NABARD

# Annual Report

2014–15

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# Letter of Transmittal

NABARD

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

CHAIRMAN

Ref.No.NB.Secy./350 /AR-1/2015-16

22 June 2015

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 2015 alongwith a copy of the Auditors' Report and

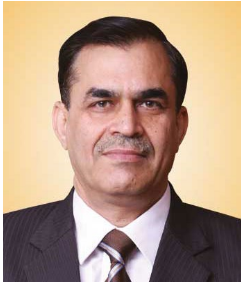
ii. Two copies of the Annual Report of the Board of Directors on the working of National Bank during the year ended 31st March 2015.

Yours faithfully

**Harsh Kumar Bhanwala**

# Board of Directors

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



Dr H. K. Bhanwala
Chairman

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

Shri H. R. Khan

Prof. Dipankar Gupta

Dr Nachiket Mor

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

Smt. Snehlata Shrivastava

Shri Siraj Hussain

Shri Jugal Kishore Mohapatra

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

Smt. Upma Chawdhry

Shri P. Kharkongor

Dr Sudhir Kumar Goel

Smt. Latha Krishna Rao

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

Shri H. R. Dave

Shri R. Amalorpavanathan

## From the Chairman's Desk

NABARD is traversing the most dynamic and challenging phase of rural India's growth paradigm. One of the biggest challenges experienced by the Indian economy is enhancing viability of agriculture. In this context, capital formation "in" and "for" agriculture are of critical importance for the sustainability of agricultural growth, and accordingly, NABARD flagged capital formation in rural economy as the thrust area for the year.

NABARD's refinance disbursement under investment credit touched ₹31,427 crore during 2014–15, marking a growth of 46.3 per cent over the previous year, facilitating acceleration of capital formation in the rural economy. A new product was introduced during the year to provide medium term refinance for 18 months to 3 years. These initiatives of NABARD have been instrumental in enabling banks to record a 47.5 per cent growth in agriculture term loan disbursement during the year, reversing a declining trend in the growth rate.

Rural Infrastructure Development Fund (RIDF) continued to be an important project financing option for the state governments for creation of rural infrastructure. The year witnessed a sanction of various projects with loan of ₹28,637 crore under RIDF Tranche XX with disbursements of ₹19,642 crore during the year, which is an all-time high. Projects with loan aggregating ₹6,001 crore were sanctioned under Warehouse Infrastructure Fund (WIF) during the year. With majority of projects under RIDF, WIF and NABARD Infrastructure Development Assistance (NIDA) being under agriculture, rural connectivity, storage and power sectors, NABARD could strongly demonstrate its commitment towards enhancing public investment "for" agriculture.

With 85 per cent of the famers in the small and marginal holding categories, a major intervention aimed at facilitating aggregation of inputs supplies and output marketing, besides village level value addition, was the need of the hour. Accordingly, the Government of India created the Producers Organization Development and Upliftment Corpus (PRODUCE) Fund with a corpus of ₹200 crore in NABARD for the promotion of 2000 farmer producer organizations. NABARD took up the task during the year in right earnest and necessary systems were put in place.

Realizing the importance of challenges to agriculture growth due to climatic change, NABARD as a National Implementing Entity (NIE) took up new initiatives to facilitate ecologically sustainable development. The Adaptation Fund Board (AFB) of the United Nations Framework Convention for Climate Change (UNFCCC) sanctioned proposals submitted by NABARD with a financial assistance of US$ 3.2 million during the year.

NABARD, by according high priority to the agenda of financial inclusion, has directed its efforts in bringing in new initiatives in the form of technology adoption by cooperative banks and RRBs during the year. Cooperative banks have achieved on-boarding onto the payment system and have started issuing RuPay Kisan cards. Further, in line with the vision of Government of India for a Digital India, NABARD launched a pilot project for digitization of Self Help Groups (SHGs) during the year.

Thus, the year 2014–15 has seen NABARD attain greater heights in all its endeavours. Going by numbers, NABARD's balance sheet stood at ₹2,85,809 crore as on 31 March 2015, registering a growth of 12.3 per cent over the previous year, scaling higher levels of productivity and ability to generate surpluses for developmental purposes.

It is in the fitness of things that this Annual Report focuses on two major themes, viz. 'Indian Agriculture Today: Impressive Past and Challenging Future' and 'Agri-commodity Value Chains: Opportunities for Small Farmers', which identify emerging issues, challenges and policy prescriptions for promoting sustainable growth in the agriculture sector.

While we can look back with satisfaction at the achievements during the year, we can expect bigger challenges in the year ahead. I am confident that NABARD, with its dedicated professionals, and in collaboration with its stakeholders, would rise to the occasion to tackle the challenges with alacrity, vigour and ingenuity. NABARD is committed to play a greater role in the successful implementation of existing and new policy initiatives of the Government of India and the Reserve Bank of India, leading to the achievement of sustainable agriculture and rural prosperity in India over the coming years.

Harsh Kumar Bhanwala

# Contents

## Annual Accounts 2014–15



## Consolidated Balance Sheet, Profit and Loss Account & Cash Flow of NABARD and Subsidiaries (NABCONS, NABKISAN, ABFL and NABFINS)



## Tables

## Exhibits

## Sidebars



## Basebars



## Showcases

# NABARD at a Glance

(₹ crore)

| Sources of Fund | 2015 | 2014 | Net Accretion |
|---|---|---|---|
| Capital | 5,000 | 4,700 | 300 |
| Reserves & Surplus | 19,601 | 17,156 | 2,445 |
| NRC (LTO) Fund | 14,485 | 14,483 | 2 |
| | | | |
| NRC (Stabilisation) Fund | 1,585 | 1,583 | 2 |
| | | | |
| Deposits | 301 | 333 | –32 |
| | | | |
| Bonds and Debentures | 34,007 | 36,215 | –2208 |
| | | | |
| Borrowings from GoI | 20 | 40 | –20 |
| | | | |
| Borrowings JNN Solar Mission | 36 | 36 | 0 |
| | | | |
| Foreign Currency Loan | 727 | 715 | 12 |
| | | | |
| Commercial Paper | 2,898 | 0 | 2,898 |
| | | | |
| CBLO | 5,281 | 0 | 5,281 |
| Term Money Borrowings | 515 | 228 | 287 |
| | | | |
| RIDF Deposits | 89,603 | 83,863 | 5740 |
| | | | |
| STCRC Fund | 60,000 | 50,000 | 10,000 |
| | | | |
| ST RRB Credit Refinance Fund | 30,000 | 30,000 | 0 |
| | | | |
| Warehouse Infrastructure Fund | 1,550 | 1,250 | 300 |
| | | | |
| Long Term Rural Credit Fund | 5,000 | 0 | 5,000 |
| | | | |
| Other Liabilities | 9,490 | 9,073 | 417 |
| Other Funds | 5,710 | 4,899 | 811 |
| **Total** | **2,85,809** | **2,54,574** | **31,235** |

| Uses of Funds | 2015 | 2014 | Net Utilization |
|---|---|---|---|
| Cash and Bank Balances | 12,961 | 13,411 | –450 |
| Collateralized Borrowing and Lending Obligation | 165 | 211 | –46 |
| | | | |
| **Investments in** | | | |
| a) GOI Securities | 3,099 | 3,007 | 92 |
| b) ADFC Equity | 131 | 105 | 26 |
| c) AFC Equity | 1 | 1 | 0 |
| d) SIDBI Equity | 48 | 48 | 0 |
| e) AICI Ltd. | 60 | 60 | 0 |
| f) NCDEX Ltd, UCX & MCX Ltd. | 34 | 34 | 0 |
| g) Nabcons | 5 | 5 | 0 |
| h) Biotech Venture Fund | 96 | 60 | 36 |
| i) Treasury Bills | 5,346 | 2,754 | 2,592 |
| j) Commercial Paper | 975 | 464 | 511 |
| k) Non Convertible Bonds | 150 | 235 | –85 |
| l) Equity Shares of Other Institution | 62 | 51 | 11 |
| m) Debentures in Nature of Advance | 6,469 | 8,239 | –1,770 |
| n) Certificate of Deposits | 4,161 | 7,345 | –3,184 |
| o) Mutual funds | 600 | 901 | –301 |
| | | | |
| **Loans and Advances** | | | |
| a) Production & Marketing Credit | 88,711 | 79,806 | 8,905 |
| b) Conversion of Production Credit into MT Loans | 0 | 0 | 0 |
| c) MT & LT Project Loans | 61,917 | 46,685 | 15,232 |
| d) Loans under Warehouse Infrastructure Fund | 1,154 | 415 | 739 |
| e) LT Non Project Loans | 59 | 83 | -24 |
| f) Other Loans | 10,505 | 6,927 | 3,578 |
| g) RIDF Loans | 83,545 | 78,957 | 4,588 |
| h) Co-finance (Net of Provision) | 10 | 23 | –13 |
| Fixed Assets | 325 | 325 | 0 |
| Other Assets | 5,220 | 4,422 | 798 |
| | | | |
| | | | |
| **Total** | **2,85,809** | **2,54,574** | **31,235** |

# Key Data References

## Part A: Indian Economy and Rural Credit

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

| Sector | 2012–13 (2nd RE) | 2013–14 (1st RE) | 2014–15 (PE) |
|---|---|---|---|
| GVA at basic price (at 2011-12 prices) | 4.9 | 6.6 | 7.2 |
| I. Agriculture | 1.2 | 3.7 | 0.2 |
| II. Industry | 2.4 | 4.5 | 5.6 |
| III. Services | 8.0 | 9.1 | 9.8 |
| Overall GDP growth | 5.1 | 6.9 | 7.3 |

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

| Sector | 2012–13 | 2013–14 | 2014–15 |
|---|---|---|---|
| I. Agriculture | 18.70 | 18.60 | 17.60 |
| II. Industry | 31.70 | 30.50 | 29.70 |
| III. Services | 49.60 | 50.90 | 52.70 |
| Share of agriculture and allied sectors in total GCF | 7.70 | 7.90 | |
| GCF in agriculture and allied sectors as per cent to GDP of the sector | 15.50 | 14.80 | |
| Production of foodgrains (million tonnes) | 257.13 | 265.04 | 251.12 |

RE: Revised Estimates, PE: Provisional Estimates
Sources: (1) Central Statistics Office, Government of India, (2) *Economic Survey 2014–15*, Ministry of Finance, Government of India

**DETAILS OF LANDHOLDINGS - SNAPSHOT**

| | |
|---|---|
| Total number of operational holdings in India (Nos. in million) | 138.35 |
| Average land holding size (ha) | 1.16 |
| Gross Cropped Area (million hectare) (2011–12) | 195.25 |
| Net Sown Area (million hectare) (2011–12) | 140.80 |

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

**AGENCY-WISE GROUND-LEVEL CREDIT FLOW**

(₹ crore)

| Agency | 2012–13 | 2013–14 | 2014–15 (provisional) |
|---|---|---|---|
| Coop. | 1,11,203.30 | 1,19,963.79 | 1,38,469.51 |
| RRBs | 63,681.39 | 82,652.72 | 1,02,482.91 |
| CBs | 4,32,490.93 | 5,09,004.96 | 5,99,690.77 |
| Total | 6,07,375.62 | 7,11,621.47 | 8,40,643.19 |

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

(₹ crore)

| Agency | 2012–13 | 2013–14 | 2014–15 |
|---|---|---|---|
| Cooperative banks | 11,174 (26,90,547) | 10,825.24 (26,88,762) | 7,321.87 (17,32,489) |
| RRBs | 12,836 (20,48,168) | 20,688.55 (21,34,585) | 24,248.18 (24,96,346) |
| Cumulative as on 31 March since inception (Cooperatives+RRB) | 1,19,090 (4,53,08,418) | 1,55,451.22 (4,89,16,395) | 1,73,080.65 (5,10,75,499) |

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

# Key Data References
## Part B: NABARD

| | Particulars | 2013–14 | 2014–15 | |
|---|---|---|---|---|
| | | Amount (₹ crore) | Number (agency)$ | Amount (₹ crore) |
| **I** | **Financial Support by NABARD** | | | |
| | **(i) Refinance- ST Credit (Maximum outstanding)** | **80,859.00** | | **90,150.85** |
| | a. ST (SAO) StCB | 53,902.98 | 23 | 59,787.62 |
| | b. ST(SAO) RRB | 25,964.88 | 56 | 30,003.31 |
| | c. ST(SAO) PSBs for PACS | 134.54 | 2 | 213.03 |
| | d. Weavers StCBs | 142.9 | 3 | 145.39 |
| | e. ST(OSAO)- StCB | 85.96 | 0 | 0.00 |
| | f. ST(OSAO)-RRB | 628.05 | 2 | 1.50 |
| | **(ii) Refinance- Investment Credit** | **21,486.17** | | **31,427.30** |
| | a. Agriculture and allied activities | 9,441.05 | | 15,812.52 |
| | b. NFS | 8,231.98 | | 11,121.11 |
| | c. SHG | 3,813.14 | | 4,493.67 |
| | **(iii) Disbursements (Amount in ₹crore)** | **2013–14** | **2014–15** | **Cumulative disbursement as on 31 March 2015** |
| | Rural Infrastructure Development Fund | 17,354.07 | 19,665.74 | 1,66,489.42 |
| | Warehouse Infrastructure Fund | 415.65 | 737.86 | 1,153.50 |
| | NABARD Infrastructure Development Assistance | 575.00 | 610.41 | 2,467.98 |
| | Direct refinance assistance to cooperative banks | 3,429.84 | 4,893.16 | 11,624.00 |
| | Credit Facility to Federations | 2,710.00 | 5,155.00 | 10,405.00 |
| | Producer Organizations including PACS as MSC (loan+grant) | 197.65 | 207.04 | |
| | R&D Fund (grant) | 15.59 | 20.22 | |
| | Tribal Development Fund (loan+grant) | 232.22 | 199.31 | |
| | | | | |
| **II** | **Development Initiatives** | **2012–13** | **2013–14** | **2014–15** |
| | Watersheds (number) | 29 | 40 | 38 |
| | TDF projects (number) | 69 | 68 | 52 |
| | Farmers' Clubs (number) | 24,802 | 16,279 | 4,165 |

$: Agency refers to StCB, RRB, etc. as mentioned in first column

*Source:* NABARD

# Principal Officers

## Chief General Managers

Shri M. V. Ashok

Dr. Rajender Singh
(Rajasthan)

Shri S. N. A. Jinnah

Shri K. Jindal
(NABCONS, New Delhi)

Shri K. Sayeed Ali

Shri M. K. Mudgal
(Gujarat)

Dr S. Saravanavel

Shri K. Ramachandran Nair

Shri Naresh Gupta
(Punjab and Haryana)

Shri S. K. Bansal

Dr R. N. Kulkarni
(Madhya Pradesh)

Shri A. P. Sandilya
(Assam)

Shri D. V. Deshpande
(BIRD, Lucknow)

Shri S. Selvaraj

Shri K. Venkateswara Rao
(Tamil Nadu)

Shri M. I. Ganagi

Shri R. M. Kummur

Shri G. R. Chintala
(Karnataka)

Shri Subrata Gupta

Shri Jiji Mammen
(Andhra Pradesh and Telengana)

Shri S. Padmanabhan

Shri V. Maruti Ram
(NABFINS)

Shri A. K. Sahoo
(Chhattisgarh)

Shri A. K. Panda

Shri P. V. S. Surya Kumar

Shri B. S. Suran

Shri S. K. Kale
(Odisha)

Smt. Padma Raghunathan

Shri B. G. Mukhopadhyay

Shri K. C. Panda
(Jharkhand)


Shri Ramesh Tenkil
(Kerala)

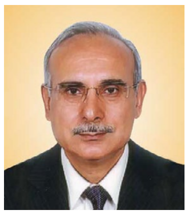

Shri Ranjit Kumar Das
(Bihar)


Shri K. R. Rao


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


Shri K. P. Chand
(Himachal Pradesh)


Shri Shankar A. Pande
(Jammu)


Shri Harish Java


Shri C. P. Mohan
(Uttarakhand)


Shri U. S. Saha
(Maharashtra)


Shri V. V. V. Satyanarayana


Smt. Sarita Arora


Shri P. K. Misra


Dr P. Radhakrishnan


Shri Munish


Shri P. M. Ghole


Shri Subrata Mandal

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


Shri P.C. Chaudhri
(New Delhi)


Shri R. Venkataswamy
(BIRD, Mangalore)


Shri R. P. Bhargava
(Sikkim)


Shri V. Chelladurai
(Nagaland)


Shri G. Tarai
(Andaman & Nicobar Islands)


Shri M. Soren
(Manipur)


Shri B. B. Sethi
(Goa)


Shri R. K. Deb Barman
(Tripura)


Shri Himanshu S. Singh
(Arunachal Pradesh)


Shri F. R. Marak
(Mizoram)


Shri K. L. Prabhakar
(Meghalaya)


Shri D. K. Kapila
(Srinagar Cell)

NABARD

# Annual Report
# 2014–15

1

# The Year in Retrospect... and the Way Forward

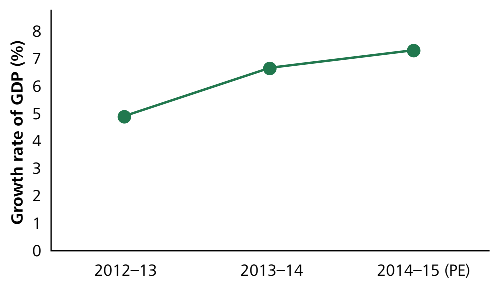
## 1.1 BACKGROUND

The year 2014–15 ushered in dynamism and a sense of optimism for the Indian economy, setting the tone for positioning India as an economic superpower in the years to come. Macroeconomic fundamentals have recovered dramatically from the sluggishness and despondency of the last few years. India has emerged as one of the few large economies with a favourable economic outlook, amidst the widespread gloom and uncertainties suffered by a number of developed and emerging economies. This positive outlook emanates from a successful turnaround from economic stagnation, persistent inflation, high fiscal deficit, weak domestic demand, high current account deficit, and the fluctuating value of the rupee in 2011–12 and 2012–13.

The Central Statistical Office (CSO) recently revised the methodology for calculating the real Gross Domestic Product (GDP) from GDP at factor cost to GDP at constant market price, in alignment with international practice. The base year, too, was changed from 2004–05 to 2011–12, to base the calculations on a more contemporary basket of goods and services. The revised estimates of national income indicate a positive and significant shift in the growth trajectory in 2013–14, which gained further momentum in 2014–15 (Exhibit 1.1). India's basic economic indicators are furnished in Tables 1.1(a) and 1.1(b).

The Economic Survey (Government of India, 2015), states optimistically that 'India has reached a sweet spot from where it can move towards a double digit medium-term growth trajectory'. Accordingly, the Survey targets a GDP growth rate of between 8.1 and 8.5 per cent during 2015–16, to be supported by lower fiscal deficit and reduced inflation levels, along with favourable factors like a sharp decline in oil prices, significant inflow of foreign funds, commitment to fiscal consolidation, the potential impact of the reform initiatives of the Government of India (GoI), improved growth prospects and the overall macroeconomic situation.

**Exhibit 1.1:**
**Growth trend of GDP (%)**




PE - Provisional Estimate
*Source:* Based on data accessed from 1) Government of India, 2015; 2) Press Note dated 29 May 2015, Ministry of Statistics and Programme Implementation, Government of India

On the domestic front, the spillovers of slow agricultural growth and the challenges in meeting the massive demand for skill creation and infrastructural upgradation could be generating headwinds that threaten India's growth prospects. Nevertheless, the high growth rate of 7.3 per cent from the provisional estimates for 2014–15 suggests that though the global sluggishness has partly fed the lacklustre growth in foreign trade, this downward pressure has been compensated for by strong domestic demand, sustaining the momentum of growth.

The estimates at the disaggregated level indicate that the growth of gross value added (GVA) in the agriculture and allied

**TABLE 1.1 (A): ECONOMIC INDICATORS—GROWTH RATE (%) AT BASIC PRICE AT CONSTANT (2011–12) PRICES**

| *Sector* | *2012–13 (2nd RE)* | *2013–14 (1st RE)* | *2014–15 (PE)* |
|---|---|---|---|
| I. Agriculture | 1.2 | 3.7 | 0.2 |
| II. Industry | 2.4 | 4.5 | 5.6 |
| Mining & quarrying | –0.2 | 5.4 | 2.4 |
| Manufacturing | 6.2 | 5.3 | 7.1 |
| Electricity, gas and water supply | 4 | 4.8 | 7.9 |
| Construction | –4.3 | 2.5 | 4.8 |
| III. Services | 8 | 9.1 | 9.8 |
| GVA at basic price | 4.9 | 6.6 | 7.2 |
| GDP growth | 5.1 | 6.9 | 7.3 |
| Private consumption | 5.5 | 6.2 | 7.1 |
| Public consumption | 1.7 | 8.2 | 10.0 |
| GFCF | –0.3 | 3 | 4.1 |
| Exports | 6.7 | 7.3 | 0.9 |
| Imports | 6 | –8.4 | -0.5 |

GFCF: Gross fixed capital formation
GVA: Gross value added
PE: Provisional estimates
RE: Revised estimates

*Source:* Central Statistics Office, Government of India

**TABLE 1.1 (B): ECONOMIC INDICATORS (% OF GDP AT CONSTANT 2011–12 PRICES)**

| | *2012–13* | *2013–14* | *2014–15* |
|---|---|---|---|
| Fiscal deficit | 4.9 | 4.5 (P) | 4.1 (BE) |
| Private consumption | 57.9 (2nd RE) | 57.5 (1st RE) | 57.0 (PE) |
| Public consumption | 10.8 (2nd RE) | 10.9 (1st RE) | 10.9 (PE) |
| Gross domestic savings# | 31.8 | 30.6 | – |
| Gross financial savings | 10.3 | 11.3 | – |
| Savings in physical assets | 12.9 | 10.7 | – |
| Gross fixed capital formation | 31.9 (2nd RE) | 30.7 (1st RE) | 30.0 (PE) |
| Exports | 24.6 (2nd RE) | 24.7 (1st RE) | 23.2 (AE) |
| Imports | 31.0 (2nd RE) | 26.6 (1st RE) | 24.6 (AE) |
| CPI-IW inflation (year on year %) | 9.3 (2012) | 10.9 (2013) | 6.4 (2014) |

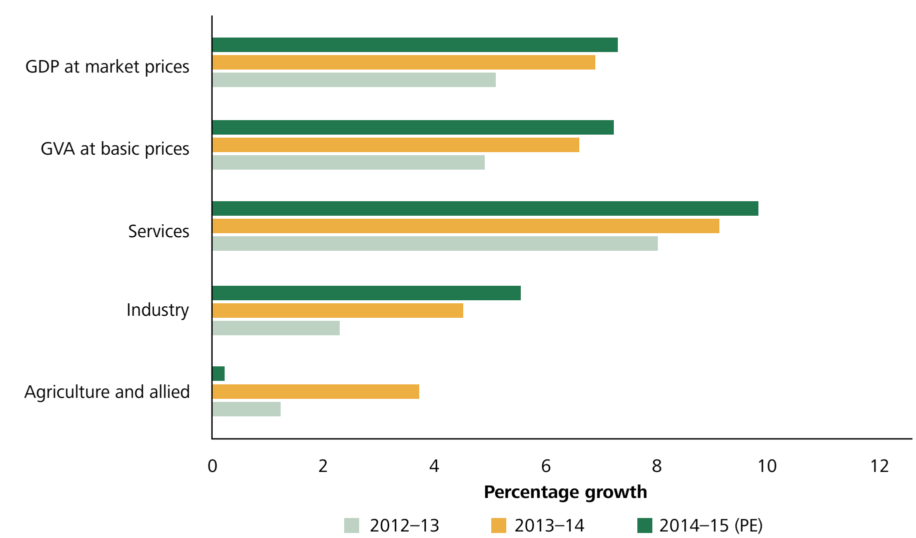
# As percentage of GDP at current market prices (2011–12 series)
P: Provisional actuals
BE: Budget estimates
AE: Advance estimates
RE: Revised estimates
PE: Provisional estimates

*Source:* Central Statistics Office, Government of India

sectors declined sharply during 2014–15 (Exhibit 1.2), while the growth rates of industry and services rose steadily. The GDP at market prices and GVA at basic prices also showed a steady increase.

The base revision shows a higher contribution of the agriculture sector to overall GVA at factor cost than in the earlier (2004–05) series. As per the 2011–12 series, the share of agriculture in overall GVA has declined from 18.9 per cent (2011–12) to 17.6 per cent in 2014–15 (Exhibits 1.3 (a) and (b)). While the share of industry, too, declined from 32.9 per cent (2011–12) to 29.7 per cent (2014–15), that of the services sector increased from 48.2 per cent (2011–12) to 52.7 per cent (2014–15).

**Exhibit 1.2:**
**Sector-wise growth in GVA at constant (2011–12) basic prices and GDP at market prices**




PE - Provisional Estimate
*Source:* Based on data accessed from 1) Government of India, 2015;
2) Press Note dated 29 May 2015, Ministry of Statistics and Programme Implementation, Government of India

**Exhibit 1.3 (a):**
**Sectoral share (%) in GVA at factor cost at current prices (2011–12 series) 2011–12**

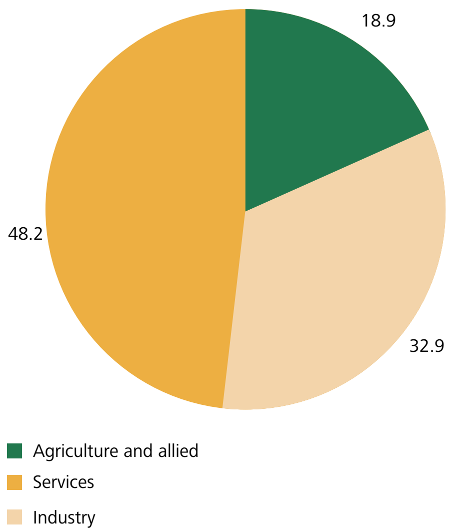
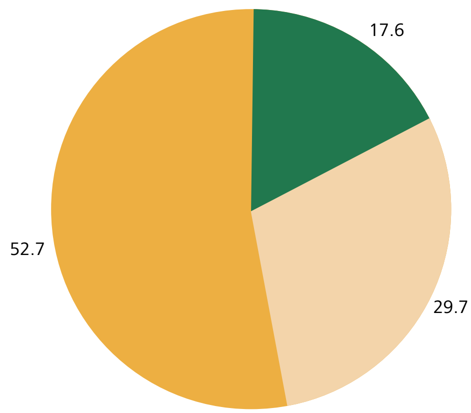



**Exhibit 1.3 (b):**
**Sectoral share (%) in GVA at factor cost at current prices (2011–12 series) 2014–15**




*Source:* Based on data accessed from Government of India, 2015

## 1.2 THE GLOBAL VIEWPOINT

The International Monetary Fund (IMF) and the World Bank have raised India's growth projections due to the latter's ability to maintain greater macroeconomic stability, the reforms agenda of the Central government, and the emergence of positive business sentiments. Therefore, the IMF expected India's growth to pick up to 7.2 per cent during 2014 and accelerate further to 7.5 per cent in 2015 as well as in 2016, making India the fastest growing large economy in the world (IMF, 2015) (Table 1.2). The World Bank (World Bank, 2015) expects India to grow at 7 per cent during both 2016 and 2017, compared to 7 and 6.9 per cent, respectively, projected for China. Further, the Asian Development Bank (ADB, 2015) has estimated that India's GDP will grow at a rate of 7.4 per cent in 2014, 7.8 per cent in 2015, and 8.2 per cent in 2016, making India the fastest growing economy in Asia (Exhibit 1.4).

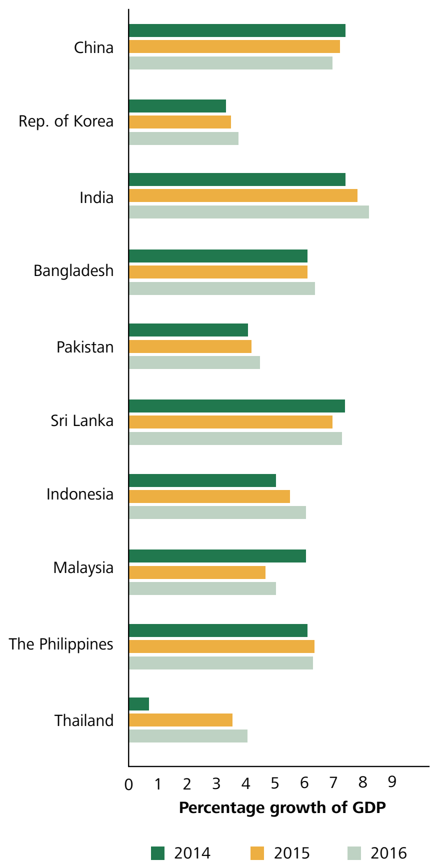
Even though the US and UK have exceeded financial crisis output levels, many of the developed countries, including those in the Euro area, continue to suffer from uneven growth. Commodity prices are expected to remain low and trade growth weak, partly as a result of the modest growth outlook. Due to a decline in inflation expectations, monetary policy tightening is likely to be delayed in some high-income countries, and, even once it begins, policy rates are expected to remain low for an extended period. China, while still growing at a robust pace, continues on a path of gradual deceleration. Thus, India's promising growth prospects could be hampered by factors like inadequate support from the global economy saddled with subdued demand conditions, particularly in Europe and Japan, and the slowdown in China.

TABLE: 1.2: GLOBAL ECONOMIC GROWTH PROJECTIONS (% CHANGE)

| | 2014 | 2015 | 2016 |
|---|---|---|---|
| World | 3.4 | 3.5 | 3.8 |
| United States | 2.4 | 3.1 | 3.1 |
| Euro area | 0.9 | 1.5 | 1.6 |
| Germany | 1.6 | 1.6 | 1.7 |
| Japan | -0.1 | 1.0 | 1.2 |
| United Kingdom | 2.6 | 2.7 | 2.3 |
| Russia | 0.6 | -3.8 | -1.1 |
| China | 7.4 | 6.8 | 6.3 |
| Brazil | 0.1 | -1.0 | 1.0 |
| India | 7.2 | 7.5 | 7.5 |
| South Africa | 1.5 | 2.0 | 2.1 |

*Source:* IMF, 2015

**Exhibit 1.4:**
**Growth rate of GDP (%) of major Asian economies**




*Source:* ADB, 2015

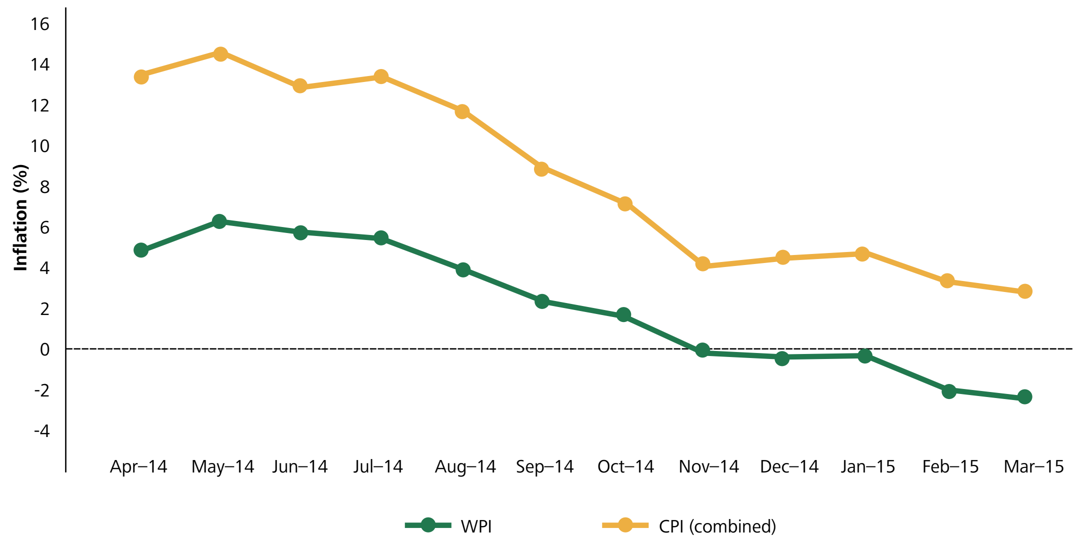
## 1.3 INDIA'S MACROECONOMIC CHALLENGES

### 1.3.1 Inflation and monetary policy

Inflation witnessed a declining trend after a long time in 2014–15. Against an average of 6 per cent during 2013–14, the average wholesale price index (WPI) inflation declined to 3.4 per cent (April–December), turning negative in November 2014, and stood at –2.33 per cent (provisional) for March 2015, compared to –2.06 per cent (provisional) for February 2015 and 6.0 per cent for March 2014.

WPI food inflation (weight: 24.3 per cent), moderated to 4.8 per cent during April–December 2014, as against 9.4 per cent during 2013–14, following sharp correction in the prices of vegetables since December 2013 (except March 2014) and moderation in the prices of cereals, eggs, meat and fish. Inflation in manufactured products has remained within a narrow range since 2013–14. As fuel has larger weight in the WPI, the decline in fuel prices, due to a sharp decline in international crude oil prices, led to a sharper fall in the WPI as compared to the consumer price index (CPI) (base year 2010=100). The overall trends in WPI and CPI inflation are furnished in Exhibit 1.5.

**Exhibit 1.5:**
**Inflation (%) in WPI and CPI**

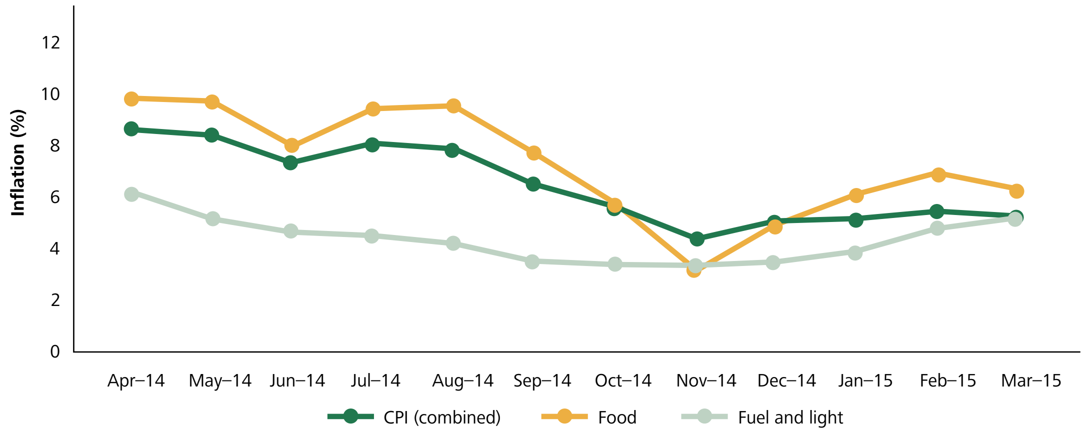



*Source:* (1) Office of the Economic Adviser, Ministry of Commerce and Industry, Government of India
(2) Central Statistics Office, Ministry of Statistics and Programme Implementation, Government of India

The CPI (combined) has moderated from a stubborn 9–10 per cent over the last two years, to 5.1 per cent in January 2015, followed by a marginal increase to 5.4 per cent in February 2015 and a decline to 5.2 per cent in March 2015 (Exhibits 1.6 (a)–(d)). The CPI is, therefore, lower than the targets of the Reserve Bank of India (RBI) (RBI, 2014a) of 8 per cent for January 2015 and 6 per cent for January 2016.

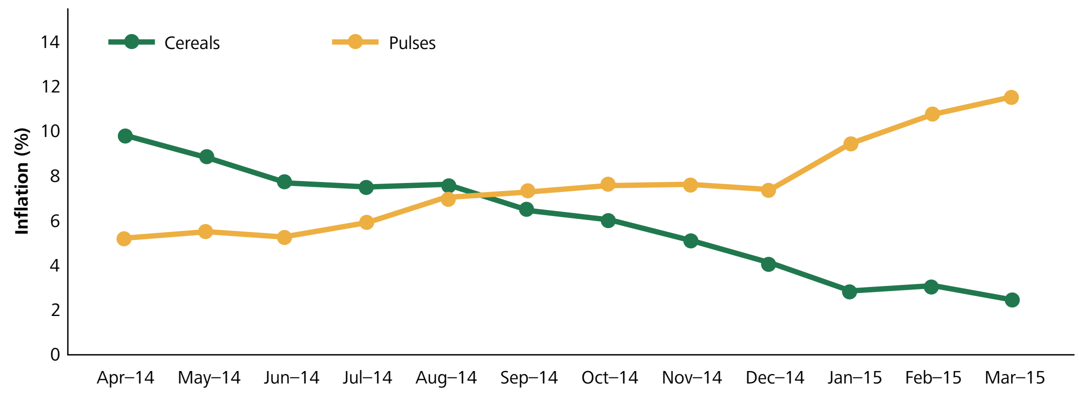
During 2014–15, particularly in the third quarter, CPI food inflation declined sharply as compared to the previous year, partly on account of the base effect, but also due to

**Exhibit 1.6 (a):**
**CPI inflation (%)—combined, food, fuel and light (2014–15)**



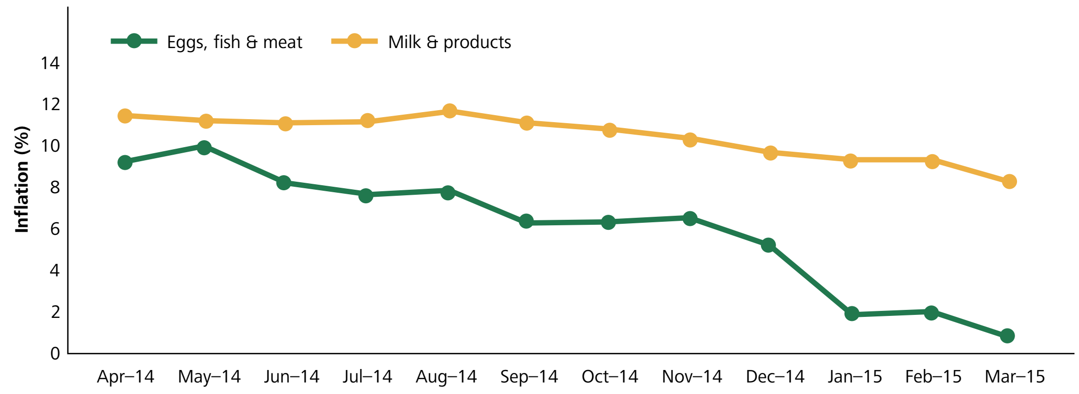

*Source:* Based on data accessed from Central Statistics Office, Ministry of Statistics and Programme Implementation, Government of India

**Exhibit 1.6 (b):**
**CPI inflation (%)—cereals and pulses (2014–15)**



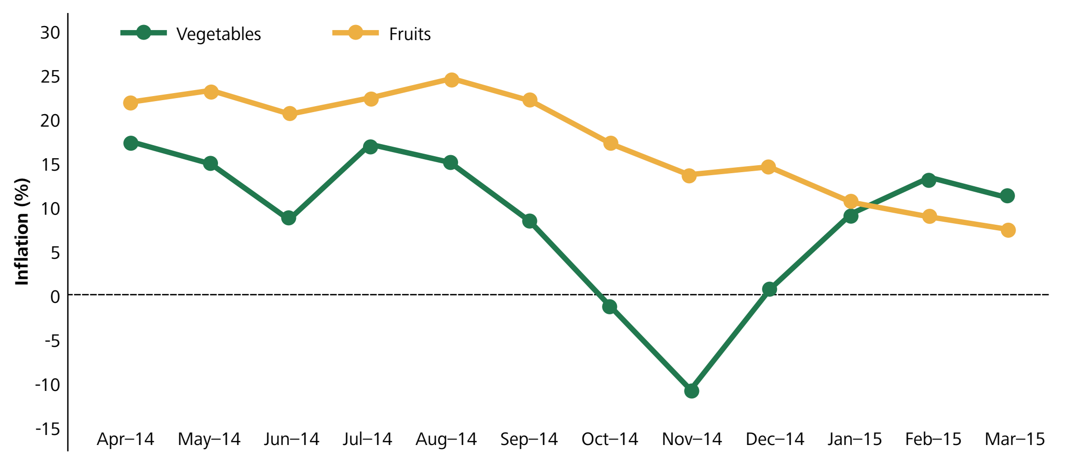

*Source:* Based on data accessed from Central Statistics Office, Ministry of Statistics and Programme Implementation, Government of India

**Exhibit 1.6 (c):**
**CPI inflation—protein items (2014–15)**




*Source:* Based on data accessed from Central Statistics Office, Ministry of Statistics and Programme Implementation, Government of India

**Exhibit 1.6 (d):**
**CPI inflation—vegetables and fruits (2014–15)**




*Source:* Based on data accessed from Central Statistics Office, Ministry of Statistics and Programme Implementation, Government of India seasonal softening of fruit and vegetable prices. Despite some pressure on vegetable prices during June–August 2014, due to the late arrival of the monsoon, the subsequent fall in prices helped significantly in the moderation of overall CPI inflation. There was a consistent decline in CPI inflation in the fuel and light group during 2014–15, as it touched 3.4 per cent in the third quarter in the wake of the sharp decline in international crude oil prices. Core inflation (non-food non-fuel) declined to 5.7 per cent in the third quarter of 2014–15, as against 8.1 per cent in the corresponding quarter of the previous year, largely on account of the slackening of economic activity.

The RBI has decided to anchor its monetary policy stance to headline CPI (combined) inflation from April 2014. Going forward, the RBI will seek to bring the inflation rate to 4 per cent by the end of a two-year period starting from the fiscal year 2016–17 (Rajan, 2015).

Swift, decisive steps by the GoI helped control inflation, particularly food inflation. A series of measures was taken to improve the availability of foodgrains and de-clog the distribution channel (Sidebar 1.1). However, to sustain the low level of food inflation, further radical measures encompassing the public distribution system (PDS) and National Food Security Act (NFSA) are needed. These should aim at revamping the agriculture sector, viz., strengthening production, storage, marketing and the distribution system.

### SIDEBAR 1.1
### Major steps taken by Government of India to control food inflation

- Allocation of an additional 5 million tonnes (MT) of rice to below and above poverty line families in the states, pending implementation of the National Food Security Act, 2013 (NFSA), and allocation of 10 MT of wheat under open market sales for the domestic market in 2014–15
- Moderation in increases in the minimum selling prices during the previous and current seasons
- Advisory to the states to allow free movement of fruits and vegetables by delisting them from the Agricultural Produce Marketing Committee (APMC) Act
- Bringing onions and potatoes under the purview of the Essential Commodities Act 1955, thereby allowing state governments to impose stock limits to deal with cartelization and hoarding, and making violation of stock limits a non-bailable offence
- Imposing a minimum export price of US$450 per MT for potatoes with effect from 26 June 2014 and US$300 per MT for onions with effect from 21 August 2014.

*Source:* Government of India, 2015

### 1.3.2 Fiscal consolidation

Fiscal consolidation is a major goal of the government, if India is to achieve faster growth of the GDP with macroeconomic stability. The government remains firm on its medium-term fiscal deficit target of 3 per cent of the GDP. However, with the improvement in the economy, the pressure for accelerated fiscal consolidation has lessened and the additional fiscal space will go towards funding investment on infrastructure.

### 1.3.3 External sector

With moderate trade and current account deficits, abundant financial flows, a build-up of foreign exchange reserves and a broadly stable exchange rate movement, India has experienced robust external sector outcomes in the current year. While trade and current account deficits are on an even keel, the copious financial inflows in excess of the financing requirement have helped shore up foreign exchange reserves to US$343 billion (RBI, 2015). These developments have helped allay the concerns about vulnerability that led to severe stress last year. However, these concerns remain a potent downside risk, should the global environment deteriorate for some reason. Nevertheless, the global economic outlook remains somewhat uncertain but stable and likely to gain strength if lower global crude petroleum prices drive the demand recovery process in key emerging market economies.

### 1.3.4 Banking sector

Sluggish demand for credit and concerns about asset quality resulted in relatively lower growth and a dip in the profitability of the Indian banking sector in 2013–14. Scheduled commercial banks (SCBs) showed moderate balance sheet growth and a fall in net profits. Other banking institutions exhibited divergent trends, with urban cooperative banks and short-term rural credit cooperative institutions, as well as primary agriculture credit societies (PACS), showing improvement in growth and bottomlines. Long-term credit cooperative institutions, however, continued to be a weak spot within the banking sector (RBI, 2014b).

India has witnessed a credit boom over the last decade, with the share of credit to GDP increasing from 35.5 per cent in 2000 to 51 per cent in 2013. The bulk of this was accounted for by bank lending. However, growth in total assets and credit declined in the consolidated balance sheet of SCBs in 2013–14 for the fourth consecutive year. Slower economic growth, de-leveraging and persistent pressure on asset quality, leading to increased risk aversion among banks and greater recourse by corporates to non-bank financing, including commercial papers and external commercial borrowings, are some factors that are possibly responsible for this. With both credit and deposit growth more or less at the same pace, the outstanding credit-to-deposit (C–D) ratio at the aggregate level remained unchanged, at around 79 per cent. During March and September 2014, the capital to risk weighted assets ratio of SCBs declined from 13.0 per cent to 12.8 per cent. The gross non-performing advances of SCBs as a percentage of the total gross advances increased from 4.1 per cent in March 2014 to 4.5 per cent in September 2014. The net non-performing advances as a percentage of total net advances also increased from 2.2 per cent to 2.5 per cent during the same period (RBI, 2014b).

Public sector banks (PSBs) continued to record the highest level of stressed advances, at 12.9 per cent of their total advances in September 2014, followed by private sector banks, at 4.4 per cent. It has been observed that five sub-sectors—infrastructure, iron and steel, textiles, mining (including coal) and aviation—had significantly higher levels of stressed assets and thus, were identified as 'stressed' sectors. Moreover, the SCBs' exposure to the infrastructure sector rose further to 15.6 per cent of their total loans as of September 2014. Due to the secular deterioration in the quality of their assets, the losses that SCBs are expected to incur could continue to rise, but might decline in the second half of 2015–16 if the expected improvements in macroeconomic conditions materialize (RBI, 2014b).

Regional rural banks (RRBs) maintained a stable growth rate in assets, at around 16 per cent, during 2013–14. The major sources of growth were borrowings from NABARD and capital infusion by sponsor banks on the liabilities side, and loans and advances on the assets side.

### 1.3.5 Poverty and human development

The incidence of poverty declined from 37.2 per cent in 2004–05 to 21.9 per cent in 2011–12 for the country as a whole, with a sharper decline in the number of the rural poor (Table 1. 3). Rural poverty declined from 41.8 per cent to 25.7 per cent during this period, and in numerical terms, from 326.3 million to 216.5 million.

A study has estimated the cost of fulfilling eight basic household needs, viz. food, energy, housing, drinking water, sanitation, healthcare, education, and social security at a level sufficient to achieve a decent, if modest, standard of living,

**TABLE 1.3: POVERTY IN INDIA**

| Year | Poverty Line (₹) ₹ per capita per month | | Number of poor (million) | | | Poverty ratio (%) | | |
|---|---|---|---|---|---|---|---|---|
| | Rural | Urban | Rural | Urban | Total | Rural | Urban | Total |
| 2004–05 | 446.7 | 578.8 | 326.3 | 80.8 | 407.1 | 41.8 | 25.7 | 37.2 |
| 2011–12 | 816.0 | 1000.0 | 216.5 | 52.8 | 269.3 | 25.7 | 13.7 | 21.9 |

*Source:* Government of India, 2015.

measured by the Empowerment Line, rather than just bare subsistence (McKinsey Global Institute, 2014). According to the study, the additional consumption required to bring an estimated 680 million people to the level of the Empowerment Line comes to 4 per cent of the GDP, and the cost of bridging this gap is seven times higher than the cost of eliminating poverty based on the official poverty line. Thus, policy interventions should accord top priority to reducing the Empowerment Gap significantly.

India's Human Development Index (HDI) (UNDP, 2014) value for 2013 stood at 0.586, ranking the country 135th among 187 countries and territories—the lowest among the BRICS countries. Thus a huge task remains to be achieved if we are to make a significant improvement in India's HDI ranking.

## 1.4 SUSTAINABILITY OF INDIAN AGRICULTURE: CHALLENGES AND OPPORTUNITIES

### 1.4.1 Agricultural sector in 2014–15: An assessment

The CSO had estimated a positive growth rate of 0.2 per cent for agriculture in India for 2014–15, recording a sharp decline in growth following a bumper year in 2013–14. Table 1.4 (a) indicates that the total foodgrain production in the country stood at 251.1 MT in 2014–15, showing a decline of 13.9 MT from 2013–14. Among the commercial crops, groundnut, soybean and oilseeds (nine) have experienced a steady decline in production during the last three years (Table 1.4 (b)).

With the rainfall being 12 per cent less than the long period average (LPA) in the

**TABLE 1.4 (A): AGRICULTURAL PRODUCTION (FOODGRAIN PRODUCTION IN MILLION TONNES)**

| Crop | 2010–11 | 2011–12 | 2012–13 | 2013–14 | 2014–15 (3rd AE) |
|---|---|---|---|---|---|
| Rice | 95.98 | 105.30 | 105.24 | 106.65 | 102.54 |
| Wheat | 86.87 | 94.88 | 93.51 | 95.85 | 90.78 |
| Coarse cereals | 43.40 | 42.01 | 40.04 | 43.29 | 40.42 |
| Pulses | 18.24 | 17.09 | 18.34 | 19.25 | 17.38 |
| Total foodgrains | 244.49 | 259.28 | 257.13 | 265.04 | 251.12 |

*Source:* Directorate of Economics and Statistics, Department of Agriculture and Cooperation, Ministry of Agriculture, Government of India

**TABLE 1.4 (B): AGRICULTURAL PRODUCTION (PRODUCTION OF OILSEEDS AND OTHER COMMERCIAL CROPS IN LAKH TONNES/ LAKH BALES)**

| *Crop* | *2010–11* | *2011–12* | *2012–13* | *2013–14* | *2014–15 (3rd AE)* |
|---|---|---|---|---|---|
| Groundnut | 82.65 | 69.64 | 46.95 | 97.14 | 66.48 |
| Castor seed | 13.50 | 22.95 | 19.64 | 17.27 | 18.24 |
| Sesamum | 8.93 | 8.10 | 6.85 | 7.15 | 7.70 |
| Niger seed | 1.08 | 0.98 | 1.02 | 0.98 | 0.85 |
| Rapeseed & Mustard | 81.79 | 66.04 | 80.29 | 78.77 | 67.57 |
| Linseed | 1.47 | 1.52 | 1.49 | 1.41 | 1.45 |
| Safflower | 1.50 | 1.45 | 1.09 | 1.13 | 0.64 |
| Sunflower | 6.51 | 5.17 | 5.44 | 5.04 | 3.82 |
| Soybean | 127.36 | 122.14 | 146.66 | 118.61 | 107.05 |
| Total nine oilseeds | 324.79 | 297.99 | 309.43 | 327.50 | 273.80 |
| Cotton# | 330.00 | 352.00 | 342.20 | 359.02 | 353.28 |
| Jute## | 100.09 | 107.36 | 103.40 | 110.83 | 109.74 |
| Mesta## | 6.11 | 6.63 | 5.90 | 6.07 | 5.20 |
| Sugarcane | 3423.82 | 3610.37 | 3412.00 | 3521.42 | 3565.61 |

# lakh bales of 170 kg each; # # lakh bales of 180 kg each; AE: advance estimates

*Source:* Directorate of Economics and Statistics, Department of Agriculture and Cooperation, Ministry of Agriculture, Government of India

**SIDEBAR 1.2**

**Highlights of southwest monsoon, 2014**

- For the country as a whole, the rainfall for the season (June–September) was 88 per cent of its long period average (LPA).
- Seasonal rainfall was 79 per cent of its LPA over northwest India, 90 per cent of its LPA over central India, 93 per cent of its LPA over the south peninsula and 88 per cent of its LPA over northeast India.
- Of the total 36 meteorological subdivisions, 23 subdivisions constituting 67 per cent of the total area of the country received normal season rainfall and 12 (constituting 30 per cent of the total area of the country) received deficient season rainfall. One subdivision (south interior Karnataka), constituting 3 per cent of the total area of the country, received excess rainfall.
- Monthly rainfall over the country as a whole was 57 per cent of the LPA in June, 90 per cent of the LPA in July and August each, and 108 per cent of the LPA in September.

*Source:* Earth System Science Organization, Ministry of Earth Sciences, India Meteorological Department

monsoon of 2014–15 (Sidebar 1.2), the production of foodgrains declined by 5.5 per cent compared to the previous year. The decline in the current year's production has occurred on account of lower production of rice, coarse cereals and pulses due to erratic rainfall.

### 1.4.2 Enhancing agricultural productivity: Issues and strategies

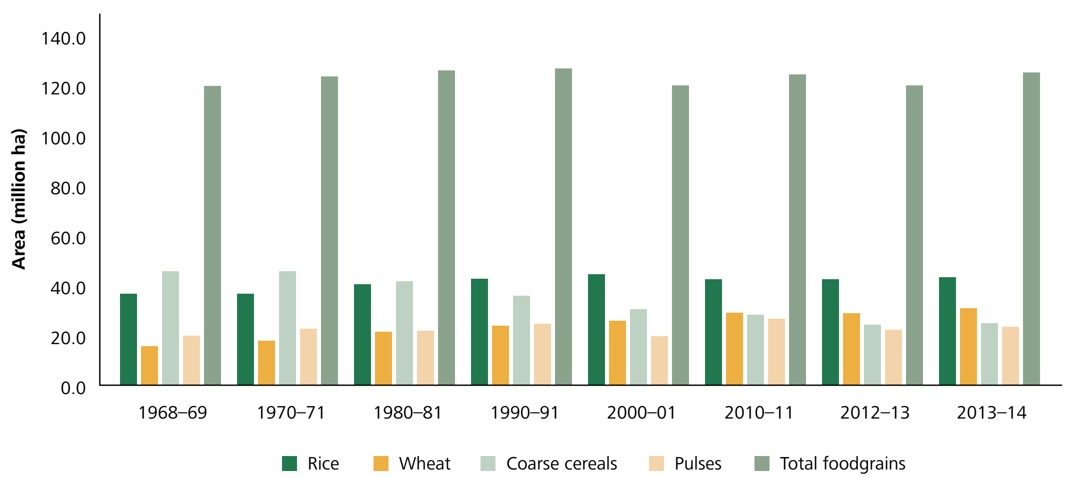
About 48 per cent of India's population is dependent on agriculture as the main source of livelihood, but the share of agriculture in total GVA in 2014–15 is 17.6 per cent (2011–12 prices) (Government of India, 2015). With small and marginal holdings constituting 85 per cent of the total holdings, one of the major challenges faced by the Indian economy lies in enhancing the viability of agriculture, the achievement of which could significantly improve the growth prospects of the economy. Unviability of agriculture has led to agrarian distress which, in turn, has added to the woes of farmers.[1] Input levels have to be continuously increased to maintain the yield at the existing level. This poses a threat to the economic viability and sustainability of crop production. Therefore, the goal of long-term food security can be attained only if agriculture is made sustainable through reforms in agricultural policies and agronomic practices.

The area under cultivation of foodgrains has remained stagnant, at 120.4 million ha, over four-and-a-half decades (Exhibit 1.7). While the area under cultivation of rice increased from 37.0 million ha in 1968–69 to 43.9 million ha in 2013–14, in respect of wheat it increased from 16.0 million ha to 31.2 million ha. There was a meagre increase in the area under cultivation of pulses, from 21.3 million ha to 25.2 million ha. However, the area under cultivation of coarse cereals witnessed a steady decline during this period, from 46.2 million ha to 25.7 million ha.

Due to the limited scope for increasing the area under cultivation, only an improvement in yield can result in long-term growth in output. However, both the average annual growth in production and yield of foodgrains have stagnated (Table 1.5). The sluggish yield and growth of output in the agricultural sector have been associated with relatively low levels of investment compared to other sectors of the economy.[2]

According to Table 1.6, which displays average monthly income from different sources, the total consumption expenditure, net income and net investment in productive assets per agricultural household during the agricultural year July 2012–June 2013 for each size class of land possessed, the share of income from non-farm business in the average monthly income decreased with an increase in land size. Similarly, the net investment in productive assets per agricultural household increased with an increase in land size. Further, the net monthly income (farm and non-farm) in respect of size classes up to 1 ha was negative and it increased steadily with an increase in size classes. This demonstrates that small-scale farming is inefficient in India.

**Exhibit 1.7:**
**Area under cultivation—foodgrains**




*Source:* Calculations based on data accessed from (1) EPW Research Foundation http://www.epwrfits.in/Index.aspx , and (2) *Handbook of Statistics on the Indian Economy 2013–14,* RBI

[1] This is discussed in detail in 'Spotlight: Indian Agriculture Today—Impressive Past and Challenging Future' in this report.

[2] The GCF to GDP ratio for agriculture and allied sector was very low at 2.5 per cent in 2013-14, compared to industry (11.7 per cent) and services (17.1 per cent) sectors (*Source:* Government of India, 2015).

**TABLE 1.5: ALL-INDIA AVERAGE ANNUAL GROWTH RATES (%) OF PRODUCTION AND YIELD OF FOODGRAINS**

| *Crops* | *1990–91 to 1999–00* | | *2000–01 to 2013–14* | |
|---|---|---|---|---|
| | *Production* | *Yield* | *Production* | *Yield* |
| Rice | 2.09 | 1.40 | 1.82 | 1.74 |
| Wheat | 4.52 | 2.90 | 1.83 | 0.79 |
| Coarse cereals | –0.08 | 2.00 | 3.84 | 4.28 |
| Pulses | 1.05 | 1.80 | 3.59 | 1.73 |
| Total foodgrains | 2.19 | 2.40 | 2.11 | 1.70 |

*Source:* Calculations based on data accessed from (i) EPW Research Foundation, and (ii) *Handbook of Statistics on the Indian Economy 2013–14*, RBI

**TABLE 1.6: AVERAGE MONTHLY INCOME FROM DIFFERENT SOURCES, CONSUMPTION EXPENDITURE, NET INCOME AND NET INVESTMENT IN PRODUCTIVE ASSETS PER AGRICULTURAL HOUSEHOLD DURING JULY 2012– JUNE 2013 FOR EACH SIZE CLASS OF LAND POSSESSED**

| *Size class of land possessed (ha.)* | *Income from wages/ salary* | *Net receipt from cultivation* | *Net receipt from farming of animals* | *Net receipt from non-farm business* | *Total income* | *Total consumption expenditure* | *Net income* | *Net investment in productive assets* |
|---|---|---|---|---|---|---|---|---|
| <0.01 | 2902 | 30 | 1181 | 447 | 4561 | 5108 | –547 | 55 |
| 0.01 – 0.40 | 2386 | 687 | 621 | 459 | 4152 | 5401 | –1249 | 251 |
| 0.41 – 1.00 | 2011 | 2145 | 629 | 462 | 5247 | 6020 | –773 | 540 |
| 1.01 – 2.00 | 1728 | 4209 | 818 | 593 | 7348 | 6457 | 891 | 422 |
| 2.01 – 4.00 | 1657 | 7359 | 1161 | 554 | 10730 | 7786 | 2944 | 746 |
| 4.01 – 10.00 | 2031 | 15243 | 1501 | 861 | 19637 | 10104 | 9533 | 1975 |
| 10.00+ | 1311 | 35685 | 2622 | 1770 | 41388 | 14447 | 26941 | 6987 |
| All sizes | 2071 | 3081 | 763 | 512 | 6426 | 6223 | 203 | 513 |

*Source: Key Indicators of Situation of Agricultural Households in India*, NSS 70th Round, 2013 (January – December 2013), Ministry of Statistics and Programme Implementation, Government of India

It is estimated that the quality of seed accounts for 20–25 per cent of productivity (Government of India, 2014a). Hence, timely availability of quality seeds at affordable prices to farmers, especially small and marginal farmers, is necessary for achieving higher agricultural production and productivity. Further, as hybrid seeds in cross-pollinated crops give a higher yield, greater emphasis needs to be laid on hybrid seeds to improve crop productivity.

The all-India average consumption of fertilizers increased from 105.5 kg per ha in 2005–06 to 144 kg per ha in 2011–12 (ibid.). The imbalanced use of fertilizers due to price variation is one of the reasons for a decline in the crop response ratio. Additionally, intensive agriculture is experiencing widespread deficiency of micronutrients. In this context, the GoI has launched the Soil Health Card Scheme to improve soil fertility on a sustainable basis. Further, in order to improve soil health, the Union Budget 2015–16 has proposed to support the Agriculture Ministry's 'Paramparagat Krishi Vikas Yojana'. To promote the use of bio-fertilizers, subsidy on bio-fertilizers under the National Food Security Mission (NFSM) has been enhanced from ₹100 per ha to ₹300 per ha.

Biotechnology can play an important role in the integrated management of natural resources and precision farming for an 'evergreen revolution', advocated by

Dr M.S. Swaminathan. Eco technology-based precision farming, if adopted by small and marginal farmers, can help cut costs, enhance marketable surplus and eliminate ecological risks.

