

Highlights

Rural Economic Environment

The Indian economy is poised for a double-digit growth as revealed from the growth rate of more than 9 per cent of Gross Domestic Product (GDP) during the last two consecutive years owing to the dominance of the services sector and improvement in growth of the manufacturing sector. Average growth rate of around 2 per cent of GDP emanating from agriculture and allied activities as against the targeted 4 per cent during the Tenth Plan period (2002-07) continued to be an area of concern. The draft plan document for the Eleventh Plan reiterates the need for achieving 9 per cent growth in overall GDP and 4 per cent growth rate in agriculture GDP from agriculture sector during the plan period.

Indian Economy

2. The performance of the Indian economy showed GDP growth of 9.4 per cent during 2006-07 as against 9 per cent during 2005-06 (at 1999-2000 prices). The GDP from industry and services sectors showed an increase from 9.6 and 9.8 per cent during 2005-06 to 12.3 and 11 per cent during 2006-07, respectively, while that from the agriculture sector declined to 2.7 per cent during 2006-07 from 6 per cent during 2005-06.

3. The share of the agriculture sector in total GDP declined further from 19.9 (2005-06) to 18.5 per cent (2006-07), while that of the services sector increased from 54 to 55.1 per cent, and of the industry sector from 26.1 to 26.4 per cent. As a percentage to GDP, the gross domestic savings and investments increased to 32.4 and 33.8 during 2005-06 from 31.1 and 31.5 during 2004-05, respectively. Annual inflation (year-on-year), measured in terms of variation in wholesale price index was at 5.7 per cent as on 31 March 2007.

4. The share of agri-exports in total exports of the country declined to 10.2 per cent during 2005-06 from 12.9 per cent during 2002-03. Agri-exports increased by

23.5 per cent during 2006-07 (April-November) compared to 20.4 per cent increase during the same period of the previous year. During 2006-07 (April-February), non-oil imports grew by 25.7 per cent accounting for 64 per cent of the increase in total imports.

5. In an effort to improve the agricultural marketing scenario, 15 State Governments and 5 Union Territories have amended their Agricultural Produce Marketing Committee Act. As at end-March 2006, there were 7,566 regulated and 21,780 rural primary/periodic agricultural markets in operation across the country.

6. The rainfall during the South-West monsoon season of the year was near normal, though inter-temporal and inter-spatial distribution was uneven. Of the 36 meteorological sub-divisions, 26 received excess/normal rainfall covering around 60 per cent of the total number of districts. However, rainfall during the North-East monsoon season was 21 per cent below normal. Though there was a marginal reduction in crop coverage during *kharif* 2006, late monsoons helped in early sowing of *rabi* crops and increase in area by 2.1 per cent during the season compared to the previous year. The production of foodgrains is estimated at 211.8 million tonnes during the year, 1.5 per cent more than the previous year's production. Production of non-foodgrains crops, *viz.*, sugarcane and cotton is estimated to increase by 14.8 and 13.5 per cent, while that of oilseeds is estimated to decline by 16.8 per cent during 2006-07 over the previous year.

7. GoI during the year introduced a special rehabilitation/relief package for 31 distress prone districts of Andhra Pradesh (16), Maharashtra (6), Karnataka (6) and Kerala (3) to mitigate the distress of farmers. The package, *interalia*, envisaged waiving of interest on overdue loans, as on 1 July 2006, and making them eligible for fresh loan and rescheduling of overdue loan over a period of 3 to 5 years. The waived amount to be

shared equally between GoI and the concerned State Government. During 2006-07, institutional credit flow of Rs.21,422 crore was to be ensured in these 31 districts. The Union Budget 2007-08 announced a Special Plan relating to farm credit involving a sum of Rs.16,979 crore.

8. GoI set a target of Rs.1,75,000 crore for credit flow to agriculture for 2006-07 against which disbursements by all agencies stood at Rs.2,03,296 crore exceeding the target by 16 per cent. Commercial banks, co-operative banks and RRBs disbursed Rs.1,40,382 crore, Rs.42,480 crore and Rs.20,434 crore achieving 118, 104 and 136 per cent of the targets, respectively. During the year, 83.50 lakh new farmers were brought under the institutional fold, 74.70 lakh fresh KCCs issued, 631 agri-clinics financed, debt relief of Rs.4,873.37 crore and Rs.673.90 crore to farmers in distress and in arrears, respectively. An amount of Rs.460.06 crore to small/marginal farmers under one time settlement scheme was provided by banks. Banks also extended loans to the extent of Rs.73.41 crore to 27,810 farmers, to redeem their past debts availed from informal sources.

9. The Kisan Credit Card (KCC) scheme introduced in August 1998, has facilitated in augmenting the GLC flow for crop loans. During the year, co-operative banks, RRBs and commercial banks issued 22.97 lakh, 14.06 lakh and 37.67 lakh cards, respectively. Of the total 665.63 lakh cards issued as on 31 March 2007, co-operative banks accounted for 49 per cent of the share, followed by commercial banks (38%) and RRBs (13%).

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. During the year, 37 watershed projects were sanctioned taking the cumulative number to 437 in 124

10. The gross capital formation in agriculture (GCFA) fluctuated between Rs.38,735 crore and Rs.54,539 crore during the period 1999-2006 (at 1999-2000 prices). The ratio of GCFA to GDP from agriculture sector fluctuated between 7.9 and 9.6 per cent during the same period. The investments in agriculture to total GDP fluctuated between 1.9 and 2.2 per cent during the same period and declined from 2.2 (2001-02) to 1.9 (2005-06) per cent.

11. India maintained its position as the largest producer of milk with the estimated production reaching around 100 million tonnes during 2006-07. The value of output from the livestock sector accounts for 27 per cent of GDP from agriculture. Production of eggs, wool and meat was at 46.2 billion, 44.9 million kg. and 2.31 million tonnes, respectively, during 2005-06. Fisheries sector accounted for 1.0 per cent of the total GDP and 5.3 per cent of GDP from agricultural sector during 2005-06 and fish production reached a level of 6.57 million tonnes during 2005-06.

