable or defunct PWCSs/weavers in areas of weak co-operative credit structure into Handloom Weaver's Groups (HWGs) on

the lines of Joint Liability Groups (JLGs) to focus on handloom clusters. The scheme, prepared by NABARD, has been circulated among co-operative banks, RRBs and commercial banks for implementation. The scheme envisages financing production/investment and consumption needs of weaver members in a flexible manner. As at end-December 2007, co-operative banks in Andhra Pradesh, Assam, Orissa, West Bengal and Sikkim have formed 893 HWGs of which 52 were credit linked involving sanctioned loans of Rs.37.59 lakh. Similarly, RRBs in Orissa, West Bengal, Kerala and Himachal Pradesh have formed 41 HWGs of which 33 were credit linked involving sanctioned loans of Rs.28.89 lakh

3.12 With the object of promoting investment/retention of weavers in the handloom sector and recognising the pivotal role of master weavers in providing employment to the vast majority of unorganised weavers outside the co-operative fold, NABARD formulated a scheme for financing the production/investment/ marketing needs of master weavers by SCBs, RRBs and commercial banks. The scheme has been circulated to all agencies.

c. Regional Rural Banks

3.13 During the year, quantum of refinance to RRBs was restricted to 15 per cent of Realistic Lending Programme. Concessional refinance at 4.5 per cent p.a. was available only to those RRBs who agreed to provide loans at 7 per cent p.a. to farmers. RRBs were advised to increase lending to tenant farmers, oral lessees through the JLG scheme or otherwise.

3.14 During 2007-08 (April-March), 74 RRBs were sanctioned limits of Rs.2,940.18 crore under ST-SAO against Rs.2,497.23 crore sanctioned in 2006-07 (July-June) to 74 RRBs. These limits included Rs.207.64 crore for OPP, Rs.83.98 crore for DTP and Rs.1.80 crore for NPDP. Uttar Pradesh, with a sanction of Rs.594.93 crore had the largest share of sanctioned credit limits, followed by Andhra Pradesh (Rs.515.10 crore), Karnataka (Rs.364.86 crore) and Kerala (Rs.297.15 crore). The maximum outstanding against sanctioned limit was Rs.2,688.60 crore during 2007-08. The aggregate sanction of credit limit for ST-OSAO purposes to RRBs during 2007-08 (April-March) was Rs.151.42 crore, as against Rs.188.47 crore during 2006-07 (July-June). The utilisation of the limit was to the tune of Rs.64.12 crore.

B. Long-Term Loans to State Governments

3.15 NABARD continued to provide long-term loans to State Governments under Section 27 of the NABARD Act, 1981, for contributing to the share capital of co-operative credit institutions. During 2007-08, SCBs/ DCCBs with gross NPAs not exceeding 20 per cent as on 31 March 2007 were considered eligible for sanction of loan to State Governments in respect of SCBs/DCCBs not complying with the provisions of Section 11(1) of the B.R. Act, 1949 (AACS), were also considered irrespective of deposit erosion, subject to certain conditions. An amount of Rs.20.54 crore was sanctioned during the year to State Governments of Haryana, Kerala, Orissa, Rajasthan and West Bengal.

C. Other Policy Initiatives

a. NABARD-GTZ Rural Finance Programme

3.16 The Gramin Tatkal Scheme (GTS), formulated by NABARD in co-ordination with GTZ and working on 'family as a unit' basis to provide financial assistance for multiple activities of rural families, is being implemented since 2006-07 on a pilot basis in Andhra Pradesh, Haryana, Karnataka, Maharashtra, Punjab, Uttar Pradesh and West Bengal with Tamil Nadu emerging as the frontrunner in implementing the scheme. As on 31 March 2008, the Pandyan Gramin Bank and Salem DCCB in Tamil Nadu assisted 468 and 829 families with loan sanctioned to the tune of Rs.255 lakh and Rs.2,385.02 lakh, respectively.

3.17 A study undertaken by GTZ in association with NABARD during the year indicated that the scheme was accepted at the ground level and rural families were benefited owing to finance available for multiple activities and consumption purposes. The Bank has leveraged Farmers' Clubs, SHGs and Milk Co-operatives to identify families to provide support under the GTS.

b. Relief Package for debt stressed districts

3.18 The GoI had announced relief package in 2006 to mitigate distress of farmers in the 31 debt stressed districts of Andhra Pradesh, Karnataka, Kerala and Maharashtra. NABARD had advised co-operative banks and RRBs operating in these districts to implement the package and had settled interest waiver claims of the co-operatives and RRBs amounting to Rs.896.30 crore as 50 per cent share of GoI under the package. To enable co-operative banks and RRBs tide over the liquidity gap arising out of implementation of the package for effecting conversion/reschedulement of farmers' dues, the Bank has decided to extend liquidity support to SCBs and RRBs by way of medium-term (MT) refinance. A sum of Rs.265.67 crore was drawn by the banks during the year.

c. Interest Subvention to Farmers

3.19 The Hon'ble Union Finance Minister in the Union Budget 2007-08 announced the continuance of interest subvention in 2007-08 to enable banks to provide crop loans upto Rs.3 lakh to the farmers at an interest of 7 per cent p.a. In order to operationalise the scheme, suitable interest subvention to NABARD and 2 per cent interest subvention on own involvement of co-operative banks and RRBs was envisaged. Accordingly, GoI has released to NABARD Rs.1,331.36 crore towards interest subvention for 2006-07. Further, the interest subvention payable to NABARD, co-operative banks and RRBs has been estimated at Rs.1,778 crore for 2007-08.

d. Package for Sugar Industry

3.20 NABARD, based on GoI announcement, had launched during 2005-06 a package for restructuring the outstanding term loans of co-operative sugar mills. However, owing to the falling sugar prices and difficulties faced by mills in meeting their financial obligations, GoI constituted a committee under the chairmanship of Shri S.K. Mitra, ED, NABARD, for re-examining the earlier package. The committee recommended that: (i) all operational co-operative sugar mills which had term loan outstanding as on 31 March 2005 and were commercially viable with adequate operational surplus to repay the said term loan would be covered under the package, (ii) term loans provided to the mills by SCBs, PUCBs and other FIs/agencies, either individually or in consortium and outstanding as on 31 March 2005 along with interest accrued or the outstanding as on the date of application whichever was lower, be considered for restructuring, and (iii) interest rate on restructured loan to be reduced to 10 per cent p.a. with effect from 1 April 2005. Interest subvention shall be provided by GoI to co-operative banks and other financial institutions on restructured loan upto maximum of 3 per cent. GoI has accepted most of the committee's recommendations and has further advised financing banks to consider, conversion of (i) outstanding loans of eligible co-operative sugar mills on account of harvesting and transport charges and (ii) short margin on sugar stocks as appearing in the books of the sugar mills as on 1 April 2007 into term loans upto a maximum of 5 years without any reduction in the existing interest rate. NABARD, as the facilitator and nodal agency for co-operative banks in implementation of the scheme, has issued operational guidelines to all SCBs. Under the package, Rs.75.31 crore was released to co-operative banks towards interest subvention.