The rationalization of subsidies and better targeting of beneficiaries through direct transfers would generate part of the resources for public investment that is essential for research, education, extension, irrigation and water management, soil testing, warehousing and cold storage. Distortions emerging from various policies, including exemption of user charges for electricity and water, need to be reduced through better targeting and eliminating leakages (Government of India, 2015).

### *Irrigation and watershed development*

About 35 per cent of cropped area in the country is irrigated. Providing irrigation can improve yields substantially. Although the ultimate irrigation potential in India is estimated at about 140 million ha, the widening gap (about 15 per cent) between the irrigation potential created and that being utilized is a matter of concern. Inefficient use of water in irrigation is also leading to environmental degradation via waterlogging and induced salinity. Micro-irrigation, minor irrigation, rainwater harvesting and groundwater recharging are vital in utilizing the existing resources and expanding the irrigation system in a viable manner. In this context, the Pradhan Mantri Gram Sinchai Yojana introduced by the

Central government aims to irrigate every farmer's field and improve the efficiency of water use to provide 'per drop more crop'. Further, the Union Budget 2015–16 has allocated ₹5,300 crore to support micro-irrigation, watershed development and the Pradhan Mantri Krishi Sinchai Yojana.

Small and marginal farmers, who lack the wherewithal to acquire micro- and minor irrigation infrastructure, have benefited from the irrigation infrastructure created by state governments through funding by NABARD under the Rural Infrastructure Development Fund (RIDF). Small and marginal farmers could also benefit immensely if banks would finance producers' organizations/ companies, joint liability groups (JLGs) and farmers' clubs/ farmers' federations for acquiring pump sets, tube wells, and drip and sprinkler irrigation systems.

Rain-fed areas are particularly prone to year-to-year fluctuations in production and degradation of environmental resources. Concerted efforts are needed to rejuvenate their natural resource base, as also to stabilize and augment the income sources of farm households. The experience of NABARD with participatory investments in community-based projects in dry land areas under the Watershed Development Fund has shown that watershed projects, when designed, implemented and maintained through community participation and voluntary community labour, are better executed in terms of technical parameters and lead to substantial downstream benefits for all participants. 'Neeranchal', introduced by Government of India in 2014 with an initial outlay of ₹2142 crore, was aimed at imparting an additional impetus to watershed development in the country.

### *Research and development*

Investment in basic research that creates an opportunity to increase production by bridging the yield-gap, to the extent feasible within the climatic zone, is necessary for a shift in the underlying production function.

Research strategy should be pro-nature and small farmer-oriented. There is a need to shift the focus of the research and development agenda from crop-centric research in irrigated areas to location-specific cropping systems in dry lands, hills and tribal areas. Greater attention needs to be directed towards horticulture crops, which are land- and water-saving by nature. Efforts may also be made to harness remote sensing technologies to optimize the application of inputs, and explore areas in emerging capital-intensive biotechnology.

### *Agricultural extension*

The needs of farmers in terms of information and technology support have become more complex due to the rapid pace of developments in the agricultural sector. Climate change, depleting natural resources, scarcity of labour and volatile market forces are some of the concerns that have put tremendous pressure on both farmers as well as extension systems in the context of increasing the productivity, profitability and sustainability of agriculture. Rebuilding an agricultural extension system that is capable of adapting to the changing agricultural scenario is a big challenge. According to the National Sample Survey (NSS) 70th Round Survey, about 59 per cent of farmers do not get much technical assistance and know-how from government-funded farm research institutes or extension services. Thus, they have to rely on progressive farmers, the media and private commercial agents. The lab-to-land programme can be made effective by leveraging information technology and mobile applications. Kisan TV, set up by the government for real-time dissemination of information to farmers, will provide farmers a direct interface with agricultural experts.

NABARD's Farmers' Club Programme, implemented by banks and NGOs, aims to organize farmers to facilitate access to credit, extension services, farm technology and markets. The farmers' clubs are provided with information on the weather and market prices, and crop advisory services through SMS on mobile phones.

### 1.4.3 Food security

India's ranking in the Global Hunger Index (GHI) (IFPRI, 2014) has been improving over the years (Table 1.7). It was ranked 55th in 2014, with a GHI of 17.8, compared to 24.2 in 2005. The implementation of the Mahatma Gandhi National Rural Employment Guarantee Act Scheme and the National Food Security Act, 2013, have put in place the legal framework for employment and food security, which will go a long way to improve India's GHI ranking.

The NFSM is being implemented with the new target of additional production of 25 MT of foodgrains, comprising 10 MT rice, 8 MT wheat, 4 MT pulses and 3 MT coarse cereals by 2016–17. The revamped NFSM is being implemented from 2014–15 in 619 districts of 28 states.

After a deadlock lasting for months, the World Trade Organization approved a framework for a global pact to ease customs norms after accepting India's demand to remove constraints on food stockpiling in November 2014. This will enable India to continue procurement and stocking of foodgrain for distribution to the poor under its food security programme.

### 1.4.4 Agriculture credit

During 2014–15, banks have disbursed ₹8,40,643 crore (provisional) credit to the agriculture sector, against a target of ₹8,00,000 crore. Commercial banks, cooperative banks and RRBs disbursed ₹5,99,691 crore (provisional), ₹1,38,469 crore and ₹1,02,483 crore, respectively (Table 1.8).

**TABLE 1.7: GLOBAL HUNGER INDEX**

| *Rank* | *Country* | *1990* | *1995* | *2000* | *2005* | *2014* |
|---|---|---|---|---|---|---|
| 1 | Mauritius | 8.3 | 7.6 | 6.7 | 6.0 | 5.0 |
| 5 | China | 13.6 | 10.7 | 8.5 | 6.8 | 5.4 |
| 22 | Indonesia | 20.5 | 17.8 | 16.1 | 15.2 | 10.3 |
| 39 | Sri Lanka | 22.2 | 20.2 | 17.6 | 16.8 | 15.1 |
| 44 | Nepal | 28.4 | 26.8 | 25.2 | 22.2 | 16.4 |
| 55 | India | 31.2 | 26.9 | 25.5 | 24.2 | 17.8 |
| 57 | Bangladesh | 36.6 | 34.4 | 24.0 | 19.8 | 19.1 |
| 57 | Pakistan | 26.7 | 23.3 | 22.1 | 21.0 | 19.1 |

*Source:* IFPRI, 2014.

**TABLE 1.8: AGENCY-WISE GROUND-LEVEL CREDIT FLOW**

(Amount in ₹ crore)

| *Agency* | *2010–11* | *% share* | *2011–12* | *% share* | *2012–13* | *% share* | *2013–14* | *% share* | *2014–15 (provisional)* | *% share* |
|---|---|---|---|---|---|---|---|---|---|---|
| CBs | 3,45,877 | 74 | 3,68,616 | 72 | 4,32,491 | 71 | 5,09,005 | 71 | 5,99,691 | 71 |
| RRBs | 44,293 | 9 | 54,450 | 11 | 63,681 | 11 | 82,652 | 12 | 1,02,483 | 12 |
| Coops | 78,121 | 17 | 87,963 | 17 | 1,11,203 | 18 | 1,19,964 | 17 | 1,38,469 | 17 |
| Total | 4,68,291 | 100 | 5,11,029 | 100 | 6,07,375 | 100 | 7,11,621 | 100 | 8,40,643 | 100 |

CBs: commercial banks; RRBs: regional rural banks; Coops: cooperative banks

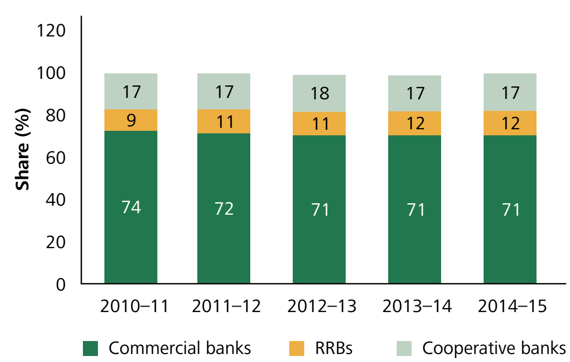
*Sources:* (1) NABARD (based on reporting by RRBs and cooperative banks)
(2) Indian Banks Association (for commercial banks)

The agency-wise share of credit flow to the agricultural sector during the last five years is furnished in Exhibit 1.8. Agricultural credit disbursement is dominated by commercial banks, followed by co-operative banks and RRBs.

There has been an impressive growth in agricultural credit flow from ₹1.25 lakh crore to ₹8.41 lakh crore during the eleven-year period of 2004–05 to 2014–15 (Exhibit 1.9). However, while crop loan disbursement increased more than eightfold during the same period, term loan (investment credit) increased fourfold.

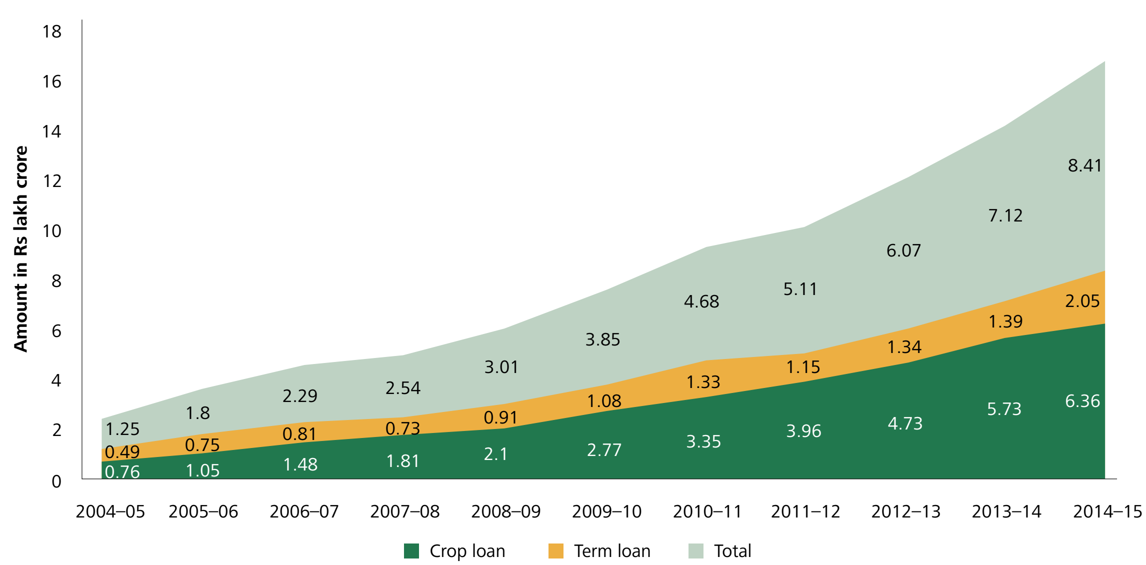
Further, it is a matter of concern that the share of term loan in the total agricultural credit disbursed declined steadily from 39.3 per cent in 2004–05 to 19.5 per cent in 2013–

**Exhibit 1.8:**
**Agency-wise share of credit flow to agriculture**



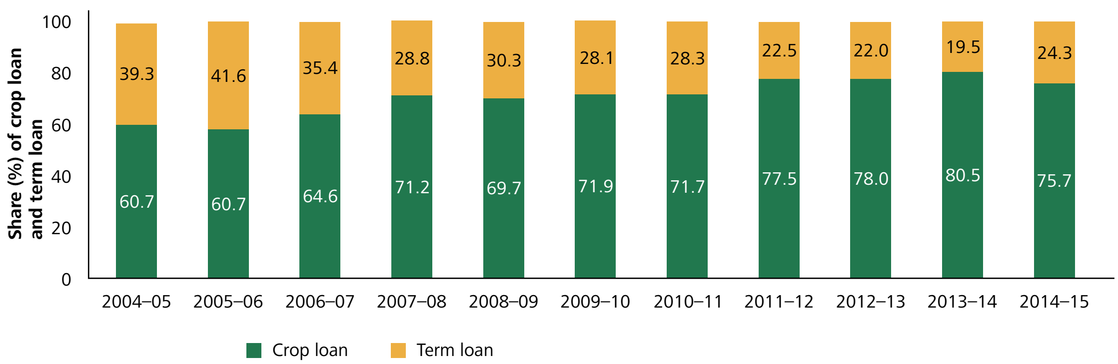

*Source:* NABARD's calculations based on data reported by banks and the Indian Banks' Association

**Exhibit 1.9:**
**Ground-level credit flow to agriculture**




*Source:* NABARD's calculations based on data reported by banks and the Indian Banks' Association

**Exhibit 1.10:**
**Share of crop loan and term loan in agricultural credit**

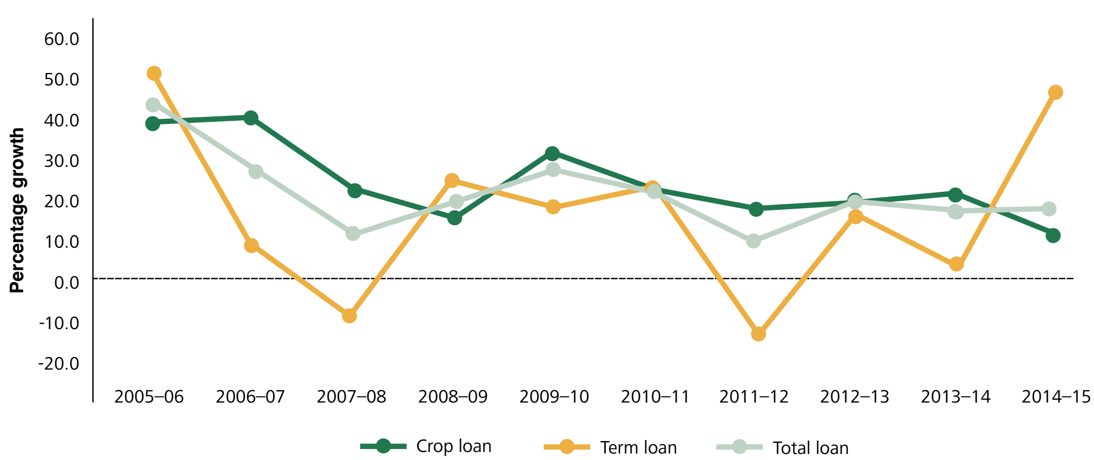



*Source:* NABARD's calculations based on data reported by banks and the Indian Banks' Association

14 (Exhibit 1.10). However, bucking the trend, the year 2014–15 witnessed an increase in the share of term loan to 24.3 per cent from 19.5 per cent in 2013–14. Since investment credit is the major driver of private sector capital formation in agriculture, a persistent decline in its share and the fact that its growth trend is lower than that of crop loan raises concerns about sustainable growth in agricultural production and productivity (Exhibit 1.11). Therefore, the reversal of the trend in 2014–15, depicting a remarkable growth rate of 47.5 per cent in term loan, is encouraging (Exhibit 1.11). A continuous increase in the share of term loan would lead to the much-needed increase in capital formation in agriculture, and the consequent increase in agricultural productivity. Broad sector-wise credit flow to agriculture during the last five years is furnished in Table 1.9.

In order to facilitate capital formation, which is critical for agricultural productivity and growth, NABARD extends refinance support to commercial banks, RRBs and

**Exhibit 1.11:**
**Annual growth % of credit flow to agriculture**




*Source:* NABARD's calculations based on data reported by banks and the Indian Banks' Association

**TABLE 1.9: SECTOR-WISE GROUND-LEVEL CREDIT DISBURSEMENT TO AGRICULTURAL SECTOR**

(Amount in ₹ crore)

| Sl. No. | Sector | 2010–11 | 2011–12 | 2012–13 | 2013–14 | 2014–15* |
|---|---|---|---|---|---|---|
| I | Crop loans | 3,35,550 | 3,96,158 | 4,73,500 | 5,73,001 | 6,36,099 |
| II | Term loans | 1,32,741 | 1,14,871 | 1,33,875 | 1,38,620 | 2,04,544 |
| III | Total agriculture credit (I+II) | 4,68,291 | 5,11,029 | 6,07,375 | 7,11,621 | 8,40,643 |

*Provisional data

*Source:* Indian Banks' Association for commercial banks and reports submitted by cooperative banks and RRBs

cooperative banks for long-term lending. Further, a new medium-term refinance product for 18 months to 3 years was introduced during the year. All investment activities under medium-term relating to agriculture and allied activities are eligible under the scheme. Keeping in view the broad objectives set under the National Mission on Sustainable Agriculture, NABARD has introduced a scheme for providing refinance at concessional rates for specific activities under plantation and horticulture, and to other activities under area-based schemes under Banking Plan.

To give a boost to long-term investment credit in agriculture, the GoI has set up a 'Long-Term Rural Credit Fund' with NABARD to provide long-term refinance support exclusively to cooperative banks and RRBs for investment credit in agricultural activities. Considering the vast network of these rural financial institutions (RFIs) which traditionally provide short-term credit, refinance from NABARD out of this fund is expected to facilitate diversification of their loan portfolios into investment credit.

### 1.4.5 Capital formation in agriculture

Capital formation in agriculture is of critical importance for the sustainability of agricultural growth. The gross capital formation (GCF) in agriculture and allied sectors relative to the agri-GDP improved from 13.5 per cent in 2004–05 to 21.2 per cent in 2012–13 at 2004–05 prices (Government of India, 2014a). Public sector capital formation in the agricultural and allied sectors as a percentage of the agricultural GDP increased

**TABLE 1.10: GROSS CAPITAL FORMATION IN THE AGRICULTURAL & ALLIED SECTORS AT CONSTANT (2004–05) PRICES**

(Amount in ₹ crore)

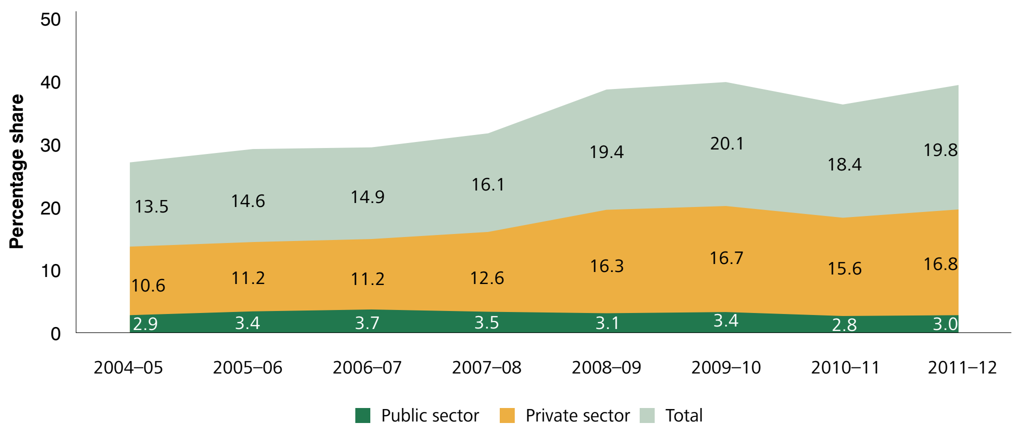
| Year | GDP from agricultural & allied sectors at 2004–05 prices | GCF in agricultural & allied sectors at 2004–05 prices | | | GCF in agricultural & allied sectors as % of GDP from agricultural & allied sectors | | |
|---|---|---|---|---|---|---|---|
| | | Public sector | Private sector | Total | Public 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:* Government of India, 2014a

marginally from 2.9 per cent in 2004–05 to 3.0 per cent in 2011–12 (Table 1.10 and Exhibit 1.12(a)). On the other hand, private sector capital formation in the agricultural and allied sectors increased from 10.6 per cent to 16.8 per cent as a percentage of the agricultural GDP. While the share of the private sector in GCF in the agricultural and allied sectors increased from 78.7 per cent in 2004–05 to 84.9 per cent in 2011–12, that of the public sector declined from 21.3 per cent to 15.1 per cent during the period under review (Exhibit 1.12(b)). Given the vast investment needs of the sector, greater public investment would only help increase private investment.

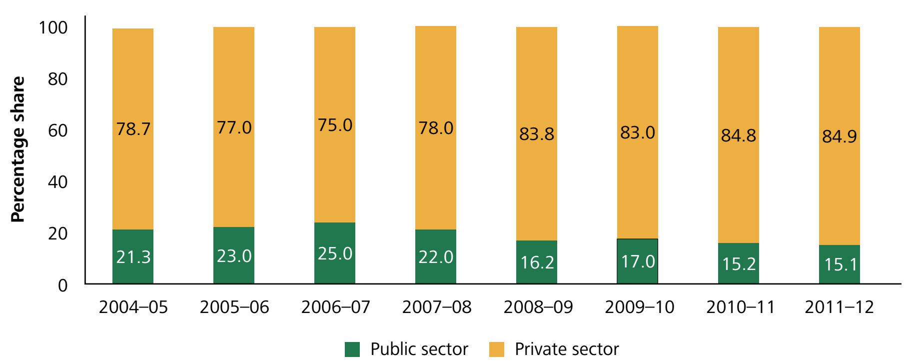
When compared to the overall capital formation in the economy (38.9 per cent in 2011–12 and 32.5 per cent in 2013–14 of the GDP), capital formation in the agricultural sector is very low. Public sector investment in irrigation, rural roads, power, telecommunications, marketing infrastructure, research, and

**Exhibit 1.12(a):**
**Share of public & private sector GCF in agriculture & allied sectors as % of GDP from agriculture & allied sectors**




*Source:* Based on data sourced from Government of India, 2014a

**Exhibit 1.12(b):**
**Percentage share of public & private sectors in GCF in agriculture & allied sectors**




*Source:* Based on data sourced from Government of India, 2014a extension services results in high growth of the agricultural sector and reduction in poverty. Considering the existence of fiscal constraints, the investment strategy in agriculture should be guided by the efficient and equitable use of resources with high payoffs. There is also a need to accelerate the supply response in agriculture and save on large wastages in the supply chains. Large investments in supply chains, research and development, logistics processing and organized retailing are required to achieve this. Private sector investments can be leveraged through open and more investor-friendly policies, on the one hand, and farmer producer organizations (FPOs), on the other, with the two reinforcing each other for a big push in agriculture.

### 1.4.6 Rural infrastructure

The Indian farmer has suffered not only due to restrictions on marketing and processing, but also due to poor infrastructure. The greatest challenge lies in reducing the transaction costs for farmers by providing them access to world-class physical infrastructure. RIDF has emerged as NABARD's major partnership with the state governments for the creation of a wide variety of rural infrastructure covering 34 activities, under three broad categories, viz., agriculture and related sectors, rural connectivity and social sectors. A comprehensive value chain model covering innovations in farming, transportation, storage, processing, value addition and marketing can help farmers earn profit in a sustainable manner. NABARD has emerged as a leader in providing affordable credit to the public and private sectors out of the Warehouse Infrastructure Fund for investment in scientific storage and the food processing sector, leading to the overall development of post-harvest infrastructure in the country. Further, the GoI has also set up a special fund of ₹2000 crore in NABARD to make available affordable credit for establishing mega-food parks and for setting up individual food processing units in the designated food parks.

### 1.4.7 Crop insurance

To provide insurance cover and financial support to farmers in the event of failure of any of the notified crops due to natural calamities, pests and diseases; to encourage the farmers to adopt progressive farming practices, high-value inputs and better technology in agriculture; and to help stabilize farm incomes, particularly in disaster years, the National Agricultural Insurance Scheme (NAIS) was introduced from the 1999–2000 rabi season in place of the erstwhile Comprehensive Crop Insurance Scheme. Several lacunae have been observed in its implementation and the compensation from insurance cover has not been received in a timely and adequate manner by many farmers.

The Committee to Review the Implementation of Crop Insurance Schemes in India observed that the issues that needed to be addressed were: discrepancies in the area insured; delay in receiving crop-cutting data, and the quality and reliability of such data; non-compliance with the provision of compulsory insurance for loanee farmers, multiple loans on the same land, and lack of seasonality discipline; affordability for farmers, especially in the case of the Modified National Agricultural Insurance Scheme; transparency in determining the premium rate; compilation of information by banks without due diligence; delay in settlement of claims; dissatisfaction with quantity of claims in the case of the Weather-Based Crop Insurance Scheme; and lack of awareness of the schemes and principles of insurance among farmers (Government of India, 2014b).

Insurance companies and banks need to play an active role in ensuring effective implementation of crop insurance schemes, by providing timely and adequate compensation to farmers in distress.

### 1.4.8 Developments in the allied sectors

Sectors allied to agriculture provide sustainable additional income and livelihood opportunities to farm households in the country. India is the second largest producer of fruits and vegetables in the world. The increasing importance of the horticulture sector can be gauged from the fact that at an estimated 265 MT, the production of horticultural crops exceeded that of foodgrains and oilseeds in 2012–13. Significantly, while the area under horticulture grew by about 3.8 per cent per annum, production rose by 7.6 per cent per annum over the last decade. The Mission for Integrated Development of Horticulture (MIDH) has been operationalized with effect from 2014–15, by bringing all ongoing schemes on horticulture under a single umbrella. The production and distribution of quality planting material, productivity improvement measures through protected cultivation, use of micro-irrigation, adoption of integrated pest and nutrient management, along with creation of infrastructure for post-harvest management and marketing, are the focus areas of the MIDH.

About 30–40 per cent of the value of agricultural/ horticultural produce in India is lost due to damage during transport, pilferage, the perishable nature of the produce and lack of adequate storage or agro-processing facilities. Given the large size of the rural population engaged in the agricultural and related sectors, it is

### SIDEBAR 1.3
### Protected cultivation—issues and challenges

- Protected cultivation is a hi-tech method which involves interventions that create favourable conditions around the cultivated plants, offsetting the detrimental effects of the prevailing biotic and abiotic factors. It involves the principles of greenhouse effect for heated cultivation space using the sun's rays and ventilation for cooling and carbon-dioxide regulation.
- The various methods of protected cultivation are: (a) mulching, (b) floating covers, (c) low tunnels/ row covers, (d) cloches, and (e) polyhouses/ greenhouses.
- The advantages of protected cultivation are: (a) significantly higher levels of productivity, (b) superior quality of produce because of isolation and controls, (c) higher input use efficiencies in cultivation, by minimizing the use of water and fertilizers, (d) significant increase in income per area of cultivation, and (e) year-round production of crops which are usually seasonal in nature.
- Protected cultivation involves high initial expenditure by way of creating greenhouse structures, but offers increased returns. The farmers can use the greenhouses for a long time, and can grow and sell vegetables and other high-value commodities during the off-season, when prices are generally high. Further, greenhouses also help farmers to reduce the expenditure on pesticides by warding off insect pests. Significantly, consumers can gain access to a supply of off-season vegetables. Hence, there is considerable merit in the expansion of the area under protected cultivation, as it benefits both producers and consumers.
- Protected cultivation has been able to alleviate major constraints in horticultural crop production, viz., inadequate sunlight, inappropriate temperatures, moisture deficiencies or excesses, weed growth, deficiencies in soil nutrients, excessive wind velocity, and atmospheric carbon dioxide. Further, it is economically more rewarding in the production of high-value, low-volume crops, seeds and planting materials, as well as off-season fruits and vegetables.
- It offers several advantages for growing high-value crops with improved quality even under unfavourable and marginal environments. Indeed, protected cultivation has the potential to

*(Contd...)*

essential that market reforms in this sector address the accrual of more value or benefits to farmers.

The domestic market has also experienced a surge in demand for horticultural produce due to an increase in the per capita income and consequently, the desire to consume nutritious food. This indicates that there is growing scope for the development of the horticulture sector, by improving crop productivity and efficiency in the value chains. Considering the increasing pressure on land, the focus of the policy has been on increasing productivity through protected cultivation (Sidebar 1.3), high-density plantations, micro-irrigation, quality planting materials, etc. Further, there is increased awareness of the importance of post-harvest management for waste reduction and increasing the value of produce.

In order to promote sustainable agriculture and horticulture there is a need to encourage animal husbandry, which supplements farm incomes by providing employment, draught animals and manure. India is the highest producer of milk in the world, accounting for 17 per cent of the world's production.

The GoI has launched the National Livestock Mission in 2014–15 for sustainable and continuous growth of the livestock sector by emulating the success achieved in the dairy and poultry sectors across species and regions. This Mission focuses on improving the availability of quality feed and fodder, risk coverage, effective extension, improved flow of credit and organization of livestock farmers.

Fisheries constitute about 1 per cent of India's GDP and 4.75 per cent of the agriculture GDP. An increasing trend was also observed in fish output in the first two quarters of 2014–15.

### 1.4.9 Agricultural marketing reforms: Towards a national common market

Deregulation of domestic and external trade is expected to improve the incentives and structure of India's agricultural production and make it more competitive. Opening up the agricultural sector has the potential to transform it from subsistence to commercialized agriculture and improve the living conditions of the rural community.

A critical problem faced by India's agricultural sector is the fragmented and distortions-ridden state of agricultural markets. Hence, there is an urgent need to develop a national common market for agricultural commodities. Presently, markets in agricultural commodities are regulated under the APMC Act, enacted by the state governments. There are about 2477 principal regulated markets and 4843 sub-market yards regulated by the respective APMCs. Thus, effectively, India has thousands of agricultural markets, leading to inefficiency in price discovery, and high cost of handling and transportation of agriculture produce. Consequently, farmers are frequently forced to sell their produce at low prices.

The Ministry of Agriculture, GoI developed a model APMC Act, 2003 and has been persuading state governments to amend the existing APMC acts along the lines of the model Act. The model Act provides some freedom to the farmers to sell their produce directly to the contract-sponsors or in the market set up by private individuals, consumers or producers. The model Act also enhances the competitiveness of the market for agricultural produce by allowing common registration of market intermediaries. The amendment in the APMC Act has paved the way for contract farming in some states. Farmer-friendly APMCs catering to the much-needed grouping of farmers into producer organizations and farmers' clubs would enable farmers—especially the small and marginal—to strike a better bargain and sell their produce profitably, directly to organized

*Sidebar 1.3 (contd)*

meet the requirements of small and marginal farmers by significantly increasing the yield per unit area.

- Despite immense government initiatives for promoting protected cultivation, there remain gaps in terms of human resource development and technical support to the farmers. It is, therefore, critically important to promote a meaningful interface between cultivators, academicians, administrators/ policy-makers, agriculture/ horticulture department officials, entrepreneurs and industry to share ideas, challenges and opportunities.
- There is a need to develop appropriate, efficient and affordable protected cultivation structures with a focus on identifying and developing suitable varieties of horticulture crops. Crop nursery practices could be standardized under a protected environment to optimize the use of the space available. There is also a need to develop multi-tiered protected farming techniques to maximize the productivity per unit of ground area to cope with the growing demands for vegetables, fruits, flowers, and medicinal and aromatic plants, specifically in the context of the increasing marginalization of landholdings. The development of post-harvest practices for handling, grading, packaging, transport and short-term storage of produce from protected cultivation also needs to be encouraged.
- NABARD has initiated pilot projects to fund protected cultivation in Maharashtra, West Bengal and Haryana for onion, potatoes and tomatoes, respectively.
- Given the increasing importance of protected cultivation for the development of horticulture and high-value agriculture, it is a matter of concern that only a small share of agricultural credit is directed towards capital investment, whereas protected cultivation involves a high initial expenditure of capital. There is also the prospect of the growing need for working capital and post-harvest credit to be considered. Therefore, banks need to channel credit for promotion of this sector, which is starved of financial resources.

“Agricultural markets in India are fragmented and ridden with distortions. Hence, there is an urgent need to develop a national common market for agricultural commodities.”

retailers, agri/ food processors or consumers. However, to create a national common market for agricultural commodities, further steps need to be taken and incremental moves considered to get the states on board. The state governments also need to be encouraged to provide policy support for the setting up of supply chain infrastructure and making land available for alternative or special markets in the private sector. Liberalization of foreign direct investment in retail could create possibilities for filling in the massive investment and infrastructure deficit at the root of supply chain inefficiencies (Government of India, 2015).

It has been observed that the traditional value chains in the case of the various foodgrains and oilseeds are distorted on account of multiple tax regimes in the regulated markets, limited access to market information and marketing opportunities, and the lack of a fair price discovery mechanism, thereby adversely affecting the earning capacity of small farmers.[3] The development of organized retail, including FDI in retail, revolves round the idea of direct purchase of agricultural/ horticultural commodities from farmers, bypassing the APMC system. The farmers could benefit from remunerative prices, while the retailers could cut down costs in the absence of middlemen, and would be able to sell the commodities to customers at competitive rates. Organized retailers could use the services of producers' organizations and federations of farmers' clubs as aggregators of commodities to ensure effective functioning of the system. They could also enter into contract farming arrangements with farmers' clubs/ farmers' federations/ producers' organizations/ JLGs, as well as invest in value chain infrastructure, viz., cold chains, warehouses, transport/ logistics, etc.

[3] Discussed in detail in 'Viewpoint: Agri-commodity Value Chains–Opportunities for Small Farmers', in this report

The minimum support price (MSP) policy, particularly for wheat and rice, has remained delinked from domestic and international market realities, creating significant budgetary costs and market distortions. Small and marginal farmers lack proper access to markets. While they can enter the agri-marketing space through producers' organizations, collectives, small-producer cooperatives and contract farming, the real challenge lies in organizing them and linking them to high-value agriculture.

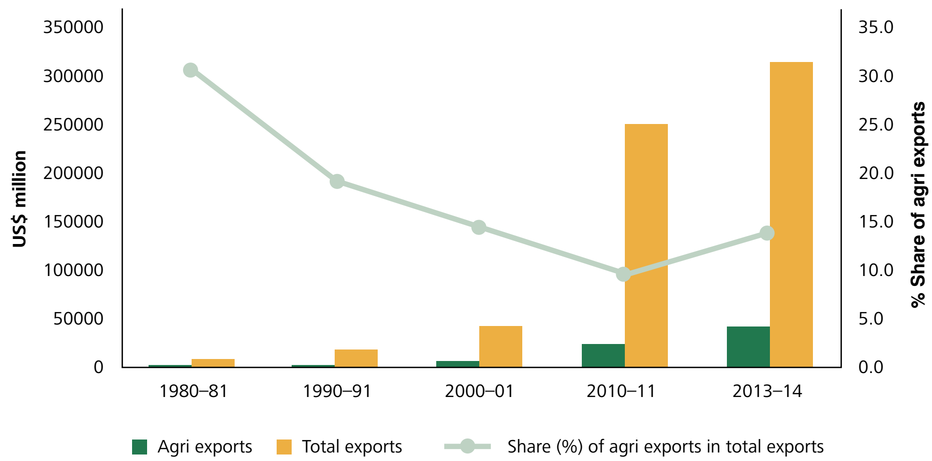
Commodity exchanges, viz., MCX and NCDEX, have enabled the entire ecosystem to participate in deciding the price of the relevant commodities, and markets have undergone a complete makeover in terms of their transparency and efficiency in functioning. Through derivatives trading, commodity exchanges can lead to efficient price discovery and effective price signals. Futures prices discovered in the markets have also helped producers to plan their production/ sowing decisions in advance, and consumers to plan their future consumption. Given the large number of persons engaged in agriculture and related systems, it is essential to develop an effective agri-marketing system through an electronic platform.

Finally, there is a need to promote extensive collateral financing through warehouse receipts. A warehouse accepts goods, verifies the grade and issues warehouse receipts to the depositor, which farmers can use as collateral for short-term borrowing of working capital from banks, selling the produce later when prices increase and maximizing their profits. With commodity exchanges providing warehouse facilities, farmers would be able to transport their produce to any suitable warehouse and convert it into a warehouse receipt.

### 1.4.10 Agricultural trade

India has emerged as a significant agri-exporter in a few crops, viz., cotton, rice, oil

**Exhibit 1.13:**
**Trend of agricultural exports from India**

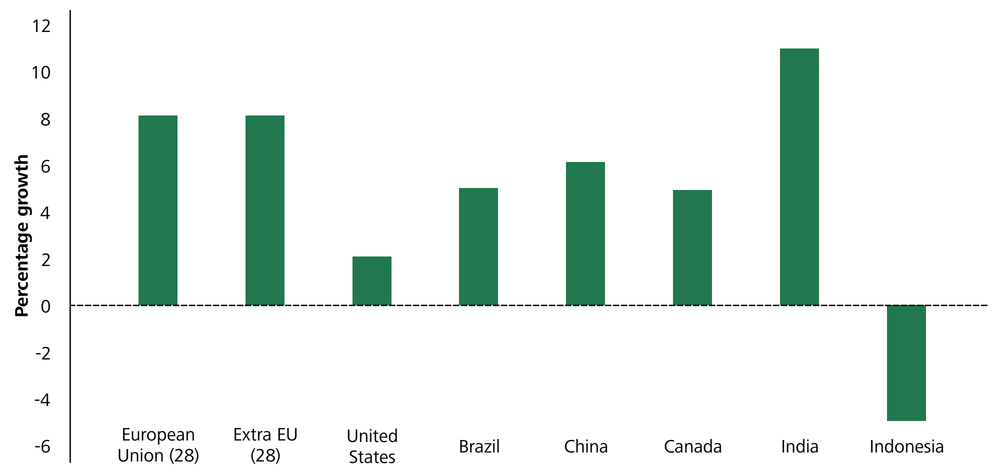



*Source:* Based on data accessed from Government of India, 2015

meals, pepper and sugar, as well as meat, during the last few years. From 1980–81 to 2010–11, there has been a sharp decline in the share of agricultural exports to total exports of the country, from 30.7 per cent to 9.7 per cent (Exhibit 1.13). This was followed by a reversal in the trend, with the share of agricultural exports increasing to 13.7 per cent in 2013–14. However, during 2010–11 to 2013–14, total exports increased substantially compared to agricultural exports.

India is a leading exporter of agricultural commodities. India's agricultural exports were valued at US$47 billion in 2013, and its share in total world exports stood at 2.7 per cent. The top six exporters of agricultural products saw positive growth in 2013, with India showing the greatest increase (11 per

**Exhibit 1.14:**
**Growth rate (%) of agricultural exports (2013)**




*Source:* Based on data accessed from *International Trade Statistics 2014,* WTO cent) (Exhibit 1.14). However, small and marginal farmers lack access to the export market, as well as the wherewithal and knowhow to move from subsistence farming to profitable hi-tech farming for high-value produce, which could match international standards. Therefore, agriculture policy needs to focus on creating the right ecosystem for opening up of the export market for agricultural produce of producer companies, comprising small and marginal farmers.

Integration with global markets can contribute to poverty reduction by giving agricultural households access to wage employment in the agro-industry, through skill development. The number of those with small holdings then declines and the overall effect on poverty reduction is significant because the poorest households are better off in a situation of wage employment (WTO, 2014). Increased demand for high-value products and high prices in international food markets has thus created opportunities for developing countries to generate economic growth through increased exports (WTO, 2014).

## 1.5 NABARD: LOOKING BACK AND THE WAY FORWARD

### 1.5.1 Supporting rural financial institutions

During 2014–15, NABARD sanctioned credit limits aggregating ₹90,620 crore to all agencies under the short-term refinance portfolio, keeping up the increasing trend of the last four years. NABARD's long-term refinance disbursement has touched ₹31,427 crore, an all-time high, marking a growth of 46.3 per cent over the previous year. A new product was also introduced to provide medium-term refinance for 18 months to 3 years.

To augment the efforts towards financial inclusion, the GoI launched the Pradhan Mantri Jan Dhan Yojana (PMJDY). NABARD's efforts in this field include facilitation of financial literacy and supporting technological upgradation of cooperative banks and RRBs.

Based on the Potential Linked Credit Plans for 652 districts of the country, state focus papers were prepared for 2015–16 by the regional offices of NABARD to present a comprehensive picture of the potential available in various sectors of the rural economy, critical infrastructure gaps to be filled and linkage support to be provided by various government departments.

### 1.5.2 Inclusive growth for sustainable rural prosperity

NABARD has taken a number of measures in the areas of watershed development, livelihood-based programmes, natural resource management, agricultural technology transfer and development of tribal farmers under various initiatives for sustainable agricultural development. Significantly, the Umbrella Programme for Natural Resource Management (UPNRM) aims to boost rural livelihoods by supporting community-managed sustainable natural resource management projects.

Realizing the importance of challenges arising from climatic change, NABARD has taken a few initiatives to facilitate ecologically sustainable development. The Adaptation Fund Board of the United Nations Framework Convention for Climate Change (UNFCCC) sanctioned two proposals submitted by NABARD, with financial assistance of US$3.2 million during the year, to be implemented in the states of West Bengal (US$ 2.51 million) and Andhra Pradesh (US$0.69 million).

Interventions by the GoI in the form of dedicated missions, e.g. the NFSM and MIDH, have opened up opportunities for institutional credit. NABARD formulated scheme-specific policies and guidelines to effectively link programme interventions with institutional credit through location-specific banking plans or area development plans and dovetail them with the district credit plans.

The fragmented and dispersed nature of farm holdings poses major problems for on-farm productivity and the resultant farm incomes, especially in rain-fed areas. Accordingly, the Producers Organization Development and Upliftment Corpus (PRODUCE) Fund, with a corpus of ₹200 crore, was set up in NABARD for the promotion of 2000 FPOs in the next two years.

Around 4165 new farmers' clubs were sanctioned during 2014–15, taking the total number of farmers' clubs to 1.47 lakh. As an information and communication technology initiative, 54,700 mobile phone connections were provided to farmers' clubs as on 31 March 2015, so that they could receive information on the weather, market prices and crops through SMS on mobile phones involving Reuters' Market Light.

NABARD supports 'rural entrepreneurship development programmes' and 'skill development programmes' for facilitating generation of self-employment and wage employment opportunities for the rural youth. Hence, NABARD can play an important role in furthering the GoI's Skill India Programme.

The convergence of the Self-Help Group–Bank Linkage Programme with the financial inclusion initiatives of the RBI and GoI needs to be prioritized. In line with the Prime Minister's vision for a Digital India, NABARD has launched a pilot project for digitization of all SHGs in two districts, viz., Ramgarh (Jharkhand) and Dhule (Maharashtra).The project is expected to cover 10 districts across the country in the pilot phase.

JLGs are positioned as a strategic intervention for purveying credit to small farmers, marginal farmers, tenant farmers, small artisans, etc., thereby reducing their dependence on informal sources of credit. Apart from extending 100 per cent refinance support to banks, NABARD continued to

### SIDEBAR 1.4
### Union Budget 2015–16: Challenges and opportunities for NABARD

- JAM Trinity: Jan Dhan, Aadhar and Mobile, this can aid in the implementation of direct transfer of benefits
- Amrut Mahotsav: 2022 will mark the 75th year of India's independence. The vision should include the following.
  - 'Housing for all' by 2022 (including 4 crore houses in rural areas)
  - Each house in the country should have the basic facilities of 24-hour power supply, clean drinking water and a toilet, and should be connected to a road.
  - At least one member of each family should have access to a means of livelihood, employment or economic opportunity.
  - Absolute poverty should be eliminated.
  - Electrification, by 2020, of the remaining 20,000 villages in the country, including by off-grid solar power generation
  - Connecting each of the 1,78,000 unconnected habitations by all-weather roads
  - Providing medical services in each village
  - Educating and imparting skills to the youth to enable them to get employment
  - An increase in agricultural productivity and the realization of reasonable prices for agricultural production is essential for the welfare of rural areas. It is important to increase the irrigated area, improve the efficiency of the existing irrigation systems, promote agro-based industry for value addition and increase farm incomes, and to ensure that farmers get reasonable prices for farm produce.
  - Ensure connectivity to all villages
  - To ensure that the youth get proper jobs, it is necessary to make India the manufacturing hub of the world. The Skill India and the Make in India programmes are aimed at doing this.
  - Encourage and promote the spirit of entrepreneurship in India and support new start-ups.
  - The eastern and north-eastern regions of our country are lagging behind in development on many fronts. There is a need to ensure that they are at par with the rest of the country.
- Agriculture
  - Paramparagat Krishi Vikas Yojana—organic farming scheme to improve soil health

*(Contd…)*

*Sidebar 1.4 (contdd)*

- » Pradhan Mantri Gram Sinchai Yojana—scheme aimed at irrigating the field of every farmer and improving water use efficiency to provide 'per drop more crop'
- » Micro-irrigation, watershed development and the Pradhan Mantri Krishi Sinchai Yojana
- » A national agricultural market will be set up to increase the incomes of farmers, and will also have the incidental benefit of moderating price rises.
- Funds allocated to NABARD
  - » RIDF: ₹25,000 crore
  - » Long-term Rural Credit Fund: ₹15,000 crore
  - » Short-term Cooperative Rural Credit Refinance Fund: ₹45,000 crore
  - » Short-term RRB Refinance Fund: ₹15,000 crore
- Agricultural credit
  - » A target of ₹8.5 lakh crore of credit has been set for the year 2015–16.
- Financial inclusion
  - » The postal department will make its proposed payments bank venture successful so that it contributes further to the PMJDY.
- Rural development
  - » Rural connectivity—completion of 1 lakh km and building another 1 lakh km by 2022
  - » Measures to plug leakages in subsidy purveying
  - » Promotion of solar energy
- Social security
  - » The Pradhan Mantri Suraksha Bima Yojana will cover accidental death risk of ₹2 lakh for a premium of just ₹12 per year.
  - » The Atal Pension Yojana will provide a defined pension, depending on the contribution and its period.
  - » The Pradhan Mantri Jeevan Jyoti Bima Yojana covers both natural and accidental death risk of ₹2 lakh.
- Infrastructure funding
  - » Tax-free infrastructure bonds for projects in the rail, road and irrigation sectors
  - » PPP mode of infrastructure development to be revisited and revitalized
  - » National Investment and Infrastructure Fund: ₹20,000 crore annually

*(Contd…)*

extend financial support for awareness creation and capacity-building of all stakeholders. NABARD took up the challenge of financing 5 lakh joint farming groups of Bhoomiheen Kisan (Landless Farmers), as announced in the Union Budget 2014–15.

### 1.5.3 Financing rural infrastructure

The RIDF is a major source of funds for the states for the development of rural infrastructure. The cumulative resources routed through the RIDF stood at ₹2,17,500 crore as on 31 March 2015. The Union Budget 2015–16 (Sidebar 1.4) has announced an allocation of ₹25,000 crore under RIDF XXI. An all-time record sanction of ₹28,637 crore against a corpus of ₹25,000 crore was achieved under RIDF XX (2014–15). The disbursements during the current year also touched a record ₹19,642 crore. Further, a record sanction of ₹6001 crore against a corpus of ₹5,000 crore was achieved under the WIF during 2014–15.

With the RBI's decision to expand the definition of priority sector lending to include medium enterprises, social infrastructure and renewable energy sectors, the shortfall in priority sector lending by commercial banks would shrink, reducing the availability of funds to NABARD for financing RIDF and WIF projects. NABARD could meet this challenge by exploring the possibility of raising funds by issuing tax-free infrastructure bonds and by borrowing from multilateral agencies like the World Bank and Asian Development Bank (ADB).

NABARD Infrastructure Development Assistance (NIDA) is designed to fund state-owned institutions/corporations outside the ambit of RIDF borrowing. To widen the scope of funding for rural infrastructure projects under NIDA, NABARD has introduced two new lines of credit in 2014–15 for:
(a) financing registered infrastructure finance companies and public financial institutions/ companies to finance rural infrastructure, and (b) financing rural

infrastructure through the public–private participation (PPP) mode.

### 1.5.4 New challenges for NABARD

The Union Budget 2015–16 aims to 'lay out the roadmap for accelerating growth, enhancing investment and passing on the benefit of the growth process to the common man, woman, youth and child: those, whose quality of life needs to be improved'. Going forward, NABARD is expected to play a greater role in the successful implementation of the existing and new policy initiatives of the government, along with its partner institutions, leading to the achievement of sustainable rural prosperity over the next decade.

*Sidebar 1.4 (contd)*

- Skill India
  - » Skill India needs to be closely coordinated with Make in India.
  - » National Skills Mission should be implemented through the Skill Development and Entrepreneurship Ministry
  - » Deen Dayal Upadhyay Gramin Kaushal Yojana to improve employability of rural youth
- Digital India
  - » The National Optical Fibre Network Programme of 7.5 lakh km, networking 2.5 lakh villages, is being further speeded up by allowing willing states to undertake its execution.

*Source:* Budget 2015–16 speech of the Union Finance Minister, Shri Arun Jaitley

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Spotlight

# Indian Agriculture

## Impressive Past and Challenging Future

### PRESENT SCENARIO

We have a reasonably dynamic agricultural sector today. Sixty years ago, the sector was in a very precarious condition and now, India is a food surplus country. Indian agriculture has been transformed over the years from a subsistence to a commercialized activity. Several pockets of agricultural prosperity have developed that have led to investment in industry and other segments. Agriculture is a major source of rural livelihoods and supports over half of the Indian population, helping to alleviate poverty and unemployment to a large extent.

The share of agriculture in the total gross domestic product (GDP) has declined over time, which is in line with the state of development of the overall economy. The share of agriculture in the GDP grew at 3.3 per cent during the 11th Five-Year Plan period, whereas the growth rate of the total economy was 7.9 per cent (Table S.1). Though agriculture failed to achieve the much elusive 4 per cent growth rate for quite some time, the performance of the sector has been impressive since 2004–05. The average growth rate during 2005–06 to 2013–14 was 4.0 per cent, compared to 2.4 per cent during 1995–96 to 2004–05 (Deokar, Bipin and Shetty, 2014). This growth was the

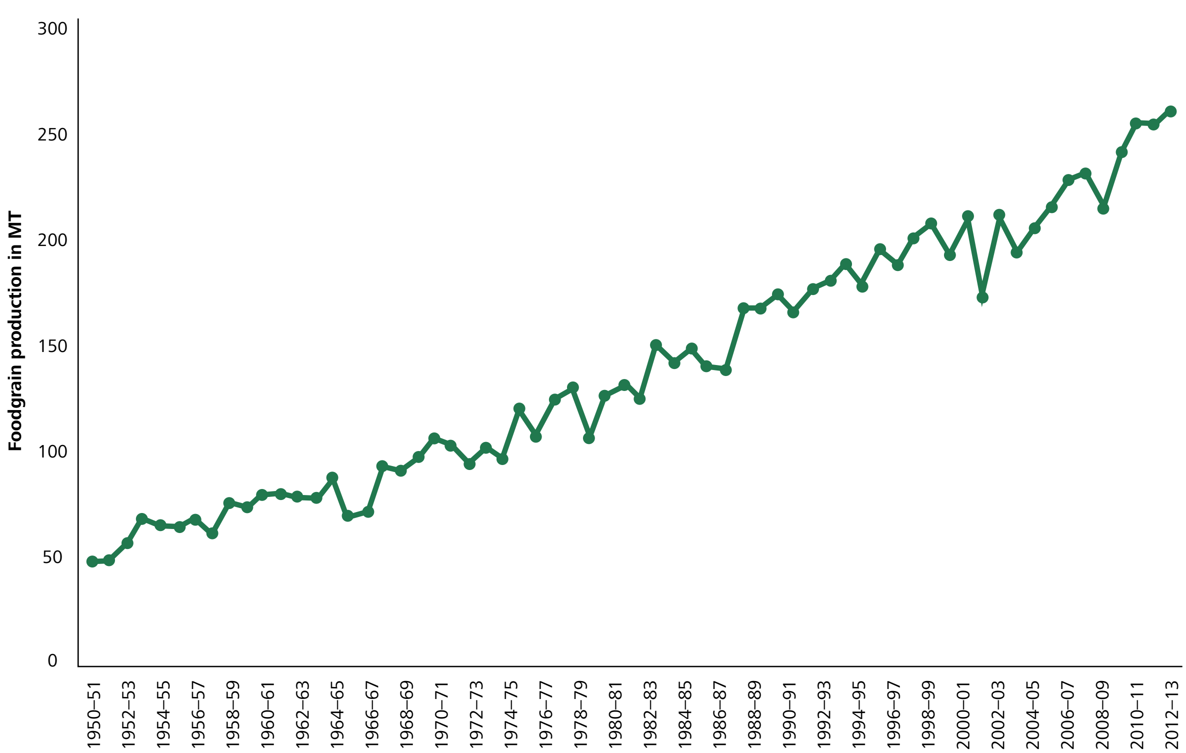
**TABLE S.1: GROWTH RATE OF AGRICULTURAL AND ALLIED SECTORS**

| *Period* | *Share of agriculture in GDP (%)* | *Growth rate of agriculture and allied sectors (%)* | *Growth rate of GDP (%)* |
|---|---|---|---|
| Ninth Five-Year Plan | 23.4 | 2.5 | 5.7 |
| Tenth Five-Year Plan | 19.0 | 2.4 | 7.6 |
| Eleventh Five-Year Plan (2007–08 to 2011–12) | | | |
| 2007–08 | 16.8 | 5.8 | 9.3 |
| 2008–09 | 15.8 | 0.1 | 6.7 |
| 2009–10 | 14.7 | 1.0 | 8.4 |
| 2010–11 (quick estimate) | 14.5 | 7.0 | 8.4 |
| 2011–12 (revised estimate) | 14.0 | 2.8 | 6.5 |
| Eleventh Five-Year Plan (average) | 15.2 | 3.3 | 7.9 |

All figures based on 2004–05 prices

*Source:* Planning Commission of India, Twelfth Five-Year Plan, Vol II, Ministry of Finance, Government of India

**Exhibit S.1:**
**Total foodgrain production in the country**




*Source: Agriculture Statistics at a Glance,* (various issues), Ministry of Agriculture, Government of India

**Exhibit S.2:**
**SWOT analysis for agriculture**

| Strengths | Weaknesses |
|---|---|
| • Major areas blessed with natural resources and rich diversity<br>• High proportion of cultivable land<br>• Climate suitable to variety of agricultural production<br>• Strong research and extension system<br>• Government programmes and developmental initiatives with various stakeholders<br>• Availability of enterprising farmers in several pockets | • Average yields below world averages<br>• Technology adoption not up to the mark due to small holdings<br>• Access to resources, like institutional credit for small farmers, restricted<br>• Irrigation facilities not adequate compared to demand<br>• Growing competition for land, water and other resources with other sectors<br>• Depletion of natural resources<br>• Socio-economic profile and literacy levels of farmers poor |
| **Opportunities** | **Threats** |
| • Huge market for agricultural commodities—domestic and international<br>• Involvement of corporates in value chains<br>• Growth in organized retail and online retail markets<br>• Scope for promoting producer companies/ organizations, JLGs and activity groups | • Reluctance of farmers and their children to continue farming<br>• Distress and suicide among farmers<br>• Frequent extreme climate events<br>• Adverse climate change<br>• Unsustainable resource use<br>• Rising costs of production, making agriculture unviable<br>• Growing quality concerns, raised especially by conscious consumers |

result of an increase in public investment and credit. In addition, favourable terms of trade during this period (Dev and Rao, 2015) must have contributed to the growth.

The major achievement of the agricultural sector has been its growing ability to provide food security in the country. The total production of foodgrains, which was around 51 MT in 1950–51, has risen to 264 MT today (Exhibit S.1). The sector has also been supplying raw material to industries and has expanded markets for industrial goods. Due to the wide variety of climatic conditions and rich endowment of resources in the country, there is vast scope for producing a wide range of agricultural commodities. A SWOT analysis of agriculture (Exhibit S.2) gives one a glimpse of the strengths and weaknesses of the sector, as well as the opportunities and threats. Agriculture has been facing several threats of late and needs to build on its strengths.

## CRITICAL DEVELOPMENTS IN AGRICULTURE

While the agricultural sector made impressive progress over a period of time, certain important developments over the last few decades have dampened the achievements. A few of them are mentioned here. A more detailed account has been given by the Expert Group chaired by Dr Radhakrishna and several scholars.[1]

The share of agriculture in the GDP of the country has been dwindling over the years, and has reached 17.6 per cent now (as per the new National Accounts Statistics (NAS) series; Exhibit 1.3 b). Given the trend, the share will fall to below 10 per cent in no time. However, considering that the share of agriculture declined in almost all developed countries as they reached a higher level of development, why should this pose a problem in India? This is because

[1] See, for example, Reddy, D.N. and Mishra, S. (eds), (2009), *Agrarian Crisis in India*, Oxford India Paperbacks: New Delhi.

in India, there has been no corresponding decline in the population's dependence on agriculture. More than half the population still reports agriculture as the primary source of livelihood. Thus, the per capita income of an agricultural household is a fraction of the income of a household that depends on other sectors. Besides, the growth of the service sector and the consequent demand for specialized and skilled manpower means that even the rural youth who migrate out of agriculture are occupied in unskilled and low-paying jobs that do not help to build safety nets for their families back home. The decline of agriculture is not just a decline in the share of agriculture in the GDP. It is something beyond that.

There has been an increase in the marginalization of holdings in the agricultural sector. About 85 per cent of the operational holdings (accounting for 45 per cent of the area) are less than 2 ha, as per the Agricultural Census, 2010–11. The average size of holdings declined from 1.33 ha in 2000–01 to 1.15 in 2010–11. A holding of this size cannot generate enough income for the subsistence of the farm family, more so in the absence of alternative livelihood opportunities. Small holdings have inherent disadvantages both in the input and output markets. Though organizing them into producer companies and promoting collective action are often recommended as the solutions to most of their problems, in practice, the pace of progress and level of performance leave much to be desired, in spite of the best efforts of all concerned, including NABARD (Singh, S. and T. Singh, 2014). Collective action remains a distant dream.

### *Managing soil and water*

Apart from the size of holdings and marginalization, the major problem farmers have been facing is the loss of soil fertility and productivity due to salinity and erosion. It is estimated that almost half of the country's agricultural area is on the grips of such challenges. Heavy use of chemicals and imbalance of nutrients are causing serious soil degradation.

Water is the leading input in agriculture, and it is well known that better access to quality irrigation leads to more opportunities to augment one's income and find employment. Given the ever-declining groundwater table and the lower probability of striking water, the costs of extraction have become prohibitively high for small and marginal farmers. With growing demands from competing water users, the water risks have been growing in India. A few facts would put the issue in perspective: (i) 54 per cent of the country faces high to extremely high water stress and the same proportion of wells face groundwater decline, and (ii) more than 100 million people live in areas that have water of poor quality (Shiao, Maddocks, Carson and Loizeaux, 2015). Proactive and innovative management of water resources is critical to the future of all segments of the economy. With the growing demands from industry and domestic users, the pressure for managing the water available for agriculture in a judicious manner is mounting. Globally, by 2050 the agricultural sector needs to produce 60 per cent more and in the developing countries it needs to produce 100 per cent more (United Nations World Water Assessment Programme, 2015). This can be achieved only by improving the productivity of water and arriving at the right policy mix. The efforts to improve water management are not commensurate with the needs and the adoption of water saving technology is marginal. Efforts for groundwater management cannot yield substantial results without the people's participation. The Andhra Pradesh Farmer-Managed Groundwater Systems funded by the Netherlands and implemented by the Food and Agriculture Organization (FAO), has proved that involving people in groundwater management can yield significant benefits. A groundwater management committee in each hydrological unit estimated the total water available, worked out an appropriate cropping pattern and disseminated the information to the farming community. It also acted as a pressure group to ensure the proper use and saving of water. The lessons from such experiences may have to be imbibed for use elsewhere, too. This apart, there is a need for a paradigm shift in water management in rain-fed areas. Here, the emphasis should be on securing water to bridge dry spells and to improve agricultural and water productivity through new technological water management options. The new policies need to be based on an eco-hydrological perspective, according to which rainfall is regarded as a freshwater resource.

Closely linked to water and soil conservation is the watershed development programme implemented by various agencies. NABARD has been one of the major players in this sphere and has had a fairly good success rate. The watersheds constructed by NABARD under the Indo-German programme, in which the people's participation played an important role, were an essential contribution. The watershed programme helped augment water resources by raising the groundwater level and drought-proofing the command area. This resulted in an improvement in investments and returns compared to the pre-watershed period.

### *Managing credit flows*

Credit is an important facilitator that can help to augment working capital and facilitate investment on farms. The incomes of small holders are very low compared to their expenses, which leaves them with very meagre margins, if any, to plough capital back into agriculture. They are thus forced to depend on borrowing. The NSS, 70th Round reveals that an average farmer earns ₹6426 per month, which leaves him with a meagre surplus of ₹203 after his consumption expenses have been met (Table S.2).

Compared to large farmers, small holders obtain a higher proportion of their income from wage labour and animal farming, as shown in Exhibit S.3. Wages and salary account for about 64 per cent of the income of landless farmers. The corresponding figure for small farmers with a farm size of 1–2 ha is 23.5 per cent. Medium and large farmers, i.e., those with above 4 ha of land, earn about 78 to 86 per cent of their income from cultivation.

