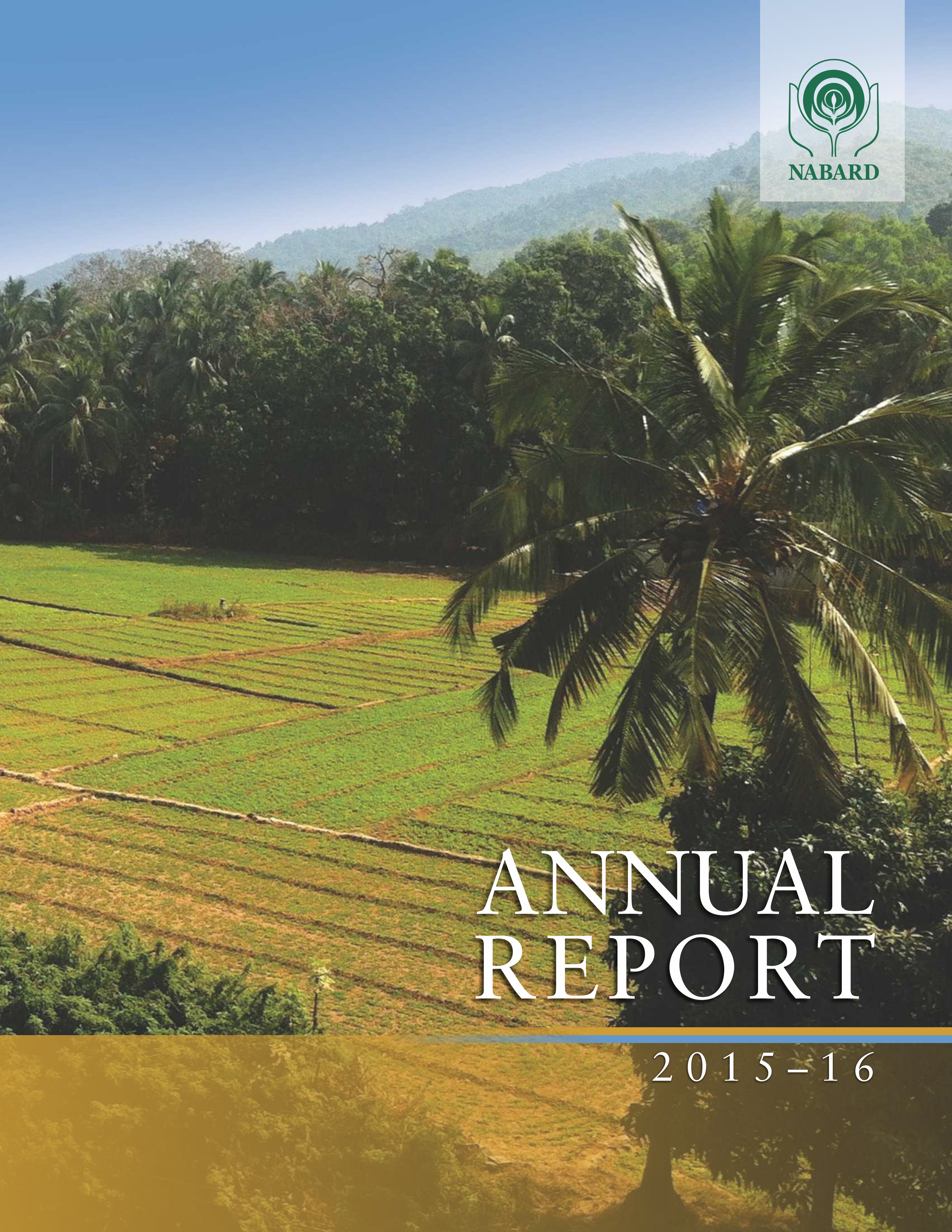
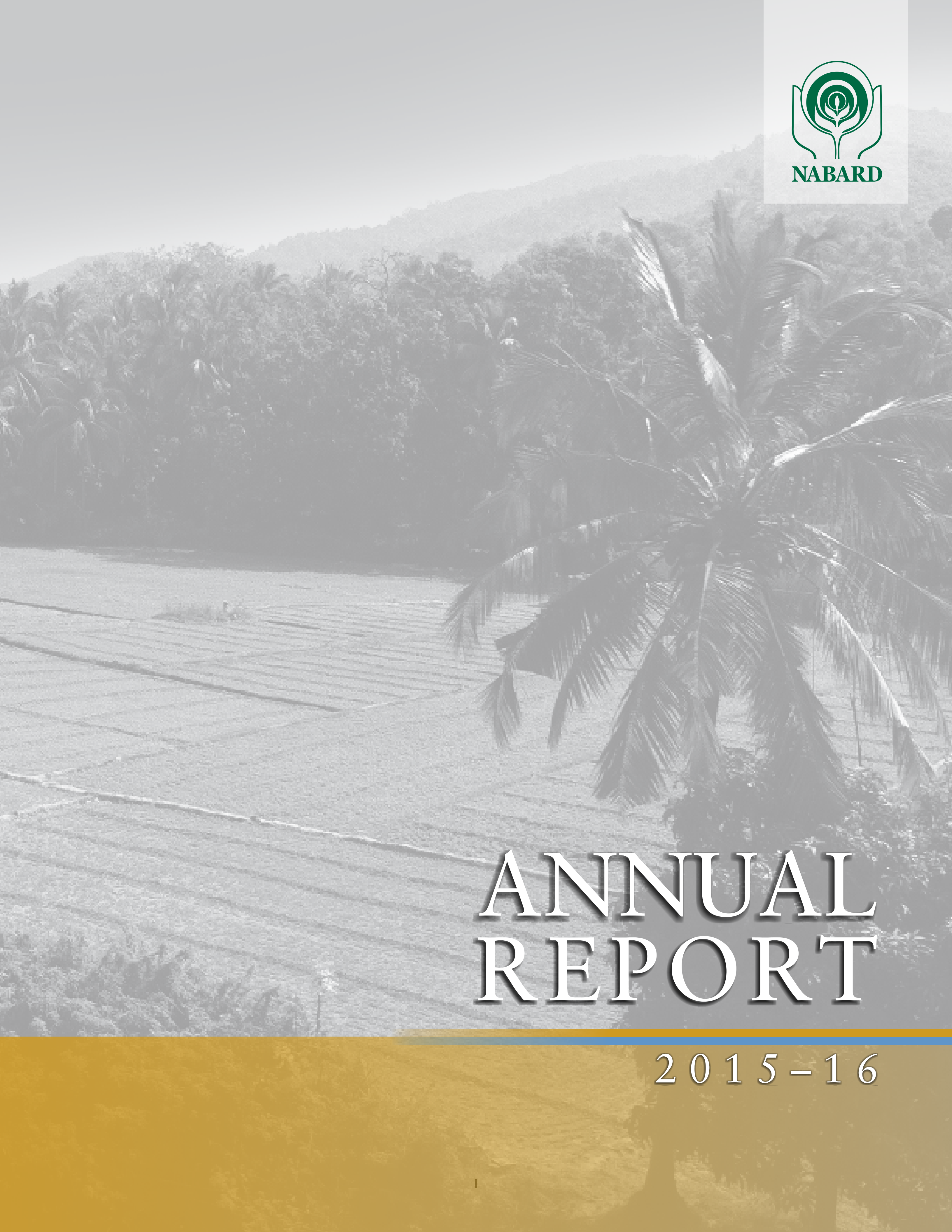


NABARD

ANNUAL REPORT

2015–16



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ANNUAL REPORT

2015–16

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Letter of Transmittal

NABARD

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Post Box: 8121, Bandra (East)
Mumbai - 400 051

CHAIRMAN

Ref.No.NB.Secy./ 342 /AR-1/2016-17

08 June 2016

The Secretary
Government of India
Ministry of Finance
Department of Financial Services
New Delhi-110 001

The Governor
Reserve Bank of India
Central Office
Mumbai-400 001

Dear Sir

In pursuance of Section 48(5) of the National Bank for Agriculture and Rural Development Act, 1981, I transmit herewith the following documents:

i. A copy of the audited Annual Accounts for the year ended 31st March 2016 alongwith a copy of the Auditors' Report and

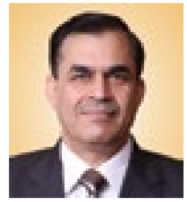
ii. Two copies of the Annual Report of the Board of Directors on the working of National Bank during the year ended 31st March 2016.

Yours faithfully

Harsh Kumar Bhanwala

Board of Directors

Chairman appointed under Section 6(1)(a) of the NABARD Act, 1981



Shri Harsh Kumar Bhanwala
Chairman

Director appointed under Section 6(1)(b) of the NABARD Act, 1981

Dr Satyanarayana Dash

Directors appointed under Section 6(1)(c) of the NABARD Act, 1981

Shri Harun. R. Khan

Dr Nachiket Mor

Directors appointed under Section 6(1)(d) of the NABARD Act, 1981

Smt. Snehlata Shrivastava

Shri S.K.Pattanayak

Shri S.M.Vijayanand

Directors appointed under Section 6(1)(e) of the NABARD Act, 1981

Smt. G. Latha Krishna Rao

Smt. Upma Chawdhry

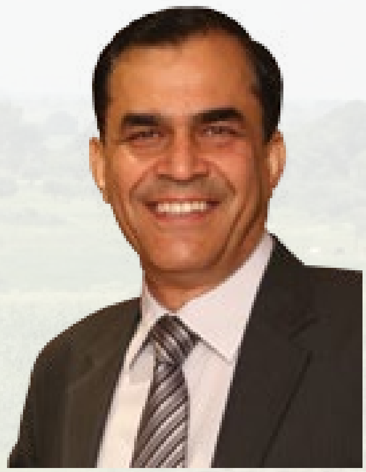
Shri M. Srinivas Rao

Shri Dinesh Kumar Jain

Directors appointed under Section 6(3) of the NABARD Act, 1981

Shri H. R. Dave

Shri R. Amalorpavanathan



From the Chairman...

NABARD continued its efforts towards enabling the achievement of sustainable rural prosperity in right earnest. With back-to-back poor monsoons and drought like conditions in several parts of the country,Government of India's primary focus has been on massive investment in irrigation through the Pradhan Mantri Krishi Sinchai Yojana (PMKSY). The Hon'ble Union Finance Minister, during his Budget Speech 2016–17, announced the institution of a dedicated Long Term Irrigation Fund (LTIF) in NABARD with an initial corpus of ₹20,000 crore for fast tracking the implementation of incomplete major and medium irrigation projects under PMKSY. Accordingly, operationalising LTIF with an initial focus on 23 identified irrigation projects in nine states, having a potential to irrigate 18.6 lakh hectares, is a high priority area for NABARD.

NABARD's refinance disbursement under investment credit touched ₹48,064 crore during 2015–16, marking a growth of 53 per cent over the previous year, facilitating acceleration of capital formation in the rural economy. This includes an amount of ₹14,997 crore disbursed to cooperative banks and RRBs under the Long Term Rural Credit Fund.

Creation of rural infrastructure is an enabler for the achievement of inclusive and sustainable rural development. In this context, Rural Infrastructure Development Fund (RIDF) has been an important project financing option for state governments for the creation of rural infrastructure. The year 2015–16 witnessed sanction of projects with loan of ₹28,830 crore under RIDF XXI, with the share of irrigation and agriculture sectors being 50 per cent of the total sanction. The state governments availed loans amounting to ₹23,510 crore during the year, which was an all-time high. Also, loans aggregating ₹1,361 crore were disbursed under Warehouse Infrastructure Fund (WIF). In addition, 11 Mega Food Park projects spread over nine states were accorded sanction of term loan of ₹477 crore, under the Special Food Processing Fund. Further, a loan amount of ₹5,919 crore was sanctioned for 12 projects under NABARD Infrastructure Development Assistance (NIDA), which included bridges, drinking water, roads, electricity transmission, and renewable energy.

Climate change has emerged as an important challenge to agriculture and rural livelihood sectors. NABARD as the National Implementing Entity (NIE) under three funding mechanisms, viz. Adaptation Fund (AF) and Green Climate Fund (GCF) of the United Nations Framework Convention for Climate Change (UNFCCC) and Government of India's National Adaptation Fund for Climate Change (NAFCC), has channelled funds for building climate change resilience of rural livelihoods. Five projects amounting to $7.3 million have been sanctioned by the AF. Further, 12 projects with a loan amount of ₹235.2 crore were sanctioned by the National Steering Committee on Climate Change (NSCCC) under NAFCC.

Government of India's decision to create a Producers' Organisation Development and Upliftment Corpus (PRODUCE) Fund with a corpus of ₹200 crore in NABARD for the promotion of 2,000 farmer producer organisations (FPOs) by March 2016, was a major intervention aimed at facilitating aggregation of input supplies and output marketing, besides village level value addition. During the financial year 2015–16, 1,371 FPOs have been approved taking the total to 2,173 FPOs under PRODUCE Fund as on 31 March 2016, in various parts of the country.

NABARD had launched a pilot project for digitisation of all SHGs in Ramgarh (Jharkhand) and in Dhule (Maharashtra) districts. Based on the encouraging results, the pilot project is being extended to cover another 22 districts across the country during 2016–17.

Thus, NABARD attained greater heights in all its endeavours during the year 2015–16. Going by numbers, NABARD's balance sheet stood at ₹3,10,385 crore as on 31 March 2016, registering a growth of 8.5 per cent over the previous year, scaling higher levels of productivity and ability to generate surplus for developmental purposes.

Moving forward, we have greater challenges in hand. The foremost of these challenges is policy and strategy formulation to enable the achievement of Government of India's target of doubling farmers' income by 2022. I am confident that NABARD will rise to the occasion to meet all emerging challenges successfully.

Harsh Kumar Bhanwala

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ANNUAL ACCOUNTS 2015–16

Balance Sheet Profit & Loss Account & Cash Flow 2015-16 of NABARD

Consolidated Balance Sheet Profit & Loss Account & Cash Flow 2015-16 of NABARD & Subsidiaries (NABCONS, NABKISAN, ABFL, NABFINS)

TABLES

EXHIBITS

SIDEBARS

SHOWCASES

NABARD at a Glance

(As on 31 March)

(₹ in crore)

Sources of Fund	*2016*	*2015*	*Net Accretion*
Capital	5,300	5,000	300
Reserves & Surplus	22,126	19,601	2,525
NRC (LTO) Fund	14,487	14,485	2
NRC (Stabilisation) Fund	1,587	1,585	2
Deposits (Tea/ Rubber/Coffee)	266	301	−35
Bonds and Debentures	39,123	34,007	5,116
Borrowings from GoI	12	20	−8
Borrowings JNN Solar Mission	15	36	−21
Foreign Currency Loan	722	727	−5
Commercial Paper	12,771	2,898	9,873
CBLO	0	5,281	−5,281
Certificate of Deposits	5,545	0	5,545
Term Money Borrowings	1,519	515	1,004
RIDF Deposits	96,885	89,603	7,282
STCRC Fund	53,991	60,000	−6,009
ST RRB Credit Refinance Fund	15,997	30,000	−14,003
Warehouse Infrastructure Fund	3,550	1,550	2,000
Long Term Rural Credit Fund	18,997	5,000	13,997
Other Liabilities	11,373	9,729	1,644
Other Funds	6,119	5,710	409
Total	**3,10,385**	**2,86,048**	**24,337**

Uses of Funds	*2016*	*2015*	*Net Utilisation*
Cash and Bank Balances	16,056	12,961	3,095
Collateralised Borrowing and Lending Obligation	2,492	165	2,327
Investments in			
a) GOI Securities	4,796	3,099	1,697
b) ADFC Equity	175	131	44
c) AFC Equity	1	1	0
d) SIDBI Equity	48	48	0
e) AICI Ltd.	60	60	0
f) NCDEX Ltd, UCX & MCX Ltd.	34	34	0
g) NABCONS	5	5	0
h) CSC e-Governance Services India Ltd (Equity)	10	0	10
i) Venture Funds	146	96	50
j) Treasury Bills	836	5,346	−4,510
k) Commercial Paper	2,072	975	1,097
l) Non Convertible Bonds	427	150	277
m) Equity Shares of Other Institution	64	62	2
n) Debentures in Nature of Advance	4,955	6,469	−1,514
o) Certificate of Deposits	7,895	4,161	3,734
p) Mutual funds	4,695	600	4,095
q) Investment Earmarked towards EOL	247	258	−11
Loans and Advances			
a) Production & Marketing Credit	69,719	88,711	−18,992
b) Conversion of Production Credit into MT Loans	447	0	447
c) MT & LT Project Loans	84,469	61,917	22,552
d) Loans under Warehouse Infrastructure Fund	2,362	1,154	1,208
e) LT Non Project Loans	66	59	7
f) Other Loans	12,043	10,505	1,538
g) RIDF Loans	91,384	83,545	7,839
h) Co-finance (Net of Provision)	3	10	−7
Fixed Assets	353	325	28
Other Assets	4,525	5,201	−676
Total	**3,10,385**	**2,86,048**	**24,337**

Note: Capital as on 31 March 2016 includes ₹300 crore received from Government of India towards share capital which has been kept as advance, pending adjustment of the same against share capital, after enhancement of authorised capital.

Key Data References

Part A: Indian Economy and Rural Credit

GROWTH RATE IN GROSS VALUE ADDED AT BASIC PRICE AT CONSTANT (2011–12) PRICES (%)

Sector	*2013–14 (2nd RE)*	*2014–15 (1st RE)*	*2015–16 (PE)*
GVA at basic price (at 2011–12 prices)	6.3	7.1	7.2
I. Agriculture	17.5	16.3	15.4
II. Industry	31.6	31.2	31.3
III. Services	51.0	52.5	53.4
Overall GDP growth	6.6	7.2	7.6

RE: Revised Estimates, PE: Provisional Estimates, * 1st RE
Sources: (1) Central Statistics Office, Government of India, (2) Economic Survey 2015–16, Vol 2, Ministry of Finance, Government of India

SHARE IN GVA AT FACTOR COST AT CURRENT PRICES (2011–12 SERIES) (%)

Sector	*2013–14*	*2014–15*	*2015–16*
I. Agriculture	18.60	17.60	NA
II. Industry	30.50	29.70	NA
III. Services	50.90	52.70	NA
Share of agriculture and allied sectors in total GCF	7.90	7.7 *	NA
GCF in agriculture and allied sectors as per cent to GVA of the sector	14.80	15.8 *	NA
Production of foodgrains (million tonnes)	265.04	251.12	252.23

NA: Not Available; RE: Revised Estimates, PE: Provisional Estimates; * 1st RE
Sources: (1) Central Statistics Office, Government of India, (2) Economic Survey 2015–16, Vol 2, Ministry of Finance, Government of India

DETAILS OF LANDHOLDINGS – SNAPSHOT

Total number of operational holdings in India (Nos. in million)	138.35
Average land holding size (ha)	1.16
Gross Cropped Area (million ha) (2011–12)	195.25
Net Sown Area (million ha) (2011–12)	140.8

Source: (1) Agricultural Census, 2010–11, Agriculture Census Division, Directorate of Economics and Statistics, Department of Agriculture and Cooperation, Ministry of Agriculture, Government of India; (2) Agricultural Statistics at a Glance, 2014, Directorate of Economics and Statistics, Department of Agriculture and Cooperation, Ministry of Agriculture, Government of India

AGENCY-WISE GROUND-LEVEL CREDIT FLOW

(₹ crore)

Agency	*2013–14*	*2014–15*	*2015–16 (Provisional)*
Cooperative Banks	1,19,963.79	1,38,469.50	1,53,295
RRBs	82,652.72	1,02,482.91	1,19,261
CBs	5,09,004.96	6,04,375.82	6,04,668
Total	7,11,621.47	8,45,328.23	8,77,224

AGENCY-WISE OPERATIVE/ LIVE KCCs AMOUNT OUTSTANDING (Figures in parentheses refer to number of cards issued)

(₹ crore)

Agency	*2013–14*	*2014–15*	*2015–16*
Cooperative Banks	10,825.24 (26,88,762)	7,321.87 (17,32,489)	8,142.94 (15,19,161)
RRBs	20,688.55 (21,34,585)	24,248.18 (24,96,346)	22,359.89 (22,36,656)
Cumulative as on 31 March since inception (Cooperatives+RRB)	1,55,451.22 (4,89,16,395)	1,73,080.65 (5,10,75,499)	1,96,781.15 (5,18,00,220)

Source: Data reported by banks and Indian Banks Association (for commercial banks)

Key Data References

Part B: NABARD

	Particulars	*2014–15*	*2015–16*	*Amount (₹ crore)*	
		Amount (₹ Crore)	*Number (agency) $*		
I	**Financial Support by NABARD**				
	(i) Refinance –ST Credit (Maximum Outstanding)	90,150.85		71,217.00	
	a. ST (SAO) StCB	59,787.62	25	53,774.00	
	b. ST (SAO) RRB	30,003.31	56	16,000.00	
	c. ST (SAO) PSBs for PACS	213.03	2	226.54	
	d. Weaver StCBs	145.39	3	188.22	
	e. ST (OSAO) – StCB	0.00	5	603.42	
	f. ST (OSAO) – RRB	1.50	1	424.20	
	g. Kisan Credit Card	1,73,080.65	5,18,00,220	1,96,781.15	
	(ii) Refinance – Investment Credit	31,427.30		48,063.72	
	a. Agriculture and allied activities	15,812.52	5	27,065.19	
	b. NFS	11,121.11	5	14,092.51	
	c. SHG	4,493.67	5	6,906.02	
	(iii) Disbursements (Amount in ₹ crore)	***2014–15***	***2015–16***	***Cumulative disbursement as on 31 March 2016***	***Loan Outstanding as on 31 March 2016***
	Rural Infrastructure Development Fund	19,665.74	23,510.19	1,90,023	91,384
	Warehouse Infrastructure Fund	737.86	1,361.47	2,361.91	2,362
	NABARD Infrastructure Development Assistance	610.41	1,222.12	3,690.11	3,239
	Direct refinance assistance to cooperative banks	4,893.16	5,539.65	17,163.84	3,251
	Credit Facility to Federations	5,155.00	7,013.50	17,418.67	4,949
	Producer Organizations including PACS as MSC (loan+grant)	207.04	165.87	655.55	377.77
	Tribal Development Fund (loan+grant)	199.31	174.50	1,179.47	14.64
	UPNRM (loan+grant)	57.70	38.07	382.79	98.75
	R&D Fund (grant)	20.22	35.44	242.16	NA
II	***Development Initiatives***	***2013–14***	***2014–15***	***2015–16***	
	Watersheds (number)/ hectare	40	38	49/49,000 hectares	
	TDF projects (number)	38	52	23	
	Farmers' Clubs (number)	16,279	4,165	5,016	

$ Agency refers to StCB, RRB, etc.

NA: Not applicable

Source: NABARD

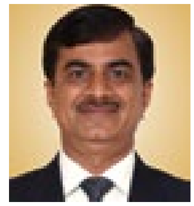
Principal Officers

Chief General Managers


Shri M. V. Ashok
(DEAR)


Shri S. N. A. Jinnah
(SPD)


Shri K. Jindal
(CEO NABCONS, New Delhi)


Shri K. Sayeed Ali
(SECY)


Shri M. K. Mudgal
(HRMD/ LAW)


Dr S. Saravanavel
(OFDD)


Shri Naresh Gupta
(CPD)

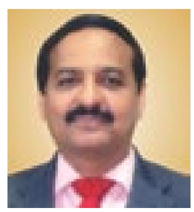

Shri S. K. Bansal
(DOR)


Dr R. N. Kulkarni
(Madhya Pradesh – OIC)


Dr D. V. Deshpande
(Director, BIRD, Lucknow)


Shri S. Selvaraj
(RMD)


Shri K. Venkateswara Rao
(Tamil Nadu)


Shri M. I. Ganagi
(Karnataka)


Shri R. M. Kummur
(DPSP)


Shri G. R. Chintala
(mCID)


Shri Subrata Gupta
(DFIBT)


Shri Jiji Mammen
(CEO, MUDRA)


Shri S. Padmanabhan
(DIT)


Shri V. Maruti Ram
(ID)


Shri A. K. Sahoo
(AD)


Shri A. K. Panda
(Uttar Pradesh)


Shri P. V. S. Surya Kumar
(BID/CCD)


Shri B. S. Suran
(Karnataka –NABFINS)


Shri S. K. Kale
(Odisha)

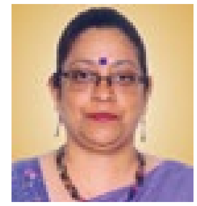

Smt. Padma Raghunathan
(FD/DSSI)

Shri B. G. Mukhopadhyay
(FSPD/FSDD)

Shri Ramesh Tenkil
(Kerala)

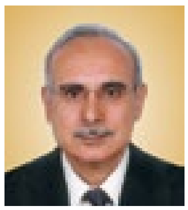
Shri Ranjit Kumar Das
(Bihar)

Shri K. R. Rao
(DOS)



Smt. T. S. Raji Gain
(West Bengal)

Shri Shankar A. Pande
(Jammu)



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(Andhra Pradesh)

Shri C. P. Mohan
(Uttarakhand)

Shri U. S. Saha
(Maharashtra)

Shri V. V. V. Satyanarayana
(Telangana)

Smt. Sarita Arora
(Rajasthan)

Dr P. Radhakrishnan
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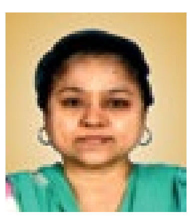
(Nagaland)



Ms K. S. Pai
(BIRD – Mangalore)

Shri D. K. Kapila
(Srinagar Cell)

NABARD

Annual Report
2015–16

1

The Year in Retrospect... and the Way Forward

1.1 THE STATE OF THE ECONOMY 2015-16

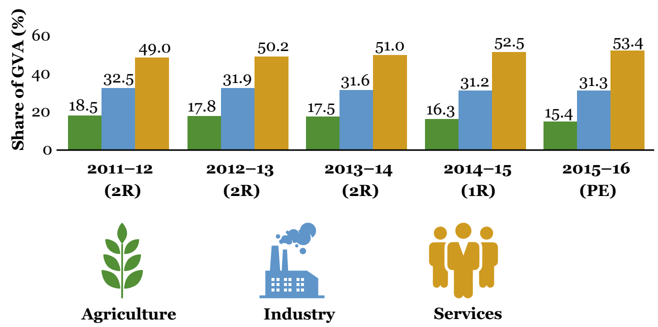
India continued its journey as one of the fastest growing economies in the world during 2015–16, despite global economic turmoil accompanied by unprecedented domestic challenges. It achieved Gross Domestic Product (GDP) growth rate of 7.2 per cent in 2014–15 and is expected to achieve 7.6 per cent in 2015–16 according to Provisional Estimates (PE)[1]. Robust growth in two consecutive years was helped by a number of factors including increased reorientation of government spending on public infrastructure, besides strong domestic demand, low inflation, and a favourable current account balance.

The estimates at the disaggregated level indicate that growth in agriculture sector during 2015–16 increased to 1.2 per cent from -0.2 per cent in the previous year (PE). However, the growth continued to be lower than the average growth of the last decade, mainly because it was the second successive year of less-than-normal rains. Growth in industry, especially the manufacturing sector accelerated significantly. Although the services sector moderated slightly, it remained robust during the year. The share of agriculture in the Gross Value Added (GVA) continued to decline, which is a normal phenomenon for any fast growing economy. While the share of services sector continued to grow, that of industry remained almost constant during the last four years (Exhibit 1.1).

1 Press Note on Provisional Estimates of Annual National Income 2015-16 and Quarterly estimates of Gross Domestic Product for the Fourth Quarter (Q4) 2015-16, CSO, MOSPI, GoI.

Growth in India is expected to strengthen gradually during 2016–17. Expectations of a normal monsoon after two consecutive years of rainfall deficiency, low current account deficit, improving real incomes of households and lower input costs of firms should contribute to strengthening the growth momentum (RBI, 2016).

Exhibit 1.1
Sectoral share of GVA at constant (2011–12) prices (%)



Note: 2R – Second revised estimate; 1R – First revised estimate; PE – Provisional estimate
Source: Based on data accessed from *Key Economic Indicators*, May 2016, Office of Economic Adviser, Ministry of Commerce and Industry, Government of India

1.2 THE GLOBAL VIEWPOINT

The International Monetary Fund (IMF), the World Bank and the Asian Development Bank have estimated robust growth for India during 2017. IMF has projected India's growth rate at 7.5 per cent for 2017, supported by stronger domestic demand. Global growth is estimated to reach 3.5 per cent in 2017 (IMF, 2016). India stands out as a country with huge potential for growth, compared to the developed and other emerging market economies, including the other BRICS nations.

1.3 MACROECONOMIC CHALLENGES

1.3.1 Inflation and monetary policy

Inflation based on the Consumer Price Index (CPI) which remained sticky around 9–10 per cent during 2012–2014, moderated to 5.9 per cent in 2014–15 and declined further to 4.9 per cent in 2015–16. During 2015–16 consumer price inflation in rural and urban areas averaged 5.6 per cent and 4.1 per cent, respectively. The difference is partly owing to variation in weights of items in the two baskets. The rural basket of CPI assigns significantly larger weights to cereals, vegetables, meat and fish, and pulses. Continuous fall in crude oil prices in the international market enabled moderation in inflation during the year. However, bad monsoon in 2015–16 may have led to price increases or food inflation.

The policy options for controlling food inflation are: (i) expeditious liquidation of grain stocks from the warehouses of the Food Corporation of India (FCI) to the open market; (ii) reduction in high import duties on various food products; (iii) containing fiscal deficit; (iv) freeing fruits and vegetables from the purview of Agricultural Produce Marketing Committee (APMC) Act, (v) incentivising organised retail to buy directly from farmers' producer organisations, (vi) developing food processing industry, development of cold storages and efficient value chains, etc. (Gulati and Saini, 2016). Going forward, near-term headline consumer price inflation dynamics will continue to be underpinned by supply-side factors which, due to a favourable monsoon forecast, should help achieve the RBI's inflation goal of around 5 percent for March 2017.

1.3.2 Banking sector

Decline in asset quality has been a key area of concern for the banking sector in general and Public Sector Banks (PSBs) in particular. Accordingly, several regulatory measures to de-stress balance sheets of banks have been taken in recent times by the RBI. The business of Scheduled Commercial Banks (SCBs) slowed down as reflected in further decline in both deposit and credit growth (RBI, 2015).

The reforms package 'Indradhanush' (a seven-point action plan) announced by the Government of India (GoI) aims at imbibing professionalism in the operations of Bank Boards and improving their efficiency in the decision making process. It also includes a fresh plan for recapitalisation in PSBs, following a performance- and need-based approach to the tune of ₹70,000 crore till 2019 (RBI, 2015). GoI has constituted a Bank Board Bureau to make recommendations to the government on the selection of Heads of PSBs and financial institutions and help banks in developing strategies and capital raising plans. These measures are expected to enable banks to promote quality business.

1.3.3 Poverty and human development

The incidence of poverty in India declined from 37.2 per cent in 2004–05 to 21.9 per cent[2] in 2011–12, with a sharper decline in the number of rural poor. The rural poverty ratio (25.7 per cent) was observed to be much higher than urban poverty ratio (13.7 per cent) in 2011–12.

India's ranking in Human Development Index (HDI) improved from 135 (2013) to 130 (2014) out of 188 countries, according to the Human Development Report 2015 (UNDP, 2015). Among the BRICS nations, India has the lowest rank with Russia at 50, Brazil at 75, China at 90 and South Africa at 116 (UNDP, 2015).

Skill development is of critical importance for human development. The Pradhan Mantri Kaushal Vikas Yojana (PMKVY) targets offering 24 lakh Indian youth meaningful, industry-relevant, skill-based training and a government certification on successful completion of training along with assessment to help them secure a job for a better future. Under PMKVY about 5.32 lakh persons have already been enrolled, of which 4.38 lakh have successfully completed training (GoI, 2016a). The Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY), a placement-linked skill development scheme for rural youth who are poor, has also been launched.

The Millennium Development Goals (MDGs) formulated by the UNDP assumed that large investments in health, education, and other social outcomes would unleash a virtuous cycle of growth and development, during the period 2001–2015. India has made significant progress towards the achievement of the MDGs. However, hunger and sanitation facilities remain tough challenges for the country.

[2] Based on Tendulkar Committee methodology, using household consumption expenditure survey data collected by the National Sample Survey Office (NSSO) in its 68th Round.

1.4 AGRICULTURE IN 2015–16: AN ASSESSMENT

Indian agriculture has been passing through critical times due to back-to-back poor monsoons and drought conditions in several parts of the country, leading to agrarian distress during 2014–15 and 2015–16. While the share of agriculture in employment stood at 48.9 per cent of the workforce,[3] its share in the GVA declined from 18.5 per cent in 2011–12 to 15.4 per cent in 2015–16.[4] Further, the average growth of GDP in agriculture and allied sectors at 2.3 per cent (during 2011-12 to 2015-16) has been below the 4 per cent target fixed by the 12th Five Year Plan. Enabling the agriculture sector to achieve a target of 4 per cent calls for intensive focus on the eastern and north-eastern regions of the country, ushering in an 'evergreen revolution'[5] and a 'rainbow revolution'[6], developing a national agricultural market, creating efficient agricultural value chains, promoting food/agro processing industry, adequate and timely provision of agricultural credit and expansion in the coverage of farmers under an efficient crop insurance scheme.

Foodgrains production during 2015–16, estimated at 252.23 million tonnes (MT), is expected to be higher by 0.21 MT over the production during 2014–15, and is still much below 265.04 MT achieved during 2013–14 (Table 1.1).

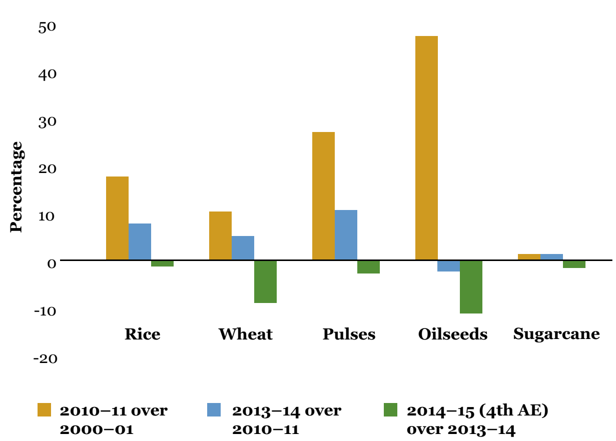
TABLE 1.1
Foodgrains production (MT)

Crop	*2012–13*	*2013–14*	*2014–15*	*2015–16 (3rd AE)*
Rice	105.24	106.65	105.48	103.36
Wheat	93.51	95.85	86.53	94.04
Coarse cereals	40.04	43.29	42.86	37.78
Pulses	18.34	19.25	17.15	17.06
Total foodgrains	257.13	265.04	252.02	252.23

Note: 3rd AE: Third Advance Estimate
Source: Agricultural Statistics Division Directorate of Economics and Statistics, Department of Agriculture, Cooperation and Farmers Welfare, Government of India

It is a matter of concern that the percentage changes in average yields of rice, wheat, pulses, and oilseeds are showing declining trends, since 2010–11 (Exhibit 1.2). Rice, wheat, pulses, oilseeds, and sugarcane have experienced negative change in average yield during 2014–15 compared to 2013–14. India has significantly lower crop yields than

Exhibit 1.2
Percentage change in average yield of major crops



Source: Economic Survey 2015-16, Government of India

[3] National Sample Survey Office (NSSO), 2011–12
[4] Provisional Estimate, MoSPI, GoI
[5] Advocated by eminent agricultural scientist and 'father of India's Green Revolution', Dr MS Swaminathan, an 'evergreen revolution' can lead to increase in farm productivity and efficiency through the use of biotechnology in the integrated management of natural resources and promotion of eco-technology based precision farming.
[6] The concept of 'Rainbow revolution' includes integrated development of crop cultivation, horticulture, forestry, fishery, poultry, animal husbandry and food processing industry.

Sidebar 1.1
Agriculture and Farmers' Welfare in Union Budget 2016–17

- Government proposes to reorient its interventions in the farm and non-farm sectors to double the income of farmers by 2022.
- 'Pradhan Mantri Krishi Sinchai Yojana' is to be implemented in mission mode and 28.5 lakh hectares are expected to be brought under irrigation.
- Implementation of 89 irrigation projects under the Accelerated Irrigation Benefits Programme (AIBP), which are languishing for a long time, will be fast tracked.
- A dedicated Long Term Irrigation Fund will be created in NABARD with an initial corpus of about ₹20,000 crore.
- Programme for sustainable management of ground water resources with an estimated cost of ₹6,000 crore will be implemented through multilateral funding
- 5 lakh farm ponds and dug wells in rain fed areas and 10 lakh compost pits for production of organic manure will be taken up under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA).
- Soil Health Card scheme will cover all 14 crore farm holdings by March2017.
- 2,000 model retail outlets of fertiliser companies will be provided with soil and seed testing facilities during the next three years.
- Promote organic farming through 'Paramparagat Krishi Vikas Yojana' and 'Organic Value Chain Development in North East Region'.
- Unified Agricultural Marketing e-Platform to provide a common e-market platform for wholesale markets.
- Ensure that the benefit of Minimum Support Price (MSP) reaches farmers in all parts of the country, through the following initiatives:
    - The remaining states will be encouraged to take up decentralised procurement.
    - An online Procurement System will be undertaken through the Food Corporation of India.
    - Effective arrangements have been made for pulses procurement.
- To make dairying more remunerative to the farmers, four new projects will be taken up:
    - 'Pashudhan Sanjivani', an animal wellness programme and provision of Animal Health Cards (Nakul Swasthya Patra)
    - An advanced breeding technology
    - Creation of 'E-Pashudhan Haat', an e market portal for connecting breeders and farmers
    - National Genomic Centre for indigenous breeds

a number of other countries. China has an average cereal yield of above 5800 kg per ha while India has less than 3000 kg per ha (GoI, 2016a). There is a need to increase average foodgrain productivity by provision of additional irrigation and mechanisation.

1.5 DOUBLING INCOME OF FARMERS

The Union Budget 2016–17 highlighted the need to think beyond 'food security' and give back to farmers a sense of 'income security' (Sidebar 1.1). Accordingly, the government plans to reorient its interventions in the farm and non-farm sectors to double the income of farmers by 2022. The government is of the view that agriculture has to stand on three pillars, viz. paramparagatkheti (traditional crop), diversification to agro-forestry by planting trees on the boundaries of farmers' fields, and encouraging livestock and bee-keeping, duly supported by food-processing. These pillars are expected to reduce risks in farming and also augment incomes of farmers (Gulati and Saini, 2016a). The strategy for doubling income of farmers would include raising agricultural productivity substantially, diversifying production towards high value agriculture, and shifting a major portion of farm employment to non-farm activities. Doubling income of farmers would involve massive investments in agricultural research and development (R&D), irrigation,[7]

[7] GoI has formulated Pradhan Mantri Krishi Sinchai Yojana (PMKSY) with the vision of 'har khet ko pani' (water to every farm) or extending the coverage of irrigation and 'more crop per drop' or improving water use efficiency in a focused manner with end to end solution on source creation, distribution, management, field application and extension activities.

fertilisers, agricultural market infrastructure (including development of e-market platform), and agriculture value chains, supported by adequate and timely availability of bank credit and crop insurance. Distribution of soil health cards and neem-coated urea, and use of MGNREGS for recharging ground water through check dams and construction of farm ponds, would strengthen the process towards doubling income of farmers by 2022.

1.6 CAPITAL FORMATION IN AGRICULTURE

Capital formation in agriculture is of critical importance for the sustainability of agricultural growth. The Gross Capital Formation (GCF) in agriculture as a proportion of total GCF showed a decline from 8.6 per cent in 2011–12 to 7.4 per cent in 2013–14 at 2011–12 prices (GoI, 2016). The percentage share of GCF in agriculture and allied sector in the GVA from agriculture has also declined from 18.3 per cent in 2011–12 to 15.8 per cent in 2014–15 (Table 1.2). Considering the importance of agriculture and allied sector in increasing income, employment and achieving inclusive growth, it is imperative to arrest the declining trend and increase investment in the sector, especially keeping in view the GoI's aim of doubling farmers' income.

The declining GCF to GVA ratio in agriculture can be attributed to the decline in public sector investments. While the share of the public sector in GCF has declined from above 20 per cent during 2004–05 to 16.8 per cent by 2013–14, the share of private sector increased from 78 per cent to 83 per cent, during the period under reference (GoI, 2016).

Public sector investment in irrigation, rural roads, power, telecommunications, marketing infrastructure, agricultural research and extension services results in high growth of the agricultural sector and reduction in poverty. Considering

TABLE 1.2
GVA and GCF in Agriculture and Allied Sector

(Amount in ₹ crore)

Year	*Agriculture and allied sector*		*Share of GCF in GVA of agriculture & allied sector (%)*
	GVA	*GCF*	
2011-12	15,01,816	2,74,432	18.3
2012-13	16,80,797	2,74,727	16.3
2013-14	19,02,452	3,22,723	17.0
2014–15	19,95,251	3,14,640	15.8

Source: *Economic Survey 2015–16* (Vol. 2), Ministry of Finance, GoI.

the existence of fiscal constraints, the investment strategy in agriculture should be guided by the efficient and equitable use of resources with high payoffs.

1.7 NATIONAL AGRICULTURE MARKET

A critical problem faced by India's agricultural sector is that agricultural markets are fragmented and ridden with distortions. To address this problem GoI has formulated a scheme for setting up of a National Agriculture Market (NAM) through the Agri-Tech Infrastructure Fund (ATIF), which envisages setting up of an appropriate common e-market platform in 585 regulated wholesale markets in states and Union Territories (UTs). Small Farmers Agribusiness Consortium (SFAC) is the lead agency to implement the national e-platform. The NAM will allow farmers to sell their produce to the highest bidders from any of the affiliated *mandis*. Modern labs at *mandis* will be set up to check the product quality to be sold via online markets. This will ensure better prices to farmers in a transparent way.

NAM would essentially be a common electronic platform allowing farmers to sell their crops to buyers anywhere in the country and vice versa. The benefits to buyers—be it large retailers, processors or exporters—are obvious, as they can log into the platform and source from any *mandi* in India connected to it. Farmers can benefit if they find ways for aggregating produce on their own, bypassing the *arhatiya* and even the local *mandi* in the process. This is where farmer producer organisations (FPOs) and cooperatives can play a role, by facilitating aggregation and creation of volumes that is intrinsic to the success of any ambitious virtual market place experiment.

1.8 INCOME FROM ALLIED AND ANCILLARY ACTIVITIES

Sectors allied to agriculture and the non-farm sector provide sustainable additional income and livelihood opportunities to farm households in the country. India is the second largest producer of fruits and vegetables in the world. Significantly, while the area under horticulture grew by about 3.8 per cent per annum, production rose by 7.6 per cent per annum over the last decade. The Mission for Integrated Development of Horticulture (MIDH) aims at achieving a holistic development of the horticulture sector covering fruits, vegetables, mushrooms, spices, flowers, aromatic plants, coconut, cashew, cocoa and bamboo.

India is the highest producer of milk in the world, accounting for 17 per cent of the world's production**.** GoI had launched the National Livestock Mission in 2014–15 for sustainable and continuous growth of the livestock sector by emulating the success achieved in the dairy and poultry sectors across species and regions. Dairying is an important secondary source of income for millions of rural households engaged in agriculture.

In the poultry segment, the GoI's focus, besides framing suitable policies for enhancing commercial poultry production, is on strengthening the family poultry system, which addresses livelihood issues. There is increasing significance of poultry and livestock products in the context of diversifying farm and non-farm activities in the agriculture sector to increase livelihood security (GoI, 2016a). Fisheries constitute about 1 per cent of the GDP of the country and 5.08 per cent of agriculture GDP. The GoI plans to implement an umbrella scheme under its Blue Revolution initiatives, covering inland fisheries, aquaculture, marine fisheries including deep sea fishing, mari-culture, etc.

Promotion of the off-farm sector (OFS), including micro, small and medium enterprises (MSMEs) and the services sector, assumes significance in the context of reducing over dependence of the rural population on agriculture and providing alternative livelihood options. It also helps in arresting large scale migration of rural population to urban centres on account of unemployment/underemployment in rural areas.

1.9 PRADHAN MANTRI FASAL BIMA YOJANA

The Pradhan Mantri Fasal Bima Yojana (PMFBY) is a path-breaking scheme which aims to provide insurance coverage and financial support to the farmers in the event of failure of any of the notified crop as a result of natural calamities, pests and diseases. It also aims at stabilising the income of farmers to ensure their continuance in farming. Further, it encourages farmers to adopt innovative and modern agricultural practices, to ensure flow of credit to the agriculture sector. The salient features of PMFBY are presented in Sidebar 1.2.

Sidebar 1.2
Pradhan Mantri Fasal Bima Yojana

- There will be a uniform premium of only 2 per cent to be paid by farmers for all Kharif crops and 1.5 per cent for all Rabi crops.
- In case of annual commercial and horticultural crops, the premium to be paid by farmers will be 5 per cent. The premium rates to be paid by farmers are very low and balance premium will be paid by the government to provide full insured amount to the farmers against crop loss on account of natural calamities.
- There is no upper limit on government subsidy. Even if balance premium is 90 per cent it will be borne by the government.
- Earlier, there was a provision of capping the premium rate which resulted in low claims being paid to farmers, to limit government outgo on the premium subsidy. This capping has now been removed and farmers will get claim against full sum insured without any reduction.
- The use of technology will be encouraged to a great extent. Smart phones will be used to capture and upload data of crop cutting to reduce the delays in claim payment to farmers. Remote sensing will be used to reduce the number of crop cutting experiments.

Sidebar 1.3
Let us Promote Pulses: The Smart Food

The UN General Assembly has declared 2016 as the International Year of Pulses (IYP) and Food and Agriculture Organization of the United Nations (FAO) is facilitating the implementation of the Year in collaboration with governments and other relevant stakeholders.

Pulses in India: An Overview

India is the largest producer (25 per cent of global production), consumer (27 per cent of world consumption) and importer (14 per cent) of pulses in the world.

Production of pulses for the year 2015–16 is expected to be 17.33 MT. On an average, India produces around 17–18 MT, imports around 4-5 MT and exports around 0.25 MT of pulses in a year. The total pulses required for domestic

(contd)

consumption is about 21–22 MT. Pulses are 'orphan crops', largely cultivated in marginal lands prone to moisture stress. There is no significant change in the area cultivated over the last 55 years.

Issues in Pulses

- The unabated rise in the prices of pulses since 2014–15 was a matter of concern for policy makers. Moreover, per capita net availability of pulses in India has reduced from 51.1 g/day (1971) to 41.9 g/day (2013) as against WHO recommendation of 80 g/day.
- The procurement of pulses has been negligible at less than 4 per cent of production compared to 28 to 30 per cent of cereals during 2012–13 to 2014–15.* In order to tame inflation, GoI decided to create a buffer stock of 3 lakh tonnes of pulses and asked SFAC, FCI and National Agricultural Cooperative Marketing Federation of India (NAFED) to commence procurement. Issues like direct payment to farmers, quality norms, etc. slowed down the pace of procurement. So creating a buffer stock of pulses is not an easy way out. Shortages also prevent the creation of buffer stock.
- Though crop loans are used for cultivation of a number of crops, crop-wise reporting is not done making it difficult to estimate the credit disbursement for pulses vis-à-vis the area covered. In view of this, the credit needs of the farmers for pulses have not been addressed specifically.
- Research and extension are the cornerstones for increasing the production and productivity of pulses. While pulses have been covered in 622 districts across 27 states under the National Food Security Mission (NFSM), their productivity has not improved significantly.

The Way Forward

The projected requirement of pulses in the country by the year 2050 is 50 MT. This necessitates an annual growth rate of 4.2 per cent. To achieve this growth, the productivity needs to be lifted to more than 1,500 kg per ha in addition to bringing additional area with focused attention on pulses production.

**Price Policy for Kharif Crops 2015–16*, March 2015, Commission for Agricultural Costs and Prices

1.10 PROMOTION OF PULSES

India is the largest producer, consumer and importer of pulses (Sidebar 1.3). In order to meet the high and growing demand for pulses, there is an urgent need to significantly improve their production and yield, by increasingly cultivating them under irrigated conditions.

1.11 AGRICULTURE CREDIT

During 2015–16, banks have disbursed ₹8,77,224 crore (provisional) credit to the agriculture sector, against a target of ₹8,50,000 crore. Commercial banks, Regional Rural Banks (RRBs) and cooperative banks disbursed ₹6,04,668 crore (provisional), ₹1,19,261 crore and ₹1,53,295 crore, respectively (Table 1.3).

During 2015–16, banks have disbursed ₹8,77,224 crore (provisional) credit to the agriculture sector, against a target of ₹8,50,000 crore.

TABLE 1.3
Agency-wise Ground Level Credit Flow

(Amount in ₹ crore)

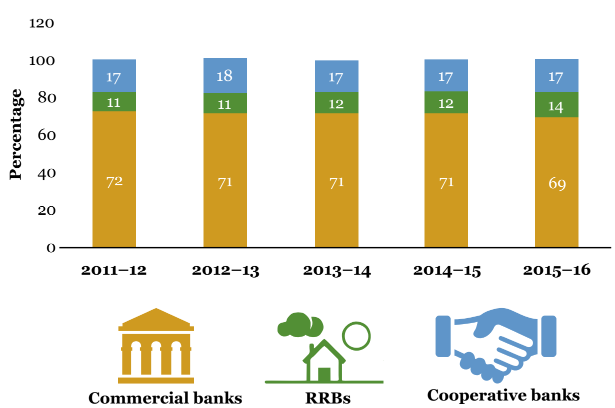
Agency	2011–12	2012–13	2013–14	2014–15	2015–16*
Commercial banks	3,68,616	4,32,491	5,27,506	6,04,376	6,04,668
Regional Rural Banks	54,450	63,681	82,653	1,02,483	1,19,261
Cooperative banks	87,963	1,11,203	1,19,964	1,38,469	1,53,295
Total	5,11,029	6,07,375	7,30,123	8,45,328	8,77,224

Note: *Provisional
Source: (1) NABARD (based on reporting by RRBs and cooperative banks)
(2) Indian Banks Association (IBA) (for commercial banks, as reported to NABARD)

The agency-wise share of credit flow to the agricultural sector during the last five years is furnished in Exhibit 1.3. Agricultural credit disbursement continues to be dominated by commercial banks, followed by cooperative banks and RRBs.

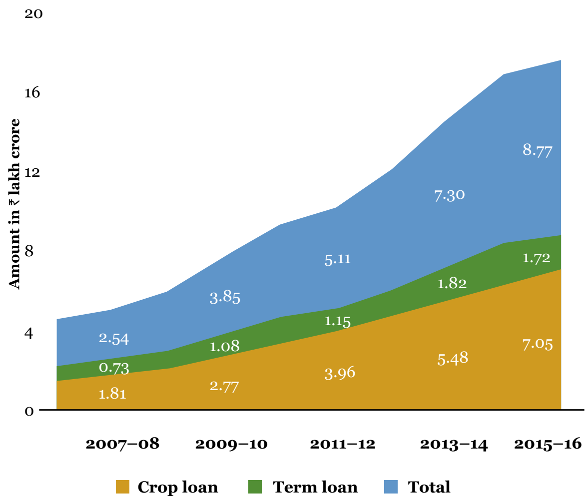
There has been an impressive growth in agricultural credit flow from ₹2.29 lakh crore to ₹8.77 lakh crore (provisional) during the ten-year period of 2006–07 to 2015–16 (Exhibit 1.4). However, the share of term loan in the total agricultural credit disbursed

Exhibit 1.3
Agency-wise share of credit flow to agriculture



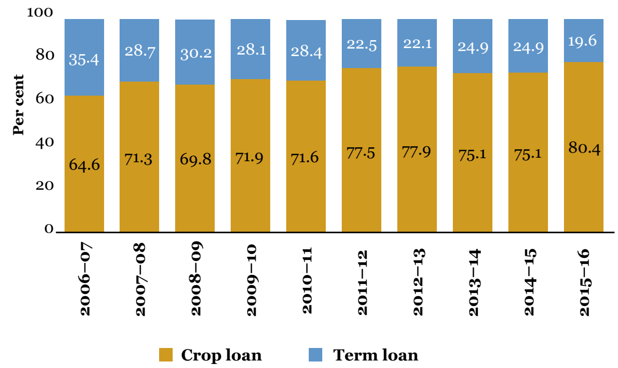
Note: Figures for 2015–16 are provisional
Source: NABARD's calculations based on data reported by banks and Indian Banks' Association (IBA)

Exhibit 1.4
Ground level credit flow to agriculture



Note: Figures for 2015–16 are provisional
Source: NABARD, based on data reported by banks and IBA

Exhibit 1.5
Share of crop loan and term loan in agricultural credit



Note: Figures for 2015–16 are provisional
Source: NABARD, based on data reported by banks and IBA

declined steadily from 35.4 per cent in 2006–07 to 19.6 per cent in 2015–16 (Exhibit 1.5).

There is an urgency to increase the share of term loan, which could lead to the much-needed increase in capital formation in agriculture, and the consequent increase in agricultural productivity. Broad sector-wise credit flow to agriculture during the last five years is furnished in Table 1.4.

1.12 AGRICULTURAL TRADE

India has emerged as a significant agri-exporter in a few crops, viz., cotton, rice, oil meals, pepper and sugar, as well as meat, during the last few years. From 1980–81 to 2010–11, there was a sharp decline in the share of agricultural exports to total exports of the country. This was followed by a reversal in the trend till 2013–14, and a decline in 2014–15. India's agricultural exports were valued at $43 billion in 2014, and

TABLE 1.4
Ground-level Disbursement to Agricultural Sector

(Amount in ₹ crore)

Category	*2011–12*	*2012–13*	*2013–14*	*2014–15*	*2015–16**
Crop loans	3,96,158	4,73,500	5,48,435	6,35,412	7,05,443
Term loans	1,14,871	1,33,875	1,81,688	2,09,916	1,71,780
Total	5,11,029	6,07,375	7,30,123	8,45,328	8,77,224

*Provisional
Source: NABARD, based on data reported by banks and IBA

its share in total world exports stood at 2.5 per cent, having grown from 1.1 per cent in 2000.[8]

1.13 AGRICULTURE POLICY: CRITICAL ISSUES

1.13.1 Mitigating agrarian distress

Agrarian distress needs to be addressed through long-term policy interventions with built-in flexibility to suit the diverse needs across the country. The coping mechanism could become sustainable if a holistic solution is envisaged. The natural resource base, production systems and social systems are linked and interdependent in the rural economy. Thus, what is needed is a strategy in resource management and livelihoods, along with multi-pronged risk mitigation and reduction of vulnerabilities.

There is a need to revisit the traditional model of a farm, complete with trees, crops, fodder, manure, livestock, fish pond, etc., all regenerated within the farm. Ecological practices that help manage soil fertility and pests are desirable. With the farmer tapping complementarities across various enterprises in a holistic farm as also pursuing multiple income generating activities on the farm, zero-cost sustainable agriculture can become a reality. A shift in focus from production to post-harvest management is also necessary.

There is a need to move away from one-size-fits-all solutions. For instance, the MSP that the market in a region can sustain will depend on the quantity and quality of produce available locally and the demand thereof. A flexible procurement policy should be able to accommodate such variations across regions and markets.

The increasing fragmentation and marginalisation of agricultural land is making farming an unviable activity. With the steadily rising cost of cultivation and stagnating agricultural yields, large numbers of farmers face challenges due to the resulting high level of indebtedness. With small land holdings, small and marginal farmers as well as tenant farmers are unable to break away from the cycle of indebtedness. There is, therefore, a need to develop strategies for financing smallholders[9], such as Joint Liability Groups, besides promoting faster aggregation mechanism such as Producers' Organisations.

The Union Budget 2016–17 has emphasised on the urgency to focus on areas of drought and rural distress. It has indicated that every block in these distress areas will be taken up as an intensive block under the Deen Dayal Antyodaya Mission. Formation of Self Help Groups (SHGs) will be speeded up to promote multiple livelihoods. Further, Cluster Facilitation Teams (CFT) will be set up under MGNREGA to ensure water conservation and natural resource management. Finally, these districts would be taken up on priority under Pradhan Mantri Krishi Sinchai Yojana (PMKSY).

1.13.2 Climate-Smart Agriculture

Agriculture is the most vulnerable sector due to climate change. Changes

[8] *International Trade Statistics 2015*, WTO

[9] Discussed in detail in Chapter 2: Financing Small and Marginal Farmers - Strategies for Enhanced Institutional Finance.

in rainfall patterns can result in severe water shortages or floods. Rising temperatures can cause changes to crop growing seasons or even reduce the yields. There will also be further knock on effects on the environment which will impair agricultural production as a whole (FAO 2015).

It is felt that reactive adaptations like improving the markets, changing agricultural policies, enhancing social protection and preparing for disasters have their limitations. Therefore, the concept of Climate-Smart Agriculture (CSA) needs to be actively propagated as an integrative approach to address the interlinked challenges facing food security and climate change through the three dimensions of sustainable development, viz. (a) economic – sustainably increasing agricultural productivity, to support equitable increases in farm incomes, food security and development; (b) social – adapting and building resilience of agricultural and food security systems to climate change at multiple levels; and c) environmental – reducing and/ or removing greenhouse gas (GHG) emissions from agriculture (including crops, livestock and fisheries) (FAO, 2015).

The impact of climate change on agriculture in India could result in

problems with food security and may threaten the livelihood activities upon which majority of the population depend. CSA needs to be encouraged in India, to address the problem of agrarian distress, as it could enable enhancement in farmers' incomes.

1.13.3 Amending land leasing laws

There is a strong case for legalisation and liberalisation of land leasing as it would help promote agricultural efficiency, equity, occupational diversification and rapid rural transformation. In this context, an expert committee to review the existing agricultural tenancy laws of various states set up by NITI Aayog has suggested appropriate amendments in these laws, keeping in view the need to legalise and liberalise land leasing for much needed agricultural efficiency, equity, occupational diversification and rapid rural transformation. The committee has also prepared a model agricultural land-leasing act. According to the expert committee (NITI Aayog, 2016), legal restrictions on land leasing have affected agricultural efficiency and lifting them would improve agricultural efficiency, increase farm output and income.

Legalisation of land leasing would encourage large land owners to lease out land without fear of losing their land ownership rights and invest in non-farm enterprises (with appropriate capital and technology support), which is vital for occupational diversification and rapid rural transformation. This will reduce the pressure of population on agriculture and enable small farmers to augment their size of operational holdings by leasing in land, and finally will help in improving agricultural efficiency.

1.14 NABARD: HIGHLIGHTS OF 2015–16 AND THE WAY FORWARD

1.14.1 Supporting rural financial institutions

During 2015–16, NABARD sanctioned credit limits aggregating ₹71,497 crore to state cooperative banks (StCBs), RRBs and District Central Cooperative Banks (DCCBs) under the short-term refinance portfolio. NABARD's long-term refinance disbursement had touched ₹48,064 crore, an all-time high, marking a growth of 53 per cent over the previous year. With a view to giving a fillip to capital formation in agriculture GoI has over the last two years established a Long Term Rural Credit Fund with a corpus of ₹14,997 crore. NABARD has utilised the fund fully by providing refinance to RRBs and cooperative banks.

NABARD has been playing a critical role in promoting financial inclusion by facilitating financial literacy and supporting technological upgradation of cooperative banks and RRBs.

Based on the Potential Linked Credit Plans for 660 districts of the country, State Focus Papers were prepared for 2016–17 by the regional offices of NABARD to present a comprehensive picture of the potential available in various sectors of the rural economy, critical infrastructure gaps to be filled and linkage support to be provided by various government departments.

1.14.2 Financing rural infrastructure

The Rural Infrastructure Development Fund (RIDF) is a major source of funds for the states for the development of rural infrastructure. The cumulative allocations under RIDF stood at ₹2,60,159 crore as on 31 March 2016. During the year 2015–16, total loan sanctions stood at ₹28,830 crore against a corpus of ₹25,000 crore under RIDF XXI (2015–16). While the cumulative disbursements under RIDF stood at ₹1,90,021 crore as on 31 March 2016, disbursements during the year touched a record ₹23,510 crore. Further, as against the corpus of ₹10,000 crore, cumulative sanctions under Warehouse Infrastructure Fund (WIF) stood at ₹10,692 crore as on 31 March 2016. Disbursements under WIF were ₹1,361 crore during FY 2015–16. Cumulative disbursements under WIF (as on 31 March 2016) stood at ₹2,362 crore. During the year,11 Mega Food Park projects spread over nine states were accorded sanction of term loan of ₹477 crore, under the Special Food Processing Fund.

During 2015–16 a loan amount of ₹5,919 crore was sanctioned for 12 projects under NABARD Infrastructure Development Assistance (NIDA).These projects included bridges, drinking water, roads, electricity transmission and renewable energy. The cumulative term loans sanctioned since 2010–11 under NIDA stood at ₹10,567 crore spread across 41 projects and disbursement is ₹3,690 crore as on 31 March 2016.

While the cumulative disbursements under RIDF stood at ₹1,90,021 crore as on 31 March 2016, disbursements during the year touched a record ₹23,510 crore

1.14.3 Inclusive growth for sustainable rural prosperity

NABARD has taken a number of measures to promote sustainable agricultural development in the areas of watershed development, livelihood based programmes, natural resource management, agricultural technology transfer and development of tribal farmers enhancing the resilience of agriculture against climate change, and the promotion and financing of producers' organisations.

NABARD is the accredited National Implementing Entity (NIE) for the overall project monitoring and implementation of climate change projects under the three funding mechanisms, viz. Green Climate Fund (GCF), Adaptation Fund (AF), and National Adaptation Fund for Climate Change (NAFCC). It has been playing a pivotal role in scrutinising, prioritising, and strategising climate change projects, including aspects of finances and reporting aligned with national climate policies.

The fragmented and dispersed nature of farm holdings poses major problems for on-farm productivity and the resultant farm incomes, especially in rain-fed areas. Accordingly, the Producers Organisation Development and Upliftment Corpus (PRODUCE) Fund, with a corpus of ₹200 crore, was set up in NABARD during 2014–15 for the promotion of 2000 FPOs by March 2016. The target was achieved during 2015–16. Considering the fact that these entities being in a nascent stage, will not be able to offer any collaterals, bankers may not be enthusiastic about financing them, NABARD converted one of its subsidiaries 'Agri Development Finance (Tamil Nadu) Limited' into an all-India company and rechristened it as 'NABKISAN Finance Limited' to focus on financing of POs.