12. During 2006-07, GoI initiated various measures including the enactment of the Micro, Small and Medium Enterprises Development Act, 2006 to promote micro and small enterprises. During the period 2002-06, the number of units established and employment generated increased at an annual rate of more than 4 per cent and the value of output increased by 10 and 10.4 per cent during 2004-05 and 2005-06, respectively.

districts of 14 States, involving financial commitment (loan and grant) of Rs.262 crore. These projects are expected to cover an area of 4.37 lakh ha. During 2006-07, an amount of Rs.10.31 crore and Rs.1.59 crore as grant and loan, respectively, was disbursed to State Governments under the programme. During the year, 37 projects entered the full implementation phase taking the cumulative number of projects to 177. In accordance with GoI declaring 31 districts in Andhra Pradesh, Karnataka, Maharashtra and Kerala as distressed districts, it has been decided to develop 15,000 ha. area under watershed development

programme in each of the district on grant basis over three years. While implementation has commenced in Andhra Pradesh, Karnataka and Maharashtra, necessary preliminary works have been initiated in Kerala.

15. The Planning Commission has entrusted NABARD with the responsibility of implementing participatory watershed development projects in eight districts of south Bihar covering 80,000 ha. of wasteland in association with NGOs, SHGs, watershed committees, etc., with an allocation of Rs.60 crore under the Special Plan for Bihar component of Rashtriya Sam Vikas Yojana. During 2006-07, 33 watershed projects involving grant assistance of Rs.169.94 lakh were sanctioned and an amount of Rs.39.21 lakh was disbursed.

16. The pilot project for integrated development (PPID) of backward blocks launched in 10 such blocks spread over five States in July 2003, was extended to 40 more blocks (25 blocks in 5 new States and 15 blocks in 5 States already covered under the programme), taking the total to 50 blocks. It has been decided to extend the programme to cover 100 more blocks. During the year, 3 exposure visits and review-cum-experience sharing meets were organised for sensitisation of DDMs and nodal officers from ROs to PPID. A national level review meet was also organised for RO-in-charges of the States implementing the programme.

17. GoI has approved the National Bamboo Mission with a budget allocation of Rs.568.23 crore to be implemented over five years commencing from 2006-07 to cover an area of 1.76 lakh ha. under bamboo plantation and envisaging employment generation of 50.4 million persondays. District-wise potentials for bamboo farming and credit needs of this sector were assessed in Potential Linked Credit Plans (PLPs) prepared by NABARD during the year in all the States.

18. 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. Support is extended from the Rural Innovation Fund. During the year, 113 exposure programmes covering 2,797 farmers from 22 States were conducted on vermiculture, organic farming, poly house technology, cultivation of medicinal and aromatic crops, etc., in collaboration with research institutes, KVKs and Agriculture Universities.

19. 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. BAIF Research Foundation, Pune has been identified as the resource organisation to provide capacity building support. During 2006-07, assistance of Rs.21.16 crore was sanctioned for implementing 11 projects aimed at benefiting 6,855 tribal families in nine States.

20. NABARD created the Farm Innovation and Promotion Fund in 2005 with an initial corpus of Rs.5 crore, to support initiatives/innovations in the farm sector. During the year, 16 projects involving a grant assistance of Rs.93.22 lakh in nine States were sanctioned including two pilot projects exclusively meant for distressed farmers of Andhra Pradesh and Maharashtra. Grant assistance of Rs.6.10 lakh has been sanctioned for rehabilitation of farmers in five distressed districts of Andhra Pradesh.

21. Under externally aided projects supported by KfW, which are at various stages of implementation, an amount of Rs.15.86 crore was disbursed and Rs.20.07 crore was received as grant assistance during the year.

22. During the year 4,981 Farmers' Clubs were launched taking the cumulative number to 22,957 clubs covering 48,763 villages in 534 districts across the country as on 31 March 2007. RRBs, commercial banks,

co-operative banks and other agencies accounted for 40, 30, 22 and 8 per cent, respectively, of the clubs promoted. Region-wise, while the southern region (35%) has the major share, the NER accounts for only 3 per cent of the clubs in the country.

Rural Non-Farm Sector

23. The Rural Innovation Fund (RIF) was created in 2005 and wide publicity regarding the objectives of the Fund was accorded through the print media. An Advisory Committee under the Chairmanship of Executive Director has been formed to guide the sanction of proposals under the fund. During the year, an amount of Rs.15.16 crore was disbursed from the fund.

24. The District Rural Industries Project (DRIP) introduced during 1993-94 has expanded to cover 106 districts countrywide by end-March 2007. The emphasis is now on consolidating the impact of the project implementation while expansion of DRIP to new districts would be selective. During 2006-07, GLC flow in the districts covered under the project reached Rs.2,525.36 crore and refinance availed was Rs.223.61 crore while, 1.58 lakh units were set up generating employment for 3.55 lakh persons.

25. The 'Scheme for Strengthening of Rural Haats' introduced in 1999 in DRIP districts has 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 basic minimum infrastructure to new/existing haats. During 2006-07, grant assistance of Rs.27.86 lakh was sanctioned for creation of infrastructure in two haats each in Manipur, Tamil Nadu and Uttar Pradesh and one haat each in Chhattisgarh, Gujarat, Madhya Pradesh and Maharashtra.

26. Rural Entrepreneurship Development Programme (REDP) was introduced in the early nineties to support capacity building of rural unemployed persons to enable them to set up enterprises. During the year, grant assistance of Rs.526.95 lakh was sanctioned to support

688 REDPs covering 20,648 persons. In addition, grant support to the tune of Rs.37.01 lakh was extended to various RUDSETIs and RUDSETI type institutions for conducting 100 REDPs/skill development programmes.

27. To further promote rural industrialisation through cluster approach, NABARD has decided to develop 55 clusters in partnership with other supporting agencies. As on 31 March 2007, proposals for developing 44 clusters in 19 States were approved for various activities, viz., handloom, handicraft, pottery, sericulture, etc. During the year, NABARD extended support for computer service facility and internet connectivity for a rural tourism cluster in Sikkim as also extended grant assistance of Rs.4.50 lakh to Andhra Pradesh Technology Development and Promotion Centre for securing registration for Gadwal Sarees, Uppada-Jamdhani Fabrics and Dharmavaram Silk Sarees under Geographical Indication (GI) Act, 1999. To ensure smooth implementation and monitoring of the cluster development initiatives, six capacity building programmes were organised during the year.