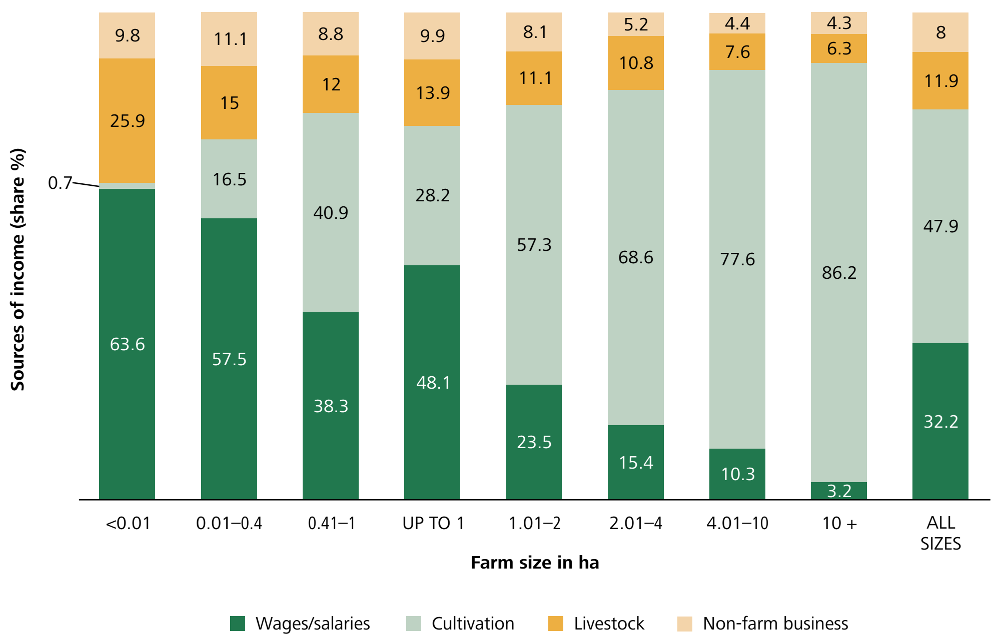
The data shows that small holders with below 2 ha of land need a lot of external credit support because their surplus over their consumption expenses is very meagre. Their heavy dependence on wage income renders them more vulnerable. It has not been easy for the farmers to gain access to external borrowings. The NSS, 70th Round results reveal that about 51.9 per cent of agricultural households are indebted to either formal or informal sources of credit. The proportion is low, at 41.9–55.7 per cent, for landless to small farmers (Exhibit S.4). The average loan outstanding is ₹47,000, ranging from ₹31,100 for landless farmers

**TABLE S.2: INCOME AND EXPENDITURE OF AGRICULTURAL HOUSEHOLDS, ALL-INDIA**

| *Particulars* | *Farm size classes* | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | *< 0.01* | *0.01 – 0.4* | *0.41 – 1* | *Up to 1* | *1.01 – 2* | *2.01 – 4* | *4.01 – 10* | *10 +* | *All sizes* |
| Income (₹) | 4561 | 4152 | 5247 | 4718 | 7348 | 10730 | 19637 | 41388 | 6426 |
| Total consumption expenses (₹) | 5108 | 5401 | 6020 | 5701 | 6457 | 7786 | 10104 | 14447 | 6223 |
| Net surplus/(+) deficit (–) (₹) | –547 | –1249 | –773 | –983 | 891 | 2944 | 9533 | 26941 | 203 |

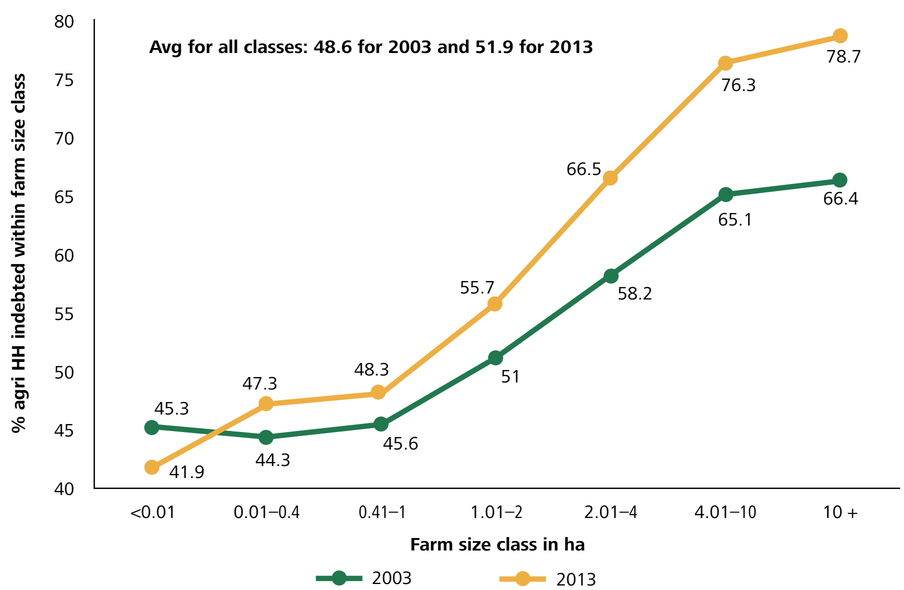
*Source: Key Indicators of Situation of Agricultural Households in India*, NSS, 70th Round (January–December 2013), December 2014, Ministry of Statistics and Programme Implementation, Government of India.

**Exhibit S.3:**
**Sources of income of farmers of different size classes**




*Source:* Satysai, KJS (2015), 'How Indian Farmers Borrow, Produce and Earn', *Rural Pulse,* March–April, NABARD: Mumbai.

**Exhibit S.4:**
**Proportion of agricultural households indebted within each farm size class**




HH: household
*Source:* NSS, 59th and 70th Rounds, Ministry of Statistics and Programme Implementation, Government of India

and ₹290,300 for farmers with land of 10 ha or above. The average loan outstanding has increased by three-and-a-half times since 2003, when it was ₹12,585. Compared to the findings of the previous Situation Assessment Survey conducted during 2002–03, the proportion of indebted farm households rose very marginally, from 48.6 per cent. Loans outstanding also improved marginally in real terms when we deflated with the GDP deflator (Exhibit S.5). These results are disappointing, considering the several initiatives taken during the intervening period in terms of doubling of credit, setting annual targets for ground-level credit flow, the drive for financial inclusion and the setting up of several committees/ working groups/ task forces. Further, the trend across farm size classes shows that the proportion of indebted agricultural households to total households is higher for farms of size classes above 2 ha, compared to that of the smaller farm sizes. This suggests that the efforts towards higher coverage of farmers has benefited higher farm size classes.

The efforts towards the institutionalization of rural credit in order to replace informal agencies which charged exorbitant rates of interest[2] pushed the share of institutional agencies in the credit outstanding of cultivator households from 10 per cent in 1951 to 66.3 per cent in 1991. This figure fell slightly later on, to 64 per cent (Exhibit S.6). Research shows that small farmers are disadvantaged as far as access to institutional credit is concerned and big farmers have been the major beneficiaries of credit expansion, though the 'doubling of credit' programme implemented during 2004–05 and 2006–07 seems to have reversed the trend to some extent (Satyasai, 2012).

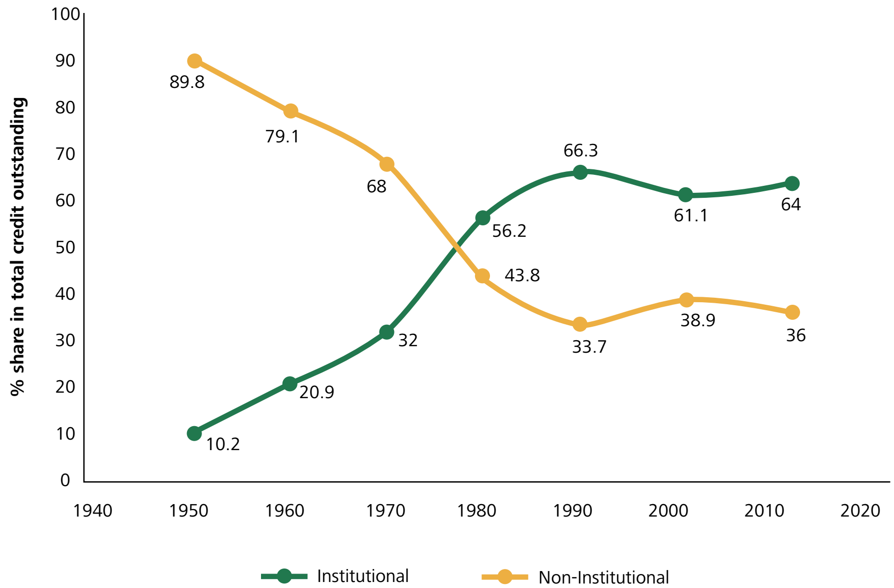
**Exhibit S.5:**
**Loan amount outstanding, farm size class-wise**

(2003 and 2013)


*Note:* *Converted to 2003 prices using GDP deflator
*Source:* NSS results from 59th and 70th rounds, Ministry of Statistics and Programme Implementation, Government of India

[2] This is based on data from the NSS, 70th Round survey on 'Debt and Investment in India'. The average rate of interest reported was 15.19 per cent for non-institutional loans, compared to 8.54 per cent for institutional loans. Further, one-third of the outstanding debt from non-institutional sources attracted an interest rate of 20–25 per cent and another one-third, above 30 per cent.

**Exhibit S.6:**
**Loan amount outstanding, farm size class-wise** (institutional and non-institutional)



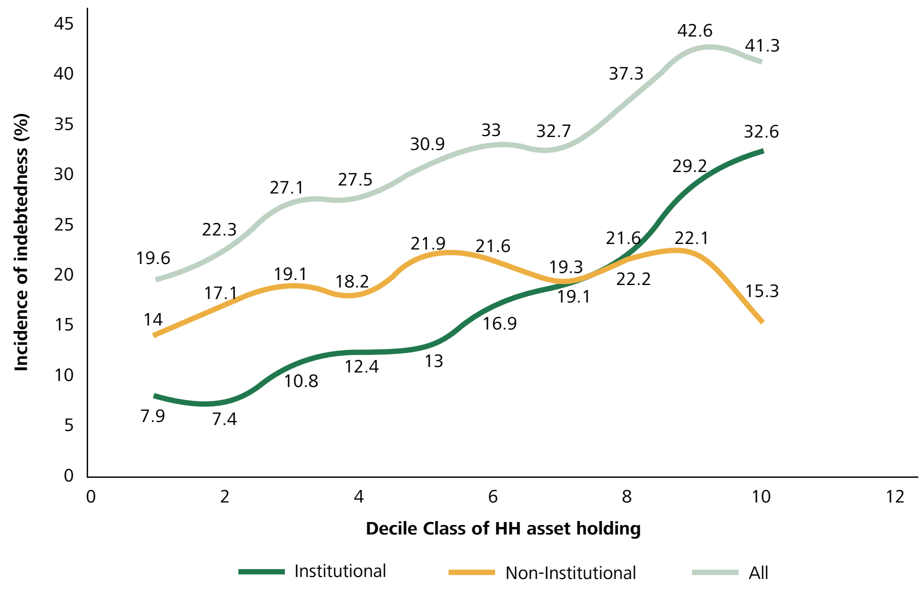

*Source: All India Debt and Investment Survey,* various issues, Ministry of Statistics and Programme Implementation, Government of India

The incidence of indebtedness varies across the asset-holding classes. Those with a higher asset base are more indebted to institutional sources, while farmers with a lower asset base are indebted to informal agencies rather than formal agencies (Exhibit S.7).

Apart from differential access to credit across farm size classes, the spatial distribution of credit has also been a major cause for concern as the southern states have cornered a higher share of credit. This aspect has attracted enough attention. What has not been explored much is the disparity in the distribution of credit between the rain-fed and irrigated regions, even though there is plenty of evidence of this. A recent empirical study (Satyasai and Premi, 2014) based on district-level data from the southern states revealed that the penetration of institutional borrowing was lower in rain-fed districts, though there was a faster improvement in the ratio and the gap was bridged over time. Credit per hectare increased almost six times in the overall sample. It increased 7.3 times in the rain-fed districts, compared to 4.9 times in the non-rainfed districts. This was impressive even in real terms. Of course, the amount is higher in the non-rainfed districts than the rain-fed districts. The share of term loans improved over time and was higher in the rain-fed districts than the non-rainfed districts. This result, though counter-intuitive, augurs well for the future of the rain-fed districts, where more investment is required. This is more so as most of the investment made, especially in irrigation structures, could turn infructuous. According to the study, the lower proportion of borrowing by operational holdings in rain-fed districts, coupled with the inability of the farmers there to offer collateral, highlight the need for different institutional arrangements in these regions.

In this context, three questions need to be debated further. One, have we reached a plateau as far as our ability to cover more households through institutional agencies is concerned? Two, as the inclusion efforts

**Exhibit S.7:**
**Incidence of indebtedness among rural HHs across decile class of HH asset-holding**




HH: household
*Source:* NSS (2014), *Key Indicators of Debt and Investment in India,* Ministry of Statistics and Programme Implementation, Government of India

seem to have had a lopsided impact, are there any better and more creative solutions we can identify to promote the financial inclusion of small holders? Lastly, should we not adopt different strategies and policies and offer different terms of credit for resource-poor areas, such as the rain-fed regions, which have weak production ecosytems and vulnerabilities, as also certain inherent disadvantages in the matter of getting access to credit, unlike the well-endowed districts?

## RISKS IN AGRICULTURE

The agricultural sector in India is exposed to a variety of risks which not only endanger the farmer's livelihood and income, but also undermine the viability of the agricultural sector. Though risks and uncertainties are common in this sector, they have acquired greater importance today as they have increased in frequency and severity over the last couple of decades. Then there is the addition of a new class of risks, which has confounded risk management or mitigation efforts.

The risks faced by farmers fall primarily under the following heads: a) production, b) price, c) input, d) technology, and e) institutional risk. More interventions need to be framed to ensure timely and adequate relief, but these should be based on scientific, objective and transparent criteria.

Various types of risk management measures are suggested in the literature: pre-insurance, credit-related, insurance and customized measures, based on benchmarked exposure norms (e.g., Caribbean experience). Pre-insurance measures include preparing a weather atlas of critical weather elements, developing early warning systems, bringing about changes in land use and management, promoting diversification and mixed farming, protecting agriculture, developing resource-conserving technologies, establishing food and forage banks, setting up agri-risk funds, and conducting surveillance activities to control pests and diseases.

Several credit-related measures can be useful when a risk event occurs. These include simplifying the rescheduling of the loans taken by farmers affected by a natural calamity in order to enable them to apply for a fresh loan; giving loans to those who swap informal loans with formal loans; and providing farmers with credit counselling through financial literacy centres.

Agricultural insurance is a highly effective risk management tool which, unfortunately, is not picking up in the right measure. As per the NSS, 70th Round, a very small segment of agricultural households insured their crops. During July 2012–December 2012, the highest penetration of insurance was in safflower, with 33.2 per cent of households insuring their crop. The lowest percentage (1.3) was for sugarcane. Lack of awareness is the primary reason for farmers not buying crop insurance. The other reasons are a lack of interest, the absence of a felt need, lack of resources for paying the premium, the complexity of the procedures and delays in the payment of claims (Viswanathan, 2015). Some of the suggestions often made to improve the coverage of insurance are the use of remote sensing technology; introduction of the revenue insurance scheme, which will allow farmers to purchase crop insurance to reduce yield and/ or price risk; payment of the premium for small farmers by the government; and making bankers accountable for insurance coverage, which needs to be examined in detail. Linking indemnity to weather events may be a better option than the present system, in which compensation is given only after 'annawari' is declared. This takes time due to administrative procedures. Such thinking led to the introduction of the Weather-Based Crop Insurance Scheme (WBCIS), implemented in 18 states of the country. The scheme is based on the quantitative relationship between weather parameters and crop yields. Basis risk would be a common challenge in such a scheme, under which farmers may get compensation even without crop damage and vice versa.[3] The inclusion of perils like hailstorms, floods, pests and diseases emanating from weather aberrations is another challenge.

The attempt to promote the adoption of life and health insurance schemes also did not fare well. Maybe a massive awareness campaign ought to be contemplated, as also the development of a composite product that combines all life and non-life coverage.

## CLIMATE CHANGE AND SUSTAINABLE AGRICULTURE

Climate change is one of the most important areas of concern for India. It is foreseen that in the medium-term (2010–2039), climate change will have significant negative impacts. It is predicted that yields will fall by 4.5–9 per cent, depending on the magnitude and distribution of warming. This loss in yield roughly translates to 1.5 per cent of the GDP per year. Global warming is likely to lead to a decline in milk production of 1.5–2.0 MT by 2020 and 15 MT by 2050. It may also affect fish breeding, migration and harvests.

New and innovative measures to adapt to climate change include: (i) changes in agricultural practices to improve the fertility of soil and enhance carbon sequestration; (ii) changes in the management of agricultural water for more efficient use of water; (iii) agricultural diversification to enhance resilience in the face of climatic change; (iv) development of agricultural science and technology, agricultural advisory services, and information systems; and (v) improving risk management and crop insurance. Innovative policies include:

[3] Basis risk refers to the risk that offsetting investments in a hedging strategy will not experience price changes in entirely opposite directions from each other.

(i) changing investment allocation within and across sectors, (ii) increasing the focus on risk-sharing and risk-reducing investments, (iii) improving spatial targeting of investments, (iv) withdrawing the detrimental policies that will exacerbate the impacts of climate change, and (v) reducing greenhouse gas emissions from agriculture and increasing the value of sustainable farming practices through the valuation of carbon and other forms of agricultural ecosystem services, such as water purification and biodiversity (ADB and IFPRI, 2009).

## HOW TO ADDRESS DISTRESS

It is important to address agrarian distress in totality. The government has a very important role to play in fighting the distress. As has been observed, the central government and the state governments responded to the crisis and announced packages that consisted of short- and medium-term measures. After the Vidarbha crisis, besides the relief packages announced by the state governments, the Prime Minister's package was announced in 2006. This covered 31 distressed districts in Andhra Pradesh, Karnataka, Kerala and Maharashtra. Phased in over three years, the rehabilitation package aimed to establish a sustainable and viable farming and livelihood support system through debt relief for farmers, an improved supply of institutional credit, a crop-centric approach to agriculture, assured irrigation facilities, watershed management, better extension and farming support services, and improved marketing facilities. Another component of the package was the provision of opportunities to farmers to earn a subsidiary income through horticulture, livestock, dairying, fisheries, etc. The package was received well by the farmers and yielded satisfactory results, as evidenced in the Vidarbha district (Kalamkar and Shroff, 2011), though the district's capacity to cope with droughts is still weak.

NABARD was entrusted with the watershed development component of the package. It covered 9.44 lakh ha, exceeding the target of 9.30 lakh ha, spanning over 777 projects. Of these, 263 had been completed by 31 December 2014.

As mentioned earlier, over half-a-dozen committees or working groups have studied different aspects of agrarian distress and made several suggestions and recommendations. In 2008, NABARD had appointed an independent Expert Panel (NABARD, 2008) to prepare an action plan which should have a short- to medium-term horizon, be implementable and be rooted in the financial sector. The major recommendations of the panel are listed below.

### A. Financial management

- One-time settlement (OTS) for formal sector loans and the financial burden to be shared among the banks, state governments and GoI
- Debt-swapping facility to enable farmers to switch over their loans from moneylenders to the formal sector
- Putting in place a credit guarantee scheme, which will be implemented by the Deposit Insurance and Credit Guarantee Corporation (DICGC) and shall be applicable soon after the declaration of distress and before the rescheduling of loans, instead of granting compensation in areas going through consecutive years of distress.
- Any kind of distress to be addressed immediately through insurance, risk mitigation and the credit guarantee mechanism

### B. Risk mitigation

- Setting up a Fund for Agriculture Risk Mitigation (FARM) with the Agricultural

Insurance Corporation of India (AICI) for drought-prone and flood-prone areas, from the budgetary resources of the GoI

- Establishment of agriculture meteorological laboratories in 31 distressed districts by the Indian Meteorological Department, to be managed by panchayat/ village knowledge centres

### C. Social networking

- Promoting social network groups on the lines of Pragati Bandhu (Karnataka) and Rythu Mitra Groups (Andhra Pradesh)
- Debt counselling centres, based on the Bank of India model in the Wardha district of Maharashtra, should be set up. The coverage of the centres should first be extended to the remaining distressed districts of the state, then to those in Andhra Pradesh and Karnataka, and finally, the remaining 100 agriculturally backward districts in other states. A total of 204 lakh small and marginal farmers should be covered.

### D. Farm practices

- Replication of the 'Integrating Poor Into Market System' model implemented by the International Development Enterprises India, wherein small farmers are assisted to overcome poverty by removing water and market constraints and increasing their agricultural output
- Adoption of organic agriculture and non-pesticide agriculture to ensure sustainable agriculture

### E. Other aspects

- Medium-term implementation plans for financial management through financial inclusion
- Providing food security to households on the basis of the Rice Credit Line model (Andhra Pradesh)
- A regulatory mechanism must be put in place for inputs (quality and price of seeds), risk mitigation should be provided to give farmers relief from the failure of investments, and vulnerability due to health-related problems should be reduced. Price risk can be covered by making 'micro futures'.
- Engaging private insurance companies to offer crop insurance by giving incentives along the lines of the programme in the USA
- Insurance products specific to different agro-economic regions should be developed for various crops. There should be systematic documentation of crop losses as a result of different eventualities in different agro-regions.

It is increasingly being recognized that the interplay of changes in technology and the resource use pattern, as well as the inadequate policy response (which focused on de-clogging the credit supply), led to distress (Sriram, 2008). Thus, we may need to think differently about the sector. An agro-ecological approach, which combines science and social practice, may be the appropriate option. Such an approach encompasses agronomic and natural resource management practices (Foran, Tira *et al.,* 2014).

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Viewpoint

# Agri-Commodity Value Chains

## Opportunities for Small Farmers

### INTRODUCTION

The Indian economy has not only grown, but has also undergone a structural transformation, leading to a sharp decline in the share of agriculture in the total gross domestic product (GDP) from 52 per cent in 1951–52 to an estimated 17.6 per cent for 2014–15, even though the agricultural sector still provides a livelihood to about half of the country's total population. Further, factors such as declining land availability for agricultural activities and comparatively higher growth rates in manufacturing and services have resulted in a shift in the employment pattern from agriculture towards these sectors (Table V.1), a trend observed across countries in the course of the development process. However, despite the heavy dependence of Indian agriculture on the monsoon, with almost 53 per cent of the gross cropped area rain-fed, the production of various crops has grown at a decent rate.

The most distinctive feature of Indian agriculture is the predominance of small (1–2 ha) and marginal (<1 ha) landholdings, which constitute 85 per cent of all agricultural holdings and 44.6 per cent of the total area cultivated, with an average land size of about 0.61 hectares (Government of India, 2014a). In terms of production, small

**TABLE V.1: SHARE OF MAJOR SECTORS IN TOTAL EMPLOYMENT (%)**

| *Sector* | *1999–2000* | *2004–05* | *2011–12* |
|---|---|---|---|
| Agriculture & allied | 59.9 | 58.5 | 48.9 |
| Manufacturing | 16.4 | 18.2 | 24.3 |
| Services | 23.7 | 23.3 | 26.9 |

*Source:* Rangarajan, C, Seema, and Vibeesh (2014)

**TABLE V.2: AVERAGE MONTHLY INCOME AND EXPENDITURE OF RURAL HOUSEHOLDS (₹)**

| *Size class of land (ha)* | *July 2002–June 2003 (NSS, 59th Round)* | | *July 2012–June 2013 (NSS 70th Round)* | |
|---|---|---|---|---|
| | *Average monthly income (₹)* | *Average monthly expenditure (₹)* | *Average monthly income (₹)* | *Average monthly expenditure (₹)* |
| < 0.01 | 1380 | 2297 | 4561 | 5108 |
| 0.01–0.40 | 1633 | 2390 | 4152 | 5401 |
| 0.41–1.00 | 1809 | 2672 | 5247 | 6020 |
| 1.01–2.00 | 2493 | 3148 | 7348 | 6457 |
| 2.01–4.00 | 3589 | 3685 | 10730 | 7786 |
| 4.01–10.00 | 5681 | 4626 | 19637 | 10104 |
| 10.00 + | 9667 | 6418 | 41388 | 14447 |
| All sizes | 2115 | 2770 | 6426 | 6223 |

*Source:* (i) NSS 59th Round: *Income, Expenditure and Productive Assets of Farmer Households*, and
(ii) NSS 70th Round: *Key Indicators of Situation of Agricultural Households in India*, Ministry of Statistics and Programme Implementation, Government of India

and marginal farmers have a larger share in the production of high-value crops—70 per cent of the total production of vegetables and 55 per cent of that of fruits against a 44 per cent share of the land area (Birthal, *et al.*, 2011). Their share in cereal and milk production stands at 52 per cent and 69 per cent, respectively.

Thus, small farmers contribute both to diversification and food security. Only in the case of pulses and oilseeds is their share lower than that of large farmers.

Global experience in the sphere of growth and poverty reduction shows that GDP growth which originates from agriculture is at least twice as effective in reducing poverty as that which originates outside agriculture (World Bank, 2008). The role of small farms in development and poverty reduction is well recognized (Lipton, 2006). Therefore, the future of sustainable agriculture growth and food security in India depends on the performance of small and marginal farmers.

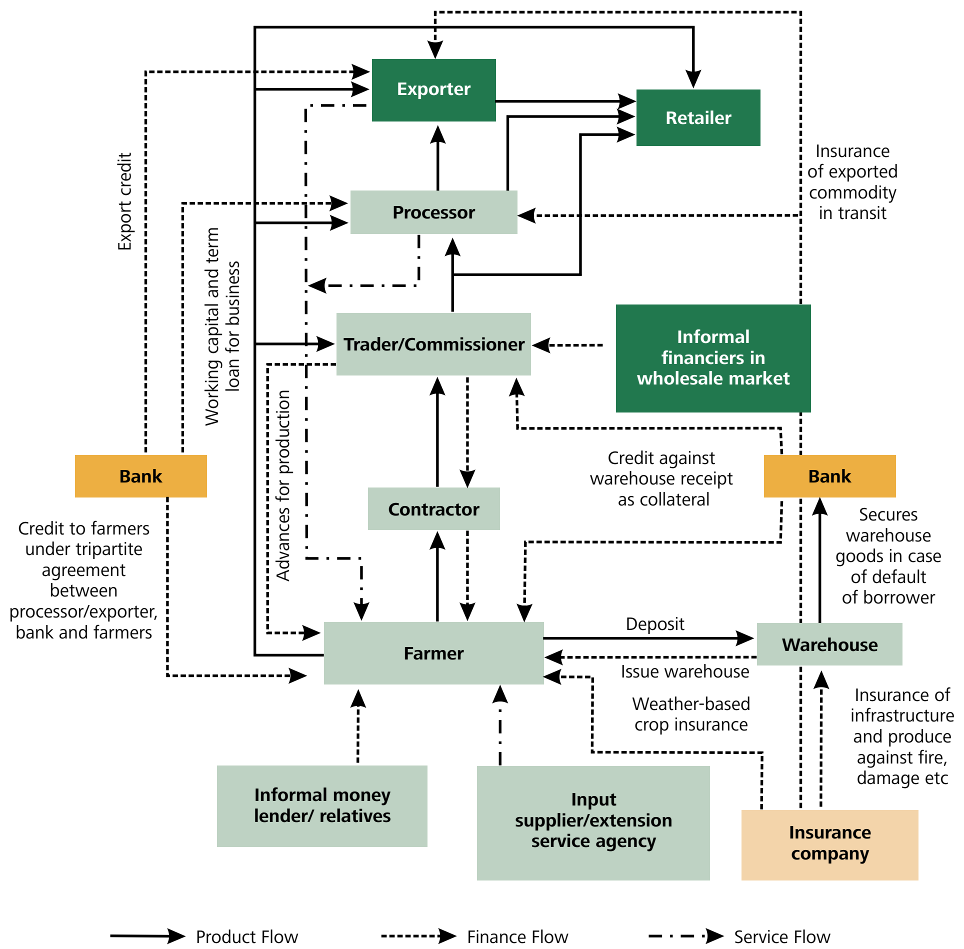
With changing times, small holdings face new challenges with regard to the integration of value chains, effects of liberalization and globalization, market volatility and other risk and vulnerability factors, adaptation to climate change, etc. (Thapa and Gaiha, 2011). However, it has been observed that where small producers have been able to integrate into supply chains, supermarkets have offered enhanced security and considerably higher margins than traditional clients, such as wholesalers in groceries (Dev, 2012).

Therefore, ensuring the economic viability of these holdings and linking them to the integrated market systems is a critical component of strategies for sustainable agriculture. Ironically, despite their considerable contribution to the food basket, the size and number of small and marginal land-holdings in India make agriculture-based livelihoods untenable for a majority of these households, as reflected by their average expenditure figures exceeding their incomes (Table V.2).

## AGRI-COMMODITY VALUE CHAINS

The term 'agri-commodity value chain' normally refers to the entire chain of activities pertaining to an agricultural crop or product, starting from the selection of a crop/ activity for cultivation/ farming passing through different phases of production (arrangement of inputs, agronomic practices and associated services), marketing, right up to the final produce reaching consumers. The integration of the chain of actors and activities involved in a particular agricultural or allied commodity as it moves through the value chain results in reduced prices spread across various stakeholder levels between producers and consumers, and creates scale economies in production and marketing, reduces transaction costs, minimizes

**Exhibit V.1:**
**Flow of funds along the Value Chain**




*Source:* Birthal *et.al,* 2014

uncertainties in supplies and prices, and addresses consumer concerns with regard to the variety, safety and quality of food.

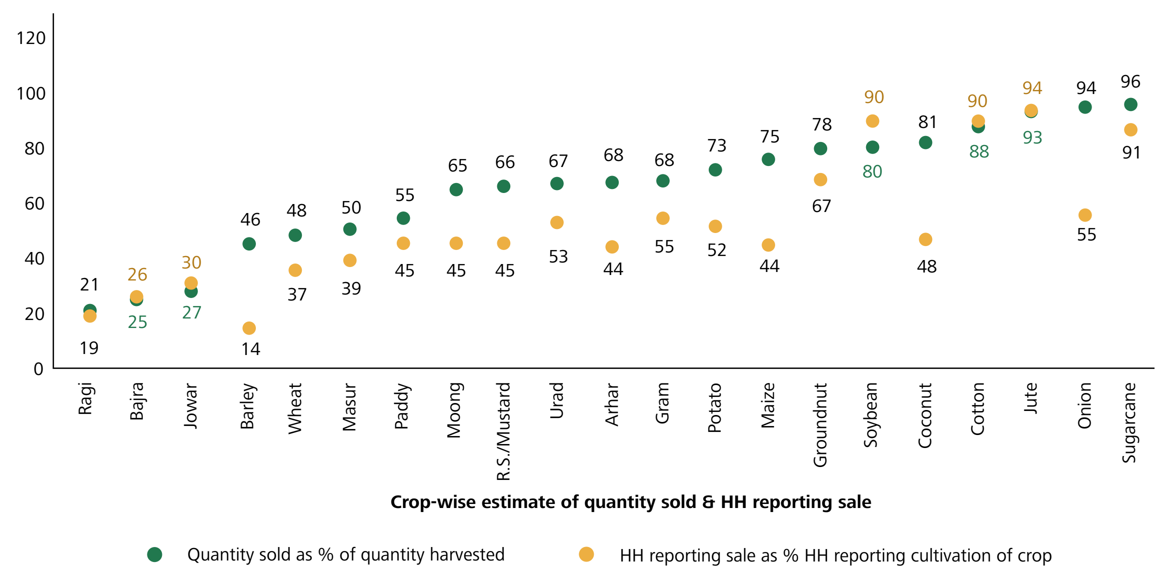
For financing institutions, the value chain can be considered an entry point for increasing their outreach to farmers, aggregators, processors and traders, enabling them to better evaluate the creditworthiness of individuals or firms in the chain, reduce transaction costs, identify risks, analyse the competitiveness of the entire chain, and design financial products and services accordingly. Value chain financing lays greater emphasis on risks and returns in the entire chain, rather than on a particular segment of the chain, as seen in the case of conventional financing (Birthal *et al*., 2014). Value chain activities can be financed using funds, either from participants (a trader, a processor or an institution who assumes the dual role of a buyer of produce and a provider of funds) in the chain, or from sources outside the chain. The 'outside chain' or external financing refers to the provision of funds by financial institutions to processors or marketing firms to meet the operational capital requirements of the actors in the chain. As the value chain consolidates to improve its efficiency and market position, financial institutions face lower transaction costs and lending risks, and thus, external financing overtakes internal financing (Casuga *et al*., 2008).

Exhibit V.1 shows a comprehensive value chain model and the flow of funds amongst various stakeholders of a given value chain (Birthal *et al*., 2014). The model clearly indicates the integration of production, marketing and finance into one unit.

## Selected commodities

Of the three main components of an integrated value chain, i.e., production, credit and marketing, the one which the small farmer as an individual entity is hardly in a position to influence is marketing. Data on marketing of agricultural produce indicates that, on an average, 46.4 per cent of total agricultural households cultivating various crops (excluding sugarcane) sell approximately 57.6 per cent of their total produce in the market (Government of India,

**Exhibit V.2:**
**Marketability of Crop**




HH: households
*Source:* Government of India, 2014b

2014b). The crop-wise share of households selling their produce as a percentage of those cultivating the crop is presented in Exhibit V.2. Although data on the share of small farmers in the quantity of various crops marketed is not available for the country as a whole, a number of studies have brought out region-specific estimates for farm size-wise marketable surplus of various crops. In general, it has been found that small and marginal farmers, despite higher productivity from small holdings compared to large holdings, have low marketable surplus and profit.

### Fruits and vegetables

Although horticultural production, estimated at 268.9 MT, has exceeded the combined production of foodgrains and oilseeds in 2012–13, in the majority of cases, the Indian fruit and vegetable sector followed traditional value chains. These may vary from the basic 'producer to consumer' model (local sale) to the 'grower – pre-harvest contractor/ local middlemen – commission agent/ trader – wholesaler – retailer – consumer' model (sale through *mandis*), to even longer chains leading to export markets, depending upon the nature of the final output and the place of sale. Under traditional chains, the commission agents (CAs) have been observed to be the most dominant players for fruit crops, acting as an indispensable link between the farmer and the trader, and performing the task of grading, sorting and weighing the fruits bought from the farmer, finally auctioning the product in the same or another market. Most farmers prefer to sell their produce to some known CAs as they are used to transacting with them, and in many cases, have availed of credit facilities from them.

Pre-harvest contractors (PHCs) are also important agents for many fruits, especially grapes, guava, mango, apple and litchi. A PHC purchases the produce of an orchard prior to harvesting, generally at the flowering stage. The local traders play a major role in local sale of the produce, bypassing the agricultural produce market committee (APMC). Inter-state traders also play an important role in the supply of the produce outside the state. In the case of grapes, pomegranates, kinnows and apples, wholesalers often play a prominent role, buying the produce at the APMC market. The value addition at this stage is almost nil and the cost to the wholesaler includes packing, loading, transportation and unloading the produce at the desired market. The retailer is the closest link to the consumer and has to bear the cost of marketing, transportation and wastage. The value additions at this level are in the form of grading, peeling, and/ or cutting and packing of the fruits in handy carry bags/ containers, etc.

Normally, fruits with established supply chains and processing linkages have more scope for value addition, while those with weak supply linkages are generally sold in local markets. Many fruit producers located in areas that are not so well connected end up selling their produce in local markets at low prices due to the absence of proper transportation facilities and/ or processing units in the vicinity. However, most actors in the fruit value chain keep changing their roles in response to the shifting interpersonal dynamics, thus rendering the value chain unstable.

Onion, potato and tomato are normally considered politically sensitive commodities on account of their high degree of seasonal, or even intra-seasonal, price fluctuations. The usual observed value chain for tomato involves the farmer, commission agent, wholesaler and retailer, and in some cases, processors who directly purchase tomatoes from the farmers when there is a glut in the market.

In the case of the potato value chain, cold storage operators are very important stakeholders, particularly for stored potatoes. However, the value chains in the case of the majority of vegetable crops are disintegrated, resulting in the highest price fluctuations in the case of vegetable crops as compared to all other crops. This affects the viability of small holders engaged in vegetable cultivation, particularly those who do not have any alternative source of income or any other form of financial security, due to the lack of collective bargaining on account of the very low volume of produce at the individual level.

Of late, the perception that the emerging retail market or organized market value chain is a phenomenon of the developed countries has changed drastically, and its presence is now growing at a significant rate in developing countries due to perceived benefits, such as higher potential earnings of farmers involved in modern value chains by bypassing the traders and other marketing agents, and the availability of resources required for chains with large and medium farmers, who thus find it easier to coordinate and link small farmers to these chains. Opportunities in food and grocery retail in India are now recognized to be immense, given its 69 per cent share in India's total retail market.

The food processing sector has been growing annually at 7.2 per cent, compared to 3.9 per cent for agriculture over the five years ending 2013. Investment in the food processing sector increased annually at 21.66 per cent during the same period.[1] Some of the emerging fruit and vegetable retail chain models which have proved successful in India have provided space to small growers, and are worth replicating. These include cooperatives (Horticultural Producers' Cooperative Marketing and Processing Society [HOPCOMS], Karnataka; SAFAL by Mother Dairy Fruits and Vegetable Private Limited [MDFVPL], Delhi; Mahagrapes in Maharashtra); exports with EurepGAP certification [Namdhari's Fresh, Bharti Airtel]; Farm to Fork—a complete chain [Godrej, Reliance, ITC]); wholesaling (Adani Fresh, Metro); front end—convenience stores (Food Bazaar, 3Cs); and economy stores (Subhiksha).

'Contract farming', a new type of 'relationship' business model, is also gaining ground in India, particularly in vegetable production, due to the entry of wholesale cash'n'carry players, development of domestic food retail chains and emergence of new market segments which need tailor-made food products. The amendment of the APMC Act has given a policy boost to contract farming and this is increasingly accompanied by the declining role of states and cooperative agencies in agricultural markets. Though it is argued that vegetable crops are more suitable for small holders as they are labour-intensive and provide a regular income, the market/ buyer does not seem to favour small holders (Singh, 2011). However, now many players (HOPCOMS, SAFAL, Mahagrapes, Heritage Foods (India) Ltd) have realized the importance of the participation of small and marginal farmers in the value chain for its long-term sustainability.

## Foodgrains and oilseeds

Most foodgrain and oilseed crops are part of a common value chain, viz., 'input supplier – farmer – APMC – traders – processors – wholesalers – exporters/ retailers – consumers', in which the actors keep changing their roles from time to time. However, despite a steady growth in the production of foodgrains (263.20 MT, including 19.77 MT of pulses) and oilseeds (32.98 MT) during 2013–14 (*Annual Report 2013–14*, Ministry of Agriculture, GoI), the traditional value chains in the case of various foodgrains and oilseeds were quite distorted on account of the multiple tax regime in the regulated markets, limited access to market information and the marketing opportunities available, and the lack of a fair price discovery mechanism, all of which affect the small farmers to a greater extent.

[1] http://www.ibef.org/research

The success of 'e-Chaupal', launched by ITC in June 2000, is probably a response to the inefficiency of APMCs. The e-Chaupal services today reach out to over 4 million farmers in over 40,000 villages through 6500 kiosks across 10 states, growing a wide range of crops—soybean, coffee, wheat, rice, pulses, shrimp, etc. This initiative has helped increase efficiency in the procurement of agricultural commodities, resulting in value creation both for the company and the farmer. The greatest advantage of the e-Chaupal model is the devolution of responsibility upon the 'sanchalak', a farmer from the same village and head of the collection centre who operates and coordinates the activities of the e-Chaupal. The model is able to reduce the large number of intermediaries and facilitate small farmers in terms of better access to information and better participation rate as compared to the traditional value chain.

### Cash/commercial crops

The value chain of saffron, walnut and almond—crops which are exotic, but now native to Jammu and Kashmir—is dominated by the broker/ trader who, in most cases, enters into a pre-harvest contract with the producers. In the case of walnuts and almonds, the majority of the farmers receive just 20–30 per cent of the price paid by consumers, while other farmers receive even less. In the case of saffron, the farmers are found to have a better share in the consumer price (50–60 per cent) when they are exposed to the common value chain of 'producer – broker – sub-firm – retailer – consumer'.

It has been found that most cultivators, including small farmers, do not adhere to a sustainable value chain in the case of nut crops due to various inherent problems, such as a growing proportion of old trees (due to the prohibition on felling walnut trees), small farmers' lack of access to credit, which leads to sub-optimal use of inputs and techniques, resulting in lower productivity, etc. Post-harvest procedures for walnuts and almonds are carried out in the traditional manner without the use of modern technology. The strengthening of value chains in the case of these crops requires efforts towards enhancing productivity through improved agronomic practices, as well as better post-harvest handling techniques. Keeping in view the fast decline in the area under saffron, a saffron park is being developed for rejuvenation/ replanting of the existing saffron area to improve productivity.

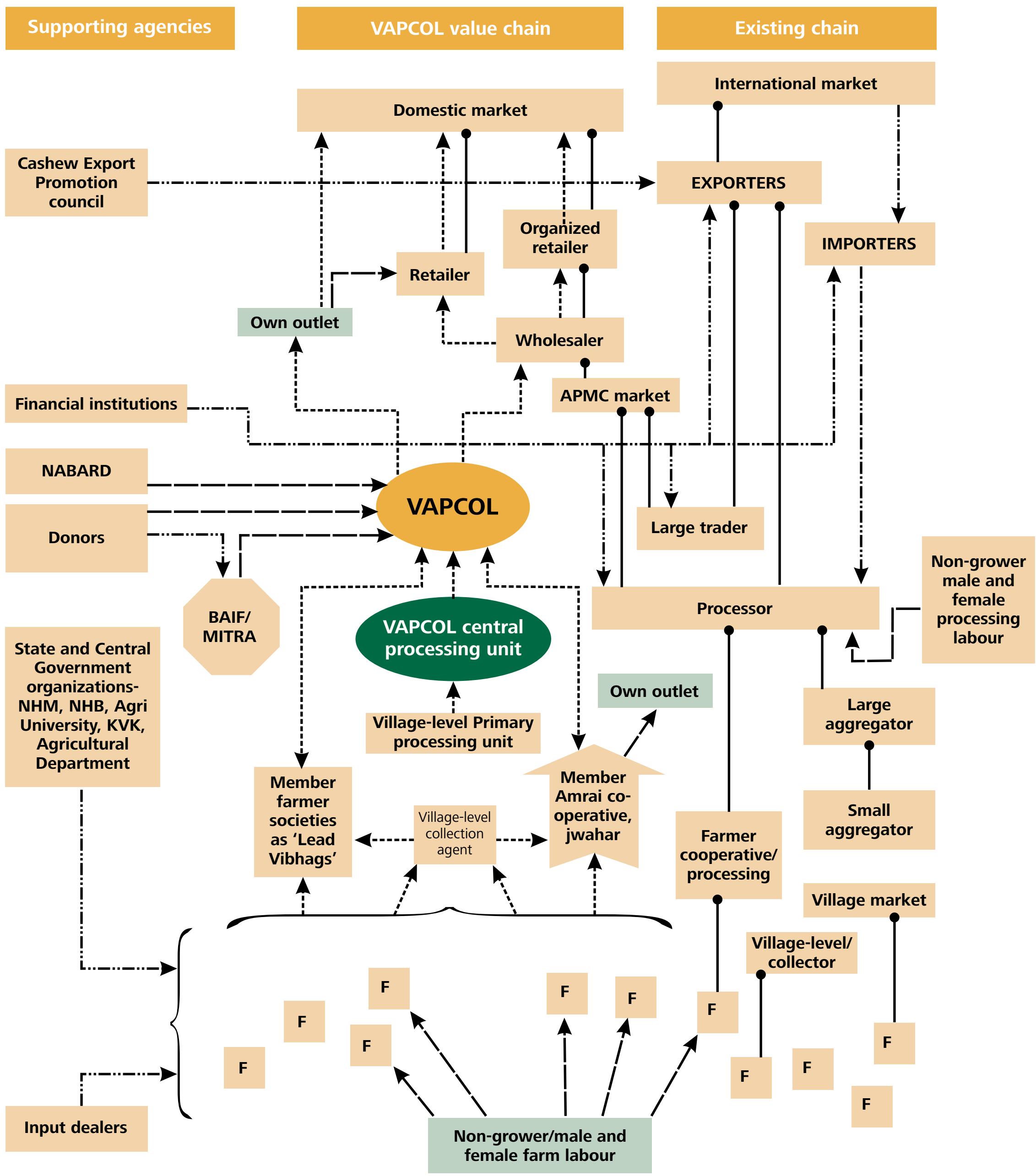
The value chain in the betel vine crop has been found to be dominated by the pre-contract buyers/ CAs, who control the produce of the majority (up to 60 per cent) of betel vine growers. The rest of the produce is normally sold directly in the local market/ wholesalers. The market intermediaries extend facilities and add value in the form of doorstep deals, need-based loans, and in some cases, arranging expert labour for picking the leaves. The farmers' share in the consumer price is reported to be around 45 per cent. The value chain in the case of betel vine does not change very frequently as not much product diversification has been observed in it.

In the case of the cashew crop, three extant value chains have been identified, i.e., the local value chain limited to districts, the retail value chain extending to metros and other states, and the export value chain tapping the markets of the USA, UAE, etc. It was found that the cashew value chain in Maharashtra, established through the Wadi programme (initiative by the BAIF, a non-governmental organization [NGO], and NABARD), has been able to distribute value among its stakeholders most equitably. The BAIF has promoted a multi-state producer marketing company named the Vasundhara Agri-Horti Producer Company Limited (VAPCOL) to create market linkages for the growers' cooperatives across the country.

Currently, VAPCOL has 49 member cooperatives and farmers' societies in Gujarat, Maharashtra, Karnataka, Madhya

Pradesh, Chhattisgarh and Rajasthan, marketing cashew nuts, mangoes and other horticulture crops under the brand name of 'Vrindavan'. The group of farmers, representing small and marginal tribals, are organized as informal 'vibhags' (divisions) or formal cooperatives at the village level for the production and primary processing of cashew and other fruit crops. These 'vibhags' or cooperatives are the members

**Exhibit V.3:**
**Cashew value chain of VAPCOL**




*Source:* Ganguly, 2011

of the producer company. A notable feature of the VAPCOL initiative is that farmers are involved at every level of the value chain, something which makes it distinct from other value chains. NABARD has also provided financial support to VAPCOL. The schematic diagram in Exhibit V.3 represents the VAPCOL value chain.

The value chain in guar seeds in Haryana is that of a commodity which is traded predominantly at the commodity exchanges. The guar seeds are aggregated/ collected by traders and supplied to different processing units. These processing units are sometimes local industries and mills and sometimes big corporations. These may comprise guar gum processing units which produce guar daal as the major product and churi and korma as byproducts, which are used as cattle feed. Out of the final products from these processing units, a major chunk is exported and a lesser amount goes for local consumption. There is hardly any integration at the lower level in the value chain, while there is intense competition among the CAs to hold on to their clients in the middle of the value chain.

The value chain of mahua in Chhattisgarh gives an outward impression of an organized value chain. However, there are inherent inefficiencies in the chain, right from collectors to the end users. The existing value chain has little scope for upgradation, which is possible only if it is well organized and trade is conducted through a proper authorized channel. The collectors collect mahua, and after retaining some part for consumption, sell directly to traders to meet their short-term cash needs. Sometimes they also employ the kutchia, who is the traders' agent, to collect mahua from collectors and sell to traders for a commission. Almost 90 per cent of the mahua flower is used for brewing. Hence, the tribals who collect and produce mahua are also the ultimate consumers. In the case of Chhattisgarh, tribals are the only legal processors. Every tribal household sells the collection during the collection season and purchases it round the year. But the tribals do not have the capacity to store their annual requirements. Keeping this problem in view, the first 'mahua bank' was established in the Kakalura village of the district of Bastar in Chhattisgarh. This 'bank' buys the mahua at the ongoing rate and stores it.

## Animal husbandry sector

The livestock population in India reached 512.05 million, including 118.59 million milch animals (cows and buffaloes), in 2012. It is estimated that about 40 per cent of households are engaged in some type of animal farming (Government of India, 2014c), the majority in dairying. The production of milk in India stood at 137.6 MT in 2013–14, which is about 18 per cent of the world's milk production. Milk cooperatives procure about 10 per cent of the total production which, in turn, is about 18 per cent of the marketable surplus. A similar quantity is reportedly procured by the private sector. Together, the two sectors account for 35 per cent of the marketable surplus. The remaining is processed at the household level or remains unprocessed.[2]

Livestock products have highly dispersed production systems that are located far from consumer markets and are highly perishable. Thus, they require more efficient marketing and processing systems along their entire value chain—from production to consumption—to reap optimal returns. Marketing and processing activities assume added criticality in India since most livestock producers are small, resource-poor, and often unable to establish their own linkages with markets, processors and consumers. Even after decades of planned economic development, with a few exceptions, marketing of livestock and livestock products remains largely unorganized, traditional and fragmented.

[2] www.nddb.org

A number of successful and 'pro-small farmers' value chain models exist in the case of dairy products. Two of the most successful value chains, viz., the producer-driven cooperative milk value chain, Amul, and the buyer-driven dairy value chain of Nestlé, are discussed here.

The value chain of Amul, founded in 1946 in the town of Khera in Gujarat, is a three-tiered institutional structure, with village-level dairy cooperatives at the bottom, federated into a milk union at the district level and a federation of milk unions at the state level. More than 15 million milk producers bring their milk to 1,44,500 dairy cooperative societies across the country. This is processed in 184 district cooperative unions and marketed by 22 state marketing federations. Over the last four years, Amul has ensured a 59 per cent increase in the milk procurement price to its farmer-members, which has resulted in 46 per cent growth in its milk procurement. Amongst the various drivers of its success, the integration of financial products and services along the value chain has been an important factor.

Nestlé India is a subsidiary of Nestlé S.A. of Switzerland, which started operations in the Moga district of Punjab in 1961, establishing the first milk factory in India. Nestle uses the Milk District Model for its agro-industrial activity in India. The factory produces milk powders, infant products and condensed milk. Today, Nestlé works with around 110,000 milk farmers and collects over 300 million kilograms of milk every year in Punjab, Haryana and Rajasthan.

A comparison of the Amul and Nestlé models shows that in the 'Anand model' of Amul, the primary milk collection centre is the village cooperative society, an elected body that is owned by and directly accountable to the dairy farmers themselves. In the 'Nestlé model', the job of sourcing milk from farmers is done not by a cooperative society, but by private commission agents appointed by the company. Nestle operates a network of 1100 agents who receive a 2.3 per cent commission on the value of the milk supplied to the dairy. Both agents and farmers are paid on a consolidated fortnightly basis, unlike the system of daily milk payments to farmers followed by Amul. However, both models have ensured the livelihood of small farmers in the long run (Gandhi and Jain, 2011).

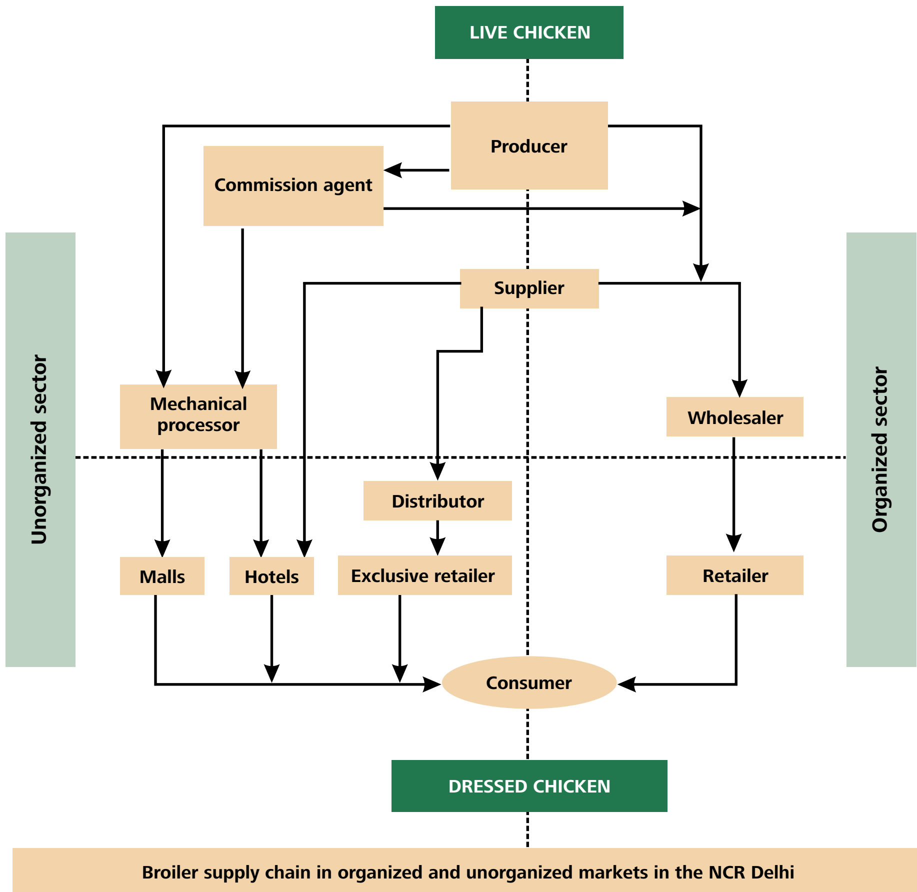
## Poultry

India is the second largest producer of eggs and the third largest of broiler chicken in the world, with 69,700 million eggs and 3.8 MT of poultry meat a year. The market is estimated to be worth about ₹90,000 crore, of which urban markets account for about 80 per cent of the demand at present (Kesireddy, 2014).

Although the sale of processed poultry products (in the form of frozen chicken and ready-to-cook/ eat chicken) is growing, about 92–93 per cent of domestic purchases are still through the wet market due to traditional preferences. It is observed that much of the success of the poultry sector is attributed to greater vertical integration among stakeholders of the poultry value chain. For example, in the broiler supply chain in the national capital region (NCR) of Delhi, producers received a larger share of the consumer rupee in the unorganized sector than in the organized sector (Exhibit V.4).

The results of contract farming in broilers have been found to be encouraging. While the provision of inputs by the integrator is a form of in-kind, interest-free credit, the fixed growing charges insulate farmers against market and price risks. Ramaswami *et al.* (2006) estimated that through contracts, farmers could shift as much as 88 per cent of the risk to integrators in the case of the broiler sector. In Maharashtra, evidence of gains from the value chain by way of poultry contract farming through contract companies shows that the per unit return has been higher in the case of contract farmers than for non-contract farmers.

**Exhibit V.4:**
**Broiler supply chain in NCR Delhi**




NCR: National Capital Region
*Source:* Gangwar *et al.* 2010

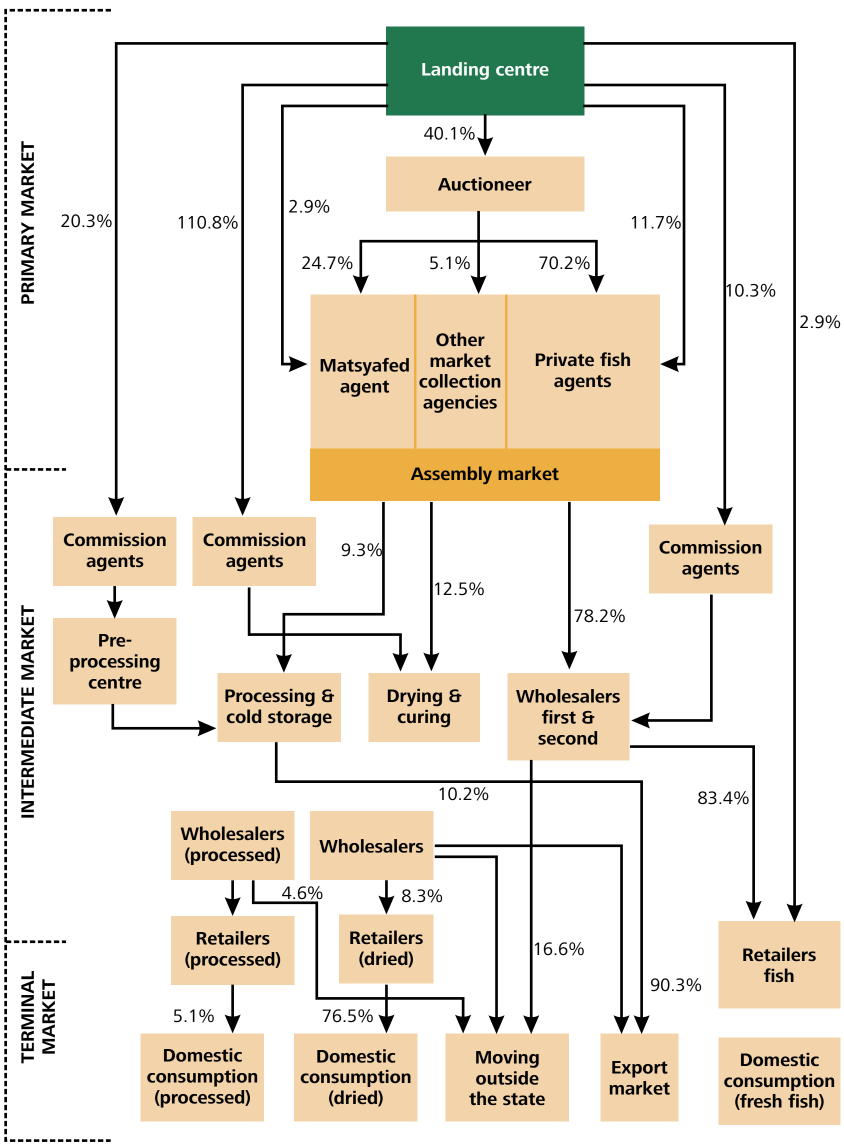
## Fisheries sector

India, the second largest producer of fish in the world, produced 9.58 MT, comprising 6.14 MT inland fish and 3.44 MT marine fish, during 2013–14 (Government of India, 2014d). However, the absence of quality control at the primary production centres (landing centres) often results in poor quality due to lack of facilities for on-board storage, freezing or processing, and quality ice and packaging material.

A study by the World Bank (2010) indicates that the supply chain in fish farming has not really stabilized and that post-harvest losses can be as high as 15 per cent on account of poor post-capture handling. Supply chain losses at the market level are estimated to be less than at the producer level, but higher than at the consumer level. About 74.5 per cent of the total fish produced in India is marketed as fresh fish, followed by 8.5 per cent as processed/ frozen fish, 10 per cent as cured fish and the remaining 7 per cent in other processed forms.

Traditional marketing systems (local fresh fish and processed fish trade) comprise largely informal, subsistence-based transactions, and are dominated by women in fishing communities for historical reasons. The technologies used in the traditional fish market chains are fairly simple, low-cost and of local origin. The traditional fish trade provides employment to a much larger number of people, many of them from the very poor category. The main problems in traditional marketing chains pertain to lack of capital to invest in procurement, production and marketing activities. Monetization of transactions on the beaches has fostered dependence upon moneylenders for meeting production needs, and loan repayments

**Exhibit V.5:**
**Marine fish value chain in Kerala**




Material flow of marine fish in Kerala

*Source:* Rajasenan and Rajeev, 2012

gobble up a sizeable proportion of their income (Salagram, 2004).

A study using secondary data on the commodity chain trap of marine fishery at different levels of the market, based on 5,70,013 MT of fish caught in 2009–10 in Kerala, has tried to explain the existing value chain in fisheries in Kerala. The study indicates that the chain is very complex as it involves many types of markets and a large number of intermediaries and participants. Exhibit V.5 clearly shows the presence of 42 different marine fish flows in Kerala. Of these, 24 are prominent chains and 11 are export chains, of which five are large.

The structure of the marine fish market is classified into three major levels: primary markets, intermediate markets and terminal markets. Marine fishermen distribute their harvest at every level, but the highest share (40.1 per cent) is sold to the primary markets. After purchasing fish from the auctioneers (including Matsyafed and other cooperatives), the marketing agents pool them into the various assembly markets. Out of the assembly markets/ fish landing centres (236 in number), some are managed by the Matsyafed agencies, a few by local specific cooperatives and other development agencies, and the rest (the majority of them) by private agencies. Besides, a considerable quantity also enters the secondary market without moving into the primary market (Rajasenan and Rajeev, 2012).

## HOW TO ENSURE GREATER PARTICIPATION OF SMALL HOLDERS IN VARIOUS VALUE CHAINS?

The biggest challenge that Indian agriculture, along with its allied sectors, faces at present is integrating production operations with agricultural markets and arranging sufficient credit to achieve this integration on a long-term and sustainable basis, simultaneously ensuring the participation of small and marginal farmers. The review of various case studies on value chains indicates that the chains with greater participation of small and marginal farmers appear not just to be more sustainable, but also more conducive for small famers to improve their income levels.

It has been argued that small farmers facing disadvantages in terms of access to credit, as well as lack of agricultural skills, production infrastructure, information on new activities, and input and output markets, can be brought to a position of advantage by ensuring their participation in an established value chain. The following are some suggestions to ensure greater participation of small holders in the value chains of various commodities.