NABARD has launched a pilot project for the digitisation of all self-help groups (SHGs) in two districts, viz., Ramgarh (Jharkhand) and Dhule (Maharashtra). Based on the encouraging results, the pilot project is being extended to cover another 22 districts across the country during 2016–17.

1.14.4 New Challenges for NABARD: Agenda for 2016–17

- Encouraging capital formation through increased share of long term loan in agriculture credit.
- Operationalising Long Term Irrigation Fund, with an initial corpus of ₹20,000 crore with immediate focus on 23 identified irrigation projects in 9 states which together have a potential to irrigate 18.62 lakh hectares
- Climate resilient agriculture: NABARD is working with the Ministry of Environment, Forest and Climate Change (MoEF& CC), GoI and other stakeholders to identify projects which help farmers adapt to the climate change and also mitigate the effects of climate change. NABARD aims to generate projects with a total outlay ₹3,000 crore for posing to Green Climate Fund (GCF). It is also in the process of identifying projects amounting to about ₹250 crore to be sanctioned under the National Adaptation Fund for Climate Change (NAFCC).
- Focusing on its policies to enable doubling of farmers' income especially in the area of aggregation of producers, market linkages and credit expansion to uncovered farmers
- Repositioning its flagship inclusive and participatory micro finance programme of SHG Bank Linkage in states with lower coverage.

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2

Financing Small and Marginal Farmers

Strategies for Enhanced Institutional Finance

2.1 BACKGROUND

The world over, small-holders constituting the majority of farm families, contribute significantly to household, national and global food security.[1] Report by the High Level Panel of Experts compiling comparable data for 81 countries observed that Small Farms and Marginal Farms (SF/MF) cover two-third of the world population and 38 per cent of the agricultural area (FAO, 2013). Almost 73 per cent of the total number of holdings is in the category of less than 1 ha of area and 85 per cent is in less than 2 ha. About 87 per cent of the world's estimated 525 million small and marginal farms are located in Asia. China is placed first followed by India, Indonesia, Bangladesh and Vietnam (Oksana, 2005). The Asia and Pacific region also has the smallest holdings in the world with an average size of about 1 ha as against of 5.5 ha for the 114 FAO member countries for which the data was available. Further, as against the trend of enlarging size of holdings in western economies, holdings in Asia have consistently fragmented and reduced in size over time.[2]

[1] An internationally comparable set of criteria for the characterisation of a small farm is yet to be evolved. At the operational level, this categorisation is often made on the basis of factors such as land size, herd size, marketable surplus, income earning potential of the holding (yield, irrigation status, etc.) and the involvement of family labour. In India, the agriculture census defines farmer categories based on the size of holding, irrespective of its income generating capability. All India Report on Agriculture Census defines holdings with less than 1.0 ha as Marginal Farmers (MF) and those with holding size between 1.0 ha and upto 2.0 ha as Small Farmer category.

[2] During the three decades after 1970, average farm size in the United States (US) and Canada increased from 157 and 187 ha, respectively to 178 ha and 273 ha. Denmark, France and the Netherlands have seen a doubling of farm size since the early 1970s. Latin American countries like Peru and Brazil also show a similar enlargement of holdings as witnessed in western economies (Ramesh Chand, et.al. 2011)

The preponderance of smaller holdings and size reduction below a threshold has implications for adoption of technology, investments, productivity, viability and sustainability. The growing marginalisation lends a formidable challenge to policy makers and planners as it influences the livelihood of larger masses. If the recently announced target of doubling farm income by 2022 is to be met, issues confronting SF/MF must be addressed. This chapter provides an overview of the status and characteristics of SF/MF in the country. It outlines the constraints faced by small holders and suggests strategies to enhance credit flow to this crucial segment of farmers.

2.2 STATUS OF SF/MF IN INDIA

The growing trend of sub-division and fragmentation of landholdings continues to fuel the proliferation of SF/MF in India which contribute more than half the total value of agricultural output in the country. Consequently, most of the policies and fiscal programmes of the government are targeted at them.

Total number of operational holdings in the country was 13.83 crore in 2010–11, which increased from 11.58 crore in 2000–01. During the period, the number of SF/MF in India increased from 9.8 crore in 2000–01 to 11.7 crore in 2010–11. The number of holdings in the marginal category (less than 1 ha) constitute 67.1 per cent of the total operational holdings in the country (2010–11). In terms of area operated, the share of marginal holdings has doubled to 22.5 per cent in 2010–11 from 9 per cent in 1970–71. Similarly, the share of (operated area under) small holdings enlarged from 12 per cent to 22 per cent during the same

TABLE 2.1
Share of SF/MF in total number of holdings

(% to total)

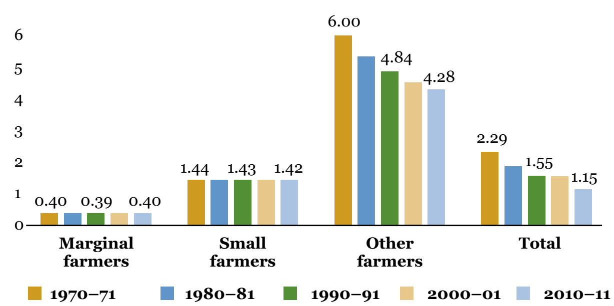
Year	*Particulars*	*Marginal farms (MF)*	*Small farms (SF)*	*Other farms (OF)*	*Total*
1970–71	No. of holdings	51.0	18.9	30.1	710
	Area operated	9.0	11.9	79.1	1,623
1980–81	No. of holdings	56.4	18.1	25.5	889
	Area operated	12.0	14.2	73.8	1,638
1990–91	No. of holdings	59.5	18.9	21.7	1,066
	Area operated	15.0	17.4	67.6	1,655
2000–01	No. of holdings	65.1	19.6	15.3	1,158
	Area operated	18.7	20.2	61.1	1,594
2010–11	No. of holdings	67.1	17.9	15.0	1,383
	Area operated	22.5	22.1	55.5	1,596

Note: Number of holdings in lakh and area in lakh hectares.
Source: Agriculture Census, Agriculture Census Division, Department of Agriculture and Farmers Welfare, GoI, 2015

period. Small and marginal holdings together, constitute 85 per cent of the total number of operational holdings and 44.5 per cent of the operated area in the country in 2010–11 (GoI, 2015) (Table 2.1).

The average operational holding of 2.29 ha in 1970–71 halved to 1.15 ha in 2010–11 (Exhibit 2.1). While the size of holding remained static in case of MF and SF at 0.4 ha and 1.4 ha respectively, the ‘other farmer’ category was affected the most, having declined from 6.0 ha in 1970–71 to 4.28 ha in 2010–11. Therefore, fragmentation is rampant, leading to proliferation of small sized holdings in the country.

Exhibit 2.1
Average size of holdings (hectare)



Source: Agriculture Census, Agriculture Census Division, Department of Agriculture and Farmers Welfare, Government of India, 2015

2.3 FEATURES OF SF/MF IN INDIA

Almost all the studies, survey results and committee reports on the subject are unanimous in identifying certain basic features of the SF/MF in India which are as follows:

2.3.1 Intensive cultivation practices

Small farms are characterised by intensive cultivation practices and optimisation of land use, primarily on account of larger involvement of family labour. Small farms are known for lower application of capital but higher use of labour and other family-owned inputs, and a generally higher index of cropping intensity and diversification (Thapa, 2009).

High irrigation intensity has also been reported in SF/MF (52.3 per cent of irrigated area to net area sown in case of MF, 44.6 per cent in case of SF) as compared to 45.7 per cent in case of all categories was reported in 2010–11 in India (GoI, 2015). Similarly, it was observed that SF/MF allocate a larger proportion of their cultivated land to high value crops like fruits and vegetables than staples such as rice and wheat as compared to other farmers and also engaged in rearing of animals (Birthal et al, 2011 and Mahendra Dev, 2012).

2.3.2 High yielding farms

High intensive use of input and greater involvement of family labour has resulted in high production per unit of land. Small farmers’ contribution to total value of output exceeds 50 per cent nationally in India. In almost all the states, their share in value of output is higher than their share in operational crop land, indicating that production per unit of land in small farms is higher than larger farms (NCEUS, 2008). Many studies have also confirmed the inverse relationship between farm size and productivity per hectare.

2.3.3 Involvement of weaker sections

The world over, rural households, the landless or those who own small plots of land or unprofitable land are often the poorest of the poor, with a high proportion of women (FAO/IFAD/WFP, 2012). In India too, the share of small farmers is relatively high amongst scheduled castes and tribes and size category of land is directly associated with perception of social status.

2.3.4 Poor access to core inputs and common resources

The constraints faced by the disadvantaged farmers include poor access to credit, critical inputs like water, power, seed, fertiliser/manure, market, neglect by extension services, crop research, high production risk and little insurance coverage and limited market access (Rangarajan, 2005). Over a period of time, it was found, that in the richer states and well-irrigated areas, big and rich farmers raising certain crops reaped a disproportionately high share of the major input subsidy programmes of fertiliser, power, irrigation and credit.

2.3.5 Lack of secured land rights

An important feature of SF/MF in India is the absence of proper secured land titles and predominance of tenancy cultivators. Land relations are extremely complicated in the country and this complexity has multiplied the predicaments confronted by the actual cultivators. Unregistered cultivators, tenants, and tribal cultivators face difficulties in accessing institutional credit and other facilities available to farmers with land titles (GoI, 2011). Across Asia land tenure reform has led to improvement in agricultural entrepreneurship, productivity, production, rural diversification, income growth and rural poverty reduction (Kirk and Nguyen, 2009). Studies in India have also highlighted that tenancy restrictions warrant refinement as they have reduced productivity and equity (Jin, Deininger and Nagarajan, 2006).

2.3.6 Lack of risk mitigation mechanism

The current development process and the lack of proper risk mitigation mechanisms have had a disproportionately adverse impact on SF/MF in India. For example, the overexploitation of groundwater aquifers has had a greater impact on small farmers as they are resource-poor, cannot access expensive pumps and often have insecure water rights (World Bank, 2007). Evidences have also highlighted high vulnerability of small farmers in the semi-arid region of south India due to crop shocks (Gaiha and Imai, 2004). The higher dependence on agriculture coupled with limited coping strategies, as compared to medium or large farmers makes the SF/MF based households more vulnerable to shocks and challenges on account of climate change.

The above features underscore the critical need for channelling larger financial resources to the SF/ MF at least in view of equitable provision of ground level credit (GLC).

2.4 INSTITUTIONAL CREDIT TO SF/MF

There are conflicting views on the demand for credit by SF/MF on account of differences in cropping pattern, crop intensity, input selection and usage, adoption of modern package of practice, involvement of family labour, adoption of commercial crops etc. However, there is no denying the fact that providing timely and affordable credit to the resource-constrained group (SF/MF) is the key to inclusive growth in India. Ground level credit (GLC) flow to agriculture has improved substantially during the last decade. Along with general trend, credit disbursement to SF/MF also improved. During 2014–15 while 56.9 per cent of the agriculture accounts belong to SF/MF category, only 41 per cent of loans disbursed flowed to SF/MF (Table 2.2).

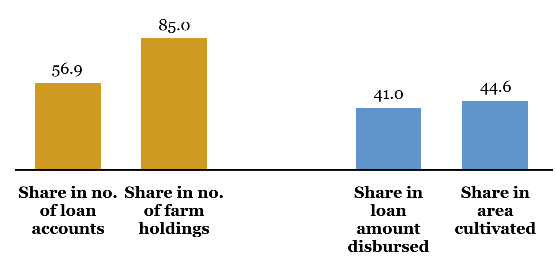
A comparison between the share of SF/MF in total number of holdings with number of accounts and that of the share in area cultivated with that of GLC reveals that access by SF/MF to institutional credit is not equal (Exhibit 2.2). Assuming a 'one farm one account'

TABLE 2.2
Share of SF/ MF in Ground Level Credit Flow to Agriculture (2007–08 and 2014–15)

Agency	2007-08					2014–15				
	No of accounts (lakh)		Loan disbursed (₹ crore)		Avg loan amt of SF/MF (₹)	No of accounts (lakh)		Loan disbursed (₹ crore)		Avg loan amt of SF/ MF(₹)
	Total	SF/ MF	Total	SF/MF		Total	SF/ MF	Total	SF/MF	
Commercial banks	174.8	97.4 (55.8)	81,088	52,231 (28.8)	53,625	426.2	195.4 (45.9)	6,04,376	1,97,540 (32.7)	1,01,075
Cooperative Banks	201.8	117.9 (58.4)	48,258	22,609 (46.9)	19,176	306.9	202.8 (66.1)	1,38,470	78,736 (56.9)	38,830
RRBs	62.7	42.2 (67.3)	25,312	15,019 (59.3)	35,590	120.5	87.8 (72.9)	1,02,483	70,390 (68.7)	80,153
Total	439.3	257.5 (58.6)	2,54,658	89,859 (35.3)	34,897	853.6	486.0 (56.9)	8,45,328	3,46,666 (41.0)	71,326

Note: Figures in parenthesis refer to share in total of that agency
Source: Corporate Planning Department, NABARD, Mumbai (compiled from reports collected from IBA, Cooperative banks and RRBs)

Exhibit 2.2
Share of SF/MF in financial and real parameters (%)



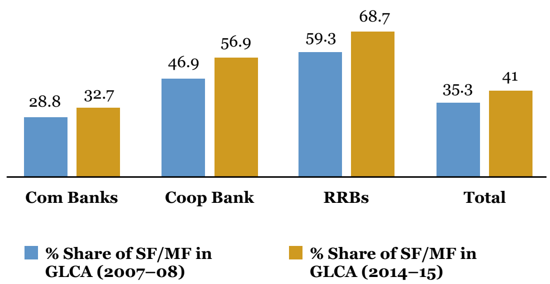
Source: (1) Agriculture Census, Agriculture Census Division, Department of Agriculture and Farmers Welfare, Government of India, 2015 (2) NABARD (compiled from reports collected from IBA, cooperative banks and RRBs) criterion for inclusion, it could be inferred that the gap is substantial (one-third of farm holdings are excluded). Similarly, the discrepancy between SF/MF share in the number of accounts and loan disbursed highlights that the average loan amount is substantially lower in case of SF/MF.

Though all agencies are actively involved in lending to SF/MF, agency-wise differences are found to be significant in terms of share in number of accounts and amount involved (Table 2.2).

The latest data shows deterioration in the share of SF/MF accounts in the total number of farmers financed by all agencies, which fell to 56.94 per cent in 2014–15 from 58.6 per cent in 2007–08. The decline was sharper in case of commercial banks with an almost 10 percentage point decline (from 55.8 per cent to 45.9 per cent during the period).In case of cooperative banks and RRBs the share of SF/MF increased substantially by 7.7 percentage points and 5.6 percentage points, respectively.

More importantly, in terms of the amount disbursed, the share of SF/MF which averaged at 35.3 per cent during 2007–08 showed an improvement during the year 2014–15 (41 per cent as seen in Table 2.2). The increase in the share of SF/MF in the total agriculture GLC was more evident in case of cooperative banks (10 percentage points) followed by RRBs (9.4 percentage points) and least in case of commercial banks. These changes in the number of accounts and loan amounts have made corresponding changes in the average loan amount of SF/MF accounts which have almost doubled during the period (Table 2.2 and Exhibit 2.3).

Exhibit 2.3
Change in the share of SF/MF in total GLC



Source: NABARD (compiled from reports collected from IBA, Cooperative banks and RRBs)

Clearly, there is an improvement in the SF/MF share both in terms of number of accounts as well as loan disbursed by all the agencies as revealed by a comparison of the situation in 2014–15 over 2007–08. Nevertheless, the SF/MF community still depends largely on cooperative banks and RRBs. Even with an enlarged share over the years, commercial banks still dedicate less than one-third of their total agriculture loan portfolio to SF/MF category, while the same for cooperative banks is more than half and RRBs about two-thirds in 2014–15. Thus, cooperatives and RRBs are better purveying mechanism than commercial banks when it comes to serving the small and marginal farmers, both in physical and financial terms.

The increased GLC towards SF/MF was attained more through credit deepening than widening. This was sharper in case of commercial banks. Despite increases in the number of holdings and expanding share in total area under cultivation there is no concomitant growth in GLC to SF/MF. Therefore it is imperative to bring down the barriers to SF/MF lending and for the social face of banking to view SF/MF lending favourably so that timely and affordable credit to this resource limited group can promote inclusive growth.

2.5 CONSTRAINTS TO FINANCING SF/MF

2.5.1 Increased number of small holdings/declining/stagnating size of holding

With continuous fragmentation and sub-division, the average size of holdings has been declining with each decade. On the demand side, this has limited the credit absorption capacity of SF/MF and slowed down GLC in agriculture. On the supply side, banks are reluctant to finance SF/MFs on account of high transaction and monitoring costs. There is a growing tendency to finance large-sized loans, especially by commercial banks as seen by the declining share of small-sized and mid-sized accounts (loans up to ₹2 lakh) in direct financing to agriculture (outstanding), which has declined from 47 per cent of total agricultural finance as at the end of March 2009, to almost 42 per cent by the end of March 2013. At the same time, the share of loans disbursed under the ₹2 lakh–₹10 lakh category increased from 23 per cent to almost 30 per cent during the same period, clearly indicating that banks focus on high ticket loans.[3]

2.5.2 Lack of proper Record of Right

In a security-oriented system of lending (especially in case of agriculture credit), followed in India, the inadequate availability of collateral was considered as the major reason for low penetration of institutional credit (particularly investment credit) amongst SF/MF and landless farmers. Often small holders are not able to use their holdings as collateral due to the absence of proper titles or Record of Rights (ROR).

[3] *Banking Statistics: Basic Statistical Returns of Scheduled Commercial Banks in India* (various issues), RBI

2.5.3 Increased share of landless/tenant farmers/share croppers

Ever-increasing urbanisation and mass migration from rural areas, along with fragmentation of land holdings, has accelerated the proliferation of tenant farming in the country. As per National Sample Survey reports, the leased-in area as percentage of operated area at the all India level was 10.88 per cent in 2012–13,an increase of 4.38 percentage points over a decade from 6.5 per cent recorded in 2002–03 (GoI, 2014). Despite various efforts (such as aggregation models like joint liability groups/self-help groups/farmer producer organisations etc.), the share of GLC to the resource starved segment, still remains far from what is required. The legal framework and lease land market are imperfect and devoid of uniformity across the states. The result is that various forms of informal arrangements prevail in leased-in cultivation without any formal records or agreements, ejecting them from the ambit of institutional credit.

2.5.4 Notion of high NPAs

Besides higher transaction costs, another reason often cited for the tepid response to agriculture loans, especially to small farms, is the high prevalence of non-performing assets (NPAs) in the sector. However, such an argument is not supported by any data as NPAs in agriculture are almost comparable with other sectors under priority sector lending (PSL). As on March 2014, RBI (2014) reported that the overall NPA has been increasing across sectors and the phenomenon is not confined to agriculture alone.

2.6 THE WAY FORWARD: STRATEGIES FOR FINANCING SF/MF

In view of the constraints and shortcomings, discussed in the foregoing sections, the following suggestions are made to improve agriculture credit flow to SF/MF, tenant farmers, share croppers, landless farmers etc.

2.6.1 Strict adherence of target group stipulations and placing a sub-limit to tenant farmers/share croppers

Latest PSL guidelines by RBI stipulate that within the 18 per cent target outlined for agriculture, 8 per cent of Adjusted Net Bank Credit (ANBC) or credit equivalent amount of off-balance sheet exposure, whichever is higher, be prescribed for small and marginal farmers. This is to be achieved in a phased manner i.e., 7 per cent by March 2016 and 8 per cent by March 2017.[4] In view of the fact that the current share of SF/MF in the agricultural credit portfolio of commercial banks hovers around at 33 per cent, attaining 44.4 per cent stipulation (equivalent to 8 per cent of ANBC) is a tall order. If proper credit widening policy is adopted (as against the deepening strategy, being resorted to now) such a hike can improve credit delivery to SF/MF.

2.6.2 Farmers' aggregations

Farmers' producer organisations (FPOs) help in overcoming the challenges of high transaction costs, security stipulations of loans and also support smallholders in gaining access to markets, public services, better price etc. through collective action. Aggregation of farmers, in the category of SF/MF, tenants, and sharecroppers into cooperatives, associations, societies, joint liability groups (JLGs), self-help groups (SHG) and FPOshas proved to be an effective mode to improve access to credit. Group-based approach also helps in dispensing incentives/support in the form of subsidy (for farm mechanisation, irrigation structures, land development etc.) to the target groups without leakage. Consolidation of fragmented landholdings and group-based activities enable farmers to reap the advantages of scale, collective bargaining power, recognition of their basic rights, and also provide an innovative and enabling institutional environment for development.

Producer Organisations Development Fund (PODF) set up in NABARD in 2011–12, supports producers' organisations (POs) to spearhead promotional, credit-plus activities, aggregation, processing and marketing activities to ensure better income realisation to its members. Producers Organisation Development and Upliftment Corpus Fund (PRODUCE) was set up in NABARD with a corpus of ₹200 crore for promotion and nurturing of 2,000 FPOs through financial and non-financial support. At the end of March 2016,

[4] Master Circular No. FIDD.CO.Plan.BC.04/04.09.01/2015-16 dated July 1, 2015, RBI

2,173 FPOs had been handheld with a larger concentration (more than 100 FPOs per state) in states like Karnataka, Rajasthan, Tamil Nadu, West Bengal, Madhya Pradesh, Uttar Pradesh, Odisha, Maharashtra, Kerala, Gujarat Bihar, and Andhra Pradesh.

2.6.3 Overcoming security related issues through joint liability groups

Joint Liability Group (JLG) model was formulated as a pilot scheme by NABARD in 2004–05. As an informal group of 4–10 individuals coming together for the purpose of availing bank loan either singly or through the group mechanism against a mutual guarantee, JLGs have proved to be effective in spreading institutional credit to the less privileged sections. As the quantum of credit is not linked to savings, JLGs are a better route for meeting larger credit requirements of the members as compared to SHGs, minimising the waiting period for loans and getting the loans without the insistence on collateral by banks (Nair, 2010). JLGs can, at one level, take care of the needs of mid-segment clientele like small farmers, micro entrepreneurs etc. and at another level they can cater to the more marginalised sections who do not have access to proper documents like land records and property records (like tenant farmers) (NABARD, 2014).

JLGs have proved to be the best medium for financing landless farmers, tenant farmers, sharecroppers and oral lessees and the success of the programme has led to the declaration of GoI a plan to finance 5 lakh tenant farmers in 2015–16. NABARD's support towards awareness creation and capacity building of the stakeholders and members of JLGs, promoted and financed by banks, as at end of March 2015 was about ₹11 lakh.

2.6.4 Land lease markets

In view of changing land relations, land lease markets need to be reformed to ensure availability of land for cultivation to marginal and small farmers. Essentially, it is imperative to have an enabling land leasing environment—conditions in which farmers who are willing to cultivate can have access to land from those who wish to leave agriculture. There is a need to have a legal framework that secures operational freedom of tenure for tenants during the period of contract as also the right of the land owners to resume use of land after the period of contract is over. A closer look at the issue of standardisation of leasing practices across the states is also necessitated. The central government needs to issue suitable guidelines to state governments to have uniformity in laws regarding land leasing, especially on protecting legal rights of the owners, operational flexibility to the cultivators, tenure, periods, rentals etc.

The loan eligibility certificate system for tenants introduced in Andhra Pradesh has reportedly enhanced access to credit by overcoming the need for written tenancy agreements (which landowners are reluctant to provide).[5] Government of Andhra Pradesh has issued Loan Eligibility Cards to about 58 per cent of the tenants in the state, and several studies have since highlighted

[5] Government of Andhra Pradesh has passed the Andhra Pradesh Licensed Cultivators Act in December 2011, issuing Eligibility Cards to farm operators, without affecting the rights of the landowners, enabling them to access credit from public financial institutions and other benefits like input subsidy, crop insurance, and compensation for damage to crops.

the positive impact these cards have had in terms of improved access to credit by the tenant farmers, though the system is not without its shortcomings (Revathy, 2014). The concept is worth replicating in other states with proper modifications to suit local conditions (as suggested by various studies to overcome reported shortcomings in Andhra Pradesh).

2.6.5 Digitisation of land records

Computerisation of land records was primarily a facilitative process with a much broader objective. Access to computerised RORs has reportedly reduced the time taken for submitting copy of RoR to banks, which in turn, has helped the farmers in availing bank loans quickly. Banks are also able to access information on property rights by viewing/checking records, including abstracts of past transactions i.e. Encumbrance Certificates (ECs) and RORs online. The 'Bhoomi' programme in Karnataka,[6] which has registered improvement in access to ROR, can be replicated in other states with the support available under the National Land Records Modernisation Programme (NLRMP) of GoI.[7]

[6] In Karnataka, Bhoomi, the project of online delivery and management of land records provides transparency in land records management with better citizen services. Bhoomi has computerised 20 million records of land ownership of 6.7 million farmers in the state which are accessible through 'kiosks' for a service charge of ₹10. Further, manual RoRs have been rendered invalid.

[7] The National Land Records Modernisation Programme (NLRMP) was launched in August 2008 to modernise the management of land records, minimise scope of land/property disputes, enhance transparency in the land records maintenance system, and facilitate eventual movement towards guaranteed conclusive titles to immovable properties in the country.

2.6.6 Infrastructure and common assets

Access to common resources is crucial in reducing the cost of cultivation and accelerating private investment; thereby, provide better and stable net income. Inequitable access to land and water critically hinders the productive potential of smallholder farmers. Conditions for improved access to common resources, especially of crucial ones like water, land, seeds, etc. and infrastructure like marketing, storage, transportation, connectivity, need to be more lenient for SF/MF. At present, most of the subsidies available in the sector are size-neutral, leading to a situation where a larger share being is cornered by bigger farmers almost proportionate to the size of land. The subsidy purveying system needs to be fine-tuned in such a way that larger share of the benefit reaches the vulnerable sections, especially in resource-stressed regions. Advantages of initiatives on group based farmer centric marketing,[8] watershed development, Wadi model of orchard development, natural resource management, custom hiring services etc. provide opportunities

[8] Group based marketing initiatives such as Vegetable and Fruit Promotion Council Keralam (VFPCK) are worth replicating in other states. VFPCK has formed around 9476 SHGs of more than 1.85 lakh commercial fruits and vegetables farmers in Kerala and promoted 274 production centre oriented markets through which 1.29 lakh MT of produce was sold in the year 2015–16, valued at ₹253.77 crore.

There are successful examples of smallholders benefiting from information and communication technology (ICT) such as the *e-Choupal* initiative of ITC which is changing the lives of thousands of farmers in India.

Direct marketing initiatives such as Uzhavvar Santhail in Tamil Nadu, Rythu Bazars in Andhra Pradesh and Apni Mandi in Punjab and Rajasthan, SEWA in Gujarat, Kudumbashree in Kerala etc. have been successful in improving net income of the SF/MF by reducing the distance between the producer and consumer.

to the SF/MF and other marginalised sections of the society.

The advantages of improved technology in farm mechanisation, that help to overcome productivity challenges in agriculture, often elude SF/MF on account of lack of affordability and bulkiness of investment. Custom Hiring Centres, especially of groups of SF/MF, facilitate hiring of machines and implements suited to the farm and crop requirements and enable timeliness and precision, leading to improvement of productivity per unit of crucial inputs. Channelling incentives (in the form of subsidies), to SF/MF groups for custom hiring centres, therefore, will generate more externalities, and improve net income of small farms.

2.6.7 Integrated / Homestead approach for lending

In view of the small size of farm and ongoing fragmentation, SF/MF cannot depend purely on agriculture for livelihood. Promotion of integrated farm activities along with allied and off-farm activities to improve the viability of SF/MF in the country needs to be focused upon. Banks need to develop suitable credit products to meet the entire credit needs of such farmstead for investment in input intensive activities in order to maximise family income. Incentive-based scheme for promotion of allied activities, adequate support services and infrastructure etc. may have a larger impact.

2.6.8 Risk mitigation measures

It is generally perceived that the SF/MF category is more susceptible to shocks and damages. There is a need to put in place a suitable risk mitigation mechanism responsive to SF/MF, encouraging them to adopt high value crops and make larger investments in agriculture. The government may consider providing subsidised /cost-free crop insurance coverage to the crops cultivated by SF/MF to promote commercial crop cultivation and diversification. There is also a need to encourage diversification with a larger attention to allied activities, thrust on value addition, off-farm and non-farm activities to buffer the shocks in the small farms.

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3

Supporting Rural Financial Institutions

Increasing agricultural production and productivity, improving access to markets through reforms and providing better facilities for storage of produce can contribute to increased income from farming, farm-related and off-farm activities in rural India. Expansion of financial services, especially credit, for different segments of rural society is critical for boosting rural growth. Financial product innovations which address the customer needs in a sustainable manner, therefore, assume importance. This presupposes the existence of strong rural financial institutions. NABARD pursues this goal to fulfil the credit and financial needs of the rural society, through commercial banks (CBs), cooperative banks, Regional Rural Banks (RRBs), and non-banking financial companies (NBFCs).

3.1 SHORT-TERM CREDIT

NABARD sanctioned credit limits aggregating ₹71,497 crore as short term refinance to State Cooperative Banks (StCBs), District Central Cooperative Banks (DCCBs) and RRBs, during 2015–16 with maximum outstanding of ₹71,217 crore (99.61 per cent utilisation). This line of credit assists the rural financial institutions (RFIs) to meet the production and working capital needs of farmers, weavers, artisans, etc., thus augmenting ground level credit flow towards agriculture and allied activities.

3.1.1 Policy Guidelines for StCBs

For better overall utilisation of available resources, NABARD rationalised refinance limits of StCBs for short term operations. For the financial year 2015–16, these limits were set at:

- 45 per cent of their Realistic Lending Programme (RLP)[1] for general areas;
- 50 per cent of the RLP for the Eastern region including Bihar, West Bengal, Odisha, Jharkhand, Chhattisgarh, and 28 districts of Eastern Uttar Pradesh; and
- 65 per cent of RLP for the North Eastern Region (NER), Jammu and Kashmir, Sikkim, Andaman and Nicobar Islands, Himachal Pradesh, and Uttarakhand

The policy of linking refinance eligibility with the capital to risk weighted assets ratio (CRAR) of StCBs was continued for better accountability.

3.1.2 ST-SAO Refinance to StCBs

During the year 2015–16 an amount of ₹54,000 crore was allocated under Short Term Cooperative Rural Credit (STCRC) Fund by GoI as against ₹60,000 crore during the previous year. As a result, aggregate credit limits of ₹53,774 crore were sanctioned to 25 StCBs during 2015–16, which was fully utilised. The Short-term Seasonal Agricultural Operations (ST-SAO) credit limit for StCBs during 2015–16 included the following specific components:

a. ₹5,726.65 crore for the National Mission on Oil Seeds and Oil Palm (NMOOP-Oilseeds);

b. ₹2,765.92 crore for credit requirements under Development of Tribal Population (DTP) ;

c. ₹531.63 crore for National Food Security Mission-Pulses (NFSM-Pulses).

[1] Realistic Lending Programme has been defined as crop loans likely to be disbursed during the year and not the outstanding which includes overdues.

3.1.3 ST-OSAO Refinance to StCBs

A consolidated short term refinance limit was sanctioned to the StCBs, other than seasonal agricultural operations (ST-OSAO) in financial year (FY) 2015–16. StCBs with sub-10 per cent net non-performing assets (NPAs), as on 31 March 2014, were considered eligible for refinance under ST-OSAO during 2015–16. The NPA norms were relaxed by 5 per cent for StCBs in NE region.

A consolidated ST (Others) limit of ₹837 crore was sanctioned to 5 StCBs, viz. Telangana, Punjab, Maharashtra, Haryana, and Andhra Pradesh, during 2015–16 as against ₹150 crore during 2014–15 showing an increase of 458 per cent. The amount utilised was ₹603.42 crore in 2015–16.

3.1.4 Support for Weavers

In order to meet the working capital requirements of primary, apex, and regional weaver societies, refinance assistance was extended to StCBs. Consolidated limits were sanctioned to StCBs on behalf of eligible DCCBs. During 2015–16, an aggregate credit limit of ₹235.47 crore was sanctioned to three StCBs, viz. Tamil Nadu, Puducherry, and Andhra Pradesh, for production, procurement, and marketing activities of weavers against which the utilisation was ₹188.22 crore.

Refinance assistance was extended for production and marketing of handloom products made by individual weavers, handloom weaver groups, and master weavers and was made available to cooperative societies also through commercial banks.

3.1.5 Policy Guidelines for RRBs

As in the case of the StCBs, the refinance policy for RRBs also reflected a similar rationalisation of refinance support. The maximum refinance offered to RRBs for short-term operation was fixed at:

- 25 per cent of the RLP for general areas;
- 30 per cent of the RLP for the eastern region including Bihar, West Bengal, Odisha, Jharkhand, Chhattisgarh, and 28 districts of eastern Uttar Pradesh; and
- 50 per cent of RLP for NER, Jammu and Kashmir, Sikkim, Andaman and Nicobar Islands, Himachal Pradesh, and Uttarakhand.

Significantly, the CRAR norms were introduced for considering refinance to RRBs during FY 2015–16.

3.1.6 ST-SAO Refinance to RRBs

During the year 2015–16 an amount of ₹16,000 crore was allocated under Short Term RRB Refinance (STRRB) Fund by GoI as against ₹30,000 crore during the previous year. Consequently credit limits aggregating ₹16,000 crore were sanctioned to 56 RRBs under the ST-SAO during 2015–16, which was fully utilised by RRBs.

The ST-SAO credit limit for RRBs during 2015–16 included the following specific components:

a. ₹736.26 crore for NMOOP-Oilseeds;

b. ₹103.00 crore for DTP; and

c. ₹44.53 crore for NFSM-Pulses.

3.1.7 ST-OSAO Refinance to RRBs

Refinance assistance is also extended to RRBs to finance marketing of crops, pisciculture, and similar specified purposes other than seasonal agricultural operations. RRBs with CRAR of 9 per cent and above, as on 31 March 2014 or 2015, as the case may be, were considered eligible for refinance. NPA norms were continued for fixation of quantum of ST (OSAO). No credit limit was available for RRBs having an NPA of above 15 per cent. These limits were relaxed by 3 per cent for RRBs in NER and hilly states. An aggregate limit of ₹424.20 crore was sanctioned under ST (Others) in 2015–16 as against ₹186 crore during FY 2014–15 showing a significant expansion. The limit was fully utilised during FY 2015–16 in comparison to mere ₹1.50 crore during 2014–15.

3.1.8 ST-SAO Refinance to Commercial Banks

Members of Primary Agricultural Credit Societies (PACS) affiliated to cooperative institutions rendered ineligible for refinance do not get adequate credit support. To extend crop loans to farmer members of such PACS, NABARD has started refinancing short term agricultural loans to public sector banks (PSBs) since 2011–12. During 2015–16 an amount of ₹226.54 crore was disbursed to PSBs against a target of ₹225 crore.

3.1.9 Medium-term Conversion

To provide relief to farmers distressed from crop damage due to natural calamities, NABARD provides medium-term conversion support to StCBs and RRBs. Under this refinance option, ST crop loans advanced under SAO are converted to Medium-term Conversion [MT (C)] loans.

In FY 2015–16, in order to align with revised policy of GoI on crop loss criteria, NABARD modified its policy for MT(C). Accordingly, refinance for conversion was extended to StCBs in areas having a crop loss of more than 33 per cent.

An amount of ₹585.09 crore was sanctioned (₹231.64 crore to Madhya Pradesh StCB and ₹353.45 crore to Maharashtra StCB) and ₹484.79 crore disbursed during 2015–16 under this line of credit. This has provided necessary relief to affected farmers.

3.1.10 Loans to State Governments

NABARD provides long-term (LT) loans to state governments under Section 27 of NABARD Act, 1981 to contribute to the share capital of cooperative credit institutions. This reimbursement-based support is intended to encourage larger lending programmes by these cooperatives to meet agricultural credit requirements.

Keeping in view the demand and need for enabling state governments to avail loan from NABARD for contribution to share capital of cooperative banks, so as to equip them to achieve and maintain CRAR norms as stipulated by RBI, the following changes were made in policy for 2015–16:

i. The unlicensed cooperative banks if backed by revival package of the concerned state government will also be eligible for assistance;

ii. The annual cap on quantum of loan for contributing to the short-term cooperative structure has been dispensed with.

An amount of ₹27.96 crore was disbursed to the Government of Haryana under this refinance support during 2015–16.

3.1.11 Loans to Farmers against Negotiable Warehouse Receipts

In order to discourage distress sale by farmers and to encourage them to store their produce in accredited warehouses against warehouse receipts, GoI extended the benefit of 2 per cent interest subvention to banks for extending credit from their own funds. Banks were eligible for subvention for extending credit support up to ₹3 lakh at an interest rate of 7 per cent per annum to small and marginal farmers having Kisan Credit Card (KCC) for a period of up to six months post-harvest, against Negotiable Warehouse Receipt (NWRs) for keeping their produce in accredited warehouses.

NABARD provides refinance to banks at an interest rate of 4.5 per cent for loans up to ₹3 lakh granted to SF/MF having KCC against NWRs. Keeping in view the ground level situation, as also to increase the flow of credit under this scheme, the quantum of refinance to StCBs was increased from 60 per cent to 100 per cent of their RLP. An amount of ₹0.50 crore was disbursed to Tamil Nadu StCB as against the target of ₹1 crore during FY 2015–16.

ST-SAO and NWR loans were refinanced at 4.5 per cent while the same for weavers was at 9.1 per cent. MT conversion loans were refinanced at minimum of 8.2 per cent or 3 per cent below the rate charged to the ultimate borrower.

3.2 REFINANCE SUPPORT TO RFIS FOR INCREASING FLOW OF LONG TERM CREDIT

NABARD extends long-term (LT) refinance support for asset creation and capital formation, which are critical for agricultural growth and rural development through SCBs, RRBs and cooperative banks. Refinance is available for agriculture and allied activities, as well as off-farm activities with repayment periods ranging from 18 months to 15 years. The purposes for loans extended under LT refinance include farm investments, allied activities, micro, small, and medium enterprises, agro-processing, organic farming, non-conventional energy, self-help groups, joint liability groups (JLGs), and rural housing.

3.2.1 Policy Guidelines for LT Refinance Support

a. *NPA Levels*

For the year 2015–16, the eligibility criteria for refinance continued to be linked to net NPA in case of SCBs, StCBs, RRBs and primary urban cooperative banks (PUCBs), whereas for State Cooperative Agriculture and Rural Development Banks (SCARDBs), it was linked to their risk profile.

SCBs and North Eastern Development Finance Corporation Ltd (NEDFi) were eligible for LT refinance if their net NPA was less than 4 per cent as on 31 March 2014. For PUCBs, the NPA norm was three per cent or less as at close of financial year 2013–14.

Unlicensed StCBs, and also DCCBs and StCBs with net NPA above 20 per cent (or audit classification 'C'/'D') were ineligible for refinance. SCARDBs categorised as 'high risk' were not eligible for refinance during 2015–16. RRBs with net NPA above 15 per cent were also considered ineligible for LT refinance.

In case of improvement or deterioration in NPA levels of any of these banks or institutions after completion of statutory audit on 31 March 2015, the same was reconsidered for eligibility of refinance.

b. *CRAR Norms*

Along with net NPA norms, CRAR norms were also included in 2015–16 LT refinance policy. Licensed StCBs/DCCBs with CRAR above four per cent as on 31 March 2014 were eligible for refinance. In case of StCBs with CRAR more than four per cent but individual DCCBs with less than four per cent, no refinance was available to StCBs on behalf of such DCCBs.

CRAR norms were introduced for LT lending to RRBs also. RRBs with CRAR of more than 9 per cent as on 31 March 2014 were eligible for refinance.

c. *Eligibility for NBFCs*

Eligibility criteria for RBI registered Non-Banking Financial Companies (NBFCs) were as under:

i. Rated 'AA' by a SEBI approved rating agency;

ii. Lending experience of 5 years or more;

iii. Net NPAs not exceeding 3 per cent; and

iv. Conforming to prevailing RBI stipulated capital adequacy ratio (presently, 15 per cent).

The eligibility of NBFC–MFIs to avail LT refinance from NABARD was relaxed by one notch from top rating of 'mFR1'/'MF1'.

d. *Concession to Plantation and Horticulture*

Keeping in view the broad objectives of National Mission on Sustainable Agriculture (NMSA), NABARD introduced a scheme to provide refinance at concessional rate for specific activities under plantation and horticulture as well as for other area-based schemes prepared under banking plan. Refinance was available up to 100 per cent, and the rate of interest was fixed at 0.5 per cent per annum less than the prevailing rate of interest on refinance granted to RRBs and cooperative banks.

e. *Concessions for Women SHGs under NRLM*

NABARD provided concessional refinance at 4.5 per cent to StCBs and RRBs against loans provided by them to women Self-help Groups (SHGs). This concession was offered to banks who lent at an interest rate of 7 per cent per annum up to ₹3 lakh per SHG in 150 districts identified under the National Rural Livelihood Mission (NRLM) of the Ministry of Rural Development, Government of India (MoRD, GoI).

f. *100 per cent Refinance for Thrust Areas*

Refinance was extended to SCBs, StCBs, RRBs, and subsidiaries of NABARD[2] up to 100 per cent of the eligible bank loan for all activities under 'thrust areas' in all regions and at 95 per cent for other activities. Up to 100 per cent refinance was provided to SCARDBs for all the eligible purposes across all regions.

g. *Special Package for NER and Other Regions*

NABARD continued its policy of relaxation in net NPA norms by 5 per cent for StCBs and by 3 per cent for RRBs in NER. Refinance support of up to 100 per cent of the eligible bank loan is provided for all client institutions barring NBFCs, to increase the credit flow for all purposes in:

- Eastern region—West Bengal, Odisha, Bihar, Jharkhand, and Andaman & Nicobar Islands;
- NER—Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, and Sikkim;
- Hilly region—Jammu and Kashmir, Himachal Pradesh, and Uttarakhand; and
- Lakshadweep and Chhattisgarh.

In case of NBFCs in NER, hilly region, and eastern region their eligibility to avail LT refinance from NABARD was relaxed from 'AA' to 'A', subject to fulfilment of other prescribed terms and conditions. Similarly, eligibility of NBFC–MFIs in these states to avail LT refinance was also relaxed further by a notch from one notch below top rating. These relaxations brought NBFCs and NBFC–MFIs at par with StCBs and RRBs operating in these regions.

h. *Long Term Rural Credit Fund*

To boost capital formation in agriculture GoI had set up Long Term Rural Credit Fund (LTRCF) with NABARD in 2014–

[2] NABARD Financial Services Ltd (NABFINS), Agri Business Finance Ltd (ABFL), and NABKISAN Finance Limited (NKFL)—previously, Agri Development Finance (Tamil Nadu) Ltd.

15 to exclusively provide LT refinance support to cooperative banks and RRBs. The corpus of the LTRCF was increased three times to ₹14,997 crore in 2015–16. The interest rate on refinance, prescribed at 6.70 per cent per annum at the beginning of 2015–16, was revised to 6.20 per cent per annum w.e.f. 29 October 2015, with an advisory that the banks pass this benefit to the farmers.

i. MT Refinance

All the investment credit activities eligible for LT refinance from NABARD were eligible for 'medium-term refinance' with the term ranging from 18 months to 3 years.

j. Rates of Interest on Refinance

The rates of interest on LT credit for refinance ranged between 8 and 11 per cent per annum depending upon the type of agency and quantum of refinance. Interest rates were revised five times during 2015–16. Scheduled commercial banks (SCBs) and RRBs enjoyed a three per cent spread between the cost of credit for refinance and rate of interest charged from micro-finance institutions (MFIs) for on-lending to clients.

k. Security Norms

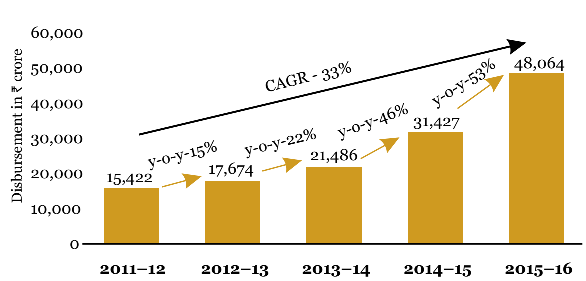
All financial institutions borrowing from NABARD are required to execute a General Refinance Agreement with NABARD. The assets created out of the loan are the primary security held by the concerned bank. However, all such securities are held (or may be held) by such borrowing institutions, in trust for NABARD.

Refinance support to non-scheduled StCBs was made available against guarantee provided by state government. In the absence of government guarantee, alternative pledges such as government securities, fixed deposit receipts (FDRs), etc. issued by scheduled banks or StCBs (with good ratings) were considered to extend refinance to these banks, subject to NABARD-prescribed terms and conditions. Refinance to SCARDBs was made only against government guarantee.

3.2.2 Refinance Disbursement

Over the past 5 years LT refinance recorded a CAGR of 33 per cent (Exhibit 3.1). This has provided the much needed boost to capital formation in agriculture and rural sector. During 2015–16 an amount of ₹48,064 crore was disbursed as refinance as against a target of ₹45,000 crore.

Exhibit 3.1
Annual LT refinance disbursement and y-o-y growth (%)



Source: NABARD

3.2.3 Agency-wise LT Refinance Disbursement

During 2015–16 out of the total disbursements of ₹48,063.72 crore, the maximum share of 47.49 per cent went to SCBs, followed by RRBs (25.26 per cent), StCBs (12.96 per cent), SCARDBs (6.78 per cent), NBFCs (6.24 per cent), and NABARD Subsidiaries (1.27 per cent). All the agencies showed an upward growth trend in the last 3 years except PUCB (Table 3.1).

Over the past 5 years LT refinance recorded a CAGR of 33 per cent. This has provided the much needed boost to capital formation in agriculture and rural sector.

TABLE 3.1
Agency-wise Disbursement of Refinance

(Amount in ₹ crore)

Agency	2013–14		2014–15		2015–16	
	Disbursed	Share (%)	Disbursed	Share (%)	Disbursed	Share (%)
SCBs	13,254.62 (8,500.00)	61.69 (50.03)	13,675.20 (9,900.00)	43.51 (39.62)	22,823.54 (20,000.00)	47.49 (44.45)
RRBs	4,303.66 (3,915.00)	20.03 (23.04)	10,220.91 (8,000.00)	32.52 (32.01)	12,139.68 (13,699.00)	25.26 (30.44)
StCBs	1,713.32 (1,975.00)	7.97 (11.62)	3,818.09 (3,500.00)	12.15 (14.01)	6,231.12 (5,000.00)	12.96 (11.11)
SCARDBs	1,814.95 (2,000.00)	8.45 (11.77)	2,923.97 (2,600.00)	9.30 (10.40)	3,258.26 (3,200.00)	6.78 (7.11)
PUCBs	30.00 (100.00)	0.14 (0.59)	0.00 (100.00)	0.00 (0.40)	0.00 (0.00)	0.00 (0.00)
NABARD subsidiaries	369.61 (500.00)	1.72 (2.94)	489.13 (490.00)	1.56 (1.96)	611.12 (600.00)	1.27 (1.33)
NBFCs	0.00 (0.00)	0.00 (0.00)	300.00 (400.00)	0.95 (1.60)	3,000.00 (2,500.00)	6.24 (5.56)
Total	**21,486.17 (16,990)**	**100.00 (100)**	**31,427.30 (24,990)**	**100.00 (100)**	**48,063.72 (44,999)**	**100.00 (100)**

Note: Figures in parenthesis indicate targets for the year

3.2.4 Region-wise Disbursement

The spatial distribution of LT refinance disbursement indicates that a major share has gone to the states from the southern region (49 per cent), followed by northern (15 per cent), western (14 per cent), eastern (11 per cent), central (10 per cent) and north-eastern (1 per cent) regions (Table 3.2).

TABLE 3.2
Region-wise Disbursement of Refinance

(Amount in ₹ crore)

Region	2013–14		2014–15		2015–16	
	Disbursed	Share (%)	Disbursed	Share (%)	Disbursed	Share (%)
Northern	4,411.74	20.53	5,260.99	16.70	7,106.08	14.80
North Eastern	171.72	0.80	385.45	1.20	481.37	1.00
Eastern	1,833.15	8.53	3,711.66	11.80	5,500.73	11.40
Central	1,804.04	8.40	3,131.63	10.00	4,498.64	9.40
Western	3,058.84	14.24	4,951.66	15.80	6,812.78	14.20
Southern	10,206.68	47.50	1,3985.92	44.50	23,664.12	49.20
Total	**21,486.17**	**100.00**	**31,427.30**	**100.00**	**48,063.72**	**100.00**

Note:
- Southern: Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, Puducherry and Lakshadweep Islands
- Western: Gujarat, Goa, Maharashtra, Dadra & Nagar Haveli and Daman & Diu
- Northern: Haryana, Himachal Pradesh, Punjab, Rajasthan, Jammu & Kashmir, Delhi and Chandigarh
- Central: Madhya Pradesh, Chhattisgarh, Uttar Pradesh and Uttarakhand
- Eastern: Bihar, Jharkhand, Orissa, West Bengal and Andaman & Nicobar Islands
- North Eastern: Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim

3.2.5 Purpose-wise Disbursement

Non-farm sector (NFS) activities accounted for a major chunk of refinance with over 29 per cent share followed by SHGs (~14 per cent), farm mechanisation (~12 per cent), dairy development (~6 per cent), and plantation and horticulture (~4 per cent) as the other major purposes for which LT credit was disbursed (Table 3.3).

TABLE 3.3
Purpose-wise Disbursement of Refinance

(Amount in ₹ crore)

Purpose	2013–14		2014–15		2015–16	
	Disbursed	Share (%)	Disbursed	Share (%)	Disbursed	Share (%)
Minor irrigation	517.87	2.41	1,147.17	3.65	1,174.30	2.44
Land development	834.05	3.88	1,300.16	4.14	1,554.50	3.23
Farm mechanisation	3,062.40	14.25	2,383.60	7.59	5,672.29	11.80
Plantation and horticulture	690.59	3.21	2,033.45	6.47	1,983.37	4.13
PF/SGP/ AH-Other	620.59	2.89	672.52	2.14	1,237.16	2.57
Fisheries	21.81	0.10	64.15	0.20	370.52	0.77
Dairy development	931.89	4.34	1,770.63	5.62	2,833.98	5.90
Forestry	6.39	0.03	8.29	0.03	5.90	0.01

(contd)

Purpose	2013–14		2014–15		2015–16	
	Disbursed	Share (%)	Disbursed	Share (%)	Disbursed	Share (%)
Storage godown and market yard	379.32	1.77	294.21	0.94	413.37	0.86
Swarnajayanti Gram Swarojgar Yojana (SGSY)	54.96	0.26	0.81	0.003	0.49	0.00
Non-farm sector	7,806.46	36.33	11,117.83	35.38	14,055.88	29.24
SC/ST-AP	14.70	0.07	2.47	0.007	36.14	0.08
SHG	3,745.83	17.43	4,493.67	14.29	6,906.02	14.37
Others	2,799.32	13.03	6,138.34	19.54	11,819.80	24.59
Total	**21,486.17**	**100.00**	**31,427.30**	**100.00**	**48,063.72**	**100.00**

3.3 DIRECT LENDING FOR ST MULTIPURPOSE CREDIT

Under Direct Lending (DL), credit limit is sanctioned to cooperative banks to lend to farmers, traders, artisans, etc. through PACS for,

- Working capital;
- Repair and maintenance of farm equipment and other productive assets;
- Storage, grading, packaging of produce, etc.;
- Marketing activities, crop loan, etc.;
- Redemption of old debts;
- Other socio-economic needs; and
- All other purposes covered under Section 21(1) (i) to (v) of NABARD Act, 1981.

This may also help those DCCBs, which despite good ratings (NPA and CRAR) could not access other credit products due to poor ratings of their respective StCB.

During 2015–16, NABARD had sanctioned ₹7,959 crore to 50 DCCBs and 8 StCBs including ₹550 crore sanctioned to one StCB and four DCCBs against pledge of sugar stocks of cooperative and private sugar factories. The disbursement for the period stood at ₹5,540 crore (Table 3.4). The quantum of outstanding under this line of credit stood at over ₹3,251 crore as on 31 March 2016.

TABLE 3.4
State-wise Direct Lending Disbursement during 2015–16

(Amount in ₹ crore)

States	Sanctioned	Disbursed
Andhra Pradesh	400	420
Gujarat	695	620
Haryana	495	178
Karnataka	425	646
Kerala	100	75
Maharashtra	815	720
Madhya Pradesh	2,460	653
Rajasthan	589	488
Telangana	450	480
Uttarakhand	45	0
Uttar Pradesh	1230	910
Bihar	5	0
Himachal Pradesh	100	100
Odisha	150	150
Punjab		100
Total	**7,959**	**5,540**

3.4 CREDIT FACILITY TO FEDERATIONS

Credit Facility to Federations (CFF), provides short-term credit support (less than 12 months) available for the marketing of agricultural commodities, input supply, value-chain, and supply-chain management by the corporations, federations, cooperatives, registered companies, etc. So far, this facility has covered procurement of foodgrains by marketing federations and civil supplies corporations, procurement of coarse grain by marketing federations, marketing of fertilisers by federations, and processing of oil seeds/milk by cooperative unions.

Institutions covered under CFF include state cooperative agriculture marketing federations, civil supplies corporations, growers' cooperatives, and cooperative milk unions. As on 31 March 2016, the sanctioned credit limit was ₹7,085 crore, and disbursement was ₹7,013 crore. State-wise limits sanctioned and disbursed by NABARD during 2015–16 are furnished in Table 3.5.

3.5 FINANCIAL SUPPORT TO DEVELOP PACS AS MULTI SERVICE CENTRES

With a view to developing PACS as Multi Service Centres (MSCs), a financial assistance of ₹121.41 crore was sanctioned to 258 PACS during 2015–16, of which ₹117.61 crore was loan component while the remaining was grant assistance. An amount of ₹95.10 crore (₹93.86 crore as loan and ₹1.24 crore as grant) was disbursed during this financial year. The major activities supported under the scheme are:

TABLE 3.5
State-wise Limits Sanctioned and Disbursed by NABARD during 2015–16

(Amount in ₹ crore)

State	*Sanctioned*	*Disbursed*
Karnataka	95	81
Andhra Pradesh	200	176
Maharashtra	40	40
Haryana	500	500
Madhya Pradesh	2,700	2,700
Multi states *	1,000	1,000
Chhattisgarh	500	500
Odisha	1,100	1,070
Gujarat	500	533
Rajasthan	50	46
West Bengal	250	222
Telangana	150	145
Total	**7,085**	**7,013**

*(National Seeds Development Corporation)

- Establishment of agro service centres, rural retail outlets, agri-marketing infrastructure, rural warehouses, and procurement of agricultural produce;
- Collection and marketing of milk and poultry activities;
- Custom hiring of farm machinery or implements, transport vehicles for agricultural produce; and
- Strengthening forward and backward linkages through on-lending to PACS members.

In comparison, 769 PACS were sanctioned a total financial assistance of ₹181.18 crore of which ₹105.06 crore was disbursed during 2014–15.

3.6 GOVERNMENT OF INDIA SPONSORED SCHEMES

3.6.1 Interest subvention to farmers

The 2 per cent interest rate subvention to banks for deploying their own funds for crop loans of up to ₹3 lakh per farmer, provided the loans were granted at 7 per cent with an additional incentive of 3 per cent for prompt repayment, continued during 2015–16. The incentive to promptly paying farmers was intended to help lending institutions unclog the line of credit with an effective interest rate of 4 per cent. This benefit was available to public sector banks, private sector banks (on loans disbursed by rural and semi urban branches), cooperative banks, and RRBs.

To provide relief to farmers affected by natural calamities, the subvention scheme was extended to banks for the first year of the restructured amount of crop loans during 2015–16. Such restructured loans will revert to normal rate of interest from the second year onwards as per RBI policy.

Interest subvention was available to NABARD for providing concessional refinance to StCBs and RRBs at 4.5 per cent. Under the scheme, GoI provided aggregate interest subvention amounting to ₹4,948.65 crore (2012–13), ₹5,142.61 (2013–14) crore, and ₹4,399 crore (2014–15). All interest subvention claims up to 2012–13 have since been received from GoI.

3.6.2 Schemes for Remuneration to Sugarcane Farmers

a. GoI package to cooperative sugar mills

NABARD continued as the nodal agency to restructure term loans of cooperative sugar mills in 2015–16. Out of ₹245.24 crore received from GoI towards interest subvention on restructured term loans, ₹245.24 crore was disbursed to 74 cooperative sugar mills in Maharashtra and Odisha.

b. Scheme for Extending Financial Assistance to Sugar Undertakings

Under the scheme for extending financial assistance to sugar undertakings (SEFASU-2014), financing banks provide loans to sugar mills to clear cane price arrears of previous sugar seasons and settle cane price of current sugar season in a timely manner, as per fair and remunerative price (FRP) periodically fixed by the central government. State Bank of India (SBI) was appointed the nodal bank to manage the subsidy for onward reimbursement to respective banks. On behalf of cooperative banks and RRBs, NABARD coordinated the claims with SBI for reimbursement.

Interest subvention claims under the scheme from the states of Goa, UP, Haryana, Gujarat, Tamil Nadu, Maharashtra, Karnataka, Madhya Pradesh, Andhra Pradesh, Punjab, and Uttarakhand for an amount of ₹543.20 crore have been received for the year 2015–16, and were forwarded to State Bank of India (SBI) for onward remittance to the respective accounts. SBI, in turn, had remitted an aggregate amount of ₹515.87 crore as on 31 March 2016.

c. *Scheme of soft loan to sugar mills to pay cane dues of sugar season 2014–15*

GoI extended a soft loan scheme for sugar mills to remunerate sugarcane farmers (as per FRP) for arrears of sugar season 2014–15.[3] The quantum of soft loan sanctioned to the sugar mills functional during 2013–14 and 2014–15 sugar seasons, was capped at 11 per cent of the reported production of white sugar.

The scheme has a one year moratorium on loan repayment. Loans sanctioned by lending banks by 30 September 2015 and disbursed by 16 October 2015, were eligible for interest subvention facility, up to 10 per cent simple interest or actual rate charged by the banks, whichever is lower extended to the sugar mills for a period of one year or less, from GoI. Interest subvention is released quarterly through SBI, the nodal bank.

3.6.3 Handloom Sector Packages

a. *Revival, reform and restructuring package for handloom sector*

The revival, reform and restructuring (RRR) package for handloom sector is being implemented since 2011–12 (Basebar 3.1). Twenty seven states

BASEBAR 3.1

Both GoI and state governments contributed the funds required for loan waiver and recapitalisation of handloom weavers' cooperative societies and individual weavers. Under RRR, funds were provided to repay 100 per cent of the principal and 25 per cent of the interest (as on the date of loan becoming NPA) which was overdue as on 31 March 2010, for viable and potentially viable societies, groups, and individual weavers, provided the banks agreed to sanction fresh loans. The quantum of assistance for weaver societies and individual weaver was based on audits and recommendation of state implementation, monitoring, and review committee. For individual weavers, there was an overall ceiling of ₹50,000. The objectives of the financial package were as under:

- Loan waiver and recapitalisation of handloom weavers' cooperative societies;
- Waiver of loans to individual weavers;
- Strengthening of weaver cooperative societies;
- Three per cent interest subsidy for fresh loans;
- Credit guarantee for fresh loans (administered by SIDBI);
- Training for the functionaries and
- Loss assessment exercise.

[3] GoI issued operational guidelines of Soft Loans to Sugar Mills for the sugar season 2014–15 vide letter no. 3/77/2013-AC dated 2 July 2015.

have signed tripartite MoUs for the centrally-sponsored plan scheme with GoI and NABARD. Under RRR, 39 Apex Weavers' Cooperative Societies (AWCS), 9,642 Primary Weavers' Cooperative Societies (PWCS), 6,310 SHGs and 54,226 individual weavers have been assisted since the beginning. To settle claims under the package an amount of ₹741 crore was released by GoI in four tranches. Total utilisation under the package stood at ₹709 crore as on 31 March 2016.

b. Comprehensive package for the handloom sector

NABARD is the implementing agency to channel interest subsidy to banks of up to 7 per cent for providing concessional credit to handloom sector at 6 per cent for 3 years. The assistance is limited to the difference between the prevailing rate of interest and the rate charged by the banks. The margin money assistance to enable weavers, SHGs, and JLGs through banks was enhanced from ₹4,200 at the start of the scheme to 20 per cent of loan amount subject to a maximum of ₹10,000 per weaver, w.e.f. 27 September 2013. Under the scheme, banks are allowed to claim interest subsidy upfront. A sum of ₹22.85 crore was released to 77,863 beneficiaries under the package during the year 2015–16.

3.6.4 Capital Investment Subsidy Schemes

NABARD is the pass through agency for channelling subsidy for a number of Capital Investment Subsidy Schemes. Brief details of these schemes are as follows:

a. Agricultural Marketing Infrastructure Sub-Scheme

On 1 April 2014, Ministry of Agriculture (MoA), GoI introduced the agricultural marketing infrastructure (AMI) sub scheme under the integrated scheme for agricultural marketing (ISAM).[4] During 2015–16, subsidy amount of ₹690.20 crore was released for 3,521 units (cumulatively, ₹3,386.07 crore for 40,252 units).

b. Agri-clinics and agri-business centres

The scheme was launched in April 2002 by MoA, GoI to supplement the public extension and other services to farmers on payment or free of cost. The scheme, while supporting agricultural development also aims to create self-employment opportunities for unemployed agriculture graduates and rural youth with knowledge of agriculture. During 2015–16, a subsidy of ₹13.32 crore was released for 345 units (cumulatively ₹42.15 crore released for 1,352 units).

c. Schemes for promoting Solar Photovoltaic Water Pumping Systems for irrigation purpose and solar lighting

To promote solar photovoltaic pumping system independent of grid supplied power for irrigation purposes, Ministry of New and Renewable Energy (MNRE), GoI had launched a credit-linked and back-ended capital subsidy scheme in November 2014. An amount of ₹14.70 crore was released as subsidy during

[4] ISAM is an umbrella scheme for agri-marketing, which subsumed the Grameen Bhandaran Yojana (GBY) launched on 1 April 2001 and agricultural marketing infrastructure, grading, and standardisation (AMIGS) schemes launched on 20 October 2004.

