ANNUAL REPORT 2012-13

NABARD

Cover Photograph:Kulamani Kasimalia, wadi farmer,
NABARD supported wadi project in Ghatgaon, Keonjhar, Odisha.

Letter of Transmittal

NABARD
Plot: C-24/'G', Bandra-Kurla Complex
Post Box: 8121, Bandra (East)
Mumbai - 400 051

CHAIRMAN

Ref.No.NB.Secy./636/AR-1/2013-14

19 July 2013

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 2013 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 2013.

Yours faithfully

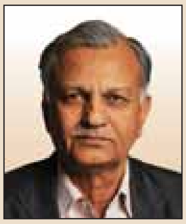
Prakash.

Prakash Bakshi

Board of Directors

Dr. Prakash Bakshi
Chairman

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



Shri J. K. Batish

Prof. Trilochan Sastry

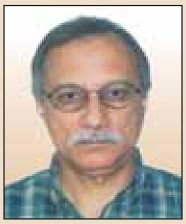
Prof. M. L. Sharma

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

Shri H. R. Khan

Prof. Dipankar Gupta

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



Shri Ashish Bahuguna

Shri S. Vijay Kumar

Shri Umesh Kumar

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

Shri D. B. Gupta

From the Chairman.....

On 12th July 2012 NABARD completed 30 years. During these three decades, NABARD evolved from a refinancing agency, to an institution which 'thinks' and 'executes' agriculture and rural development. Though NABARD is a financial institution, it is 'people centric' in conceiving, piloting and main streaming a range of initiatives, products and delivery methodologies. Though terminology like inclusive growth might not have been coined back then, NABARD's efforts were indeed towards inclusive growth.

Activities of NABARD now range widely, from formation of financial capital to building social capital, from infrastructure finance to micro-finance, from credit planning to supervising and building up rural financial institutions and helping them find their own space in the overall banking architecture. NABARD, thus, balances its finance and development functions in sync with the financial and real sector challenges relating to agriculture and rural development.

With declining growth, persistent inflation, mounting current account deficit and other structural constraints, the year 2012-13 was a struggle for the Indian economy, as also for the agriculture sector. Land holding size is shrinking. Stagnating incomes are threatening small farmers' viability. Investments in agriculture - especially in rural infrastructure - need to be stepped up. Post production and marketing management issues need to be addressed urgently. Credit absorption capacity has to increase and flow of credit has to sustain. These challenges are formidable. NABARD tried to address these through its finance and development initiatives.

In quantitative terms, NABARD as a financial institution is now a two lakh crore Rupee organisation. Its balance sheet size has crossed `2,13,000 crore, an increase of 17% over the last year. Loans and advances outstanding increased by about 18% to cross `1,95,000 crore mark and surplus after tax has increased by 13% to a little over `1,800 crore, as compared to `1,635 crore last year.

The growth in the balance sheet, however, has a qualitative dimension too! Be it crop loans or investment finance for creating asset or supporting rural infrastructure, all targets set have been achieved. The major institutional development achievement during the year was bringing about 3,500 branches of StCBs and CCBs on the CBS platform. This was a distant dream for most of the co-operative banks, until NABARD stepped in. Bringing them on CBS and linking them to the payments system at the ATM network has not only removed the threat to their very existence, but has given them a new direction and the armour to carve out their own new business space.

Watershed and tribal development efforts continued. Nurturing and supporting SHGs, joint liability groups of marginal and tenant farmers, creating producers' organizations and arranging bank linkages for all of them was at the top on the agenda. Creating livelihood avenues through skills development was aimed at diversifying rural economy. Recognising that rural innovations are going to play a strategic role in rural India's growth story, NABARD instituted Rural Innovations Awards to commemorate completion of its 30 years. These awards reflect NABARD's commitment to the spirit of innovation which tried to improve efficiency and productivity using local resources.

In recognition of its efforts in natural resource management, NABARD has been accredited as the National Implementing Entity by the Adaptation Fund Board of the United Nations Framework Convention on Climate Change (UNFCCC) for taking up Climate Change initiatives in the country. NABARD is the only agency from India and 12th in the world to be so accredited, which will allow NABARD to directly access funds from the Adaptation Fund Board for its own programs as also for its channel partners.

A new recruitment and selection policy has been introduced to strengthen and maximise the human resource potential to meet the emerging challenges of the Institution. Implementing the Human Resources Management System (HRMS) has helped in centralising all administrative process, resulting in reduced processing time and bringing about uniformity in policy implementation with e-payment of all employee benefits.

NABARD's excellent performance has raised expectations and under the guidance of the Board, more challenging tasks for the financial year 2013-14 have been set. Government of India and RBI have also ensured that larger resources are put in our hands to meet these expectations. During the year 2013-14, NABARD will provide enhanced crop loan refinance to the tune of `80,000 crore (as against `65,000 crore in 2012-13). Allocation for rural infrastructure has been increased to `20,000 crore (against `15,000 crore provided last year). Support for warehousing and cold chain will be to the tune of `5,000 crore and target for long-term refinance set at `17,000 crore. We hope to do more financing under the recently introduced lines of finance, *viz.,* NIDA and direct loans to CCBs. By September this year, all the 7,000 and odd branches of 205 StCBs and CCBs who have joined NABARD CBS platform will be live on CBS and linked to the payment system through RTGS or NEFT.

NABARD's partnerships with the States, banks and civil society, built over the years and leveraging on its financial and human resources has made these achievements possible. NABARD's growth has also entailed diverse responsibilities on its human resources and the demand for human resource competencies has kept changing. The pragmatic manner in which our human resources have responded to these changes gives me the confidence that we will be even more productive, creative and innovative in the years to come.

(Prakash Bakshi)

Themes

NABARD AT A GLANCE

(` crore)

Sources of Fund	2013	2012	Net Accretion	Uses of Funds	2013	2012	Net Utilisation
Capital	4,000	3,000	1,000	Cash and Bank Balances	8,466	8,313	153
Reserves & Surplus	15,234	13,408	1,826	Collateralised Borrowing and Lending Obligation	532	231	301
				Investments in			
NRC (LTO) Fund	14,481	14,479	2	a) GOI Securities	2,414	2,147	267
				b) ADFC Equity	94	36	58
NRC (Stabilisation) Fund	1,581	1,579	2	c) AFC Equity	1	1	0
				d) SIDBI Equity	48	48	0
Deposits	302	291	11	e) AICI Ltd.	60	60	0
				f) NCDEX Ltd. & MCX Ltd.	34	34	0
Bonds and Debentures	47,666	38,584	9082	g) Nabcons	5	5	0
				h) Biotech Venture Fund	40	26	14
Borrowings from GoI	43	85	-42	i) Treasury Bills	0	58	-58
				j) Commercial Paper	48	1,037	-989
Borrowings JNN Solar Mission	36	33	3	k) Non Convertible Bonds	385	375	10
				l) Equity Shares of Other Institution	1	1	0
Foreign Currency Loan	463	503	-40	m) Debentures in Nature of Advance	10,249	12,344	-2,095
				n) Certificate of Deposits	2,334	2,038	296
Certificate of Deposits	0	1,281	-1281				
				Loans and Advances			
Commercial Paper	1,936	2,245	-309	a) Production & Marketing Credit	65,176	48,338	16,838
				b) Conversion of Production Credit into MT Loans	64	129	-65
CBLO	493	0	493				
Term Money Borrowings	138	182	-44	c) MT & LT Project Loans	38,255	30,762	7,493
				d) Interim finance	0	2	-2
RIDF Deposits	78,758	75,107	3,651	e) LT Non Project Loans	109	140	-31
				f) Other Loans	6,270	2,323	3,947
STCRC Fund	25,000	20,000	5,000	g) RIDF Loans	75,061	70,860	4,201
				h) Co-finance (Net of Provision)	37	72	-35
ST RRB Credit Refinance Fund	10,000	0	10,000	Fixed Assets	315	225	90
				Other Assets	3,172	2,470	702
Other Liabilities	7,781	6,345	1,436				
Other Funds	5,258	4,953	305				
Total	**2,13,170**	**1,82,075**	**31,095**	**Total**	**2,13,170**	**1,82,075**	**31,095**

KEY DATA REFERENCES

Particulars	Unit	Numerical Value		Amount (` crore)	
		2011-12	2012-13	2011-12	2012-13
A. Economic Indicators					
i. Overall GDP	% Growth	6.2[IR]	5.0[AE]		
ii. Agri. GDP	% Growth	7.0[QE]	2.5[AE]		
iii. Share of agri. GDP in overall GDP	%	14.1	13.7[AE]		
iv. GLC for agri.				5,11,029	6,07,375*
v. Foodgrains production	million tonnes	259.3	255.4[AE]		
vi. Oilseeds production	million tonnes	29.8	29.5		
vii. Sugarcane production	million tonnes	345.7	342.5		
B. Development Initiatives					
i. Watersheds	number	41	29		
ii. FIPF projects	number	41	21		
iii. Tribal development projects	number	98	69	291	224
iv. FTTF	number of projects	395	212	45	40
v. Farmers Clubs	number of clubs	25,243	24,802		
vi. NABARD-KfW projects	number	8	8	136	130
vii. RIF promotional programmes	number of projects	108	90	10.25	15.27
viii. REDP and SDP	number	9,852	334	13	5
ix. R & D Fund				17.67	17.03
C. Consultancy assignments contracted	number of projects	88	125	26.87	34.48
D. Financial support by NABARD				82,339	1,03,923
E. Refinance support					
i. Short Term – Crop loan					
a. ST (SAO) StCB	number	23	23	33,996	44,528
b. ST (SAO) RRB	number	80	77	13,926	20,343
c. Weavers StCBs	number	3	3	190	265
d. ST (OSAO) - StCB	number	2	3	145	158
e. ST (OSAO) – RRB	number	3	2	677	995.50
ii. Long Term - Investment credit				15,422	17,674
a. Farm sector				6,525	8,607
b. NFS				3,574	5,151
c. SHG				3,073	3917
iii. RIDF loans - Sanction	number of projects	18,162	46,695	20,701	20,588
iv. RIDF loans – Disbursement				14,927	16,292
F. Performance of RFIs					
a. StCB in profit @	number	29	29	549	624
b. DCCB in profit @	number	314	311	1,403	1,954
c. SCARDBs in profit@	number	11	9	112	116
d. PCARDBs in profit@	number	379	367	166	166
e. StCB NPA @	% to loans o/s	8.58	6.88	5,630	5,291
f. DCCB NPA @	% to loans o/s	11.19	9.26	14,816	13,968
g. SCARDBs – NPA @	% to loans o/s	32.22	35.06	5,966	6,283
h. PCARDBs - NPA@	% to loans o/s	40.53	36.80	4,878	4,609
i. RRB in profit@@	number	79	63	1,886	2,385
j. RRB NPA	% to loans o/s	5.03	5.65		
G. Inspection of banks@@@					
StCB	number	31	31		
CCB	number	240	215		
RRB	number	48	37		

** Provisional   AE : Advanced Estimate,   QE : Quick Estimate, 1R : 1st Revised Estimate,*
@ Data for 2011-12 is provisional   @@ Data for 2012-13 is provisional   @@ @Statutory Inspection of Banks

PRINCIPAL OFFICERS

(31 March 2013)

EXECUTIVE DIRECTOR

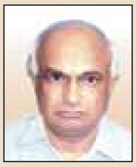
V. Ramakrishna Rao

CHIEF GENERAL MANAGERS
(Rural Development Banking & Legal Service)

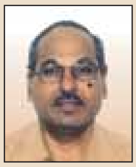
C. K . Gopalakrishna

P. Satish

K C Shashidhar



Dr. Venkatesh Tagat



P. Mohanaiah

M. V. Ashok
(Maharashtra)

K . K. Gupta
(Odisha)

K. Muralidhara Rao

Niraj Kumar Gupta

A. D. Ratnoo

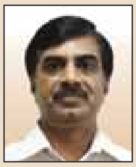
R. Amalorpavanathan
(Kerala)

N. Krishnan
(Uttar Pradesh)

Dr. Rajender Singh
(Madhya Pradesh)

S. N. A. Jinnah
(Karnataka)

K. Jindal
(Punjab)



K. Sayeed Ali
(Haryana)

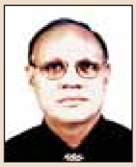
H. R. Dave
(Gujarat)

M. K. Mudgal

Smt. L. M. Venkatesan
(Tamil Nadu)

Dr. S. Saravanavel
(Jharkhand)

K. R. Nair
(Andhra Pradesh)



S. C. Rabra
(Jammu & Kashmir)

Naresh Gupta
(Himachal Pradesh)

S. K. Bansal
(Chhattisgarh)

Dr. R. N. Kulkarni

A. P. Sandilya

D. V. Deshpande
(Bihar)

S. Selvaraj
(Uttarakhand)

K. Venkateswara Rao

M. I. Ganagi


R. M. Kummur


G. R. Chintala
(BIRD, Lucknow)


Subrata Gupta


Jiji Mammen
(Rajasthan)

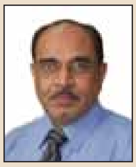

S. Padmanabhan
(West Bengal)

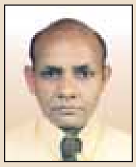

V. Maruti Ram
(Assam)


A. K. Sahoo


A. K. Panda


P. V. S. Surya Kumar
(New Delhi)


B. S. Suran


U. N. Srivastava
(Legal)

OFFICERS-IN-CHARGE OF REGIONAL OFFICES/ CELL TRAINING INSTITUTIONS


R. K. Das
(Mizoram)

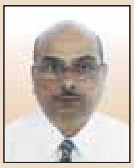

P. Radhakrishnan
(Arunachal Pradesh)


S. D. Kulkarni
(Goa)


R. K. Mishra
(BIRD, Bolpur)


S. Athirstavel
(Andaman & Nicobar Islands)


P. C. Chaudhri
(Sikkim)


S. V. Nemlekar
(Manipur)


Vimal Kishor
(Nagaland)


N. Ramesh
(Tripura)


R. Venkataswamy
(BIRD, Mangalore)


M. T. Wankhede
(Meghalaya)


Des Raj
(Srinagar Cell)

The Year that was ....

In retrospect, the year 2012-13 showed signs of slowing down of the economy. The direction of changes and the emerging issues and concerns, especially in the agricultural economy, have significant implications for a financial institution like NABARD which is focussed on development.

The year 2012-13 was a difficult year, by most standards! Global economic growth slowed further, from 3.9 per cent in 2011 to 3.2 per cent in 2012. Indian economy which is now more integrated with the world economy and has exports and imports amounting to 43 per cent of GDP, cannot remain unaffected by the global slowdown. Yet, Indian economy was one of the fastest growing economies. It was however, a year of a sharp reversal, even on the domestic account, especially on the background of near double digit growth achieved during the period 2005-08. Inflation was high and stubborn and investment rate declined sharply. Economy faced a twin deficit problem – a large fiscal deficit along with a high current account deficit (CAD). The growth dropped to 5 per cent, the lowest in the decade.

Many economic indicators like the GDP, foodgrains production, industrial production, domestic savings, capital formation, exports had slowed down, especially in 2012-13 (Table 1.1). Sectoral growth data (Table 1.2) show continued services sector led growth (contribution touching 60 per cent of the GDP), but the rate of growth of services sector too seems to be slowing down.

The year will be marked by a sharp debate on *'Growth inflation dynamics'* and its implications for the economy. The literature, the media, was flooded with deciphering what had led to growth and what explained the downturn in growth, especially over the last two years. RBI, Governor, Dr. D. Subbarao's speech has dealt with this issue extensively. (India's Macroeconomic Challenges-Some Reserve Bank Perspectives: Fifth I.G. Patel Memorial Lecture, London School of Economics, March 13, 2013).

In his analysis of the period before and after the crisis year (2007-08), Dr. Subba Rao identified several factors for the robust growth experienced earlier. These factors were, increase in investment (from 26.9 per cent of GDP in 2003-04 to 38.1 per cent in 2007-08) and growth in the domestic savings (31.8 per cent in 2004-05 to 36.9 per cent in 2007-08). Increase in productivity also contributed, which was achieved through improvements in technology, financial intermediation and external and domestic competitiveness. The CAD during the pre-crisis period averaged just 0.3 per cent of GDP. However, the domestic savings and investment could not be sustained, partly due to the global downturn, as also domestic factors. Infrastructure constraints, inflated input prices - food and fuel - worked on the business profitability. Rising fiscal deficit and uncertainties about reforms dampened the business confidence. Also what mattered was the decline in the private consumption demand, which slowed down to 4.1 per cent during the current year, down from an average of 8.3 per cent in the previous two years.

The inflation

India's growth story was affected by the persistent inflation, but for a short respite. At 8.7 per cent, the average inflation over the three years *i.e.,* 2009-10 to 2011-12 has been higher than the average inflation of 5.4 per cent during the entire previous decade (2000-2010) and 7.5 per cent during the first ten months of 2012-13. Both supply and demand side factors contributed to the build-up of inflationary pressures. Food inflation, both with structural and cyclical components dominated from the supply side. Rising incomes, real wage growth surge especially in rural areas, shift in dietary habits from cereals to protein foods, monsoon related spike in prices of food items such as vegetables, global commodity prices, especially the price of crude oil, depreciation of the rupee, have all contributed. The Government's social safety-net programmes too played its part in sustaining the wage-price spiral.

But despite several odds, there is hope, says Dr. Subba Rao. His analysis concludes that "India's growth story is still credible and that long term growth drivers are still intact. If we do the right things, we can get back on a high growth trajectory. Equally, there is nothing inevitable about the India growth story. We can accelerate growth and improve welfare only if we effectively implement wide ranging economic and governance reforms. Slipping up on this will amount to a costly and potentially irreversible squandering away of opportunities".

How did agriculture fare?

Agriculture including allied activities, accounted for 13.7 per cent of the GDP in 2012-13. The decrease in agriculture's contribution to GDP however, has not been accompanied by a matching reduction in the share of agriculture in employment. The average annual growth recorded for GDP from agriculture and allied sector during the 11th five year plan period (2007-12) looks decent at 3.6 per against a target of 4.0 per cent. However, growth for the year 2012-13, at about 1.8 per cent (CSO) is pale indicating the uncertainties and year to year fluctuations. Indeed, the increasing volatility of the sector has emerged as a major concern (State of Indian Agriculture 2011-12, MoA 2012).

Agriculture continues to be south-west monsoon dependent and the 2012 monsoon meteorological data (Table 1.3) show its limitation, as far as reading into its implications for crop growth. Notwithstanding the measures of drought proofing the economy, the timely onset of the monsoon and its spatial and temporal distribution still influences agriculture considerably. Total foodgrains production, after reaching a record production of 259.32 million tonnes in 2011-12, is expected to decline in all major crops and touch 255.36 million tonnes (3rd advance estimates released by MoA (Table 1.4).

Agriculture growth matters.....

No matter what the statistics says, what happens in Indian agriculture touches the lives of most Indians, whether it is the steadily declining share of agriculture in the total GDP or increasing divergence between the growth rates of total economy and the agriculture. Roughly half of the work force is engaged in agriculture. An average Indian still spends almost half of his total expenditure on food. Naturally then, accelerating agriculture growth and sharing it among people and across regions of the country, becomes the prime agenda of public policy.

Agriculture today is far more integrated with the macro economy and no longer *'rural only'* in orientation. The ramifications of such linkages with the macro concerns are far more explicit. The case of inflation or for that matter food security, take issues much beyond the production of food-grains to the entire management of food economy covering pricing, procurement, storage, transport, distribution, calling for looking at agriculture in a far more comprehensive manner.

Major developments in agriculture and concerns

It is on this background, it would be worthwhile to look into some of the important developments – some positive, others not so positive – that have taken place in the agriculture sector.

- India has now emerged as the first in the world, in the production of milk, pulses, jute and jute-like fibres, second in rice, wheat, sugarcane, groundnut, vegetables, fruits and cotton production and is a leading producer of spices and plantation crops as well as livestock, fisheries and poultry.
- There has been a shift in the production from basic food grains to high-value produce, especially fruits and vegetables. Crop diversification into high-value produce is a healthy sign of greater market orientation. Fruits, vegetables, meat and fibre formed 38 per cent of the total produce by weight in the year 2000, by 2010, it had increased to 45 per cent of total production ('India as an agriculture and high value food powerhouse: A new vision for 2030', CII-McKinsey Report).
- The moderate growth performance at all India level when viewed disaggregated, gives more confidence where once backward States like Madhya Pradesh (14%) and Bihar (9.5%) especially, have grown robustly. According to Economic Survey of Karnataka 2012-13, despite the drought in 157 talukas, the agricultural sector is likely to register a growth of "1.8 per cent" against "- 2.2 per cent" in 2011-12. This suggests that agricultural growth strategies need to be based on insights, as disaggregated, as possible.
- Words *'rural'* and *'agriculture'* almost coincided at a point of time, as if they were two sides of the same coin. Situation is changing rapidly. Available evidence indicates that the share of agriculture income (74 per cent in the 1970s) in the rural incomes is declining (30 per cent in 2010). Over 42 per cent of rural households draw their income from non-farm sources. (The term "non-farm" encompasses all non-crop agricultural activities, including manufacturing activities, electricity, gas, construction, mining and quarrying, transportation and services in rural areas (The Changing Face of Rural India: Rajesh Shukla, Skoch, 2012).

- Juxtapose this fact with the emerging evidence that rural income and consumption expenditure is seeing an upward trend. According to provisional results from NSSO carried out in mid-2012, the average monthly per capita consumer expenditure (MPCE) in rural areas grew at a faster rate than urban areas between 2009 and 2012. Another survey by CRISIL, in August 2012 indicates that rural spending outpaced urban spending between 2009-10 and 2011-12 for the first time in nearly 25 years. Discretionary spending of a typical rural Indian household rose to `24,000 in 2009-10, from `14,000 in 2004-05, growing at about 11 per cent per annum, which is faster than the inflation rate of nearly 6 per cent per annum over the same period. This trend is encouraging.
- India's agricultural exports are booming at a time when many other leading producers are experiencing difficulties.

These developments in agriculture suggest that since agriculture forms the resource base for a number of agro-based industries and agro-services, it would be more meaningful to view agriculture not as farming alone but as a holistic value chain, which includes farming, aggregating, processing, warehousing (including logistics) and retailing.

Alongside these developments, agriculture continued to face problems like stagnant/low productivity, land and water degradation due to soil erosion, soil salinity, water-logging, excessive application of nutrients and over-exploitation of water resources. Some of the other important issues that have bearing on the development financing institutions like NABARD are discussed below.

Small size character of agriculture accentuates further

The most significant development for agriculture during the year 2012-13 was publication of the results of the latest Agriculture Census (2010-11). These have far reaching significance. Out of 138 million farm holdings in the country, 117 million are small and marginal holdings. From 62 per cent in 1960-61, small and marginal landholdings together are now close to 85 per cent of total holdings (2010-11) and hold nearly 44 per cent of the cultivated area (Chart 1.1 and 1.2). In fact, marginal farmers who now have 67 per cent share in the total number of holdings and 22 per cent share in area need to be considered as a class by itself, rather than combining them with small farmers.

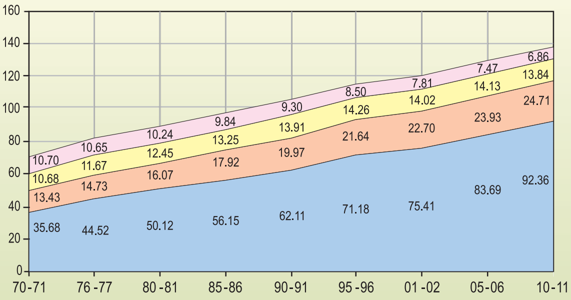
Implications of fragmentation

Fragmentation of land is not a new phenomenon, but the stage at which it stands now, has serious consequences in almost every aspect of agriculture growth and development – be it production, storage, transporting, marketing and most importantly, incomes. Whether it is owning and using modern technology, or farm equipments; or in accessing inputs/services like extension; fragmentation means higher transaction cost of reaching out to them. Continuous decline in average size of land has implications for agriculture credit outreach too. Banks find it increasingly difficult to finance asset generating investments, as they are not viable on marginal and small farms, unless they are also leased out to neighbouring farms. May be, the flattening of agricultural term credit in the range of `0.9 lakh to `1.3 lakh crore in nominal terms for the past six years, could partly be explained by the viability constraint (Table 1.7).

The size and scale of operation influences both the production and incomes at the micro level. They also become critical at the macro level, when we see the contribution of small farmers from a different perspective. Small and marginal farmers account for an estimated two-thirds of national vegetables and milk production and more than half of cereals and fruits produced. But, with very little marketable surplus, their farming is hardly commercial. Small and marginal farmers may be *'efficient'*, but their viability is a big concern.

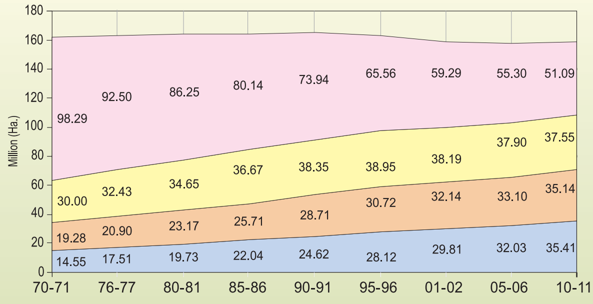
Smaller farms, smaller volumes of produce, higher transport cost, reduced ability to negotiate for better prices are the other consequences leading to lower prices

Chart 1.1 :
Category-wise number of land holdings in India



Source : Agriculture census

Chart 1.2 :
Category-wise land holdings in India: Area operated



Source : Agriculture census

and lower incomes for farmers. Declining incomes just due to reducing farm sizes are a serious disincentive for farmers to continue farming. That is why policy interventions like Minimum Support Price (MSP) and procurement prices do not help these farmers with negligible marketable surplus. No wonder then the NSSO 2003 data indicate that 40 per cent of farmers do not wish to continue cultivation. (This perception could have been further aggravated by now). The small piece of land however, does not give enough employment and income. At the same time, it cannot be sold also, because land is the last piece of insurance and in any case, gainful sustainable employment outside agriculture does not come easily. Neither the State, nor the market has been able to provide a satisfactory solution to this chronic problem.

Options available

Possible answer lies in finding out ways to aggregate farmers, to make a minimum viable size of operating farms without the individual landowners losing their ownership rights. Aggregation is relevant not merely for production but for every activity till marketing. If this happens, transaction costs of providing and availing services and inputs will come down and minimum volumes will be produced on each operating farm which would enable the owners to negotiate for better prices. Co-operative farming, collective farming, producers organisations, joint liability groups, leasing out land, or contract farming are some possible ways of aggregation.

The other long term solution can be seen only in leasing out land to individuals and in contract farming where the contract is evenly balanced. Land leasing on a long-term basis needs to be made legal with an unequivocal undertaking that the tenant would acquire no right on land. This will give comfort to the owners and at the same time will help tenants in getting the necessary support services. This would also ensure minimum size of operated holding which would make productivity enhancing investments possible and result in a volume of produce amenable to storing, processing or marketing. Unless land leasing laws are modified urgently; that allow leasing out land on long-term basis, even the benefits of commodity exchanges and market reforms will not reach the farmers.

Other issues in agriculture

Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA) expansion, its impact on farm labour availability and especially rural wages was another issue, deliberated during the year. Commission on Agriculture Costs and Prices (CACP) in their discussion paper (Taming Food Inflation in India, April 2013) has identified rural wages as an important factor in addition to two other factors, *viz.*, ballooning/ monetisation of the fiscal deficit and impact of Global food prices for sustained high prices over a period of time. The paper argues that 98 per cent of the food Inflation can be explained by these three factors. Farm Wage Index (FWI) developed by CACP shows a sharp rise especially from 2007-08 onwards suggesting that increase in farm wages have contributed in making Indian agriculture expensive. The model shows that a one per cent increase in this index causes close to 0.3 per cent increase in both food articles' price index and in the food price index. Partly therefore, food price inflation is a result of this "cost-push". CACP however finds that MGNREGA is only one factor, especially in States where it had large scale operations, in pushing up farm wages. But there are equally important factors, e.g., the overall growth of State GDP, or in construction sector, or revival of agricultural growth in many States, which have pulled the farm wages up.

Controlling subsidies especially food, fuel and fertiliser was another issue that occupied a major space in the policy level thinking. The CACP report makes a pitch for direct cash transfer for fertiliser subsidy. If given directly to farmers on per hectare basis - `4,000/ha. to all small and marginal farmers – and `3,500 and `3,000/ha. to medium and large farmers, it can bring in large savings of about `20,000 crore along with greater efficiency in production and consumption of fertilisers.

While on the rationalisation of subsidies, there are instances which show some unintended consequences. Nutrient Based Subsidy (NBS) policy, has led prices of NPK fertilisers to be market determined while price of urea continues to be administratively decided. Consequently, price of urea is much lower than that of other fertilisers. This has resulted in excessive use of urea, thereby distorting the balanced norms of fertiliser application. Perhaps a deeper analysis and a more balanced allocation between subsidies and gross capital formation can further accelerate the growth and address the needs of all segments of farmers.

Capital Formation in agriculture

Increasing investments in agriculture has been a major policy priority. The available data on gross capital formation in agriculture indicates a mixed trend. Gross Capital Formation (GCF) in agriculture and allied sectors as a percentage of agricultural GDP has increased from 14.9 per cent in 2006-07 to 19.8 per cent in 2011-12 (Table 1.5).

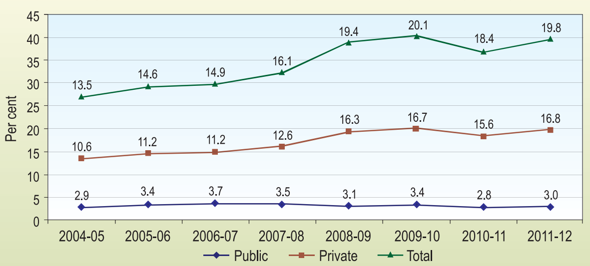
However, when compared with the overall capital formation in the economy (about 40 per cent of the GDP), capital formation in agriculture sector is much lower. Further, the share of public sector capital formation in agriculture and allied sector has come down from 25 per cent in 2006-07 to about 15 per cent in 2011-12. Correspondingly, the share of private sector has gone up from 75 per cent to 85 per cent. Another indicator shows that during the first four years of the 11th Five Year Plan, capital formation in public sector in agriculture as per cent of agricultural GDP has come down from 3.5 in 2007-08 to 3.0 in 2011-12 (Chart 1.3).

Public sector investment is critical as it is generally found to accelerate private investment. Investment in irrigation, rural roads, power, telecommunication, marketing infrastructure, research and extension services generally tend to result in high growth of the agricultural sector and reduction in poverty. Given scarce fiscal resources, agriculture investment strategy should be guided by efficient and equitable resource use with high pay offs.

Finally, there is also need to boost the supply response in agriculture and save on large wastages in the supply chains. This would require large investments in the whole supply chains, from agri-R&D to get high quality and high yielding seeds, to investments in irrigation to tap the remaining potential of about 30 million ha., to

Chart 1.3

GCF in agriculture as a percentage of GDP originating in agriculture



Source : Economic Survey 2012-13

logistics (warehousing and movement), to processing and organised retailing. Private sector investments can be leveraged through open and more investor friendly policies on one hand, and farmer producer organisations on the other, with the two reinforcing each other for a take-off in agriculture. These are more in the realm of structural and institutional reforms in agriculture.

Developments in the banking sector

Indian financial sector is dominated by commercial banks as they account for about 60 per cent of the total assets of the financial system comprising banks, insurance companies, non banking financial companies, co-operatives, mutual funds and other smaller financial entities. The available data reveal a close association between growth and finance. After a good growth during the period 2000-01 to 2007-08, as the growth started slowing down, the bank assets as a percentage of GDP and bank credit to GDP ratio stagnated. The space that was created for expansion of bank credit during the fiscal consolidation period and falling fiscal deficit (up to 2008-09) was no longer available to banks.

Despite slowing down of financial expansion, the banking sector has remained stable. The capital to risk weighted assets ratio (CRAR) at the aggregate and bank group level have remained above the statutory minimum requirement of 9 per cent and international norm of minimum 8 per cent since 2001 (RBI). The profitability of the Indian banking sector has been maintained at about one per cent in terms of Return on Assets (RoA), even in the post crisis period. The banks have also showed significant improvement in efficiency indicators such as cost to income ratio, business per employee and business per branch. There are however challenges. The bank's credit composition in recent years has changed towards longer term assets. While on many efficiency parameters Indian banks compare favourably to their global peers, the net interest margin (NIM) remains relatively high. Banks need to further enhance their productivity so that the intermediation cost between depositors and borrowers is minimised. When the Indian economy reverts to high growth path, the demand for credit will go up further and the banks will require more capital.

Investments in agriculture – role of agriculture credit

Year after year, increasing targets are set for agriculture credit disbursements in the Union Budget implying it's increasing importance for investments in agriculture. The target for the credit flow to agriculture and allied sector had been fixed at `5,75,000 crore during 2012-13. Against this target, the total credit flow to agriculture by commercial banks (CBs), co-operative banks and Regional Rural Banks (RRBs) was `6,07,375 crore (provisional) exceeding the target by 6 per cent. The credit flow has increased by 19 per cent over 2011-12 (Table 1.6).

Agriculture credit scene – major developments

- Crop loans, upto an amount of `3.00 lakh, are being provided effectively at an interest rate of 4 per cent per annum - accounting for the rebate of 3 per cent for timely repayment of loans, besides the interest subvention. If further State support is reckoned, in some States crop loan is available at zero per cent (under certain terms).
- The benefit of interest subvention has been extended to small and marginal farmers having Kisan Credit Card for a further period upto six months post harvest, against negotiable warehouse receipt for keeping their produce in warehouses to avoid any distress sale.
- The Kisan Credit Card (KCC) scheme introduced in August 1998 has emerged as an innovative credit delivery mechanism to meet the production credit requirements of the farmers in a timely and hassle-free manner. The co-operative banks and RRBs taken together had issued 453.10 lakh KCCs as on 31 March 2013. Department of Financial services, Ministry of Finance, GoI constituted a Working Group

to review the Kisan Credit Card Scheme to suggest changes to make it a Smart Card cum Debit Card. On acceptance of the recommendations of the Working Group, operational guidelines on KCC were issued by NABARD to co-operative banks, RRBs and by RBI to commercial banks in 2012. Improvements in the guidelines over the earlier KCC scheme included; (a) KCC in the form of ATM enabled debit card; (b) operations through branch/cheque facility/ BCs/ATM (debit card)/POS/Mobile handsets; (c) more clarity in assessing credit needs (inclusion of post harvest/household/consumption needs upto 10 per cent + maintenance expenses upto 20 per cent); (d) cost escalation built-in for assessing the limit - notional hike of 10 per cent for fixing credit limit from second year onwards; (e) more activities covered under term loan; (f) emphasis on financing Joint Liability Groups; (g) one time documentation at first availment and thereafter simple declaration from second year and (h) moving towards accessing online land record and creation of charge.

- The limit of collateral free farm loan has been increased from `50,000 to `1,00,000.
- With a view to encourage the farmers to adopt progressive farming practices, high value inputs and higher technology and to stabilise farm incomes, insurance coverage in the event of failure of the notified crops as a result of natural calamities, pests and diseases, the National Agricultural Insurance Scheme (NAIS) has been introduced in the country from Rabi 1999-2000 season. Under the scheme, at present, 10 per cent subsidy in premium is available to small and marginal farmers which is shared by the Central and respective State Government equally along with claims for normal sum insured and indemnity level for food and oilseed crops. To improve further and make the NAIS easier and more farmer friendly, Modified National Agricultural Insurance Scheme (MNAIS) has been implemented on pilot basis in 50 districts from Rabi 2010-11 season. Besides the NAIS, MNAIS, Pilot Weather Based Crop Insurance Scheme (WBCIS) and Pilot Coconut Palm Insurance Scheme (CPIS) are being implemented by the Government. Despite the various schemes launched by the Government from time to time, agriculture insurance coverage in terms of area, number of farmers and value of agricultural output insured is very small as compared to the total number of holdings/farmers (137.8 million as per agriculture census 2010-11), the total cultivated area (159.2 million ha.) and the value of agricultural output. A broader base both in terms of area covered and crops insured is necessary for the viability of the schemes.

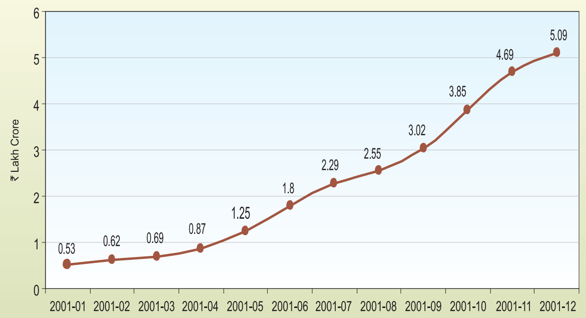
Agriculture credit – major concerns

In the 12 year period from 2000-01 to 2011-12, the flow of ground level credit has increased impressively, especially after the 'doubling period' (2004-07), showing almost a 10 fold increase! Around `28 lakh crore have been disbursed during the 12 years and in the next 5 years of $12^{th}$ FYP, another `35 to 42 lakh crore are expected to be invested (12^{th} Five Year Plan Estimates). Clearly, agriculture credit has emerged as a major strategy for accelerating investments in agriculture (Chart 1.4).

Increasing volumes however do not increase the comfort as many issues and concerns are emerging.

- Out of roughly 14 crore farm households, only half are covered by formal banking institutions, leaving the remaining to informal sources or for self financing.
- Though growth in agricultural credit is very high in nominal terms, in real terms, it looks 'modest' - especially for the later period 2007-08 to 2010-11. This is true for both long term as well as short term credit (Table 1.8). Obviously, the later period inflation has taken off some of the sheen in the credit growth.
- Commercial banks are the major delivery channel, taking almost 75 per cent share in the ground level credit. The co-operative banks' share is around 15

Chart 1.4
Ground level credit flow



Source : IBA and NABARD

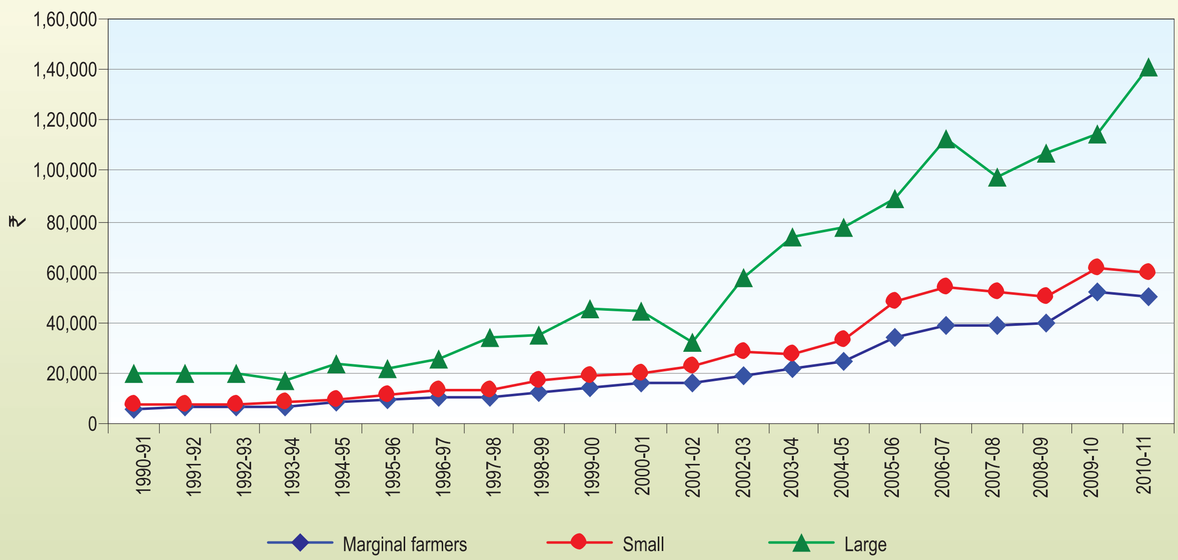
per cent, while that of RRBs is around 10 percent. The continuous loss in the share of co-operative banks over the years is pertinent as conventionally, small and marginal farmers are their major clients. In their interest, it is essential that the co-operative banks stabilise.

- Commercial banks, who now take the major load of agricultural credit, show a tendency to prefer "deepening" over "widening". This aspect also has implications for inclusive growth. The steep rise in per account disbursement of large farmer accounts shows that the credit growth seems to be taking place more, on account of credit deepening. Land size-wise per account loan disbursed by commercial banks shows widening gap in the per account disbursements among the three categories of farmers (Chart 1.5).

- The share of long term credit has almost stagnated at around 30 per cent (figures for 2011-12 are provisional) thereby raising concerns for capital formation (Table 1.7). But, there could be an issue here. With interest subvention available only for short term loans, it may be possible that for official accounting purposes, loans may be taken under the short term head, but also used for long term purposes. There is a need to probe this aspect of credit growth as, at the aggregate level, CSO figures are showing that for the last couple of years capital formation in agriculture has increased.

- The region wise inequalities in credit disbursements when compared with real sector indicators highlight the mismatch between the financial flows and real sector indicators (Table 1.9). The disconnect is glaringly visible in the case of eastern and central

Chart 1.5
Per account loan disbursed by commercial banks



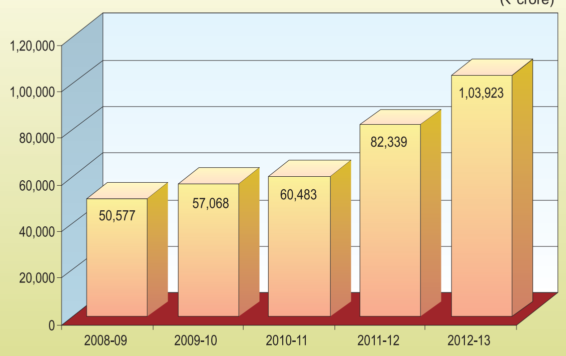
Source : Handbook of Statistics on the Indian Economy, RBI 2011-12 region. Though real sector indicators in terms of share in Gross Cropped Area (GCA), Gross Irrigated Area (GIA) and cropping intensity are high for the two regions, their share in agriculture credit flow is meagre ! This also suggests that the large potential may have remained untapped. Thus, even though agriculture credit has grown impressively (nominal terms), in terms of potential, there could be a large unmet demand. Policy needs to find solutions that can set right the regional inequalities.

In retrospect, the year 2012-13 showed signs of down turn in the domestic savings, investments, rising fiscal deficit, persistent food inflation, thereby registering the lowest growth performance in recent years. Agricultural economy too slowed down. The significance of agriculture in India however, cannot be found in numbers alone, as growth in agriculture is the most direct route towards inclusive growth. The direction of changes and the emerging issues and concerns, especially in the agricultural economy, have significant implications for a financial institution like NABARD which is focussed on development. Increasing crop diversification into high value produce implying greater market orientation, changes in the composition of rural incomes in favour of non-farm sources, suggest that agricultural growth strategy must address not only farmers, but also those in marketing, trade, processing, warehousing including logistics and agri-business as a whole. The significance of continued fragmentation and its impact on all facets of the agricultural economy, imperatives of promoting conscious aggregation at all possible levels, freeing of the lease markets, the constraints in stepping up public investments and emerging pre-eminence of private investment in agriculture and the concerns emerging out of agricultural credit growth are pointers for action.

NABARD during the year

NABARD is a financial institution with a focus on development. Its financial operations and development initiatives are placed broadly on three planks, 'institutions', 'people' and 'State'. Eventually, all three converge on people on ground, especially people of small means. The total financial support extended by NABARD during 2012-13 stood at `1,03,923 crore, as against `82,339 crore, registering a growth of 26 per cent over 2011-12 (Chart 1.6).

Chart 1.6
Financial Support by NABARD



The major components of financial support consisted of refinance to Rural Financial Institutions (RFIs) for extending short term credit and long term investment credit, direct lending to co-operatives, support to State Governments under Rural Infrastructure Development Fund (RIDF), support to State owned institutions/corporations under NABARD Infrastructure Development Assistance (NIDA) and support for various development initiatives including natural resources management, micro finance, non farm sector, technology transfer, etc.

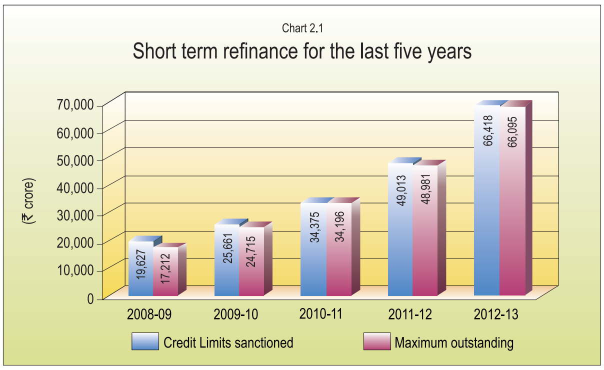
Supporting Rural Financial Institutions ......

NABARD serves the Rural Financial Institutions (RFIs) not only with refinance, but such support and services which enable the RFIs to find their own space in the over all banking architecture. Refinance support helps RFIs to increase the flow of credit to meet working capital needs and finance investments in agriculture, leading to capital formation. The other kind of support /services aim at building the capacity of RFIs, monitor their financial health, give them the technology edge and make them competitive and sustainable.

NABARD has been extending refinance support to Rural Financial Institutions (RFIs) for their lending operations, for years now. It also serves the RFIs by giving other services, many of which have become extremely relevant, especially in the context of rapidly changing banking environment. NABARD helps the RFIs to comply with the prescribed regulatory norms by attaining stability, efficiency and governance standards and thereby, occupy their due place in the overall banking architecture. NABARD enables RFIs to adopt technology, build their

Farmer operating Rupay Kisan Debit / ATM Card in Raigad DCCB, Maharashtra capacities and create a level playing field so that they survive and compete in the rural credit market. These services are critical not only for the sustainability of RFIs, but are also in the interest of their clients.

During 2012-13, NABARD continued to support RFIs, especially, the co-operatives and RRBs through; (a) short term and long term refinance; (b) developing/ strengthening and capacity building and (c) supervising. NABARD also played a crucial role in credit planning at district and State level. In addition to that, it served as the interface/nodal point/agency between the Government and the RFIs in implementation of various GoI schemes.



Supporting Business Operations of RFIs

Refinance support to RFIs for increasing the flow of short term credit

NABARD refinances short term loans given by co-operative banks and RRBs for production, marketing and procurement activities. Under the short term refinance portfolio, during 2012-13, NABARD sanctioned credit limits aggregating `66,418 crore which was almost 36 per cent higher than that of previous year (2011-12). The short term refinance sanctioned has in fact maintained an increasing trend (more than 30 per cent annual growth) during the last four years. (Chart 2.1) The maximum outstanding during 2012-13 was `66,095 crore (Table 2.1).

Policy Guidelines for State Co-operative Banks

In tune with the overall agriculture growth strategy, NABARD's refinance policy was to extend higher quantum of refinance for priority States/areas. Accordingly, the maximum refinance support available to State Co-operative Banks (StCBs) for the short term operations was fixed at 45 per cent of their crop loan disbursement for general areas. For the Eastern region (Bihar, West Bengal, Odisha, Jharkhand, Chhattisgarh and 28 districts of Eastern Uttar Pradesh), it was higher at 50 per cent; while for North Eastern Region (NER), Jammu and Kashmir, Sikkim, Andaman and Nicobar Islands, Himachal Pradesh and Uttarakhand, it was the highest at 70 per cent. To respond to the increased refinance demand from the banks so as to facilitate increased flow of ground level credit, NABARD made available additional refinance of 10 per cent to select District Central Co-operative Banks (DCCBs) fulfilling revised eligibility norms. Accordingly, the refinance available to the select DCCBs was 55 per cent in general areas and 60 per cent in Eastern region and 28 districts of Eastern Uttar Pradesh. The additional refinance facilities were, however not extended to NER, Andaman and Nicobar and hilly areas as they received higher quantum of refinance.

Refinance for Seasonal Agricultural Operations - StCBs

Based on the above policy, during 2012-13 credit limits under Short Term Seasonal Agricultural Operations (ST-SAO) were sanctioned to 23 StCBs aggregating `44,527.52 crore, as against `33,995.67 crore sanctioned to 23 StCBs during 2011-12, indicating an increase of 31 per cent. The credit limits included; (a) `4,189.41 crore for the Oilseeds Production Programme (OPP), (b) `468.82 crore for National Pulses Development Programme (NPDP) and

(c) `1,443.03 crore for credit requirements of tribals under the Development of Tribal Population (DTP) Programme. The StCBs reached a maximum outstanding of `44,492.22 crore during 2012-13 with an utilisation rate of 99.92 per cent. The StCBs in northern region continued to dominate in terms of share (32%) in the aggregate credit limit sanctioned, followed by StCBs in southern region (24%), central region and western region (17% each) and eastern region (10%). The share of refinance availed by the StCBs in the NER continued to be low (less than 1 per cent) despite relaxations. Assam, Meghalaya, Tripura and Sikkim StCBs were sanctioned credit limits aggregating `33.32 crore, out of which `32.52 crore was utilised.

A consolidated ST (OSAO) limit was sanctioned to StCBs on behalf of eligible DCCBs. The StCBs with net NPA not exceeding 10 per cent, as on 31 March 2011, were considered eligible for refinance. Relaxations in NPA norms extended to NER in the case of ST-SAO was made applicable for ST(OSAO) also. A consolidated ST (Others) limit of `158 crore was sanctioned to two StCBs, out of which, `100.16 crore (63%) was utilised.

Support to weavers

Refinance assistance was extended to StCBs on behalf of eligible DCCBs to meet the working capital requirements of primary, apex and regional weavers societies. Consolidated limits were sanctioned to StCBs on behalf of eligible DCCBs. Refinance assistance for weavers was also routed through commercial banks to co-operative societies for production and marketing of handloom products made by individual weavers, handloom weaver groups and master weavers. In addition, refinance was provided to RRBs and commercial banks to meet the working capital requirements of Mutually Aided Co-operative Societies (MACS) and Producer Groups. Short term credit was also available to StCBs and Scheduled Commercial Banks for financing working capital requirements of State Handloom Development

Gadwal Weavers Silk Saree in Mahabubnagar District, Andhra Pradesh

Corporations for production/procurement and marketing of handloom products.

During 2012-13, ST(weavers) credit limits aggregating `264.69 crore were sanctioned to three StCBs (Tamil Nadu, Puducherry and Andhra Pradesh) on behalf of eligible DCCBs for production, procurement and marketing activities, as against `190.01crore during 2011-12. The maximum outstanding during 2012-13 was `233.77 crore.