3.21 GoI also approved a scheme for extending financial assistance to all sugar mills that were/shall be functional during 2006-07 and 2007-08 sugar seasons. Under the scheme, loan shall be sanctioned for clearance of cane arrears for 2006-07 and cane price of 2007-08 sugar season relating to statutory minimum price (SMP) fixed/to be fixed by GoI and shall be granted equivalent to the notional central excise duty payable on total production of sugar during 2006-07 and 2007-08 seasons. GoI would provide interest subvention

upto 12 per cent p.a. on such loan. The Bank has issued operational guidelines on this to all SCBs and RRBs.

D. Interest Rates on Refinance Assistance

3.22 The rates of interest on ST/MT refinance to co-operative banks, RRBs, and scheduled commercial banks and long-term (LT) loans to State Governments for contribution to share capital of co-operative credit institutions during 2007-08 have been indicated in Table 3.1

Women engaged in embroidery work

3.23 GoI continued its support to make available ground level credit at 7 per cent p.a. to farmers availing crop loan upto Rs.3 lakh for *kharif* 2007 and *rabi* 2007-08. NABARD extended refinance to co-operative banks and RRBs at 3 and 4.5 per cent p.a., respectively, with interest subvention from GoI. The refinance was made available to those SCBs and RRBs, which including their own involvement, extended crop loans upto Rs.3 lakh per borrower at 7 per cent p.a.

Table 3.1: Rates of Interest

(Per cent)

Sr. No.	Purpose	Agency	Interest Rate
1.	SAO	SCBs/RRBs	3.0/4.5
2.	Pledge of securities	SCBs	9.5
3.	Working capital requirements of pisciculture/fishery activities	SCBs & RRBs	9.5
4.	Marketing of crops	SCBs & RRBs	9.5
5.	Production/Procurement and marketing of cloth by WCS/working capital to individuals/HWGs	SCBs	9.5
6.	Procurement, marketing and supply of yarn by Apex/Regional WCS	SCBs	9.5
7.	Working capital requirements of SHDCs	SCBs & Scheduled Commercial Banks	9.5
8.	Industrial Co-operative Societies (other than WCS)	SCBs	9.5
9.	Individual Rural artisans of PACS	SCBs	9.5
10.	Purchase and distribution of fertilizers (PACS and Apex societies)	SCBs	9.5
11.	Working capital provided to Master Weavers	SCBs, RRBs & Commercial Banks	9.5#
12.	ST-OSAO loans	RRBs	9.5
13.	Financing of PWCS	Scheduled Commercial Banks	9.5
14.	ST approved agricultural, allied, production and marketing activities	SCBs	9.5
15.	LT loans to State Governments	State Governments	9.5
16.	MT (Conversion) loan	SCBs	5.5-5.75
		RRBs	5.75-6.0
17.	Liquidity support (MT)	SCBs & RRBs	9.5

#: Term loans extended to Master Weavers by (i) SCBs at 9% and (ii) RRBs & commercial banks at 9.5%

Investment Credit

A. Inclusion of NBFCs as a class of eligible institutions

3.24 In view of their significant role in purveying agriculture and rural credit, non-banking finance companies(NBFCs) were also included as eligible institutions for grant of refinance by NABARD. NBFCs fulfilling, among others, the criteria of AAA rating, experience of lending business for last five years, net profit during previous three consecutive financial years with no accumulated losses have now become eligible for refinance for a tenure of not less than three years. The refinance is proposed to be to the extent of 50 per cent of the loan to the ultimate borrowers for agriculture and allied activities, agro processing and small and micro enterprises.

B. Relief Measures for Poultry units affected by Avian Flu

3.25 The outbreak of avian flu in the poultry units in some parts of the country resulted in loss of income and steep fall in the demand and price of poultry products. Keeping this in view, co-operative banks and RRBs were advised to provide relief to the affected poultry units financed by them. They were advised to convert the principal and interest due on working capital loans, instalments and interest on term loans, due for payment on/after the onset of bird flu, i.e., 31 December 2007 and remaining unpaid, into term loans. Further, the converted loans are to be recovered in instalments based on projected future inflows over a period of three years with an initial moratorium upto one year. The remaining portion of term loan is to be rescheduled similarly with a moratorium period upto one year depending upon the cash flow generating capacity of the unit. The reschedulement/conversion was to be completed on or before 30 April 2008 and the rescheduled/converted loans to be treated as current dues. The relief measures would be extended to all accounts of poultry industry, which were classified as Standard accounts as on 31 December 2007.

C. Eligibility Criteria for drawal of refinance

3.26 The eligibility criteria for refinance during 2007-08 was fixed in such a way that it incentivised better performing institutions *vis-à-vis* those performing poorly. The eligibility criteria comprised of, (i) **Broad Criteria** which included completion of audit of banks, compliance with Section 11(1) of B.R. Act, 1949, conduct of spot verification of assets by NABARD, etc., and (ii) a set of **Special Criteria** which are reviewed annually and would form the basis of classifying agencies in A/B/C/D categories based on their gross/net NPAs, recovery to demand, net worth and profitability. The quantum of refinance under each category was linked to the refinance availed during the previous year and was hiked or decreased depending on improved or declined performance of the constituents.

D. Security Norms

3.27 Release of refinance to SCARDBs was only against government guarantee and for SCBs also against government guarantee except in the case of good performing SCBs/DCCBs where requirement of the Guarantee was waived off on compliance of certain conditions by them. However, refinance to eligible Section 11 non-compliant SCBs/DCCBs and non-scheduled SCBs (for farm sector) was only against government guarantee. In the event of government guarantee, wherever required for SCBs/SCARDBs, not forthcoming, alternative security like pledge of government securities or fixed deposit receipts issued by scheduled banks was considered on a case-by-case basis. Commercial banks, RRBs and PUCBs continued to be exempted from furnishing security/government guarantee for availing refinance.