2015–16 for 781 units. A cumulative subsidy of ₹20.61 crore was released under the scheme for 784 units as on 31 March 2016. The scheme envisages subsidising 30,000 units across the country. NABARD is also implementing the GoI scheme of LED based lighting systems.

d. *National Project on Organic Farming*

The National Project on Organic Farming (NPOF) aims at promoting organic farming in the country. An amount of ₹3.97 crore was released as subsidy for 20 units under bio-fertiliser, bio-pesticides, and fruit and vegetable waste compost units during 2015–16. Cumulatively, ₹23.18 crore was released for 700 units as on 31 March 2016.

e. *Animal husbandry sector schemes*

➢ *Dairy Entrepreneurship Development Scheme*

The Dairy Entrepreneurship Development Scheme (DEDS) was launched in 2010–11 to encourage enterprises like modern dairy farms producing clean milk and heifer rearing farms to conserve good breeding stock. DEDS also aims at technology upgradation to handle commercial milk production at the village level to effect structural sector. In the FY 2015–16 an amount of ₹89.76 crore for 18,177 units has been released (cumulatively ₹932.68 crore for 2,46,523 units).

➢ *National Livestock Mission*

The National Livestock Mission (NLM) was launched by GoI in 2014–15 for quantitative and qualitative improvement in livestock production along with capacity building. Under NLM, ₹2,800 crore was earmarked in the XII Five Year Plan to support (a) livestock development; (b) pig development in NER; (c) fodder and feed development; and (d) skill development, technology transfer, and extension. Livestock development includes development of livestock other than cattle and buffalo. These included Entrepreneurship Development and Employment Generation (EDEG), Poultry Venture Capital Fund (PVCF), Integrated Development of Small Ruminants and Rabbits (IDSRR), Pig Development (PD), and Salvaging and Rearing of Male Buffalo Calves (SRMBC).

i. PVCF: During 2015–16, a subsidy of ₹42.47 crore was released to support 2,961 units (cumulatively ₹151.82 crore released for 8,013 units) engaged in poultry activities, capacity building, improved poultry products, technology upgrade of processing units, and rearing high potential poultry species like quails, ducks, and turkeys.

ii. IDSRR: During 2015–16, a subsidy of ₹31.91 crore has been released to support 9,092 units (cumulatively, ₹92.96 crore for 22,464 units) for developing sheep and goat for wool, meat, and milk, establishing goat and rabbit breeding farms, and sheep, goat, and rabbit production training.

iii. PD: As on 31 March 2016 a cumulative subsidy of ₹53 crore for 7,682 units was released under this scheme that encourages commercial and scientific rearing of pigs and creation of necessary infrastructure.

iv. SRMBC: As on 31 March 2016 a cumulative subsidy of ₹24 lakh for 35 units was released under this scheme aimed at increasing availability of buffalo meat, by-products, and leather for export as well as domestic markets.

➢ *Establishment of estates, mother units and rural backyard poultry*

The scheme aimed at establishing estates with up to 100 broiler or layer units, common infrastructure, inputs supply, and marketing facilities on the lines of industrial estates. Two projects in Odisha and Sikkim were sanctioned before 31 March 2013, while 899 mother units were cumulatively sanctioned. Rural backyard poultry component of the scheme for rearing hardy low-input breeds, is targeted at BPL beneficiaries.

3.7 STATUS OF RURAL FINANCIAL INSTITUTIONS AND EFFORTS AT STRENGTHENING THEM

Cooperative banks and RRBs play a very crucial role in financial intermediation in agriculture and rural development but are vulnerable to disruption created by economic shocks. NABARD endeavours to strengthen the capacity of these institutions through various developmental and supervisory initiatives to enable them withstand such shocks effectively.

3.7.1 Financial Performance of Rural Credit Cooperatives

a. *Short term cooperative credit structure*

As on 31 March 2015, the short term cooperative credit structure (STCCS) comprised 93,042 PACS, 370 DCCBs and 32 StCBs.

➢ *Primary Agricultural Credit Societies*

PACS, the credit institutions at the grassroots level, deal directly with individual borrowers and grant short, medium and long term loans. As on 31 March 2014, there were 93,042 PACS with a total membership of 13.01 crore, of which, borrowing members were 4.81 crore (37 per cent). As compared to the previous year, while the total membership increased by 2.03 per cent, the borrowing membership of PACS decreased by 2.82 per cent. The deposits mobilised and total loans issued by PACS as on 31 March 2014 stood at ₹81,895 crore and ₹1,71,419 crore respectively (Table 3.6). During 2013–14, as per available data in respect of 80,989 PACS, 43,327 PACS earned profit of ₹11,052 crore; the remaining 37,662 PACS incurred loss of ₹9,118 crore.[5]

TABLE 3.6
Performance of PACS
(including Farmers Services Societies or FSSs and Large-sized Adivasi Multipurpose Societies or LAMPS)
(as on 31 March of the year indicated)

Particulars	2013	2014
Number	93,488	93,042
Membership (lakh)	1,275	1,301
Borrowing members (lakh)	495	481
Owned funds (₹crore)	18,516	18,923
Deposits (₹crore)	67,113	81,895
Borrowings (₹crore)	93,359	95,835
Loans issued (₹crore)	1,61,909	1,71,419
Loans outstanding (₹crore)	1,39,399	1,30,053

Note: Data for 2014 is provisional
Source: National Federation of State Cooperative Banks

[5] Source: National Federation of State Cooperative Banks (NAFSCOB)

➢ *Cooperative Banks*

The aggregate share capital of StCBs stood at ₹5,355.12 crore on 31 March 2015 as against ₹3,704.21 crore as on 31 March 2014, registering an increase of 44.57 per cent. The share capital of DCCBs was ₹13,045.48 crore on 31 March 2015 as against ₹11,489.33 crore on 31 March 2014, reflecting an increase of 13.59 per cent. The deposits of StCBs at ₹1,02,858.81 crore as on 31 March 2015 reflected a negative growth of 1.45 per cent on account of implementation of RBI's circular dated 21 July, 2014 whereby the DCCBs were required to park 5 per cent of their deposits in G-Secs by 31 March 2015 whereas the deposits of DCCBs (figures available in respect of 368 out of 370 DCCBs) at ₹2,57,315.87 crore reflected a growth of 8.62 per cent over 31 March 2014 position.

The borrowings of StCBs as on 31 March 2015 was ₹68,721.12 crore, indicating an increase of 12.66 per cent over 31 March 2014. The borrowings of DCCBs at ₹79,825.73 crore as on 31 March 2015 indicated an increase of 10.02 per cent over the previous year. Loans outstanding of StCBs was ₹1,14,545.40 crore and that of DCCBs was ₹2,18,947.20 crore as on 31 March 2015, indicating an increase of 11.09 per cent and 7.85 per cent respectively over the previous year (Table 3.7).

b. *Long term cooperative credit structure*

As on 31 March, 2015, the Long Term Cooperative Credit Structure (LTCCS**)**, comprised 19 State Co-operative Agriculture and Rural Development Banks (SCARDBs) and 702 Primary Cooperative Agriculture and Rural Development Banks (PCARDBs). The share capital of SCARDBs stood at ₹976 crore and that of PCARDBs stood at ₹1,329.53 crore as on 31 March 2015. The borrowings by SCARDBs at ₹16,085 crore as on 31 March 2015

TABLE 3.7
Growth of Short-term Co-operative Credit Structure
(as on 31 March of the Year Indicated)

Particulars	*StCBs*			*DCCBs*		
	2014	*2015*	*Growth (%)*	*2014*	*2015*	*Growth (%)*
Total number of banks	32	32		370	370	
Share capital (₹ crore)	3,704.21	5,355.12	44.57	11,489.33	13,045.08	13.59
Reserves (₹ crore)	9,288.95	12,887.77	38.74	15,885.64	16,307.74	2.66
Deposits (₹ crore)	1,04,368.61	1,02,858.81	–1.45	2,36,887.09	2,57,315.87	8.62
Borrowings (₹ crore)	60,997.75	68,721.12	12.66	72,686.63	79,825.73	9.82
Loans outstanding (₹ crore)	1,03,114.86	1,14,545.40	11.09	2,03,003.05	2,18,947.20	7.85

Note: Data for 2015 is provisional

showed an increase of 5.09 per cent whereas the borrowings by PCARDBs at ₹16,367 crore showed an increase of 5.09 per cent respectively during 2014–15 (Table 3.8).

c. *Working results of cooperative banks*

During 2014–15, 28 out of 32 StCBs earned profit aggregating ₹1,105.14 crore while the remaining four StCBs incurred loss aggregating ₹24.94 crore. Thus, the StCBs as a whole posted profit of ₹1,080.20 crore. As regards the DCCBs, while 300 out of 359 DCCBs for which data is available earned profit of ₹1,819.75 crore, 59 DCCBs incurred loss to the extent of ₹1,044.29 crore resulting in overall profit of ₹775.46 crore, for the year 2014–15.

Under the LTCCS, eight SCARDBs earned an aggregate profit of ₹108 crore whereas 10 SCARDBs[6] incurred aggregate loss of ₹498 crore during 2014–15, resulting in the SCARDBs registering a loss of ₹390 crore at aggregate level. Similarly, 319 PCARDBs reported aggregate profit of ₹176 crore whereas 381 PCARDBs incurred loss of ₹558 crore, registering a net loss position of ₹382 crore at aggregate level (Table 3.9).

The accumulated losses of the StCBs decreased from ₹695.84 crore as on 31 March 2014 to ₹616.76 crore as on 31 March 2015. The accumulated losses of DCCBs also declined from ₹3,978.55 crore to ₹3,821.05 crore during the said period. The SCARDBs registered an increase of 5.5 per cent in accumulated

TABLE 3.8
Growth of Long-term Co-operative Credit Structure
(as on 31 March of the year indicated)

Particulars	SCARDBs			PCARDBs		
	2014	2015	Growth (%)	2014	2015	Growth (%)
Total number of banks	20	19#	–	714	702^	–
Share capital (₹ crore)	930.91	976.12	4.86	1,283.41	1,329.53	3.59
Reserves (₹ crore)	6,109.63	6,434.59	5.32	4,044.49	4,024.03	−0.51
Deposits (₹ crore)	1,554.43	1,953.03	25.64	877.04	1,015.70	15.81
Borrowings (₹ crore)	15,306.39	16,085.42	5.09	15,498.50	16,367.21	5.61
Loans outstanding (₹ crore)	20,149.57	21,218.32	5.30	13,820.39	14,812.01	7.18

Notes: Data for 2015 is provisional

Manipur SCARDB is defunct

^ LT and ST structure merged in Chhattisgarh hence the reduction in PCARDB

[6] Manipur SCARDB defunct and LT and ST structure merged in Chhattisgarh

TABLE 3.9
Working Results of Cooperative Banks

Agency	StCBs		DCCBs		SCARDBs		PCARDBs	
Year	2013–14	2014–15	2013–14	2014–15	2013–14	2014–15^#	2013–14	2014–15
Total (No.)	32	32	368	370	20	20	714	# 702
In Profit (No.)	26	28	329	300	8	8	366	319
Profit (₹ crore)	926.10	1,105.14	1,731.93	1,819.75	95.68	108.46	240.06	175.76
In Loss (No.)	6	4	38	59	11	10	346	381
Loss Amount (₹ crore)	93.55	24.94	354.41	1,044.29	505.72	497.91	492.04	557.89

Notes:

a. Data for 2014–15 is provisional.

b. The profitability figures of 359 DCCBs have been reported for the year 2014–15.

c. Fourteen SCARDBs have reported profitability figures for 2014–15 and profitability of four SCARDBs i.e. Jammu and Kashmir, Odisha, Tripura and Uttar Pradesh repeated from 2013–14.

d. In case of PCARDBs data repeated for Madhya Pradesh, Odisha, West Bengal, Kerala and Tamil Nadu from 2013–14. Two PCARDBs in Kerala have not reported profitability figures for the years 2013–14 and 2014–15.

^ Manipur SCARDB is defunct.

In Chhattisgarh, ST & LT structure have got merged hence 12 PCARDBs have got reduced.

losses from ₹2,412 crore as on 31 March 2014 to ₹2,546 crore 31 March 2015. The accumulated losses of PCARDBs increased from ₹5,055 crore as on 31 March 2014 to ₹5,245 crore as on 31 March 2015 (Table 3.10).

d. *Non -performing assets and recovery performance*

At the aggregate level, the percentage of Non-Performing Assets (NPAs) to loans outstanding in respect of StCBs reduced to 5.02 per cent as on 31 March 2015 as against 5.53 per cent on 31 March 2014. Region-wise analysis showed that the NPA levels in percentage terms of the StCBs in the eastern, north eastern and western region were far higher than that of the all India level. As on 30 June 2015, the recovery of StCBs stood at 94.91 per cent (Table 3.11).

TABLE 3.10
Accumulated Losses
(as on 31 March of the year indicated)

(Amount in ₹ crore)

Year	StCBs	DCCBs	SCARDBs	PCARDBs
2014	695.84	3,978.55	2,412.14	5,055.31
2015	616.76	3,821.05	2,545.74	5,245.47

Note: Data for 2015 is provisional

TABLE 3.11
Region-wise Working Results of StCBs
(as on 31 March of the year indicated)

Region	2014		2015*		Total NPAs		NPA as % of loans outstanding		Recovery (%) (as on 30 June)	
	Profit	Loss	Profit	Loss	2014	2015*	2014*	2015*	2014	2015*
	(Amount in ₹ crore)						(%)			
Central	140.13	0	143.46	0	465.05	593.33	2.73	2.98	96.39	95.17
Northern	108.74	0	136.68	0	478.34	475.09	1.93	1.75	97.90	98.10
Eastern	41.10	12.96	120.58	4.49	848.17	885.91	6.71	6.21	57.73	94.46
Western	414.44	11.36	445.20	8.13	1,820.19	1,670.49	10.97	8.77	88.68	90.97
Southern	158.82	63.59	195.65	5.89	1,553.80	1,566.55	5.37	5.17	96.87	94.17
North-Eastern	62.87	5.64	53.56	6.44	533.37	554.79	17.12	14.52	49.10	53.08
All-India	**926.10**	**93.55**	**1,105.14**	**24.94**	**5,698.92**	**5,746.16**	**5.53**	**5.02**	**82.50**	**94.91**

* Data is provisional

At the aggregate level, the percentage of NPAs to loan outstanding in respect of DCCBs decreased from 10.3 per cent as on 31 March 2014 to 9.4 per cent as on 31 March 2015. The DCCBs in northern and southern regions reported NPA levels lower than that of the all India average, whereas DCCBs in all other regions showed NPAs higher than the all India level (Table 3.12).

TABLE 3.12
Region-wise Working Results of DCCBs
(as on 31 March of the year indicated)

Region	*2014*					*2015**					*Total NPAs (as on 31 March of the year indicated) (₹ crore)*		*NPA % to Loans outstanding (as on 31 March of the year indicated)*		*Recovery % as on 30 June*	
	No of DCCBs reported profit/ loss	*Profit*		*Loss*		*No of DCCBs reported profit/ loss*	*Profit*		*Loss*							
		No.	*Amt. (₹ cr)*	*No*	*Amt. (₹cr.)*		*No.*	*Amt. (₹cr.)*	*No*	*Amt. (₹cr.)*	*2014*	*2015**	*2014*	*2015**	*2013*	*2014**
Central	102	88	454	14	148	101	76	282	25	322.21	3,954.00	4,275.91	14.73	13.92	75.20	74.26
Northern	73	62	133	11	62	69	54	151.69	15	71.14	1,876.00	1,984.68	5.29	5.42	83.16	89.84
Eastern	63	56	133	7	54	63	55	103.97	8	101.90	1,775.00	1,812.75	12.67	11.39	67.23	71.21
Western	49	44	451	5	72	46	40	688.48	6	325.88	6,562.00	6,652.97	12.68	11.92	70.86	72.54
Southern	80	79	560	1	19	80	75	593.61	5	223.17	6,734.00	5,805.04	8.98	7.40	81.28	75.90
All-India	**367**	**329**	**1,731**	**38**	**354**	**359**	**300**	**1,819.75**	**59**	**1,044.29**	**20,900**	**20,531.34**	**10.30**	**9.42**	**78.33**	**77.28**

* Provisional

Notes:

a. 11 DCCBs out of 370 have not reported profitability figures for 2014–15.

The recovery position of SCARDBs was 46.73 per cent, as on 30 June 2014.

At the aggregate level, the percentage of NPAs to loan outstanding in respect of SCARDBs as on 31 March 2015 was 30.34 per cent which was marginally lower than that of the previous year (Table 3.13). There were variations at the regional level. As on 30 June 2014, the recovery of PCARDBs stood at 44.57 per cent (Table 3.14).

TABLE 3.13
Region-wise Working Results of SCARDBs
(as on 31 March of the year indicated)

(Amount in ₹ crore)

Region	Banks (no.)	Profit/ Loss (+) / (-) (Amount)		Total NPAs (as on 31 March of the year indicated) (Amount)		NPA as % of loans outstanding (as on 31 March of the year indicated)		Recovery (%) (as on 30 June)	
	2015	2014	2015*	2014	2015*	2014	2015*	2013	2014*
Central	2	–189.09	–177.64	2,146.45	2,089.98	53.54	50.32	31.70	41.81
Eastern	3	–46.60	–45.06	434.36	435.53	36.66	36.75	28.16	28.24
North-Eastern	3	–5.51	–0.33	21.08	20.80	61.19	60.74	51.05	50.73
Northern	5	–10.68	–11.30	1,815.02	2,027.14	29.73	32.44	48.69	45.06
Southern	4	23.08	25.59	658.47	553.84	9.16	6.94	71.34	75.76
Western	2	–181.26	–180.70	1,295.98	1,310.60	79.75	80.87	14.71	15.35
All-India	**19 ^**	**–410.04**	**–389.45**	**6,371.36**	**6,437.89**	**31.62**	**30.34**	**41.76**	**46.73**

*Data is provisional.

^Manipur SCARDB defunct and Chhattisgarh LT and ST structures were merged.

TABLE 3.14
Region-wise Working Results of PCARDBs
(as on 31 March of the year indicated)

(Amount in ₹ crore)

Regio	2014					2015 *					Total NPAs (₹ crore)		NPA % to loans outstanding		Recovery % as on 30 June	
	Banks (no.)	Profit		Loss		No.	Profit		Loss							
		No.	Amt.	No.	Amt.		No.	Amt.	No	Amt.	2014	2015*	2014	2015*	2013	2014*
Central	50	8	1.78	42	102.42	38	7	1.07	31	50.27	642.44	569.13	69.23	68.45	9.67	8.39
Eastern	70	6	4.82	64	40.10	70	6	4.82	64	40.10	437.82	437.82	43.24	43.24	57.63	57.63
North Eastern	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Northern	145	91	50.73	54	215.66	145	86	35.99	59	259.32	2,427.61	2,424.71	43.40	43.20	41.40	40.13
Southern	420	250	115.23	168	90.59	420	209	66.38	209	164.94	1,459.78	1,641.95	24.34	23.23	67.09	72.04
Western	29	11	67.50	18	43.26	29	11	67.50	18	43.26	287.69	287.69	99.96	99.96	15.39	15.39
All-India	**714**	**366**	**240.06**	**346**	**492.04**	**702**	**319**	**175.76**	**381**	**557.89**	**5,255.34**	**5,361.30**	**38.03**	**36.20**	**44.13**	**44.57**

Notes:

a. Two PCARDBs in Kerala have not reported profitability figures.

b. Data in respect of the PCARDBs in Madhya Pradesh, Odisha, West Bengal, Kerala and Tamil Nadu states are repeated.

c. Also, LT in Chhattisgarh is merged with ST.

*Data is provisional.

At aggregate level, the percentage of NPAs to loan outstanding in respect of SCARDBs decreased from 31.62 per cent as on 31 March 2014 to 30.34 per cent as on 31 March 2015. While in percentage terms the SCARDBs in southern regions reported NPA levels lower than that of the all India average, SCARDBs in western, north eastern, central and eastern regions showed higher NPAs than the all India level. The consolidated NPA position of cooperatives as on 31 March 2015 is indicated in Table 3.15.

e. *Financial soundness indicators*

As on 31 March 2015, out of 28 StCBs for which data is available, one StCB had CRAR at less than 4 per cent, 10 StCBs had CRAR in the range of 7 to 9 per cent and 18 StCBs had CRAR at 9 per cent or above.

Provisional data as on 31 March 2015, indicated that 23 DCCBs had CRAR at less than 4 per cent, 13 DCCBs had CRAR in the range of 4 to 7 per cent, 97 DCCBs had CRAR in the range of 7 to 9 per cent and 221 DCCBs had CRAR of 9 per cent and above. The same is not available for 16 DCCBs.

f. *Revival of 23 unlicensed DCCBs*

Government of India had announced a special scheme for revival of 23 unlicensed DCCBs functioning in four States (Jammu & Kashmir, Maharashtra, Uttar Pradesh and West Bengal) in November 2014 with a financial commitment of ₹2,375.42 crore, with GoI share at ₹673.29 crore. During 2014–15, Maharashtra, Uttar Pradesh and West Bengal had signed MoU for revival of 20 unlicensed DCCBs—Maharashtra (3), Uttar Pradesh (16) and West Bengal (1). During 2015–16, J&K had signed the MoU for revival of three DCCBs.

Under the scheme, GoI had released its entire share of assistance amounting ₹673.29 crore to NABARD. Post release of state government share, as envisaged in the scheme by the three state governments, NABARD had released GoI share of ₹562.07 crore to the three states. The additional requirements of funds by the 20 DCCBs in these three

TABLE 3.15
Composition of Gross NPAs of Cooperative Banks
(as on 31 March 2015)

(Amount in ₹ crore)

Assets classification	*StCBs**	*DCCBs**	*SCARDBs**	*PCARDBs**
Sub-standard	2,107.96 (36.68%)	9,137.56 (44.50 %)	2,455.10 (38.14 %)	2,731.09 (50.94 %)
Doubtful	2,469.12 (42.97%)	9,080.82 (44.23 %)	3,921.85 (60.92 %)	2,598.43 (48.47)
Loss assets	1,169.08 (20.35%)	2,312.96 (11.27 %)	60.94 (0.94 %)	31.78 (0.59 %)
Total NPAs	**5,746.16**	**20,531.34**	**6,437.89**	**5,361.30**

Notes: *Provisional. Figures in brackets indicate % of NPAs under the category as % of total NPAs states was estimated at ₹462.91 crore by NABARD through its statutory inspection and all the three state governments have released the same. In all, an amount of ₹2,560.29 crore (GoI share of ₹562.07 crore and state government share of ₹1,998.22 crore) has been released to all 20 DCCBs. As per the scheme, NABARD was to release ₹237.54 crore to the states as loan under Section 27 of NABARD Act, 1981. The state governments concerned are yet to seek reimbursement from NABARD.

Post release of the additional requirements by the state governments of Maharashtra, West Bengal and Uttar Pradesh, two of the 20 DCCBs viz. Faizabad and Nagpur DCCBs were granted license. The process of licensing of the remaining 18 DCCBs is underway.

g. *Other initiatives*

The Development Action Plan–Memorandum of Understanding (DAP–MOU) exercise was completed by DCCBs and StCBs and MOU was entered into between DCCBs and StCBs. The DAP targets were monitored by the State Level Task Force (SLTF) and High Power Committee at the state level.

Keeping in view the need to improve the preparedness of the banks for facing the risks in an increasingly competitive business environment, the RBI has stipulated a minimum level of 4 per cent CRAR to be maintained by banks for being eligible for license. RBI has vide its circular dated 7 January 2014 advised StCBs and DCCBs to achieve and maintain on an ongoing basis a CRAR of 7 per cent from 31 March 2015 and 9 per cent from 31 March 2017. In order to facilitate the process, NABARD issued a guidance note on strengthening capital fund and improving CRAR of cooperative banks and conducted a workshop.

h. *Other developments*

NABARD issued guidelines for investment in SLR for cooperative banks and appointment of statutory auditors. NABARD is constantly monitoring the cooperative banks. It also conducted Review Meet StCBs and National Conference on cooperative banks.

i. *Capacity building in cooperative credit structure*

- *Cooperative Development Fund*

In order to improve their functional efficiency, the cooperative credit institutions viz., StCBs, SCARDBs, DCCBs, PACS and Cooperative Federations need to undertake various initiatives such as development of human resources, better MIS, conduct of special studies, seminars or workshops and other institution building activities. Cooperative Development Fund (CDF) was created in NABARD to support these efforts of these institutions. Assistance from CDF is provided in the form of grant, soft loan or a combination of both.

During the year 2015–16, ₹15.40 crore was disbursed under CDF (cumulatively ₹140.66 crore) for various promotional programmes conducted by different tiers of both Short Term and Long Term Cooperative Credit Structure.

During the year 2015–16, 1,217 training programmes were conducted by the Cooperative Training Institutions (CTIs) covering 30,359 participants. Bankers Institute of Rural Development (BIRD) too conducted 23 training

Highlights of the Cooperative Development Fund in 2015–16

- The CDF disbursement during the year at ₹15.40 crore was 31 per cent more than the previous year.
- Southern region availed the highest disbursement of ₹4.53 crore followed by central region with ₹3.40 crore.
- Out of the total disbursements, SOFTCOB, a scheme for supporting the training efforts of the cooperatives, accounted for 51 per cent of the total disbursement followed by PACS Development Cell Scheme (27 per cent).
- PACS Development Cell, a flagship programme under CDF, has enhanced its coverage to 2,198 PACS spread over 94 districts in 20 states.

programmes for 532 participants from the cooperative credit structure.

j. C-PEC

Centre for Professional Excellence in Cooperatives (C-PEC), established in BIRD, Lucknow is a centre promoted by NABARD in collaboration with GIZ to coordinate the training efforts of various CTIs. While it accredits national and state level CTIs, it also evolves uniform standards for training and curricula, facilitates building of professional competence among staff and management of CCS through distance learning or e-learning and undertakes certification of trainers.

As on 31 March 2016, C-PEC membership crossed 5,000 mark which includes 42 accredited CTIs, 18 StCBs, 162 DCCBs and 4,862 PACS. The C-PEC has so far standardised 20 training programmes for the benefit of CTIs. C-PEC has launched 2 certified programmes viz. CTFC (Certified Trainer for Financial Cooperatives) and CPCB (certified Professional in Cooperative Banking) and conducted 18 training programmes and trained 188 participants from StCB, DCCB and CTIs. C-PEC also conducted 6 trainers' training programmes for the benefit of 97 participants of the cooperative credit structure. From 2015–16, it has been decided to support entire expenditure of C-PEC from CDF.

The scope of SOFTCOB assistance was widened to include the entire training related assistance to CTIs. With SOFTCOB assistance getting linked to accreditation of CTIs with C-PEC, the quality of training has improved across the country.

k. PACS Development Cell

To enable PACS deliver more efficient financial and non-financial services in a viable manner to their members, PACS Development Cells (PDCs) have been created in DCCBs and StCBs. The PDCs, currently established and functional in 94 DCCBs have identified 2,198 PACS operating in 20 states to strengthen them through training, handholding, guiding, exposure visits and other suitable interventions. With the help of PDCs, 1,328 PACS have prepared business development plans.

The cumulative disbursements under the scheme for supporting PDCs was ₹10.18 crore as on 31 March 2016. PDCs are helping PACS in increasing membership/borrowing membership, diversification of business, increasing term loan for agriculture, etc.

3.7.2 Regional Rural Banks

a. Financial performance as on 31 March 2016 (unaudited position)

Post amalgamation, the number of RRBs in the country as on 31 March 2016 stood at 56, with a network of 20,904 branches covering 644 notified districts in 27 states and the UT of Puducherry. At the aggregate level, deposits, advances and investments during 2015–16 registered a growth of 15.39, 14.54 and 29.58 per cent, respectively, while borrowings declined by 19.04 per cent over 2014–15 (Table 3.16).

During 2014–15, 51 RRBs earned profits while five RRBs incurred losses. The aggregate profit earned which stood at ₹2,921 crore in 2014–15 declined

TABLE 3.16
Indicators of Performance of RRBs
(as on 31 March of the year indicated)

(Amount in ₹ crore)

Particulars	*2015*	*2016*
No. of RRBs	56	56
Branch network (no.)	20,024	20,904
Share capital (₹ crore)*	197	5196
Share capital deposit (₹ crore)*	6,175	1,192
Tier II bonds (₹ crore)	–	296
Reserves (₹ crore)	18,712	21,032
Deposits (₹ crore)	2,73,018	3,15,048
Borrowings (₹ crore)	59,422	48,110
Investments (₹ crore)	1,62,781	2,10,936
Gross loans and advances outstanding (₹ crore)	1,80,955	2,07,279
RRBs earning profit (no.)	51	51
Amount of profit (A) (₹ crore)	2,921	2,556
RRBs incurring losses (No.)	5	5
Amount of losses (B) (₹ crore)	176	122
Net profit of RRBs (A – B) (₹ crore)	2,745	2,435
Accumulated losses (₹ crore)	1,072	1,030
RRBs with accumulated losses (No.)	8	8
Recovery (%) (as on 30 June)	79.49	82.51
NPA to loans outstanding (%)	6.15	6.45
Net worth (₹ crore)	24,011	26,685

Notes:

*Post RRBs Act Amendment, 2015

Share capital deposit has been converted into share capital by most of the RRBs @ unaudited to ₹2,556 crore during 2015–16. The aggregate losses declined from ₹177 crore during 2014–15 to ₹122 crore during 2015–16. However, overall net profit of RRBs as an agency declined from ₹2,744 crore as on 31 March 2015 to ₹2,434 crore as on 31 March 2016. The number of sustainable RRBs, i.e., earning profits and carrying no accumulated losses decreased from 47 out of 56 as on 31 March 2015, to 46 out of 56 as on 31 March 2016. Two RRBs viz. Jharkhand GB and Rajasthan Marudhara Gramin Bank have reported losses, but have set off their losses against reserves.

b. *Recovery performance*

The recovery performance of RRBs increased from 79.49 per cent as on 30 June 2014 to 82.50 per cent as on 30 June 2015. Twenty three out of 56 RRBs had recovery level above the all-India average with nine RRBs having recovery level above 90 per cent. Thirty three RRBs had recovery levels less than the all-India average, with three RRBs having recovery percentage of less than 60 per cent.

c. *Non-performing assets*

The gross NPA of all RRB increased from 6.15 per cent, as on 31 March 2015 to 6.45 per cent as on 31 March 2016 (as per unaudited data). While 32 RRBs reported Gross NPAs less than 5 per cent as on 31 March 2015, 27 RRBs have reported Gross NPA less than 5 per cent as on 31 March 2016.

d. *Developments during 2015–16*

The CRAR of 56 RRBs as on 31 March 2015 ranged from 20.29 per cent (Chhattisgarh Rajya Gramin Bank) to 4.82 per cent (Nagaland Rural Bank). Four RRBs viz. Nagaland Rural Bank, Odisha Gramya Bank, Manipur Rural Bank and Ellaquai Dehati Bank had CRAR less than 9 per cent.

During 2015–16, GoI share of recapitalisation assistance of ₹3.50 crore was released to Manipur Rural Bank.NABARD submitted a proposal to GoI to recapitalise two RRBs, viz. Nagaland Rural Bank (₹2.77 crore) and Ellaquai Dehati Bank (₹25.42 crore). The same were approved by GoI, involving their contribution of ₹1.385 crore, and ₹12.71 crore, respectively. Recapitalisation assistance of ₹1.385 crore and ₹10.115 crore was released to these RRBs by GoI, on 31 March 2016. Remaining assistance of ₹2.595 crore in respect of Ellaquai Dehati Bank will be released during 2016–17. NABARD has also requested sponsor banks to evolve a comprehensive action plan to comply with CRAR norms on a continuous basis for RRBs sponsored by them.

Performance-linked cash incentives for the chairpersons of RRBs were introduced by the GoI in 2009. The modified performance evaluation matrix (PEM) for computation of incentives of the chairpersons of RRBs, similar to revised PEM developed for whole time directors of PSBs was approved by GoI in consultation with NABARD. The revised PEM has come into effect from financial year 2015–16.

Two half-yearly review meetings of RRBs were organised by NABARD to review the performance of RRBs. Issues faced by RRBs were discussed and suitable action points to be taken up by various stakeholders were identified and communicated. Steps have also been initiated to review RRBs having sub-par performance on four parameters. Further they were advised to constitute Business Advisory Committees with members from the sponsor bank, NABARD and the concerned RRB.

RRB (Amendment) Act, 2015, was notified by GoI on 12 May 2015. The amendment has enhanced the authorised capital of RRBs to ₹2,000 crore and has enabled RRBs to raise capital from sources other than existing stakeholders. The other sources may include accessing the capital market or private placement.

3.8 SUPERVISING RFIS

NABARD planned 298 statutory inspections and 11 voluntary inspections during 2015–16, in its supervisory role. The agency-wise break-up of the plan and its achievement is presented in Table 3.17.

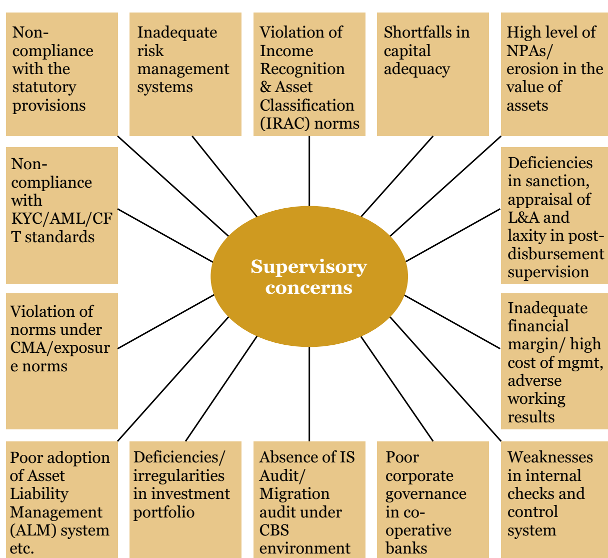
Erosion in asset value, lax post disbursement supervision, poor corporate governance, gaps in adoption of CBS ecosystem, deficiencies in investment portfolio, violation of norms and non-compliance with standards and statutory requirements were some of the critical observations made during these inspections (Exhibit 3.2).

TABLE 3.17
Inspections Programmed and Conducted as on 31 March 2016

		StCBs	*DCCBs*	*RRBs*	*SCARDBs*	*Others*	*Total*
Statutory Inspection	Conducted	33	229	36	NA	NA	298
	Programmed	33	229	36	NA	NA	298
Voluntary Inspection	Conducted	NA	NA	NA	11	0	11
	Programmed	NA	NA	NA	11	0	11

NA: Not applicable

Exhibit 3.2
Concerns emerging from statutory and voluntary inspections



Source: NABARD

These findings, along with suggested corrective actions, were shared with the inspected bank, Registrar of Cooperative Societies (RCS) and state governments in case of rural cooperative banks (RCBs) and sponsor banks in case of RRBs.

3.8.1 Board of Supervision 2015–16

Constituted as an internal committee of the Board of Directors of NABARD in 1999, the Board of Supervision (BoS) met thrice during 2015–16. Besides, approving recommendations of the internal working group for revised supervision strategy, the BoS reviewed the status of the following:

- Short term cooperative credit structure (STCCS) in the states of Maharashtra, Uttar Pradesh, Bihar and Karnataka
- Unlicensed banks
- Weak RCBs
- Capital adequacy in RCBs and RRBs

3.8.2 Health of Supervised Banks

Like the 56 RRBs which met the share capital requirements, most of the licensed DCCBs too complied with the minimum share capital requirement, with seven exceptions. All the StCBs complied with minimum share capital requirements including the newly formed Telangana StCB. While 19 StCBs were included in the Second Schedule of the RBI Act, 1934, 14 non-scheduled StCBs are not yet eligible/included (as on 31 March 2016) (Table 3.18).

3.8.3 CRAR of Supervised Entities

Two out of 33 StCBs and 66 out of 371 DCCBs fell short of the statutory

TABLE 3.18
Health of Supervised Banks (Position as on 31 March 2016)

Parameters	*StCBs*	*DCCBs*	*RRBs*
Total number of banks	33	371	56
Compliance with minimum share capital requirement			
Compliance with Sec.11(1) of B.R. Act, 1949 (AACS)	32	347*	NA
Non-compliance with Sec.11(1) of B.R. Act, 1949 (AACS)	1	10*	NA
Compliance with Sec. 42(6)(a)(i) of RBI Act, 1934	19	NA	56
Licensing of cooperative banks			
Licensed banks	32	350#	NA
Unlicensed banks	1+	21	NA
Scheduled banks	19@	NA	56
Non-scheduled banks	14	NA	0

Notes:

* Provisions of Sec.11 (1) of B.R. Act, 1949 (AACS) are not applicable to 21 unlicensed DCCBs owing to directions issued by RBI prohibiting them from acceptance of deposits. However, seven unlicensed DCCBs have since complied.

+ Newly formed StCB viz., Telangana StCB since licensed on 18 April 2016.

Faizabad DCCB, UP and Nagpur DCCB, Maharashtra obtained license during 2015–16.

@ Uttarakhand StCB was scheduled during 2015–16
NA - Not applicable

requirement of at least 7 per cent CRAR notified by RBI, while six of the 56 RRBs had CRAR below the prescribed 9 per cent, as on 31 March 2015 (Exhibit 3.3)

The low CRAR was mostly owing to the inability of cooperative banks to raise capital funds in proportion to their risk weighted assets as well as high level of NPAs. While RRBs seem to enjoy relatively better CRAR than the DCCBs and StCBs, a few RRBs have fallen into lower CRAR bands as on 31 March 2015 compared to the previous year.

3.8.4 Supervisory Policy Initiatives in 2015–16

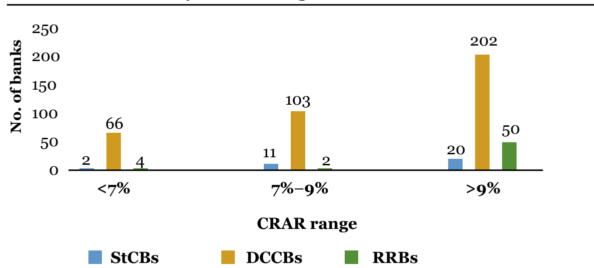
NABARD embarked upon fresh supervisory initiatives in 2015–16 to improve the health of RFIs, especially, the cooperative banks.

- The threshold was enhanced from ₹1 crore to ₹5 crore for both performing and non-performing accounts for conducting stock audit in respect of stock hypothecated to the StCBs/ DCCBs for working capital finance.
- To ensure that a sound system is put in place to prevent occurrence of fraud, guidelines were issued to the rural cooperative banks (RCBs) and RRBs giving a detailed analytical review of frauds and suggested preventive measures.
- A uniform provisioning norm was prescribed in respect of all fraud accounts in cooperative banks.
- All StCBs and DCCBs were advised to make necessary arrangements for displaying their abridged Balance Sheet and Profit and Loss account based on the audited financial statements, in all their branches as also hosting of the same on the bank's website for the information of general public/ customers.
- Launched Inspection Module on ENSURE Platform, the convergence of Offsite Surveillance System with Onsite Inspection has been ushered with during the current year.

3.8.5 Supervising Rural Cooperative Banks on Emerging Issues

NABARD proactively coordinated with Financial Intelligence Unit, India (FIU-IND) for registration of supervised entities, thus facilitating the implementation of know your customer

Exhibit 3.3
Number of banks by CRAR range (as on 31 March 2015)



Source: NABARD

(KYC) norms under Prevention of Money Laundering (PML) Act. To enable Rural Cooperative Banks (RCBs) to comply with these and other new and emerging issues, NABARD also undertook capacity building of personnel of these banks. NABARD also conducted formal and informal coordination meetings with RBI for better supervision of cooperative banks.

3.9 CREDIT PLANNING FUNCTIONS

3.9.1 Potential Linked Credit Plans

In order to support agriculture and rural development and to meaningfully link development and credit planning, NABARD prepares Potential Linked Credit Plans (PLPs) for each district every year. The PLPs provide estimate of credit which can be potentially absorbed at the district level for agriculture and allied sectors, off-farm sector and other priority sectors, besides presenting a holistic view of the infrastructural facilities presently available in the district and those infrastructure that need to be created to fully harness the credit potential available in each district. During 2015–16, NABARD prepared 660 PLPs to guide priority sector related credit planning by the banks for 2016–17. PLPs are used as reference documents for the preparation of district credit plans by the lead bank offices.

3.9.2 State Focus Paper

Based on the data emerging from the PLPs, State Focus Papers (SFPs) for 2016–17 were prepared by the ROs of NABARD to capture a comprehensive picture of the credit potential in various sectors of the rural economy, critical infrastructure gaps to be bridged and the linkage support that the government departments need to provide. State Credit Seminars were organised in all states to discuss the infrastructure gaps to facilitate future credit flow and various issues concerning the agricultural and rural economy with officials of related state government departments, financial institutions and other stakeholders in the state.

3.9.3 District Offices

NABARD has 418 offices of District Development Managers (DDMs) across the country to focus on credit planning and monitoring, and also coordination with district administration, bankers, and various developmental agencies for the implementation of developmental and promotional activities in the district. In addition, 139 adjacent districts are tagged to specific DDMs, while the remaining districts are supervised by the respective ROs.

4

Inclusive Growth for Sustainable Rural Prosperity

NABARD had taken up a number of initiatives during 2015–16 to promote inclusive growth and sustainable rural prosperity. These included enhancing the resilience of agriculture against climate change, promotion and financing of producers' organisations, watershed-based programmes, transfer of agricultural technology, development of tribal farmers, microfinance, financial inclusion, promotion of off-farm activities, research and development and consultancy services.

4.1 NABARD'S CLIMATE CHANGE ACTIONS

Climate change is emerging as an important challenge to agriculture and rural livelihood sectors. NABARD with its mandate aimed at sustainable and equitable rural prosperity has taken up various initiatives for building climate change resilience of rural livelihoods. In this direction NABARD has taken several steps to deploy national and international climate finance available under various funding arrangements (apart from funding many projects and programmes through its own funds).

4.1.1 Adaptation Fund under UNFCCC

NABARD is India's National Implementing Entity (NIE) for the Adaptation Fund (AF) created under the United Nations Framework Convention on Climate Change (UNFCCC). As NIE, NABARD has generated several feasible proposals on climate change adaptation, five of which, amounting to US$7.3 million, have been sanctioned by the AF. The details of projects are presented in Table 4.1.

TABLE 4.1
Projects sanctioned by the Adaptation Fund

Sr. No.	Name of project	State	Project outlay (US$ million)
1	Conservation and Management of Coastal Resources as a Potential Adaptation Strategy for Sea Level Rise	Andhra Pradesh	0.69
2	Enhancing Adaptive Capacity and increasing Resilience of Small and Marginal Farmers	West Bengal	2.51
3	Building Adaptive Capacities of Small Inland Fishermen Community for Climate Resilience and Livelihood Security	Madhya Pradesh	1.79
4	Climate Proofing of Watershed Development Projects in the States of Rajasthan and Tamil Nadu	Tamil Nadu and Rajasthan	1.34
5	Climate Smart Actions and Strategies in North Western Himalayan Region for Sustainable Livelihoods of Agriculture-Dependent Hill Communities	Uttarakhand	0.97
	Total		**7.30**

These projects are at various stages of implementation. Apart from these projects, one project concept with an outlay of US$ 2.54 million which aims at 'Building Adaptive Capacities in Communities, Livelihoods and Ecological Security in the Kanha - Pench Corridor (Madhya Pradesh)' has been endorsed by AF for development of full proposal.

4.1.2 Green Climate Fund

The Green Climate Fund (GCF) has been designated as an operating entity of the financial mechanism of the UNFCCC. The GCF aims to play a key role in channelising new, additional, adequate and predictable financial resources to developing countries and in catalysing climate finance, both public and private at the international and national levels. NABARD has been accredited as NIE during the 10th GCF Board Meeting held in July 2015. With this accreditation NABARD aims to deploy GCF resources for climate resilient development in India. The Empowered Committee, constituted by Ministry of Environment Forest and Climate Change (MoEF&CC), Government of India (GoI), for consideration of Green Climate Fund (GCF) proposals, approved two concepts submitted by NABARD for development of detailed project reports (DPRs) during 2015–16.

4.1.3 National Adaptation Fund for Climate Change

As a sequel to the announcement in the Union Budget 2014–15, a 'National Adaptation Fund for Climate Change (NAFCC)' has been set up to support adaptation actions to combat the challenges of climate change in sectors like agriculture, water, and forestry. NABARD has been designated as NIE for implementation of adaptation projects under NAFCC by MoEF&CC,

GoI. Under this arrangement, NABARD facilitates identification of project ideas/concepts from State Action Plan for Climate Change (SAPCC), project formulation, appraisal, sanction, disbursement of fund, monitoring and evaluation and above all capacity building of stakeholders including state governments. The projects are sanctioned by National Steering Committee on Climate Change (NSCCC) chaired by the Secretary, MoEF&CC, GoI. Twelve projects with a loan amount of ₹235.19 crore were sanctioned by NSCCC under NAFCC and the details are presented in Table 4.2.

TABLE 4.2
Projects sanctioned by NSCCC under NAFCC

Sr. No.	*Project title*	*State*	*Amount sanctioned (₹ crore)*
1	Towards Climate Resilient Livestock Production System in Punjab	Punjab	17.40
2	Conserve Water through the Management of Run-Off in the River Basin to Improve Ground Water Recharge to Reduce Vulnerability and Enhance Resilience for Traditional Livelihood in Nuapada	Odisha	20.00
3	Sustainable Livelihoods of Agriculture-Dependent Rural Communities in Drought Prone District of Himachal Pradesh through Climate Smart Solutions	Himachal Pradesh	20.00
4	Model Carbon Positive Eco-Village in Phayeng of Manipur	Manipur	10.00
5	Management and Rehabilitation of Coastal Habitats and Biodiversity for Climate Change Adaptation and Sustainable Livelihood in Gulf of Mannar, Tamil Nadu, India	Tamil Nadu	24.74
6	Promotion of Integrated Farming System of Kaipad in Coastal Wetlands of North Kerala	Kerala	25.00
7	Sustainable Agriculture Development through Expansion, Enhancement and Modelling	Mizoram	10.38
8	Climate Adaptation Strategies in Wetlands along Mahanadi River Catchment Areas in Chhattisgarh	Chhattisgarh	21.47
9	Climate Resilient Sustainable Agriculture in Rain-Fed Farming (Kandi) Areas of Jammu and Kashmir	Jammu and Kashmir	22.52
10	Spring-shed Development Works for Rejuvenation of Springs for Climate Resilient Development in the Water Stressed Areas of Meghalaya	Meghalaya	22.92
11	Resilient Agricultural Households through Adaptation to Climate Change in Telangana	Telangana	24.00
12	Renovation of Ponds and Construction of Recharge Structures in the Renovated Ponds to Augment Recharge	Puducherry	16.76
	Total		**235.19**

4.1.4 Training and capacity building of stakeholders

During the year, NABARD took up initiatives for sensitisation and capacity building on aspects related to climate finance including project development, execution, monitoring and evaluation under various national and international funding arrangements. Towards this end, NABARD developed climate change training modules and a manual on the same has been published. NABARD's training establishments, viz. National Bank Staff College (NBSC) and Bankers Institute of Rural Development (BIRD) have started imparting training based on these training modules to NABARD officials as well as officials from state government departments and civil society organisations.

4.1.5 Other initiatives

NABARD has sanctioned a pilot project of ₹21 crore on climate change adaptation in Maharashtra to develop knowledge, strategies, and approaches that will enable vulnerable communities to adapt to the impending impacts of climate change. Climate-proofing of watershed projects are being implemented in Tamil Nadu and Rajasthan.

4.2 FARM SECTOR PROMOTION FUND—POLICY INITIATIVES

Keeping in view the current challenges being faced by Indian agriculture and emerging approaches to deal with such issues, the objectives of Farm Sector Promotion Fund (FSPF) were redefined and regrouped as (a) promotion of innovations in agriculture and allied sectors; (b) enhancing productivity of agriculture and allied sectors and creating market access; (c) promotion of climate-resilient agriculture in vulnerable/ distressed districts; (d) promotion of agricultural value chains; promotion of farmers' collectives, including training and capacity-building; and (e) supporting expert advisory services, policy advocacy (including building human capital in rural areas).

4.3 SUPPORT TO PRODUCER ORGANISATIONS

The immediate solution to the problems of low productivity and resultant low farm incomes faced by small and marginal farmers is to scale up the operations, and improve access to superior technologies, credit and market, through the formation of farmers' producer collectives / organisations.

4.3.1 PRODUCE Fund

Pursuant to the announcement by the Union Finance Minister, in Budget 2014–15, GoI created a Producers' Organisation Development and Upliftment Corpus Fund (PRODUCE Fund) of ₹200 crore in NABARD, to be utilised for the formation of 2,000 farmer producers' organisations (FPOs) in the next two years, to supplement NABARD's Producer Organisation Development Fund (PODF). This initiative addressed the initial requirements of the emerging FPOs, which would subsequently be able to avail of new business opportunities with the support of credit from financing institutions. During the financial year 2015–16, 1,371 FPOs have been approved taking the total to 2,173 FPOs under PRODUCE Fund as on 31 March

2016, in various parts of the country. A grant assistance of ₹125.97 crore was sanctioned during 2015–16 for the promotion and capacity-building/nurturing of these FPOs by the Producer Organisation Promoting Institutions (POPIs) concerned. A National Advisory Committee (NAC) was constituted under the chairmanship of Chairman, NABARD, which has representatives from the GoI, Small Farmers' Agri-Business Consortium (SFAC), corporates, academicians, bankers and practitioners in the field. During the year, three meetings were organised and initiatives on major action points were taken. Four sub-groups of the NAC were constituted to look into various aspects, viz. capacity building and governance aspects of FPOs, social capital and farmers perspectives, financial requirements of FPOs, risk mitigation, credit guarantee, tax related issues, convergence requirement, process involved and market linkages—and suggest improvements based on actual field experiences. The State Level Consultative Committees have been constituted in most of the states. NABARD partnered with 785 POPIs and 16 Resource Support Agencies (RSAs) in various states as on 31 March 2016, for providing support for nurturing and hand holding of FPOs over 3 years.

SHOWCASE 4.1

Farmers' Club to Farmer Producers' Organisation in Chhattisgarh

The journey started in November 2011 as an effort to revive the 150 dormant Farmers' Clubs (FCs) formed mostly by the Chhattisgarh Rajya Gramin Bank and two NGOs. The FCs were organised into three Farmers' Club Federations and then to Farmer Producers' Organisation (FPO) 'Kisan Beej', which produces certified seeds of paddy (five varieties), wheat, soybean, and mustard. The FPO was promoted directly by DDM, NABARD, Bilaspur in Chhattisgarh, as a revival effort. About 3,000 farmers belonging to 282 farmers' clubs are members of Kisan Beej.

Kisan Beej produced 10,499 quintal (ql) paddy and 844 ql soya seed in 2013–14; and 20,669 ql paddy and 360 ql wheat seeds in 2014–15. Further, it produced 25,000 ql paddy, 5,000 ql wheat, and 10 ql mustard in 2015–16. In terms of volume, seed produced, procured and sold, the FPO is second to the state run Beej Nigam and is first amongst all the 10 seed producing societies registered in the state. Kisan Beej, Chhattisgarh has made Bilaspur, Mungeli, and Janjgir districts of Chhattisgarh self-sufficient in certified seed production.

The produce of the members is being sold by a network of 15 SBI kiosks run by the three Farmers' Club Federations. The agriculture departments of concerned districts also procure seeds from the FPO.

NABARD had sanctioned ₹185 lakh term loan to the FPO, which has repaid ₹146.41 lakh towards principal and ₹34.81 lakh towards the interest so far. The FPO had availed ₹120 lakh working capital in June 2015 and is planning to avail a working capital limit of about ₹400 lakh for the current operation during 2016.

4.3.2 Producers' Organisation Development Fund

In its endeavour to support FPOs/ collectives in a comprehensive manner, NABARD sanctioned financial assistance of ₹92.11 crore (₹89.63 crore as loan and ₹2.48 crore as grant) to 52 producers' organisations (POs) during 2015–16. The disbursements amounted to ₹70.07 crore (₹68.69 crore as loan and ₹1.38 crore as grant). Major activities of the POs assisted by NABARD so far include establishment of bamboo processing units, dairy activities, agro-service centres, agro-tourism centre, green tea manufacturing factory, spices processing unit and bio-processed and commercial production of fish.

4.4 WATERSHED DEVELOPMENT PROGRAMMES

Programmes being implemented in watershed development include: (i) Participatory Watershed Development Programme under the Watershed Development Fund (WDF);[1] (ii) watershed projects under the Prime Minister's Relief Package for Distressed Districts; (iii) grants-cum-loans for state-based watershed projects; and, (iv) Indo-German Watershed Development Programme (IGWDP).[2]

[1] WDF was created in 1999–2000 with an initial corpus of ₹200 crore, contributed equally by the Government of India (GoI) and NABARD. The corpus was augmented over the years by the interest-differential earned under the Rural Infrastructure Development Fund (RIDF), and the interest accrued on the unutilised portion of the fund.

[2] Operationalised in December 1992 under the bilateral aid agreement between the German and Indian governments https://www.nabard.org/english/Indo_German_wdp.aspx

4.4.1 Participatory Watershed Development Programme

Under the Participatory Watershed Development Programme, funded out of WDF, 547 projects (both ongoing and completed) were undertaken in 18 states, covering an area of 5.24 lakh ha, with a cumulative commitment of ₹398.90 crore. Forty-nine new projects, for the capacity-building phase, were sanctioned under the programme during 2015–16. The financial assistance under this programme is provided in the form of grants, or on a grant-cum-loan basis. As on 31 March 2016, the total corpus stood at ₹1,108.74 crore.

4.4.2 Watershed projects under Prime Minister's Relief Package for Distressed Districts[3]

Of the ₹933.20 crore sanctioned for 764 watershed projects under the package, a cumulative amount of ₹802.32 crore was released as on 31 March 2016. In all, 711 projects have been completed, while 53 watershed projects closed prematurely due to various field-level difficulties. The programme implementation closed on 30 September 2015.

4.4.3 Grant-cum-loan for state-based watershed projects

In all, 41 watershed development projects were sanctioned in Karnataka and 141 in Tamil Nadu in the grant-cum-loan mode. As on 31 March 2016, cumulative loan disbursement to the two states stood at ₹54.70 crore.

[3] Under the Prime Minister's Relief Package for Distressed Districts, watershed projects on a cluster basis were being implemented in 31 districts of Andhra Pradesh, Karnataka, Kerala, and Maharashtra covering a minimum of 30,000 ha in each district.

4.4.4 Indo-German Watershed Development Programme

The Indo-German Watershed Development Programme (IGWDP), a bilateral aid programme that focuses on the regeneration of natural resources, is being implemented by village watershed committees (VWCs), in association with non-governmental organisations (NGOs) in the states of Maharashtra, Andhra Pradesh (and Telangana), Gujarat, and Rajasthan. The details of these projects are furnished in Table 4.3.

TABLE 4.3
Regeneration of natural resources under IGWDP

State	*Period of implementation*	*Fund in ₹crore (€ million)*	*Projects implemented*	*Area covered (ha)*	*Amount disbursed (₹ crore)*
Maharashtra Phase III	2005–14	151.00 (€19.94 million)	114	1,19,088	121.84
Andhra Pradesh	2005–15	66.00 (€ 8.69 million)	36	41,633	59.94
Gujarat	2006–16	69.90 (€ 9.20 million)	28	38,000	37.14
Rajasthan	2006–16	83.60 (€ 11 million)	31	35,000	42.99
Total			**209**	**2,33,721**	**261.91**

Sidebar 4.1
NABARD–NRSC MoU on web-based monitoring of watershed projects

A memorandum of understanding (MoU) was signed between NABARD and the National Remote Sensing Centre (NRSC), Hyderabad on 31 December 2015 for the monitoring of IGWDP watershed projects through geospatial technologies on a pilot basis. The MoU covered a one-time evaluation of completed projects in Gujarat, Rajasthan, and Andhra Pradesh and involved the monitoring of NABARD-assisted watershed projects under WDF in Madhya Pradesh.

Under the terms of the MoU, NABARD is provided with a platform on the BHUVAN web portal for digitisation, online and real-time tracking of physical and financial progress and impact evaluation of watershed projects through the use of remote sensing, geographic information system (GIS), and global positioning system (GPS) technologies.

The IGWDP in Maharashtra and Andhra Pradesh has been completed, and the programme in Gujarat and Rajasthan will draw to a close in December 2016.

SHOWCASE 4.2

Watershed project solves water woes in Telangaraoguda village in Telangana

The lack of adequate water supply in Telangaraoguda in Adilabad district of Telangana had long deprived the 45 families and their livestock that lived in the village. A research team from NABARD recommended that a check-dam be built to help increase ground-water reserves and ease water access for the villagers and their livestock.

Villagers from Telangaraoguda (Adilabad District of Telangana), reaping the benefits of the check-dam watershed project

Though the solution was simple and effective, the villagers were initially apprehensive. The NABARD team persevered with them, repeatedly explaining the process and clearing their doubts. It took four months to convince the village to take up the project.

The check dam has resulted in a huge water-storage—up to 150 metres upstream. The families are now reaping the benefits of a higher water table and have plenty of water both for their domestic use as well as for their animals.

SHOWCASE 4.3

Increased water supply helps Ishwarbhai Morasiya to Grow 'Solid Gold' in Gujarat

Ishwarbhai Morasiya of Narukot village, Kawant block, Chhota Udepur district, Gujarat was once a marginal farmer. Today, the enhanced water-supply made available under the Narukot Watershed Project for papaya farming has turned his life around.

'These papaya trees return no less than solid gold. All we need to do is take extra care of the plant and provide adequate water supply.' Narukot village alone consumes up to 70–120 kg of papaya every day.

Farmer Ishwarbhai Morasiya and his wife stand proudly by their Taiwan Red Lady papaya trees

SHOWCASE 4.4

Collaboration with Tata Trusts: Cycle-mounted solar pump in Odisha

NABARD and Tata Trusts entered into an MoU in January 2015. Convergence of development and credit interventions, tribal development, village development, and development of sustainable livelihood opportunities by providing easy financial access are some of the key areas of the collaboration. NABARD had supported Harsha Trust in implementing an innovative project to irrigate vegetable fields by using cycle-mounted portable solar pump on cost sharing basis with Tata Trusts. Under this programme, Harsha Trust successfully implanted the concept with 20 ultra-poor beneficiaries of drought affected Golamunda, Thuamul Rampur and Lanjigarh blocks in Kalahandi district of Odisha. The total cost of the project was ₹14.52 lakh, out of which NABARD contributed₹9 lakh under the Rural Innovation Fund (RIF) and Tata Trusts contributed ₹3 lakh. Harsha Trust has contributed ₹2.52 lakh. Under this project, the beneficiaries who did not have enough water to irrigate their crops were provided with a cycle mounted portable solar pump of just 96-watt capacity along with a drip or sprinkler set. The farmers who had either a dug well or a ring well were able to irrigate up to 0.25 acres of land to grow vegetables. The pump can deliver up to 700 litres of water per hour and can effectively run for 6–8 hours a day. The entire unit comprising pump and panels is easily transported from one water source to another on a bicycle, upon which the solar panels are adjusted and can be folded while being transported.

The benefits observed from this project are as follows:

- The project contributed to an average additional income of about ₹10,000 per season per family.
- The yield of vegetables increased up to 1.5 times due to improved cultivation practices.
- The operational cost for irrigation is reduced significantly due to zero energy consumption.
- Production is maximised due to efficient water use.
- There is a significant reduction in the drudgery of women.
- There is a significant increase in knowledge of farmers on technical aspects of crop production.
- Poor farmers started growing high value crops like pointed gourd and banana with assured irrigation throughout the year.
- Scope for growing off-season vegetable to fetch better price increased.

4.5 TRIBAL DEVELOPMENT FUND[4]

The cumulative sanctions under the Tribal Development Fund (TDF) stood at ₹1,952.95 crore as on 31 March 2016, while disbursement stood at ₹1,179.47 crore, covering 4.85 lakh families in 633 projects across 27 states and union territories. In all, 23 projects were sanctioned to 10 regional offices (ROs) during 2015–16, ₹167.59 crore was disbursed as grants, and ₹6.91 crore as loans (as on 31 March 2016).

Out of 23 projects, seven TDF projects were sanctioned under corporate social responsibility (CSR) / co-funding arrangement—two in Odisha (with CINI, TATA Trust) (Showcase 4.4), two in Jharkhand (with TATA Steel), and three in Maharashtra (with Reliance and Lupin Pharmaceuticals).

SHOWCASE 4.5

Thippeswamy benefits from TDF Project – Karnataka

Hailing from Rangasamudra in Tumkur district of Karnataka, Thippeswamy was a marginal farmer who owned an acre land where he grew groundnuts during the monsoons, but suffered continuous crop losses. Supported by NABARD's TDF project, Thippeswamy took a chance with wadi farming. He raised 20 mango and 20 sapota plants along with forestry plants on the bunds. He also adopted multi-cropping and crop rotation.

As there was no water source nearby, Thippeswamy fetched water from a distance of over 2 km through summer to irrigate his field. Despite the adverse circumstances, 38 of the 40 saplings he planted survived and last year he harvested his first yield of 800 kg which fetched him an income of ₹19,000.

Each plant generally yields 300 to 350 kg so, the production and earnings are both expected to increasesoon. With income from forestry plants at approximately ₹10,000 in terms of fodder and fuel wood, Thippeswamy's income has reached ₹27,250 per year.

Thippeswamy standing proudly in his wadi

A bountiful harvest for Thippeswamy

[4] The TDF programme focuses on the development of 'wadis' or small orchards, organic wadis, mixed wadis (perennials plus creeper vegetables plus spices), credit-support for marketing activities, and value-chain interventions for processing and marketing. For further details see //www.nabard.org/english/annualreport.aspx.

Two MoUs were signed with (i) Godrej Industries Limited and Associate Companies (GILAC) and (ii) Godrej & Boyce Mfg. Company Limited to support the developmental interventions of NABARD.