Policy Guidelines for Regional Rural Banks

The refinance policy in respect of RRBs was also guided by the similar thrust on priority States/areas, as in the case of co-operative banks. The normal quantum of refinance provided to RRBs was fixed at maximum of 30 per cent of their Realistic Lending Programme (RLP) for general region, 35 per cent for eastern region (Bihar, West Bengal, Odisha, Jharkhand, Chhattisgarh and 28 districts of Eastern Uttar Pradesh) and 55 per cent for NER, Jammu and Kashmir, Sikkim, Andaman and Nicobar Islands, Himachal Pradesh and Uttarakhand. Refinance limit was enhanced to 60 per cent of the RLP for RRBs having Credit Deposit (CD) ratio of more than 70 per cent, Investment Deposit (ID) ratio of less than 30 per cent and net NPA upto 5 per cent.

Refinance for Seasonal Agricultural Operations - RRBs

During 2012-13, NABARD sanctioned credit limit of `20,343.09 crore to 77 RRBs under ST-SAO as against `13,925.66 crore sanctioned to 81 RRBs in 2011-12, registering an increase of 46 per cent. The limits included; (i) `1,675.43 crore for Oilseeds Production Programme (OPP), (ii) `382.51 crore for Development of Tribal Population (DTP) and (iii) `29.30 crore for National Pulses Development Programme (NPDP). Andhra Pradesh (19%), Uttar Pradesh (14%) and Rajasthan (12%) accounted for larger shares of credit limits sanctioned. The maximum outstanding was `20,319.05 crore forming 99.88 per cent of the limit sanctioned during 2012-13. Seven RRBs in NER were sanctioned credit limit of `125.71 crore, which was fully utilised.

Refinance assistance is extended from NABARD to RRBs under Section 21 (1) of the NABARD Act 1981, for financing Marketing of Crops, Pisciculture and certain approved purposes other than SAO. The RRBs having net NPAs upto 5 per cent as on 31 March 2011 were eligible for refinance. However, with a view to increase the credit flow in the NER, Jammu and Kashmir, Himachal Pradesh and Uttarakhand, the net NPA norms were relaxed by 5 per cent in these States. The aggregate limit for ST(OSAO) sanctioned during 2012-13 was `995.50 crore, against `677.00 crore in 2011-12 (an increase of 47 per cent). The maximum outstanding including previous year's outstanding was `820.50 crore.

Support for Seasonal Agricultural Operations – Commercial Banks

Members of Primary Agricultural Credit Societies (PACS) affiliated to such institutions which become ineligible for refinance or support from higher financing institutions, do not get credit support. To ensure continued financial support to such farmer members, a scheme for providing refinance assistance to Public Sector Banks (PSBs) for financing PACS was started during 2011-12. The scheme

Paddy field in Kasargod, Kerala

was continued and credit limits aggregating `129.39 crore were sanctioned to PSBs for financing PACS to provide crop loan to farmers during 2012-13.

Interest rate on refinance assistance

The rates of interest on refinance varied according to the purpose of refinance. The rate of interest was 4.5 per cent for ST(SAO) whereas it was 9.8 per cent for ST(OSAO). The interest rate on refinance for Medium Term (MT) conversion loan was 7.35 per cent (Table 2.2).

Loans to farmers against Negotiable Warehouse Receipts

During 2011-12, GoI had introduced a Scheme to extend concessional post-harvest loans to small and marginal farmers having Kisan Credit Cards (KCC), against Negotiable Warehouse Receipts (NWR), for a period upto six months at 7 per cent rate of interest. The basic objective of the Scheme is to discourage distress sale of produce by farmers, encourage them to store their produce in warehouses and sell it at a remunerative price at a future date. In the process, it will induce development of modern warehousing facilities in the rural areas. The Scheme was continued during 2012-13.

Refinance assistance to StCBs/RRBs is available at interest rate of 4.5 per cent per annum or as decided by GoI from time to time. Advances to farmers against pledge of agricultural produce are not to be treated as cover for borrowings made for financing SAO and vice

Launching of Scheme for post-harvest loans against Negotiable Warehouse Receipts in Andhra Pradesh

versa, since separate credit limits are sanctioned for SAO and marketing of crops to banks by NABARD. The terms and conditions such as audit, NPA norms, quantum of refinance, exposure norms, etc. governing sanction of credit limits and allowing drawals under ST (Others-marketing of crops) for co-operative banks and RRBs were made applicable for this Scheme also.

Direct refinance assistance to CCBs for short term multipurpose credit

NABARD has traditionally provided refinance support to CCBs through StCBs for various business purposes. Direct refinance assistance to CCBs was conceived as an additional line of finance for CCBs in the light of recommendations of the 'Task Force on Revival of Short Term Rural Co-operative Credit Structure (Chairman : Prof. A. Vaidyanathan)', which enables the latter to raise financial resources other than from StCBs. The new line of finance which began on a pilot scale in 2010-11, is gradually stabilising. During the course of pilot stage, some contours of the product have been changed to meet the demand emanating from StCBs as well as CCBs. The product is intended to serve the entire co-operative structure instead of focusing on a single layer of the co-operative system. A risk rating tool has been developed to assess the investment grade of the co-operative bank and also to fix the quantum of security. During 2012-13, refinance assistance aggregating `3,385 crore was sanctioned to 42 CCBs and three StCBs and disbursement stood at `2,363.45 crore. Major purpose of refinance included sanctioning working capital limits to traders, higher scale of finance to fishermen societies for obtaining good quality feed, procurement of foodgrains from farmers through PACS/CCBs, etc.

NABARD also designed a new product to provide refinance assistance to StCBs/CCBs against pledge limits sanctioned to co-operative and private sugar factories against the pledge of sugar stocks. Due to this, the banks could make prompt payments to farmers towards procurement of sugarcane. During 2012-13, two CCBs (in Uttar Pradesh) and one StCB was sanctioned refinance assistance of `481 crore for this purpose.

Support to develop PACS as Multi Service Centres

This initiative has been conceived keeping in view the inherent strengths of PACS and the need for providing credit and other support services to farmers at their doorstep to ensure increased productivity as also income. With a membership of around nine crore and localised presence, PACS can be the decentralised platform to reach out to their members to meet the credit and other support services like input supply, custom hiring of agricultural implements, good quality storage capacity, Negotiable Warehouse Receipt System, processing unit, marketing facilities, etc. Providing such services also helps PACS to add to their business portfolio with additional income.

Keeping in mind the wide coverage of PACS at the ground level and the limited products at their disposal, NABARD extended financial support to StCBs/CCBs/PACS to develop PACS as Multi Service Centres (MSCs) so as to serve as *'One Stop Shop'* unit for meeting the various requirements of the farmers. During 2012-13, 747 PACS were supported with sanction of `141.17 crore, of which, 96 per cent (`136.04 crore) was loan and remaining 4 per cent (`5.13 crore) was grant component. Total disbursement as on 31 March 2013 was `48.84 crore (`48.81 crore loan and `0.03 crore grant) and included assistance for establishment of agro service, processing, storage and information centres, etc.

Credit facility to Marketing Federations

As a part of business initiative, NABARD sanctioned short term loan of `3,039 crore to Marketing Federations/ Corporations for procurement of paddy and oilseeds from farmers through PACS and the disbursement stood at `2,500 crore. This helped farmers to get prompt payments for their produce from federations/corporations.

Refinance support to RFIs for increasing the flow of long term credit

NABARD extends refinance support to commercial banks, RRBs and co-operative banks for long term lending to create assets and capital formation which is critical for agricultural growth. Refinance is available for farm and non-farm sector activities, having a repayment period of 3-15 years. It also lends directly through its co-financing arm for specific projects in thrust areas involving long gestation period.

Policy Guidelines

The eligibility criteria for refinance for 2012-13 continued to be linked to net NPA in case of commercial banks, StCBs, Primary Urban Co-operative Banks (PUCBs) and RRBs whereas for State Co-operative Agriculture and Rural Development Banks (SCARDBs) it was linked to their risk profile. NBFCs registered with RBI having AAA rating from a SEBI approved agency and with Net NPA not exceeding 3 per cent were also eligible for refinance. Commercial Banks, PUCBs, NEDFi with net NPA exceeding 3 per cent were not eligible for availing refinance during the year. Unlicensed StCBs and DCCBs, StCBs with net NPA above 20 per cent or Audit Classification of C/D, SCARDBs coming under high risk category and RRBs with net NPA above 15 per cent were not considered eligible for availing refinance during the year.

Refinance was provided to commercial banks, StCBs and RRBs at 100 per cent of the eligible bank loan for all activities under 'Thrust areas' in all regions. Refinance to SCARDBs was extended under loan system at 90 per cent of the eligible bank loan disbursed. Refinance was disbursed to the subsidiaries of NABARD *i.e.,* NABFINS, ABFL and ADFT based on the action plans prepared by them and acceptable to NABARD.

Special Package for North Eastern and other regions

For increasing the credit flow to the States in the Eastern Region (West Bengal, Odisha, Bihar, Jharkhand and Andaman and Nicobar Islands), NER (Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim), Hilly States (Jammu and Kashmir, Himachal Pradesh and Uttarakhand), Lakshadweep and Chhattisgarh, NABARD continued to extend relaxation in Net NPA norms by 5 and 3 per cent for StCBs and RRBs, respectively and provide refinance at 100 per cent of the eligible bank loan for all client institutions except SCARDBs and NBFCs for all purposes.

Security norms

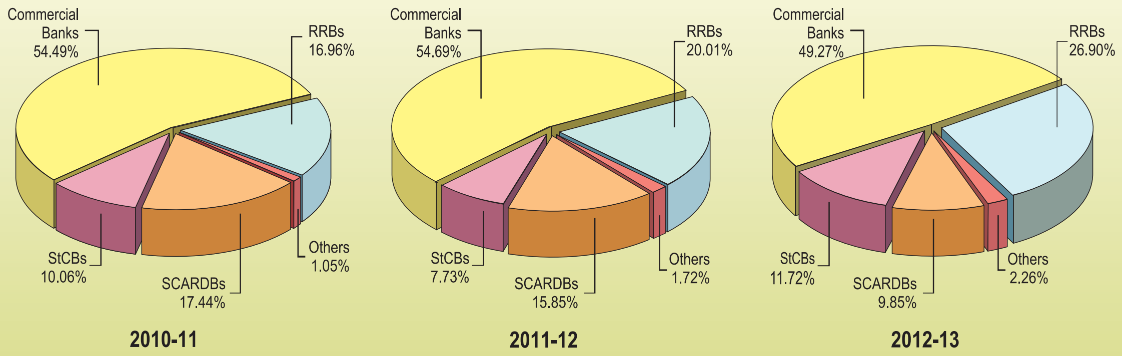
Refinance to all SCARDBs was against Government Guarantee. For release of refinance to SCARDBs and StCBs (non scheduled and not complying with NABARD's terms and conditions for waiver of Government Guarantee) in the event of Government Guarantee not forthcoming, alternative security like pledge of Government Securities or Fixed Deposit Receipts issued by Scheduled banks was considered subject to fulfillment of certain terms and conditions as prescribed by NABARD.

Interest rates on refinance

During the year, the rate of interest was revised nine times in the range of 9 to 11.25 per cent per annum depending upon the type of agency and quantum of refinance. The revised interest rate on refinance to commercial bank and RRB against loans to MFIs for on-lending to clients was 3 per cent less than that being charged by banks subject to the minimum interest rates prevailing for various agencies in various regions of the country.

Chart 2.2

Agency-wise Share in Refinance Disbursement



Concessional rate of interest for Eastern Region

For encouraging investments in agriculture for enhancing production and productivity of crops under Bringing Green Revolution to Eastern India (BGREI) Programme in the Eastern Region, comprising of the States of Assam, Bihar, Jharkhand, Chhattisgarh, Odisha, West Bengal and Eastern Uttar Pradesh (comprising of 28 districts of Uttar Pradesh), banks were eligible for 100 per cent refinance at a concessional interest rate of 7.5 per cent per annum during 2011-12 and 2012-13 after achieving minimum target in key activities *viz.*, Water Resources Development, Land Development, Farm Equipments, Seed Production and under group mode to SHGs/ JLGs for Tractor financing.

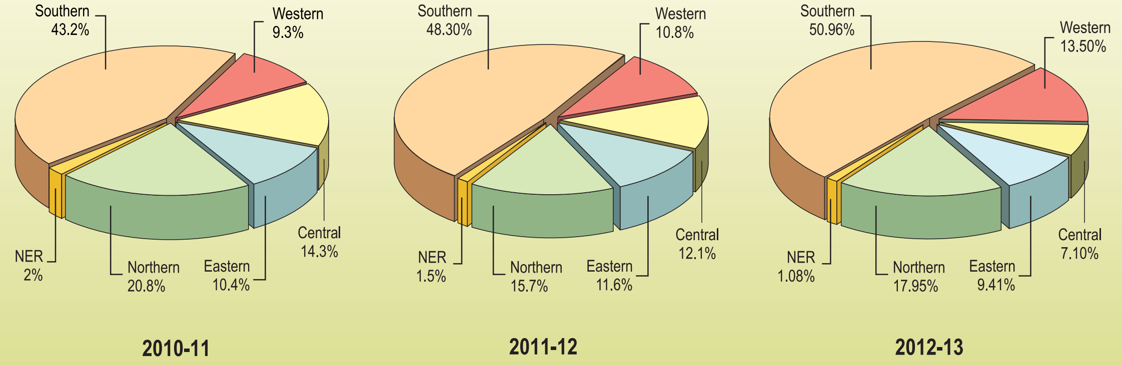
Refinance disbursement

During 2012-13, the refinance disbursement was `17,674.29 crore as against the budget of `16,990.00 crore. Commercial banks availed of refinance amounting to `8,708.78 crore (49%), followed by RRBs `4,753.66 crore (27%), StCBs `2,071.06 crore (12%), SCARDBs `1,741.31crore (10%) and others (PUCBs/ADFC/ NABFINS) `399.49 crore (2%) (Chart 2.2) (Table 2.3).

The spatial distribution of refinance disbursement during 2012-13 across regions indicate that, major share was availed by the States in the southern region (51%), followed by northern (18%), western (14%), eastern (9%), central (7%) and north-eastern region (1%) (Chart 2.3) (Table 2.4).

Chart 2.3

Region-wise Share in Refinance Disbursement



Sector-wise disbursement of refinance during 2012-13 revealed that, lending for Non Farm Sector (NFS) activities accounted for major chunk of refinance at 29 per cent followed by SHGs (22%) and farm mechanisation (13%) (Table 2.5).

Co-financing

The co-finance policy for 2012-13 continued to be the same as that prevailing for the year 2011-12. As per the policy, the extent of NABARD's involvement in any project would not exceed 60 per cent of the total loan including working capital. During 2012-13, `5.41 crore was disbursed, taking the cumulative disbursement to `140.93 crore for 31 on-going projects under co-financing.

Interface/Nodal Agency for GoI Schemes

NABARD consolidated its role as the nodal agency/ interface between the stakeholders with regard to a number of GoI sponsored schemes.

Revival, Reform and Restructuring Package for Handloom Sector

NABARD is associated in implementation of `3,884 crore centrally sponsored scheme on Revival, Reform and Restructuring Package for Handloom Sector. The Scheme announced in the Budget 2011-12, aims at revival of handloom sector by waiver of overdue loans alongwith capacity building, technological upgradation, introduction of Common Accounting System (CAS) and Management Information System (MIS). The focus of the assistance under the Package is to ease the existing choked credit lines to the handloom sector, with fresh flow of credit, to be supported by 3 per cent interest subvention and credit guarantee through Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) floated by Small Industries Development Bank of India (SIDBI). So far, 24 State Governments have signed tripartite MoU with GoI and NABARD. Twenty four Apex Weavers Co-operative Societies, 4,073 Primary Weavers Co-operative Societies and 50,400 Individual Handloom Weavers, 6,314 Weaver SHGs have been assisted under the scheme with a cumulative sanction of `448.67 crore.

Comprehensive Package for the Handloom Sector

NABARD was designated as the 'implementing agency' for channelising the margin money and interest subsidy components under the Comprehensive Package for the Handloom Sector announced by the Ministry of Textiles (MoT), GoI in January 2012. During 2012-13, a sum of `15.41 crore was released to various banks in 14 States so as to benefit around 31,350 handloom weavers.

Interest Subvention to farmers

The interest subvention of 2 per cent per annum available to public sector banks, co-operative banks and RRBs for deploying their own funds for crop loan upto `3.00 lakh per farmer, provided the ultimate borrower got such loans at 7 per cent interest rate per annum and the additional subvention (rebate) of 3 per cent available to the prompt payee farmers continued during 2012-13 also. Thus, the interest paid on crop loans by such farmers was effectively 4 per cent. Suitable interest subvention was given to NABARD for providing concessional refinance to StCBs and RRBs at 4.5 per cent rate of interest. So far, aggregate interest subvention of `2,465.91 crore and `2,167.94 crore was provided by GoI to NABARD, co-operative banks and RRBs under Interest Subvention Scheme 2010-11 and 2011-12, respectively. The scheme has addressed the agricultural credit from two angles *i.e.*, demand for and supply of credit. From the demand side, the commercial banks and RRBs taken together extended credit to 99.65 lakh new farmers during 2011-12 whereas co-operative banks extended credit to 21.52 lakh new farmers during the same period, thus taking the total number of new farmers under the banking system to 121.17 lakh. From the supply side, as against the target of `4,75,000 crore fixed for the year 2011-12, the ground level credit flow for agriculture amounted to `5,11,029 crore, thereby exceeding the target by eight per cent.

GoI Package for Sugar Industry

NABARD continued to act as nodal agency for the GoI package for restructuring of term loans of co-operative sugar mills. Out of `235.64 crore received from GoI towards interest subvention, `235.18 crore was disbursed till 31 March 2013 to 76 co-operative sugar mills in two States (Maharashtra and Odisha). NABARD also acted as nodal agency for routing the interest subvention to co-operative banks and RRBs under *'Scheme for extending financial assistance to Sugar Undertakings - 2007'*. Out of `383.59 crore received from GoI towards interest subvention, `383.42 crore was released to 212 sugar mills operating in 11 States as on 31 March 2013.

Capital Investment Subsidy Schemes

Rural Godowns

The Capital Investment Subsidy Scheme (CISS) on Rural Godowns or Grameen Bhandaran Yojana introduced in 2001-02 and being implemented by the Directorate of Marketing and Inspection (DMI), GoI aims at creation of scientific storage facilities for rural farmer, thereby helping them to avoid wastage, product deterioration and distress sales. During 2012-13, subsidy of `236.24 crore was released in respect of 2,159 units, taking the cumulative disbursement to `1,034.76 crore for 24,824 units.

Agricultural Marketing Infrastructure, Grading and Standardisation

The scheme on Agricultural Marketing Infrastructure, Grading and Standardisation being implemented by the Directorate of Marketing and Inspection (DMI), GoI aims at establishing and strengthening infrastructure for marketing, grading, standardisation and quality certification of produce in the agriculture and allied sectors. The scheme became operational with effect from October 2004. During 2012-13, subsidy amounting to `178.06 crore was released in respect of 762 units, taking cumulative total to `618.89 crore for 6,131 units.

Agri-Clinics and Agri-Business Centre

Agri-Clinics and Agri-Business Centre (ACABC) scheme was launched in April 2002 with the objective to supplement efforts of Government extension system by facilitating agri graduates and diploma holders to provide fee based extension services to farmers. During 2012-13, subsidy of `7.64 crore was released for 203 units. Cumulatively, `18.57 crore was released for 740 units.

Bihar Ground Water Irrigation Scheme

Bihar Ground Water Irrigation Scheme (2009-10) promoted by the Planning Commission to provide irrigation to 9.28 lakh ha. of agricultural land by installing 4.64 lakh units of shallow tubewells/dugwells with pump sets in Bihar over a period of three years was extended by one year (2012-13). During 2012-13, 33,113 new units were sanctioned under the Scheme, for which, a subsidy of `45.45 crore was released to the banks by NABARD, taking the cumulative disbursement to `129.25 crore for 83,768 units.

Scheme for installation of Solar Off-Grid and Decentralised Applications

The Subsidy cum Refinance Scheme under the Jawaharlal Nehru National Solar Mission (JNNSM) launched by the Ministry of New & Renewable Energy (MNRE), GoI in 2010 to encourage replacement of non renewable energy sources with solar energy was revised as the Capital Subsidy Scheme for Solar Lighting and Small Capacity PV Systems with effect from March 2012. The earlier Capital Subsidy cum Refinance Scheme was closed in March 2012. During 2012-13, subsidy of `54.37 crore was released in respect of 59,721 units, taking the cumulative disbursement to `109.82 crore in respect of 1,13,742 units.

National Project on Organic Farming

The National Project on Organic Farming is a central Sector Scheme introduced in the Xth Plan for promotion of organic farming in the country. During 2012-13, subsidy of `0.48 crore was released under the project. As on 31 March 2013, cumulatively `14.01 crore was released in respect of 646 units.

Schemes under Animal Husbandry Sector

Dairy Entrepreneurship Development Scheme

The scheme was launched in 2010-11 to encourage modern dairy farms to produce clean milk and heifer rearing farms to conserve good breeding stock. The scheme also aims at upgrading traditional technology to handle milk on a commercial scale and bringing about structural changes in the unorganised sector so as to facilitate initial processing of milk at the village level itself. During 2012-13, subsidy worth `135.83 crore was released for establishment of 34,744 dairy units, taking cumulative release to `259.89 crore for 64,041 units.

Poultry Venture Capital Fund (Subsidy)

The Poultry Venture Capital Fund (Interest Free Loan) Scheme was modified as Poultry Venture Capital Fund (Subsidy) with effect from 1 April 2011. The scheme was launched for encouraging poultry farming activity, especially in non-traditional States, with emphasis on production, processing and marketing outlets. Subsidy amounting to `18.72 crore was released during 2012-13 for establishment of 777 units. Cumulatively, subsidy of `23.08 crore was released for 967 units.

Integrated Development of Small Ruminants and Rabbits

The Scheme originally introduced in December 2009 was modified as capital subsidy scheme during 2010-11. The main objective of the scheme is to encourage commercial rearing of sheep, goats and rabbits by farmers. Subsidy amounting to `8.05 crore was released for 1,759 sheep/goat rearing units during 2012-13. Cumulatively, an amount of `15.78 crore was released as subsidy for 3,129 units. Besides, an amount of `0.90 crore was incurred as promotion expenses under the scheme till 31 March 2013.

Establishment of Poultry Estates and Mother Units for Rural Backyard Poultry

The Scheme aims at establishment of poultry estates having up to 100 broiler/layer units on the lines of industrial estates, where common infrastructure facilities, inputs supply and marketing arrangements would be provided. Two projects for establishment of Poultry Estates (Odisha and Sikkim) have been sanctioned as on 31 March 2013. The Rural Backyard Poultry component of the Scheme intends to promote rearing of low input breeds that can survive in rural areas and is intended for BPL beneficiaries. Cumulatively, 899 Mother Units have been sanctioned under the Scheme by GoI.

Pig Development

The Scheme was launched in 2010-11 for encouraging commercial pig rearing by farmers so as to improve the performance of native breeds through cross-breeding. During 2012-13, subsidy amounting to `8.94 crore was released for establishment of 1,712 pig rearing units. Cumulatively, an amount of `16.34 crore was released as subsidy for establishment of 3,586 units besides an amount of `0.32 crore was incurred as promotional expenses under the scheme till 31 March 2013.

Strengthening RFIs

Co-operatives

Despite continuous efforts, co-operatives seem to be losing their pre-eminence in the rural credit space. However, in terms of their outreach, presence on ground to understand people of small means and 'excluded', they continue to have a role in the inclusive growth in the rural areas.

Short Term Co-operative Credit Structure

As on 31 March 2013, the Short term Co-operative Credit Structure (STCCS) comprised about 93,413 PACS, 370 CCBs and 32 StCBs, (including Jharkhand State Co-operative Bank, which came into existence from 01 September 2012). Though, the share of co-operatives in agriculture credit has declined from 62 per cent in 1990s to 17 per cent in 2011-12, their share in total number of agricultural loan accounts held by the banking system is still substantial. Co-operatives provided agricultural credit to 3.09 crore farmers during 2011-12 whereas commercial banks provided credit to only 2.55 crore farmers and RRBs to 0.82 crore farmers. Per account loan disbursed by co-operatives at `28,467 (2011-12) was much lower than that provided by RRBs at `66,000 and `1,15,000 by commercial banks. Data suggest that co-operatives are increasingly supporting the neglected/ weaker/marginal/excluded category of small and marginal farmers.

i. PACS : The PACS, the grass root level credit purveyors of STCCS have sizable number of members at more than 9 crore. They have mobilised deposit of more than `37,238 crore and lent more than `1,14,000 crore. (2011-12). The PACS are resource poor and heavily dependent on higher tiers for funds to lend (almost 90 per cent of agriculture credit by PACS is borrowed). Besides, poor resource base, weak finances, low business levels, growing NPAs are the factors responsible for the declining financial health of PACS. Large proportion of non borrowing and inactive members has its negative impact on the governance of the PACS. However, after recapitalisation under Revival Package, the financial health of PACS has improved in many States and they are expected to extend more credit to member farmers.

ii. CCBs : The CCBs were performing the principal task of supporting PACS for providing crop loans and do other business on their own through their branch network. The CCBs had significantly higher proportion of individual deposits (65%) in 2011-12 and deposits from co-operative system worked out to another 28 per cent of the total deposits. While commercial banks and RRBs mobilised CASA deposits to an extent of 54 per cent and 62 per cent to total deposits respectively, comparable share of co-operatives was 45 per cent. Total borrowings of CCBs constituted about 18 per cent of their total resources. Borrowings from the higher tier/ NABARD constituted 78 per cent of the total borrowings. About 79 per cent of the own lendable resources of CCBs were deployed in lending.

An analysis of financial position and working results (provisional for period ended 31 March 2012) indicates that the deposits of CCBs stood at `1,81,498.88 crore as on 31 March 2012 as against `1,69,056.08 crore as on 31 March 2011 (increase of 7 per cent). The borrowings increased from `42,931.13 crore to `51,430.05 crore (increase of 20 per cent) during the same period (Table 2.6). In all, 311 CCBs earned profit of `1,954.05 crore and 22 CCBs reported loss of `143.98 crore (Table 2.8). The accumulated losses of CCBs stood at `4,028.23 crore as on 31 March 2012 (Table 2.9). Further, 49 CCBs had CRAR of less than 4 per cent, 83 CCBs had between 4 to 7 per cent, 51 CCBs had between 7 to 9 per cent and 187 CCBs had CRAR above 9 per cent. Few State Governments took proactive steps and provided capital in one or other form to enable few CCBs to achieve CRAR of 4 per cent and obtain banking license from RBI. The gross NPA of CCBs was 9.26 per cent as on 31 March 2012 as against 11.19 per cent as on 31 March 2011 (Table 2.10). Recovery percentage of CCBs was 79 per cent as on 30 June 2012 as against 74 per cent as 30 June 2011 (Table 2.11)

iii. StCBs : Though deposits constituted about 60 per cent of the total resources of StCBs, they were mostly from the co-operative banks. Low cost deposits were very less in percentage and 90 per cent were term deposits. Borrowings constituted another 25 per cent of total resources, with almost 90 per cent of the borrowings coming from NABARD. The short term agricultural loans outstanding constituted 53 per cent of the total loans and formed about 91 per cent of total agricultural loans. StCBs had substantial non agricultural portfolio to the extent of 41 per cent of total loan outstanding as on 31 March 2012. The own lendable resources of StCBs supported 74 per cent of their total lending and borrowed funds supported the remaining portion of lending.

The financial position and working results (provisional for period ended 31 March 2012) reveal that the deposits of StCBs came down by two per cent (from `81,536.28 crore in 2011 to `80,237.57 crore in 2012) whereas their borrowings increased by 30 per cent (`32,498.68 crore in 2011 to `42,388.86 crore in 2012). The loans issued by StCBs increased by 10 per cent from `70,747.80 crore to `77,527.08 crore during the same period (Table 2.6). Twenty nine StCBs reported profit of `624.07 crore whereas two StCBs reported loss of `74.54 crore as on 31 March 2012 (Table 2.8). The accumulated losses of StCBs stood at `906.84 crore as on 31 March 2012 (Table 2.9). The gross NPA of StCBs reduced to 6.88 per cent as on 31 March 2012 as against 8.58 per cent for the previous year (Table 2.10). The recovery percentage was 93 per cent as on 30 June 2012 as against 80 per cent as on 30 June 2011 (Table 2.11).

Each tier of STCCS depends upon the higher agency, leading to a chain of dependency for financial resources. In addition to that, co-operatives are not able to cope up with the fast changing financial scenario due to their limited/obsolete services, bare minimum technology, weak human resources, etc. This ultimately results in fall in their business. The functioning of the short term co-operative credit structure has been a matter of concern, especially in the era of financial consolidation that is happening at the macro level.

Expert Committee to examine Three Tier Short Term Co-operative Credit Structure

The Expert Committee was constituted by RBI under the Chairmanship of Dr. Prakash Bakshi, Chairman, NABARD to have a relook at the functioning of the Short-Term Co-operative Credit Structure (STCCS) from the point of view of the role played by it in providing agricultural credit, to identify the CCBs and StCBs which may not remain sustainable, and to suggest appropriate mechanisms for consolidation or delayering of the ST CCS. The analysis, conclusions drawn and recommendations made by the Committee are indicated below:

i. The Committee noted that the share of STCCS in providing agricultural credit has fallen to a mere 17 per cent at the aggregate level. It was of the opinion that STCCS, must provide at least 15 per cent of the agriculture credit requirements in its operational area, gradually increasing it to at least 30 per cent.

ii. It was a matter of concern that almost 40 per cent of the loans provided by PACS and half of the loans provided by CCBs were for non-agricultural purposes. These CCBs were not performing the role for which they were constituted. Hence, they should strive to provide at least 70 per cent of their loan portfolio for agriculture. If a CCB or StCB consistently underperforms and provides less than 15 per cent share of agricultural credit in their operational area, then that bank should be declared and treated as an urban co-operative bank. Since StCBs in the NER as well as smaller States and UTs provide insignificant credit to agriculture and are catering to the requirements of only the urban population, they should also be declared and treated as urban co-operative banks. Necessary amendments in the State Cooperative Societies Acts, Rules and byelaws of these banks may have to be carried out for this purpose.

iii. As deposits made by members with PACS were not covered by DICGC and not being part of the banking system, the PACS would not be in a position to issue KCCs transactable/working on ATMs and POS devices. It would be more appropriate for CCBs to provide these services directly by using PACS as their Business Correspondents (BCs).

iv. Almost two thirds of the deposits with StCBs are deposits made by CCBs in the form of term deposits for maintenance of their SLR and CRR requirements. However, StCBs lend far higher amounts to the same CCBs and also invest in loans which generally resulted in higher NPAs, thus actually putting the SLR and CRR deposits made by CCBs to risk. While StCBs should definitely try to diversify their lending portfolio, ways to keep these investments safe need to be found. The Committee recommends that StCBs (and CCBs) may as a possible measure, be given a higher share in the food consortium credit.

v. Division of a State into two or more independent States should not be a compelling reason for the division of a well-functioning StCB and the possibility of converting such StCB into a multistate federal co-operative bank must be explored. Necessary amendments in the Multi State Cooperative Societies Acts, BR Act and NABARD Act would have to be carried out for this purpose.

vi. About 238 CCBs already have CRAR of 7 per cent or more and two-third of them would be able to meet additional capital requirements and sustain CRAR of at least 7 per cent by 2014-15 and 9 per cent by 2016-17. Since a large number of CCBs and some StCBs do not have adequate capital to meet even the relaxed licensing norm of 4 per cent CRAR, 31 March 2013 may be set as the deadline for these banks to mobilise the required capital either internally or from any other external source, failing which, RBI should take the necessary regulatory action.

vii. To assess the additional capital requirements, the Committee used four scenarios : Model 1 with fixed growth rates for different parameters, Model 2 with continued past trend, and Models 3 and 4 with accelerated growth for different parameters.

viii. As per estimation, 209 CCBs of the 370 CCBs will have to mobilise, as an aggregate, `4,024 crore by 2014-15 and `6,498 crore by 2016-17 to achieve CRAR of 7 per cent and 9 per cent respectively. Such amount could be mobilised from the members by most of the CCBs. About 58 CCBs would generally not be able to mobilise the required capital, or their business sizes are so small that they would not be sustainable in the long run and would have to be therefore consolidated with other CCB(s). The Committee recommended constitution of a working group in each State for working out details of such possible consolidations in dialogue with the concerned stakeholders and preparing an action plan.

ix. The broad parameters for attempting such consolidations should be a minimum business level of `200 crore for the consolidated CCB and achieving CRAR of 7 per cent by 2014-15 and 9 per cent by 2016-17. Contiguity of operational area may be given preference.

x. To help CCBs augment their share capital the Committee has suggested several measures such as (a) permission by RBI to issue fixed inetrest bearing deposits of 10 years or more with a lock-in period of 5 years, which would be treated as tier I capital (b) issue of perpetual bonds to be contributed by states, individuals and other entities to be treated as tier I capital (c) share capital deposits with PACS created through releases of GoI and state shares may be transferred to the concerned CCBs, if not eroded by losses (d) tier II capital to be treated as tier I capital to the extent of 150 per cent of tier I capital funds and (e) CCBs may increase percentage of share linking for all loans provided by them.

xi. An autonomous co-operative election authority may conduct elections for StCBs and CCBs and amendments may be made in the Co-operative Societies Act of each State ensuring that any director on the Board of these banks removed or superseded by RBI for any financial irregularity or if the bank incurs losses in any three years during their term of five years may be barred from contesting elections to any CCB or StCB for a period of five years.

xii. BR Act may be amended to give direct and overriding authority to RBI over any other law for superseding the Board or removing any director on the Board of StCB or CCB and to prescribe the number of professionals, each from a different specialisation, to be elected, or co-opted within three months of the election, on the Board of StCB or CCB.

xiii. The panel of statutory auditors for StCB or CCB, being a banking entity, to be prescribed by RBI or an agency authorised by RBI. Further, RBI to modify banking licence of any CCB to include additional operational area from which a PACS could work as BC of a CCB. State Co-operative Societies Acts to be amended so as to provide the authority to StCBs and CCBs in taking business decisions such as percentage of share linkage, making investments, paying dividends etc. within the directions and guidelines prescribed by RBI.

xiv. 30 September 2013 may be set as deadline for all StCBs and CCBs to be fully operational on CBS and providing RTGS, NEFT, ATM and POS device based services. StCBs and CCBs to be fully included in the financial and EBT drive.

xv. CCBs and StCBs to be covered by the banking Ombudsman or a similar mechanism that may be developed by RBI with NABARD.

xvi. GoI may consider giving income tax exemption to StCBs and CCBs up to 2016-17 for incentivising them to achieve 9 per cent CRAR.

xvii. A working group may be set upto make recommendations on the HR requirements following transition of StCBS and CCBs to CBS and other ICT platforms.

xviii. An independent organisation may be set up by the StCBS and CCBs in each state for providing support services.

Long Term Co-operative Credit Structure

As on 31 March 2012, the long term co-operative credit structure consisted of 20 State Co-operative Agriculture and Rural Development Banks (SCARDBs) in States/UTs with 823 branches and 697 Primary Co-operative Agriculture and Rural Development Banks (PCARDBs) with 1,475 branches. Of the 20 SCARDBs, eight have unitary structure with branches, 10 SCARDBs have federal structure with PCARDBs and their branches and remaining two SCARDBs have mixed structure. In the NER, only three States (Assam, Manipur and Tripura) are served by the Long Term (LT) Structure. In the States not served by the LT structure, separate sections of the StCBs look after long term credit needs. The total membership (ground level) of the LT structure aggregated 132.27 lakh, of which, borrowing members were 68.13 lakh (51%).

The LT structure was highly dependent on external financial agencies for augmenting its resources. As on 31 March 2012, 70 per cent and 73 per cent of the total resources of the SCARDBs and PCARDBs, respectively, were in the form of borrowings. Paid up capital of SCARDBs and PCARDBs as on 31 March 2012 was 31 per cent and 30 per cent of the owned funds, respectively. The deposits mobilised by the 18 SCARDBs stood at `1,053.57 crore and those by the PCARDBs in 10 out of 12 States was at `494.84 crore There was growth of 2 per cent in mobilisation of resources over the previous year in respect of SCARDBs and growth of 3 per cent in the case of of PCARDBs. The outstanding borrowings of the LT structure were to the tune of `16,108.24 crore (SCARDBs) and `13,829.24 crore (PCARDBs) registering

Box : 1
Using Green Technology to usher technological change -
Use of alternative sources of energy for Core Banking Solution

One of the pre-requisites to upscaling the co-operative banks to CBS platform is to ensure unhindered supply of power for day to day banking operations. Given the spread of the branches of these banks, especially in areas with irregular/scanty power supply, it was a big challenge for these banks to ensure the same. The standard model which has been adopted in the project is procurement of power generation set and UPS for each of the branches. While launching the project in various States, NABARD had advised an alternate model for uninterrupted power supply by using solar power generation as it is economical, environment friendly, reliable and involves almost nil transmission loss.

One of the banks in the hinterland of Madhya Pradesh, Narsinghpur Zilla Sahakari Kendriya Bank, with a total business of nearly `350 crore, has taken the pioneering initiative of using solar panels as the source of power in all the 17 branches and the main branch in the Head Office. The bank has used the off-grid solar inverter system, where solar power is the primary source of power, making power from the grid as the back-up support. For a standard two/three-user branch, the bank has procured a 2 KV solar power set. The cost of such set is `3.90 lakh. The key advantages of opting for solar power as a primary source of power were saving of electricity to the tune of 40 per cent at HO and 30 per cent at branch level, almost nil recurring fuel cost, one time installation and minimal maintenance cost having equipment life of 20 years. The model is environment friendly, gives clean energy and removes dependency on conventional power supply which is highly erratic in rural areas.

a growth of less than one per cent and four per cent, respectively over the previous year (Table 2.7).

During 2011-12, the aggregate profits earned by nine SCARDBs amounted to `116.27 crore and the aggregate losses incurred by 10 SCARDBs amounted to `245.81 crore (Table 2.8). The accumulated losses of SCARDBs (12) were `1,575.14 crore as on 31 March 2012. The PCARDBs had accumulated losses of `4,456.18 crore as on 31 March 2012 (Table 2.9). The percentage of NPAs of SCARDBs as on 31 March 2012 increased to 35 per cent as against 32 per cent as on 31 March 2011. However, in case of PACARDBs the NPA reduced from 41 per cent to 37 per cent for the corresponding period (Table 2.10). The recovery percentage of SCARDBs decreased to 32 per cent (30 June 2012) from 40 per cent (30 June 2011). For PCARDBs same decreased from 47 per cent to 43 per cent for the corresponding period (Table 2.11).

Initiatives to strengthen Co-operatives

Providing level playing field to co-operatives through Core Banking Solution

In step with the policies of GoI, RBI and State Governments to make the co-operatives competitive in the changing banking scenario, NABARD played the role of advisor and facilitator in implementation of Core Banking Solution (CBS) in co-operative banks. The entire gamut of work including aggregation of demand across the banks, identification of IT vendors, governance mechanism and follow up was taken up by NABARD. The programme made rapid strides with 5,543 branches of 163 banks across 10 States joining the platform in the first phase. With 42 banks joining in the second phase, a total of 7,088 branches of 205 StCBs and CCBs across 16 States and three UTs came into the umbrella of “NABARD initiated Project on CBS in Co-operatives” as on 31 March 2013. In all, 3,494 branches have switched to CBS platform. Out of the 205 banks, eight StCBs and seventy CCBs have migrated all their branches to CBS. The migration to CBS would enable the co-operatives to participate in the payment system through RTGS/NEFT and also provide the facility of Anytime Anywhere Banking to their customers.

Co-operative Development Fund

Assistance from the Co-operative Development Fund (CDF) is available to co-operatives in the form of soft loans/grants for infrastructure development of PACS for resource mobilisation, human resource development, capacity building and operational streamlining, setting up of PACS Development Cells in CCBs etc., which in turn contribute to their functional efficiency. New guidelines for CDF were issued in June 2012 to make assistance available for setting up PACS Development Cells in CCBs, computer labs in banks adopting CBS under ASP model supported by NABARD, accreditation of PACS godowns through NABCONS, etc. Agricultural Co-operative Staff Training Institutes (ACSTIs) of StCBs, Integrated Training Institutes (ITIs) and Junior Level Training Centres (JLTCs) of SCARDBs continued to get support out of the CDF. During 2012-13, financial assistance of `27.94 crore was sanctioned and `21.87 crore was disbursed (including disbursements against sanctions of previous years). As on 31 March 2013, cumulative sanctions and disbursements were `133.21 crore and `114.79 crore, respectively.

PACS Development Cell scheme

NABARD extended grant assistance to set up PACS Development Cell (PDC) in co-operative banks so as to help PACS to develop and grow their business. During 2012-13, grant assistance was sanctioned to 30 CCBs to set up PDCs, taking the total number of PDCs being implemented to 33 in 11 States. A two week long training programme was conducted for the Resource Persons of 16 banks appointed under the scheme and they have drawn up the Action Plan for the PDCs and the PACS. An amount of `1.09 crore was disbursed as initial assistance to start the PDCs.

Accreditation of Rural Godowns

Warehousing Development and Regulatory Authority (WDRA) has registered NABCONS, the subsidiary of NABARD as an Accreditation Agency for warehouses owned by PACS and other Primary Co-operative Societies like LAMPS, FSS and Marketing Societies. During 2012-13, NABARD sanctioned `1.26 crore to NABCONS for accreditation of 600 Godowns owned by PACS and such primary societies. Accreditation of 34 godowns of PACS were completed during 2012-13.

Training

During 2012-13, NABARD sponsored 21 training programmes conducted by Bankers' Institute of Rural Development (BIRD), Lucknow, Mangalore and Bolpur to train the officials of co-operative banks. In addition, NABARD sanctioned grant assistance of `12.50 lakh to outside training institutes for conducting training programmes on 'Corporate Governance for Financial co-operatives'. Besides, an amount of `22.68 lakh was released to these institutes for conducting 14 training programmes under which 262 participants were covered till March 2013.

Scheme of Financial assistance for Training of Co-operative Banks Personnel

NABARD has been extending funding support under Scheme of Financial assistance for Training of Co-operative Banks Personnel (SOFTCOB) to Agricultural Co-operative Staff Training Institutes (ACSTIs) of StCBs, Integrated Training Institutes (ITIs) and Junior Level Training Centres (JLTCs) of SCARDBs. In order to imbibe a sense of urgency for bringing about required improvements in the training standards of the Co-operative Training Institutes (CTIs), it was decided that assistance under SOFTCOB will be extended to the C-PEC accredited training institutions only. Accordingly, during 2012-13, NABARD provided technical and financial support amounting to `5.62 crore to eleven ACSTIs, two ITIs and five JLTCs for conducting 641 programmes covering 15,911 participants.

Training on Corporate Governance for BoDs/ CEOs of StCBs/CCBs

The Board of Directors (BoDs) of co-operative banks have the responsibility of overseeing the performance of the respective banks and have to ensure that they function in accordance with the principles of corporate governance. Further, they have to ensure that the guidelines issued by RBI/NABARD with regard to viability and sustainability are followed and good governance is provided. Keeping this in mind, NABARD sanctioned 14 programmes to BIRD, NIRB and VAMNICOM for training of BoDs/CEOs of StCBs/CCBs on Corporate Governance for Financial Co-operatives (CGFC).

Organisational Development Initiatives

Organisational Development Initiatives (ODI), being conducted by NABARD since 1994-95 is a re-engineering process which facilitates and aims at achieving change in the organisational attitudes and cultures. Keeping in view the changing environment for RRBs due to amalgamation and co-operative banks due to adoption of revival package for STCCS, the design, methodology and objective of ODIs were more focused towards achieving financial inclusion and sustainable viability. During 2012-13, ODI Programmes were conducted in six banks, including five CCBs and one RRB.

Audit of PACS

A joint technical mission of NABARD and GIZ, the German development agency has identified various measures for improving the audit systems of PACS. For the purpose, a model Audit Manual for PACS was prepared and published in October 2012 for distribution amongst stakeholders including the Registrar of Co-operative Societies (RCS). The manual will serve as a guide for auditors as well as the STCCS entities.

Centre for Professional Excellence in Co-operatives

NABARD in collaboration with GIZ established 'Centre for Professional Excellence in Cooperatives (C-PEC)' in BIRD, Lucknow in the year 2009 for supporting the Co-operative Training Institutes (CTIs) in STCCS to impart quality training. The Centre gets support for a period of five years with effect from January 2009 from NABARD and GIZ under Rural Financial Institution Programme (RFIP) formulated as a result of Indo-German bi-lateral technical co-operation negotiations. C-PEC continued its efforts towards accreditation of CTIs, standardisation and approval of identified programmes and certification of trainers in the co-operative training system of the STCCS. As on 31 March 2013, a total of 34 Co-operative Training Institutions were accredited to C-PEC which included 12 ACSTIs, VAMNICOM (Pune), 19 RICMs/ ICMs, NIRB (Bangalore), and SAHARDA (Bidar). Further one StCB, 45 CCBs, 3,748 PACS and one CTI (MDMI, Shillong) were enrolled as Institutional Members of C-PEC during 2012-13, taking the cumulative membership to 4,043 and C-PEC Corpus Fund to a level of `1.02 crore as on 31 March 2013.

Revival Package for Revitalisation of Short-Term Rural Co-operative Credit Structure

The poor financial health of the Short-Term Rural Co-operative Credit Structure (STCCS) has been a matter of concern and a number of Committees were constituted during the last five decades to look into the problems affecting the structure. The Task Force chaired by Prof. A. Vaidyanathan suggested wide ranging reforms in the governance and management of the STCCS including crucial amendments to the respective State Co-operative Societies Acts which were to precede the recommended one time capitalisation jointly by the Central Government and State Government (with certain contributions required to be coughed up by the STCCS of the State itself). Based on the recommendations of the Task Force,

Box : 2
Raigad DCCB, Maharashtra – A turnaround story

This is a case of a bank which in the year 2001, was a Section 11 (of BR Act) non-compliant co-operative bank. It achieved a remarkable turnaround in a period of about ten years and made a profit of `6.67 crore during 2011-12. Today, it is also a case of a bank which is ahead of times, among the co-operative banks, in terms of technology adoption, customer orientation, product differentiation, business sense, governance and management.

Raigad DCCB is one of earliest co-operative banks to apply advantages of available technology in its banking operations. The Bank moved into the CBS platform, has a WiFi enabled premises, CCTV enabled HO, branches and also has a website of its own and IT trained staff. With the technology oriented outlook, the bank introduced RTGS/ NEFT facilities in its branches for its customers and has already launched ATMs and Rupay KCC Debit Cards. It is in the process of introducing internet and mobile banking. The product orientation of the bank is clearly towards customer facilitation. The technology enables the CEO of the bank to review the functioning of the bank and its branches online, on a daily basis.

The bank has successfully managed consolidation of 473 PACS into 171 PACS by consensual approach. The bank has increased its membership from 85,000 to 1.3 lakh, deposits from `3.5 lakh to `3.9 crore and business from `2 crore to `23.5 crore, and most importantly, the imbalance was reduced to zero. As a SHPI, the CCB has formed around 8,500 SHGs and it has disbursed credit amounting to `12 crore to SHGs. It received the best performance award for SHG Bank Credit Linkage in the State.

It successfully implemented Voluntary Retirement Scheme and reduced staff strength to the optimum level. Non-core activities were outsourced for cost saving and better deployment of staff. The bank has introduced well established systems and procedures for governance and management, paving way for quicker and faster decisions. The bank also obtained ISO 9001: 2008 certification in January 2010.

the GoI announced a package for revival of the STCCS in 2006 envisaging introduction of legal/institutional reforms, initiating measures to improve the quality of management, provision of financial assistance to wipe out accumulated losses, strengthen the capital base to ensure CRAR of 7 per cent and qualitative improvement in personnel through capacity building and other interventions.

Progress under the Revival Package

As a part of legal and institutional reforms, 25 States (covering 96 per cent of the STCCS in the country), executed the MoU with GoI and NABARD, for implementing the revival package. Twenty one States have amended their respective State Co-operative Societies Act.

The special audits of STCCS, as on 31 March 2004, to arrive at the precise amount of losses after factoring in prudential provisioning norms and the sharing pattern was completed in 80,883 PACS across 25 States. Special audit of CCBs has been completed in 15 States (except Punjab and Uttarakhand), which have CCBs. Special Audit of StCBs have been completed in 22 States (except Punjab,Uttarakhand and Jharkhand). An amount of `9,002.11 crore was released by NABARD as GoI share, while the State Governments released `855.53 crore as their respective share of recapitalisation of 52,902 eligible PACS in 17 States.

The process of adoption of Common Accounting System (CAS) and Management Information System (MIS) formulated for PACS was underway in 20 States while in the remaining States where the MoU has been signed, the RCS concerned have been advised to adopt CAS on the lines suggested by NABARD. Training on CAS/MIS has been imparted to the PACS functionaries in all the implementing States.

As a part of HRD initiative, training was imparted to around 86,276 Secretaries of PACS, 1.30 lakh elected Board Members of PACS, 374 CEOs of CCBs, CEOs of StCBs in six NER States and 4,165 Directors of CCBs/ StCBs. In addition, training on CAS/MIS was imparted to around 76,457 PACS functionaries and to 39,387 PACS staff on business development and profitability. Further, 8,188 branch managers/senior officers of CCBs/StCBs were trained on business development/diversification. These training programmes were conducted through the nodal Partner Agencies *viz.,* ACSTIs and ICMs/ RICMs involving about 400 master trainers and 2,600 district level trainers.

Impact Assessment Studies

Studies conducted in 13 States have shown positive and visible impact of implementation of Revival Package in certain areas. Institutional and legal reforms including amendment to Co-operative Societies Acts, Rules, and Byelaws have created a basis for autonomy to the banks and PACS. Release of recapitalisation assistance has improved the liquidity of PACS and enabled them to re-commence lending and restore cash flow and income streams. The assisted PACS could attain CRAR of 7 per cent after recapitalisation and many of them were able to maintain the same.

Revival of Long Term Rural Co-operative Credit Structure

The Task Force constituted by GoI under the Chairmanship of Shri G. C. Chaturvedi, to review the need for a separate package for Revival of Long Term Rural Co-operative Credit Structure (LTCCS), submitted its report to the GoI in 2010. The package was further revisited and revised from time to time. Last revision was made in July 2012. The package is under consideration of GoI.

Regional Rural Banks

Performance of RRBs

The number of RRBs in the country as on 31 March 2013 stood at 64, with a network of 17,856 branches covering 635 districts notified in 26 States and the UT of Puducherry. Over a period of three years (2011-13), the deposits and borrowing of RRBs increased by 27 per cent and 44 per cent, respectively. The investments increased by 28 per cent and loans & advances (outstanding) by 41 per cent (Table 2.12).