### Promoting innovative business models of inclusive growth

(i) As demonstrated by various innovative business models being practised by agri-business firms, increased participation by and better remuneration to small farmers enhances the sustainability of agri-value chains. It has been proved by Amul, Nestlé, Safal, Namdhari and many others that unless small and marginal farmers, who account for 85 per cent of agricultural households, as well as other resource-poor entrepreneurs depending on allied (dairy/ poultry/ sheep, goat, etc.)/ non-farm business activities, are brought together and integrated into some economic activity, the sustainability and growth of the value chain cannot be ensured.

### *Promoting Farmer Producers' Organizations*

(ii) The promotion of farmer producers' organizations (FPOs), particularly by organizing smallholder producers, has the potential to reduce the costs of marketing of inputs and outputs, and provide a forum for members to share information, coordinate activities and make collective decisions. The Small Farmers' Agribusiness Consortium has already mobilized 6.79 lakh farmers and promoted about 700 FPOs, of which 243 have already been registered and the rest are under process of registration. NABARD is also supporting producer organizations out of its Producers Organizations Development Fund, adopting a flexible approach to meet the needs of producers.

### *Federating FPOs*

(iii) It is suggested that federating the FPOs at the state level should also be taken up simultaneously in states like Madhya Pradesh, Karnataka, Maharashtra, Rajasthan, Uttar Pradesh and West Bengal, which have shown good progress in the promotion of FPOs. Efforts are also needed from governmental agencies and NGOs to make farmers aware of the benefits of forming FPOs and to strengthen linkages of FPOs with other actors within and outside the value chains on a long-term basis.

### *Collective farming*

(iv) A glimpse of the kibbutz model, a very successful model of collective farming in Israel, is seen in the case of the Gambhira Collective Farming Society, Gujarat, where agricultural land is cultivated collectively (Sidebar V.1).

**SIDEBAR V.1**

**A success story in collective farming: The Gambhira Collective Farming Society**

A society registered as 'Mahisagar Bhatha Samudhayik Sahakari Kheti Mandali Limited', popularly known as the Gambhira Collective Farming Society, was established in 1951 in the Anand district of Gujarat with the efforts of Chhaganbhai, who managed to get 202 acres of government land allotted to a group of 176 farmers on the bank of the Mahisagar river. Now, the society owns 526 acres of land and its total membership has increased to 291. The members are spread across four villages and are divided into 30 small groups for management convenience.

According to the bylaws of the society, the land has to be cultivated collectively by the society without any individual preference on the selection of crop. At the society's meetings, its managing committee decides on the crops to be grown during a particular year, as well as the time and minimum price of the crop, and communicates this to traders through letters or advertisements. The society makes arrangements for inputs and the other requirements for the cultivation of tobacco.

It is estimated that the income obtained by each member whose labour contribution amounts to about 150 days in a year is significantly higher than what he/she would have obtained by cultivating individually. Over 90 per cent of the society's members belong to socially and economically backward castes.

In a scenario in which farming by small and marginal farmers has become increasingly unviable and collective efforts in the country have rarely succeeded, 526 marginal farmers of four villages have formed a collective by pooling their land and have been successfully cultivating this land for more than 60 years now. Collective farming has overcome the problems of resource constraints and the society has been able to escape the vicious cycle of low investment–low productivity–low return. Gambhira has proved that the cooperative approach can turn farming into a viable and profitable proposition.

*Source:* NABARD Student Internship Report on Tobacco 2014–15

## *Developing market infrastructure*

(v) The fragmented marketing system and lack of infrastructure are serious constraints as well as challenges to our commodities' competitiveness. The average area served by a market at 114 sq km and the average area served by a regulated market at 462 sq km in India is still very high as against the recommended norm of one market within a radius of 5 km (or 80 sq km). The high cost of transportation is prohibitive for farmers, particularly marginal and small farmers, preventing them from exploring new markets and forcing them to sell through traditional channels for lower prices. Although various policy measures, like reforms in agricultural marketing, the introduction of various schemes and public–private partnerships (PPP), have already been adopted for mobilizing funds in the sector, efforts need to be made to achieve the objective in a time-bound manner since an enormous fund is required to create the requisite infrastructure in agricultural marketing.

*Encouraging development of marketing structures*

(vi) Since the group of farmers/ growers and registered FPOs are also eligible to avail of the benefits of the Integrated Scheme for Agricultural Marketing (ISAM), which promotes integrated value chains for vertical integration of farmers with primary processors, it is suggested that they be helped to formulate need-based schemes to develop suitable marketing structures and be encouraged to make use of these infrastructural facilities.

*Promoting alternative marketing systems*

(vii) Among the households (HHs) that sold their produce during 2012–13, 57.3 per cent sold to private traders and 28.4 per cent sold through mandis. The quantity sold through local private traders and mandis accounted for 45.8 per cent and 32.5 per cent, respectively, of the total quantity sold during the year (Government of India, 2014b). This indicates that comparatively small farmers preferred to sell their produce through local private traders. The survey also highlights the low levels of awareness about the minimum selling price (MSP) and procurement agencies (only 24 per cent of the HHs were aware of the MSP of various crops and only 19 per cent about procurement agencies). An even lower percentage was aware of the sale of these crops to procurement agencies (9.9 per cent). Further, the levies and other market charges, in the form of commission, market fee, octroi/ entry tax, sales tax, weighing charges and labour charges for handling, loading and unloading, vary widely from state to state, which becomes a major source of market distortion. It is suggested that market intelligence and market information services be strengthened to ensure full market information and awareness of farmers. State interventions through a platform of virtual market could be one such instrument.

*Scaling up of existing initiatives*

(viii) A good beginning has been made to promote direct interactions of producers with consumers in fresh produce in the form of Apni Mandis in Punjab, Rythu Bazaars in Andhra Pradesh, Uzhavar Santhai in Tamil Nadu, Shetkari Bazaar in Maharashtra, Horticultural Producers' Cooperative Marketing and Processing Society (a cooperative) in Karnataka and the Safal F&V project of the National Dairy Development Board in Bangalore promoted by state agencies. However these efforts have to be scaled up as these markets have the potential to help participating farmers to become aware of the products required, and to improve product quality and diversify the farmers' product portfolios, besides bringing about resource use maximization.

### *Trading through electronic commodity exchange*

(ix) Trading through the electronic commodity exchange provides an alternative marketing channel, which increases the potential for better price realization. With the amendment of the APMC Act in the states, the establishment of electronic spot markets that allow online trading through electronic commodity exchanges (outside APMCs and across state boundaries) has become possible. Many states have already granted licences to MCX and NCDEX for carrying out e-trading activity.

### *Strengthening market intelligence/ information services*

(x) A farmer in India is estimated to get only 20–25 per cent of the price of his final produce, compared to 40–50 per cent in the developed world, sometimes on account of lack of timely and reliable information on critical market factors. In this connection, the effort of Reuters Market Light (RML), which offers a bouquet of information and communication technoology (ICT) solutions across the entire agri-value chain, is worth appreciating. It covers more than 450 crop varieties and 1300 markets, which are estimated to be used by over 1.4 million farmers in 50,000 villages across 18 states in India. The RML services include 'RML direct', an SMS-based, personalized, agri-information service; 'Krishidoot' for bringing together the farmers and agri-businesses (agri-buyers, sellers, service providers and government institutions) via an ICT-based platform; 'R-Edge', a market information and intelligence tool for agri-enterprises; 'myRML', which provides mobile information for farmers; and some others.[3] The 'RML Card' won NABARD's prestigious 'Rural Innovation Award' in 2012 in Agriculture and Allied Activities in the private sector. Such efforts will certainly help farmers, particularly the small farmers in realizing better share in the consumer price.

### *Upscaling institutional support from financial institutions*

(xi) As far as ground-level credit from institutional sources is concerned, the share of marginal and small farmers in the total number of accounts (63 per cent) is still less than their share in the total number of operational holdings (85 per cent). However, the share of small and marginal farmers in the total credit disbursed (45 per cent) is the same as their share in the total area operated (44.6 per cent) in the country. Efforts must be made to increase the share of small farmers in the total number of accounts that are provided with agricultural credit (Table V.3).

### *Need to enhance flow of institutional credit*

(xii) The rural credit market in India is characterized by the coexistence of both formal and informal sources of finance, although their relative importance is changing over time. Informal credit as a percentage of the total debt, which was continuously declining till 2002, went up from 42.9 per cent (2002) to 44.0 per cent (2012), mainly on account of an increase in the share of professional moneylenders from 19.6 per cent to 28.2 per cent (Government of India, 2014b). This is a cause for concern. Steps need to be taken to upscale the flow of institutional credit towards agri-operations.

[3] http://www.reutersmarketlight.com

(xiii) It is now recognized that technical support to those at the lowest rung of the value chain is essential for its consolidation, competitiveness and sustainability. This would not only enhance the creditworthiness of the actors in the value chain, but also reduce the perceived risks of financing to small-scale producers. Another factor that needs to be addressed is the inability of farmers to bargain for better prices due to previous credit linkages with agents/ traders.

## REVIEW OF SOME OF THE EXISTING ACTS/ POLICIES, INSTITUTIONAL ARRANGEMENTS AND CREATION OF NATIONAL AGRICULTURAL MARKETS

We now take another look at the various provisions under the Model APMC Act, 2003 in view of the changing dimensions of the agricultural marketing system. It is also essential to make a distinction between genuine service providers and black marketeers/hoarders under the Essential Commodities Act, to encourage investment and better service delivery to the farmers. Suitable amendments need to be made in the acts to ensure a transparent marketing system, thus facilitating a level playing field for small holders.

The high-level committee (Shanta Kumar Committee) on reorienting the role and restructuring of the Food Corporation of India (FCI) has made a number of recommendations which, if accepted, would greatly help small holders, who are the worst sufferers under the inefficiencies and lack of transparency in the operations of the FCI. The committee's recommendations are as follows.

(i) The FCI should grant assistance to states that are dominated by small holdings and are suffering from distress sales, e.g., eastern Uttar Pradesh, Bihar, West Bengal and Odisha.

(ii) A negotiable warehousing receipt system should be taken up on a priority basis and must be equipped to compensate farmers in case market prices fall below the MSP without physically handling large quantities of grain;

(iii) A direct cash subsidy (₹7000/ ha) should be granted to farmers to help

**TABLE V.3: SHARE OF VARIOUS AGENCIES IN GROUND-LEVEL CREDIT FLOW TO AGRICULTURE & ALLIED ACTIVITIES**

| *Agency* | *Total GLC to agriculture and allied activities* | | *MF/ SF as % of total accounts/ amount* | |
|---|---|---|---|---|
| | *2009–10* | *2013–14* | *2009–10* | *2013–14* |
| Number of accounts financed (% of total no. of accounts) | | | | |
| Com Banks | 42.57 | 47.40 | 52 | 62 |
| Coop Banks | 42.28 | 40.18 | 63 | 64 |
| RRBs | 15.15 | 12.41 | 68 | 67 |
| Total A/c (₹ lakh) | 482.30 | 799.68 | 59 | 63 |
| Loan amount disbursed (% of total amount disbursed) | | | | |
| Com. bank | 74.33 | 71.53 | 24 | 40 |
| Coop. bank | 16.51 | 16.86 | 46 | 58 |
| RRBs | 9.16 | 11.61 | 60 | 62 |
| Total (₹000 crore) | 384.51 | 711.62 | 31 | 45 |

Com: Commercial
Coop: Cooperative
MF/SF: Marginal farmer/Small farmers
RRBs: Regional rural banks
*Source:* NABARD, Mumbai

those who have availed of loans from moneylenders. In addition, deregulation of the fertilizer sector is desirable to avoid the diversion of urea to other uses.

(iv) The MSP policy needs to be revisited as it is observed to operate effectively only in the case of rice and wheat, with incentives largely skewed in favour of the growers of the crops. In the current context, however, pulses and oilseeds deserve priority as they are sold below the MSP despite their shortage in the country.

(v) The implementation of the National Food Security Act is to be deferred in view of the leakage in the public distribution system (PDS) to the extent of 40–50 per cent, till the time that the list of the rightful beneficiaries can be put online.

According to the Finance Minister's Union Budget speech of 2015, 'To increase the income of farmers, it is imperative that we create a national agricultural market which will have the incidental benefits of moderating price rise. I intend this year to work with the states, in NITI, for the creation of a Unified National Agricultural Market.' It is felt that the benefits of this proposed institutional arrangement will percolate down to the small farmers as well.

## CONCLUSIONS

The fluctuating production level of various agricultural crops, poor capital base, poor access to production and/ or investment credit, and poor capacity to access or effectively deal with markets as a result of dependence on intermediaries are critical factors constraining farmers, especially small farmers/ rural entrepreneurs, from following a profit-maximizing mix of crop or enterprise/ cost reducing technologies/ production practices. Inadequate and inefficient transport systems, coupled with lack of basic infrastructure facilities at the landing, processing, storage and market locations, contribute to physical loss of products, increased production costs and further dependence on market intermediaries. It is now recognized that if these factors are managed properly and in an efficient manner, through a value chain approach, it may result in increased access of poor farmers, particularly marginal and small farmers, to market and credit, reduced marketing cost by way of reduction in the length of the supply chain, and increased share of the farmer in the consumer's rupee.

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# 2

# Supporting Rural Financial Institutions

Increasing agricultural production, raising farm productivity, improving access to markets through reforms, and providing better facilities for the storage of produce can contribute to better output and income from farming, farm-related and off-farm activities in rural India. Easy credit at various stages of the agriculture value chain as well as other non-farming activities can significantly support farmers and non-farmers. NABARD pursues this goal to fulfil the credit needs of India's rural economy, through a range of specialized financial institutions.

## 2.1 INCREASED SHORT-TERM CREDIT FOR BUSINESS OPERATIONS

NABARD refinances short-term loans given by state cooperative banks (StCBs) and regional rural banks (RRBs) for production, marketing and procurement activities. Refinancing of these short-term loans saw a steady up tick in the financial year (FY) 2014–15, ending on 31 March 2015.

NABARD sanctioned an aggregate credit limit of ₹90,620 crore for various rural financial institutions (RFIs) during the FY 2014–15, recording a growth of 11.6 per cent over 2013–14, under its short-term refinance portfolio related to production activities. The maximum outstanding short-term credit

**TABLE 2.1 : SHORT-TERM REFINANCE (PRODUCTION CREDIT) FOR THE LAST FIVE YEARS (₹ CRORE)**

| *Year* | *Limit sanctioned* | *Maximum outstanding* |
|---|---|---|
| 2009–10 | 25661 | 24715 (96.31) |
| 2010–11 | 34375 | 34196 (99.48) |
| 2011–12 | 49013 | 48981 (99.94) |
| 2012–13 | 66418 | 66095 (99.51) |
| 2013–14 | 81204 | 80859 (99.58) |
| 2014–15 | 90620 | 90151 (99.48) |

Figures in parentheses refer to percentage share

**TABLE 2.2: RATES OF INTEREST ON REFINANCE**

| *Sl. No.* | *Purpose* | *Agency* | *Interest rate (%)* |
|---|---|---|---|
| 1 | ST-SAO | i) StCB/RRB | 4.50 |
| | | ii) DCCB and PACS through RRB/ CB (PSB) | 4.50 |
| 2 | Post-harvest loans to small and marginal farmers against NWR | StCB/ RRB | 4.50 |
| 3 | ST (others—other than weavers) | StCB | 10.00 |
| 4 | ST (weavers—primary and apex/ regional weavers' cooperative societies) | StCB | 10.00 |
| 5 | ST (weavers—financing of primary weavers' cooperative societies) | Scheduled commercial bank | 10.00 |
| 6 | ST—other than SAO loans (ST-OSAO) | RRB | 10.00 |
| 7 | ST—working capital requirements of SHDC | StCB & Scheduled commercial bank | 10.00 |
| 8 | MT (conversion) loan | StCB/RRB | 7.35@ |

@:At 3% below the rate charged to the ultimate borrower, with a minimum of 7.35%

to RFIs peaked at ₹90,151 crore during the FY 2014–15. Both the limit sanctioned and maximum outstanding under ST refinance have increased at a CAGR of 27 per cent over the past 5 years. (Table 2.1).

The rates of interest on refinance varied with the purpose—short-term refinance for seasonal agricultural operations (SAO) was offered at 4.5 per cent, and for activities other than SAO, at 10 per cent. The rate of refinance offered on medium-term conversion loan was 7.35 per cent (Table 2.2).

### 2.1.1 Policy guidelines for StCBs

To pursue overall agriculture growth, NABARD adopted a policy to extend a higher quantum of refinance to priority states/areas. The maximum refinance support to StCBs for short-term operations was pegged at:

- 50 per cent of their realistic lending programme (RLP) for general areas;
- 55 per cent of the RLP for the eastern region, including Bihar, West Bengal, Odisha, Jharkhand, Chhattisgarh and 28 districts of eastern Uttar Pradesh; and

- 70 per cent of the RLP for the north-eastern (NE) region, Jammu and Kashmir, Sikkim, Andaman and Nicobar Islands, Himachal Pradesh, and Uttarakhand.

NABARD continued its norm (introduced in 2013–14) of linking refinance eligibility with the capital to risk-weighted assets ratio (CRAR) of StCBs for better accountability.

### *For the benefit of farmers: ST-SAO refinance to StCBs*

Under the short-term seasonal agricultural operations (ST-SAO), NABARD sanctioned aggregate credit limits of ₹59,800 crore to 23 StCBs during the FY ending on 31 March 2015, as against ₹53,989.15 crore in the previous financial year, recording a growth of 10.8 per cent. The credit limits included:

a. ₹5820.92 crore for the National Mission on Oilseeds and Oil Palm (NMOOP-Oilseeds);
b. ₹2237.37 crore for the development of the tribal population (DTP); and
c. ₹673.29 crore for the National Food Security Mission-pulses (NFSM-pulses).

The aggregate maximum outstanding of the StCBs stood at ₹59787.62 crore in 2014–15—close to 99.97 per cent utilization. With a 32 per cent share in the aggregate sanctioned credit limit, the StCBs in the northern region continued to dominate. These were followed by those in the southern region (20 per cent), central region (18 per cent), western region (18 per cent) and eastern region (11 per cent).

Notwithstanding relaxations, the share of refinance availed of by the StCBs from the NE region was less than 1 per cent of the aggregate credit limit. StCBs from Assam, Meghalaya, Nagaland, Tripura and Sikkim utilized ₹42.22 crore from a combined sanctioned credit limit of ₹43 crore.

On behalf of the eligible district central cooperative banks (DCCBs), a consolidated limit was sanctioned to the StCBs for the purpose of short-term, other than seasonal agricultural operations (ST-OSAO) during 2014–15. StCBs with sub-10 per cent net non-performing assets (NPAs), as on 31 March 2013, were considered eligible for refinance under ST-OSAO during 2014–15. NPA norms were relaxed by 5 per cent for StCBs in the NE region. A consolidated ST (Others) limit of ₹150 crore was sanctioned to Haryana StCB. However, no money has been disbursed under the same.

### *For the benefit of weavers*

For production, procurement and marketing activities conducted by weavers, an aggregate of ₹283.89 crore in short-term credit for eligible DCCBs was sanctioned to three StCBs belonging to Tamil Nadu, Puducherry and Andhra Pradesh during 2014–15, compared to ₹251.12 crore in 2013–14. The maximum outstanding was ₹145.39 crore in 2014–15. Refinance assistance, aimed at meeting the working capital requirements of primary, regional and apex societies of weavers, was extended to StCBs on behalf of the eligible DCCBs. To finance the working capital requirements of state handloom development corporations (SHDCs) for production, procurement and marketing of handloom products, short-term credit was extended to StCBs and scheduled commercial banks (SCBs).

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

In addition, refinance was made available to RRBs and commercial banks to meet the working capital requirement of mutually aided cooperative societies (MACS) and producer groups involved in weaving, handloom and related activities.

### 2.1.2 Policy guidelines for RRBs

As in the case of the StCBs, the refinance policy for RRBs reflected a differential approach, based on priority states/areas. Refinance provided to RRBs was fixed at:

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

To RRBs that fell within the approved NPA norms, incremental refinance of 10 per cent of the RLP was offered for the general and eastern regions, provided that those RRBs ensured at least 50 per cent coverage for small and marginal farmers in their crop loan disbursement.

### *For the benefit of farmers: ST-SAO refinance to RRBs*

On account of ST-SAO, NABARD sanctioned a credit limit of ₹30,000 crore to 56 RRBs during 2014–15, as against ₹25,876.31 crore in 2013–14, recording a growth of 15.9 per cent. The limits include:

a. ₹2044.67 crore for NMOOP-Oilseeds;

b. ₹630.89 crore for DTP; and

c. ₹37.40 crore for NFSM-Pulses.

The three largest beneficiary states were Uttar Pradesh, Bihar and Rajasthan, whose share in the sanctioned limits was 18 per cent, 14 per cent and 10 per cent, respectively. The RRBs together reached a maximum outstanding of ₹30,003.31 crore during 2014–15, reflecting 100.01 per cent utilization.

Eight RRBs in the NE region availed themselves of ₹177.34 crore from a sanctioned credit limit of ₹215 crore during the same period (2014–15).

### *For purposes other than SAO*

NABARD also assists RRBs for certain approved purposes like marketing of crops, pisciculture and certain approved purposes other than SAO, under Section 21 (1) of the NABARD Act, 1981. In 2014–15, an aggregate limit of ₹186 crore was sanctioned for ST-OSAO, compared to ₹284.70 crore in the previous year.

RRBs with 5 per cent or lower net NPAs, as on 31 March 2013, were eligible for ST-OSAO refinance. To increase the credit flow in the NE region, Jammu and Kashmir, Himachal Pradesh and Uttarakhand under this head, the net NPA norms were relaxed by another 5 per cent in these states.

### 2.1.3 Commercial banks

At times, members of primary agricultural credit societies (PACS) affiliated to institutions which are rendered ineligible for refinance do not get adequate credit support. To extend crop loans to farmer members affiliated to such PACS, NABARD has been refinancing public sector banks (PSBs) since 2011–12. Under this scheme, PSBs were sanctioned a credit limit aggregating ₹200 crore to finance such PACS during 2014–15, with utilization of ₹213.03 crore.

### 2.1.4 Direct refinance assistance to cooperative banks

While NABARD has been providing refinance for various business purposes to DCCBs through StCBs, direct refinance assistance to DCCBs was conceived as an additional line of finance for DCCBs. This new line of refinance, which was started on a pilot scale in 2010–11, was recommended by the 'Task Force on Revival of Short-Term Rural Cooperative Credit Structure' under the chairmanship of Prof. A. Vaidyanathan. After stabilizing in the past few years, this has enabled DCCBs to raise funds independent of StCBs.

This product has been targeting the entire cooperative structure rather than focusing on a single layer. Credit limit is sanctioned to cooperative banks for lending to farmers, traders, artisans, etc. through their branches and through PACS for a variety of purposes, such as:

- Working capital;
- Repair and maintenance of farm equipment and other productive assets;
- Storage, grading and packaging of produce;
- Marketing activities;
- Crop loan above ₹3 lakh;
- Redemption of old debts; and
- Other socio-economic needs.

All other purposes covered under Section 21(1), (i) to (v) of the NABARD Act, 1981 are also eligible for refinancing through this product. The sanction is in the form of cash credit accommodation to DCCBs or StCBs without a limit on the number of withdrawals or repayments, provided the outstanding never exceeds the credit limit.

During 2014–15, refinance assistance aggregating ₹5053.76 crore was sanctioned to 59 DCCBs and seven StCBs, with disbursements of ₹4893.16 crore till 31 March 2015. Working capital for traders, repair and maintenance of farm equipment and other productive assets, marketing activities and crop loans above ₹3 lakh formed a major share of sanctioned and disbursed refinance.

In addition, NABARD designed another product to offer refinance assistance to DCCBs and StCBs against pledge of sugar stocks belonging to cooperative and private sugar factories. During 2014–15, four cooperative banks were sanctioned refinance assistance of ₹626.50 crore under this scheme. This enabled the banks to promptly pay farmers for the procurement of sugarcane.

### 2.1.5 Loans to farmers against negotiable warehouse receipts

During 2011–12, the Government of India (GoI) introduced a scheme to extend concessional post-harvest loans of upto ₹3 lakh to small and marginal farmers owning Kisan Credit Cards (KCCs), for a period of up to six months at an interest rate of 7 per cent, against negotiable warehouse receipts (NWRs) issued by accredited warehouses. The basic objective of the scheme is to encourage them to store their produce in warehouses and sell it at a remunerative price at a future date, in the process discouraging distress sale of produce by farmers. It is envisaged that this scheme will promote the development of modern warehousing facilities in rural areas.

Refinance assistance to StCBs/RRBs to support loans against NWRs is available at an interest rate of 4.5 per cent or as decided by the GoI from time to time. The terms and conditions governing refinance of short-term loans for the marketing of crops (ST-Others) for cooperative banks and RRBs, such as the quantum of refinance, audit, NPA norms and exposure norms, were applied to this scheme too.

However, since separate credit limits are sanctioned to banks by NABARD for ST-SAO and the marketing of crops, advances to farmers against NWRs cannot be treated as cover for ST-SAO borrowings and vice versa.

### 2.1.6 PACS as Multi-Service Centres

PACS, with their direct access to farmers, have the potential to be a key channel partner for refinance assistance. In view of the limited products at their disposal, NABARD extended refinance support to StCBs/DCCBs/PACS to meet the various financial needs of farmers and develop these societies as multi-service centres (MSCs).

During 2014–15, 769 PACS were sanctioned a total financial assistance of ₹181.18 crore, of which 96 per cent


PACS as MSC

(approximately ₹174.18 crore) was loan component and the remaining was grant assistance towards accompanying measures. Disbursement for the year, at ₹105.06 crore (including loan of ₹104.22 crore and ₹0.847 crore towards accompanying measures), was assigned to:

- Establishment of agro service centres;
- Rural retail outlets;
- Agri-marketing infrastructure;
- Rice mills;
- Rural warehouses (godowns);
- Reverse osmosis water treatment plants;
- Tent houses and the catering business;
- Farm machinery or implements for custom hiring;
- Transport vehicles for agricultural produce; and
- Strengthening backward and forward linkages through on-lending to members for agricultural and allied activities.

It is necessary to develop PACS as one-stop shops to meet all the borrowing needs of farmers. This will also help increase the business portfolio of PACS, enabling them to offer additional services, like custom hiring of agricultural implements, collective purchase of inputs, good-quality storage capacity (as per the NWR system), processing units and marketing facilities, thus making them sustainable.

### 2.1.7 Primary Cooperative Agriculture and Rural Development Bank

Recognizing the crucial role and played by Primary Cooperative Agriculture and Rural Development Banks (PCARDBs), during 2014–15, NABARD introduced 'PCARDB as MSC', a scheme on lines similar to 'PACS as MSC'.

PCARDB as MSC adopts a credit-plus approach that includes collateralized loans to pursue economic activities and grant to facilitate the operational aspects of the investment. State cooperative agriculture and rural development banks (SCARDBs) act as facilitators for this scheme, while eligibility is based on the rating of an individual PCARDB.

Through this product, PCARDBs are envisaged to support activities like custom hiring of agricultural implements, enabling collective purchase of inputs, developing adequate storage capacity, and processing and marketing facilities, in addition to providing long-term credit for capital formation in the agricultural and allied sectors. The NABARD Regional Offices (ROs) in Karnataka and Rajasthan have sanctioned two projects with an aggregate assistance of ₹4.2 crore during 2014–15 under this scheme.

## 2.2 STEADY FLOW OF LONG-TERM CREDIT

NABARD extends refinance support to RRBs, commercial banks and cooperative banks for their long-term lending, with the repayment period ranging from 3 to 15 years. These loans are targeted at creating assets and capital that are critical for sustained agricultural growth. Refinance for various purposes, such as farm investments, allied activities, small and micro-enterprises, agro-processing, organic farming, non-conventional energy, self-help groups (SHGs) and rural housing, are given to ensure a steady flow of long-term credit to the farm and non-farm sectors.

### 2.2.1 Eligibility for long-term lending

*NPA-based criteria*

In 2014–15, the eligibility criteria for refinance continued to be linked to net NPAs for commercial banks, StCBs, Primary Urban Cooperative Banks (PUCBs) and RRBs, whereas for SCARDBs, they were linked to their risk profile.

Commercial banks, PUCBs and the North Eastern Development Finance Corporation Ltd (NEDFi) with net NPAs exceeding 3 per cent were not eligible for refinance during the year. Unlicensed StCBs and DCCBs, and StCBs with net NPAs of above 20 per cent or classification in C/D category in audit were not considered eligible for refinance.

*Risk-based criteria*

Along with the net NPA, CRAR norms continued to be an essential component of the refinance policy for the year 2014–15.

Licensed StCBs/DCCBs with a CRAR of above 4 per cent as on 31 March 2013 became eligible for refinance. In cases in which StCBs had a CRAR of more than 4 per cent, but individual DCCBs had one of less than 4 per cent, no refinance was provided to StCBs for such individual DCCBs.

SCARDBs categorized as high-risk and RRBs with net NPAs of above 15 per cent were not considered eligible for refinance during 2014–15. As an exception, amalgamated RRBs that are yet to be listed in the second schedule of the Reserve Bank of India (RBI) Act were considered eligible for refinance, till scheduling.

Registered non-banking financial companies (NBFCs) rated AA by a Securities and Exchange Board of India (SEBI)-approved rating agency, with at least five years of lending experience, net NPAs not exceeding 3 per cent and capital adequacy ratios periodically stipulated by the RBI—presently at 15 per cent—were deemed eligible for refinance. The eligibility criterion for non-banking financial companies–microfinance institutions (NBFC–MFIs) to avail refinance from NABARD was relaxed from top rating of mFR1/MF1 to one notch below top rating.

*Security norms*

Refinance to SCARDBs is usually against guarantees provided by the state government. In cases where government guarantee was not forthcoming, alternative securities, such as government securities or fixed deposit receipts issued by scheduled banks, were pledged. In certain cases, StCBs with a good track record were considered eligible, subject to the fulfilment of certain terms and conditions prescribed by NABARD.

### *Special package for NE and other regions*

NABARD continued with its special package to relax net NPA norms by 5 per cent for StCBs and 3 per cent for RRBs and provide refinance of up to 100 per cent of the eligible bank loan for all client institutions—except SCARDBs and NBFCs—for all purposes. The objective was to increase the flow of investment credit to states in the NE region (Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim), eastern region (West Bengal, Odisha, Bihar, Jharkhand, and the Andaman and Nicobar Islands), hill states (Jammu and Kashmir, Himachal Pradesh and Uttarakhand), Lakshadweep and Chhattisgarh.

## 2.2.2 Interest rates on refinance

During 2014–15, the annual rate of interest was in the range of 8.85–11.75 per cent, depending on the type of agency and quantum of refinance. The rate was revised six times during the financial year. The revised interest rate offered to commercial banks and RRBs on refinance, against loans to MFIs meant for on-lending to clients, was 3 per cent lower than that charged by banks subject to the prevailing minimum interest rate applicable for that agency and region.

## 2.2.3 Disbursement of refinance

In 2014–15, the disbursement of refinance stood at ₹31,427.30 crore, registering a 46.3 per cent growth over the previous year. This was achieved against a target of ₹25,000 crore. Commercial banks were the biggest channel for investment credit, followed by RRBs, together accounting for 76 per cent of disbursement. The extent of refinance availed of by various RFIs during the financial year are as follows (Table 2.3).

| | | |
|---|---|---|
| Commercial banks | : | ₹13,675.20 crore (43.5%), |
| RRBs | : | ₹10,220.91 crore (32.5%) |
| StCBs | : | ₹3818.09 crore (12.15%) |
| SCARDBs | : | ₹2923.97 crore (9.37%) |
| Others (PUCBs/ADFCs/ NABFINS) | : | ₹789.13 crore (2.51 %) |

The regional distribution of refinance disbursed during 2014–15 (as on 31 March 2015) outlines how the growth in the share of refinance disbursement in the southern region has outpaced the rest of the country.

**TABLE 2.3: AGENCY-WISE DISBURSEMENT OF REFINANCE (₹ CRORE)**

| *Agency* | *2012–13* | | | *2013–14* | | | *2014–15* | | |
|---|---|---|---|---|---|---|---|---|---|
| | *Target* | *Disbursement* | *% share* | *Target* | *Disbursement* | *% share* | *Target* | *Disbursement* | *% share* |
| CBs | 9900.00 | 8708.77 | 49.27 | 8500 | 13254.62 | 61.69 | 9900 | 13675.20 | 43.51 |
| RRBs | 5138.00 | 4753.66 | 26.90 | 3915 | 4303.67 | 20.03 | 8000 | 10220.91 | 32.52 |
| StCBs | 2378.00 | 2071.06 | 11.72 | 1975 | 1713.32 | 7.97 | 3500 | 3818.09 | 12.16 |
| SCARDBs | 2300.00 | 1741.31 | 9.85 | 2000 | 1814.95 | 8.45 | 2600 | 2923.97 | 9.30 |
| PUCBs | 100.00 | 69.29 | 0.39 | 100 | 30.00 | 0.14 | 100 | 0.00 | 0.00 |
| ADFCs/NABFINS | 500.00 | 330.20 | 1.87 | 500 | 369.60 | 1.72 | 890 | 789.13 | 2.51 |
| NEDFi | 50.00 | 0.00 | 0.00 | 0 | 0.00 | 0.00 | 0 | 0.00 | 0.00 |
| **TOTAL** | **16990.00** | **17674.30** | **100.00** | **16990** | **21486.20** | **100.00** | **24990** | **31427.30** | **100.00** |

**TABLE 2.4: REGION-WISE DISBURSEMENT OF REFINANCE (₹ CRORE)**

| *Agency* | *2012–13* | | | *2013–14* | | | *2014–15* | | |
|---|---|---|---|---|---|---|---|---|---|
| | *Target* | *Disbursement* | *% share* | *Target* | *Disbursement* | *% share* | *Target* | *Disbursement* | *% share* |
| Northern | 3302 | 3172.83 | 17.95 | 3216 | 4411.74 | 20.53 | 4917.50 | 5260.99 | 16.70 |
| North-eastern | 320 | 190.75 | 1.08 | 211 | 171.72 | 0.80 | 319.50 | 385.45 | 1.20 |
| Eastern | 1716 | 1663.47 | 9.41 | 1494 | 1833.15 | 8.53 | 2831.00 | 3711.66 | 11.80 |
| Central | 2216 | 1254.81 | 7.10 | 1789 | 1804.04 | 8.40 | 2305.00 | 3131.63 | 10.00 |
| Western | 1791 | 2385.48 | 13.50 | 1890 | 3058.84 | 14.24 | 3700.00 | 4951.66 | 15.80 |
| Southern | 7645 | 9006.95 | 50.96 | 8390 | 10206.68 | 47.50 | 10917.00 | 13985.92 | 44.50 |
| **TOTAL** | **16990** | **17674.29** | **100.00** | **16990** | **21486.17** | **100.00** | **24990.00** | **31427.30** | **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* | *2012–13* | | | *2013–14* | | | *2014–15* | | |
|---|---|---|---|---|---|---|---|---|---|
| | *Target* | *Disbursement* | *% share* | *Target* | *Disbursement* | *% share* | *Target* | *Disbursement* | *% share* |
| Minor irrigation | 1189 | 739.27 | 4.18 | 1189 | 517.86 | 2.41 | 1874 | 1147.17 | 3.650 |
| Land development | 700 | 817.69 | 4.63 | 700 | 834.05 | 3.88 | 1124 | 1300.16 | 4.140 |
| Farm mechanization | 2401 | 2282.79 | 12.92 | 2401 | 3062.40 | 14.25 | 3499 | 2383.60 | 7.590 |
| Plantation and horticulture | 1600 | 1361.92 | 7.71 | 1600 | 690.59 | 3.21 | 2499 | 2033.45 | 6.470 |
| PF/SGP/AH-Other | 555 | 411.29 | 2.33 | 555 | 620.59 | 2.89 | 875 | 672.52 | 2.140 |
| Fisheries | 255 | 37.85 | 0.21 | 255 | 21.81 | 0.10 | 375 | 64.15 | 0.200 |
| Dairy development | 1200 | 872.87 | 4.94 | 1200 | 931.89 | 4.34 | 1749 | 1770.63 | 5.630 |
| Forestry | 20 | 7.80 | 0.04 | 20 | 6.39 | 0.03 | 62 | 8.29 | 0.030 |
| Storage godown and market yard | 600 | 295.30 | 1.67 | 600 | 379.32 | 1.77 | 750 | 294.21 | 0.940 |
| SGSY | 0 | 111.72 | 0.63 | 0 | 54.96 | 0.26 | 1 | 0.81 | 0.003 |
| Non-farm sector | 4400 | 5150.88 | 29.14 | 4400 | 7806.46 | 36.33 | 6247 | 11117.83 | 35.380 |
| SC/ST-AP | 0 | 19.35 | 0.11 | 0 | 14.70 | 0.07 | 0 | 2.47 | 0.007 |
| SHG | 3500 | 3916.64 | 22.16 | 3500 | 3745.83 | 17.43 | 5248 | 4493.67 | 14.290 |
| Others | 570 | 1648.92 | 9.33 | 570 | 2799.32 | 13.03 | 687 | 6138.34 | 19.540 |
| **TOTAL** | **16990** | **17674.29** | **100.00** | **16990** | **21486.17** | **100.00** | **24990** | **31427.30** | **100.000** |

The regional shares were as follows (Table 2.4).

| | | |
|---|---|---|
| Southern region | : | 44.5 per cent |
| Northern region | : | 16.7 per cent |
| Western region | : | 15.8 per cent |
| Eastern region | : | 11.8 per cent |
| Central region | : | 10 per cent |
| North-eastern region | : | 1.2 per cent |

At 35.38 per cent, non-farm sector (NFS) activities accounted for the biggest share of refinance. SHGs at 14.29 per cent, farm mechanization at 7.59 per cent, plantation and horticulture at 6.47 per cent and dairy development at 5.63 per cent were the leading sectors to which investment credit refinance was disbursed (Table 2.5).

### 2.2.4 New lending initiatives for agricultural growth and rural development

To provide medium-term refinance ranging from 18 months to three years, a new product was introduced in 2014–15. All investment related to agricultural and allied activities categorized under medium-term purposes were deemed eligible.

To meet the objectives of the National Mission on Sustainable Agriculture, NABARD introduced a scheme to provide refinance at a concessional rate. This scheme is targeted at specific activities under plantation and horticulture and area-based schemes. Refinance is available at 100 per cent and the rate of interest is 0.5 per cent less than the rate of interest on refinance applicable to RRBs and cooperative banks.

The 'Long-Term Rural Credit Fund' was set up with NABARD by the GoI to refinance long-term investment credit in agricultural activities, exclusively for cooperative banks and RRBs. The interest rate on refinance fixed at 7.85 per cent for 2014–15, is subject to periodic revision by NABARD. The fund has facilitated availment of higher refinance by banks and encouraged them to increase their ground-level credit disbursement for agriculture.

Refinance up to 100 per cent of the eligible bank loan for all activities under 'thrust areas' and 95 per cent for other activities was provided to commercial banks, StCBs, RRBs and the subsidiaries of NABARD—NABARD Financial Services Limited (NABFINS), Agri Business Finance (AP) Limited (ABFL) and Agri Development Fund, Tamil Nadu (ADFT). Refinance to SCARDBs of up to 100 per cent of the eligible bank loan disbursed was extended under the loan system.

**TABLE 2.6: PERFORMANCE OF PACS (INCLUDING FSS &LAMPS) AS ON 31 MARCH (₹ CRORE)**

| | *2012* | *2013* |
|---|---|---|
| Number | 92432 | 93488 |
| Membership (lakh) | 1136 | 1275 |
| Borrowing members (lakh) | 449 | 495 |
| Owned funds | 15996 | 18516 |
| Deposits | 50253 | 67113 |
| Borrowings | 88836 | 93359 |
| Loans issued | 107300 | 161909 |
| Loans outstanding | 87767 | 139399 |

*Source:* The data has been taken from the website of National Federation of State Cooperative Banks Ltd (NAFSCOB). It pertains to PACS for the years 2012 and 2013.

## 2.3 STRENGTHENING RFIs

Cooperative banks and RRBs, critical for financial intermediation in agriculture and rural development, are frequently exposed to unpredictable disruptions due to an unfavourable environment—both natural and economic. Through its various developmental and supervisory initiatives, NABARD strengthens these RFIs, enabling them to effectively withstand and combat such shocks.

### 2.3.1 Overview of short-term and long-term cooperative credit structures

The short-term cooperative credit structure (STCCS) comprises PACS, StCBs and DCCBs. SCARDBs and PCARDBs form the backbone of the long-term cooperative credit structure (LTCCS).

#### *PACS*

The number of PACS—the grassroots institutions that deal directly with individuals for their credit needs—in the country was 93,488 on 31 March 2013. PACS increased their deposits by 33.6 per cent to ₹67,113 crore in 2012–13, while their borrowings increased by a little over 5 per cent during the same period, to ₹93,539 crore. The loans issued increased by nearly 51 per cent and loans outstanding increased by almost 59 per cent over 2011–12.

As on 31 March 2013, the aggregate membership of PACS stood at 12.75 crore, of which 39 per cent were borrowers. While the membership increased by 12.2 per cent, the number of borrowing members increased by 10.25 per cent during 2012–13 compared to the previous year.

Borrowings from DCCBs constitute nearly 50 per cent of the total resources of the PACS. Only about 10 per cent of the agricultural loans issued by the PACS under the three-tier structure were supported through deposits mobilized by these societies, while the remaining 90 per cent were provided by DCCBs—either from their own resources or through borrowings. From amongst the 80,451 PACS for which data was available for 2012–13, 42,586 (53 per cent) earned a profit of ₹2,084 crore, while the remaining 37,955 incurred a loss of ₹4,214 crore.

#### *StCBs and DCCBs*

On 31 March 2014, the aggregate share capital of StCBs stood at ₹4,538 crore, as against ₹3,054 crore on 31 March 2013—an increase of 49 per cent.

The share capital of DCCBs on 31 March 2014 was ₹11,148 crore, as against ₹9,701 crore on 31 March 2013—an increase of 15 per cent.

**TABLE 2.7: GROWTH OF SHORT-TERM COOPERATIVE CREDIT STRUCTURE AS ON 31 MARCH (₹ CRORE)**

| *Particulars* | *StCBs* | | | *DCCBs* | | |
|---|---|---|---|---|---|---|
| | *2013* | *2014** | *Growth (%)* | *2013* | *2014** | *Growth (%)* |
| Number | 32 | 32 | – | 370 | 370 | – |
| Share capital | 3053.58 | 4537.67 | 48.60 | 9700.84 | 11147.76 | 14.90 |
| Reserves | 12331.13 | 11187.13 | (–)9.30 | 30299.71 | 29044.59 | (–)4.14 |
| Deposits | 94516.14 | 104207.43 | 10.25 | 208218.15 | 235920.76 | 13.30 |
| Borrowings | 50947.50 | 60938.92 | 19.60 | 64968.09 | 72776.30 | 12.00 |
| Loans issued | 78969.72 | 95964.44 | 21.50 | 211308.48 | 225319.04 | 6.60 |
| Loans outstanding | 93257.94 | 103116.68 | 10.60 | 183969.57 | 202672.62 | 10.10 |

* Provisional

By the close of 2013–14, the deposits at StCBs increased by nearly 10 per cent to reach ₹1,04,207 crore and their borrowings went up by almost 20 per cent to touch ₹60,939 crore. For DCCBs, deposits increased by well over 13 per cent to reach ₹2,35,921 crore and borrowings by close to 12 per cent to touch ₹72,776 crore during the same period.

The loans issued increased by about 22 per cent in the case of StCBs and almost 7 per cent for DCCBs during 2013–14. Loans outstanding also went up by around 11 per cent for StCBs to touch ₹1,03,117 crore and by around 10 per cent to reach ₹2,02,673 crore for DCCBs (Table 2.7).

### *SCARDBs and PCARDBs*

The LTCCS comprised 20 SCARDBs, with a share capital of ₹912 crore, and 714 PCARDBs, with a share capital of ₹1453 crore, at the close of March 2014. On 31 March 2014, borrowings by SCARDBs stood at ₹15,751 crore, a marginal decline by 0.24 per cent over the previous year, while those of PCARDBs decreased marginally by 0.5 per cent to reach ₹14,441 crore. The loans issued during 2013–14 increased by 25 per cent in the case of SCARDBs and 3 per cent for PCARDBs. During the same period, the loans outstanding of the SCARDBs went up by 8.83 per cent and those of the PCARDBs came down by 0.64 per cent (Table 2.8).

## 2.3.2 Working results of cooperative banks

### *Profitability—STCCS*

In 2013–14, the aggregate profits earned by 26 out of 32 StCBs were in excess of ₹979 crore, whereas the remaining 6 StCBs incurred losses of nearly ₹93 crore, thus returning a net profit of close to ₹886 crore.

**TABLE 2.8: GROWTH OF LONG-TERM COOPERATIVE CREDIT STRUCTURE AS ON 31 MARCH (₹ CRORE)**

| *Particulars* | *SCARDBs* | | | *PCARDBs* | | |
|---|---|---|---|---|---|---|
| | *2013* | *2014** | *Growth (%)* | *2013* | *2014* | *Growth (%)* |
| Number | 20 | 20 | – | 714 | 714 | – |
| Share capital | 884.54 | 911.51 | 3.05 | 1448.07 | 1452.61 | 0.31 |
| Reserves | 5371.00 | 5961.49 | 10.99 | 3552.12 | 3842.19 | 8.17 |
| Deposits | 1300.38 | 1539.79 | 18.41 | 712.25 | 743.00 | 4.32 |
| Borrowings | 15788.41 | 15751.06 | (–)0.24 | 14507.39 | 14441.32 | (–)0.46 |
| Loans issued | 3652.77 | 4575.99 | 25.27 | 3718.39 | 3840.52 | 3.28 |
| Loans outstanding | 18744.20 | 20399.61 | 8.83 | 12976.17 | 12892.65 | (–)0.64 |

*Provisional

**TABLE 2.9: WORKING RESULTS OF COOPERATIVE BANKS AS ON 31 MARCH (₹ CRORE)**

| *Agency* | *StCBs* | | *DCCBs* | | *SCARDBs* | | *PCARDBs* | |
|---|---|---|---|---|---|---|---|---|
| *Year* | *2012–13* | *2013–14** | *2012–13* | *2013–14** | *2012–13* | *2013–14** | *2012–13* | *2013–14** |
| Total (no.) | 32 | 32 | 370 | 370 | 20 | 20 | 714 | 714 |
| In profit (no.) | 29 | 26 | 330 | 331 | 10 | 8 | 374 | 372 |
| Profit amount | 1109.74 | 979.46 | 1704.00 | 1523.00 | 175.76 | 159.36 | 233.31 | 265.20 |
| In loss (no.) | 3 | 6 | 40 | 36 | 9 | 11 | 338 | 340 |
| Loss amount | 4.31 | 93.55 | 336.00 | 349.00 | 277.08 | 505.69 | 565.78 | 508.08 |

* Provisional. The profitability figures of 367 DCCBs have been reported for the year 2013–14. Fifteen SCARDBs have reported profitability figures for 2013–14, hence the profitability of four SCARDBs, i.e., Jammu & Kashmir, Odisha, Tripura and Uttar Pradesh, repeated from 2012–13 (no new data available). In the case of PCARDBs, data is repeated for Madhya Pradesh, Odisha, West Bengal, Kerala and Tamil Nadu from 2012–13. Two PCARDBs in Kerala did not report profitability figures in 2013–14.
^ The Manipur SCARDB is defunct.

While 331 out of 367 DCCBs earned ₹1523 crore in profits, 36 DCCBs incurred losses to the extent of ₹349 crore, leading to an overall profit of nearly ₹1174 crore.

### *Profitability—LTCCS*

Under the LTCCS, eight SCARDBs earned ₹159 crore in aggregate profits, while 11 incurred an aggregate loss of nearly ₹506 crore in 2013–14. Of the 714 PCARDBs, 372 earned an aggregate profit of over ₹265 crore, while 340 incurred an aggregate loss of ₹508 crore during the year, resulting in a net loss at the aggregate level, not accounting for the remaining that did not report (Table 2.9).

### *Accumulated losses*

The aggregate accumulated losses of StCBs increased from ₹546 crore on 31 March 2013 to ₹704 crore on 31 March 2014, while the DCCBs showed a decreasing trend in the corresponding period, from ₹4062 crore to ₹3868 crore. Out of 103 DCCBs reporting accumulated losses, 13 carried accumulated losses of above ₹100 crore each, which is a matter of concern.

The SCARDBs registered an increase of 25 per cent in accumulated losses, from ₹1923 crore on 31 March 2013 to ₹2411 crore on 31 March 2014. The accumulated losses of PCARDBs increased from ₹4785 crore to ₹5112 crore in the corresponding period (Table 2.10).

### *NPAs and recovery performance*

For StCBs, NPAs marginally decreased at an aggregate level from 6.2 per cent on 31 March 2013 to 5.5 per cent of loans outstanding on 31 March 2014. Region-wise analysis showed that the NPA levels in percentage terms of the StCBs in the eastern, NE and western regions were far higher than the all-India level. As on 30 June 2013, the recovery of StCBs stood at 82.1 per cent (Table 2.11).

**TABLE 2.10: ACCUMULATED LOSSES AS ON 31 MARCH (₹ CRORE)**

| *Year* | *StCBs* | *DCCBs* | *SCARDBs* | *PCARDBs* |
|---|---|---|---|---|
| 2013 | 545.64 | 4061.67 | 1922.66 | 4784.89 |
| 2014* | 703.92 | 3868.01 | 2411.20 | 5112.07 |

* Provisional

**TABLE 2.11: REGION-WISE WORKING RESULTS OF StCBs AS ON 31 MARCH (₹ CRORE)**

| *Region* | *2012–13* | | *2013–14** | | *Total NPAs* | | *NPA as % of loans outstanding* | | *Recovery (%) as on 30 June* | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *Profit* | *Loss* | *Profit* | *Loss* | *2012–13* | *2013–14** | *2012–13* | *2013–14** | *2012–13* | *2013–14** |
| Central | 99.33 | 0.00 | 140.14 | 0.00 | 532.53 | 461.05 | 3.76 | 2.70 | 97.00 | 96.39 |
| Northern | 154.13 | 0.00 | 108.74 | 0.00 | 460.41 | 478.82 | 2.14 | 1.93 | 97.51 | 97.90 |
| Eastern | 85.07 | 0.52 | 47.49 | 12.96 | 825.90 | 872.37 | 8.27 | 6.90 | 91.39 | 57.97 |
| Western | 499.96 | 0.00 | 414.44 | 11.36 | 2077.78 | 1810.96 | 13.87 | 10.92 | 93.81 | 88.68 |
| Southern | 201.29 | 2.28 | 205.78 | 63.59 | 1237.26 | 1554.05 | 4.27 | 5.38 | 93.41 | 96.87 |
| North-eastern | 69.37 | 1.51 | 62.87 | 5.64 | 530.90 | 533.37 | 23.21 | 17.12 | 46.27 | 49.10 |
| All-India | 1109.74 | 4.31 | 979.46 | 93.55 | 5664.77 | 5710.62 | 6.16 | 5.54 | 94.62 | 82.08 |

*Provisional

**TABLE 2.12: REGION-WISE WORKING RESULTS OF DCCBs AS ON 31 MARCH (₹ CRORE)**

| Region | 2012–13 | | | | | 2013–14 * | | | | | Total NPAs as on 31 March | | NPA as % of loans outstanding as on 31 March | | Recovery (%) as on 30 June | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | DCCBs | Profit | | Loss | | DCCBs | Profit | | Loss | | | | | | | |
| | (No.) | No. | Amt. | No. | Amt. | (No.) | No. | Amt. | No. | Amt. | 2013 | 2014* | 2013 | 2014* | 2012 | 2013* |
| Central | 104 | 86 | 332 | 18 | 168 | 100 | 88 | 295 | 14 | 148 | 3909 | 3658 | 17.81 | 9.49 | 71.44 | 75.20 |
| Northern | 73 | 66 | 164 | 7 | 19 | 73 | 61 | 127 | 12 | 101 | 1772 | 1870 | 5.75 | 5.27 | 89.97 | 83.16 |
| Eastern | 65 | 58 | 120 | 6 | 26 | 62 | 59 | 130 | 4 | 8 | 1732 | 1570 | 14.02 | 10.98 | 73.19 | 67.23 |
| Western | 48 | 43 | 586 | 6 | 91 | 49 | 44 | 426 | 5 | 73 | 5904 | 6554 | 11.72 | 12.67 | 63.54 | 70.86 |
| Southern | 80 | 77 | 502 | 3 | 32 | 80 | 79 | 545 | 1 | 19 | 4735 | 5183 | 6.95 | 6.98 | 90.87 | 81.28 |
| All-India | 370 | 330 | 1704 | 40 | 336 | 364 | 331 | 1523 | 36 | 349 | 18052 | 18835 | 9.83 | 9.29 | 79.33 | 74.97 |

* Provisional; three DCCBs out of the 370 have not reported profitability figures for 2013–14

**TABLE 2.13: REGION-WISE WORKING RESULTS OF SCARDBs AS ON 31 MARCH (₹ CRORE)**

| Region | Banks | Profit/ Loss (+) / (-) | | Total NPAs as on 31 March | | NPA as % of loans outstanding as on 31 March | | Recovery (%) as on 30 June | |
|---|---|---|---|---|---|---|---|---|---|
| | 2014$ | 2013* | 2014$ | 2013* | 2014$ | 2013* | 2014$* | 2012 | 2013$ |
| Central | 3 | –67.03 | –125.41 | 2963.99 | 3032.57 | 68.98 | 71.16 | 14.89 | 12.61 |
| Eastern | 3 | 0.63 | –47.26 | 362.62 | 434.36 | 29.63 | 36.66 | 28.24 | 26.93 |
| North-eastern | 3 | –3.69 | –6.22 | 19.61 | 19.39 | 50.37 | 49.51 | 50.72 | 54.88 |
| Northern | 5 | 21.50 | –9.27 | 1393.66 | 1815.04 | 22.86 | 29.77 | 60.03 | 48.68 |
| Southern | 4 | 22.77 | 23.09 | 638.18 | 658.47 | 11.92 | 9.16 | 59.47 | 71.36 |
| Western | 2 | –75.50 | 181.26 | 1369.53 | 1295.98 | 78.96 | 79.75 | 11.55 | 8.91 |
| All-India | 20 | –101.32 | –346.33 | 6747.59 | 7255.81 | 36.00 | 35.57 | 32.26 | 33.25 |

*Data provisional; the Manipur SCARDB is defunct
$: Data repeated from 2012–13 in respect of Jammu & Kashmir, Odisha, Tripura and Uttar Pradesh

**TABLE 2.14: REGION-WISE WORKING RESULTS OF PCARDBs AS ON 31 MARCH (₹ CRORE)**

| Region | 2012–13 | | | | | 2013–14* | | | | | Total NPAs | | NPA as % of loans outstanding | | Recovery (%) as on 30 June | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (No.) | Profit | | Loss | | (No.) | Profit | | Loss | | | | | | | |
| | | No. | Amt. | No. | Amt. | | No. | Amt. | No. | Amt. | 2013 | 2014$ | 2013 | 2014$ | 2012* | 2013$ |
| Central | 50 | 13 | 1.31 | 37 | 64.71 | 50 | 7 | 1.15 | 43 | 102.77 | 638.67 | 642.45 | 68.18 | 69.23 | 11.49 | 9.67 |
| Eastern | 70 | 8 | 4.36 | 62 | 33.15 | 70 | 8 | 4.36 | 62 | 33.15 | 248.37 | 248.37 | 23.95 | 23.95 | 54.63 | 54.63 |
| North-eastern | 0 | – | – | – | – | 0 | – | – | – | – | – | | – | | – | – |
| Northern | 145 | 98 | 60.77 | 47 | 197.08 | 145 | 91 | 50.70 | 54 | 215.66 | 2368.48 | 2408.76 | 42.00 | 43.06 | 45.99 | 41.40 |
| Southern | 420 | 254 | 140.81 | 164 | 129.98 | 420 | 255 | 141.00 | 163 | 113.24 | 1246.68 | 1222.10 | 24.74 | 24.22 | 60.19 | 77.21 |
| Western | 29 | 1 | 26.06 | 28 | 141.06 | 29 | 11 | 67.50 | 18 | 43.26 | 322.66 | 287.36 | 99.86 | 99.84 | 16.89 | 8.42 |
| All-India | 714 | 374 | 233.31 | 338 | 565.98 | 714 | 372 | 265.20 | 340 | 508.80 | 4824.86 | 4809.02 | 37.18 | 37.30 | 42.68 | 43.92 |

*Provisional; two PCARDBs in Kerala have not reported profitability figures
$: Data in the state of Madhya Pradesh, Odisha, West Bengal, Kerala and Tamil Nadu are repeated; two PCARDBs in Kerala have not reported profitability figures

TABLE 2.15: COMPOSITION OF NPAs OF COOPERATIVE BANKS AS ON 31 MARCH 2014 (₹ CRORE)

| *Assets classification* | *StCBs** | *DCCBs** | *SCARDBs** | *PCARDBs** |
|---|---|---|---|---|
| Sub-standard | 2066.07 | 9246.34 | 3105.05 | 2210.00 |
| Doubtful | 2614.22 | 8527.67 | 4139.45 | 2562.00 |
| Loss assets | 1018.63 | 2162.91 | 11.32 | 36.69 |
| Total NPAs | 5698.92 | 19936.92 | 7255.82 | 4809.00 |
| Provisions required | NA | NA | 1817.50 | 1243.76 |
| Provisions made | 3516.43 | 11670.54 | 2138.02 | 1333.79 |

*Provisional

For DCCBs, aggregate NPAs as a percentage of loans outstanding declined marginally by 0.5 per cent from 9.8 per cent on 31 March 2013 to 9.3 per cent on 31 March 2014—DCCBs from the northern and southern regions reported NPAs lower than the national average, whereas the NPAs reported from all other regions were higher than the average (Table 2.12).

For SCARDBs, aggregate NPAs decreased marginally from 36 per cent on 31 March 2013 to 35.6 per cent of loans outstanding a year later. While SCARDBs in the southern and northern regions reported NPA levels lower than the all-India average, those from central, eastern, NE and western regions showed higher NPAs than the national average. The recovery position of SCARDBs was 33.25 per cent on 30 June 2013 (Table 2.13).

NPAs as a percentage of loan outstanding for PCARDBs on 31 March 2014 stood at 37.3, which was marginally higher than that at the end of the previous FY. The recovery position of PCARDBs stood at 43.9 per cent on 30 June 2013 (Table 2.14).

The composition of the NPAs of cooperative banks is presented in Table 2.15.

### *Costs and margins*

During 2013–14, DCCBs as a group earned a financial return of 8.39 per cent, while the cost of funds worked out to 5.85 per cent, resulting in a financial margin of 2.54 per cent. The operating cost worked out to 1.90 per cent, leaving the DCCBs with an operating margin of 0.64 per cent at the aggregate level.

The DCCBs, as a whole, earned a positive net margin of 0.39 per cent during the FY

TABLE 2.16: STCBs—CRAR AS ON 31 MARCH

| *Year* | *CRAR %* | | | | |
|---|---|---|---|---|---|
| | *< 4* | *4–7* | *7–9* | *9 & above* | *Total* |
| 2012–13 | 2 | 6 | 7 | 17 | 32 |
| 2013–14 * | 0 | 6 | 7 | 19 | 32 |

*Provisional

TABLE 2.17: DCCBs—CRAR AS ON 31 MARCH

| *Year* | *CRAR %* | | | | |
|---|---|---|---|---|---|
| | *< 4* | *4–7* | *7–9* | *9 & above* | *Total* |
| 2012–13 | 45 | 47 | 70 | 208 | 370 |
| 2013–14 * | 24 | 45 | 77 | 222 | 368 |

*Provisional

2013–14, which was slightly less than 0.44 per cent earned during 2012–13.

### *CRAR for StCBs and DCCBs*

No StCB had a CRAR of less than 4 per cent, while 6 StCBs had a CRAR of between 4 and 7 per cent, 7 had a CRAR in the range of 7 to 9 per cent and 19 had a CRAR of 9 per cent or above, on 31 March 2014 (Table 2.16).

Of the 368 DCCBs for which data was available, 24 DCCBs—including 23 unlicensed DCCBs—had a CRAR of less than 4 per cent, 45 had a CRAR in the range of 4 to 7 per cent, 77 had a CRAR in the range of 7 to 9 per cent and 222 had a CRAR of 9 per cent and above, on 31 March 2014 (Table 2.17).

### 2.3.3 Revival of 23 unlicensed DCCBs

As on 31 March 2014, 23 out of 370 DCCBs operating in 4 states—16 in Uttar Pradesh, 3 in Maharashtra, 3 in Jammu and Kashmir and 1 in West Bengal—did not meet the 4 per cent CRAR criterion for licensing. They were not able to raise the necessary resources to meet the CRAR target for more than the two years that had been granted to these banks. Of these 23 DCCBs, the licence applications of 4—3 in Maharashtra and 1 in West Bengal—were rejected by the RBI.