E. Refinance Support

3.28 The total refinance disbursement during 2007-08 stood at Rs.9,046.27 crore as compared to the disbursement of Rs.8,795.02 crore during the previous year.

a. Agency-wise disbursements

3.29 With a share of 44 per cent of the total refinance disbursed during the year (Table 3.2/Chart 3.2), commercial banks continued to be the largest group of banks availing refinance. Despite an increase in share of SCARDBs (21%) during the year, that of SCBs has been progressively declining both in absolute terms and as percentage share to the total refinance disbursed, the share of RRBs improved to 25 per cent during 2007-08.

b. Spatial Distribution of Refinance

3.30 Refinance disbursement across regions depicted wide variations underlying the varying absorptive capacity of different agencies in different regions. Region-wise highest disbursements were reported in the southern region followed by northern, central, eastern, western and north-eastern regions (Table 3.3/Chart 3.3).

Table 3.2: Agency-wise Refinance Disbursement

(Rs. crore)

Agency	2005-06	2006-07	2007-08
SCARDBs	2,082.47	1,742.72	1,950.58
SCBs	1,173.72	1,130.67	826.55
Commercial Banks	4,027.74	4,568.82	3,951.73
RRBs	1,332.40	1,352.81	2,313.99
PUCBs/ADFCs	6.04	-	3.42
Total	**8,622.37**	**8,795.02**	**9,046.27**

Table 3.3: Region-wise Refinance Disbursement

(Rs. crore)

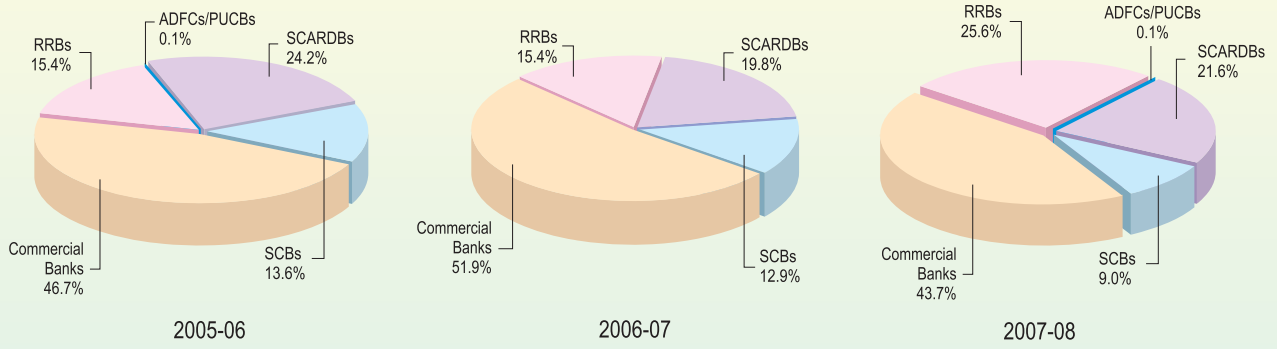
Region	2005-06	2006-07	2007-08
Central	2,306.95	1,695.62	1,810.40
Eastern	1,057.44	1,102.83	1,134.73
Northern	2,152.54	2,111.10	1,957.78
North-Eastern	147.41	167.96	178.57
Southern	2,065.40	2,710.62	3,252.53
Western	892.63	1,006.98	712.26
Total	**8,622.37**	**8,795.02**	**9,046.27**

Central : *Madhya Pradesh, Chhattisgarh, Uttar Pradesh and Uttarakhand.*
Eastern : *Bihar, Jharkhand, Orissa, West Bengal and A&N Islands.*
Northern : *Haryana, Himachal Pradesh, Punjab, Rajasthan, J&K, Delhi and Chandigarh.*
NER : *Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura.*
Southern : *Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, Pondicherry and Lakshadweep Islands.*
Western : *Gujarat, Goa, Maharashtra, DN Haveli and Daman & Diu.*

3.31 Disaggregation of refinance disbursements by agencies and states indicate that while 76 per cent of the disbursement to RRBs was in Andhra Pradesh, Karnataka, Madhya Pradesh, Orissa, and Uttar Pradesh, 60 per cent of the refinance disbursed to SCBs was in Andhra Pradesh, Karnataka, Orissa, Punjab and Uttar Pradesh and 69 per cent of refinance disbursed to SCARDBs was in Haryana, Punjab, Rajasthan and Uttar Pradesh. The trends once again reflect the varying absorptive capacity of different categories of banks in different states.

Chart 3.2

Agency-wise Share in Refinance Disbursement



c. Sector-wise disbursements

3.32 During the year, the total refinance disbursement aggregated Rs.9,046.27 crore, of which 42 per cent was towards farm sector activities, the major being farm mechanisation (19.3%), minor irrigation with land development (9.6%) and animal husbandry (9.1%). Non-farm sector (NFS) including rural housing (30%), SHGs (18%) and other activities, *viz.*, storage and market yards, SGSY, SC-ST action plan, etc., (10%) constituted the remaining share (Table 3.4).

Table 3.4: Sector-wise Disbursement of Refinance

(Rs. crore)

Sector	2005-06	2006-07	2007-08
MI	540.90(6.3)	670.97(7.6)	403.68(4.5)
LD	637.22(7.4)	651.30(7.4)	462.14(5.1)
FM	1,712.96(19.9)	1,857.51(21.1)	1,747.65(19.32)
P&H	322.36(3.7)	313.73(3.6)	341.82(3.8)
DD	694.72(8.1)	504.02(5.7)	605.87(6.7)
PF/SGP/			
AH-Others	231.53(2.7)	206.66(2.4)	216.29(2.4)
Fisheries	38.49(0.4)	38.30(0.4)	25.45(0.3)
Forestry	7.47(0.1)	8.38(0.1)	6.39(0.1)
S & M Yard	52.49(0.6)	35.61(0.4)	136.28(1.5)
SGSY	252.52(2.9)	355.06(4.0)	258.58(2.8)
NFS	2,285.98(26.5)	2,265.16(25.8)	2,747.95(30.4)
SC/ST-AP	69.90(0.8)	28.32(0.3)	20.52(0.2)
SHG	1,067.72(12.4)	1,292.86(14.7)	1,615.50(17.8)
Others	708.11(8.2)	567.14(6.4)	458.15(5.1)
Total	**8,622.37**	**8,795.02**	**9,046.27**
	(100.0)	**(100.0)**	**(100.0)**