The provisional financial results of RRBs for the year 2012-13 indicate that there were improvements in their performance, with 63 out of 64 RRBs showing profit to the extent of `2,384.59 crore as compared to 79 (out of 82 RRBs) with profit of `1,886.15 crore in 2011-12. The remaining one RRB incurred loss of `2.07 crore as compared to loss of `28.87 crore posted by three RRBs in 2011-12. The number of sustainably viable RRBs *i.e.,* RRBs making net current profit and having no accumulated losses stood at 53 (out of 64 RRBs) as on 31 March 2013 as compared to 60 (out of 82 RRBs) as on 31 March 2012. The aggregate reserves of RRBs increased to `13,130.01 crore and net worth increased to `18,292.07 crore as on 31 March 2013. There were 11 RRBs with accumulated losses and their accumulated losses had decreased by 24 per cent over the previous year. The performance of RRBs varied across the regions in 2012-13. While all RRBs in the Central region (16), Eastern (10), Northern (11), Southern (14) and Western (5) earned profit, seven (out of 8) in NER were in profit (Table 2.13).

The recovery performance of RRBs as on 30 June 2012 (for 82 RRBs) was 83 per cent compared to 82 per cent as on 30 June 2011. Four (out of 23) RRBs in Central region, one (out of 14) in Eastern , 13 (out of 15) in the Northern , one (out of eight) in NER, 10 (out of 16) in Southern and two (out of six) in Western region had registered a recovery performance above the national average of 83 per cent. Forty one RRBs in the country had achieved a recovery percentage of above 80 while six RRBs had a poor recovery percentage of less than 60 (Table 2.14). The aggregate gross NPA of all RRB increased from 5.03 per cent, as on 31 March 2012 to 5.65 per cent as on 31 March 2013.

Initiatives for strengthening RRBs

Recruitment of Officers and Office Assistants in RRBs

Ministry of Finance, Department of Financial Services, GoI, instructed that from the year 2012-13 onwards, a Common Written Examination (CWE) to be conducted by Institute of Banking Personnel Selection (IBPS) for recruitment of officers and staff in RRBs. Methodology for conduct of CWE was finalised by NABARD in consultation with the IBPS, select sponsor banks and RRBs and was approved by GoI. The approved guidelines were issued to all concerned, uploaded on web sites of RRBs and IBPS. General Notice of recruitment through CWE, on behalf of GoI through advertisement in newspapers was released by NABARD in May 2012. First CWE for recruitment of Officers and Office Assistants in RRBs was conducted by IBPS in the month of September 2012.

Committee on Human Resource Policy for RRBs post CBS

As directed by GoI, a Committee was constituted in NABARD to revisit the existing Human Resource Policy for assessment of manpower/staffing pattern, skill development needs of RRBs in the event of implementation of CBS and other related technological upgradation. They submitted their report to GoI in November 2012. The tenure of the Committee was extended upto 30 June 2013 with amendment of terms of reference to prepare roadmap for implementation of the recommendations and monitoring of the same. The Committee finalised the RRB-wise road map and time-frame for implementation of technology adoption by all RRBs as per the amended terms of reference. The second part of the Report of the Committee was submitted to GoI for consideration.

Pension to RRBs on the lines of nationalised banks in lieu of Contributory Provident Fund

A Working Group was constituted by NABARD for preparation of draft model pension scheme and model pension regulations for RRBs on the lines of nationalised banks in lieu of Contributory Provident Fund, as advised by GoI. The draft Model Pension Scheme and Pension Regulation for RRBs as suggested by the Working Group was forwarded to GoI for consideration.

Committee for fixing Inter-Se seniority of RRBs – Post amalgamation

As advised by GoI, a Committee was constituted by NABARD, with members of 11 new sponsor banks of amalgamated RRBs to fix the norms for Inter-Se seniority of RRBs in post amalgamation scenario. The Committee, in turn constituted Sub-Committee to frame the guidelines relating to the issue. The Sub-Committee submitted its Report in March 2013. Based on the recommendations of the Sub-Committee, the draft guidelines on fixation of Inter-Se seniority of RRB staff post amalgamation was finalised.

Recapitalisation of RRBs

Dr. K. C. Chakrabarty Committee had reviewed the financial position of all RRBs in 2010 and recommended for recapitalisation of 40 out of 82 RRBs for strengthening their CRAR to the level of 9 per cent by 31 March 2012. According to the Committee, the remaining RRBs are in a position to achieve the desired level of CRAR on their own. Accepting the recommendations of the Committee, the GoI along with other shareholders decided to recapitalise the RRBs by infusing funds to the extent of `2,200 crore, with proportion of shareholder being 50:35:15 for GoI:Sponsor Banks:State Governments. As on 31 March 2013, an amount of `2,015.86 crore has been released to 37 RRBs in 20 States. The released amount includes GoI's contribution of `1,003.92 crore, State Government's contribution of `303.59 crore and Sponsor Banks contribution of `708.35 crore. The recapitalisation is complete in respect of 35 RRBs (five each in Odisha and Rajasthan, three each in Madhya Pradesh and West Bengal, two each in Uttarakhand, Jharkhand, Chhattisgarh, Bihar and Maharashtra) and one each in Assam, Arunachal Pradesh, Nagaland, Tripura, Jammu and Kashmir, Karnataka, Tamil Nadu, Gujarat and UT of Puducherry). Release of GoI share is pending in respect of Manipur Rural Bank. Mizoram State Government has partially released its share in respect of Mizoram Rural Bank. The two State Governments *viz.*, Uttar Pradesh (two RRBs) and Jammu and Kashmir (one RRB) have not released any amount. Out of 35 fully recapitalised RRBs, three RRBs *viz.,* Central Madhya Pradesh Gramin Bank, Manipur Rural Bank and Mizoram Gramin Bank have not achieved CRAR of 9 per cent as on 31 March 2013.

Revision in the norms for empanelment of Statutory Auditors

The GoI conveyed its approval for revision in the norms for empanelment of statutory auditors for RRBs, with effect from 2011-12. Detailed instructions were laid down on drafting of statutory auditors from different Categories of audit firms. GoI has conveyed their approval for revision in the norms which are as under :

- Category I & II audit firms may be drafted for audit of large size amalgamated RRBs.
- For stand alone RRBs, statutory auditors may be drafted from Category II & III.
- In case of non-availability of Category I, II and III, auditors may be drafted from Category IV.
- Sole proprietorship firms may not be considered for statutory audit of RRBs.
- Threshold limit of advances be raised from existing `50 lakh to `1 crore while making selection of branches of RRBs for statutory audit

Branch Expansion Programme/Core Banking Solution

During 2012-13, 947 branches were opened by RRBs taking the cumulative number of branches to 17,856 spread across 635 districts in 26 States and one UT. It is now compulsory for all the new branches to be equipped with CBS. The Sponsor banks are required to extend necessary help in this regard, including financial assistance, training, back office support, etc. As on 31 March 2013, CBS has been fully implemented in all 64 RRBs.

Amalgamation of RRBs

During 2011-12, GoI extended approval for amalgamation of 47 RRBs into 20 RRBs in 12 States *i.e.*, Madhya Pradesh, Karnataka, Chhattisgarh, Uttarakhand, Punjab, Odisha, Bihar, Uttar Pradesh, Rajasthan, Andhra Pradesh, Himachal Pradesh and Maharashtra. However, notification in respect of 31 amalgamating RRBs forming 13 new RRBs have been issued. Therefore, as on 31 March 2013, the total number of RRBs was 64.

Performance review

The performance of RRBs is being reviewed by GoI since January 2007 on half yearly basis or as and when needed. During 2012-13, six such meetings were held to cover all RRBs in batches by Secretary, DFS. One review meeting of all RRBs was held in January 2013, by the Hon'ble Union Finance Minister.

Supervising RFIs

As part of its supervisory function, NABARD conducts statutory inspection of StCBs, CCBs and RRBs and voluntary inspection of SCARDBs, Apex level Co-operative Societies and Federations. Considering the unique nature of all these institutions, the supervisory role of NABARD, apart from ensuring conformity with banking regulations and prudential norms, is a very comprehensive and holistic one, encompassing inspections (on-site and off-site), portfolio studies, monitoring, guiding and facilitating functions. The periodicity of statutory inspections of all StCBs and those CCBs and RRBs not complying with minimum capital requirements as stipulated under the B. R Act, 1949 (AACS)/RBI Act, 1934 and voluntary inspections of all SCARDBs continues to be annual. The statutory inspections of those CCBs and RRBs with positive net worth and voluntary inspections of Apex Co-operative Societies/Federations are conducted once in two years.

Inspection of Banks

During 2012-13, statutory inspection of 283 banks (31 StCBs, 215 CCBs and 37 RRBs) and voluntary inspection of 12 SCARDBs and three Societies were conducted. Some of the major supervisory concerns brought out by the inspections included; (i) non-compliance with the statutory provisions by a few banks, (ii) improper application of Income Recognition and Asset Classification (IRAC) norms in certain cases, (iii) high level of NPAs/erosion in the value of assets, (iv) deficiencies in sanction, appraisal of loans/advances and laxity in post disbursement supervision, (v) inadequate financial margin/high cost of management/adverse working results, (vi) non-judicious funds management, (vii) inadequate risk management systems, (viii) delay in submission of statutory returns and off-site surveillance system returns, (ix) poor and delayed compliance to inspection observations, (x) poor corporate governance in co-operative banks, (xi) weaknesses in internal checks and control system resulting in frauds, (xii) improper valuation of securities and irregularities in investment portfolio, (xiii) violation of norms under Credit Monitoring Arrangement (CMA)/exposure norms, (xiv) non-compliance with Know Your Customer (KYC)/Anti-Money Laundering (AML)/Combating Financing Terrorism (CFT) standards, (xv) poor computerisation and CBS and (xvi) poor adoption of Asset Liability Management (ALM) system, etc. The defects were communicated to the banks concerned, Registrar of Co-operative Societies (RCS), State Governments in respect of co-operative banks and Sponsor Banks in respect of RRBs for corrective action.

Board of Supervision

The Board of Supervision (BoS) constituted by the Board of Directors of NABARD in 1999, met four times during 2012-13. The BoS deliberated upon/reviewed; (i) functioning of StCBs, CCBs and SCARDBs as brought out in the inspection reports, (ii) working of RRBs sponsored by Corporation Bank, Vijaya Bank, ICICI Bank and Uttar Pradesh Co-operative Bank (UPCB), (iii) incidence of frauds in the supervised banks, (iv) functioning of select CCBs in Madhya Pradesh, Andhra Pradesh, Gujarat, Maharashtra, Bihar, Uttar Pradesh and West Bengal and (v) Investment Portfolio of StCBs, CCBs and RRBs. It directed NABARD to prepare and issue detailed guidelines for conduct of concurrent audit in RRBs and stock audit of hypothecated stocks by StCBs and CCBs, following which NABARD issued guidelines on the subject.

Health of Supervised Banks

Compliance to minimum share capital requirement

As on 31 March 2013, 33 co-operative banks (2 StCBs and 31 CCBs) were not complying with the provisions of Section 11(1) of the B.R. Act, 1949 (AACS) *i.e.*, minimum capital requirements.

Grant of License/Scheduling of Banks

Based on the revised licensing norms suggested by Committee of Financial Sector Assessment (CFSA), (Chairman: Dr. Rakesh Mohan, the then Deputy Governor of RBI), the RBI had revised the licensing norms for rural co-operative banks during October 2009. As per the revised licensing norms, RBI had issued licences to three StCB and 41 CCBs during 2012-13, thereby increasing the number of licensed banks to 376 (31 StCBs and 345 CCBs) as on 31 March 2013. The number of scheduled StCBs remained unchanged at 16 as no StCB was included in the Second Schedule to the RBI Act, 1934 during 2012-13.

During 2012-13, GoI initiated the process of amalgamation of RRBs across the country. Although the RRBs are scheduled banks, after amalgamation a new entity is formed and the compliance to the norms under Section 42(6)(a) (i) & (ii) of the RBI Act, 1934, is examined and suitable recommendations are furnished by NABARD to the RBI for scheduling of amalgamated RRBs.

Compliance with various statutory provisions

As on 31 March 2013, two StCBs and 31 CCBs did not comply with Section 22(3)(a) of the B. R. Act, 1949 (AACS), as regards their capacity to pay their depositors in full and four StCBs and 99 CCBs did not comply with Section 22(3)(b) of the Act, ibid., as the affairs of these banks were construed to have not been conducted in a manner not detrimental to the interests of their depositors. Similarly, out of the 16 scheduled StCBs, one was not complying with Section 42(6)(a)(i) of the RBI Act, 1934 in regard to minimum capital requirement of `5 lakh, and five were not complying with Section 42(6)(a)(ii) of the Act, ibid., as the affairs of these banks were construed to have not been conducted in a manner not detrimental to the interests of their depositors. As on 31 March 2013, only four out of 64 RRBs do not comply with the minimum capital requirements as per Section 42(6)(a)(i) of the RBI Act, 1934. These banks have prepared specific plans for recomplying with the statutory capital requirements and the same are being monitored by their Sponsor Banks.

Policy decisions

A number of instructions involving policy matters were issued to StCBs/CCBs and RRBs. Major policy decisions communicated to StCBs/CCBs included; (i) revised methodology for computation of Net-worth/Real or Exchangeable Value (REV) of capital of the inspected banks made with effect from April 2012, (ii) revised instructions/guidelines for declaration of dividends and doing 'stock audit' for working capital finance, (iii) revision of returns under Off-Site Surveillance System (OSS) and (iv) guidelines for completion of CBS, migration to National Payment System, provision of RTGS/NEFT and ATM services, etc. The major policy decisions issued to RRBs covered; (i) revised methodology for computation of Net-worth/Real or Exchangeable Value (REV) of capital of the inspected banks made with effect from April 2012, (ii) conduct of concurrent audit, (iii) revision of returns under OSS, (iv) guidelines for investment funds by RRBs with sponsor banks and (v) instructions for implementation of Asset Liability Management System, etc.

Supervisory interventions

Besides discharging the statutory responsibility of conducting inspection of banks, NABARD has also been striving hard for capacity building of personnel of supervised banks through conduct of workshops/ seminars/training programmes on various emerging issues such as KYC/AML, CMA, prevention of frauds, internal checks and controls, corporate governance, investment management, ALM, compilation of revised OSS returns, risk management, etc. for the supervised entities. For a holistic and more effective approach towards supervision, NABARD continued to forge partnerships with other related agencies, especially, GIZ-RFIP for strengthening the risk management systems in the supervised banks and ICAI for improving the effectiveness of audit of banks.

Assisting in credit planning

Potential Linked Credit Plans (PLPs)

NABARD prepares annual Potential Linked Credit Plans (PLPs) for all districts of the country to provide a meaningful link between development and credit planning for supporting agriculture and rural development. These documents use real time ground level credit data, infrastructure support and other related information available and aim to guide the banks in their credit planning exercise. The PLPs were prepared for the period 2012-17, co-terminus with the XII Five Year Plan period, with specific reference to the financial year 2013-14 in respect of 643 districts. The sector-wise credit projections captured in the PLPs were utilised for arriving at the credit target for agriculture and allied sector in particular and priority sector in general for the five year period.

State Focus Paper

Based upon the data flowing in from the PLPs, each Regional Office of NABARD prepares a State Focus Paper (SFP). The SFP presents a comprehensive picture of the potential available in various sectors of the rural economy, critical infrastructure gaps to be filled in and linkage support to be provided by various Government Departments in their respective States. Credit Seminars were organised in all States/UTs for discussing with the officials of the State Government Departments, financial institutions and other stakeholders to bridge the infrastructure gaps and facilitate potential credit flow.

District Level Offices

NABARD has 405 District Development offices, manned by District Development Managers (DDMs), across the country to focus on credit planning, monitoring, developmental and promotional activities in these districts. In addition, 107 districts are tagged to specific DDM districts, thus covering almost all the districts of the country.

Towards Inclusive Growth...........

"Growth is a necessary condition and we must unhesitatingly embrace growth as the highest goal. It is growth that will lead to inclusive development, without growth, there will be neither development nor inclusiveness....... many sections of the people will be left behind if we do not pay special attention to them. As Joseph Stiglitz, Nobel prize-winning economist, said, There is a compelling moral case for equity; but it is also necessary if there is to be sustained growth. A country's most important resource is its people." - Shri P. Chidambaram, Union Finance Minister.

The concern for the 'excluded' has been the driving force for NABARD and using the 'people centric' approach to promote agricultural growth and development has been its strategy. This strategy involves: creating ground level peoples' institutions; nurturing them; building their capacity; developing pilots for delivery of development inputs; linking these institutions to existing banking institutions; creating financial endowments and paving the way for up-scaling. In fact, some of the endowments created are out of the surplus earned out of its business!

Members of Producers' Organisation with their produce, Rayagada, Odisha

For NABARD, thus, business for development becomes the philosophy.

The resource poor regions, the rural poor, women, tribals, which were largely excluded from the mainstream development efforts, have remained the focus of NABARD's area-specific, gender-specific, group-specific interventions. It is in this sense of its development philosophy and the strategy, NABARD has been striving for 'inclusive growth' even when the word inclusive growth was not coined. NABARD's development initiatives in the year 2012-13 could be viewed in this perspective.

NABARD's development initiatives are diverse and can be viewed in three different dimensions, *viz.*, the farm sector, non-farm sector and the micro finance and financial inclusion. The farm sector initiatives revolve around natural resource management, productivity increase and technology transfer. The non-farm sector initiatives focus on supporting marketing, developing clusters and promoting entrepreneurship and rural innovations. Up-scaling micro finance programme and financial inclusion with focus on information and communication technology initiatives is the third dimension of NABARD's development efforts.

Inclusive natural resource management for sustainable agricultural growth

"Man…despite his artistic pretensions and many accomplishments…owes his existence to a six-inch layer of top soil and the fact that it rains." (old Chinese proverb)

Development of input intensive irrigated agriculture got policy priority in the wake of food security concerns. But soon it became clear that the strategy would be inadequate, as large tracts of resource poor regions (and farmers) would remain excluded in the growth process, leaving sustainable and balanced agricultural growth unaccomplished.

Recognising this, NABARD's response to rainfed and dry land agriculture was development of watersheds. Watershed, technically is only 'catching the rain where it falls', but, NABARD involved people, leveraged their participation for planning, executing and managing it. Development of a micro watershed under the NABARD's Watershed Development Programme passes through different phases (at times, not very water-tight). The first phase, known as Capacity Building Phase (CBP), deals with mobilisation of community to ascertain its willingness to participate in the project and building its capacity to implement the same. Towards the end of CBP, feasibility study of the project is conducted which is considered as Feasibility Study Report (FSR) stage. This is basically a planning stage for each land holding, commons and drainage line treatments which leads to a detailed Project Report indicating various structures, activities required in the watershed area. The FSR comes out with the pros and cons of the project implementation and its feasibility from economic and social aspects. On the basis of FSR, the project then moves to Final Implementation Phase (FIP); wherein entire area identified under the project is treated with various measures. At times, there remains some time gap in CBP/FSR and FIP. In order to ensure continuity in the implementation, need based Interim Phase (IP) covering another set of a small area is considered before sanctioning the FIP.

Watershed Development Programmes

NABARD anchors four programmes *viz.*, (i) Participatory Watershed Development Programme under Watershed Development Fund (WDF) in 15 States, (ii) Prime Minister's Relief package for distressed districts in four States, (iii) Integrated Watershed Development Programme (IWDP) in Bihar and (iv) Indo-German Watershed Development Programme (IGWDP) in Maharashtra, Andhra Pradesh, Gujarat and Rajasthan. These four programmes cover an area of around 17.8 lakh ha. The central theme and the methodology governing all these programmes is the successful partnership based on strong commitment by State and local agencies, community leaders and local people at all the stages of implementation of the programme. The difference is only about the source of funding.

The Participatory Watershed Development Programme is a national programme financed from Watershed Development Fund (WDF) of NABARD. Established in NABARD in 1999-2000 with an initial corpus of `200 crore and augmented over the years by way of interest differential earned under RIDF and interest accrued on the unutilised portion of the Fund, the total corpus of WDF stood at `1,686.38 crore as on 31 March 2013. During 2012-13, 29 watershed projects were sanctioned, taking the cumulative number of projects under WDF to 586, covering an area of 4.45 lakh ha. in 15 States, with a total commitment (loan and grant component) of `306.36 crore. Ninety three projects graduated to FIP during 2012-13, taking the number of such projects to 287.

The Prime Minister's Relief package is being implemented in 31 distressed districts of Andhra Pradesh, Karnataka, Kerala and Maharashtra with the aim to bring 15,000 ha. per annum over a period of two years in each of these districts under participatory watershed management programme. The cumulative area under the programme is 9.44 lakh ha. with a financial commitment of `1,023 crore. As on 31 March 2013, cumulative amount of `643.70 crore was released under the package.

The watershed projects in distressed districts were entirely grant based, while the assistance was grant-cum-loan in non-distressed districts. During 2012-13, grant assistance of `224.11 crore and loans worth `6.45 crore were disbursed for the watershed projects. The cumulative disbursements under these components were `780.25 crore and `48.21 crore, respectively.

Integrated Watershed Development Programme (IWDP) being implemented by NABARD under the Special Plan for Bihar component of Rashtriya Sam Vikas Yojana (RSVY) with an allocation of `60 crore, aims to develop 80,000 ha. of wasteland in eight districts of Bihar. Under the programme, a total of 79 projects were sanctioned involving an amount of `54.66 crore. The cumulative disbursement under the programme stood at `54.54 crore.

Seedbank programme in Thalyamada Watershed, Kerala

Indo-German Watershed Development Programmes – Maharashtra, Andhra Pradesh, Gujarat and Rajasthan : Indo-German Watershed Development Programmes (IGWDP), a bi-lateral aid agreement between the Indian and German Government is NABARD's first watershed development experience and hence pioneering in respect of evolving the methodology implemented by Village Watershed Committee (VWC) in association with NGOs. Phase – I (1990-2000) and Phase II (2001-2007) of the programme were successfully completed, covering an area of 1.02 lakh ha. under 95 watersheds.

Phase – III (2005-2014) of IGWDP in Maharashtra involves a commitment of €19.94 million (about `140 crore) from KfW, Germany. Hundred and fourteen watershed projects covering an area of 1.18 lakh ha., in 18 districts were sanctioned under the programme, of which, 20 were completed, four were terminated and 90 were in FIP. During 2012-13, grant assistance of `6.23 crore was disbursed, taking the cumulative disbursement to `119.18 crore. (Table 3.1)

In addition to Maharashtra, IGWDP has been extended to three States *i.e.*, Andhra Pradesh, Gujarat and Rajasthan. KfW, Germany has committed assistance of €8.69 million (about `48.66 crore) for IGWDP in four districts of Andhra Pradesh (Adilabad, Karimnagar, Medak and Warangal). During 2012-13, grant assistance of `7.87 crore was disbursed, taking the cumulative disbursement to `47.51 crore.

The IGWDP in four districts (Dahod, Panchmahal, Sabarkantha and Vadodara) of Gujarat (2006-2015) envisages a commitment of €9.20 million (approx. `51.52 crore) from KfW, Germany. Thirty three projects covering an area of around 38,000 ha. are being implemented under this programme. Of these, 30 are in FIP and three have been terminated. During 2012-13, grant assistance of `7.71 crore was disbursed, taking the cumulative disbursement to `22.33 crore.

The IGWDP in five districts (Banswara, Chittorgarh, Dungarpur, Pratapgarh and Udaipur) of Rajasthan (2006-2016) involves commitment of grant assistance of €11.00 million (about `61.60 crore) from KfW, Germany. Thirty five projects covering an area of about 35,000 ha. are being implemented under this programme, of which, 31 are in FIP and four have been terminated. During 2012-13, grant assistance of `7.57 crore was disbursed, taking the cumulative disbursement to `22.51 crore.

KfW carried out an ex-post evaluation of Phase I and II of IGWDP in Maharashtra in November 2012 and the project was rated as 'excellent' in terms of relevance, efficiency and development aspects.

On the whole, the watershed development experiment has been immensely rewarding in terms of learning. Various external and internal studies have come out with the following common outcome of watershed development:

- Increase in the cropped area, cropping intensity and crop diversification;
- Increase in agri-productivity and production as also income of farmers;
- Rise in groundwater levels by 2 to 3 meters;
- Overcoming drinking water scarcity in villages;
- Improvement in local employment generation, reducing off season migration, increase in school attendance;
- Fillip in dairy activity;
- Women empowerment and reduction in drudgery; and
- Formation and credit linkage of large number of women SHGs (about 12,840).

NABARD's watershed initiatives implemented above, now cover more than 1.6 million ha. and 13 lakh rural poor. The methodology, thus stabilised and acknowledged, is now ready for adoption by the States who have the necessary wherewithal to implement the watershed programme with its huge potential.

Integrated development of tribals

Tribals constitute almost eight per cent of India's population and there are over 94,000 tribal villages in the country. These people are very often considered as 'people at the periphery' whom the process of development tends to by-pass. The real challenge for tribal development is to integrate them with the mainstream economy without disrupting their ecological existence and socio-cultural system. NABARD is associated with various tribal development programmes so as to promote sustainable participatory livelihood based opportunities for the tribals. As in the case of watershed based development, various projects are under implementation with similar development philosophy and implementation strategy.

Adivasi Development Programmes with support from external agencies

The Phase II (2006-2014) of KfW-NABARD-V-Adivasi Development Programme is being implemented in Gujarat (Dangs and Valsad). It focuses on development of wadi (small orchard of mango and cashewnuts), with components of soil conservation, water resources development, women/landless family development and health. KfW sanctioned a grant assistance of €7 million (approx. `38.15 crore) for the programme, covering 4,700 families in these districts. Under this Phase, 5,922 families had been identified, 5,789.5 acre of wadi established and 503 wadi tukadis (group of 8-10 wadi holders) were formed, as on 31 March 2013. The Adivasi Development programme in Maharashtra was under implementation in Nashik and Thane districts since 2000 with a KfW assistance of €14.32 million (`82.22 crore) (Table 3.1). Around 13,848 families were covered under the programme as against the target of 13,000 families and wadi area coverage reached 12,293.5 acres as against the target of 10,000 acres.

Tribal Development Fund

NABARD carried forward its efforts towards enhancing livelihood opportunities for tribal communities by supporting projects under Tribal Development Fund (TDF) with ‘wadi’ as the core component. The TDF programme, in its 8th year of implementation has enhanced livelihoods for tribal communities, covering traditional tribal livelihoods (such as bee keeping, sericulture), organic wadis, mixed wadis (perennials + creeper vegetables + spices), credit support for marketing activities and value chain interventions. During 2012-13, financial assistance of `224.26 crore (`210.78 crore as grant and `13.48 crore as loan) was sanctioned for 69 projects benefiting around 53,700 tribal families in 14 States. The cumulative sanction under the Fund as on 31 March 2013 was `1,432 crore, covering 3.80 lakh families in 484 projects across 26 States/UTs.

Nodal agency for ‘Special project on livelihood based development’

NABARD is the project holder for the ‘Special project on livelihood based development’ sanctioned under Swarnajayanti Gram Swarozgar Yojana (SGSY) being implemented in Sultanpur and Raebareli districts of Uttar Pradesh. The project aims at covering 8,000 Below Poverty Line (BPL) families under Multi-activity Approach for Poverty Alleviation (MAPA) and 15,000 financially very needy youth under Demand Driven Skill Development through Livelihood Advancement Business School (LABS). BAIF and Dr. Reddy’s Foundation are the implementing agencies for the two components. During 2012-13, an assistance of `0.68 crore was released, taking the cumulative disbursement to `20.11 crore under the programme.

Umbrella Programme on Natural Resource Management

As per the National Environment Policy of the GoI (2006) ‘environmental degradation is a major causal factor in enhancing and perpetuating poverty, particularly among the rural poor.’ For quite some time, approach to the natural resource management relied on the

Capsicum Cultivation under shed nets in Kadwanchi watershed, Jalna, Maharashtra

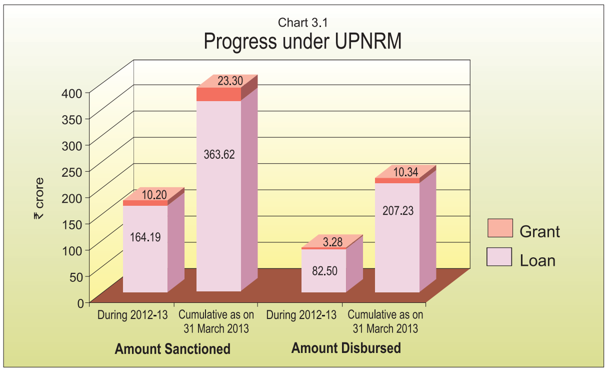
implementation of grant based programmes. However, the financing needs of this sector are far greater than the resources available and grant based programme alone cannot meet this requirement. With this perspective, following the success of the Indo-German Watershed Programme and the Adivasi Development Programme, NABARD collaborated with KfW and GIZ to implement Umbrella Programme on Natural Resource Management (UPNRM) based on loan-cum-grant model. The programme aims at augmenting private investment in the sector and assist in developing a suitable policy environment. The objective of UPNRM is to demonstrate the viability of loan-based, community owned approaches to natural resource management. It is envisaged to achieve this by weaving holistic, participatory and financially sustainable livelihood solutions into public policies and making investments towards improving the livelihoods of the rural poor.

UPNRM will not only help in scaling up existing approaches (Watershed and Adivasi Development), but will also explore other sub-sectors like forestry, farming systems management, agro-processing, natural resource based livelihoods and climate change adaptation. Introducing an innovative concept, the programme provides combined packages of loans and grants tailored to specific project needs in natural resource management. The core elements of the programme include designing, testing and scaling up loan-based economically viable models, extensive capacity development to enhance programme effectiveness and institutionalisation of an Information and Knowledge Management system.

The programme envisages total fund of €30.90 million (€19.40 million from KfW, €8.50 million from GIZ and €3.00 million from NABARD) under Phase - I. An amount `3.15 crore was received from KfW as Accompanying Measures (AM) and `0.52 crore was received from GIZ under Technical Component (TC) during 2012-13.

Assistance of `174.39 crore (`164.19 crore as loan and `10.2 crore as grant) was sanctioned under UPNRM during 2012-13. The cumulative sanction amounted to `386.92 crore (`363.62 crore as loan and `23.3 crore as grant) as at the end of March 2013. Disbursement under the UPNRM during 2012-13 was `85.78 crore, including loan of `82.50 crore and grant of `3.28 crore. The cumulative disbursement under the programme amounted to `217.57 crore, including, `207.23 crore as loan and `10.34 crore as grant. (Chart – 3.1)

NABARD signed agreements with KfW in 2012, for implementation of the Phase-II of UPNRM, involving financial assistance of €54 million (approximately `380 crore), including credit lines amounting to €52 million and Accompanying Measures of €2 million.



Dealing with challenges from climate change

The challenges arising out of the climatic change are profound. Eminent agriculture scientist, Dr. M.S. Swaminathan has cautioned that, an estimated one degree rise in temperature in areas like Western Uttar Pradesh, Punjab and Haryana can lead to a loss of 6 million tonnes of wheat per annum. Hence, there is a need to train the people or at least groom some leaders to become climate risk managers so as to adapt the

Box : 3

Dilasa Janvikas Pratishthan : A success story under UPNRM

Dilasa Janvikas Pratishthan, an NGO working in the backward district of Aurangabad, Maharashtra took up the initiative for promoting economic use of water through drip irrigation as a watershed plus activity, with financial assistance under UPNRM. The interventions under the project included installation of micro irrigation units, extension of short term crop loan to 1,400 farmers, dissemination of cultivation technology for new crops/methods (transplanted cotton, potato and ginger cultivation). At the Channel Partner level (Dilasa), loan assistance was sanctioned for coal making and biomass briquette making (using waste cotton stalks) and vegetable dehydration units. The total loan assistance sanctioned under the project was `4.41 crore and grant assistance was `0.35 crore.

Under the programme of Better Cotton Initiative (BCI), Dilasa is facilitating certification of cotton in its area of operation. Fields of 1,351 farmers (including 288 UPNRM loanee farmers) received the BCI certification. The ginning mills offered an additional `200 to `400 per quintal for buying BCI certified cotton. Dilasa is also acting as a facilitator in adoption of International Development Enterprises (IDE) promoted low cost drip irrigation technology, especially by poor farmers. The evaluation study revealed that the average yield of cotton under drip irrigation at 14 quintal per acre (as against 6 to 7 quintal per acre under non drip irrigation) provided additional benefit of approximately `28,000 per acre to farmers.

community to mitigate the adverse impact of climate change. NABARD has taken a lead role in promoting initiatives in this regard and facilitate development in an ecologically sustainable manner.

Climate change adaptation project in Maharashtra : NABARD, in collaboration with Swiss Development Corporation (SDC) is supporting climate change adaptation project in 25 villages in Ahmednagar district of Maharashtra. Being implemented by Watershed Organisation Trust (WOTR) at the ground level, the total cost of the project amounts to ₹23.79 crore, of which, the grant support under WDF is to the tune of ₹21.38 crore. The major interventions of the project include social mobilisation, watershed structures, lift irrigation systems, water budgeting, bio-diversity, renewable energy and innovative activities. The key outputs envisaged from the project are revitalisation of local ecology, promotion of local bio-diversity, creation of awareness among communities on renewable energy resources and localised weather information, ecologically sustainable and economically viable income generation activities, benefits to women and children through reduced drudgery and convergence of village level climate change adaptation measures through Government programmes.

Climate proofing projects of watersheds in Tamil Nadu and Rajasthan : Climate proofing projects designed with agriculture based resilience approach

Box : 4

Climate Change - NABARD accredited as National Implementing Entity

The Kyoto Protocol of the United Nations Framework Convention on Climate Change (UNFCCC) stated that 'parties to the Protocol shall ensure that a share of the proceeds from the certified project activities is used to cover administrative expenses as well as assist developing country parties that are particularly vulnerable to the adverse effects of climate change to meet the cost of adaptation'. In line with this, the Adaptation Fund was set up. To supervise the operation of the Fund and approve the projects for adaptation activity in eligible developing countries, an Adaptation Fund Board (AFB) was set up in 2008. India as an eligible country has access to Adaptation Fund and can seek financial support to undertake adaptation activities at national and regional level.

Developing countries that are particularly vulnerable to the adverse effects of climate change and are Parties to the Kyoto Protocol can apply for project and/or programme funding. The applicants must submit project proposals through a National Implementing Entity (NIE) or a Regional Implementing Entity (RIE) or a Multilateral Implementing Entity (MIE). Proposals also require endorsement by the Designated Authorities of the country, in which, the project/programme would take place. For the purpose of taking the role of NIE, a process of accreditation is followed by AFB through Adaptation Fund Accreditation Panel. The NIEs are accredited by AFB based on the recommendations of the National Government and are recognised as meeting the fiduciary standards established by the Board. The NIE will bear the full responsibility for overall management of projects/programmes financed by the Adaptation Fund, including that of the financial, monitoring and reporting responsibilities.

In view of its long standing experience in implementing natural resources management projects and adherence to stringent fiduciary standards, NABARD was accredited as NIE during the 18th AFB meeting held in June 2012 at Bonn, Germany. NABARD is the only agency from India and 12th in the world to have been accredited as NIE. The accreditation as NIE is expected to open up new opportunities for NABARD in terms of access to funds for implementing its natural resource management interventions and also training, monitoring and evaluation of various adaptation projects. It will enable NABARD to become a leader in climate change adaptation programmes of the country and be an integral part of the national policies on climate change.

are being implemented by Centre for Improved Rural Health and Environmental Protection (CIRHEP) in two watersheds in Dindigul district of Tamil Nadu. The total cost of two projects at `2.41 crore is being shared between NABARD and GIZ. Climate proofing projects involving cost of `3.75 crore, with focus on pasture land development and fodder planning are also envisaged in two watersheds in Rajasthan.

Support to Producers' Organisations

Conventional technologies used in agriculture are inadequate to meet the challenges faced by the sector on account of the changing agro-climatic and agro-market scenarios. Adoption of the latest available technologies have immense potential to increase productivity of food, feed, fibre; reduce production costs; conserve bio-diversity and improve economic and social benefits. Aggregation or group activity at the village level is important to move forward in this direction. Marketing through rural Producers' Organisations can be a means to overcome the constraints faced by individual small farmers, especially so when they constitute more than 80 per cent of the agri-households in the country. Continuous fragmentation of land holdings has now reached such a stage that it is posing serious problems to both, production and post production stages. Aggregation or group activity at the village level is the key for dealing with the situation. NABARD has been involved in aggregations, formal and informal of different kinds in different spaces for quite some time.

In its endeavour to support Producers' Organisations (POs) in a comprehensive manner, NABARD sanctioned an assistance of `55.95 crore (`54.49 crore as loan and `1,46 crore as grant), out of the Producer Organisation Development Fund (PODF), to 34 POs during 2012-13. The disbursement amounted to `29.18 crore (`28.84 crore as loan and `0.34 crore as grant), covering major activities like dairy (including marketing and aggregation of milk), fishery (including purchase of fishing equipment), marketing infrastructure (including agri mall) and agro processing infrastructure (including cotton ginning units).

Development through productivity augmentation and technology transfer

Farm Innovation and Promotion Fund

The Farm Innovation Promotion Fund (FIPF) was created out of the operating profits of NABARD to support innovative ventures in farm sector and its corpus stood at `50 crore as on 31 March 2013. During 2012-13, grant assistance of `0.63 crore was sanctioned for 21 projects in six States under FIPF to support innovations related to agriculture and allied sector. Cumulatively, 185 projects were sanctioned with financial support of `69.08 crore, of which, 72 projects with financial assistance of `3.68 crore were completed. During 2012-13, assistance of `9.90 crore was disbursed for various interventions under the programme.

Farmers' Technology Transfer Fund

The corpus of Farmers' Technology Transfer Fund (FTTF), created out of the operating profit of NABARD to support technology transfer projects stood at `101 crore as on 01 April 2012. Two Hundred and twelve proposals in 20 States involving grant assistance of `6.69 crore were sanctioned during 2012-13 under the Fund. Cumulatively, 1,282 projects were sanctioned with financial support of `80.82 crore. Some of the major projects financed under the Fund included proposals under project mode, Pilot Project for Lead Crops, System of Rice Intensification, Master Farmers Training Programme, Village Development Programme (VDP), Farmers' Club Programme, Capacity Building for Adoption of Technology (CAT), Farmers' Training and Rural Development Centre (FTRDC), etc. During 2012-13, an assistance of `39.78 crore was disbursed for various interventions under the programme.

Farmers' Club Programme – Alternative mode of aggregation

Farmers' Clubs are the informal forums of farmers and NABARD views them as the change agents at grassroot level. The clubs facilitate farmers in accessing credit, extension services, technology and markets. Around

24,802 new Farmers' Clubs were formed during 2012-13, taking the total number of Farmers' Clubs to 1.27 lakh as on 31 March 2013. NGOs promoted maximum number of Clubs (17,559), followed by co-operative banks (3,365), RRBs (1,824), commercial banks (1,453),) and SAUs/KVKs/other agencies (601). The region-wise distribution of clubs indicated that the central region had the highest share (30%), followed by the eastern (22%), southern (21%), western (15%) and northern (10%) region, while NER accounted for (2%) in formation of clubs.

NABARD took several initiatives to strengthen the Farmers' Clubs mostly through training and capacity building. NABARD sanctioned a grant assistance of `1.74 crore for 32 projects across 18 States to train around 663 farmers as master farmers, who in turn, trained 11,629 farmers to act as a cadre in technology transfer, credit counselling and market advocacy. Fifteen Farmers' Training and Rural Development Centres (FTRDCs) were provided grant assistance aggregating to `1.50 crore as on 31 March 2013.

As an Information and Communication Technology (ICT) initiative, 48,650 connections were provided to Farmers' Clubs to avail information on weather, market prices and crop advisory through SMS on mobile phones. A pilot project in collaboration with Agri-met Division, Indian Meteorology Department, Pune was launched in Maharashtra during 2012-13, for dissemination of weather related information to 10 KVKs covering 10 districts in the State so as to enable them to provide crop advisory services to farmers through Farmers' Clubs. Financial support of `0.95 crore has been sanctioned for a period of three years for implementation of the project.

In addition to their role as usherer of change, Farmers' Clubs also acted as Self Help Promoting Institutions (SHPIs) and promoted 17,683 Self Help Groups (SHGs), out of which 10,012 were credit linked. They had also promoted 423 JLGs, all of which were credit linked. To improve their effectiveness, Farmers' Clubs of adjoining villages/blocks/districts formed 69 Federations in 14 States. In addition to this, 391 Farmers' Clubs were functioning as Business Facilitators/Business Correspondents.

Village Development Programme

Village Development Programme (VDP) introduced in 2007-08, is meant to fulfil NABARD's mandate of bringing about integrated rural development through credit and promotional efforts. The programme envisaged identification of developmental needs of villages in consultation with village community and delivering package of initiatives for holistic development of the villages. The crux of the programme is the convergence of development initiatives of the State Government and NABARD so as to navigate the programme in right direction. In the first phase, the programme was completed in 811 districts and was closed in May 2012. The programme was up-scaled in the second phase and intends to cover 1,068 villages spread across 25 States. During 2012-13, an assistance of `2.06 crore was disbursed for various interventions under the programme.

Capacity building for Adoption of Technology

Following the motto of 'seeing is believing', NABARD organises Capacity building for Adoption of Technology (CAT) programmes to give exposure to the farmers on new/innovative methods of farming. During 2012-13, 56 exposure visits were arranged in collaboration with select research institutes, KVKs and SAUs to build the capacity of around 1,200 farmers for adopting new/innovative methods of farming.

System of Rice Intensification

As per rough estimates, about 60 per cent of the water used in agriculture in the country is consumed by paddy alone. In view of scarce availability of water, it is necessary to improve water use efficiency so as to produce more rice from every drop of water. System of Rice Intensification, a combination of simple agronomic and management practices, addresses the issue of improving productivity of rice without compromising the sustainability of natural resource *i.e.*, water. NABARD has extended support for project under System of Rice Intensification (SRI) on a pilot basis. The project is being implemented in an area of 36,935 ha. covering 1.42 lakh farmers in 2,380 villages across 13 States. Assistance of `3.88 crore was disbursed for the project during 2012-13.

Pilot Project on augmenting productivity of lead crops

NABARD launched 'Pilot Project on augmenting productivity of lead crops/activities through sustainable agricultural practices' in 2009-10. The project aims at increasing income of farmers by improving productivity of lead crops/activities through adoption of appropriate technologies, reduction of costs and getting better prices of the produce by way of value addition. The selection of lead crops/activities usually three to four in number are based on location specific, local resources and demand driven factors. The project is being implemented under cluster approach covering four to six clusters of five villages each per State, proliferating to 600-900 villages at the national level. A total of 58 clusters, comprising 393 villages were sanctioned at the national level. An amount of `4.83 crore was disbursed for the project during 2012-13.

Supplementing Income through Non-Farm Sector

Farm sector development has its own limitations especially in terms of promoting sustainable livelihood. The need for diversification from farm to non-farm sector is indispensable in view of the scarce land availability, stagnating farm incomes and dwindling employment opportunities in rural areas. NABARD's efforts towards promotion and development of non-farm sector were in this context.

Policy Initiatives during 2012-13

NABARD revisited its rural non-farm sector policy during 2012-13 in order to fine tune it to the ground level

Box : 5

Pilot Project for augmenting productivity of lead crops in Balasore district of Odisha

Stagnating agricultural productivity and increasing costs of cultivation are the two major concerns for farmers and policy makers alike. Though increased resources are being made available to agriculture through public investment as also bank finances, crop productivity and net incomes of the famers are not increasing, largely on account of real sector issues of support system. On this background, NABARD launched a Pilot Project in 2012 in Balasore district of Odisha with the objective of improving the productivity of identified lead crops by 30 per cent by encouraging adoption of an improved package of crop management practices and increasing the net farm income by 50 per cent in a period of three years. The increase is expected through enhanced yield, controlled cost of production and better price realisation through scientific post-harvest management, value addition and improved market access.

This is a project where 'end to end' solutions approach has been adopted. Aspects which are covered include, promotion of crop varieties suitable for the soil conditions, localised cluster based seed production and processing, improving soil health based on soil analysis by trained local entrepreneurs, planning for irrigation systems, improving cropping intensity, timely delivery of required production inputs with more focus on the green manure and compost, putting in place an effective system of agronomic practices and technology transfer from the technology store houses to the last mile farmer, comprehensive farm mechanisation through farmers' group based small implements hubs and PACS/ ACABC managed farm machinery hubs, integrated weeds and pests management systems, mobile based weather and crop practices advisories, strengthening post-production and storage infrastructure and price discovery mechanism to arrest distress sale. The essence of the strategy is small-farmer oriented and farmers' collectives/producers' organisations as also the local micro-enterprises are being encouraged to have greater local people involvement and decision making for mutual benefit. In addition to the measures for productivity enhancement of select lead crops *viz.*, paddy as food-grain, pulses namely green-gram and oil-seeds *viz.*, ground nut and mustard, scientific fresh-water fish farming is being encouraged as subsidiary activity so as to augment the net income of the farmers in Balasore district.

requirements and align it with national priorities in the changing environment. The stand alone programmes were reorganised with a projectised approach to provide end to end solution to target group for promoting better livelihoods. The policy also envisages a distinct shift from 100 per cent grant to ‘Grant-cum-loan’ and ‘Exclusively Loan’ based models as also full grant support to projects meant for weaker section, backward and geographically difficult areas and for capacity building, etc. The broad contours of the new policy involve supporting rural non-farm sector under three models of assistance *i.e.*, (i) grant model for activities where financial support is required for capacity building, training, marketing assistance, etc., (ii) loan-cum-grant model and (iii) loan model to support channel partners (Companies, SHG Federations, Farmers Clubs Federations, Government Agencies, banks, etc.) for providing ‘end to end’ solutions. A budget of `36 crore was allocated for implementing various projects, of which, an amount of `19.38 crore was utilised.

Exhibitions and Melas

In order to provide a platform to SHG members and rural artisans to showcase their products and thereby increase their income, NABARD provided financial assistance of `1 crore for 100 exhibition/melas held in different parts of the country during 2012-13. Mahalaxmi SARAS in Mumbai and Surajkund International Craft Mela in Haryana were the most prominent ones receiving overwhelming response.

Strengthening of Rural Haats / Rural Mart

NABARD continued to provide support to Rural Haats and Rural Marts to facilitate marketing of farm and non-farm products. Since inception of the schemes, assistance amounting to `23.74 crore has been provided for 386 Rural Haats and 565 Rural Marts across 26 States. With change in approach under RNFS promotional assistance policy to provide ‘end to end solutions’, these schemes now form part of the projectised approach under the new policy.

Rural Entrepreneurship Development and Skill Development Programmes

NABARD supports Rural Entrepreneurship Development Programmes (REDPs) and Skill Development Programmes (SDPs) for facilitating generation of self employment and wage employment opportunities in rural areas. During 2012-13, NABARD decided to institutionalise the process by supporting the REDPs

Mahalaxmi SARAS mela in Mumbai

and SDPs conducted through Rural Development Self Employment Training Institutes (RUDSETIs) and Rural Self Employment Training Institutes (RSETIs). Assistance of `5.03 crore was sanctioned during 2012-13 for conduct of 334 REDPs/ SDPs. Cumulatively, NABARD had supported 28,045 REDPs/SDPs, with grant assistance of `101.35 crore, imparting training to around 7.16 lakh unemployed rural youth. Studies have indicated that the success rate of establishing enterprises by the trainee is about 45 per cent. Considering the role of REDPs in employment generation, GoI has decided to set up RSETIs with dedicated infrastructure in each district of the country to impart training to rural youth for skill upgradation and entrepreneurship development. RSETIs are managed by bank with active cooperation from GoI and State Governments. So far, 556 RSETIs have been set up in collaboration with 35 commercial banks.

Cluster Development

NABARD has been implementing the Cluster Development Programme under National Programme on Rural Industrialisation (NPRI) since 1999-2000. The programme envisages comprehensive strategy aimed at holistic development of clusters so as to increase the income and improve the standard of living of the artisans through various planned interventions. NABARD has approved a total of 120 clusters in 110 districts across 22 States. The handloom clusters (57), handicrafts clusters (43), food processing and rural tourism (7 each) were the prominent clusters supported under the programme. Focus was given on development of clusters in NER, with as many as 23 clusters being supported in the North eastern and backward region. An amount of `0.89 crore was disbursed during 2012-13 towards implementation of the programme.

Swarozgar Credit Card Scheme

NABARD acted as the nodal agency for monitoring of Swarojgar Credit Card (SCC) Scheme, introduced to provide adequate, timely and uninterrupted credit to the small artisans, handloom weavers and other self-employed persons including micro-entrepreneurs, SHGs, etc. During 2012-13, around 86,741 SCCs were issued with an aggregate credit limit of `359.67 crore. Cumulatively, 13.96 lakh SCCs were issued by banks, involving credit limit of `5,813.95 crore.

Promoting Innovations

The need for inclusive growth demands innovations in economic, social and technological fronts. While some of the technological changes are easier to generate, accessing them and converting them to economically and environmentally sustainable products or services suitable to rural areas, still pose a challenge for the policy makers.

NABARD-SDC - Rural Innovation Fund

Rural Innovation Fund (RIF) constituted by NABARD, in collaboration with the Swiss Agency for Development and Co-operation (SDC) in 2005-06, continued to support innovative, risk- friendly projects in farm, non-farm and micro finance sector, having potential to promote sustainable livelihood opportunities in the rural areas. During 2012-13, 90 innovative projects were sanctioned with the financial commitment of `7.70 crore, taking the cumulative number of projects to 571 and cumulative sanction to `64.92 crore. An assistance of `15.27 crore was disbursed during 2012-13, taking the cumulative disbursement to `58.36 crore. One hundred and seventy five projects were completed as on 31 March 2013.

Rural Innovation - Sugarcane bud chipper

NABARD AWARD for Rural Innovations

NABARD instituted awards for rural innovations in the year 2012, to commemorate its 30 years of association with India growth story. Through this initiative, NABARD aims to encourage grassroot level innovations for improving efficiency and productivity by using locally available resources. NABARD AWARD for Rural Innovations, 2012 received an overwhelming response with more than 1,400 entries coming from five categories of innovators *i.e.*, (i) Public sector, (ii) Government, (iii) Private Sector, (iv) Academic/Research institutions, (v) NGO/Trust and Individuals covering six broad segments *i.e.*, (i) Energy, (ii) Financial Services, (iii) Training and Skill up-gradation, (iv) Agriculture, (v) Technology and (vi) others.

The screening and short listing of entries were carried out by external subject experts in association with reputed consultancy firm for ensuring transparency in the selection process. The final awardees (six winners and six runner-ups) were selected out of the 30 shortlisted innovations in 5 different segments by a panel of expert jury headed by Shri Jairam Ramesh, Hon'ble Minister for Rural Development. All winners/runners up were awarded cash prize of `10 lakh/ `5 lakh, respectively. The awardees received the awards from the hands of Shri P. Chidambaram, Hon'ble Finance Minister at a function held in New Delhi in October 2012. A broadsheet published to commemorate NABARD's 30 years of service to rural India and a booklet saluting the rural innovations and innovators was formally released on the occasion.