4.6 ADIVASI DEVELOPMENT PROGRAMME

In Phase II (2006–2016) of KfW–NABARD–V–Adivasi Development Programme, Gujarat (ADPG II), cumulative disbursement stood at

SHOWCASE 4.6

'The Wadi is Like My Son' Says Farmer from Odisha

Forty-nine year old Kalidas Pradhan is a model farmer from Sripanka village in Daringbadi block, Kandhmal district of Odisha. Both his children go to school and his family lives in a pucca house that he has constructed with ₹30,000 from his bank savings.

Pradhan's wadi/farm has been showcased to prominent visitors such as Odisha's Horticulture Division Director, the Additional Secretary, Agriculture, Government of India, and the Collector of Kandhamal District.

Just a decade ago, burdened by huge debts that gobbled his entire earnings, Kalidas Pradhan could never have dreamt that his fortune would change so dramatically. He could not afford to send his children to school and the family had a hand-to-mouth existence for nearly two decades by then. Any emergency led to more debt in the hands of the moneylender.

In 2007, 'wadi' plantation was introduced and support was provided for vegetable cultivation using inter-cropping. Additionally, a petty loan of ₹5,000 was sanctioned to Pradhan's wife from her self-help group (SHG). Kalidas Pradhan went for bean cultivation, followed by cabbage and groundnut and earned ₹60,000 from his produce in the first round. Next, a pump-set was provided to groups of three farmers each. Kalidas used his share of the water for rabi cultivation.

Kalidas Pradhan (second from right), proudly showing dignitaries around his wadi.

Then, in 2013, a 1000 sqm shade net house was sanctioned under the National Horticulture Mission (NHM). In the meanwhile he was selected for training on improved vegetable cultivation by the Government of Odisha, and decided to opt for modern agriculture, trying off-season cauliflower and broccoli.

Today he trusts the wadi system more than he would a family member: 'The wadi is like my son. My son may betray me but not the wadi. It is like a pension for life. The wadi has come as a boon for farmers like me.'

SHOWCASE 4.7

Changing the lives of Tribal Communities in Karnataka: Muniyappa Takes to Inter-cropping

A tribal farmer from Narayanaswamy Kote in Chikaballapura district of Karnataka, Muniyappa was selected as a wadi farmer and given assistance for growing mango. His confidence boosted not just by the results in mango but also the guidance and assistance he received from the project implementing agency Navachaitanya Urban and Rural Development Society (NRDS) with regard to sustainable agriculture practices, Muniyappa decided to try his hand at multiple cropping.

Muniyappa's rich harvest of mangoes

He sowed maize without using any chemical fertilisers, applying only tank silt from the ITC Tank Project. His very first yield of 15 quintals of maize from his one-acre plot earned him a net income of ₹24,000. Muniyappa's achievements are well respected by his fellow farmers who want to emulate him and undertake multiple cropping in their wadis too.

₹28.21 crore as on 31 March 2016. The programme is being implemented with a grant assistance of €7 million sanctioned by KfW, in Dang and Valsad district of Gujarat, and has so far assisted 5,922 families in mango and cashewnut wadi development, soil conservation, water-resources development, women/ landless family development and health-care.

4.7 UMBRELLA PROGRAMME FOR NATURAL RESOURCE MANAGEMENT

The Umbrella Programme for Natural Resource Management (UPNRM) is a loan-cum-grant based Indo-German programme, being implemented since 2007–08 by NABARD in collaboration with KfW and GIZ. It aims to boost rural livelihoods by supporting community managed sustainable natural resource management projects. It is a shift from (i) project- based to programme-based funding and (ii) grant-based to loan-based funding. The total fund envisaged under Phase I of the programme was €22.90 million (€19.40 million from KfW, €0.50 million from GIZ and €3.00 million from NABARD). Under Phase II, KfW has committed FC loan amounting to €52 million [Reduced Interest Loan (RIL) €42 million and International Development Assistance (IDA) € 10 million]and Accompanying Measures (AM) Grant of €2 million.

NABARD's commitment under Phase II is €7.143 million. Under TC phase II, GIZ has committed €0.50 million.

An amount of ₹40.33 crore as FC Loan under Phase II, ₹0.82 crore towards FC Grant from KfW, ₹0.27 crore from GIZ under Technical Component Grant (TC–I) and ₹0.73 crore under Technical Component Grant (TC–II) were received during the year. The cumulative FC loan, AM, FC Grant received from KfW under Phase I were €15.00 million, €0.119 million, €2.9 million respectively and FC loan under Phase II was €29.70 million.

During the year2015–16,26 projects were sanctioned with a loan assistance of ₹9.05 crore and grant assistance of ₹2.68 crore taking the cumulative sanction to ₹604.91 crore (loan ₹568.06 crore and grant ₹36.85 crore). Progress under UPNRM is provided in Table 4.4. The channel partners supported under UPNRM are NGOs, microfinance institutions (MFIs), producers' companies, private limited companies and co-operatives spread over 22 states viz. Andhra Pradesh, Assam, Arunachal Pradesh, Bihar, Chhattisgarh, Goa, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Maharashtra, Madhya Pradesh, Odisha, Rajasthan, Tamil Nadu, Telangana, Uttarakhand, Uttar Pradesh, and West Bengal and the union territory of Andaman and Nicobar Islands.

UPNRM, has created successful business models such as System of Rice Intensification in Karnataka, System of Sugar Intensification in Karnataka and Maharashtra, Bt. Cotton Initiatives with drip irrigation in Maharashtra, Bio Gas in Sindhudurg district of Maharashtra, Eco Tourism at Chamrajnagar, Karnataka, vermicomposting, organic farming, seed production, sustainable agricultural practices, medicinal plants cultivation and its primary processing, soil and water conservation measures in tank based irrigation in dry land areas, aggregation, value addition and marketing support for farmer groups, fruit, vegetable and spices processing, tasar and coir value chain, community drinking water facilities, installation of automatic weather stations etc. in various states.

TABLE 4.4
Progress under UPNRM (as on 31 March 2016)

(Amount in ₹ crore)

Amount sanctioned						*Amount disbursed*			
During the year			*Cumulative*			*During the year*		*Cumulative*	
No. of projects	Loan	79.05	No. of projects	Loan	568.06	Loan	34.27	Loan	360.35
26	Grant	2.68	300	Grant	36.85	Grant	3.80	Grant	22.44
	Total	**81.73**		**Total**	**604.91**	**Total**	**38.07**	**Total**	**382.79**

SHOWCASE 4.8

Successful Eco-tourism Project at Gorukana, Chamrajnagar Karnataka under UPNRM

Tree house

Bamboo house

4.8 SCALING UP MICROFINANCE INITIATIVES

4.8.1 Progress of SHG–Bank Linkage Programme

The SHG–Bank Linkage Programme (SBLP), pioneered by NABARD more than two decades ago, starting with a pilot of 500 SHGs, covers about 7.7 million self-help groups (SHGs) and nearly 100 million poor households in India (Table 4.5). The rural poor, thought to be unbankable prior to the SBLP epoch, now constitute a staggering 4.4 million SHGs having credit outstanding of more than ₹51,545 crore with the formal lending institutions. About 1.6 million SHGs had availed credit support of ₹27,582 crore from various banks during 2014–15, at an average of ₹1.70 lakh per SHG. During 2014–15, there was net addition of 2.6 lakh SHGs with savings linkage. The credit disbursement increased by 14.8 per cent over previous year, whereas, the total outstanding of institutional credit to SHGs increased by 20 per cent and SHGs' savings balance with banks went up to ₹11,060 crore. The progress confirms growing strength of SBLP (Table 4.5).

4.8.2 Revitalising the SHG–Bank Linkage Programme

Intensifying, expanding and revitalising the SBLP was assiduously taken up for deepening and widening of access to financial services, covering all eligible poor rural households in the country with a focus on resource poor states. Renewed emphasis was placed on livelihood interventions for SHG members and a livelihood development model was introduced for implementation on pilot basis. Efforts in close coordination with National Rural Livelihood Mission (NRLM)was undertaken to give a renewed thrust to the programme by ironing out differing perceptions, synergising the training efforts, supporting the SHGs and understanding each other's views. Convergence of SBLP with the initiatives of GoI, RBI and other government programmes was brought in focus. Promotion and nurturing of SHGs continued to be suitably incentivised to encourage financial inclusion, credit linkage, hand holding and livelihood promotion.

TABLE 4.5
Progress of SHG–Bank Linkage Programme (as on 31 March)

(Amount in ₹ crore)

Particulars	*2014*		*2015*	
	Number of SHGs	*Amount*	*Number of SHGs*	*Amount*
Loans disbursed during the year	13,66,421	24,017	16,26,238	27,582
Loans outstanding	41,97,338	42,927	44,68,180	51,545
Savings with banks	74,29,500	9,897	76,97,469	11,059

4.8.3 New policy initiatives

(a) Inclusion of NGO–MFI as SHPI

During the year 2015–16, NGO–MFIs were included as eligible Self Help Promoting Institutions (SHPIs) for formation and nurturing of SHGs to enlarge the range of SHPIs. The NGO–MFIs with their affinity to rural geography, acquaintance with the poor and rapport with banks are strategically positioned to boost the formation of SHGs, nurture them and facilitate credit linkages with banks. The scheme will be implemented in priority states where there is dearth of good NGO–SHPIs. Grant support to NGO–MFIs would be up to ₹5,000 per SHG for promotion and credit linkage of SHGs. The period of assistance will be up to 4 years. It is expected that NGO–MFIs would also be functioning as business correspondent (BC) of a bank and therefore NABARD's support has been confined primarily to taking care of pre-credit linkage expenditure and auditing of SHG books.

(b) Grant assistance to SHPI for promotion and credit linkages of SHGs

In the past few years, the SBLP was showing symptoms of dormancy, rising NPAs, delay in subsequent linkages and deteriorating quality of groups. A closer scrutiny and feedback from stakeholders revealed that, it was partly due to a gap in the handholding services rendered by the SHPIs. The 3-year handholding seemed to be inadequate. The period of handholding and consequently the project period for NGO–SHPIs were therefore revised to 4 years. The quantum of assistance remained unchanged. The pattern of release was revised to ensure longer handholding, second credit linkage with banks and also that the SHPIs took up audit of SHG books annually. The SHPIs need to undertake the required capacity building of SHGs for accounting and book-keeping.

(c) Advisory Board on SBLP

During the year, an SBLP Strategic Advisory Board was constituted under the chairmanship of Deputy Managing Director, NABARD and members from stakeholder departments such as the Department of Financial Services, GoI (DFS), NRLM, RBI, bankers and domain experts.

The function of the Board is to focus on strategic action plan on SBLP, evolving quality standards, financial literacy, digitisation of SHGs, livelihood promotion etc. The first meeting of the Advisory Board was held on 13 November 2015.

4.8.4 Expenditure towards promotional grants

During 2015–16, a sum of ₹36.02 crore from the Financial Inclusion Fund (FIF) and ₹16.84 crore from Women Self Help Group (WSHG) Fund were released as grant for various microfinance related activities such as formation and linkage of SHGs, training and capacity building of stakeholders, livelihood promotion, documentation, awareness and innovations, etc.

4.8.5 Support to partner agencies/SHPIs

NABARD continued to extend support to NGOs, RRBs, DCCBs, Farmers' Clubs and Individual Rural Volunteers (IRVs), SHG Federations and PACS for promoting and nurturing SHGs.

During 2015–16, grant assistance of ₹39.44 crore was sanctioned to these agencies for promotion of SHGs. The cumulative assistance sanctioned to various agencies was ₹340.68 crore for promoting 8.23 lakh SHGs, against which assistance of ₹112.95 crore was released for formation of 5.75 lakh SHGs as on 31 March 2016. NGOs were the most dominant SHPIs, forming more than 80 per cent SHGs and availing 91 per cent grant assistance. The category-wise details of grant assistance sanctioned and released to SHPIs are given in Table 4.6.

4.8.6 Training and capacity building of stakeholders

NABARD continued its efforts towards training and capacity building of stakeholders engaged in microfinance programme by conducting 1,773 training programmes and trained around 0.72 lakh participants from various stakeholders/groups during 2015–16. With this, cumulatively, around 34.85 lakh participants have been imparted training as on 31 March 2016. In addition, 312 training programmes covering 12,075 participants were conducted under WSHG Fund during 2015–16. The cumulative number of participants trained under WSHG Fund went up to 0.45 lakh as on 31 March 2016.

4.8.7 Promotion of women SHGs in backward / Left Wing Extremism affected districts of India

The scheme for promotion of women SHGs in 150 backward/Left Wing Extremism (LWE) affected districts spread across 29 states is being implemented with support of GoI. The anchor NGOs work as SHPIs for promotion and credit linkage of SHGs. They also act as business facilitator for tracking and monitoring the SHGs and are responsible for loan repayments

TABLE 4.6
Grant assistance extended to SHPIs as on 31 March 2016

(Amount in ₹ lakh)

Agency	*Cumulative position up to 31 March 2016*			
	No. of SHGs sanctioned	*Amount sanctioned*	*No. of SHGs promoted*	*Amount released*
NGOs	6,50,132	30,475	4,58,033	10,308
NGO–MFIs	0	0	0	0
RRBs	56,048	1,341	44,344	324
Cooperative Banks	68,762	1,072	55,126	482
IRVs	29,810	514	14,084	88
Farmers' Clubs	5,098	41	1,995	21
SHG Federation	300	32	195	15
PACS	13,430	593	1,601	57
Total	**8,23,580**	**34,068**	**5,75,378**	**11,295**

by SHGs. Under the project 1.81 lakh women SHGs have been savings-linked and 98,033 of them have been credit-linked. A cumulative amount of ₹67.85 crore was utilised as grant assistance out of the WSHG Fund for various activities as on 31 March 2016.

4.8.8 Digitisation of SHGs

NABARD had launched a pilot project for digitisation of all SHGs in Ramgarh (Jharkhand) and in Dhule (Maharashtra) districts. Under the project, complete data of all SHGs in the districts will be web hosted in a dedicated websiteviz.,www.eshakti.nabard.org**,** wherein the entire e-book-keeping of SHGs with vital information on individual profiles of members like their savings, credit history, occupation, linkage to Joint Liability Groups (JLGs), etc. is made available, on real time basis, to various stakeholders including banks, SHPIs, development agencies, SHGs, their federations, NABARD, etc. The project undertakes uploading of SHG data through Android based application. The SHG members immediately receive SMS upon transactions and uploading of data which ensures transparency to the whole operations. The pilots in both Ramgarh and Dhule are in advanced stages. Data in respect of 8,333 SHGs was captured encompassing 1, 10,000 members in 949 villages as on 31 March 2016. Quite a few SHGs have also started using the application for updating their books of accounts on a monthly basis. Based on the success of the pilot, the project is now being extended to 22 additional districts during 2016–17.

4.8.9 Financing of Joint Liability Groups

Joint Liability Groups (JLGs) are positioned as a strategic intervention for purveying credit to small farmers, marginal farmers, tenant farmers, small artisans, etc. thereby reducing their dependence on informal sources for credit needs. JLGs are meant for augmenting flow of credit to tenant/landless farmers, extending collateral free loans to them and building mutual trust and confidence between banks and JLG members. During 2015–16, 5.93 lakh JLGs were promoted and financed by banks, taking the cumulative number of JLGs promoted and financed by banks to 17.2 lakh as at the end of March 2016.

Apart from extending 100 per cent refinance support to banks NABARD continued to extend financial support for awareness creation and capacity building of all stakeholders of the programme. Besides, NABARD provides incentive for formation and nurturing of JLGs to banks and other JLG promoting agencies. Grant assistance of ₹137.73 crore was sanctioned for promotion of 7.74 lakh JLGs across the country till the end of 31 March 2016.

4.8.10 Micro-Enterprise Development Programme

NABARD's endeavour to upgrade the skills of the SHG members through

Micro-Enterprise Development Programme (MEDP) in order to enable them to start micro enterprises continued during 2015–16. Around 44,865 members were trained through 1,151 MEDPs during the year.

Sidebar 4.2
Livelihood and Enterprise Development Programme

Generating income and alleviating poverty through the creation of livelihoods, is one of the goals of the SHG–Bank Linkage Programme (SHG–BLP). NABARD has been enabling livelihood promotion and graduation of SHG members through a variety of programmes that focus on upgradation of skills and developing entrepreneurial abilities. However, skill upgradation trainings alone could generate limited impact on livelihood creation among SHG members. With a view to creating sustainable livelihoods among SHG members and to create maximum impact of skill upgradation with hand holding and credit linkages the Livelihood and Enterprise Development Programme (LEDP)was launched in December 2015. These programmes will be implemented in small batches for a maximum of 150 SHG members on a project basis covering 15 to 30 SHGs in a cluster of contiguous villages. The programme covers agricultural & allied activities as well as rural non-farm sector activities. There is provision for intensive training for skill building, refresher training, backward-forward linkages and handholding as well as escort support encompassing therewith the complete value chain and offering end to end solutions to the SHG members. NABARD will provide grant support for capacity building and establishment of demonstration units, and any other need-based critical infrastructure.

Cumulatively, around 4.11 lakh SHG members have received training through 13,682 MEDPs. Studies conducted by Regional Offices to assess the impact of MEDP observed maximum settlement rate in MEDPs up to 67 per cent and the maximum average monthly incremental income at ₹6,900 per trainee.

4.8.11 Coordination with National Rural Livelihoods Mission

NABARD and National Rural Livelihoods Mission (NRLM) started collaborating in areas of mutual interest—training of trainers and rural branch managers, digitising SHGs, supporting WSHGs and undertaking studies, etc., during the year.

The NRLM implements an interest subvention scheme for eligible women SHGs and the scheme is being administered by NABARD for RRBs and cooperative banks in 150 districts under category I. The State Rural Livelihood Mission (SRLM) in each state implements this scheme for all non-Category I districts, which are listed as Category II. The scheme permits eligible women SHGs to avail credit up to ₹3 lakh at 7 per cent per annum. In Category I districts, these women SHGs are also provided with an additional incentive of 3 per cent on prompt repayment of loan. The scheme continued during 2015–16.

The NRLM has since decided to provide all assistance, including through the Community Investment Fund (CIF) and Revolving Fund Assistance (RFA) to WSHGs in intensive blocks promoted under the WSHG Scheme being implemented by NABARD.

4.8.12 Micro-insurance

Religare Health Insurance was sanctioned two pilot projects, one in Alwar district of Rajasthan and other in Ramgarh district of Jharkhand, to increase awareness and enrolment of SHG members with regard to micro-insurance. The projects cover 1,000 SHG members and their family (up to five heads) in Alwar district and 2,000 SHG members and their spouse in Ramgarh district. Fifty per cent of the premium for SHG members will be supported under the project for two years. The projects envisage:

- Provision of Health Insurance and Personal Accident Cover;
- Issuance of a Master Policy in the name of the SHPI and individual cover in the name of SHG member and his/her spouse (the couple being treated as one unit);
- That the insured must be at least 18 years of age and not more than 70 years of age;
- That insurance cover will be provided for a period of one year to each beneficiary from the date the policy comes into effect; and will enable SHG members/families to avail cashless treatment in a hospital for any illness/injury/ disease (that is not specifically excluded) and also for maternity treatment needs up to a maximum limit of ₹50,000.

4.8.13 Micro-pension

International Network of Alternative Financial Institutions (INAFI) was sanctioned a micro-pension pilot project to be implemented in the tribal district of Dungarpur in Rajasthan. The project envisages educating SHG leaders, federation leaders and NGOs on the micro pension products, through pension literacy/ mobilisation meetings, workshop for NGO staff members and technical workshops for finalising the pension products. The project targets coverage of minimum 1,000 SHG members under micro pension.

4.9 TOWARDS GREATER FINANCIAL INCLUSION

In the past, GoI had made several attempts to leverage banks in development and poverty alleviation programmes. However, the benefits of modern financial services and products have eluded those with low levels of income, especially those living in remote and rural areas. Poor recovery and high transaction costs have deterred banks from serving low-income groups living in sparsely populated rural and inaccessible areas, where bank branches are unviable. In addition, lack of awareness and low confidence level on available livelihood options prevent rural populations from seeking formal financial services and products.

4.9.1 Financial Inclusion Fund

To foster a robust financial system, the country cannot afford to keep a large segment of its population outside the ambit of the formal financial system, irrespective of the quantum of their savings and investments. The emerging understanding amongst policy makers has been that access to suitable financial products and services for every citizen is a prerequisite for growth— growth that is inclusive and hence sustainable. In order to help RFIs make available their services to people, GoI had constituted two funds viz. Financial Inclusion Fund (FIF) and Financial Inclusion Technology Fund (FITF) in 2007–08 in NABARD. In July 2015, GoI merged FITF into FIF. The total balance in the fund was ₹2,452.74 crore as on 31 March 2016.

At the end of 2015–16, cumulative sanctions under FIF stood at ₹1,610.78 crore (net of withdrawn sanctions ₹69.65 crore) and cumulative disbursements at ₹671.55 crore, of which ₹25.92 crore was refunded.

The fund supports ICT interventions of RFIs so as to enable the RFIs to bring the disadvantaged population into the umbrella of financial services.

4.9.2 SHG members as Bank Sakhis

NABARD launched the pilot programme called 'SHG members as *Bank Sakhi*' all over the country for RRBs and commercial banks with the approval of advisory board of FIF to help RFIs in making available their services to disadvantaged population.

4.9.3 Promoting financial inclusion through financial literacy

NABARD has been supporting RFIs in building capacity and improving financial literacy of various stakeholders. One of the innovative interventions NABARD undertook was to identify the most suitable product, channel and influencers for the rural poor and plan financial literacy around these pivots.

To encourage banking in rural areas, for a product like remittance of money via formal banking system, deploying the BCs (*Bank Sakhis*) model was identified as a fit case to build financial literacy for all stakeholders. In the long run, the SHG leaders may also act as critical agents of change infusing modern agricultural practices and (along with JLGs and farmers' clubs)form the basis for producers' organisations and other collective bodies.

4.9.4 PACS/other societies as DMAs of cooperative banks

To leverage the institution of cooperative societies in increasing touch points in remote rural areas, NABARD in 2014–15 launched a pilot programme of non-deposit mobilising PACS/other societies as Deposit Mobilising Agents (DMAs) for DCCBs in the three-tier and StCBs in the two-tier cooperative structures. The intention of the programme was to help customers of cooperative banks to do their basic banking activities through micro ATMs placed in the PACS and other societies. This would encourage financial inclusion for members of such groups while also aid financial literacy through learning by doing.

As on 31 March 2016, proposals worth ₹70.92 crore for 5405 PACS across 16 states and 1 union territory have been sanctioned. To incentivise the banks, they are provided support for installing one ATM in one of their branches for every five micro ATMs placed in PACS / other societies.

4.9.5 Solar powered V-SAT connectivity

A critical issue in implementing financial inclusion in remote and difficult areas is connectivity. Very small aperture terminal (V-SAT), which supports internet, data, LAN as well as voice/ fax—is ideal to ensure uninterrupted connectivity in such areas. However, an additional challenge for V-SATs in remote locations is power supply.

The FIF advisory board decided to provide support for setting up of solar-powered V-SAT kiosks or fixed customer service points (CSPs) in sub-service areas (SSAs) identified under Pradhan Mantri Jan Dhan Yojana (PMJDY). Banks may approach NABARD for assistance to set up V-SAT kiosks or CSPs in an SSA, provided that the specific SSA lacks connectivity or has intermittent connectivity. This initiative is expected to solve the twin problems of telecom connectivity and power supply in the kiosk/CSP for last mile connectivity.

4.9.6 Real-time money transfer facilities at DCCBs

Of the 380 licensed cooperative banks—both StCBs and DCCBs—presently on CBS platform, NABARD had facilitated the migration of 201 banks to CBS. Under CBS, these banks are enabled for real time gross settlement (RTGS), national electronic funds transfer (NEFT) and cheque truncated system (CTS).

To encourage these banks to offer these facilities to their customers, with the approval of the FIF advisory board, NABARD decided to support StCBs—direct members of RBI—for RTGS/NEFT to act as sponsor banks for DCCBs (sub-members).

This support is available for capital expenditure as well as recurring expenses incurred by StCBs for a period of three years, subject to the following conditions:

- They must be direct members of RBI to provide the facilities.
- They must avail RTGS/NEFT and CTS services under ownership model.
- They must bring on-board at least 80 per cent DCCBs in a state as sub-members.
- They should be part of ATM network (national financial switch) either directly or as sub-member and should issue RuPay debit cards.

So far, ₹2.72 crore has been sanctioned to four states (Gujarat, Rajasthan, West Bengal and Tamil Nadu and) with ₹1.47 crore released to Gujarat and Rajasthan under the scheme.

4.9.7 Support to commercial banks for FLCCs

Support to commercial banks to set up financial literacy and credit counselling centres (FLCCs) was closed in November 2012 at the prevailing level of achievement. In its meeting on 14 September 2015, the FIF advisory board, decided to release the sanctioned-yet-undisbursed amount to the commercial banks for increased expenditure on FLCCs. Such disbursal was closed on 31 January 2016.

4.9.8 Support for CBS implementation by Cooperative Banks

Cooperative banks have implemented CBS either under Ownership Model or under Application Service Provider Model. CBS is the backbone on which all other delivery channels for financial products will ride and its stabilisation is vital. It will also enable the banks to participate in online remittance platform like RTGS and NEFT and other platforms like NACH, CTS and AEPS. To encourage the banks to stabilise CBS, NABARD in 2016 provided one-time support for the implementation of CBS subject to a cap of ₹2.00 lakh per branch as a reimbursement towards part of the expenditure incurred by the banks. So far, ₹88.32 crore has been sanctioned under the scheme.

4.10 OFF-FARM SECTOR

Promotion of the Off-Farm Sector (OFS) assumes significance in the context of reducing over dependence of our rural population on agriculture and to provide alternative livelihood options. It also helps in arresting large scale migration of rural population to urban centres on account of unemployment/underemployment in rural areas.

NABARD has evolved several refinance and promotional schemes for the development of non-farm/off farm sector over the last three decades and has been making constant efforts to refine/rationalise the programmes in response to field level needs.

The major initiatives/achievements during 2015–16 are as follows:

4.10.1 Promotional programmes

(a) Rural innovations

During 2015–16, two rural innovation projects were sanctioned with financial commitment of ₹5.40 crore. The total number of projects sanctioned under erstwhile Rural Innovation Fund (RIF) and Off-Farm Sector Promotion Fund (OFSPF) stood at 687 with total commitment of ₹73.23 crore as on 31 March 2016.

(b) Skill development REDP/SDP

NABARD supports Rural Entrepreneurship Development Programmes (REDPs) and Skill Development Programmes (SDPs) for facilitating generation of self-employment and wage employment opportunities for the rural youth. During 2015–16, financial assistance of ₹1.95 crore was disbursed for conducting 689 REDP/SDPs. Cumulatively, NABARD has supported 30341 REDPs/SDIs with grant assistance of ₹109.77 crore, imparting training to around 7.83 lakh unemployed rural youth as on 31 March 2016.

(c) PANIIT Skill Building Project

As a part of NABARD's continued developmental interventions for empowerment of rural youth, a loan based project of ₹4.76 crore, comprising grant and RFA, was sanctioned out of RIF to 'PANIIT Alumni Reach for India' (PARFI) during the year 2010–11 for setting up 20 gurukuls, aimed at skill building and assured placement for the school dropouts from very poor rural households in nine states in activities like masonry, bar bending, fork lifting, plumbing, air conditioning, electrical wiring, heavy vehicle driving, catering etc. RFA of ₹193.00 lakh has been released so far.

Based on the success of the PANIIT model, during 2015–16, financial assistance of ₹5 crore was sanctioned to NABFINS (a subsidiary of NABARD) for extending skill loans to the youth through Gurukuls set up by PARFI. An amount of ₹2.50 crore was disbursed during the year to NABFINS for initiating the project.

(d) Marketing initiatives: Exhibitions/Melas

NABARD supports and provides marketing platforms to rural artisans and producers to exhibit their traditional art, crafts, produce and products through exhibitions and melas which enable artisans to not only utilise their expertise as a source of livelihood but also help them in enhancing their income. During 2015–16, NABARD organised/sponsored 210 melas/exhibitions in different parts of the country with financial assistance of ₹263.22 lakh.

One of the events was Mahalaxmi SARAS Mela, an annual exhibition-cum-sale of products made by rural artisans, for which grant assistance is provided by NABARD. The mela is organised in Mumbai by the GoI and the Government of Maharashtra, jointly with NABARD. Fiftystalls were allotted to NABARD in which 53 exhibitors from 27 states displayed their craft. Grant assistance of ₹39 lakh was sanctioned towards conducting the SARAS Mela.

NABARD has also been supporting the Surajkund International Craft Fair for the last six years by sponsoring 45 stalls for rural artisans. During 2015–16, it extended grant support of ₹53.26 lakh for the fair.

(e) E-Portal

NABARD's aim to connect the skilled artisans to the consumers through a technology platform was initiated in

2014–15 by way of the development of e-portals. Two agencies were extended financial support for development of e-commerce portals 'shilpihaat.com" and 'ekraftsindia.com' respectively on a pilot basis. The portals had received good response with reports of nearly 60,000 online visitors and good initial sales response. More than 500 products from among handicrafts and handlooms produced by different artisan groups supported by NABARD are linked to these portals.

4.10.2 Loan-cum-grant projects

The operational policy guidelines on Rural Non-Farm Sector (RNFS), issued on 5 July 2012, marked a distinct shift from 100 per cent grant support for financing RNFS promotional activities to grant-cum-loan and exclusively loan based project models. Details of proposals sanctioned during 2015–16are as under:

(a) Rural housing

As a part of NABARD's mandate to bring about rural development and secure rural prosperity as also to align its policies with GoI's mission for providing 'Housing for all' by 2022, a comprehensive rural housing policy was approved by the Board with the objective of meeting huge unmet needs of rural housing in the country. During the year 2015–16, sanctions were accorded for ₹239 crore as loan and ₹3.67 crore as grant assistance to 10 agencies in five states for rural housing under direct financing. Maximum loan amount was sanctioned to Idukki and Kozhikode DCCBs (₹100 crore each) under the scheme.

(b) Rural sanitation

Acknowledging the fact that rural people do not have access to adequate sanitation facilities, NABARD has been supporting sanitation projects through grant assistance since 2005. NABARD continued its efforts and also taken the GoI's Swachchh Bharat Abhiyan forward by sanctioning sanitation projects. During 2015–16an amount of ₹8.66 crore was sanctioned as loan and ₹0.16 crore as grant assistance under the rural sanitation scheme to five agencies in four states.

(c) Other OFSPF projects

An amount of ₹1.24 crore as loan and ₹0.12 crore as grant was sanctioned in Uttar Pradesh under Rural Tourism. Further, loan amount of ₹0.60 crore and grant assistance of ₹0.06 crore was sanctioned in Andhra Pradesh for setting up a readymade garment unit.

4.10.3 Thrust areas of GoI

(a) Pradhan Mantri Mudra Yojana (PMMY)

Micro Units Development and Refinance Agency (MUDRA) Ltd., was launched by the Hon'ble Prime Minister on 8 April 2015 for developing and refinancing last mile financial intermediaries like banks, NBFCs, MFIs, etc. which are in the business of lending to micro / small business entities engaged in manufacturing, trading and service activities. NABARD was entrusted with the responsibility of fixing of targets under PMMY for RRBs based on their disbursements during 2014–15. NABARD has been monitoring the achievement of RRBs under PMMY.

(b) Stand Up India Scheme

The Hon'ble Prime Minister in his Independence Day address on 15 August 2015 announced the 'Stand Up India' initiative of GoI. The scheme envisages provision of bank loans between ₹10 lakh and ₹1 crore to at least one SC or ST borrower and at least one women borrower per bank branch for setting up greenfield enterprise. The enterprise must be in non-farm sector, manufacturing, services or trading sector. The scheme will cover all commercial banks. Offices of NABARD and SIDBI have been designated as Stand Up Connect Centres (SUCC) at the district level. The role of SUCC is as under:

- Arrange for handholding support for trainee borrowers
- Liaise with banks for follow up in potential cases
- Coordinate with Lead District Manager (LDM) for easing bottlenecks
- Assist the District Consultative Committee (DCC)/ State Level Bankers Committee (SLBC) in reviews and monitoring
- Organise quarterly events, for experience sharing etc. amongst stakeholders

NABARD initiated the implementation of the scheme through awareness building measures among banks and other stakeholders.

4.11 PROMOTING RESEARCH AND DEVELOPMENT

The Research and Development (R&D) Fund provides financial support to various agencies, and academic and research institutions for the promotion of applied research projects and studies; organisation of seminars/conferences/ workshops, training, techno-economic and other surveys in the field of rural banking; agriculture and rural development; setting up of NABARD Chair units in universities and reputed institutions; and student internship. The corpus of the fund has been kept at ₹50 crore and the expenditure incurred every year is replenished from NABARD's profits.

4.11.1 Research projects and studies

During 2015–16, 22 projects, involving an expenditure of ₹1.61 crore were sanctioned to various agencies. The grant assistance released for various projects, studies and sponsored research in 2015–16 amounted to ₹1.49 crore. Further, 4 projects/studies sanctioned earlier were completed during the year.

A study on 'Assessment of successful Water User Association (WUAs) in Gujarat, Maharashtra, Rajasthan and Madhya Pradesh to identify the factors for sustainability of Participatory Irrigation Management (PIM) Programme' was conducted by Indian Network on Participatory Irrigation Management, New Delhi. The objective of the study was to appraise the PIM Programme as implemented in such successful WUAs in each selected state with focus on WUAs and their development environment. The report suggested some measures for upscaling of PIM to make it farmer friendly, simple and practical. Adoption of step-by-step approach for large systems and requirement of training at all level, etc were also suggested.

The National Institute of Technology, Rourkela conducted a study on 'Status of Financial Inclusion in Odisha: Special Reference to the Business Correspondents Model'. The main objective of the study was to find out the effectiveness of BC model in achieving financial inclusion in Odisha. According to the report, the bank normally retains 10–20 per cent of the charges collected from the customers. The paper indicates that measures are needed to accelerate the pace of the programme with quality, accuracy and cost-effectiveness of the BC model to expand financial inclusion. The study undertaken reveals that long duration is required to breakeven.

4.11.2 Seminars/conferences/ workshops

NABARD sanctioned grant assistance of ₹279.02 lakh to various universities, research institutes and other agencies for organising 150 seminars, conferences, symposia and workshops on agriculture and rural development during 2015–16. The agencies organised seminars, conferences, workshops etc., on areas such as empowering farmers and moderating food inflation, gearing up to global competitiveness, challenges and opportunities faced in sustaining agricultural productivity in arid ecosystems, etc., and documented proceedings to facilitate wider dissemination of recommendations/ action points and suggested policy interventions.

4.11.3 NABARD Chair Professor Scheme

During the year, NABARD Chair Units were established at Xavier University, Bhubaneswar; Vaikunth Mehta National Institute of Cooperative Management, Pune; Institute of Economic Growth, Delhi; and Acharya N.G. Ranga Agricultural University, Guntur. NABARD Chair Units have also been approved for G.B. Pant Agricultural University, Pantnagar; National Dairy Research Institute, Karnal; and Tata Institute of Social Sciences, Mumbai. NABARD Chair Units at IIM, Ahmedabad and Institute of Rural Management, Anand were set up during 2014–15.

4.11.4 NABARD Student Internship Scheme

NABARD offers summer internships to meritorious students pursuing postgraduate degrees in agriculture, agri-business, economics, social sciences or management in reputed institutes with the expectation that students will bring fresh perspective on themes of interest to NABARD.

A total of 55 students completed internship under the scheme in 2015–16 and submitted reports covering 22 broad themes, including, 'Sources of finance for production and investment needs—understanding the cash flow pattern of various categories of farmers', 'Study of joint liability groups in livelihood support to rural people', and 'Productivity differential on own land and leased-in-land'.

The study on productivity differential observed that the majority of lease contracts were oral, and for a maximum of two years; lessees were not able to get loans from formal sources because the lessors had already taken loans on the same piece of land.

4.11.5 Publications

During the year 2015–16, the following publications were published under the R&D Fund.

a. Occasional Papers: 'Productivity of Agricultural Credit in India' (OP 61), 'Agricultural Gold Loans' (OP 62) and 'Construction of State-wise Rural Infrastructure Indices' (OP 63).

b. *Rural Pulse*: Five issues were published on the following themes—'How Indian Farmers Borrow, Produce and Earn' (March–April 2015); 'Health in Rural India: Issues and Concerns' (May–June 2015); 'Feeling the Pulse' (July–August 2015); 'Agricultural Price Policy' (September–October2015); 'Agricultural Tenancy in India: Some Dimensions' (November–December2015); and 'Terms of Trade in Agriculture' (January–February 2016).

c. Monograph: *Mitigating Agrarian Distress and Enhancing Farm Income*. This was based on the outcome of the National Seminar held on 12 July 2015.

d. NABARD Knowledge Series: 'Introduction to Water Resources'.

4.11.6 Sponsored research

During 2014–15 NABARD had invited proposals from recognised research institutions/university departments/business schools for undertaking research on four themes: (i) Agriculture value-chain (ii) Rural infrastructure and rural-urban interface (iii) Rural service sector (iv) Resource management options for rain fed agriculture.

Sidebar 4.3
National Seminar on Mitigating Agrarian Distress and Enhancing Farm Income

NABARD organised a National Seminar on 'Mitigating Agrarian Distress and Enhancing Farm Income' on 12 July 2015, its 34th Foundation Day, with a view to examining the nature, extent and causes of reported stress in viability of agriculture, and to deliberate upon the strategies to address these issues. Shri Arun Jaitley, Hon'ble Union Finance Minister graced the occasion as Chief Guest. The seminar was attended by senior officials from government, RBI, NABARD, banks, eminent academicians, and experts.

Key takeaways from the seminar included the following.

- Government initiatives such as the Pradhan Mantri Krishi Sinchai Yojana, price-stabilisation fund, soft loans to sugar mills, soil health cards, 24x7 television channels to educate farmers, viable and vibrant insurance schemes, and social security schemes are intended to ameliorate predicaments faced by those who subsist on farming, farm-related activities, and non-farm rural income-generating activities. These efforts are likely to result in significant reduction in farm distress
- A shift in focus from production to post-harvest management is necessary. Such a shift could be initiated by providing marketing support to farmers in view of the fragmented spot markets and low share of farmers in the consumer rupee.
- An increased role of warehouse-receipt financing could be deployed in tandem with ramped-up rural infrastructure to monetise surplus produce.

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- The benefits of upscaling of agri-business and agri-clinic activities, and ensuring financial resources for better and optimal use of farm inputs, need to reach the farmer within a short span of time.
- There is an urgent need to build institutions for rural development and transition from crisis management to crisis avoidance, and from a compensatory price mechanism to a remunerative price mechanism.
- The interrelated demand and supply-side factors—from the perspective of output (including income and prices), input, credit, and other aspects—should be an integral part of the context in which a policy is drafted and the way in which it is implemented.
- The latest programmes and mechanisms, such as portfolio financing, are needed to reach out to the lowest rung of the agricultural economy and the rural poor.
- Farmers could be aggregated for scaling-up, creation of agri-value chains and linking to markets. These could build a very effective means of offsetting the challenges faced by small and marginal farmers.
- Creating 2, 00,000 FPOs instead of a mere 2,000 at present to cover every farmer in the country. In turn, every FPO must be linked to a sustainable value-chain.
- A strongly interlocked Farmer→Industry→Research →Extension services (FIRE) framework will bring Pr oduction→Quality→Returns→Sustainability (PQRS) centre-stage and ensure that a sustainable ecosystem surrounds agriculture.
- Agriculture needs to become farmer-centric as opposed to the present focus on productivity.
- There is a need to avoid overexploitation of limited ground-water resources by selecting appropriate crops and choosing rice and sugarcane cultivation only where rain is plentiful.
- There is a pressing need for diversification and sustainable exploitation of soil, water and other natural resources, to foster a better ecosystem for the farm household.
- The government needs to fulfil the farmer's need for seed security by either investing in R&D or buying the latest farm technology from private players.
- Attempts could be made to free up export and import, and the right checks and balances inserted to better regulate prices.

Government initiatives such as the Pradhan Mantri Krishi Sinchai Yojana, price-stabilisation fund, soft loans to sugar mills, soil health cards, 24x7 television channels to educate farmers, viable and vibrant insurance schemes, and social security schemes are intended to ameliorate predicaments faced by those who subsist on farming, farm-related activities, and non-farm rural income-generating activities.

A large number of proposals were received from various research institutions and university centres of which 19 studies were sanctioned by NABARD. During 2015–16, 12 studies were finalised while others are being revised.

4.12 OFFERING CONSULTANCY: NABARD CONSULTANCY SERVICES

During the year 2015–16 NABCONS opened a new zonal office in Hyderabad to cater to the business requirements of the southern states. NABCONS had contracted 177 assignments with a professional fee of ₹62.71 crore and earned an income of ₹37.06 crore from consultancy fee during the year. Adapting to the business challenges, emerging sectors and client needs, NABCONS has started offering end-to-end solutions by way of project management consultancy approach for assignments. The various business areas are aligned under eight major verticals viz. agriculture and animal husbandry, skills for livelihood, third party monitoring of infrastructure projects, capacity building, socio-economic studies, food processing and storage, banking and finance, and international visitors programme.

4.12.1 Assignments undertaken by NABCONS during 2015–16

NABCONS had contracted assignments related to agriculture, animal husbandry and other allied sector including natural resource management and climate change covering areas like monitoring and evaluation; preparation of detailed project reports; impact assessment

SIDEBAR 4.4
NABARD–BIRD SEMINARS

A 'National Seminar on Financing of Agriculture Value Chains: Opportunities and Challenges' was jointly organised by NABARD and the International Food Policy Research Institute (IFPRI) on 29 and 30 November 2015. This seminar was also coordinated by the Department of Economic Analysis & Research (DEAR), NABARD Head Office, Mumbai, with Bankers Institute of Rural Development (BIRD), Lucknow. Shri Chaudhary Birender Singh, Hon'ble Union Minister of Rural Development graced the occasion as Chief Guest.

The seminar highlighted the multi-faceted challenges and opportunities in increasing integration of agriculture value-chain in India. It also looked at ways to co-integrate issues of finance into the value-chain framework to improve efficiency, and deliberated on developing innovative financial instruments into the value-chain framework by supporting tripartite agreements between producers, lead firms and financial institutions.

The seminar also addressed the possible structure and regulatory framework for the 'National Common Agricultural Market'.

The 4th National Seminar on Microfinance: Issues and Challenges was jointly organised by DEAR, NABARD Head Office, Mumbai, and BIRD on 16 and 17 October 2015 at BIRD, Lucknow.

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The seminar aimed to provide a platform to policy-makers, donors, researchers and other agencies associated with the microfinance sector, to come together and deliberate on issues pertaining to the microfinance sector in India such as socio-economic empowerment; institutional arrangements; innovations in microfinance products with special focus on rural clients; and other identified issues.

Sidebar 4.5
Software Requirement Specifications for Mandi Management Information System

NABCONS has prepared SRS for HP State Agricultural Marketing Board and its APMCs for implementation of Mandi Management Information System (MMIS) scheme which aims at bringing transparency, true price discovery, and improving efficiency of agricultural markets in Himachal Pradesh.

studies; third party inspection of micro irrigation system installations under government schemes; preparation of State Agricultural Plan and State Agricultural Infrastructure Development Programme (SAIDP); Software Requirement Specifications (SRS) documentation for design, development, implementation and maintenance of Mandi Management Information Systems (MMIS) in the Agriculture Produce Market Committees (APMCs); concept notes and DPRs for climate change adaptation projects; and baseline surveys for different projects, etc.

4.12.2 Skills for livelihood

NABCONS is functioning as the Central Technical Support Agency (CTSA) to Ministry of Rural Development (MoRD) for monitoring the placement linked skill training projects under the Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) in 16 states. NABCONS is monitoring 53 projects involving project cost of ₹727.80 crore for training 2.06 lakh persons.

NABCONS as a part of the consortium led by PwC, is facilitating 'Access to credit to trainees' under the Skills for Jobs Programme of DFID.

NABCONS had been engaged as resource institution for promotion and management of FPOs. Further, NABCONS acted as a resource institute for capacity building of business correspondents and business facilitators. It has also arranged training programmes for the staff of RFIs.

4.12.3 International Visitors Programme

During 2015–16, NABCONS organised four international visitors' programmes for officials of the Tanzanian Agriculture Development Bank; CRDB Bank, Tanzania; Centenary Bank of Uganda; and the Agriculture Bank of Sudan in the areas of microfinance, linkage and agency banking and use of technology in financial inclusion. NABCONS along with Farm Sector Development Department (FSDD), NABARD had also organised an exposure visit for the officials of the Sustainable Development Secretariat, Bhutan on accreditation and project development processes for climate change projects.

NABCONS is also executing an assignment of Ministry of External Affairs, GoI on setting up of the India–Africa Institute for Agriculture and Rural Development (IAIARD) in Malawi, Africa.

5

Financing Rural Infrastructure

The role of rural infrastructure in improving farm productivity, providing market linkages and the consequent raising of the standard of living of the rural population hardly needs any emphasis. Continued support to build rural infrastructure through public investment is necessary not only to create basic infrastructure such as irrigation facilities, roads and bridges, drinking water, rural health and education but also to give a push to private capital formation through commercialisation of sectors such as agriculture, animal husbandry, fisheries, rural non-farm sector, etc.

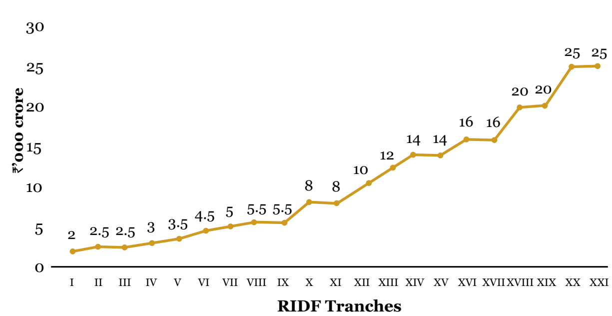
5.1 RURAL INFRASTRUCTURE DEVELOPMENT FUND – GENESIS AND COVERAGE

The Rural Infrastructure Development Fund (RIDF) was set up in NABARD during 1995–96 with a corpus of ₹2,000 crore with a view to funding rural infrastructure projects related to medium and minor irrigation and watershed development which were lying incomplete for want of financial resources. The fund is supported by deposits from scheduled commercial banks with shortfalls in lending to priority sector and/or agriculture and/or weaker sections. RIDF now covers 36 activities which can be classified under three broad categories i.e., (i) Agriculture and related sectors, (ii) Rural connectivity and (iii)Social sector.

RIDF has a significant share in public investment in rural infrastructure constituting nearly one fifth of the pie. It is observed that the share of RIDF loan to outstanding liabilities of the states has shown a steadily increasing trend starting from the Tranche-I till Tranche-XXI. It has not only emerged as an attractive financing option for the state governments, but also helped in redirecting bank credit meant for rural and priority sectors back to the rural economy. The investments in rural infrastructure are known to enable expansion of rural financial markets and usher in inclusive growth in disadvantaged regions of the country. On a cumulative basis, around 26 per cent of RIDF funds now flow to less developed states in the Eastern and North-Eastern Regions as compared to 20 per cent for the closed Tranches viz. RIDF I-XIV. Seen in conjunction with the overall increase in RIDF allocations, this is a significant increase in actual value of loans to these regions over the past seven years.

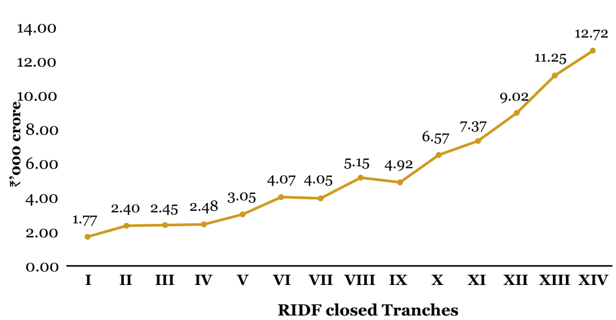
From the initial corpus of ₹2,000 crore under Tranche I, the cumulative resources allocated from RIDF-I to XXI reached ₹2,42,500 crore against which sanctions and disbursements were ₹2,60,159 crore and ₹1,90,023 crore, respectively. This includes ₹18,500 crore (in four Tranches from RIDF-XII to RIDF-XV) to fund rural roads under a separate window viz. Bharat Nirman Programme. Of these, Tranches up to RIDF-XIV have been closed with a funding of ₹86,000 crore and an overall utilisation of 90 per cent (Exhibits 5.1 and 5.2).

Exhibit 5.1
RIDF Tranche-wise allocations



Source: NABARD

Exhibit 5.2
Utilisation under RIDF closed Tranches



Source: NABARD

5.2 RIDF OPERATIONS

5.2.1 Normative allocation and terms of financing

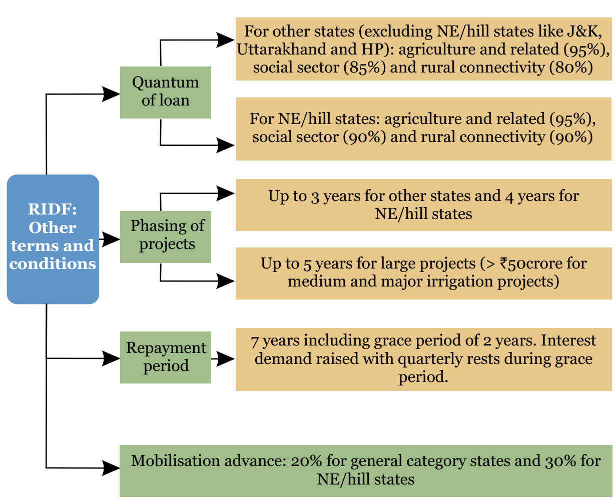
The corpus of RIDF is allocated to the states on the basis of prescribed criteria taking into consideration, i) rural population, ii) geographical area, iii) composite infrastructure development index, iv) utilisation index; and v) inverse of rural credit–deposit ratio.

The interest rates payable to banks on deposits placed with NABARD and loans disbursed by NABARD under RIDF were linked to the prevailing bank rate with effect from 1 April 2012 (Table 5.1).

TABLE 5.1
Deposit and Lending Rates and Terms of Financing under RIDF

Deposit rates		
Sr. No.	***Shortfall in overall priority sector lending targets***	***Rate of interest***
1	Less than 5 percentage points	Bank rate minus 2 percentage points
2	5 and above, but less than 10 percentage points	Bank rate minus 3 percentage points
3	10 percentage points and above	Bank rate minus 4 percentage points
Lending rate		
Loans disbursed from RIDF on or after 1 April 2012		Bank rate minus 1.5 percentage points

Exhibit 5.3
Other terms and conditions of RIDF



Source: NABARD

SHOWCASE 5.1

RIDF XXI: More equitable RIDF allocation for Eastern & North Eastern Regions

RCC Bridge over River Dholeswari

NABARD has been endeavouring to ensure equitable funding under RIDF for the backward regions including the North Eastern Region (NER).

Irrigation channel in Jorhat District of Assam

The year 2015–16 witnessed a surge in sanction of RIDF assistance for diverse projects in the NER, which included development / restoration of beels and fish farms in Assam (RIDF loan: ₹58.91 crore), solar powered drinking water supply in Mizoram (RIDF loan: ₹5.68 crore), deep bore tube well-based drinking water supply in Tripura (RIDF loan: ₹47.73 crore), erosion protection measures in Manipur (RIDF loan: ₹49.26 crore) and development of rubber plantations in Mizoram as some of the prominent projects.

5.3 RIDF XXI

In the Union Budget 2015–16, ₹25,000 crore was allocated to NABARD under RIDF-XXI, which is equivalent to the amount allocated during the previous year (i.e. under Tranche-XX). During the year 2015–16, a total number of 13,345 projects involving a loan of ₹28,829.65 crore were sanctioned to various states under the Tranche (i.e. RIDF-XXI) (Table 5.2). In terms of broad sectoral classification, agriculture and related sectors (including irrigation) accounted for the highest share at ₹12,262.55 crore (i.e. 50 per cent of total sanction), which was up from 43 per cent of the total sanctioned amount during the previous year. Rural connectivity (i.e. rural roads and bridges) had the second highest share (33 per cent) with a total sanction of ₹9,301.22 crore. The social sector projects stood third with a total sanction of ₹4,857.12 (17 per cent). In terms of sub-sectors, irrigation accounted for the highest share (37 per cent), up from 31 per cent of the total sanctioned amount in 2014–15, followed by rural roads (23 per cent), social sector (17 per cent), agriculture (other than irrigation) (13 per cent) and rural bridges (10 per cent). As is revealed by the above data, the most significant achievement of the RIDF operations during 2015–16 is the increase in the coverage of projects under agriculture and related sectors, which for the first time has touched 50 percent, which is in complete alignment

TABLE 5.2
Sector-wise Projects and Amounts Sanctioned under RIDF XXI (as on 31 March 2016)

(Amount in ₹ crore)

Sr. No.	*Sector*	*No. of projects*	*Share in total (%)*	*Amount sanctioned (₹ crore)*	*Share in total (%)*
	Agriculture and related sectors				
1	Agriculture (other than irrigation)	1,383 (4,282)	10	3,884 (3,423)	13
2	Irrigation	4,714 (17,445)	35	10,787 (8,840)	37
	Total A(1+2)	**6,097 (21,727)**	**45**	**14,671 (12,263)**	**50**
	Rural connectivity				
3	Rural bridges	1,118 (1,468)	8	2,757 (3,416)	10
4	Rural roads	4,471 (5,974)	34	6,545 (7,130)	23
	Total B (3+4)	**5,589 (7,442)**	**42**	**9,301 (10,546)**	**33**
	Social sector projects				
5	Social sector	1,659 (4,145)	13	4,857 (5,829)	17
	Total C	**1,659 (4,145)**	**13**	**4,857 (5,829)**	**17**
	Grand total (A+B+C)	**13,345**	**100**	**28,829**	**100**

Note: Figures in bracket indicate the data for FY 2014–15
Source: NABARD

with the basic policy and objectives of the RIDF. Another emerging trend is the increase in the ticket size of projects, which was found across all sectors. In respect of the irrigation projects, the average loan size has gone up from a little over ₹50 lakh to nearly ₹290 lakh thus indicating a trend in favour of bigger projects in larger numbers. Similar trend was also observed in respect of projects pertaining to other sectors, which included rural roads, bridges, miscellaneous agri-projects and also the social sector projects.

5.4 CUMULATIVE SANCTIONS (RIDF I–XXI)

Since its inception, around 5.82 lakh projects amounting to a cumulative RIDF assistance of ₹2,60,158.55 crore (including the Bharat Nirman Programme), have been sanctioned till 31 March 2016. Rural connectivity, including rural roads and rural bridges,cumulatively had the highest share (at 42 per cent) followed by agriculture and related sectors at 40 per cent and social sector projects at 15 percent (Table 5.3).

TABLE 5.3
Sector-wise and Activity-wise Cumulative Sanctions under RIDF
(as on 31 March 2016)

(Amount in ₹ crore)

S. No.	Sector	Cumulative sanctions (RIDF I–XXI)		
		No.of projects	Amount	Share (%)
I	**Agriculture (other than irrigation)**	**47,039**	**29,112**	**10.78**
1	Solar Photovoltaic Power Plant (5 to 10 MW size)	2	224	0.10
2	Animal husbandry	13,352	3,405	1.41
3	Command Area Development Authority (CADA)	30	676	0.29
4	Cold storage	8	28	0.01
5	Comprehensive infrastructure	249	84	0.04
6	Drainage	796	1,910	0.80
7	Fishing harbour/jetties	367	997	0.43
8	Flood protection	3,342	7,939	3.34
9	Food park	5	41	0.02
10	Forest Development	2,855	1,394	0.60
11	Grading/Certifying mechanisms; testing/certifying laboratories	19	47	0.01
12	Infrastructure for Information Technology in Rural Areas (Citizen Information Centres)	247	1,157	0.50
13	Infrastructure works related to alternate sources of energy viz. solar, wind, etc. and energy conservation	6	9	0

(Contd)

S. No.	Sector	Cumulative sanctions (RIDF I–XXI)		
		No.of projects	Amount	Share (%)
14	Inland Waterways	1	10	0
15	Modern Abattoir	21	65	0.03
16	Plantation and Horticulture (including rubber plantation)	24	34	0.01
17	Rain Water Harvesting	3,960	707	0.30
18	Riverine Fisheries	319	100	0.03
19	Rural Industrial Estates/Centres	8	116	0.05
20	Rural Market Yard/Godown/ Marketing Infrastructure	2,396	1,449	0.55
21	Seed / Agri / Horti. farms	1,700	662	0.28
22	Soil conservation	5,818	1,695	0.00
23	Village Knowledge Centre/E-Vikas Kendras/ Training blocks	5,480	600	0.26
24	Watershed Development	2,559	2,311	0.99
II	**Irrigation sector**	**2,94,708**	**73,094**	**29.67**
1	Minor	2,85,736	36,025	14.90
2	Medium	862	8,547	3.54
3	Major	386	25,473	10.54
4	Micro Irrigation	7,724	3,049	1.19
III	**Rural Bridges**	**20,028**	**28,433**	**11.84**
IV	**Rural Roads**	**1,13,465**	**71,700**	**30.09**
V	**Social Sector**	**1,06,176**	**36,819**	**15.02**
1	Rural Drinking Water	13,271	20,335	8.45
2	Primary/Middle Schools	42,756	7,056	0.66
3	Rural Education Institutions	1,188	2,500	3.14
4	Public Health	14,624	4,765	1.93
5	Pay & Use Toilets	3,635	405	0.17
6	Anganwadi Centres	30,660	1,597	0.67
7	Rural Library	41	3	–
8	Solid Waste Management & Infra works related with sanitation in rural areas	1	158	–
VI	**Power Sector**	**769**	**2,498**	**1.07**
1	System Improvement	687	1,195	0.51
2	Mini Hydel	82	1,303	0.56
VII	**Rural Godowns/Warehousing**	**3,475**	**3,452**	**1.48**
	Grand Total	**5,82,185**	**2,41,656**	**100**
	Bharat Nirman Programme		**18,500**	
	TOTAL	**5,82,185**	**2,60,158**	

Source: NABARD

5.5 DISBURSEMENTS UNDER RIDF (TRANCHE I–XXI)

As on 31 March 2016, a cumulative amount of ₹72,275 crore was disbursed against a total sanction of ₹ 87,309 crore for the closed tranches i.e. RIDF I–XIV, which indicates 90 per cent utilisation of funds. For most of the Tranches, disbursement has ranged between 80 and 90 percent of phased amount (Table 5.4).

5.5.1 Region-wise Cumulative Utilisation under RIDF

A total amount of RIDF loan of ₹1,90,023 crore was disbursed as on 31 March 2016, against an amount of ₹1,97,549 crore required/proposed to be disbursed as per phasing of projects sanctioned under RIDF I to XXI (includes projects sanctioned under the Bharat Nirman), indicating 96 per cent utilisation by the states. The cumulative

TABLE 5.4
Tranche-wise Allocation, Sanction and Disbursements under RIDF (as on 31 March 2016)

Amount (₹ crore)

Tranche	*Allocation*	*Assistance sanctioned*	*Proposed disbursement as per phasing*	*Actual amount disbursed*	*Percentage utilised of phased loans*
Closed tranches					
I – XIV 1995–96 to 2008–09 (closed)	86,000	87,309	85,133	77,275	91
Ongoing tranches					
XV 2009–10	14,000	15,342	14,450	12,790	89
XVI 2010–11	16,000	18,194	17,538	14,811	84
XVII* 2011–12	18,000	20,203	18,635	15,735	84
XVIII* 2012–13	20,000	20,425	17,890	15,774	88
XIX 2013–14	20,000	22,736	16,873	14,881	88
XX 2014–15	25,000	28,620	7,066	12,571	178
XXI 2015–16	25,000	28,830	1,464	7,686	525
Bharat Nirman (XII–XV)	18,500	18,500	18,500	18,500	100
Total	**2,42,500**	**2,60,159**	**1,97,549**	**1,90,023**	**96**

* Including Warehousing
Source: NABARD

utilisation (ratio of disbursed amount to phased amount) was the highest in Goa at 185 per cent, followed by Uttarakhand (131 per cent) and West Bengal (129 per cent). At the other end of the spectrum were Nagaland (69 per cent), Assam (78 per cent) and Mizoram 82 per cent) (Table 5.5).

TABLE 5.5
State-wise Status of Resource Utilisation under RIDF (Tranche I–XXI) (as on 31 March 2016)

S. No.	Regions	Sanctioned		Phased		Disbursed		Utilisation % of phased amount
		Amount (₹ crore)	Share of RIDF Total (%)	Amount (₹ crore)	Share of RIDF Total (%)	Amount (₹ crore)	Share of RIDF Total (%)	
1	Southern region	56,982	23.58	41,592	23.23	40,327	23.51	96.96
2	Western region	34,116	14.12	24,356	13.60	25,501	14.87	104.70
3	Northern region	67,031	27.74	54,544	30.46	49,863	29.07	91.42
4	Central region	23,885	9.88	17,653	9.86	16,149	9.41	91.48
5	Eastern region	49,212	20.36	33,029	18.45	32,859	19.16	99.49
6	North Eastern region and Sikkim	10,434	4.32	7,876	4.40	6,823	3.98	86.63
7	RIDF Total	2,41,659		1,79,049		1,71,521		95.80
8	Bharat Nirman	18,500		18,500		18,500		100
9	**GRAND TOTAL**	**2,60,159**		**1,97,549**		**1,90,021**		**96.19**

A total amount of RIDF loan of ₹1,90,023 crore was disbursed as on 31 March 2016, against an amount of ₹1,97,549 crore required/proposed to be disbursed as per phasing of projects sanctioned under RIDF I to XXI, indicating 96 per cent utilisation by the states.

5.6 ECONOMIC AND SOCIAL BENEFITS

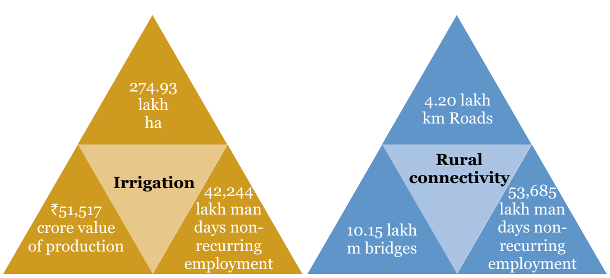
RIDF has emerged as an important source of funding for almost all the state governments for building up critical rural infrastructure. The assistance under RIDF constituted about one-fifth of the investments by the various state governments in the rural infrastructure sector. Several factors have contributed to the popularity as also the effectiveness of RIDF as a source of public funding of rural infra-projects which include, timely appraisal and sanction, quick reimbursement of funds on a project-tied basis and participative prioritisation and monitoring of projects by a High Power Committee chaired by Chief Secretary of the State Government. It is observed that the share of RIDF loan to outstanding liabilities of the states has shown an increasing trend and has increased from 1 per cent in the year 2005 to 2.91 per cent in 2014.