MI: Minor Irrigation. *LD: Land Development.*
FM: Farm Mechanisation. *PF: Poultry Farming.*
DD: Dairy Development. *AH: Animal Husbandry.*
SGP: Sheep, Goat and Piggery. *P & H: Plantation and Horticulture.*
S&M Yard: Storage and Market Yards
Figures in parentheses indicate percentage to total.

i. Farm Sector

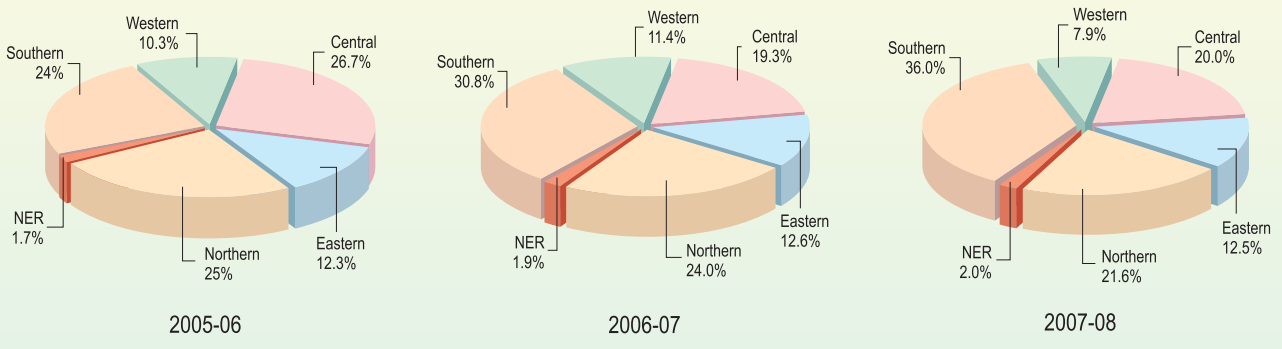
3.33 The scheme for 'Financing Purchase of Land for Agricultural Purposes' under implementation since August 2001, aims at providing credit to small/marginal farmers, share croppers/tenant farmers for purchase of land. During 2007-08, bank loan of Rs.50.83 crore was disbursed for 1,468 units spread in ten Sates (Andhra Pradesh, Haryana, Karnataka, Kerala, Tamil Nadu, Madhya Pradesh, Maharashtra, Punjab, Rajasthan and West Bengal) with refinance of Rs.41.76 crore for 1,216 units.

ii. Non-Farm Sector

3.34 During the year, refinance disbursed under NFS stood at Rs.2,747.95 crore, of which Rs.876.41 crore was towards rural housing (32%). Agency-wise, commercial banks accounted for the major share (53%), followed by co-operative banks (32%) and RRBs (15%). As on 31 March 2008, the cumulative refinance support under NFS stood at Rs.21,354.72 crore.

Chart 3.3

Region-wise Share in Refinance Disbursement



3.35 The Working Group on Rural Habitat constituted by NABARD to address various issues relating to provision of bank finance for rural housing and rural habitat development, has recommended; (i) providing housing loans linked to livelihood loans to non-salaried class of individuals to accelerate credit delivery to rural families, (ii) including cost of construction of worksheds/ shops for pursuing income generating activities in the housing loan, (iii) financing common work place for SHGs, (iv) construction of toilets and bathing rooms for individuals/community sanitation, (v) providing incremental housing loan for different purposes, (vi) delivery for infrastructure development through collaboration with Village Panchayats, (vii) exploring possibility of providing land title insurance, composite package of affordable life, accident and health insurance for the rural home loan borrowers, (viii) promoting the use of eco-friendly construction technologies in rural areas, (ix) establishment of a Credit Guarantee Fund for rural habitat lending and a Venture Fund for building material centres and infrastructure development, (x) adoption of villages by banks and (xi) incorporation of rural housing and habitat finance in the Bank Credit Plans. Some of the recommendations of the Group are under consideration by RBI. NABARD has advised all agencies that bank loans issued for rural housing and rural habitat sector under the schemes formulated as per the recommendations of the Working Group would be eligible for refinance support under Automatic Refinance Facility (ARF).

iii. Micro-Finance

3.36 During 2007-08, bank loan of Rs.4,227.58 crore was disbursed to 7,39,875 SHGs (including repeat finance of Rs.1,685.60 crore to 1,86,883 existing SHGs) *vis-à-vis* Rs.6,570.39 crore disbursed to 11,05,749 SHGs during 2006-07. The agency-wise disbursements reveal that, commercial banks accounted for 42 and 48 per cent of the SHGs credit linked and bank loan disbursed, respectively, followed by RRBs and co-operative banks (Table 3.5). The average loan disbursed per SHG amounted to Rs.57,139 during 2007-08 compared to Rs.59,420 during 2006-07. During 2007-08, NABARD extended refinance of Rs.1,615.50 crore under the programme.

3.37 Further, 28.95 lakh SHG accounts (including those under SGSY) had loans outstanding worth Rs.12,366.49 crore from all agencies and 41.60 lakh SHGs maintained savings outstanding of Rs.3,512.71 crore with the banks as on 31 March 2007 (Table 3.6).

3.38 The recovery performance of SHGs too reflects a high percentage of recovery. As on 31 March 2007, of the 290 reporting banks, 73 per cent banks reported recovery of >80 per cent in respect of their SHG portfolio. Agency-wise, 26 commercial banks (out of 36), 55 RRBs (out of 73) and 131 co-operative banks (out of 181) reported recovery above 80 per cent (Chart 3.4).