NABARD Award for Rural Innovation function - Shri P.Chidambaram, Hon'ble Finance Minister and Shri Jairam Ramesh, Hon'ble Minister for Rural Development with Dr.Prakash Bakshi, Chairman

Financial Inclusion with focus on Information and Communication Technology

'A prolonged and persistent financial exclusion of a large segment of population would lead to fall in investment and can also result in fuelling social tension causing social exclusion' (Dr. K.C. Chakravarty, Deputy Governor, RBI). An inclusive financial system, wherein weaker sections and low income groups have access to appropriate financial products and services, at an affordable cost, in a transparent manner has been the goal of policy makers for quite some time. The barriers to access financial services emanate from both demand side (lack of awareness and non transparency) and supply side (higher transaction cost). The combination of IT and mobile telephony alongwith other IT enabled services have emerged as viable solution to tide over the transaction cost of serving large number of small value accounts. Awareness creation on financial literacy is another channel to mainstream financial inclusion.

Financial Inclusion Fund and Financial Inclusion Technology Fund

NABARD continued to manage two dedicated funds *i.e.*, Financial Inclusion Fund (FIF) for meeting the cost of developmental and promotional interventions and Financial Inclusion Technology Fund (FITF) for meeting the cost of technology adoption for financial inclusion. These Funds were instituted in NABARD by GoI in 2007-08 as per the recommendations of Dr. Ranagarajan Committee. With effect from 01 April 2012, the relative margin (interest differentials) available to NABARD in excess of 0.5 per cent in respect of deposits placed by banks under RIDF and STCRC is being credited to FIF. The Advisory Board with representation from GoI, RBI, National Association of Software and Services Companies

(NASSCOM), Insurance Regulatory and Development Authority (IRDA) and Institute for Development and Research in Banking Technology (IDRBT), under the chairmanship of NABARD, guides and renders policy advice in respect of management of these Funds. As on 31 March 2013, the cumulative sanctions under FIF and FITF were `181.64 crore and `365.49 crore, respectively, against which, disbursements were `69.77 crore and `201.30 crore, respectively (Table 3.2).

A good number of policy initiatives were taken under the FIF and FITF during 2012-13. The initiatives under FIF included conducting financial literacy campaign for creating demand by using various modes, delivery channels/mechanism through a variety of languages, capacity building of all stakeholders, including NGOs, bank staff, BC/BFs (including the Farmers' Clubs) for improving the delivery of financial services/products, support the banks in opening of Financial Literacy & Credit Counselling Centres (FLCCs)/Financial Literacy Centres (FLCs) for creating awareness about the financial products and services, etc. NABARD also supported the client institutions, especially RRBs and co-operatives, in various ways in their effort to bring about financial inclusion through the use of ICT, under the FITF.

ICT based projects implemented under Financial Inclusion

Giving due importance to technology, particularly ICT, NABARD played a pioneering role in implementing a number of projects as part of its financial inclusion initiative.

ICT-based support to RRBs : Assistance was sanctioned to RRBs for implementing ICT based solutions by using the BC model - both under Ownership as well as ASP (Application Service Provider) model. As on 31 March 2013, 69 projects with an assistance of `117.89 crore were sanctioned to 54 RRBs, out of which, an amount of `41.87 crore was disbursed.

Support for CBS of weak RRBs : As a part of the scheme to support weak RRBs for migration to CBS, an assistance of `220.73 crore was sanctioned to 27 RRBs, out of which, `153.26 crore was disbursed as on 31 March 2013.

Mapping of banking outlets through Geographic Information System : NABARD had sanctioned and released `21.71 lakh to National Informatics Centre (NIC) for development of web-based Geographic Information System (GIS) Application for assessing the reach and extent of banking in India and also developing a web-based MIS. The Lead Banks in all the districts have uploaded the information using the module and verification of data is under way.

Pilot on on-boarding of RRBs to Aadhar Enabled Payment System : RRBs were included in the Aadhar Enabled Payment System (AEPS) to strengthen financial inclusion network in rural areas. Accordingly, during 2012-13, an amount of `1.85 crore was sanctioned to three RRBs sponsored by Bank of India (BoI) for issue of 3.13 lakh Aadhar Enabled KCCs and 600 Point of Sale (PoS) devices. In addition, assistance of `15.60 lakh was sanctioned to these banks for conducting financial literacy programmes.

Operational support for ATMs for RRBs and CBS-enabled co-operative banks : NABARD introduced a scheme to assist the RRBs and CBS-enabled co-operative banks interested to venture into the ATM domain of personal banking. The support was provided only for the operational costs and no capital expenditure was covered.

Other projects implemented by NABARD under Financial Inclusion

Engaging Farmers' Clubs and SHGs as BC/BFs by RRBs : With a view to widen the BC/BF network, financial support to the tune of `2.08 crore was sanctioned to 22 RRBs in 12 States, as on 31 March 2013, for extending assistance to Farmers' Clubs acting as their BFs. Similarly, `46.26 lakh was sanctioned to nine RRBs in six States, for supporting the training of authorised functionaries of well run SHGs as BC/BF.

Financial inclusion through BC

Financial literacy through audio visual medium: In order to give wider publicity to financial literacy, NABARD sanctioned an assistance of `3.28 crore to Doordarshan for producing, directing and telecasting a half an hour financial literacy programme in Hindi. The programme was telecast by six centres of Doordarshan.

Micro Pension Model – Support to Invest India Micro Pension Services : A Pilot project involving an assistance of `2.26 crore was sanctioned to 'Invest India Micro Pension Services (IIMPS) – Micro Pension Model', for propagating and enrolling members for micro pension scheme developed by it in association with UTI AMC. The scheme, under implementation in eight districts of four States (Odisha, Uttar Pradesh, Bihar and Tamil Nadu) aims at covering 40,000 persons under old age pension. An amount of `2.03 crore was disbursed by the end of March 2013. Over 20,000 low income rural workers, mainly SHG members, farmers and daily wagers were enrolled under the project and were saving `100-200 per month for their old age. The savings was channelised to well regulated, low cost pension product managed by UTI. A dedicated national level multiple regional language helpline has been set up to educate workers and answer their queries.

Capacity building of BCs/BFs : NABARD had introduced a scheme in 2009 for capacity building of BC/BFs through Certification Course offered by Indian Institute of Banking & Finance (IIBF). The IIBF has trained/certified 26,526 BC/BFs through its Accredited Training Institutes (ACTIs). An assistance of `9.20 crore was sanctioned under FIF for the purpose. The scheme was closed during 2012-13. However, a revised scheme had been introduced under which IIBF trained 65 State Level Trainers (SLTs), who in turn, trained 772 District Level Trainers (DLTs). These SLTs/DLTs can be used for training the BCs/BFs in their respective States/districts.

Establishment of FLCCs/FLCs by Lead Banks: Under the scheme of support for establishment of FLCCs/FLCs by Lead Banks in 256 excluded districts and 10 disturbed districts, an assistance of `15.04 crore was sanctioned to Lead Banks to set up FLCCs in 198 districts in 16 States as at the end of November 2012. The scheme has since been discontinued.

Support to co-operative banks and RRBs for setting up of FLCs : A scheme has been introduced for supporting RRBs and co-operatives for setting up of FLCs with an outlay upto `5 lakh per FLC under FIF. Financial assistance of `18.13 crore was sanctioned to RRBs and co-operative banks operating in 15 States for setting up 387 FLCs.

NABARD-UNDP collaboration for Financial Inclusion

The NABARD-UNDP collaboration for financial inclusion in seven States (Bihar, Rajasthan, Chhattisgarh, Jharkhand, Uttar Pradesh, Madhya Pradesh and Odisha), to provide better access to financial products and services for reducing risks and enhancing livelihood opportunities for the poor, slowed down during the year 2012 because of reduced commitments by the donor countries on account of economic slowdown. NABARD sanctioned a major project under the UNDP collaboration for financial literacy through FINO Fintech Foundation with an assistance of `1.11 crore for development of training material, training of trainers covering 54,000 villagers through 540 financial literacy programmes in six States (except Odisha). Under the project, financial literacy programmes were conducted in four States (Madhya Pradesh, Rajasthan, Uttar Pradesh and Jharkhand), training 35,724 financially excluded persons. The impact assessment by FINO Fintech Foundation showed that 14,898 persons had opened bank accounts and 1,167 persons had purchased insurance policies. A total of `2.71 crore was utilised under the collaboration for various interventions carried out by NABARD.

GIZ-NABARD Rural Financial Institutions Programme

NABARD and GIZ are collaborating under the Rural Financial Institutions Programme (RFIP) within the framework of Indo-German bilateral technical co-operation. Co-operation between NABARD and GIZ on financial inclusion is focussed on improving banking services, including remittances offered through the BC channel. The initiatives aim at improving the viability of BC-based services by stimulating demand for services, supporting the development of new or improved BC models that leverage on existing ground level networks (SHGs, PACS, MFIs), fostering the utilisation of existing payments infrastructure, supporting knowledge generation and knowledge exchange for the sector.

SPU-KCC (Special Project Unit – Kisan Credit Card)

As per the new KCC Guidelines (2012), all KCC customers should have the facility of withdrawal through ATM/Debit cards. NABARD, in January 2013 set up SPU-KCC (Special Project Unit-Kisan Credit Card) with a mandate for encouraging co-operative banks and RRBs across the country to issue Rupay KCC Debit cards. The core objective of the unit is to facilitate issuance of cards by these banks through guidance, co-ordination with National Payment Corporation of India (NPCI), interaction with sponsor banks of RRBs and co-operative banks. The overarching goal is to develop a cash-less eco system by enabling the farming community to avail all new banking facilities at par with developed parts of the country. The SPU undertakes policy formulation, capacity building and networking with the various stakeholders to achieve the above objectives.

A steering committee comprising senior representatives from NABARD, NPCI and eight major sponsor banks of RRBs has been formed to give a push to the efforts of RRBs in issuance of KCCs. Fifty two RRBs have obtained Institution Identification Number (IIN) from NPCI. Eleven RRBs have started issuing ATM cards and seven more RRBs are in the final stages for issuing the same. A total of around 50,000 cards have been issued. Nine KCC proposals received from various RRBs amounting to `12.73 crore was sanctioned by NABARD. Similarly, eight StCBs and 20 CCBs have obtained IIN from NPCI. Five banks have reached an advanced stage for issuing Rupay KCC. NABARD has sanctioned KCC projects for four co-operative banks amounting to `3.66 crore.

Scaling up micro finance Initiatives

Progress of micro finance programme

Starting from a modest scale as a pilot in the year 1992, the SHG-Bank linkage programme has turned into a solid structure with more than 79.60 lakh savings-linked Self Help Groups (SHGs) covering over 10.3 crore poor households as on 31 March 2012. The total savings of these SHGs amounted to `6,551.41 crore. The number of credit-linked SHGs under the programme stood at 43.54 lakh (Table 3.3).

Restrategising SHG promotion activities

Despite the phenomenal growth of the programme as a whole, a certain degree of skewness is observed in favour of the southern States. Large sections of rural population from States like Assam, Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Odisha, Rajasthan, Uttar Pradesh and West Bengal are yet to be covered under the Programme. Even in respect of States, which have achieved relatively greater degree of intensity in promotion of SHGs, regional imbalances are observed within blocks/districts. Therefore, for ensuring a more balanced growth of the programme, the potential for promotion of SHGs is being mapped taking district as the basic unit for planning

NABARD carried forward its guiding role in the microfinance programme during 2012-13 by taking a host of new initiatives and consolidating some of the already operational interventions.

Expenditure towards promotional grant

NABARD expended a sum of `50.44 crore during 2012-13 from Micro Finance Development and Equity Fund and Women Self Help Group Development Fund for various micro finance related activities such as formation and linkage of SHGs through SHPIs, training and capacity building of stakeholders, livelihood promotion, documentation and awareness, etc.

Support to partner agencies/SHPIs

NABARD continued to extend support to NGOs, RRBs, CCBs, Farmers' Clubs and Individual Rural Volunteers (IRVs) for promoting and nurturing quality SHGs. During 2012-13, grant assistance of `45.62 crore was sanctioned to 514 agencies *i.e.*, NGOs (489), RRBs (10), CCBs (14) and IRVs (1) acting as SHPIs for promoting and credit linking around 97,862 SHGs. The cumulative assistance sanctioned to various agencies was `229.81 crore for promoting 7.74 lakh SHGs. Cumulative assistance of `61.99 crore was released for formation of 4.49 lakh SHGs, of which, 2.83 lakh were credit linked. The NGOs were the most dominant SHPI, forming more than three lakh SHGs. (Table 3.4)

Training and capacity building of stakeholders

NABARD gave due recognition to training and capacity building of stakeholders engaged in microfinance programme by conducting 5,098 training programmes and trained around 1.82 lakh participants from various stakeholder/ groups during 2012-13. With this, cumulatively, around 30.30 lakh participants have been imparted training on various aspects of microfinance, which undoubtedly constitute a strong back up team for implementation of the programme.

Special Initiatives in backward region

Rajiv Gandhi Mahila Vikas Pariyojana

NABARD continued to support Rajiv Gandhi Mahila Vikas Pariyojana (RGMVP), a special initiative of the Rajiv Gandhi Charitable Trust (RGCT) for promotion, credit linkage and federating of SHGs in select districts of Uttar Pradesh in association with participating banks and implementing NGOs. Under this, around 86,529 SHGs were promoted, of which, 29,906 were credit linked as on 31 March 2013. In addition 2,624 cluster level federations and 68 block level federations were also formed under the programme.

Priyadarshini Project

NABARD is the Lead Programme Agency for implementation of "Women Empowerment and Livelihood Programme in Mid Gangetic Plains" which is also called 'Priyadarshini Programme'. The programme involving a total outlay of $32.73 million is assisted by IFAD and GoI (Ministry of Women and Child Development). It is being implemented in five districts of Uttar Pradesh (Baharaich, Raebarelli, Shravasti, Sultanpur and Amethi) and two districts of Bihar (Madhubani and Sitamarhi). It envisages holistic empowerment of around one lakh rural poor women and adolescent girls through formation and nurturing of around 10,000 SHGs over a period of eight years. NABARD engaged a resource NGO for the purpose of capacity building of the programme staff and field NGOs for implementation of the programme at the grass root level. The field NGOs formed 6,289 SHGs, of which, 4,410 SHGs were savings linked and 1,187 SHGs were credit linked. As per the design of the programme, seed capital of `10,000 is provided to eligible SHGs after grading. Accordingly, an amount of `1.17 crore was provided to 1,230 SHGs. A total of 1,061 training programmes were conducted for capacity building of more than 25,000 SHG members.

Scheme for promotion of women SHGs in backward / Left Wing Extremism affected districts of India

The scheme for promotion of women SHGs in backward/ Left Wing Extremism (LWE) affected districts is being implemented in association with GoI, in 150 selected districts spread across 28 states. Under this project, the NGOs work not merely as an SHPI for promoting and enabling credit linkage of these groups with banks, but also in serving as a business facilitator, tracking and monitoring these groups and also being responsible for loan repayments. Under the Scheme, 50,001 Women SHGs were savings linked and around 11,100 of these SHGs were credit linked as on 31 March 2013. An amount of `16.94 crore was released as grant assistance out of the WSHG Development Fund for various activities under the scheme.

Other Initiatives

Financing of Joint Liability Groups

The Joint Liability Groups (JLGs) are positioned as a strategic intervention for purveying credit to small farmers, marginal farmers, tenant farmers, etc., thereby reducing their dependence on informal sources of credit. The objectives of promoting JLGs are augmenting flow of credit to tenant farmers, extending collateral free loans to them and building mutual trust and confidence between banks and tenant farmers. Grant assistance of `60.58 crore was sanctioned for promotion of 3.17 lakh JLGs across the country till 31 March 2013. During 2012-13, `1,819.96 crore was disbursed by banks to around 1.96 lakh JLGs, taking the cumulative loan disbursement to `4,665.65 crore for 5.28 lakh JLGs.

Micro-Enterprise Development Programme

NABARD's endeavour to up-grade the skill of the SHG members through Micro-Enterprise Development Programme (MEDP) so as to enable them to start micro enterprises continued during 2012-13, with around 52,509 members being trained through 2,047 MEDPs. Since its launch, around 2.41 lakh SHG members have been trained through 8,911 MEDPs.

Pilot project on managing over indebtedness and debt trap of poor households : A Pilot Project for enabling 500 over indebted rural households to come out of their debt trap through effective financial education, credit counseling, debt swapping, voluntary saving and other livelihood initiatives was sanctioned to APMAS, Hyderabad. The project is being implemented in Kamareddy cluster of Nizamabad district, Andhra Pradesh. The pilot project aims at helping the targeted rural households having more than three outstanding loans to come out of their debt trap in a phased manner and appreciate the importance of saving as a part of their financial lives.

Livelihood programme in LWE districts : A livelihood programme by leveraging the services of a livelihood specialist for identification, appraisal and monioring of livelihood activities of SHG members involving a grant assisatnce of `15.15. Lakh was sanctioned to Agri Business Finance Limited, Hyderabad. The programme is being implemented in the LWE and backward districts of Nizamabad, Mehboobnagar and Prakasam in Andhra Pradesh and aims at boosting the livelihood inititives of the SHG members of the districts with focus on dairy as a key livelihood activity. The programme is expected to bring improvement in quality of milk production and provide SHG member's better remunerative price for the milk produced.

"Moving poor households out of poverty" : It is an Action Research Project sanctioned to 'Range De', a partner organisation to study the impact of repeated doses of Micro-credit on the financial lives. Under the project, 300 beneficiaries having an annual income of less than `40,000 will be given recurring doses of loans over a period of three years.The project will be implemented in three States *viz.,* Bihar, Maharashtra and Madhya Pradesh covering 100 beneficiaries each.

Expanding micro finance network - Policy Initiatives

NABARD introduced the following policy initiatives during 2012-13 to expand micro finance network.

SHG 2 – Revisiting SHG Bank Linkage Programme

The SHG Bank linkage guidelines issued two decades back by NABARD were revisited and revised guidelines were issued after holding numerous rounds of discussions with various stakeholders. The key changes in the guidelines include allowing voluntary savings for SHG members either by opening individual bank accounts/reviving existing "no frill accounts" or by depositing the voluntary savings within the SHG corpus without any additional entitlements. The approach is intended to facilitate SHG members to steadily graduate from community banking to individual banking. The second key feature of SHG 2 is about extending initial loans to SHG as flexible cash credit facility instead of term loans. The guidelines also suggest creation of enterprise/livelihood based groups (JLGs) within the SHGs as a separate entity without disturbing the functioning of SHGs' which can cater to higher loan requirements of a few enterprising members. It further envisages risk mitigation mechanisms like audits, ratings and also leveraging active members of SHGs to serve as Business Facilitators for helping the bank monitor the functioning of SHGs.

Enhancement of grant support to partner agencies

In response to requests and feedback received from different stakeholders, promotional assistance for formation, nurturing and credit linkage of SHGs was revised upwards for all categories of SHPIs. The enhanced grant was made available to new projects as well as on-going projects, provided 70 per cent of the target as per phasing was achieved by the implementing SHPI in on-going projects.

Expanding the range of SHPIs

Realising the importance of expanding the network of stakeholders and identifying new partners for scaling up SHG network, NABARD during 2012-13, formulated a scheme to involve SHG Federations and PACS to act as SHPIs. SHG Federations being network of SHGs, have potential to serve as effective SHPIs, especially in areas/ pockets where good NGOs are not available. Similarly, the role of PACS as SHPIs would lead to improvement in the share of co-operative banks in the SHG-Bank linkage programme on the one hand and add to the business and profitability of PACS on the other hand.

Other Developments

NABARD Financial Services Limited

NABARD reiterated its effort to strengthen micro finance sector by continuing its assistance to NABARD Financial Services Limited (NABFINS), an MFI which commenced its operations in November 2009. NABARD is the major shareholder of the MFI, other shareholders being Government of Karnataka, Canara Bank, Union Bank of India, Federal Bank and Dhanalakshmi Bank. During 2012-13, NABFINS disbursed loans to the extent of `415.92 crore to 12,061 SHGs through 113 BCs. The cumulative disbursement to 21,029 SHGs amounted to `678.75 crore. Apart from that, as on 31 March 2013, NABFINS extended loans of `7.97 crore to second level organisations like Federations, etc. NABFINS availed refinance of `298.64 crore from NABARD during 2012-13.

New Developments / Initiatives

Bringing technology to the SHGs

In an attempt to bring the benefits of the information technology to rural poor, NABARD launched three pilots using ICT based solutions to streamline the accounting and book keeping in SHGs.

Mobile based accounting system for SHGs

A GPRS enabled mobile based book keeping system product which helps SHGs to maintain their financial transaction electronically in their local language and

Mobile based accounting in progress for SHGs in Dharampuri, Tamil Nadu allows monitoring of the same by all stakeholders was developed under the pilot. The authorised SHG member enters details of the savings, loan outstanding, inter loaning, interest, etc. of all the members through her/his mobile either through GPRS or SMS mode and the same is updated in the server immediately. Each member identified by his/her photograph loaded in the system, can view and get a printed copy of his/her group transactions any time. Stakeholders like NABARD, NGO, banks and Government Department can have access to the MIS report on a regular basis through web access. The pilot was successfully completed in 100 SHGs in Dharampuri district of Tamil Nadu and plans are afoot to upscale the project. In the meantime, the technology service provider continues to provide technical support to the 100 groups selected for the pilot.

Tablet PC based accounting system for SHGs

This is also a web-based solution, designed to monitor the day to day transactions of SHGs and MIS on a real time basis by entering data in tablet PC. Each tablet PC caters to 35 SHGs. The field staff of NGO records the transactions and the SHGs get a copy of the records by paying fees. The pilot was successfully completed in January 2013 in 100 SHGs of Nandurbar district of Maharashtra. The selected SHGs continued to use the software with technical support from the tecnology provider. The pilot is being upscaled to cover large number of SHGs across various SHPIs.

Book-keeping using tablet PC in Nandurbar, Maharashtra

E-book keeping through handheld device

It envisages e-book keeping of SHGs using a handheld device, which captures their accounting and book keeping aspects, generates report and prints it instantly. The data can be transferred to a PC and reports can be generated. It is being implemented on a pilot basis in 50 SHGs in Uttar Dinajpur district of West Bengal.

Web Based MIS for tracking SHPIs

NABARD launched a web-based application for real time up-dation of the progress made by its assisted SHPIs in formation and credit linkage of SHGs. The website www.nabardshg.in also monitors progress of programmes like WSHG, Priyadarshini and RGMVP. The SHPIs up-load their progress after registration and can download important circulars, training materials, etc. State-wise, district-wise, project-wise and SHPI-wise reports can be generated on real time basis. As on 31 March 2013, 2,836 partner SHPIs had registered and up-dated their progress in the website.

Box : 6
Marketing outlet by SHG members as Producers Co-operatives in Uttarakhand : A Success Story

SHG members of Tunalka village, district Uttarkashi in Uttarakhand with the active support of NABARD formed producers' co-operatives and opened their own marketing outlets to come out of clutches of the middlemen and increase their bargaining power. The producer co-operatives opened marketing outlets at various places to sell vegetables, milk produce, seeds and agricultural inputs, etc. The producers' co-operatives also acted as input supplier for seeds by aggregating the demand of its members, purchasing it in bulk from wholesale market and supplying it at lower rate. Further, they also aggregated agricultural produce and sold the same in mandis and saved SHG members from the exploitation of Arhatiyas. SHG members were also getting better price for their produce, earning a profit of about 50 to 60 per cent.

Action Research Pilot on Enabling financial planning and facilitating voluntary savings in SHGs

The Guidelines on SHG-2 allowed voluntary savings to be contributed by SHG members. To ground this concept and study its impact on life cycle needs of SHGs, an action research pilot on 'Enabling financial planning and facilitating voluntary savings by SHGs' was launched in five States (Chhatisgarh, West Bengal, Maharashtra, Tamil Nadu and Kerala). The project covering 50 matured SHGs in each of the 10 districts is expected to gather leads on the propensity of the SHG members to save, keeping in tune with their future financial needs and extent to which the available banking services and products can meet their aspirations. The initial feedback indicate preference of the clients for meeting their future life cycle needs through investment in banking products like recurring deposits.

District Micro Finance Anchor Persons

To facilitate organised growth of SHG-Bank linkage programme in backward districts, retired bankers, including those from NABARD, were positioned as District Micro Finance Anchor Persons (DMAPs) in 18 selected districts spread across seven States. The DMAPs have been assigned with the responsibility of preparing roadmap for promotion of SHG-Bank linkage programme in the district, establishing a Self Help Promoting Institutions Network (SPIN), facilitating livelihood mapping and preparation of livelihood plans, conduct of training programmes, assisting in improvement in quality of MIS and above all, serving as anchor for the SHG-Bank linkage programme.

Promoting Research and Development

The Research and Development (R&D) Fund set up in NABARD since 1982-83, provides financial support to select agencies for promoting applied research projects/ studies, training and upgrading skills of personnel of client institutions and dissemination of research findings. During 2012-13, `17.03 crore was utilised for supporting activities like research projects/ studies (`0.89 crore), seminars (`0.71 crore), NABARD Chair Professor Scheme (`0.35 crore), summer placement scheme and others (`0.15 crore), and training (`14.93 crore). Cumulative disbursement stood at `170.89 crore.

Research Projects/Studies

During 2012-13, seven research projects involving a grant assistance of `0.35 crore were sanctioned. Further, two projects/studies sanctioned earlier were completed during the year.

Research study on *'Identifying features of high agricultural growth in Gujarat in the recent period'* probed into the reasons for the unprecedented growth of agriculture sector in Gujarat in the preceding decade (2000-2010). The study conducted by Sardar Patel Institute of Economic and Social Research (SPIESR), Ahmedabad revealed that even though the area under foodgrains plateaued in the State, its output in terms of value increased considerably on account of spurt in the value of wheat. Amongst non-foodgrains, noteworthy contribution to gross value and output was made by cotton, spices, fruits and vegetables. Policies of Government and investment decisions by private enterprises played a significant role in Gujarat's agricultural growth which is often termed as 'miraculous'. Improved infrastructure (roads, irrigation, credit) and availability of private Bt cotton seeds played a major role in the rapid growth. Gujarat agriculture has responded quite favourably to market reforms. However, the study suggested the need to plug certain lacunae in the areas of agriculture extension and services, specifically relating to lack of guidance from Government functionaries, technical nature of information disseminated by universities, lack of timely availability of key inputs, inadequate adoption of good practices and requirement of need assessment training so that benefits of initiatives can be more broad-based.

Study on *'Role of microfinance to SHGs in the reduction of vulnerability of women : A case study of North*

24 Paraganas, West Bengal' conducted by Jadavpur University, West Bengal covering 649 SHG members revealed that the major constraints faced by the SHG members were in respect of pursuing income generating activities, training and up-gradation of skills, supply of raw materials, marketing of products and credit availability. The major recommendations of the study included skill formation programmes for SHG members and creating adequate marketing channels to ensure proper marketing of their products.

NABARD has also sponsored two studies to reputed research institutions from R&D Fund with the objective of analysing various issues pertaining to agriculture credit in India and its productivity. A study conducted by EPW Research Foundation (EPWRF), titled, *'Agricultural credit in India: Trends, regional spreads and database issues'* has made a systematic and critical analysis of the evolution, trends and composition of institutional credit extended to agricultural sector in India and the nature of inter-size, inter-regional, inter-state disparities prevailing in the distribution of farm credit. Against the backdrop of different public policy initiatives and financial inclusion, the study has discussed the performance of banks in aggregate credit delivery and its distributive goals. The study is essentially a quantitative exercise and it has perceived the importance of various policy stances and banks' response to them. The study has, inter alia, highlighted that the recent growth in the agriculture credit flow was accompanied by sharp increase in the role of commercial banks followed by an equally receding role of co-operatives, re-emergence of crop loans to a dominant position, decline in the share of term loans, increased support to allied activities in the form of term loans and persistence of inter-regional disparities. The resource constraints faced by the co-operative banks compels them to depend on higher financial institutions for their credit activities. In addition, the SCARDBs in many States have become weak. This has led to a decline in the share of co-operative banks in the agricultural credit flow. However, in absolute terms the credit disbursement by the co-operative banks has maintained a steady increase. At the aggregative scale, the study revealed that during the period 1971-72 to 2009-10, the credit intensity ratio

Box : 7

Agricultural Credit : Spatial distribution and implications for agricultural output

For policymakers, one of the vexing issues with respect to agriculture sector has been to ascertain in a measurable form, how and by how much, agricutlural output responds to increase in agriculture credit. Agriculture credit serves as an intermediate input and does not directly enter as an input into agricultural production. Thus, credit acts as an enabling input and plays a complex role in farmers' production decisions, unlike physical inputs that have a more transparent relationship with levels of output. NABARD in collaboration with Indira Gandhi Institute of Development Research, Mumbai undertook a research project on "Agricultural Credit : Spatial distribution and implications for agricultural output". The research project seeks to capture the impact of agricultural credit on agricultural production, efficiency and productivity. The impact of credit on agricultural output was assessed for the period from 1993-94 to 2011-12 and also by dividing the period into two phases - the period prior to Doubling of Agricultural Credit Programme (DACP) (1993-94 to 2003-04) and post (DACP) (2004-05 to 2011-12). Credit as an effective enabling input has aided greater levels of mechanisation and usage of variable inputs in both time periods. The output elasticity of credit during 1993-94 to 2011-12 estimated at 0.19 was positive and statistically significant. It was found to be significant for pre and post DACP phases as well. The study has also thrown light on various pathways through which agriculture credit flow has been able to influence agricultural output.

(farm credit to agricultural GDP ratio) has shown a significant improvement from around 10 per cent in the early 1970s to over 40 per cent. The output elasticity of farm credit was significant and positive (roughly 21%). Another critical observation to take note of was the fact that almost entire input costs of farmers are now being financed by short-term institutional credit and about 90 per cent of private capital formation is being financed by bank credit.

Seminars, Conferences and Workshops

During 2012-13, NABARD sanctioned grant assistance of `85.59 lakh to various universities, research institutes and other agencies for organising 97 seminars, conferences, symposia and workshops, covering subjects/areas related to agriculture and rural development. The grant support extended to the organisers enabled them to document the proceedings and publish background papers, thus facilitating wider dissemination of the recommendations/ action points and initiate suitable policy interventions by agencies concerned.

NABARD Chair Professor Scheme

NABARD Chair unit was instituted in four institutes *i.e.*, Indian Agricultural Research Institute (IARI), New Delhi, National Council of Applied Economic Research (NCAER), New Delhi, Xavier Institute of Management, Bhubaneswar (XIMB) and Alagappa Agricultural University, Tamil Nadu in 2011. The Chair Professors continued to pursue research in the designated key areas.

Summer Placement Scheme

The Summer Placement Scheme of NABARD enables students selected from reputed agriculture and management institutes to be associated with various projects/studies in agriculture and rural sector so as to generate new ideas, products and services. During 2012-13, NABARD conducted studies on 'BC enabled Financial Inclusion by RRBs' through 33 post graduate summer trainees from reputed management and technical institutes. The studies brought out certain positive features. Almost 77 per cent of the respondents expressed their satisfaction at the doorstep services and prompt payment of deposits by the BCs. But at the sametime the technology related issues (non integration of FI server with CBS server of the bank, inadequate supply of hardware, especially PoS devices), operational issues (delay in payment by banks/Technical Service Provider (TSP)/corporate BCs to Customer Service Point (CSP), delay in issue of smart card) and human resources issues (lack of co-operation between banks, TSP and BC/CSP, lack of confidence in CSP, high attrition rate of BCs on account of non-payment/irregular payment of remuneration) had put dent on the sustainability of the BC model.

Offering consultancy : NABARD Consultancy Services

NABARD Consultancy Services (NABCONS) is a wholly owned company promoted by NABARD. NABCONS operates from its offices located in HO and all ROs of NABARD, towards a vision of being a trusted business advisor in the field of agriculture and rural development. During 2012-13, it contracted 125 assignments with a professional fee of `34.48 crore and executed 111 assignments. The total income earned during 2012-13 was `25.75 crore.

In tune with the changing business environment and client needs, NABCONS changed its business strategy by adopting a project management consultancy approach in assignments. It re-engineered the organisation into four major verticals *i.e.*, (a) agro and food processing, (b) engineering and infrastructure, (c) monitoring and evaluation and (d) agriculture and rural development. The manpower of the organisation was strengthened accordingly by recruiting young talents from prominent institutions in the country. A number of prestigious assignments were undertaken by NABCONS during 2012-13.

Agro and food processing

NABCONS has been empanelled by Ministry of Food Processing Industries (MoFPI) as a Project Management

Consultant (PMC) as well as Project Management Advisor (PMA) for development of Mega Food Parks and is currently acting as a PMC for Mega Food Park projects in Jammu & Kashmir and Puducherry. It conducted important studies in the sector such as a 'Study on the Apple value Chain in the State of Jammu & Kashmir', 'Studies to identify critical gaps in cold storage and cold chain infrastructure in Tamil Nadu, Andhra Pradesh, Karnataka, Maharashtra, Bihar and Odisha' and 'Study to assess the warehousing potential in Rajasthan'.

Engineering and Infrastructure

NABCONS has been selected as an all India accreditation agency by the Warehouse Development Regulatory Authority (WDRA) for accreditation of warehouses and has already accredited 34 warehouses in the States of Andhra Pradesh and Tamil Nadu. It got new contracts worth `11.58 crore under third party monitoring of infrastructure projects in the States of Arunachal Pradesh, Mizoram, Nagaland, Sikkim and Jammu & Kashmir. Further, it received an assignment from the State Government of Jammu & Kashmir for third party monitoring of schools in all the districts funded under Sarva Shiksha Abhiyan (SSA).

Monitoring and evaluation

NABCONS was selected as an Advisor to the Government of Mizoram on New Land Use Policy (NLUP). In addition, it was awarded assignments for conducting monitoring and evaluation studies under Prime Minister Employment Guarantee Programme (PMEGP) by Khadi and Village Industries Corporation (KVIC), Evaluation of textile workers rehabilitation fund scheme, Impact assessment on development of ST Population in Jharkhand, Comprehensive socio-economic assessment of project catchment area of bio-mass based energy generation project by Infrastructure Leasing and Finance Services (IL&FS) in Bihar and Evaluation of national project on cattle and buffalo breeding in 11 States.

Agriculture and rural development

NABCONS completed three assignments *viz.*, (i) training the officials of IDBI Bank for expanding the agri-lending portfolio, (ii) preparing a strategy for priority sector targets for Standard Chartered Bank and (iii) field research on potential agri-business clusters for Rabo International Advisory Services. NABCONS was nominated as a monitoring agency for SGSY (SP) by the Ministry of Rural Development and presently, is monitoring 65 projects of 35 Project Implementing Agencies.

International visitors programme

During 2012-13, NABCONS organised International visitors programmes in areas such as microfinance, project appraisal for delegates from the Tanzania, Iran, Mozambique, Oman and China.

Financing Rural Infrastructure........

Rural Infrastructure Development Fund (RIDF) has become the major source of rural infrastructure financing for the States. However, in view of the criticality of infrastructure for agriculture growth and given the constraints the State Governments face in stepping up investments, there is a need to explore private investment and PPPs to supplement the public investment. Investment in post production infrastructure in warehousing, cold storages and marketing assume importance, to ensure that infrastructure developed is in alignment with agriculture growth strategy.

Prosperity of a nation depends, among others, on availability of sound infrastructure - both urban and rural. Efficient infrastructure is essential for increased productivity of land, capital and labour. Especially in the context of accelerating agriculture growth, investment in rural infrastructure has become a pre-condition, as it facilitates creation of new economic opportunities, generates additional employment, enhances credit absorption capacity and improves delivery of several other directly and indirectly related services. Efficient

Bridge constructed with RIDF support in Kinnaur, Himachal Pradesh

infrastructure therefore, holds the key to improving the quality of life and reducing vulnerability of rural poor.

Conventionally, public investment is seen to be the prime provider of rural infrastructure. In the economic literature on the subject, relationship between public and private investment in agriculture has been debated at length. Without going into the debate, it is evident that public investment has an enabling and encouraging effect on the private investment and that lack of public investment in infrastructure, influences the viability and effectiveness of private investment adversely. However, it has not been possible to step up public investment in a big way and it remained a concern for the policy planners for long. To address this concern, Government of India, instituted Rural Infrastructure Development Fund (RIDF) in 1995 in NABARD, entrusting it with the responsibility of channelising financial resources to the State Governments for rural infrastructure development.

Rural Infrastructure Development Fund

Over the years, Rural Infrastructure Development Fund (RIDF), has emerged as NABARD's major partnership with the State Governments. The Fund has continued with yearly allocations in the successive Union Budgets. It has become a major source of finance which channelises the shortfall in the mandatory involvement of commercial banks in the priority sector lending to the State Governments in the form of loans. With the experience gained, in addition to its role of managing the RIDF, NABARD has made efforts in looking at rural infrastructure as an independent discipline for financing and facilitating creation of rural infrastructure through various other initiatives.

Allocations

From an initial allocation of `2,000 crore under RIDF I for the year 1995-96, the allocation has now reached the level of `20,000 crore under RIDF XVIII (2012-13), taking the cumulative resources routed through RIDF to `1,72,500 crore (inclusive of `18,500 crore under a separate window for funding rural roads under Bharat Nirman Programme). The Union budget for 2012-13, allocated an amount of `20,000 crore under RIDF XVIII, out of which, `5,000 crore was exclusively dedicated for creation of warehousing facilities in different States on a priority basis. The successive allocations to the RIDF in the Union Budgets are reflected in Chart 4.1.

Diversified sectors/activities

RIDF initially focused on incomplete irrigation, flood protection, watershed management projects. Over the years, financing has become more broad based. RIDF now covers 31 activities, which can be classified under three broad categories *i.e.*, (i) Agriculture and related sectors which are eligible for loans upto 95 per cent of project cost, (ii) Social sectors, where loans can be upto 90 per cent of project cost in North eastern and hilly States and 85 per cent of project cost in all other States and (iii) Rural connectivity where loans are extended upto 90 per cent of project cost in North eastern and hilly States and 80 per cent of project cost in all other States.

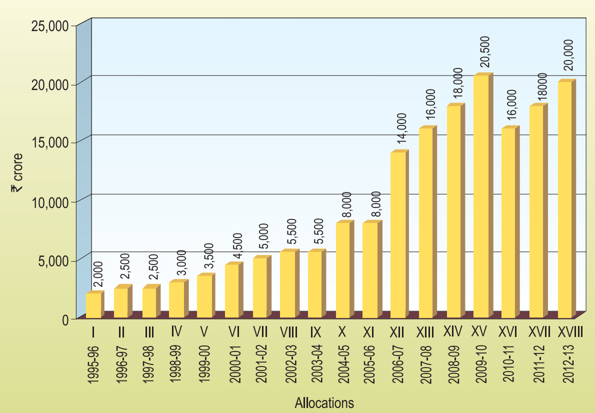
Operations of RIDF XVIII

Allocation across States and terms of financing

Of the overall allocation of `20,000 crore under RIDF XVIII during 2012-13, `15,000 crore was allocated

Chart 4.1

Tranche-wise Allocations - RIDF I to XVIII



among all States on the basis of norms prescribed by the Project Sanctioning Committee (PSC). The norms are, rural population, geographical area, infrastructure index, implementation efficiency and rural CD ratio. Each of the norms has an equal weightage in the total allocation given to a State. As is the practice in earlier tranches, the implementation phase for projects sanctioned under RIDF XVIII is spread over 3-5 years, varying with type of the project and also location of the State. The maximum phasing in the case of major and medium irrigation projects and other stand-alone projects involving RIDF loan of `50 crore and above was five years. NABARD provides funds on 'reimbursement basis', except for the initial 20 per cent of the project cost given as 'mobilisation advance'. North-eastern States and hilly regions have more flexible phasing and higher percentage of mobilisation advance at 30 per cent. Each drawal by the State Government is treated as a separate loan and is repayable over a period of seven years including two years moratorium. Depending on the drawals by State Government, NABARD sources the funds from commercial banks. Borrowings of State Government under RIDF are governed by Article 293 (3) of the Constitution under which GoI determines its borrowing powers from the market and financial institutions during a year. With effect from 01 April 2012, the interest rates payable to banks on deposits placed with NABARD and loans disbursed by NABARD from RIDF have been linked to the Bank Rate prevailing at that point of time.

Sanctions and Disbursements

As at the end of March 2013, 46,695 projects involving a loan of `20,588.34 crore were sanctioned under RIDF XVIII, with rural road projects accounting for maximum share (32%), followed by irrigation projects (25%), rural bridges (13%), social sector (11%) and agri-related projects (9%). The sanction under warehousing projects amounted to `2,141.43 crore (Table 4.1). During 2012-13, disbursements to the tune of `16,292.26 crore were made under RIDF for various projects.

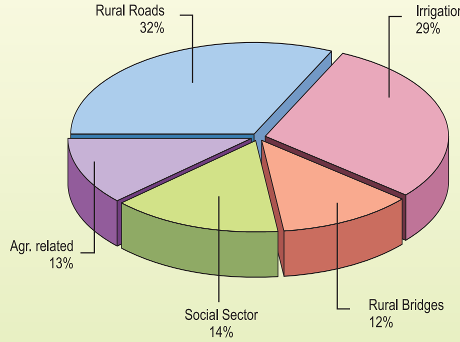
Progress since inception

So far, 18 tranches of RIDF have been announced, one in each year. The tranche XIX is being implemented during 2013-14. While tranche XII to XIX are on-going, tranche I to XI have been closed. Over the years, RIDF has emerged as an attractive financing option for the State Governments. Resources are getting better distributed across the States with greater share going to the less developed States in Eastern and North Eastern Region (23 per cent at present as compared to 17 per cent under closed tranches). Since inception of RIDF, around 5.08 lakh projects involving an amount of `1,62,083 crore were sanctioned under various tranches. Of the cumulative RIDF loans sanctioned as on 31 March 2013, agriculture and related sectors accounted for 42 per cent (including 29 per cent for irrigation), rural roads 32 per cent, and bridges 12 per cent (Chart 4.2). The balance 14 per cent of the loans was sanctioned under social sector projects (Table 4.2).

It has often been observed that poor rural road network and absence of all weather connectivity fails to connect small land holders efficiently to markets or processors. At a time when agriculture is diversifying with increase in the volumes of perishable commodities, poorly constructed or maintained roads inhibit the movement of produce by bulk or refrigeration, constraining market access, affecting quality of produce and hence increase and diversification of rural incomes. Evidence also suggests

Chart 4.2

Sector-wise cumulative share in amount sanctioned for RIDF Projects as on 31 March 2013



that the distributive impact of investments in rural roads is even better than that of irrigation. Considering this, the loans disbursed under rural connectivity also, to a large extent, have to be reckoned towards promotion of agriculture growth. As noted by the renowned economist Dr. M.L. Dantwala "What is important is 'investment for agriculture' and not 'investment in agriculture'.

As on 31 March 2013, an amount of `1,29,463 crore was disbursed against the cumulative phasing of `1,52,290 crore for projects under various tranches (RIDF I to XVIII). This includes projects sanctioned under Bharat Nirman and Warehousing also. Thus, the States have availed about 85 per cent of the phased amount (Table 4.3). As per the phasing of projects under various tranches (RIDF I to XVIII), State Governments had a total pool of projects of `1,33,790 crore (excluding Bharat Nirman) as on 31 March 2013. The state-wise analysis of ratio of disbursements to phased amount reveals that Uttarakhand topped the list at 106 per cent, followed by Goa (103%), Mizoram (97%), Gujarat and Tamil Nadu (91% each). (Table 4.4)

Deposits/Repayments

The cumulative deposits and repayments under RIDF stood at `1,27,267.26 crore and ` 48,508.86 crore, respectively, as on 31 March 2013. During the year, an amount of `16,241.32 crore was received as deposits from commercial banks. An amount of `12,589.63 crore was received from State Governments towards repayment of RIDF loans during 2012-13. The outstanding loans under RIDF have been rapidly increasing over the years indicating better implementation of the projects and availability of more infrastructural facilities in rural areas. The total RIDF loan outstanding, as on 31 March 2013, was `78,758.39 crore.

Monitoring of RIDF projects

Though the primary responsibility of monitoring of RIDF projects vests with State Governments, NABARD monitors the projects mainly to facilitate timely completion of projects, avoid cost over-runs, ensure compliance to quality parameters and identify new investment opportunities. The High Power Committee

Bridge supported under RIDF in Raichur district of Karnataka

(HPC) chaired by the Chief/Finance Secretary of the State has proven to be an effective forum for monitoring overall implementation of RIDF in each State. Besides review at this highest level and regular desk monitoring, NABARD is involved in field level monitoring also. During 2012-13, 2,415 projects were monitored by NABARD through field visits. Due to effective monitoring of projects from the initial stage *i.e.,* floatation of tender documents, issuance of work orders and holding of periodical meetings with Implementing Departments, the incidence of non-starter projects is low.

In an attempt towards on-line/web based monitoring of RIDF projects, NABARD is collaborating with C-DAC, Pune to adapt e-governance software of 'Works Monitoring Software (WMS)' for meeting the needs of RIDF. The software would enable the State Governments to introduce e-governance starting from tendering upto filing of CAG reports. Alongwith the monitoring mechanism, it is also intended to put in place an on-line submission of RIDF drawal applications. Installation of e-governance software will help to improve the efficiency of the implementation of the RIDF projects.

Box : 8
Edusat Project in Punjab

The project with the objective to impart quality education in Government run educational institutions in rural areas with the help of modern information and satellite communication technology is being implemented by Punjab Edusat Society, Department of Education, Government of Punjab in all the districts of the State. The project was sanctioned under RIDF XV and involved a cost of `94.67 crore, of which, RIDF loans amounted to `65.07 crore. More than 1.2 million students from 1,500 rural educational institutions are expected to have access to quality education through the project. Major project components included dinstallation of 609 Receive Only Terminals (ROTs) and 392 Satellite Interactive Terminals (SITs), provision of 1,121 Gensets, creation of 1,395 Computer Labs with 10 Desktops, UPS, Acoustics improvement in ROT/SIT rooms, Multimedia Soft skill and Course Content Development, etc.

Economic/Social benefits

The RIDF investments have resulted in multitude of benefits including, creation of additional irrigation potential of 199.79 lakh ha., provision of rural connectivity through 3.56 lakh km. rural road network and 8.10 lakh meters long rural bridges. The irrigation projects generated 103 lakh mandays of recurring employment and 30,000 lakh mandays of non-recurring employment. The hydel power projects generated 214 MW of power in rural areas. Other power projects reduced the transmission and distribution losses amounting to 22,315 lakh units in a year by bringing about systems improvements.

Beyond RIDF

Future investments in rural infrastructure

Separate projections of financial requirement for investment in rural infrastructure are not available. Therefore, a back of the envelope calculations have been attempted to get feel of the future investment needs. The Planning Commission Working Sub-Group on Infrastructure has estimated an investment of `65 lakh crore for entire infrastructure during the 12th FYP. The Group has also estimated that 50 per cent of this requirement would be met by the budgetary resources, leaving the balance from the private investment through debt and equity.

During the 11th FYP, it was estimated that about 30 per cent out of the total projected investment to be incurred by the Centre and the States would be spent exclusively on rural infrastructure. Assuming the same proportion for the 12th FYP also, it would require an investment of `9.75 lakh crore to be spent on rural infrastructure during the period 2012-2017. With an average allocation of `24,000 crore per annum assumed under RIDF, it would bring in about `1.20 lakh crore which forms just about 12 per cent, leaving a wide gap.

At a time when there is need to step up public investment, experience shows that State Governments are facing constraints. They have the constitutional and legal constraints within which they need to manage their debt portfolio. The competing demands on budgetary resources and the limitations on borrowing from the market reduce the capability of State Governments to adequately fund rural infrastructure. More over the capacity of the government machinery to execute and deliver infrastructure projects in rural areas is limited in many States. It is thus clear that public sector resources will continue to fall short of the required infrastructure investments. Therefore, looking beyond RIDF and facilitating private sector investments is essential to supplement governmental resources.

In order to encourage the private sector to join hands with the State machinery to provide and maintain infrastructure in rural areas, innovative funding methods including the PPP mode, annuity payments, viability gap funding, etc., need to be developed and implemented. The magnitude of the requirement for funds, opportunities for partnerships to develop the delivery side, and the close liaison with all State Governments perhaps make NABARD an appropriate agency to take this initiative forward.

NABARD Infrastructure Development Assistance

With the experience gained in implementing RIDF for long, NABARD is now in a position to design innovative products for accelerating infrastructure investments. A new product, NABARD Infrastructure Development Assistance (NIDA), has been designed outside the RIDF. This line of credit for rural infrastructure implemented since 2011-12, is open to State owned institutions/ corporations with sustained income streams, both on-budget as well as off-budget for creation of rural infrastructure outside the ambit of RIDF borrowing. This product is aimed at reducing the debt burden on State Governments and is available on flexible interest rate with longer repayment period upto 15 years.

During 2012-13, 11 projects involving `2,818.46 crore were sanctioned under NIDA (Table 4.5). The cumulative sanction under NIDA since inception stood at `3,751.43

crore for 18 projects in 10 States. The disbursements under the same during 2012-13 was `859.70 crore and the cumulative disbursements stood at `1,282.60 crore.

NIDA route of infrastructure is stabilising, as can be seen from the projects funded so far. Power transmission is a major investment and projects have been sanctioned in Chhattisgarh, Gujarat, Haryana, Rajasthan and West Bengal aimed at supplying quality and reliable power to the rural areas and improves power evacuation facilities from the power generation units which include wind and solar power. The project for restoration of power distribution network in Tamil Nadu supported restoration of more than 10 lakh power connections, including those for agricultural pump sets, in areas damaged by cyclone 'Thane'. Two State Highways, on Built Operate and Transfer (BOT) mode in Rajasthan, are expected to provide better connectivity between the rural areas and national highways after completion. In order to meet the huge deficit in foodgrain storage space, a project for construction of warehouses having 4 lakh MT storage capacity in 14 districts of Bihar was sanctioned to Bihar State Warehousing Corporation. Further, a hydro-power project across Bhilangna river in Uttarakhand was also sanctioned under NIDA.

Though a sizable number of projects in irrigation, rural connectivity, and other vital sectors have been financed under RIDF and NIDA through the route of public investment, the gap in rural infrastructure still is huge. This is where a case exists for the private sector efficiencies and alternate sources of funding to play a significant role in the setting up infrastructure for rural India. In order to leverage private resources and its implementing capacity, NABARD is exploring the possibilities of allowing implementation of specific projects under the Public-Private Participation (PPP) model.