State governments own the primary responsibility of reviving weak banks. However, as a special case in view of the precarious position of some of these institutions, the GoI announced a special

#### CONDITIONALITIES OF THE SCHEME FOR THE REVIVAL OF 23 UNLICENSED DCCBS

i. The DCCBs, individually, would not only sustain a CRAR of 7 per cent from 31 March 2015 onwards, but also attain 9 per cent by 31 March 2017.

ii. The gross amount of NPAs of the DCCBs covered under the scheme, individually, would be brought down to at least half of the current levels by 31 March 2017. The DCCBs, individually, would make an achievable month-wise recovery plan to reduce the NPAs by 50 per cent.

iii. Fresh lending may only be against secured assets, such as fixed deposits and jewellery ,provided by the borrowers for the next two years.

iv. The growth rate of deposits should be at least 15 per cent for the next two years.

v. The state government concerned will review the functioning of PACS affiliated to these DCCBs and may take necessary steps for the liquidation, amalgamation or reorganization of unviable PACS.

   a) The DCCBs would individually draw up a monthly monitorable action plan in consultation with the state government concerned to achieve the above deliverables by March 2017, which will be approved by the state-level implementation committee.

   b) The following conditions have been laid down with respect to staff, including appropriate staff recruitment and development and review of human resource policies:

      - No recruitment unless warranted by the business plan and existing manpower;
      - No recruitment of class IV employees and banks to consider outsourcing for menial jobs;

package involving financial assistance of ₹2,375.42 crore in November 2014 to revive these 23 unlicensed DCCBs.

To implement the scheme, the GoI authorized NABARD to release financial assistance, subject to the fulfilment of the obligations outlined in the scheme. Under Section 27 of the NABARD Act, 1981, NABARD extended loans—of up to 10 per cent of the bank's requirement—to the state governments to contribute towards the share capital of the DCCBs.

While the licensing prerequisite during 2014–15 was 4 per cent of the CRAR, on 7 January 2014, the RBI advised StCBs and DCCBs to achieve and maintain a CRAR of 7 per cent by 31 March 2015 and 9 per cent by 31 March 2017 on an ongoing basis. Financial assistance under the scheme was thus extended to enable these DCCBs to achieve 7 per cent of the CRAR by 31 March 2015.

### *Category of weak bank and revival package share pattern*

12 DCCBs (11 in Uttar Pradesh and 1 in Maharashtra) are category-I banks with NPAs, or erosion of deposits, of above 70 per cent. The additional capital requirement for the revival of these 12 banks is met by the GoI, the state government and NABARD in the ratio 20:70:10.

- Recruitment in all cadres through independent agencies like the Institute of Banking Personnel Selection (IBPS);
- No ad-hoc appointments by Chairman or the Board of Directors (BoD); and
- DCCBs to review staff performance and if required, may resort to compulsory/ optional retirement of non-performing staff.

vi. Competent CEOs, who fulfil the 'Fit and Proper' criteria prescribed by the RBI, should be appointed for a specified period of not less than 3 years with specific achievement targets.

vii. The state governments concerned would bring all the DCCBs covered by the scheme under Core Banking Solution (CBS).

viii. Corporate governance systems to be put in place in all three DCCBs individually. The state governments would ensure that accountability is fixed for past lapses and management culpability. Action should be taken against people involved in fraud and embezzlement. The BoD of the DCCBs should adhere to stringent 'Do's and Don'ts' in order to ensure non-interference of the board in executive functioning, while maintaining the cooperative spirit. Ex-employees of cooperative banks are not to be eligible for appointment in the BoD of DCCBs. None of the BoD members who have been on the board of a DCCB covered under this scheme, for ten years preceding the appointment of the current board members, is allowed to continue. Two–three non-borrowing depositors would be inducted on the BoD of DCCBs as special invitees. They will act as watchdogs to protect the depositors' interests. By-laws may be amended, as necessary.

ix. Initiate cost-cutting measures that may include freezing the pay revision for a period till the bank reaches a viable business level (to be specified for each bank), as also control on capital expenditure.

**TABLE 2.18: ASSISTANCE UNDER SCHEME FOR REVIVAL OF 23 UNLICENSED DCCBs (₹ CRORE)**

| *Category* | *Capital infusion required* | *Suggested proportion (GoI: state govt: NABARD)* | *Quantum of assistance* | | | *State-wise commitment^^* | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | *GoI* | *SG* | *NB* | *UP* | *Maharashtra* | *J&K* | *WB* |
| I | 1384.40 | 20:70:10 | 276.88 | 969.08 | 138.44 | 891.49 | 77.59 | 0 | 0 |
| | | | | | | (11) | (1) | | |
| II | 991.02 | 40:50:10 | 396.41 | 495.51 | 99.10 | 183.08 | 134.42 | 139.02 | 39 |
| | | | | | | (5) | (2) | (3) | (1) |
| **Total** | **2375.42** | | **673.29** | **1464.59** | **237.54** | **1074.57** | **212.01** | **139.02** | **39** |

^^ Number of banks given in brackets

The total capital requirement for the revival of the 11 DCCBs under category-II is met by the GoI, the state government and NABARD in the ratio 40:50:10. Under this package, the GoI's commitment stands at ₹673.29 crore, that of the state government is ₹1464.59 crore, with NABARD extending the remaining ₹237.54 crore as loans to the state governments under Section 27 of the NABARD Act, 1981 (Table 2.18).

To implement the scheme, the state government concerned is required to enter into a tripartite Memorandum of Understanding (MoU) with the GoI and NABARD. The state governments of Uttar Pradesh, Maharashtra and West Bengal signed MoUs in February–March 2015.

The GoI's share is released upfront as interest-free loan and would be converted as grant on the fulfilment of the conditions laid down for the scheme by the banks and state governments.

The status of the release of assistance as on 31 March 2015 is shown in Table 2.19.

### 2.3.4 Development Action Plan for cooperatives

The fourth phase of the Development Action Plan (DAP)/MoU (2007–12) concluded on 31 March 2012. It was decided that on successful implementation of the revival package for DCCBs, NABARD should cease to monitor the preparation of DAPs. It was,

**TABLE 2.19: RECAPITALIZATION ASSISTANCE RELEASED FOR REVIVAL OF UNLICENSED DCCBs IN FOUR STATES AS ON 31 MARCH 2015 (₹ CRORE)**

| *State* | *Recapitalization released* | | | | *Total released by state govts.* |
|---|---|---|---|---|---|
| | *No. of DCCBs* | *GoI share* | *State govt. share* | *NABARD share* | |
| UP | 10 | 227.55 | 466.84 | 77.14 | 610.00^ |
| Maharashtra | 3 | 129.70$ | 212.00 | 37.97 | 212.00 |
| J&K # | 0 | 0.00 | 0.00 | 0.00 | 0.00 |
| West Bengal | 1 | 31.20 | 39.00 | 7.80 | 46.80 |
| **Total** | **14** | **388.45** | **717.84** | **84.94** | **868.80** |

^Includes partial release of ₹66.02 crore to Basti DCCB
$GoI share released to NABARD on 31 March 2015; amount released to Maharashtra government on 6 April 2015.
# J&K signed the MoU on 31 March 2015.

### SIDEBAR 2.1
### Encouraging professionalism in the CCS

The Centre for Professional Excellence in Cooperatives (C-PEC), established in BIRD, Lucknow in 2008, is a national-level institution for the certification of Cooperative Training Institutes (CTIs), trainers, staff and management to usher in professionalism in the CCS. The certification ensures a standard training quality across CTIs. It also undertakes recruitment assignments for selection of officers and staff on behalf of cooperative banks.

The C-PEC has 20 training programmes for CTIs, of which six standardized training of trainers programmes have been conducted. Three certification courses for CCS staff have also been finalized. These are:

- Certified Trainers for Financial Cooperatives for trainers of CCS;
- Certified Professional in Cooperative Banking for cooperative bankers; and
- Certified PACS Secretary for PACS Secretaries.

Six batches of CTFC covering 166 trainers of CTIs have so far been completed.

In 2014–15, the C-PEC conducted four workshops for the states of Andhra Pradesh, Telangana, Gujarat, Punjab and Haryana to create an awareness of its initiatives and to sensitize CTIs to benefit from the standardized systems and procedures, thereby improving training delivery.

The C-PEC has established a process of accreditation of CTIs in consultation with stakeholders. So far, 40 CTIs including, 14 ACSTIs, 14 ICMs, 5 RICMs, 5 JLTCs, VAMNICOM, the National Institute for Rural Banking (NIRB), Bangalore, and the Sahakara Rural Development Academy, Bidar, have been accredited.

As on 31 March 2015, the total membership of the C-PEC was 5160, including 16 StCBs, 133 DCCBs, 42 CTIs, 4610 PACS and 359 individuals, collectively mobilizing membership amount of ₹185 crore.

therefore, decided that the preparation of the DAPs by the individual cooperative banks be reintroduced for banks to plan and achieve their targets on various financial parameters specified in the plan, in the context of the MoU between NABARD, the state government and the StCB concerned. As on 31 March 2013, as many as 107 DCCBs have accumulated losses and 23 DCCBs remain unlicensed in four states as they are unable to meet the 4 per cent CRAR norm prescribed by RBI for licensing. RBI has since advised all cooperative banks to attain and maintain CRAR of 7 per cent by March 2015 and 9 per cent by March 2017.

## 2.3.5 Building capacity of cooperative credit structures

### *Cooperative Development Fund*

Institutions under the cooperative credit structure (CCS) can avail of assistance from the Cooperative Development Fund (CDF) in the form of grants for various activities that may improve their functional efficiency, such as:

- Exposure visits;
- Training of staff and for management of cooperatives; and
- Conducting of
  - Studies
  - Organizational Development Initiatives (ODI)
  - Workshops
  - Conferences
  - Seminars.

CDF assistance is also extended for the setting up of PACS Development Cells (PDCs), L1 helpdesks or computer laboratories in banks that adopt CBS under the Application Service Provider model supported by NABARD. Among the other benefits of CDF assistance is accreditation of PACS warehouses by NABARD Consultancy Services (NABCONS), a fully owned consultancy subsidiary of NABARD.

NABARD reviewed and revised the operational guidelines for the CDF, with effect from 1 April 2014, extending CDF assistance to all states. In 2014–15, ₹11.71 crore has been disbursed under the CDF (cumulatively, ₹125.26 crore as on 31 March 2015).

### *PACS Development Cell*

NABARD is extending grant assistance to set up a PACS Development Cell (PDC) in DCCBs to help PACS in development and growth of their business in a systematic and focused manner. During the year 2014–15, 10 PDCs have been sanctioned, taking the cumulative total number of PDCs to 96.

Of the 1917 PACS identified for development, 792 have prepared business development plans (BDPs). As part of this initiative, 97 persons have undergone four intensive training programmes for capacity building of PACS Development Resource Persons at the Bankers Institute of Rural Development (BIRD), Lucknow and Mangalore.

The cumulative disbursement under assistance for setting up of PDCs was ₹4.30 crore during 2014–15.

### *Scheme of Financial Assistance for Training of Cooperative Banks Personnel*

Scheme of Financial Assistance for Training of Cooperative Banks Personnel (SOFTCOB) covers training costs, library facilities and capital expenses, such as the installation of the latest training equipment in classrooms. Under SOFTCOB, NABARD has been supporting agricultural cooperative staff training institutes (ACSTIs), integrated training institutes (ITIs) and junior-level training centres (JLTCs) set up by the managements of SCARDBs to inculcate professionalism amongst CCS staff and management.

To ensure that reasonable quality standards are maintained, only training institutes accredited by the Centre for Professional Excellence in Cooperatives (C-PEC) were allowed to avail of SOFTCOB assistance.

Cooperative Training Institutes (CTIs) under the fold of The National Council for Cooperative Training (NCCT), Vaikunth Mehta National Institute of Cooperative Management (VAMNICOM), Regional Institutes of Cooperative Management (RICMs), and Institutes of Cooperative Management (ICMs) and CTIs promoted by banking organizations as trusts (or institutions) were included under SOFTCOB assistance during the year to maximize the coverage for training of CCS staff by CTIs. During 2014–15, ₹5.32 crore have been disbursed under SOFTCOB.

### *Accreditation of rural godowns*

The Warehousing Development and Regulatory Authority (WDRA) has registered NABCONS, a subsidiary of NABARD, as an accreditation agency for warehouses owned by PACS and other primary cooperative societies, like Large-sized Adivasi Multipurpose Societies (LAMPS), farmers' service societies (FSS) and marketing societies. During 2014–15, financial support of ₹48.54 lakh has been extended to NABCONS for accreditation of 285 PACS warehouses (or godowns).

### *Training on corporate governance*

The BoDs and CEOs of StCBs and DCCBs oversee the performance of cooperative banks in accordance with the principles of corporate governance. They are responsible for good governance of cooperative banks and adherence to viability and sustainability guidelines issued by the RBI (or NABARD).

During 2014–15, NABARD sanctioned assistance to BIRD for 13 programmes on Corporate Governance for Financial Cooperatives (CGFC). These training programmes were attended by 277 Board members or CEOs of DCCBs and StCBs.

**SHOWCASE 2.1**

## The Cogwheel—South Canara District Central Cooperative Bank Ltd, Mangalore, Karnataka


Mangalore is considered the cradle of banking, as four major commercial banks made their beginning here. Amongst the banking giants, the cooperative movement also acquired a strong base in the district, resulting in the establishment of the South Canara District Central Cooperative Bank. The DCCB is celebrating its centenary year and is close to opening 100 branches.

Considering the tough competition, the DCCB has adopted technology-oriented banking, including CBS, and has thus established itself as a pioneer in the modernization of banking operations. It is amongst the first set of DCCBs to introduce the RuPay Kisan Card and RuPay Debit Card schemes, thereby taking technology to the doorstep of the farming community. It is the first cooperative bank in the country to introduce bank-on-wheels to provide customer service to the remote and inaccessible parts of the district. NABARD is proud to have supported these initiatives. It has also installed micro-ATMs in 93 branches and 130 PACS.

When the SHG–Bank Linkage Programme was initiated in 1999, the DCCB responded by becoming the first DCCB to set up a trust, the Navodaya Grama Vikas Charitable Trust (NGVCT), to promote and facilitate the project. The trust has been acting as a link between banks and SHGs.

The bank's lending to micro-credit increased exponentially, resulting in the highest number of SHGs formed, both savings-linked and credit-linked, among the DCCBs in the state. It is also ranked number one in the state in savings mobilization of SHGs and credit disbursement to SHGs.

Strong strategic leadership, the ability to harness technology to the customers' advantage and customer-centric banking practices have differentiated the bank from others and helped it to reach its present position. Leadership has proven to be an important cog in the bank's growth.

The DCCB has been investing in staff training to enrich them with skills and knowledge of bank-related developments, more particularly, the electronic payment system. The DCCB has trained all its PACS CEOs and staff members through NABCONS.

### *Organizational development initiatives*

Re-engineering processes that facilitate necessary changes in organizational attitude and culture have been conducted by NABARD since 1994–95. During 2014–15, ₹5.35 lakh was sanctioned for such ODI programmes at 5 DCCBs and 1 SCARDB across 5 states. With the adoption of the revival package for the STCCS, the focus of the design and methodology of ODIs is on achieving financial inclusion and sustainable viability.

### *Other activities*

- The national review meet of SCARDBs was held in the NABARD Head Office in Mumbai on 5 June 2014. The meeting was chaired by the NABARD Chairman, Dr H.K. Bhanwala, and attended by the chairpersons of Kerala and Rajasthan SCARDBs, the Managing Director of NAFCARD, the CEOs of 11 SCARDBs and other officials of NABARD. The action points included reduction in NPAs and borrower profiling by the banks.

- The national meet of the principal secretaries or registrar of cooperative societies in various states and the CEOs of StCBs was organized on 16 December 2014 at the NABARD Head Office. The key parameters for the performance of cooperatives were reviewed and issues related to institutional development, technology adoption by cooperative banks, capital formation in agriculture, flow of agricultural credit and refinance, PACS as MSCs, promotion of SHGs and JLGs, new business initiatives and C-PEC accreditation for training CCS staff were discussed.
- As per the GoI's revival package, the audit of cooperatives was to be conducted by the statutory auditors, for which a panel was provided by NABARD. In the wake of the 97th Constitutional Amendment Bill, this responsibility lies with the state governments/ RCS. It was, therefore, proposed that the practice of providing a panel to cooperative banks by NABARD be discontinued; instead, broad guidelines be issued to the state government on the procedure to be followed while appointing chartered accountants to conduct statutory audits in StCBs and DCCBs from 2014–15 onwards.
- With the bifurcation of Andhra Pradesh on 2 June 2014, the process of separating the Andhra Pradesh StCBs to serve the newly formed state is underway.
- The proposal to merge LTCCS with STCCS, mooted by the Government of Chhattisgarh, was recommended by NABARD and approved by the RBI in June 2013. The Government of Chhattisgarh has since completed the merger process, effective from 7 October 2014.

### 2.3.6 Regional rural banks

#### *Performance*

Post-amalgamation, the number of RRBs was reduced to 56 as on 31 March 2015, with a network of 20,059 branches covering 644 notified districts in 26 states and the UT of Puducherry.

As a resource, the deposits of RRBs increased to ₹2,71,329 crore by the end of 2014–15, registering 13.29 per cent growth over the previous year (₹2,39,494 crore as on 31 March 2014).

The aggregate loans and advances outstanding with RRBs improved to ₹1,84,843 crore as on 31 March 2015 (excluding the Inter-Bank Participation Certificate (IBPC)), registering a growth of 15.9 per cent (₹1,59,406 crore as on 31 March 2014) (Table 2.20).

The investments of RRBs decreased from ₹1,39,631 crore as on 31 March 2013 to ₹1,06,780 crore on 31 March 2015.

During 2014–15, out of 56 RRBs, for which data is available, 51 have earned aggregate profits to the tune of ₹2,958 crore, compared to 57 RRBs earning an aggregate profit of ₹2,694 crore in 2013–14. While no RRB incurred losses during 2013–14, as many as 5 reported losses amounting to ₹177 crore in 2014–15. Thus, the net profit of RRBs marginally increased to ₹2,781 crore by the end of March 2015. The proportion of RRBs that are sustainably viable, i.e., earning profits and carrying no accumulated losses, has decreased from 86 per cent (49 out of 57) as on 31 March 2014 to 84 per cent (47 out of 56) as on 31 March 2015.

The recovery performance of RRBs declined marginally from 81.9 per cent as on 30 June 2013 to 79.47 per cent as on 30 June 2014. Twenty-one out of 56 RRBs had a recovery level above the all-India average, with 9 RRBs above 90 per cent. Thirty-three RRBs had recovery of less than 80 per cent, with two RRBs having a level of less than 60 per cent. The frequency distribution of RRBs according to the range of loan recovery percentage is shown in Table 2.21.

The aggregate gross NPA of all RRBs declined from 6.09 per cent as on 31 March 2014 to 5.72 per cent as on 31 March 2015.

#### TABLE 2.20: INDICATORS OF PERFORMANCE OF RRBs AS ON 31 MARCH

(Amount in ₹ crore)

| *Particulars* | *2014* | *2015@* |
|---|---|---|
| RRBs (no.)* | 57 | 56 |
| Branch networks (no.) | 19,082 | 20,059 |
| Share capital | 197 | 197 |
| Share capital deposit | 6,170 | 6,173 |
| Reserves | 15,805 | 18,462 |
| Deposits | 2,39,494 | 2,71,329 |
| Borrowings | 50,230 | 58,824 |
| Investments | 1,39,631 | 1,06,780 |
| Loans & advances outstanding excluding IBPC | 1,59,406 | 1,84,843 |
| Loans & advances outstanding including IBPC | *** | 2,06,300 |
| RRBs earning profit (no.) | 57 | 51 |
| Amount of profit (A) | 2,694 | 2,958 |
| RRBs incurring losses (no.) | 0 | 5 |
| Amount of losses (B) | 0 | 177 |
| Net profit of RRBs (A – B) | 2,694 | 2,781 |
| Accumulated losses | 948 | 1,069 |
| RRBs with accumulated losses (no.) | 8 | 8 |
| Recovery (%) as on 30 June | 81.9 | 79.47 |
| NPA to loans outstanding (%) | 6.09 | 5.72 |
| Net worth | 21,224 | 23,763 |

@Data unaudited and in respect of 56 RRBs
* As on 31 March 2015, the number of RRBs fell to 56 after amalgamation.
*** Data on loans & advances outstanding, including IBPC, are not available for 2014.

#### TABLE 2.21: FREQUENCY DISTRIBUTION OF STATES ACCORDING TO LEVELS OF RECOVERY OF RRBs AS ON 30 JUNE 2014

| *Recovery (%)* | *States* |
|---|---|
| < 60 | Jharkhand (1), Nagaland (1) |
| > 60 and < 80 | Andhra Pradesh (4), Arunachal Pradesh (1), Assam (2), Bihar (1), Chhattisgarh (1), Gujarat (1), J&K (2), Jharkhand (1), Karnataka (2), Maharashtra (1), Madhya Pradesh (2), Manipur (1), Meghalaya (1), Mizoram (1), Odisha (2), Rajasthan (1), Telangana (1), Tripura (1) Uttar Pradesh (5), West Bengal (2) |
| 80–90 | Gujarat (2), Haryana (1), Himachal Pradesh (1), Karnataka (1), Madhya Pradesh (1), Maharashtra (1), Mizoram (1), Rajasthan (1), Uttar Pradesh (2), Uttarakhand (1), West Bengal (1) |
| >90 | Bihar (2), Kerala (1), Puducherry (1), Punjab (3), Tamil Nadu (2) |

*The number of RRBs as on 30 June 2014 was 56.

The important performance indicators of RRBs during 2014–15 (and 2013–14) are indicated in Table 2.20.

### *Recapitalization*

As per the review undertaken by Dr K.C. Chakraborty Committee on 'Recapitalization of RRBs, for improving the CRAR' in 2010, of the 82 RRBs, 42 were deemed capable of bringing the CRAR to the desired level of 9 per cent on their own. The GoI, along with other shareholders, decided to recapitalize the remaining 40 RRBs, infusing ₹2200 crore in the proportion of 50:35:15 (GoI: sponsor banks: state governments), as per the recommendations of the Committee.

As on 31 March 2015, a cumulative amount of ₹2076.51 crore had been released to 38 RRBs from 20 states. Of the released amount, ₹1038.24 crore is the GoI's contribution, ₹726.78 crore, the sponsor banks' contribution and ₹311.49 crore being the contribution of various state governments.

In addition, a recapitalization fund of nearly ₹97 crore—in the same proportion of 50:35:15 (GoI: sponsor banks: state governments)—has been released for the Central Madhya Pradesh Gramin Bank to achieve the 9 per cent CRAR target and maintain it. The Manipur government has released its share of ₹1.05 crore to the Manipur Rural Bank. The sponsor bank (Union Bank of India) has released its share of ₹2.45 crore; the GoI share is yet to be released.

### *Capital to risk weighted assets ratio*

The RBI had advised all RRBs (vide its circular issued in 2013) to achieve and maintain a minimum CRAR of 9 per cent on an ongoing basis with effect from 31 March 2014.

The position of CRAR maintained by RRBs as compared to the CRAR positions on 31 March 2012, 2013 and 2014 is given in Table 2.22. The CRAR for 56 RRBs ranged from 20.29 per cent for the Chhattisgarh Gramin Bank to 4.82 per cent for the Nagaland Rural Bank as on 31 March 2015.

NABARD had requested the sponsor banks to assess the additional capital requirement for RRBs in 2015–16, 2016–17, and 2017–18 in order to comply with the CRAR norms.

## 2.3.7 Other developments during 2014–15

### *Joint Consultative Council meeting*

The Joint Consultative Council meeting was convened by NABARD at its Head Office on 24 September 2014 under the chairmanship of Dr H.K. Bhanwala, Chairman, NABARD, to make constructive suggestions to all the stakeholders on human resources and other issues related to RRBs. The meeting was attended by senior officials of the GoI and all member unions and associations.

### *National review meet on performance of RRBs*

The national review meet on the performance of the RRBs was convened by NABARD in February 2015 in Mumbai. The meeting reviewed the performance of the RRBs, discussed relevant issues and identified suitable actions to be taken by the stakeholders. The inaugural address was delivered by Smt Snehlata Shrivastava,

**TABLE 2.22: STATUS OF CRAR IN RRBs**

| *Sl. no.* | *Level of CRAR* / *Range of CRAR* | *No. of RRBs—position as on 31 March* | | | |
|---|---|---|---|---|---|
| | | *2012* | *2013* | *2014* | *2015* |
| | | *23.95% to (–) 67.00%* | *23.03% to (–) 8.97%* | *19.88% to 3.86%* | *20.29% to 4.82%* |
| 1 | 9% & above | 68 | 61 | 56 | 52 |
| 2 | <9% to 7% | 6 | 1 | 0 | 2 |
| 3 | <7% to 5% | 4 | 1 | 0 | 1 |
| 4 | <5% to 1% | 3 | 0 | 1 | 1 |
| 5 | <1% to negative | 1 | 1 | 0 | 0 |
| | **Total RRBs** | **82** | **64** | **57** | **56** |

Additional Secretary, Department of Financial Services (DFS), GoI and the valedictory address was delivered by Shri R. Gandhi, Deputy Governor, RBI. The chairmen of the RRBs, and executives from the RBI, NABARD, sponsor banks, National Payments Corporation of India, Agriculture Insurance Company of India, Pension Fund Regulatory and Development Authority and Small Industries Development Bank of India (SIDBI) attended the meet.

### *Post-CBS HR policy recommendations for RRBs*

NABARD presented the recommendations of the committee on the post-CBS HR policy for RRBs to the DFS, GoI in January 2015. The observations and suggestions made by the DFS were incorporated and submitted to the GoI for approval. The GoI approved the recommendations vide a circular issued on 24 February 2015.

### *Equivalence in pensions of RRB employees with those at nationalized banks*

The GoI constituted a committee in 2015 to assess the feasibility of granting pension to RRB employees, led by the Chairman of NABARD. The members of the committee include the Chief General Manager of RBI, the general managers of the State Bank of India (SBI), Punjab National Bank and Bank of Baroda, and the chairmen of the Baroda UP Gramin Bank, Kerala Gramin Bank and Ellaquai Dehati Bank. Two meetings of the committee were held at NABARD's Head Office, chaired by Dr H. K. Bhanwala, Chairman, NABARD and attended by all the members.

### *Cash incentive scheme for chairmen of RRBs*

Performance-linked cash incentives for the chairmen of RRBs were introduced by the GoI in 2009. On the basis of requests from a few sponsor banks and GoI advice, NABARD reviewed the scheme to come up with a revised matrix to assess the performance of the chairmen of RRBs, which has since been forwarded to the GoI for approval.

### *Credit Guarantee Trust Fund for Micro and Small Enterprises*

An RRB is required to follow qualifying norms to become a member lending institution (MLI) under the Credit Guarantee Trust Fund for Micro and Small Enterprises (CGTMSE). Some of these norms, such as having a CRAR of 12 per cent, NPA below 5 per cent and at least 80 marks in the composite rating of NABARD inspection reports, have often prevented otherwise capable RRBs from becoming members. In view of this challenge, NABARD requested the CGTMSE to relax some of these stringent criteria to enable a sizeable number of RRBs to become MLIs. In response, the CGTMSE reduced the minimum CRAR requirement to 9 per cent and brought down the required composite rating score to 75 marks, with effect from June 2014.

## 2.4 SUPERVISING RFIs

In its supervisory role, NABARD conducts statutory inspection of StCBs, DCCBs and RRBs, as well as voluntary inspection of SCARDBs and apex-level cooperative societies and federations. Inspections of all StCBs, and those DCCBs/RRBs not complying with the minimum capital requirements, as per the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) and RBI Act, 1934, are conducted annually. Voluntary inspections of all SCARDBs are conducted every year. Inspections of DCCBs and RRBs with a positive net worth are conducted biennially, and voluntary inspections of apex cooperative societies and federations are carried out biennially.

Not only does NABARD ensure that these institutions comply with banking regulations and prudential norms, it also plays a comprehensive role that encompasses onsite inspections, off-site surveillance, assessing portfolio, monitoring, providing guidance and facilitating functions.

### 2.4.1 Statutory inspections

During 2014–15, statutory inspections of 224 banks—32 StCBs, 172 DCCBs and 20 RRBs—and voluntary inspections of 12 SCARDBs and 2 societies—were conducted.

Some of the major supervisory concerns that surfaced during these inspections were:

a. Non-compliance with statutory provisions;
b. Improper application of Income Recognition and Asset Classification (IRAC) norms;
c. High level of NPAs or erosion in the value of assets;
d. Inadequate financial margin, high cost of management and adverse working results;

e. Injudicious management of funds;
f. Inadequate risk management systems;
g. Deficiencies or irregularities in the investment portfolio;
h. Poor adoption of the Asset Liability Management (ALM) system;
i. Deficiencies in sanction, appraisal of loans or advances and laxity in post-disbursement supervision;
j. Weaknesses in internal checks and controls systems, sometimes resulting in fraud;
k. Poor corporate governance in cooperative banks;
l. Violation of norms under the Credit Monitoring Arrangement (CMA) or of exposure norms; and
m. Non-compliance with Know Your Customer (KYC) norms, anti-money laundering measures or combating financing terrorism standards.

The banks, Registrar of Cooperative Societies (RCS) and state governments in the case of cooperative banks and the sponsor banks in the case of the RRBs were informed about the discrepancies for corrective action to be taken.

### *Board of Supervision*

Constituted in 1999 as an internal committee of the BoD of NABARD, the Board of Supervision (BoS) met twice during 2014–15 to review the:

a. Financial position of the StCBs;
b. Supervisory rating of the StCBs;
c. Performance of the DCCBs placed in the 'C' and 'D' categories;
d. Investment portfolio of the cooperative banks and RRBs;
e. Asset quality of the supervised banks;
f. Frauds in cooperative banks and RRBs; and
g. Status of RRBs in terms of capital adequacy.

## 2.4.2 Health of supervised banks

### *Share capital—StCBs and DCCBs*

All 32 StCBs and 343 of the 367 DCCBs were complying with the provisions regarding the minimum capital requirement, specified in Section 11(1) of the Banking Regulations Act, 1949 (As Applicable to Cooperative Societies), as on 31 March 2015. Five DCCBs were found to be non-compliant with the provisions of the Act. The provisions under Section 11(1) of the Act do not apply to 19 DCCBs (16 in Uttar Pradesh and 3 in Jammu and Kashmir), as these banks have been issued directives from the RBI prohibiting them from accepting deposits.

### *Share capital—RRBs*

As on 31 March 2015, all 56 RRBs had complied with the minimum capital requirements as per Section 42(6) (a) (i) of the RBI Act, 1934.

### *Scheduling—cooperative banks*

With the inclusion of the Himachal Pradesh StCB on 15 December 2014, 18 of the 32 StCBs have now been included in the Second Schedule to the RBI Act, 1934.

### *Scheduling—RRBs*

After the second phase of amalgamation, the total number of RRBs stood at 56, all of which have been included in the Second Schedule of the RBI Act, 1934.

### *Licensing of cooperative banks*

All 32 StCBs and 348 DCCBs had received a banking licence from RBI by 31 March 2015. The licence applications of 4 DCCBs—3 in Maharashtra and 1 in West Bengal—were rejected by the RBI in May 2014. Another 19 DCCBs—16 in Uttar Pradesh and 3 in Jammu and Kashmir—are yet to be considered for licence due to their failure to comply with licensing norms.

*Important policy directives*

Of the policy matters on which instructions were issued to StCBs, DCCBs and RRBs during 2014–15, the prominent ones included:

a. Review of frauds and revision in the cut-off limit for reporting fraud;
b. Implementation of the Supreme Court's judgment in *Indian Banks' Association and 27 Others vs M/s Devkala Consultancy Service and Others* (related to the deposit of excess interest collected by way of rounding off the interest tax to Trust Fund);
c. Deposit Education and Awareness Fund Scheme, 2014;
d. Introduction of the information systems audit mechanism in the supervised banks;

Following the enactment of the Banking Laws (Amendment) Act, 2012, the RBI has decided to increase the cash-reserve ratio (CRR) of non-scheduled StCBs and all CCBs from 3 per cent to 4 per cent of their total Net Demand and Time Liabilities (NDTL)—at par with scheduled StCBs—from the fortnight starting on 12 July 2014.

Concurrently, the Statutory Liquidity Ratio (SLR) for all StCBs and DCCBs was reduced from 25 per cent of the NDTL to 22.5 per cent and brought on par with scheduled StCBs wef fortnight beginning 12 July 2014. The form and manner in which the SLR needs to be maintained were also amended. A roadmap for facilitating compliance with the amended provisions is to be prescribed by the RBI over the period 31 March 2015 to 31 March 2017.

The risk weights on various assets in the context of the minimum capital adequacy norms applicable to DCCBs and RRBs, were revised by the RBI. The RBI has also advised all cooperative banks and RRBs to take membership of all credit information companies and provide credit data to them in the prescribed format.

*Supervisory interventions*

NABARD has also been striving hard to build the capacity of personnel in supervised banks through workshops, seminars and training programmes on various emerging issues, such as KYC, ALM, CMA, prevention of fraud, internal checks and controls, corporate governance and investment management. This should help cooperative banks maintain the SLR, and improve ALM, the compilation of revised Offsite Surveillance System (OSS) returns, risk management, CRAR, etc.

For a more comprehensive and effective approach towards supervision, NABARD continued to closely coordinate with the RBI through informal as well as formal mechanisms, such as periodic coordination meetings.

NABARD also forged partnerships with other related agencies—specifically, GIZ and the Institute of Chartered Accountants of India—to improve transparency and the effectiveness of audit of these supervised banks, as well as strengthen their risk management system.

NABARD has launched a new data portal 'ENSURE' (acronym for ElectroNic SUbmission of REturns), for submission of various periodic returns/data to NABARD. The details of this initiative have been furnished in Chapter 5.

## 2.5 CREDIT PLANNING

### 2.5.1 Potential-linked credit plans

To meaningfully link development and credit planning in order to support agriculture and rural development, NABARD prepares potential-linked credit plans (PLPs) for each district in the country (except metro districts) every year. The PLPs estimate the potential of credit absorption in various agricultural sectors and sub-sectors, the non-farm sector, other priority sectors, etc. in every district, besides presenting a holistic view of the infrastructural gaps and ways to bridge them.

During 2014–15, NABARD prepared 652 PLPs to guide credit planning by the banks in 2015–16. The sector-wise credit projections were then utilized to arrive at 2015–16 credit targets for the agricultural and allied sectors and priority sectors, in general.

### 2.5.2 State focus paper

Based on the PLPs, state focus papers for 2015–16 were prepared by the ROs of NABARD to draw a comprehensive picture of the credit potential in various sectors of the rural economy, critical infrastructure gaps to be filled and the linkages support that the government departments would need to provide.

Credit seminars were organized in all states and Union territories (UTs) to discuss how to bridge the infrastructure gaps to facilitate future credit flow, with officials of various state government departments, financial institutions and other stakeholders.

### 2.5.3 District-level offices

NABARD had 400 district development manager (DDM) offices across the country and 21 assistant project managers (APMs—for the NE region and Jammu and Kashmir) as on 31 March 2015, to focus on credit planning, monitoring and coordination between various developmental and promotional activities within each district. In addition, 138 adjacent districts are tagged to specific DDMs, while the remaining districts are overseen by the respective regional offices. Thus, all districts of the country are covered.

## 2.6 INTERFACING FOR GOI SCHEMES

As the nodal agency for a number of schemes sponsored by the GoI, NABARD continues to interface between various stakeholders.

### 2.6.1 Interest subvention to farmers

The interest subvention of 2 per cent per annum for crop loans up to ₹3 lakh per farmer, available to public sector banks, private sector scheduled commercial banks (rural and semi-urban branches), cooperative banks and RRBs for deploying their own funds, provided the farmers are offered loans at an interest rate of 7 per cent per annum, continued during 2014–15.

To encourage prompt repayment by farmers, an additional rebate of 3 per cent on crop loans was extended during the year, which would also help lending institutions to de-clog their line of credit.

Furthermore, an interest subvention of 2 per cent was made available to banks in 2014–15 on the restructured amount for the first year of crop loans (normal rate of interest from the second year) to provide relief to farmers affected by natural calamities. Such restructured loans may attract normal rate of interest as per the policy laid down by the RBI from the second year onwards.

The GoI provided NABARD with aggregate interest subvention support of ₹4079.46 crore in 2011–12 and ₹4512.96 crore in 2012–13 for it to offer concessional refinance to StCBs and RRBs at an interest rate of 4.5 per cent.

### 2.6.2 Handloom sector packages

*Revival, reform and restructuring package for handloom sector*

NABARD is associated with the implementation of a ₹3884 crore centrally sponsored scheme for the revival, reform and restructuring of the handloom sector.

So far, 27 state governments have entered into tripartite MoUs with the GoI and NABARD. With a cumulative sanction of ₹1070.47 crore, assistance under this scheme has benefited 39 apex weavers' cooperative societies in the states which have signed tripartite agreements, 9361 primary weavers' cooperative societies (PWCS), 54,305 individual handloom weavers and 5645 weaver SHGs from these 27 states. As provided under the package, 15 states have also introduced legal reforms in their Cooperative Societies Acts. NABARD has released ₹3,37,18,100 to the Government of Assam for the computerization of PWCS in the state. The GoI has also directly released an amount of ₹12,46,36,688 (50% of the mobilization amount of 4170 PWCs) to the seven states of West Bengal, Andhra Pradesh, Tamil Nadu, Uttar Pradesh, Uttarakhand, Kerala and Karnataka for the computerization of the PWCS covered under the package.

The scheme aims to revive the handloom sector by waiving off overdue loans, while also offering these collectives the opportunity for capacity-building and technological upgradation. In addition, it seeks to enable them to introduce the common accounting system and management information system. It eases the choked lines of credit to the sector, with a fresh flow of funds supported by 3 per cent interest subvention. Credit guarantee is provided through the CGTMSE floated by SIDBI.

#### *Comprehensive package for the handloom sector*

During 2014–15, NABARD released a sum of nearly ₹19.18 crore to various banks across 16 states to benefit 35,411 handloom weavers under the Comprehensive Package for the Handloom Sector, announced by the Ministry of Textiles (MoT), GoI in 2012. The government had approved concessional credit to the handloom sector at 6 per cent and interest subvention of up to a maximum of 7 per cent in the Union Budget 2013–14. The margin money assistance was also enhanced to 20 per cent of the loan amount, subject to a maximum of ₹10,000 per weaver, from September 2013.

NABARD has been designated the 'implementing agency' for channelling the margin money (at ₹4200 per individual weaver), interest subsidy (at 3 per cent per annum for three years), and components of the package announced by the MoT in 2012.

### 2.6.3 Support to sugar industry

#### *Package for restructuring of term loans to cooperative sugar mills*

As the nodal agency for restructuring term loans meant for cooperative sugar mills, NABARD disbursed nearly the entire amount of ₹245.16 crore (compared to ₹245.24 crore received from the government up to 31 March 2015) provided by the GoI in the form of rebate to 74 cooperative sugar mills in Maharashtra and Odisha.

#### *Scheme for Extending Financial Assistance to Sugar Undertakings*

To clear cane price arrears (from the previous seasons) and for timely settling of cane prices for the current season, as per the fair and remunerative price mechanism, the GoI issued operational guidelines of the Scheme for Extending Financial Assistance to Sugar Undertakings (SEFASU), 2014, advising financing banks to provide loans to sugar mills. The SBI was appointed the 'nodal bank' to interact with the Department of Food and Public Distribution, as also to manage the subsidy for onward reimbursement to banks.

Playing a coordinator's role, NABARD submitted subvention claims of ₹198.81 crore to the SBI (as on 31 March 2015) for reimbursement on behalf of cooperative banks and RRBs. The claims in respect of Goa, Uttar Pradesh, Haryana, Gujarat, Tamil Nadu, Maharashtra, Karnataka, Madhya Pradesh, Andhra Pradesh and Punjab have been forwarded to the SBI. The SBI had made remittances to the tune of ₹16.09 crore in the accounts of Goa, Gujarat, Haryana, Karnataka and Tamil Nadu till 31 March 2015.

### 2.6.4 Capital investment subsidy schemes

*Agricultural marketing infrastructure*

Starting from 1 April 2014, the Ministry of Agriculture (MoA), GoI introduced the Agricultural Marketing Infrastructure (AMI) sub-scheme under the Integrated Scheme for Agricultural Marketing (ISAM). The Grameen Bhandaran Yojana (GBY), launched on 1 April 2001, and Agricultural Marketing Infrastructure, Grading and Standardization (AMIGS), launched on 20 October 2004, have by now been subsumed under ISAM.

It was proposed that the AMI sub-scheme, with central assistance of ₹4000 crore, would cover 4000 marketing infrastructure projects, thus creating an additional storage capacity of 230 lakh tonnes across the country. The sub-scheme was designed to provide credit-linked back-end capital subsidy for investments in eligible storage and marketing infrastructure projects at the rate of 25 or 33.33 per cent of the capital cost, based on the area and beneficiary category. The subsidy was subject to a ceiling of ₹4 crore for storage projects and ₹5 crore for other (than storage) infrastructure projects.

During 2014–15 (as on 31 March 2015), subsidy amounting to ₹325.64 crore was released for 1378 units under the erstwhile GBY (cumulatively, ₹1686.65 crore for 28,934 units), and subsidy amounting to ₹202.23 crore was released in respect of 547 units under the erstwhile AMIGS projects (cumulatively, ₹1009.24 crore for 7797 units). However, the sanction of subsidy under the AMI sub-scheme (including the erstwhile GBY and AMIGS schemes) was put on hold with effect from 5 August 2014 by the Department of Agriculture and Cooperation, MoA.

*Agri-clinics and agri-business centres*

These were launched in April 2002 by the MoA to support agricultural development and create self-employment opportunities for agriculture graduates and qualified candidates or others with a knowledge of agriculture, by providing extension and other services to farmers against payment (or for free).

In 2014–15 (as on 31 March 2015), a total subsidy of nearly ₹4.06 crore has been released to 120 units (cumulatively, ₹28.83 crore for 1007 units).

*Installation of solar off-grid and decentralized applications*

This subsidy-cum-refinance scheme under the Jawaharlal Nehru National Solar Mission (JNNSM) was launched by the Ministry of New and Renewable Energy (MNRE), GoI in November 2010 to encourage the use of solar energy and help replace non-renewable energy (fossil fuels, etc.). The scheme was revised and made into a capital subsidy scheme for solar lighting and small-capacity photo-voltaic (PV) systems from 15 March 2012. While the earlier capital subsidy-cum-refinance scheme was closed on 12 March 2012, there is no change in the capital subsidy-cum-refinance scheme for installation of solar water heating systems. As for lighting, a modified scheme was launched on 1 April 2014 to install 68,000 solar PV lighting systems and small-capacity PV systems under the JNNSM.

In 2014–15 (up to 31 March 2015), a subsidy of ₹2.42 crore was released for 2953 units (cumulatively, ₹189.63 crore was released as subsidy and refinance for 1,80,873 units). A new capital subsidy scheme was launched by the MNRE on 3 November 2014 to promote solar PV pumping systems for irrigation. During the year 2014–15, a subsidy amount of ₹5.91 crore has been released, including advance parking.

*National Project on Organic Farming*

This is a Central scheme introduced in the tenth Five-Year Plan (FYP) to promote organic farming through subsidy support to commercial vermin-hatchery, bio-fertilizer, and fruit and vegetable compost units. However, the activity of vermin-hatchery was discontinued from 11 August 2010.

In 2014–15 (up to 31 March 2015), a subsidy of more than ₹1.79 crore was released for 29 units of bio-fertilizer and fruit and vegetable compost (cumulatively ₹19.22 crore for 680 units, including the vermin-hatchery units of the pre-modified scheme).

### *Investment-specific studies and special studies*

Investment-specific studies and special studies are conducted to share major findings and recommendations with the banks for suitable action.

During 2014–15, the ROs have been advised to conduct six investment-specific studies, of which three have been completed.

These studies will help the lending institutions to:

- Assess the potential of selected investment in the district or state;
- Examine adherence to the techno-economic specifications;
- Assess the adequacy of the loan amount offered by banks;
- Estimate the benefits accruing from the investment; and
- Identify field-level constraints in implementing schemes.

## 2.6.5 Animal husbandry sector initiatives

### *Dairy entrepreneurship development scheme*

This Dairy Entrepreneurship Development Scheme (DEDS) was launched in 2010–11 to encourage the development of modern dairy farms that produce clean milk and heifer-rearing farms to conserve good breeding stock. DEDS also supports the upgradation of technology to handle milk on a commercial scale and facilitates initial processing of milk at the village through structural improvements in the unorganized sector.

During 2014–15 (as on 31 March 2015), subsidy of more than ₹166.02 crore has been granted to 41,975 units (cumulatively, ₹842.93 crore for 2,28,346 units).

### *National Livestock Mission*

The GoI launched the National Livestock Mission (NLM) in 2014–15 to cover all activities necessary to ensure quantitative and qualitative improvement in livestock production and capacity-building. An outlay of ₹2800 crore is earmarked for the scheme in the twelfth FYP. The mission comprises four sub-missions:

I. Livestock development

II. Pig development in the NE region;

III. Fodder and feed development; and

IV, Skill development, technology transfer and extension.

The sub-Mission on livestock development addresses concerns related to livestock species (other than cattle and buffalo). It has a holistic approach that covers poultry, too.

NABARD is the subsidy routing agency for 'Entrepreneurship Development and Employment Generation'—a component under livestock development that focuses on the following four activities.

- Poultry venture capital fund: This scheme aims to develop entrepreneurs through capacity-building to increase their employment opportunities, to help improve production (poultry products) and productivity (processing units) through the upgradation of technology, and to encourage the rearing of other potential species, like quails, ducks and turkeys. During 2014–15 (as on 31 March 2015), a subsidy of ₹53.1 crore was released to 2364 units (cumulatively, ₹109.35 crore for 5052 units).
- Integrated development of small ruminants and rabbits: This scheme aims to promote sheep-rearing for the

## SIDEBAR 2.2
### Jan Dhan

The ambitious Pradhan Mantri Jan Dhan Yojana (PMJDY), which was announced by the Prime Minister in his Independence Day speech in 2014 and which has set a target of covering every household in the country with banking facilities and a bank account, has the potential to give a fillip to financial inclusion. The PMJDY was launched on 28 August 2014 as a national mission.

production of wool and mutton, develop goat-rearing for the production of meat and milk, assist in the establishment of goat- and rabbit-breeding farms, and assist in training for the rearing of sheep, goat and rabbit. In 2014–15 (as on 31 March 2015), ₹40.36 crore has been released in subsidy to 9084 units (cumulatively, ₹61.05 crore for 13,372 units).

- Pig development: This scheme encourages commercial rearing of pigs using scientific methods and the creation of necessary infrastructure. In 2014–15 (as on 31 March 2015), a subsidy of ₹21.66 crore has been released for 3005 units (cumulatively, ₹53.01 crore for 7682 units).
- Salvaging and rearing of male buffalo calves: This scheme aims to increase the availability of buffalo meat for export and domestic markets, improve the availability of by-products, and improve India's foreign exchange earnings through the export of buffalo meat and leather products. During 2014–15, a subsidy of ₹0.24 crore has been released in respect of 35 units.

*Establishment of poultry estates and mother units for rural backyard poultry*

This scheme aims at the establishment of poultry estates, where common infrastructure, inputs supply and marketing arrangements would be offered, with up to 100 broiler (or layer) units on the lines of industrial estates. As on 31 March 2013, two projects to establish poultry estates in Odisha and Sikkim had been sanctioned.

Targeted at beneficiaries below the poverty line, the rural backyard poultry component promotes the rearing of hardy, low-input breeds that can survive in rural areas. Cumulatively, 899 mother units have been sanctioned under the scheme by the GoI.

## 2.7 FOSTERING GREATER FINANCIAL INCLUSION

A major challenge for the country lies in ensuring financial inclusion of large populations with poor literacy, living in abject poverty across significantly diverse and distant geographical areas with limited infrastructure and resources.

The barriers to access to financial services emanate both from the demand side (lack of awareness and transparency) and the supply side (higher transaction cost). Therefore, to achieve financial inclusion, it is not only critical to deliver access to financial services and products, but also disseminate knowledge of these services and products among the poor and excluded.

To bridge the gap between the bank and the unbanked through the adoption of technology, financial literacy centres (FLCs) and awareness campaigns are necessary.

The combination of information technology (IT), mobile telephony and IT-enabled services presents a viable solution to reduce the transaction costs of banking by remotely serving a large number of small-value accounts.

To succeed, financial inclusion needs organizational clarity, operational efficiency and coordination between institutions.

Towards achieving financial inclusion, NABARD has been facilitating financial literacy to create an awareness of and demand for products and services through various initiatives of banks, mainly RRBs and cooperative banks. This is because the existing financial inclusion model in the country is a bank-led one. NABARD provides appropriate support to these agencies in reaching the last-mile client.

NABARD has continued to manage two dedicated funds for financial inclusion:

1. The Financial Inclusion Fund (FIF) for meeting the cost of developmental and promotional interventions; and
2. The Financial Inclusion Technology Fund (FITF) for meeting the cost of technology adoption for financial inclusion.

## SIDEBAR 2.3
### Apportionment of relative margin

From 1 April 2012 onwards, the relative margin (interest differential) available to NABARD in excess of 0.5 per cent on deposits placed by banks under the Rural Infrastructure Development Fund and Short-Term Cooperative Rural Credit was being credited to the FIF. However, from 14 August 2014 onwards the interest differential is being equitably apportioned among three funds—the Watershed Development Fund, Tribal Development Fund and FIF—at ₹300 crore each. The position of contributions/accruals to FIF was ₹2,305.45 crore and FITF was ₹203.04 crore as on 31 March 2015.

The reconstituted advisory board under the chairmanship of NABARD guides and renders policy advice for the management of these funds. The board has representations from the GoI, RBI, National Association of Software and Services Companies, Insurance Regulatory and Development Authority and Institute for Development and Research in Banking Technology. As on 31 March 2015, the cumulative sanctions under the FIF and FITF were ₹706.37 crore and ₹509.76 crore, respectively, against which disbursements were ₹236.02 crore and ₹252.38 crore, respectively (Table 2.23).

**TABLE 2.23: THE PROGRESS UNDER FIF AND FITF (₹ CRORE)**

| Name of fund | 2011–12 | | 2012–13 | | 2013–14 | | 2014–15 | | Cumulative since inception | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | S | D | S | D | S | D | S | D | S | Sanctions withdrawn since inception | D | Refunds received since inception |
| FIF | 75.96 | 18.90 | 67.02 | 33.31 | 321.16 | 65.58 | 203.57 | 100.67 | 706.37 | 56.00 | 236.02 | – |
| FITF | 221.07 | 128.39 | 22.01 | 17.14 | 42.96 | 20.25 | 101.31 | 41.47 | 509.76 | 17.50 | 252.38 | 16.63 |
| **Total** | **297.03** | **147.29** | **89.03** | **50.45** | **364.12** | **85.83** | **304.88** | **142.14** | **1216.13** | **73.50** | **488.4** | **16.63** |

S: Sanctions
D: Disbursements

**TABLE 2.24: DETAILS OF FLCs SANCTIONED (₹ CRORE)**

| | No. of FLCs sanctioned | Amount sanctioned | Amount disbursed |
|---|---|---|---|
| RRBs | 341 | 15.41 | 7.02 |
| Cooperative banks | 854 | 41.05 | 13.64 |
| **Total** | **1195** | **56.46** | **20.66** |

Furthermore, the microfinance development and equity fund (MFDEF) was closed on 31 March 2013 and the activities being supported there under are now being covered under the FIF. The commitments made under the MFDEF have also been taken as sanctions under the FIF during 2014–15.

There is a proposal to merge the FIF and FITF and the same is being examined by the GoI.

### 2.7.1 Key FIF initiatives

#### *Support to cooperative banks and RRBs for setting up of FLCs*

NABARD's support to cooperative banks and RRBs to set up FLCs with an outlay of up to ₹5 lakh per centre continued through 2014–15, under the FIF. The total sanction for FLCs during the financial year was ₹56.46 crore, of which ₹20.66 crore has been disbursed in 2014–15 (as on 31 March 2015) (Table 2.24).

#### *Assistance to cooperative banks and RRBs to demonstrate banking technology*

To demonstrate banking technology to villagers with the help of mobile vans, NABARD is offering assistance to cooperative banks and RRBs under the FIF. The support covers the cost of vehicles fitted with an ATM, point-of-sale (PoS) devices and other related items, subject to a maximum of ₹10 lakh per unit mobile van. A total grant assistance of ₹2.60 crore for one mobile van each to 12 cooperative banks and 14 RRBs was sanctioned in 2014–15 (as on 31March 2015), against which ₹0.15 crore has already been disbursed.

#### *Standardized financial literacy material*

Support is available to all state-level bankers' committees (SLBCs) to print and distribute standardized material through bank branches, to create financial literacy and awareness. While ₹20.29 crore has been sanctioned to 23 states under this initiative, an amount ₹16.14 crore has been disbursed in 2014–15 (as on 31 March 2015).

#### *Common Service Centres for Financial Literacy Programme for Rural Adults*

In line with the National e-Governance Plan launched in 2006 by the GoI, Common Service Centres (CSCs) were established with information communications technology (ICT)-enabled kiosks. The centres served the cause of financial inclusion as business correspondents (BCs) or business correspondent agents (BCAs).

NABARD sanctioned ₹47.30 lakh to CSC e-Governance Services India Ltd (CEGSIL), promoted by the Department of Electronics and Information Technology, GoI, to conduct financial literacy programmes in Chhattisgarh and Madhya Pradesh. The programme delivered financial literacy to 10,000 individuals through the CSC village-level entrepreneurs in the rural areas of the two states. A second project involving ₹3.77 crore was sanctioned to CeGSIL to train over one lakh rural adults across five states, viz., Bihar, Himachal Pradesh, Jharkhand, Rajasthan and Uttar Pradesh, through a similar programme.

NABARD has also extended support for organizing financial literacy (awareness) camps through district development managers (DDMs), in partnership with government departments, All India Radio, FM radio channels, banks, NGOs, etc. These innovative and customized camps spread awareness through puppet shows, animated films, street theatre (*nukkad natak*), magic shows, jingles on radio channels, textbooks, posters on road transport vehicles, trains, wall paintings, etc.

Support has also been extended to reputed institutions like XLRI, ACCESS Assist, CII and Elets Technomedia for the organization of national and international seminars, workshops, and events focusing on financial inclusion and felicitating stakeholder institutions such as banks.

An amount of ₹5 crore was granted to the Indian Banks' Association (IBA) as a contribution towards the PMJDY campaign in 2014–15.

Support is also available for data migration of PACS to the CBS of cooperative banks.

### 2.7.2 Key FITF initiatives

#### *RRBs adopting BC/ BF model*

As on 31 March 2015, grant assistance of ₹263.89 crore was sanctioned to 56 RRBs from the FITF, to implement ICT-based solutions through the BC or business facilitator (BF) model to cover all the villages in their command areas. Disbursements were of the order of ₹73.27 crore.

#### *Assistance for RuPay Kisan Credit Card and RuPay Debit Card to RRBs and cooperative banks*

Guidelines were issued to DCCBs and RRBs to provide assistance from the FITF for the issuance of RuPay Kisan Credit Cards (KCCs) in the form of an interoperable RuPay Card. Similarly, guidelines were issued regarding the issue of RuPay Debit Cards under the financial inclusion plans (FIPs) of cooperative banks and RRBs.

As on 31 March 2015, the cumulative sanctions for cooperative banks and RRBs towards KCCs and micro-ATMs were to the tune of ₹79.27 crore, against which an amount of ₹10.70 crore has been disbursed. The cumulative sanction to RRBs and cooperative banks towards RuPay Debit Cards, as on 31 March 2015, were to the tune of ₹59.93 crore, against which ₹13.65 crore has been disbursed.

#### *Support to cooperative banks and RRBs for additional POS devices under FITF*

Based on the demand from the banks, it has been decided to extend support under the FITF to cooperative banks and RRBs to enable them to purchase additional PoS

## SIDEBAR 2.4
## Realizing financial inclusion in rural India—using technology to increase outreach

The 'upscaling' of the KCC to the RuPay Kisan Card has been a boon for the farmers as it empowers them to avail of banking facilities at their doorstep round the clock. The entire network of 1.90 lakh ATMs can be used for this purpose, over and above the PoS /micro-ATMs. Farmers can also transact cashless for the purchase of agri-inputs, etc. at PACS and other agri-vendors.

The Lakhimpur Kheri and Rampur DCCBs in Uttar Pradesh have adopted an innovative method by combining a low-power bluetooth printer and biometric reader with a tablet, enabling it to act like a portable micro-ATM. This device is installed at the PACS. Presently, the transaction facility is available to a bank's own customers with RuPay Debit/Kisan cards. Once the National Payments Corporation of India (NPCI) finalizes and rolls out the interoperability of micro-ATMs, customers of other banks will also be able to use this facility, just like the ATM network.

Similarly, the South Canara DCCB Ltd (SCDCCBL), Mangalore, (Karnataka) has issued RuPay Kisan cards and RuPay Debit cards to its customers. The bank is one of the first cooperative banks in the country to test market these cards using the PACS network to extend banking business for greater financial inclusion. Micro-ATMs complying with Standards 1.5.1 issued by the Unique Identification Authority of India have been installed in branches of the SCDCCB and the PACS in its network. With PACS as the last mile connect, the successful implementation of this project brings convenience of banking to the doorsteps of the end user.

NABARD's assistance has brought the bank onboard the national payments system, whereby it can offer RuPay Kisan cards to farmers and RuPay Debit cards to other customers. The bank has RuPay global clearing system certification from the NPCI to enable transactions for its customers at merchant PoS locations, besides the Aadhaar-enabled payments bridge and Aadhaar-enabled payment system certifications.

The entire process has made the system transparent and simpler for the end user. Rural customers of cooperative banks with a RuPay Card in hand have reason to smile—realizing financial inclusion in its true sense.

devices for their branches as standby as also for issue to input suppliers.

*Support to cooperative banks and RRBs for ATM interchange charges*

NABARD has also been encouraging RRBs by providing them financial support for issuing KCCs to their farmer clients. To encourage ATM penetration in rural areas, NABARD has designed a scheme to support cooperative banks and RRBs by reimbursing their ATM interchange charges on KCC ATM-cum-debit cards. The scheme covers transaction costs and interchange charges arising from the use of KCCs, by the farmer client, on any ATM other than their own ATM or that belonging to the parent bank.

**SIDEBAR 2.5**

**Pilot project for financial inclusion of StCBs/ DCCBs through use of technology in PACS/other multipurpose cooperative societies**

The majority of small and marginal farmers in India are attached to the cooperative structure through the PACS. However, many of these societies do not provide facilities for savings. It was felt that the customers should have an opportunity to save and also the StCBs and DCCBs should be encouraged to utilize societies as deposit mobilizing agents (DMAs). Hence, the advisory board of the FIF and FITF, with the idea of providing a holistic technology-based platform for the entire cooperative structure, approved the implementation of the proposal on a pilot basis, covering 5000 societies (PACS, LAMPS, milk societies, etc.) with a financial outlay of ₹76.25 crore. StCBs/DCCBs which utilize societies as DMAs will be provided support for the installation of one ATM for implementing the pilot in every five societies. Support for ATMs has also been linked to setting up of FLCs.

Four hundred and eighty societies have been identified to act as DMAs for the DCCBs/StCBs in Bihar, Haryana, Uttar Pradesh, Meghalaya, Karnataka, Gujarat and Assam. 491 micro-ATMs and 26 FLCs have been sanctioned for 2 StCBs and 7 DCCBs. Support for the installation of 96 ATMs for implementing the pilot in societies and setting up of FLCs will be provided subject to the installation and operationalization of micro-ATMs in societies and the setting up of the required number of FLCs.

## 2.8 ASSISTING WITH TECHNOLOGY FOR RURAL BANKING

Technology is the backbone of the infrastructure that will deliver financial inclusion by reaching financial products and services to remote locations at a fraction of the cost of serving clients through the traditional branch-based banking route. NABARD supports cooperative banks and RRBs with the adoption as well as implementation of the technology-assisted banking platform.

### 2.8.1 Implementation of CBS in cooperative banks

NABARD has been advising and facilitating the implementation of CBS in cooperative banks since 2012. The entire gamut of work, which has included aggregating demand across the banks, identifying IT vendors for the implementation of CBS, and placing the governance mechanism for monitoring and follow-up of the overall project, was taken up by NABARD. The first 100 branches went live on the CBS platform on 29 August 2012, and the implementation of CBS in all 201 banks (14 StCBs and 187 DCCBs), with 6953 branches, under the NABARD-CBS project was successfully completed on 30 June 2014.

Additionally, 178 banks outside the NABARD-initiated CBS project have been implementing CBS under different ownership models. As on 31 March 2015, of the total 379 licensed banks (StCBs and DCCBs) in the country, 378 banks have moved over to the CBS platform.