Table 3.5: Agency-wise SHG - Bank Linkage Programme: Cumulative Progress
(As on 31 March)

(Rs. crore)

Agency	SHGs Credit Linked		Bank Loan Disbursed	
	2007	2008*	2007	2008
Commercial Banks	5,71,636 (52)	3,12,359 (42)	3,918.94 (60)	2042.56 (48)
RRBs	3,81,199 (34)	2,40,596 (33)	2,052.73 (31)	1,599.51 (38)
Co-operative Banks	1,52,914 (14)	1,86,920 (25)	598.72 (09)	585.51 (14)
Total	**11,05,749 (100)**	**7,39,875 (100)**	**6,570.39 (100)**	**4227.58 (100)**

Figures in parentheses indicate percentages to total. * : Provisional data, excluding SGSY*

Table 3.6: Agency-wise Savings and Loans Outstanding to SHGs (As on 31 March 2007)

(Rs. crore)

Agency	Number	Amount
a. Savings Outstanding		
Commercial Banks	22,93,771 (55)	1,892.42 (54)
RRBs	11,83,065 (29)	1,158.29 (33)
Co-operative Banks	6,83,748 (16)	462.00 (13)
Total	**41,60,584 (100)**	**3,512.71 (100)**
Savings per SHG (Rs.)		***8,469***
b. Loans Outstanding		
Commercial Banks	18,93,016 (65)	8,760.38 (71)
RRBs	7,29,255 (25)	2,801.76(23)
Co-operative Banks	2,72,234 (10)	804.35 (06)
Total	**28,94,505 (100)**	**12,366.49 (100)**
Loan o/s per SHG (Rs.)		***42,724***

Figures in parentheses indicate percentages to total.

3.39 Recognising the growing role of MFIs as institutions other than banks engaged in providing financial services to the poor, the banking sector too has been extending loans to MFIs for on-lending to SHGs. MFIs in India have emerged in four organisational forms, *viz.*, NGO-MFIs, non-profit Section 25 NBFC-MFIs, co-operative MFIs and for-profit NBFC-MFIs. During 2006-07, bank loan amounting Rs.1,151.56 crore was disbursed to 334 MFIs taking the total loans outstanding to Rs.1,584.48 crore to 550 MFIs as on 31 March 2007 (Table 3.7)

d. Co-financing

3.40 NABARD has executed MoU with 16 commercial banks, 2 RRBs and 1 NBFC for supporting innovative

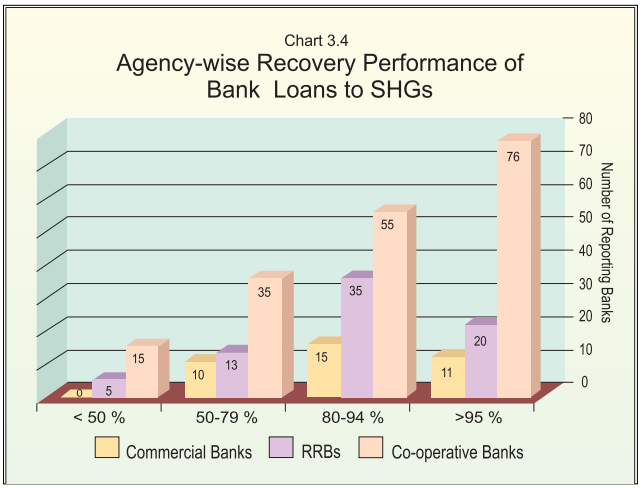


Table 3.7: Progress under MFI-Bank Linkage Programme

(Rs. crore)

Agency	Bank loan disbursed (2006-07)		Loans Outstanding (As on 31 March 2007)	
	No.	Amount	No.	Amount
Commercial Banks	327	1,151.34	541	1,584.28
RRBs	7	0.22	8	0.20
Co-operative Banks	-	-	1	0.006
Total	**334**	**1,151.56**	**550**	**1,584.48**

The actual number of MFIs would be less as some MFIs have availed loans from more than one bank.

Data Provisional.

agricultural projects, *viz.*, agro/food processing, animal husbandry, poultry, plantation & horticulture, wasteland development, bio-fuel, cold storage, agri- marketing complex, bio-fertiliser, etc., under co-financing arrangement. Cumulatively, 28 projects were sanctioned involving total financial outlay (TFO) of Rs.618.31 crore, bank loan of Rs.409.79 crore and NABARD's share of Rs.176.88 crore as on 31 March 2008. During 2007-08, 12 projects were sanctioned with TFO of Rs.118.83 crore, bank loan of Rs.85.05 crore and NABARD's share of Rs.42.53 crore. An amount of Rs.27.31 crore was disbursed during the year taking the cumulative disbursement to Rs.72.81 crore as on 31 March 2008.

e. Coverage of Small Farmers

3.41 During 2007-08, 53 per cent of the refinance (excluding refinance in respect of loans for farm mechanisation, storage and market yards, forestry, etc.) was against loans disbursed to small farmers (Table 3.8).

F. Capital Investment Subsidy Schemes

3.42 As a nodal agency, NABARD has been asked to oversee the operationalisation of the various Capital Investment Subsidy (CIS) schemes of GoI, monitoring the progress and administration of subsidy. During 2007-08, three CIS schemes, *viz.*, (i) construction of cold storages, onion godowns and rural godowns, (ii) development/strengthening of agriculture marketing

Table 3.8: Refinance disbursed to Small Farmers *vis-à-vis* Total Disbursements

(Rs. crore)

Purpose	Total Disbursement	Disbursement to SFs	Assistance to SFs (% to total disbursement)
Minor Irrigation and Land Development	865.82	282.70	33
Diversified Purposes*	6,290.13	3,485.37	55
Total	**7,155.95**	**3,768.07**	**53**

**: Excludes refinance for farm mechanisation, storage and market yards, forestry, etc.*

infrastructure, grading and standardisation and (iii) establishing ACABCs by agriculture graduates continued to be implemented.

i. Cold Storages, Onion Godowns and Rural Godowns

3.43 During the year, 220 and 2,188 projects were sanctioned under cold storages/onion godowns and rural godowns with TFO of Rs.522.47 crore and Rs.682.81 crore, bank loan of Rs.321.45 crore and Rs.470.23 crore and subsidy of Rs.44.06 crore and Rs.95.34 crore, respectively. Cumulatively, as at end-March 2008, projects sanctioned under cold storage/onion godowns and rural godowns schemes stood at 1,697 (1,484 cold storages and 213 onion godowns) and 13,580 involving TFO of Rs.2,531.34 crore and Rs.2,990.56 crore, bank loan of Rs.1,406.15 crore and Rs.1,957.36 crore and subsidy of Rs.376.32 crore and Rs.454.35 crore, respectively.