New directions in investment in infrastructure - Marketing and Warehousing

To enhance the contribution of infrastructure in agriculture growth, it is necessary to align the strategy of infrastructure development with the overall agriculture growth strategy. Infrastructure development will have to

Warehouse financed under NIDA in Raichur district, Karnataka take into account the structural constraints of agriculture, the small farm orientation of agriculture, the need to improve their incomes, providing decentralised infrastructural services and focussing on creation of post production infrastructure in warehousing, cold storages and marketing which are critical in the wake of supply side constraints, faced recently. Promoting appropriate infrastructure projects, which can lead to value addition in agriculture and reduce pre and post harvest losses also become important.

Financing warehousing infrastructure under RIDF

In the Union Budget 2012-13, GoI made a separate allocation of `5,000 crore for financing warehousing infrastructure under RIDF-XVIII. The eligible activities for financial assistance from this dedicated allocation were comprehensively expanded to include various storage infrastructure for agricultural commodities, including warehouses, silos, agri-logistic parks, storage infrastructure in market yards & food parks and cold chain activities like pre-cooling units, cold storage, Controlled Atmosphere (CA) stores, reefer vans, bulk coolers, Individually Quick Frozen (IQF) units, chilling infrastructure, etc. During 2012-13, NABARD had sanctioned 2,513 projects in 13 States involving a term loan of `2,141 crore. On completion, these projects will create a scientific storage space for agriculture commodities to the tune of 4.5 million MT. For the first time, seven agencies/Corporations owned by State Governments were also sanctioned 117 projects directly, involving a term loan of `405 crore under this window.

New Developments/Initiatives

Campaign for awareness creation among warehousemen/farmers

NABARD, in collaboration with National Collateral Management Services Ltd. (NCMSL), launched a campaign, on a pilot basis, for creating awareness among warehousemen and farmers about scientific storage of agricultural commodities. The campaign covered about 6000 farmers and 300 warehousemen in 10 districts of five States (Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh and Rajasthan). Besides creating awareness among the farmers/warehousemen about scientific storage practices, the campaign also aimed at highlighting the benefits of cleaning and grading the produce, availability of concessional post-harvest marketing loan from the banks against Negotiable Warehouse Receipts (NWR) issued by the warehouses accredited/registered by Warehousing Development and Regulatory Authority (WDRA), enhance the number of accredited warehouses, role of collateral management companies in improving access to the wider markets through commodity exchanges (future as well as spot), etc. As a result of this intervention, about 100 warehouses are expected to be accredited and issue negotiable warehouse receipts to farmers.

Accreditation of warehouses of PACS in Nizamabad district of Andhra Pradesh

NABARD, in collaboration with M/s Origo (a collateral management company), NABCONS and WDRA, undertook a major initiative for facilitating accreditation/registration of 21 warehouses owned by 13 PACS in Nizamabad district of Andhra Pradesh. As a result, these PACS could issue NWR to the farmers who store their produce in these warehouses and also provide them concessional post-harvest marketing loan under a GoI scheme. NABARD also sanctioned a separate credit limit of `10.00 crore to Nizamabad District Central Co-operative Bank (DCCB) through Andhra Pradesh State Co-operative Bank Ltd (APCOB) for providing necessary liquidity support to PACS for meeting the demand for post-harvest loan from farmers.

Storage and marketing of apple in Jammu & Kashmir

Keeping in view substantial gap between the farm gate price and retail price due to the presence of a large number of middlemen and non-availability of requisite

Initiative on storage and marketing of apples in Jammu & Kashmir

infrastructure for storage, marketing and processing of apples in Jammu & Kashmir, NABARD launched a project to address various issues confronting apple sector in the State. The objective of the project is to create a suitable mechanism/framework, with the active participation of various stakeholders (State Government, financial institutions, private sector players and growers) to ensure creation of facilities for storage, marketing and processing of apples through a Special Purpose Vehicle (SPV) so that share of growers in consumer price would increase. The proposed intervention will also encompass production and productivity aspects of apples, thereby providing an 'end to end' solution for the development of apple growers in the State.

Rural Infrastructure Promotion Fund

Rural Infrastructure Promotion Fund (RIPF) was created with an initial corpus of `25 crore in 2011 to promote capacity building initiatives and efforts for creation of innovative/ experimental/promotional infrastructure, especially in rural sector and rural areas. The Fund also supports activities like exposure visits, studies, knowledge sharing workshops/ conferences/ publicity/ documentation, creation of experimental infrastructure projects by Gram Panchayats, SHGs, SHG Federations, Farmers' Clubs, FC Federations and NGOs and villages under VDPs. The activities supported under RIPF would lead to increase in business under RIDF and promote sustainable infrastructure development in rural areas.

During 2012-13, an amount of `1.08 crore was sanctioned under RIPF, prominent of which, was `0.53 crore sanctioned for Geographical Information System (GIS) software. The software envisages mapping of entire rural assets created through interventions of NABARD in terms of physical, intellectual and other skills. This project has been entrusted to NABCONS on turn-key basis for execution.

NABARD initiated an exercise of Geographical Information System (GIS) mapping of the warehouses/ cold storages assisted under various subsidy schemes of GoI. The data regarding warehouses financed by banks under Gramin Bhandaran Yojana (GBY) and cold storages financed under various subsidy schemes of GoI has been captured so far under this initiative. This will enable the users to have visual information regarding availability of storage infrastructure with co-ordinates of location, ownership and capacity on a map at State, district, taluka/mandal and village level.

Rural infrastructure - Way forward

Experience so far shows that coping with future challenges in developing infrastructure involves much more than drawing up inventories of infrastructure stocks and plotting needed investments on the basis of past patterns. It involves tackling inefficiency in both, investment and delivery services. In short, the concern needs to be widened from increasing the quantity of infrastructure stocks to quality of infrastructure services. Benefiting from these complementarities and convergence across the sub-sectors/sectors is possible only if investments are made with systematic planning and prioritisation.

Organisation and Resources.........

For an organisation like NABARD, managing its financing operations and financial resources efficiently is essential if its development objectives are to be fulfilled. Accordingly, a sound resource management system has been put in place. Human resources are also equally important and a number of initiatives were taken during the year to improve organisational efficiency through introduction of Human Resource Management System and a new policy for recruitment and selection to higher grades.

Organisation management and human resource development are crucial for efficient delivery of multi-dimensional tasks assigned to NABARD. The Bank continuously strived to bring about sound organisation management and human resource development in order to align itself with the changing financial and technological scenario.

Management

Board of Directors

During 2012-13, the Board of Directors met eight times and the Executive Committee met twice. The Sanctioning Committee for loans under RIDF met on eight occasions.

Green energy initiative - Solar panel at NABARD Head Office, Mumbai

The following changes took place in the composition of the Board during the year :

(a) Shri Ashish Bahuguna, Secretary, Ministry of Agriculture, Government of India was appointed as Director on the Board with effect from 31 May 2012 vice Shri Prabeer Kumar Basu.

(b) Shri Subrata Biswas, APC, Government of Kerala was appointed as Director with effect from 07 April 2012 vice Shri K Jayakumar.

(c.) The tenure of Directors representing the States of Kerala and Jammu & Kashmir expired on 17 March 2013.

Senior Management

Management Committee, an important governance structure continued to meet regularly during the year. Chaired by the Chairman, the Committee deliberated on important issues having inter-departmental or larger policy ramifications. Executive Directors (EDs) and concerned Chief General Managers (CGMs) participated in the deliberations. Meetings of Top Management Team (TMT) comprising of Chairman, EDs and CGMs of Head Office and Regional Offices/BIRD was another forum which met regularly to discuss key issues and strategic interventions.

Human Resources Management

Staff strength

The total staff strength of the Bank as on 31 March 2013 stood at 4,383 comprising 2,844 (65%) officers (Group 'A'), 710 (16%) clerical (Group 'B') and 829 (19%) Messenger & Maintenance Staff (Group 'C'). Of the total, 807 belong to Scheduled Castes (18%) and 383 to Scheduled Tribes (9%) (Table 5.1). The staff strength of ex-servicemen and physically handicapped employees stood at 88 and 67, respectively, constituting approximately two per cent each of the total staff strength.

Recruitment and Promotion

During 2012-13, no recruitment of officers and clerks was carried out. In Group C, nine candidates were recruited. A total of 168 promotions were effected in various grades / group during the year. Promotions from Group 'B' to Group 'A' cadre accounted for major share in the total promotions (Table 5.2).

Training

NABARD continued to focus on human resources development by providing appropriate training inputs to its own staff and to the officers of client institutions. During 2012-13, BIRD, through its campuses at Lucknow, Mangalore and Bolpur conducted 466 training programmes and imparted training to 12,181 participants of client institution from Rural Financial Institutes and 618 staff from NABARD.

Age profile of officers

The average age profile of the officers as on 31 March 2013 was 51 years. The average age profile across different grades stood at Grade 'F' - 56, 'E' - 57, 'D' - 55, 'C' - 51, 'B' - 47, 'A' - 41 years.

Human Resource initiatives

With a view to improve organisational efficacy, following reforms in HR was introduced during 2012-13.

Introduction of Human Resource Management System

During 2012-13, all the administrative process was centralised through automation by implementing the Human Resources Management System (HRMS) code named 'NABARD em-power' on 02 April 2012. The centralised system at Head Office of the Bank envisages reduction in time for processing, bringing about uniformity in policy implementation and e-payment of all employee benefits. As at end of March 2013, 59 out of a total of 62 modules under the System, covering various processes such as Core HR, Payroll, employee benefits, bills, pension etc., were operationalised.

New Policy for recruitment and selection to higher grades

A new recruitment and selection policy effective from Panel Year 2013 was introduced with a view to strengthening and maximising human resources potentials to meet the emerging challenges of the institution. The major components of the policy included rationalising the levels of processing to three stages for faster decision making, direct recruitment of officers in Grade 'A' and Grade 'B' with requisite educational and professional experience relevant to business and promotional activities of the Bank and revised selection policy to higher grades with a well defined career path for meeting the functional needs of the Bank and legitimate aspirations of all officers.

New Pension Scheme

During 2012-13, 'New Pension Scheme' applicable to all new entrants to the Bank was introduced with effect from 01 January 2012.

e-PAR system

For making the performance assessment more objective and meaningful conforming to the emerging needs of the Bank, Performance Appraisal Report (PAR) formats for the year ended 31 March 2012 for officers were modified. Further, performance assessment was made transparent with an appropriate redressal mechanism.

SC/ ST welfare measures

The Bank has been adhering to the instructions issued by GoI regarding reservations for SC/ST employees in recruitment and promotions. Quarterly meetings with the representatives of the Welfare Association of SC/ST employees were held at HO and ROs.

Administrative and other matters

Industrial relations

Industrial relations in the Bank continued to be harmonious during 2012-13. Periodic discussions were held between the Management and the National Bank Officers' Association and the All India NABARD Employees' Association.

Joint Consultative Committee

The Joint Consultative Committee (JCC) comprising representatives from the Bank Management and National Bank Officers' Association met once during the year to discuss HR related issues.

Central Complaints Committee

The Central Complaints Committee for prevention of sexual harassment of women at workplace in HO and Committees in ROs continued to function effectively. The Central Complaints Committee at HO met thrice during the year.

Grievance redressal system

Five meetings of Grievance Redressal Committee and four meetings of Appellate Committee were held during the year. Thirty five grievances and six appeals were received, of which, all the grievances and four appeals were heard/processed.

Right to Information (RTI) Act, 2005

As part of its goal of achieving transparency and complying with statutory obligations, NABARD has been providing necessary information under RTI Act. Thirty four senior level officers were designated as Central Public Information Officers (CPIOs). Shri P. Satish, Chief General Manager is the Appellate Authority at Head Office. Shri. V. Ramakrishna Rao, Executive Director has been designated as Transparency Officer. During the period ended 31 March 2013, 1,052 applications and 150 appeals were received and desired information was provided to the applicants. Eight hearings on appeals made to Central Information Commission were also attended.

Vigilance

Primary objective of the Vigilance Cell is to investigate the complaints received from Central Vigilance Commission, Ministry of Finance, etc. and to ensure that the systems introduced are being followed. Preventive Vigilance Inspections of two ROs i.e. Kerala and Karnataka were conducted during 2012-13. As a part of preventive vigilance, guidelines were issued to all ROs in respect of sanction and release of subsidy under Government Sponsored Schemes in order to streamline the process of administering subsidies and also reduce the information gap at borrower level regarding the release of subsidies. Further, guidelines on precautions to be taken while scrutinising applications of officers seeking permission for purchase/sale of immovable property was also issued. Vigilance oath was administered to all the employees on the occasion of 'Vigilance Awareness Week' observed in the Bank from 29 October to 3 November 2012 at HO and all ROs/ TEs.

RBI Inspection

The Reserve Bank of India (RBI) conducted the 14th financial inspection of NABARD (with reference to its financial position as on 31st March 2012) from 5 November 2012 to 12 December 2012.

Inspection and concurrent audit

During 2012-13, inspection of 21 ROs, eight HO Departments, one Training Establishment and four subsidiaries of NABARD were conducted. The audit of bank's financial transactions and operations were ensured through a system of concurrent audit of all 33 accounting units. The Audit Committee of the Board (ACB) met four times during the year and reviewed the findings of inspection, performance of the concurrent auditors and vetted the annual accounts and balance sheet of the bank. The Risk Management Committee of the Board (RMCB) in the course of their four meetings evaluated the risks arising out of the operations of the bank and suggested measures for mitigating the risks. Inspection Department continued to monitor the default of clients on a fortnightly basis and apprised top management. With the introduction of HRMS package, reorganisation of some Departments and repositioning exercise, the matrix for rating of the Accounting Units of the bank was revised and adopted during 2012-13. The check list for conducting audit of ROs was also revised taking into account the changing role of various Departments.

Office premises/Residential quarters

The building projects in Bengaluru (office premises) and Mangalore (office premises and staff quarters) were completed. Construction of building projects at Jammu and Kashmir (office premises), Raipur (staff quarters) and Itanagar (office premises and staff quarters) are under construction. The land for office building and staff quarters at Dehradun were purchased during 2012-13. The Occupation Certificate was obtained for staff quarters at Ranchi. The statutory audit of residential premises at Mumbai was completed. An integrated Annual Maintenance Contract (AMC) of staff quarters and HO building at Mumbai by engaging profession agencies was put in place during 2012-13. An initiative for use of green energy was taken at HO building and 50k VA solar power panels were set up. Similar projects are proposed to be implemented in ROs. As a part of initiative for conservation of energy, a project of Motion Detection System was implemented on pilot basis in HO to save electricity.

Information Technology initiatives

NABARD took up several initiatives to usher in Information Technology (IT) breakthrough in its working during 2012-13. It also consolidated/modified/redesigned/upgraded some of the existing/operational initiatives, in the light of changing requirement.

NABARD Data Centre

A state-of-art Data Centre with Tier III features like Fire Detection (VESDA), Alarm and Suppression System (NOVEC), equi-capacity back-up UPS and High Precision AC (redundancy at power and precision AC), covering a total area of 300 sq.ft was set up in HO and was inaugurated by Chairman. It now hosts more than 40 virtual and physical servers including the critical servers relating to HRMS, Centralised Loan Management and Accounting System (CLMAS), Treasury and Asset Liability Management Solution (TALMS), finance and business centric solutions, infrastructure related servers, video conferencing servers and networking equipments.

Blade servers and virtualisation

NABARD took a technological leap to adopt the latest developments in IT by setting up the Blade servers with virtualisation solutions instead of standard rack servers. Multiple virtual machines were hosted on these powerful servers, saving physical space, power, cooling and this in turn lowered carbon footprint. This is a futuristic step and is expected to take care of the compute requirements for the next 5-7 years.

Centralised IT application systems

A host of centralised applications were operationalised/ taken up for implementation during 2012-13. Prominent among the fully operational applications were HRMS for payment of salary, pension, personnel administration, policy, training, bills, etc. and OSS software for co-operative banks and RRBs. Apart from that, CLMAS and TALMS were at various stages of development.

Wide Area Network

In order to provide uniform access to computer applications across the organisation, better management of these applications, improved IT security and centralised control over IT systems, NABARD successfully implemented the Wide Area Network (WAN) using its existing secured Multi Port Leased Switching (MPLS) communication backbone to integrate the LAN of ROs with that of HO.

Video Conferencing facility

Video Conferencing (VC) facility continued to be effectively used by all ROs/TEs and HO Departments helping in quick decision making, cost and time saving. During 2012-13, 255 important conferences/seminars/ workshops/training sessions and 47 interviews were held using VC facility. Some of the important communications facilitated by VC facility included Chairman's interaction with the Finance Secretary (GoI), Ramon Magsaysay Award winner Dr. Kunlandei Francis' address to NABARD staff, three lectures arranged as part of celebration of 30th year of NABARD.

Celebration of three decades of dedicated service to rural India — Lecture Series

As a part of the celebration of completion of three decades of dedicated service to rural India, NABARD organised three lectures during May-July 2012. Dr Peter E. Kenmore, India representative of Food and Agriculture Organisation (FAO) spoke on "Global Agricultural Scenario over the Next Decade and the Challenges, Opportunities and Implications for India". Dr. Montek Singh Ahluwalia, Deputy Chairman, Planning Commission delivered a lecture on "Rural Infrastructure: Issues, Concerns and Prospects". Dr D. Subbarao, Governor, Reserve Bank of India spoke on "Agricultural Credit – Accomplishments and Challenges". These lectures were attended by senior officials from RBI, commercial banks, Government, heads of infrastructure majors, heads of academic institutions and media persons, besides staff of NABARD.

Dr. D. Subbarao, Governor, RBI addressing the gathering in NABARD on 12 July 2012

Dr. Montek Singh Ahluwalia, Deputy Chairman, Planning Commission delivering lecture in NABARD

Visits of Parliamentary Committees

During 2012-13, the following Parliamentary Committees held discussion with NABARD

a. Study tour of the Standing Committee on Finance : The committee visited Guwahati, Shillong, Kolkata and Ranchi in June 2012 to discuss the 'Overall performance with particular reference to extension of credit and financial inclusion in the North East Region'.

b. Visit of the Committee on Subordinate Legislation, Rajya Sabha : The committee visited Dharamshala and Srinagar in June 2012 to discuss about the RRBs (Appointment and Promotion of Officers and Employees) Service Rules, 2010 and Grievance Redressal mechanism for customers and employees and also to discuss the priority sector lending schemes with special reference to credit to small/marginal farmers.

c. Study Tour Programme of the Committee on Estimates : The committee visited Lucknow, Chandigarh and Shimla in July 2012 to discuss the 'Kisan Credit Card' Scheme.

d. Visit of the Committee on Government Assurances, Rajya Sabha : The committee visited Hyderabad, Vishakapatanam, Bhubaneshwar and Kolkata in July 2012 to discuss on assurances to the following Parliament Questions (i) USQ No.3016 dated 30.08.2011 regarding Delivery Mechanism of Direct Cash Subsidy; (ii) USQ No. 668 dated 20.03.2012 regarding transfer of subsidy to farmers and (iii) USQ No. 1429 dated 27.03.2012 regarding lending to small and marginal farmers.

e. Visit of the Committee on Subordinate Legislation, Rajya Sabha : The committee visited Thiruvananthapuram, Mumbai and Hyderabad in November 2012 to discuss on the Security Interest (Enforcement) Rules 2002 and Grievance Redressal Mechanism in banks.

f. Visit of Committee on Government Assurances, Rajya Sabha : The Committee visited Kochi, Mumbai and Goa in January 2013 to discuss fulfillment of the following assurances: (i) USQ No.822 dated 29.11.2011 regarding infusion of capital in PSBs and (ii) USQ No. 2221 dated 13.12.2011 regarding filling of vacant posts in Nationalised Banks.

g. Visit of the Committee on Subordinate Legislation, Rajya Sabha : The committee visited Udaipur, Jodhpur and Jaisalmer in January 2013 to discuss (i) The Security Interest (Enforcement) Rules, 2002 (ii) Grievance Redressal mechanism for customers of RRBs in Rajasthan.

h. Study Tour of the Committee on Subordinate Legislation, Lok Sabha : The committee visited Kolkata, Aizwal, Imphal and Guwahati in February 2013 to discuss the rules/ regulations framed under NABARD Act, 1981.

Promotion of Rajbhasha

During 2012-13, all out efforts were made to promote use of Hindi in day-to-day working of the bank by arranging regular workshops, review meetings, training, etc. Implementation of official language policy of GoI was monitored in the quarterly meetings of Official Language Implementation Committees in all ROs as well as at HO. To ensure compliance of systems and procedures and implementation of policies regarding Rajbhasha in different ROs and HO Departments, nine ROs and seven HO Departments were inspected during 2012-13. As part of its efforts towards capacity building of staff in order to enable them to use Hindi in their day-to-day official work, 40 workshops were conducted, wherein 502 staff members were trained. Further, training was imparted on use of Unicode-compliant version of official language software in the aforesaid workshops. To apprise senior officers about Rajbhasha policy of GoI and expectations from them, Rajbhasha Orientation Programmes were organised at BIRD, Lucknow and Assam RO, which were attended by a total of 37 senior officers. Special cash award scheme for encouraging staff members to write PLPs and Inspection Reports in Hindi were continued during 2012-13. Other rewards and incentives such as Rajbhasha Shields to ROs and HO Departments for doing work in Hindi also continued.

In order to provide a forum to our staff members to express their creative talents, NABARD published its Hindi house journal 'Rashtriya Bank Srijana' regularly. The journal was awarded First Prize by Ministry of Home Affairs, GoI for excellence in the category of in-house journal published during 2011-12. The award was presented by Hon'ble President of India and was received by our Chairman on Hindi Day (14 September 2012).

Financial Performance and Management of Resources

NABARD, like any other financial institution has put in place a sound resource management system. The financial resources of NABARD increased from `1,82,075 crore as on 31 March 2012 to `2,13,170 crore as on 31 March 2013 registering an increase of 17 per cent over the previous period. The total market borrowings of NABARD stood at `1,64,835 crore (including borrowings under CBLO) as on 31 March 2013, constituting 77 per cent of the total resources of the Bank.

Sources of Funds

Capital, Reserves & Surplus

The paid up capital, as on 31 March 2013 was `4,000 crore against the authorised capital of `5,000 crore, with the share of GoI being 99.50 per cent and that of RBI at 0.50 per cent. GoI contributed `1,000 crore to NABARD's paid up capital during 2012-13. The amount of reserves and surplus increased to `15,234 crore as on 31 March 2013 from `13,408 crore as on 31 March 2012.

National Rural Credit (Long Term Operations) & National Rural Credit (Stabilisation) Funds

The National Rural Credit (Long Term Operations) and National Rural Credit (Stabilisation) Funds are utilised for investment operations and for conversion/re-schedulement of short-term credit, respectively. These funds are augmented by internal accruals and contributions made by RBI. During 2012-13, an amount of `1 crore was contributed by RBI to each of these funds.

Deposits

Tea, Coffee and Rubber deposits

The amount outstanding under deposits from tea, coffee and rubber companies stood at `302 crore as on 31 March 2013, as against `284 crore as on 31 March 2012, reflecting an increase of `18 crore.

RIDF deposits

During 2012-13, RIDF Deposits from commercial banks under RIDF XIV to XVII, RIDF XVIII, Warehousing Infrastructure (WI) and Bharat Nirman (BN) XIII were mobilised aggregating `16,241 crore with repayments being `12,589 crore under RIDF VI to XV and BN XII to XV. The outstanding balance under RIDF deposits stood at `78,758 crore as on 31 March 2013 against `75,107 crore as on 31 March 2012, with a net inflow of `3,651 crore.

STCRC Fund

With a view to augment NABARD's resources for extending ST credit facilities to co-operative institutions, the Short Term Cooperative Rural Credit (Refinance) Fund was set up in 2008-09 with a corpus of `5,000 crore contributed by Scheduled Commercial Banks not achieving their priority sector lending obligations. The Fund was augmented by an additional allocation of `5,000 crore each for the year 2009-10 and 2010-11 and `10,000 crore for the year 2011-12 and 2012-13. The outstanding balance under STCRC Refinance Fund stood at `25,000 crore as on 31 March 2013.

Short Term Rural Credit (Refinance) Fund for Regional Rural Banks

With a view to augment NABARD's resources for ST credit facilities to RRBs, the Short Term Rural Credit (Refinance) Fund for Regional Rural Banks was set up in 2012-13 with a corpus of `10,000 crore contributed by Scheduled Commercial Banks not achieving their priority sector lending obligations. The outstanding balance under this Fund stood at `10,000 crore as on 31 March 2013.

Borrowings

In order to meet the increasing credit demand, NABARD has been augmenting its resources from market borrowings by way of Corporate Bonds, Commercial Papers, Certificates of Deposits, Term Money Borrowings, etc. The details of the market borrowings by the Bank are as under:

Capital Gains Bonds

Capital Gains Bonds aggregating `5 crore were redeemed during the financial year 2012-13. The outstanding of Capital Gains Bonds stood at `2 crore as on 31 March 2013 against `7 crore as on 31 March 2012.

Corporate Bonds

Corporate Bonds amounting to `17,414 crore were issued during 2012-13 while `8,326 crore were redeemed. The amount outstanding, at the end of 31 March 2013, stood at `42,666 crore as against `33,578 crore as on 31 March 2012.

Bhavishya Nirman Bonds

No fresh Bhavishya Nirman Bonds (BNB) were issued during 2012-13. The outstanding balance under BNB stood at `4,975 crore as on 31 March 2013.

NABARD Rural Bonds

No fresh bonds were issued during 2012-13. The outstanding balance under Rural Bonds stood at `23 crore as on 31 March 2013.

Certificates of Deposits

No fresh borrowings through issue of Certificates of Deposits (CDs) were mobilised during 2012-13. The entire amount outstanding to the tune of `1,281 crore were redeemed during 2012-13.

Commercial Papers

Fresh borrowings through Commercial Papers (CPs) of `8,192 crore were mobilised and `8,501 crore worth of CPs were redeemed during 2012-13. The outstanding balance was `1,936 crore as on 31 March 2013 as against `2,245 crore as on 31 March 2012.

Term Money Borrowings

Term Money Borrowings (TMB) of three to six months tenor was mobilised, in order to meet short-term requirements. TMB worth `305 crore were raised and repayments to the tune of `349 crore were made, leaving an outstanding of `138 crore, as on 31 March 2013, as against `182 crore on 31 March 2012.

GoI Borrowings

There was no fresh borrowings from GoI loans during 2012-13 whereas repayments of `42 crore under various externally aided projects were made. The outstanding in respect of borrowings from GoI stood at `43 crore, as on 31 March 2013 as against `85 crore on 31 March 2012.

Borrowings in Foreign Currency

The redemptions under KfW were to the tune of `40 crore which resulted in decline in outstanding borrowings from `503 crore as on 31 March 2012 to `463 crore, as on 31 March 2013. The foreign exchange risk on this loan as well as interest payments have been fully hedged at an average annual cost of 1.72 per cent for 10 years.

Uses of Funds

ST Loans, MT (Conversion) Loans

The ST (SAO) loans outstanding against advances to the StCBs at `43,676 crore, RRBs at `20,319 crore and commercial banks for financing PACS at `129 crore together with ST (OSAO) loans to StCBs at `231 crore and RRBs at `821 crore had resulted in increased loans outstanding for production and marketing credit at `65,176 crore as on 31 March 2013, compared to the loan outstanding at `48,338 crore under this segment as at the end of March 2012. There has been an increase of 34.83 per cent in the outstanding of credit under this segment. Outstanding balance under MT conversion loan stood `64 crore as on 31 March 2013.

Project Loans under RIDF

Loans provided to State Governments for implementation of rural infrastructure development stood at `75,061 crore as on 31 March 2013 compared to outstanding at `70,860 crore as on 31 March 2012.

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 `109 crore as on 31 March 2013 compared to `140 crore as on 31 March 2012.

Investment Credit

Refinance assistance for sums aggregating `48,504 crore as on 31 March 2013 was extended to banks in respect of the medium and long term investment loans provided by them as against the assistance at `43,107 crore provided at the end of 31 March 2012. During 2012-13, refinance provided by NABARD for investment credit activities increased by 12.52 per cent.

Co-finance

The Bank has entered into agreements with commercial banks to co-finance various projects. The outstanding balance as on 31 March 2013 stood at `37 crore (net of provision), as against `72 crore (net of provision) as on 31 March 2012.

NABARD Infrastructure Development Assistance

The outstanding loans under NABARD Infrastructure Development Assistance (NIDA) stood at `1,281 crore as on 31 March 2013 as against `423 crore as on 31 March 2012.

Direct lending to Central Co-operative Banks

A Short-term multi-purpose 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 has been launched since 2011-12. The quantum of outstanding under this line of credit stood at `1,350 crore as on 31 March 2013 as against `910 crore as on 31 March 2012.

RIDF – Warehousing Infrastructure

GoI has accorded top priority for creation of quality warehouse facilities in the country for reducing the inefficiencies in post harvest management. Financial assistance is available under this scheme to State Government, agencies owned/ supported by Central/ State Government, Co-operatives etc. All RRBs / DCCBs and Scheduled commercial banks are also eligible for refinance from NABARD under this Scheme. The loans outstanding under the Warehousing stood at `758 crore as on 31 March 2013 as against `759 crore as on 31 March 2012.

Other Loans

Other loans extended out of different Funds (CDF, MFDEF, WDF and TDF, KfW UPNRM, FIPF, JNN Solar Mission and PODF) stood at `2,881 crore as on 31 March 2013 as against `231 crore as on 31 March 2012.

Investment of Surplus Funds

The quantum of surplus deployed by NABARD in various financial instruments stood at `13,721 crore as on 31 March 2013. Out of this, `5,996 crore was deployed in Government securities and other financial instruments and an aggregate sum of `7,725 crore were kept in the form of Short Term Bank Deposits in order to meet liquidity and contingency requirements, as on 31 March 2013.

Income and Expenditure

The total income of NABARD during 2012-13 amounted to `12,883 crore as against `10,979 crore for the year 2011-12. The profit before tax (PBT) and profit after tax (PAT) were at `2,637 crore and `1,808 crore, respectively, as on 31 March 2013, as against the previous year's PBT and PAT of `2,252 crore and `1,635 crore, respectively. An amount of `330 crore, `1 crore, `1 crore and `1,634 crore was transferred to Special Reserve u/s 36(1) (viii) of IT Act 1961, NRC (LTO) Fund, NRC (Stabilisation) Fund and Reserve Fund, respectively. Further, an amount of `17.03 and `33.22 crore were transferred to two Funds *i.e.,* Research and Development Fund and Investment Fluctuation Reserve, respectively.

Capital adequacy

The capital to risk-weighted assets ratio (CRAR) was at 18.24 per cent as on 31 March 2013 as compared to 20.55 per cent as on 31 March 2012, as against a minimum 9 per cent norm stipulated by RBI.

Asset-Liability Management

The Asset-Liability Management Committee (ALCO) of the Bank oversees the monitoring and management of market risk, liquidity risk and interest rate risks, as per the comprehensive ALM / liquidity management policies approved by the Board. The role of ALCO includes, inter-alia, reviewing the Bank's structural liquidity and interest-rate sensitivity positions *vis-a-vis* prudential limits prescribed by the RBI/Board. Besides evaluating the market risk of treasury operations, the ALCO reviews at periodic intervals the interest rates fixed for various products and effect modification in the interest rates wherever considered essential taking into account the market scenario.

List of Tables

Table 1.1: Economic Indicators

Annual percent change

Particulars	2010-11	2011-12	2012-13
Overall GDP	9.3[2R]	6.2[1R]	5.0[AE]
GDP from Agriculture & Allied Activities	1.0	7.0 (QE)	2.5 (AE)
Food grain Production	(-) 7.1	6.8	
Industrial Production	8.2	2.9	0.7[h]
Inflation (WPI) (average)	9.6	8.9	
Domestic Savings (as % of GDP)	34.0	30.8	7.6[h]
Capital Formation (as % of GDP)	36.8	35.0	
Fiscal Deficit (as % of GDP)	4.8	5.7	5.1[j]
Imports (% change)	28.2	32.3	
Exports (% change)	40.5	21.3	
Current Account Balance (as % of GDP)	(-) 2.8	(-) 4.2	(-) 4.6
External Debt (as % of GDP)	18.1	17.8	

1R: 1st Revised Estimates; 2R: 2nd Revised Estimates; AE: Advance Estimates; QE: Quick Estimates; j: Budget Estimates; h: provisional;
Source: Economic Survey 2012-13; Central Statistics Office (CSO), GoI

Table 1.2: Sectoral Growth Rates of GDP (2004-05 prices)

Sector	2008-09	2009-10[3R]	2010-11[2R]	2011-12[1R]	2012-13[AE]
Agr. & Allied	-0.1(15.7)	1.0 (14.7)	7.9 (14.5)	3.6 (14.1)	1.8 (13.7)
Industry#	4.4(28.1)	8.4 (28.1)	9.2 (28.2)	3.5 (27.5)	3.1 (27.0)
Services	9.4(56.2)	10.5 (57.2)	10.2 (57.3)	8.2 (58.4)	6.6 (59.3)
GDP(FC)	6.7(100.0)	8.4(100.0)	9.3 (100.0)	6.2 (100.0)	5.0(100.0)

Note: Figures in parentheses indicate percentage shares in GDP; 1R: 1st Revised Estimates; 2R: 2nd Revised Estimates;
3R: 3rd Revised Estimates ; AE: Advance Estimates
#: Includes mining & quarrying, manufacturing, electricity, gas and water supply and construction
Source: Monthly Economic Report (March 2013), Ministry of Finance, GoI; Economic Survey 2012-13, Central Statistic Office, (CSO), GoI

Table 1.3: Trends in Rainfall and Water Storage

Particulars	South-West Monsoon*		
	2010	2011	2012
A. Cumulative rainfall (% variation from normal)	-2	1	-8
B. Number of Sub- Divisions with Normal/Excess Rainfall	31	33	23
Deficient/Scanty/No Rainfall	5	3	13
C. Reservoir status (% of FRL[$@])	75.4	86.4	

Notes: Normal: +_19%; Excess: +20% or more; Deficient: -20 to -59%; Scanty: -60% or less; No Rain: -100%
**: Cumulative position between 1 June and 30 September;*
$: Full Reservoir Level in 81 major reservoirs (accounting for 67% of total reservoir capacity in the country) as at the end of the season
@: As on 30 September in the case of SW Monsoon and 31 December in the case of NE Monsoon
Source: Indian Meteorological Department, Economic Survey, Various Issues,

Table 1.4: Production of Major Crops

(Million tonnes)

Year/Crops	2009-10	2010-11	2011-12	2012-13^AE	2012-13 (% change)
Foodgrain	218.1	244.8	259.3	255.4	-1.5
Rice	89.1	96.0	103.1	104.2	3.0
Wheat	80.8	86.9	94.9	93.6	-1.8
Coarse Cereals	33.5	43.7	42.04	38.5	-4.3
Pulses	14.7	18.2	17.09	17.6	2.7
Non-food crops					
Major oilseeds	24.9	32.5	29.8	29.5	-1 .3
Groundnuts	5.4	8.3	6.9	8.0	-17.1
Soyabeans	10.0	12.7	13.1	12.8	2.8
Rapeseed & Mustard	6.6	8.2	7.6	7.6	-6.6
Cotton#	24.0	33.0	35.0	32.2	5.9
Sugarcane	292.3	342.4	345.7	342.5	1.0

AE: 3rd Advance Estimates; #: Million bales of 170 kgs each;
Source: Agricultural Statistical Division, Ministry of Agriculture, GoI; Economic Survey 2012-13

Table 1.5: Gross Capital Formation in Agriculture & Allied Sectors (2004-05 prices)

Year	GDP from Agriculture & Allied Sectors (` crore)	GCF in Agriculture & Allied Sectors (` crore)			GCF in Agriculture & Allied Sectors as % of GDP from Agriculture & Allied Sectors		
		Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
2004-05	5,65,426	16,187	59,909	76,096	2.9	10.6	13.5
2005-06	5,94,487	19,940	66,664	86,604	3.4	11.2	14.6
2006-07	6,19,190	22,987	69,070	92,057	3.7	11.2	14.9
2007-08	6,55,080	23,255	82,484	1,05,741	3.5	12.6	16.1
2008-09	6,55,689	20,572	1,06,555	1,27,127	3.1	16.3	19.4
2009-10	6,60,987	22,693	1,10,469	1,33,162	3.4	16.7	20.1
2010-11	7,13,477	19,918	1,11,306	1,31,224	2.8	15.6	18.4
2011-12	7,39,495	22,095	1,24,483	1,46,578	3.0	16.8	19.8

Source: Central Statistics Office, National Accounts Division, GoI.

Table 1.6: Agency-wise Ground level Credit Flow

(` crore)

Agency	2008-09	2009-10	2010-11	2011-12	2012-13@	Growth Rate (%)	
						2008-12#	2012-13**
Co-op	45,966	63,497	78,007	87,963	1,11,203	24	26
RRBs	26,765	35,217	44,293	54,450	63,681	27	17
CBs	2,28,951	2,85,800	3,45,877	3,68,616	4,32,491	17	17
Total	3,01,908*	3,84,514	4,68,291	5,11,029	6,07,375	19	19

*#: Average Annual Growth Rate; *: Includes `226 crore by other agencies, **: Percentage change over previous year.*
@: provisional Source: NABARD

Table 1.7: Sub sector wise Ground Level Credit disbursement for Agriculture & Allied Activities during 2007-08 to 2010-11

(` crore)

Sr. No.	Sector/Sub- Sector	2006-07	2007-08	2008-09	2009-10	2010-11
I	Crop Loan (ST-Production Credit)	1,38,455	1,81,393	2,10,461	2,76,656	3,35,550
II	Term Loans	90,945	73,265	91,447	1,07,858	1,32,741
i.	Minor Irrigation	8,566	2,840	3,180	5,197	4,363
ii	Land Development	2,285	2,553	2,887	3,669	3,615
iii	Farm Mechanisation	10,113	8,303	8,334	10,211	12,800
iv	Plantation & Horticulture	5,266	5,910	6,045	6,407	6,610
v	Animal Husbandry#	8,045	9,034	10,398	10,260	12,773
vi	Fisheries	1,424	1,248	1,281	1,854	1,931
vii	Hi-tech agriculture	21,498	33,325	41,694	50,797	82,774
viii	Others $	33,748	10,052	17,628	19,463	7,875
	Total Term Loans (MT & LT Investment Credit)	90,945	73,265	91,447	107,858	1,32,741
	Total (I+II)	2,29,400	2,54,658	3,01,908	3,84,514	4,68,291

#: Animal Husbandry includes Dairy Development, Poultry Farming and Sheep/Goat/ Piggery
$: "Others" include Storage/Market Yards, Forestry/Waste Land Development, Bullock and Bullock Carts, Bio-gas, etc.
Note: 2011-12 data is under compilation. SACP data awaited from RBI.

Table 1.8: Growth of agricultural credit CAGR (%) – Real vis-à-vis Nominal

Year	Short Term		Long Term	
	Nominal	Real	Nominal	Real
1999-2000 to 2010-11	26.63	18.52	22.08	14.26
2007-08 to 2010-11	23.60	10.29	21.50	8.42

Nominal – current prices, Real – at 2004-05 prices
Source: Calculated from GLC data – NABARD and IBA

Table 1.9: Regional Distribution - Another dimension of inclusive growth

Regions	10th FYP (Average Share)	11th FYP (Average Share)*	Real Sector Indicators		
			Share in GCA	Share in GIA	Cropping Intensity
Northern	28.69	27.44	20.11	26.32	148
North Eastern	0.38	0.44	2.83	0.68	128
Eastern	6.67	7.27	14.65	15.25	151
Central	15.10	13.20	27.26	31.66	139
Western	14.17	14.10	16.47	9.74	114
Southern	34.99	37.55	18.68	16.36	124
Total	100.00	100.00	100.00	100.00	100.00

*GCA – Gross Cropped Area, *: for the four year period 2007-08 to 2010-11; GIA - Gross Irrigated Area; FYP - Five Year Plan*
Source: Credit figures from NABARD and GCA from Centre for Monitoring Indian Economy, Mumbai.

Table 2.1: Short term refinance (production credit) for the last five years (` crore)		
Year	Limit sanctioned	Maximum outstanding
2008-09	19,627	17,212 (87.70)
2009-10	25,661	24,715 (96.31)
2010-11	34,375	34,196 (99.48)
2011-12	49,013	48,981 (99.94)
2012-13	66,418	66,095 (99.51)

Figures in the parentheses refer to percentage achievement

Table 2.2: Rates of Interest on Refinance (%) during 2012-13

Sl. No.	Purpose	Agency	Interest Rate
1	Seasonal Agricultural Operations	i) StCB/RRB ii) CCB &PACS through RRB / CB (PSB)	4.5
2	Post harvest loans to small and marginal farmers against NWR	StCB / RRB	4.5
3	ST (Weavers – Primary and Apex/ Regional Weavers Cooperative Societies and ST (Others – other than weavers)	StCB	9.8
4	ST – Weavers - Financing of Primary Weavers Cooperative Societies	Scheduled Commercial Banks	9.8
6	ST-Other than SAO loans (ST- OSAO)	RRB	9.8
7	ST - Working capital requirements of SHDC	StCB & Scheduled Commercial Banks	9.8
8	MT (Conversion) loan	StCB/RRB	7.35@*

@: at 3% below the rate charged to the ultimate borrower with a minimum of 7.35%.
**Revised to 7.35 per cent (minimum) with effect from 4 March 2013*

Table 2.3: Agency-wise Disbursement of Refinance (Investment Credit)

(` crore)

Agency	2010-11			2011-12			2012-13		
	Target	Disb.	% share	Target	Disb.	% share	Target	Disb.	% share
SCARDBs	2,160.00	2,351.85	17.44	2,445.00	2,444.93	15.85	2,300.00	1,741.31	9.85
StCBs	1,340.00	1,356.62	10.06	1,205.00	1,192.29	7.73	2,378.00	2,071.06	11.72
CBs	7,052.00	7,348.49	54.49	8,030.00	8,433.75	54.69	6,524.00	8,708.77	49.27
RRBs	2,288.00	2,287.84	16.96	3,035.00	3,086.19	20.01	5,138.00	4,753.66	26.90
PUCBs	85.00	84.87	0.63	60.00	54.08	0.35	100.00	69.29	0.39
ADFCs/ NABFINS	55.00	56.20	0.42	220.00	210.46	1.37	500.00	330.20	1.87
NEDFi	0.00	0.00	0.00	0.00	0.00	0.00	50.00	0.00	0.00
TOTAL	12,980.00	13,485.87	100.00	14,995.00	15,421.70	100.00	16,990.00	17,674.29	100.00

Table 2.4: Region-wise Disbursement of Refinance

(` crore)

Agency	2010-11			2011-12			2012-13		
	Target	Disb.	% share	Target	Disb.	% share	Target	Disb.	% share
Northern	2,835.00	2,810.70	20.80	2,928.00	2,426.37	15.70	3,302.00	3,172.83	17.95
North Eastern	266.00	265.82	2.00	258.00	232.86	1.50	320.00	190.75	1.08
Eastern	1,392.00	1,405.35	10.40	1,415.00	1,783.53	11.60	1,716.00	1,663.47	9.41
Central	1,718.00	1,928.63	14.30	1,927.00	1,867.05	12.10	2,216.00	1,254.81	7.10
Western	965.00	1,253.64	9.30	1,598.00	1,671.16	10.80	1,791.00	2,385.48	13.50
Southern	5,804.00	5,821.73	43.20	6,869.00	7,440.73	48.30	7,645.00	9,006.95	50.96
TOTAL	12,980.00	13,485.87	100.00	14,995.00	15,421.70	100.00	16990.00	17674.29	100.00

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

Table 2.5: Sector-wise Disbursement of Refinance

(` crore)

Purpose	2010-11			2011-12			2012-13		
	Target	Disb.	% share	Target	Disb.	% share	Target	Disb.	% share
Minor Irrigation	909.00	920.61	6.80	1,071.00	660.51	4.28	1,189.00	739.27	4.18
Land Development	1,168.00	295.69	2.10	1,243.00	504.07	3.27	700.00	817.69	4.63
Farm Mechanisation	1,817.00	1,762.98	13.00	1,714.00	2,134.51	13.84	2,401.00	2,282.79	12.92
Plantation and Horticulture	579.00	698.39	5.20	750.00	1,547.50	10.03	1,600.00	1,361.92	7.71
PF/SGP/ AH-Other	266.00	402.37	3.00	536.00	680.20	4.41	555.00	411.29	2.33
Fisheries	149.00	47.45	0.40	160.00	91.88	0.60	255.00	37.85	0.21
Dairy Development	649.00	918.11	6.80	975.00	889.88	5.77	1,200.00	872.87	4.94
Forestry	52.00	9.57	0.10	21.00	15.97	0.10	20.00	7.80	0.04
Storage Godown and Market Yard	172.00	170.79	1.30	429.00	157.47	1.02	600.00	295.30	1.67
SGSY	322.00	228.84	1.70	0.00	211.98	1.37	0.00	111.72	0.63
Non Farm Sector	3,115.00	3,446.40	25.60	4,298.00	3,574.21	23.18	4,400.00	5,150.88	29.14
SC/ST-AP	130.00	12.63	0.10	0.00	4.26	0.03	0.00	19.35	0.11
SHG	795.00	2,545.36	18.90	3,642.00	3,072.59	19.93	3,500.00	3,916.64	22.16
Others	2,857.00	2,026.68	15.00	156.00	1,876.67	12.17	570.00	1,648.92	9.33
TOTAL	12,980.00	13,485.87	100.00	14,995.00	15,421.70	100.00	16,990.00	17,674.29	100.00

Table 2.6: Growth of Short term Co-operative Credit Structure
(As on 31 March)

(` crore)

Particulars	StCBs			DCCBs		
	2011	2012	% Growth	2011	2012	% Growth
Number	31	31		370	370	
Share Capital	2,066.81	2,558.53	23.79	7,994.74	8,346.32	4.40
Reserves	12,012.69	11,124.36	-7.39	23,020.40	19,848.38	-13.78
Deposits	81,536.28	80,237.57	-1.59	1,69,056.08	1,81,498.88	7.36
Borrowings	32,498.68	42,388.86	30.43	42,931.13	51,430.05	19.80
Loans Issued	70,747.80	77,527.08	9.58	1,61,177.03	1,57,394.00	-2.35
Loans Outstanding	65,635.52	76,895.08	17.15	1,32,407.20	1,50,878.80	13.95

Note: Data for the year 2011-12 is provisional

Table 2.7: Growth of Long term Co-operative Credit Structure
(As on 31 March)

(` crore)

Particulars	SCARDB			PCARDB		
	2011	2012	% Growth	2011	2012	% Growth
Number	20	20		697	697	
Share Capital	1,807.14	1,830.02	1.27	1,374.55	1,380.16	0.41
Reserves	3,808.32	4,102.19	7.72	3,251.38	3,249.41	-0.06
Deposits	922.89	1,053.57	14.46	484.7	494.84	2.09
Borrowings	16,031.71	16,108.24	0.48	13,349.67	13,829.24	3.59
Loans Issued	3911.00	4,207.87	7.59	3,324.44	3,785.68	13.87
Loans Outstanding	18,519.59	19,417.12	4.85	12,038.08	12,523.62	4.03

Note: Data for the year 2011-12 provisional

Table 2.8: Working Results of Co-operative Banks
(As on 31 March)

(` crore)

Particulars	StCBs		DCCBs		SCARDB		PCARDB	
	2011	2012	2011	2012#	2011	2012	2011	2012##
Total No	31	31	370	370	20	20	697	697
In Profit (No)	29	29	314	311	11	9	379	367
Profit Amount	549.15	624.07	1,402.85	1,954.05	111.12	116.27	165.64	165.96
In Loss (No)	2	2	56	22	8	10	318	330
Loss Amount	317.43	74.54	440.8	143.98	152.03	245.81	426.71	402.88

Data for the year 2011-12 is provisional
#: 37 CCBs have not reported profitability figures for 2011-12.
**: Data for Assam, Bihar, Madhya Pradesh, Odisha, Tamil Nadu,Tripura and West Bengal repeated from previous year.*
##: Data for Madhya Pradesh,Odisha, Tamil Nadu and West Bengal repeated from previous year.