### 2.8.2 Initiatives during the year

As the CBS platform is now fully functional, the role of NABARD has evolved from facilitating roll out in 201 banks to mentoring cooperative banks (StCBs and DCCBs) for technology adoption. The focus has shifted to adopting other user-friendly and efficient technologies, such as:

- Real-time gross settlement/National Electronic Funds Transfer;
- National Automated Clearing House and Direct Benefit Transfer;
- Micro-ATMs/PoS terminals;
- Mobile banking;
- Internet banking;
- Tab banking; and
- Card technology to offer RuPay cards.

NABARD's focus has been to guide these banks to subscribe to credit information through membership of Credit Information Companies (CICs) and also, to put an IT policy in place, which is a regulatory requirement of the RBI.

Extensive efforts were made to bring the cooperative banks onboard the payment system, enabling them to start issuing RuPay Kisan cards. This resulted in bringing a total of 123 cooperative banks (including 42 under testing phase) on card technology (payment system), as on 31 March 2015. RRBs have also been provided with similar support. The steering committee comprising the major sponsor banks of RRBs met twice during the year 2014–15 to resolve various operational issues related to the issuance of RuPay Kisan cards by RRBs. Consequently, 55 out of 56 RRBs have issued 17 lakh RuPay Kisan cards to their customers during 2014–15 (as on 31 March 2015).

To provide an impetus for the issuance of RuPay Kisan cards by RRBs and cooperative banks, NABARD continued to provide financial support to these banks for the issuance of the cards; installation of micro-ATMs; integration of POS devices and CBS; and even migration of KCC accounts data from PACS to the CBS of DCCBs.

Cumulatively, a total grant support of ₹79.27 crore had been sanctioned by 31 March 2015 to 43 RRBs and 30 cooperative banks towards helping in the issuance of 139 lakh RuPay Kisan cards, installation of 20,650 micro-ATMs and demonstration of banking technology at the doorstep of the rural population with the help of mobile vans (in 14 RRBs and 12 cooperative banks).

### 2.8.3 Future of banking—mobile banking

More recently, mobile phones as a medium of extending banking services have drawn the attention of users. The rapid growth of users and wider coverage of mobile phone networks show that this medium has become an important platform for extending banking services to customers. Efforts are being made to follow the RBI guidelines related to mobile banking in order to enable the cooperative banks to make extensive use of this technology.

# 3

# Inclusive Growth for Sustainable Rural Prosperity

## 3.1 INCLUSIVE NATURAL RESOURCE MANAGEMENT FOR SUSTAINABLE AGRICULTURAL GROWTH

The development of agriculture (farm sector) on a sustainable basis has always been the main agenda of NABARD. In pursuance of this goal, it has taken a number of initiatives, such as watershed-based programmes, livelihood-based programmes, natural resource management programmes, transfer of agricultural technology, the development of tribal farmers, enhancing the resilience of agriculture against climate change, and the promotion and financing of producers' organizations.

## 3.2 WATERSHED DEVELOPMENT PROGRAMMES

The Participatory Watershed Development Programme, financed from the Watershed Development Fund, was established in 1999–2000 with an initial corpus of ₹200 crore, contributed equally by the Government of India (GoI) and NABARD. The corpus was augmented over the years by the interest differential earned under the Rural Infrastructure Development Fund (RIDF) and interest accrued on the unutilized portion of the Fund. As on 31 March 2015, the total corpus stood at ₹1084.94 crore. During 2014–15, 38 new projects in the capacity-building phase were sanctioned, taking the cumulative number of projects (both ongoing and completed) to 507. The projects cover an area of 5.07 lakh ha in 16 states, with a commitment of ₹329.87 crore.

The Prime Minister's Relief Package for distressed districts is being implemented in 31 districts of Andhra Pradesh, Karnataka, Kerala and Maharashtra, with the aim of bringing 30,000 ha in each district under the participatory watershed development programme. Of the total of ₹933.20 crore sanctioned for 764 watershed projects, a cumulative amount of ₹791.29 crore had been released under the package by 31 March 2015. So far, 340 projects have been completed and 371 projects are in the final stage of completion. In the distressed districts, the watershed projects were entirely grant-based, while in the other districts, assistance was in the form of grants or grant-cum-loans. The projects based on grant-cum-loan are under implementation in Karnataka and Tamil Nadu. The project cost was shared by the GoI and NABARD on a 50:50 basis. During 2014–15, loan assistance of ₹9.02 crore was disbursed in Tamil Nadu, under this arrangement, taking the cumulative loan disbursement to states to ₹49.78 crore.

The Indo-German Watershed Development Programme (IGWDP), a bilateral aid programme, is being implemented by village watershed committees (VWCs) in association with NGOs in Maharashtra, Andhra Pradesh, Gujarat and Rajasthan. It focuses on regenerating/ rehabilitating natural resources.

In Maharashtra, the IGWDP Phase-III (2005–2014) involved a commitment of €19.94 million (about ₹140 crore) from the KfW, Germany. Of the 114 watershed projects sanctioned, 110 were completed and four were terminated. During 2014–15, grant assistance of ₹1.52 crore was disbursed, taking the cumulative disbursement to ₹121.63 crore.

In Andhra Pradesh, the IGWDP (2004–2015) committed €8.69 million (approximately ₹66 crore) in the districts of Adilabad, Karimnagar, Medak and Warangal. Thirty-six watershed projects, covering an area of around 41,000 ha in four districts, were sanctioned and all were completed. During 2014–15, grant assistance of ₹6.03 crore was disbursed, taking the cumulative disbursement to ₹58.00 crore.

In Gujarat, the IGWDP (2006–2016) envisages a commitment of €9.20 million (approximately ₹69.9 crore) from the KfW. Thirty-three projects are being implemented in four districts, in an area of around 38,000 ha. Twenty-eight projects are in the full implementation phase (FIP) and five were closed prematurely. During 2014–15, grant assistance of ₹5.99 crore was disbursed, taking the cumulative disbursement to ₹36.31 crore.

In Rajasthan, the IGWDP (2006–2016) involves a commitment of grant assistance of €11 million (about ₹83.60 crore). Thirty-five projects, covering an area of about 35,000 ha, are being implemented in five districts. Of these, 31 are in the FIP and four were terminated prematurely. During 2014–15, grant assistance of ₹7.91 crore was disbursed, taking the cumulative disbursement to ₹36.54 crore.

In an effort to rope its subsidiaries into the Watershed Development Programme, NABARD had sanctioned funds to Agri Business Finance Ltd (ABFL), Hyderabad, to carry out three pilot projects to finance 'watershed-plus' activities in three watersheds in the Chittoor district of Andhra Pradesh. The total loan and grant amount sanctioned to the ABFL was ₹227.80 lakh and ₹14.10 lakh, respectively. Of this, ₹177.90 lakh and ₹10.20 lakh, respectively, was disbursed by 31 March 2015.

SHOWCASE 3.1

## Integrated Agriculture Development Programme

The Integrated Agriculture Development Programme (IADP) is a pilot project on 'Agriculture as Livelihood'. Launched under the IGWDP in October 2013 in the Mandali watershed in the Udaipur district of Rajasthan, it aimed to demonstrate a scalable model for ensuring food, nutrition and livelihood security for small and marginal farmers through integrated agricultural practices.

As on March 2015, 20 vermicompost units had been established with support from the Government of Rajasthan. Meadow cultivation (a first in the entire division) has been introduced, with the cultivation of closely spaced guava plants (500 plants in 0.1 ha). Each household grows 10 fruit plants. A beginning has been made in the commercial cultivation of vegetables in the villages, where the tribals had hardly considered anything but chilli, brinjal or tomato for home consumption.

The use of vermicompost and vermiwash has resulted in 80% reduction in the application of urea/DAP, while the crop yield has gone up by 15% with the adoption of the package of practices. The net incremental income from wheat during 2014–15 was approximately ₹36,710 per ha. The cropping pattern is now moving towards a mix of cereals and pulses, vegetables and other crops, as per the farmers' preference, at 50:25:25 in terms of crop area.

A farmers' producer organization is being formed and a market tie-up, with technical support, is being sought from the S.P. Jain Institute of Management and Research, Mumbai.

The project has been aligned with other interventions, like ber budding and goat-rearing, for better recycling of farm resources. Due to the success achieved so far, it has been expanded to six more watersheds.

## 3.3 INTEGRATED DEVELOPMENT OF TRIBALS

The integration of tribal communities with the mainstream society and economy is not easy. The real challenge is to integrate them with the mainstream economy without disturbing their ecological practices and socio-cultural system.

### 3.3.1 Tribal Development Fund

NABARD continued its efforts to extend assistance to the tribal population during 2014–15 by enhancing their livelihood opportunities under the Tribal Development Fund (TDF) programme. The programme has enabled tribal communities to make a living from 'wadis' (small orchards), organic wadis and mixed wadis (perennials + creeper vegetables + spices). Credit support has been extended for marketing activities and value chain interventions for processing and marketing. The cumulative amount sanctioned under the TDF programme as on 31 March 2015 was ₹1901.31 crore and the sum disbursed was ₹1010.21 crore. A total of 4.72 lakh families have been covered under 610 projects across 27 states/Union Territories (UTs). During 2014–15, 52 projects have been sanctioned with disbursement of ₹199.31 crore, including a loan of ₹7.15 crore.

TDF projects co-funded by corporate houses have been sanctioned in Jharkhand and Odisha. Jharkhand is the only state where tribal development projects have been sanctioned by NABARD in all districts (24).

Apart from horticultural interventions, some innovative activities assisted under the TDF are:

- Cultivation of gum trees in Andhra Pradesh;
- Lac cultivation in Andhra Pradesh;
- Non-farm sector and sericulture activities in Tamil Nadu;
- Value chain intervention in coconut in the Andaman and Nicobar Islands;
- Promotion of bee-keeping in Maharashtra and Gujarat;
- Wadis of vegetables, spices and condiments in Madhya Pradesh, Gujarat and Bihar;
- Organic wadi projects in Madhya Pradesh and Gujarat;
- Production of tasar silk, covering the entire value chain in Bihar; and
- Horticulture plus livestock in Nagaland and Himachal Pradesh.

In 2013–14, grant assistance was enhanced from ₹40,000 to ₹45,000 per family for wadi development of one acre in general areas, and from ₹45,000 to ₹50,000 in the northeastern and other hilly regions of the country.

### 3.3.2 Adivasi Development Programme

Phase II (2006–2016) of the KfW–NABARD–V–Adivasi Development Programme, Gujarat (ADPG II) is being implemented in seven clusters of two districts. Six of the clusters are in the district of Dang and one in Valsad (Dharampur block). Apart from the development of wadis (mango and cashew nut), the programme focuses on soil conservation, development of water resources, women/landless families, and health. The KfW has sanctioned a grant assistance of €7 million (approximately ₹38.15 crore) for this programme, which is intended to cover 4700 families. As on 31 March 2015, 5922 families had been assisted to establish wadis over 5790 acres of land and 449 wadi tukadis (groups of 8–10 wadi-holders) were operating. The cumulative disbursement under the ADPG II was ₹23.17 crore.

**SHOWCASE 3.2**

### Sericulture project in the Javvadhuhills, Tamil Nadu

G. Lakshmi owns 3 acres of dry land in the village of Vilamuchi in the Javvadhu hills, Thiruvannamalai district, Tamil Nadu. Agriculture is her primary source of livelihood. She cultivates mainly samai, a minor millet. Lakshmi also had a small plot on which she cultivated paddy. The only source of irrigation for this was rainfall.

After attending a meeting held by BHUMI in 2009, she learnt of NABARD's TDP and silkworm-rearing initiative. BHUMI gave her a subsidy of ₹55,000 to rear silkworms. By 2014, she earned a sum of ₹100,886 by harvesting 338 kg of silkworm cocoons on her 0.5-acre mulberry plantation. Before joining the TDF project, her annual income was in the range of ₹10,000–12,000. In 2014–15, her annual income was about ₹80,000. She plans to cultivate mulberry on additional land so that her average monthly income increases to ₹15,000–20,000. In her opinion, this activity is very suitable for women, as they can handle the entire process by themselves.

**TABLE 3.1: EXTERNALLY AIDED ONGOING PROJECTS AS ON 31 MARCH 2015 (₹ LAKH)**

| Sl. No. | Name of project | Effective from | Closing date | External assistance (€million) | Disbursements made by NABARD during 2014–15 | Cumulative up to 31 Mar 2015 | Amount received by NABARD during 2014–15 | Cumulative up to 31 Mar 2015 |
|---|---|---|---|---|---|---|---|---|
| 1 | KfW–NABARD–ADP | | | | | | | |
| i. | Adivasi Development Programme in Gujarat (Phase II)* | 28 Mar 2006 | 31 Dec 2016 | 7.00 | 63.10 | 2317.03 | 78.28* | 2471.85 |
| ii. | IX-Adivasi Development Programme in Maharashtra | 2 Jun 2000 | 31 Dec 2011 | 14.32 | 7.39 | 7941.97 | 7.16# | 8193.15 |
| 2 | KfW–NABARD–IGWDP | | | | | | | |
| i. | Indo-German Watershed Development Programme in Andhra Pradesh | 15 Jul 2002 | 30 Jun 2014 | 8.69 | 602.54 | 5799.70 | 632.54 | 5771.88 |
| ii. | Indo-German Watershed Development Programme in Maharashtra (Phase III) | 27 Aug 2005 | 30 Jun 2014 | 19.94 | 152.17 | 12163.44 | - | 11991.94 |
| iii. | Indo-German Watershed Development Programme in Gujarat | 17 Feb 2006 | 31 Dec 2015 | 9.20 | 598.71 | 3630.74 | 1050.54 | 3627.39 |
| iv. | Indo-German Watershed Development Programme in Rajasthan | 7 Dec 2006 | 31 Dec 2016 | 11.00 | 790.98 | 3653.55 | 973.16 | 3439.11 |
| 3 | KfW–Sewa Bank Project | 28 Jun 2002 | 31 Dec 2013@@ | 4.09 | - | 1922.53 | - | 1941.95 |
| 4 | KfW–Umbrella Programme for Natural Resources Management (UPNRM)—Phases I &II | | | | | | | |
| (i) | FC Loan—Phase I | 16 Sep 2009 | 30 Dec 2014 | 15.00 | 5326.85 | 32607.84 | - | 9510.50 |
| | FC Loan—Phase II | 19 Dec 2012 | 30 Dec 2017 | IDA- €10 | | | 2782.30 | 5333.38 |
| | | | | RIL - € 42 | | | 3197.45 | 13911.97 |
| (ii) | FC grant | 16 Sep 2009 | 30 Dec 2014 | 1.40 | 91.53 | 140.97 | 41.27 | 81.19 |
| (iii) | Grant for accompanying measures—Phase I | 16 Sep 2009 | 31 Dec 2014 | 3.00 | 350.15 | 1762.76 | 793.31 | 2100.44 |
| | Grant for accompanying measures—Phase II | 19 Dec 2012 | 30 Dec 2017 | 2.00 | - | - | - | - |
| 5 | GIZ–UPNRM–TC | 26 Jul 2010 | 31 Dec 2015 | 8.5 (of which 1.5 is FC) | 88.83 | 327.69 | 66.32 | 320.99 |
| 6 | GIZ–RFIP–TC | 1 Jan 2009 | 31 Dec 2015 | 13.15 (of which 1.0 is FC) | 64.87 | 589.90 | 158.69 | 602.83 |

*ADPG II—₹70.56 lakh grant + ₹7.72 lakh interest accrued on unutilized balance
# ADPM—₹7.16 lakh interest received from MITTRA
@@ KfW agreed to utilization of residual funds up to 31 March 2015
TC: technical cooperation; FC: financial cooperation; SEWA: Self-Employed Women's Association; RIL: reduced interest loan; IDA: international development assistance

SHOWCASE 3.3

## Wadi farmer in Rajasthan

Bherulal Grarasiya, a poor tribal farmer, was earning his livelihood by cultivating maize and urad (kharif) and wheat and mustard (rabi) in his 3-bigha plot of land. It was very tough for him to earn enough to support his family of wife and four children. He had studied up to Class IX and was full of enthusiasm, but lacked technical skills and knowledge of modern farming practices.

In 2006, BAIF, in association with NABARD, started a Wadi Development Programme in the area. Bherulal attended a couple of meetings organized under this programme. Armed with his new knowledge, he planted 25 amla and 5 mango grafts and developed a wadi on his farm. He also developed skills by participating in a series of practical training sessions on intercropping and the management of wadis.

In 2007, Bherulal received training in making improved chulhas and kitchens. He tried out the improved chulha and kitchen in his own house and was later given the task of making these for other families by BAIF. This enhanced his earnings considerably and improved his social status.

The other activities in which Bherulal received training were vermicomposting and the cultivation of vegetables. He has set up a vermicompost unit at his farm and earns much more by cultivating vegetables than he used to, by cultivating traditional crops. He supplements his income by running a nursery, in which he has prepared 6000 mango grafts.

The increase in his income has allowed Bherulal to ensure that his children get an education. His sister, who was engaged in goat-pasturing, is now getting trained to become an ASHA worker. His wife, who is the president of an SHG, has become a role model for other women.

The Adivasi Development Programme in Maharashtra (ADPM) has been under implementation in the districts of Nashik and Thane with KfW assistance of €14.32 million (₹82.22 crore) since the year 2000. It now covers 13,848 families, compared to the target of 13,000, and wadis cover 12,294 acres, compared to the target of 10,000 acres. As on 31 March 2015, the cumulative disbursement under the ADPM was ₹79.42 crore.

## 3.4 UMBRELLA PROGRAMME ON NATURAL RESOURCE MANAGEMENT

Since 2007–08, NABARD, in collaboration with the KfW and GIZ, has been implementing the Umbrella Programme on Natural Resource Management (UPNRM), an Indo-German programme based on loan-cum-grant. Its aim is to boost rural livelihoods by supporting community-managed, sustainable natural resource management projects. The total fund envisaged under Phase I of the programme is € 30.90 million (€ 19.40 million from KfW, € 8.50 million from GIZ and € 3.00 million from NABARD). Under Phase II, the KfW has committed credit lines amounting to €52 million and Accompanying Measures (AM)of €2 million. In 2014, under Phase II of the programme, an amount of ₹59.80 crore was received as Financial Cooperation (FC) loan, ₹7.93 crore towards AM, ₹0.41 crore as FC grant from the KfW and ₹0.66 crore as the technical component from GIZ. The cumulative FC grants received from the KfW under Phase I were €15.00 million, €0.119 million and €2.9 million and FC loan under Phase II was €23.98 million.

During 2014–15, 47 projects were sanctioned, with loan assistance amounting to ₹45.68 crore and grant assistance to ₹4.29 crore. This took the cumulative amount sanctioned to ₹525.72 crore (loan ₹491.81 crore and grant ₹33.91 crore). The progress made under the UPNRM is described in Table 3.2. The channel partners supported under the UPNRM are NGOs, producer organizations, producer companies, banks, community-

**SHOWCASE 3.4**

## Changing gender dynamics

For the women of the Darbar community in the village of Motabandra, Gujarat, the social environment is now more congenial than ever before. The community is known for its orthodox and patriarchal values. Agriculture used to be the exclusive preserve of men and banks were unwilling to extend loans to men due to their poor credit history and rude behaviour.

The NABARD-assisted UPNRM project, implemented through VIKSAT, was a huge step forward for the women, who can now take loans for agricultural purposes. In the last two-and-a-half years, 18 women have taken loans from VIKSAT to deepen dug wells. An amount of ₹4.5 lakh has been disbursed and all the women have been repaying their loans. The loans have freed men from the trap of the high rates fixed by traders; they have accepted the role of women in agriculture and acknowledge their contribution to the improvement in their livelihood.

Now, women take decisions on the selection of crops to reduce risks and to secure food for the family.

The empowerment of women has also ushered in social changes. In Motabandra, liquor is produced locally and sold in the open. The women collectively forced the local liquor trader to move his shop from the vicinity of a school, which has helped curb the consumption of alcohol by youngsters. This success has encouraged the WSHGs to speak out about other causes as well. For example, they have managed to persuade the District Collector to repair a bridge which had broken a long time ago.

**TABLE 3.2: PROGRESS UNDER UPNRM AS ON 31 MARCH 2015 (₹CRORE)**

| *Amount sanctioned* | | | | | | *Amount disbursed* | | | |
|---|---|---|---|---|---|---|---|---|---|
| *During the year* | | | *Cumulative* | | | *During the year* | | *Cumulative* | |
| *No. of projects* | *Loan* | 45.68 | *No. of projects* | *Loan* | 491.81 | *Loan* | 53.27 | *Loan* | 326.07 |
| 47 | Grant | 4.29 | 276 | Grant | 33.91 | Grant | 4.30 | Grant | 18.83 |
| | Total | 49.97 | | Total | 525.72 | Total | 57.57 | | 344.90 |

based organizations, private limited companies and cooperatives. Their operations span 20 states, viz., Andhra Pradesh, Assam, Bihar, Chhattisgarh, Haryana, Goa, Gujarat, Karnataka, Maharashtra, Odisha, Tamil Nadu, Kerala, West Bengal, Himachal Pradesh, Madhya Pradesh, Uttarakhand, Jharkhand, Uttar Pradesh, Arunachal Pradesh and Rajasthan, as well as one UT (Andaman and Nicobar Islands).

The UPNRM has created successful business models, such as the System of Rice Intensification (SRI) in Karnataka and the Sustainable Sugarcane Initiative (SSI) in Maharashtra and Karnataka, and has also given rise to better cotton initiatives with drip irrigation. Further, it has promoted vermicomposting, organic farming, integrated dairy, improved seed production, sustainable agricultural practices, the cultivation and primary processing of medicinal plants, processing of spices, fruits and vegetables, and soil and water conservation measures. Drinking water facilities have been established and automatic weather stations installed. Marketing support is being provided to farmer groups, which are also being assisted with aggregation, value addition and the development of sustainable value chains in tasar and coir.

## 3.5 POLICY INITIATIVES

With a view to facilitating the comprehensive development of important sub-sectors under agriculture, the GoI is implementing dedicated missions, viz., the National Food

### SIDEBAR 3.1
### Sustainable Sugarcane Initiative

Sugarcane is grown on about 5 million ha in Uttar Pradesh, Maharashtra, Tamil Nadu, Karnataka and Telangana. The SSI, pioneered by the International Crops Research Institute for the Semi-Arid Tropics, is an innovative set of agronomic practices in sugarcane cultivation. It has five major components:

- raising seedlings of single eye-budded chips in a nursery and transplanting;
- following new planting methods, with wider plant spacing;
- application of organic manure;
- drip irrigation; and
- inter-cropping.

The resultant crop has a robust root system. There is a phenomenal increase in tillering, and faster growth in terms of the height and girth of individual canes. The incidence of pests and diseases is lower, and the crop canopy is not so dense. The other significant benefits are: saving of seed cane to the tune of 4 t/ ha; water saving of up to 90% during the first month due to the nursery system; and water saving of around 30% in the main field, owing to wider spacing and the use of drip irrigation. An excellent ratoon crop is another advantage. In two of the cases studied, the SSI intervention has resulted in a 25–36 per cent increase in the yield, and a reduction in cost of 15–25 per cent. The increase in the net income ranges from ₹28,500–₹46,000 per ha.

The UPNRM has identified the sugar cooperatives in Maharashtra as viable partners that could carry the message of SSI to the farmers. A cumulative amount of ₹5.7 crore has been sanctioned to three sugar cooperatives for on-lending to farmers to encourage them to adopt the SSI model. Grant assistance has been provided for raising awareness, capacity-building and exposure visits to successful SSI farms. Further, support has been extended to the farmers to motivate them to switch over to growing seedlings in the nursery. Thanks to these initiatives, production has increased by 20–40 per cent.

Security Mission (NFSM), Mission for Integrated Development of Horticulture (MIDH), National Mission on Oilseeds and Oil Palm, National Mission on Sustainable Agriculture (NMSA) National Mission on Micro Irrigation (NMMI) and National Mission on Agricultural Extension and Technology (NMAET). Several of the interventions under these missions facilitate an enabling environment for promoting critical investments in production and post-production activities in the respective sectors. Since these interventions also open up opportunities for institutional credit, NABARD has formulated and circulated scheme-specific policies and guidelines for effectively linking the interventions with institutional credit through location-specific banking plans or area development plans and dovetailing these with the District Credit Plans.

## 3.6 DEALING WITH CHALLENGES POSED BY CLIMATE CHANGE

In view of the challenges posed by climate change, NABARD has taken a few initiatives to facilitate development in an ecologically sustainable manner.

*Climate change adaptation project in Maharashtra:* In collaboration with the Swiss Development Corporation, NABARD is supporting a climate change adaptation project in 25 villages of the Akola and Sangamner talukas of the district of Ahmednagar in Maharashtra. The total cost of the project, being implemented by the Watershed Organization Trust, is ₹23.79 crore, of which ₹21.38 crore is grant support from the WDF. An amount of ₹17.11 crore has been disbursed till 31 March 2015. The key interventions relate to social mobilization, watershed structures, lift irrigation, water budgeting, biodiversity, renewable energy and innovative activities.

*Climate-proofing projects in Tamil Nadu and Rajasthan watersheds:* Climate-proofing projects are being implemented in the Appiyampatti and Poosaripetty watersheds in the district of Dindigul, Tamil Nadu and Anjeni and Rawatpura watersheds in Rajasthan under WDF and IGWDP. The projects in Tamil Nadu have been designed to enhance the resilience of agriculture in the face of climate change. The projects in Rajsthan focus on the development of pasture land and fodder planning. The project costs are being shared by NABARD and GIZ. The total outlay on the projects in Rajasthan is ₹2.84 crore and in Tamil Nadu, ₹2.41 crore.

*NABARD's project proposals sanctioned by Adaptation Fund Board:* During its 24th meeting, held in Bonn, Germany on 9 and 10 October 2014, the Adaptation Fund Board (AFB) of the United Nations Framework Convention on Climate Change sanctioned two proposals submitted by NABARD, agreeing to offer financial assistance of US$3.2 million. NABARD submitted these proposals in its capacity as the National Implementing Entity for the Fund. This is the first time that the AFB has approved proposals from India.

The first project, which concerns the conservation and management of coastal resources as a potential strategy to adapt to a rise in the sea level, would be implemented in the mangrove wetlands of the district of Krishna in Andhra Pradesh. The increased frequency of cyclonic storms and storm surges has led to a rise in the sea level and inundation with seawater. The adaptation strategies include the restoration of degraded mangroves and establishment of an Integrated Mangrove Fishery Farming System (IMFFS). The IMFFS would provide the coastal community with a degree of physical security against a rise in the sea level, as well as livelihood security. The project would be executed by the M.S. Swaminathan Research Foundation.

The second project aims to enhance the adaptive capacity and increase the resilience of small and marginal farmers, with respect to climate change, in the semi-arid districts of Purulia and Bankura in West Bengal. The idea is to build adaptive and resilient livelihood systems through diversification, the adoption of technology and efficient management of natural resources. The project would focus on 5000 households, covering about 22,596 beneficiaries. It would be executed by the Development Research Communication and Services Centre.

NABARD aims to leverage finance for addressing concerns related to climate change in the agricultural and rural livelihood sectors through various multilateral/ national funding mechanisms, such as the Green Climate Fund (GCF) and National Adaptation Fund for Climate Change (NAFCC).

## 3.7 TECHNICAL ADVISORY GROUPS

NABARD has set up a Central Technical Advisory Group (C-TAG) at its Head Office and Regional Technical Advisory Groups (R-TAGs) at its regional offices in Karnataka, Tamil Nadu, Gujarat, Uttar Pradesh, Rajasthan, Andhra Pradesh, Madhya Pradesh, Punjab and Haryana, Assam and West Bengal. The regional offices have officers technically qualified in areas such as soil, water and crop management, water resources, animal husbandry, plantation and horticulture, fisheries, agricultural engineering, food processing, biotechnology, forestry, electrical engineering and civil engineering. The advisory groups have been constituted to provide technical advisory services to farmers and client organizations, such as banks, NGOs, Central and state government departments and corporates. The groups assess the unit costs of various investments, and prepare model bankable projects, as well as area development schemes to facilitate/enhance the flow of investment credit at the ground level.

By the end of 2014, four workshops had been conducted, in association with research institutes and agriculture universities, on animal husbandry, fisheries, farm mechanization, soil, water and crop management, in order to bring technical officers up to date with the latest developments in the agricultural and allied sectors.

## 3.8 SUPPORT TO PRODUCERS' ORGANIZATIONS

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

### 3.8.1 PRODUCE Fund

While presenting the Union Budget for 2014–15, the Union Finance Minister announced that a 'Producers' Organization Development and Upliftment Corpus' Fund of ₹200 crore to be utilized for building of 2000 Farmer Producer Organizations (FPOs) in the next two years to supplement NABARD's Producer Organization Development Fund (PODF). Pursuant to this announcement, GoI has created a PRODUCE Fund of ₹200 crore in NABARD. This initiative would address the initial requirements of the emerging FPOs, which would subsequently be able to avail of new business opportunities with the support of credit from financing institutions.

The fund has become operational and 835 FPOs have been approved during the financial year 2014–15. A grant assistance of ₹65.54 crore has been sanctioned for the promotion and capacity-building/ nurturing of these FPOs by the Producer Organization Promoting Institutions (POPIs) concerned. A National-level Advisory Committee has been constituted under the Chairmanship of Chairman, NABARD, which has representatives from the GoI, Small Farmers' Agriculture-Business Consortium (SFAC), corporates, academicians, bankers and practitioners in the field. A bilingual manual and brochure have been prepared for the dissemination of information on PRODUCE Fund to farmers, FPOs and POPIs.

### 3.8.2 Producers Organization Development Fund

In its endeavour to support FPOs/collectives in a comprehensive manner, NABARD sanctioned financial assistance of ₹157.72 crore (₹153.57 crore as loan and ₹4.15 crore as grant) to 65 new producers' organizations (POs) during 2014–15. The disbursements amounted to ₹101.98 crore (₹100.44 crore as loan and ₹1.54 crore as grant). The major activities of the POs assisted by NABARD so far include the establishment of bamboo processing units, dairy activities, financing of women's SHGs to enable them to take up livelihood activities in the farm/off-farm sector, establishment of oil mills, flour mills, agro service centres, bio-processed jaggery production, coir and sabai grass products, vegetable cultivation, construction of poly-houses, marketing of agro-horticulture inputs/produce, commercial production of fish, cultivation and processing of medicinal plants, value chain management of cotton, and creation of marketing infrastructure (such as agri-mall, super bazar and warehouses).

Setting up of training-cum-skill-development centres, feed mixing plants and solar dryers, financing of bamboo societies for the supply of raw materials to the HPC, and the procurement, processing and grading of certified seeds are some of the other important activities supported by the PODF.

### 3.8.3 Credit facility to marketing federations, corporations and cooperatives

A separate line of credit, under the scheme for Credit Facility to Federations (CFF), was made available to marketing federations/cooperatives/corporations to promote the marketing of agricultural produce and other agricultural activities in 2012–13. The scope of the CFF has been widened during 2014–15, so that it now provides the milk unions/federations with their working capital requirements for the procurement and processing of milk and production/procurement of cattle feed.

The credit support could be in the form of cash (credit limit of up to 12 months). Credit support is extended to help beneficiaries meet the procurement costs under the price support system, and to finance seeds, fertilizers, pesticides, plant protection material, etc. The repayment of such loans depends on the activity being supported.

As on 31 March 2015, short-term loans amounting to ₹6265 crore had been sanctioned to marketing federations/corporations for the procurement of paddy and maize, and for meeting the working capital requirement of milk unions through primary agriculture credit societies (PACS). The amount disbursed was ₹5155 crore. This resulted in more prompt payments to farmers for their produce from the federations/corporations. Sanction and disbursement under this facility grew by 101 per cent and 87 per cent, respectively, during 2014–15.

The states covered by this initiative are Chhattisgarh, Gujarat, Haryana, Madhya Pradesh, Maharashtra, West Bengal, Odisha, Telangana and Andhra Pradesh. The Gujarat Cooperative Milk Marketing Federation, Solapur Milk Union and Madhya Pradesh State Civil Supplies Corporation are the new entities which have availed of the credit facility during 2014–15.

### 3.8.4 Productivity augmentation and technology transfer

#### *Farm Sector Promotion Fund*

From 2008–09 to 2013–14, the cumulative assistance provided under the Farm

Innovation and Promotion Fund (FIPF), set up in 2004–05,and the Farmers' Technology Transfer Fund (FTTF), set up in 2008–09, stood at ₹204.97 crore. The balance corpus as on 1 April 2014 stands at ₹67.93 crore. In order to ensure enhanced operational flexibility in the sanction and implementation of projects, and since the objectives of both funds were farmer-centric, the FIPF and FTTF were merged and renamed the Farm Sector Promotion Fund (FSPF) with effect from 1 August 2014. During the year, disbursement under the FSPF stood at ₹43.13 crore. A total of 413 projects have been sanctioned under the detailed project report (DPR) mode, involving assistance of ₹9.35 crore. Of this, ₹7.52 crore and ₹1.83 crore are the grant and loan components, respectively.

The major programmes covered by the fund include the Farmers' Club Programme, pilot project on augmenting the productivity of lead crops, SRI, Master Farmers' Training Programme, Village Development Programme (VDP), proposals under the DPR mode, Capacity-Building for Adoption of Technology and Farmers' Training and Rural Development Centre (FTRDC).

### *Farmers' Club Programme*

Around 4165 new farmers' clubs (FCs) were sanctioned during 2014–15, taking the total number of clubs to 1.47 lakh. Apart from helping the farmers to access credit, extension services, technology and markets, the FCs act as Self-Help Promoting Institutions (SHPIs) and business facilitators

(BFs)/business correspondents (BCs). During 2014–15, the maximum number of clubs was promoted by NGOs (2660), followed by cooperative banks (579 ), regional rural banks (RRBs) (309), commercial banks (531) and SAUs/krishi vigyan kendras (KVKs)/ other agencies (86). As SHPIs, the FCs promoted 7227 self-help groups (SHGs) and 959 joint liability groups (JLGs), all of which were credit-linked. The focus of the programme was to launch the sanctioned clubs, upscale them to make them FPOs and reach sustainable levels. During the year, 4861 clubs were launched. To improve their effectiveness, the FCs of adjoining villages/ blocks/districts have formed 110 federations and 97 POs. In addition, 292 FCs are functioning as BFs/BCs.

An initiative was taken to provide the FCs with 54,700 mobile phone connections so that they could get information on weather, market prices and crops by SMS through Reuters' Market Light. NABARD disbursed grant assistance of ₹2.20 crore for 35 projects across 18 states to train around 729 farmers as master farmers, who, in turn, trained 16,405 farmers to act as a cadre for the transfer of technology, counselling on credit and market advocacy. Twelve FTRDCs in eight states had been provided with grant assistance of ₹132.12 lakh as on 31 March 2015.

### *Village Development Programme*

The VDP envisages the holistic and integrated development of villages, in consultation with the village community and with the convergence of the various development programmes of NABARD and the government. Now in its second phase, the programme covers 1132 villages across 23 states. During 2014–15, an amount of ₹1.29 crore was disbursed to assist various interventions under the VDP, and the cumulative disbursement came to ₹11.15 crore.

During the year, an evaluation study was conducted through NABCONS for the implementation of Phase-I of the programme. A detailed report was submitted, along with observations and suggestions. In brief, the suggestions were:

a. The amount of allocation per village should be increased.
b. An advance or seed fund is required.
c. The project should focus on at least one or two physical infrastructure.
d. The implementing agency should be selected carefully and proper communication must be maintained between the agency and the villagers.
e. The interventions must be specific to the village and the focus should be on long-term interventions.
f. Convergence with specific departments must be planned.
g. A withdrawal or exit plan should be chalked out at the outset.

### *Capacity-building for adoption of technology*

During 2014–15, 331 exposure visits were arranged in collaboration with select research institutes, KVKs and SAUs, to enable capacity building of about 2,335 farmers to adopt new/innovative methods of farming. The disbursement of funds for this purpose amounted to ₹1.36 crore during the year, taking the cumulative disbursement to ₹8.56 crore.

### *Pilot project for augmenting productivity of lead crops*

NABARD had launched a pilot project to augment the productivity of lead crops/ activities intended to promote the adoption of sustainable agricultural practices in 2009–10. Till date, a total of 58 clusters, comprising 400 villages in Assam, Chhattisgarh, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Meghalaya, Nagaland, Odisha, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, Uttarakhand and West

Bengal, have been sanctioned funds at the national level under the project. An amount of ₹1.49 crore was disbursed during 2014–15. The cumulative disbursement under the project is ₹16.21 crore.

### *Pilot Project in Balasore district of Odisha*

The implementation of the pilot project in the Balasore district of Odisha began in the kharif season of 2012. The objective of the project is to augment the productivity of 3–4 major crops and increase the income level of farmers, among others. The total outlay for its implementation is ₹3,211.86 crore. This includes credit, farmers' contributions and grant assistance of ₹48.08 crore from the FIPF. In 2014–15, assistance of ₹7.56 crore was released and the cumulative utilization as on 31 March 2015 was ₹26.47 crore. The crop-cutting experiment under the project reported a remarkable improvement in the paddy yield.

### *System of Rice Intensification*

NABARD is supporting a pilot project on the SRI, a combination of simple agronomic and management practices for improving productivity and reducing the cost of production. It is being implemented in an area of 36,935 ha and covers 142,345 farmers in 2380 villages across 13 states. During 2014–15, assistance of ₹0.28 crore was disbursed in respect of spill-over units, thus taking the cumulative disbursement to ₹20.83 crore.

## 3.9 ENHANCING LIVELIHOODS THROUGH OFF-FARM SECTOR

With a view to emphasizing off-farm development activities in rural areas, the department that implements NABARD's various promotional activities in the off-farm sector has been renamed the Off-Farm Development Department. Some of the areas covered under off-farm development are sanitation, housing, health, tourism, new and renewable energy, skill-building, transportation, technology development and technology transfer.

### 3.9.1 Off-Farm Sector Promotion Fund

The tenure of the SDC–Rural Innovation Fund (RIF), which was designed to support experiments in the farm, non-farm and microfinance sectors, ended on 30 September 2014. During 2014–15, 50 projects were sanctioned with the financial commitment of ₹4.18 crore. The total number of projects sanctioned under rural innovation, including the projects sanctioned under RIF and OFSPF, stood at 687 with the total commitment of ₹72.96 crore as on 31 March 2015. Disbursement of ₹1.07 crore was made during the year 2014–15 and the cumulative disbursement as on 31 March 2015 stood at ₹68.02 crore. A dedicated fund, the Off-Farm Sector Promotion Fund (OFSPF), was then formed by merging the outstanding balances under the Rural Innovation Fund and Rural Promotion Fund. The dedicated fund would have the flexibility to support innovations and promotional programmes in the rural off-farm sector, depending on the requirements of the stakeholders. During 2014–15, grant assistance of ₹12.44 crore was provided for various projects/interventions for off-farm development. In addition ₹13.05 crore was disbursed as loan assistance for various projects under the off-farm sector.

### 3.9.2 Programmes for development of rural entrepreneurship and skills

NABARD supports Rural Entrepreneurship Development Programmes (REDPs) and Skill Development Programmes (SDPs) conducted by RUDSETIs/R-SETIs to promote self-employment and generate wage employment opportunities for the rural youth. During 2014–15, financial assistance of ₹2.83 crore was sanctioned for conducting 854 REDPs/SDPs through RUDSETIs/RSETIs.

So far, NABARD has supported 29,652 REDPs/SDPs, with grant assistance of ₹107.82 crore, and training has been imparted to around 7.60 lakh unemployed rural youth by 31 March 2015.

**SIDEBAR 3.2**
**Launching of e-portal**

A significant initiative taken by NABARD was the launch of two e-portals, shilpihaat.com and ekraftsindia.com, developed by M/s Zaak e-Ventures Pvt. Ltd and M/s eFresh Portal Pvt. Ltd, respectively. The portals were launched by the Union Finance Minister, Mr Arun Jaitley, on 16 January 2015.

The portals have commenced in pilot mode. They showcase 500 products made by artisan groups supported by NABARD. On display are handicraft items, jewellery and handloom products from across states. This endeavour aims to link skilled artisans to consumers through a technological platform. It would give the artisans and their products a distinct identity and greater visibility amongst a wider audience.

## 3.10 MARKETING INITIATIVES

### 3.10.1 Exhibitions and melas

With a view to helping rural artisans and producers, NABARD has been supporting rural marts and haats at the district level, exhibitions at the state level and large fairs at the national level. It organized/sponsored 211 melas/exhibitions in different parts of the country in 2014–15 and extended financial assistance of ₹3.47 crore. One of the events was the Mahalaxmi SARAS Mela, an annual exhibition-cum-sale of products made by rural artisans, for which grant assistance is provided by NABARD. It is organized in Mumbai by the GoI and the Government of Maharashtra, jointly with NABARD. NABARD was allotted 50 stalls, in which 53 exhibitors from 27 states displayed their craft.

NABARD has also been supporting the Surajkund International Craft Fair for the last five years by sponsoring stalls for rural artisans. During 2014–15, it extended grant support of ₹64.74 lakh for the fair. The Government of Haryana, the organizer of the fair, allotted 50 stalls for the display of the crafts of artisans supported by NABARD.

**SIDEBAR 3.3**
**Round-table discussion at Rashtrapati Bhavan on financing innovations**

NABARD organized a round-table discussion on nurturing and financing innovations with top executives of the banking and financial sector, at Rashtrapati Bhavan on 13 March 2015, during the 'Festival of Innovations'.

The President of India complimented NABARD for its role in supporting innovations at the grassroots level. He congratulated NABARD for incorporating the promotion of innovative initiatives in its corporate mission and for financing rural innovations. He also complimented the Chairman of NABARD for organizing the round-table discussion.

### 3.10.2 Cluster development

NABARD has been implementing the Cluster Development Programme under the National Programme on Rural Industrialization (NPRI) from 1999–2000. It evolved its own cluster development policy in 2005–06 as it was felt that the cluster approach is best suited for the development of small and micro-enterprises. NABARD has cumulatively approved a total of 119 clusters in 110 districts across 22 states. The prominent clusters that have received support are handloom (57), handicrafts (42), food processing and rural tourism (7 each). The programme has focused specially on the North-Eastern and backward regions, where as many as 23 clusters are being supported. An amount of ₹3.26 lakh was disbursed during 2014–15 towards the implementation of the programme.

### 3.10.3 Swarozgar Credit Card Scheme

NABARD has been acting as the nodal agency for the monitoring of the Swarozgar Credit Card (SCC) Scheme, introduced to provide adequate, timely and uninterrupted credit to small artisans, handloom weavers and other self-employed persons, including micro-entrepreneurs and SHGs. During 2014–15, around 1,09,260 new SCCs, with an aggregate credit limit of ₹573.39 crore, were issued. As on 31 March 2015, the cumulative number of SCCs issued by banks was 16.16 lakh, involving a credit limit of ₹6,848.63 crore.

### 3.10.4 Rural housing and sanitation

NABARD supported construction of rural houses and toilets through loan/loan-cum-grant model in four states, viz, Kerala, Odisha, Goa, and Rajasthan. The total loan-cum-grant assistance of ₹19.35 crore was extended during 2014–15 for six projects under rural housing and three projects under sanitation.

## 3.11 SCALING UP MICROFINANCE INITIATIVES

### 3.11.1 Progress of microfinance programme

The SHG–Bank Linkage Programme (SHG–BLP) has expanded substantially since it was first launched on a pilot scale in 1992. As on 31 March 2014, there were more than 74.30 lakh savings-linked SHGs, covering over 9.7 crore poor households. The total savings of these SHGs with banks amounted to ₹9897.42 crore. The number of credit-linked SHGs under the programme was 41.97 lakh (Table 3.3).

### 3.11.2 Expanding the outreach of SHG–BLP

The programme is being expanded with a view to covering all eligible poor rural households, with a focus on resource-poor states, providing livelihood opportunities to SHG members and covering the areas which have not been reached. Efforts are being made to revive dormant SHGs and prevent the functional ones from disintegrating, through measures such as capacity-building and hand-holding support. In close coordination with the National Rural Livelihoods Mission (NRLM), an attempt is being made to form and nurture groups by involving NGOs, community-

**TABLE 3.3: PROGRESS OF THE MICROFINANCE PROGRAMME AS ON 31 MARCH (₹ CRORE)**

| Sl. No. | Particulars | Self-help groups | | | | Microfinance institutions (MFIs) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2013 @ | | 2014 @ | | 2013 * | | 2014 * | |
| | | Number | Amount | Number | Amount | Number | Amount | Number | Amount |
| 1 | Loans disbursed during the year | 1219821 (181172) | 20585.36 (2207.47) | 1366421 (225675) | 24017.36 (3480.60) | 426 (41) | 7839.51 (408.27) | 545 (41) | 10282.49 (646.01) |
| 2 | Loans outstanding | 4451434 (1193251) | 39375.3 (8597.08) | 4197338 (1307263) | 42927.52 (10177.40) | 2042 (102) | 14425.84 (1880.63) | 2422 (84) | 16517.43 (1979.90) |
| 3 | Savings accounts with banks | 7317551 (2047811) | 8217.25 (1821.65) | 7429500 (2262125) | 9897.42 (2477.59) | – | – | – | – |

@ Figures in parentheses indicate the share of self-help groups covered under the Swarnajayanti Gram Swarozgar Yojana
* Figures in parentheses indicate the assistance of the Small Industries Development Bank of India to microfinance institutions

## SIDEBAR 3.4
## National Microfinance Conclave 2014


NABARD and the Small Industries Development Bank of India jointly organized the National Microfinance Conclave in Mumbai on 13 November 2014. Dr Raghuram G. Rajan, Governor, Reserve Bank of India delivered the keynote address on the occasion. The conclave brought together the entire microfinance sector of the country, including senior executives of public sector banks, senior officials from the GoI, NRLM/State Rural Livelihood Missions (SRLMs)and Indian Banks' Association (IBA),chairmen of RRBs, CEOs of cooperative banks, senior executives from the leading MFIs, representatives from MFIN, SADHAN, INAFI, international donor agencies and NGOs, microfinance practitioners, providers of technological services, academicians and professionals from training institutions. Plenary sessions were organized on the status of the SHG–BLP and JLG scheme of financing. The innovations in these areas and the issues involved were discussed, and a roadmap was drawn up for the future. The second area that came up for discussion was the role of MFIs in serving the poor, their access to funding sources, fair lending practices and the need for self-regulation. Finally, the stakeholders deliberated on the creation of an enabling environment through governance, regulation and technology for the development of the microfinance sector.

based organizations, community resource persons, secondary level institutions, state government departments, etc. Emphasis is being laid on the convergence of the SHG–BLP with the financial inclusion initiatives of the GoI and RBI, in addition to other government programmes, including the Prime Minister's Jan Dhan Yojana. The support system for promoting and nurturing SHGs is being suitably incentivized.

### 3.11.3 Expenditure on promotional grants

During 2014–15, NABARD had spent a sum of ₹49.41 crore from the Financial Inclusion Fund (FIF) and the Women Self-Help Group (WSHG) Development Fund on various microfinance-related activities. These included the formation and linkage of SHGs, training and capacity-building of stakeholders, promotion of livelihoods, documentation, generation of awareness and introduction of innovations.

### 3.11.4 Support to partner agencies/Self-help Promoting Institutions

NABARD has continued to extend support to NGOs, RRBs, district central cooperative banks (DCCBs), FCs and Individual Rural Volunteers for promoting and nurturing SHGs. A grant assistance of ₹88.36 crore was sanctioned to these agencies during 2014–15. As on 31 March 2015, the cumulative assistance sanctioned to various agencies for the promotion of 7.19 lakh SHGs was ₹339.83 crore. As on 31 March 2015, 4.85 lakh SHGs had been formed and grant assistance of ₹93.77 crore released. The NGOs were the most dominant SHPI, forming more than 3.74 lakh SHGs.

### 3.11.5 Training and capacity-building of stakeholders

NABARD has kept up its efforts to train and build the capacity of the stakeholders in the microfinance programme. It conducted 4402 training programmes and trained around 1.61 lakh individuals, including stakeholders, during the year. The cumulative number of people trained was around 33.28 lakh as on 31 March 2015. This has created a strong back-up team for the implementation of the programme. During 2014–15, 1087 training programmes (with 31,073 participants) were conducted under the WSHG Fund.

## 3.12 SPECIAL INITIATIVES

### 3.12.1 Rajiv Gandhi Mahila Vikas Pariyojana

NABARD continues to support the Rajiv Gandhi Mahila Vikas Pariyojana (RGMVP), a special initiative of the Rajiv Gandhi Charitable Trust (RGCT) for the promotion and credit linkage of SHGs and the formation of SHG federations in select districts of Uttar Pradesh, in association with certain banks. As on 31 March 2015, 79,675 SHGs had been promoted under this project. Of these, 29,525 were credit-linked. In addition, 3,263 village-level and 100 block-level organizations were set up.

### 3.12.2 Priyadarshini Programme

NABARD was the lead programme agency for the implementation of the Priyadarshini Programme, which aims to empower women and adolescent girls through the formation and nurturing of about 12,000 SHGs in seven districts in the mid-Gangetic plains, over a period of eight years. The total outlay for the programme is US$32.73 million, and it was assisted by the International Fund for Agricultural Development and the GoI. It was being implemented in five districts of Uttar Pradesh (Bahraich, Raebareli, Shravasti, Sultanpur and Amethi) and two of Bihar (Madhubani and Sitamarhi). NABARD engaged a resource NGO to build the capacity of the programme staff and the NGOs implementing the programme at the grass-roots level. By the end of March 2015, the NGOs had formed 12,279 SHGs, of which 8778 were savings-linked and 3331credit-linked. Eligible SHGs are provided with seed capital of ₹15,000 after grading. Accordingly, an amount of ₹549.69 lakh was provided to 4158 SHGs. A total of 4044 training programmes for capacity-building were conducted, covering about 94,282 SHG members. The GoI has decided to close the programme with effect from 31 January 2015.

### SIDEBAR 3.5
### Digitization of SHGs

In line with the Prime Minister's vision for a digital India, NABARD has launched a pilot project for the digitization of all SHGs in Ramgarh district of Jharkhand and Dhule district of Maharashtra. There are plans to extend the project to 10 districts. The project aims to make the complete data of the SHGs available on a dedicated website, www.eshakti.nabard.org. A comprehensive record of the e-bookkeeping of the SHGs and vital individual details of the members, such as their savings, credit history, occupation and linkage to JLGs, will be made available on a real-time basis to various stakeholders, like banks, SHPIs, development agencies, SHGs, their federations and NABARD.

The exercise is expected to benefit the banks by enabling them to take informed decisions on the credit needs of the SHGs under the SHG–BLP. At the same time, it is expected to help the SHGs obtain adequate and timely credit support from the banks. It will also be useful for the Pradhan Mantri Jan-Dhan Yojana and help in the implementation of the Direct Benefit Transfer programme of the GoI. The project was launched in Ramgarh on 15 March 2015 by the Minister of State for Finance, Shri Jayant Sinha.

### 3.12.3 Scheme for promotion of WSHGs in backward districts/districts affected by left-wing extremism

NABARD is implementing this scheme in association with the GoI, in 150 select districts across 28 states, through anchor NGOs. These NGOs work as SHPIs for the promotion of SHGs and credit linkage of the SHGs with banks. They also act as BFs, tracking and monitoring the SHGs, and are responsible for the repayment of loans. As on 31 March 2015, around 2.27 lakh WSHGs were savings-linked and 1.19 lakh of these were credit-linked. A cumulative amount of ₹51 crore had been released as grant assistance out of the WSHG Development Fund for various activities under the scheme.

SHOWCASE 3.5

## Social empowerment through SHGs—'legal jankars'

Legal jankars deliberating

Chaitanya, a developmental organization established in Maharashtra in 1993, has developed a community platform through which domestic violence against women is addressed by 'legal jankars'. Not only does this platform have the advantage of being run locally, it has also proved to be a reliable support system for women in crisis. 'Jankar' means 'a person who knows about a specific subject'. Legal jankars are not lawyers or judges, but ordinary women members of SHGs who have been trained to help women gain their legal rights. Further, they are equipped with counselling skills to help the victims. This form of legal counselling helps victims to openly discuss their woes. It facilitates the process of bringing them justice, saving them the trouble of going through the complicated and time-consuming formal legal system. Select SHG members are provided year-long training. They have to undergo periodical examinations and assessments before they are designated legal jankars. There are 10 counselling centres with 385 certified legal jankars in seven districts of Maharashtra.

Once the jankar records the grievances of the victim, a notice is served to the perpetrator and he is asked to attend a counselling session. The sarpanch of the village and the village committee are intimated about the matter. In case the perpetrator refuses to attend the session after repeated summons, the case is reported to the police and the defendant is made aware of the legal consequences of his actions. A group of women led by the legal jankar then visits the perpetrator's house to resolve the problem. Thereafter, family counselling sessions are held with all the family members present to work out a solution. The parties concerned arrive at and sign a formal agreement. The legal jankars follow up the case to ensure that all family members comply with the agreement. The system is working well in the villages covered and Chaitanya is planning to expand this initiative to more villages.


Counselling session

### 3.12.4 Financing of Joint Liability Groups

Compared to the 207,871 JLGs promoted in 2013–14, 4.42 lakh JLGs were promoted in the year 2014–15.The cumulative number of JLGs promoted and financed by banks was 10,99,002 as on 31 March 2015. Apart from extending 100 per cent refinance support to banks, NABARD continued to extend financial support for the creation of awareness amongst and capacity-building of all stakeholders. Besides, banks and other promoting agencies were given incentives for forming and nurturing JLGs. As on 31 March 2015, NABARD had sanctioned grant assistance of ₹109.76 crore for the promotion of 6.51 lakh JLGs across the country.

Acknowledging the good work done by JLGs as an effective instrument of credit delivery, the Finance Minister, while

SHOWCASE 3.6

## Fruitful business—Meghalaya

The Rongmadot Chimik Women's JLG was formed in 2011 in the village of Balsrigittim in the East Garo Hills district of Meghalaya, with the objective of making the best use of the natural wealth of the region. Promoted by the Williamnagar branch of the Meghalaya Cooperative Apex Bank, the JLG has its origins in the Rongmadot Chimik Women's SHG, formed in 2010.

The JLG members grow paddy, pineapple and vegetables, collect firewood and sell cloth as a group. In their individual capacities, they grow paddy and vegetables to see to their household needs. In 2011, the bank sanctioned a Kisan Credit Card loan of ₹1.1 lakh to the JLG for planting sali paddy and vegetables, and for other group activities. The loan was repaid and another was taken in 2013.

In 2013–14, the group produced, among other things, 15 quintals of ginger, 6 quintals of potato, 1.5 quintals of tomato, 4 quintals of cabbage and 2 quintals of cauliflower. The income generated was ₹9 lakh, compared to the ₹6 lakh generated in 2012–2013. The group is functioning well, even without support from the government and in the absence of training programmes.

**TABLE 3.4: GRANT ASSISTANCE EXTENDED TO SELF-HELP GROUP PROMOTING INSTITUTIONS AS ON 31 MARCH 2015 (₹LAKH)**

| *Agency* | *Cumulative sanction up to 31 March 2015* | | *Disbursement up to 31 March 2015* | |
|---|---|---|---|---|
| | *Amount* | *No. of SHGs* | *Amount* | *No. of SHGs* |
| NGOs | 31276.72 | 565757 | 8601.44 | 374252 |
| RRBs | 772.46 | 44038 | 223.17 | 40590 |
| Cooperative banks | 1394.91 | 74865 | 446.20 | 50870 |
| IRVs | 497.86 | 28910 | 84.86 | 12581 |
| Farmers' clubs | 41.18 | 5118 | 21.02 | 7322 |
| Total | 33983.13 | 718688 | 9376.69 | 485615 |

SHG: self-help group; NGO: non-governmental organization; RRB: regional rural bank; IRV: individual rural volunteer

SHOWCASE 3.7

### Vines of growth—Tamil Nadu

Betel is an important cash crop in India. Betel leaves, besides being chewed, possess anti-bacterial, anti-protozoan and anti-fungal properties, and are used in religious ceremonies. There is also a potential for the export of betel leaves to countries like Pakistan, Bangladesh, Indonesia, Malaysia, Burma and Thailand.

Betelvine is cultivated (mostly by women) on more than 10,000 acres in 25 villages in the Mohanur and Paramathi–Velur blocks of the Namakkal district. A unique feature of betelvine cultivation is that after three years, some other crop has to be grown on the land for one year, after which betelvine can be planted again. This has deterred agencies in the formal financial sector from providing credit for the cultivation of this crop and forced the women cultivators to take loans from moneylenders at high rates of interest. An NGO, Health Education and Alternative Development Studies, sanctioned a project to promote the formation of JLGs of betelvine cultivators in the Mohanur block and facilitate credit linkages for them. The women formed 52 JLGs, of which the Pasumai JLG received a crop loan from the Indian Bank. This gave the women the strength to unite and take up marketing of their produce. Earlier, a male farmer would lead every group of five women farmers and have the first right to the produce. Now, many of these men have been replaced by female farmers. The improvement in their position gives the women a sense of pride. They have formed an association and are looking forward to participating in direct auctions, in which traders from other states participate.

presenting the Union Budget 2014–15, announced a plan to finance 5 lakh joint farming groups of bhoomiheen kisan (landless farmers) through NABARD during the current financial year. Accordingly, the overall strategy for the promotion and financing of JLGs was reviewed and revised guidelines were issued to the banks.

To help the financing banks make a proper assessment of the JLGs before they extended loans to them, a set of suggested ‘model appraisal norms’ was circulated among all rural financial institutions (RFIs) during the year.

### 3.12.5 Rural Financial Institutions Programme

Under the Rural Financial Institutions Programme (RFIP), a bilateral cooperation programme between NABARD (representing the GoI) and GIZ (representing the Government of the Federal Republic of Germany), a pilot project was launched with ‘SHG members as BCs/BFs’. Its twin objectives were to (i) improve the BC model, and (ii) bring about convergence between SHGs and financial inclusion. The BC model forms the cornerstone of India’s financial inclusion strategy. Banks have been able to engage a remarkably large number of BCs, but there are significant challenges, such as attrition and dormancy of BCs which the pilot project seeks to address.

On the strength of the good network of SHGs developed by the RGMVP and Gramin Bank of Aryavart, Uttar Pradesh, members of WSHGs have been trained and their capacity built so that they can act as bank agents (bank sakhis). A technology service provider works as a corporate BC

Bank sakhi in action

and facilitates the technical training of SHG members who have been identified to work as Customer Service Points (CSPs). Being SHG members, these CSPs have the support of the entire community, which helps build trust and ensures greater reliability. This is essential for the sustainability of the BC model. When carrying out bank transactions, the local women feel more confident approaching their own community members. By March 2015, 50 bank sakhis had enrolled over 21,000 clients in 174 villages.

Encouraged by the success in Uttar Pradesh, a similar pilot project has been launched in Indore, Madhya Pradesh, in collaboration with the Narmada Jhabua Gramin Bank. By 31 March 2015, 22 bank sakhis had enrolled over 6400 clients across 163 villages.

### 3.12.6 Micro-Enterprise Development Programme

During 2014–15, NABARD continued its endeavour to upgrade the skills of SHG members through the Micro-Enterprise Development Programme (MEDP). Around 46,579 members were trained through 1651 MEDPs during 2014–15. Cumulatively, around 3.37 lakh SHG members received training through 12,200 MEDPs.

The maximum grant assistance that can be given for conducting MEDPs has been increased from ₹39,000 to ₹50,000.

### 3.12.7 NABARD Financial Services Limited

NABARD reiterated its commitment to strengthen the microfinance sector by continuing to assist NABARD Financial Services Limited (NABFINS), an MFI the majority share of which is held by NABARD. The other shareholders include the Government of Karnataka, Canara Bank, Bank of Baroda, Union Bank of India, Federal Bank and Dhanalakshmi Bank. During 2014–15, NABFINS had disbursed loans amounting to ₹764.03 crore to 20,010 SHGs through 238 business and development correspondents (B&DCs). The cumulative disbursement up to 31 March 2015, to 58,066 SHGs, amounted to ₹2,074.31 crore. NABFINS also extended loans amounting to ₹22.31 crore to second-level organizations, like federations, etc. During 2014–15, NABFINS had availed of refinance of ₹401.22 crore from NABARD and refinance outstanding as on 31 March 2015 stood at ₹648.34 crore.

### 3.12.8 Implementation of NRLM

NABARD continues to implement the interest subvention scheme under the NRLM for RRBs and cooperative banks for eligible WSHGs in 150 identified districts (Category I). In Category II districts, the scheme is being implemented by the rural livelihood missions of the respective states. Under the scheme, the WSHGs shall be eligible for interest subvention on credit of up to ₹3 lakh, at 7 per cent per annum. Further, in Category I districts, SHGs that repay loans promptly will be provided an additional incentive of 3 per cent.