28. During the year, 2.11 lakh Swarozgar Credit Cards (SCCs) involving credit limits of Rs.756.90 crore were issued. As on 31 March 2007, 43 commercial banks, 98 RRBs and 138 co-operative banks had issued 6.79 lakh SCCs involving an aggregate credit limit of Rs.2,700 crore. Under the pilot scheme introduced during 2006-07, to support select RRBs and co-operative banks with one-time grant assistance to promote the scheme, 12 banks were sanctioned grant assistance of Rs.11.58 lakh.

29. NABARD continued to support gender development programmes through its various schemes like Assistance to Rural Women in Non-Farm Development (ARWIND), Marketing of Non-Farm Products of Rural Women (MAHIMA) and Development of Women Through Area (DEWTA) programme. During the year, grant assistance of Rs.1.54 lakh and Rs.5.91 lakh for two projects each under ARWIND and MAHIMA schemes were sanctioned. During 2006-07,

4 RRBs and 2 DCCBs were sanctioned grant assistance for setting-up women development cells and an amount of Rs.15.15 lakh was released.

30. During the year, NABARD supported 230 marketing events/exhibitions across the country involving grant assistance of Rs.51.07 lakh. Confederation of Indian Industry (CII) was sanctioned Rs.9 lakh for experimenting with marketing of handloom and handicrafts products from the north-eastern States through the organised retail outlets in Metros. ANT – an NGO working among the Bodo tribals in Assam was sanctioned financial assistance of Rs.12.94 lakh to improve the overall viability of an exclusive marketing outlet for handloom/ handicrafts of north-eastern States to be set up in Bangalore and of Rs.2.60 lakh for conducting a Design Development Programme of six months duration for Bodo weavers in Bongaigaon District in Assam, through visits and guidance by students of National Institute of Design, Ahmedabad.

31. During the year, 54 training programmes on financing NFS activities covering 1,242 officers of co-operative banks and RRBs were supported. Awareness programmes for bank officials and training programmes for potential users of solar technology were also supported through Bhartiya Vikas Trust, Manipal. With a view to providing a healthy habitat to the rural poor through an integrated concept of dwelling place with sanitation, wastewater disposal and rainwater harvesting, financial support of Rs.97.24 lakh and Rs.99 lakh was sanctioned to Sree Kshetra Dharmasthala Rural Development Project (SKDRDP), Dharmasthala and Sri Padmavathy Mahila Abhyudaya Sangam, Tirupati, respectively, under the Rural Habitat Scheme during 2006-07. Further, an amount of Rs.14.11 lakh was also sanctioned to the SKDRDP for setting-up a centre at Belthangady, Dakshin Kannada district to train master masons of the region in developing and using low cost building material from local resources.

Micro-Finance

32. During the year 6,86,408 new SHGs were credit

linked with banks taking the cumulative number of SHGs credit linked to 29,24,973 as on 31 March 2007. Since inception of the micro-finance (MF) programme, it has enabled an estimated 409.5 lakh poor households to gain access to MF from the formal banking system. NABARD continued to emphasise scaling-up of the SHG-bank linkage programme in 13 priority States, which have large population of the rural poor. The cumulative number of SHGs credit linked in these States increased from 10.05 lakh during 2005-06 to 13.75 lakh during 2006-07 constituting 54 per cent of the number of SHGs credit linked across the country during the year. The regional spread of the programme reveals that the share of non-southern regions improved significantly from 29 per cent as on 31 March 2001 to 48 per cent as on 31 March 2007.

33. A grant assistance of Rs.1,403.96 lakh was sanctioned to promote 59,662 SHGs to 8 co-operative banks, 1 RRB, 352 NGOs and 23 IRVs during the year, taking the cumulative sanction to Rs.4,749.96 lakh for the promotion of 3.09 lakh groups. An amount of Rs.1,980.77 lakh was released and 1,52,928 SHGs were credit linked as on 31 March 2007.

34. Under NABARD's capacity building programmes for its partner institutions, 70 exposure/field visits to SHGs and institutions pioneering in MF for 1,864 bank/NGO officials, 682 training and awareness programmes for 23,964 participants from banks and NGOs, 155 sensitisation programmes covering 6,395 government officials and elected members of PRIs were arranged during the year. NABARD also extended support for conducting 3,494 awareness creation and capacity building programmes covering 2,01,854 SHG members.

35. 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), 297 such programmes covering 7,579 SHG members were conducted during the year. The pilot project launched

during 2005-06 for developing micro-enterprises in partnership with Marketing and Research Team (MART), is being implemented in nine districts across nine States involving 14 NGOs as 'micro-enterprise promotion agency (MEPA)'. During the year, MEPAs completed detailed surveys of the project districts and identified existing opportunities and demand/supply patterns for farm/non-farm activities in consultation with SHG members that could be taken up for sustainable income generation in the project area. Action plan finalised by each MEPA on the basis of the survey findings, is being implemented.

36. To facilitate matured SHGs to meet their credit requirements of production and investments in agriculture and allied activities and to enable them to diversify their income generating activities, NABARD introduced a new line of refinance for scheduled commercial banks, RRBs and co-operative banks. Under the scheme, cent per cent refinance is provided to banks under ARF for financing term loan and cash credit limits sanctioned by them to SHGs.

37. To support the MF programme, NABARD selectively extends Revolving Fund Assistance (RFA) to MFIs for on-lending to SHGs. During the year, RFA of Rs.1 crore was sanctioned taking the aggregate support to Rs.27.98 crore as on 31 March 2007 for 31 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. The Bank also introduced a scheme to provide capital/equity support to MFIs during 2006-07 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 to 5 years. During 2006-07, three agencies were sanctioned total capital support of Rs.3 crore.

38. NABARD continued to implement the pilot projects launched during the earlier years. Based on its experience

and in response to the Union Budget (2006-07) announcement for financing of tenant farmers by banks, NABARD formulated the scheme for financing Joint Liability Groups (JLGs) of such farmers. NABARD designed a pilot project for collaboration with Post Offices for financing SHGs which is under implementation in five districts of Tamil Nadu. As on 31 March 2007, 530 SHGs have opened saving bank accounts, of which 46 have been credit linked by the participating post offices. A pilot project for proving a social security system for SHG members was also sanctioned for implementation in two villages covering 500 poor households from Betul district of Madhya Pradesh and is being implemented through an NGO-Organization for Awareness of Integrated Social Security (OASIS) with a grant assistance of Rs.8 lakh.