Fashion designing and tailoring unit run by SHG members

ii. Agricultural Marketing Infrastructure, Grading and Standardisation

3.44 The scheme aimed at establishing/strengthening of infrastructure for marketing, grading, standardisation and quality certification of agricultural produce is implemented in only such States that have amended the APMC Act to allow private participation. As on 31 March 2008, 20 states and 5 UTs were eligible to receive assistance from GoI as back-ended subsidy. During the year 1,093 projects involving TFO of Rs.425.59 crore and bank loan of Rs.273.76 crore were sanctioned and subsidy of Rs.48.91 crore was disbursed. Cumulatively 2,701 units involving TFO and bank loan of Rs.749.72 crore and Rs.496.70 crore, respectively, were sanctioned and subsidy of Rs.79.57 crore disbursed.

iii. Establishing Agri-clinics and Agri-business Centres by Agriculture Graduates

3.45 To encourage provision of fee based extension services to farmers, MoA, GoI, announced the scheme for implementation during 2006-07 and the Eleventh Plan period. The scheme envisages capital subsidy upto 25 per cent of the TFO and full interest subsidy during first two years of the successful operation of the unit and regular repayment of the bank loan. During the year, 57 units involving subsidy of Rs.68.54 lakh were sanctioned.

G. Investment and Scheme Specific Studies

3.46 During the year, 30 investment and 8 scheme specific studies under farm sector, rural housing and cold

storage projects were conducted in association with banks and nodal departments of State Governments to identify factors adversely affecting schemes and ensuring prompt corrective measures.

H. Interest Rates on Refinance

3.47 The interest rates were revised depending on the money market conditions and cost of incremental market borrowings of NABARD. The rate of interest on refinance for commercial banks/RRBs/PUCBs/ADFCs/ NEDFi and for co-operative banks was fixed at 9.5 and 9 per cent p.a., respectively, with effect from 14 May 2007 for all eligible activities. The refinance rates for RRBs were reduced to 9 per cent p.a. with effect from 1 November 2007. They were again revised downwards to 9 and 8.5 per cent p.a. for commercial banks/PUCBs/ ADFCs/NEDFi and co-operative banks and RRBs, respectively, with effect from 23 January 2008. The rate of interest on refinance was fixed at 9 and 8.5 per cent for all agencies in the NER, Sikkim and Andaman & Nicobar Islands from 28 May 2007 and 23 January 2008, respectively. Further, the rate of interest on interim finance provided to SCARDBs was enhanced from 7.5 to 9.5 per cent p.a. in respect of drawals released on or after 6 July 2007. The interest rate on default in repayment of principal/interest amount of refinance under any line of credit was fixed at 11.5 and 10.5 per cent (depending on the amount of default for the period) for commercial banks and other agencies, respectively.

I. Physical Achievements

3.48 The refinance disbursement, supporting varied economic activities under various types of investments aggregated Rs.9,046.27 crore during the year (Table 3.9). Under minor irrigation (MI) 24,000 tubewells with pumpsets and 32,000 pumpsets on existing wells were financed. Tractor financing continued to be the major item of investment under FM with 51,000 units financed during the year. During 2007-08, the animal husbandry sector witnessed good growth with dairy farming and sheep/goat rearing showing an increase of 1.96 lakh and 2.81 lakh animal, respectively. The poultry sector showed signs of improvement with 17 lakh birds being financed during 2007-08.

J. Credit Planning

a. Potential Linked Credit Plans

3. 49 NABARD continued to prepare its district-wise Potential Linked Credit Plans (PLPs) in a time bound manner, following the consultative approach. The quality and contents of the PLP are being continuously reviewed and refined in view of RBI's policy decision to keep PLPs as basis for DCPs. An exercise undertaken on dovetailing the DCP projections with PLP estimates during 2007-08, revealed a variation of only 4.64 per cent at macro level. The PLP document, due to the quality and the valuable inputs had ever increasing demand from various organisations engaged in rural development.

3.50 Keeping this in view, NABARD continued its efforts to improve the quality and content of PLPs. Some of the initiatives taken during the years are:

i. Two new chapters covering 'Agri Extension and Other Support Services' and 'Panchayat Raj Institutions' were incorporated.
ii. General and technical scrutiny of select PLPs was undertaken to enhance the sectoral contents and in fine-tuning of certain chapters like 'Infrastructure Support', 'Agro and Food Processing', 'Responses from Farmers and Non-Farmers', etc.

b. State Focus Paper

3.51 The district-wise/sector-wise potential projected in the PLPs are aggregated into a State Focus Paper (SFP) highlighting a comprehensive picture of potential available in the State for development of agriculture, allied and non-farm activities. The SFPs also show the critical gaps requiring priority attention. The SFPs were presented to concerned State Government and the bankers through Credit Seminar to facilitate state level planning. ROs also indicate the initiatives needed from the State Government and the bankers to ensure adequate credit flow to different sectors and make necessary budgetary provisions through SFP.

Table 3.9: Units Financed and Completed
(As on 31 March)

Sr. No.	Investments		Units financed upto 31 March		Units completed upto 31 March	
			2007	2008	2007	2008
1.	Minor Irrigation					
	i. Tubewells with pumpsets @	'000	1,575	1,599	1,559	1,582
	ii. Dugwells with pumpsets *	'000	2,072	2,076	2,061	2,063
	iii. Dugwells with conventional lift	'000	1,707	1,707	1,706	1,706
	iv. Pumpsets on existing wells	'000	2,419	2,451	2,395	2,422
	v. Others **	'000	1,800	1,837	1,782	1,805
2.	Land Development***	'000 ha.	3,201	3,252	3,169	3,190
3.	Farm Mechanisation					
	i. Tractors	'000	1,333	1,384	1,320	1,350
	ii. Power tillers	'000	160	162	158	159
	iii. Other farm equipments	'000	694	719	687	711
4.	Plantation & Horticulture	'000 ha.	2,214	2,261	2,192	2,215
5.	Forestry	lakh ETPs	2,340	2,348	2,317	2,332
6.	Storage	'000 tonnes	18,632	18,635	18,446	18,448
7.	Market Yards	No.	2,563	3,013	2,537	2,987
8.	Dairy Development	'000 animals	15,647	15,843	15,491	15,626
9.	Sheep/ Goat Rearing	'000 animals	37,880	38,161	37,501	37,725
10.	Piggery	000 animals	1,686	1,692	1,680	1,685
11.	Poultry	lakh birds	1,802	1,819	1,784	1,797
12.	Fishery					
	i. Mechanised Boats	No.	22,259	22,679	22,036	22,036
	ii. Other Boats	No.	73,287	73,681	73,000	73,000
	iii. Brackish Water Aquaculture	ha.	5,355	5,362	5,301	5,301
	iv. Fresh Water Aquaculture	'000 ha.	411	414	407	409
13.	Non-Farm Sector	'000	7,832	8,032	7,754	7,892
14.	Miscellaneous$	'000	14,280	14,786	14,137	14,486