Table 2.9: Accumulated Losses of Co-operatives Banks (As on 31 March) (` crore)				
Year	Accumulated Losses			
	StCBs	DCCBs	SCARDB*	PCARDB#
2010	574.00	5,302.00	1,188.00	4,087.00
2011	569.63	4,440.33	1,362.00	4,221.00
2012	906.84	4,028.23	1,575.00	4,456.18

Data for the year 2011-12 provisional
**: Data for Assam, Bihar, Madhya Pradesh, Odisha, Tamil Nadu, Tripura and West Bengal repeated from previous year.*
#: Data for Madhya Pradesh, Odisha, Tamil Nadu and West Bengal repeated from previous year.
SCARDB Manipur is Defunct

Table 2.11: Percentage of Recovery to Demand (As on 30 June)			
Agency	2010	2011	2012
StCBs	92	80	93
CCBs	76	74	79
SCARDBs	41	40	32
PCARDBs	37	47	43

Note: Data for the year 2011-12 is provisional

Table 2.10: NPA Position of Co-operatives Banks
(As on 31 March)
(` crore)

Year	StCBs		CCBs		SCARDBs		PCARDBs	
	Total NPA	Gross NPA (%)	Total NPA	Gross NPA (%)	Total NPA*	Gross NPA (%)	Total NPA*	Gross NPA (%)
2011	5,630.21	8.58	14,815.62	11.19	5,966.18	32.22	4,878.39	40.53
2012**	5,291.02	6.88	13,968.14	9.26	6,282.54	35.06	4,609.29	36.80

**: Refers to the Impaired Assets *: Provisional*

Table 2.12: Indicators of Performance of RRBs
(As on 31 March)
(` crore)

Particulars	2011	2012	2013#
No .of RRBs (No.)	82	82	64*
Branch Network (No.)	16,001	16,909	17,856
Share Capital	197.00	197.00	197.00
Share Capital Deposit	4,076.34	5,002.01	5,976.84
Reserves	9,565.58	11,262.99	13,130.01
Deposits	1,66,232.34	1,86,336.07	2,11,457.80
Borrowings	26,490.80	30,288.84	38,267.73
Investments	86,510.44	95,974.93	1,10,683.47
Loans & Advances (Outstanding)	98,917.43	1,16,384.97	1,39,837.00
Loans Issued	71,724.19	82,538.39	1,02,161.71
RRBs earning Profit (No.)	75	79	63
Amount of Profit (A)	1,785.87	1,886.15	2,384.59
RRBs incurring Losses (No.)	7	3	1
Amount of Losses (B)	71.32	28.87	2.07
Net Profit of RRBs (A – B)	1,714.55	1,857.28	2,382.52
Accumulated Losses	1,532.39	1,332.57	1,011.78
RRBs with accumulated losses (No.)	23	22	11
Recovery (%) (As on 30 June)	81.18	81.60	82.57
NPA to loans outstanding (%)	3.75	5.03	5.65
Net worth	12,306.53	15,129.41	18,292.07

**: Number of RRBs reduced to 64 as on 31 March 2013. #: Provisional*

Table 2.13: Region-wise Working Results of RRBs
(As on 31 March 2013*)

(` crore)

Region	No. of RRBs	Profit Earning		Loss Incurring		Net Profit	Accumulated Losses	Loans & Advances O/S	NPAs		Recovery (%) As on 30 June	
		No.	Amt.	No.	Amt.				Amount	%	2011	2012
Central	16	16	601.21	0	0.00	601.21	0.00	33,359.63	3,214.00	9.63	76.36	60.28
Eastern	10	10	275.80	0	0.00	275.80	755.21	22,160.96	1,757.46	7.93	73.95	75.36
Northern	11	11	336.53	0	0.00	336.53	141.08	21,299.64	875.38	4.11	89.16	89.70
North - Eastern	8	7	177.73	1	2.07	175.66	91.70	6,781.01	250.68	3.70	73.89	63.77
Southern	14	14	891.43	0	0.00	891.43	0.00	48,611.83	1,484.37	3.05	84.49	89.92
Western	5	5	101.89	0	0.00	101.89	23.78	7,623.93	325.05	4.26	74.77	77.15
All India	64	63	2,384.59	1	2.07	2,382.52	1,011.77	1,39,837.00	7,906.94	5.65	81.60	82.57

: Provisional

Table 2.14: Frequency Distribution of States according to Levels of Recovery of RRBs
(As on 30 June 2012)

Recovery (%)	No of States	Name of States
< 40	1	Manipur (1)
> 40 and < 60	5	Jharkhand (1), Karnataka (1), Tripura (1), Uttar Pradesh (2)
> 60 and < 80	35	Andhra Pradesh (2), Arunachal Pradesh (1), Assam (1), (Bihar (3), Chhatisgarh (2), Gujarat (1), J & K (1), Jharkhand (1), Karnataka (2), Maharashtra (2), Madhya Pradesh (4), Mizoram (1), Nagaland (1), Odisha (4), Uttar Pradesh (6), Uttarakhand (1), West Bengal (2)
>80	41	Andhra Pradesh (3), Assam (1), Bihar (1), Chhatisgarh (1), Gujarat (2), Haryana (2), Himachal Pradesh (2), J & K (1), Karnataka (3), Kerala (2), Madhya Pradesh (4), Maharashtra (1), Meghalaya (1), Odisha (1), Puducherry (1), Punjab (3), Rajasthan (6), Tamil Nadu (2), U.P. (2), Uttarakhand (1), West Bengal (1)

Note: Number of RRBs as on 30th June 2012 was 82

Table 3.1: Externally Aided on-going Projects

(As on 31 March 2013)

(` Lakh)

Sl. No.	Name of the Project	Effective from	Closing date	External assistance (million)	Disbursements made by NABARD		Amount received by NABARD	
					During 2012-13	Cumm. upto 31.03.13	During 2012-13	Cumm. upto 31.03.13
1.	KfW-NABARD-ADP							
i.	V-Adivasi Development Programme in Gujarat*	23 Dec 1994	31 Dec 2011	€ 13.29 (+ 1.5 Suppl. Grant)	Programme closed on 31.12.2011			
ii	Adivasi Development Programme in Gujarat (Phase II)*	28 March 2006	31 Oct. 2016	€ 7.00	802.10	9,782.25	521.30	9,515.87
iii.	IX-Adivasi Development Programme in Maharashtra	2 June 2000	31 Dec 2011	€ 14.32	1.81	7,930.68	160.74	8,197.77
2.	KfW-NABARD-IGWDP							
i.	Indo-German Watershed Development Programme in Andhra Pradesh	15 July 2002	31 Dec 2013	€ 8.69	786.87	4,751.00	1103.09	4,466.86
ii.	Indo-German Watershed Development Programme in Maharashtra (Phase III)	27 Aug 2005	30 Jun 2013	€ 19.94	622.90	11,918.40	1472.33	11,991.94
iii.	Indo-German Watershed Development Programme in Gujarat	17 Feb 2006	31 Dec 2015	€ 9.20	771.31	2,233.18	668.70	2,032.40
iv.	Indo-German Watershed Development Programme in Rajasthan	7 Dec 2006	31 Dec 2016	€ 11.00	757.35	2,250.58	771.27	1,960.23
3.	KfW-SEWA Bank Project	28 June 2002	31 Dec 2013	€ 4.09	679.52	1,922.53	686.38	1,941.95
4	KfW-Umbrella Programme for Natural Resources Management (UPNRM)							
	(i) FC Loan	16 Sept 2009	30 Dec 2014	€ 15.00	8,250.34	20,723.79	0.00	9,510.50
	(ii) FC Grant	16 Sept 2009	30 Dec 2014	€ 1.4	1.42	33.63	0.00	33.11
	(iii) Grant for Accompanying Measures	16 Sept 2009	31 Dec 2014	€ 3.00	328.48	#1,001.13	315.54	1,012.85
5	Technical Component (TC)Assistance from GIZ							
(i)	GIZ – UPNRM – TC	26 Jul 2010	31 Oct 2013	€ 8.5	53.92	170.49	52.41	196.33
6	GIZ-RFIP							
	TC- Technical Cooperation	01 Jan 2009	31 Dec 2013	€ 13.15 (of which 0.1 is FC component)	172.68	422.06	98.19	401.97

FC - Financial Cooperation SEWA - Self Employed Women's Association

**: Cumulative figures contain details of disbursement made and amount received by NABARD of ADPG I & II*

#:Service charges on AM were not included in the previous years figures. The same has been included in the cumulative figure now.

Table 3.2: The progress under FIF & FITF
(As on 31 March 2013)

(` in crore)

Name of the Fund	2010-11		2011-12		2012-13		Cumulative upto March 2013	
	S	D	S	D	S	D	S	D
FIF*	19.00	9.21	75.96	18.90	67.02	33.31	181.64	69.77
FITF	101.11	54.01	221.07	128.39	22.01	17.14	365.49	201.30
Total	120.11	63.22	297.03	147.29	89.03	50.45	547.13	271.07

S: Sanctions, D: Disbursements
**: Includes `56 crore sanctioned for two projects treated as withdrawn*

Table 3.3: Progress of the Microfinance Programme
(As on 31 March 2012)

Particulars	SHGs (Number in Lakh and Amount in ` crore)				MFIs * (Amount in ` crore)			
	2011 @		2012 @		2011 #		2012 #	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Loans disbursed during the year	11.96 (2.41)	14,547.73 (2,480.37)	11.48 (2.09)	16,534.77 (2,643.56)	471 (2)	8,448.96 (843.77)	465 (12)	5,205.28 (239.42)
Loans outstanding	47.87 (12.85)	31,221.16 (7,829.39)	43.54 (12.16)	36,340.00 (8,054.83)	2315 (139)	13,730.62 (3,041.77)	1960 (129)	11,450.35 (1,597.11)
Savings accounts with banks	74.62 (20.22)	7,016.30 (1,817.12)	79.60 (21.23)	6,551.41 (1,395.25)	-	-	-	

@: Figures in parentheses indicate the share of SHGs covered under SGSY
**: Actual number of MFIs provided with bank loans would be lower as several MFIs availed loans from more than one bank/ more than one loan*
#: Figures in parentheses indicate the assistance of SIDBI to MFIs

Table 3.4: Grant Assistance extended to various Partners of SHG-Bank Linkage Programme
(As on 31 March 2013)

(` lakh)

Agency	Sanctions during 2012-13			Cumulative Sanctions			Cumulative Progress		
	No.	Amt.	No. of SHG	No.	Amt.	No. of SHG	Amt. released	SHG formed	SHG credit linked
DCCB	14	216.35	6,075	140	1,074.16	77,770	303.34	51,996	34,516
RRB	10	339.13	10,445	146	881.32	63,590	209.13	56,807	37,534
NGO	489	3,654.98	56,342	4,114	19,855.57	5,56,251	5,513.87	3,08,374	1,93,684
FC	0	0	0	811	84.67	7,814	75.66	17,473	9,819
IRVs	1	351.81	25,000	79	1,085.39	68,223	97.93	14,018	7,283
Total	514	4,562.27	97,862	5,290	22,981.11	7,73,648	6,199.93	4,48,668	2,82,836

Table 4.1: Sector-wise Projects and Amounts Sanctioned under RIDF XVIII
(As on 31 March 2013)

(` crore)

Sector	No. of Projects	Share in Total (%)	Amt Sanctioned	Share in Total (%)
Rural Roads	7,877	17	6,504.43	32
Irrigation	27,668	59	5,144.19	25
Rural Bridge	928	2	2,689.22	13
Social Sector	6,685	14	2,170.08	11
Agr. related	2,201	5	1,938.99	9
Warehousing	1,336	3	2,141.43	10
Total	46,695	100	20,588.34	100

Table 4.2: Activity-wise Cumulative Sanctions
(As on 31 March 2013)

(` crore)

No.	Sector	Total Sanctions(Cumulative I to XVIII)		
		No.of projects	Amount	Achievement (%)
I	Irrigation sector			
1	Minor	2,62,062	23,440.75	14.46
2	Medium	330	6,186.31	3.82
3	Major	385	15,985.91	9.86
4	Micro Irrigation	2,041	2,062.30	1.27
II	Roads & Bridges			
1	Roads	93,903	51,140.93	31.55
2	Bridges	16,432	19,326.53	11.91
III	Social Sector			
1	Drinking Water	12,170	13,462.27	8.31
2	Primary/Middle Schools	19,986	1,393.10	0.86
3	Secondary Schools/ Colleges/ Rural Service Centre	17,826	4,276.00	2.64
4	Public Health	12,912	1,700.44	1.05
5	Pay & Use Toilets	3,634	405.36	0.25
6	Anganwadi Centres	28,699	1,213.19	0.75
7	Rural Library	41	2.55	0.00

Table 4.2: Activity-wise Cumulative Sanctions
(As on 31 March 2013)

(` crore)

No.	Sector	Total Sanctions(Cumulative I to XVIII)		
		No.of projects	Amount	Achievement (%)
IV	Power Sector			
1	System Improvement	687	1,195.44	0.74
2	Mini Hydel	81	1,206.69	0.74
V	Other Agriculture Projects			
1	Soil conservation	5,633	1,520.90	0.94
2	Flood protection	2,542	4,620.54	2.85
3	Watershed Development	2,489	2,177.43	1.34
4	Drainage	683	1,405.59	0.87
5	Forest Development	2,633	919.34	0.57
6	Rural Market/Yard/Godown	1,623	725.54	0.45
7	Fishing harbour/jetties	192	512.00	0.32
8	Rain Water Harvesting	4,034	468.70	0.29
9	CADA	30	588.94	0.36
10	Inland Waterways	1	10.00	0.01
11	Food Park	5	41.37	0.03
12	Seed / Agri / Horti. farms	1,544	197.68	0.12
13	Cold Storage	7	17.19	0.01
14	Animal Husbandry	7,830	1,241.21	0.77
15	Rubber Plantation	62	50.11	0.03
16	Meat Process	12	49.72	0.03
17	Riverine Fisheries	297	73.14	0.05
18	Citizen Information Centres	161	225.98	0.14
19	Vill.Know.Centre/E-Vikas Kendras	3,507	404.38	0.25
20	Rural Industrial Estates/Centres	8	116.40	0.07
21	Comprehensive Infrastructure	249	83.77	0.05
VI	Rural Godowns/Warehousing	3,558	3,635.25	2.24
	Grand Total	5,08,289	1,62,082.95	100.00
	Bharat Nirman Programme		18,500.00	100.00
	TOTAL	5,08,289	1,80,582.95	
	Refinance to Banks (Warehousing)		759.11	

Table 4.3: Allocations, Sanctions and Disbursements
(As on 31 March 2013)

(` crore)

Tranche	Allocation	Cumulative Amount			% Utilised
		Sanctioned	Phased	Disbursed	
Closed Tranches (I to XI)	50,000	50,184	50,184	44,282	88
Bharat Nirman	18,500	18,500	18,500	18,500	100
Ongoing Tranches					
XII	10,000	10,028	10,028	8,614	86
XIII	12,000	12,557	12,557	10,528	84
XIV	14,000	14,641	14,641	11,843	81
XV	14,000	15,574	13,876	10,894	79
XVI	16,000	18,213	15,691	11,042	70
XVII (including warehousing)	18,000	20,298	11,642	8,605	74
XVIII (including warehousing	20,000	20,588	5,171	5,155	100
Total*	1,72,500	1,80,583	1,52,290	1,29,463	85

**: inclusive of ` 18,500 crore under a separate window for funding rural roads under Bharat Nirman Programme during the period 2006-07 to 2009-2010 (Tranche XIII to XV), which was specially aimed to bridge the resource gap faced by NRRDA under PMGSY.*

Table 4.4: Utilisation Percentage of RIDF (I TO XVIII)
(As on 31 March 2013)

(` crore)

Sl. No.	States	Sanctioned Amount	Phased Amount	Actually Drawn	Utilisation (%)
	South Zone				
1	Andhra Pradesh	15,412.52	13,386.39	11,435.13	85
2	Karnataka	7,796.60	6,457.73	5,729.21	89
3	Kerala	5,330.80	4,309.02	3,160.97	73
4	Tamil Nadu	11,208.36	9,406.65	8,569.63	91
5	Puducherry	380.48	325.99	158.67	49
	West Zone				
6	Goa	644.25	470.45	485.01	103
7	Gujarat	12,365.99	10,564.86	9,646.97	91
8	Maharashtra	10,014.47	8,214.87	7,021.50	85
	North Zone				
9	Haryana	3,847.91	3,078.17	2,607.70	85
10	Himachal Pradesh	3,929.49	3,200.60	2,711.72	85
11	Jammu & Kashmir	4,378.42	4,202.28	3,401.26	81
12	Punjab	5,788.34	4,941.01	4,000.37	81
13	Rajasthan	11,466.83	10,633.42	7,377.61	69
14	Uttar Pradesh	14,228.24	11,614.02	10,343.07	89
15	Uttarakhand	3,325.32	2,053.54	2,179.58	106
	Central Zone				
16	Chhatisgarh	2,957.44	1,950.60	1,705.41	87
17	Madhya Pradesh	12,042.20	9,422.60	7,603.73	81
	East Zone				
18	Bihar	7,025.42	5,965.62	3,965.22	66
19	Jharkhand	4,352.30	3,658.69	3,124.15	85
20	Odisha	8,621.08	6,802.14	5,088.48	75
21	West Bengal	9,931.35	6,757.30	6,046.99	89
	North East & Sikkim				
22	Arunachal Pradesh	759.94	759.93	670.94	88
23	Assam	2,596.03	2,428.05	1,727.96	71
24	Manipur	329.36	205.34	148.60	72
25	Meghalaya	607.87	596.73	450.87	76
26	Mizoram	387.34	309.67	300.55	97
27	Nagaland	708.79	680.46	386.56	57
28	Tripura	1,169.47	931.93	615.70	66
29	Sikkim	476.34	462.21	299.17	65
	RIDF Total	1,62,082.95	1,33,790.27	11,0962.73	83
	Bharat Nirman	18,500.00	18,500.00	18,500.00	100
	GRAND TOTAL	1,80,582.95	1,52,290.27	1,29,462.73	85

Table 4.5: State-wise sanctions under NIDA during 2012-13			
Sl. No	State	No. of projects	Term Loan (` crore)
1	Andhra Pradesh	1	200.00
2	Bihar	1	295.20
3	Chattisgarh	1	83.20
3	Gujarat	1	380.28
4	Haryana	1	36.18
6	Rajasthan	3	857.41
7	Tamil Nadu	1	708.86
8	Uttarakhand	1	145.74
9	West Bengal	1	111.59
	Total	11	2,818.46

Table 5.1: Total Staff Strength (As on 31 March 2013)			
Cadre	Total	Of which	
		SC	ST
Group `A'	2,843	422	224
Group `B'	709	92	56
Group `C'	829	293	103
Total	4,381	807	383

Table 5.2: Promotions effected during 2012-13			
Particulars	Total	SC	ST
Promotions within officers' cadre	20	1	1
Group `B' to officers' cadre	148	9	12
Total	168	10	13

Table 5.3: Sources of Funds
(As on 31 March 2013)

(Amount in ` crore)

Sl. No.	Particulars	31.03.2012		31.03.2013	
		Amount	Share (%)	Amount	Share (%)
1.	Capital, Reserves and Surplus	16,408.00	9.0	19,234.00	9.0
2.	NRC (LTO) and NRC (Stabilisation) Funds	16,058.00	8.8	16,062.00	7.5
3	Deposits	291.00	0.2	302.00	0.2
4	RIDF Deposits	75,107.00	41.3	78,758.00	37.0
5	STCRC Fund	20,000.00	11.0	25,000.00	11.7
6	ST Fund for RRBs	0.00	0	10,000.00	4.7
7	Bonds & Debentures	38,584.00	21.2	47,666.00	22.4
8	Certificates of Deposits	1,281.00	0.7	0.00	0.0
9	Commercial Papers	2,245.00	1.2	1,936.00	1.0
10	Term Money Borrowings	182.00	0.1	138.00	0.0
11	Loan against STDs	0.00	0.0	0.00	0.0
12	Borrowing from GoI	85.00	0.0	43.00	0.0
13	Foreign Currency Loan	503.00	0.3	463.00	0.2
14	Borrowing under CBLO	0.00	0.0	493.00	0.2
15	Other Liabilities/ Funds	11,331.00	6.2	13,075.00	6.1
	Total	1,82,075.00	100.0	2,13,170. 00	100.0

Table 5.4: Uses of Funds
(As on 31 March 2013)

(Amount in `crore)

Sl. No.	Particulars	31.03.2012		31.03.2013	
		Amount	Share (%)	Amount	Share (%)
1.	Cash and Bank Balance	8,313.00	4.6	8,466.00	4.0
2.	Government Securities and other Investments	5,867.00	3.2	5,464.00	2.6
3.	CBLO	231.00	0.1	532.00	0.1
4.	Production and Marketing Credit	48,338.00	26.6	65,176.00	30.6
5.	Conversion of Production Credit into MT Loans	129.00	0.1	64.00	0.0
6.	MT & LT Project Loans *	43,107.00	23.7	48,504.00	22.8
7.	LT Non Project Loans	140.00	0.1	109.00	0.1
8.	Loans out of RIDF	70,860.00	38.9	75,061.00	35.2
9.	Co Finance Loans (net of provision)	72.00	0.0	37.00	0.0
10.	NIDA Loan	423.00	0.2	1,281.00	0.6
11.	Direct Refinance to DCCBs	910.00	0.5	1,350.00	0.6
12.	RIDF- Warehousing infrastructure	759.00	0.4	758.00	0.4
13.	Other Loans	231.00	0.1	2,881.00	1.4
14.	Fixed Assets & Other Assets	2,695.00	1.5	3,487.00	1.6
15.	Total	1,82,075.00	100.0	2,13,170.00	100.0

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

NABARD

Annual Accounts

2012-13

INDEPENDENT AUDITOR'S REPORT

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

Report On the Financial Statements

1. We have audited the accompanying financial statements of **National Bank for Agriculture and Rural Development Bank**(the Bank) as at March 31, 2013, which comprise the Balance Sheet as at March 31, 2013, 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 17 Regional Offices and1Training Centre visited by us for the purposes of audit and the same including Head Office account for 86.15% of advances, 99.73% of deposits and term money borrowings, 87.82% of interest income and 99.78% 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. 12 Regional Offices and 2 Training Centres and have reviewed their returns at the Head Office.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statementsin accordance with the National Bank for Agriculture and Rural Development (Additional) General Regulations, 1984. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. 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.
4. 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 control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. 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.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. 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 is a full and fair Balance Sheet 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, 2013 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/loss, in conformity with accounting principles generally accepted in India, for the year covered by the account; and
   c. the Cash Flow Statement gives a true and fair view of the cash flows for the year ended on that date.

Emphasis of Matter

7. Without qualifying our opinion, we draw attention to accounting policy stated at para 3.1 in schedule 18 regarding recognition of certain items of income on cash basis.

Report on Other Legal and Regulatory Requirements

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

9 As required by the National Bank for Agriculture and Rural Development (Additional) General Regulations, 1984, we report that:
   a. We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit and have found them to be satisfactory.
   b. The transactions of the Bank, which have come to our notice have been within the powers of the Bank.
   c. The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

10. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the applicable accounting standards.

For G. M. Kapadia & Co.
Chartered Accountants
(Firm Registration No 104767W)

Rajen Ashar
Partner
(Membership No. 048243)

Date : July 19, 2013
Place : Mumbai

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
BALANCE SHEET AS ON 31 MARCH 2013

(` in thousands)

Sr. No.	FUNDS AND LIABILITIES	SCHEDULE	As on 31.03.2013	As on 31.03.2012
1	Capital (Under Section 4 of the NABARD Act, 1981)		4000,00,00	3000,00,00
2	Reserve Fund and other Reserves	1	15234,16,74	13407,68,56
3	National Rural Credit Funds	2	16062,00,00	16058,00,00
4	Funds out of grants received from International Agencies	3	125,38,44	139,20,78
5	Gifts, Grants, Donations and Benefactions	4	977,39,94	657,92,20
6	Other Funds	5	4154,75,73	4157,12,25
7	Deposits	6	114060,85,46	95397,75,23
8	Bonds and Debentures	7	47665,96,47	38583,86,29
9	Borrowings	8	3109,16,17	4328,48,40
10	Current Liabilities and Provisions	9	7780,75,05	6345,16,85
	Total		213170,44,00	182075,20,56
	Forward Foreign Exchange Contracts (Hedging) as per contra		592,83,13	632,33,09

(` in thousands)

Sr. No	PROPERTY AND ASSETS	SCHEDULE	As on 31.03.2013	As on 31.03.2012
1	Cash and Bank Balances	10	8997,18,59	8544,37,38
2	Investments	11	15713,76,85	18209,82,72
3	Advances	12	184972,17,32	152625,95,23
4	Fixed Assets	13	315,45,20	295,81,34
5	Other Assets	14	3171,86,04	2399,23,89
	Total		213170,44,00	182075,20,56
	Forward Foreign Exchange Contracts (Hedging) as per contra		592,83,13	632,33,09
	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
G M Kapadia & Co.
Chartered Accountants

Rajen Ashar
Partner
Mumbai
Date : 19 July, 2013

A K Panda
Chief General Manager
Accounts Department
Date : 19 July, 2013

Prakash Bakshi
Chairman

H. R. Khan
Director

Deepak Sanan
Director

D. B. Gupta
Director

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2013

(` in thousands)

Sr. No.	INCOME	SCHEDULE	2012-13	2011-12
1	Interest received on Loans and Advances		11204,14,41	9511,97,11
2	Income from Investment Operations / Deposits		1497,05,25	1346,02,32
3	Other Receipts(Refer Note B-7 of Schedule 18)		182,22,42	120,50,51
	Total "A"		12883,42,08	10978,49,94

(` in thousands)

Sr. No.	EXPENDITURE	SCHEDULE		
1	Interest and Financial Charges (Refer Note B-6 of Schedule-18	15	8954,82,59	7534,01,97
2	Establishment and Other Expenses	16 A	1106,84,06	1027,10,81
3	Provisions	16 B	164,77,39	144,18,23
4	Depreciation		19,81,87	21,22,00
	Total "B"		10246,25,91	8726,53,01
5	Profit before Tax (A - B)		2637,16,17	2251,96,93
6	Provision for			
	a) Income Tax		843,89,54	455,00,00
	b) Deferred Tax -(Asset) (Refer Note B-9 of Schedule 18)		(14,80,00)	162,00,00
7	Profit after Tax		1808,06,63	1634,96,93
	Significant Accounting Policies and Notes on Accounts	18		

Schedules referred to above form an integral part of accounts

PROFIT AND LOSS APPROPRIATION ACCOUNT

(` in thousands)

Sr. No.		APPROPRIATIONS / WITHDRAWALS	2012-13	2011-12
1.		Profit for the year brought down	1808,06,63	1634,96,93
2.		Add: Withdrawals from funds against expenditure debited to Profit & Loss A/c		
	a)	Co-operative Development Fund (Refer Schedule 1)	21,88,45	5,35,40
	b)	Research and Development Fund (Refer Schedule 1)	17,03,31	20,65,30
	c)	Producers Organisation Development Fund (Refer Schedule 1)	39,02	0
	d)	Micro Finance Development and Equity Fund (Refer Schedule 5)	0	10,61,32
	e)	Investment Fluctuation Reserve (Refer Schedule 1)	63,18,37	29,94,42
	f)	Farm Innovation & Promotion Fund (Refer Schedule 1)	10,06,41	2,73,85
	g)	Rural Innovation Promotion Fund	1,12,51	0
2.1		Withdrawals of Funds which have been closed		0
	i)	mFDEF Reserve (Refer Note B-5 of Schedule 18)	80,00,00	0
	ii)	mFDEF (Refer Note B-5 of Schedule 18)	14,98,76	0
3		Profit available for Appropriation	2016,73,46	1704,27,22
		Less: Transferred to:		
	a)	Special Reserves u/s 36(1) (viii) of IT Act, 1961	330,00,00	310,00,00
	b)	National Rural Credit (Long Term Operations) Fund	1,00,00	10,00,00
	c)	National Rural Credit (Stabilisation) Fund	1,00,00	1,00,00
	d)	Co-operative Development Fund	0	5,35,40
	e)	Research and Development Fund	17,03,31	20,65,30
	f)	Investment Fluctuation Reserve (Refer Schedule 1)	33,22,07	27,15,42
	g)	Farmers Technology Transfer Fund	0	44,56,36
	h)	Farm Innovation & Promotion Fund (Refer Schedule 1)	0	2,73,85
	i)	Financial Inclusion Technology Fund	0	45,00,00
	j)	Reserve Fund	1634,48,08	1237,80,89
		Total	2016,73,46	1704,27,22

Refer Schedule 18 for Significant Accounting Policies and Notes on Accounts.

As per our attached report of even date
G M Kapadia & Co.
Chartered Accountants

Rajen Ashar
Partner
Mumbai
Date : 19 July, 2013

A K Panda
Chief General Manager
Accounts Department
Date : 19 July, 2013

Prakash Bakshi
Chairman

H. R. Khan
Director

Deepak Sanan
Director

D. B. Gupta
Director

SCHEDULES TO BALANCE SHEET

Schedule 1 - Reserve Fund and Other Reserves

(` in thousands)

Sr. No.	Particulars	Opening Balance as on 01.04.2012	Exp./Add./ Adjust. during the year	Transferred From P&L Appropriation	Transferred to P&L Appropriation	Balance as on 31.03.2013
1	Reserve Fund	7941,72,69	5,37,14	1634,48,08	0	9581,57,90
2	Research and Development Fund	50,00,00	0	17,03,31	17,03,31	50,00,00
3	Capital Reserve	74,80,53	0	0	0	74,80,53
4	Investment Fluctuation Reserve	256,21,00	0	33,22,07	63,18,37	226,24,70
5	Co-operative Development Fund	125,00,00	0	0	21,88,45	103,11,55
6	Special Reserves Created & Maintained u/s 36(1)(viii) of Income Tax Act, 1961	4755,00,00	0	330,00,00	0	5085,00,00
7	Producers' Organizations Development Fund	49,98,36	1,63	0	39,02	49,60,98
8	Rural Infrastructure Promotion Fund	24,95,99	4,01	0	1,12,51	23,87,49
9	MFDEF - Reserve Fund	80,00,00	0	0	80,00,00	0
10	Farm Innovation & Promotion Fund	50,00,00	0	0	10,06,41	39,93,59
	Total	13407,68,57	5,42,78	2014,73,46	193,68,07	15234,16,74
	Previous year	11862,72,33	(5,64)	1603,70,86	58,68,98	13407,68,57

Schedule 2 - National Rural Credit Funds

(` in thousands)

Sr. No.	Particulars	Opening Balance as on 01.04.2012	Contribution by RBI	Transferred from P&L Appropriation	Balance as on 31.03.2013
1	National Rural Credit (Long Term Operations) Fund	14479,00,00	1,00,00	1,00,00	14481,00,00
2	National Rural Credit (Stabilisation) Fund	1579,00,00	1,00,00	1,00,00	1581,00,00
	Total	16058,00,00	2,00,00	2,00,00	16062,00,00
	Previous year	16045,00,00	2,00,00	110,00,00	16058,00,00

Schedule 3 - Funds Out of Grants received from International Agencies

(` in thousands)

Sr. No.	Particulars	Opening Balance as on 01.04.2012	Grants received / adjusted during the year	Interest credited to the fund	Exp./Disb./ Adjust. during the year *	Balance as on 31.03.2013
1	National Bank - Swiss Development Coop. Project	55,61,77	0	0	0	55,61,77
2	Rural Innovation Fund (RIF) (Refer Note B-1 & 3 of Schedule 18)	67,58,41	0	3,62,88	15,31,77	55,89,52
3	Rural Promotion Fund (Refer Note B-1 & 3 of Schedule 18)	9,88,05	64,85	2,50	0	10,55,40
4	KfW - NABARD V Fund for Adivasi Programme	6,12,55	5,21,30	0	8,02,10	3,31,75
	Total	139,20,78	5,86,16	3,65,37	23,33,87	125,38,44
	Previous year	138,89,56	5,86,74	4,72,29	10,27,81	139,20,78

* - Includes approved claims of reimbursements pending disbursements

NABARD is acting as a 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 4 - Gifts, Grants, Donations and Benefactions

(` in thousands)

Sr. No.	Particulars	Opening Balance as on 01.04.2012	Grant received/ adjusted during the year	Interest Credited to the fund	Adjusted against the expenditure	Balance as on 31.03.2013
A.	Grants from International Agencies					
1	KfW - NB - IX Adivasi Development Programme - Maharashtra (Refer Note B-3 of Schedule 18)	1,76,33	1,44,33	16,41	1,81	3,35,26
2	KfW UPNRM - Accompanying Measures (Refer Note B-3 of Schedule-18)	30,15	3,15,55	69	3,28,48	17,91
3	KfW NB UPNRM - Financial Contribution	93,19	(92,29)	0	1,42	(52)
4	KfW UPNRM - Risk Mitigation Fund	1,35,91	1,13,63	0	0	2,49,54
5	International Fund for Agriculture Development (IFAD) Priyadarshini	0	9,22,80	0	8,95,75	27,05
6	KfW-NB-Indo German Watershed Development Programme - Phase III - Maharashtra (Refer Note B-3 of Schedule 18)	0	14,72,33	11,65	13,47,88	1,36,10
7	Indo German Watershed Development Programme - Andhra Pradesh (Refer Note B-3 of Schedule 18)	0	11,03,09	54	11,03,63	0
8	Indo German Watershed Development Programme - Gujarat (Refer Note B-3 of Schedule 18)	0	6,68,70	1,38	6,70,08	0
9	Indo German Watershed Development Programme - Rajasthan (Refer Note B-3 of Schedule 18)	0	7,71,27	47	7,71,74	0
10	KfW Umbrella Programme on Natural Resource Management Fund (Refer Note B-2 of Schedule 18)	9,77,42	2,29,43	0	32,72	11,74,13
11	KfW NB SEWA Bank Capitalisation of Rural Financial Institutions (RFIs)	0	6,86,38	0	6,86,38	0
12	GIZ Rural Financial Institutions Program (RFIP)	98,31	98,19	0	1,47,84	48,66
13	GIZ UPNRM Technical Coraboration	27,11	52,41	0	53,92	25,60
B.	Government Subsidy Schemes					
1	Capital Investment Subsidy for Cold Storage Projects - NHB	3,90,32	28,35,51	0	31,26,77	99,06
2	Capital Subsidy for Cold Storage NHM	9,66	0	0	9,66	0
3	Credit Linked Capital Subsidy for Technology Upgradation of SSIs	0	13,99,47	0	13,99,47	0
4	Capital Investment Subsidy for Rural Godowns	11,70,39	294,74,37	0	236,24,14	70,20,62
5	Bihar Ground Water Irrigation Scheme (BIGWIS)	150,50,47	0	0	45,90,67	104,59,80
6	Cattle Development Programme - Uttar Pradesh (Refer Note B-3 of Schedule 18)	1,69	0	15	0	1,84
7	Cattle Development Programme - Bihar (Refer Note B-3 of Schedule 18)	1,77,59	0	4,37	1,77,59	4,37
8	National Project on Organic Farming	47,71	1,09,74	0	42,34	1,15,11
9	Integrated Watershed Development Programme - Rashtriya Sam Vikas Yojana	7,06,37	0	0	3,04,75	4,01,62
10	Centrally Sponsored Scheme on Integrated Development of Small Ruminants and Rabbits	30,02	8,45,70	0	8,08,13	67,59
11	Kutch Drought Proofing Project	21,96	0	0	32	21,64
12	Dairy and Poultry Venture Capital Fund	17,28,00	0	0	1,12,59	16,15,41
13	Poultry Venture Capital Fund	1,82,60	2,35,10	0	0	4,17,70
14	Poultry Venture Capital Fund (Subsidy)	85,27	23,21,15	0	19,05,59	5,00,83
15	Capital Subsidy for Agriculture Marketing Infrastructure, Grading and Standardisation	3,12,19	221,00,00	0	178,06,06	46,06,13
16	Centrally Sponsored Scheme for establishing Poultry Estate	8,25,15	(4,90,23)	0	0	3,34,92
17	Multi Activity Approach for Poverty Alleviation - Sultanpur, Uttar Pradesh (Refer Note B-3 of Schedule 18)	54,49	0	3,89	54,44	3,94

Schedule 4 - Gifts, Grants, Donations and Benefactions

(` in thousands)

Sr. No.	Particulars	Opening Balance as on 01.04.2012	Grant received/ adjusted during the year	Interest Credited to the fund	Adjusted against the expenditure	Balance as on 31.03.2013
18	Multi Activity Approach for Poverty Alleviation - BAIF - Rae Bareli, Uttar Pradesh (Refer Note B-3 of Schedule 18)	13,95	0	1,00	13,89	1,06
19	CCS - on Pig Development	56,83	12,59,00	0	8,32,75	4,83,08
20	Dairy Enterepreneurship development Scheme	19,70,34	310,00,00	0	146,21,60	183,48,74
21	CSS - JNN Solar Mission	19,29,30	(2,90,00)	0	6,72,19	9,67,11
22	CSS - JNNSM - Solar Lighting a/c - subsidy recd	46,80,00	50,00,00	0	45,96,70	50,83,30
23	CSS - on Rural Slaughter Houses	9,92	0	0	0	9,92
24	Capital Subsidy Scheme - Agri Clinics Agri Business Centres	1,89,79	8,35,50	0	7,87,81	2,37,48
25	Artificial Recharge of Groundwater in Hard Rock Area	23,86,46	1,55,38	0	0	25,41,84
26	Agriculture Debt Waiver and Debt Relief Scheme (ADWDR) 2008	191,89,84	(110,29,00)	0	(23,30,68)	104,91,52
27	Women's Self Help Groups [SHGs] Development Fund	100,00,00	0	0	16,99,19	83,00,81
C.	Interest Relief / Subvention					
1	Interest Subvention (Sugar Term Loan)	11,31	35,50,70	0	35,15,96	46,05
2	Scheme for providing Financial Assistance to Sugar Undertakings - 2007 (SEFASU - 2007)	45,33	0	0	27,96	17,37
D	Revival Package of Short Term Cooperative Credit Structure					
1	Cost of Special Audit					0
2	Recapitalisation Assistance to Credit Cooperative Societies	0	86,62	0	86,62	0
3	Technical Assistance	60,57	0	0	60,57	0
4	Human Resources Development	56	4,86	0	1,22	4,20
5	Implementation Cost	(12,62)	40,13	0	18,90	8,61
E	Revival Package for Long Term Co-operative Credit Structure (LTCCS)	20,00,00	0	0	0	20,00,00
F	Revival reform and Restructure of Handloom Sector					
1	Implementation Cost [RRR - Handloom Package] a/c - grant received	4,33,42	0	0	5,86,58	(1,53,16)
2	Expenditure on Loss Asset [RRR - Handloom Package] a/c - grant received	4,94,90	0	0	2,14,55	2,80,35
3	Recap Assist [RRR - Handloom Package] to AWCS a/c -	0	171,30,58	0	109,57,37	61,73,21
4	Recap Assist [RRR - Handloom Package] to PWCS a/c -	0	288,53,53	0	186,50,91	102,02,62
5	Recap Assist [RRR - Handloom Package] to individual weaver a/c -	0	124,47,42	0	91,21,31	33,26,11
6	Technical Assistance [RRR - Handloom Package]	0	2,00,00	0	0	2,00,00
7	HRD [RRR - Handloom Package]	0	2,00,00	0	7,44	1,92,56
8	Interest Subvention [RRR - Handloom Package]	0	1,00,00	0	96,35	3,65
9	Comprehensive Handloom Package	0	27,76,95	0	15,72,04	12,04,91
G	Centre for Professional Excellence in Co-operatives (C - PEC) (Refer Note B-3 of Schedule 18)	0	1,03,96	3,05	22,72	84,29
	Total	657,92,20	1577,42,26	43,60	1258,38,12	977,39,94
	Previous year	2601,89,23	760,78,60	32,48	2705,08,12	657,92,19

Includes approved claims of reimbursements pending disbursements

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Schedule 5 - Other Funds

(` in thousands)

Sr. No.	Particulars	Opening Balance as on 01.04.2012	Additions / Adjustments during the year	Transferred from P & L Appropriation	Interest Credited	Expenditure/ Disb.during the year*	Transferred to P&L Appropriation	Balance as on 31.03.2013
1	Watershed Development Fund	1806,02,59	0	0	104,47,35	224,11,46	0	1686,38,48
2	Micro Finance Development and Equity Fund (Refer Note B-5 of Schedule 18)	118,77,57	0	0	3,99,71	107,78,52	14,98,76	0
3	Interest Differential Fund - (Forex Risk)	170,26,01	12,06,86	0	0	0	0	182,32,87
4	Interest Differential Fund - (Tawa)	10,00	0	0	0	0	0	10,00
5	Adivasi Development Fund	5,63,12	14,38	0	0	0	0	5,77,50
6	Tribal Development Fund	1901,24,33	2,28,89	0	109,12,39	606,14,49@	0	1406,51,12
7	Financial Inclusion Fund (Refer Note B-3 of Schedule 18)	53,92,69	1152,29,71	0	27,84,73	408,39,16 $	0	825,67,97
8	Financial Inclusion Technology Fund	15,94	3,75,00	0	0	17,13,96	0	(13,23,02)
9	Farmers Technology Transfer Fund	101,00,00	0	0	0	39,79,19	0	61,20,81
	Total	4157,12,25	1170,54,84	0	245,44,18	1403,36,78	14,98,76	4154,75,73
	Previous year	3431,47,40	1093,08,81	89,56,36	121,77,39	568,16,40	10,61,32	4157,12,24

@ Includes ` 406.65 crore Being income taxes paid including interest

$ Includes ` 375.07 crore Being income taxes paid

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Schedule 6 – Deposits

(` in thousands)

Sr. No.	Particulars	As on 31.03.2013	As on 31.03.2012
1	Central Government	0	0
2	State Governments	0	0
3	Others		
	a) Tea / Rubber / Coffee Deposits	302,46,02	284,04,01
	b) Term Deposits	0	7,00,00
	c) Commercial Banks (Deposits under RIDF)	78758,39,44	75106,71,22
	d) Short Term Cooperative Rural Credit Fund	25000,00,00	20000,00,00
	e) ST RRB Credit Refinance Fund	10000,00,00	0
	Total	114060,85,46	95397,75,23

Schedule 7 - Bonds and Debentures			
			(` in thousands)
Sr. No.	Particulars	As on 31.03.2013	As on 31.03.2012
1	SLR Bonds	0	0
2	Non Priority Sector Bonds	42666,40,00	33577,90,00
3	Capital Gains Bonds	1,58,00	6,77,20
4	Bhavishya Nirman Bonds	4975,19,96	4975,19,52
5	NABARD Rural Bond	22,78,51	23,99,57
	Total	47665,96,47	38583,86,29

Schedule 8 - Borrowings			
			(` in thousands)
Sr. No.	Particulars	As on 31.03.2013	As on 31.03.2012
1	Central Government	43,42,21	84,80,09
2	Jawaharlal Nehru National Solar Mission	35,82,00	32,82,00
3	Reserve Bank of India	0	0
4	Others :		
	(A) In India		
	(i) Certificate of Deposits	0	1281,00,69
	(ii) Commercial Paper	1935,59,46	2245,26,97
	(iii) Borrowing under Collateralised Borrowing Lending Obligation	493,25,00	0
	(iv) Term Money Borrowings	138,18,00	181,81,00
	(v) Commercial Banks	0	0
	(vi) Borrowing against STD	0	0
	(B) Outside India		
	(i) International Agencies (KfW)	462,89,50	502,77,65
	Total	3109,16,17	4328,48,40

Out of the above, borrowings under CBLO are secured

Schedule 9 - Current Liabilities and Provisions			
			(` in thousands)
Sr. No.	Particulars	As on 31.03.2013	As on 31.03.2012
1	Interest / Discount Accrued	6522,01,72	4905,56,26
2	Sundry Creditors	332,65,55	370,76,97
3	Subsidy Reserve (Co-finance,Cold Storage)	1,12,82	1,15,23
4	Subsidy Reserve - CSAMI under RIDF	2,27,06	2,27,06
5	Provision for Gratuity (Refer Note B-22 of Schedule 18)	0	0
6	Provision for Pension (Refer Note B-22 of Schedule 18)	14,75,09	245,62,63
7	Provision for Encashment of Ordinary Leave (Refer Note B-22 of Schedule 18)	13,20,63	15,89,20
8	Unclaimed Interest on Bonds	1,95,78	2,01,28
9	Unclaimed Interest on Term Deposits	61	71
10	Term Deposits Matured but not claimed	76,17	8,32,11
11	Bonds matured but not claimed	4,18,91	5,82,48
12	Application money received pending allotment of Bonds	0	44
13	Provisions and Contingencies		
	(a) Amortisation in Value of Investment a/c - G. Sec.	0	30,62,12
	(b) Amortisation of G. Sec. - HTM	1,78,90	0
	(c) For Standard Assets	798,97,00	673,31,00
	(d) Depreciation in value of investments – equity	59,28	3,19,22
	(e) Countercyclical Provisioning Buffer	25,51,00	25,51,00
	(f) Sacrifice in interest element of restructured loans	48,48,52	51,37,00
	(g) Provision for Other Assets & Receivables	12,46,01	3,72,14
	(h) Provision for Income Tax [Net of Advance Tax]	0	0
	Total	7780,75,05	6345,16,85

Schedule 10 - Cash and Bank Balances			
			(` in thousands)
Sr. No.	Particulars	As on 31.03.2013	As on 31.03.2012
1	Cash in hand	5	9
2	Balances with :		
	A) Banks in India		
	i) Reserve Bank of India	611,40,67	1168,79,91
	ii) Others Banks	0	0
	B) Others		
	(i) Other Banks in India		
	a) in Current Account	127,86,77	379,62,31
	b) Deposit with Banks	7725,00,00	6765,00,00
	(ii) Remittances in Transit	1,34,98	2,54
	(iii) Collateralised Borrowing and Lending Obligations	531,56,12	230,92,53
	C) Outside India	0	0
	Total	8997,18,59	8544,37,38

Schedule 11 - Investments

(` in thousands)

Sr. No			Particulars	As on 31.03.2013	As on 31.03.2012
1	Government Securities				
	(a)		Securities of Central Government [Face Value `2433,43,50,000 ( `2174,08,20,000)] [Market Value `2437,30,20,928 (`2105,40,99,310)]	2413,90,41	2146,81,84
	(b)		Treasury Bills	0	58,28,37
2	Other Approved Securities			0	0
3	Equity Shares in :				
	(a)		Agricultural Finance Corporation Ltd. [1,000 (1,000) - Equity shares of `10,000 each]	1,00,00	1,00,00
	(b)		Small Industries Development Bank of India [1,60,00,000 (1,60,00,000) - Equity shares of `10 each]	48,00,00	48,00,00
	(c)		Agriculture Insurance Company of India Ltd. [6,00,00,000 (6,00,00,000) - Equity shares of `10 each]	60,00,00	60,00,00
	(d)		Multi Commodity Exchange of India Ltd. [15,62,500 (15,62,500) - Equity shares of `10 each]	1,25,00	1,25,00
	(e)		National Commodity and Derivatives Exchange Ltd. [56,25,000 (56,25,000) - Equity shares of `10 each]	16,87,50	16,87,50
	(f)		Universal Commodity Exchange Ltd [UCX] [1,60,00,000 (1,60,00,000) Shares of `10 each]	16,00,00	16,00,00
	(g)		Other Equity Investments		
		(i)	Coal India Ltd. [17,389 (17,389) - Equity shares of `10 each]	42,60	42,60
		(ii)	Power Grid Corporation of India Ltd. [28,592 (28,592) - Equity shares of `10 each]	25,73	25,73
		(iii)	Mangnese Ore India Ltd. [11,719 (11,719) -Equity shares of `10 each]	43,95	43,95
		(iv)	Punjab & Sindh Bank [7,958 (7,958) - Equity shares of `10 each]	9,55	9,55
4	Debentures and Bonds				
	(a)		Special Dev Debentures of SCARDBs (Refer Note B-19 of Schedule 18)	10249,49,17	12343,53,09
	(b)		Non Convertible Debentures	385,10,39	375,01,62
5	Shareholding in subsidiaries and Joint Venture				
	(a)		NABARD Financial Services Ltd, Karnataka [7,60,06,300(2,59,68,200] - Equity shares of `10 each]	76,00,63	25,96,82
	(b)		Agri - Business Finance [Andhra Pradesh] Ltd. [1,31,61,000(52,00,000) - Equity shares of `10 each]	13,22,81	5,20,00
	(c)		Agri Development Finance [Tamil Nadu] Ltd. [52,00,000 (52,00,000) - Equity shares of `10 each]	5,20,00	5,20,00
	(d)		NABARD Consultancy Services Pvt. Ltd. [50,00,000 (50,00,000) - Equity shares of `10 each]	5,00,00	5,00,00
6	Others				
	(a)		Commercial Paper [Face Value `50,00,00,000 (`1115,00,00,000)]	47,70,28	1036,60,64
	(b)		Certificate of Deposit [Face Value `2,45,00,00,000 (`2,12,50,00,000)]	2334,08,18	2037,93,74
	(c)		SEAF - Indian Agri- Business	4,84,71	2,07,59
	(d)		APIDC - Venturies Life Fund III	7,60,04	5,85,45
	(e)		BVF (Bio-Tech Venture Fund) - APIDC-V Investment [49,835.45 (49,835.45) Class A Units of `1,000 each]	4,98,35	4,98,35
	(f)		Ominovore India Capital Trust	3,00,00	0
	(g)		India Opportunity Fund	2,42,47	0
	(h)		Tata Capital Innovation Fund	16,85,08	13,00,88
	Total			15713,76,85	18209,82,72

Schedule 12 – Advances

(` in thousands)

Sr. No.			Particulars	As on 31.03.2013	As on 31.03.2012
1	Refinance Loans				
	(a)		Production & Marketing Credit	65175,58,35	48337,74,51
	(b)		Conversion Loans for Production Credit	64,40,55	128,81,10
	(c)		Other Investment Credit		
		(i)	Medium Term and Long Term Project Loans (Refer Note B - 19 of Schedule 18)	38254,74,52	30761,75,91
		(ii)	Interim Finance	0	1,60,00
		(iii)	Direct refinance to DCCBs	1349,81,15	910,34,00
		(iv)	Loans out of RIDF warehousing infrastructure	758,09,55	759,09,58
		(v)	JNN Solar Mission	26,63,15	30,32,29
2	Direct Loans				
	(a)		Loans under Rural Infrastructure Development Fund	75060,96,10	70860,30,56
	(b)		Long Term Non-Project Loans	109,36,58	140,06,20
	(c)		Loans under NABARD Infrastructure Development Assistance (NIDA)	1281,26,54	422,90,33
	(d)		Loans under Producers' Organisation Development Fund (PODF)	82,93,15	7,41,32
	(e)		Credit Facility to Federations[CFF]	2500,00,00	0
	(f)		Other Loans:		
		(i)	Co-operative Development Fund Programme Loans	2,17,46	2,61,43
		(ii)	Micro Finance Development Equity Fund Programme Loans	48,44,19	72,91,49
		(iii)	Watershed Development Fund Programme Loans	41,17,64	36,25,01
		(iv)	Tribal Development Fund Programme Loans	11,26,83	7,02,99
		(v)	KfW UPNRM Loans	113,15,05	71,22,51
		(vi)	Farm Innovation & Promotion Fund Programme Loans	21,26	32,39
		(vii)	NFS Promotional Activities Programme Loans	2,70,73	2,85,94
		(viii)	Farmers Technology Transfer Fund	28,63	2,17
	(g)		Co-Finance Loans(Net of provision)	36,71,40	72,35,50
	(h)		Commercial Paper - HCC Deemed Advance (Refer Note B - 20 of Schedule 18)	52,24,49	0
	Total			184972,17,32	152625,95,23

Schedule 13 - Fixed Assets

(` in thousands)

Sr. No.	Particulars	As on 31.03.2013	As on 31.03.2012
1	LAND : Freehold & Leasehold (Refer Note B-16 of Schedule 18)		
	Opening Balance	147,57,06	148,08,29
	Additions/adjustments during the year	15,35,04	(51,23)
	Sub-Total	162,92,10	147,57,06
	Less: Cost of assets sold/written off	7,39	0
	Closing Balance (at cost)	162,84,71	147,57,06
	Less: Amortisation of Lease Premia	44,54,95	42,04,17
	Book Value	118,29,76	105,52,89
2	PREMISES (Refer Note B-16 of Schedule 18)		
	Opening Balance	265,84,45	263,42,46
	Additions/adjustments during the year	14,36	2,41,99
	Sub-Total	265,98,81	265,84,45
	Less: Cost of assets sold/written off	0	0
	Closing Balance (at cost)	265,98,81	265,84,45
	Less: Depreciation to date	171,56,99	164,28,77
	Book Value	94,41,82	101,55,68
3	FURNITURE & FIXTURES		
	Opening Balance	58,30,24	58,54,15
	Additions/adjustments during the year	1,34,49	9,24
	Sub-Total	59,64,73	58,63,39
	Less: Cost of assets sold/written off	55,41	33,15
	Closing Balance (at cost)	59,09,32	58,30,24
	Less: Depreciation to date	57,12,08	56,54,82
	Book Value	1,97,24	1,75,42
4	COMPUTER INSTALLATIONS & OFFICE EQUIPMENTS		
	Opening Balance	82,61,75	72,99,45
	Additions/adjustments during the year	2,93,70	11,72,44
	Sub-Total	85,55,45	84,71,89
	Less: Cost of assets sold/written off	3,43,83	2,10,14
	Closing Balance (at cost)	82,11,62	82,61,75
	Less: Depreciation to date	75,04,06	70,07,77
	Book Value	7,07,56	12,53,98
5	VEHICLES		
	Opening Balance	6,30,32	4,43,30
	Additions/adjustments during the year	94,64	4,44,55
	Sub-Total	7,24,97	8,87,85
	Less: Cost of assets sold/written off	1,78,23	2,57,52
	Closing Balance (at cost)	5,46,73	6,30,33
	Less: Depreciation to date	2,68,76	2,62,68
	Book Value	2,77,97	3,67,65
6	Capital Work in Progress [Purchase of Staff Quarters & Office Premises] (Refer Note A - 4 (i) of Schedule 18)	90,90,85	70,75,72
	Total	315,45,20	295,81,34