39. During the year, Rs.11.18 crore was utilised from the Micro-Finance Development and Equity Fund (MFDEF) for MF related activities. The Micro Financial Sector (Development and Regulation) Bill 2007 was introduced in the Lok Sabha on 20 March 2007. Under the NABARD- GTZ Rural Finance Programme a national level Study titled '*Process and Impact of group dynamics on sustainability of Self-Help Groups*' has been awarded to National Council of Applied Economic Research (NCAER).

Research and Development Activities

40. During the year, an amount of Rs.889 lakh was utilised from the R & D Fund as grant assistance for research projects/studies (Rs.22.97 lakh), training activities (Rs.744.97 lakh) and other activities like conduct of seminars, preparation of occasional papers, supporting TME cells, etc., (Rs.120.97 lakh) taking the cumulative disbursement to Rs.92.43 crore. During 2006-07, four research projects/studies involving grant assistance of Rs.31.22 lakh were sanctioned and two projects/studies sanctioned earlier were completed.

41. Grant assistance of Rs.46.35 lakh was sanctioned during the year to various universities and research institutes for conducting 94 conferences, seminars and

workshops. One Occasional Paper was published during the year in order to generate and disseminate information on policy issues in the areas of agricultural credit and rural development.

Other Development Initiatives

42. Regional training Centre, Mangalore was awarded ISO (9001:2000) Certification by KEMA, Netherlands. During the year, NABARD conducted 353 training programmes through its training establishments for the benefit of 8,122 personnel of RFIs and supplemented the efforts of other training institutions in this area by providing technical and financial support. Grant assistance of Rs.20.10 lakh was extended to IIBM, Guwahati. As recommended by the 'Committee on Financial Sector Plan for NER', NABARD through RTC (Bolpur) and BIRD, Lucknow is collaborating with CAB, Pune and IIBM, Guwahati in preparation of a comprehensive training plan for the

states in NER to enable it to cater to the training needs of financing institutions in the NER. 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.258.72 lakh was extended to JLTCs and ACSTIs during the year for conducting 793 programmes covering 17,558 participants out of the Co-operative Development Fund. National Institute of Rural Banking (NIRB), Bangalore was provided Rs.4.56 lakh for training of 192 officials covered in 15 programmes during the year. A Conference of the Principals/Directors of institutes catering to the training requirements of the co-operative training institutes and officials from NABARD, RBI and NCCT and other national level training institutes was organised at CAB, Pune in November 2006 to deliberate on the strategy for capacity building of personnel of RFIs.

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 at a compound annual growth rate of 16 per cent over the previous five years and stood at Rs.33,474 crore.

Production Credit

44. Short-term (ST) refinance support scheme introduced in December 2004 on a pilot basis for SCARDBs in Haryana, Kerala and Punjab was continued and refinance made available at 4 per cent p.a. for loans up to Rs.3 lakh extended to the ultimate borrower at 7 per cent p.a. During the year, a limit of Rs.48.45 crore was sanctioned for financing crop loans and allied activities.

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 2006-07 (July-March) for SCBs and RRBs were Rs.12,570.24 crore and Rs.2,497.23 crore, against which they have reached the maximum outstanding levels of Rs.10,240.52 crore and Rs.2,363.79 crore, respectively. Credit limits sanctioned for ST-OSAO purposes to RRBs during 2006-07 (July-March) stood at Rs.173.47 crore. For financing agriculture/allied and marketing activities, during the year credit limits aggregating Rs.231.18 crore were sanctioned to Punjab and Rajasthan SCBs, which were utilised to the extent of Rs.134.27 crore.

46. NABARD provides refinance to SCBs and RRBs for extending pledge loans to farmers either directly or through PACS/marketing societies in order to enable cultivators to hold on their stocks in anticipation of better prices. During 2006-07, limits of Rs.29.50 crore and Rs.9.19 crore to co-operative banks in Gujarat and Karnataka, respectively, and Rs.15 crore to RRBs in Karnataka were sanctioned.

47. During the year, ST (weavers) credit limits aggregating Rs.302.46 crore were sanctioned to six SCBs (Andhra Pradesh, Gujarat, Karnataka, Orissa, Tamil Nadu and West Bengal) for financing production/procurement and marketing activities of Weavers' Co-operative Societies. Credit limits of Rs.5 crore were sanctioned on behalf of apex/regional weavers' societies for trading in yarn. With a view to reviving the handloom sector, NABARD has formulated a scheme for financing production/investment/consumption needs of the members of Handloom Weavers' Groups (HWGs) by co-operative banks, RRBs and commercial banks. The HWGs would be formed into groups on the pattern of JLGs, emphasising on handloom clusters. The scheme has been approved by MoT, GoI.

48. During the year, NABARD revised the eligibility criteria and ceilings for providing long-term loans to State Governments for contributing to the share capital of co-operative credit institutions. The overall ceiling on share capital contribution by State Government for SCBs, DCCBs, PACS, FSS and LAMPS was stipulated at 25 and 50 per cent of the paid-up capital of the institutions that have accepted and have not accepted the recommendations of the Task Force on Revival of STCCS, respectively, with annual ceilings specified for each institution. For SCARDBs/PCARDBs it was stipulated at 50 per cent of the paid-up capital of the institution concerned. The interest is payable on half yearly basis as on 30 September and 31 March. State Governments of Haryana, Kerala, Orissa and Rajasthan drew an amount of Rs.15.75 crore during the year.

49. A Grameen Tatkal Scheme has been formulated by NABARD and GTZ to address the credit needs of all rural families comprehensively. The scheme will be implemented on a pilot basis in Andhra Pradesh, Haryana, Karnataka, Maharashtra, Tamil Nadu, Punjab, Uttar Pradesh and West Bengal. Cent per cent refinance will be extended to banks on loans provided under this scheme.

50. In order to mitigate distress of farmers in 31 debt stressed districts of Andhra Pradesh, Karnataka, Kerala

and Maharashtra, GoI announced a relief package in respect of agriculture credit. The burden of waiver of overdue interest on agricultural loans will be shared equally by the Central and the State Governments. NABARD would settle the interest waiver claims of the banks in respect of 50 per cent share of GoI under the package. In order to enable co-operative banks and RRBs to tide over the liquidity gap arising out of the implementation of the package for effecting conversion/reschedulement of farmers' dues at ground level in identified districts of these States, the Bank has decided to extend liquidity support to SCBs and RRBs by way of medium-term refinance. Liquidity support is available upto 50 per cent of the overdue crop loans outstanding as on 1 July 2006 rescheduled as per the package.