The RIDF investments have helped in creation of additional irrigation potential and construction of a network of rural road and bridges for better connectivity in far flung areas. Social projects assisted under RIDF have brought improvement in quality of rural life through education, health& sanitation, drinking water supply and other projects.

In terms of cumulative economic benefits, RIDF has directly added about ₹50,000 crore to the GDP and generated sizeable recurring and non-recurring employment in rural areas. Other more tangible economic benefits resulted by RIDF and concurred by some of the recent studies include the following:

- Diversification in cropping pattern and increase in productivity
- Increase in household income
- Creation of new assets by rural households
- Stability in farm income
- Increase in expenditure on education
- Impact on credit flow in Command Area
- Increase in value and use of land

Exhibit 5.4
Irrigation and rural connectivity projects—estimated physical potential and generation of rural employment

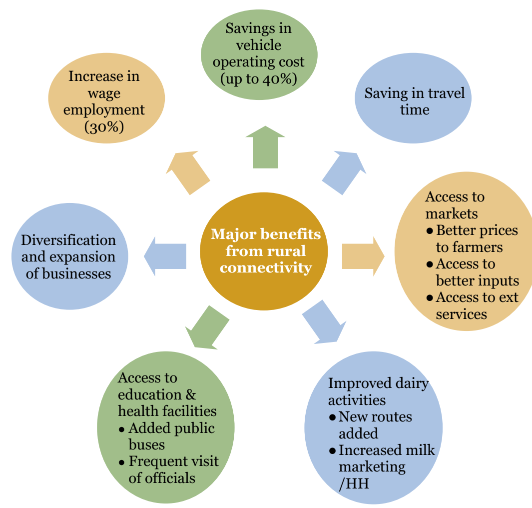


Source: NABARD

5.7 RIDF IMPACT EVALUATION

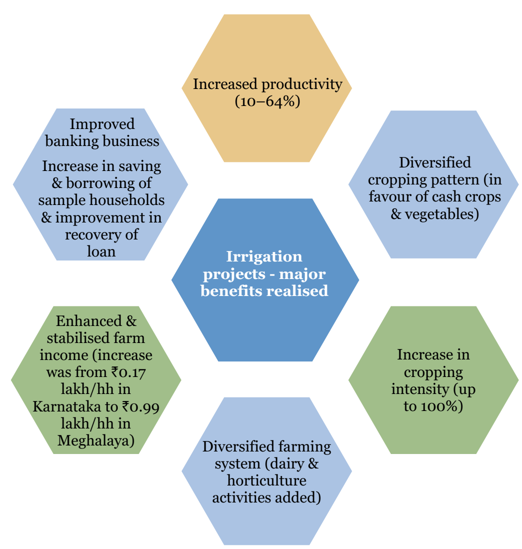
To objectively assess the impact of RIDF projects, NABARD commissioned 12 impact evaluation studies in irrigation and rural connectivity sectors in collaboration with nine institutions of national repute such as IIMs in Ahmedabad and Shillong and IITs in Kharagpur and Guwahati. The studies covered nine states viz., Himachal Pradesh, Punjab, Gujarat, Meghalaya, Assam, West Bengal, Odisha, Karnataka, and Tamil Nadu. These impact evaluation studies have validated the significant gains in rural income levels, diversification of rural livelihood activities, improvement in quality of life of the rural population, and a greater traction for rural banking business. The benefits assessed from the studies are presented in Exhibits 5.5 and 5.6.

Exhibit 5.5
Multiple benefits of projects on rural roads and bridges



Source: NABARD

Exhibit 5.6
Multiple benefits of irrigation sector projects



Source: NABARD

During 2015–16, special emphasis was laid on agriculture-related projects, particularly irrigation projects, to minimise the impact of drought and mitigate agrarian distress (Sidebar 5.1).

5.8 MONITORING OF RIDF PROJECTS

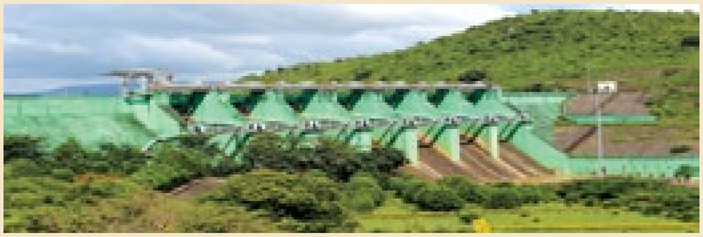
The High Power Committee (HPC), chaired by the Chief Secretary or Principal Secretary (Finance), has proven to be an effective forum for monitoring the overall implementation of RIDF in respective states. Though the state governments have the primary responsibility of overseeing the implementation and monitoring of RIDF Projects, NABARD has also been monitoring the RIDF implementation to facilitate timely completion of tranches and projects sanctioned, avoidance of cost overruns, ensure compliance with quality parameters and identify new investment opportunities. During 2015–16, NABARD undertook monitoring field visits to 2,841 projects in various states. Major observations and issues were taken up with the concerned departments in respective states to bring about improvement in the pace and quality of project implementation.

5.9 PROCESS IMPROVEMENTS DURING 2015–16

Steps initiated in 2015–16 to improve the existing processes of sanction and implementation of projects under RIDF include the following:

i. Constitution of Internal Sanctioning Committee within NABARD for sanction of RIDF loan proposals upto ₹50 crore.

Sidebar 5.1
Irrigation infrastructure to mitigate agrarian distress



Upper Indravati project in Odisha

In alignment with Hon'ble Union Finance Minister's expectations during 'National Seminar on Mitigating Agrarian Distress', held in Mumbai on 12 July 2015, NABARD sanctioned more than ₹10,787 crore during 2015–16 for irrigation projects under RIDF. This was aimed at creating additional irrigation potential of 1.2 million ha, primarily located in drought prone and un-irrigated areas of Madhya Pradesh, Odisha, Gujarat, and Telangana. Some of the projects of critical importance sanctioned during the year include the following:

- Narmada–Malwa–Gambhir Link Project Phase II in Madhya Pradesh (RIDF loan: ₹931 crore): Ithas the potential to irrigate over 50,000 ha besides provision of drinking water in Malwa Region comprising Indore and Ujjain districts. The other benefits include innovations in efficient water management such as pressurised irrigation and prepaid metering system. The project will be a model for other states.
- The Upper Indravati Left Canal Irrigation System project, Odisha (RIDF loan: ₹767 crore): The project envisages irrigation for 26,248 ha benefiting 1.18 lakh tribal farmers in Nabarangpur and Kalahandi districts, once the hunger spots of drought prone Kalahandi–Bolangir–Koraput (KBK) Region.
- The Saurashtra Narmada Avtaran Irrigation Yojana (SAUNI Yojana) Link 1 project, and Link 3 project, Gujarat(RIDF loan: ₹860 crore and ₹1,252 crore respectively): To provide assured irrigation facilities apart from improving ground water table, drinking water facilities and arresting salinity ingress (especially

(Contd)

in coastal regions) in the drought and famine prone Saurashtra region.

- The ambitious 'Mission Kakatiya' System Tank Improvement Project Phases I and II(RIDF XX loan: ₹360 crore and ₹860 crore respectively): They aim at sustainably improving irrigation facilities in the drought prone districts of Telangana. The 4,183 village tanks taken up for renovation/restoration over a command area of over 85,500 ha are expected to enhance agricultural incomes of small and marginal farmers based on community based irrigation management framework.

These irrigation investments under RIDF in conjunction with Water Management Projects (drip/sprinkler/check-dam/farm ponds) in drought prone areas are expected to effectively mitigate agrarian distress in the country.

Sidebar 5.2
Long Term Irrigation Fund (LTIF)

The Hon'ble Union Finance Minister, during his Budget Speech 2016–17, announced institution of a dedicated Long Term Irrigation Fund (LTIF) in NABARD with an initial corpus of ₹20,000 crore for fast tracking of implementation of incomplete major and medium irrigation projects under AIBP and also two national projects. A total fund requirement of ₹91,807 crore has been estimated for the period 2016–20 to finance the identified 99 incomplete AIPB projects and two National Projects by Ministry of Water Resources (MoWR), GoI. The Central share is proposed to be funded by way of budgetary resources and/ (or) bonds to be mobilised by NABARD and serviced by GoI as well as market borrowings by NABARD. The state government shall have the option of funding their share through LTIF/RIDF/ state government budgetary resources/market borrowings.

ii. Compilation of RIDF Hand Book incorporating all important circulars, checklists, formats, etc. for the benefit of State Government Officials.

iii. Strengthening the pre-sanction appraisal system of projects through customised training of officers at Central Road Research Institute (CRRI), New Delhi and appointment of technical consultants at NABARD Head Office.

iv. Release of a coffee table book showcasing successful RIDF projects to promote knowledge sharing between states.

v. Inclusion of separate feeder lines and dedicated rural industrial estates, as eligible activities for RIDF assistance.

5.10 NABARD INFRASTRUCTURE DEVELOPMENT ASSISTANCE

NABARD Infrastructure Development Assistance (NIDA) supports state owned institutions and corporations for both off and on-budget infrastructure, companies and cooperatives in creating rural infrastructure. Funding under NIDA has been broadened by covering PPP and non-PPP projects executed by registered entities like companies, co-operatives, etc.

Agriculture, roads and bridges, rural transport, renewable energy, power transmission, drinking water and sanitation, social and commercial infrastructure in rural areas are some of the major sectors covered under NIDA.

SHOWCASE 5.2

Bales of Prosperity to Small Farmers Through Beels of Assam:

Improving standard of living of rural communities through gainful local employment

There is about one lakh hectare of wet land in the form of ox-bow lakes in Assam, popularly known as 'beels'. Majority of these water bodies are not properly maintained, which negatively impacts fish production from the beels.

To support the initiative of Fisheries Department, Government of Assam (GoA) and Assam Fishery Development Corporation (AFDC) to develop beels and other wet lands, 65 fisheries projects have been sanctioned under RIDF XXI with a loan of ₹32 crore with the following objectives:

- Develop and improve infrastructure of beels with ponds and hatchery,
- Develop low lying areas with ponds, water retaining tank, building, etc.,
- Renovate the existing beels to increase fish seeds and fish production (fish farms) and
- Establish State Fish Brood Bank Farm in Sonitpur district in central Assam.

Fish production in beels (Assam)

A study was conducted to assess the impact of beel fisheries projects implemented under XV, XVI and XIX tranches of RIDF, which notes that the RIDF projects sanctioned have increased fish productionby up to 90 per cent, generating additional income for fish farmers and contributing to the improvement of ecology and environment. The projects have also been able to uplift the standard of living of fishermen, particularly belonging to the scheduled castes and otherbackward groups engaged in fish farming.

During 2015–16, NIDA loans were sanctioned for twelve projects with a total loan amount of ₹5,919 crore. These projects included rural bridges, drinking water, roads, transmission projects and those relating to renewable energy. Some of the noteworthy projects sanctioned during the year included the following:

i. Madhya Pradesh: A road development project was sanctioned to develop 855 km road length connecting 734 villages and

TABLE 5.6
Cumulative NIDA Term Loans by Activities (as on 31 March 2016)

(Amount in ₹ crore)

Sector	Units	Loan sanctioned	Disbursement
Bridge	1	463	132
Cyclone damage restoration	4	1,063	1,063
Drinking water	1	1977	0
Road	4	2,482	376
Sewerage	1	70	49
Solar power	2	60	51
Wind power	1	75	75
Warehousing	2	220	206
Transmission	24	4,132	1,738
Market yard	1	25	0
Total	**41**	**10,567**	**3,690**

Source: NABARD

36 markets covering eight state highways (SH) and 14 major district roads (MDR) and benefiting a population of 121.34 lakh.

ii. Telangana: Multiple projects to develop drinking water supply covering all households in Medak district were sanctioned to benefit a population of 35.35 lakh.

iii. Goa: A bridge project over Mandovi River was sanctioned in Goa to provide vital connectivity and faster movement of goods between South and North Goa.

The cumulative term loans sanctioned since 2010–11 under NIDA stood at ₹10,567 crore spread across 41 projects and the corresponding disbursement is ₹3,690 crore as on 31 March 2016 (Table 5.6).

5.11 WAREHOUSE INFRASTRUCTURE FUND

The major objective of the Warehouse Infrastructure Fund (WIF) was to provide credit to the public and private sectors for creation and augmentation of decentralised, modern and scientific dry warehouse and cold chain infrastructure in the country to offer a better price discovery mechanism to farmers and producers,ensure better post-harvest liquidity and preclude distress sale.

Against a corpus of ₹10,000 crore allowed by GoI, the cumulative sanctions under WIF stood at ₹10,692 crore. A total of 9,215 projects envisaging creation of 15.21 MMT capacity of dry storage and 0.10 MMT of wet storage infrastructure were sanctioned. Cumulatively, a loan amount of ₹2,361.91 crore was disbursed out of WIF, of which ₹1,361.47 crore was disbursed during 2015–16.

5.12 SPECIAL FUND FOR FOOD PROCESSING

Government of India set up a Food Processing Fund (FPF) in 2014–15 in NABARD with a corpus of ₹2,000 crore, to make available affordable credit for establishing designated food parks and for setting up of individual food processing units therein. This fund is being operationalised in coordination with Ministry of Food Processing Industries (MoFPI), GoI and the financial assistance in the form of capital grant available under various schemes of MoFPI is dovetailed with FPF, wherever

applicable. Financial assistance from FPF is available to state governments, entities promoted by state governments, joint ventures, cooperatives, federation of cooperatives, SPVs, farmers' producers organisations, corporates, companies, entrepreneurs, etc.

During 2015–16, eleven Mega Food Park projects spread over nine states were accorded sanction of term loan of ₹477.16 crore out of which an amount of ₹20.57 crore was disbursed during the year.

5.12.1 Expected Impact of the Projects Sanctioned

An area of about 800 acres would be developed in the 11 Mega Food Park Projects which act as central processing centres (CPCs). These 11 CPCs would be supported by 42 primary processing centres (PPCs) to be established at suitable places in the catchment zone of respective Mega Food Parks. These PPCs and CCs would help in sourcing of agricultural produce directly from the farmers by the processing units to be established in the mega food parks, thereby creating a direct marketing access to the user industry.

These projects when completed would provide diversified and much needed core processing infrastructure for the common use of the individual food processing units to be established in these parks. The nature and capacity of the major infrastructure facilities that would be created include 1,64,500 MT of dry warehouses for storing raw material and finished goods (for non–perishable products); 81,000 MT of silos for bulk storing of agricultural raw materials; 57,600 MT of cold storage capacity for storing perishable finished goods; 13,800 MT of freezer capacity for storing finished products requiring freezing temperatures; 11.50 MT of capacity for producing individually quick frozen fruit and vegetables per hour; 2,070 MT of controlled ripening capacity and 36.50 MT of pulping and aseptic packing of fruit pulps per hour. These mega food parks are expected to develop 410 acres as industrial area with all the required basic enabling facilities for establishing food processing units therein.

6

Organisation and Initiatives

6.1 MANAGEMENT

6.1.1 Board of Directors

The Board of Directors (BoD) met six times during 2015–16. The Executive Committee met four times and the Sanctioning Committee for loans under the Rural Infrastructure Development Fund (RIDF) met six times during 2015–16. The Internal Sanctioning Committee for Loans under RIDF met ten times during the year. The Audit Committee of the Board and the Risk Management Committee of the Board each met four times during the year. The Remuneration Committee to evaluate performance of statement of intent (SoI) under performance linked incentive (PLI) scheme for the year 2014–15 met on 15 December 2015.During 2015–16, Shri S K Pattanayak, Secretary (Department of Agriculture and Farmers' Welfare, GoI) and Shri S M Vijayanand, Secretary (Department of Rural Development, GoI) were appointed as Directors with effect from 1 February 2016 and 1 March 2016, respectively vice Shri Siraj Hussain and Shri JK Mohapatra.

Shri Dinesh Kumar Jain, Additional Chief Secretary (Agriculture & Marketing), Government of Maharashtra was appointed as Director with effect from 30 June 2015 vice Shri Sudhir Kumar Goel. Shri M S Rao, Principal Secretary (Agriculture), Government of Meghalaya was appointed as Director on 9 December 2015 vice Shri P Kharkongor.

Dr. Satyanarayana Dash was appointed as Director with effect from 28 January 2016. Shri Dipankar Gupta ceased to be a Director with effect from 19 September 2015.

6.1.2 Top management

The Management Committee (MC), an important arm of governance, comprising the Chairman, Deputy Managing Directors and select Chief General Managers, met 20 times during 2015–16. During these meetings, it deliberated on important issues, both inter-departmental as well as those with wider policy ramifications.

6.2 HUMAN RESOURCE DEVELOPMENT INITIATIVES IN 2015–16

6.2.1 Staff strength of the Bank

The staff position of the bank as on 31 March 2016 is given in Table 6.1.

- Of the 529 officers promoted during the Panel Year 2015 (1 January 2015 to 31 December 2015), 59 were Scheduled Castes (SCs) and 39 Scheduled Tribes (STs). Further, during 2015–16 (April-March), (a) 28 Group C employees were promoted as Development Assistants (Group B); (b) seven Group C employees were promoted as Assistant Caretakers (Group B); and 20 Assistant Caretakers (Group B) promoted as Caretakers (Group B).
- During the year five officers in Grade B (RDBS); 95 officers in Grade A (RDBS); and one, three, and 10 officers in Grade A in Rajbhasha, Legal and Protocol, and Security services, respectively, had joined NABARD.
- In order to strengthen outreach in North East and Jammu & Kashmir regions, 18 officers have joined NABARD in Grade A (RDBS) to occupy district level positions in such areas.

During the year industrial relations in NABARD remained cordial.

6.2.2. Welfare measures for SCs, STs, and OBCs

Senior executives and the Chief Liaison Officer/Liaison Officers held quarterly meetings with representatives of the All India NABARD Progressive Employees Welfare Association at the Head Office (HO), Mumbai and the various regional offices (ROs) of NABARD. A separate welfare association for OBCs was formed on 29 November 2015.

NABARD continued to strictly adhere to the norms declared by Government of India regarding reservations for Scheduled Castes (SC), Scheduled Tribes

TABLE 6.1
Staff position as on 31 March 2016

Cadre	*Total*	*Of which*		
		*General**	*SC*	*ST*
Group A	2,650	2,055	398	197
Group B	685	532	99	54
Group C	730	393	247	90
Total	**4,065**	**2,980**	**744**	**341**

* including OBCs

(ST) and Other Backward classes (OBC) in recruitment and in promotions. A workshop on reservation policy was organised on 21–22 November 2015 at NABARD, HO, Mumbai.

Pre-promotion training was imparted to 123 officers belonging to SC/ST/OBC in the Bank. Further, pre-recruitment training was imparted to 526 and 192 SC/ST/OBC candidates during recruitment process of Officers and Clerical cadre, respectively.

6.2.3 Training and development

Training needs, both in-house and for clients are met through programmes delivered by the National Bank Staff College (NBSC), Lucknow and the Bankers Institutes of Rural Development (BIRD) at Lucknow, Bolpur and Mengaluru. In 2015–16, 2,027 participants availed of training in the 111 training programmes rolled out by NBSC, 27 of which were on-location. Of the 466 programmes run by BIRD (through its 3 campuses), 186 were delivered on location (Table 6.2).

NABARD continued to train its officers to develop a multi-disciplinary team through NBSC as well as through outside institutions. A pilot programme for e-learning was launched in the NBSC portal for e-learning.

The training data has been fully digitised under the emPower system. Further, incentive schemes floated to promote distance learning options amongst the staff have also been brought under emPower. During the year, 19 employees were granted permission to avail of incentives and 58 employees were able to avail of reimbursements against permissions granted in earlier years.

6.2.4 Other HR initiatives

Housing Loan Insurance Scheme was opted for by 2,404 employees covering housing loan dues amounting to ₹230.57 crore (as on 31 March 2016) with a premium ₹44.96 lakh (including service tax). The scheme covers the housing loan outstanding balance together with accrued interest, thereby protecting terminal benefits payable to the family in case of deceased employee. A Group Term Insurance Plan was introduced on voluntary basis for existing employees and for new recruits (joining after August 2013) at NABARD's cost with a free cover limit of ₹50.00 lakh.

TABLE 6.2
Programmes conducted by BIRD during 2015–16

BIRD	*Number of programmes*	*Number of participants*
Lucknow	265	7,945
Mangalore	113	3,290
Bolpur	88	2,504
Total	**466**	**13,739**

6.3 RIGHT TO INFORMATION (RTI) ACT, 2005 AND RESOLUTION OF GRIEVANCES

6.3.1 RTI Act, 2005

In pursuance of its goals of transparency, proactive disclosure and compliance to statutory obligations NABARD has been providing information sought under the Right to Information (RTI) Act, 2005. Thirty five senior level officers, i.e. thirty one in Regional Offices, three in Training Establishments and one in Head Office were designated as Central Public Information Officers (CPIO) to comply with the statutory obligations under the RTI Act, 2005. In response to the Government of India instructions, NABARD formulated its disclosure policy and placed it on the website of NABARD (www.nabard.org) during the current year. NABARD has migrated to the RTI online portal with effect from 1 December 2015. This is a facility for Indian citizens to file RTI applications and first appeals, online and also to make payment of RTI fees online. The replies are also furnished online to the applicants/ appellants. Two workshops, one each for officials of ROs and for officials of HO, Mumbai were organised to sensitise officials attending to RTI applications with faculty support from the Department of Personnel and Training (DoPT), Government of India, New Delhi.

6.3.2 Grievance redressal system

In 2015–16, 42 grievances and 10 appeals were received. The Grievance Redressal

Committee and the Grievance Redressal Appellate Committee met once during the year. The Grievance Redressal Committee discussed 31 cases and resolved 29 cases. The Grievance Redressal Appellate Committee discussed 12 cases and resolved all 12 cases.

6.4 VIGILANCE SENSITISATION

Sensitisation of staff on various aspects of vigilance was accorded top priority during the year. The Central Vigilance Cell (CVC) conducted Preventive Vigilance Inspections (PVIs) in various ROs. A workshop on 'Procurement Process' was held at NABARD, HO for the senior officers of public sector undertakings and financial institutions. Case studies were also discussed during the workshop. NABARD adopted the Integrity Pact, as prescribed by CVC during the year.

As directed by the CVC, school children were also sensitised on the importance of vigilance. 'Vigilance Awareness Week' was observed from 26 to 31 October 2015 at HO Mumbai and all ROs and training establishments (TEs). Quiz competitions, elocutions/ lectures, were organised at HO, ROs and TEs. A walkathon was organised around Bandra–Kurla Complex, Mumbai, on the occasion to disseminate the message of corruption free society and ethical values through the use of placards.

6.5 INFORMATION TECHNOLOGY INITIATIVES

NABARD took up digitisation efforts more aggressively during the year. Some of the key initiatives taken are as under:

- **Centralised Loan Management and Accounting System (CLMAS)**: A business critical application, CLMAS has been implemented in the organisation. This core banking solution has enabled automation of workflow and application of business rules. Data from other systems viz. Human Resources Management System (HRMS) and Treasury and Asset Liability Management System (TALMS) would flow to CLMAS, thereby facilitating generation of consolidated Trial Balance on a daily basis.
- **Disaster Recovery Site:** A state-of-the-art, Tier III-certified, ISO 27001, ISO 20001-certified, TIA 942-compliant and seismic compliant Disaster Recovery (DR) site on the co-location model has been commissioned for NABARD's critical business applications.
- **Firewall:** A **Unified Threat Management (UTM)** system has been implemented across all offices of NABARD. The UTM devices protect wide area networks and all the local area networks from various external threats. They provide a mechanism for centralised Information Security policy and secure various IT assets of the bank.
- **New Initiatives in Digitisation**
    - ◊ **Enterprise Content Management**: An Enterprise Content Management (ECM) solution has been identified to capture, manage, store, retrieve and preserve

documents relating to the organisation's activities. ECM would include scanning, digitisation, document and record management and built-in workflow as core processes that would help to reduce paper-based work. A few select HO departments and ROs are being covered in the first phase during 2016–17.

◇ **Human Resource Management System (emPower)**: Application capabilities were enhanced for reducing movement of paper by capturing all receipt/bills in digital formats.

6.6 CORPORATE COMMUNICATIONS

6.6.1 Corporate Identity Manual

The scope of the Corporate Identity Manual was enlarged to cover the entire spectrum of NABARD's communication needs. A comprehensive set of corporate communication guidelines, themes and designs to standardise the formats of communication under 33 categories have been laid down in the manual.

6.6.2 Brand Rejuvenation Programme

In a unique initiative to redefine the core values of NABARD in the eyes of its stakeholders, the Bank launched its Brand Rejuvenation Programme. As part of the programme, widespread consultations were held with stakeholders across five states to evaluate brand strength and to come up with brand positioning concepts.

6.6.3 Documenting success stories

- Over 100 successful NABARD projects have been documented so far. These heart-warming stories have been transformed into posters and films to highlight the impact of NABARD's field level interventions.
- A book showcasing 50 of NABARD's interventions under the Rural Infrastructure Development Fund was launched on the occasion of Foundation Day.
- NABARD continued to engage with mass communication and design colleges to make films on successful initiatives of NABARD.

6.6.4 Participation in Mumbai International Film Festival (MIFF) 2016

Addressing the theme of 'celebrating development documentaries', Films Division of India organised a special screening of documentaries at the Mumbai International Film Festival 2016 to showcase the interventions of NABARD across rural India.

6.7 VISITS OF PARLIAMENTARY COMMITTEES

During 2015–16, the following Parliamentary Committees held discussions with NABARD:

- Committee on Subordinate Legislation, Rajya Sabha at Lucknow, Ahmedabad and Ooty during 14–20 June 2015.
- Committee on Finance at Kolkata, Darjeeling and Gangtok during 7–11 July 2015.

- Study visit of the Committee on Petitions of Rajya Sabha to Guwahati, Shillong, Darjeeling, and Kolkata during 25–31 May 2015
- Committee on Subordinate Legislation, Rajya Sabha to Mumbai, Bangalore, Hyderabad and Vishakapatnam during 23–30 August 2015
- Draft and Evidence Committee of Parliament on Rajbhasha at Bhubaneswar on 21 August 2015
- Study visit of the Committee on Welfare of OBCs to Port Blair, Chennai and Thiruvananthapuram during 2–6 Nov 2015
- Study tour of the Standing Committee on Finance to Aurangabad and Mumbai during 2–5 November 2015
- Committee on Subordinate Legislation, Rajya Sabha to Bhubaneswar, Kolkata and Darjeeling during 24–30 October 2015
- Study visit of the Committee on Estimates to Kanpur, Lucknow, Mumbai and Bengaluru during 1–6 February 2016.

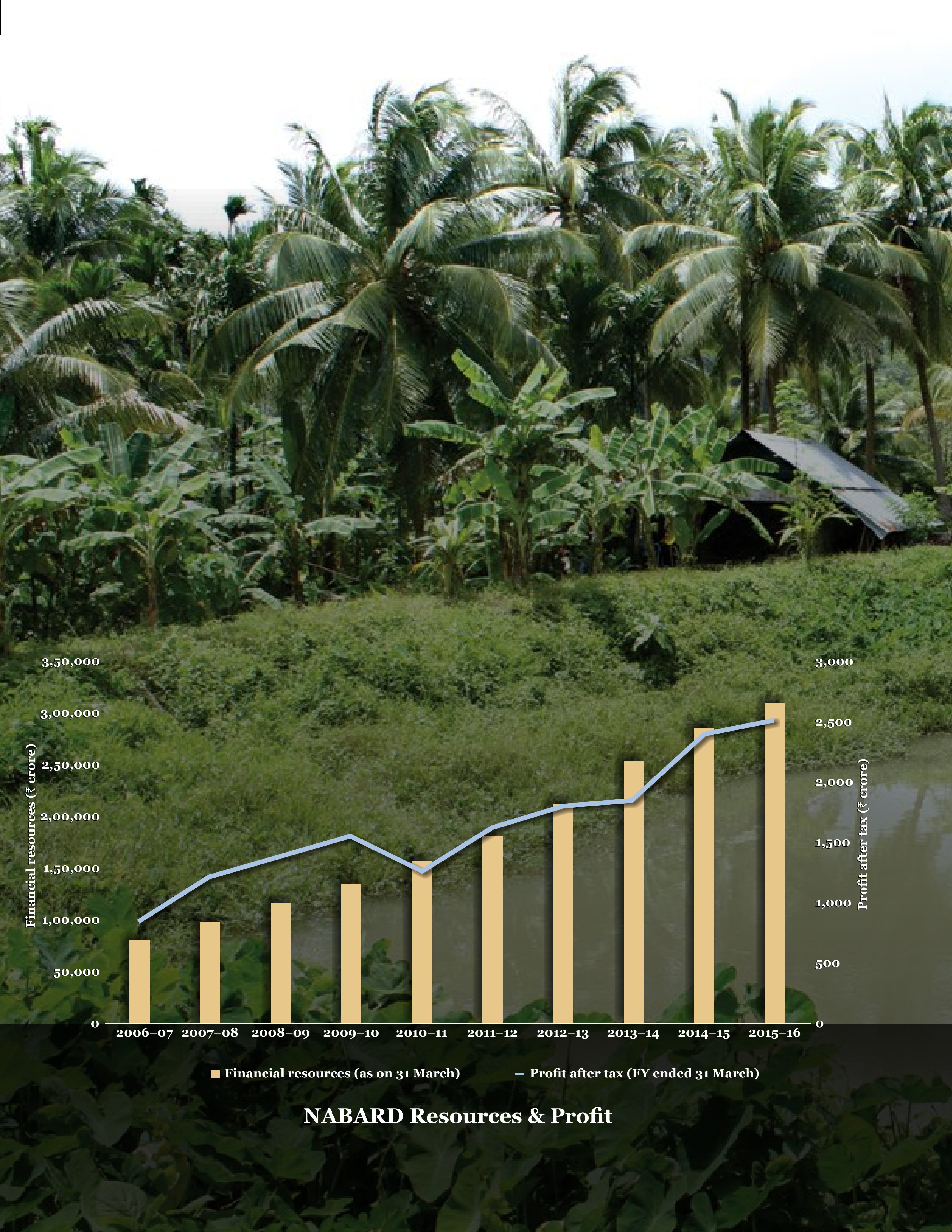
6.8 PROMOTION OF RAJBHASHA

Efforts to increase the progressive use of Hindi in day-to-day work of the Bank continued during 2015–16. Various schemes, reference literature and publications were brought out in Hindi for the use of clients as well as staff members. Publication of Hindi house journal *Rashtriya Bank Srijana* continued to provide a platform to the staff members for their literary composition and also to propagate the developmental schemes of NABARD, during 2015–16. Official Language Implementation Committee meetings were held regularly on quarterly basis to monitor the progress of implementation of the provisions of Official Language Act, 1963 and Official Language Rules, 1976 as also the instructions issued by Department of Financial Services, Ministry of Finance, Government of India. All efforts were made to achieve the target set out in the time-bound programme for the year 2015–16by Government of India.

During the year, 86 Hindi workshops were organised at HO and ROs to train the staff in noting and drafting in Hindi and also the use of Unicode for Hindi typing. Rajbhasha Orientation Programmes for senior officers and Rajbhasha nodal officers of NER were organised. In addition workshops were organised for DDMs/ DDOs and Inspecting Officers of Region 'A' offices to prepare PLP and Inspection Report respectively in Hindi. 158 PLPs and 39 Inspection Reports in 'A' Region were prepared in Hindi and one Inspection Report in 'B' Region was also prepared in Hindi.

Rajbhasha inspection of nine ROs and eight HO Departments were conducted during the year as per GoI instructions and areas of improvement were brought to the knowledge of the OIC of concerned ROs and HO Departments.

House Journal *Rashtriya Bank Srijana* was awarded the Best House Journal Award by the Ashirward Trust and also awarded a Gold trophy in the Best Feature category by the Association of Business Communicators of India (ABCI).



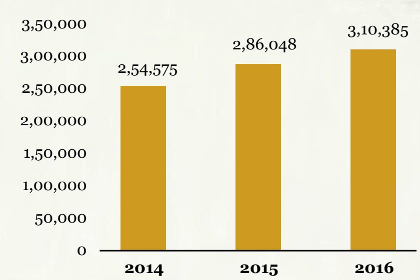
NABARD Resources & Profit

7

Resource Management and Financial Performance

The financial resources at the disposal of NABARD stood at ₹3,10,385 crore on 31 March 2016 (Exhibit 7.1), rising from ₹2,86,048 crore a year ago, i.e. an increase of 8.5 per cent. NABARD's total market borrowings were ₹2,49,494 crore (as on 31 March 2016), constituting 80.4 per cent of the combined resources of the Bank.

Exhibit 7.1
Balance sheet size as on 31 March (₹ crore)



Source: NABARD

7.1 SOURCES OF FUNDS

7.1.1 Capital, Reserves and Surplus

NABARD's paid-up capital was ₹5,000 crore on 31 March 2016, against an authorised capital of ₹5,000 crore, with the Government of India (GoI) holding 99.6 per cent and the Reserve Bank of India (RBI) 0.4 per cent. Further, an amount of ₹300 crore was received from GoI during the year towards share capital, which has been kept as advance, pending adjustment of the same against share capital after enhancement of authorised capital. NABARD's reserves and surplus increased from ₹19,601 crore on 31 March 2015 to ₹22,126 crore on 31 March 2016.

7.1.2 National Rural Credit (Long Term Operations) and National Rural Credit (Stabilisation) Funds

The National Rural Credit (Long-Term Operations) Fund is utilised for investment operations, while the National Rural Credit (Stabilisation) Fund is deployed for conversion or re-schedulement of short-term credit. These funds are augmented by internal accruals and contributions from the RBI. During 2015–16, the RBI contributed ₹1 crore to each of these funds. NRC (LTO) Fund and NRC (Stabilisation) Fund stood at ₹14,487 crore and ₹1,587 crore, respectively, as on 31 March 2016.

7.1.3 Deposits

a. *Short-Term Cooperative Rural Credit Fund*

The Short-Term Cooperative Rural Credit (STCRC) (Refinance) Fund was set up in 2008–09 with a corpus of ₹5000 crore, which was contributed by scheduled commercial banks that had not achieved their priority sector lending obligations. The corpus was augmented further with additional allocations of:

- ₹5,000 crore each for 2009–10 and 2010–11
- ₹10,000 crore each for 2011–12 and 2012–13
- ₹30,000 crore for the year 2013–14, and
- ₹50,000 crore for 2014–15
- ₹54,000 crore for 2015–16

The outstanding balance of the STCRC Fund stood at ₹53,991 crore on 31 March 2016.

b. *Long Term Rural Credit Fund*

A new line of credit to fulfil the requirements of cooperatives and RRBs to fund investment credit was set up in 2014–15 with a corpus of ₹5000 crore, contributed by scheduled commercial banks to the extent of the shortfall in their priority sector lending operations. The corpus was augmented further with additional allocations of ₹15,000 crore for 2015–16. The outstanding balance under this fund stood at₹18,997 crore on 31 March 2016, compared to ₹5,000 crore on 31 March 2015.

c. *Tea, Coffee and Rubber Deposits*

The outstanding balance under deposits from tea, coffee and rubber companies stood at ₹266 crore on 31 March 2016, compared to ₹301 crore on 31 March 2015.

d. *RIDF Deposits*

During 2015–16, Rural Infrastructure Development Fund (RIDF) deposits from commercial banks were mobilised under RIDF XV–XXI and the balance phase of RIDF XIV, aggregating ₹22,987 crore. Repayments during the period were ₹15,617 crore under RIDF VI–XV, Bharat Nirman (coinciding with RIDF–XV), and RIDF XVII Warehousing

Infrastructure (WI). The outstanding balance under RIDF deposits stood at ₹96,885 crore on 31 March 2016, against ₹89,603 crore on 31 March 2015.

7.1.4 Borrowings

To meet the growing demand for credit, NABARD has been augmenting its resources via market borrowings, such as issuing corporate bonds, commercial papers, certificates of deposits and term money borrowings.

a. *Capital Gains Bonds*

The outstanding balance under Capital Gains Bonds stood at ₹1.29 crore on 31 March 2016.

b. *Corporate Bonds*

Corporate Bonds amounting to ₹13,114 crore were redeemed during 2015–16, while fresh bonds amounting to ₹13,230 crore were issued. The amount outstanding at the end of 31 March 2016 stood at ₹29,147 crore as against ₹29,031 crore as on 31 March 2015.

c. *Bhavishya Nirman Bonds*

The outstanding balance against Bhavishya Nirman Bonds stood at ₹4,975 crore on 31 March 2016. No fresh bonds were issued during 2015–16.

d. *Certificates of Deposit*

Certificates of Deposit of ₹6,000 crore were mobilised during the year and outstanding as on 31 March 2016 stood at ₹5,545 crore.

e. *Commercial Papers*

Fresh borrowings through commercial papers, aggregating ₹53,470 crore, were mobilised. Of this amount, ₹40,120 crore was redeemed during 2015–16. As on 31 March 2016, the outstanding balance was ₹12,771 crore.

f. *Tax Free Bonds*

NABARD was allowed to raise funds through tax free bonds during 2015–16. ₹5,000 crore was raised during the year and the same amount was outstanding as on 31 March 2016.

g. *Term Money Borrowings*

To meet short-term requirements for funds, term money borrowings with tenors of three to six months were mobilised. Repayments of ₹2,345 crore were made and fresh term money borrowings worth ₹3,349 crore were raised during 2014–15. The amount outstanding on 31 March 2016 was ₹1,519 crore, compared to ₹515 crore on 31 March 2015.

h. *Government of India Borrowings*

While there were no fresh borrowings from GoI during 2015–16, repayments worth ₹7.75 crore were made under various externally aided projects. The outstanding amount of GoI borrowings stood at ₹12 crore on 31 March 2016, as against ₹20 crore on 31 March 2015.

i. *Foreign Currency Borrowings*

The redemption under borrowings from the KfW was to the tune of ₹28 crore during the year. An amount of ₹40 crore was mobilised, while the outstanding borrowings stood at ₹722 crore on 31 March 2016, as against ₹727 crore on 31 March 2015. The foreign exchange risk on these loans and interest thereof has been fully hedged at an average annual cost of 6.35 per cent for 10 years.

TABLE 7.1
Sources of Funds

(Amount in ₹ crore)

Sr. No.	Particulars	31 March 2015		31 March 2016	
		Amount	Share (%)	Amount	Share (%)
1.	Capital, Reserves & Surplus	24,601	8.6	27,426	8.8
2.	NRC (LTO) and NRC (Stabilisation) Funds	16,070	5.6	16,074	5.2
3.	Tea, Coffee and Rubber Deposits	301	0.1	266	0.1
4.	RIDF Deposits	89,603	31.4	96,885	31.2
5.	STCRC Fund	60,000	21.0	53,991	17.4
6.	ST Fund for RRBs	30,000	10.5	15,997	5.2
7.	LTRC Fund	5,000	1.7	18,997	6.1
8.	Bonds & Debentures	34,007	11.9	34,123	11.0
9.	Commercial Paper	2,898	1.0	12,771	4.1
10.	Borrowing under CBLO	5,281	1.9	0	0
11.	Certificates of Deposit	0	0	5,545	1.8
12.	Tax Free Bonds	0	0	5,000	1.6
13.	Term Money Borrowings	515	0.2	1,519	0.5
14.	Borrowings from GoI	20	0	12	0
15.	Borrowings JNN Solar Mission	36	0	15	0
16.	Foreign Currency Loan	727	0.3	722	0.2
17.	Warehouse Infrastructure Fund	1,550	0.5	3,550	1.1
18.	Food Processing Fund	0	0	100	0
19.	Other Liabilities	9,729	5.5	11,373	3.7
20.	Other Funds	5,710	1.8	6,019	1.9
	Total	**2,86,048**	**100**	**3,10,385**	**100**

7.2 USES OF FUNDS

7.2.1 ST Loans, MT (Conversion) Loans

ST (SAO) loans outstanding against advances to the StCBs, RRBs and commercial banks for financing PACS, stood at ₹52,368 crore, ₹16,000 crore and ₹227 crore, respectively as on 31 March 2016. Further, ST (OSAO) loans outstanding to StCBs and RRBs stood at ₹700 crore and ₹424 crore, respectively. The total loans outstanding for production and marketing credit at ₹69,719 crore as on 31 March 2016, declined from ₹88,711 crore as at the end of 31 March 2015. Outstanding balance under MT conversion loan stood at ₹447 crore as on 31 March 2016.

7.2.2 Project Loans under RIDF

Loans provided to state governments for implementation of RIDF stood at ₹91,384 crore as on 31 March 2016 compared to outstanding at ₹83,545 crore as on 31 March 2015.

7.2.3 Non-project Loans

The outstanding in respect of Long Term (LT) loans granted to state governments for contributing to the share capital of co-operative credit institutions, stood at ₹66 crore as on 31 March 2016 compared to ₹59 crore as on 31 March 2015.

7.2.4 Investment Credit

Refinance outstanding stood at ₹84,469 crore as on 31 March 2016 in respect of the medium and long term investment credit provided by banks compared to an outstanding amount of ₹61,917 crore on 31 March 2015.

7.2.5 Co-finance

The outstanding balance as on 31 March 2016 stood at ₹3 crore, as against ₹10 crore (net of provision) as on 31 March 2015.

7.2.6 NABARD Infrastructure Development Assistance

The outstanding loans under NABARD Infrastructure Development Assistance (NIDA) stood at ₹3,239 crore as on 31 March 2016 as against ₹2,223 crore as on 31 March 2015.

7.2.7 Direct Lending to District Central Cooperative Banks

A short-term multipurpose credit product designed for direct lending to DCCBs for meeting the working capital and farm asset maintenance needs of the individual borrowers and affiliated PACS was launched during 2011–12. The quantum of outstanding under this line of credit stood at ₹3,251 crore on 31 March 2016 as against ₹2,818 crore on 31 March 2015.

7.2.8 Loans under Warehouse Infrastructure Fund

NABARD had formulated NABARD Warehousing Scheme 2013–14 (NWS), based on the budgetary allocation of ₹5,000 crore in the Budget of 2013–14 for creation of infrastructure for storage of agricultural commodities. The fund is used for extension of loans to public and private sectors for construction of warehouses, silos, cold storage and other cold chain infrastructure. The outstanding loans under NABARD Warehousing Scheme (NWS) stood at ₹2,362 crore as on 31 March 2016 as against ₹1,154 crore as on 31 March 2015.

7.2.9 Loans under Food Processing Fund

In accordance with the budget announcement for 2014–15, Food Processing Fund with an allocation of ₹2,000 crore was set up in NABARD for providing affordable credit to agro-processing units in designated food parks. An amount of ₹21 crore was outstanding as on 31 March 2016.

7.2.10 Credit Facilities to Federations

The outstanding loans under Credit Facilities to Federations stood at ₹4,949 crore as on 31 March 2016 as against ₹4,827 crore as on 31 March 2015.

7.2.11 Other Loans

Other loans extended out of different Funds (CDF, MFDEF, WDF and TDF, KfW UPNRM, FIPF, JNN Solar Mission and PODF) stood at ₹584 crore as on 31 March 2016 as against ₹636 crore as on 31 March 2015.

7.2.12 Investment of Surplus Funds

The quantum of surplus deployed by NABARD in various financial instruments stood at ₹36,491 crore as on 31 March 2016. Out of this, ₹21,264 crore was deployed in government securities and other financial instruments and an amount of ₹15,227 crore was kept in the form of Short Term Bank Deposits in order to meet liquidity and contingency requirements, as on 31 March 2016.

7.3 INCOME AND EXPENDITURE

The gross income of NABARD during 2015–16 amounted to ₹20,730 crore as against ₹17,804 crore for the financial year 2014–15 (Exhibit 7.2). The profit before tax (PBT) and profit after tax (PAT) were at ₹3,653 crore and ₹2,524

TABLE 7.2
Uses of Funds

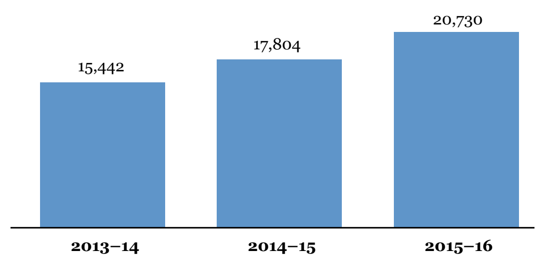
(Amount in ₹ crore)

Particulars	*31 March 2015*		*31 March 2016*	
	Amount	*Share (%)*	*Amount*	*Share (%)*
Cash and Bank Balance	12,961	4.5	16,056	5.2
Government Securities and other Investments	15,027	5.3	21,511	6.9
CBLO	165	0.1	2,492	0.8
Production and Marketing Credit	88,711	31.0	69,719	22.5
Conversion of Production Credit into MT Loans	0	0	447	0.1
MT & LT Project Loans *	68,386	23.9	89,424	28.8
LT Non Project Loans	59	0.02	66	0
Loans out of RIDF	83,545	29.2	91,384	29.4
Co Finance Loans(net of provision)	10	0	3	0
NIDA Loan	2,223	0.8	3,239	1.0
Direct Refinance to DCCBs	2,818	1.0	3,251	1.0
NABARD Warehousing Scheme	1,153	0.4	2,362	0.8
Food Processing Fund	0	0	21	0
Credit facilities to federations	4,827	1.7	4,948	1.6
Other Loans	636	0.2	584	0.2
Fixed Assets & Other Assets	5,527	1.9	4,878	1.6
Total	**2,86,048**	**100**	**3,10,385**	**100**

(* Including the amount subscribed to Special Development Debentures of SCARDBs which are in the nature of Deemed Advances.)

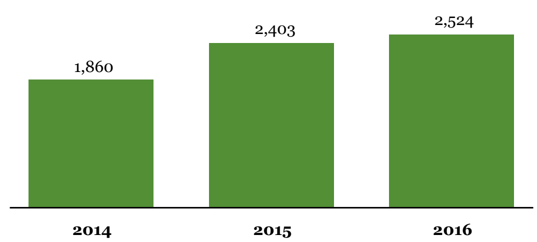
crore (Exhibit 7.3) respectively as on 31 March 2016, as against the previous year's PBT and PAT ₹3,421 crore and ₹2,403 crore, respectively. While net profit per employee stood at ₹0.6 crore (Exhibit 7.4), business per employee was ₹39 crore (Exhibit 7.5), as on 31 March 2016. During the year two new funds viz. Gramya Vikas Nidhi and Climate Fund were created. Amounts of ₹550 crore, ₹1 crore, ₹1 crore and ₹1,689 crore were transferred to Special Reserve u/s 36(1) (viii) of IT Act 1961, NRC (LTO) Fund, NRC (Stabilisation) Fund and Reserve Fund, respectively. Further, aggregate amount of ₹367 crore was transferred to various funds viz., Research and Development Fund, Investment Fluctuation Reserve, Farm Sector Promotion Fund, Climate Fund and Gramya Vikas Nidhi.

Exhibit 7.2
Gross income (₹ crore)



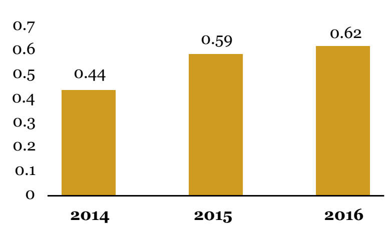
Source: NABARD

Exhibit 7.3
Profit after tax as on 31 March (₹ crore)



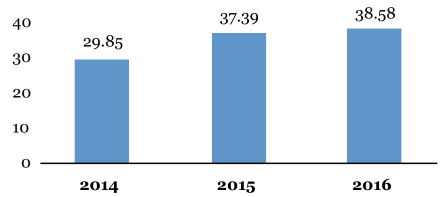
Source: NABARD

Exhibit 7.4
Net profit per employee as on 31 March (₹ crore)



Source: NABARD

Exhibit 7.5
Business per employee as on 31 March (₹ crore)



Source: NABARD

7.4 CAPITAL ADEQUACY

The capital to risk-weighted assets ratio (CRAR) was at 17.59 per cent as on 31 March 2016 (Exhibit 7.6) as compared to 16.91 per cent as on 31 March 2015, as against a minimum 9 per cent norm stipulated by RBI.

7.5 INSPECTION AND CONCURRENT AUDIT

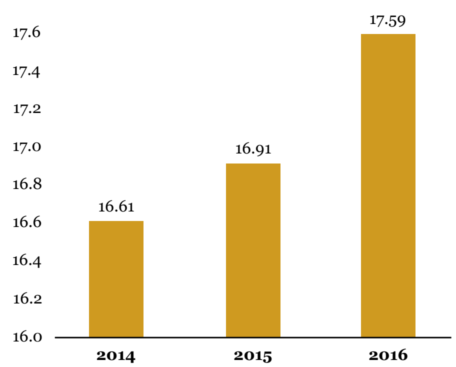
During the year 2015–16, the inspection department conducted 43 inspections viz., 20 regional offices (ROs), two training establishments, 17 HO departments and four subsidiaries of NABARD to ensure compliance with the regulations and norms pertaining to financial transactions and operations.

The Audit Committee of the Board met four times during 2015–16, to review the quarterly financial results, annual accounts and balance sheet of the bank, inspection report by RBI and compliance thereof, synopses of inspection reports of ROs, HO Departments, Training establishments and NABARD subsidiaries, intermediary accounts etc.

7.6 RISK MANAGEMENT

i. The Integrated Enterprise Risk Management Policy guidelines covering credit risk, market risk, operational risk and compliance risk were issued. Besides, review by Risk Management Committee

Exhibit 7.6
Capital adequacy ratio (%) as on 31 March



Source: NABARD

of Board (RMCB), with a view to improving risk governance in the bank Enterprise Risk Management Committee (ERMC) headed by DMD has been constituted for an overall enterprise level risk review and approval.

ii. While risk rating modules were introduced for State Cooperative Banks (StCBs), Regional Rural Banks (RRBs) and Federations, the same was revised for State Cooperative Agriculture and Rural Development Banks (SCARDBs) during the year. While CRISIL, an external rating agency has been identified for rating of Micro, Small and Medium Enterprises (MSME) of bank loan products, Brickworks has been identified for rating of MFIs and NGOs.

iii. The guidelines relating to risk management on staff accountability, NPA Management, General rating of NGOs besides product specific rating, Grant Exposure norms for NGOs/Channel partners and Regional Office level grant exposure norms and Debarring of NGOs/ other agencies by NABARD has been issued during the year.

iv. With a view to analysing internal and external reasons and to mitigate risk, operational audit of 16 NPA accounts were undertaken and necessary follow up was initiated. Major operational risks were identified and risk mitigation system has been put in place.

v. Quarterly compliance risk monitoring system has been introduced for Regional Offices, Departments of Head Office and subsidiaries of NABARD.

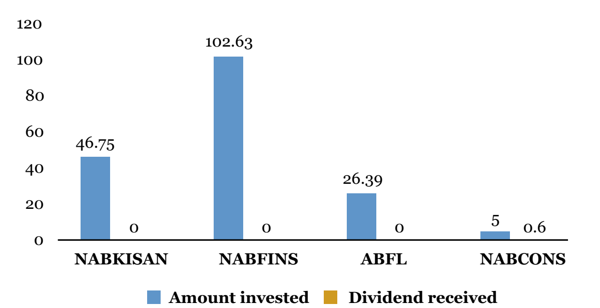
7.7 SUBSIDIARIES OF NABARD

NABARD's four subsidiaries are as follows:

1. NABKISAN Finance Services Limited, Mumbai (NABKISAN)
2. NABARD Financial Services Limited, Bangalore (NABFINS) (Sidebar 7.1)
3. Agri-Business Finance Limited, Hyderabad (ABFL)
4. NABARD Consultancy Services Private Limited, New Delhi (NABCONS) (Sidebar 7.2)

The share holding pattern in the subsidiaries is presented in Exhibit 7.7.

Exhibit 7.7
Investment in subsidiaries (₹ crore)



Source: NABARD

Sidebar 7.1
NABFINS

NABARD, with its development mandate has supported a large variety of initiatives viz. financial services, building rural infrastructure, institutional development, awareness building of communities etc. While many of these programmes have been facilitated through partner institutions and banks, NABARD Financial Services Limited (NABFINS) stands out as an effort of reaching livelihood finance and services directly to the unreached rural communities. The pertinent question which arose was whether NABFINS should just add to the list of many microfinance institutions in the Indian landscape offering the same set of services. Therefore, the well-thought out objective was to serve the microfinance sector differently, more efficiently, in a client friendly manner and also to reach geographies unreached by others. The idea was to demonstrate different products, delivery channels etc. and prove that microfinance is a profitable business even at very affordable rates of interest to clients.

NABFINS is headquartered in Bengaluru and registered as an RBI regulated Non-Banking Financial Company–Micro Finance Institution (NBFC–MFI) with NABARD owning 67 per cent of the equity. Government of Karnataka and public sector banks viz., Canara Bank, Union Bank of India and other banks are the other major shareholders of the company. NABFINS being largely a publicly owned institution positions itself as a model MFI. It has set itself standards of governance and exemplary levels of transparency. It also operates at rates of interest much below the industry standards. The cost of credit to the ultimate client ranges between 14–16.75 per cent p.a. (diminishing rates), the lowest in the NBFC–MFI industry. This has been possible as NABFINS maintains a low operating expenses ratio and consequently a low margin cap of 6–7 per cent as against regulator permitted 10–12 per cent. The institution now reaches 6 lakh households recording a CAGR of 38 per cent.

NABFINS predominantly operates through its unique group based lending model which essentially leverages the institutional reach and trust capital of its partners (Business Development Correspondents) to reach the ultimate

(Contd)

clients. The operations of the company are guided by the overarching principle of supporting the national agenda of financial inclusion across all difficult geographies. NABFINS also pursues the GOI's goal of opening bank accounts for all and considers that true financial inclusion can happen only when it is co-mingled with supportive financial literacy. The Women SHGs–NABFINS partnership provides the first and essential footprint for this inclusive journey for the unserved communities. This relationship is furthered by facilitating the services of local resource persons (active members of Women SHGs) to deepen financial inclusion process with local banks.

NABFINS has a differentiated and layered approach to supporting and financing livelihoods of the poor communities they serve. It believes that the poor being a very heterogeneous group cannot be served by standardised financial products; and, therefore, its products are more client-centric and tailored to the actual needs of the poor, with repayment tenure, frequency, and grace periods adjusted to their cash flow and felt needs of clients. NABFINS also practices a multi-tiered approach to livelihood support, with finance being extended directly, or through a business correspondent or through institutions run and managed by the poor and also livelihood clusters. NABFINS also extends training/development support and skill loans for the rural youth.

Sidebar 7.2
NABCONS

NABARD Consultancy Services Private Limited (NABCONS) was set up to provide consultancy services in the field of agriculture, allied activities and rural development in India and developing countries. NABCONS is a wholly owned subsidiary of NABARD which was registered under Companies Act, 1956 on 17 November 2003 with an authorised capital of ₹25 crore and paid up capital of ₹5 crore.

The company is managed by an independent Board of Directors led by the Chairman. The operation of the company is managed by the Chief Executive Officer and

(Contd)

Cumulatively, NABCONS has earned a total income of ₹224.82 crore, 87 per cent of which is through consultancy services.

supported by professionally competent, multi-disciplinary team of consultants under eight business verticals, viz., Agriculture and Animal Husbandry, Food Processing and Storage, Socio Economic Studies, Third Party Monitoring, Capacity Building, Banking and Finance, Skill for Livelihoods and International Visitors Programme.

NABCONS leverages the presence of its parent organisation across the districts in all states/UTs of the country. NABCONS, due to its presence in all states and districts, has been able to contract 1,876 assignments during the last 13 years, across the country covering nearly all the states and UTs, including the difficult terrains of north eastern and northern states.

Cumulatively, NABCONS has earned a total income of ₹224.82 crore, 87 per cent of which is through consultancy services. The net worth has recorded an increase from ₹5 crore to ₹69.35 crore. The company has consistently earned profits after tax with a CAGR of 69 per cent per annum. During the financial year 2015–16, NABCONS had contracted business worth ₹62.71 crore, generated revenue worth ₹42.51 crore and earned net profit of ₹13.30 crore (31 March 2016).

Some of the key highlights of the functioning of NABCONS are as follows:

- NABCONS, with its corporate office at New Delhi, zonal offices at Guwahati, Mumbai and Hyderabad and Principal Consultants offices in various states has pan India presence.
- NABCONS has been engaged by the Ministry of Rural Development as Central Technical Support Agency for DDU-GKY (formerly Ajeevika) for 18 states & UTs across the country.
- NABCONS has been empanelled as official consultant by many state governments, viz. Governments of Chhattisgarh, Odisha, Jharkhand, J&K, West Bengal, Uttarakhand, Nagaland, etc.
- NABCONS has been empanelled as Project Management Consultant under Mega Food Park Scheme of Ministry of Food Processing Industries (MoFPI).
- Ministry of External Affairs, GOI has selected NABCONS as the implementation agency to establish the India Africa Institute for Agriculture and Rural Development

(IAIARD), a pan Africa institution for capacity building, in Malawi under the Framework for Enhanced Cooperation between India and Africa.

- NABCONS has organised several International Visitors' Programmes for delegates from countries like Kenya, Nigeria, Uganda, Mozambique, Vietnam, Papua New Guinea, Ethiopia, Philippines, Bangladesh, Sudan, Tanzania, etc.

NABCONS has worked on consultancy assignments contracted from international agencies such as JICA, GIZ, APRACA, IFAD, DFID, FAO, World Bank, etc.

During the year 2014–15 NABKISAN has set up its corporate office in Mumbai and expanded its operation to five states viz., Tamil Nadu, Maharashtra, MP, Rajasthan, HP and Uttarakhand, with a special focus on financing Producers' Organisations (POs).

7.8 STRATEGIC INVESTMENTS OF NABARD

NABARD has invested in the following companies, the operations of which have an impact on agriculture in general and farmers in particular:

Total amount invested across the six companies ₹127.43 crore

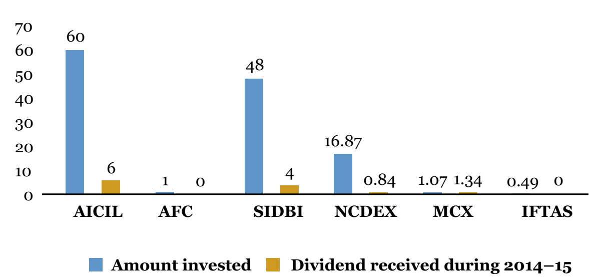
Dividend received as on 31 December 2015 ₹12.18 crore

1. Agricultural Insurance Corporation of India Limited (AICIL)
2. Agriculture Finance Corporation (AFC)
3. Small Industries Development Bank of India (SIDBI)
4. National Commodity Exchange (NCDEX)
5. Multi Commodity Exchange (MCX)
6. Indian Financial Technology & Allied Services (IFTAS)

7.9 INVESTMENTS IN VENTURE CAPITAL FUNDS

NABARD invests in venture capital funds to facilitate venture investments in agriculture and rural development sectors so as to promote technological innovations and technology

Exhibit 7.8
Strategic investment of NABARD (₹ crore)



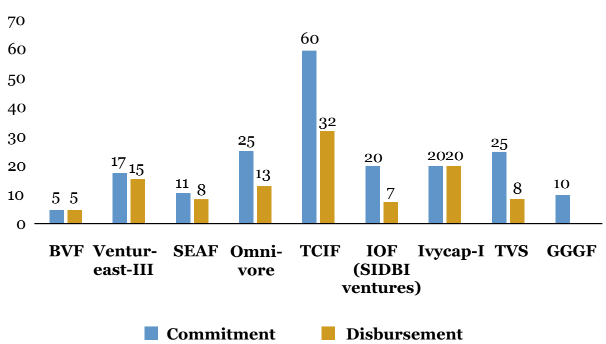
Source: NABARD

dissemination. The summary of VCF investments is furnished in Table 7.3 and the fund-wise status of investments and disbursements are presented in Exhibit 7.9. NABARD's commitments in VCF have led to venture capital investments to the tune of ₹502 crore in 31 portfolio companies that will have direct or indirect impact on agriculture and rural development. Noteworthy innovations brought out by portfolio companies that will benefit farmers are solar operated micro cold storage and solar dryers, bio stimulants from seaweeds, e-dairy farming and smart agriculture technology.

TABLE 7.3
Venture Capital Fund Investments of NABARD

No. of funds committed	9	Name of Funds 1. Biotechnology Venture Fund (BVF)
Total Commitments	₹193 crore	2. Ventureast Life Fund III 3. SEAF India Agribusiness Fund (SEAF)
Drawdown released (as on 31.12.2015)	₹108.44 crore	4. Omnivore India Capital Trust (Omnivore) 5. Tata Capital Innovations Fund (TCIF)
Returns received (as on 31.12.2015) Capital refund Gains/Dividend	 ₹2.43 crore ₹2.09 crore	6. India Opportunities Fund (IOF) 7. IvyCap Ventures Trust Fund – I (IvyCap-I) 8. TVS Shriram Growth Fund (TVS) 9. India Inclusive Growth Fund (IIGF) 10. Golden Gujarat Growth Fund (GGGF)

Exhibit 7.9
Investment in venture capital funds (₹ crore)



Source: NABARD

NABARD

Annual Accounts

2015–16

Balance Sheet
Profit & Loss Account
&
Cash Flow
2015-16
of
NABARD

Independent Auditors' Report

To,
The Board of Directors of
National Bank for Agriculture
and Rural Development

REPORT ON THE STANDALONE FINANCIAL STATEMENTS

We have audited the accompanying standalone financial statements of National Bank for Agriculture and Rural Development (the Bank), which comprise the Balance Sheet as at March 31, 2016, Profit and Loss Account and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information. Incorporated in these financial statements are the returns of 11 Regional Offices and 1 Training Centre visited by us for the purposes of audit and the same including Head Office account for 71.41% of advances, 99.74% of deposits and term money borrowings, 86.85% of interest income and 99.77% of interest expenses. These Offices and Training Centre have been selected in consultation with the Bank. We have not visited balance offices of the Bank i.e. 19 Regional Offices and 2 Training Centres and have reviewed their returns at the Head Office.