*@ : Includes borewells with pumpsets. * : Includes dug-cum-borewells with pumpsets. ETPs : Entire Trans-Planting.*

*** : Includes dugwells/ dugwells-cum-borewells, deep tubewells with pumpsets, deepening/ renovation of wells, sprinkler, pipeline, storage/water harvesting tank, lift/drip irrigation, pump house, shallow tubewells/ million shallow tubewell programme, etc.*

**** : Includes soil conservation, saline/ alkaline soil, channels/ lining/ under ground pipeline, wasteland and farm development.*

$: Includes bullock pairs, bullock carts, camels, camel carts, SHGs, other activities under AH, Kisan bikes, sericulture, ACABCs, soil/water testing, compost/ manure plants, gobar gas plants, vermiculture, SRTO, contract farming, AEZs, SC/ST Action Plan, bee-keeping, etc.

***Note** : While estimating the completed units, appropriate adjustments have been made for units financed upto March 2008, but not likely to have been completed. It is possible that some of the units have turned out to be infructuous or remained incomplete beyond their normal gestation period.*

c. Review of SAMIS

3.52 The Working Group comprising members from RBI, NABARD, IBA and nine commercial banks, was set up to review and recommend modifications in the Service Area Monitoring and Information System (SAMIS). The Group recommended adopting BSR Codes in revised SAMIS returns to facilitate integration with the banks' internal MIS, thus ensuring timely submission of the returns. NABARD has recommended the proposed modifications/changes in SAMIS and requested RBI to issue operational guidelines on revised SAMIS which may be termed as 'Priority Sector MIS'. RBI is in the process

of issuing the necessary guidelines on revised SAMIS as Priority Sector MIS, to banks.

d. Comprehensive District Plans

3.53 With a view to making the district planning process an integral part of the process of preparation of States' XI Five Year Plan (2007-2012) and the annual plan (2007-08), GoI had constituted an Expert Group in 2005 to suggest the modalities. The Group's report was accepted by GoI and the same was circulated to the States. Accordingly, the District Plan for each district will be finalised by the District Planning Committee (DPC) as an aggregation of the Gram Panchayat Plans, the Intermediate Panchayat Plans, District Panchayat Plans and plans of Urban Local Bodies and the same will be integrated with the sectoral plans. It would also include the Comprehensive District Agriculture Plan (C-DAP), which is a prerequisite for receiving support under Rashtriya Krishi Vikas Yojana (RKVY). The Planning Commission and NABARD conducted regional workshops to orient various State/district level officials for preparing C-DAP. NABARD was also associated with the Technical Support Group constituted by Planning Commission for preparing the 'Manual of Guidelines' for preparation of C-DAP. NABARD has also been identified as one of the Technical Support Institutions for extending support for capacity building, consolidation of plans at district levels, etc., in the 30 allotted districts covering 10 States. For the purpose, two exposure-cum-trainers' training programme covering 58 officials including DDMs had already been conducted.

K. Special Package for NER

3.54 NABARD continued its policy of facilitating larger credit flow to the NER and Sikkim by granting relaxations to co-operative banks and RRBs operating in these areas. The salient features of the policy followed during 2007-08 are discussed below.

i. To enable SCBs and RRBs to avail refinance for ST-SAO purposes, NABARD extended relaxation in its NPA norms by 5 (gross NPA) and 3 (net NPA) per cent, respectively. Relaxation of 5 per cent in the NPA norms was also granted in sanction of ST limits to SCBs for financing working capital requirements of WCS during 2007-08.

ii. The eligibility criteria for drawal of refinance under investment credit was relaxed by 5 per cent for co-operative banks and 3 per cent for RRBs. The security requirements stipulated for refinance to RRBs classified under Category C was dispensed with subject to certain conditions. The rate of interest on refinance was fixed at 8.5 per cent irrespective of the quantum, agency and purpose.

3.55 Based on the recommendations of the Committee on Financial Sector Plan for NER, the following policy changes were effected during the year:

- The norms for minimum members in a SHG was relaxed to five in hilly districts of NER for consideration of refinance and grant assistance from NABARD.
- The grant assistance for promotion and nurturing of SHGs by NGO SHPIs working in the hilly districts of NER was revised to Rs.5,000 per SHG.

3.56 In pursuance of the MoU between NABARD and Tata Tea Ltd., for development of Boro design through training of Boro Women, Tata Tea established a Training-cum-Production Centre during the year, comprising 11 looms with 3 jacquards and 1 dobby. Of this, 4 looms are permanently earmarked exclusively for imparting training to the identified weavers. A separate residential building for trainees has also been constructed. The centre has already started production of cloth and is in the process of providing marketing tie-up for the products. Against total expenditure of Rs.13 lakh, NABARD released its share of Rs.6 lakh as grant.

3.57 A Sub-Committee set-up under the Task Force on Revival of STCCS examined the issues regarding relaxations in eligibility for CCS in the NER with respect to the health of the STCCS in the NER. The Sub-Committee while deciding on the special concessions for co-operative banks located in NER, took into account their present business, training requirements and recommended different sharing pattern of losses. The recommendations are under examination at GoI level.

Loans under Rural Infrastructure Development Fund

3.58 The Rural Infrastructure Development Fund (RIDF) which was set up during 1995-96 with an initial corpus of Rs.2,000 crore has since been continued with annual allocation being announced in the Union Budget. The XIII Tranche for RIDF of Rs.12,000 crore was announced in the Union Budget 2007-08 raising the aggregate allocation to Rs.72,000 crore. The separate window for funding rural roads component of Bharat Nirman Programme, introduced in the Union Budget 2006-07, was continued during 2007-08, with an allocation of Rs.4,000 crore, raising the aggregate allocation to Rs.8,000 crore.