51. The Union Budget 2006-07 envisaged to provide interest relief of two percentage points on the interest rate charged on the principal amount upto Rs.1 lakh of crop loans availed by the farmers during the *kharif* and *rabi* seasons of 2005-06 through commercial banks, co-operative banks and RRBs. NABARD had sanctioned Rs.500.65 crore in respect of claims received from co-operative banks and RRBs.

52. As per the announcement in Union Budget 2006-07, to make available GLC at 7 per cent to farmers availing crop loan upto Rs.3 lakh for *kharif* 2006 and *rabi* 2006-07, NABARD extended refinance to co-operative banks and RRBs at 2.5 and 4.5 per cent p.a., respectively, with interest subvention from GoI. Further, GoI made available through NABARD, a subvention of 2 per cent p.a. to co-operative banks for short-term credit disbursed upto Rs.3 lakh per borrower during 2006-07 out of their own resources subject to banks providing such credit to farmers at 7 per cent p.a.

53. In pursuance to the Hon'ble Finance Minister's announcement in the Union Budget 2005-06, a scheme formulated by NABARD for providing a financial package for sugar factories in the country was approved by GoI. Under the package 3 mills from Gujarat and 75 mills

from Maharashtra entered into MoU with members and banks for conversion of term loans amounting to Rs.1,732.68 crore. GoI has committed to provide interest subvention of Rs.560 crore.

Investment Credit

54. To provide relief to farmers affected by the outbreak of avian/bird flu, NABARD advised RRBs and co-operative banks to consider conversion/rescheduling of loans falling due after the onset of bird flu. Banks were also advised that the borrowers would be eligible for fresh finance. All categories of borrowers (individuals, partnerships, private companies, public companies, SHGs and co-operatives) were given relief by way of interest subvention at 4 per cent on all sanctioned term and working capital loans. During the year, against interest subvention claims of Rs.6.12 crore, an amount of Rs.1.43 crore was disbursed.

55. NABARD revised the norms for drawal of refinance by various agencies under schematic lending for 2006-07. Gross/net NPAs or recovery to demand, net worth and profitability formed the basis for classifying banks into A and B categories. Co-operative banks and RRBs that did not fall under either category were required to prepare Rehabilitation/Business Development Plan for drawing refinance from NABARD.

56. During 2006-07, refinance disbursement to commercial banks, SCBs, SCARDBs and RRBs aggregated Rs.8,795.02 crore as against Rs.8,622.37 crore during the previous year. Commercial banks further consolidated their position as the single largest group availing refinance with the highest share (52%), while the share of RRBs remained almost constant and that of co-operative banks declined further during the year.

57. The flow of refinance varied widely across regions. Southern, northern and central regions accounted for 31, 24 and 19 per cent, respectively, of the total refinance disbursed during the year. The share of southern region increased by around 7 percentage points during

2006-07, that of central region declined significantly, while NER remained almost stagnant. Sector-wise, farm sector activities accounted for 54.8 per cent, followed by NFS including rural housing (25.8%), SHGs (14.7%) and other purposes (4.7%).

58. Owing to NABARD's initiatives in promoting Agri-Export Zones, refinance aggregating Rs.142 crore was disbursed during 2006-07. Under the scheme for financing purchase of land for agriculture purposes, bank loans of Rs.45.02 crore financing 1,571 units and refinance support of Rs.38.47 crore for 1,502 units was extended during the year.

59. Of the total refinance of Rs.2,265.16 crore disbursed under NFS during the year, Rs.1,087.63 crore was towards rural housing (48%). The schemes under Automatic Refinance Facility (ARF) of NFS were reviewed and modified. As part of promoting NFS activities, NABARD approved a Model Sanitation Scheme, based on the model successfully implemented by Gram Vikas, an NGO in Orissa. The project has been recommended for bank finance, especially where watershed development/water conservation schemes are in implementation and/or where SHGs are well organised. Refinance is available under ARF as part of rural housing. Further, NABARD refinance under ARF was also made available for financing setting-up Kisan Seva Kendras promoted by Indian Oil Corporation as a one-stop provider of diesel/petro products and other facilities required by the farmers.

60. During the year 6,86,408 SHGs were credit linked by the banking system and loan amount of Rs.6,643.19 crore was disbursed to SHGs. NABARD provided refinance of Rs.1,292.86 crore for supporting 2,71,120 SHGs during 2006-07 as compared to refinance of Rs.1,067.72 crore covering 2,17,712 SHGs during 2005-06. In terms of participation of different financing agencies under the programme, commercial banks, RRBs and co-operative banks had a share of 55, 31 and 14 per cent, respectively, in the cumulative number of SHGs credit linked. During the period 2005-07, the

number of SHGs financed by commercial banks, RRBs and co-operative banks increased by 89, 61 and 95 per cent, respectively.

61. Seven projects involving a total financial outlay of Rs.221.66 crore, bank loan of Rs.171.44 crore and NABARD's share of Rs.78.34 crore were sanctioned for co-financing with commercial banks and an amount of Rs.35.69 crore was disbursed during the year.

62. During the year, interest rates on refinance for investment credit were revised twice with effect from 22 July and 27 November 2006, respectively. The practice of fixing unit costs by the State Level Unit Cost Committee was dispensed with and banks were advised to assess the credit needs of the farmers on a case-by-case basis and provide loans accordingly.

63. As a nodal agency, NABARD continued to implement the various Capital Investment Subsidy (CIS) schemes of GoI and was also involved in preparation and dissemination of model schemes, overseeing the operationalisation, administration of subsidy and monitoring the progress.

64. NABARD conducted monitoring studies of various investments in co-ordination with financing banks and concerned nodal departments of the State Government to identify factors affecting the smooth implementation of schemes and ensure prompt corrective measures. During the year, 38 investment and 15 scheme specific studies were conducted covering major investments under farm sector, NFS including rural housing and government sponsored schemes (rural godowns, OFWM, storage and market yards).

65. The district level Potential Linked Credit Plans (PLPs) prepared by NABARD became the basis for the preparation of District Credit Plans (DCPs) from 2006-07. With a view to improving the quality of the document, the Bank conducted capacity building programmes and imparted training on the new process enabling the Bank in successfully grounding the new planning process for 2006-07 in a stipulated time schedule. By and large,

projections of the PLPs have been adopted as the basis for preparation of DCP by the banks. To make PLPs a more comprehensive document, Chapters on 'Agro and Food Processing Sector' and 'Farmers' Responses' have been introduced and the Chapter on 'Infrastructure Support' was further refined.