### 3.12.9 Publication on JLGs

'Sharing Liabilities, Creating Assets', a booklet that documents the case studies of 46 JLGs across the country, was released by Dr. Raghuram G Rajan, Governor of RBI at the National Microfinance Conclave held in Mumbai on 13 November 2014. The booklet features the various livelihood activities of JLG members, such as raising paddy and betel vines, cultivating groundnut and flowers, and running dairies, beauty parlours, catering units and boutiques. The stories also highlight the critical factors which led to their success.

### 3.12.10 Incentive scheme for tracking SHGs and revival of dormant SHGs

This scheme, implemented through commercial banks, RRBs and cooperative banks, was operative up to 31 March 2014. It has been modified and its duration extended up to 31 March 2016. A similar scheme was introduced for NGO–SHPIs in 2014–15. The revised scheme of grant assistance would revive the dormant SHGs, as also help the banks to reduce non-performing assets (NPAs) in the SHG loan portfolio.

### 3.12.11 Swachh Bharat Abhiyaan

The GoI launched the Swachh Bharat Abhiyaan (Clean India Mission) on the occasion of Mahatma Gandhi's 145th birth anniversary (2 October 2014). The mission seeks to fulfil Gandhiji's vision of a clean India by his 150th birth anniversary in 2019. NABARD launched the following programmes, involving community-based organizations, to promote rural participation in achieving this goal:

- A mass awareness campaign with the help of SHGs/FCs; and
- One-day training for women members of SHGs on the efficient use of agricultural waste through the production of vermicompost to reduce pollution.

### 3.12.12 SHGs as agents of social change

Institute for Financial Management and Research was assigned the study on 'SHGs as agents of social change' in Tamil Nadu. The study revealed that the SHG movement in Tamil Nadu has resulted in enhancement of social capital. A significant finding of the study is that going the SHGs has expanded individual member's network.

## 3.13 PROMOTING RESEARCH AND DEVELOPMENT

The Research and Development Fund, which provides financial support to select agencies for the promotion of applied research projects/studies, organization of seminars/conferences/workshops, etc., has been maintained at ₹50 crore over the years. During 2014–15, the disbursements under the Fund stood at ₹20.22 crore. The disbursement under research projects/ studies, seminars, NABARD Chair Unit Scheme, training, and others stood at ₹0.33

crore, ₹1.36 crore, ₹0.87 crore, ₹17.15 crore and ₹0.51 crore respectively.

### 3.13.1 Research projects/studies

During 2014–15, 14 projects, involving an expenditure of ₹94.88 lakh, were sanctioned to various agencies. The grant assistance released for various projects/studies/ sponsored research in 2014–15 amounted to ₹38.44 lakh. Further, four projects/studies sanctioned earlier were completed during the year.

At the behest of NABARD, the EPW Research Foundation conducted a study on 'Rural Infrastructure Index'. The specific objectives of the study were to establish a scientific basis for the distribution of the RIDF corpus and other resources amongst the states and UTs, keeping in mind the state of infrastructural development; to measure inter-state differentials in the various components of the development of rural infrastructure; and to summarize the vast numbers of indicators reflecting agricultural and infrastructural development into a single indicator. According to the final results, Punjab ranks first, with a Rural Infrastructure Index of 0.5914, while Jharkhand is the last, with a score of 0.0757. A state with a higher score would ideally get a lower share of the RIDF.

A study on 'Dynamics of Development and Change in Rural Bihar, 1981–2011' was conducted by the Institute for Human Development, New Delhi. The objective was to understand the changing agrarian structure and evolving agrarian relations in Bihar. The share of agriculture in the total gross state domestic product came down from 41 per cent in 1981 to 20 per cent in 2011. There was also a reduction in the proportion of workers in the primary sector (80 per cent to 60 per cent) and there has been a substantial increase in out-migration from Bihar during the last decade. There have been significant changes in the cropping intensity and yield rates as well, with the adoption of high-yielding varieties

## SIDEBAR 3.6
### Studies conducted during 2014–15

NABARD conducts in-house studies on topics of importance, taking into account its policy requirements, as also the directives of the GoI. Three studies were conducted during 2014–15. These were on (i) agriculture gold loans (AGL), (ii) the impact of the interest subvention scheme on the productivity and profitability of agriculture, and (iii) the impact of interest subvention on cooperatives and RRBs.

The study on AGL, conducted in Kerala, Tamil Nadu and Karnataka, explored the rationale of classifying loans given against gold under agricultural credit, and the need or otherwise to grant interest subvention against them. It also looked into the aspect of restricting such loans to the scale of finance of the crop for which the loan is available. The study found, *inter alia*, that banks treated AGLs at par with crop loans, and that a substantial proportion of AGL borrowers used a large portion of the loan for purposes other than agriculture. On the basis of the study's recommendations, the Department of Financial Services, GoI issued a directive in October 2014, asking all lending institutions to develop a strong mechanism to ensure that all crop loans, for which interest subvention is being claimed, are used for the stated purpose. In the case of short-term crop loans, banks are expected not to claim interest subvention for loans that do not meet the criteria prescribed by the RBI. As for the Management Information System, the directive advised the banks to record AGLs in a separate column of the statement on credit disbursement/outstanding submitted by them.

The second study used the 'pre-subvention and subvention' and 'without subvention and subvention period' methods to look into the impact of the interest subvention scheme, in five states, on the productivity and profitability of agriculture. It found that while the impact on all crops in Karnataka and Tamil Nadu was positive, that on the crops in Punjab, Maharashtra and Gujarat was mixed in terms of the cost of cultivation and productivity. However, in all states, the net farm income was positive (except with the use of the 'pre-subvention and subvention' method in Gujarat and that of the 'with and without subvention' method in Maharashtra). This indicates that interest subvention leads to greater use of inputs and better productivity, in general.

The major objective of the third study, conducted in Haryana, Kerala, Maharashtra and West Bengal, was to examine the effect of the interest subvention scheme on the financial institutions and their net interest

*Sidebar 3.6 (contd)*

margin. It found that though the scheme has made it easier for farmers to get short-term loans at a reduced rate of interest and positively influenced agricultural credit and growth parameters, the stipulation of an interest rate of 7 per cent to ultimate farmer seems to have adversely affected the interest margin of the participating banks. This is because they cannot alter the interest chargeable to the farmers in accordance with the variations in the cost of fund. The study recommended the introduction of a direct benefit transfer (DBT) mode to purvey subvention benefits to farmers. A DBT of an interest incentive of 5 per cent could be given to prompt repayers (after the issuing bank has charged 9 per cent interest). The Core Banking Solution (CBS) platform could be used to reduce the fiscal burden of the GoI, to decrease the financial losses of banks due to delays in the reimbursement of claims and their NPAs, and to improve recovery. The study also suggested that state governments announce interest subvention schemes in time, employ the DBT mode and align their schemes with the GoI scheme to expand their reach among bankers and farmers.

To obtain a realistic picture of the situation at the ground level, all the major regional offices were allotted studies. These fell under four major groups: the farm sector, financial inclusion, rural infrastructure/investments and viability of small and marginal farms.

> “Though demand for credit (for agricultural purposes) as well as institutional sources have expanded a great deal, moneylenders are still a major source of credit for investment purposes”

of seeds and increased use of fertilizers. There has been a great deal of expansion in credit sought for agricultural purposes, as well as access to institutional sources. However, moneylenders are still a major source of credit for those who have taken loans for investment purposes.

The Gujarat Institute of Development Research, Ahmedabad conducted a study on ‘Catalysing Rural Transformation: Role of Watershed Development Projects in Dry Land and Forest Regions of Maharashtra’ in the Mendhvan (Ahmednagar) and Shedashi–Wavoli (Raigad) villages in Maharashtra. These are the sites of the two watersheds developed under the IGWDP in the early 1990s and the study revisited the projects after a gap of more than 10 years. It was observed that both watersheds were having a positive impact on the biophysical and socio-economic indicators.

### 3.13.2 Seminars/conferences/workshops

Till 31 March 2015, NABARD had sanctioned grant assistance of ₹193.71 lakh to various universities, research institutes and other agencies for organizing seminars, conferences, symposia and workshops on agriculture and rural development. The agencies organized seminars, workshops, etc., documented the proceedings and published background papers to facilitate wider dissemination of the recommendations/action points and suitable policy interventions.

### 3.13.2 NABARD Chair Unit Scheme

The NABARD Chair Unit Scheme was revised in 2014, keeping in view the need to establish strong research linkages with reputed institutions. The objective is to pursue extensive research in the area of agriculture and rural development. The focus areas of the revised scheme are climate change, rural livelihoods, financial inclusion, value chain management, agricultural marketing, and financial product development. In addition, any other area that NABARD considers important for business development or in which policy changes are desirable will be given emphasis. During the year, NABARD Chair Units were established in the Indian Institute of Management, Ahmedabad and Institute of Rural Management, Anand.

### 3.13.3 NABARD Student Internship Scheme

NABARD has been offering internship to students who have a good academic background and are pursuing a postgraduate degree in agriculture, agri-business, economics, the social sciences and management in reputed institutes. The idea behind the scheme is that the students should be able to provide feedback and a fresh perspective on themes of interest to NABARD. A total of 57 students completed internship under the scheme in 2014–15. A common theme, 'Study of value chain in agricultural crops', was assigned to 49 students. Topics unrelated to crops, i.e., 'PACS as producers' organizations', 'amalgamation of RRBs', and 'the agriculture infrastructure development index with a focus on fruits and vegetables', were assigned to 5,1 and 2 interns, respectively. The studies on agri-value chains highlighted the need to develop proper infrastructure; streamline the functioning of the agricultural produce marketing committees (APMCs); establish primary processing units on a cluster basis in the vicinity of farms; and provide better extension services. The studies on 'PACS as producers' organizations' revealed that the farmers' produce had been fetching better prices since the formation of farmers' producer organizations as this had facilitated the aggregation of produce and increased the farmers' bargaining power. The study on 'amalgamation of RRBs' drew attention to certain critical issues relating to human resource management and policy integration in the aftermath of amalgamation. That on

## SIDEBAR 3.7
## National Seminar on Rural Finance

A National Seminar on Rural Finance was organized in New Delhi on 24 July 2014. Inaugurated by the Union Finance Minister, Mr Arun Jaitley, it deliberated on three key areas: (i) capital formation in agriculture and rural infrastructure; (ii) the state of rural finance, and (iii) approaches to microfinance and livelihoods. NABARD subsequently brought out a monograph based on the deliberations and findings of the seminar.

Major takeaways from the seminar are outlined as under:

**CAPITAL FORMATION**

- Policy thrust towards a long-term, state- and sector-specific perspective plan for rural infrastructure.
- 'Exclusive' planning for rural infrastructure, based on the economic profile of states. Sector-wise master plans by state governments for better policy planning with regard to enhancing rural infrastructure, especially for implementation of projects under emerging areas like 'Rurban'.
- Effective policy measures to reverse the declining share of public investment in agriculture.
- Continuation of budget announcements and fund flows targeted at raising the share of investment credit in total agriculture credit.
- Perspective planning and funding for high impact micro-infrastructure in the rural sector, by the government as well as through PPP mode.

**RURAL FINANCE—STATE OF THE SECTOR**

- Real sector policies and risk-mitigation mechanisms with focus on viability, productivity, and profitability in the agriculture sector.
- Sustainable approaches to address farmer distress
- Policy measures to address the regional skew in agriculture credit
- Policy measures to encourage niche players and new institutional models with different prudential norms.
- Strengthening of value-chain approaches and restoration of project based lending to agriculture.
- Larger role for co-operatives bolstered by reforms, recapitalization and technology, and RRBs, post amalgamation and recapitalization.

**MICROFINANCE AND LIVELIHOOD APPROACHES**

- Broaden the paradigm from 'micro-credit' to 'livelihood finance', encompassing the entire spectrum of financial services, agricultural-, business-, and institution-development services.

*Sidebar 3.7 (contd)*

- SHGs promoted by all agencies, and NRLM-compliant, may be extended benefits under NRLM.
- All eligible rural households to be covered under SHG programme by the end of the 12th Five Year Plan.
- Poor to be offered micro-credit along with life, health, crop and livestock insurance products.
- Outreach and strength of SHGs to be optimally leveraged for further deepening financial inclusion.
- Increased thrust on financing JLGs, especially for share-croppers, oral lessees, tenant farmers and landless farmers.

The main points emerging from the seminar were aptly summarized by the Deputy Governor of the RBI, Shri H.R. Khan, in the '7 Ps' (Product Strategy, Processes, Partnerships, Protection, Profitability, Productivity and People). NABARD needs to continue to further the use of technological applications in cooperatives and RRBs, especially with respect to the payments system. It must continue working with the Small Farmers Agri-Business Consortium (SFAC) for the development of POs, etc. The challenges of agriculture and rural development are too huge and diverse to be shouldered by any one institution. Hence, there is a need for convergence and collaboration between all agencies operating in the agricultural sector, as well as for the diversification of rural space in keeping with the changing attitudes and needs and the ground realities.

'agriculture infrastructure development index ranked Kerala first in the composite index, followed by Punjab.

### 3.13.5 Rural Pulse

Rural Pulse, the bi-monthly policy brief brought out by NABARD, focuses on issues which are related to the rural economy and require intervention by policy-makers. During 2014–15, Rural Pulse touched upon topics such as agricultural landholdings, the delivery of financial services in developed watersheds, AGLs, promotion of livelihoods, crop diversification, challenges to sustaining agriculture and weather-based crop insurance.

## 3.14 CONSULTANCY SERVICES

NABARD Consultancy Services (NABCONS) is a company wholly owned and promoted by NABARD. In 2014, it relocated its corporate office to New Delhi and continues to have zonal offices in Mumbai and Guwahati. It is supported by all the regional offices of NABARD. As on 31 March 2015, NABCONS had contracted 161 assignments for a professional fee of ₹60.58 crore. Over 100 assignments are under execution. The total income earned during the year was ₹35 crore.

In an effort to adapt to the business challenges and clients' needs, NABCONS has started adopting the approach of a project management consultancy. Its major areas of focus are (a) agriculture and animal husbandry, (b) food processing and storage, (c) third-party monitoring of infrastructure projects, (d) socio-economic studies, (e) capacity-building, (f) banking and finance, (g) international visitors' programmes and (h) skills for livelihood. NABCONS took up a number of prestigious assignments during 2014–15.

### 3.14.1 Agriculture and animal husbandry

By the end of March 2015, NABCONS had contracted assignments worth more than ₹31 crore, on agriculture and natural resource management, and had earned an income of ₹9.5 crore. The major assignments being executed are (i) monitoring, evaluation, learning and documentation under the integrated Watershed Management Programme in Maharashtra, Andhra Pradesh, Telangana, Rajasthan and Nagaland, (ii) a multi-state assignment on 'Assessment of ongoing projects of Japan International Cooperation Agency (JICA) in water and agriculture sector, study of best practices, recent trends and suggesting potential areas for investment by JICA in these sectors', (iii) evaluation and concurrent monitoring of the Rashtriya Krishi Vikas Yojana (RKVY) in Andhra Pradesh, Maharashtra, Assam and Chhattisgarh, (iv) third-party monitoring and evaluation of horticulture interventions under the National Horticulture Mission (NHM), RKVY and NMMI schemes in Chhattisgarh, (v) evaluation of forestry plantation under the Compensatory Afforestation Fund Management and Planning Authority (CAMPA) scheme of the Jammu and Kashmir forest department, and (vi) a GIZ study on 'Technical support for consumer financing of solar water pumps—identifying and meeting bankers' training needs and preparing training modules'.

Nine assignments related to animal husbandry had been contracted till March 2015. The major assignments being carried out are (i) monitoring of the Foot and Mouth Disease Control Programme for the SFAC, New Delhi, (ii) an evaluation of the impact of the Cattle Breed Improvement Programme undertaken by the JK Trust in Chhattisgarh, Haryana and Bihar, (iii) the preparation of a DPR on an integrated approach to the strengthening of composite livestock farms, Chintaladeevi in the SPSR Nellore district, (iv) *ex-situ* conservation of the indigenous cattle of Andhra Pradesh through embryo transfer technology in the district of Guntur, (v) the preparation of a DPR on the Rashtriya Gokul Mission, (vi) the preparation of a DPR on the Ongole young bull rearing centre in the district of Kurnool, (vii) appraisal of the project of Shri Krishna Dairy Farms, Rajahmundry, Andhra Pradesh, and (viii) the preparation of a DPR on the establishment of a commercial dairy unit in the Hiriyur taluk of the district of Chitradurga. In addition, NABCONS has completed several DPRs and appraisal reports, such as on the setting up of bamboo plantations in the NE region and of bamboo tissue culture units. It has also carried out an evaluation of the dairy cattle development centres in Jharkhand.

### SIDEBAR 3.8
### Assessment of ongoing projects and study of recent trends and best practices in agriculture and water resources sector

JICA's assistance in the irrigation and agricultural sector has largely focused on the development and modernization of the irrigation infrastructure, crop diversification, improvement of productivity and related aspects. JICA entrusted NABCONS to assess six projects: the Kurnool Cuddapah Canal Modernization Project (Andhra Pradesh), Andhra Pradesh Irrigation and Livelihoods Improvement Project, Rajghat Canal Irrigation Project (Madhya Pradesh), Rengali Irrigation Project (Odisha), SWAN River Integrated Watershed Management Project(Himachal Pradesh) and Himachal Pradesh Crop Diversification Promotion Project.

The assignment aimed to assess the performance of the projects vis-à-vis their objectives, and review their efficiency and the adequacy of the arrangements for their implementation. The study relied on the analysis of best practices, recent trends and priorities of the government in the agricultural and irrigation sector to understand the successful strategies and key investment requirements of the government. The study was carried out in consultation with various stakeholders, including government and non-government organizations and policy advisers. The report was submitted during 2014–15. Four regional workshops were organized in Bhubaneshwar, Bhopal, Shimla and Hyderabad, followed by a national-level workshop in Delhi, where the consolidated findings of the study were shared and feedback obtained. The final report of the study has been submitted to JICA.

### 3.14.2 Food processing and storage

During 2014–15, NABCONS contracted business of ₹499 lakh and realized an income of ₹737 lakh under food processing and storage. It has been empanelled by the Ministry of Food Processing Industries (MoFPI) as a project management consultant (PMC) for the development of mega-food parks, and is currently acting as a PMC for such projects in Jammu and Kashmir. It is providing PMC services to various other projects, such as the temperature-controlled warehouse in Hyderabad for Balmer Lawrie &Co. and the cold storage project at Gultekadi, Pune for the Maharashtra State Warehousing Corporation. Further, it is providing PMC services for the setting up of 544 godowns for the Odisha State Agricultural Marketing Board. NABCONS is

**SIDEBAR 3.9**

**Preparation of online warehouse directory**

The Warehouse Development Regulatory Authority (WDRA) and NABARD had assigned NABCONS the job of preparing an online warehouse directory for the country, based on secondary data. The directory was launched during 2014–15 and can be found at www.warehousedirectory.in. It contains 56,375 records of 93,430 warehouses with a storage capacity of 123.13 million MT. The general public can access the contents of the directory at the click of a mouse.

also working as a programme management agency to support the MoFPI in the west zone (Rajasthan, Gujarat, Maharashtra, Goa, Dadra and Nagar Haveli, Daman and Diu).

NABCONS undertook studies on the assessment of warehousing and cold storage in Uttar Pradesh, as well as the gaps in the assessment of cold chain in India for the Union Ministry of Agriculture, through the National Centre for Cold Chain Development. One of the important feasibility studies undertaken (for the Punjab State Agricultural Marketing Board) was on the establishment of an international transit market at Attari, with the aim of improving the international trade with Pakistan. Another, undertaken for Balmer Lawrie & Co., was on the establishment of a temperature-controlled warehouse in Patna. Finally, a feasibility study was carried out for Punjab Agro Juices Limited for the upgradation of the existing facilities and addition of new ones for the processing of fruits and vegetables in Punjab.

NABCONS is also actively involved in the preparation of detailed project reports (DPRs) and appraisal reports for various clients. The Tamil Nadu State Agricultural Marketing Board has given NABCONS the assignment of preparing DPRs on integrated cold chains in six regions of Tamil Nadu. The cold chains will be promoted under the public–private partnership mode and will be a landmark in the integration of the value chain of bananas and other fruits. The Maharashtra State Agricultural Marketing Board has assigned NABCONS the task of appraising three APMC projects (Beed, Amravati and Karad) with a view to providing assistance under the RKVY. In addition, NABCONS was requested by the Tamil Nadu State Civil Supplies Corporation to prepare a DPR on silo storage of paddy (capacity of 50,000 MT). The project has already been sanctioned under the RIDF. The silo will be used for the direct procurement of paddy by the state government. The SFAC has requested NABCONS to carry out a mid-term appraisal of the Venture Capital Assistance Scheme of the consortium. Finally, the Ministry of Food Processing Industries, GoI has assigned NABCONS the job of evaluating the impact of its integrated cold chain scheme.

### 3.14.3 Third-party monitoring of infrastructure projects

The assignments contracted during 2014–15 include monitoring of flood protection works in Jammu and Kashmir, physical verification of marketing hubs in Uttar Pradesh, the development of the microfinance infrastructure in Punjab, evaluation studies of major/medium projects under the Accelerated Irrigation Benefit Programme (AIBP) and Flood Management Programme (FMP) schemes in Odisha, monitoring of Border Area Development Programme (BADP) projects in Gujarat, and monitoring of projects under special plan assistance and the BADP in Arunachal Pradesh and Assam, respectively.

### 3.14.4 Socio-economic studies

Ten socio-economic studies were carried out during the period ending March 2015. Among the important ones were a concurrent socio-economic evaluation of the agricultural diversification project in Gujarat, consultancy services for conducting Baseline

Survey for 2014–15, 2015–16, and 2016–17 and an evaluation of Corporate Social Responsibility (CSR) projects for Ennore Port Ltd.

### 3.14.5 Capacity-building and accreditation

During the year, NABCONS conducted 350 programmes for raising awareness at the district level and 25 capacity-building programmes at the state level for the Forward Markets Commission. It also conducted 34 capacity-building and training programmes for the WDRA. Among the other major assignments contracted and executed during the year were three training programmes on project appraisal and monitoring for officials of the Andhra Pradesh Grameena Vikas Bank, and 49 sensitization programmes for branch managers of different banks on the SHG–BLP for the Gujarat Livelihood Promotion Company Ltd. An assignment on identifying and delivering training to bankers on consumer financing for solar photovoltaic water pumps (SWP) in Bihar was also undertaken for GIZ.

The WDRA has identified NABCONS as an all-India agency for the accreditation of warehouses. In 2014–15, 389 accreditation certificates had been issued for warehouses.

### 3.14.6 Banking and finance

NABCONS has been providing consultancy support to financial institutions in the form of policy inputs, development of operational manuals, fund management strategies, turnaround strategies, etc. The major assignments contracted and executed during the year include formulating a scheme for the reorganization/reconstruction of the Andhra Pradesh State Cooperative Bank, conducting a feasibility study to understand the requirements of HPSCARDB and preparing the terms of reference for the computerization, appraising mini-hydro power projects and projects of the Ministry of Micro Small and Medium Enterprises in Himachal Pradesh for the Kangra Central Cooperative Bank Ltd., providing consultancy services to enable PACS to adopt the CBS and ATMs in the Wayanad district of Kerala, and preparing Information System Security Policy for the Andaman and Nicobar State Cooperative Bank Ltd. and District Cooperative Bank Ltd., Pratapgarh in Uttar Pradesh.

### 3.14.7 International visitors' programmes

In 2014–15, NABCONS organized three international visitors' programmes—a training-cum-exposure programme on agriculture and rural insurance for the Public Financial Enterprises Agency (PFEA) Ethiopia, a training programme on rural microfinance and agricultural lending for Rural Finance Institution Building Programme (RUFIN), Nigeria and a programme on expanding outreach in rural areas for CRDB Microfinance Co Ltd., Tanzania. Asia-Pacific Rural and Agricultural Credit Association (APRACA) has assigned NABCONS the job of documenting the global best practices, which are also sustainable, in the area of pro-poor financial services in developing countries.

### 3.14.8 Skills for Livelihood

NABCONS is acting as the Central Technical Support Agency (CTSA) to Ministry of Rural Development, Government of India for Deen Dayal Upadhyay Grameen Koushalya Yojana (DDU-GKY). NABCONS is functioning as coordinating, monitoring and fund routing agency for 61 Deen Dayal Upadhyay Grameen Koushalya Yojana projects in Chhattisgarh, Uttar Pradesh, Madhya Pradesh and the northeast. NABCONS is also the CTSA for monitoring Annual Action Plans (AAPs) of Odisha and UP States under DDU-GKY. NABCONS is also a consortium partner to PWC for executing the 'Skills for Jobs' assignment of DFID.

# 4

# Financing Rural Infrastructure

One of the core underpinnings of value chain management is the presence of appropriate physical and social infrastructure to support efficient and effective forward and backward linkages to farm produce. In this context, developing a robust and comprehensive physical infrastructure is a core need to support agriculture and rural development. Close on the heels of liberalization in the early 1990s, the GoI has launched a number of forward-looking initiatives to fund and support the creation of rural infrastructure. NABARD has been a leading institution in the country for supporting the creation of rural infrastructure.

## 4.1 RURAL INFRASTRUCTURE DEVELOPMENT FUND

NABARD has been channelizing the shortfall in the mandatory share of priority sector lending by commercial banks to the Rural Infrastructure Development Fund (RIDF), instituted in 1995–96. Though the fund initially focused on incomplete irrigation, flood protection and watershed management projects, funding for rural infrastructure became more broad-based through the years. The RIDF now covers 34 activities related to rural infrastructure development. With allocations in every Union Budget since its inception, RIDF has evolved as a major and popular source of finance to state governments. This long-term partnership between NABARD and the state governments has strengthened over the last two decades.

With its experience of managing the RIDF for nearly 20 years, NABARD has gathered significant insights in matters related to rural infrastructure. As an indirect outcome, NABARD has developed internal capabilities in financing and facilitating the creation of rural infrastructure and has expanded its contribution to this domain through various other initiatives as well.

### 4.1.1 Allocations

An amount of ₹25,000 crore was allocated to the Tranche XX of the RIDF in the Union Budget 2014–15. This is a 25 per cent growth over the past two financial years. From an initial allocation of ₹2000 crore under RIDF I, the cumulative resources routed through the RIDF reached ₹2,17,500 crore, including the Tranche XX. This includes ₹18,500 crore to fund rural roads under a separate window—the Bharat Nirman programme (Exhibit 4.1)

### 4.1.2 Diversified sectors/ activities

The activities, supported by the RIDF to varying degrees, can be broadly classified into three categories:

i. Agriculture and related sectors, eligible for loans up to 95 per cent of the project cost or the total financial outlay (TFO);

ii. Social sectors, eligible for loans up to:

   a. 90 per cent of the TFO in the north-eastern (NE) and hilly states; and

   b. 85 per cent of the TFO in all other states; and

iii. Rural connectivity, eligible for loans up to:

   a. 90 per cent of the TFO in the NE and hilly states; and

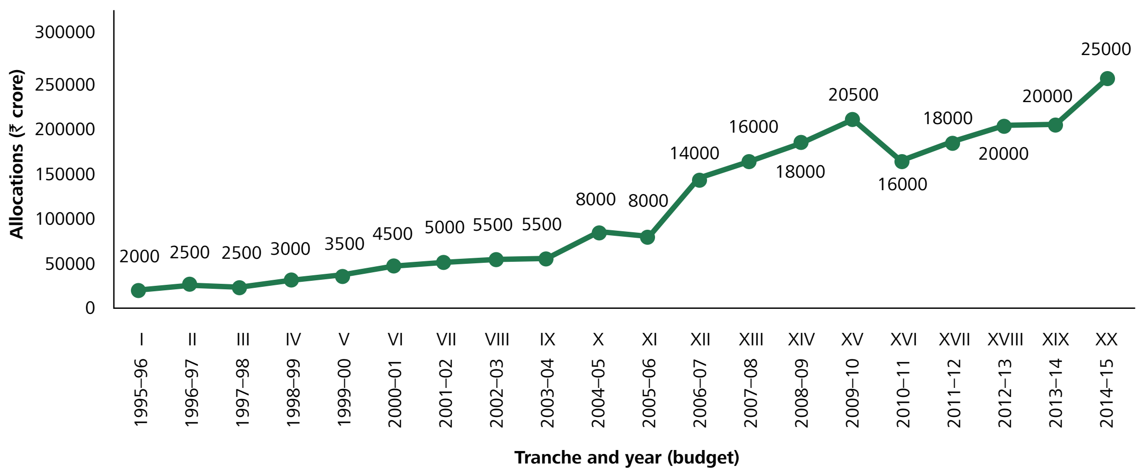
   b. 80 per cent of the TFO in all other states.

The 34 activities include three new activities approved by the GoI during 2014–15, namely:

i. Solid Waste Management and infrastructure works related with sanitation in rural areas,

ii. Infrastructure works related with

**Exhibit 4.1:**
**Tranche-wise allocation under RIDF**




*Source:* NABARD

alternate sources of energy, viz. solar, wind etc and energy conservation,

iii. 5/10 MW Solar Photovoltaic Power Plant besides enhancing the capacity of hydel projects from the existing 10 MW to 25MW.

## 4.2 RIDF OPERATIONS

### 4.2.1 Allocation and terms of financing

The corpus of ₹25,000 crore to RIDF XX was allocated to all states on the basis of prescribed norms, namely:

i. Rural population;
ii. Geographical area;
iii. Composite infrastructure development index;
iv. Utilization index; and
v. Inverse of rural credit–deposit ratio.

While the mechanism of phasing and funding have not changed since the inception of the RIDF, the interest rates payable to banks on deposits placed with NABARD and loans disbursed by NABARD under the RIDF were linked to the prevailing bank rate with effect from 1 April 2012 (Table 4.1).

### 4.2.2 Loans sanctioned

During 2014–15, an aggregate loan amount of ₹28,637.24 crore was sanctioned under RIDF XX. Of this sanctioned amount,

**TABLE 4.1: DEPOSIT RATES UNDER RIDF**

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

## PHASING AND FUNDING UNDER RIDF

The implementation phase for projects sanctioned under RIDF ranges between three and five years, depending upon the type of project and location of the state. The maximum phasing of five years is for major and medium irrigation projects and other stand-alone projects involving RIDF loans of ₹50 crore and above.

After the initial 20 per cent, disbursed as 'mobilization advance', if needed by state governments, NABARD provides the remaining 80 per cent of the loan on a 'reimbursement basis'. The NE region and hilly states get a 30 per cent mobilization advance. Each drawal by state governments is treated as a separate loan and is repayable over a period of seven years, including a moratorium during the initial two years.

Depending on the drawals by state governments, NABARD sources the funds from commercial banks. The borrowings of the state governments are restricted by their borrowing power. The GoI determines the borrowing powers of the state governments in respect of negotiated loans from the market and financial institutions during a year, under Article 293 (3) of the Constitution of India.

irrigation projects accounted for the highest share (31 per cent), followed by rural roads projects (25 per cent), projects in the social sector (20 per cent), agriculture-related projects and rural bridges, with a share of 12 per cent each (Table 4.2).

The growing impact of the RIDF can be gauged from the fact that since its inception, around 5.68 lakh projects, involving a loan amount of almost ₹2,30,951.19 crore (including the Bharat Nirman), had been sanctioned as on 31 March 2015. Of this cumulative sanctioned amount, agriculture and related sectors accounted for 43 per cent, including 29 per cent for irrigation. Rural roads added up to 30 per cent and bridges accounted for 12 per cent. The remaining 15 per cent of the loans were sanctioned for social sector projects (Tables 4.3–4.5).

**TABLE 4.2: SECTOR-WISE PROJECTS AND AMOUNTS SANCTIONED UNDER RIDF XX AS ON 31 MARCH 2015 (₹ CRORE)**

| *Sector* | *No. of projects* | *Share in total (%)* | *Amt sanctioned* | *Share in total (%)* |
|---|---|---|---|---|
| Rural roads | 5974 | 18 | 7129.79 | 25 |
| Social sector | 4145 | 12 | 5828.56 | 20 |
| Irrigation | 17445 | 52 | 8839.90 | 31 |
| Rural bridges | 1468 | 5 | 3416.34 | 12 |
| Agriculture-related | 4282 | 13 | 3422.65 | 12 |
| **Total** | **33314** | **100** | **28637.24** | **100** |

**TABLE 4.3: SECTOR-WISE PROJECTS AND AMOUNTS SANCTIONED UNDER RIDF I TO XX AS ON 31 MARCH 2015 (₹ CRORE)**

| *Sector* | *No. of projects* | *Share in total (%)* | *Amt sanctioned* | *Share in total (%)* |
|---|---|---|---|---|
| Rural roads | 108996 | 19 | 64721.36 | 30 |
| Social sector | 104517 | 19 | 31962.79 | 15 |
| Irrigation | 289994 | 51 | 62311.6 | 29 |
| Rural bridges | 18910 | 3 | 25676.51 | 12 |
| Agriculture- related | 46470 | 8 | 27778.93 | 14 |
| **Total** | **568887** | **100** | **212451.19** | **100** |

**TABLE 4.4 : SECTOR-WISE CUMULATIVE SANCTIONS UNDER RIDF I TO XX AS ON 31 MARCH 2015 (₹ CRORE)**

| *No.* | *Sector* | *Total sanctions (cumulative I to XX)* | | |
|---|---|---|---|---|
| | | *No. of projects* | *Amount* | *Share (%)* |
| **I** | **Irrigation sector** | | | |
| 1 | Minor | 281538 | 29710.38 | 13.98 |
| 2 | Medium | 394 | 7254.45 | 3.41 |
| 3 | Major | 403 | 22791.32 | 10.73 |
| 4 | Micro-irrigation | 7659 | 2555.45 | 1.20 |
| **II** | **Roads & bridges** | | | |
| 1 | Roads | 108996 | 64721.36 | 30.46 |
| 2 | Bridges | 18910 | 25676.51 | 12.09 |
| **III** | **Social sector** | | | |
| 1 | Drinking water | 13389 | 17779.93 | 8.37 |
| 2 | Primary/ middle schools | 21213 | 1522.82 | 0.72 |

| No. | Sector | Total sanctions (cumulative I to XX) | | |
|---|---|---|---|---|
| | | No. of projects | Amount | Share (%) |
| 3 | Secondary schools/ colleges/ rural service centres/ industrial training institutes/ agrl/ junior colleges/ govt polytechnics | 21420 | 6575.11 | 3.09 |
| 4 | Public health | 14212 | 4147.05 | 1.95 |
| 5 | Pay & use toilets | 3635 | 405.41 | 0.19 |
| 6 | Anganwadi centres | 30605 | 1522.79 | 0.72 |
| 7 | Rural libraries | 41 | 2.55 | 0.00 |
| **IV** | **Power sector** | | | |
| 1 | System improvement | 691 | 1197.87 | 0.56 |
| 2 | Mini hydel | 80 | 1169.56 | 0.55 |
| **V** | **Other agriculture projects** | | | |
| 1 | Soil conservation | 5799 | 1659.49 | 0.78 |
| 2 | Flood protection | 3155 | 7337.13 | 3.45 |
| 3 | Watershed development | 2534 | 2271.95 | 1.07 |
| 4 | Drainage | 794 | 1682.52 | 0.79 |
| 5 | Forest development | 2855 | 1393.74 | 0.66 |
| 6 | Rural market/ yard/ godown/ marketing infrastructure | 1883 | 1157.35 | 0.54 |
| 7 | Fishing harbour/ jetties | 319 | 968.15 | 0.46 |
| 8 | Rain water harvesting | 3960 | 707.45 | 0.33 |
| 9 | Command Area Development Authority | 30 | 675.55 | 0.32 |
| 10 | Inland waterways | 1 | 10.00 | 0.00 |
| 11 | Food park | 5 | 41.37 | 0.02 |
| 12 | Seed / agri / horti. farms | 1670 | 473.17 | 0.22 |
| 13 | Cold storage | 8 | 27.52 | 0.01 |
| 14 | Animal husbandry | 12873 | 2117.70 | 1.00 |
| 15 | Plantation and horticulture (including rubber plantation) | 23 | 30.44 | 0.01 |
| 16 | Riverine fisheries | 297 | 73.14 | 0.03 |
| 17 | Modern abattoir | 21 | 64.66 | 0.03 |
| 18 | Citizen information centres | 221 | 249.35 | 0.12 |
| 19 | Village knowledge centres/ e-vikas kendras/ Training blocks | 5479 | 601.03 | 0.28 |
| 20 | Rural industrial estates/ centres | 8 | 116.40 | 0.05 |
| 21 | Comprehensive infrastructure | 249 | 83.77 | 0.04 |
| 22 | Grading/ certifying mechanisms; testing/ certifying laboratories | 3 | 13.19 | 0.01 |
| 23 | Infrastructure works related with alternate sources of energy, viz. solar, wind etc and energy conservation | 5 | 6.63 | 0.00 |
| VI | Rural godowns/ warehousing | 3509 | 3656.93 | 1.72 |
| | Grand total | 568887 | 212451.19 | 100.00 |
| | Bharat Nirman Programme | | 18500.00 | |
| | **TOTAL :** | **568887** | **230951.19** | |

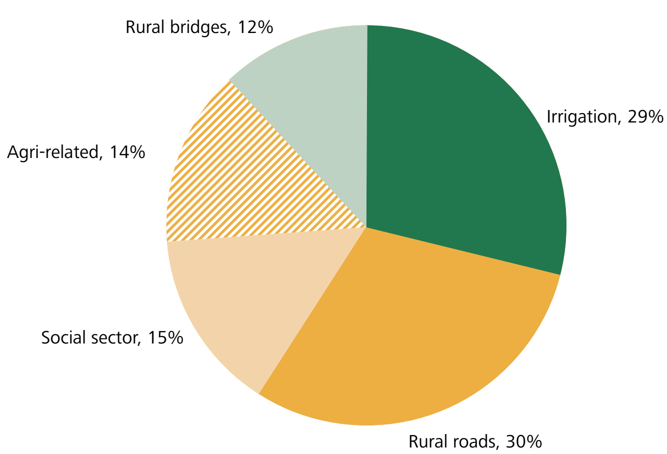
**TABLE 4.5: ALLOCATIONS, SANCTIONS AND DISBURSEMENTS AS ON 31 MARCH 2015 (₹ CRORE)**

| Tranche | Allocation | Cumulative amount | | | % utilized |
|---|---|---|---|---|---|
| | | Sanctioned | Phased | Disbursed | |
| Closed tranches (I to XII) | 60000 | 60204 | 59437 | 53298 | 90 |
| Bharat Nirman | 18500 | 18500 | 18500 | 18500 | 100 |
| Ongoing tranches | | | | | |
| XIII | 12000 | 12538 | 11858 | 11176 | 94 |
| XIV | 14000 | 14568 | 13794 | 12539 | 91 |
| XV | 14000 | 15342 | 14459 | 12443 | 86 |
| XVI | 16000 | 18194 | 17593 | 14035 | 80 |
| XVII (including warehousing) | 18000 | 19602 | 18411 | 14403 | 78 |
| XVIII (including warehousing) | 20000 | 20630 | 16815 | 13927 | 83 |
| XIX | 20000 | 22736 | 13407 | 10611 | 79 |
| XX | 25000 | 28637 | 2176 | 5559 | |
| **Total** | **217500** | **230951** | **186450** | **166491** | **89** |

Of the 20 tranches that have been annually announced till 2014–15, loans under RIDF XIII–XX are in their implementation phase, while tranches of RIDF I–XII have since been closed. Tranche XX of the RIDF was implemented in 2014–15.

Over the years, the RIDF has evolved into a win–win proposition. While on the one hand, it has emerged as an attractive financing option for the state governments to source funds for rural infrastructure, on the other, it is helping redistribute resources amongst states better than before. Presently, around 25 per cent of the funds are going to less developed states in the eastern and NE regions, compared to 18 per cent for the closed tranches (RIDF I–XII).

**Exhibit 4.2:**
**Sector-wise cumulative share in amount sanctioned as on 31 March 2015**




*Source:* NABARD

TABLE 4.6: UTILIZATION PERCENTAGE OF RIDF (I TO XX) AS ON 31 MARCH 2015 (₹ CRORE)

| Sl. No. | States | Sanctioned amount | Phased amount | Disbursed amount | Utilization (%) |
|---|---|---|---|---|---|
| | **South Zone** | | | | |
| 1 | Andhra Pradesh | 19118.33 | 16142.76 | 13289.92 | 82 |
| 2 | Karnataka | 9993.57 | 7935.95 | 7055.39 | 89 |
| 3 | Kerala | 7535.75 | 5204.94 | 4204.78 | 81 |
| 4 | Tamil Nadu | 14298.17 | 11516.68 | 11189.78 | 97 |
| 5 | Puducherry | 479.90 | 355.54 | 245.62 | 69 |
| | **West Zone** | | | | |
| 6 | Goa | 1223.48 | 559.59 | 755.25 | 135 |
| 7 | Gujarat | 16738.78 | 13918.95 | 12801.45 | 92 |
| 8 | Maharashtra | 11908.12 | 9961.14 | 8387.13 | 84 |
| | **North Zone** | | | | |
| 9 | Haryana | 4954.87 | 4030.42 | 3500.29 | 87 |
| 10 | Himachal Pradesh | 5133.18 | 4564.21 | 3461.73 | 76 |
| 11 | Jammu & Kashmir | 4623.92 | 4400.56 | 4044.28 | 92 |
| 12 | Punjab | 7216.46 | 6192.46 | 5028.11 | 81 |
| 13 | Rajasthan | 15509.61 | 12915.63 | 10799.66 | 84 |
| 14 | Uttar Pradesh | 17596.43 | 14478.87 | 13205.84 | 91 |
| 15 | Uttarakhand | 5047.31 | 3293.25 | 3424.59 | 104 |
| | **Central Zone** | | | | |
| 16 | Chhattisgarh | 5095.94 | 3572.75 | 3163.37 | 89 |
| 17 | Madhya Pradesh | 16118.69 | 12618.32 | 10353.72 | 82 |
| | **East Zone** | | | | |
| 18 | Bihar | 9735.45 | 7586.4 | 6418.90 | 85 |
| 19 | Jharkhand | 6806.52 | 5402.75 | 4664.16 | 86 |
| 20 | Odisha | 12327.66 | 8368.36 | 7653.73 | 91 |
| 21 | West Bengal | 12065.96 | 7594.57 | 8446.86 | 111 |
| | **Northeast & Sikkim** | | | | |
| 22 | Arunachal Pradesh | 1047.69 | 958.59 | 831.58 | 87 |
| 23 | Assam | 3680.64 | 2733.2 | 2115.36 | 77 |
| 24 | Manipur | 329.36 | 205.38 | 176.33 | 86 |
| 25 | Meghalaya | 700.84 | 677.54 | 581.04 | 86 |
| 26 | Mizoram | 535.12 | 506.21 | 370.13 | 73 |
| 27 | Nagaland | 641.98 | 715.16 | 473.57 | 66 |
| 28 | Tripura | 1457.83 | 1062.95 | 962.92 | 91 |
| 29 | Sikkim | 529.63 | 474.59 | 383.93 | 81 |
| | **RIDF Total** | **212451.19** | **167947.72** | **147989.42** | **88** |
| | **Bharat Nirman** | **18500.00** | **18500.00** | **18500.00** | **100** |
| | **GRAND TOTAL** | **230951.19** | **186447.72** | **166489.42** | **89** |

### 4.2.3 Status of disbursements

By 31 March 2015, loans worth ₹1,66,489.42 crore were disbursed against a cumulative phasing of ₹1,86,448 crore (RIDF I–XX), including projects sanctioned under the Bharat Nirman and Warehousing Infrastructure. This implies that the states have availed about 89 per cent of the aggregate cumulative phased amount.

The utilization (ratio of disbursement to phased amount) of loans on a cumulative basis was the highest in Goa, at 135 per cent, followed by West Bengal (111 per cent), Uttarakhand (104 per cent), Tamil Nadu (97 per cent) and Gujarat (92 per cent) (Table 4.6).

### 4.2.4 Deposits and repayments

During 2014–15, deposits from commercial banks under RIDF XV to XX and XIV were mobilized, aggregating ₹19,000 crore, with repayments being ₹13,259 crore under RIDF VI to XV, XV Bharat Nirman and XVII Warehousing & Infrastructure. The outstanding balance under RIDF deposits stood at ₹89,603 crore as on 31 March 2015, against ₹83,863 crore as on 31 March 2014.

### 4.2.5 Monitoring of RIDF projects

The High Power Committee, chaired by the Chief Secretary or Finance Secretary of the state, has proven to be an effective forum for monitoring overall implementation of RIDF in each state. Though the state governments have the primary responsibility of overseeing the implementation and monitoring of RIDF projects, NABARD monitors the projects mainly to facilitate their timely completion, avoid cost overruns, ensure compliance with quality parameters and identify new investment opportunities. NABARD carries out field-level monitoring of projects too, on a selective basis. During 2014–15, NABARD undertook field visits to monitor 2408 projects.

With effective monitoring of RIDF projects starting at an early stage—from the floatation of tender documents and issuance of the work order—as well as oversight during their life-cycle through periodic meetings with implementing departments,

**TABLE 4.7: CUMULATIVE ECONOMIC AND SOCIAL BENEFITS AS ON 31 MARCH 2015**

| *Sl. No.* | *Particulars* | *Additional benefits* |
|---|---|---|
| 1 | Irrigation potential (lakh ha) | 258.80 |
| 2 | Rural roads (km) | 396084 |
| 3 | Rural bridges (m) | 961171 |
| 4 | Gross domestic product (₹ crore) | 47843 |
| 5 | Recurring employment (no. of jobs) | 17911579 |
| 6 | Non-recurring employment : | |
| | A. irrigation (lakh man-days) | 34174 |
| | B. Rural roads and rural bridges (lakh man-days) | 50450 |
| | C. Others (lakh man-days) | 28530 |
| 7 | Power sector | |
| | A. Hydel power generation (MW) | 229 |
| | B. System Improvements to minimize T&D losses (lakh units/ year) | 22341 |

T&D: transmission and distribution

**TABLE 4.8: STATE-WISE EXPECTED BENEFITS UNDER RIDF AS ON 31 MARCH 2015**

| No. | State | Potential | | | Value of production (₹ crore) | Recurring employment (No.) | Non-recurring employment (lakh man-days) | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Irrigation (ha) | Roads (km) | Bridges (m) | | | Irrigation | Rural road and rural bridge | Others |
| 1 | Andhra Pradesh | 2466638 | 34152 | 71134 | 5034 | 2092791 | 5597 | 5970 | 3738 |
| 2 | Arunachal Pradesh | 0 | 1206 | 3145 | 0 | 0 | 0 | 329 | 98 |
| 3 | Assam | 754667 | 1360 | 57311 | 357 | 144549 | 248 | 1136 | 240 |
| 4 | Bihar | 988366 | 6959 | 72605 | 2210 | 343437 | 406 | 4137 | 676 |
| 5 | Chhattisgarh | 505028 | 10809 | 31603 | 972 | 89306 | 1079 | 1132 | 86 |
| 6 | Goa | 94994 | 326 | 4512 | 48 | 15444 | 115 | 264 | 99 |
| 7 | Gujarat | 2754717 | 20124 | 4346 | 1331 | 1914883 | 1670 | 990 | 1431 |
| 8 | Haryana | 1108730 | 3363 | 4903 | 1843 | 177070 | 765 | 479 | 234 |
| 9 | Himachal Pradesh | 130362 | 9733 | 22526 | 1023 | 790822 | 774 | 799 | 406 |
| 10 | Jammu & Kashmir | 134595 | 11560 | 16207 | 225 | 122227 | 240 | 1566 | 213 |
| 11 | Jharkhand | 311869 | 10871 | 102521 | 338 | 100075 | 419 | 1813 | 544 |
| 12 | Karnataka | 508125 | 41874 | 53234 | 1186 | 161780 | 1856 | 3378 | 1259 |
| 13 | Kerala | 343381 | 5281 | 32826 | 783 | 116758 | 446 | 886 | 716 |
| 14 | Madhya Pradesh | 1707926 | 16658 | 48082 | 6093 | 1257107 | 3853 | 2158 | 478 |
| 15 | Maharashtra | 1031425 | 29522 | 79629 | 1625 | 5215485 | 3718 | 3385 | 355 |
| 16 | Manipur | 19550 | 0 | 0 | 29 | 8808 | 20 | 0 | 147 |
| 17 | Meghalaya | 15795 | 1427 | 4568 | 10 | 8921 | 80 | 291 | 72 |
| 18 | Mizoram | 5390 | 760 | 283 | 3 | 1996 | 12 | 65 | 36 |
| 19 | Nagaland | 7471 | 2415 | 759 | 8 | 3727 | 22 | 199 | 269 |
| 20 | Odisha | 2080345 | 8061 | 112624 | 3779 | 1250594 | 3412 | 4286 | 831 |
| 21 | Puducherry | 3373 | 314 | 792 | 1 | 2146 | 344 | 57 | 77 |
| 22 | Punjab | 1607981 | 10511 | 8606 | 7161 | 301230 | 1401 | 1265 | 1078 |
| 23 | Rajasthan | 798026 | 67295 | 14224 | 799 | 312740 | 1480 | 3627 | 4935 |
| 24 | Sikkim | 2805 | 607 | 450 | 2 | 604 | 13 | 175 | 161 |
| 25 | Tamil Nadu | 650104 | 42946 | 85018 | 926 | 508305 | 735 | 4581 | 2769 |
| 26 | Tripura | 16987 | 13 | 22627 | 38 | 28840 | 19 | 470 | 194 |
| 27 | Uttar Pradesh | 6157325 | 29209 | 66610 | 8900 | 1885131 | 3482 | 2466 | 2524 |
| 28 | Uttarakhand | 223225 | 11638 | 18209 | 594 | 100990 | 581 | 1271 | 102 |
| 29 | West Bengal | 1450795 | 17092 | 21818 | 2523 | 955815 | 1390 | 3273 | 4762 |
| | **Total** | **25879995** | **396084** | **961171** | **47843** | **17911579** | **34174** | **50450** | **28530** |

the incidence of non-starter projects has been low at 0.89% of net sanctioned projects.

### 4.2.6 Economic and social benefits

The RIDF is playing a pivotal role in developing rural infrastructure, including irrigation potential for an additional 258.80 lakh ha, the provision of better connectivity with a rural road network of nearly 3.96 lakh km and the prospect of bridging physical divides in rural areas with almost 9.61 lakh metres of bridges, on a cumulative basis.

SHOWCASE 4.1

## More Crop per Drop—micro-irrigation project in Vizianagaram district, Andhra Pradesh

The effective utilization of every drop of water through the adoption of appropriate technology is imperative to:

- Improve crop productivity;
- Augment agricultural production; and
- Achieve sustainable improvements in the living standards of resource-deficient small and marginal farmers.

In the face of acute water scarcity, the efficient utilization of every drop of water for crop production assumes even greater significance.

The Poosapali Rega mandal of the district of Vizianagaram, with a geographical area of 6539 sq km, faced such a water scarcity. Most of the villagers here depended on rainfall for irrigation and their crops were thus vulnerable to the vagaries of nature. They used to practise the single-cropping pattern, which resulted in a very poor yield, generating low income.

In this context, the Andhra Pradesh Micro-Irrigation Project (APMIP), funded by the GoI (40 per cent share), Government of Andhra Pradesh (50 per cent share) and borrowers (10 per cent share), was introduced on a large scale across 34 mandals of the district of Vizianagaram. The project, with an outlay of ₹729.32 lakh, was sanctioned under RIDF XVII, whereby a loan of ₹290.53 lakh was disbursed. The project was completed by 31 March 2012.

In the district of Vizianagaram, the APMIP benefited 1350 farmers cultivating 1355.72 ha. In addition to the most significant quantifiable economic benefit of an increase in production, the project resulted in several other advantages, such as saving of irrigation water, saving of energy, increased cropping intensity, increased efficiency of irrigation and control of waterlogging in heavy soils.

The micro-irrigation project has fostered efficient use of water and fertigation (fertilizers are introduced in the soil through the irrigation system). Thanks to the APMIP, there was a 55 per cent increase in the yield and a palpable improvement in the quality of the produce. The cost of cultivation has come down by 20 per cent. There has been an increase in productivity; inter-cropping/multi-cropping pattern has been developed, leading to higher income generation. Early maturing and uniform growth has been observed in sugarcane, coconut and banana.

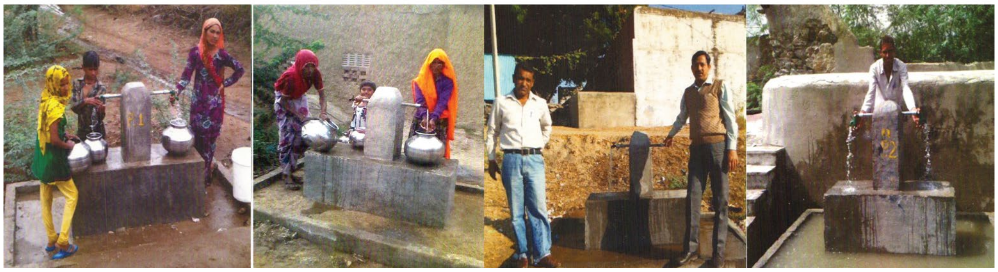
The major post-development crops are papaya and banana, with inter-cropping of watermelon, pumpkin, maize, vegetables and cotton, along with coconut plantation.

The hydel projects added 229 MW of power to the national grid. Other power projects have helped reduce annual transmission and distribution (T&D) losses by 22,341 lakh units by bringing about systems improvement.

Agriculture-related projects, including irrigation, generated 179.12 lakh recurring jobs and 34,174 lakh man-days of non-recurring employment (Tables 4.7 and 4.8).

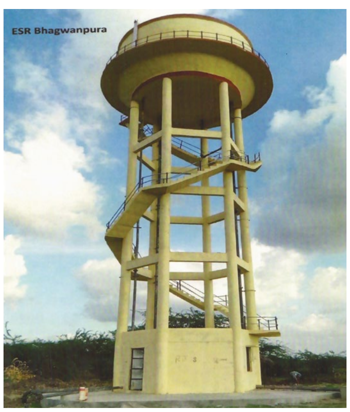
SHOWCASE 4.2

### Dudu Bisalpur rural drinking water supply



This project, with a TFO of nearly ₹205 crore and RIDF loan of more than ₹174 crore, was sanctioned in the XV tranche of the RIDF.

The objective of the project was to provide safe drinking water supply to villages facing an acute water crisis. The reasons for the introduction of the project were the lack of availability of sufficient good-quality ground water, the presence of fluorides and total dissolved solids, and salinity of the water way beyond permissible limits. This resulted in an acute shortage of potable water and excess fluorides ingested by the population led to diseases of the skeletal system, teeth, muscles, brain and the spinal cord.




Bisalpur Dam is the main source of water supply to the area. The project, which covers 694 villages in the Dudu block of the district of Tonk in Rajasthan, was planned for a population projected up to the year 2021 and is nearing completion. With the implementation of the project, 95 per cent of the villages covered have been supplied potable water through public stand posts. The villagers store some water and use it when the supply fails due to maintenance or power shortage. The villagers are now seeking connections to individual houses. Water and sanitation committees are also functional in these villages. With the availability of fresh water, the prevalence of diseases has decreased drastically.

### 4.2.7 RIDF impact evaluation study

While reviewing its performance during its 140th meeting on 30 January 2014, the project sanctioning committee of RIDF felt the need to assess the ground level impact of RIDF interventions. In this context, a seminar on the methodology of impact evaluation study was organized at the NABARD head office on 12 November 2014 to firm up the study design and its parameters. The seminar was attended by professors and researchers from the Indian Institutes of Management (IIMs), Indian Institutes of Technology (IITs) and other national-level institutions. The participants deliberated on issues related to the selection of sectors or projects, the study design and implementation aspects. Various parameters of economic impact assessment, such as income and employment, as also those related to social and macro impact were discussed in detail. It was decided that 12 studies across 10 states—covering irrigation and rural connectivity—will be outsourced to reputed institutions with academic and research capabilities, like the IIMs and IITs, which are familiar with NABARD's mandate. The studies propose to make policy interventions more effective for rural

SHOWCASE 4.3

## Inclusive growth—Bagedi tank project, Badnawar tehsil in Dhar, Madhya Pradesh

The tehsil of Badnawar, which falls under the Dhar district of Madhya Pradesh, consists of 159 villages and 90 panchayats, and has a total population of 2,26,248, of which 2,05,320 people live in rural areas. Dhar, a part of the Indore division, is a tribal district spread across an area of 8153 sq km. It is divided into six subdivisions, seven tehsils and 1474 villages. The major crops traditionally grown in the tehsil of Badnawar are soybean, wheat, maize, tomato and chilli.

Before the introduction of the project, the tehsil was entirely dependent on rainfall and, therefore, mono-cropping (i.e., maize and pulses) was prevalent. The seasonal migration of tribal farmers for wage employment to the states nearby was common. There was also a dearth of drinking water for human beings and animals in the area. The dropout rate of students at the primary education level was fairly high.

The Bagedi tank project was sanctioned to the Government of Madhya Pradesh in 2002 with a total outlay of ₹1170.50 lakh, supported by a loan of ₹966.44 lakh, under the VIII tranche of RIDF. Implemented in the tribal-dominated part of the Badnawar tehsil, the total cultivable command area of the project was estimated at 1737 ha. With a total reservoir capacity of 8.05 mcm, the major components of the project were the construction of an earthen dam and distribution channels.

The project was completed in 2008 and has benefited 12 villages, with 1250 farmers and a cultivable area of 1430 ha. Nearly 90 per cent of the farmers in the command area belonged to the Scheduled Tribes. Timely irrigation and the consequent arrest of fluctuations in productivity have resulted in stable yields of major crops in the command area. The ground water table has also risen considerably in and around the tehsil.

With the implementation of the project, cropping intensity in the area increased by more than 65 per cent against the pre-project levels. The local population gained economically by adopting major cash crops, such as wheat, gram, soybean, maize, tomato, peas and chilli. A shift towards vegetable crops, like tomato and chilii, has also been observed since the tank and distribution channels were created. Dairy activities, too, have gained momentum in the tehsil since 2008.

In addition, social benefits have accrued for the majority (90 per cent) of the tribal population in the area due to the project. With the improvement in their economic condition, migration of tribal families has stopped and employment opportunities have improved. Dropout rates at the primary school level have come down significantly. After the completion of the Bagedi tank, drinking water is available in the town of Badnawar and all 12 villages of the tehsil throughout the year.

development and thereby, deliver prosperity to the rural masses.

## 4.3 GOING BEYOND RIDF

Notwithstanding the overall gains from RIDF, there are at least two critical problems/ challenges:

- The borrowing power of state governments is limited under Article 293 (3) (Constitution of India), thus restricting RIDF off-take.
- The importance accorded to infrastructure may vary depending on the competing demands for budgetary resources of the state governments. State governments need a wider range of financial products to support the creation of rural infrastructure. Furthermore, they look for sources to borrow from an off-budget basis to avoid exceeding their borrowing limits—such as borrowing through corporations.

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 public–private partnership (PPP) mode, annuity payments and viability gap funding, need to be developed and implemented.

NABARD Infrastructure Development Assistance (NIDA) was designed to enable state governments and state-owned organizations (institutions, corporations and others) to fund rural infrastructure creation and maintenance, outside the ambit of RIDF, through the direct financing route based on risk appraisal of specific projects.

### 4.3.1 A more flexible type of infrastructure development assistance

NABARD Infrastructure Development Assistance is a line of credit extended to state governments and state-owned entities (institutions and corporations) to participate in the creation (or funding) of rural infrastructure projects on both on-budget and off-budget items outside the ambit of RIDF borrowing. NIDA is available on more flexible interest terms than the RIDF.

Since the inception of NIDA (2010–11), 35 projects have been sanctioned for purposes such as warehousing, power transmission, cyclone-damaged power restoration, roads, irrigation and sewerage. Andhra Pradesh, Bihar, Chattisgarh, Goa, Gujarat, Haryana, Karnataka, Rajasthan, Maharashtra, Punjab,

### Overview of NIDA

NIDA is offered over a long term, on flexible terms. Rural infrastructure projects that benefit more than 50 per cent of a rural area (or the rural population of an area) and are covered in the harmonized list of projects approved by the GoI/ Reserve Bank of India (RBI) are preferred for funding under NIDA.

Preference is also given to infrastructure projects under agriculture, including storage and marketing infrastructure, rural connectivity, renewable energy, water and sanitation, SWM, and social and commercial infrastructure, including rural housing, educational institutions, rural tourism and industrial parks and estates.

**TABLE 4.9: ASSISTANCE UNDER NIDA (CUMULATIVE AS ON 31 MARCH 2015)**

| Sl. No. | Purpose | No. of projects | Loan sanctioned (₹ crore) | Share (%) |
|---|---|---|---|---|
| 1 | Warehousing | 2 | 220.12 | 4 |
| 2 | Transmission | 18 | 3132.77 | 57 |
| 3 | Solar power | 4 | 162.73 | 3 |
| 4 | Cyclone damage restoration | 4 | 1063.24 | 20 |
| 5 | Roads | 3 | 425.87 | 8 |
| 6 | Irrigation | 2 | 244.08 | 4 |
| 7 | Hydro power | 1 | 145.74 | 3 |
| 8 | Sewerage | 1 | 70.69 | 1 |
| | **TOTAL** | **35** | **5465.25** | **100** |

Tamil Nadu, Uttarakhand, Madhya Pradesh and West Bengal are the major states funded through NIDA.