A. Prioritisation of Projects

3.59 Thirty-one broad sectors/activities approved by GoI for financing under RIDF XIII pertained to projects relating to rural roads and bridges, micro/minor/medium/major irrigation, community irrigation wells, mini/small hydel projects, drinking water, soil conservation, watershed development, reclamation of waterlogged areas, drainage, flood protection, forest development, market yards, godowns, apna mandi, rural haats and other marketing infrastructure, cold storages (public or joint sectors) at various exit points, seed/agriculture/horticulture farms, plantation and horticulture, grading and testing/certifying laboratories, fishing harbour/jetties, riverine fisheries, animal husbandry, modern abattoirs, infrastructure for rural education and public health institutions (including mobile health clinics), construction of toilet blocks in existing schools, 'Pay and Use' toilets in rural areas, village knowledge centres, desalination plants in coastal areas and infrastructure for Information Technology in rural areas, construction of Anganwadi Centres and setting-up of Rural Industrial Estates/Centres.

Major irrigation project under RIDF

B. Terms and Conditions

3.60 The same terms and conditions as applicable under RIDF XII were kept for projects under RIDF XIII. The lending rate on loans continued to be 0.5 per cent above the Bank rate prevailing at the time of sanction of loan. Loans are secured by means of irrevocable letters of authority (mandate) executed by State Governments and registered with RBI and their Time Promissory Notes.

C. Operations

a. Sanctions and Disbursements

3.61 During the year 36,964 projects involving a loan amount of Rs.12,795.01 crore were sanctioned under RIDF XIII thus taking the cumulative number of projects to 2,80,227 and amount sanctioned to Rs.74,073.41 crore. Of the total amount sanctioned during the year, irrigation accounted for 37 per cent, rural roads and bridges 36.5 per cent, social sector projects 12.5 per cent and others 14 per cent (Table 3.10). The cumulative position of sector-wise sanctions and disbursements is given in Table 3.11. An amount of Rs.4,500 crore, (Rs.4,000 crore and Rs.500 crore under RIDF XII and XIII, respectively) was disbursed to the National Rural Roads Development Agency (NRRDA) against aggregate sanction of Rs.8,000 crore under the Bharat Nirman Component.

3.62 The period of implementation of projects sanctioned under RIDF VI and VII was closed as at end-September and December 2007, respectively. However, for projects sanctioned under RIDF VIII to X, the implementation period was extended upto 31 March

Table 3.10: Sector-wise Projects and Amount Sanctioned (As on 31 March 2008)

(Rs. crore)

Sector	RIDF XII (2007-08)	Share (%)	RIDF I to XI (Total)	Share (%)
Irrigation				
No.	13,189	35.7	1,18,890	48.9
Amount	4,730.86	37.0	20,278.24	33.1
Rural Bridge				
No.	717	1.9	10,664	4.4
Amount	796.23	6.2	6,235.92	10.2
Rural Roads				
No.	6,424	17.4	54,961	22.6
Amount	3,876.06	30.3	20,720.94	33.8
Social Sector*				
No.	12,222	33.1	38,637	15.9
Amount	1,605.08	12.5	6,987.11	11.4
Power Sector**				
No.	10	-	721	0.3
Amount	148.37	1.2	1,502.70	2.4
Others***				
No.	4,402	11.9	19,390	7.9
Amount	1,638.41	12.8	5,553.49	9.1
Total				
No.	**36,964**	**100.0**	**2,43,263**	**100.0**
Amount	**12,795.01**	**100.0**	**61,278.40**	**100.0**

* : *Includes projects relating to Rural Drinking Water Supply, Primary/ Secondary Schools, Public Health Institutions, Pay and Use Toilets and Anganwadi Centres.*

** : *Power includes projects relating to System Improvement in Power Sector and Mini/Small Hydel projects.*

*** : *Includes Soil Conservation, Watershed Development, Rain Water Harvesting, Flood Protection, CADA, Drainage, Cold Storages, Fishing Harbour/Jetties, Riverine Fisheries, Animal Husbandry, Forest Development, Inland Waterways, Rubber Plantations, Seed/Agri./Horti. Farms, Citizen Information Centres, Food Park, Rural Libraries, Rural Markets/Market Yard/Rural Godown, Meat Processing, Rural Knowledge Centres, etc.*

2008 to enable State Governments to complete on-going projects and avail reimbursement of expenditure incurred there against.

3.63 During the year, disbursements increased by 29 per cent to Rs.8,034.93 crore. As per the phasing of projects under various tranches (RIDF I to XIII), the total amount sanctioned was Rs.62,857.80 crore against which disbursements aggregated Rs.45,594.85 crore (Table 3.12). As on 31 March 2008, nine States (Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal) accounted for 70 and 68 per cent of total disbursements and total sanctions, respectively. The state-wise analysis of ratio of disbursements to the sanctions as per approved phasing reveals that Mizoram topped with 95 per cent, followed by Sikkim (86%), Himachal Pradesh (82%), Gujarat and Meghalaya (81% each), Uttarakhand and Punjab (80% each), Tamil Nadu and Nagaland (79% each), Haryana and Jammu & Kashmir (78% each), Maharashtra (77%), Uttar Pradesh (74%), Andhra Pradesh, Rajasthan, Chhattisgarh, and Kerala (73% each), Madhya Pradesh (72%) and West Bengal (70%). The slow pace of actual utilisation of loans under RIDF when compared to the sanctions was mainly due to delay in administrative and technical approval by the State Governments, land acquisition problems, delay in obtaining statutory clearances and tendering process, inadequate budgetary support at State level, lack of coordination among implementing departments, etc.

3.64 The amount of loan sanctioned and disbursed to States in the NER aggregated Rs.407.31 crore and Rs.370.19 crore, respectively, during 2007-08.

Table 3.11: Sanctions and Disbursements under various Sectors (As on 31 March 2008)

(Rs. crore)

Sector	Amount			% Of
	Sanctioned	Phased	Disbursed	disbursement*
Irrigation	25,009.10	20,993.31	15,621.13	74.4
Rural Road & Bridges	31,629.15	27,861.11	21,166.36	75.9
Social Sector	8,592.19	6,932.48	4,412.30	63.6
Power	1,651.07	1,514.16	1,124.80	74.3
Others	7,191.41	5,556.74	3,270.26	58.8
Total	**74,073.41**	**62,857.80**	**45,594.85**	**72.5**

*: *With respect to amount phased*