66. NABARD continued its policy of facilitating larger flow of credit to the NER and Sikkim by granting relaxations to co-operative banks and RRBs operating in these States in respect of eligibility criteria for refinance, rate of interest on refinance, etc. The pilot scheme on routing credit to Village Development Boards (VDBs) introduced in Nagaland during 2003-04 was continued. Of the 25 VDBs identified for implementation of the scheme, 19 have availed loans amounting to Rs.38 lakh. During the year, NABARD sanctioned two Skill Development Programmes covering 60 Bodo women on training in new designs and use of improved looms.

Rural Infrastructure Development

67. An allocation of Rs.10,000 crore was made under XII tranche of RIDF for 2006-07. During the year 42,317 projects involving a loan amount of Rs.10,555.36 crore were sanctioned under RIDF XII, taking the cumulative number of projects to 2,44,025 and amount sanctioned to Rs.61,539.87 crore as on 31 March 2007. Of the total amount sanctioned during 2006-07, rural road and bridge projects accounted for 38.2 per cent, irrigation projects for 30.1 per cent, social sector projects 18.7 per cent and others 13.0 per cent. Out of the total amount sanctioned during the year, the share of social sector and other projects increased while that of irrigation, road and bridge projects declined as compared to their share in cumulative sanctions under RIDF I to XI.

68. An amount of Rs.37,559.92 crore was disbursed, indicating 71.4 per cent achievement against the amount phased (under RIDF I to XII) of Rs.52,579.19 crore as on 31 March 2007. However, in some States the pace of actual utilisation of loans under RIDF compared to the sanctions was found to be slower than the all-India

level mainly owing 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 were made to the tune of Rs.6,222.58 crore, deposits of Rs.6,966.43 crore were received from commercial banks and State Governments repaid an amount of Rs.2,697.62 crore.

70. NABARD continued to monitor the projects being implemented under RIDF at its ROs through desk reviews of periodic returns and field visits undertaken by DDMs and consultants appointed by the Bank. During the year 6,372 projects were monitored through field visits. The studies have proved beneficial in taking early follow-up action with the concerned departments and State Governments for improving the pace and quality of execution of projects.

Impact Evaluation of Investments

71. NABARD continued its efforts in obtaining feedback on field level performance of various investment activities through evaluation studies. These studies are undertaken to assess the impact of the investment on income, employment generation and also its viability. During 2006-07, eight ex-post evaluation studies, covering farm and rural non-farm sector investment activities, SHG-Bank linkage programme and projects supported under RIDF, were completed. Besides evaluation studies, the Bank also conducted Commodity Specific Studies on cotton, grapes and potato to examine the entire supply chain management system covering the economic features of the commodity.

NABARD Consultancy Services

72. NABARD Consultancy Services (P) Ltd. (Nabcons), a wholly owned subsidiary of NABARD, provides consultancy service in the sphere of agriculture, rural development and allied areas and caters to a varied clientele, viz., various departments of GoI, State Governments, financial institutions, corporate houses,

NGOs, international bodies, etc. During the year, 175 assignments involving consultancy fees of Rs.1,016.55 lakh were contracted and 154 assignments completed. The profit earned has increased from Rs.283 lakh during 2005-06 to Rs.299 lakh during 2006-07. Since its establishment in November 2003, Nabcons has contracted 487 assignments involving consultancy fees of Rs.2,549.76 lakh. Nabcons also organised 18 capacity building and exposure visits/international visitors' programme/s involving a fee of Rs.58.28 lakh during the year.

Management of Resources

73. The financial resources of NABARD increased by Rs.13,615 crore during 2006-07 as against an increase of Rs.6,826 crore during the previous year. The resources were augmented by issuing Corporate Bonds (Rs.10,895 crore) and RIDF deposits (Rs.6,966 crore). The total working funds increased by 20.1 per cent to Rs.81,220 crore as on 31 March 2007 from Rs.67,605 crore as on 31 March 2006. The outstanding market borrowings of the Bank at Rs.32,146 crore, constituted 39.6 per cent of working funds, as on 31 March 2007.

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.31,682.46 crore, Rs.14,757.56 crore and Rs.20,004.83 crore, as on 31 March 2007, respectively.

75. The total income of the Bank during the year was at Rs.4,747.37 crore (Rs.3,936.47 crore during the previous year). After making provision for Income Tax (Rs.313.53 crore), contribution to Special Reserve (Rs.410 crore), transferring to NRC (LTO) Fund (Rs.30 crore) and NRC (Stabilisation) Fund (Rs.10 crore), the balance income left over was Rs.3,983.84 crore. After meeting expenditure of Rs.3,577.42 crore, the surplus amounted to Rs.479.36 crore (includes withdrawals of Rs.72.94 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 2005-06, loans issued by SCBs and DCCBs increased by 4 and 8 per cent, respectively, while that by SCARDBs and PCARDBs declined by 12 and 10 per cent, respectively, over the previous year. The overall profit earned by 31 SCBs was Rs.378 crore, while the profit earned by 27 SCBs, which were in profit during 2005-06, was Rs.408 crore. The profit of profit-earning SCBs increased by 16 per cent during 2005-06, over the previous year. Out of 366 DCCBs, 278 were in profit to the tune of Rs.1,116 crore while the net profit earned by all DCCBs together was Rs.203 crore during 2005-06, as compared to Rs.916 crore during the previous year. SCARDBs which incurred loss of Rs.162 crore during 2004-05 earned profit of Rs.88 crore during 2005-06. However, PCARDBs which were able to earn profit of Rs.329 crore during 2004-05 incurred loss of Rs.83 crore during 2005-06.

78. There were wide variations across the regions in the performance of co-operative credit institutions. During 2005-06, profits of SCBs from central, northern and southern regions showed improvement, while those from eastern and western regions showed decline. Losses of SCBs in the NER declined further during 2005-06 over the previous year. In the case of DCCBs, profit of profit-making DCCBs in central region increased because of increase in number of DCCBs in profit, while in all other regions profit of profit-making DCCBs declined and losses of loss-making DCCBs increased considerably during 2005-06 compared to the previous year. During 2005-06, in the case of SCARDBs which were in losses during 2004-05 in north-eastern, southern and western regions could earn profits during 2005-06, while those in the central and northern regions incurred losses. Losses of SCARDBs in eastern region increased considerably. In the case of PCARDBs, profits of profit-making PCARDBs increased during 2005-06 only in southern region, while

in western region PCARDBs which have earned profits incurred losses to the extent of Rs.160 crore.