MANAGEMENT'S RESPONSIBILITY FOR THE STANDALONE FINANCIAL STATEMENTS

Management is responsible for the preparation of these financial statements in accordance with the National Bank for Agriculture and Rural Development (Additional) General Regulations, 1984, that give a true and fair view of the financial position, financial performance, and cash flows of the bank. This responsibility also includes maintenance of adequate accounting records for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities;

selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent, and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Bank has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

OPINION

1. In our opinion, as shown by books of bank, and to the best of our information and according to the explanations given to us;
    a. the Balance Sheet, read with the notes thereon, containing all the necessary particulars, is properly drawn up so as to exhibit a true and fair view of state of affairs of the Bank as at March 31, 2016, in conformity with accounting principles generally accepted in India;
    b. the Profit and Loss Account, read with the notes thereon shows a true balance of profit in conformity with accounting principles generally accepted in India, for the period ended on that date; and
    c. the Cash Flow Statement gives a true and fair view of

the cash flows for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The Balance Sheet and the Profit and Loss Account have been drawn up as per Schedule 'A' and Schedule 'B' of Chapter IV of National Bank for Agriculture and Rural Development (Additional) General Regulations, 1984.

As required by the National Bank for Agriculture and Rural Development (Additional) General Regulations, 1984, we report that:

a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit.

b. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.

c. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts and with the returns received from the regional offices and training centres not visited by us.

In our opinion, the aforesaid Standalone Financial Statements comply with the applicable Accounting Standards.

For Vyas & Vyas
Chartered Accountants
(Firm Registration No. 000590C)

O.P. Vyas
Partner
(Membership No. 014081)
Place: Mumbai
Date: 23 May 2016

Balance Sheet

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
Balance Sheet as on 31 March 2016

(₹ in thousands)

Sr. No.	*Funds and Liabilities*	*Schedule*	*As on 31.03.2016*	*As on 31.03.2015*
1	i) Capital (Under Section 4 of the NABARD Act, 1981)		5000,00,00	5000,00,00
	ii) Advance towards Share Capital (Refer Note B-41.2 of Schedule 18)		300,00,00	0
	Total		**5300,00,00**	**5000,00,00**
2	Reserve Fund and other Reserves	1	22126,00,69	19600,98,97
3	National Rural Credit Funds	2	16074,00,00	16070,00,00
4	Gifts, Grants, Donations and Benefactions	3	4895,17,31	4209,50,61
5	Government Schemes	4	1122,76,27	1500,52,28
6	Deposits	5	189786,33,74	186454,24,34
7	Bonds and Debentures	6	39123,49,36	34007,49,36
8	Borrowings	7	20584,37,09	9476,16,79
9	Current Liabilities and Provisions	8	11372,77,54	9729,45,53
	Total		**310384,92,00**	**286048,37,88**
	Forward Foreign Exchange Contracts (Hedging) as per contra		700,35,41	640,45,99

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
Balance Sheet As On 31 March 2016

(₹ in thousands)

Sr. No	*Property and Assets*	*Schedule*	*As on 31.03.2016*	*As on 31.03.2015*
1	Cash and Bank Balances	9	18547,87,43	13125,95,67
2	Investments	10	26465,92,80	21495,89,83
3	Advances	11	260493,44,45	245899,49,33
4	Fixed Assets	12	352,53,93	325,19,37
5	Other Assets	13	4525,13,39	5201,83,68
	Total		**310384,92,00**	**286048,37,88**
	Forward Foreign Exchange Contracts (Hedging) as per contra		700,35,41	640,45,99
	Commitment and Contingent Liabilities	17		
	Significant Accounting Policies and Notes on Accounts	18		

Schedules referred to above form an integral part of accounts

As per our attached report of even date
Vyas & Vyas
Chartered Accountants
(Firm Registration No. 000590C)

O.P. Vyas
Partner
(Membership No. 014081)
Mumbai
Date: 23 May 2016

A.K. Sahoo
Chief General Manager
Accounts Department
Mumbai: 23 May 2016

Harsh Kumar Bhanwala
Chairman

R. Amalorpavanathan
Deputy Managing Director

H.R. Khan
Director

Anup Kumar Dash
Director

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
Profit and Loss Account for the Year Ended 31 March 2016

(₹ in thousands)

Sr. No.	Income	Schedule	2015–16	2014–15
1	Interest received on Loans and Advances		17711,70,59	15267,30,41
2	Income from Investment Operations/Deposits		2812,14,00	2217,97,27
3	Other Income(Refer Note B-11 of Schedule 18)		206,27,32	319,18,58
	Total "A"		**20730,11,91**	**17804,46,26**

Sr. No.	Expenditure	Schedule	2015–16	2014–15
1	Interest and Financial Charges (Refer Note B-10 of Schedule-18	14	15438,61,32	12928,96,33
2	Establishment and Other Expenses	15 A	1461,10,00	1229,68,87
3	Expenditure on Promotional Activities	15 B	45,53,65	61,19,18
4	Provisions	16	105,99,99	114,24,70
5	Depreciation		26,12,23	48,90,87
	Total "B"		**17077,37,19**	**14382,99,95**
6	**Profit before Tax (A – B)**		**3652,74,72**	**3421,46,31**
7	Provision for			
	a) Income Tax		1140,00,00	1053,90,14
	b) Deferred Tax -(Asset) (Refer Note B-13 of Schedule 18)		-11,06,00	-35,70,00
8	**Profit after Tax**		**2523,80,72**	**24,03,26,17**
	Significant Accounting Policies and Notes on Accounts	18		

Schedules referred to above form an integral part of accounts

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
Profit and Loss Appropriation Account

(₹ in thousands)

Sr. No.	*Appropriations/Withdrawals*	*2015–16*	*2014–15*
1.	**Profit for the year brought down**	**2523,80,72**	**2403,26,17**
2.	Add:		
	Withdrawals from funds against expenditure debited to Profit & Loss A/c		
a)	Co-operative Development Fund (Refer Schedule 1)	15,39,97	11,71,09
b)	Research and Development Fund (Refer Schedule 1)	35,44,30	20,22,32
c)	Producers Organisation Development Fund (Refer Schedule 1)	2,62,33	2,14,71
d)	Investment Fluctuation Reserve (Refer Schedule 1)	0	95,63,15
e)	Rural Infrastructure Promotion Fund (Refer Schedule 1)	2,60,42	2,29,35
f)	Farm Sector Promotion Fund (Refer Schedule 1)	24,90,93	43,63,72
2.1	**Withdrawals of Funds which have been closed**		
i)	mFDEF (Refer Note B-7 of Schedule 18)	3,21,00	2,18,00
3.	**Profit available for Appropriation**	**2607,99,67**	**2581,08,51**
	Less: Transferred to:		
a)	Special Reserves u/s 36(1) (viii) of IT Act, 1961	550,00,00	490,00,00
b)	National Rural Credit (Long Term Operations) Fund (Refer Schedule 2)	1,00,00	1,00,00
c)	National Rural Credit (Stabilisation) Fund (Refer Schedule 2)	1,00,00	1,00,00
d)	Research and Development Fund (Refer Schedule 1)	35,44,30	20,22,32
e)	Investment Fluctuation Reserve (Refer Schedule 1)	296,00,00	63,93,15
f)	Farm Sector Promotion Fund (Refer Schedule 1)	10,61,72	50,00,00
g)	Gramya Vikas Nidhi (Refer Schedule 1 & Refer Note B-9 of Schedule 18)	20,00,00	0
h)	Climate Fund (Refer Schedule 1 & Refer Note B-9 of Schedule 18))	5,00,00	0
i)	Reserve Fund	1688,93,65	1954,93,04
	Total	**2607,99,67**	**2581,08,51**

Refer Schedule 18 for Significant Accounting Policies and Notes on Accounts.

As per our attached report of even date
Vyas & Vyas
Chartered Accountants

O.P. Vyas Partner Mumbai Date: 23 May 2016	A.K. Sahoo Chief General Manager Accounts Department Mumbai: 23 May 2016

Harsh Kumar Bhanwala	R. Amalorpavanathan	H.R. Khan	Anup Kumar Dash
Chairman	Deputy Managing Director	Director	Director

SCHEDULES TO BALANCE SHEET
Schedule 1 – Reserve Fund and Other Reserves

(₹ in thousands)

Sr. No.	Particulars	Opening Balance as on 01.04.2015	Exp./ Add./ Adjust. during the year	Transferred From P&L Appropriation	Transferred to P&L Appropriation	Balance as on 31.03.2016
1	Reserve Fund	12714,03,08	–	1688,93,65	–	14402,96,73
2	Research and Development Fund	50,00,00	–	35,44,30	35,44,30	50,00,00
3	Capital Reserve	74,80,53	–	–	–	74,80,53
4	Investment Fluctuation Reserve	655,00,00	–	296,00,00	–	951,00,00
5	Co-operative Development Fund	81,82,16	–	–	15,39,97	66,42,19
6	Special Reserves Created & Maintained u/s 36(1)(viii) of Income Tax Act, 1961	5885,00,00	–	550,00,00	–	6435,00,00
7	Producers' Organizations Development Fund	45,62,95	–	–	2,62,33	43,00,62
8	Rural Infrastructure Promotion Fund	20,41,04	–	–	2,60,42	17,80,62
9	Farm Sector Promotion Fund	74,29,21	–	10,61,72	24,90,93	60,00,00
10	Gramya Vikas Nidhi (Refer Note B-9 of Schedule 18)	–	–	20,00,00		20,00,00
11	Climate Fund (Refer Note B-9 of Schedule 18)	–	–	5,00,00		5,00,00
	Total	**19600,98,97**	**–**	**2605,99,67**	**80,97,95**	**22126,00,69**
	Previous year	17156,54,80	41,00,00	2579,08,51	175,64,34	19600,98,97

Schedule 2 – National Rural Credit Funds

(₹ in thousands)

Sr. No.	Particulars	Opening Balance as on 01.04.2015	Contribution by RBI	Transferred from P&L Appropriation	Balance as on 31.03.2016
1	National Rural Credit (Long Term Operations) Fund	14485,00,00	1,00,00	1,00,00	14487,00,00
2	National Rural Credit (Stabilisation) Fund	1585,00,00	1,00,00	1,00,00	1587,00,00
	Total	**16070,00,00**	**2,00,00**	**2,00,00**	**16074,00,00**
	Previous year	16066,00,00	2,00,00	2,00,00	16070,00,00

Schedule 3 – Gifts, Grants, Donations and Benefactions

(₹ in thousands)

Sr. No.	Particulars	Opening Balance as on 01.04.2015	Additions / Adjustments during the year	Interest Credited	Expenditure / Disbursements during the year	Balance as on 31.03.2016
A	**Grants from International Agencies**					
1	KfW – NABARD V Fund for Adivasi Programme (Refer Note B-5 of schedule 18))	1,79,73	5,19,11	4,57	4,93,16	2,10,25
2	KfW – NB – IX Adivasi Development Programme – Maharashtra	3,93,46	–	–	1,43	3,92,03
3	KfW UPNRM – Accompanying Measures (Refer Note B-5 of schedule 18)	3,52,67	–	13,51	3,39,68	26,50
4	KfW NB UPNRM – Financial Contribution	–	82,04	–	82,04	–
5	KfW UPNRM – Risk Mitigation Fund	–	–	–	–	–
6	KfW UPNRM Fund	–	–	–	–	–
7	KfW – NB – Indo German Watershed Development Programme – Phase III – Maharashtra(Refer Note B-5 of schedule 18)	31,92	–	1,89	20,99	12,82

(Contd)

Sr. No.	Particulars	Opening Balance as on 01.04.2015	Additions / Adjustments during the year	Interest Credited	Expenditure / Disbursements during the year	Balance as on 31.03.2016
8	Indo German Watershed Development Programme – Andhra Pradesh(Refer Note B-5 of schedule 18)	–	2,31,58	2,60	2,03,15	31,03
9	Indo German Watershed Development Programme – Gujarat (Refer Note B-5 of schedule 18)	36,27	4,28,17	16,80	83,22	3,98,02
10	Indo German Watershed Development Programme – Rajasthan	–	3,14,84	–	3,14,84	–
11	International Fund for Agriculture Development (IFAD) Priyadarshini	–	6,90,55	–	6,90,55	–
12	GIZ Rural Financial Institutions Program (RFIP)	1,22,76	1,56,13	–	2,78,89	–
13	GIZ UPNRM Technical Collaboration	–	1,00,06	–	38,57	61,49
14	Climate Change – (AFB) – Project Formulation Grant	19,03	19,03		17,50	20,56
15	Climate Change – (AFB) – Project/Programme Implementation a/c	3,40,48	6,01,10	–	2,61,46	6,80,12
16	National Adaptation Fund for Climate Change a/c (Refer Note B-5 of schedule 18)	–	114,43,30	1,06,67	26,74,70	88,75,27
B	**Other Funds**					
1	Watershed Development Fund (Refer Note B-5 of schedule 18)	1084,94,05	–	64,33,75	40,53,35	1108,74,45
2	Interest Differential Fund – (Forex Risk)	227,86,06	18,67,21	–	–	246,53,27
3	Interest Differential Fund – (Tawa)	10,00	–	–	–	10,00
4	Adivasi Development Fund	5,77,50	–	–	–	5,77,50
5	Tribal Development Fund (i) (Refer Note B-5 of schedule 18)	742,26,63	379,43,19	49,82,53	294,79,38	876,72,97

(Contd)

Sr. No.	Particulars	Opening Balance as on 01.04.2015	Additions / Adjustments during the year	Interest Credited	Expenditure / Disbursements during the year	Balance as on 31.03.2016
6	Financial Inclusion Fund (ii)(Refer Note B-5 of schedule 18)	2069,41,76	698,73,35	132,97,20	448,38,13	2452,74,18
7	Financial Inclusion Technology Fund	(49,34,27)	49,34,27	–	–	–
8	National Bank – Swiss Development Coop. Project	55,61,77	–	–	–	55,61,77
9	RPF & RIF – Off-Farm Sector Promotion Fund	56,54,88	–		16,73,07	39,81,81
10	Centre for Professional Excellence in Co-operatives – (C-PEC) (Refer Note B-5 of schedule 18)	155,91	34,58	12,78	–	2,03,27
11	MFDEF (Closed fund) (Refer Note B-7 of schedule 18)		3,21,00		3,21,00	–
	Total	**4209,50,61**	**1295,59,51**	**248,72,30**	**858,65,11**	**4895,17,31**
	Previous year	4023,50,56	1397,13,75	233,54,58	1444,68,28	4209,50,61

1. Refer Note B-1 of Schedule 18
2. NABARD is acting as banker/custodian/trustee on behalf of GOI/ RBI/Other entities and is holding the above funds, pending disbursement/ utilization in terms of respective schemes ,on their behalf, to the extent of contribution made by them and accrued interest on unutilized balances, wherever applicable.
3. (i) includes ₹130.21 crore being the income tax paid
   (ii) includes ₹241.82 crore being the income tax paid

Schedule 4 – Government Schemes

(₹ in thousands)

Sr. No.	Particulars	Opening Balance as on 01.04.2015	Additions / Adjustments during the year	Interest Credited	Expenditure / Disbursements during the year	Balance as on 31.03.2016
A	**Government Subsidy Schemes**					
1	Capital Investment Subsidy for Cold Storage Projects – NHB	1,44,40	–	–	1,05,98	38,42
2	Capital Subsidy for Cold Storage TM North East	8,40	–	–	–	8,40

(Contd)

Sr. No.	Particulars	Opening Balance as on 01.04.2015	Additions / Adjustments during the year	Interest Credited	Expenditure / Disbursements during the year	Balance as on 31.03.2016
3	Credit Linked Capital Subsidy for Technology Upgradation of SSIs	-	2,14,81	–	2,10,09	4,72
4	On-farm Water Management for Crop Production	7,17	–	–	–	7,17
5	Bihar Ground Water Irrigation Scheme (BIGWIS)	77,26,15	–	–	–	77,26,15
6	Cattle Development Programme – Uttar Pradesh(Refer Note B-5 of schedule 18)	2,15	–	17	–	2,32
7	Cattle Development Programme – Bihar(Refer Note B-5 of schedule 18)	5,12	–	40	–	5,52
8	National Project on Organic Farming	3,03,06	5,00,00	–	3,68,23	4,34,83
9	Integrated Watershed Development Programme – Rashtriya Sam Vikas Yojana	4,29,45	–	–	–	4,29,45
10	Centrally Sponsored Scheme on Integrated Development of Small Ruminants and Rabbits	21,79,65	10,02,48	–	30,51,24	1,30,89
11	Dairy and Poultry Venture Capital Fund	15,11,30	–	–	(7,17,40)	22,28,70
12	Poultry Venture Capital Fund	5,00,65	–	–	1,96	4,98,69
13	Poultry Venture Capital Fund (Subsidy)	18,63,53	38,17,52	–	45,87,50	10,93,55
14	ISAM – Agricultural Marketing Infrastructure	94,67,54	698,07,44	–	741,67,02	51,07,96
15	ISAM – Grant Recd for Promotional Expenditure a/c	–	2,56	–	1,33	1,23
16	Centrally Sponsored Scheme for establishing Poultry Estate	2,98,72	–	–	1,32,00	1,66,72

(Contd)

Sr. No.	Particulars	Opening Balance as on 01.04.2015	Additions / Adjustments during the year	Interest Credited	Expenditure / Disbursements during the year	Balance as on 31.03.2016
17	Multi Activity Approach for Poverty Alleviation – Sultanpur Uttar Pradesh(Refer Note B-5 of schedule 18)	4,62	–	36	–	4,98
18	Multi Activity Approach for Poverty Alleviation – BAIF – Rae Bareli, Uttar Pradesh (Refer Note B-5 of schedule 18)	1,23	–	10	–	1,33
19	CSS on Pig Development	3,25,36	–	–	(2,05)	3,27,41
20	Dairy Entrepreneurship Development Scheme	32,43,24	117,00,00	–	111,14,55	38,28,69
21	CCS – S & R Male Buffalo Calves	1,26	–	–	(1,93)	3,19
22	CSS for Solar Mission	5,50,89	(5,44,97)	–	5,11	81
23	CSS – JNNSM – Solar Lighting a/c	1,18,84	155,19,38	–	138,77,83	17,60,39
24	CSS – Solar Photovoltaic Water Pumping	115,54,22	–	–	9,68,77	105,85,45
25	Capital Subsidy Scheme – Agri Clinic Agri Business Centres	2,67,03	8,70,00	–	10,91,86	45,17
26	CSS MNRE Lighting Scheme 2016 a/c	–	20,43,00	–	–	20,43,00
27	Artificial Recharge of Groundwater in Hard Rock Area	1,33,74	–	–	(10,86)	1,44,60
B	**Other Government Schemes**					
1	Agriculture Debt Waiver and Debt Relief Scheme (ADWDR) 2008	278,13,42	–	–	(5,34,37)	283,47,79
2	Women's Self Help Groups [SHGs] Development Fund	133,17,70	–	–	16,89,53	116,28,17
3	PRODUCE FUND	198,99,63	–	–	21,16,67	177,82,96
4	Revival of 23 unlicensed DCCBs	303,32,00	111,22,00	–	303,32,00	111,22,00
5	Interest Subvention (Sugar Term Loan)	8,04	–	–	7,86	18

(Contd)

Sr. No.	Particulars	Opening Balance as on 01.04.2015	Additions / Adjustments during the year	Interest Credited	Expenditure / Disbursements during the year	Balance as on 31.03.2016
6	Scheme for providing Financial Assistance to Sugar Undertakings – 2007 (SEFASU – 2007)	65,27	–	–	–	65,27
7	Kutch Drought Proofing Project	21,64	–	–		21,64
8	Revival Package for Long Term Cooperative Credit Structure (LTCCS)	20,00,00	–	–	–	20,00,00
9	Revival Reform and Restructure of Handloom Sector					
i	Implementation Cost [RRR – Handloom Package] a/c	–	–	–	–	–
ii	Expenditure on Loss Asset [RRR – Handloom Package] a/c	1,24,98	–	–	1,24,98	–
iii	Recap Assistt [RRR – Handloom Package] to AWCS a/c	89,12,77	(7,00,00)	–	59,03,34	23,09,43
iv	Recap Assist [RRR – Handloom Package] to PWCS a/c	30,61,71	(1,34,05)	–	29,27,66	–
v	Recap Assist [RRR – Handloom Package] to Individual weaver a/c	35,30,72	4,69	–	14,64,66	20,70,75
vi	Technical Assistance [RRR – Handloom Package]	–	1,37,18	–	1,37,18	–
vii	HRD [RRR – Handloom Package]	1,67,20	–	–	–	1,67,20
viii	Interest Subvention [RRR – Handloom Package]	–	–	–	–	–
10	Comprehensive Handloom Package	1,49,48	21,71,19	–	21,89,53	1,31,14
	Total	**1500,52,28**	**1175,33,23**	**1,03**	**1553,10,27**	**1122,76,27**
	Previous year	875,80,20	1921,28,93	1,28	1296,58,13	1500,52,28

1. Refer Note B-1 of Schedule 18
2. NABARD is acting as banker/custodian/trustee on behalf of GOI/ RBI/Other entities and is holding the above funds, pending disbursement/ utilization in terms of respective schemes ,on their behalf, to the extent of contribution made by them and accrued interest on unutilized balances , wherever applicable.

Schedule 5 – Deposits

(₹ in thousands)

Sr. No.	Particulars	As on 31.03.2016	As on 31.03.2015
1	Central Government	0	0
2	State Governments	0	0
3	Others		
	a) Tea/Rubber/Coffee Deposits	265,80,60	300,84,98
	b) Commercial Banks (Deposits under RIDF)	96885,03,14	89603,39,36
	c) Short Term Cooperative Rural Credit Fund	53991,30,00	60000,00,00
	d) ST RRB Credit Refinance Fund	15997,10,00	30000,00,00
	e) Warehouse Infrastructure Fund	3550,00,00	1550,00,00
	f) Long Term Rural Credit Fund	18997,10,00	5000,00,00
	g) Fund for Food Processing Units	100,00,00	0
	Total	**189786,33,74**	**186454,24,34**

Schedule 6 – Bonds and Debentures

(₹ in thousands)

Sr. No.	Particulars	As on 31.03.2016	As on 31.03.2015
1	Tax Free Bonds	5000,00,00	0
2	Non Priority Sector Bonds	29147,00,00	29031,00,00
3	Capital Gains Bonds	1,29,40	1,29,40
4	Bhavishya Nirman Bonds	4975,19,96	4975,19,96
5	NABARD Rural Bond	0	0
	Total	**39123,49,36**	**34007,49,36**

Schedule 7 – Borrowings

(₹ in thousands)

Sr. No.	Particulars	As on 31.03.2016	As on 31.03.2015
	(A) In India		
1	Central Government	12,25,24	19,61,52
2	JNN Solar Mission	14,55,68	35,82,00
3	Reserve Bank of India	0	0
4	**Others :**		
	(i) Certificate of Deposits	5545,20,40	0
	(ii) Commercial Paper	12771,01,32	2898,04,50
	(iii) Borrowing under Collateralised Borrowing Lending Obligation	0	5280,66,50
	(iv) Term Money Borrowings	1519,46,99	515,24,00
	(B) Outside India		
	(i) International Agencies	721,87,46	726,78,27
	Total	**20584,37,09**	**9476,16,79**

Out of the above, borrowings under CBLO are secured against Government Securities including Treasury Bills

Schedule 8 – Current Liabilities and Provisions

(₹ in thousands)

Sr. No.	Particulars	As on 31.03.2016	As on 31.03.2015
1	Interest/Discount Accrued	8838,54,15	7698,97,07
2	Sundry Creditors *	928,11,91	540,22,16
3	Subsidy Reserve (Co-finance, Cold Storage)	14,38,95	13,80,41
4	Subsidy Reserve – CSAMI under RIDF	54,80	2,27,06
5	Provision for Gratuity (Refer Note B-36 of Schedule 18)	1,51,34	–
6	Provision for Pension (Refer Note B-36 of Schedule 18)	110,37,36	59,93,44
7	Provision for Encashment of Ordinary Leave (Refer Note B-36 of Schedule 18 & Refer Note B-25 of Schedule 18)	244,26,47	239,68,97
8	Provision for Post-Retirement Medical Benefit (Refer Note B-36 of Schedule 18)	116,86,22	106,61,60
9	Unclaimed Interest on Bonds	1,74,98	1,79,44
10	Unclaimed Interest on Term Deposits	61	68
11	Term Deposits Matured but not claimed	9,08	22,87

(Contd)

Sr. No.	Particulars	As on 31.03.2016	As on 31.03.2015
12	Bonds matured but not claimed	3,36,79	363,14
13	Bond Premium a/c – Tax Free Bonds	1,16,50	–
14	Provisions and Contingencies		
(a)	Depreciation in Value of Investment a/c – G. Sec.	–	–
(b)	Amortisation of G. Sec. – HTM	6,48,10	4,81,79
(c)	For Standard Assets	1063,00,00	1011,24,00
(d)	Depreciation in value of investments – equity	–	–
(e)	Non-performing assets	–	–
(f)	Non-performing Investments	16,00,00	16,00,00
(g)	Countercyclical Provisioning Buffer	14,44,89	14,44,89
(h)	Sacrifice in interest element of restructured loans (Refer Note B-43 (b) of Schedule 18)	3,25,42	15,21,01
(i)	Provision for Other Assets & Receivables	8,59,97	57,00
	Total	**11372,77,54**	**9729,45,53**

* included an amount of ₹32.12 crore towards mFDEF(refer Note B- 7 of Schedule 18)

Schedule 9 – Cash and Bank Balances

(₹ in thousands)

Sr. No.	Particulars	As on 31.03.2016	As on 31.03.2015
1	Cash in hand	3	6
2	Balances with :		
A)	**Banks in India**		
	i) Reserve Bank of India	150,54,92	2030,03,79
	ii) Others Banks	0	0
B)	**Others**		
	(I) Other Banks in India		
	a) in Current Account	643,70,73	120,03,75
	b) Deposit with Banks	15227,00,00	10811,00,00
	c) Remittances in Transit	35,07,80	5,31
	d) Collateralised Borrowing and Lending Obligations	2491,53,95	164,82,76
C)	**Outside India**	0	0
	Total	**18547,87,43**	**13125,95,67**

Schedule 10 – Investments

(₹ in thousands)

Sr. No.	Particulars	As on 31.03.2016	As on 31.03.2015
1	**Government Securities**		
a)	Securities of Central Government & State Govt	4796,24,58	3099,48,70
	[Face Value ₹4828,78,30,000 (₹3133,97,80,000)]		
	[Market Value ₹4907,77,65,515 (₹3166,61,16,724)]		
b)	**Treasury Bills**	836,44,45	5346,42,17
	[Face Value ₹887,98,50,000 (₹5465,81,75,000)]		
	[Market Value ₹836,44,44,755 (₹5346,42,17,463)]		
2	**Other Approved Securities**	–	–
3	**Equity Shares in :**		
(a)	Agricultural Finance Corporation Ltd.	1,00,00	1,00,00
	[1,000 (1,000) – Equity shares of ₹10,000 each]		
(b)	Small Industries Development Bank of India	48,00,00	48,00,00
	[1,60,00,000 (1,60,00,000) – Equity shares of ₹10 each]		
(c)	Agriculture Insurance Company of India Ltd.	60,00,00	60,00,00
	[6,00,00,000 (6,00,00,000) – Equity shares of ₹10 each]		
(d)	Multi Commodity Exchange of India Ltd.	85,61	1,25,00
	[10,70,096 (15,62,500) – Equity shares of ₹10 each]		
(e)	National Commodity and Derivatives Exchange Ltd.	16,87,50	16,87,50
	[56,25,000 (56,25,000) – Equity shares of ₹10 each]		
(f)	Universal Commodity Exchange Ltd [UCX] @	16,00,00	16,00,00
	[1,60,00,000 (1,60,00,000) Shares of ₹10 each]		
(g)	Indian Financial Technology and Allied Services [Equity]	49	–
	[49 (0) Shares of ₹1000 each]		
(h)	CSC e-Governance Services India Ltd Equity	9,74,60	–
	[55,000 (0) Shares of ₹1000 each]		
(i)	Other Equity Investments		
(i)	Coal India Ltd.	2,95,29	2,95,29
	[77,389 (77,389) – Equity shares of ₹10 each]		

(Contd)

Sr. No.	Particulars	As on 31.03.2016	As on 31.03.2015
(ii)	Power Grid Corporation of India Ltd.	15,83	25,73
	[17,592 (28,592) – Equity shares of ₹10 each]		
(iii)	MOIL Ltd.	43,95	43,95
	[11,719 (11,719) -Equity shares of ₹10 each]		
(iv)	State Bank of India	37,54,25	37,54,24
	[23,98,880 shares of ₹1 each (2,39,888 share of₹10 each)]		
(v)	Punjab National Bank	71,61	2,98,39
	[36,000 (1,50,000) shares of ₹2 each]		
(vi)	Larsen & Toubro Limited	2,25,22	2,25,22
	[13,000 shares (13,000) of ₹2 each]		
(vii)	Oil and Natural Gas Corporation Ltd.	4,28,93	2,67,04
	[1,24,800 shares (60,000) of ₹5 each]		
(viii)	Steel Authority of India Ltd.	6,02,34	3,48,35
	[8,58,626 shares (3,58,626) of ₹10 each]		
(ix)	Bharat Heavy Electricals Ltd.	1,99,13	1,99,13
	[80,000 shares (80,000) of ₹2 each]		
(x)	Indian Oil Corporation Ltd.	1,20,32	1,20,32
	[35,000 shares (35,000) of ₹10 each]		
(xi)	Maruti Suzuki India Ltd.	2,55,49	2,55,49
	[10,000 shares (10,000) of ₹5 each]		
(xii)	NTPC Ltd.	1,05,82	1,05,82
	[70,000 shares (70,000) of ₹10 each]		
(xiii)	Tata Consultancy Services Ltd.	2,39,88	2,39,88
	[10,000 shares (10,000) of ₹1 each]		
4	**Debentures and Bonds**		
(i)	Special Dev Debentures of SCARDBs (Refer Note B-24 of Schedule 18)	4954,59,97	6469,24,23
(ii)	Non-Convertible Debentures	427,44,37	150,17,52
5	**Shareholding in subsidiaries and Joint Venture**		
(i)	NABARD Financial Services Ltd, Karnataka	102,00,63	102,00,63
	[10,20,06,300 (10,20,06,300] – Equity shares of ₹10 each]		

(Contd)

Sr. No.	Particulars	As on 31.03.2016	As on 31.03.2015
(ii)	Agri – Business Finance [Andhara Pradesh] Ltd.	26,38,91	13,22,81
	[2,63,22,000 (1,31,61,000) – Equity shares of ₹10 each]		
(iii)	NAB KISAN (formerly known as Agriculture Development Financial (TN) Ltd)	46,75,16	15,64,16
	[46,66,67,000 (1,55,56,700) – Equity shares of ₹10 each]		
(iv)	NABARD Consultancy Services Pvt. Ltd.	5,00,00	5,00,00
	[50,00,000 (50,00,000) – Equity shares of ₹10 each]		
6	**Others**		
(a)	Mutual Fund	4695,35,32	600,29,09
(b)	Commercial Paper	2072,16,47	975,10,97
	[Face Value ₹2150,00,00,000 (₹1000,00,00,000)]		
(c)	Certificate of Deposit	7894,73,82	4160,79,19
	[Face Value ₹ 7995,00,00,000 (₹4250,00,00,000)]		
(d)	SEAF – Indian Agri- Business	9,26,26	8,33,12
(e)	APIDC – Venturies Life Fund III	13,93,47	12,48,69
(f)	BVF (Bio-Tech Venture Fund) – APIDC-V Investment	4,98,35	4,98,35
(g)	Ominovore India Capital Trust	17,73,40	13,00,80
(h)	India Oppurtinities	10,21,84	7,32,05
(i)	IvyCap Ventures Fund	19,60,00	12,00,00
(j)	Tata Capital Innovation Fund	49,23,86	29,51,25
(k)	TVS Shriram Growth Fund IB	20,06,37	8,34,37
(l)	Golden Gujarat	50,00	–
(m)	Investment Earmarked towards EOL(Refer Note B-25 of Schedule 18)	247,19,31	257,60,38
	Total	**26465,92,80**	**21495,89,83**

All the above investments are made in India
@ The company is valued at Rs.1/-. The provision against the investment is shown under the head Provision against Non Performing Investments Schedule -9 (Refer Note B-35 of Schedule 18)

Schedule 11 – Advances

(₹ in thousands)

Sr.	Particulars	As on 31.03.2016	As on 31.03.2015
1	Refinance Loans		
(a)	Production & Marketing Credit	69718,82,41	88711,21,42
(b)	Conversion Loans for Production Credit	446,89,97	–
(c)	Other Investment Credit		
(i)	Medium Term and Long Term Project Loans (Refer Note B -24 of Schedule 18)	84468,94,25	61916,86,41
(ii)	Interim Finance	–	–
(iii)	Direct refinance to DCCBs	3250,75,00	2818,16,68
(iv)	JNN Solar Mission	6,24,05	13,25,59
2	Direct Loans		
(a)	Loans under Rural Infrastructure Development Fund	91384,11,85	83545,23,44
(b)	Loans under Warehouse Infrastructure Fund	2361,95,48	1153,50,18
(c)	Long Term Non-Project Loans	66,38,22	58,56,55
(d)	Loans under NABARD Infrastructure Development Assistance (NIDA)	3238,89,45	2222,63,12
(e)	Loans to Producers' Organisation Development (Net of provision)	377,76,82	354,86,25
(f)	Credit Facility to Federations[CFF]	4948,50,00	4827,45,00
(g)	Food Processing Fund [2014-15]	20,56,80	–
(h)	Other Loans:		
(i)	Co-operative Development Fund Programme Loans	85,72	1,28,57
(ii)	Micro Finance Development Equity Fund Programme Loans (Net of Provision)	4,43,79	12,81,10
(iii)	Watershed Development Fund Programme Loans	39,97,15	41,45,01
(iv)	Tribal Development Fund Programme Loans (Net of provision)	14,63,91	15,11,30
(v)	KfW UPNRM Loans (Net of provision)	98,75,26	127,24,42
(vi)	NFS Promotional Activities Programme Loans (Net of provision)	–	7,36,16
(vii)	Farmers Technology Transfer Fund	–	20,29
(ix)	Off Farm Sector Promotion Activities Programme Loans (net of provision)	41,26,86	12,48,20
(x)	Farm Sector Promotion Activities Programme Loans	49,87	1,70,39
(i)	Co-Finance Loans (Net of provision)	3,17,59	9,50,08
(j)	CP – HCC Deemed Advance (Net of Provision)	–	48,59,18
	Total	**260493,44,45**	**245899,49,33**

Schedule 12 – Fixed Assets

(₹ in thousands)

Sr. No.	Particulars	As on 31.03.2016	As on 31.03.2015
1	LAND : Freehold & Leasehold (Refer Note B-23 of Schedule 18)		
	Opening Balance	162,43,60	162,83,32
	Additions/adjustments during the year	6,15,01	−39,72
	Sub-Total	168,58,61	162,43,60
	Less: Cost of assets sold/written off	–	–
	Closing Balance (at cost)	168,58,61	162,43,60
	Less: Amortisation of Lease Premia	51,20,19	49,06,40
	Book Value	**117,38,42**	**113,37,20**
2	PREMISES (Refer Note B-23 of Schedule 18)		
	Opening Balance	339,09,33	304,35,84
	Additions/adjustments during the year	22,03,04	34,73,49
	Sub-Total	361,12,37	339,09,33
	Less: Cost of assets sold/written off	-	-
	Closing Balance (at cost)	361,12,37	339,09,33
	Less: Depreciation to date	227,19,80	215,59,87
	Book Value	**133,92,57**	**123,49,46**
3	FURNITURE & FIXTURES		
	Opening Balance	61,06,62	56,79,08
	Additions/adjustments during the year	2,09,02	4,72,65
	Sub-Total	63,15,64	61,51,73
	Less: Cost of assets sold/written off	92,69	45,11
	Closing Balance (at cost)	62,22,95	61,06,62
	Less: Depreciation to date	57,96,33	57,26,12
	Book Value	**4,26,62**	**3,80,50**
4	COMPUTER INSTALLATIONS & OFFICE EQUIPMENTS		
	Opening Balance	95,21,88	88,71,46
	Additions/adjustments during the year	6,85,58	9,29,90

(Contd)

Sr. No.	Particulars	As on 31.03.2016	As on 31.03.2015
	Sub-Total	102,07,46	98,01,36
	Less: Cost of assets sold/written off	3,40,24	2,79,48
	Closing Balance (at cost)	98,67,22	95,21,88
	Less: Depreciation to date	89,91,75	84,04,56
	Book Value	**8,75,47**	**11,17,32**
5	VEHICLES		
	Opening Balance	6,21,71	5,49,45
	Additions/adjustments during the year	4,18,04	1,80,14
	Sub-Total	10,39,75	7,29,59
	Less: Cost of assets sold/written off	2,27,48	1,07,88
	Closing Balance (at cost)	8,12,27	6,21,71
	Less: Depreciation to date	3,45,93	3,49,39
	Book Value	**4,66,34**	**2,72,32**
6	Capital Work in Progress [Purchase of Staff Quarters & Office Premises] (Refer Note A – 4 (i) of Schedule 18)	83,54,51	70,62,57
	Total	**352,53,93**	**325,19,37**

Schedule 13 – Other Assets

(₹ in thousands)

Sr. No.	Particulars	As on 31.03.2016	As on 31.03.2015
1	Accrued Interest	3578,03,26	4343,28,05
2	Deposits with Landlords	1,16,10	1,18,51
3	Deposits with Government Departments and Other Institutions	3,61,62	3,38,68
4	Housing loan to staff	140,44,51	1,54,79,67
5	Other Advances to staff	96,45,24	89,52,67
6	Advances to Landlords	1,14	1,04
7	Sundry Advances	38,25,15	21,42,04
8	Provision for Gratuity (Refer Note B-36 of Schedule 18)	–	–
9	Advance Tax (Net of Provision for Income Tax)	382,23,63	251,81,23

(Contd)

Sr. No.	Particulars	As on 31.03.2016	As on 31.03.2015
10	Deferred Tax Assets (Refer Note B-13 of Schedule 18)	162,52,02	151,46,02
11	Expenditure recoverable from Government of India/International Agencies. (Refer Note B-6 of Schedule 18)	17,28,58	33,58,05
12	Discount Receivable	105,12,14	151,37,72
	Total	**4525,13,39**	**5201,83,68**

Schedule 14 – Interest and Financial Charges

(₹ in thousands)

Sr. No.	Particulars	2015–16	2014–15
1	Interest Paid on		
(a)	Deposits under RIDF	5737,78,85	5292,52,13
(b)	Short Term Cooperative Rural Credit Fund (Refer Note B-10 of Schedule 18)	2552,67,53	2314,38,04
(c)	ST RRB Credit Refinance Fund (Refer Note B-10 of Schedule 18)	1451,64,88	1271,95,44
(d)	Tea/Coffee/Rubber Deposits	17,58,61	20,27,39
(e)	CBS Deposits	7,36	77,33
(f)	Loans from Central Government	1,01,17	2,14,58
(g)	Borrowings from Reserve Bank of India	–	–
(h)	Bonds (Refer Note B-10 of Schedule 18)	3330,72,32	2970,15,27
(j)	Commercial Paper	972,06,16	429,32,09
(j)	Term Money Borrowings	65,08,57	24,05,01
(k)	Borrowing against ST Deposit	60	2,70
(l)	Discount Cost Paid on Certificate of Deposits	42,23,18	–
(m)	Corporate Borrowings from Banks and FIs in India	–	–
(n)	Borrowings from International Agencies	25,94,50	27,69,95
(o)	Watershed Development Fund	64,33,75	57,14,75
(p)	Rural Innovation Fund	0	2,99,68
(q)	Financial Inclusion Fund	132,97,20	108,39,83
(r)	Indo German Watershed Development Programme – Andhra Pradesh	2,60	2,36

(Contd)

Sr. No.	Particulars	2015–16	2014–15
(s)	Indo German Watershed Development Programme – Rajasthan	–	96
(t)	Indo German Watershed Development Programme – Gujarat	16,80	1,23
(u)	KfW UPNRM – Accompanying measures	13,51	18,47
(v)	KfW – NB Indo German Watershed Development Programme – Phase III – Maharashtra	1,89	4,56
(w)	KfW – NB – IX Adivasi Development Programme	–	38,06
(x)	KFW NB V – Adivasi Project	4,57	8,39
(y)	Commitment Charges -KfW UPNRM Borrowings	11,96	26,42
(z)	Multi Activity Approach for Poverty Alleviation BAIF Project – Sultanpur, Uttar Pradesh	36	45
(aa)	Multi Activity Approach for Poverty Alleviation BAIF Project -Rae Bareli, Uttar Pradesh	10	12
(ab)	Cattle Development Programme (UP & Bihar)	57	71
(ac)	TDF Wadi [West Bengal]	49,82,53	64,12,22
(ad)	Centre for Professional Excellence in Co-operatives (C – PEC)	12,78	14,06
(ae)	Warehouse Infrastructure Fund	121,39,01	87,95,28
(af)	Long Term Rural Credit Fund	700,06,94	124,76,64
(ag)	Fund for Food Processing Units	5,98,75	–
(ah)	National Adaptation Fund for Climate Change	1,06,67	–
2	Discount on Collateralised Borrowing and Lending Obligations	107,80,61	96,73,65
3	Discount, Brokerage, Commission & issue exp. on Bonds and Securities	35,48,83	9,16,63
4	Capital Loss – Equity Shares of Other Institutions	42,29	5,64
5	Swap Charges	21,75,87	23,16,29
	Total	**15438,61,32**	**12928,96,33**

Schedule 15 A – Establishment and Other Expenses

(₹ in thousands)

Sr. No.	*Particulars*	*2015–16*	*2014–15*
1	Salaries and Allowances (Refer Note B-12 of Schedule 18)	715,26,42	725,84,75
2	Contribution to/Provision for Staff Superannuation Funds	463,66,78	250,28,44
3	Other Perquisites & Allowances	35,60,69	29,53,45
4	Travelling & Other allowances in connection with Directors' & Committee Members' Meetings	22,66	39,95
5	Directors' & Committee Members' Fees	2,37	2,75
6	Rent, Rates, Insurance, Lighting, etc.	34,83,74	31,81,58
7	Travelling Expenses	32,20,14	28,00,71
8	Printing & Stationery	4,24,88	3,94,40
9	Postage, Telegrams & Telephones	12,98,49	12,25,70
10	Repairs	27,92,55	19,44,75
11	Auditors' Fees	31,04	34,99
12	Legal Charges	99,92	1,59,83
13	Miscellaneous Expenses	63,06,27	59,36,70
14	Expenditure on Miscellaneous Assets	8,07,15	8,32,06
15	Expenditure on Study & Training	62,33,87	52,94,28
	[Including ₹13,23,77,118.71 (₹19,48,20,487.32) pertaining to establishment expenses of Training Establishments]		
16	Wealth Tax	(66,97)	5,54,54
	Total	**1461,10,00**	**1229,68,87**

Schedule 15 B – Expenditure on promotional activities

(₹ in thousands)

Sr. No.	Particulars	2015–16	2014–15
(i)	Cooperative Development Fund	15,39,97	11,71,09
(ii)	Producers' Organization Development Fund	2,62,33	2,14,71
(iii)	Rural Infrastructure Promotion Fund	2,60,42	2,29,35
(iv)	Exp. for NFS Promotional Measures/ Activities	–	1,39,68
(v)	Expenditure under Farm Sector Promotion Fund	24,90,93	43,63,72
(vi)	Expenditure under Climate Change Programme	–	63
	Total	**455365**	**61,19,18**

Schedule 16- Provisions

(₹ in thousands)

Sr. No.	Particulars	2015–16	2014–15
	Provisions for :		
1	Standard Assets	51,76,00	124,20,00
2 (a)	Non Performing Assets	66,10,64	–
2 (b)	Non Performing Assets – staff	1,47	3,64
3	Provision for Non performing investments	–	16,00,00
4	Depreciation in Value of Investment Account – Equity	–	(59,28)
5	Sacrifice in interest element of restructured Accounts (Refer Note B-43 (b) of Schedule 18)	(11,95,58)	(219636)
6	Other Assets/Receivable	7,46	(3,43,30)
	Total	**105,99,99**	**11,42,470**

Schedule 17 – Commitments and Contingent Liabilities

(₹ in thousands)

Sr. No.	Particulars	As on 31.03.2016	As on 31.03.2015
1	Commitments on account of capital contracts remaining to be executed	71,29,68	51,02,19
	Sub Total "A"	**71,29,68**	**51,02,19**
2	Contingent Liabilities		
(i)	Claims against the Bank not acknowledged as debt.	0	0
	Sub Total "B"	**0**	**0**
	Total (A + B)	**71,29,68**	**51,02,19**

Schedule 18

Significant Accounting Policies and Notes forming Part of Accounts for the year ended March 31, 2016

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation:

The accounts are prepared on the historical cost convention and comply with all material aspects contained in the National Bank for Agriculture and Rural Development Act, 1981 and Regulations thereof, applicable Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI) and regulatory norms prescribed by the Reserve Bank of India (RBI). Except otherwise mentioned, the accounting policies have been consistently applied by the National Bank for Agriculture and Rural Development (the Bank/ NABARD) and are consistent with those used in the previous year.

2. Use of Estimates:

Preparation of financial statements in conformity with the Generally Accepted Accounting Principles (GAAP) requires the management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of the operations for the reporting period. Although these estimates are based on the management's best knowledge, the actual results could differ for these estimates. Such differences are recognized in the year of outcome of such results.

3. Revenue recognition:

3.1 Income and expenditure are accounted on accrual basis, except the following, which are accounted on cash basis:

i) Interest on non-performing assets identified as per Reserve Bank of India (RBI) guidelines.

ii) Income by way of penal interest charged due to delayed receipt of loan dues or non–compliance with terms of loan.

iii) Service Charges on loans given out of various Funds.

iv) Expenses not exceeding ₹10,000 at each accounting unit, under a single head of expenditure.

3.2 Discount on Bonds and Commercial Papers issued are amortized over the tenure of Bonds and Commercial Papers. Issue expenses relating to floatation of bonds are recognized as expenditure in the year of issue of Bonds.

3.3 Dividend on investments is accounted for, when the right to receive the dividend is established.

3.4 i) Income from Venture Capital funds is accounted on realization basis.

ii) Release of subsidy in which NABARD is acting as a pass through agency is accounted for on payment basis subject to availability of funds under the respective schemes.

3.5 Provision for Wealth Tax is made, in accordance with the provisions of Wealth Tax Act, 1957.

3.6 Recovery in non-performing assets (NPA) is appropriated in the following order:

i) penal interest

ii) cost & charges

iii) overdue interest and interest

iv) Principal

4. Fixed Assets and Depreciation

a) Fixed assets are stated at cost of acquisition, less accumulated depreciation and impairment losses, if any. The cost of assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Subsequent expenditure incurred on existing asset is capitalized, only when it increases the future benefit from the existing assets beyond its previously assessed level of performance.

b) Land includes freehold and leasehold land.

c) Premises include value of land, where segregated values are not readily available.

d) Depreciation on premises situated on freehold land is charged at 10% p.a., on written down value basis.

e) Depreciation on leasehold land and premises situated thereon is computed and charged at 5% on written down value basis or the amount derived by amortizing the premium/cost over the remaining period of leasehold land, on straight-line basis, whichever is higher.

f) Fixed Assets costing ₹1 lakh and less (except easily portable electronic assets such as laptops, mobile phones, etc.) are charged to the Profit and Loss Account in the year of acquisition. Easily portable electronic assets such as laptops, mobile phones, etc., are capitalized, if individual cost of the items is more than ₹ 10,000. All software costing ₹1 lakh each and less, purchased independently are charged to the Profit and Loss Account.

g) Depreciation on other fixed assets is charged over the estimated useful life of the assets ascertained by the management at the following rates on Straight Line Method basis:

Type of Assets	*Depreciation Rate*
Furniture and Fixtures	20%
Computer & Software	33.33%
Office Equipment	20%
Vehicles	20%

h) Depreciation is charged for the full year, irrespective of the date of purchase of asset. No depreciation is charged in the year of sale.

i) Capital work in progress includes capital advances and is disclosed under Fixed Assets.

5. Investments

a) In accordance with the RBI guidelines, Investments are classified into "Held for Trading" (HFT), "Available for Sale" (AFS) and "Held to Maturity" (HTM) categories (hereinafter called "categories").

b) Securities that are held principally for resale within 90 days from the date of purchase are classified as "HFT". Investments that the Bank intends to hold till maturity are classified as "HTM". Securities which are not to be classified in the above categories are classified as "AFS".

c) Investments classified under Held to Maturity category are carried at acquisition cost, wherever cost is equivalent to face value or less. If cost is more than the face value, the premium is amortized over the period remaining to maturity. Provision for diminution, other than temporary, in the value of investments in subsidiaries and joint ventures under the category "HTM" is made, wherever necessary. Provision for diminution/ amortization, in value of such investments, is included under Current Liabilities and Provisions.

d) Profit on redemption of investment categorized under "HTM" is recognized in Profit & Loss A/c and then transferred to Reserve A/c.

e) Investments under "AFS" are marked to market, scrip-wise, at the rate, declared by Primary Dealers Association of India (PDAI), jointly with Fixed Income Money Market and Derivative Association of India (FIMMDA). Net depreciation, if any, is provided for investments in the category classified as "AFS" and appreciation is ignored. The book value of the individual scrip are not changed after the revaluation.

f) Investments under "HFT" are marked to market, scrip-wise, at the rate, declared by Primary Dealers Association of India (PDAI), jointly with Fixed Income Money Market and Derivative Association of India (FIMMDA). Depreciation/ appreciation is recognized in the category for investments classified as "HFT". The book value of the individual scrip are changed after the revaluation.

g) Investments in subsidiaries, joint ventures and associates are classified as Held to Maturity.

h) Treasury Bills, Commercial Papers and Certificates of Deposits are valued at carrying cost.

i) Unquoted Shares are valued at breakup value, if the latest

Audited Accounts of the investee companies are available, or at ₹1/- per Company as per RBI guideline.

j) Brokerage, commission, etc. paid in respect of investments including unlisted equities, at the time of acquisition, are charged to revenue.

k) Brokerage, paid on acquisition/ disposal of equities traded on stock exchange is capitalized.

l) Broken period interest paid/ received on debt investment is treated as interest expenses/ income and is excluded for cost/ sale consideration.

m) Transfer of a security between the categories is accounted for, at lower of the acquisition cost/book value/market value on the date of transfer and depreciation, if any, on such transfer, is fully provided for.

n) Amortization/Gain/Loss on Revaluation of Government Securities is charged to Profit and Loss Account.

o) Weighted average cost method has been followed for accounting for investments.

6. Advances and Provisions thereon

a) Advances are classified as per RBI guidelines. Provision for standard assets and non–performing assets is made in respect of identified advances, based on a periodic review and in conformity with the provisioning norms prescribed by RBI.

b) In case of restructuring/ rescheduling of advances, the difference between the present value of future principal and interest as per the original agreement and the present value of future principal and interest as per the revised agreement is provided for.

c) Advances are stated net of provisions towards Non-performing Advances.

d) Provision for Non-Performing Loans in respect of loans granted out of funds are charged to the respective funds to the extent available.

7. Foreign Currency Transactions

As per Accounting Standard (AS-11) (Revised 2003) on Accounting for the Effects of Changes in Foreign Exchange Rates issued by the Institute of Chartered Accountants of India; following accounting treatment is given to foreign exchange transactions:

a) Assets and liabilities in foreign currency, are revalued at the exchange rate notified by Reserve Bank of India (using FEDAI rates till last year) as at the close of the year and disclosed as a contra item in the Balance Sheet (as off Balance Sheet item). The liability towards foreign currency borrowings is fully hedged and stated in the Balance Sheet at the contracted value (as off balance sheet item).

b) Income and Expenditure items are translated at the exchange rates prevailing on the date of the transaction.

8. Accounting for Foreign Exchange Contracts

a) Foreign Exchange Contracts are to hedge the repayment of foreign currency borrowings.

b) The foreign exchange contracts are revalued at the exchange rates notified by FEDAI at the year end. The resultant gain/loss on revaluation is recognised in the Profit & Loss Account under the head Gains/Loss on revaluation of Forward Exchange Contract Account. Premium/ discount are accounted over the life of the contract.

c) The Profit / Loss on cancellation and renewal of foreign exchange contracts are recognised in Profit and Loss Account under the head 'Profit / Loss on Foreign Currency Loan Account'.

9. Employee Benefits

All personnel transferred from RBI are considered as employees of the Bank and provisions for Employee Benefits are made accordingly. Actuarial valuation, wherever required, are carried out at each balance sheet date.

a) Short Term Employee Benefits:

The undiscounted amount of short-term employee benefits, which are expected to be paid in exchange for the services rendered by employees are recognised during the period when the employee renders the service.

b) Post Retirement Benefits:

i) Defined Contribution Plan

The Bank has a Provident Fund Scheme in respect of all eligible employees who joined the Bank on or before 31 December 2011. The scheme is managed by RBI. Contribution is recognized on accrual basis.

The Bank has introduced a New Pension Scheme (NPS) for all the officers/ employees who have joined the services of the Bank on or after 01 January 2012. The Bank has adopted the "NPS-Corporate Sector Model", a defined contribution plan, as formulated by the Pension Fund Regulatory and Development Authority (PFRDA). Contribution to the Fund is made on accrual basis.

ii) Defined Benefit Plan

a. Provision for gratuity is made based on actuarial valuation, made at the end of each financial year based on the projected unit credit method in respect of all eligible employees. The scheme is funded by the Bank and is managed by a separate trust. Actuarial gain or loss are recognised in the Profit and Loss Account on accrual basis.

b. Provision for pension is made based on actuarial valuation, in respect of all eligible employees who joined the Bank on or before 31 December 2011. The scheme is funded by the Bank and is managed by a separate trust.

iii) **Other Long Term benefits**

All eligible employees of the bank are eligible for compensated absences. All the eligible employees are also eligible for post-retirement medical benefits. The cost of providing other long term benefits is determined using the projected unit credit method based on actuarial valuations being carried out at each balance sheet date. Actuarial gain or loss are recognised in the Profit and Loss Account on accrual basis.

10. Taxes on Income

a) Tax on income for the current period is determined on the basis of taxable income and tax credits computed, in accordance with the provisions of Income Tax Act, 1961 and based on expected outcome of assessments/appeals.

b) Deferred tax is recognized, on timing difference, being the difference between taxable income and accounting income for the year and quantified, using the tax rates and laws that have been enacted or substantively enacted, as on Balance Sheet date.

c) Deferred tax assets relating to unabsorbed depreciation/ business losses are recognised and carried forward to the extent that there is virtual certainty that sufficient future taxable income will be available against which, such deferred tax assets can be realized.

d) Tax paid/provided on taxable income earned by the funds are accounted as expenditure of respective funds.

11. Segment Reporting

a) Segment revenue includes interest and other income directly identifiable with/allocable to the segment.

b) Income, which relates to Bank as a whole and not allocable to segments is included under “Other Unallocable Bank income”.

c) Expenses that are directly identifiable with/allocable to segments are considered for determining the segment result. The expenses, which relate to the Bank as a whole and not allocable to segments, are included under “Other Unallocable Expenditure”.

d) Segment Assets and Liabilities include those directly identifiable with the respective segments. Unallocable Assets and Liabilities include those that relate to the Bank as a whole and not allocable to any segment.

12. Impairment of Assets

a) As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine:

i) the provision for impairment loss, if any, required; or

ii) the reversal, if any, required for impairment loss recognized in the previous periods.

b) Impairment loss is recognized when the carrying amount of an asset exceeds recoverable amount.

13. Provisions, Contingent Liabilities and Contingent Assets

13.1 Provisions are recognised for liabilities that can be measured only by using substantial degree of estimation if:

a) the Bank has a present obligation as a result of a past event;

b) a probable outflow of resources is expected to settle the obligation; and

c) the amount of the obligation can be reliably estimated.

13.2 Contingent liability is disclosed in the case of:

a) a possible obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation,

b) a present obligation when no reliable estimate is possible, and

c) a possible obligation arising from past events where the probability of outflow of resources is remote.

13.3 Contingent assets are neither recognized, nor disclosed.

13.4 Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

14. Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank, cash in hand, demand deposits with banks and other short-term investments with an original maturity of three months or less.

B. NOTES FORMING PART OF THE ACCOUNTS

1. In accordance with the direction of the Board of Directors, the bank had carried out reclassification of various funds in the Schedules of the Balance Sheet and combined the Schedules 3, 4 & 5 last year into two schedules viz; 3 & 4 and accordingly presented the same in the current year's financial statements.

2. With a view to separately disclose the provisions made by the bank, the provisions hitherto disclosed as part C of Schedule 16 last year has been disclosed in a separate Schedule viz; Schedule 16 and the Establishment & Other Expenses and Expenditure on Promotional Expenditure hitherto forming Part A and B of Schedule 16 has been presented as Part A and B of Schedule 15.

3. In accordance with the instruction issued by Reserve Bank of India vide letter No. DCBR.RCBD.BPD. No.4/19.51.010/2015-16 dated 15 October 2015, the Financial Inclusion Technology Fund (FITF) and Financial Inclusion Fund (FIF) have been merged to form a single fund viz; Financial Inclusion Fund. Accordingly the expenditure of erstwhile FITF are accounted as the expenditure of FIF.

4. In terms of the agreement with Kreditanstalt Fur Wiederaufbau – German Development Bank (KfW), accretion/income and expenditure under UPNRM have been charged to the fund. The loans granted out of this fund have

been classified as direct loans and disclosed under Schedule 12. The borrowing related to the UPNRM are classified as borrowing from international agencies and disclosed under Schedule 8.

During the year, a sum of ₹16.36 crore is required towards NPA for loans granted under Kfw UPNRM Scheme and the same has been charged to Profit &Loss Account.

5. Interest on unutilized balances has been credited to the following funds as per the respective agreements/ as approved by the management. The details of rate of interest for respective funds are as under:

Sr No.	Name of the Fund	Rate of Interest for 2015-16	Rate of Interest for 2014-15
1.	Watershed Development Fund	6%	6%
2.	KfW- NB IGWDP (Andhra Pradesh, Gujarat, Maharashtra)	6%	6%
3.	KfW Accompanying Measures	6%	6%
4.	National Adaptation Fund for Climate change	6%	6%
5.	Tribal Development Fund	6%	6%
6.	Financial Inclusion Fund	6%	6%
7.	Kfw NB- V Adivasi Development Programme- Gujarat	6%	6%
8.	Cattle Development Fund (UP & Bihar)	7.88%	10.80%
9.	Multi Activity Approach For Poverty Alleviation (Sultanpur and Rae Bareilly)	7.88%	10.80%
10.	Center for Professional Excellence in Co-operatives.	7.88%	10.80%
11.	Kfw NB- IX- Adivasi Development Programme- Maharashtra	–	10.80%

6. Recoverable from Government of India/International Agencies (Refer Schedule-13 of Balance Sheet) includes ₹17.29 crore

(₹33.58 crore) being debit balance of various funds. The details of such funds are as under:

(₹ crore)

Sr No.	Name of the Fund	31–03–2016	31–03–2015
1.	KfW- NB IGWDP (Andhra Pradesh)	–	0.09
2.	KfW- NB IGWDP (Rajasthan)	5.31	2.01
3.	IFAD- Priyadarshni Programme	–	6.80
4.	GIZ UPNRM- Technical Collaboration	–	0.20
5.	KfW UPNRM Fund	11.44	–
6.	KfW UPNRM- Financial Contribution	0.39	0.62
7.	Implementation Cost [RRR - Handloom Package]	–	8.55
8.	Interest Subvention [RRR - Handloom Package]	–	13.63
9.	Technical Assistance [RRR - Handloom Package]	–	1.37
10.	IFAD-MRCP	0.06	0.06
11.	Others	0.09	0.25

7. Sundry creditors includes ₹32.12 crore (₹35.50 crore) being amounts outstanding to contributors in respect of Micro Finance Development and Equity Fund (MFDEF), which was closed in the earlier year. Details of the same is as under:

(₹ crore)

Particulars	Opening Balance as on 01 April 2015	Excess contribution by NABARD Transferred to Reserve Fund	Withdrawn towards provision for NPA	Closing Balance as on 31 March 2016
1	2	3	4	5 [2-(3+4]
Sundry Creditors-mFDEF	35.50	3.21	0.17	32.12

8. Pursuant to the directions of RBI, the relative margin available to the Bank in excess of 0.5 percent in respect of Rural Infrastructure Development Fund (RIDF) deposits, Short Term Co-operative Rural Credit Refinance Fund (STCRC) deposits, Short Term RRB Credit Refinance Fund (STRRB) deposits and Warehousing Infrastructure Fund (WIF) deposits, placed by the Commercial Banks is credited to Tribal Development Fund and Financial Inclusion Fund. Previous year, the amounts were credited to Tribal Development Fund, Watershed Development Fund and Financial Inclusion Fund.

9. The Bank has created two new funds out of its post tax profits viz; Gramya Vikas Nidhi and Climate Fund with a corpus of ₹20.00 crore and ₹5.00 crore respectively.

10. Subvention received/receivable from Government of India (GOI) under Seasonal Agricultural Operations (SAO) amounting to ₹1353.14 crore (₹1416.37 crore) and ₹17.12 crore (₹17.11 crore) under National Rural Livelihood Mission (NRLM), being the difference between the cost of borrowing by NABARD and the refinance rate, has been reduced from interest and financial charges and shown as accrued interest and disclosed under Schedule 14.

11. Other receipts includes ₹168.43 crore (₹162.62 crore) received/ receivable from GOI towards administration charges on providing refinance under interest subvention scheme to StCBs, RRBs and to CCBs, Public Sector Banks for financing Primary Agriculture Co-operative Societies (PACS) for Seasonal Agricultural Operations and under NRLM scheme.

12. The salaries and allowances of the employees of the Bank are reviewed every five years. The review is due from 01 November 2012. Pending such settlement an amount of ₹150.00 crore (₹135.00 crore) has been provided under the head "Salary and Allowances" during the year.