Schedule 14 - Other Assets

(` in thousands)

Sr. No	Particulars	As on 31.03.2013	As on 31.03.2012
1	Accrued Interest	2712,41,85	1804,09,10
2	Deposits with Landlords	1,14,84	1,39,26
3	Deposits with Government Departments and Other Institutions	3,20,66	3,15,19
4	Housing loan to staff	166,11,71	164,74,61
5	Other Advances to staff	76,95,04	77,03,84
6	Advances to Landlords	1,58	3,27
7	Sundry Advances	47,25,71	51,49,02
8	Provision for Gratuity (Refer Note B-22 of Schedule 18)	0	0
9	Advance Tax (Net of Provision for Income Tax)	29,49,91	102,55,89
10	Deferred Tax Assets (Refer Note B-9 of Schedule 18)	85,95,00	71,15,00
11	Expenditure recoverable from Government of India/International Agencies.	7,66,07	28,75,78
12	Discount Receivable	41,63,67	94,82,93
	Total	3171,86,04	2399,23,89

Schedule 15 - Interest and Financial Charges

(` in thousands)

Sr. No.	Particulars	2012-13	2011-12
1	Interest Paid on		
	(a) Deposits under RIDF	4413,67,65	4078,35,01
	(b) Short Term Cooperative Rural Credit Fund (Refer Note B-6 of Schedule 18)	609,45,67	376,74,20
	(c) ST RRB Credit Refinance Fund (Refer Note B-6 of Schedule 18)	120,51,67	0
	(d) Term Deposits (Refer Note B-6 of Schedule 18)	64,64	2,68,39
	(e) Tea / Coffee / Rubber Deposits	18,90,81	16,84,86
	(f) CBS Deposits	2,31,40	50,39
	(g) Deposits / Borrowings	10	0
	(h) Loans from Central Government	4,00,74	7,27,66
	(i) Bonds (Refer Note B-6 of Schedule 18)	3170,58,34	2420,01,48
	(j) Commercial Paper (Refer Note B-6 of Schedule 18)	234,18,09	372,08,50
	(k) Term Money Borrowings	12,27,96	14,74,67
	(l) Borrowing against ST Deposit	67	2,65,85
	(m) Discount Cost Paid on Certificate of Deposits	47,02,66	37,53,31
	(n) Borrowings from International Agencies	19,77,46	20,85,03
	(o) Watershed Development Fund	104,47,35	109,46,03
	(p) Micro Finance Development and Equity Fund	3,99,71	8,34,03
	(q) Rural Innovation Fund	3,62,88	4,66,84
	(r) Financial Inclusion Fund	27,84,73	3,44,96
	(s) Financial Inclusion Technology Fund	0	52,36
	(t) Indo German Watershed Development Programme - Andhra Pradesh	53	25
	(u) Indo German Watershed Development Programme - Rajasthan	47	67
	(v) Indo German Watershed Development Programme - Gujarat	1,38	2,94
	(w) KfW UPNRM - Accompanying measures	69	1,00
	(x) KfW - NB Indo German Watershed Development Programme - Phase III - Maharashtra	11,65	4,81
	(y) KfW - NB - IX Adivasi Development Programme	16,42	8,72
	(z) KFW NB V - Adivasi Project	0	5,81,92
	(aa) Commitment Charges -KfW UPNRM Borrowings	0	6,84
	(ab) Multi Activity Approach for Poverty Alleviation BAIF Project - Sultanpur, Uttar Pradesh	3,89	3,36
	(ac) Multi Activity Approach for Poverty Alleviation BAIF Project -Rae Bareli, Uttar Pradesh	1,00	2,86
	(ad) Cattle Development Programme (UP & Bihar)	4,52	7,86
	(ae) TDF Wadi [West Bengal]	109,12,39	0
	(af) Centre for Professional Excellence in Co-operatives (C - PEC)	3,05	0
2	Discount on Collateralised Borrowing and Lending Obligations	41,76,19	40,71,13
3	Discount, Brokerage, Commission & issue exp. on Bonds and Securities	5,08,04	6,63,94
4	Swap Charges	5,09,84	3,72,10
	Total	8954,82,59	7534,01,97

Schedule 16 A - Establishment and Other Expenses

(` in thousands)

Sr. No.	Particulars	2012-13	2011-12
1	Salaries and Allowances (Refer Note B-10 of Schedule 18)	558,78,85	442,63,36
2	Contribution to / Provision for Staff Superannuation Funds	287,41,18	345,27,10
3	Other Perquisites & Allowances	26,16,68	27,18,08
4	Travelling & Other allowances in connection with Directors' & Committee Members' Meetings	67,69	21,67
5	Directors' & Committee Members' Fees	5,22	1,36
6	Rent, Rates, Insurance, Lighting, etc.	30,27,66	21,81,60
7	Travelling Expenses	32,49,39	29,03,51
8	Printing & Stationery	3,39,32	3,20,71
9	Postage, Telegrams & Telephones	9,56,96	8,73,17
10	Repairs	11,22,06	8,51,53
11	Auditors' Fees	10,39	9,46
12	Legal Charges	83,95	28,55
13	Miscellaneous Expenses	43,39,09	42,25,15
14	Expenditure on Miscellaneous Assets	6,33,58	5,84,70
15	Expenditure on Study & Training [Including `12,44,93,380.32 (`9,35,82,458) pertaining to establishment expenses of Training Establishments]	39,60,16	39,24,95
16	Expenditure on promotional activities under		
	(i) Cooperative Development Fund	21,88,45	5,35,40
	(ii) Micro Finance Development and Equity Fund	0	10,61,32
	(iii) Farm Innovation and Promotion Fund	10,06,41	2,73,85
	(iv) Producers' Organization Development Fund	39,02	0
	(v) Rural Infrastructure Promotion Fund	1,12,51	0
	(vi) Exp. for NFS Promotional Measures/ Activities	19,01,86	30,24,32
17	Wealth Tax	4,03,63	3,81,02
	Total	1106,84,06	1027,10,81

Schedule 16 B - Provisions

(` in thousands)

Sr. No.	Particulars	2012-13	2011-12
Provisions for :			
1	Standard Assets (Refer Note B-28.7 of Schedule 18)	125,66,00	78,74,00
2 (a)	Non Performing Assets	33,26,00	14,80,00
2 (b)	Non Performing Assets - staff	0	7,23
3	Depreciation in Value of Investment Account - Equity	0	(80,00)
4	Sacrifice in interest element of restructured Accounts (Refer Note B-28.7 of Schedule 18)	(2,88,48)	51,37,00
5	Other Assets / Receivable	8,73,87	0
	Total	164,77,39	144,18,23

Schedule 17 - Commitments and Contingent Liabilities

(` in thousands)

Sr. No.	Particulars	As on 31.03.2013	As on 31.03.2012
1	Commitments on account of capital contracts remaining to be executed	25,79,62	229,32,01
	Sub Total "A"	25,79,62	229,32,01
2	Contingent Liabilities		
	(a) Claims against the Bank not acknowledged as debt. (Refer Note B-24 of Schedule 18)	23,93	23,93
	Sub Total "B"	23,93	23,93
	Total (A + B)	26,03,55	229,55,94

Schedule 18

Significant Accounting Policies and Notes forming Part of Accounts for the year ended March 31, 2013

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) 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 amortised over the tenure of Bonds and Commercial Papers. Issue expenses relating to floatation of bonds are recognised 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 Expenditure incurred on Subsidy scheme includes approved claims of reimbursements pending disbursements.

3.5 Income from Venture Capital funds is accounted on realisation basis.

3.6 Provision for Wealth Tax is made, in accordance with the provisions of Wealth Tax Act, 1956.

3.7 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

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 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 amortising the premium/cost over the remaining period of lease hold 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 & Loss Account in the year of acquisition. Easily portable electronic assets such as laptops, mobile phones, etc., are capitalised, 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 amortised 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/ amortisation, 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 Capital Reserve A/c. Loss on sale of investment categorized under "HTM" is recognized in Profit & Loss 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.

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 recognised in the category for investments classified as "HFT".

g) Investments in subsidiaries, joint ventures and associates are classified as Held to Maturity.

h) Treasury Bills 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 at the time of acquisition, are charged to revenue.

k) Broken period interest paid/ received on debt investment is treated as a interest expenses/ income and is excluded for cost/ sale consideration.

l) 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.

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.

7. Foreign Currency Transactions

a) 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:

b) Assets and liabilities in foreign currency are revalued at the exchange rate notified by Foreign Exchange Dealers Association of India (FEDAI) as at the close of the year and resultant Exchange difference on revaluation is charged to Profit and Loss Account under the head 'Gain/Loss on revaluation of foreign Deposits & Borrowings' and

c) 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 recognized in the Profit & Loss Account under the head 'Gain/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 & Loss Account under the head 'Gain/Loss on revaluation of Forward Exchange Contract Account'.

9. Employee Benefits

All personnel transferred from RBI are considered as employees of the Bank and provisions for Employee Benefits are made accordingly. The amount of gratuity due from RBI, in respect such employees, is recognised on cash basis. 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, such as medical benefits etc. 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 Employment Benefits:

i) Defined Contribution Plan

The Bank has a Provident Fund Scheme in respect of all eligible employees 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

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 including those employees transferred from RBI. The amount of gratuity due from RBI, in respect of employees transferred from RBI, is accounted on cash basis.

Provision for pension is made based on actuarial valuation, in respect of all eligible employees joined the Bank on or before 31 December 2011. 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.

iii) Other Long Term benefits

All eligible employees of the bank are eligible for compensated absences. The costs of such long term employee benefits are internally funded by the Bank.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 present 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 not 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 Memorandum of Understanding entered into with the Swiss Agency for Development Cooperation, repayment of loan, service charges and other receipts made out of Rural Innovation Fund (RIF) are being credited to the Rural Promotion Fund (RPF). During the year ` 0.67 crore (` 0.68 crore) has been credited to the said fund.

2. 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

3. 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 2012-13	Rate of Interest for 2011-12
1.	Adivasi Delopment Programme	6%	6%
2.	Watershed development Fund	6%	6%
3.	KfW- NB IGWDP (Andhra Pradesh, Gujarat, Maharashtra, Rajasthan)	6%	6%
4.	KfW Accompanying Measures	6%	6%
5.	Rural Innovation Fund	6%	6%
6.	Tribal Development Fund	6%	NIL
7.	Financial Inclusion Fund	6%	6.57%
8.	Cattle Development Fund (UP & Bihar)	9.01%	6.57%
9	Micro Finance Development and Equity Fund	6.90%*	6.57%
10	Multi Activity Approach For Poverty Alleviation (Sultanpur and Rae Bareilly)	9.01%	6.57%
11	Center for Professional Excellence in Co-operatives.	9.01%	-----

*Paid @ average rate applicable from April 2012 to September 2012

4. The expenditure recoverable from Government of India / international agencies as per Schedule-14 of Balance

Sheet amounting to `7.43 crore(`18.76 crore) includes debit balance of various funds The details of such funds are as under:

(` in crore)

Sr No	Name of the Fund	31-03-2013	31-03-2012
1	KfW- NB IGWDP (Andhra Pradesh)	2.69	5.85
2	KfW- NB IGWDP (Maharashtra)	---	7.25
3	KfW- NB IGWDP (Rajasthan)	2.82	2.96
4.	KfW- NB IGWDP (Gujarat)	1.90	0.88
5	IFAD- Priyadarshni	---	1.72
6.	NE Council Fund	0.02	0.10

5. Pursuant to directions of the RBI to discontinue the Micro Finance Development and Equity Fund (MFDEF), an amount of `14.99 crore, being the excess contribution made by Bank is transferred to the Reserve Fund. Pending the final direction from RBI, the balance amount of `74.28 crore of the fund has been disclosed under the head Sundry Creditors under Schedule 9. Consequently, the balance of MFDEF Reserve Fund, created out of the surplus during the financial year 2009-10 , amounting to `80 crore, has been transferred to Profit and Loss Appropriation Account for the year.

6. Subvention received/receivable from GOI amounting to `1966.54 crore (`1475.52crore), 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.

7. Other receipts includes `112.37 crore (`78.49 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.

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 and Short Term RRB Credit Refinance Fund (STRRB) deposits, placed by the Commercial Banks is credited to Financial Inclusion Fund. (credited to Tribal Development Fund during previous year)

9. The Bank, during the year, in accordance with AS 22 “Accounting for taxes on Income”, recognized in the Profit and Loss account the difference of `14.80 crore between net deferred tax assets of `85.95 crore and `71.15 crore as at 31 March 2013 and 31 March 2012 respectively, as detailed below:

(` in crore)

Sr. No.	Deferred Tax Assets	31 March 2013	31 March 2012
1	Provision for Retirement Benefits made in the books but allowable for tax purposes on payment basis	64.00	49.65
2	Depreciation on Fixed Assets	21.95	21.50
	Total	85.95	71.15

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.

10. 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 `73.60 crore (Previous year Nil) has been provided under the head “Salary and Allowances”.

11. 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.

12. Income Tax Department has reopened the assessments for the Assessment Year 2005-06 during the financial year 2011-12. The Bank has objected to such reopening and filed a writ petition against the IT Department in Bombay High Court. In our opinion, the liability of any tax outflow on this count is remote.

13. Income Tax Department has reopened the assessments for the Assessment Year 2006-07, 2008-09 and 2009-10. The bank has requested the department to furnish for reasons for re-opening. Response is awaited from the Income tax department,

14. Income Tax Department has reopened the assessments for the Assessment Year 2007-08 during the Financial Year 2011-12. An amount of `266.07 crore has been added to the income of the Bank during the re-assessment of the income.

Out of above, an addition of `219.64 crore has been made on account of differential interest accounted under the RIDF which was credited to Tribal Development Fund in terms of the RBI directions. Further, an amount of `46.43 crore has been added to the income of the Bank on account shortfall in Transfer to Special Reserve u/s 36 (1) (viii). The Bank has filed an appeal against the above order with CIT- Appeals. Pending the outcome of the appeal, the bank has

- accounted the tax including interest amounting to `129.99 crore under the head Tribal Development Fund as an expenditure of the fund, in accordance with the resolution of the Board, and
- Provided the tax including interest of ` 27.47 crore on account of shortfall in Transfer to Special Reserve u/s 36 (1) (viii) to the Profit and Loss account for the year .The bank has paid the total demand of `157.47 crores.

15. During the year, the Income Tax Department, for the Assessment year 2010-11, has made an addition of `633.43 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 `82.92 crore has been added to the income of the Bank on account of disallowance of expenditure on promotional activities. The Bank has filed an appeal against the above order with CIT- Appeals. Pending the outcome of the appeal, the bank has

- accounted the tax including interest amounting to `276.66 crore under the head Tribal Development Fund as an expenditure of the fund, in accordance with the resolution of the Board, and
- Provided the tax including interest on account of disallowance amounting to `36.41 crore to the profit and loss account for the year. The tax demand of `313.07 crore has been fully paid by the Bank.

16. 'Free hold land and lease Land' and 'Premises' include

- `34.77 crore (`34.77 crore) paid towards Office Premises and Staff Quarters for which conveyance is yet to be completed.
- `10.93 crore (`10.93 crore) where lease agreements are yet to be executed

17. Investments in Government securities include the following securities pledged with Clearing Corporation of India Limited as collateral security for borrowings:

(` in crore)

Particulars	Face Value	Book Value
Pledged for Business Segment (Securities)	35.00 (35.00)	34.08 (34.08)
Pledged for Business Segment (Collateralised Borrowing and Lending Obligation)	2382.00 (2071.00)	2363.05 (2044.06)

18. The market value of all investments held by NABARD under Held to Maturity (HTM) category was `1390.65 crore against the book value of `939.34 crore. Out of this the market value of investment in Venture Capital Fund was `27.47 crore against the book value of `34.72 crore. Accordingly, the excess of book value over market value was `7.25 crore for which no provision was made as per RBI guideline.

19. 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 – 11 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.

d) The value of Allotment Letters / Debenture Scrips, yet to be received, as at the year end, aggregates to Nil (Nil).

20. During the year, an amount of `52.24 crore (inclusive of funded interest of `4.98 crore) has been transferred from Investments in Commercial Papers to other loans being the value of defaulted Commercial Papers converted to loans in terms of the restructuring package under CDR approved by all lenders. .

21. As on the date of the financial statements, out of the disbursement extended to various State Governments under RIDF, `299 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.

22. Disclosure required under AS 15 (Revised) on "Employee Benefits" is as under:

22.1 Defined Benefit Plans

Employees Retirement Benefit plans of the bank include Pension, Gratuity and Leave Encashment, 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.

22.1.1 Pension

a. Reconciliation of opening and closing balances of defined benefit obligations:

(` in crore)

Particulars	2012-13	2011-12
Present value of defined benefit obligation at the beginning of year	1556.87	1223.03
Current Service Cost	33.85	33.42
Interest Cost	136.23	100.90
Actuarial gain/ loss	196.28	283.32
Benefits paid	-75.70	-83.80
Present value of defined benefits obligations at the year end	1847.53	1556.87

b. Amount recognized in the Balance Sheet as on 31 March 2013 and previous year from 2008-09 to 2011-12:

(` in crore)

Particulars	2012-13 Pension	2011-12 Pension	2010-11 Pension	2009-10 Pension	2008-09 Pension
Present value of defined benefits obligations as at the year end	1847.53	1556.87	1223.03	958.76	892.01
Fair value of plan assets as at the year end	1832.69@	1311.25	288.11	268.77	254.66
Liability recognized in the Balance sheet as at the year end	14.84	245.63	934.92	689.99	637.35

@ Includes the Bank's contribution of `383.82 crore (`363.79 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:

(` in crore)

Particulars	2012-13	2011-12
Current Service Cost	33.85	33.42
Interest Cost	136.23	100.90
Net Actuarial gain/ loss	226.86	220.54
Expected return on Plan Assets	-123.26	-37.10
Expense recognized in the statement of Profit & Loss	273.68	317.76

d. Actuarial assumptions:

Particulars	2012-13	2011-12
Mortality Table (LIC)	1994-96 (Ultimate)	1994-96 (Ultimate)
Discount rate (per annum)	8.25%	8.75%
Salary growth (per annum)	5.50%	5.50%
Withdrawal rate	1.00%	1.00%

22.1.2 Gratuity

a. Reconciliation of opening and closing balances of defined benefit obligations:

(` in crore)

Particulars	2012-13	2011-12
Present value of defined benefit obligation at the beginning of year	239.68	242.57
Current Service Cost	19.07	17.53
Interest Cost	20.97	20.01
Actuarial gain/ loss	4.73	-8.61
Benefits paid	-23.51	-31.82
Present value of defined benefits obligations at the year end	260.94	239.68

b. Amount recognized in the Balance Sheet as on 31 March 2013

(` in crore)

Particulars	2012-13	2011-12	2010-11	2009-10	2008-09
Present value of defined benefits obligations as at the year end	260.93	239.68	242.57	221.2	250.53
Fair value of plan assets as at the year end	261.90	260.82	227.85	220.00	0.00
Liability recognized in the Balance sheet as at the year end	-0.97	-21.14	14.72	1.20	250.53

c. Expenses recognized in the Profit and Loss Account during the year:

(` in crore)

Particulars	2012-13	2011-12
Current Service Cost	19.07	17.53
Interest Cost	20.97	20.01
Net Actuarial gain/ loss	5.97	-8.65
Expected return on Plan Assets	-21.78	-21.62
Expense recognized in the statement of Profit & Loss	24.23	7.27

d. Actuarial assumptions:

Particulars	2012-13	2011-12
Mortality Table (LIC)	1994–96 (Ultimate)	1994–96 (Ultimate)
Discount rate (per annum)	8.25%	8.75%
Salary growth (per annum)	5.50%	5.50%
Withdrawal rate	1.00%	1.00%

22.1.3 Encashment of Ordinary Leave

a. Reconciliation of opening and closing balances of defined benefit obligations:

(` in crore)

Particulars	2012-13	2011-12
Present value of defined benefit obligation at the beginning of year	153.03	144.88
Current Service Cost	1.16	3.77
Interest Cost	13.39	11.95
Actuarial gain/ loss	43.42	4.42
Benefits paid	-13.74	-11.99
Present value of defined benefits obligations at the year end	197.26	153.03

b. Amount recognized in the Balance Sheet as on 31 March 2013

(` in crore)

Particulars	2012-13	2011-12	2010-11	2009-10	2008-09
Present value of defined benefits obligations as at the year end	197.26	153.03	144.88	117.63	115.51
Fair value of plan assets as at the year end $	184.06$	137.14$	143.66$	127.55	90.99
Liability recognized in the Balance sheet as at the year end	13.20	15.89	1.22	-9.91	24.52

$ Represents the amount invested with Insurance companies towards the liability for Leave Encashment.

c. Expenses recognized in the Profit and Loss Account during the year:

(` in crore)

Particulars	2012-13	2011-12
Current Service Cost	1.16	3.77
Interest Cost	13.39	11.95
Net Actuarial gain/ loss	-1.84	12.12
Expected return on Plan Assets	-13.29	-13.17
Expense recognized in the statement of Profit & Loss	-0.58	14.67

d. Actuarial assumptions:

Particulars	2012-13	2011-12
Mortality Table (LIC)	1994–96 (Ultimate)	1994–96 (Ultimate)
Discount rate (per annum)	8.25%	8.75%
Salary growth (per annum)	5.50%	5.50%
Withdrawal rate	1.00%	1.00%

22.1.4 Investment under Plan Assets of Pension, Gratuity & Leave Encashment Fund as on 31st March 2013

Particulars	Pension % of Plan Assets	Gratuity % of Plan Assets	Encashment of OL % of Plan Assets
Central Govt. Securities	39.01	---	---
State Govt Securities	13.20	---	---
Corporate Bonds	---	---	---
Insurer Managed Funds	---	100	100
Others	47.79	---	---
Total	100	100	100

22.2 The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market.

22.3 The aforesaid liabilities include liabilities of employees deputed to subsidiaries.

22.4 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 `19.56 crore with RBI.

As per the New Pension scheme for the employees w.e.f. 01 January 2012, the contribution to by the bank is a defined contribution. During the year the bank has contributed `0.01 crore to the said scheme.

23. 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.

24. The movement in Contingent Liability as required in AS 29 "Provisions, Contingent Liabilities and Contingent Assets" is as under:

(` in crore)

Particulars	2012-13	2011-12
Opening Balance	0.24	0.00
Addition during the year	0.00	0.24
Deletion during the year	0.00	0.00
Closing Balance	0.24	0.24

25. Prior period items included in the Profit and Loss account are as follows:

(` in crore)

Sr. No.	Particulars	2012-13	2011-12
1.	Revenue Expenditure	9.93	5.27
2.	Fund Expenditure	-5.82	----
	Total	4.11	5.27

26. Capital adequacy ratio of the Bank as on 31 March 2013 was 18.24% (20.55%) as against a minimum of 9% as stipulated by RBI.

27. As per the information available with the Bank, there are no dues payable under Micro, Small and Medium Enterprises Development Act 2006.

28. Other Disclosures

28.1 Capital

(a) Capital to Risk–weighted Assets Ratio (CRAR)

(Per cent)

Particulars	31 March 2013	31 March 2012
CRAR	18.24	20.55
Core CRAR	17.33	19.42
Supplementary CRAR	0.91	1.13

(b) Subordinated Debt

(` in crore)

Particulars	31 March 2013	31 March 2012
Amount of subordinated debt raised and outstanding as Tier II Capital	Nil	Nil

(c) Risk weighted assets

(` in crore)

Particulars	31 March 2013	31 March 2012
On – Balance Sheet Items	107344.04	80736.44
Off – Balance Sheet Items	43.88	19.44

28.2 Pattern of Capital contribution as on the date of the Balance Sheet:

NABARD has received an amount of `1000 crore from Government of India (vide their letter nos. F.No.20/16/2010-AC dated 25 June 2012 and 12 March 2013) towards Share Capital. Consequent to this the shareholding of Government of India and RBI in the Paid up capital of NABARD as on 31 March 2013 was at 99.50% : 0.50% as per details given below.

(` in crore)

Contributor	31 March 2013		31 March 2012	
Reserve Bank of India	20.00	0.50%	20.00	0.67%
Government of India	3,980.00	99.50%	2,980.00	99.33%
Total	4000.00	100.00%	3000.00	100.00%

28.3 Asset Quality and Credit Concentration

(a) Net NPA position

Particulars	31 March 2013	31 March 2012
Percentage of Net NPAs to Net Loans & Advances	0.01220	0.02249

(b) Asset classification

(` in crore)

	2012-13		2011-12	
Classification	Amount	(%)	Amount	(%)
Standard	195440.89	99.943	165174.11	99.945
Sub–standard	1.02	0.001	22.19	0.013
Doubtful	109.32	0.055	68.21	0.041
Loss	1.02	0.001	1.02	0.001
Total	195552.25	100.000	165265.53	100.000

(c) Provisions made during the year

(` in crore)

Provisions against	2012-13	2011-12
Standard Assets	125.66	78.74
Non Performing Assets	33.26	14.87
Investments (Net)	-33.22	30.44
Income Tax	843.90	455.00
Total	969.60	579.05

(d) Movement in Net NPAs

(` in crore)

Particulars	2012-13	2011-12
(A) Net NPAs as at beginning of the year	37.15	29.83
(B) Add: Additions during the year	7.58	7.32
(C) Sub–total (A+B)	44.73	37.15
(D) Less: Reductions during the year	20.89	0.00
(E) Net NPAs as at the end of the year (C–D)	23.84	37.15

(e) Credit exposure as percentage to Capital Funds and as percentage to Total Assets

Category		2012-13		2011-12	
		Credit Exposure as % to		Credit Exposure as % to	
		Capital Funds	Total Assets	Capital Funds	Total Assets
I	Largest Single Borrower	58.66	5.39	91.60	8.35
II	Largest Borrower Group	Not Applicable		Not Applicable	
III	Ten Largest Single Borrowers for the year	301.76	27.74	331.83	30.24
IV	Ten Largest Borrower Groups	Not Applicable		Not Applicable	

(f) **Credit exposure to the five largest industrial sectors as percentage to total loan assets:** Not Applicable

28.4 Liquidity

Maturity pattern of Rupee Assets and Liabilities and Maturity pattern of Foreign Currency Assets and Liabilities

(` in 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	106789.15 (82117.97)	51910.68 (45084.24)	32934.32 (34177.67)	15288.74 (15242.53)	5446.19 (4660.17)	212369.08 (181342.58)
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	106789.15 (82177.97)	51910.68 (45084.24)	32934.32 (34177.67)	15288.74 (15242.53)	5446.19 (4660.17)	212369.08 (181342.58)
3	Rupee Liabilities	50534.11 (29159.71)	69136.60 (57562.03)	34100.45 (32583.53)	14415.15 (25013.99)	43719.88 (36520.54)	211906.19 (180839.80)
4	Foreign currency liabilities	39.88 (39.88)	79.77 (79.77)	64.81 (79.77)	113.79 (34.78)	164.64 (268.58)	462.89 (502.78)
	Total Liabilities	50573.99 (29199.59)	69216.37 (57641.80)	34165.26 (32663.20)	14528.94 (25048.77)	43884.52 (36789.12)	212369.08 (181342.58)

Net of provision made as per RBI directives on Standard Assets as well as for diminution in value of Investments aggregating to `801.35 (`732.63 crore)

28.5 Operating results

	Particulars	2012-13	2011-12
(a)	Interest income as a percentage to average working funds	6.58	6.53
(b)	Non interest income as a percentage to average working funds	0.09	0.07
(c)	Operating profit as a percentage to average working funds	1.45	1.44
(d)	Return on average Assets (%)	0.94	0.98
(e)	Net Profit per Employee (Rs. in crore)	0.41	0.36

28.6 Movement in the provisions

(a) Provision for Non Performing Assets (Loan Assets)

(` in crore)

Particulars	2012-13	2011-12
Opening balance as at the beginning of financial year	54.26	39.39
Add: Provision made during the year	33.26	14.87
Less: Write off, write back of excess provision	0.00	0.00
Closing balance at the close of financial year	87.52	54.26

(b) Provision for depreciation in investments

(` in crore)

	Particulars	2012-13	2011-12
A	Opening balance as at the beginning of the financial year	33.81	3.37
B	Add		
	(i) Provisions made during the year	0.00	31.74
	(ii) Appropriation, if any, from Investment Fluctuation Reserve Account during the year	0.00	0.00
C	Sub Total [A+B (i)+B (ii)]	33.81	35.11
D	Less		
	(i) Write off / Write back of excess provision	33.22	1.30
	(ii) Transfer, if any, to Investment Fluctuation Reserve Account	0.00	0.00
	Sub Total [D]	33.22	1.30
E	Closing balance as at the close of financial year (C–D)	0.59	33.81

28.7 Restructured accounts

During the current financial year, four loan accounts outstanding to the extent of `4.22 crore have been rescheduled/ restructured. Of the above, two loans are classified as Standard Asset and two are classified as Substandard Assets. An additional provision at the rate of 2.35% has been made on the Standard Restructured Assets as per RBI Guidelines. An amount of `3.68 crore is recognized as reversal of sacrifice on restructured accounts. An additional sacrifice of `0.11 crore other than sacrifice under CDR is provided on restructured accounts, and `0.68 crore is provided for accounts restructured under CDR.

28.8 Assets sold to securitisation company / reconstruction company : NIL (NIL)

28.9 Forward Rate Agreements and Interest Rate Swaps : NIL (NIL)

28.10 Interest Rate Derivatives : NIL (NIL)

28.11 Investments in Non Government Debt Securities : NIL (NIL)

28.12 Corporate Debt Restructuring (CDR)

During the year the investment in Commercial papers of M/s Hindustan Construction Company Ltd. (book value `47.26 crore) has been subjected to restructuring under CDR. An amount of `4.98 crore is considered as funded interest. Pursuant to the restructuring, the amount has been disclosed under Other loans under Schedule 12 as a Standard Advances. An amount of `0.68 crore is provided towards sacrifice in principal/ interest element on restructuring. An provision at the rate of 2.35% has been made in addition to 0.40% provided earlier, as required under IRAC norms.

28.13 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 85.24(93.63) 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.

The value of outstanding principal amount of hedge contract at the year–end exchange rate stood at `592.83 (`632.33) crore and the value of outstanding principal liability in the books of account stood at contracted value i.e. `462.89 (`502.77) crore. The quantitative disclosure in this regard is as under:

(`in crore)

Sr. No.	Particulars	Currency Derivatives	Interest Rate Derivatives
1	Derivatives (Notional Principal amount)		
	A) For Hedging	592.83 (632.33)	NA
	B) For Trading	NA	NA
2	Marked to Market Positions [1]		
	a) Asset (+)	129.94 (129.55)	NA
	b) Liability (–)	NA	NA
3	Credit Exposure [2]	101.16	NA
4	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives	5.03@	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 MIBOR rates decrease by 100 bps across tenure MTM gain would be reduced by `5.03 crore

28.14 Exposures where the FI had exceeded prudential exposure limits during the year: NIL (NIL)

28.15 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.	Agri Deveopment Finance (Tamilnadu) Ltd.
4.	Nabard Consultancy Services Pvt. Ltd.

b) Key Management Personnel:

Dr. Prakash Bakshi – Chairman

(` in crore)

Name of the Party	Nature of Relationship	Nature of Transaction	Amount of transaction during the year	Outstanding
Dr. Prakash Bakshi	Key Management Personnel–Chairman	Remuneration including perquisites	0.20 (0.107)	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.

28.16 Issuer categories in respect of investments made

(` in 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	162.14 (162.14)	136.00 (136.00)	–	62.12 (62.12)	61.00 (61.00)
2	FIs	108.00 (123.00)	108.00 (123.00)	–	48.00 (48.00)	48.00 (48.00)
3	Banks	0.09 (0.09)	–	–	0.09 (0.09)	–
4	Private Corporate	259.21 (234.13)	234.13 (234.13)	–	34.13 (34.13)	32.88 (32.88)
5	Subsidiaries/Joint ventures	99.44 (41.37)	99.44 (41.37)	–	99.44 (41.37)	99.44 (41.37)
6	Others (Net of Provision) $	2421.49 (3100.47)	39.70 (25.92)	–	39.70 (25.92)	2421.49 (3100.47)
7	Provision held towards depreciation	0.59 (3.19)	–	–	0.59 (0.59)	0.59 (0.59)
	Total (1 to 6 minus 7)	3049.78 (3658.01)	617.25 (560.42)	0.00 (0.00)	282.89 (211.04)	2662.22 (3283.13)

$ Others includes Mutual Funds, Certificate of Deposite, Commercial Paper and Venture Funds

28.17 Non performing investments: NIL (NIL)

28.18 Disclosure on Repo transactions: NIL (NIL)

28.19 Concentration of Deposits, Advances, Exposure and NPAs

(a) Concentration of Deposits

(` in Crore)

	2012-13	2011-12
Total Deposits of twenty largest depositors	99506.35	85859.17
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	87.24%	90.00%

(b) Concentration of Advances

(` in Crore)

	2012-13	2011-12
Total Advances to twenty largest borrowers	95360.04	86213.95
Percentage of Advances to twenty largest borrowers to Total Advances of the Bank	48.83%	52.24%

(c) Concentration of Exposure

(` in Crore)

	2012-13	2011-12
Total Exposure to twenty largest borrowers/ customers	95765.83	87413.95
Percentage of Exposure to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/ customers	46.63%	50.88%

(d) Concentration of NPAs

(` in Crore)

	2012-13	2011-12
Total Exposure to Top four NPA accounts	67.87	57.40

28.20 Sector-wise NPAs

S. No	Sector	Percentage of NPAs to Total Advances in that sector	
		2012-13	2011-12
1	Agriculture and allied activities	0.74	0.00
2	Industry (Micro & Small, Medium and Large)	88.98	72.35
3	Services	0.00	0.00
4	Personal Loans-Staff Loans	0.10	0.06

28.21 Movement of Gross NPAs

(` in Crore)

Particulars	2012-13	2011-12
Gross NPAs as on 1st April of particular year (Opening Balance)	91.42	69.19
Additions (Fresh NPAs) during the year	19.95	22.23
Sub-total (A)	111.37	91.42
Less:-		
(i) Upgradations	0.00	0.00
(ii) Recoveries (excluding recoveries made from upgraded accounts)	0.00	0.00
(iii) Write-offs	0.00	0.00
Sub-total (B)	0.00	0.00
Gross NPAs as on 31st March of following year (closing balance) (A-B)	111.37	91.42

28.22 Overseas Assets, NPAs and Revenue: NIL (NIL)

28.23 Off-balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms): NIL (NIL)

28.24 Information on Business Segment

(a) Brief Background

The Bank has recognized Primary segments as under:

i) Direct Finance: Includes Loans given to state governments for rural infrastructure development, co-finance loans and loans given to voluntary agencies/non–governmental organisations for developmental activities.

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

(` in crore)

	Direct Finance	Refinance	Treasury	Unallocated	Total
Segment Revenue	4789.58 (4401.32)	6548.54 (5198.78)	1498.84 (1346.02)	48.24 (32.38)	12885.20 (10978.50)
Segment Results	210.75 (246.37)	2052.99 (1638.63)	1452.51 (1302.00)	-1079.09 (-935.03)	2637.16 (2251.97)
Total carrying amount of Segment Assets	79453.48 (71728.35)	117963.35 (94696.77)	14193.79 (13226.02)	1559.82 (2,424.07)	213170.44 (1,82075.21)
Total carrying amount of Segment Liabilities	80271.76 (76190.61)	108422.67 (84520.54)	228.94 (291.17)	24247.07 (21072.89)	213170.44 (1,82075.21)
Other Items:					
Cost to acquire Segment Assets during the year	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	18.16 (18.16)	18.16 (18.16)
Amortization & Depreciation	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	19.82 (21.22)	19.82 (21.22)
Non Cash Expenses	87.06 (15.13)	68.78 (129.62)	0.04 (-0.80)	232.87 (129.34)	388.74 (273.29)

(c) Since the operations of the Bank are confined to India only there is no reportable secondary segment.

29. Figures in brackets pertain to previous year.

30. Previous year's figures have been regrouped / rearranged wherever necessary.

As per our attached report of even date
G M Kapadia & Co.
Chartered Accountants

Rajen Ashar
Partner
Mumbai
Date : 19 July, 2013

A K Panda
Chief General Manager
Accounts Department
Date : 19 July, 2013

Prakash Bakshi
Chairman

H. R. Khan
Director

Deepak Sanan
Director

D. B. Gupta
Director

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
CASH FLOW FOR THE YEAR ENDED 31 MARCH 2013

(` in thousands)

Particulars	2012-2013	2011-2012
(a) Cash flow from Operating activities		
Net Profit as per Profit and Loss a/c before tax	2637,16,17	2251,96,93
Adjustment for:		
Depreciation	19,81,87	21,22,00
Provisions and Amortisations	8,73,87	(80,00)
Provision for Non performing Assets	33,26,00	14,87,23
Provision for Standard Assets	125,66,00	78,74,00
Provision for sacrifice in interest element of Restructured Loan	(2,88,48)	51,37,00
Profit / Loss on sale of Fixed Assets	(28,71)	12,58
Interest credited to various Funds (including addition/ adjustment made to Interest Differential Fund)	261,60,01	139,38,43
Income from Investment (including Discount Income)	(1498,84,15)	(1346,02,32)
Operating profit before working capital changes	1584,22,58	1210,85,85
Adjustment for changes in working capital:		
(Increase) / Decrease in Current Assets	(1727,57,98)	2133,68,93
Increase / (Decrease) in Current Liabilities	1435,58,19	799,07,04
Increase in Loans and Advances (Including Housing Loan & Other Advances to Staff)	(30409,49,99)	(25661,77,32)
Cash flow from operating activities	(29117,27,20)	(21518,15,50)
Income Tax paid - Net of refund (Out of above `781.73 crore paid on account of taxability of RIDF/STCRC differential credited to Tribal Development fund)	(1588,98,51)	(426,74,97)
Net cash flow from operating activities (A)	(30706,25,71)	(21944,90,47)
(b) Cash flow from Investing activities		
Income from Investment (including Discount Income)	1497,05,24	1346,02,32
Purchase of Fixed Assets	(115,77,62)	(21,92,37)
Sale of Fixed Assets	5,84,86	5,00,81
(Increase) / Decrease in Investment	403,80,86	2,84,72
Net cash used / generated from investing activities (B)	1790,93,34	1331,95,48
(c) Cash flow from financing activities		
Grants / contributions received	882,25,38	(1434,40,08)
Proceeds of Bonds	9082,10,18	11795,64,80
Increase / (Decrease) in Borrowings	(1219,32,22)	(3352,80,70)
Increase / (Decrease) in Deposits	18663,10,23	12621,07,70
Increase in Share Capital	1000,00,00	1000,00,00
Net cash flow from financing activities (C)	28408,13,57	20629,51,72
Net increase in cash and cash equivalent (A)+(B)+(C)	(507,18,80)	16,56,73
Cash and Cash equivalent at the beginning of the year	1779,37,38	1762,80,65
Cash and cash equivalent at the end of the year	1272,18,58	1779,37,38

1. Cash and cash equivalent at the end of the year includes :		
Cash in hand	5	9
Balance with Reserve Bank of India	611,40,66	1168,79,91
Balances with other Banks in India	127,86,77	379,62,31
Remittances in Transit	1,34,98	2,54
Collateralised Borrowing and Lending Obligations	531,56,12	230,92,53
Total	1272,18,58	1779,37,38

As per our attached report of even date
G M Kapadia & Co.
Chartered Accountants

Rajen Ashar
Partner
Mumbai
Date : 19 July, 2013

A K Panda
Chief General Manager
Accounts Department
Date : 19 July, 2013

Prakash Bakshi
Chairman

H. R. Khan
Director

Deepak Sanan
Director

D. B. Gupta
Director

Consolidated Balance Sheet

Profit and Loss Account

&

Cash Flow

of

NABARD

&

Subsidiaries

(NABCONS, ADFT, ABFL, NABFINS)

2012-2013

INDEPENDENT AUDITOR'S REPORT

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

Report On the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of **National Bank for Agriculture and Rural Development Bank** (the Bank) and its subsidiaries which comprise the Consolidated Balance Sheet as at March 31, 2013 and the Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. 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. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. 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.
4. 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 control relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. 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.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Other Legal and Regulatory Requirements

6. We report that the Consolidated Financial Statements have been prepared by Bank in accordance with the requirements of Accounting Standards (AS) 21 "Consolidated Financial Statements". In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the applicable accounting standards.

Opinion

7. 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. in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2013;
   b. 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
   c. in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that.

Emphasis of Matter

8. Without qualifying our opinion, we draw attention to accounting policy stated at para 5.1 in schedule 18 regarding recognition of certain items of income on cash basis.

Other Matter

9. We did not carry out the audit of consolidated financial statements of subsidiaries of the bank the total assets and total revenues in respect of these subsidiaries are Rs.669,14,00.57 thousands and Rs.89,02,68.79 thousands respectively. In our opinion, in so far as it relates to the amounts included in respect of the subsidiaries in Consolidated Financial Statements is based solely on such management certified financial statements.

For G. M. Kapadia & Co.
Chartered Accountants
(Firm Registration No 104767W)

Rajen Ashar
Partner
(Membership No. 048243)

Date : July 19, 2013
Place : Mumbai

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2013

(` in thousands)

Sr. No.	FUNDS AND LIABILITIES	SCHEDULE	As on 31.03.2013	As on 31.03.2012
1	Capital		4000,00,00	3000,00,00
2	Reserve Fund and Other Reserves	1	15286,51,67	13442,36,69
3	National Rural Credit Funds	2	16062,00,00	16058,00,00
4	Funds Out of Grants received from International Agencies	3	125,38,44	139,20,78
5	Gifts, Grants, Donations and Benefactions	4	977,43,67	657,95,94
6	Other Funds	5	4154,80,73	4157,17,24
7	Minority Interest		42,05,30	32,09,12
8	Deposits	6	114060,85,46	95397,75,23
9	Bonds and Debentures	7	47664,99,82	38582,89,64
10	Borrowings	8	3109,16,17	4328,48,39
	Current Liabilities and Provisions	9	7794,20,42	6349,96,46
	TOTAL FUNDS AND LIABILITIES		213277,41,68	182145,89,50

(` in thousands)

Sr. No	PROPERTY AND ASSETS	SCHEDULE	As on 31.03.2013	As on 31.03.2012
1	Cash and Bank Balances	10	9193,95,57	8673,66,91
2	Investments	11	15614,33,41	18168,55,91
3	Advances	12	184962,87,39	1,52593,77,37
4	Fixed Assets	13	317,38,08	296,58,98
5	Other Assets	14	3188,87,23	2413,33,03
	TOTAL PROPERTY AND ASSETS		213277,41,68	182145,89,50
	Forward Foreign Exchange Contracts (Hedging) as per contra		592,83,13	632,33,09
	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
G M Kapadia & Co.
Chartered Accountants

Rajen Ashar
Partner
Mumbai
Date : 19 July, 2013

A K Panda
Chief General Manager
Accounts Department
Date : 19 July, 2013

Prakash Bakshi
Chairman

H. R. Khan
Director

Deepak Sanan
Director

D. B. Gupta
Director

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2013

(` in thousands)

PARTICULARS	SCHEDULE	2012-13	2011-12
INCOME			
Interest Received on Loans and Advances		11219,66,10	9516,42,24
Income from Investment operations / Deposits		1515,45,87	1354,73,85
Other Receipts		205,48,33	139,32,23
TOTAL INCOME		12940,60,30	11010,48,33
EXPENDITURE			
Interest and Financial Charges	15	8954,76,19	7530,76,44
Establishment and other expenses	16 A	1135,10,07	1045,79,85
Depreciation		20,00,17	21,34,47
Provisions	16 B	166,14,96	145,20,04
TOTAL EXPENDITURE		10276,01,38	8743,10,79
Profit before Income Tax		2664,58,91	2267,37,54
Provision for Income Tax		853,42,09	459,04,55
Deferred Tax Asset Adjustment		(14,92,59)	161,93,99
Profit after Tax		1826,09,41	1646,39,00
Minority Interest		3,19,00	2,13,27
Profit available for Appropriation		1822,90,41	1644,25,73
Appropriations:			
Profit as above		1822,90,41	1644,25,73
Add: Withdrawals from various funds against expenditure		208,66,83	69,30,30
debited to Profit & Loss Account			
Total Profit Available for Appropriation		210,49,12	1713,56,03
Transferred to:			
Special Reserve u/s 36(I)(viii) of the Income Tax Act, 1961		330,00,00	310,00,00
National Rural Credit (Long Term Operations) Fund		1,00,00	10,00,00
National Rural Credit (Stabilisation) Fund		1,00,00	1,00,00
Co-operative Development Fund		0	5,35,40
Research & Development Fund		17,03,31	20,65,30
Investment Fluctuation Reserve		33,22,07	27,15,42
Financial Inclusion Technology Fund		0	45,00,00
Farmers Technology Transfer Fund		0	2,73,85
Farm Innovation and Promotion Fund		0	44,56,36
Reserve Fund		1649,31,86	1247,09,69
Total		2031,57,24	1713,56,03

SCHEDULES TO BALANCE SHEET

Schedule 1 - Reserve Fund and Other Reserves

(` in thousands)

Sr. No.	Particulars	Opening Balance as on 01.04.2012	Exp./Add./ Adjust during the year	Transferred From P&L Appropriation	Transferred to P&L Appropriation	Balance as on 31.03.2013
1	Reserve Fund	7974,90,80	1,83,73	1649,31,86	1,74,84	9624,31,55
2	Research and Development Fund	51,50,00	25,00	17,03,31	17,03,31	51,75,00
3	Capital Reserve	74,80,53	7,86,27	0	0	82,66,80
4	Investment Fluctuation Reserve	256,21,00	0	33,22,07	63,18,37	226,24,70
5	Co-operative Development Fund	125,00,00	0	0	21,88,45	103,11,55
6	Special Reserves Created & Maintained u/s 36(1)(viii) of Income Tax Act 1961	4755,00,00	0	330,00,00	0	5085,00,00
7	Producers' Organizations Development Fund	49,98,37	1,63	0	39,02	49,60,98
8	Rural Infrastructure Promotion Fund	24,95,99	4,01	0	1,12,51	23,87,49
9	MFDEF - Reserve Fund	80,00,00	0	0	80,00,00	0
10	Farm Innovation & Promotion Fund	50,00,00	0	0	10,06,41	39,93,59
	Total	13442,36,69	10,00,64	2029,57,24	195,42,91	15286,51,67
	Previous year	11862,72,33	34,62,47	1603,70,86	58,68,98	13442,36,69

Schedule 2 - National Rural Credit Funds

(` in thousands)

Sr. No.	Particulars	Opening Balance as on 01.04.2012	Contribution by RBI	Transferred from P&L Appropriation	Balance as on 31.03.2013
1	National Rural Credit (Long Term Operations) Fund	14479,00,00	1,00,00	1,00,00	14481,00,00
2	National Rural Credit (Stabilisation) Fund	1579,00,00	1,00,00	1,00,00	1581,00,00
	Total	16058,00,00	2,00,00	2,00,00	16062,00,00
	Previous year	16045,00,00	2,00,00	110,00,00	16058,00,00

Schedule 3 - Funds Out of Grants received from International Agencies

(` in thousands)

Sr. No.	Particulars	Opening Balance as on 01.04.2012	Grants received / adjusted during the year	Interest credited to the fund	Exp./Disb./ Adjust. during the year *	Balance as on 31.03.2013
1	National Bank - Swiss Development Coop. Project	55,61,77	0	0	0	55,61,77
2	Rural Innovation Fund (RIF)	67,58,42	0	3,62,88	15,31,77	55,89,53
3	Rural Promotion Fund	9,88,04	64,85	2,50	0	10,55,39
4	KfW - NABARD V Fund for Adivasi Programme	6,12,55	5,21,30	0	8,02,10	3,31,75
	Total	139,20,78	5,86,16	3,65,37	23,33,87	125,38,44
	Previous year	138,89,56	5,86,74	4,72,29	10,27,81	139,20,78

*- Includes approved claims of reimbursements pending disbursements

NABARD is acting as a 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 4 - Gifts, Grants, Donations and Benefactions

(` in thousands)