79. As on 31 March 2006, 4 out of 31 SCBs, 88 out of 366 DCCBs, 53,626 out of 1,05,735 PACS, 8 out of 19 reporting SCARDBs and 194 out of 696 reporting PCARDBs incurred losses, which together amounted to Rs.9,139 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 persisting weaknesses in the co-operative credit structure, preparation of institution specific Development Action Plans (DAPs) by co operative banks and entering into MoUs continued during the year with certain refinements. PACS were brought into the development planning process and were advised to prepare action plan for attaining viability and enter into MoUs with respective DCCBs.

81. With the objective of supporting developmental initiatives of co-operative credit institutions, NABARD provides financial support through the Co-operative Development Fund (CDF). During the year, an amount of Rs.2.71 crore was sanctioned and Rs.2.96 crore was disbursed taking the cumulative sanctions and disbursements under CDF to Rs.76.35 crore and Rs.67.66 crore, respectively, as on 31 March 2007.

82. The GoI, in January 2006, based on the recommendations of the Task Force on Revival of Rural Co-operative Credit Institutions constituted under the Chairmanship of Prof. A. Vaidyanathan, approved a financial package of Rs.13,596 crore for the revival of Short-Term Co-operative Credit Structure (STCCS). As on 31 March 2007, 17 States and 1 UT have conveyed their acceptance in principle to implement the Package. Of these, ten States, viz., Andhra Pradesh, Bihar, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Uttarakhand and Uttar Pradesh have executed MoU with GoI and NABARD. SLICs and DLICs have been constituted in nine of the ten States, which have executed MoU. NABARD has made arrangements for placing a three-member dedicated support team in each DCCB as the implementing arm.

83. NABARD has designed guidelines and manual for special audits of PACS and has trained over 800 master trainers. Adequate number of departmental auditors are being trained to undertake special audit in the States which have executed the MoU for implementing the Package. Special audit of PACS has been completed in Rajasthan and is under progress in Andhra Pradesh, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Orissa, Uttarakhand and Uttar Pradesh

84. A State Level Task Force headed by CGM, NABARD, RO with Registrar of Co-operative Societies, GM, RBI and MD, SCB as members have been constituted in nine States to, (i) review the performance of the SCB and DCCBs in the State periodically, (ii) review the aspects relating to good governance, compliance with statutory requirements of regulatory and supervisory norms and actions initiated by RBI/ NABARD, (iii) suggest improvements in the functioning of SCB and DCCBs in the State including their HRD, and (iv) suggest measures required for improving the efficiency and viability of SCB and DCCBs in the State.

85. NABARD is in touch with the States for facilitating the required amendments to respective Co-operative Societies' Acts. Andhra Pradesh has already amended the A.P. State Co-operative Societies Act, 1964. Draft Ordinances for bringing in the proposed amendments in Madhya Pradesh, Maharashtra, Orissa, Rajasthan and Uttar Pradesh have been vetted by NABARD and forwarded to the respective State Governments for necessary action.

86. A Working Group on Co-operative Training set up by NABARD has developed training modules, training material and strategies for training of PACS staff and Board members. The training modules have been tested in the field and are to be launched for extensive replication after the training of State and grass root level trainers, which has since been started.

87. Technical Committee headed by MD, NABARD with members drawn from RBI and IDRBT, Hyderabad has been set up to suggest technical parameters for software and hardware requirements, guidelines for their procurement and cost estimates. SLIC would decide on the hardware and software to be acquired in the State for the PACS, taking into account all relevant factors.

88. Asian Development Bank has sanctioned a loan of US \$1 billion to GoI for supporting the Revival Package. World Bank and KfW have also mounted appraisal missions for processing loans of US\$ 600 million and Euro 140 million, respectively, to GoI.

89. Having regard to the progress of special audit and preparedness of the States, GoI have disbursed an amount of Rs.1,425 crore to NABARD for release of recapitalisation assistance to STCCS and to meet expenses related to HRD measures, Common Accounting System and computerisation. It is expected that with the fulfilment of prescribed benchmarks, recapitalisation assistance would be released to the implementing States in the first quarter of 2007-08.

90. 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. The GoI have since circulated the report to all States and UTs inviting their observations and suggestions.

91. By amalgamation, the number of RRBs has been reduced from 196 to 133 as on 31 March 2006. In all, 111 RRBs showed improvement in their performance either by way of increase in profits or reduction in losses by transcending from loss to profits at end-March 2006. However, the net profit of RRBs at aggregate level declined from Rs.748.11 crore during 2004-05 to Rs.617.13 crore during 2005-06. The performance of RRBs varied widely across regions. In southern region, all RRBs were in profit while in central region 46 out of 48, in northern region 15 out of 18, in western region 8 out of 11, in eastern region 17 out of 28 and in NER 5 out of 8 were in profit.

92. The recovery performance of RRBs, as on 30 June 2006, was above 85 per cent in four States, viz., Haryana, Kerala, Punjab and Tamil Nadu while it was poor mostly in the States of NER like Arunachal Pradesh, Manipur, Nagaland and Jharkhand. Out of 109 RRBs (as on 30 June 2006), 51 and 50 had recovery above 80 and 60 per cent, respectively. At the aggregate level, the recovery of RRBs was 79.80 per cent as at end-June 2006.

93. There was a decline in gross NPAs as a percentage of loans and advances outstanding from 8.5, as at end-March 2005 to 7.3 as at end-March 2006.

However, 53 RRBs had NPA levels above the national average of 7.3 per cent and 7 RRBs had high NPA levels (> 20%) as at end-March 2006. Low level of NPAs was observed in the case of RRBs in southern (4%) and northern (4.8%) regions. NPA levels of RRBs in northeastern (13.7%), western (10.3%) and eastern (10.7%) regions though showed decline, were comparatively higher than the all India average of 7.3 per cent as on 31 March 2006.