13. The Bank, during the year, in accordance with AS 22 "Accounting for taxes on Income", recognized in the Profit and Loss Account the deferred tax of ₹11.06 crore (₹35.70 crore). The details of the deferred tax are as under:

(₹ crore)

Sr. No.	*Deferred Tax Assets*	*31 March 2016*	*31 March 2015*
1	Provision allowable on payment basis	124.97	117.71
2	Depreciation on Fixed Assets	37.55	33.75
	Total	**162.52**	**151.46**

Provision for Deferred Tax on account of Special Reserve created u/s 36(1)(viii) of the Income Tax Act, 1961, is not considered necessary, as the Bank has decided not to withdraw the said reserve.

14. The tax liability of the Bank for the Assessment Year 2002-03 amounting to ₹373.15 crore was assessed by the Income Tax Department. The Bank

has provided and paid the said liability. However, the Bank has filed an appeal against the order of the CIT Appeals with the Income Tax Appellate Tribunal.

15. Income Tax Department had reopened the assessment for the Assessment Year 2006-07, during the FY 2011-12. An amount of ₹343.21 crore has been added to the income of the bank during the reassessment of the income. Out of the above,

    a) An addition of ₹132.08 crore has been made on account of differential interest accounted under the RIDF which was credited to Watershed Development Fund in terms of the RBI directions.

    b) Further, an amount of ₹211.13 crore has been added to the income on other accounts. In the opinion of the management, in respect of these additions, there is remote possibility of any tax outflow. The Bank has filed an appeal against the above order with CIT-Appeals and also a rectification application with Assessing Officer. Pending the outcome of the appeal/rectification application, the bank had accounted the tax including interest amounting to ₹97.83 crore under the head Watershed Development Fund as an expenditure of the fund, in accordance with the resolution of the Board.

    The bank has paid an amount of ₹162.16 crore out of the total demand of ₹254.22 crore by way of adjustment of refund of taxes of previous years and preferred an appeal with CIT (A) against the re-opening of the assessment. The CIT (A) vide his order dated 26 February 2016 has upheld NABARD's appeal and ruled against the reopening of completed assessment by IT department.

16. During the Reassessment of the income for the Assessment Year 2007-08 (reopened during 2011-12) an additional tax liability of ₹157.47 crore was assessed on account of differential interest accounted under the RIDF. The Bank has paid the said liability wherein ₹27.46 crore has been charged to Tribal Development Fund during the current year. However, the Bank had filed an appeal against the above order with CIT- Appeals. During the year 2015-16, the CIT (A) vide his order dated 30 March 2016 has upheld NABARD's appeal and ruled against the reopening of completed assessment by IT department.

17. Income Tax Department had reopened the assessment for the Assessment Year 2008-09 during the Financial Year 2012-13 and additional tax liability of ₹174.59 crore was assessed on account of differential interest accounted under the RIDF/STCRC. The Bank has paid said liability in prior years and preferred an appeal against the above order with CIT- Appeals. During the year 2015-16, the CIT

(A) vide his order dated 30 March 2016 has upheld NABARD's appeal and ruled against the reopening of completed assessment by IT department.

18. Income Tax Department had reopened the assessment for the Assessment Year 2009-10 during the Financial Year 2012-13 and raised a demand of ₹256.90 crore due to RIDF differential interest and other disallowances which has been paid by the bank in prior years and preferred an appeal with CIT(A) against the re-opening of the assessment. During the year 2015-16, the CIT (A) vide his order dated 30 March 2016 has upheld NABARD's appeal and ruled against the reopening of completed assessment by IT department.

19. During the Assessment of the income for the Assessment Year 2010-11 a tax liability of ₹313.07 crore was assessed on account of differential interest accounted under the RIDF/STCRC and others. The Bank has paid the liability in prior years. The Bank has filed an appeal against the above order with CIT- Appeals. The tax amount of ₹276.66 crore was accounted under Tribal Development Fund during FY 2012-13. During the year 2015-16, CIT (A) vide his order dated 26 February 2016 upheld our appeal for non-levy of income tax on differential interest accounted under the RIDF/STCRC.

20. During the Assessment of the income for the Assessment Year 2011-12 a tax liability of ₹424.95 crore was assessed on account of differential interest accounted under the RIDF/STCRC and others. The Bank has paid the liability in prior years. However, the Bank has filed an appeal against the above order with CIT-Appeals.

21. The Income Tax Department, for the Assessment year 2012-13, has made an addition of ₹1002.68 crore on account of differential interest accounted under the RIDF/STCRC which was credited to Tribal Development Fund in terms of the RBI directions. Further, an amount of ₹145.90 crore has been added to the income of the Bank on account of disallowance of expenditure on promotional activities and other disallowances. The Bank has paid the liability in prior years. However, the Bank has filed an appeal against the above order with CIT- Appeals.

22. During the year, the Income Tax Department, for the Assessment year 2013-14, has made an addition of ₹1156.05 crore on account of differential interest accounted under the RIDF/STCRC which was credited to Tribal Development Fund in terms of the RBI directions. Further, an amount of ₹20.56 crore has been added to the income of the Bank on account of disallowance of expenditure on promotional activities and other disallowances. However, the Bank has filed an appeal against the above order with CIT- Appeals.

23. Free hold land and Lease Land and Premises include – ₹19.58 crore (₹29.87 crore) paid towards

Office Premises and Staff Quarters for which conveyance is yet to be completed. Subsequent to the date of the Balance Sheet, conveyance in respect of Staff Quarters valuing to ₹3.58 crore have been executed.

24. Pursuant to the directives of RBI, the project loans provided to State Co-operative Agriculture and Rural Development Banks (SCARDBs) by way of subscription to the Special Development Debentures (SDDs) floated by these agencies, are treated as under:

    a) Classified as Investments and shown in Schedule – 10 under the head 'Debenture and Bonds'.

    b) Interest earned on the same is shown as a part of 'Interest received on Loans and Advances' in the Profit and Loss Account, treating them as 'Deemed Advances'.

    c) 'Deemed Advances' for the purpose of IRAC norms, capital adequacy and computation of ratios etc.

25. Pursuant to the directives of RBI, Investments over and above the provision amount towards Encashment of Ordinary Leave which has been hitherto classified as Other Assets has since been shifted to Investments (AFS category) and provisions separately.

26. As on the date of the financial statements, out of the disbursement extended to various State Governments under RIDF, ₹631.16 crore (₹492.00 crore) pertains to non-starter projects. Pending receipt of the proposal from State Government for adjustment of the amount with the respective/ other projects, the amount has been classified as disbursement from the fund.

27. In terms of Central Board of Direct Taxes, Ministry of Finance notification dated 18 February 2016, NABARD was allowed to raise tax free bonds having benefits under section10(15)(iv)(h) of the Income Tax Act 1961 amounting to ₹5,000 crore before 31 March 2016. This was the debut tax free bonds issuances of NABARD. ₹1,500 crore repayable in 10 year tenure was mobilized through Private Placement and ₹3,500 crore repayable in 10 & 15 year tenure through public issue. The tax free bonds are in the nature of secured, redeemable and non-convertible bonds. These bonds are secured against pari passu charge on property situated in Mumbai and also first charge on specified book debts of NABARD. The interest charge to revenue pertaining to these bonds for the current year is ₹ 31.78 crore.

    The details of the debenture Trustee is as under:

    Axis Trustee Services Limited,

    Axis House, Second Floor

    Wadia International Centre

    Pandurang Budhkar Marg

    Worli, Mumbai -400 025

    Telephone: 022 24255215/5216

28. During the year 2015-16, an amount of ₹75 crore under Government Securities was shifted from HFT category to AFS with the permission of Investment Committee.

29. In terms of RBI Circular RBI/2015-16/104DBR.No.FID.FIC.3/01.02.00/2015-16 dated 01 July 2015 relating to Prudential Guidelines on Investment in Venture Capital Fund, an amount of ₹10.58 crore made in the units of VCF was shifted from HTM category, on completion of 3 years, to AFS category

30. Investments in Government securities include the following securities pledged with Clearing Corporation of India Limited as collateral security for borrowings:

32. Disclosure on risk exposure in Derivatives

The Bank does not trade in derivatives. However, it has hedged its liability towards borrowings from KfW Germany to the extent of 99.19 million Euro (94.88 million Euro) and interest thereon for the entire loan period. Consequent upon hedging of foreign currency borrowings the same is shown at contracted value as per the Swap agreement. The Bank does not have any open exposure in foreign currency.

(₹ crore)

Particulars	*Face Value*	*Book Value*
Pledged for Business Segment (Securities)	40.00 (40.00)	40.22 (37.26)
Pledged for Business Segment (Collateralised Borrowing and Lending Obligation)	4892.86 (3086.00)	4810.12 (3054.17)

31 The market value of all investments held by NABARD under Held to Maturity (HTM) category was ₹3302.79 crore against the book value of ₹2537.61 crore. Out of this, the market value of investment in Venture Capital Fund was ₹124.45 crore against the book value of ₹121.05 crore. Accordingly, the excess of book value over market value was ₹3.40 crore for which no provision was made as per RBI guidelines.

The value of outstanding principal amount of hedge contract at the year–end exchange rate stood at ₹700.35 crore (₹640.46 crore) and the value of outstanding principal liability in the books of account stood at contracted value i.e. ₹721.87 crore (₹726.78 crore). The quantitative disclosure in this regard is as under:

(₹crore)

Sr. No.	Particulars	Currency Derivatives	Interest Rate Derivatives
1	**Derivatives (Notional Principal amount)**		
	A) For Hedging	700.35 (640.46)	NA
	B) For Trading	NA	NA
2	**Marked to Market Positions [1]**		
	a) Asset (+)	N.A (N.A)	NA
	b) Liability (–)	21.52 (86.32)	NA
3	**Credit Exposure [2]**	45.26 (-243.79)	NA
4	**Likely impact of one percentage change in interest rate (100*PV01)**		
	a) on hedging derivatives	0.04@ (26.83)	NA
	b) on trading derivatives	NA	NA
5	**Maximum and Minimum of 100*PV01 observed during the year**		
	a) on hedging	NA	NA
	b) on trading	NA	NA

@ If MIFOR rates decrease by 100 bps across tenure MTM gain will increase by ₹3.81lakh (₹26.86 crore).

33. Exposures where the FI had exceeded prudential exposure limits during the year: NIL (NIL)

34. Issuer categories in respect of investments made in Debt Securities

(₹ crore)

Sr. No.	*Issuer*	*Amount*	*Investment made through private placement*	*'Below investment grade' Securities held*	*'Unrated' Securities held*	*'Unlisted' Securities*
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	PSUs	788.14 (291.40)	788.14 (291.40)	–	-	1.17 (241.31)
2	FIs	1711.47 (833.87)	1711.47 (833.87)	–	–	300.00 (733.79)
3	Banks	7894.74 (4160.79)	7894.74 (4160.79)	–	–	7894.74 (4160.79)
4	Provision held for Depreciation	–	–	–	–	–
	Total (1to 3 minus 4)	10394.35 (5286.06)	10394.35 (5286.06)	–	–	8195.91 (5135.89)

35. Non performing investments:

(₹ in crore)

Particulars	*2015–16*	*2014–15*
Opening balance as at the beginning of financial year	16.00	0.00
Addition during the year	0.00	16.00
Reduction during the above period	0.00	0.00
Closing balance as on 31 March 2016	16.00	16.00
Total Provision held	16.00	16.00

Investment of ₹16.00 crore in Universal Commodity Exchange Limited (UCX) is treated as a Non Performing Investment as the company was barred from operating as a Commodity Exchange following Forward Markets Commission (FMC) directive in July 2014. As per the RBI guidelines the investment in the company is valued at ₹ 1/-.

36 Disclosure required under AS 15 (Revised) on "Employee Benefits" is as under:

36.1 Defined Benefit Plans

Employees Retirement Benefit plans of the bank include Pension, Gratuity, Leave Encashment and Post-retirement Medical Benefits, which are defined benefit plans. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of services as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

36.1.1 Pension

a. Reconciliation of opening and closing balances of defined benefit obligations:

(₹ crore)

Particulars	*2015–16*	*2014–15*
Present value of defined benefit obligation at the beginning of year	2411.55	2071.33
Current Service Cost	39.71	35.14
Interest Cost	207.39	186.42
Actuarial gain/loss	370.77	201.96
Benefits paid	–117.49	–83.30
Present value of defined benefits obligations at the year end	2911.93	2411.55

b. Amount recognised in the Balance Sheet as on 31 March 2016 and previous year from 2011-12 to 2014-15:

(₹ crore)

Particulars	*2015–16*	*2014–15*	*2013–14*	*2012–13*	*2011–12*
Present value of defined benefits obligations as at the year end	2911.93	2411.55	2071.33	1847.53	1556.87
Fair value of plan assets as at the year end @	2801.56	2351.61	2056.07	1832.69	1311.25
Liability recognized in the Balance sheet as at the year end	110.37	59.94	15.26	14.84	245.63

@ Includes the Bank's contribution of ₹427.04 crore (₹444.11 crore) towards PF for pension optees available with RBI. The confirmation of the balance is awaited from RBI.

c. Expenses recognized in the Profit and Loss Account during the year:

(₹ crore)

Particulars	*2015–16*	*2014–15*
Current Service Cost	39.71	35.14
Interest Cost	207.39	186.42
Net Actuarial gain/loss	349.18	194.77
Expected return on Plan Assets	−154.70	−156.64
Expense recognized in the statement of Profit and Loss	441.58	259.69

d. Actuarial assumptions:

Particulars	*2015–16*	*2014–15*
Mortality Table (LIC)	2006–08 (Ultimate)	2006–08 (Ultimate)
Discount rate (per annum)	8.00%	8.60%
Salary growth (per annum)	5.50%	5.50%
Withdrawal rate	1.00%	1.00%

36.1.2 Gratuity

a. Reconciliation of opening and closing balances of defined benefit obligations:

(₹ crore)

Particulars	*2015–16*	*2014–15*
Present value of defined benefit obligation at the beginning of year	285.34	274.62
Current Service Cost	21.64	20.76
Interest Cost	24.53	24.71
Actuarial gain/ loss	−5.56	−7.31
Benefits paid	−22.93	−27.44
Present value of defined benefits obligations at the year end	303.02	285.34

b. Amount recognized in Balance Sheet as on 31 March 2016 and P. Y. from 2011–12 to 2014–15

(₹ crore)

Particulars	*2015–16*	*2014–15*	*2013–14*	*2012–13*	*2011–12*
Present value of defined benefits obligations as at the year end	303.02	285.34	274.62	260.93	239.68
Fair value of plan assets as at the year end	301.51	303.01	288.49	261.90	260.82
Liability recognized in the Balance sheet as at the year end	1.51	–17.67	–13.87	–0.97	–21.14

c. Expenses recognized in the Profit and Loss Account during the year:

(₹crore)

Particulars	*2015–16*	*2014–15*
Current Service Cost	21.64	20.76
Interest Cost	24.53	24.71
Net Actuarial gain/loss	2.87	–18.85
Expected return on Plan Assets	–27.36	–26.97
Expense recognized in the statement of Profit and Loss	21.68	–0.35

d. Actuarial assumptions:

Particulars	*2015–16*	*2014–15*
Mortality Table (LIC)	2006-08 (Ultimate)	2006-08 (Ultimate)
Discount rate (per annum)	8.00%	8.60%
Salary growth (per annum)	7.00%	7.00%
Withdrawal rate	1.00%	1.00%

36.1.3 Encashment of Ordinary Leave

a. Reconciliation of opening and closing balances of defined benefit obligations:

(₹crore)

Particulars	2015–16	2014–15
Present value of defined benefit obligation at the beginning of year	239.69	225.88
Current Service Cost	4.41	8.40
Interest Cost	20.61	20.33
Actuarial gain/loss	12.83	–5.60
Benefits paid	–12.09	–9.32
Present value of defined benefits obligations at the year end	265.45	239.69

b. Amount recognized in Balance Sheet as on 31 March 2016 and P. Y. from 2011–12 to 2014–15

(₹crore)

Particulars	2015–16	2014–15	2013–14	2012–13	2011–12
Present value of defined benefits obligations as at the year end	265.45	239.69	225.88	197.26	153.03
Funds earmarked by the Bank	263.37$	257.61$	219.28$	184.06$	137.14$
Liability recognized in the Balance sheet as at the year end	2.08	-17.92	6.60	13.20	15.89

$ Represents the amount invested with Insurance companies towards the liability for Leave Encashment.

c. As directed by Reserve Bank of India, the investments earmarked towards Encashment of Ordinary Leave has been treated as AFS category with effect from 31 March 2016

Expenses recognized in the Profit and Loss Account during the year:

(₹crore)

Particulars	2015–16	2014–15
Current Service Cost	4.40	8.40
Interest Cost	20.61	20.33
Net Actuarial gain/loss	16.68	–10.75
Expected return on Plan Assets	–16.48	–31.40
Expense recognized in the statement of Profit and Loss	25.21	–13.42

d. Actuarial assumptions:

Particulars	2015–16	2014–15
Mortality Table (LIC)	2006–08 (Ultimate)	2006–08 (Ultimate)
Discount rate (per annum)	8.00%	8.60%
Salary growth (per annum)	7.00%	7.00%
Withdrawal rate	1.00%	1.00%

36.1.4 Post-Retirement Medical Benefits

The present value of defined benefit obligation in respect of post-retirement medical benefits accounted in Profit and Loss Account is ₹18.76 crore (₹20.27 crore).

36.1.5 The estimates of rate of escalation in salary considered in actuarial valuation, take into account NABARD related factors, inflation, seniority, promotion and other relevant factors including supply and demand in the employment market.

36.1.6 The aforesaid liabilities include liabilities of employees deputed to subsidiaries.

36.1.7 Amortisation of Post-retirement benefits

The entire liability towards post-retirement benefits are charged to Profit and Loss account and are not amortised.

36.1.8 Investment under Plan Assets of Pension, Gratuity & Leave Encashment Fund as on 31st March 2016

Particulars	*Pension*	*Gratuity*	*Encashment of OL*
	% of Plan Assets	*% of Plan Assets*	*% of Plan Assets*
Central Govt. Securities	27.23	–	–
State Govt. Securities	19.39	–	–
Insurer Managed Funds	–	100.00	100.00
Others	53.38	–	–
Total	100.00	100.00	100.00

36.2 Defined Contribution Plan:

The bank contributes its share to Provident Fund with RBI. As per the terms the contribution is a defined contribution plan. During the year the bank has contributed ₹17.68 crore (₹18.59 crore) with RBI.

As per the New Pension scheme for the employee's w.e.f. 01 January 2012, the contribution by the bank is a defined contribution. During the year the bank has contributed ₹0.26 crore (₹0.05 crore) to the said scheme.

37. In the opinion of the Bank's management, there is no impairment to assets to which AS 28 – "Impairment of Assets" applies requiring any provision.

38. The movement in Contingent Liability as required in AS 29 "Provisions, Contingent Liabilities and Contingent Assets" is as under:

(₹ crore)

Particulars	*2015–16*	*2014–15*
Opening Balance	0.00	0.00
Addition during the year	0.00	0.00
Deletion during the year	0.00	0.00
Closing Balance	0.00	0.00

39. Related Party Transactions

As the Bank is state controlled enterprise within the meaning of AS-18 "Related Party Transactions", the details of the transactions with other state controlled enterprises are not given.

List of Related Parties:

a) Companies where entity has control:

Sr. No.	*Companies*
1.	Nabard Financial Services Ltd.
2.	Agri Business Finance (AP) Ltd.
3.	NABKISAN Finance Ltd. [Formerly known as Agri Development Finance (Tamil Nadu) Ltd.]
4.	Nabard Consultancy Services Pvt. Ltd.

b) Key Management Personnel:

Name of the party	*Designation*
Dr. Harsh Kumar Bhanwala	Chairman
Shri Harishkumar Rasiklal Dave	Deputy Managing Director
Shri R Amalorpavanathan	Deputy Managing Director

c) Transactions with Key Management Personnel:

(₹ crore)

Name of the Party	*Nature of Relationship*	*Nature of Transaction*	*Amount of transaction during the year*	*Outstanding*
Dr. Harsh Kumar Bhanwala	Key Management Personnel–Chairman	Remuneration including perquisites	0.30 (0.22)	0.00
Shri Harishkumar Rasiklal Dave	Key Management Personnel–Deputy Managing Director	Remuneration including perquisites	0 .27 (0.12)	0.00
Shri R Amalorpavanathan	Key Management Personnel–Deputy Managing Director	Remuneration including perquisites	0.25 (0.12)	0.00

No amounts, in respect of the related parties have been written off/back, or provided for during the year.

Related party relationships have been identified by the management and relied upon by the auditors.

40 Prior period items included in the Profit and Loss account are as follows:

(₹ crore)

Sr. No.	*Particulars*	*2015–16*	*2014–15*
1.	Income	0.00	0.09
2.	Revenue Expenditure	0.00	–0.04
	Total	0.00	0.05

41. Capital

41.1 Pattern of Capital contribution as on the date of the Balance Sheet:

The shareholding of Government of India and RBI in the Paid up capital of NABARD as on 31 March 2016 was at 99.60%: 0.40% as per details given below.

(₹ crore)

Contributor	31 March 2016		31 March 2015	
Reserve Bank of India	20.00	0.40%	20.00	0.40%
Government of India	4,980.00	99.60%	4,980.00	99.60%
Total	5,000.00	100.00%	5,000.00	100.00%

41.2 NABARD has received an amount of ₹300 crore from Government of India (vide their letter No. F.No.7/4/2015-AC dated 29 March 2016 towards Share Capital and the same has been kept as Advance towards Capital a/c – Received from GOI / RBI pending adjustment of the same against Share Capital after enhancement of Authorized Capital of NABARD.

41.3 **Capital to Risk–weighted Assets Ratio (CRAR)**

(Per cent)

Particulars	31 March 2016	31 March 2015
CRAR	17.59	16.91
Core CRAR	16.38	15.83
Supplementary CRAR	1.21	1.08

41.4 Capital adequacy ratio of the Bank as on 31 March 2016 was 17.59% (16.91%) as against a minimum of 9% as stipulated by RBI.

41.5 In accordance with RBI Instructions, assets financed from National Rural Credit – Long Term Operations (NRC LTO) Fund amounting to ₹14487 crore are excluded for the purpose of computing the CRAR.

41.6 Subordinated Debt

(₹ crore)

Particulars	31 March 2016	31 March 2015
Amount of subordinated debt raised and outstanding as Tier II Capital	Nil	Nil

41.7 Risk weighted assets

(₹ crore)

Particulars	31 March 2016	31 March 2015
On – Balance Sheet Items	158452.06	148101.43
Off – Balance Sheet Items	32.52	83.62

41.8 Credit exposure as percentage to Capital Funds and as percentage to Total Assets

	Category	2015–16		2014–15	
		Credit Exposure as % to		Credit Exposure as % to	
		Capital Funds	Total Assets	Capital Funds	Total Assets
I	Largest Single Borrower	32.54	2.72	34.83	2.86
II	Largest Borrower Group	Not Applicable		Not Applicable	
III	Ten Largest Single Borrowers for the year	283.99	23.75	282.60	23.19
IV	Ten Largest Borrower Groups	Not Applicable		Not Applicable	

41.9 Credit exposure to the five largest industrial sectors as percentage to total loan assets: Not Applicable

42. As per the information available with the Bank, there are no dues payable under Micro, Small and Medium Enterprises Development Act 2006.

43. Asset Quality and Credit Concentration

(a) Asset classification

(₹ crore)

	2015–16		2014–15	
Classification	Amount	(%)	Amount	(%)
Standard	265661.61	99.928	252589.73	99.950
Sub–standard	28.60	0.011	22.40	0.009
Doubtful	153.99	0.058	95.67	0.038
Loss	7.92	0.003	7.92	0.003
Total	265852.12	100.000	252715.72	100.000

b) Restructured accounts

No loans were restructured during the current financial year. An amount of ₹11.96 crore (₹21.96 crore) is recognized as reversal of sacrifice on accounts restructured in earlier period.

Details on Restructuring

	Type of restructuring		*Under CDR Mechanism*					*Under SME Debt Restr*		
	Asset Classification		*Std*	*SS*	*Dful*	*Loss*	*Total*	*Std*	*SS*	*Dful*
	Details									
1	Restructured Accounts as on 01 April 2015	No. of Borrowers								
		Amount outstanding								
		Provision thereof								
2.	Fresh restructures during the year	No. of Borrowers								
		Amount outstanding								
		Provision thereof								
3.	Upgradation to restructured standard category during 2015-16	No. of Borrowers								
		Amount outstanding								
		Provision thereof								
4.	Restructured Standard advances which cease to attract higher provisioning and/ or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of Borrowers								
		Amount outstanding								
		Provision thereof								
5.	Downgradation of restructured accounts during the FY	No. of Borrowers								
		Amount outstanding								
		Provision thereof								
6.	Write offs of Restructured accounts during the FY	No. of Borrowers								
		Amount outstanding								
		Provision thereof								
7.	Restructured accounts as on 31 March 2016*	No. of Borrowers								
		Amount outstanding								
		Provision thereof								

*excluding the figures of standard restructured advances which do not attract higher provisioning or risk weight if applicable

(Amount in ₹ Crore)

ucturing Mechanism		Others					Total				
Loss	Total	Std	SS	Dful	Loss	Total	Std	SS	Dful	Loss	Total
		5	0	0	0	5	5	0	0	0	5
		2.10	0	0	0	2.10	2.10	0	0	0	2.10
		0.09	0	0	0	0.09	0.09	0.09	0	0	0.09
		1	0	0	0	1	1	0	0	0	1
		0.70	0	0	0	0.70	0.70	0	0	0	0.70
		0.03	0	0	0	0.03	0.03	0	0	0	0.03
		2	0	0	0	2	2	0	0	0	2
		0.44	0	0	0	0.44	0.44	0	0	0	.044
		0.02	0	0	0	0.02	0.02	0	0	0	0.02
		0	2	0	0	2	0	2	0	0	2
		0	0.96	0	0	0.96	0	0.94	0	0	0.94
		0	0.04	0	0	0.04	0	0.04	0	0	0.04
		1	0	0	0	1	1	0	0	0	1
		0.70	0	0	0	0.70	0.70	0	0	0	0.70
		0.03	0	0	0	0.03	0.03	0	0	0	0.03

44. Corporate Debt Restructuring (CDR)

No account has been subjected to CDR during the year.

45. NPA Position

(a) **Net NPA position**

Particulars	*31 March 2016*	*31 March 2015*
Percentage of Net NPAs to Net Loans & Advances	0.0088	0.0092

(b) **Movement in Net NPAs**

(₹ crore)

Particulars	*2015–16*	*2014–15*
(A) Net NPAs as at beginning of the year	23.33	19.73
(B) Add: Additions during the year	21.48	16.25
(C) Sub–total (A+B)	44.81	35.98
(D) Less: Reductions during the year	21.48	12.65
(E) Net NPAs as at the end of the year (C–D)	23.33	23.33

46. Movement in the provisions

(a) Provisions made during the year

(₹ crore)

Provisions against	*2015–16*	*2014–15*
Standard Assets	51.76	124.20
Non-Performing Assets	64.51	26.55
Investments (Net)	0.00	15.41
Income Tax	1128.94	992.00
Total	1245.21	1158.16

(b) Floating provisions

(₹ crore)

Particulars	*2015–16*	*2014–15*
Opening balance in the account (Counter cyclical Provisioning Buffer)	14.44	25.51
Add: Addition during the year	0.00	0.00
Less: Drawdown during the year	0.00	11.07
Closing balance at the close of financial year	14.44	14.44

(c) Provision for Non-Performing Assets (Loan Assets)

(₹ crore)

Particulars	2015–16	2014–15
Opening balance as at the beginning of financial year	102.66	76.07
Add: Provision made during the year	66.32	26.59
Less: Write off, write back of excess provision (1a/c)	1.81	0.00
Closing balance at the close of financial year	167.17	102.66

(d) Provision for depreciation in investments

(₹ crore)

		Particulars	2015–16	2014–15
A		Opening balance as at the beginning of the financial year	16.00	64.52
B	Add			
	(i)	Provisions made during the year	0.00	16.00
	(ii)	Appropriation, if any, from Investment Fluctuation Reserve Account during the year	0.00	0.00
C		Sub Total [A+B (i)+B (ii)]	16.00	80.52
D	Less			
	(i)	Write off / Write back of excess provision	0.00	64.52
	(ii)	Transfer, if any, to Investment Fluctuation Reserve Account	0.00	0.00
		Sub Total [D]	0.00	64.52
E		Closing balance as at the close of financial year (C–D)	16.00	16.00

e) Withdrawal from Floating provisions

Pursuant to Reserve Bank of India Circular No.DBR.No.BP.BC.79/21-04.048/2014-15 dated 30 March 2015, the bank has withdrawn an amount of ₹ NIL (₹11.07 crore) from the Countercyclical Provisioning Buffer towards specific provision for Non-performing assets.

47. Provisioning Coverage Ratio

The provision coverage ratio of the Bank stood at 95.34% (93.15%)

48. Liquidity

Maturity pattern of Rupee Assets and Liabilities and Maturity pattern of Foreign Currency Assets and Liabilities

(₹ crore)

Sr. No	Item	Less than or equal to 1 year	More than 1 year upto 3 years	More than 3 years upto 5 years	More than 5 years upto 7 years	More than 7 years	Total #
1	Rupee Assets	160072.00 (160764.60)	68688.55 (57672.85)	47120.78 (40682.83)	22741.16 (19025.71)	10676.96 (6630.64)	309299.45 (284776.63)
2	Foreign currency assets	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
	Total Assets	160072.00 (160764.60)	68688.55 (57672.85)	47120.78 (40682.83)	22741.16 (19025.71)	10676.96 (6630.64)	309299.45 (284776.63)
3	Rupee Liabilities	138496.86 (131546.95)	53646.12 (47266.31)	39673.25 (40558.06)	27489.88 (23352.76)	49271.46 (41325.77)	308577.57 (284049.85)
4	Foreign currency liabilities	46.59 (46.59)	71.77 (78.22)	174.39 (168.33)	80.30 (74.24)	348.83 (359.40)	721.88 (726.78)
	Total Liabilities	138543.45 (131593.54)	53717.89 (47344.53)	39847.64 (40726.39)	27570.18 (23427.00)	49620.29 (41685.17)	309299.45 (284776.63)

#Net of provision made as per RBI directives on Standard Assets as well as for diminution in value of Investments aggregating to ₹1085.47 crore (₹1032.06 crore)

49. Operating results

	Particulars	2015–16	2014–15
(a)	Interest income as a percentage to average working funds	6.88	6.80
(b)	Non-interest income as a percentage to average working funds	0.07	0.12
(c)	Operating profit as a percentage to average working funds	1.26	1.37
(d)	Return on average Assets (%)	0.85	0.93
(e)	Net Profit per Employee (₹ crore)	0.62	0.59

50. Other Disclosures

50.1 Assets sold to Securitisation Company / Reconstruction Company : NIL (NIL)

50.2 Forward Rate Agreements and Interest Rate Swaps : NIL (NIL)

50.3 Interest Rate Derivatives : NIL (NIL)

50.4 Credit Default Swaps : NIL (NIL)

50.5 Investments in Non Government Debt Securities : NIL (NIL)

50.6 Disclosure on Repo transactions : NIL (NIL)

51. Concentration of Deposits, Advances, Exposure and NPAs

a) Concentration of Deposits

(₹ crore)

	2015–16	2014–15
Total Deposits of twenty largest depositors	167258.02	160161.73
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	88.13%	85.90%

b) Concentration of Advances

(₹ crore)

	2015–16	2014–15
Total Advances to twenty largest borrowers	126193.98	114561.46
Percentage of Advances to twenty largest borrowers to Total Advances of the Bank	47.51%	45.38%

c) Concentration of Exposure

(₹ crore)

	2015–16	2014–15
Total Exposure to twenty largest borrowers/ customers	131217.45	115514.54
Percentage of Exposure to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	45.08%	43.19%

d) Concentration of NPAs

(₹ crore)

	2015–16	2014–15
Total Exposure to Top four NPA accounts	91.53	58.42

52. Sector-wise NPAs

Sr. No.	Sector	Percentage of NPAs to Total Advances in that sector	
		2015–16	2014–15
1	Agriculture and allied activities	10.62	6.57
2	Industry (Micro & Small, Medium and Large)	98.87	96.75
3	Services	0.00	0.00
4	Personal Loans-Staff Loans	0.16	0.16

53. Movement of Gross NPAs

(₹ crore)

Particulars	*2015–16*	*2014–15*
Gross NPAs as on 1st April of particular year (Opening Balance)	125.99	95.80
Additions (Fresh NPAs) during the year	72.63	31.12
Sub-total (A)	198.62	126.92
Less:-		
(i) Upgradations	1.23	0.35
(i) Recoveries (excluding recoveries made from upgraded accounts)	0.66	0.58
(iii) Write-offs	6.22	0.00
Sub-total (B)	8.11	0.93
Gross NPAs as on 31st March of following year (closing balance) (A-B)	190.51	125.99

54. Overseas Assets, NPAs and Revenue: NIL (NIL)

55. Off-balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms): NIL (NIL)

56. Disclosure of Complaints

	Particulars	*Nos.*
a)	No. of Complaints pending at the beginning of the year	11
b)	No. of complaints received during the year	103
c)	No. of complaints redressed during the year	112
d)	No. of complaints pending at the end of the year	02

57. Awards passed by the Banking Ombudsman: NIL (NIL)

58. Letters of comfort issued by Banks: NIL (NIL)

59. Bankassurance Business

Bank has not undertaken the business of Bankassurance during the year.

60. Information on Business Segment

(a) **Brief Background**

The Bank has recognised Primary segments as under:

i) **Direct Finance**: Includes Loans given to state governments and other agencies for rural infrastructure development, co-finance loans and loans given to voluntary agencies/non–governmental organizations for developmental activities and other direct loans to Co-operative Banks etc.

ii) **Refinance**: Includes Loans and Advances given to State Governments, Commercial Banks, SCARDBs, StCBs Regional Rural Banks etc. as refinance against the loans disbursed by them to the ultimate borrowers.

iii) **Treasury**: Includes investment of funds in treasury bills, short-term deposits, government securities, etc.

iv) **Unallocated**: Includes income from staff loans and other miscellaneous receipts and expenditure incurred for the developmental role of the bank and common administrative expenses.

(b) Information on Primary Business Segment

(₹ crore)

	Direct Finance	*Refinance*	*Treasury*	*Unallocated*	*Total*
Segment Revenue	7016.62 (6186.38)	10874.92 (9253.43)	2813.80 (2219.21)	26.44 (146.68)	**20731.78 (17805.70)**
Segment Results	910.71 (609.55)	2605.90 (1898.80)	1619.10 (2080.64)	−1482.96 (−1167.53)	**3652.75 (3421.46)**
Total carrying amount of Segment Assets	106030.43 (95320.82)	162332.12 (160754.36)	39920.65 (26438.69)	2101.72 (3294.82)	**310384.92 (285808.69)**
Total carrying amount of Segment Liabilities	103261.70 (92951.87)	153332.35 (152408.75)	20830.36 (10415.80)	32960.51 (30032.27)	**310384.92 (285808.69)**
Other Items:					
Cost to acquire Segment Assets during the year	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	41.31 (54.27)	**41.31 (54.27)**
Amortization & Depreciation	0.00 (0.00)	0.00 (0.00)	1.66 (1.24)	26.12 (48.91)	**27.78 (50.15)**
Non Cash Expenses	85.32 (48.08)	18.74 (54.05)	0.00 (15.43)	266.81 (231.02)	**370.87 (348.58)**

(c) Since the operations of the Bank are confined to India only there is no reportable secondary segment.

61. Figures in brackets pertain to previous year.

62. Previous year's figures have been regrouped/rearranged wherever necessary.

As per our attached report of even date
Vyas & Vyas
Chartered Accountants
Firm Registration No. 000590C

O.P. Vyas
Partner
Membership No. 014081
Mumbai
23 May 2016

A.K. Sahoo
Chief General Manager
Accounts Department

Harsh Kumar Bhanwala	R. Amalorpavanathan	H.R. Khan	Anup Kumar Dash
Chairman	Deputy Managing Director	Director	Director

Cash Flow

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
Cash flow for the year ended 31 March 2016

(₹ in thousands)

Particulars	*2015–2016*	*2014–2015*
(a) Cash flow from Operating activities		
Net Profit as per Profit and Loss a/c before tax	3652,74,72	3421,46,31
Adjustment for:		
Depreciation	26,12,23	48,90,87
Provisions and Amortisations	7,46	11,97,42
Provision for Non performing Assets	66,12,10	3,64
Provision for Standard Assets	51,76,00	124,20,00
Provision for sacrifice in interest element of Restructured Loan	(11,95,58)	(21,96,36)
Profit/Loss on sale of Fixed Assets	(20,11)	(2,04)
Interest credited to various Funds (including addition/ adjustment made to Interest Differential Fund)	267,40,54	252,29,98
Income from Investment (including Discount Income)	(2813,80,32)	(2219,21,26)
Operating profit before changes in operating assets	**1238,27,04**	**1617,68,56**

(Contd)

Particulars	*2015–2016*	*2014–2015*
Adjustment for changes in working capital :		
(Increase)/Decrease in Current Assets	(3605,31,37)	1775,57,35
Increase/(Decrease) in Current Liabilities	1646,53,00	658,76,17
Increase in Loans and Advances (Including Housing Loan & Other Advances to Staff	(13177,80,81)	(31335,57,92)
Cash generated from operating activities	**(13898,32,14)**	**(27283,55,84)**
Income Tax paid - Net of refund	(1270,42,39)	(1195,56,49)
(Out of above ₹372.03 crore paid on account of taxability of RIDF/		
STCRC differential debited to Tribal Development/ Financial Inclusion Fund)		
Net cash flow from operating activities (A)	**(15168,74,53)**	**(28479,12,33)**
(b) Cash flow from Investing activities		
Income from Investment (including Discount Income)	2812,14,00	2217,97,27
Purchase of Fixed Asset	(59,87,06)	(53,12,50)
Sale of Fixed Assets	6,60,42	4,32,48
Increase/Decrease in Investment	(6483,00,91)	30,56,81
Net cash used/generated from investing activities (B)	**(3724,13,55)**	**2199,74,06**
(c) Cash flow from financing activities		
Grants/contributions received	42,50,15	601,42,15
Proceeds of Bonds	5116,00,00	(2207,70,36)
Increase/(Decrease) in Borrowings	11108,20,30	8457,89,59
Increase/(Decrease) in Deposits	3332,09,39	21008,28,11
Increase in Share capital	300,00,00	300,00,00
Net cash raised from financing activities (C)	**19898,79,84**	**28159,89,49**
Net increase in cash and cash equivalent (A)+(B)+(C)	1005,91,76	1880,51,22
Cash and Cash equivalent at the beginning of the year	2314,95,67	434,44,45
Cash and cash equivalent at the end of the year	**3320,87,43**	**2314,95,67**

1. Cash and cash equivalent at the end of the year includes :	***2015–2016***	***2014–2015***
Cash in hand	3	6
Balance with Reserve Bank of India	150,54,92	2030,03,79
Balances with other Banks in India	643,70,73	120,03,75
Remittances in Transit	35,07,80	531
Collateralised Borrowing and Lending Obligations	2491,53,95	164,82,76
Total	**3320,87,43**	**2314,95,67**

As per our attached report of even date
Vyas & Vyas
Chartered Accountants

O.P. Vyas	A.K. Sahoo
Partner	Chief General Manager
M No. 014081	Accounts Department
Mumbai	Mumbai
Date: 23 May 2016	23 May 2016

Harsh Kumar Bhanwala	R. Amalorpavanathan	H.R. Khan	Anup Kumar Dash
Chairman	Deputy Managing Director	Director	Director

Consolidated Balance Sheet
Profit & Loss Account
&
Cash Flow
2015-16
of
NABARD
&
Subsidiaries
(NABCONS, NABKISAN, ABFL, NABFINS)

Independent Auditors' Report

To,
The Board of Directors of
National Bank for Agriculture
and Rural Development

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of National Bank for Agriculture and Rural Development (hereinafter referred to as "Holding Bank") and its subsidiaries (the holding bank and subsidiaries together referred to as "the Group") which comprises the Consolidated Balance Sheet as at March 31, 2016 and the Consolidated Statement of Profit and Loss Account and Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Holding Bank management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. The respective management of the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the management of the holding bank, as aforesaid.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the holding bank's preparation and fair presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion whether the holding bank has an adequate internal financial controls system over financial reporting in place and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and audit evidence obtained by the other auditors in terms of their report referred to in Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give information required and true and fair view in conformity with the accounting principles generally accepted in India:

1. in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2016;
2. in the case of the Consolidated Statement of Profit and Loss, of the Profit of the Group for the year ended on that date; and
3. in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

OTHER MATTERS

We did not audit the financial statements / financial information of four subsidiaries, and whose financial statements reflect total assets of Rs.1495.60 crores as at 31st March, 2016, total revenues of Rs.208.56 crores and net cash outflow amounting to Rs.2.00 crores for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit(after tax) of Rs.24.71 crores for the year ended 31st March, 2016, as considered in the consolidated financial statements, These financial statements / financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on the reports of the other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements / financial information certified by the management.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We report that the Consolidated Financial Statements have been prepared by holding bank in accordance with the requirements of Accounting Standards (AS) 21 "Consolidated Financial Statements". In our opinion, the consolidated Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the applicable accounting standards.

For Vyas & Vyas
Chartered Accountants
(Firm Registration No. 000590C)

O.P. Vyas
Partner
(Membership No. 014081)

Place: Mumbai
Date: 23 May 2016

Consolidated Balance Sheet

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
Consolidated Balance sheet as on 31 March 2016

(₹ thousands)

Sr. No.	*Particulars*	*Schedule*	*As on 31.03.2016*	*As on 31.03.2015*
	FUNDS AND LIABILITIES			
1	(i) Capital		50000000	50000000
	(Under Section 4 of the NABARD Act, 1981)			
	ii) Advance towards Capital		3000000	0
2	Reserve Fund and Other Reserves	1	222427901	197036769
3	National Rural Credit Funds	2	160740000	160700000
4	Gifts, Grants, Donations and Benefactions	3	48951731	42095060
5	Government Schemes	4	11227627	15005762
6	Minority Interest		817924	737987
7	Deposits	5	1897863374	1864542434
8	Bonds and Debentures	6	391225271	340065271
9	Borrowings	7	206460395	95276717
10	Current Liabilities and Provisions	8	114640029	95555217
	Total Funds and Liabilities		**3107354252**	**2861015217**

(Contd)

Sr. No.	Particulars	Schedule	As on 31.03.2016	As on 31.03.2015
	PROPERTY AND ASSETS			
1	Cash and Bank Balances	9	189261172	133147908
2	Investments	10	262857812	211024185
3	Advances	11	2605923530	2460960304
4	Fixed Assets	12	3640627	3278325
5	Other Assets	13	45671111	52604494
	Total Property and Assets		**3107354252**	**2861015217**
	Forward Foreign Exchange Contracts (Hedging) as per contra		7003541	6404599
	Commitment and Contingent Liabilities	17		
	Significant Accounting Policies and Notes on Accounts	18		

Schedules referred to above form an integral part of accounts

As per our attached report of even date
Vyas & Vyas
Chartered Accountants
Firm Registration No. 000590C

O.P. Vyas
Partner
Membership No. 014081
Mumbai
Date: 23 May 2016

A.K. Sahoo
Chief General Manager
Accounts Department
Mumbai: 23 May 2016

Harsh Kumar Bhanwala
Chairman

R. Amalorpavanathan
Deputy Managing Director

H.R. Khan
Director

Anup Kumar Dash
Director

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
Consolidated Profit and Loss Account for the year ended 31 March 2016

(₹ thousands)

Sr. No.	Particulars	Schedule	2015–16	2014–15
	Income:			
1	Interest Received on Loans and Advances		177895451	153335698
2	Income from Investment operations / Deposits		28121400	22310452
3	Other Income		2631937	3518052
	TOTAL INCOME		**208648788**	**179164203**

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
Consolidated Profit and Loss Account for the year ended 31 March 2016

(₹ thousands)

Sr. No.	Particulars	Schedule	2015–16	2014–15
	Expenditure			
1	Interest and Financial Charges	14	154398537	129302976
2	Establishment and other expenses	15 A	15165542	12756886
3	Expenditure on Promotional Activities	15 B	455365	613153
4	Provisions	16	1286211	1207053
5	Depreciation		270526	498258
	TOTAL EXPENDITURE		**171576181**	**144378326**
6	**Profit before Income Tax**		**37072607**	**34785877**
7	Provision for Income Tax		11666225	10755640
	Deferred Tax Asset Adjustment		–116525	–359219
8	**Profit after Tax**		**25522907**	**24389456**
	Provision for Dividend and DDT of Subsidiaries		41687	0
	Profit after Tax and Dividend		**25481220**	**24389456**
	Minority Interest		29488	75374
	Profit available for Appropriation		**25451732**	**24314082**
	Appropriations:			
	Profit as above		25451732	24314082
	Add: Withdrawals from various funds against expenditure debited to Profit & Loss Account		841894	1778234
	Total Profit Available for Appropriation		**26293626**	**26092316**

(Contd)

Sr. No.	Particulars	Schedule	2015–16	2014–15
	Transferred to:			
1	Special Reserve u/s 36(I)(viii) of the Income Tax Act, 1961		5500000	4900000
2	National Rural Credit (Long Term Operations) Fund		10000	10000
3	National Rural Credit (Stabilisation) Fund		10000	10000
4	Co-operative Development Fund		0	0
5	Research & Development Fund		354430	202232
6	Investment Fluctuation Reserve		2960000	639315
7	Farm Sector Promotion Fund		106172	500000
8	Proposed Divedend		0	0
9	Tax on Proposed Dividend		0	1246
10	Gramya Vikas Nidhi		200000	0
11	Climate Fund		50000	0
12	Reserve Fund		17103024	19829523
	Total		**26293626**	**26092316**

Refer Schedule 18 for Significant Accounting Policies and Notes on Accounts.

As per our attached report of even date
Vyas & Vyas
Chartered Accountants
Firm Registration No. 000590C

O.P. Vyas
Partner
Membership No. 014081
Mumbai
Date: 23 May 2016

A.K. Sahoo
Chief General Manager
Accounts Department
Mumbai: 23 May 2016

Harsh Kumar Bhanwala
Chairman

R. Amalorpavanathan
Deputy Managing Director

H.R. Khan
Director

Anup Kumar Dash
Director

SCHEDULES TO CONSOLIDATED BALANCE SHEET
Consolidated Schedule 1 – Reserve Fund and Other Reserves

(₹ thousands)

Sr. No.	Particulars	Opening Balance as on 01.04.2015	Exp./ Add./ Adjust. during the year#	Transferred From P&L Appropriation	Transferred to P&L Appropriation	Balance as on 31.03.2016
1	Reserve Fund	128033380	(72700)	17103024	0	145063704
2	Research and Development Fund	522500	0	354430	354430	522500
3	Capital Reserve	859354	0	0	0	859354
4	Investment Fluctuation Reserve	6550000	0	2960000	0	9510000
5	Co-operative Development Fund	818216	0	0	153997	664219
6	Special Reserves Created & Maintained u/s 36(1)(viii) of Income Tax Act, 1961	58850000	0	5500000	0	64350000
7	Producers' Organizations Development Fund	456295	0	0	26233	430062
8	Rural Infrastructure Promotion Fund	204104	0	0	26042	178062
9	Farm Sector Promotion Fund	742921	0	106172	249093	600000
10	Gramya Vikas Nidhi	0	0	200000	0	200000
11	Climate Fund	0	0	50000	0	50000
	Total	**197036769**	**–72700**	**26273626**	**809794**	**222427901**
	Previous year	172320585	401548	26073570	1758934	197036769

This includes balance of ₹3,02,22,703/- from prior years being reconciled and balance of ₹4,24,76,919/- being the difference between the audited financial statements and unaudited financial statements for the previous year.

Consolidated Schedule 2 – National Rural Credit Funds

(₹ thousands)

Sr. No.	Particulars	Opening Balance as on 01.04.2015	Contribution by RBI	Transferred from P&L Appropriation	Balance as on 31.03.2016
1	National Rural Credit (Long Term Operations) Fund	144850000	10000	10000	144870000
2	National Rural Credit (Stabilisation) Fund	15850000	10000	10000	15870000
	Total	**160700000**	**20000**	**20000**	**160740000**
	Previous year	160660000	20000	20000	160700000

Consolidated Schedule 3 – Gifts, Grants, Donations and Benefactions

(₹ thousands)

Sr. No.	Particulars	Opening Balance as on 01.04.2015	Additions/ Adjustments during the year	Interest Credited to the fund	Expenditure/ Disbursements during the year	Balance as on 31.03.2016
A.	**Grants from International Agencies**					
1	KfW – NABARD V Fund for Adivasi Programme	17974	51911	457	49316	21026
2	KfW – NB – IX Adivasi Development Programme – Maharashtra	39346	0	0	143	39203
3	KfW UPNRM – Accompanying Measures	35267	0	1351	33968	2650
4	KfW NB UPNRM – Financial Contribution	0	8204	0	8204	0
5	KfW UPNRM – Risk Mitigation Fund	0	0	0	0	0
6	KfW UPNRM Fund	0	0	0	0	0
7	KfW-NB-Indo German Watershed Development Programme – Phase III – Maharashtra	3192	0	189	2099	1282

(Contd)

Sr. No.	Particulars	Opening Balance as on 01.04.2015	Additions/ Adjustments during the year	Interest Credited to the fund	Expenditure/ Disbursements during the year	Balance as on 31.03.2016
8	Indo German Watershed Development Programme – Andhra Pradesh	0	23158	260	20315	3103
9	Indo German Watershed Development Programme – Gujarat	3627	42817	1680	8322	39802
10	Indo German Watershed Development Programme – Rajasthan	0	31484	0	31484	0
11	International Fund for Agriculture Development (IFAD) Priyadarshini	0	69055	0	69055	0
12	GIZ Rural Financial Institutions Program (RFIP)	12276	15613	0	27889	0
13	GIZ UPNRM Technical Collaboration	0	10006	0	3857	6149
14	Climate Change – (AFB) – Project Formulation Grant	1903	1903	0	1750	2056
15	Climate Change – (AFB) – Project / Programme Implementation a/c	34048	60110	0	26146	68012
16	National Adaptation Fund for Climate Change	0	1144330	10667	267470	887527
B.	**Other Funds**					
1	Watershed Development Fund	10849404	0	643375	405335	11087444
2	Interest Differential Fund – (Forex Risk)	2278606	186721	0	0	2465327
3	Interest Differential Fund – (Tawa)	1000	0	0	0	1000

(Contd)

Sr. No.	Particulars	Opening Balance as on 01.04.2015	Additions/ Adjustments during the year	Interest Credited to the fund	Expenditure/ Disbursements during the year	Balance as on 31.03.2016
4	Adivasi Development Fund	57750	0	0	0	57750
5	Tribal Development Fund	7422663	3794318	498253	2947938	8767296
6	Financial Inclusion Fund	20694178	6987335	1329720	4483813	24527420
7	Financial Inclusion Technology Fund	-493427	493427	0	0	0
8	National Bank – Swiss Development Coop. Project	556177	0	0	0	556177
9	RPF & RIF – Off Farm Sector Promotion Fund	565487	0	0	167307	398180
10	Centre for Professional Excellence in Co-operatives (C-PEC)	15591	3458	1278	0	20327
11	MFDEF (Closed fund))	0	32100	0	32100	0
	Total	**42095062**	**12955950**	**2487230**	**8586511**	**48951731**
	Previous year	40235056	13971375	2335457	14446828	42095060

2. NABARD is acting as banker/custodian/trustee on behalf of GOI/ RBI/Other entities and is holding the above funds, pending disbursement/ utilization in terms of respective schemes ,on their behalf, to the extent of contribution made by them and accrued interest on unutilized balances, wherever applicable.

3. (i) includes ₹130.21 crore being the income tax paid

(ii) includes ₹241.82 crore being the income tax paid

Consolidated Schedule 4 – Government Schemes

(₹ thousands)

Sr. No.	Particulars	Opening Balance as on 01.04.2015	Grant received during the year	Interest Credited to the fund	Refunded / Adjusted against the expenditure	Balance as on 31.03.2016
A.	**Government Subsidy Schemes**					
1	Capital Investment Subsidy for Cold Storage Projects – NHB	14,440	0	0	10,598	3,842
2	Capital Subsidy for Cold Storage TM North East	840	0	0	0	840
3	Credit Linked Capital Subsidy for Technology Upgradation of SSIs	0	21,481	0	21,009	472
4	Capital Investment Subsidy for Rural Godowns	0	0	0	0	0
5	On-farm Water Management for Crop Production	717	0	0	0	717
6	Bihar Ground Water Irrigation Scheme (BIGWIS)	772,615	0	0	0	772,615
7	Cattle Development Programme – Uttar Pradesh	215	0	17	0	232
8	Cattle Development Programme – Bihar	512	0	40	0	552
9	National Project on Organic Farming	30,306	50,000	0	36,823	43,483

(Contd)

Sr. No.	Particulars	Opening Balance as on 01.04.2015	Grant received during the year	Interest Credited to the fund	Refunded / Adjusted against the expenditure	Balance as on 31.03.2016
10	Integrated Watershed Development Programme – Rashtriya Sam Vikas Yojana	42,945	0	0	0	42,945
11	Centrally Sponsored Scheme on Integrated Development of Small Ruminants and Rabbits	217,965	100,248	0	305,124	13,089
12	Dairy and Poultry Venture Capital Fund	151,130	0	0	-71,740	222,870
13	Poultry Venture Capital Fund	50,065	0	0	196	49,869
14	Poultry Venture Capital Fund (Subsidy)	186,353	381,752	0	458,750	109,355
15	Capital Subsidy for Agriculture Marketing Infrastructure, Grading and Standardisation	0	0	0	0	0
16	ISAM – Agricultural Marketing Infrastructure	946,754	6,980,744	0	7,416,702	510,796
17	ISAM – Grant Received for Promotional Expenditure	0	256	0	133	123
18	Centrally Sponsored Scheme for establishing Poultry Estate	29,872	0	0	13,200	16,672
19	Multi Activity Approach for Poverty Alleviation – Sultanpur, Uttar Pradesh	462	0	36	0	498

(Contd)

Sr. No.	Particulars	Opening Balance as on 01.04.2015	Grant received during the year	Interest Credited to the fund	Refunded / Adjusted against the expenditure	Balance as on 31.03.2016
20	Multi Activity Approach for Poverty Alleviation – Rae Bareili, Uttar Pradesh	123	0	10	0	133
21	CCS – on Pig Development	32,536	0	0	-205	32,741
22	Dairy Entrepreneurship development Scheme	324,325	1,170,000	0	1,111,456	382,869
23	CCS – S & R Male Buffaloe calves	126	0	0	-193	319
24	CSS – JNN Solar Mission	55,089	-54,497	0	511	81
25	CSS – JNNSM – Solar Lighting	11,884	1,551,938	0	1,387,783	176,039
26	CSS – Solar Photovoltaic Water Pumping	1,155,422	0	0	96,877	1,058,545
27	Capital Subsidy Scheme – Agri Clinics & Agri Business Centres	26,703	87,000	0	109,186	4,517
28	CSS MNRE Lighting Scheme 2016	0	204,300	0	0	204,300
29	Artificial Recharge of Groundwater in Hard Rock Area	13,374	0	0	-1,086	14,460
B.	**Other Government Schemes**					
1	Agriculture Debt Waiver and Debt Relief Scheme (ADWDR) 2008	2,781,342	0	0	-53,437	2,834,779
2	Women's Self Help Groups [SHGs] Development Fund	1,331,770	0	0	168,953	1,162,817

(Contd)

Sr. No.	Particulars	Opening Balance as on 01.04.2015	Grant received during the year	Interest Credited to the fund	Refunded / Adjusted against the expenditure	Balance as on 31.03.2016
3	PRODUCE FUND	1,989,963	0	0	211,667	1,778,296
4	Revival of 23 unlicensed DCCBs	3,033,200	1,112,200	0	3,033,200	1,112,200
5	Interest Subvention (Sugar Term Loan)	804	0	0	786	18
6	Scheme for providing Financial Assistance to Sugar Undertakings – 2007 (SEFASU – 2007)	6,527	0	0	0	6,527
7	Kutch Drought Proofing Project	2,164	0	0	0	2,164
8	Revival Package for Long Term Co-operative Credit Structure (LTCCS)	200,000	0	0	0	200,000
9	Revival, Reform and Restructure of Handloom Sector					
i.	Implementation Cost [RRR – Handloom Package]	0	0	0	0	0
ii.	Expenditure on Loss Assessment [RRR – Handloom Package]	12,498	0	0	12,498	0
iii.	Recap Assistance [RRR – Handloom Package] to AWCS	891,277	-70,000	0	590,334	230,943
iv.	Recap Assistance [RRR – Handloom Package] to PWCS	306,171	-13,405	0	292,766	0

(Contd)

Sr. No.	Particulars	Opening Balance as on 01.04.2015	Grant received during the year	Interest Credited to the fund	Refunded / Adjusted against the expenditure	Balance as on 31.03.2016
v.	Recap Assistance [RRR – Handloom Package] to Individual Weaver	353,072	469	0	146,466	207,075
vi.	Technical Assistance [RRR – Handloom Package]	0	13,718	0	13,718	0
vii.	HRD [RRR – Handloom Package]	16,720	0	0	0	16,720
viii.	Interest Subvention [RRR – Handloom Package]	0	0	0	0	0
10	Comprehensive Handloom Package	14,948	217,119	0	218,953	13,114
	Total	**15,005,229**	**11,753,323**	**103**	**15,531,028**	**11,227,627**
	Previous year	8758020	19212894	128	12965813	15005229

2. NABARD is acting as banker/custodian/trustee on behalf of GOI/ RBI/Other entities and is holding the above funds, pending disbursement/ utilization in terms of respective schemes ,on their behalf, to the extent of contribution made by them and accrued interest on unutilized balances , wherever applicable.