Sr. No.	Particulars	Opening Balance as on 01.04.2012	Grant received/ adjusted during the year	Interest Credited to the fund	Adjusted against the expenditure	Balance as on 31.03.2013
A.	Grants from International Agencies					
1	KfW - NB - IX Adivasi Development Programme - Maharashtra	1,76,33	1,44,32	16,42	1,81	3,35,26
2	KfW UPNRM - Accompanying Measures	30,15	3,15,54	69	3,28,48	17,90
3	KfW NB UPNRM - Financial Contribution	93,19	(92,29)	0	1,42	(52)
4	KfW UPNRM - Risk Mitigation Fund	1,35,91	1,13,63	0	0	2,49,54
5	International Fund for Agriculture Development (IFAD) Priyadarshini	0	9,22,80	0	8,95,75	27,05
6	KfW-NB-Indo German Watershed Development Programme - Phase III - Maharashtra	0	14,72,33	11,65	13,47,88	1,36,11
7	Indo German Watershed Development Programme - Andhra Pradesh	0	11,03,09	53	11,03,63	0
8	Indo German Watershed Development Programme - Gujarat	0	6,68,70	1,38	6,70,08	0
9	Indo German Watershed Development Programme - Rajasthan	0	77127	47	7,71,75	0
10	KfW Umbrella Programme on Natural Resource Management Fund	9,77,42	2,29,43	0	32,72	11,74,13
11	KfW NB SEWA Bank Capitalisation of Rural Financial Institutions (RFIs)	0	6,86,38	0	6,86,38	0
12	GIZ Rural Financial Institutions Program (RFIP)	98,31	98,19	0	1,47,84	48,66
13	GIZ UPNRM Technical Collaboration	27,11	52,41	0	53,92	25,61
B.	Government Subsidy Schemes					
1	Capital Investment Subsidy for Cold Storage Projects - NHB	3,90,32	28,35,51	0	31,26,77	99,06
2	Capital Subsidy for Cold Storage NHM	9,66	0	0	9,66	0
3	Credit Linked Capital Subsidy for Technology Upgradation of SSIs	0	13,99,47	0	13,99,47	0
4	Capital Investment Subsidy for Rural Godowns	11,70,39	294,74,34	0	236,24,14	70,20,59
5	Bihar Ground Water Irrigation Scheme (BIGWIS)	150,50,47	0	0	45,90,67	104,59,80
6	Cattle Development Programme - Uttar Pradesh	1,69	0	15	0	1,84
7	Cattle Development Programme - Bihar	1,77,59	0	4,37	1,77,59	4,37
8	National Project on Organic Farming	47,71	1,09,74	0	42,34	1,15,11
9	Integrated Watershed Development Programme - Rashtriya Sam Vikas Yojana	7,06,37	0	0	3,04,74	4,01,63
10	Centrally Sponsored Scheme on Integrated Development of Small Ruminants and Rabbits	30,02	8,45,70	0	8,08,13	67,59
11	Kutch Drought Proofing Project	21,96	0	0	32	21,64
12	Dairy and Poultry Venture Capital Fund	17,28,00	0	0	1,12,59	16,15,41
13	Poultry Venture Capital Fund	1,82,60	2,35,10	0	0	4,17,70
14	Poultry Venture Capital Fund (Subsidy)	85,27	23,21,15	0	19,05,59	5,00,84
15	Capital Subsidy for Agriculture Marketing Infrastructure Grading and Standardisation	3,12,19	221,00,00	0	178,06,06	46,06,14
16	Centrally Sponsored Scheme for establishing Poultry Estate	8,25,15	(4,90,23)	0	0	3,34,92
17	Multi Activity Approach for Poverty Alleviation - Sultanpur Uttar Pradesh	54,49	0	3,89	54,44	3,94

Schedule 4 - Gifts, Grants, Donations and Benefactions (` in thousands)						
Sr. No.	**Particulars**	**Opening Balance as on 01.04.2012**	**Grant received/ adjusted during the year**	**Interest Credited to the fund**	**Adjusted against the expenditure**	**Balance as on 31.03.2013**
18	Multi Activity Approach for Poverty Alleviation - BAIF - Rae Bareli Uttar Pradesh	13,95	0	1,00	13,89	1,05
19	CCS - on Pig Development	56,83	12,59,00	0	8,32,75	4,83,07
20	Dairy Entrepreneurship development Scheme	19,70,34	310,00,00	0	146,21,60	183,48,75
21	CSS - JNN Solar Mission	19,29,30	(2,90,00)	0	6,72,19	9,67,12
22	CSS - JNNSM - Solar Lighting a/c - Subsidy recd	46,80,00	50,00,00	0	45,96,70	50,83,30
23	CSS - on Rural Slaughter Houses	9,92	0	0	0	9,92
24	Capital Subsidy Scheme - Agri Clinics Agri Business Centres	1,89,79	8,35,50	0	7,87,81	2,37,48
25	Artificial Recharge of Groundwater in Hard Rock Area	23,86,46	1,55,39	0	0	25,41,84
26	Agriculture Debt Waiver and Debt Relief Scheme (ADWDR) 2008	191,89,84	(110,29,00)	0	(23,30,68)	104,91,51
27	Women's Self Help Groups [SHGs] Development Fund	100,03,73	0	0	16,99,19	83,04,55
C.	Interest Relief / Subvention					
1	Interest Subvention (Sugar Term Loan)	11,31	35,50,70	0	35,15,96	46,04
2	Scheme for providing Financial Assistance to Sugar Undertakings - 2007 (SEFASU - 2007)	45,33	0	0	27,96	17,37
D	Revival Package of Short Term Cooperative Credit Structure					
1	Recapitalisation Assistance to Credit Cooperative Societies	0	86,62	0	86,62	0
2	Technical Assistance	60,57	0	0	60,57	0
3	Human Resources Development	56	4,86	0	1,22	4,20
4	Implementation Cost	(12,62)	40,13	0	18,90	8,61
E	Revival Package for Long Term Co-operative Credit Structure (LTCCS)	20,00,00	0	0	0	20,00,00
F	Revival reform and Restructure of Handloom Sector					
1	Implementation Cost [RRR - Handloom Package] a/c - Grant received	4,33,42	0	0	5,86,58	(1,53,16)
2	Expenditure on Loss Asset [RRR - Handloom Package] a/c - Grant received	4,94,90	0	0	2,14,55	2,80,35
3	Recap Assist [RRR - Handloom Package] to AWCS a/c -	0	171,30,58		109,57,37	61,73,21
4	Recap Assist [RRR - Handloom Package] to PWCS a/c -	0	288,53,53		186,50,91	102,02,62
5	Recap Assist [RRR - Handloom Package] to Individual weaver a/c	0	124,47,42		91,21,31	33,26,11
6	Technical Assistance [RRR - Handloom Package]	0	2,00,00			2,00,00
7	HRD [RRR - Handloom Package]	0	2,00,00		7,44	1,92,56
8	Interest Subvention [RRR - Handloom Package]	0	1,00,00		96,35	3,65
9	Comprehensive Handloom Package	0	27,76,95		15,72,04	12,04,91
G	Centre for Professional Excellence in Co-operatives (C-PEC)	0	1,03,96	3,05	22,72	84,29
	Total	657,95,94	1577,42,26	43,60	1258,38,11	977,43,67
	Previous year	2601,89,23	760,82,34	32,48	2705,08,12	657,95,94

Includes approved claims of reimbursements pending disbursements

NABARD is acting as a 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 - Other Funds								
								(` in thousands)
Sr. No.	Particulars	Opening Balance as on 01.04.2012	Additions / Adjustments during the year	Transferred from P & L Appropriation	Interest Credited	Expenditure/ Disb.during the year*	Transferred to P&L Appropriation	Balance as on 31.03.2013
1	Watershed Development Fund	1806,02,59	0	0	104,47,35	224,11,46	0	1686,38,48
2	Micro Finance Development and Equity Fund	118,77,57	0	0	3,99,71	107,78,52	14,98,76	0
3	Interest Differential Fund - (Forex Risk)	170,31,00	12,06,86	0	0	0	0	182,37,86
4	Interest Differential Fund - (Tawa)	10,00	0	0	0	0	0	10,00
5	Adivasi Development Fund	5,63,11	14,38	0	0	0	0	5,77,49
6	Tribal Development Fund	1901,24,34	2,28,89	0	109,12,39	606,14,49@	0	1406,51,12
7	Financial Inclusion Fund	53,92,68	1152,29,71	0	27,84,73	408,39,16$	0	825,67,97
8	Financial Inclusion Technology Fund	15,95	3,75,00	0	0	17,13,95	0	(13,23,00)
9	Farmers Technology Transfer Fund	101,00,00	0	0	0	39,79,19	0	61,20,81
	Total	4157,17,24	1170,54,84	0	245,44,18	1403,36,77	14,98,76	4154,80,73
	Previous year	3431,47,40	1093,13,81	89,56,36	121,77,39	568,16,40	10,61,32	4157,17,24

* Includes approved claims of reimbursements pending disbursements
@ Includes `406.65 crore Being income taxes paid including interest
$ Includes `375.07 crore Being income taxes paid
NABARD is acting as a 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 6 – Deposits			
			(` in thousands)
Sr. No.	Particulars	As on 31.03.2013	As on 31.03.2012
1	Central Government	0	0
2	State Governments	0	0
3	Others		
	a) Tea / Rubber / Coffee Deposits	302,46,01	284,04,01
	b) Term Deposits	0	7,00,00
	c) Commercial Banks (Deposits under RIDF)	78758,39,45	75106,71,22
	d) Short Term Cooperative Rural Credit Fund	25000,00,00	20000,00,00
	e) ST RRB Credit Refinance Fund	10000,00,00	0
	Total	114060,85,46	95397,75,23

Schedule 7 - Bonds and Debentures

(` in thousands)

Sr. No.	Particulars	As on 31.03.2013	As on 31.03.2012
1	SLR Bonds	0	0
2	Non Priority Sector Bonds	42666,40,00	33577,90,00
3	Capital Gains Bonds	1,58,00	6,77,20
4	Bhavishya Nirman Bonds	4974,23,31	4974,22,87
5	NABARD Rural Bond	22,78,51	23,99,57
	Total	47664,99,82	38582,89,64

Schedule 8 - Borrowings

(` in thousands)

Sr. No.	Particulars	As on 31.03.2013	As on 31.03.2012
1	Central Government	43,42,21	84,80,09
2	Jawaharlal Nehru National Solar Mission	35,82,00	32,82,00
3	Reserve Bank of India	0	0
4	Others :		
	(A) In India		
	(i) Certificate of Deposits	0	1281,00,69
	(ii) Commercial Paper	1935,59,46	2245,26,97
	(iii) Borrowing under Collateralised Borrowing Lending Obligation	493,25,00	0
	(iv) Term Money Borrowings	138,18,00	181,81,00
	(v) Commercial Banks	0	0
	(vi) Borrowing against STD	0	0
	(B) Outside India		
	(i) International Agencies (KfW)	462,89,50	502,77,65
	Total	3109,16,17	4328,48,39

Out of the above, borrowings under CBLO are secured

Schedule 9 - Current Liabilities and Provisions

(` in thousands)

Sr. No.	Particulars	As on 31.03.2013	As on 31.03.2012
1	Interest / Discount Accrued	6521,56,37	4905,37,20
2	Sundry Creditors	338,72,42	373,67,24
3	Subsidy Reserve (Co-financeCold Storage)	1,38,66	1,36,21
4	Subsidy Reserve - CSAMI under RIDF	2,27,06	2,27,06
5	Provision for Gratuity	16,33	16,72
6	Provision for Pension	14,75,10	245,62,63
7	Provision for Encashment of Ordinary Leave	13,35,76	15,97,49
8	Unclaimed Interest on Bonds	1,95,78	2,01,28
9	Unclaimed Interest on Term Deposits	61	71
10	Term Deposits Matured but not claimed	76,17	8,32,11
11	Bonds matured but not claimed	4,18,91	5,82,48
12	Application money received pending allotment of Bonds	1,00	1,44
13	Provisions and Contingencies		0
	(a) Amortisation in Value of Investment a/c - G. Sec.	0	30,62,12
	(b) Amortisation of G. Sec. - HTM	1,78,90	0
	(c) For Standard Assets	800,99,78	674,24,70
	(d) Depreciation in value of investments - equity Non-performing assets	59,28	3,19,22
	Non-performing assets	1,66,04	22
	(e) Countercyclical Provisioning Buffer	25,51,00	25,51,00
	(f) Sacrifice in interest element of restructured loans	48,48,52	51,37,00
	(g) Provision for Other Assets & Receivables	13,83,61	4,65,07
	(h) Provision for Income Tax [Net of Advance Tax]	2,19,12	(25,45)
	Total	7794,20,42	6349,96,46

Schedule 10 - Cash and Bank Balances

(` in thousands)

Sr. No.	Particulars	As on 31.03.2013	As on 31.03.2012
1	Cash in hand	63,20	13,89
2	Balances with :		
	A) Banks in India		
	i) Reserve Bank of India	611,40,66	1168,79,91
	ii) Others Banks	0	0
	B) Others		
	(i) Other Banks in India		
	a) in Current Account	134,12,30	381,87,28
	b) Deposit with Banks	7914,88,31	6891,90,76
	(ii) Remittances in Transit	1,34,98	2,54
	(iii) Collateralised Borrowing and Lending Obligations	531,56,12	230,92,53
	C) Outside India	0	0
	Total	9193,95,57	8673,66,91

Schedule 11 - Investments				
				(` in thousands)
Sr. No		Particulars	As on 31.03.2013	As on 31.03.2012
1		Government Securities		
	(a)	Securities of Central Government [Face Value `24334350000 ( `21740820000)] [Market Value `24373020928 ( `21054099310)]	2413,90,41	2146,81,84
	(b)	Treasury Bills	0	58,28,37
2		Other Approved Securities	0	0
3		Equity Shares in :		
	(a)	Agricultural Finance Corporation Ltd. [1000 (1000) - Equity shares of `10000 each]	1,00,00	1,00,00
	(b)	Small Industries Development Bank of India [16000000 (16000000) - Equity shares of `10 each]	48,00,00	48,00,00
	(c)	Agriculture Insurance Company of India Ltd. [60000000 (60000000) - Equity shares of `10 each]	60,00,00	60,00,00
	(d)	Multi Commodity Exchange of India Ltd. [1562500 (1562500) - Equity shares of `10 each]	1,25,00	1,25,00
	(e)	National Commodity and Derivatives Exchange Ltd. [5625000 (5625000) - Equity shares of `10 each]	16,87,50	16,87,50
	(f)	Universal Commodity Exchange Ltd [UCX] [16000000 (16000000) Shares of `10 each]	16,00,00	16,00,00
	(g)	Other Equity Investments		
		(i) Coal India Ltd. [17389 (17389) - Equity shares of `10 each]	42,60	42,60
		(ii) Power Grid Corporation of India Ltd. [28592 (28592) - Equity shares of `10 each]	25,73	25,73
		(iii) Mangnese Ore India Ltd. [11719 (11719) -Equity shares of `10 each]	43,95	43,95
		(iv) Punjab & Sindh Bank [7958 (7958) - Equity shares of `10 each]	9,55	9,55
4		Debentures and Bonds		
	(a)	Special Development Debentures of SCARDBs	10249,49,17	12343,53,09
	(b)	Non Convertible Debentures	385,10,39	375,11,62
5		Others		
	(a)	Commercial Paper [Face Value `500000000 ( `11150000000)]	47,70,28	1036,60,64
	(b)	Certificate of Deposit [Face Value `2450000000 ( `2125000000)]	2334,08,18	2037,93,74
	(c)	SEAF - Indian Agri- Business	4,84,71	2,07,59
	(d)	APIDC - Venturies Life Fund III	7,60,05	5,85,46
	(e)	BVF (Bio-Tech Venture Fund) - APIDC-V Investment [49835.45 (49835.45) Class A Units of `1000 each]	4,98,35	4,98,35
	(f)	Ominovore India Capital Trust	3,00,00	0
	(g)	India Opportunity Fund	2,42,46	0
	(h)	Tata Capital Innovation Fund	16,85,08	13,00,88
		Total	15614,33,41	18168,55,91

Schedule 12 – Advances

(` in thousands)

Sr. No.	Particulars			As on 31.03.2013	As on 31.03.2012
1	Refinance Loans				
	(a)	Production & Marketing Credit		65175,58,35	48337,74,51
	(b)	Conversion Loans for Production Credit		64,40,55	128,81,10
	(c)	Other Investment Credit :			
		(i)	Medium Term and Long Term Project Loans	38254,74,52	30761,75,91
		(ii)	Interim Finance	0	1,60,00
		(iii)	Direct refinance to DCCBs	1349,81,15	910,34,00
		(iv)	Loans out of RIDF warehousing infrastructure	758,09,55	759,09,58
		(v)	JNN Solar Mission	26,63,15	30,32,29
2	Direct Loans				
	(a)	Loans under Rural Infrastructure Development Fund		75060,96,10	70860,30,56
	(b)	Long Term Non-Project Loans		100,06,65	107,88,34
	(c)	Loans under NABARD Infrastructure Development Assistance (NIDA)		1281,26,54	422,90,33
	(d)	Loans under Producers' Organisation Development Fund (PODF)		82,93,15	7,41,32
	(e)	Credit Facility to Federations[CFF]		2500,00,00	0
	(f)	Other Loans:			
		(i)	Co-operative Development Fund Programme Loans	2,17,46	2,61,43
		(ii)	Micro Finance Development Equity Fund Programme Loans	48,44,19	72,91,49
		(iii)	Watershed Development Fund Programme Loans	41,17,64	36,25,01
		(iv)	Tribal Development Fund Programme Loans	11,26,83	7,02,99
		(v)	KfW UPNRM Loans	113,15,05	71,22,51
		(vi)	Farm Innovation & Promotion Fund Programme Loans	21,26	32,39
		(vii)	NFS Promotional Activities Programme Loans	2,70,73	2,85,94
		(viii)	Farmers Technology Transfer Fund	28,63	2,17
	(g)	Co-Finance Loans (Net of provision)		36,71,40	72,35,50
	(h)	CP - HCC Deemed Advance		52,24,49	0
	Total			184962,87,39	152593,77,37

Schedule 13 - Fixed Assets

(` in thousands)

Sr. No.	Particulars	As on 31.03.2013	As on 31.03.2012
1	LAND : Freehold & Leasehold		
	Opening Balance	147,57,06	148,08,29
	Additions/adjustments during the year	15,35,04	(51,23)
	Sub-Total	162,92,10	147,57,06
	Less: Cost of assets sold/written off	7,39	0
	Closing Balance (at cost)	162,84,71	147,57,06
	Less: Amortisation of Lease Premia	44,54,95	42,04,17
	Book Value	118,29,76	105,52,89
2	PREMISES		
	Opening Balance	265,84,45	263,42,46
	Additions/adjustments during the year	14,36	2,41,99
	Sub-Total	265,98,81	265,84,45
	Less: Cost of assets sold/written off	0	0
	Closing Balance (at cost)	265,98,81	265,84,45
	Less: Depreciation to date	171,56,99	164,28,77
	Book Value	94,41,82	101,55,68
3	FURNITURE & FIXTURES		
	Opening Balance	58,30,24	58,77,74
	Additions/adjustments during the year	1,87,76	19,96
	Sub-Total	60,18,00	58,97,70
	Less: Cost of assets sold/written off	55,41	33,15
	Closing Balance (at cost)	59,62,59	58,30,24
	Less: Depreciation to date	57,24,08	56,65,80
	Book Value	2,38,51	1,98,75
4	COMPUTER INSTALLATIONS & OFFICE EQUIPMENTS		
	Opening Balance	83,11,80	73,60,85
	Additions/adjustments during the year	4,37,87	11,97,54
	Sub-Total	87,49,67	85,52,73
	Less: Cost of assets sold/written off	3,45,75	2,10,58
	Closing Balance (at cost)	84,03,92	83,11,80
	Less: Depreciation to date	75,46,58	70,42,01
	Book Value	8,57,34	13,05,81
5	VEHICLES		
	Opening Balance	6,30,32	4,48,40
	Additions/adjustments during the year	99,75	4,44,55
	Sub-Total	7,30,07	8,87,84
	Less: Cost of assets sold/written off	1,78,45	2,57,52
	Closing Balance (at cost)	5,51,62	6,30,32
	Less: Depreciation to date	2,71,83	2,65,32
	Book Value	2,79,79	3,70,11
6	Capital Work in Progress [Purchase of Staff Quarters & Office Premises]	90,90,84	70,75,72
	Total	317,38,08	296,58,97

Schedule 14 - Other Assets

(` in thousands)

Sr. No	Particulars	As on 31.03.2013	As on 31.03.2012
1	Accrued Interest	2717,81,84	1810,54,28
2	Deposits with Landlords	1,86,08	1,39,26
3	Deposits with Government Departments and Other Institutions	3,21,12	3,43,30
4	Housing loan to staff	166,11,71	164,74,61
5	Other Advances to staff	77,30,08	77,03,84
6	Advances to Landlords	1,62	3,27
7	Sundry Advances	55,10,82	57,44,88
8	Provision for Gratuity	0	0
9	Advance Tax (Net of Provision for Income Tax)	29,49,91	102,55,89
10	Deferred Tax Assets	87,00,45	72,06,31
11	Expenditure recoverable from Government of India/International Agencies	9,24,57	29,17,71
12	Discount Receivable	41,69,03	94,87,01
	Total	3188,87,23	2413,30,34

Schedule 15 - Interest and Financial Charges

(` in thousands)

Sr. No.	Particulars	2012-13	2011-12
1	Interest Paid on		
	(a) Deposits under RIDF	4413,67,65	4078,35,01
	(b) Short Term Cooperative Rural Credit Fund	609,45,67	376,74,20
	(c) ST RRB Credit Refinance Fund	120,51,67	0
	(d) Term Deposits	64,64	2,68,39
	(e) Tea / Coffee / Rubber Deposits	18,90,81	16,84,86
	(f) CBS Deposits	2,31,40	50,39
	(g) Deposits / Borrowings	5,34	78
	(h) Loans from Central Government	4,00,74	7,27,66
	(i) Bonds	3170,46,70	2420,01,48
	(j) Commercial Paper	234,18,09	372,08,50
	(k) Term Money Borrowings	12,27,96	11,48,35
	(l) Borrowing against ST Deposit	67	2,65,85
	(m) Discount Cost Paid on Certificate of Deposits	47,02,66	37,53,31
	(n) Borrowings from International Agencies	19,77,45	20,85,03
	(o) Watershed Development Fund	104,47,35	109,46,03
	(p) Micro Finance Development and Equity Fund	3,99,71	8,34,03
	(q) Rural Innovation Fund	3,62,88	4,66,84
	(r) Financial Inclusion Fund	27,84,73	3,44,96
	(s) Financial Inclusion Technology Fund	0	52,36
	(t) Indo German Watershed Development Programme - Andhra Pradesh	53	25
	(u) Indo German Watershed Development Programme - Rajasthan	47	67
	(v) Indo German Watershed Development Programme - Gujarat	1,38	2,94
	(w) KfW UPNRM - Accompanying measures	69	1,00
	(x) KfW - NB Indo German Watershed Development Programme - Phase III - Maharashtra	11,65	4,81
	(y) KfW - NB - IX Adivasi Development Programme	16,42	8,72
	(z) KFW NB V - Adivasi Project	0	5,81,92
	(aa) Commitment Charges -KfW UPNRM Borrowings	0	6,84
	(ab) Multi Activity Approach for Poverty Alleviation BAIF Project - Sultanpur Uttar Pradesh	3,89	3,36
	(ac) Multi Activity Approach for Poverty Alleviation BAIF Project -Rae Bareli Uttar Pradesh	1,00	2,86
	(ad) Cattle Development Programme (UP & Bihar)	4,52	7,86
	(ae) TDF Wadi [West Bengal]	109,12,39	0
	(af) C - PEC	3,05	0
2	Discount on Collateralised Borrowing and Lending Obligations	41,76,19	40,71,13
3	Discount Brokerage Commission & issue exp. on Bonds and Securities	5,08,04	6,63,94
4	Swap Charges	5,09,84	3,72,10
	Total	8954,76,19	7530,76,44

Schedule 16 A - Establishment and Other Expenses

(` in thousands)

Sr. No.	Particulars	2012-13	2011-12
1	Salaries and Allowances	566,97,05	449,06,55
2	Contribution to / Provision for Staff Superannuation Funds	288,14,59	345,69,53
3	Other Perquisites & Allowances	27,29,34	27,71,05
4	Travelling & Other allowances in connection with Directors' & Committee Members' Meetings	69,53	25,68
5	Directors' & Committee Members' Fees	7,02	2,07
6	Rent Rates Insurance Lighting etc.	31,40,60	22,66,78
7	Travelling Expenses	34,71,01	30,30,87
8	Printing & Stationery	3,73,88	3,43,43
9	Postage Telegrams & Telephones	9,81,72	8,93,05
10	Repairs	11,39,13	8,59,86
11	Auditors' Fees	20,04	14,05
12	Legal Charges	1,33,69	49,23
13	Miscellaneous Expenses	56,75,84	50,62,13
14	Expenditure on Miscellaneous Assets	6,36,25	5,84,70
15	Expenditure on R & D	0	0
16	Expenditure on Study & Training	39,68,48	39,24,95
17	Expenditure on promotional activities under		
	(i) Cooperative Development Fund	21,88,45	5,35,40
	(ii) Micro Finance Development and Equity Fund	0	10,61,32
	(iii) Watershed Development Fund	0	0
	(iv) Farm Innovation and Promotion Fund	10,06,41	2,73,85
	(v) Producers' Organization Development Fund	39,02	0
	(vi) Rural Infrastructure Promotion Fund	1,12,51	0
	(vii) Exp. for NFS Promotional Measures/ Activities	19,01,86	30,24,32
18	Wealth Tax	4,03,63	3,81,02
	Total	1135,10,07	1045,79,85

Schedule 16 B - Provisions

(` in thousands)

Sr. No.	Particulars	2012-13	2011-12
Provisions for :			
1	Amortisation of G. Sec	0	0
2	Corporate Income Tax & Fringe Benefit Tax [P&L]	0	0
3	Standard Assets	126,72,23	79,57,93
4 (a)	Non Performing Assets	33,74,45	14,92,88
4 (b)	Non Performing Assets - staff	0	7,23
5	Depreciation in Value of Investment Account - Equity	0	(80,00)
6	Sacrifice in interest element of restructured Accounts	(2,88,48)	51,37,00
7	Other Assets / Receivable	8,56,75	5,00
	Total	166,14,95	145,20,04

Schedule 17 - Commitments and Contingent Liabilities

(` in thousands)

Sr. No.	Particulars	As on 31.03.2013	As on 31.03.2012
1	Commitments on account of capital contracts remaining to be executed	25,79,62	229,32,01
	Sub Total "A"	25,79,62	229,32,01
2	Contingent Liabilities		
	(a) Claims against the Bank not acknowledged as debt	50,51	47,80
	(b) Income Tax matters in appeal	0	0
	Sub Total "B"	50,51	47,80
	Total (A + B)	26,30,13	229,79,81

Schedule 18

Significant Accounting Policies and Notes forming Part of Accounts for the year ended March 31, 2013

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) 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 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 the financial statements as Goodwill. The excess of Bank's portion of net assets over the cost of investment therein is treated as Capital Reserve.

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 unrealised 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 NABARD with its following subsidiaries:

Name of the Subsidiary	Country of Incorporation	Proportion of Ownership (%)	
		2012-13	2011-12
Agri Development Finance (Tamilnadu) Ltd.(ADFT)	India	52.10	52.10
Agri Business Finance (AP) Ltd. (ABFL)	India	72.46	47.82
NABARD Financial Services Limited (NABFINS)	India	72.72	61.71
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 amortised over the tenure of Bonds and Commercial Papers. Issue expenses relating to floatation of bonds are recognised 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 Expenditure incurred on Subsidy scheme includes approved claims of reimbursements pending disbursements.

5.5 Income from Venture Capital funds is accounted on realisation basis.

5.6 Provision for Wealth Tax is made, in accordance with the provisions of Wealth Tax Act, 1956.

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. 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 if the draft report has been issued to the party.

5.9.2 In case of foreign assignments, the income has been taken on the basis of completion of execution of assignments by the Company.

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 instalment towards professional fees. The income has been recognized at the time of release of each instalment amount.

6. Fixed Assets and Depreciation

6.1 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. Land includes free hold and leasehold land.

6.2 Premises include value of land, where segregated values are not readily available.

6.3 Depreciation on premises situated on free hold land is charged at 10% p.a., on written down value basis.

6.4 Depreciation on leasehold land and premises situated thereon is computed and charged at 5% on written down value basis or the amount derived by amortising the premium/cost over the remaining period of lease hold land, on straight-line basis, whichever is higher.

6.5 Fixed Assets costing `1 lakh and less (except easily portable electronic assets such as laptops, mobile phones, etc.) are charged to the Profit & Loss Account in the year of acquisition. Easily portable electronic assets such as laptops, mobile phones, etc., are capitalised, 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 capitalized

6.6 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%

6.7 Depreciation is charged for the full year, irrespective of the date of purchase of asset. No depreciation is charged in the year of sale.

6.8 Capital work in progress includes capital advances and is disclosed under Fixed Assets.

6.9 In case of following subsidiaries the depreciation on fixed assets is provided on following basis:

Name of Subsidiary	Method of Depreciation
Agri Development Finance (Tamilnadu) Ltd.(ADFT)	WDV per Schedule XIV
Agri Business Finance (AP) Ltd. (ABFL)	WDV per Schedule XIV
NABARD Financial Services Limited (NABFINS)	SLM as per Schedule XIV
NABARD Consultancy Pvt. Ltd. (NABCONS)	SLM as per Schedule XIV

7. Investments

7.1 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").

7.2 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".

7.3 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 amortised 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/ amortisation, in value of such investments, is included under Current Liabilities and Provisions.

7.4 Profit on redemption of investment categorized under "HTM" is recognized in Profit & Loss A/c and then transferred to Capital Reserve A/c. Loss on sale of investment categorized under "HTM" is recognized in Profit & Loss A/c.

7.5 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.

7.6 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 recognised in the category for investments classified as "HFT".

7.7 Treasury Bills are valued at carrying cost.

7.8 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.

7.9 Brokerage, commission, etc. paid at the time of acquisition, are charged to revenue.

7.10 Broken period interest paid/ received on debt investment is treated as a interest expenses/ income and is excluded for cost/ sale consideration.

7.11 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.

8. Advances and Provisions thereon

8.1 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.

8.2 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.

8.3 Advances are stated net of provisions towards Non-performing Advances.

9. Foreign Currency Transactions

9.1 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:

9.2 Assets and liabilities in foreign currency are revalued at the exchange rate notified by Foreign Exchange Dealers Association of India (FEDAI) as at the close of the year and resultant Exchange difference on revaluation is charged to Profit and Loss Account under the head 'Gain/Loss on revaluation of foreign Deposits & Borrowings' and

9.3 Income and Expenditure items are translated at the exchange rates prevailing on the date of the transaction.

10. Accounting for Foreign Exchange Contracts

10.1 Foreign Exchange Contracts are to hedge the repayment of Foreign currency borrowings. 10.2 The foreign exchange contracts are revalued at the exchange rates notified by FEDAI at the year end. The resultant gain/loss on revaluation is recognized in the Profit & Loss Account under the head 'Gain/Loss on revaluation of Forward Exchange Contract Account'. Premium/discount are accounted over the life of the contract.

10.3 The Profit / Loss on cancellation and renewal of foreign exchange contracts are recognised in Profit & Loss Account under the head 'Gain/Loss on revaluation of Forward Exchange Contract Account'.

11. Employee Benefits

11.1 All personnel transferred from RBI are considered as employees of the Bank and provisions for Employee Benefits are made accordingly. The amount of gratuity due from RBI, in respect such employees, is recognised on cash basis. Actuarial valuation, wherever required, are carried out at each balance sheet date.

11.2 Short Term Employee Benefits:

The undiscounted amount of short-term employee benefits, such as medical benefits etc. 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.

a) Post Employment Benefits:

i) Defined Contribution Plan

The Bank has a Provident Fund Scheme in respect of all eligible employees 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

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 including those employees transferred from RBI. The amount of gratuity due from RBI, in respect of employees transferred from RBI, is accounted on cash basis.

Provision for pension is made based on actuarial valuation, in respect of all eligible employees joined the Bank on or before 31 December 2011. 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.

iii) Other Long Term benefits

All eligible employees of the bank are eligible for compensated absences. The costs of such long term employee benefits are internally funded by the Bank.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

12.1 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.

12.2 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".

b) 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 present 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 not 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. Additional Statutory information disclosed in separate financial statements of the parent and the subsidiaries have no bearing on true and fair view of the consolidated financial statements and also informations pertaining to the items which are not material have not been disclosed in consolidated financial statements in the view of general clarification issued by the Institute of Chartered of Accountants of India.

2. In accordance with the Memorandum of Understanding entered into with the Swiss Agency for Development Cooperation, repayment of loan, service charges and other receipts made out of Rural Innovation Fund (RIF) are being credited to the Rural Promotion Fund (RPF). During the year `0.67 crore (`0.68 crore) has been credited to the said fund.

3. 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

4. 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 2012-13	Rate of Interest for 2011-12
1.	Adivasi Delopment Programme	6%	6%
2.	Watershed development Fund	6%	6%
3.	KfW- NB IGWDP (Andhra Pradesh, Gujrat, Maharashtra, Rajasthan)	6%	6%
4.	KfW Accompanying Measures	6%	6%
5.	Rural Innovation Fund	6%	6%
6.	Tribal Development Fund	6%	NIL
7.	Financial Inclusion Fund	6%	6.57%
8.	Cattle Development Fund (UP & Bihar)	9.01%	6.57%
9	Micro Finance Development and Equity Fund	6.90%*	6.57%
10	Multi Activity Approach For Poverty Alleviation (Sultanpur and Rae Bareilly)	9.01%	6.57%
11	Center for Professional Excellence in Co-operatives.	9.01%	-----

*Paid @ average rate applicable from April 2012 to September 2012

5. The expenditure recoverable from Government of India / international agencies as per Schedule-14 of Balance Sheet amounting to `7.43 crore (`18.76 crore) includes debit balance of various funds The details of such funds are as under:

(` in crore)

Sr No	Name of the Fund	31-03-2013	31-03-2012
1	KfW- NB IGWDP (Andhra Pradesh)	2.69	5.85
2	KfW- NB IGWDP (Maharashtra)	---	7.25
3	KfW- NB IGWDP (Rajasthan)	2.82	2.96
4.	KfW- NB IGWDP (Gujarat)	1.90	0.88
5	IFAD- Priyadarshni	---	1.72
6.	NE Council Fund	0.02	0.10

6. Pursuant to directions of the RBI to discontinue the Micro Finance Development and Equity Fund (MFDEF), an amount of `14.99 crore, being the excess contribution made by NABARD is transferred to the Reserve Fund. Pending the final direction from RBI, the balance amount of `74.28 crore of the fund has been disclosed under the head Sundry Creditors under Schedule 9. Consequently, the balance of MFDEF Reserve Fund, created out of the surplus during the financial year 2009-10, amounting to `80 crore, has been transferred to Profit and Loss Appropriation Account for the year.

7. Subvention received/receivable from GOI amounting to `1966.54 crore (`1475.52crore), 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.

8. Other receipts includes `112.37 crore (`78.49 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.

9. Pursuant to the directions of RBI, the relative margin available to the NABARD 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 and Short Term RRB Credit Refinance Fund (STRRB) deposits, placed by the Commercial Banks is credited to Financial Inclusion Fund. (credited to Tribal Development Fund during previous year).

10. In accordance with AS 22 "Accounting for taxes on Income", following deferred tax assets / liabilities are recognized in the Profit and Loss account.

(` in crore)

Sr. No.	Deferred Tax Assets	2012-13	2011-12
1	Provision for Retirement Benefits made in the books but allowable for tax purposes on payment basis	64.06	49.68
2	Depreciation on Fixed Assets	21.91	21.46
3	Other deferred Tax assets	1.00	0.89
	Total	86.97	72.03

11. The salaries and allowances of the employees of the group are reviewed every five years. The review is due from 01 November 2012. Pending such settlement an amount of `73.60 crore (Previous year Nil) has been provided under the head "Salary and Allowances".

12. The tax liability of the NABARD for the Assessment Year 2002-03 amounting to `373.15 crore was assessed by the Income Tax Department. NABARD 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.

13. Income Tax Department has reopened the assessments for the Assessment Year 2005-06 during the financial year 2011-12. The Bank has objected to such reopening and filed a writ petition against the IT Department in Bombay High Court. In our opinion, the liability of any tax outflow on this count is remote.

14. Income Tax Department has reopened the assessments for the Assessment Year 2006-07, 2008-09 and 2009-10. The bank has requested the department to furnish for reasons for re-opening. Response is awaited from the Income tax department,

15. Income Tax Department has reopened the assessments for the Assessment Year 2007-08 during the Financial Year 2011-12 for NABARD. An amount of `266.07 crore has been added to the income of the Bank during the re-assessment of the income. Out of above, an addition of `219.64 crore has been made on account of differential interest accounted under the RIDF which was credited to Tribal Development Fund in terms of the RBI directions. Further, an amount of `46.43 crore has been added to the income of the Bank on account shortfall in Transfer to Special Reserve u/s 36 (1) (viii). The Bank has filed an appeal against the above order with CIT- Appeals. Pending the outcome of the appeal, the bank has

- accounted the tax including interest amounting to `129.99 crore under the head Tribal Development Fund as an expenditure of the fund, in accordance with the resolution of the Board, and
- Provided the tax including interest of `27.47 crore on account of shortfall in Transfer to Special Reserve u/s 36 (1) (viii) to the Profit and Loss account for the year .The bank has paid the total demand of `157.47 crores.

16. During the year, the Income Tax Department, for the Assessment year 2010-11, has made an addition of `633.43 crore on account of differential interest accounted by NABARD under the RIDF/STCRC which was credited to Tribal Development Fund in terms of the RBI directions. Further, an amount of `82.92 crore has been added to the income of the Bank on account of disallowance of expenditure on promotional activities. The Bank has filed an appeal against the above order with CIT- Appeals. Pending the outcome of the appeal, the bank has

- accounted the tax including interest amounting to `276.66 crore under the head Tribal Development Fund as an expenditure of the fund, in accordance with the resolution of the Board, and
- Provided the tax including interest on account of disallowance amounting to `36.41 crore to the profit and loss account for the year. The tax demand of `313.07 crore has been fully paid by the Bank.

17. ‘Free hold land and lease Land’ and ‘Premises’ include

- `34.77 crore (`34.77 crore) paid towards Office Premises and Staff Quarters for which conveyance is yet to be completed.
- `10.93crore (`10.93crore) where lease agreements are yet to be executed

18. Investments in Government securities include the following securities pledged with Clearing Corporation of India Limited as collateral security for borrowings:

(` in crore)

Particulars	Face Value	Book Value
Pledged for Business Segment (Securities)	35.00 (35.00)	34.08 (34.08)
Pledged for Business Segment (Collateralised Borrowing and Lending Obligation)	2382.00 (2071.00)	2363.05 (2044.06)

19. Movement in Contingent Liability:

(` in crore)

Particulars	2012-13	2011-12
Opening Balance	0.48	0.24
Addition during the year	0.03	0.24
Deletion during the year	0.00	0.00
Closing Balance	0.51	0.48

20. Prior period items included in the Profit and Loss account are as follows:

(`in crore)

Sr. No.	Particulars	2012-13	2011-12
1.	Revenue Expenditure	9.93	5.27
2.	Fund Expenditure	-5.82	----
Total		4.11	5.27

21. Disclosures as required under AS-17 “Segment Reporting” in consolidated financial statements are as under:

(` in crore)

Financial Year 2012-13 (Consolidated)	Direct Finance	Refinance	Treasury	Unallocated	Total
Segment Revenue	4821.02 (4412.77)	6548.54 (5198.78)	1497.05 (1346.02)	73.99 (52.91)	12940.60 (11010.48)
Segment Results	226.27 (252.21)	2052.99 (1638.63)	1452.51 (1302.00)	-1067.18 (-925.46)	2664.59 (2267.38)
Total carrying amount of Segment Assets	79519.73 (71768.21)	117963.35 (94696.77)	14193.79 (13226.02)	1600.55 (2454.89)	213277.42 (182145.89)
Total carrying amount of Segment Liabilities	80338.01 (76230.47)	108422.67 (84520.54)	228.93 (291.17)	24287.80 (21103.71)	213277.42 (182145.89)
Other Items :					
Cost to acquire Segment Assets during the year	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	18.30 (18.42)	18.30 (18.42)
Amortization & Depreciation	0.12 (0.08)	0.00 (0.00)	0.00 (0.00)	19.89 (21.26)	20.01 (21.34)
Non Cash Expenses (other than above)	88.61 (15.98)	68.78 (129.62)	0.04 (-0.80)	232.87 (129.34)	390.30 (274.14)

Note: There are no reportable secondary segments for the bank and its subsidiaries

22. Figures in brackets pertain to previous year.

23. Previous year's figures have been regrouped / rearranged wherever necessary.

As per our attached report of even date
G M Kapadia & Co.
Chartered Accountants

Rajen Ashar
Partner
Mumbai
Date : 19 July, 2013

A K Panda
Chief General Manager
Accounts Department
Date : 19 July, 2013

Prakash Bakshi
Chairman

H. R. Khan
Director

Deepak Sanan
Director

D. B. Gupta
Director

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

(` in thousands)

Particulars	During 2012-13	During 2011-12
(a) Cash flow from Operating Activities		
Net profit as per P & L a/c before tax	2664,58,91	2266,99,31
Adjustment for:		
Depreciation	20,00,17	21,34,47
Provisions and Amortisations	8,73,87	(31,23)
Provision for Non performing Assets	33,26,00	14,87,45
Provision for Standard Assets	125,66,00	79,53,55
Provision for Sacrifice in interest element of restructured loan	(2,88,48)	51,37,00
Interest credited to various funds	261,60,01	139,38,43
Other expenses	-	-
Income from Investment	(1498,95,79)	(1346,02,32)
Profit / Loss on sale of Fixed Asset	(28,73)	12,58
Expenditure from various funds	-	(3283,28,78)
Operating profit before working capital changes	1611,71,96	(2055,99,56)
Adjustment for net change in:		
Current Assets	(1733,48,94)	2126,04,74
Current liabilities	1441,11,82	746,43,46
Increase/Decrease in Loans and Advances	(30432,38,08)	(25803,53,80)
Cash generated from operating activities	(29113,03,24)	(24987,05,16)
Payment towards Income tax	(1596,32,55)	(431,06,93)
Net cash flow from operating activities (A)	(30709,35,79)	(25418,12,09)
(b) Cash flow from Investing Activities		
Income from Investment	1497,05,24	1346,02,32
Purchase of Fixed Assets	(117,08,36)	(22,28,14)
Sale of Fixed Assets	5,84,89	5,00,82
Increase / Decrease in Investments	403,90,86	2,74,03
Net cash used in Investing activities (B)	1789,72,63	1331,49,03
(c) Cash flow from Financing Activities		
Proceeds of Bonds / Shares	9151,82,99	11821,71,62
Increase / Decrease in Borrowings	(1219,32,22)	(3174,99,77)
Increase / Decrease in Deposits	18602,87,85	12557,92,51
Grants / contributions received	882,25,38	1848,86,90
Dividend paid	999,30,27	999,30,27
Net cash raised from financing activities (C)	28416,94,27	24052,81,52
Net increase in cash and cash equivalent (A)+(B)+(C)	(502,68,89)	(33,81,54)
Cash and cash equivalent at the beginning of the period	1781,76,15	1815,57,69
Cash and cash equivalent at the end of the period	1279,07,26	1781,76,15

Cash and cash equivalent at the end of the period includes :	2012-13	2011-12
Cash in hand	63,20	4,04
Balance with Reserve Bank of India	611,40,66	1168,79,91
Balances with other Banks in India	134,12,30	381,97,13
Remittances in Transit	1,34,98	2,54
Collateralised Borrowing and Lending Obligations	531,56,12	230,92,53
Total	1279,07,26	1781,76,15

As per our attached report of even date
G M Kapadia & Co.
Chartered Accountants

Rajen Ashar
Partner
Mumbai
Date : 19 July, 2013

A K Panda
Chief General Manager
Accounts Department
Date : 19 July, 2013

Prakash Bakshi
Chairman

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Director

Deepak Sanan
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D. B. Gupta
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ABBREVIATIONS

ABFL	Agri Business Finance (AP) Ltd.
ACSTIs	Agricultural Co-operative Staff Training Institutes
ACABC	Agri-Clinics and Agri-Business Centre
ADFT	Agri Development Finance (Tamil Nadu) Ltd.
AFB	Adaptation Fund Board
ALM	Asset Liability Management
AML	Anti Money Laundering
ATM	Automated Teller Machine
BC	Business Correspondent
BDC	Business Development Correspondent
BGREI	Bringing Green Revolution to Eastern India
BNB	Bhavishya Nirman Bond
BoDs	Board of Directors
BOT	Built Operate and Transfer
BPL	Below Poverty Line
CA	Controlled Atmosphere
CACP	Commission on Agricultural Costs and Prices
CAD	Current Account Deficit
CAS	Common Accounting System
CAT	Capacity Building for Adoption of Technology
CBP	Capacity Building Phase
CBS	Core Banking Solution
CDR	Credit Deposit Ratio
CDF	Co-operative Development Fund
CFSA	Committee of Financial Sector Assessment
CFT	Combating the Financing of Terrorism
CGTMSE	Credit Guarantee Fund Trust for Micro and Small Enterprises
CISS	Capital Investment Subsidy Scheme
CGFC	Corporate Governance for Financial Co-operatives
CPIS	Coconut Palm Insurance Scheme
CIRHEP	Centre for Improved Rural Health and Environmental Protection
CSO	Central Statistical Organisation
CLMAS	Centralised Loan Management and Accounting System
CMA	Credit Monitoring Arrangement
C-PEC	Centre for Professional Excellence in Co-operatives
CPIO	Central Public Information Officer
CTIs	Co-operative Training Institutes
CSP	Customer Service Point
CRAR	Capital to Risk weighted Asset Ratio
CWE	Common Written Examination
DCCB	District Central Co-operative Bank
DDM	District Development Manager
DMI	Directorate of Marketing and Inspection
DLT	District Level Trainers
DTP	Development of Tribal Population
EBT	Electoronic Benefit Transfer
EPWRF	Economic and Political Weekly Research Foundation
FAO	Food and Agriculture Organisation
FAQs	Frequently Asked Questions
FDI	Foreign Direct Investment
FIPF	Farm Innovation Promotion Fund
FIF	Financial Inclusion Fund
FIP	Full Implementation Phase
FITF	Financial Inclusion Technology Fund
FLCC	Financial Literacy & Credit Counselling Centre
FLC	Financial Literacy Centre
FLD	Front Line Demonstration
FPO	Farmer Producer Organisation
FSO	Financial Services Officer
FSS	Farmers' Service Society
FTRDC	Farmers' Training and Rural Development Centre
FTTF	Farmers' Technology Transfer Fund
FWI	Farm Wage Index
GBY	Gramin Bhandaran Yojana
GCF	Gross Capital Formation
GDP	Gross Domestic Product
GIS	Geographic Information System
GoI	Government of India
GPRS	General Packet Radio Service
HRMS	Human Resource Management System
IBPS	Institute of Banking Personnel Selection
ICT	Information and Communication Technology
IDRBT	Institute for Development and Research in Banking Technology

IGWDP	Indo-German Watershed Development Programme
IIBF	Indian Institute of Banking & Finance
IIMPS	Invest India Micro Pension Services
IIN	Institution Identification Number
IL&FS	Infrastructure Leasing & Finance Corporation
IQF	Individually Quick Frozen
IRDA	Insurance Regulatory and Development Authority
IRV	Individual Rural Volunteer
ITI	Integrated Training Institute
IWDP	Integrated Watershed Development Programme
JLG	Joint Liability Group
JLTC	Junior Level Training Centre
JNNSM	Jawaharlal Nehru National Solar Mission
KCC	Kisan Credit Card
KV	Kilo Volt
KYC	Know Your Customer
LABS	Livelihood Advancement Business School
LAMPS	Large Size Adivasi Multi Purpose Societies
LTCCS	Long Term Co-operative Credit Structure
LWE	Left Wing Extremism
MACS	Mutually Aided Co-operative Societies
MEDP	Micro-Enterprise Development Programme
MFDEF	Micro-finance Development and Equity Fund
MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Programme
MIE	Multilateral Implementing Entity
MIS	Management Information System
MNAIS	Modified National Agricultural Insurance Scheme
MPCE	Monthly Per Capita Consumer Expenditure
MPLS	Multi Port Leased Switching
MoFPI	Ministry of Food Processing Industries
MoU	Memorandum of Understanding
MoT	Ministry of Textiles
MSC	Multi Service Centre
MSP	Minimum Support Price
NABCONS	NABARD Consultancy Services Limited
NABFINS	NABARD Financial Services Limited
NAF	National Agro Foundation
NAIS	National Agri Insurance Scheme
NASSCOM	National Association of Software and Services Companies
NBS	Nutrient Based Subsidy
NCMSL	National Collateral Management Services Ltd
NEFT	National Electronic Fund Transfer
NER	North Eastern Region
NFS	Non Farm Sector
NIC	National Informatics Centre
NIDA	NABARD Infrastructure Development Assistance
NIE	National Implementing Entity
NLUP	New Land Use Policy
NPA	Non Performing Assets
NPDP	National Pulses Development Programme
NRRDA	National Rural Roads Development Agency
NPRI	National Programme on Rural Industrialisation
NSSO	National Sample Survey Organisation
NWR	Negotiable Warehouse Receipts
ODI	Organisational Development Initiatives
OPP	Oilseeds Production Programme
OSS	Off-site Surveillance System
PACS	Primary Agricultural Credit Societies
PDC	PACS Development Cell
PLPs	Potential Linked Credit Plans
PMA	Project Management Advisor
PMC	Project Management Consultant
PMEGP	Prime Minister's Employment Guarantee Programme
PO	Producers' Organisation
PODF	Producer Organisation Development Fund
PoS	Point of Sale
PPP	Public-Private Partnership
PSB	Public Sector Bank
PSC	Project Sanctioning Committee
PUCB	Primary Urban Co-operative Bank
R&D	Research and Development
RASS	Rashtriya Seva Samithi
RCS	Registrar of Co-operative Societies
REDP	Rural Entrepreneurship Development Programme
REV	Real or Exchangeable Value
RFI	Rural Financial Institution
RFIP	Rural Financial Institution Programme

RGCT	Rajiv Gandhi Charitable Trust
RGMVP	Rajiv Gandhi Mahila Vikas Pariyojana
RIDF	Rural Infrastructure Development Fund
RIE	Regional Implementing Entity
RIF	Rural Innovation Fund
RIPF	Rural Infrastructure Promotion Fund
RLP	Realistic Lending Programme
RRB	Regional Rural Bank
RSETI	Rural Self Employment Training Institute
RSVY	Rashtriya Sam Vikas Yojana
RTGS	Real Time Gross Settlement
RTI	Right to Information
RUDSETI	Rural Development and Self Employment Training Institute
SCARDB	State Co-operative Agriculture and Rural Development Bank
SCC	Swarojgar Credit Card
StCB	State Co-operative Bank
SDC	Swiss Agency for Development and Co-operation
SDP	Skill Development Programme
SFP	State Focus Paper
SGSY	Swarnajayanti Gram Swarozgar Yojana
SHPI	Self Help Promoting Institution
SIDBI	Small Industries Development Bank of India
SLT	State Level Trainer
SOFTCOB	Scheme of Financial assistance for Training of Co-operative Banks Personnel
SPIN	Self Help Promoting Institutions Network
SRI	System of Rice Intensification
SSA	Sarva Shiksha Abhiyan
STCCS	Short Term Co-operative Credit Structure
ST-SAO	Short Term Seasonal Agricultural Operations
TALMS	Treasury and Asset Liability Management Solution
TC	Technical Component
TDF	Tribal Development Fund
TMT	Top Management Team
TSP	Technical Service Provider
UNFCCC	United Nations Framework Convention on Climate Change
UPNRM	Umbrella Programme on Natural Resource Management
USQ	Un Starred Questions
VC	Video Conferencing
VDP	Village Development Programme
VWC	Village Watershed Committee
WAN	Wide Area Network
WBCIS	Whether Based Crop Insurance Scheme
WDF	Watershed Development Fund
WDRA	Warehousing Development and Regulatory Authority
WMS	Works Monitoring Software
WOTR	Watershed Organisation Trust
WSHG	Women Self Help Group

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