Supervision over Banks

94. Keeping in view the need for effective supervision over the sizeable number of weak banks, the frequency of on-site inspections was increased from 2005-06. Accordingly, statutory inspections of all SCBs and DCCBs, and RRBs which are not complying with minimum capital requirements as required under B.R. Act, 1949 (AACS), and RBI Act, 1934, respectively, and inspections of all SCARDBs are being conducted on an annual basis. The statutory inspections of those DCCBs and RRBs having positive networth and voluntary inspections of Apex Co-operative Societies/Federations continued to be conducted once in two years.

95. During the year, statutory inspections of 335 banks (31 SCBs, 247 DCCBs and 57 RRBs) and voluntary inspections of 18 SCARDBs were conducted. Some of the supervisory concerns relating to these banks brought out by the inspections were, improper application/implementation of income recognition, asset classification and provisioning norms for impaired assets, high level of NPAs/erosion in value of assets, inadequate risk management strategies, deficiencies in sanction and disbursement of loans, ineffective funds management, weak internal checks and control systems, poor credit monitoring arrangements, etc.

96. The Board of Supervision (for SCBs, DCCBs and RRBs) [BoS] constituted by the Board of Directors of NABARD in 1999 to provide guidance and directions to the Bank on matters relating to supervision, met thrice during the year. The issues deliberated by BoS included, (i) review of functioning of SCBs and SCARDBs based on inspection findings, (ii) review of the functioning of co-operative credit institutions of Chhattisgarh, Himachal Pradesh and Uttar Pradesh and that of insolvent SCBs and DCCBs, (iii) need and extent of

regulatory action required against SCBs and DCCBs in the context of MoUs executed by the State Governments under the GoI revival package, based on recommendations of Task Force on Revival of STCCS, (iv) review of frauds, misappropriation, embezzlements, defalcations, etc., in SCBs, DCCBs and RRBs, (v) review of financial position of RRBs sponsored by Bank of Maharashtra, (vi) compliance with Section 42 (6) (a) (i) & (ii) of RBI Act, 1934, by RRBs, their internal control system, status of amalgamation and review of inspection strategy, (vii) review of Section 11 non-compliant/recomplied banks, (viii) review of investment portfolio of banks, (ix) the ways and means for fast tract regulatory action, (x) the scope for refinement of supervisory processes, tools and instruments, (xi) status of implementation of the RBI guidelines on compounding of interest on agricultural advances, (xii) system of receipt and disposal of public complaints against the banks and strategies for redressal of their grievances and (xiii) review of audit system for co-operative banks, norms of audit rating *vis-à-vis* supervisory rating.

97. As on 31 March 2007, 7 SCBs and 127 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.14,514.25 crore, which had not only eroded their entire owned funds but also affected deposits to the extent of Rs.4,655.21 crore.

98. It has been decided to introduce on a pilot basis Assets-Liability Management in select 5 SCBs and 12 RRBs with effect from 1 April 2007. Necessary guidelines have been issued to these banks. All the SCBs and DCCBs were emphasised upon the advantage of DICGC's deposit insurance cover and need to ensure the availability of insurance cover for the public deposits. Further, the State Governments/banks were advised to constitute a Committee of Management comprising of professionals such as retired bank officials, Chartered Accountant, etc., to provide sound management system during the period of supersession of the Board.

99. As a part of Capacity Building efforts, particularly in the new and emerging areas of supervision, practical-oriented intensive training modules in supervision were evolved by NBSC, Lucknow in consultation with DoS, HO and ROs.

Organisation and Management

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

101. 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 six, seven and four times, respectively. The Risk Management Committee met thrice during the year.

102. Reserve Bank of India conducted the ninth financial inspection of NABARD with reference to the financial position as on 31 March 2006 between November 2006 and January 2007.

Training and Skill Enhancement

103. During the year, 90 training programmes covering 1,523 officers were conducted at NBSC, Lucknow in functional, behavioural and technical areas, viz., RIDF, watershed development, GOPP, RNFS with rural housing, etc. Exposure visits to watershed, wadi and SHGs/NGOs, exclusively for senior officers were also introduced. Besides, 56 officers were deputed for tailor-made and off-the-shelf programmes, as also 192 officers deputed for 104 workshops/seminars/conferences at reputed institutions. Further, 45 officers including 12 faculty members were deputed for various overseas training programmes, exposure visits, seminars, etc. In addition, 71 training programmes covering 966 employees were conducted at NBTC, Lucknow and ZTC, Hyderabad. A Disaster Management programme for 59 Caretakers was also organised at Disaster Management Institute, Bhopal. During the year, ZTC, Hyderabad was awarded ISO (9001:2000) Certification by M/s. RINA.

104. NABARD's Summer Placement Scheme was modified and enlarged to cover students/sponsorship from Management Institutes in addition to Agriculture Universities and has been extended to all ROs for implementation with annual allotment of 60 seats. Details of the scheme are also available on NABARD's website.

Other Matters

105. Preventive Vigilance Inspection of five ROs/TEs and one Chief Technical Examiner type inspections of civil/electrical structures of the Bank at Guwahati were undertaken during the year. The Bank observed Vigilance Awareness Week in November 2006.

106. During the year, NABARD introduced 'NABARD mail', its corporate e-mail solution. It has been operationalised at HO, 19 ROs and all DDM offices. The Bank's website (www.nabard.org) was also upgraded with new features.

107. Inspection of 20 ROs/TEs and 13 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, an exclusive workshop was organised in December 2006. Chartered Accountants have been engaged from 1 January 2007 to undertake the special audit of Treasury Operations and Resource Mobilisation of the Bank on a quarterly basis.

108. The Central Complaints Committee at HO and 22 Regional Complaint Committees at ROs are functioning for prevention of sexual harassment of women at the work place.

109. The Bank continued its efforts for promotion of Hindi in its day-to-day working. Apart from training staff members under the Hindi teaching scheme of GoI, training stenographers in Hindi stenography, Business Meet of Rajbhasha officers at NICM Gandhinagar, a translation training programme for 17 Rajbhasha officers and a workshop for senior officers were also organised during the year. The Drafting and Evidence Sub-Committee of the Committee of Parliament on Official Language reviewed the use of Hindi in Tamil Nadu RO, in September 2006 and appreciated the RO's efforts in promoting the language. Inspections of six ROs were undertaken with a view to accelerating the use of Hindi in those offices and to assess compliance to the official language policy of GoI.