Consolidated Schedule 5 – Deposits

(₹ thousands)

Sr. No.	Particulars	As on 31.03.2016	As on 31.03.2015
1	Central Government	0	0
2	State Governments	0	0
3	Others		
	a) Tea / Rubber / Coffee Deposits	2658060	3008498
	b) Commercial Banks (Deposits under RIDF)	968850314	896033936
	c) Short Term Cooperative Rural Credit Fund	539913000	600000000
	d) ST RRB Credit Refinance Fund	159971000	300000000
	e) Warehouse Infrastructure Fund	35500000	15500000
	f) Long Term Rural Credit Fund	189971000	50000000
	g) Fund for Food Processing Units	1000000	0
	Total	**1897863374**	**1864542434**

Consolidated Schedule 6 – Bonds and Debentures

(₹ thousands)

Sr. No.	Particulars	As on 31.03.2016	As on 31.03.2015
No.			
1	Tax Free Bonds	50000000	0
2	Non Priority Sector Bonds	291470000	290310000
3	Capital Gains Bonds	12940	12940
4	Bhavishya Nirman Bonds	49742331	49742331
5	NABARD Rural Bond	0	0
	Total	**391225271**	**340065271**

Consolidated Schedule 7 – Borrowings

(₹ thousands)

Sr. No.	Particulars	As on 31.03.2016	As on 31.03.2015
	(A) In India		
1	Central Government	122524	196152
2	JNN Solar Mission	145568	358200
3	Reserve Bank of India	0	0
4	Others :		
	(i) Certificate of Deposits	55452040	0
	(ii) Commercial Paper	127710132	28980450
	(iii) Borrowing under Collateralised Borrowing and Lending Obligation	0	52806650
	(iv) Term Money Borrowings	15194699	5152400
	(v) Commercial Banks	143186	515038
	(vi) Borrowing against STD	473500	0
	(B) Outside India		
	(i) International Agencies	7218746	7267827
	Total	**206460395**	**95276717**

Out of the above, borrowings under CBLO are secured against Government Securities including Treasury Bills

Consolidated Schedule 8 – Current Liabilities and Provisions

(₹ thousands)

Sr. No.	Particulars	As on 31.03.2016	As on 31.03.2015
1	Interest / Discount Accrued	88376724	76982522
2	Sundry Creditors	9767347	5842026
3	Subsidy Reserve (Co-finance,Cold Storage)	191280	205591
4	Subsidy Reserve – CSAMI under RIDF	5480	22706
5	Provision for Gratuity	16521	1277
6	Provision for Pension	1104736	599344
7	Provision for Encashment of Ordinary Leave	2447103	3182
8	Provision for Medical Benefit – Retired employees a/c [BS]	1168622	1066160
9	Unclaimed Interest on Bonds	17498	17944
10	Unclaimed Interest on Term Deposits	61	68
11	Term Deposits Matured but not claimed	908	2287
12	Bonds matured but not claimed	33679	36314
13	Application money received pending allotment of Bonds	0	0
14	Bonds Premium – Tax Free Bonds	11650	0
15	**Provisions and Contingencies**		
(a)	Depreciation in Value of Investment a/c – G. Sec.	0	0
(b)	Amortisation of G. Sec. – HTM	64810	48179
(c)	For Standard Assets	10667580	10176126
(d)	Depreciation in value of investments – equity	0	0
(e)	Non-performing assets	327962	74602
(f)	Non-Performing Investments	160000	160000
(g)	Countercyclical Provisioning Buffer	144489	144489
(h)	Sacrifice in interest element of restructured loans	32542	152101
(i)	Provision for Other Assets & Receivables	101037	20300
	Total	**114640029**	**95555217**

Consolidated Schedule 9 – Cash and Bank Balances

(₹ thousands)

Sr. No.	Particulars	As on 31.03.2016	As on 31.03.2015
1	Cash in hand	23	4421
2	Balances with :		
	A) Banks in India		
	i) Reserve Bank of India	1505492	20300379
	ii) Other Banks	0	0
	B) Others		
	a) in Current Account	6788643	1567464
	b) Deposit with Banks	155700839	109626836
	c) Remittances in Transit	350780	531
	d) Collateralised Borrowing and Lending Obligations	24915395	1648276
	C) Outside India	**0**	**0**
	Total	**189261172**	**133147908**

Consolidated Schedule 10 – Investments

(₹ thousands)

Sr. No.	Particulars	As on 31.03.2016	As on 31.03.2015
1	**Government Securities**		
(a)	Securities of Central Government	47962458	30994870
	[Face Value ₹4828,78,30,000 (₹3133,97,80,000)]		
	[Market Value ₹4907,77,65,515 (₹3166,61,16,724)]		
(b)	Treasury Bills	8364445	53464217
	[Face Value ₹ 887,98,50,000 (₹5465,81,75,000)]		
	[Market Value ₹ 836,44,44,755 (₹5346,42,17,463)]		
2	**Other Approved Securities**	0	0
3	**Equity Shares in :**		
(a)	Agricultural Finance Corporation Ltd.	10000	10000
	[1,000 (1,000) – Equity shares of ₹10,000 each]		
(b)	Small Industries Development Bank of India	480000	480000
	[1,60,00,000 (1,60,00,000) – Equity shares of ₹10 each]		

(Contd)

Sr. No.	Particulars	As on 31.03.2016	As on 31.03.2015
(c)	Agriculture Insurance Company of India Ltd.	600000	600000
	[6,00,00,000 (6,00,00,000) – Equity shares of ₹10 each]		
(d)	Multi Commodity Exchange of India Ltd.	8561	12500
	[10,70,096 (15,62,500) – Equity shares of ₹10 each]		
(e)	National Commodity and Derivatives Exchange Ltd.	168750	168750
	[56,25,000 (56,25,000) – Equity shares of ₹10 each]		
(f)	Universal Commodity Exchange Ltd [UCX]	160000	160000
	[1,60,00,000 (1,60,00,000) Shares of ₹10 each]		
(g)	Indian Financial Technology and Allied Services [Equity]	49	0
	[49 (0) Shares of ₹10000 each]		
(h)	CSC e-Governance Services India Ltd Equity	97460	0
	[55,000 (0) Shares of ₹10000 each]		
(i)	**Other Equity Investments**		
(i)	Coal India Ltd.	29529	29529
	[77,389 (17,389) – Equity shares of ₹10 each]		
(ii)	Power Grid Corporation of India Ltd.	1583	2573
	[17,592 (28,592) – Equity shares of ₹10 each]		
(iii)	Mangnese Ore India Ltd.	4395	4395
	[11,719 (11,719) -Equity shares of ₹10 each]		
(v)	State Bank of India	375425	375424
	[23,98,830 (23,98,880) shares of ₹10 each]		
(vi)	Punjab National Bank	7161	29839
	[36,000 (1,50,000) shares of ₹2 each]		
(vii)	Larsen & Toubro Limited	22522	22522
	[13,000 shares (13,000) of ₹2 each]		
(viii)	Oil and Natural Gas Corporation Ltd.	42893	26704
	[1,24,800 shares (60,000) of ₹5 each]		
(ix)	Steel Authority of India Ltd.	60234	34835
	[8,58,626 shares (3,58,626) of ₹10 each]		
(x)	Bharat Heavy Electricals Ltd.	19913	19913
	[80,000 shares (80,000) of ₹2 each]		

(Contd)

Sr. No.	Particulars	As on 31.03.2016	As on 31.03.2015
(xi)	Indian Oil Corporation Ltd.	12032	12032
	[35,000 shares (35,000) of ₹10 each]		
(xii)	Maruti Suzuki India Ltd.	25549	25549
	[10,000 shares (10,000) of ₹5 each]		
(xiii)	National Thermal Power Corporation Ltd.	10582	10582
	[70,000 shares (70,000) of ₹10 each]		
(xiv)	Tata Consultancy Services Ltd.	23988	23988
	[10,000 shares (10,000) of ₹1 each]		
4	**Debentures and Bonds**		
(i)	Special Development Debentures of SCARDBs	49545998	64692423
(ii)	Non Convertible Debentures	4273562	1500877
(iii)	NTPC – Non-convertible Debentures	875	875
5	**Others**		
(a)	Mutual Fund	46953532	6002909
(b)	Commercial Paper	20721647	9751097
	[Face Value ₹21500,00,00,000 (₹1000,00,00,000)]		
(c)	Certificate of Deposit	78947383	41607919
	[Face Value ₹7995,00,00,000 (₹4250,00,00,000)]		
(d)	SEAF – Indian Agri- Business	92626	83312
(e)	APIDC – Venturies Life Fund III	139347	124869
(f)	BVF (Bio-Tech Venture Fund) – APIDC-V Investment	49835	49835
(g)	Ominovore India Capital Trust	177340	130080
(h)	India Opportunities	102184	73205
(i)	IvyCap Ventures Fund	196000	120000
(j)	Tata Capital Innovation Fund	492386	295125
(k)	TVS Shriram Growth Fund IB	200637	83437
(l)	Golden Gujarat Growth Fund	5000	0
(m)	Investment Earmarked towards EOL	2471931	2576038
	Total	**262857812**	**213600223**

All the above investments are made in India
@ The company is valued at Rs.1/-. The provision against the investment is shown under the head Provision against Non Performing Investments Schedule -9 (Refer Note B-35 of Schedule 18)

Consolidated Schedule 11 – Advances

(₹ thousands)

Sr. No.	Particulars	As on 31.03.2016	As on 31.03.2015
1	**Refinance Loans**		
(a)	Production & Marketing Credit	697188241	887112142
(b)	Conversion Loans for Production Credit	4468997	0
(c)	Other Investment Credit :		
(i)	Medium Term and Long Term Project Loans	835071478	611726719
(ii)	Interim Finance	0	0
(iii)	Direct refinance to DCCBs	32507500	28181668
(iv)	NABARD (Warehousing) Refinance Scheme	0	0
(v)	JNN Solar Mission	62405	132559
2	**Direct Loans**		
(a)	Loans under Rural Infrastructure Development Fund	913841186	835452344
(b)	Loans under Warehouse Infrastructure Fund	23619548	11535018
(c)	Long Term Non-Project Loans	11270853	9992947
(d)	Loans under NABARD Infrastructure Development Assistance (NIDA)	32388945	22226312
(e)	Loans under Producers' Organisation Development Fund (PODF)	3777682	3548625
(f)	Loans under Credit Facility to Federations [CFF]	49485000	48274500
(g)	Loans under Food Processing Fund	205680	0
(g)	**Other Loans:**		
(i)	Co-operative Development Fund Programme Loans	8572	12857
(ii)	Micro Finance Development Equity Fund Programme Loans	44379	128110
(iii)	Watershed Development Fund Programme Loans	399715	414501
(iv)	Tribal Development Fund Programme Loans	146391	151130
(v)	KfW UPNRM Loans	987526	1272442
(vi)	Farm Innovation & Promotion Fund Programme Loans	0	0
(vii)	NFS Promotional Activities Programme Loans	0	73616
(viii)	Farmers Technology Transfer Fund	0	2029
(ix)	Off Farm Sector Promotion Activities	412686	124820
(x)	Farm Sector Promotion	4987	17039
(h)	Co-Finance Loans(Net of provision)	31759	95008
(i)	CP – HCC Deemed Advance	0	485918
	Total	**2605923530**	**2460960304**

Consolidated Schedule 12 – Fixed Assets

(₹ thousands)

Sr. No.	Particulars	As on 31.03.2016	As on 31.03.2015
1	**LAND : Freehold & Leasehold**		
	Opening Balance	1624360	1628333
	Additions/adjustments during the year	118971	-3972
	Sub-Total	1743331	1624360
	Less: Cost of assets sold/written off	0	0
	Closing Balance (at cost)	1743331	1624360
	Less: Amortisation of Lease Premia	512019	490640
	Book Value	**1231312**	**1133720**
2	**PREMISES**		
	Opening Balance	3390933	3043584
	Additions/adjustments during the year	241667	347349
	Sub-Total	3632600	3390933
	Less: Cost of assets sold/written off	0	0
	Closing Balance (at cost)	3632600	3390933
	Less: Depreciation to date	2271980	2155987
	Book Value	**1360620**	**1234946**
3	**FURNITURE & FIXTURES**		
	Opening Balance	617327	574143
	Additions/adjustments during the year	23908	47928
	Sub-Total	641234	622071
	Less: Cost of assets sold/written off	9283	4810
	Closing Balance (at cost)	631952	617262
	Less: Depreciation to date	582190	574322
	Book Value	**49762**	**42939**
4	**COMPUTER INSTALLATIONS & OFFICE EQUIPMENTS**		
	Opening Balance	990177	912640
	Additions/adjustments during the year	82824	101645
	Sub-Total	1073001	1014285
	Less: Cost of assets sold/written off	34062	28386
	Closing Balance (at cost)	1038939	985899
	Less: Depreciation to date	922212	852827
	Book Value	**116727**	**133072**

(Contd)

Sr. No.	Particulars	As on 31.03.2016	As on 31.03.2015
5	**VEHICLES**		
	Opening Balance	62659	55433
	Additions/adjustments during the year	41863	18073
	Sub-Total	104522	73506
	Less: Cost of assets sold/written off	22748	10788
	Closing Balance (at cost)	81774	62718
	Less: Depreciation to date	35019	35328
	Book Value	46755	27390
6	Capital Work in Progress [Purchase of Staff Quarters & Office Premises]	835451	706258
	Total	**3640627**	**3278325**

Consolidated Schedule 13 – Other Assets

(₹ thousands)

Sr. No.	Particulars	As on 31.03.2016	As on 31.03.2015
1	Accrued Interest	35772803	43428617
2	Deposits with Landlords	26357	43052
3	Deposits with Government Departments and Other Institutions	36170	33875
4	Housing loan to staff	1404451	1547967
5	Other Advances to staff	972913	904587
6	Advances to Landlords	114	104
7	Sundry Advances	764393	588418
8	Provision for Gratuity	0	0
9	Advance Tax (Net of Provision for Income Tax)	3823401	2498533
10	Deferred Tax Assets	1646437	1530623
11	Expenditure recoverable from Government of India / International Agencies.	172858	335805
12	Discount Receivable	1051214	1513772
	Total	**45671111**	**52425354**

Consolidated Schedule 14 – Interest and Financial Charges

(₹ thousands)

Sr. No.	Particulars	2015–16	2014–15
1	Interest Paid on		
a)	Deposits under RIDF	57377886	52925213
b)	Short Term Cooperative Rural Credit Fund	25526753	23143804
c)	ST RRB Credit Refinance Fund	14516488	12719544
d)	Tea / Coffee / Rubber Deposits	175861	202739
e)	CBS Deposits	736	7733
f)	Deposits / Borrowings	13910	14724
g)	Loans from Central Government	10117	21458
h)	Borrowings from Reserve Bank of India	0	0
i)	Bonds	33305726	29700145
j)	Commercial Paper	9720616	4293209
k)	Term Money Borrowings	650857	240501
l)	Borrowing against ST Deposit	60	270
m)	Discount Cost Paid on Certificate of Deposits	422318	0
n)	Borrowings from International Agencies	259450	276995
o)	Watershed Development Fund	643375	571474
p)	Rural Innovation Fund	0	29968
q)	Financial Inclusion Fund	1329720	1083983
r)	Indo German Watershed Development Programme – Andhra Pradesh	260	236
s)	Indo German Watershed Development Programme – Rajasthan	0	96
t)	Indo German Watershed Development Programme – Gujarat	1680	123
u)	KfW UPNRM – Accompanying measures	1351	1846
v)	KfW – NB Indo German Watershed Development Programme – Phase III – Maharashtra	189	456
w)	KfW – NB – IX Adivasi Development Programme	0	3806
x)	KFW NB V – Adivasi Project	457	840
y)	Commitment Charges -KfW UPNRM Borrowings	1196	2642
z)	Multi Activity Approach for Poverty Alleviation BAIF Project – Sultanpur, Uttar Pradesh	36	45
aa)	Multi Activity Approach for Poverty Alleviation BAIF Project -Rae Bareli, Uttar Pradesh	10	12
ab)	Cattle Development Programme (UP & Bihar)	57	71
ac)	Tribal Development Fund	498253	641222
ad)	Centre for Professional Excellence in Co-operatives (C – PEC)	1278	1406

(Contd)

Sr. No.	Particulars	2015–16	2014–15
ae)	Warehouse Infrastructure Fund	1213901	879528
af)	Long Term Rural Credit Fund	7000694	1247664
ag)	Fund for Food Processing Units	59875	0
ah)	National Adaptation Fund for Climate Change	10667	0
2	Discount on Collateralised Borrowing and Lending Obligations	1078061	967365
3	Discount, Brokerage, Commission & issue exp. on Bonds and Securities	354883	91663
4	Capital Loss – Equity Shares of Other Institutions	4229	564
5	Swap Charges	217587	231629
	Total	**154398537**	**129302976**

Consolidated Schedule 15 A – Establishment and Other Expenses

(₹ thousands)

Sr. No.	Particulars	2015–16	2014–15
1	Salaries and Allowances	7354893	7406057
2	Contribution to / Provision for Staff Superannuation Funds	4653011	2513310
3	Other Perquisites & Allowances	391843	319341
4	Travelling & Other allowances in connection with Directors' & Committee Members' Meetings	2906	4521
5	Directors' & Committee Members' Fees	607	500
6	Rent, Rates, Insurance, Lighting, etc.	361963	329559
7	Travelling Expenses	360695	314148
8	Printing & Stationery	48743	45316
9	Postage, Telegrams & Telephones	136544	126914
10	Repairs	283120	197987
11	Auditors' Fees	4442	4709
12	Legal Charges	15645	19447
13	Miscellaneous Expenses	853441	805162
14	Expenditure on Miscellaneous Assets	80715	84030
15	Expenditure on Study & Training	623671	530431
16	Wealth Tax	-6697	55454
	Total	**15165542**	**12756886**

Consolidated Schedule 15 B – Expenditure on Promotional Activities

(₹ thousands)

Sr. No.	Particulars	2015–16	2014–15
1	Cooperative Development Fund	153997	117109
2	Farm Innovation and Promotion Fund	0	0
3	Producers' Organization Development Fund	26233	21471
4	Rural Infrastructure Promotion Fund	26042	22935
5	Exp. for NFS Promotional Measures/Activities	0	15203
6	Activities under FSPF	249093	436372
7	Climate Change	0	63
	Total	**455365**	**613153**

Consolidated Schedule 16–Provisions

(₹ thousands)

Sr. No.	Particulars	2015–16	2014–15
	Provisions for :		
1	Standard Assets	521336	1242827
2 (a)	Non Performing Assets	757687	65758
2 (b)	Non Performing Assets – staff	147	364
3	Provision for Non performing Investment	0	160000
4	Depreciation in Value of Investment Account – Equity	0	–5928
5	Sacrifice in interest element of restructured Accounts	–119558	–219636
6	Other Assets / Receivable	124378	–39219
7	Amount written off	2221	2887
	Total	**1286211**	**1207053**

Consolidated Schedule 17 – Commitments and Contingent Liabilities

(₹ thousands)

Sr. No.	Particulars	As on 31.03.2016	As on 31.03.2015
1	Commitments on account of capital contracts remaining to be executed	712968	510219
	Sub Total "A"	712968	510219
2	Contingent Liabilities		
(i)	Claims against the Bank not acknowledged as debt	2860	0
	Sub Total "B"	2860	0
	Total (A + B)	**715828**	**510219**

Schedule 18

Significant Accounting Policies and Notes forming Part of Accounts for the year ended March 31, 2016

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation:

The accounts are prepared on the historical cost convention and comply with all material aspects contained in the National Bank for Agriculture and Rural Development Act, 1981 and Regulations thereof, applicable Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI) and regulatory norms prescribed by the Reserve Bank of India (RBI). Except otherwise mentioned, the accounting policies have been consistently applied by the National Bank for Agriculture and Rural Development (the Bank/NABARD) and are consistent with those used in the previous year.

2. Basis of Consolidation

The Consolidated Financial Statements are prepared in accordance with Accounting Standard 21 – "Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India.

The excess/deficit of the cost to the Bank of its investment, over the Bank's portion of net assets at the time of acquisition of shares is recognized in Reserves & Surplus.

The Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and events in similar circumstances and necessary adjustments required for deviations, if any to the extent possible, are made in the consolidated financial statements and are presented in the same manner as the Bank's standalone financial statements. The figures pertaining to the Subsidiary Companies have been recast/ reclassified wherever necessary to bring them in line with the parent Bank's financial statements.

The financial statements of the subsidiaries used in the consolidation are drawn up to the same reporting date as that of the Bank.

The Notes and Significant accounting policies to the Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide to better understanding of the consolidated position of the Group. In this respect, the Bank has disclosed such notes and policies which fairly present the needed disclosures, and such other notes and statutory conformation disclosed in the financial statements of the parent and the subsidiary companies which are not having any effect on the true and fair view of the Consolidated Financial statements are excluded.

The financial statements of the Bank and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra-group transactions. The unrealized profits or losses resulting from the intra-group transactions have been eliminated and unrealized losses resulting from the intra-group transactions have also been eliminated unless cost cannot be recovered.

Share of minority interest in the net profit of the consolidated subsidiaries is identified and adjusted against the profit after tax to arrive at the net income attributable to shareholders. Share of minority interest in losses of the consolidated subsidiaries, if exceeds the minority interest in the equity, the excess and further losses applicable to the minority, are adjusted against the Group's interest.

Share of minority interest in net assets of consolidated subsidiaries is presented in the consolidated balance sheet separately from liabilities and the equity of the company's shareholders.

3. The consolidated financial statements present the accounts of the Bank with its following subsidiaries:

Name of the Subsidiary	*Country of Incorporation*	*Proportion of Ownership (%)*	
		2015–16	*2014–15*
NABKISAN Finance Ltd. (formerly known as " Agri Development Finance (Tamilnadu) Ltd." (ADFT)	India	86.22	78.29
Agri Business Finance (AP) Ltd. (ABFL)	India	84.03	72.46
NABARD Financial Services Limited (NABFINS)	India	67.01	67.01
NABARD Consultancy Pvt. Ltd. (NABCONS)	India	100	100

4. Use of Estimates:

Preparation of financial statements in conformity with the Generally Accepted Accounting Principles (GAAP) requires the management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of the operations for the reporting period. Although these estimates are based on the management's best knowledge, the actual results could differ for these estimates. Such differences are recognized in the year of outcome of such results.

5. Revenue recognition:

5.1 Income and expenditure are accounted on accrual basis, except the following, which are accounted on cash basis:

i) Interest on non-performing assets identified as per Reserve Bank of India (RBI) guidelines.

ii) Income by way of penal interest charged due to delayed receipt of loan dues or non–compliance with terms of loan.

iii) Service Charges on loans given out of various Funds.

iv) Expenses not exceeding ₹10,000 at each accounting unit, under a single head of expenditure.

5.2 Discount on Bonds and Commercial Papers issued are amortized over the tenure of Bonds and Commercial Papers. Issue expenses relating to floatation of bonds are recognized as expenditure in the year of issue of Bonds.

5.3 Dividend on investments is accounted for, when the right to receive the dividend is established.

5.4 Release of subsidy in which NABARD is acting as a pass through agency is accounted for on payment basis subject to availability of funds under the respective schemes.

5.5 Income from Venture Capital funds is accounted on realization basis.

5.6 Provision for Wealth Tax is made, in accordance with the provisions of Wealth Tax Act, 1957.

5.7 Recovery in non-performing assets (NPA) is appropriated in the following order:

i) penal interest

ii) cost & charges

iii) overdue interest and interest

iv) Principal

5.8 Interest from the term loan disbursed and interest from banks are recognized on time proportion basis taking into account amount outstanding and the rate applicable.

5.9 Income from services

5.9.1 Income from Assignments: Income from assignments constitute the main source of income for the Company (NABCONS). Recognition of revenue and corresponding expenses incurred on particular assignments are taken into account at the time when the assignment are completed. An assignment is treated as completed

- in case of preparation of DPR as soon as the draft report has been issued to the party.
- in case of big assignments where execution is spread over to more than one year, the income has been recognized based on the milestones completed and deliveries effected.
- in case assignment is a time bound contract for more than a year income is recognized in proportion to period completed.

5.9.2 In case of foreign assignments, the income has been recognized as soon as the assignment is executed.

5.9.3 As per the view taken by the management, the assignments which are not likely to be continued were closed on "as is where is" basis and the amount received thereon has been treated as income.

5.9.4 An advance received on progressive basis for ongoing assignments is shown as a separate item as advance received from clients and treated as current liability. The expenses incurred on such assignments are shown as current assets.

5.9.5 In respect of Pass through and monitoring agency assignment, as per terms of agreement, NABCONS is entitled to deduct 1.5% of the amount released at the time of release of each installment towards professional fees. The income has been recognized at the time of release of each instalment amount.

6. Fixed Assets and Depreciation

a) Fixed assets are stated at cost of acquisition, less accumulated depreciation and impairment losses, if any. The cost of assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Subsequent expenditure incurred on existing asset is capitalized, only when it increases the future benefit from the existing assets beyond its previously assessed level of performance.

b) Land includes free hold and leasehold land.

c) Premises include value of land, where segregated values are not readily available.

d) Depreciation on premises situated on free hold land is charged at 10% p.a., on written down value basis.

e) Depreciation on leasehold land and premises situated thereon is computed and charged at 5% on written down value basis or the amount derived by amortizing the premium/cost over the remaining period of leasehold land, on straight-line basis, whichever is higher.

f) Fixed Assets costing `1 lakh and less (except easily portable electronic assets such as laptops, mobile phones, etc.) are charged to the Profit and Loss Account in the year of acquisition. Easily portable electronic assets such as laptops, mobile phones, etc., are capitalized, if individual cost of the items is more than ₹10,000/-. All software costing ₹1 lakh each and less, purchased independently are charged to the Profit and Loss Account.

g) Depreciation on other fixed assets is charged over the estimated useful life of the assets ascertained by the management at the following rates on Straight Line Method basis:

Type of Assets	*Depreciation Rate*
Furniture and Fixtures	20%
Computer & Software	33.33%
Office Equipment	20%
Vehicles	20%

h) Depreciation is charged for the full year, irrespective of the date of purchase of asset. No depreciation is charged in the year of sale.

i) Capital work in progress includes capital advances and is disclosed under Fixed Assets.

j) In case of following subsidiaries the depreciation on fixed assets is

Name of the Subsidiary	*Method of Depreciation*
NABKISAN Finance Ltd. (formerly known as " Agri Development Finance (Tamilnadu) Ltd."(ADFT)	WDV as per Schedule XIV
Agri Business Finance (AP) Ltd. (ABFL)	WDV as per Schedule XIV
NABARD Financial Services Limited (NABFINS)	SLM as per Schedule XIV
NABARD Consultancy Pvt. Ltd. (NABCONS)	WDV as per Schedule XIV

provided on following basis

7. Investments

a) In accordance with the RBI guidelines, Investments are classified into "Held for Trading" (HFT), "Available for Sale" (AFS) and "Held to Maturity" (HTM) categories (hereinafter called "categories").

b) Securities that are held principally for resale within 90 days from the date of purchase are classified as "HFT". Investments that the Bank intends to hold till maturity are classified as "HTM". Securities which are not to be classified in the above categories are classified as "AFS".

c) Investments classified under Held to Maturity category are carried at acquisition cost, wherever cost is equivalent to face value or less. If cost is more than the face value, the premium is amortized over the period remaining to maturity. Provision for diminution, other than temporary, in the value of investments in subsidiaries and joint ventures under the category "HTM" is made, wherever necessary. Provision for diminution/ amortization, in value of such investments, is included under Current Liabilities and Provisions.

d) Profit on redemption of investment categorized under "HTM" is recognized in Profit & Loss A/c and then transferred to Reserve A/c.

e) Investments under "AFS" are marked to market, scrip-wise, at the rate, declared by Primary Dealers Association of India (PDAI), jointly with Fixed Income Money Market and Derivative Association of India (FIMMDA). Net depreciation, if any, is provided for investments in the category classified as "AFS" and appreciation is ignored. The book value of the individual scrip are not changed after the revaluation.

f) Investments under "HFT" are marked to market, scrip-wise, at the rate, declared by Primary Dealers Association of India (PDAI), jointly with Fixed Income Money Market and Derivative Association of India (FIMMDA). Depreciation/ appreciation is recognized in the category for investments classified as "HFT". The book value of the individual scrip are changed after the revaluation.

g) Investments in subsidiaries, joint ventures and associates are classified as Held to Maturity.

h) Treasury Bills, Commercial Papers

and Certificates of Deposits are valued at carrying cost.

i) Unquoted Shares are valued at breakup value, if the latest Audited Accounts of the investee companies are available, or at ₹1/- per Company as per RBI guideline.

j) Brokerage, commission, etc. paid in respect of investments including unlisted equities, at the time of acquisition, are charged to revenue.

k) Brokerage, paid on acquisition/ disposal of equities traded on stock exchange is capitalized.

l) Broken period interest paid/ received on debt investment is treated as interest expenses/ income and is excluded for cost/ sale consideration.

m) Transfer of a security between the categories is accounted for, at lower of the acquisition cost/book value/ market value on the date of transfer and depreciation, if any, on such transfer, is fully provided for.

n) Amortization/Gain/Loss on Revaluation of Government Securities is charged to Profit and Loss Account.

o) Weighted average cost method has been followed for accounting for investments.

8. Advances and Provisions thereon

a) Advances are classified as per RBI guidelines. Provision for standard assets and non–performing assets is made in respect of identified advances, based on a periodic review and in conformity with the provisioning norms prescribed by RBI.

b) In case of restructuring/ rescheduling of advances, the difference between the present value of future principal and interest as per the original agreement and the present value of future principal and interest as per the revised agreement is provided for.

c) Advances are stated net of provisions towards Non-performing Advances.

d) Provision for Non-Performing Loans in respect of loans granted out of funds are charged to the respective funds to the extent available.

9. Foreign Currency Transactions

As per Accounting Standard (AS-11) (Revised 2003) on Accounting for the Effects of Changes in Foreign Exchange Rates issued by the Institute of Chartered Accountants of India; following accounting treatment is given to foreign exchange transactions:

a) Assets and liabilities in foreign currency, are revalued at the exchange rate notified by Reserve Bank of India (using FEDAI rates till last year) as at the close of the year and disclosed as a contra item in the Balance Sheet (as off Balance Sheet item). The liability towards foreign currency borrowings is fully hedged and stated in the Balance Sheet at the contracted value (as off balance sheet item).

b) Income and Expenditure items are translated at the exchange rates prevailing on the date of the transaction.

10. Accounting for Foreign Exchange Contracts

a) Foreign Exchange Contracts are

to hedge the repayment of foreign currency borrowings.

b) The foreign exchange contracts are revalued at the exchange rates notified by FEDAI at the year end. The resultant gain/loss on revaluation is recognised in the Profit & Loss Account under the head Gains/Loss on revaluation of Forward Exchange Contract Account. Premium/ discount are accounted over the life of the contract.

c) The Profit / Loss on cancellation and renewal of foreign exchange contracts are recognised in Profit and Loss Account under the head 'Profit / Loss on Foreign Currency Loan Account'.

11. Employee Benefits

All personnel transferred from RBI are considered as employees of the Bank and provisions for Employee Benefits are made accordingly. Actuarial valuation, wherever required, are carried out at each balance sheet date.

a) Short Term Employee Benefits:

The undiscounted amount of short-term employee benefits, which are expected to be paid in exchange for the services rendered by employees are recognised during the period when the employee renders the service.

b) Post Retirement Benefits:

i) **Defined Contribution Plan**

The Bank has a Provident Fund Scheme in respect of all eligible employees who joined the Bank on or before 31 December 2011. The scheme is managed by RBI. Contribution is recognized on accrual basis.

The Bank has introduced a New Pension Scheme (NPS) for all the officers/employees who have joined the services of the Bank on or after 01 January 2012. The Bank has adopted the "NPS-Corporate Sector Model", a defined contribution plan, as formulated by the Pension Fund Regulatory and Development Authority (PFRDA). Contribution to the Fund is made on accrual basis.

ii) **Defined Benefit Plan**

a. Provision for gratuity is made based on actuarial valuation, made at the end of each financial year based on the projected unit credit method in respect of all eligible employees. The scheme is funded by the Bank and is managed by a separate trust. Actuarial gain or loss are recognised in the Profit and Loss Account on accrual basis.

b. Provision for pension is made based on actuarial valuation, in respect of all eligible employees who joined the Bank on or before 31 December 2011. The scheme is funded by the Bank and is managed by a separate trust.

iii) **Other Long Term benefits**

All eligible employees of the bank are eligible for compensated absences. All the eligible employees are also eligible for post-retirement medical benefits.

The cost of providing other long term benefits is determined using the projected unit credit method based on actuarial valuations being carried out at each balance sheet date. Actuarial gain or loss are recognised in the Profit and Loss Account on accrual basis.

12. Taxes on Income

a) Tax on income for the current period is determined on the basis of taxable income and tax credits computed, in accordance with the provisions of Income Tax Act, 1961 and based on expected outcome of assessments/appeals.

b) Deferred tax is recognized, on timing difference, being the difference between taxable income and accounting income for the year and quantified, using the tax rates and laws that have been enacted or substantively enacted, as on Balance Sheet date.

c) Deferred tax assets relating to unabsorbed depreciation/business losses are recognised and carried forward to the extent that there is virtual certainty that sufficient future taxable income will be available against which, such deferred tax assets can be realized.

d) Tax paid/provided on taxable income earned by the funds are accounted as expenditure of respective funds.

13. Segment Reporting

a) Segment revenue includes interest and other income directly identifiable with / allocable to the segment.

b) Income, which relates to Bank as a whole and not allocable to segments is included under "Other Unallocable Bank income".

c) Expenses that are directly identifiable with/allocable to segments are considered for determining the segment result. The expenses, which relate to the Bank as a whole and not allocable to segments, are included under "Other Unallocable Expenditure".

d) Segment Assets and Liabilities include those directly identifiable with the respective segments. Unallocable Assets and Liabilities include those that relate to the Bank as a whole and not allocable to any segment.

14. Impairment of Assets

a) As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine:

   i) the provision for impairment loss, if any, required; or

   ii) the reversal, if any, required for impairment loss recognized in the previous periods.

b) Impairment loss is recognized when the carrying amount of an asset exceeds recoverable amount.

15. Provisions, Contingent Liabilities and Contingent Assets

15.1 Provisions are recognised for liabilities that can be measured only by using substantial degree of estimation if:

   a) the Bank has a present obligation as a result of a past event;

   b) a probable outflow of resources is expected to settle the obligation; and

c) the amount of the obligation can be reliably estimated.

15.2 Contingent liability is disclosed in the case of:

a) a possible obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation,

b) a present obligation when no reliable estimate is possible, and

c) a possible obligation arising from past events where the probability of outflow of resources is remote.

15.3 Contingent assets are neither recognized, nor disclosed.

15.4 Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

16. Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank, cash in hand, demand deposits with banks and other short-term investments with an original maturity of three months or less.

B. NOTES FORMING PART OF THE ACCOUNTS

1. In accordance with the direction of the Board of Directors, the bank had carried out reclassification of various funds in the Schedules of the Balance Sheet and combined the Schedules 3,4 & 5 into two schedules viz; 3 & 4 and accordingly presented the same in the current year's financial statements.

2. With a view to separately disclose the provisions made by the bank, the provisions hitherto disclosed as part C of Schedule 16 has been disclosed in a separate Schedule viz; Schedule 16 ,and the Establishment & Other Expenses and Expenditure on Promotional Expenditure hitherto forming Part A and B of Schedule 16 has been presented as Part A and B of Schedule Schedule 15.

3. In accordance with the instruction issued by Reserve Bank of India vide letter No. DCBR.RCBD.BPD. No.4/19.51.010/2015-16 dated 15 October 2015, the Financial Inclusion Technology Fund (FITF) and Financial Inclusion Fund (FIF) have been merged to form a single fund viz; Financial Inclusion Fund. Accordingly the expenditure of erstwhile FITF are accounted as the expenditure of FIF.

4. In terms of the agreement with Kreditanstalt Fur Wiederaufbau - German Development Bank (KfW), accretion/income and expenditure under UPNRM have been charged to the fund. The loans granted out of this fund have been classified as direct loans and disclosed under Schedule 12. The borrowing related to the UPNRM are classified as borrowing from international agencies and disclosed under Schedule 8.

   During the year, a sum of ₹ 16.36 crore towards NPA for loans granted under Kfw UPNRM Scheme and the same has been charged to Profit & Loss Account.

5. Interest on unutilized balances has been credited to the following funds as per the respective agreements/as approved by the management. The details of rate of interest for respective funds are as under:

Sr No	Name of the Fund	Rate of Interest for 2015–16	Rate of Interest for 2014–15
1.	Watershed Development Fund	6%	6%
2.	KfW- NB IGWDP (Andhra Pradesh, Gujarat, Maharashtra, Rajasthan)	6%	6%
3.	KfW Accompanying Measures	6%	6%
4.	National Adaptation Fund for Climate change	6%	6%
5.	Tribal Development Fund	6%	6%
6.	Financial Inclusion Fund	6%	6%
7	Kfw NB- V Adivasi Development Programme-Gujrat	6%	6%
8.	Cattle Development Fund (UP & Bihar)	7.88%	10.80%
9	Multi Activity Approach For Poverty Alleviation (Sultanpur and Rae Bareilly)	7.88%	10.80%
10	Center for Professional Excellence in Co-operatives.	7.88%	10.80%
11	Kfw NB- IX- Adivasi Development Programme-Maharashtra	–	10.80%

6. Recoverable from Government of India/International Agencies (Refer Schedule-14 of Balance Sheet) includes ₹33.58 crore (₹24.69 crore) being debit balance of various funds. The details of such funds are as under:

(₹ crore)

Sr. No.	Name of the Fund	31–03–2016	31–03–2015
1	KfW- NB IGWDP (Andhra Pradesh)	–	0.09
2	KfW- NB IGWDP (Rajasthan)	5.31	2.01
3	IFAD- Priyadarshni Programme	–	6.80
4	GIZ UPNRM- Technical Collaboration	–	0.20
5	KfW UPNRM Fund	11.44	–
6	KfW UPNRM- Financial Contribution	0.39	0.62
7	Implementation Cost [RRR - Handloom Package]	–	8.55
8	Interest Subvention [RRR - Handloom Package]	–	13.63
9	Technical Assistance [RRR - Handloom Package]	–	1.37
10	IFAD-MRCP	–	0.06
11	Others	0.15	0.25

7. Sundry creditors includes ₹32.12 crore (₹35.50 crore) being amounts outstanding to contributors in respect of Micro Finance Development and Equity Fund (MFDEF), which was closed in the earlier year. Details of the same is as under:

(₹ crore)

Particulars	*Opening Balance as on 01 April 2015*	*Excess contribution by NABARD Transferred to Reserve Fund*	*Withdrawn towards provision for NPA*	*Closing Balance as on 31 March 2016*
1	2	3	4	5 [2-(3+4]
Sundry Creditors-mFDEF	35.50	3.21	0.17	32.12

8. Pursuant to the directions of RBI, the relative margin available to the Bank in excess of 0.5 per cent in respect of Rural Infrastructure Development Fund (RIDF) deposits, Short Term Co-operative Rural Credit Refinance Fund (STCRC) deposits, Short Term RRB Credit Refinance Fund (STRRB) deposits and Warehousing Infrastructure Fund (WIF) deposits, placed by the Commercial Banks is credited to Tribal Development Fund and Financial Inclusion Fund as per directions of Reserve Bank of India. Previous year, the amounts were credited to Tribal Development Fund, Watershed Development Fund and Financial Inclusion Fund.

9. The Bank has created to new funds out of its post tax profits viz; Gramya Vikas Nidhi and Climate Fund with a corpus of ₹20.00 crore and ₹5.00 crore respectively.

10. In Financial Year 2015-16 tax on proposed dividend is being used to calculate profit available for appropriation. Previous year figure of ₹12.46 lakhs pertaining to tax on proposed dividend has not been regrouped.

11. Subvention received/receivable from Government of India (GOI) under Seasonal Agricultural Operations (SAO) amounting to ₹1353.14 crore (₹1416.37 crore) and ₹17.12 crore (₹17.11 crore) under National Rural Livelihood Mission (NRLM) respectively, being the difference between the cost of borrowing by NABARD and the refinance rate, has been reduced from interest and financial charges and shown as accrued interest and disclosed under Schedule 14.

12. Other receipts includes ₹168.43 crore (₹162.62 crore) received/ receivable from GOI towards administration charges on providing refinance under interest subvention scheme to StCBs, RRBs and to CCBs, Public Sector Banks for financing Primary Agriculture Co-operative Societies (PACS) for Seasonal Agricultural Operations and under NRLM scheme.

13. The salaries and allowances of the employees of the Bank are

reviewed every five years. The review is due from 01 November 2012. Pending such settlement an amount of ₹150.00 crore (₹135.00 crores) has been provided under the head “Salary and Allowances” during the year.

14. The Bank, during the year, in accordance with AS 22 “Accounting for taxes on Income”, recognized in the Profit and Loss Account the deferred tax of ₹11.06 crore (₹35.70 crore). The details of the deferred tax are as under:

(₹ crore)

Sr. No.	Deferred Tax Assets	31 March 2016	31 March 2015
1	Provision allowable on payment basis	124.97	117.71
2	Depreciation on Fixed Assets	37.55	33.75
	Total	**162.52**	**151.46**

Provision for Deferred Tax on account of Special Reserve created u/s 36(1)(viii) of the Income Tax Act, 1961, is not considered necessary, as the Bank has decided not to withdraw the said reserve.

15. The tax liability of the Bank for the Assessment Year 2002-03 amounting to ₹373.15 crore was assessed by the Income Tax Department. The Bank has provided and paid the said liability. However, the Bank has filed an appeal against the order of the CIT Appeals with the Income Tax Appellate Tribunal.

16. Income Tax Department had reopened the assessment for the Assessment Year 2006-07, during the FY 2011-12. An amount of ₹343.21 crore has been added to the income of the bank during the reassessment of the income. Out of the above,

a) An amount of ₹132.08 crore has been made on account of differential interest accounted under the RIDF which was credited to Watershed Development Fund in terms of the RBI directions.

b) Further, an amount of ₹211.13 crore has been added to the income on other accounts. In the opinion of the management, in respect of these additions, there is remote possibility of any tax outflow. The Bank has filed an appeal against the above order with CIT-Appeals and also a rectification application with Assessing Officer. Pending the outcome of the appeal/rectification application, the bank had accounted the tax including interest amounting to ₹97.83 crore under the head Watershed Development Fund as an expenditure of the fund, in accordance with the resolution of the Board.

The bank has paid an amount of ₹162.16 crore out of the total demand of ₹254.22 crore by way of adjustment of refund of taxes of previous years and preferred an appeal with CIT (A) against the re-opening of the assessment. The CIT (A) vide his order dated 26 February 2016 has upheld NABARD's appeal and ruled against the reopening of completed assessment by IT department.

17. During the Reassessment of the income for the Assessment Year 2007–08 (reopened during 2011–12) an additional tax liability of ₹157.47 crore was assessed on account of differential interest accounted under the RIDF. The Bank has paid the said liability wherein ₹27.46 crore has been charged to Tribal Development Fund during the current year. However, the Bank had filed an appeal against the above order with CIT-Appeals. During the year 2015–16, the CIT (A) vide his order dated 30 March 2016 has upheld NABARD's appeal and ruled against the reopening of completed assessment by IT department.

18. Income Tax Department had reopened the assessment for the Assessment Year 2008–09 during the Financial Year 2012–13 and additional tax liability of ₹174.59 crore was assessed on account of differential interest accounted under the RIDF/STCRC. The Bank has paid said liability in prior years and preferred an appeal against the above order with CIT- Appeals. During the year 2015–16, the CIT (A) vide his order dated 30 March 2016 has upheld NABARD's appeal and ruled against the reopening of completed assessment by IT department.

19. Income Tax Department had reopened the assessment for the Assessment Year 2009–10 during the Financial Year 2012–13 and raised a demand of ₹256.90 crore due to RIDF differential interest and other disallowances which has been paid by the bank in prior years and preferred an appeal with CIT(A) against the re-opening of the assessment. During the year 2015–16, the CIT (A) vide his order dated 30 March 2016 has upheld NABARD's appeal and ruled against the reopening of completed assessment by IT department.

20. During the Assessment of the income for the Assessment Year 2010–11 a tax liability of ₹313.07 crore was assessed on account of differential interest accounted under the RIDF/STCRC and others. The Bank has paid the liability in prior years. The Bank has filed an appeal against the above order with CIT- Appeals. The tax amount of ₹276.66 crore was accounted under Tribal Development Fund during FY 2012–13. During the year 2015–16, CIT (A) vide his order dated 26 February 2016 upheld our appeal for non-levy of income tax on differential interest accounted under the RIDF/STCRC.

21. During the Assessment of the income for the Assessment Year 2011–12 a tax liability of ₹424.95 crore was assessed on account of differential interest accounted

under the RIDF/STCRC and others. The Bank has paid the liability in prior years. However, the Bank has filed an appeal against the above order with CIT-Appeals.

22. The Income Tax Department, for the Assessment year 2012–13, has made an addition of ₹1002.68 crore on account of differential interest accounted under the RIDF/ STCRC which was credited to Tribal Development Fund in terms of the RBI directions. Further, an amount of ₹145.90 crore has been added to the income of the Bank on account of disallowance of expenditure on promotional activities and other disallowances. The Bank has paid the liability in prior years. However, the Bank has filed an appeal against the above order with CIT- Appeals.

23. During the year, the Income Tax Department, for the Assessment year 2013–14, has made an addition of ₹1156.05 crore on account of differential interest accounted under the RIDF/ STCRC which was credited to Tribal Development Fund in terms of the RBI directions. Further, an amount of ₹20.56 crore has been added to the income of the Bank on account of disallowance of expenditure on promotional activities and other disallowances. However, the Bank has filed an appeal against the above order with CIT- Appeals.

24. Free hold land and lease Land' and 'Premises' include – ₹19.58 crore (₹29.87 crore) paid towards Office Premises and Staff Quarters for which conveyance is yet to be completed. Subsequent to the date of the Balance Sheet, conveyance in respect of Staff Quarters valuing to ₹3.58 crores have been executed.

25. Investments in Government securities include the following securities pledged with Clearing Corporation of India Limited as collateral security for borrowings:

(₹ crore)

Particulars	*Face Value*	*Book Value*
Pledged for Business Segment (Securities)	40.00 (40.00)	40.22 (37.26)
Pledged for Business Segment (Collateralised Borrowing and Lending Obligation)	4892.86 (3086.00)	4810.12 (3054.17)

26. The market value of all investments held by NABARD under Held to Maturity (HTM) category was ₹3302.79 crore against the book value of ₹2537.61 crore. Out of this, the market value of investment in Venture Capital Fund was ₹124.45 crore against the book value of ₹121.05 crore. Accordingly, the excess of book value over market value was ₹3.40 crore for which no provision was made as per RBI guidelines.

27. Non performing investments:

(₹ crore)

Particulars	*2015–16*	*2014–15*
Opening balance as at the beginning of financial year	16.00	0.00
Addition during the year	0.00	16.00
Reduction during the above period	0.00	0.00
Closing balance as on 31 March 2016	16.00	16.00
Total Provision held	16.00	16.00

Investment of ₹16.00 crore in Universal Commodity Exchange Limited (UCX) is treated as a Non Performing Investment as the company was barred from operating as a Commodity Exchange following Forward Markets Commission (FMC) directive in July 2014. As per the RBI guidelines the investment in the company is valued at ₹1/-.

28. The movement in **Contingent Liability** as required in AS 29 "Provisions, Contingent Liabilities and Contingent Assets" is as under:

(₹ crore)

Particulars	*2015–16*	*2014–15*
Opening Balance	0.00	0.00
Addition during the year	0.29	0.00
Deletion during the year	0.00	0.00
Closing Balance	0.29	0.00

29. Prior period items included in the Profit and Loss account are as follows:

(₹crore)

Sr. No.	*Particulars*	*2015–16*	*2014–15*
1.	Income	0.01	0.09
2.	Revenue Expenditure	0.02	–0.04
3.	Post-Retirement Medical Benefits	0.00	0.00
4.	Fund Expenditure	0.00	0.00
	Total	**–0.01**	**0.05**

30. Information on Business Segment

(a) **Brief Background**

The Bank has recognized Primary segments as under:

i) **Direct Finance**: Includes Loans given to state governments and other agencies for rural infrastructure development, co-finance loans and loans given to voluntary agencies/non–governmental organizations for developmental activities and other direct loans to Co-operative Banks etc.

ii) **Refinance**: Includes Loans and Advances given to State Governments, Commercial Banks, SCARDBs, StCBs Regional Rural Banks etc. as refinance against the loans disbursed by them to the ultimate borrowers.

iii) **Treasury**: Includes investment of funds in treasury bills, short-term deposits, government securities, etc.

iv) **Unallocated**: Includes income from staff loans and other miscellaneous receipts and expenditure incurred for the developmental role of the bank and common administrative expenses.

(₹ crore)

	Direct Finance	*Refinance*	*Treasury*	*Unallocated*	*Total*
Segment Revenue	7087.17 (6323.87)	10894.96 (9253.43)	2813.80 (2219.21)	68.95 (119.92)	**20864.88** **(17916.43)**
Segment Results	888.59 (709.21)	1582.79 (1898.80)	2680.89 (2080.64)	-1445.01 (-1210.06)	**3707.26** **(3478.59)**
Total carrying amount of Segment Assets	106434.98 (96397.67)	162734.93 (160754.36)	39740.50 (26302.81)	1825.01 (2646.68)	**310735.42** **(286101.52)**
Total carrying amount of Segment Liabilities	102683.19 (93103.87)	158998.38 (152408.75)	16269.13 (10415.80)	32784.73 (30173.10)	**310735.42** **(286101.52)**
Other Items:					
Cost to acquire Segment Assets during the year	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	51.18 (55.47)	**51.18** **(55.47)**
Amortization & Depreciation	0.79 (0.68)	0.00 (0.00)	1.66 (1.24)	26.26 (49.15)	**28.72** **(51.07)**
Non Cash Expenses	107.20 (54.74)	18.75 (54.05)	0.00 (15.43)	250.09 (231.20)	**376.04** **(355.42)**

(b) Information on Primary Business Segment

(c) Since the operations of the Bank are confined to India only there is no reportable secondary segment.

30. Figures in brackets pertain to previous year.

31. Previous year's figures have been regrouped / rearranged wherever necessary.

As per our attached report of even date
Vyas & Vyas
Chartered Accountants
Firm Registration No. 000590C

O.P. Vyas
Partner
Membership No. 014081
23 May 2016

A.K. Sahoo
Chief General Manager
Accounts Department

Harsh Kumar Bhanwala	R. Amalorpavanathan	H.R. Khan	Anup Kumar Dash
Chairman	Deputy Managing Director	Director	Director

Consolidated Cash Flow

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
Consolidated Cash flow for the year ended 31 March 2016

(₹ thousands)

Particulars	***2015–16***	***2014–15***
(a) Cash flow from Operating activities		
Net Profit as per Profit and Loss a/c before tax	**37,072,607**	**34,785,877**
Adjustment for:		
Depreciation	270,526,246	498,258
Provisions and Amortisations	126,599	−42,259
Provision for Non performing Assets	757,834	66,122
Provision for Standard Assets	521,336	1,242,827
Provision for sacrifice in interest element of Restructured Loan	−119,558	−219,636
Profit / Loss on sale of Fixed Assets	−2,034	−199
Interest credited to various Funds (including addition/ adjustment made to Interest Differential Fund)	2,487,334	2,522,998
Income from Investment (including Discount Income)	−28,121,400	−22,310,452

(Contd)

Particulars	*2015–16*	*2014–15*
Operating profit before changes in operating assets	**283,248,964**	**16,543,535**
Adjustment for changes in working capital :		
(Increase) / Decrease in Current Assets	19,873,364	4,346,609
Increase / (Decrease) in Current Liabilities	8,587,307	−6,844,283
Increase in Loans and Advances (Including Housing Loan & Other Advances to Staff	−146,122,838	−331,932,569
Cash generated from operating activities	**165,586,797**	**−317,886,708**
Income Tax paid – Net of refund	−12,950,974	−12,063,788
(Out of above ₹372.03 crore paid on account of taxability of RIDF/		
STCRC differential debited Tribal Development / Financial Inclusion Fund)		
Net cash flow from operating activities (A)	**152,635,823**	**−329,950,496**
(b) Cash flow from Investing activities		
Income from Investment (including Discount Income)	28,104,769	22,298,053
Purchase of Fixed Asset	−270,952,607	−544,354
Sale of Fixed Assets	66,094	43,983
Increase / Decrease in Investment	−97,890,996	44,345,823
Net cash used / generated from investing activities (B)	**−340,672,740**	**66,143,506**
(c) Cash flow from financing activities		
Grants / contributions received	611,203	6,014,610
Proceeds of Bonds	51,160,000	−22,077,036
Increase / (Decrease) in Borrowings	111,183,677	85,063,782
Increase / (Decrease) in Deposits	33,320,939	210,082,811
Tax on Dividend	−1,199,640	−1,020
Increase in Share capital	3,000,000	3,000,000
Net cash raised from financing activities (C)	**198,076,179**	**282,083,147**
Net increase in cash and cash equivalent (A)+(B)+(C)	10,039,262	18,276,157
Cash and Cash equivalent at the beginning of the year	23,521,071	5,244,914
Cash and cash equivalent at the end of the year	**33,560,333**	**23,521,071**

1. Cash and cash equivalent at the end of the year includes :	***2015–16***	***2014–2015***
Cash in hand	23	4,421
Balance with Reserve Bank of India	1,505,492	20,300,379
Balances with other Banks in India	6,788,643	1,567,464
Remittances in Transit	350,780	531
Collateralised Borrowing and Lending Obligations	24,915,395	1,648,276
Total	**33,560,333**	**23,521,071**

As per our attached report of even date
Vyas & Vyas
Chartered Accountants

O.P. Vyas
Partner
M No. 014081
Mumbai
Date: 23 May 2016

A.K. Sahoo
Chief General Manager
Accounts Department
Mumbai
23 May 2016

Harsh Kumar Bhanwala
Chairman

R. Amalorpavanathan
Deputy Managing Director

H.R. Khan
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Abbreviations

ABCI	Association of Business Communicators of India
ABFL	Agri Business Finance Ltd.
ADFL	Agri Development Finance Ltd.
AEPS	Aadhar Enabled Payment System
AFDC	Assam Fishery Development Corporation
AF	Adaptation Fund
AFC	Agriculture Finance Corporation
AIBP	Accelerated Irrigation Benefits Programme
AICIL	Agricultural Insurance Corporation of India Limited
ALM	Asset Liability Management
AMIGS	Agricultural Marketing Infrastructure Grading and Standardization
AMI	Agricultural Marketing Infrastructure
AM	Accompanying Measures
ANBC	Adjusted Net Bank Credit
APMC	Agricultural Produce Marketing Committee
ATIF	Agri-Tech Infrastructure Fund
ATM	Automated Teller Machine
AWCS	Apex Weavers' Cooperative Societies
BC	Business Correspondent
BIRD	Bankers Institute of Rural Development
BRICS	Brazil Russia India China South Africa
BoD	Board of Directors
BoS	Board of Supervision
BVF	Biotechnology Venture Fund
CACP	Commission for Agricultural Costs and Prices
CADA	Command Area Development Authority
CAGR	Compound Annual Growth Rate
CB	Commercial Bank
CBLO	Collateralized Borrowing and Lending Obligation
CBS	Core Banking Solution
CCB	Central Cooperative Bank
CCS	Cooperative Credit Structure
CDF	Cooperative Development Fund
CFF	Credit Facility to Federations
CFT	Cluster Facilitation Teams/ Combating the Financing of Terrorism
CIF	Community Investment Fund
CLMAS	Centralized Loan Management and Accounting System
CMA	Credit Monitoring Arrangement
CP	Commercial Papers
CPCB	Certified Professional in Cooperative Banking
CPC	Central Processing Centre
C-PEC	Centre for Professional Excellence in Cooperatives
CPI	Consumer Price Index
CPIO	Central Public Information Officer
CRAR	Capital to Risk Weighted Assets Ratio
CRRI	Central Road Research Institute
CSA	Climate Smart Agriculture
CSP	Customer Service Point
CSR	Corporate Social Responsibility
CTFC	Certified Trainer for Financial Cooperatives
CTI	Cooperative Training Institution
CTSA	Central Technical Support Agency
CTS	Cheque Truncated System
CVC	Central Vigilance Cell
DAP	Development Action Plan
DCCB	District Central Cooperative Bank
DCC/DLCC	District Consultative Committee/ District Level Consultative Committee
DDM	District Development Manager

DDU-GKY	Deen Dayal Upadhyaya Grameen Kaushalya Yojana
DEDS	Dairy Entrepreneurship Development Scheme
DFID	Department for International Development
DL	Direct Lending/Direct Loan
DMD	Deputy Managing Director
DoPT	Department of Personnel and Training
DR	Disaster Recovery
DTP	Development of Tribal Population
EC	Encumbrance Certificate
ECM	Enterprise Content Management
EDEG	Entrepreneurship Development & Employment Generation
ENSURE	Electronic Submission of Returns
ERMC	Enterprise Risk Management Committee
FAO	Food and Agriculture Organization
FC	Farmers Club
FCI	Food Corporation of India
FDR	Fixed Deposit Receipt
FIF	Financial Inclusion Fund
FIPF	Farm Innovation and Promotion Fund
FITF	Financial Inclusion Technology Fund
FIU-IND	Financial Intelligence Unit India
FLCC	Financial Literacy and Credit Counselling Centre
FPF	Food Processing Fund
FPO	Farmer Producer Organization
FRP	Fair and Remunerative Price
FSPF	Farm Sector Promotion Fund
FSDD	Farm Sector Development Department
FSS	Farmers' Service Society
FYP	Five Year Plan
GBY	Grameen Bhandaran Yojana
GCF	Gross Capital Formation
GCF	Green Climate Fund
GDP	Gross Domestic Product
GGGF	Golden Gujarat Growth Fund
GHG	Green House Gas
GIS	Geographic Information System
GIZ	Deutsche Gesellschaftfür Internationale Zusammenarbeit GmbH
GLC	Ground Level Credit
GOI	Government of India
GPS	Global Positioning System
GVA	Gross Value Added
HDI	Human Development Index
HO	Head Office
HPC	High Power Committee
HRMS	Human Resources Management System
IAIARD	India-Africa Institute for Agriculture and Rural Development
IBA	Indian Banks Association
ICT	Information and Communications Technology
IDA	International Development Assistance
IDSRR	Integrated Development of Small Ruminants and Rabbits
IFPRI	International Food Policy Research Institute
IFTAS	Indian Financial Technology & Allied Services
IGWDP	Indo-German Watershed Development Programme
IIGF	India Inclusive Growth Fund
IMF	International Monetary Fund
INAFI	International Network of Alternative Financial Institutions
IOF	India Opportunities Fund
IRAC	Income Recognition and Asset Classification
IRV	Individual Rural Volunteer
ISAM	Integrated Scheme for Agricultural Marketing
IT	Information Technology
IYP	International Year of Pulses
JLG	Joint Liability Group
JNNSM	Jawaharlal Nehru National Solar Mission
KfW	Kreditanstalt für Wiederaufbau

KYC	Know Your Customer
LAMPS	Large-sized Adivasi Multi-Purpose Societies
LAN	Local Area Network
LDM	Lead District Manager
LEDP	Livelihood and Enterprise Development Programme
LTCCS	Long Term Co-operative Credit Structure
LTIF	Long Term Irrigation Fund
LTRCF	Long Term Rural Credit Fund
LWE	Left Wing Extremism
MC	Management Committee
MCX	Multi Commodity Exchange
MDG	Millennium Development Goal
MDR	Major District Road
MEA	Ministry of External Affairs
MEDP	Micro-Enterprise Development Programme
MF	Marginal Farmer
MFDEF	Microfinance Development and Equity Fund
MFI	Micro Finance Institution
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MIDH	Mission for Integrated Development of Horticulture
MIFF	Mumbai International Film Festival
MIS	Management Information System
MMIS	Mandi Management Information System
MMT	Million Metric Tonne
MNRE	Ministry of New and Renewable Energy
MoA	Ministry of Agriculture
MoEF&CC	Ministry of Environment Forest and Climate Change
MoFPI	Ministry of Food Processing Industries
MoRD	Ministry of Rural Development
MoSPI	Ministry of Statistics and Programme Implementation
MoU	Memorandum of Understanding
MSC	Multi Service Centre
MSME	Micro Small and Medium Enterprises
MSP	Minimum Support Price
MT(C)	Medium-term Conversion
MT	Million Tonne
MUDRA	Micro Units Development & Refinance Agency Ltd.
NABARD	National Bank for Agriculture and Rural Development
NABCONS	NABARD Consultancy Services
NABFINS	NABARD Financial Services Ltd
NAC	National Advisory Committee
NACH	National Automated Clearing House
NAFED	National Agricultural Cooperative Marketing Federation of India Ltd.
NAFCC	National Adaptation Fund for Climate Change
NAFSCOB	National Federation of State Cooperative Banks Ltd.
NAM	National Agriculture Market
NBFC	Non-Banking Financial Company
NBSC	National Bank Staff College
NCDEX	National Commodity& Derivatives Exchange
NEDFi	North Eastern Development Finance Corporation Ltd.
NEFT	National Electronic Fund Transfer
NER	North Eastern Region
NFSM	National Food Security Mission
NFS	Non-farm Sector
NGO	Non-Governmental Organization
NHM	National Horticulture Mission
NIDA	NABARD Infrastructure Development Assistance
NIE	National Implementing Entity
NKFL	NABKISAN Finance Limited
NLM	National Livestock Mission
NLRMP	National Land Records Modernization Programme
NMOOP	National Mission on Oil Seeds and Oil Palm

NMSA	National Mission on Sustainable Agriculture
NPA	Non-performing Asset
NPOF	National Project on Organic Farming
NRC	National Rural Credit
NRC (LTO)	National Rural Credit (Long-Term Operations)
NRDS	Navachaitanya Urban and Rural Development Society
NRLM	National Rural Livelihoods Mission
NRM	Natural Resource Management
NRSC	National Remote Sensing Centre
NSCCC	National Steering Committee on Climate Change
NSSO	National Sample Survey Office
NWR	Negotiable Warehouse Receipt
NWS	NABARD Warehousing Scheme
OBC	Other Backward Classes
OF	Other Farmer
OFSPF	Off-Farm Sector Promotion Fund
OFS	Off-farm Sector
PACS	Primary Agricultural Credit Societies
PARFI	PANIIT Alumni Reach for India
PAT	Profit After Tax
PBT	Profit Before Tax
PCARDB	Primary Cooperative Agriculture and Rural Development Bank
PDC	PACS Development Cell
PD	Pig Development
PEM	Performance Evaluation Matrix
PIM	Participatory Irrigation Management
PLI	Performance Linked Incentive
PLP	Potential Linked Credit Plan
PMFBY	Pradhan Mantri Fasal Bima Yojana
PMJDY	Pradhan Mantri Jan Dhan Yojana
PMKSY	Pradhan Mantri Krishi Sinchai Yojana
PMKVY	Pradhan Mantri Kaushal Vikas Yojana
PML	Prevention of Money Laundering
PMMY	Pradhan Mantri Mudra Yojana
PODF	Producer Organization Development Fund
PO	Producer Organization
POPI	Producer Organization Promoting Institution
PPC	Primary Processing Centre
PRODUCE	Producers Organisation Development and Upliftment Corpus
PSB	Public Sector Bank
PSL	Priority Sector Lending
PUCB	Primary Urban Cooperative Bank
PVCF	Poultry Venture Capital Fund
PVI	Preventive Vigilance Inspection
PWCS	Primary Weavers' Cooperative Societies
RBI	Reserve Bank of India
RCB	Rural Cooperative Bank
RCS	Registrar of Cooperative Societies
R & D	Research and Development
RDBS	Rural Development Banking Service
REDP	Rural Entrepreneurship Development Programme
RFA	Revolving Fund Assistance
RFI	Rural Financial Institution
RIDF	Rural Infrastructure Development Fund
RIF	Rural Innovation Fund
RIL	Reduced Interest Loan
RLP	Realistic Lending Programme
RMCB	Risk Management Committee of Board
RMD	Risk Management Department
RNFS	Rural Non Farm Sector
RO	Regional Office
RoR	Record of Rights
RRB	Regional Rural Bank
RRR	Revival Reform and Restructuring
RSA	Resource Support Agency
RTGS	Real Time Gross Settlement
RTI	Right to Information
SAIDP	State Agricultural Infrastructure Development Programme
SAPCC	State Action Plan for Climate Change
SBI	State Bank of India
SBLP	SHG-Bank Linkage Programme
SCARDB	State Cooperative Agriculture and Rural Development Bank
SCB	Scheduled Commercial Bank

SC	Scheduled Caste
SDP	Skill Development Programme
SEAF	Small Enterprise Assistance Fund
SEFASU	Scheme for Extending Financial Assistance to Sugar Undertakings
SFAC	Small Farmers Agribusiness Consortium
SF	Small Farmer
SFP	State Focus Paper
SHG	Self Help Group
SH	State Highways
SHG-BLP	Self Help Group-Bank Linkage Programme
SHPI	Self Help Promoting Institution
SIDBI	Small Industries Development Bank of India
SLBC	State Level Bankers Committee
SLR	Statutory Liquidity Ratio
SLTF	State Level Task Force
SoI	Statement of Intent
SRLM	State Rural Livelihoods Mission
SRMBC	Salvaging and Rearing of Male Buffalo Calves
SRS	Software Requirement Specification
SOFTCOB	Scheme of Financial Assistance for Training of Cooperative Banks Personnel
SSA	Sub-Service Area
StCB	State Cooperative Bank
STCCS	Short Term Co-operative Credit Structure
STCRC	Short Term Cooperative Rural Credit
ST-OSAO	Short Term Other than Seasonal Agricultural Operations
STRRB	Short Term RRB Refinance
ST-SAO	Short Term Seasonal Agricultural Operations
ST	Scheduled Tribe
SUCC	Stand Up Connect Centres
TALMS	Treasury and Asset Liability Management System
TCIF	Tata Capital Innovations Fund
TDF	Tribal Development Fund
TE	Training Establishment
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
UN	United Nations
UPNRM	Umbrella Programme for Natural Resource Management
UTM	Unified Threat Management
UT	Union Territories
VCF	Venture Capital Fund
VFPCK	Vegetable and Fruit Promotion Council Keralam
V-SAT	Very Small Aperture Terminal
VWC	Village Watershed Committee
WDF	Watershed Development Fund
WHO	World Health Organization
WIF	Warehouse Infrastructure Fund
WSHG	Women Self-Help Group
WUA	Water User Association

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