During 2014–15, eight projects involving an amount of ₹682.20 crore have been sanctioned, and ₹610.41 crore has been disbursed against sanctions of previous years as well as the current year. The cumulative sanctions under NIDA stood at ₹5465.25 crore, of which ₹2467.98 crore had been disbursed as on 31 March 2015 (Table 4.9).

### *Diversification under NIDA*

To widen the scope of NIDA, NABARD introduced two new lines of credit during 2014–15 to finance:

i. Registered infrastructure finance companies (IFCs) and public financial institutions or companies for financing rural infrastructure; and

ii. Rural infrastructure through the PPP mode.

Under the new policy two PPP projects, one each for road development and transmission sector have been sanctioned with loan assistance of ₹150.00 crore.

## 4.3.2 NABARD warehousing scheme

NABARD is the leading provider of affordable credit to create and augment decentralized, modern and scientific storage and food processing in the country. Established in 2013–14, the Warehouse Infrastructure Fund (WIF) was continued in 2014–15 with a corpus of ₹5000 crore, as per the budget announcement made by the Union Minister of Finance. The objective of the fund was to provide credit to the public and private sectors for a robust post-harvest infrastructure that aids price discovery mechanism for the farmers and producers, thus ensuring better post-harvest liquidity and avoiding distress sale.

### *Progress under WIF 2014–15*

Against the corpus of ₹5000 crore, a total amount of ₹6001 crore was sanctioned during 2014–15—₹5336 crore for dry storage warehouses and silos and ₹665 crore for cold chain infrastructure. This translated into sanctions worth ₹4546 crore to 14 state governments, ₹1349 crore to four state government undertakings and ₹106 crore to 10 agencies from the private sector.

The cumulative sanctions accorded for warehousing projects over the last four years, including RIDF XVII (2011–12), RIDF XVIII (2012–13) and WIF 2013–14 and 2014–15, were ₹14,674 crore. It is estimated that with these projects, the country's scientific storage capacity would be augmented by 25 MT, which would be in compliance with the guidelines of the Warehousing Development and Regulatory Authority (WDRA).

## SIDEBAR 4.1
### Farmer-centric scientific storage at PACS under WIF

The financial assistance under the warehousing window helps state governments directly invest in small warehouses in a decentralized farmer-centric manner at the PACS level. It has been a long-felt need of the small and marginal farmers to have scientific storage facilities at the village level to stock the market surplus of the agricultural commodities produced by them.

Cumulatively (including the period covered by the RIDF tranches in 2011–12 and 2012–13, and WIF 2013–14 and 2014–15), NABARD has committed ₹518.56 crore to create a scientific storage capacity of 7.59 lakh MT in the country. Gujarat (1688 warehouses), Tamil Nadu (1606 warehouses) and Odisha (344 warehouses) are the leading states which have taken the initiative to establish storage facilities at PACS.

These warehouses not only help to minimize distress sale by small and marginal farmers, but also aid in better price discovery and post-harvest liquidity.

The WIF loan sanctions have helped in the adoption of new technologies, like the use of galvanized aluminium steel sheets for roofing, mechanized handling of stocks and vertical silos. Apart from a better price discovery mechanism, this will also foster the adoption of negotiable warehouse receipts at the grassroots level.

### 4.3.3 Funding food processing initiatives

In addition to WIF, the GoI has set up a special fund designated the Food Processing Fund (FPF) worth ₹2000 crore in NABARD to provide affordable credit support for establishing mega-food parks, as well as the setting up of individual processing units in these food parks. This fund is being operationalized in close coordination with the Ministry of Food Processing Industries (MoFPI). Grant-in-aid available with the

various schemes of MoFPI is dovetailed with the FPF.

NABARD has sanctioned five mega-food park projects worth ₹216 crore to Andhra Pradesh, Maharashtra, Gujarat, Bihar and Himachal Pradesh under the FPF in 2014–15.

Financial assistance from the FPF is available to state governments, entities promoted by the state or Central governments, joint ventures, cooperatives, federations of cooperatives, special-purpose vehicles, farmer producer organizations (FPOs), companies, entrepreneurs, etc.

### 4.3.4 Fund for promotion of rural infrastructure

The Rural Infrastructure Promotion Fund (RIPF) was created in 2011 with an initial corpus of ₹25 crore to promote capacity-building initiatives and efforts to create innovative, experimental and promotional infrastructure, especially for the rural sector and rural areas.

During 2014–15, an amount of ₹404.76 lakh was sanctioned under the RIPF (up to 31 March 2015) for:

i. Experimental infrastructure;
ii. Exposure visits;
iii. Workshops and seminars; and
iv. Other activities that directly or indirectly lead to the promotion of infrastructure in rural areas.

The fund supports similar experimental infrastructure projects anchored by gram panchayats, self-help groups (SHGs), SHG federations, farmers' clubs (FCs), FC federations, non-governmental organizations and villages under the Village Development Programme. The activities under the RIPF are envisaged to increase business under the RIDF and promote sustainable infrastructure development in rural areas.

## SIDEBAR 4.2
## Food processing in India—the sunrise industry

Food and food products are the biggest consumption category, and have a market size of ₹9,05,000 crore, which represents nearly 21 per cent of India's gross domestic product. Accounting for about 32 per cent of the country's total food market, the food processing industry is one of the largest industries in India and is ranked fifth in terms of production, consumption, export and expected growth.

In India, food and food products are a high-profit industry as they lend themselves to significant value addition. The size of the food processing industry in the country went up from ₹32,54,216 crore in 2005–06 to ₹44,93,743 crore in 2009–10—a compounded annual growth rate of 8.4 per cent. The food processing industry has been recognized as a high-priority area and is poised for tremendous growth, which can potentially increase the country's share in world food trade every year. The total food production in India is likely to double over the next 10 years, with the country's domestic food market estimated to reach US$258 billion by end of 2015.

During the post-Independence period, India witnessed rapid growth in the food processing sector, especially through the 1980s. It followed the first phase of the Green Revolution, which resulted in increased agricultural production and the need for post-harvest management. The importance of the sector was realized by the business community, leading to diversification from grain trading to processing. Initially, it was mostly rice processing, followed closely by wheat milling, the paper and pulp industry, milk processing sector, jute industry, sugarcane processing and oil extraction through solvent plants. In some areas, like the solvent extraction industry, growth in the installed processing capacity has far outrun the supply of raw materials.

The dairy sector has the highest share in processed food, with 35 per cent of its total produce being processed. Only 15 per cent of this is processed by the organized sector. The processing level is around 2.2 per cent for fruits and vegetables and 21 per cent for meat and poultry products. Of the 2.2 per cent processing in fruits and vegetables, only 48 per cent is carried out by the organized sector.

Notwithstanding the strong agricultural production base, India's food processing industry is still relatively underdeveloped. This offers significant scope for expansion and value creation. The real challenge and opportunity is to capture the value-added food products space, in India and abroad. With a large and growing consumption base as well as export potential, food processing is truly India's sunrise sector.

## 4.4 WAY FORWARD FOR RURAL INFRASTRUCTURE

The future challenge in developing rural infrastructure will go beyond drawing up inventories of infrastructure stocks and projecting investment needs based on past patterns. These challenges could pivot around tackling inefficiencies both in investments and service delivery. Apart from increasing the stock of infrastructure quantitatively, the quality of infrastructure services also needs to be emphasized.

The present approach to rural infrastructure development in India, while forward looking with many synergies, is fundamentally divided into silos of various funding needs. Benefiting from the complementarities between various sectors and sub-sectors is possible only if systematic investments are prioritized, keeping in mind the comprehensive long-term infrastructure needs of the agricultural sector and rural India.

# 5

# Organization and Initiatives

As India's apex development financial institution for agriculture and rural development, NABARD is fully geared to accomplish its mandated tasks by delivering value to the rural economy efficiently and effectively. The internal functioning and reporting structure of the organization is entirely focused on the funding process, with specific committees and a robust governance structure for oversight.

## 5.1 MANAGEMENT

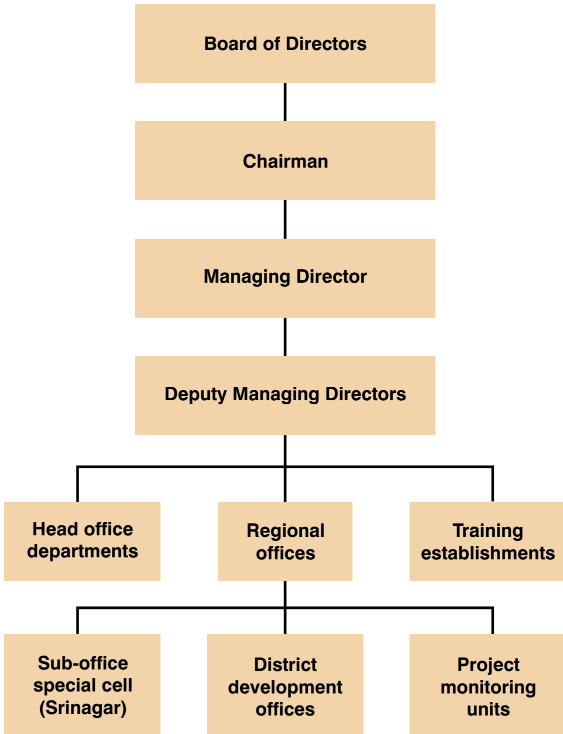
### 5.1.1 Board of Directors

The Board of Directors (BoD) met six times during 2014–15. The Executive Committee met thrice and the Sanctioning committee for loans under the Rural Infrastructure Development Fund (RIDF) (including the Warehouse Infrastructure Fund [WIF]) met seven times in 2014–15. The sub-committees of the Board on 'New Business Initiatives' and 'HR policy' met twice during the year.

During the year, the following new appointments were made to the BoD of NABARD.

a. Smt Snehlata Shrivastava, Additional Secretary, Department of Financial Services, Ministry of Finance, Government of India (GoI) was

**Exhibit 5.1:**
Organizational structure




*Note:* The post of Managing Director is currently vacant.

appointed Director with effect from 6 June 2014 (vice Shri Arvind Kumar).

b. Shri H.R. Dave, upon being appointed Deputy Managing Director, also became a full-time Director with effect from 14 August 2014.

c. Shri R. Amalorpavanathan, upon being appointed Deputy Managing Director, also became a full-time Director with effect from 19 August 2014.

d. Dr Nachiket Mor was appointed Director with effect from 17 September 2014.

e. Smt Upma Chawdhry, Additional Chief Secretary, Department of Agriculture, Government of Himachal Pradesh, was appointed Director with effect from 24 September 2014 (vice Shri Vineet Chawdhry). Shri Vineet Chawdhry, who was appointed Director on 7 August 2014, replaced Shri Deepak Sanan. However, neither Shri Sanan, nor Shri Chawdhry was a Director on the Board as of 31 March 2015. Shri Jugal Kishore Mohapatra, Secretary, Ministry of Rural Development, Government of India was appointed Director with effect from 26 February 2015 (vice Smt Vandana Kumari Jena). Smt Jena, who was appointed Director on 5 February 2015, replaced Shri L.C. Goyal, appointed Director on 1 October 2013. Both Shri Goyal and Smt Jena ceased to be Directors during the year.

f. Shri Siraj Hussain, Secretary, Ministry of Agriculture, Government of India was appointed Director with effect from 1 March 2015, vice Shri Ashish Bahuguna following his superannuation.

g. Smt Latha Krishna Rao, Additional Chief Secretary and Development Commissioner, Department of Agriculture, Government of Karnataka was appointed Director with effect from 13 March 2015 (vice Shri B.L. Meena).

h. Prof. Dipankar Gupta, who ceased to be Director with effect from 29 November 2014 on the completion of his tenure, was reappointed Director with effect from 26 February 2015.

The following Directors vacated their positions on the Board during the year, on the expiry of their tenure:

a. Shri Jainti Kumar Batish, effective from 15 May 2014; and

b. Prof. M.L. Sharma, effective from 18 December 2014.

One Director, Shri Trilochan Sastry, resigned from Directorship at NABARD with effect from 16 July 2014.

### 5.1.2 Senior management

The Management Committee (MC), an important governance structure, comprising the Chairman, Deputy Managing Directors (DMDs) and Chief General Managers (CGMs) of the business departments, met 27 times during 2014–15. During these meetings, the MC deliberated on important issues—inter-departmental as well as wider policy ramifications.

## 5.2 STAFF

### 5.2.1 Human resource management

*Staff strength*

As on 31 March 2015, NABARD had 4062 employees (Table 5.1), including:

- 2623 (65%) officers (Group 'A');
- 658 (16%) in the clerical cadre (Group 'B'); and
- 781(19%) messengers and maintenance staff (Group 'C').

Of the total staff, 755 belonged to the Scheduled Caste (SC) category (18.6 %) and 349 to the Scheduled Tribe (ST) category (8.6%), while 55 were ex-servicemen (1.4%) and 90 were physically challenged (2.2%).

**TABLE 5.1: TOTAL STAFF STRENGTH AS ON 31 MARCH 2015**

| *Cadre* | *Total* | *Of which* | |
|---|---|---|---|
| | | *SC* | *ST* |
| Group 'A' | 2623 | 398 | 199 |
| Group 'B' | 658 | 91 | 53 |
| Group 'C' | 781 | 266 | 97 |
| **Total** | **4062** | **755** | **349** |

**TABLE 5.2: PROMOTIONS EFFECTED DURING 2014–15**

| *Particulars* | *Total* | *SC* | *ST* |
|---|---|---|---|
| Promotions within officers' cadre | 219 | 28 | 10 |
| Promotion from Group 'C' to Group 'B' | 3 | 3 | 0 |
| **Total** | **222** | **31** | **10** |

### *Recruitment and promotions*

NABARD effected 219 promotions to various grades in Group 'A' and three were promoted from Group 'C' to Group 'B' from 1 April 2014 to 31 March 2015 (Table 5.2). The process for the recruitment of officers in Grades 'B' and 'A' is under way.

### *Training*

Under the aegis of its three training establishments, viz., Bankers Institute of Rural Development (BIRD), Lucknow; BIRD, Bolpur; and BIRD, Mangalore, NABARD continued to fulfil the training needs of its staff members as well as the employees of its client institutions. During 2014–15, 80 in-house (1470 participants) and 23 on-location (482 participants) training programmes were conducted for the staff of NABARD (Table 5.3). In the same period, partner and client institutions benefited from 253 in-house training programmes (6067 participants), and 126 on-location training programmes (3609 participants) (Table 5.4).

The new programmes conducted by BIRD included:

- Programme on commodity futures market;
- Programme on climate change; and
- Programme on new technology in banking.

### 5.2.2 Incentive scheme for part-time/ distance learning

During 2014–15, 27 employees availed the incentive scheme to pursue various part-time/ distance learning courses at different institutions and universities.

### 5.2.3 Scheme for training and development of senior officers

A new scheme introduced from 1 April 2013 enabled senior officers to self-identify appropriate training programmes run by reputed institutes and participate in them, thus focussing on their specific training needs that would benefit the Bank. During 2014–15, 81 officers attended various training programmes under this scheme. The selected programmes included various topics related to human resource development and finance.

### 5.2.4 Training at external institutions

During 2014–15, 91 officers were deputed by NABARD to participate in various training programmes, workshops, seminars and

**TABLE 5.3: TRAINING FOR EMPLOYEES AND OFFICERS OF NABARD (2014–15)**

| *Establishment* | *Number of programmes* | *Number of participants* |
|---|---|---|
| BIRD, Lucknow (in-house training) | 80 | 1470 |
| BIRD, Lucknow (on-location training) | 23 | 482 |

**TABLE 5.4: TRAINING FOR CLIENT INSTITUTIONS (2014–15)**

| *Establishments* | *In-house training* | | *On-location training* | |
|---|---|---|---|---|
| | *Number of programmes* | *Number of participants* | *Number of programmes* | *Number of participants* |
| BIRD, Lucknow | 115 | 2749 | 71 | 1972 |
| BIRD, Bolpur | 54 | 1267 | 27 | 715 |
| BIRD, Mangalore | 84 | 2051 | 28 | 922 |
| **Total** | **253** | **6067** | **126** | **3609** |

conferences organized by institutions of repute. With a view to enhancing the technical capabilities of the employees, a customized training programme was conducted at the Institute for Financial Management and Research, Chennai, which was attended by 25 officers. A workshop on the reservation policy organized at Yashada, Pune was attended by 19 staff members. Officers were also deputed to attend programmes related to project appraisal, treasury, risk management and technology in banking.

### 5.2.5 Management Development Programme for CGMs

BIRD Lucknow conducted the first Management Development Programme (MDP) on Leadership and Team-Building, for CGMs and GMs empanelled as CGMs. Twelve CGMs and three GMs participated in the programme.

### 5.2.6 Programme on Behavioural Science for Assistant Caretakers and Caretakers of Head Office

A one-day workshop on behavioural science was conducted at the Head Office for the Assistant Caretakers and Caretakers posted in Mumbai. The facilitator was a neuro-linguistic expert. Eleven Assistant Caretakers and Caretakers were trained at the workshop.

### 5.2.7 Attachment Programme for NABARD officers

During 2014–15, a programme was instituted to better understand the work processes of client institutions. Selected NABARD officers were attached to regional rural banks (RRBs), state cooperative banks (StCBs) and district central cooperative banks (DCCBs) with the following objectives:

a. To understand their work processes, systems and procedures to enhance NABARD's business relationship with them;

b. To understand the demand side of ground-level credit; and

c. To understand the supply side constraints of these channels.

The programme was structured into four phases:

- Phase I included an orientation programme at BIRD, Mangalore.
- Phases II and III required the officials to spend time at primary lending institutions.
- Phase IV consisted of a one-day workshop to summarize all the learning points.

The banks identified for attachment of NABARD officials included the Kerala Gramin Bank and the StCBs of Haryana, Gujarat, Andhra Pradesh and Himachal Pradesh.

## 5.3 STATUTORY AND VOLUNTARY INITIATIVES

### 5.3.1 Welfare measures for SC, ST and OBC categories

The Board of Directors of NABARD reviewed the implementation of the Reservation Policy in the Bank for the year ending 31 December 2014 during its meeting on 13 March 2015. Senior executives and the Chief Liaison Officer also held quarterly meetings with representatives of the All India NABARD Progressive Employees' Welfare Association at the Head Office (HO) and Regional Offices (ROs). NABARD adhered to various instructions issued by the government related to reservation for the SC/ST category in recruitment and promotions. A workshop on Reservation Policy was conducted successfully during 26–28 December 2014 at YASHADA, Pune.

Training programmes for staff members belonging to the SC, ST and Other Backward Classes (OBC) categories were conducted before promotions. Scholarships of ₹27.46

lakh were also granted to 189 wards of SC/ST employees.

A study visit was undertaken by the Parliamentary Committee on Welfare of Scheduled Caste and Scheduled Tribes at Hyderabad on 18 October 2014. Parliamentary Standing Committee on Personnel, Public Grievances & Law & Justice visited on 3 November 2014 at Guwahati. NABARD officials participated in the said Parliamentary committee meetings.

### 5.3.2 Right to Information Act, 2005

In pursuing its goals of transparency and compliance with statutory obligations, NABARD has been providing information sought under the Right to Information (RTI) Act, 2005. Thirty-four senior officers—30 in the ROs, three in training establishments (TEs) and one in the HO—were designated central public information officers for this purpose. Shri M.V. Ashok, CGM, is the appellate authority at HO. A senior officer in the HO is also designated the Transparency Officer.

As on 31 March 2015, information requested for had been provided with reference to 1114 RTI applications (including those received at ROs) and 148 appeals within the stipulated time. NABARD officials also attended 13 hearings on appeals made to the Central Information Commission.

### 5.3.3 Vigilance sensitization

In 2014–15, the erstwhile preventive vigilance inspection of ROs was revived. One HO department, viz., the Department of Premises Security and Procurement, and 11 ROs, viz., Assam, Himachal Pradesh, Chhattisgarh, Rajasthan, Odisha, Bihar, Goa, Maharashtra, Meghalaya, Nagaland and Manipur, underwent such inspections during the year.

Four vigilance workshops were conducted to sensitize 180 Grade 'A' officers at the HO on the mandatory and desirable vigilance and discipline requirements at their level. Cautionary circulars were issued on the role of brokers/ intermediaries in sanctioning loans and on chit fund activity by employees in NABARD.

A workshop at the NABARD HO was organized for the chief vigilance officers (CVOs) of public sector undertakings (PSUs) and financial institutions (FIs), in which the Chief Technical Examiner and Officer on Special Duty from the Central Vigilance Commission (CVC), GoI addressed the participants.

'Vigilance Awareness Week' was observed during 27 October–1 November 2014 at the HO, all ROs and training establishments. A vigilance pledge was administered to all employees on the occasion. In this context, the Chairman released a booklet of 'dos and don'ts'. A magazine titled 'NAB-VIGILENS', containing guidance on vigilance matters to state cooperative banks (StCBs) and RRBs, and prize winning essays by the staff on the subject was launched. Quiz competitions, lectures and meetings of the CVOs of FIs were organized at the HO, ROs and TEs during the observance of the week.

### 5.3.4 Internal working relationships

#### *Industrial relations*

During 2014–15, industrial relations at NABARD continued to be cordial. Periodic discussions were held between the Management, and the National Bank Officers' Association (NBOA) and the All India NABARD Employees' Association.

#### *Joint Consultative Committee*

The joint consultative committee (JCC), comprising representatives from the bank management and the NBOA, met once during 2014–15 to discuss issues related to human resources.

### 5.3.5 Grievance redressal system

In 2014–15, 75 grievances and eight appeals were received. The Grievance Redressal Committee held five meetings and the Grievance Redressal Appellate Committee held two meetings during the year, at which 65 grievances and two appeals were resolved.

### 5.3.6 Leave and increment

A "Scheme of Special Hardship Leave for Female Employees to Meet Special Problems during Their Career" was launched by the Bank during 2014-15. Eight women employees were sanctioned 'Special Hardship Leave' during 2014–15.

### 5.3.7 Amendments to NABARD Pension Regulations, 1993

During 2014–15, the Department of Financial Services, Ministry of Finance (MoF), GoI has approved the following proposals:

- Grant of family pension at a uniform rate of 30 per cent, subject to a minimum of ₹3500 per month and a maximum of ₹24,495 per month; and
- Grant of minimum pension of ₹3500 per month.

These have been published in the GoI Gazette notification no. 57, dated 27 December 2014.

### 5.3.8 Medical assistance to retired employees

The Bank has taken a Group Mediclaim Policy from United India Insurance Company Ltd. to cover hospitalization bills of retired employees, who are members of Medical Assistance Scheme. The policy is effective for a period of one year from 15 August 2014 to 14 August 2015. The policy covers expenses of hospitalization on a reimbursement/cashless basis, incurred as a result of illness and/or accidents as an in-patient in an approved hospital.

### 5.3.9 Office premises and residential quarters

The construction of the office building by the Central Public Works Department (CPWD) in Jammu and the office building with staff quarters by the Arunachal Pradesh PWD in Itanagar is at an advanced stage. The construction of office buildings in Dehradun, Kolkata and Raipur has been assigned to the National Building Construction Corporation Limited. The Mizoram state PWD has been given the responsibility of constructing the office building in Aizwal. The construction of staff quarters in Mohali (Punjab) and possession of the quarters at Raipur are in progress.

As a proactive measure, electrical safety and energy audit were undertaken during the year and follow-up action was initiated on the basis of audit observations. To promote energy efficiency, LED lights will be used in all establishments of the bank. Action has been initiated to replace elevators in the HO building.

Work related to the interior fittings and fixtures for 66 officers' residential flats in Ranchi were completed and the flats were made ready for occupation. The conveyance deeds for the staff quarters at NABARD Nagar, Kandivali (Mumbai), and Damodar Park, Ghatkopar (Mumbai) have been signed with the builders, while the deed for NABARD Park, Santacruz (Mumbai) is in process. To strengthen the existing structures and provide stability to old and dilapidated staff quarters, plans have been made to undertake structural rehabilitation and renovation in a phased manner.

## 5.4 INFORMATION TECHNOLOGY INITIATIVES

Several initiatives were introduced by the bank for enterprise application and the augmentation of the infrastructure of information technology (IT) during 2014–15.

### 5.4.1 ENSURE: A data collection and management system

NABARD launched a data portal, 'ENSURE', which is an acronym for ElectroNic SUbmisson of REturns, in March 2015. It is a web-based enterprise application for internal as well as external data collection from institutions such as cooperative banks, RRBs and NGOs. This system of central repository of data, collected by various departments of the Bank, facilitates access by users from anywhere, allows for automated alerts/reminders by mail/ sms to the officials concerned and enables generation of reports as well. ENSURE reduces/completely eliminates manual data compilation and facilitates analytics thus replacing multiple software applications earlier in use. The first two modules for the submission of the Off-Site Surveillance System and Fraud Management System returns by supervised entities have been put in place. Over time, the data requirements of all departments of the Bank will be covered.

### 5.4.2 Integrated Library Management System

The Integrated Library Management System—a centralized library management system featuring a web-based user-friendly bilingual interface, which provides access to the Banks' library at BIRD, Lucknow—went live during 2014–15. The application allows for ease of access to the users from the comfort of his/her workstation. Reporting capabilities, automated SMS generation, e-mail alerts and the ability to integrate with other libraries of the Bank are some of the advantages of this application.

### 5.4.3 Enterprise Content Management

NABARD has taken steps to introduce an Enterprise Content Management (ECM) Solution, which comprises strategies, methods and tools used to capture, manage, store, preserve and deliver content and documents related to organizational processes. Scanning and digitization in tandem with document and record management, along with an inbuilt work-flow, are the core processes envisaged for adoption in NABARD.

### 5.4.4 Commissioning of Disaster Recovery Site

A state-of-the-art, Tier III-certified Disaster Recovery (DR) Site on the Co-location model has been commissioned for the Bank's critical business software applications. The seismic compliant DR site is also TIA 942-compliant, as well as ISO 27001-certified and ISO 20001-certified.

### 5.4.5 NABARD's Core Banking Solution: Centralized Loan Management and Accounting System

The Centralized Loan Management and Accounting System (CLMAS), a business critical application, has been introduced in the Bank in a phased manner. In the first phase, the application has been implemented on a pilot basis in three ROs.

### 5.4.6 Unified Threat Management devices

With the deployment of Unified Threat Management (UTM) devices across all offices of the Bank, a comprehensive network security measure has been introduced. The UTM devices protect wide area networks and all the local area networks from various external threats. They also provide a mechanism for authorized and secure access to various IT resources across the offices.

### 5.4.7 Other activities

**Video conferencing:** Around 1300 conferences/ seminars/ workshops/ training sessions and interviews were conducted through video conferencing, saving a lot of time and cost for the Bank.

**Security:** An SSL security certificate has been installed for our website www.nabard.org.

A module has been developed for Board members for online access to agenda and minutes for various committees of the Board.

## 5.5 CORPORATE COMMUNICATIONS

### 5.5.1 YouTube channel

On 25 April 2014, NABARD launched its own channel on YouTube (https://www.youtube.com/nabardonline) to showcase its success stories from across India to online audiences. The channel has added 82 videos so far that have been watched across 140 countries.

### 5.5.2 Budding film-makers document success stories

In a first-of-its-kind initiative, NABARD engaged mass communication students from Mumbai to make films on its successful initiatives. These budding film-makers, from the Xavier Institute of Communication and Whistling Woods International, made 35 films on as many projects from Assam, Bihar, Haryana, Himachal Pradesh, Jammu and Kashmir, Karnataka, Kerala, Odisha, Punjab, Rajasthan, Sikkim, Tamil Nadu and Uttarakhand. The department is also reaching out to other film schools to document other such stories that impact rural development.

### 5.5.3 Corporate Communications Department Corner on intranet

The Corporate Communications Department (CCD) at NABARD created an intranet module to facilitate effective internal communication across the departments and employees of NABARD. Christened the 'CCD Corner', the interactive module helps to educate, motivate and engage with the Bank's staff. The CCD Corner has five sub-modules, which include:

a. Daily news of NABARD;
b. Latest updates from www.nabard.org;
c. Recent uploads from the NABARD YouTube channel;
d. Ready-to-use files, such as logos, visiting cards, customized presentation templates, specifications for printing of stationery, published advertisements and posters; and
e. Calendar themes for mobile screens.

The module also helps share high-resolution photographs across NABARD offices.

### 5.5.4 NABARD wins ABCI, Best PSE and BFSI Vision CSR awards

NABARD won two awards at the 54th Annual Awards Ceremony of the Association of Business Communicators of India, held on 27 February 2015 in Mumbai—a gold for corporate intranet and a bronze for brochure design.

NABARD also won the India Public Sector Enterprises Award for Best Rural Development Public Sector Enterprise in 2014, at a ceremony held on 19 December 2014 in New Delhi. In addition, it won two awards at the first BFSI Vision CSR Awards on 18 December 2014 in Mumbai—NABARD was the winner in the 'Environmental Sustainability' category and runner-up in the 'Gender Equity and Women Empowerment' category.

## 5.6 ALIGNING WITH OTHER NATIONAL OBJECTIVES

### 5.6.1 Visits by Parliamentary Committees and Parliamentary Standing Committees

During 2014–15, the following PCs and PSCs held discussions with NABARD.

a. *PC on the Welfare of SC/ ST:* The PC visited Raipur, Hyderabad and Chennai during 15–20 October 2014 to be apprised of credit facilities provided by the Bank to SCs/ STs, as well as to discuss representation of SCs/ STs in service at NABARD.

b. *PSC on Industry:* The PSC visited Hyderabad, Tirupati, Chennai, Kochi and Munnar during 28 October–3 November 2014 to discuss issues related to the Prime Minister's Employment Generation Programme and Credit-Linked Capital Subsidy Scheme.

c. *PSC on Personnel, Public Grievances, Law and Justice:* The PSC visited Guwahati, Shillong and Kolkata during 31 October–6 November 2014 to discuss the implementation of the Citizen's Charter, Public Grievance Redressal Mechanism, RTI Act, 2005 and government policy of reservation in organizations of the Central Government.

d. *PC on Subordinate Legislation:* The PC visited Hyderabad, Bengaluru and Mumbai during 8–12 November 2014 to discuss the regulatory mechanism and monetary legislative framework.

e. *PC on Empowerment of Women:* The PC visited Thiruvananthapuram, Bengaluru and Mumbai during 11–15 November 2014 to discuss the financial assistance extended to women SHGs for empowerment of women.

f. *PC on Finance:* The PC visited Mumbai, Bengaluru and Hyderabad during 16–21 January 2015 to discuss financial inclusion-related schemes and achievements.

g. *PC on Agriculture:* The PC visited Mumbai, Chennai and Bengaluru during 29 January–3 February 2015 for a discussion on, 'Evolving a farmer-friendly crop insurance regime'.

h. *PSC on Commerce:* The PC visited Kochi, Kottayam, Thiruvananthapuram and Chennai during 11–16 February 2015 to discuss issues and concerns of the rubber industry in India.

### 5.6.2 Promotion of Rajbhasha—Hindi

During 2014–15, NABARD continued its efforts to promote the use of Hindi as official language in the Bank's routine operations. Various schemes, reference literature and publications were brought out in Hindi for the use of clients as well as staff members. The Rural Development Banking Glossary was published for the use of staff members. The publication of the house journal, Rashtriya Bank Srijana, was continued during 2014–15 to provide a platform to the staff members for their literary composition and also, to propagate the developmental schemes of NABARD. The Official Language Implementation Committee met quarterly to monitor the activities under the provisions of the Official Language Act, 1963 and the Official Language Rules, 1976, as also the instructions issued by the Department of Financial Services, MoF, GoI for the ROs as well as the HO.

All efforts were made to achieve the target set in a time-bound programme for the year 2014–15 issued by Official Language Department, Ministry of Home Affairs, GoI.

Sixty-seven workshops were conducted at the ROs and the HO to train 775 staff members in Hindi noting, drafting and typing. In addition, Rajbhasha orientation programmes for senior officers and Rajbhasha nodal officers of various ROs in the NE region, and workshops for DDMs of region 'A' offices to write PLPs in Hindi were also conducted during the year.

The Gujarat, Himachal Pradesh, Kerala, Maharashtra, Haryana, Punjab, Tripura and Andhra Pradesh ROs and BIRD Bolpur were inspected by HO during the year, as per GoI directives. The shortcomings were brought to the notice of the Officers-in-Charge of the ROs concerned and compliance was sought thereon.

# 6

# Resource Management and Financial Performance

The financial resources at the disposal of NABARD stood at ₹2,85,809 crore on 31 March 2015, rising from ₹2,54,574 crore a year ago—an increase of 12.27 per cent. NABARD's total market borrowings were ₹2,29,938 crore (as on 31 March 2015), constituting 80.45 per cent of the combined resources of the Bank. This included borrowings under the Collateralized Borrowing and Lending Obligation (CBLO).

## 6.1 SOURCES OF FUNDS

### 6.1.1 Capital, reserves and surplus

The Bank's paid-up capital on 31 March 2015 was ₹5000 crore, against an authorized capital of ₹5000 crore, with the Government of India (GoI) holding 99.6 per cent and the Reserve Bank of India (RBI) 0.4 per cent. During 2014–15, the GoI added ₹300 crore to NABARD's paid-up capital. NABARD's reserves and surplus increased from ₹17,156 crore on 31 March 2014 to ₹19,601 crore on 31 March 2015.

### *National Rural Credit (Long- Term Operations) and National Rural Credit (Stabilization) Funds*

The National Rural Credit (Long-Term Operations) Fund is utilized for investment operations, while the National Rural Credit (Stabilization) Fund is deployed for conversion or re-schedulement of short-term credit. These funds are augmented by internal accruals and contributions from the RBI. During 2014–15, the RBI contributed ₹1 crore to each of these funds.

## 6.1.2 Deposits

### *Short-Term Cooperative Rural Credit Fund*

To extend short-term credit facilities to cooperative institutions, NABARD's resources needed to be augmented. For this purpose, the Short-Term Cooperative Rural Credit (STCRC) (Refinance) Fund was set up in 2008–09 with a corpus of ₹5000 crore, which was contributed by scheduled commercial banks that had not achieved their priority sector lending obligations. The corpus was augmented further with additional allocations of:

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

The outstanding balance of the STCRC Fund stood at ₹60,000 crore as on 31 March 2015.

### *Short-Term Rural Credit Fund for Regional Rural Banks*

The Short-term Rural Credit (STRC) (Refinance) Fund was set up in 2012–13 with a corpus of ₹10,000 crore, contributed by scheduled commercial banks that had not achieved their priority sector lending obligations. The purpose was to augment NABARD's resources for short-term credit refinance to regional rural banks (RRBs). The fund was augmented by additional allocations of ₹20,000 crore each during 2013–14 and 2014–15. The outstanding balance of the STRC Fund stood at ₹30,000 crore on 31 March 2015.

### *Long-Term Rural Credit Fund*

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

### *Tea, coffee and rubber deposits*

The outstanding balance under deposits from tea, coffee and rubber companies stood at ₹301 crore on 31 March 2015, compared to ₹333 crore on 31 March 2014.

### *RIDF deposits*

During 2014–15, Rural Infrastructure Development Fund (RIDF) deposits from commercial banks were mobilized under RIDF XV–XX and the balance phase of RIDF XIV, aggregating ₹19,000 crore. Repayments during the period were ₹13,259 crore under RIDF VI–XV, Bharat Nirman (coinciding with RIDF XV), and RIDF XVII Warehousing Infrastructure (WI). The outstanding balance under the RIDF deposits stood at ₹89,603 crore on 31 March 2015, against ₹83,863 crore on 31 March 2014.

## 6.1.3 Borrowings

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

*Capital Gains Bonds*

The outstanding balance under Capital Gains Bonds stood at ₹1.29 crore on 31 March 2015.

*Corporate Bonds*

Corporate Bonds worth ₹12,048 crore were redeemed, while fresh bonds amounting to ₹9850 crore were issued during 2014–15. The outstanding balance on 31 March 2015 was ₹29,031 crore, as against ₹31,229 crore on 31 March 2014.

*Bhavishya Nirman Bonds*

The outstanding balance against *Bhavishya Nirman* Bonds stood at ₹4975 crore on 31 March 2015. No fresh bonds were issued during 2014–15.

*NABARD Rural Bonds*

Repayments to the tune of ₹9.60 crore—the amount outstanding on 31 March 2014—were made during 2014–15 on account of NABARD rural bonds, while no fresh bonds were issued during the year.

*Certificates of Deposit*

No fresh borrowings were mobilized during 2014–15 through the issue of certificates of deposit.

*Commercial Papers*

Fresh borrowings through commercial papers, aggregating ₹37,450 crore, were mobilized. Of this amount, ₹34,325 crore was redeemed during 2014–15. As on 31 March 2015, the outstanding balance was ₹3,125 crore.

*Term Money Borrowings*

To meet short-term requirements for funds, term money borrowings with tenors of three to six months were mobilized. Repayments of ₹658 crore were made and fresh term money borrowings worth ₹945 crore were raised during 2014–15. The amount outstanding on 31 March 2015 was ₹515 crore, compared to ₹228 crore on 31 March 2014.

*Government of India Borrowings*

While there were no fresh borrowings from GoI during 2014–15, repayments worth ₹20 crore were made under various externally aided projects. The outstanding amount of GoI borrowings stood at ₹20 crore on 31 March 2015, as against ₹40 crore on 31 March 2014.

*Foreign Currency Borrowings*

The redemption under borrowings from the KfW was to the tune of ₹47 crore during the year. An amount of ₹58 crore was mobilized, while the outstanding borrowings stood at ₹727 crore on 31 March 2015, as against ₹715 crore on 31 March 2014. The foreign exchange risk on these loans and interest thereof has been fully hedged at an average annual cost of 6.35 per cent for 10 years.

## 6.2 USES OF FUNDS

### 6.2.1 Short-term and Medium-term Conversion Loans

The Short-Term Seasonal Agricultural Operations (ST-SAO) loans outstanding against advances on 31 March 2015 were as follows:

- ₹58,348.48 crore to StCBs;
- ₹30,003.31 crore to RRBs; and
- ₹213.03 crore to commercial banks for financing primary agricultural credit societies (PACS).

The Short-Term Other than Seasonal Agricultural Operations (ST-OSAO) loans outstanding amounted to ₹145.39 crore to state cooperative banks (StCBs) and ₹1 crore to RRBs on 31 March 2015. As a result, there was an increase in the aggregate outstanding for production and marketing credit, which stood at ₹88,711.21 crore on 31 March 2015, compared to ₹79,806.15 crore at the end of March 2014. This translates into an increase of 11.16 per cent in the outstanding credit under this segment. No amount was outstanding under medium-term conversion loans.

### *Project loans under RIDF*

The loans extended to the state governments to implement rural infrastructure development projects under the RIDF stood at ₹83,545.23 crore as on 31 March 2015, against an outstanding of ₹78,957.08 crore on 31 March 2014.

### *Non-project loans*

The outstanding long-term loans extended to the state governments to contribute to the share capital of cooperative credit institutions stood at ₹58.57 crore as on 31 March 2015, compared to ₹82.87 crore on 31 March 2014.

### *Investment credit*

Refinance outstanding under investment credit activities increased by over 24.51 per cent from 31 March 2014 to 31 March 2015. Refinance assistance by NABARD was extended to banks against medium-term and long-term investment loans provided by them, and the outstanding amount stood at ₹68,386.10 crore on 31 March 2015, as against ₹54,924.17 crore at the end of March 2014.

### *Co-finance*

The Bank had entered into agreements with commercial banks and RRBs to co-finance various projects. The outstanding balance on 31 March 2015 stood at ₹9.50 crore, compared to ₹22.67 crore (net of provision) on 31 March 2014.

### *NABARD Infrastructure Development Assistance*

The outstanding loans under NABARD Infrastructure Development Assistance (NIDA) stood at ₹2,222.63 crore on 31 March 2015, as against ₹1,750.27 crore on 31 March 2014.

### *Direct lending to District Central Cooperative Banks*

A multipurpose short-term credit product designed for direct lending to District Central Cooperative Banks (DCCBs) to meet the requirements of individual borrowers and affiliated PACS for working capital and farm asset maintenance was launched in 2011–12. The quantum of outstanding under this line of credit stood at ₹2,818.17 crore on 31 March 2015, in comparison to ₹2,011.61 crore on 31 March 2014.

### *Loans under WIF*

The Warehouse Infrastructure Fund (WIF) was created in NABARD with a budgetary allocation of ₹5000 crore in the Union Budget for 2013–14, to support the creation of modern scientific infrastructure to store agricultural commodities. On the basis of the instructions of the RBI on the creation of WIF, NABARD formulated the NABARD Warehousing Scheme (NWS). The scheme was aimed at extending loans to public and private players, for constructing warehouses, silos, cold storage and other cold chain infrastructure. The outstanding loans under the NWS stood at ₹1,153.50 crore on 31 March 2015, as against ₹415.65 crore on 31 March 2014.

### *Other loans*

Other loans extended from different funds—such as the CDF, MFDEF, WDF and TDF, KfW UPNRM, FIPF, JNNSM, PODF and CFF—amounted to ₹5,463.83 crore on 31 March

2015, as against ₹3,163.34 crore on 31 March 2014.[1]

### *Investment of surplus funds*

On 31 March 2015, the total quantum of surplus deployed by NABARD to various financial instruments stood at ₹25,418.48 crore. Of this, ₹14,607.48 crore was deployed in government securities and other financial instruments, and an aggregate sum of ₹10,811 crore was kept in the form of short-term bank deposits to meet liquidity and contingency requirements.

## 6.3 INCOME AND EXPENDITURE

The total income of NABARD in the financial year 2014–15 was ₹17,804.46 crore, as against ₹15,442.33 crore in 2013–14.

The Profit Before Tax (PBT) was ₹3,421.46 crore and the Profit After Tax (PAT) was ₹2,403.26 crore for the year ended 31 March 2015. In comparison, the PBT was ₹2,788 crore and the PAT, ₹1,860.25 crore in the financial year ending 31 March 2014.

The following transfers were made at the end of the financial year, as per the existing provisions.

- ₹490 crore to Special Reserve under Section 36(1) (viii) of the Income Tax Act, 1961
- ₹1 crore to the National Rural Credit (Long-Term Operations) Fund
- ₹1 crore to National Rural Credit (Stabilization) Fund
- ₹1954.93 crore to the Reserve Fund

In addition, an aggregate of ₹134.15 crore was transferred to various funds, such as the Research and Development Fund, Investment Fluctuation Reserve and Farm Sector Promotion Fund.

### *Asset-liability management and governance*

The Asset–Liability Management Committee (ALCO) of NABARD oversees the monitoring and management of market risks, liquidity risks and interest rate risks, as per the comprehensive asset–liability management policies approved by the Board of Directors (BoD). The ALCO, *inter alia*, reviews the bank's structural liquidity and interest-rate sensitivity positions, vis-à-vis the prudential limits prescribed by the RBI or BoD. It also periodically reviews the interest rates for various products and modifies them in response to the market scenario.

### 6.3.1 Capital adequacy

The capital to risk-weighted assets ratio (CRAR) was 16.91 per cent on 31 March 2015, compared to 16.61 per cent on 31 March 2014, way above the 9 per cent norm stipulated by the RBI.

### 6.3.2 Inspection and concurrent audit

Concurrent internal audit of the 33 accounting units of NABARD and periodic inspection of the Regional Offices (ROs) and Head Office (HO) departments were conducted to ensure compliance with all the regulations and norms pertaining to financial transactions and operations.

During 2014–15, the Inspection Department conducted 36 inspections, including 20 of ROs, one of a training establishment (TE), 11 of HO departments and 4 of subsidiaries of NABARD. In keeping with the RBI guidelines, risk-based inspection has been undertaken through a pilot in 2014–15.The inspections of one RO and one HO department were conducted according to a risk-based methodology on a pilot basis.

[1] CDF: Cooperative Development Fund; MFDEF: Microfinance Development and Equity Fund; WDF: Watershed Development Fund; TDF: Tribal Development Fund; KfW UPNRM: KfW Umbrella Programme for Natural Resource Management; FIPF: Farm Innovation and Promotion Fund; JNNSM: Jawaharlal Nehru National Solar Mission; PODF: Producers Organization Development Fund; CFF: Credit Facility to Federations

The inspection process is guided by the Audit Committee of the Board (ACB) of NABARD, which met thrice during 2014–15 to review the half-yearly and annual accounts and balance sheet of the Bank.

### 6.3.3 RBI inspections

Between 8 August and 16 September 2014, the RBI conducted the 15th financial inspection of NABARD's financial position as on 31 March 2014.

## 6.4 RISK MANAGEMENT

The Risk Management Department was set up in the HO to put in place a professionally managed and centralized risk management system for covering various risks, viz., credit risk, market risk, operational risk, compliance risk etc., in NABARD's business operations.

The following important initiatives were taken during the year.

a. With a view to strengthening the Bank's risk management framework, including the risk management policy, a consultancy agency, viz., 'IMaCS' (ICRA Management Consulting Services Ltd), was engaged.

b. As a part of the Citizens Charter and reputation risk management, performance standards related to the timelines for the sanction and disbursement of subsidy and grant products were placed on the Bank's website.

c. In order to strengthen the risk management framework and monitor default recovery of refinance and loan products, the Risk Management Consultation Committee, headed by Deputy Managing Director in the HO, and the Risk Management Committees in the ROs were constituted. Further, a mechanism for quarterly default forecasting and monitoring was put in place.

d. As a strategy for the management of non-performing assets (NPAs) and to inculcate a sense of accountability among the staff, policy guidelines were issued on staff accountability.

e. The pricing mechanism for direct loan and refinance products was streamlined. Interest rates were revised seven times during the year, with the new rates being placed on the Bank's website.

f. Considering the need to align the interest rates with the risk profiles of the client institutions, a risk-based pricing mechanism, besides other loan products, was extended to StCBs and RRBs. Risk-rating modules were developed for government and non-government entities including general rating for NGOs.

g. As the accounting units/ ROs are required to assess the profitability of their business operations on their own at quarterly intervals, transfer price-linked assessment of the ROs' contribution to the profit of the organization was introduced.

## 6.5 STRATEGIC INVESTMENTS

The Department of Subsidiaries and Strategic Investments was set up with the main objective of providing focused attention on the strategic investments of NABARD in its subsidiaries, equity investments, contributions to venture capital funds, etc.

### 6.5.1 Subsidiaries

So far, NABARD has floated four subsidiaries, viz., NABARD Financial Services (NABFINS), Bengaluru; Agri Business Finance Ltd (ABFL), Hyderabad; NABKISAN Financial Ltd, Mumbai; and NABARD Consultancy Services (NABCONS), New Delhi.

NABFINS, a public limited company, was incorporated on 25 February 1997

**SIDEBAR 6.1**
**Ecoteller**

Ecoteller is an innovative ATM which is indigenously designed. It is built in India and can operate under any conditions, anywhere in the world. It helps banks to reach out to all areas (rural, semi-urban and urban), and is also a profitable proposition since its power consumption is relatively lower. It can be run by greener power sources, like solar power, and can thus even operate with zero emissions.

and registered as a non-banking finance company. NABARD holds 67% equity in the Company-mFI. During 2014–15, an additional contribution of ₹26 crore was made to NABFINS. The other shareholders are the Government of Karnataka, Canara Bank, Union Bank of India, Bank of Baroda, Federal Bank and Dhanlaxmi Bank Ltd. The company basically provides microfinance to self-help groups (SHGs) through Business and Development Correspondents (BADC). It also provides credit and other facilities for the promotion, expansion, commercialization and modernization of agriculture and allied activities.

The ABFL was incorporated on 17 February 1997 with the objective of providing credit to enterprises in agriculture and allied sectors and to facilitate expansion, promotion and modernization. It is a Non-Banking Finance Company (NBFC-ND), registered under the Companies Act, 1956. The major shareholders are NABARD, Andhra Bank, Andhra Pradesh State Cooperative Bank and Government of Andhra Pradesh. The authorized capital of the company is ₹50.00 crore, while the paid up capital is ₹18.16 crore. NABARD's share is 72.46%. The ABFL lends to individuals, producer organizations, corporates, SHG federations, etc.

NABKISAN Finance Ltd (erstwhile Agriculture Development Finance (Tamil Nadu Ltd) was incorporated in 1997 and restructured in 2014, with an objective to expand its operation pan-India with special focus on financing producer organizations. Its paid up share capital is ₹19.98 crore. NABARD's holding is ₹15.56 crore (77.86%), as against the authorized share capital of ₹50 crore. The other shareholders include the Government of Tamil Nadu, Indian Bank, Canara Bank, Indian Overseas Bank, Lakshmi Vilas Bank, Federal Bank, Tamilnad Mercantile Bank and ICICI Bank. NABKISAN Finance Ltd is scheduled to commence pan-India operations, with a special focus on financing producer organizations. It has lent to non-government organizations, trusts, panchayat-level federations of SHGs, producers organizations, individuals, corporates, microfinance institutions, etc.

NABCONS was incorporated under the Companies Act, 1956 in 2003. Its authorized share capital is ₹25 crore, while its paid up share capital is ₹5 crore. NABCONS offers consultancy services in areas related to agriculture and rural development.

### 6.5.2 Strategic investment

NABARD has invested in the equity of the Agriculture Finance Corporation (₹1 crore), Agriculture Insurance Company of India Ltd (₹60 crore), Small Industries Development Bank of India (₹48 crore), Multi-Commodity Exchange of India Ltd (₹1.25 crore), National Commodity and Derivatives Exchange Ltd (₹16.88 crore) and Universal Commodity Exchange Ltd (₹16 crore).

### 6.5.3 Investment in venture capital funds

NABARD has made commitments of ₹203 crore to 10 venture capital funds (VCFs) and invested ₹98.19 crore against these.

In order to supplement NABARD's efforts to promote investment in agriculture and the rural sector, investments in Venture Capital Funds have been made with an objective to channelize private equity to start-up enterprises and seed ventures taking up agricultural technology innovations.

Some of the innovative areas in which investments have been made by VCFs are; setting up of rural ATMs (running at 60W), providing safe drinking water at an affordable cost (30 paise/ litre), solar operated micro-cold storage units & solar pumps, improved farm machinery & equipments, providing farmers with information on weather forecast, factors affecting crops and prices of agricultural commodities. Organic food and meat processing are other areas of investment. At the time of investment, the risk–reward ratio is a high one. However, the main focus is on intervention rather than return on investment.

**TABLE 6.1: SOURCES OF FUNDS (₹ CRORE)**

| *Particulars* | *31 Mar 2014* | | *31 Mar 2015* | |
|---|---|---|---|---|
| | *Amount* | *Share (%)* | *Amount* | *Share (%)* |
| Capital, reserves & surplus | 21,856 | 8.6 | 24,601 | 8.6 |
| NRC (LTO) and NRC (Stabilization ) Funds | 16,066 | 6.3 | 16,070 | 5.6 |
| Tea, coffee and rubber deposits | 333 | 0.1 | 301 | 0.1 |
| RIDF deposits | 83,863 | 33.0 | 89,603 | 31.4 |
| STCRC Fund | 50,000 | 19.6 | 60,000 | 21.0 |
| ST fund for RRBs | 30,000 | 11.8 | 30,000 | 10.5 |
| LTRC | 0 | 0.0 | 5,000 | 1.7 |
| Bonds & debentures | 36,215 | 14.2 | 34,007 | 11.9 |
| Commercial paper | 0 | 0.0 | 2,898 | 1.0 |
| Term money borrowings | 228 | 0.1 | 515 | 0.2 |
| Borrowings from GoI | 40 | 0.0 | 20 | 0.0 |
| Foreign currency loan | 715 | 0.3 | 727 | 0.3 |
| Borrowing under CBLO | 0 | 0.0 | 5,281 | 1.9 |
| Warehouse Infrastructure Fund | 1250 | 0.5 | 1,550 | 0.5 |
| Other liabilities/ funds | 14,008 | 5.5 | 15,236 | 5.3 |
| **Total** | **2,54,574** | **100.0** | **2,85,809** | **100.0** |

NRC (LTO): National Rural Credit (Long-Term Operations) Fund
RIDF: Rural Infrastructure Development Fund
STCRC Fund: Short-term Cooperative Rural Credit Fund
ST: short-term
LTRC: Long-term Rural Credit Fund
GoI: Government of India
CBLO: Collateralized borrowing and lending obligation

### TABEL 6.2: USES OF FUNDS (₹ CRORE)

| *Particulars* | *31 Mar 2014* | | *31 Mar 2015* | |
|---|---|---|---|---|
| | *Amount* | *Share (%)* | *Amount* | *Share (%)* |
| Cash and bank balance | 13,411 | 5.3 | 12,961 | 4.5 |
| Government securities and other investments | 15,071 | 5.9 | 14,769 | 5.2 |
| CBLO | 211 | 0.0 | 165 | 0.1 |
| Production and marketing credit | 79,806 | 31.3 | 88,711 | 31.0 |
| Conversion of production credit into MT loans | 0 | 0.0 | 0 | 0.0 |
| MT & LT project loans * | 54,924 | 21.6 | 68,386 | 23.9 |
| LT non-project loans | 83 | 0.0 | 59 | 0.0 |
| Loans out of RIDF | 78,957 | 31.1 | 83,545 | 29.2 |
| Co-finance loans (net of provision) | 23 | 0.0 | 10 | 0.0 |
| NIDA loan | 1,750 | 0.7 | 2,223 | 0.8 |
| Direct refinance to DCCBs | 2,012 | 0.8 | 2,818 | 1.0 |
| RIDF- warehousing infrastructure | 0 | 0.0 | 0 | 0.0 |
| NABARD Warehousing Scheme | 416 | 0.2 | 1,154 | 0.4 |
| Other loans | 3,163 | 1.2 | 5,464 | 1.9 |
| Fixed assets and other assets | 4,747 | 1.9 | 5,545 | 1.9 |
| **Total** | **2,54,574** | **100.0** | **2,85,809** | **100.0** |

*Including the amount subscribed to special development debentures of SCARDBs, which are in the nature of deemed advances.
CBLO: Collateralized borrowing and lending obligation
MT: medium-term
LT: long-term
RIDF: Rural Infrastructure Development Fund
NIDA: NABARD Infrastructure Development Assistance
DCCB: District central cooperative bank

NABARD

# Annual Accounts 2014–15

# Independent Auditors' Report

To

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

## REPORT ON THE FINANCIAL STATEMENTS

1. We have audited the accompanying standalone financial statements of **National Bank for Agriculture and Rural Development** (the Bank) as at March 31, 2015, which comprise the Balance Sheet as at March 31, 2015, 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 12 Regional Offices and 1 Training Centre visited by us for the purposes of audit and the same including Head Office account for 78.39% of advances, 99.98% of deposits and term money borrowings, 80.00% of interest income and 99.98% 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. 17 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 statements in 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 but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. 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, 2015 in conformity with accounting principles generally accepted in India;
   b. the Profit and Loss Account, read with the notes thereon shows a true balance of profit in conformity with accounting principles generally accepted in India, for the 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.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

7. 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.

8. 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.
9. 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: May 26, 2015
Place: Mumbai

# NABARD Balance Sheet 2014–15, Profit & Loss Account and Schedules to Balance Sheet

**NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT BALANCE SHEET AS ON 31 MARCH 2015**

(₹ in thousands)

| *Sr. No.* | *Funds and Liabilities* | *Schedule* | *As on 31.03.2015* | *As on 31.03.2014* |
|---|---|---|---|---|
| 1 | Capital (Under Section 4 of the NABARD Act 1981) | | 5000,00,00 | 4700,00,00 |
| 2 | Reserve Fund and other Reserves | 1 | 19600,98,97 | 17156,54,80 |
| 3 | National Rural Credit Funds | 2 | 16070,00,00 | 16066,00,00 |
| 4 | Funds out of grants received from International Agencies | 3 | 113,96,38 | 119,05,11 |
| 5 | Gifts, Grants, Donations and Benefactions | 4 | 1515,04,78 | 896,47,72 |
| 6 | Other Funds | 5 | 4081,01,73 | 3883,77,93 |
| 7 | Deposits | 6 | 186454,24,34 | 165445,96,23 |
| 8 | Bonds and Debentures | 7 | 34007,49,36 | 36215,19,72 |
| 9 | Borrowings | 8 | 9476,16,79 | 1018,27,20 |
| 10 | Current Liabilities and Provisions | 9 | 9489,76,56 | 9072,87,36 |
| | **Total** | | **285808,68,91** | **254574,16,07** |
| | Forward Foreign Exchange Contracts (Hedging) as per contra | | 640,45,99 | 780,89,06 |

## NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT BALANCE SHEET
## AS ON 31 MARCH 2015

(₹ in thousands)

| Sr. No. | Property and Assets | Schedule | As on 31.03.2015 | As on 31.03.2014 |
|---|---|---|---|---|
| 1 | Cash and Bank Balances | 10 | 13125,95,67 | 13622,08,45 |
| 2 | Investments | 11 | 21238,29,45 | 23310,83,37 |
| 3 | Advances | 12 | 245899,49,33 | 212894,36,50 |
| 4 | Fixed Assets | 13 | 325,19,37 | 325,28,17 |
| 5 | Other Assets | 14 | 5219,75,09 | 4421,59,58 |
| | **Total** | | **285808,68,91** | **254574,16,07** |
| | Forward Foreign Exchange Contracts (Hedging) as per contra | | 640,45,99 | 780,89,06 |
| | 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
26 May 2015

Padma Raghunathan
Chief General Manager
Accounts Department
Mumbai, 26 May 2015

Harsh Kumar Bhanwala
Chairman

R Amalorpavanathan
Deputy Managing Director

H R Khan
Director

Snehlata Shrivastava
Director

## NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2015

(₹ in thousands)

| Sr. No. | Income | Schedule | 2014-15 | 2013-14 |
|---|---|---|---|---|
| 1 | Interest received on Loans and Advances | | 15267,30,41 | 13091,04,98 |
| 2 | Income from Investment Operations / Deposits | | 2217,97,27 | 2159,68,42 |
| 3 | Other Income (Refer Note B-11 of Schedule 18) | | 319,18,58 | 191,59,58 |
| | **Total "A"** | | **17804,46,26** | **15442,32,98** |

(₹ in thousands)

| Sr. No. | Expenditure | Schedule | 2014-15 | 2013-14 |
|---|---|---|---|---|
| 1 | Interest and Financial Charges (Refer Note B-10 of Schedule-18) | 15 | 12928,96,33 | 11297,51,80 |
| 2 | Establishment and Other Expenses | 16 A | 1229,68,87 | 1223,00,19 |
| 3 | Expenditure on Promotional Activities | 16 B | 61,19,18 | 36,00,48 |
| 4 | Provisions | 16 C | 114,24,70 | 73,13,34 |
| 5 | Depreciation | | 48,90,87 | 24,67,08 |
| | **Total "B"** | | **14382,99,95** | **12654,32,89** |
| 6 | **Profit before Tax (A - B)** | | **3421,46,31** | **2788,00,09** |
| 7 | **Provision for** | | | |
| | a) Income Tax | | 1053,90,14 | 957,55,97 |
| | b) Deferred Tax - (Asset) (Refer Note B-14 of Schedule 18) | | (35,70,00) | (29,81,02) |
| 8 | **Profit after Tax** | | **2403,26,17** | **1860,25,14** |
| | Significant Accounting Policies and Notes on Accounts | 18 | | |

Schedules referred to above form an integral part of accounts

## NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
## PROFIT AND LOSS APPROPRIATION ACCOUNT

(₹ in thousands)

| Sr. No. | Appropriations / Withdrawals | 2014–15 | 2013–14 |
|---|---|---|---|
| **1** | **Profit for the year brought down** | **2403,26,17** | **1860,25,14** |
| **2** | Add: | | |
| | Withdrawals from funds against expenditure debited to Profit & Loss A/c | | |
| a) | Co-operative Development Fund (Refer Schedule 1) | 11,71,09 | 9,58,30 |
| b) | Research and Development Fund (Refer Schedule 1) | 20,22,32 | 15,59,52 |
| c) | Producers Organisation Development Fund (Refer Schedule 1) | 2,14,71 | 1,83,33 |
| d) | Investment Fluctuation Reserve (Refer Schedule 1) | 95,63,15 | 63,93,15 |
| e) | Farm Innovation & Promotion Fund (Refer Schedule 1) | – | 13,00,66 |
| f) | Rural Infrastructure Promotion Fund (Refer Schedule 1) | 2,29,35 | 1,17,10 |
| g) | Farm Sector Promotion Fund (Refer Schedule 1) | 43,63,72 | |
| **2.1** | **Withdrawals of Funds which have been closed** | | |
| i) | Financial Inclusion Technology Fund | – | 49,90,37 |
| ii) | mFDEF (Refer Note B-7 of Schedule 18) | 2,18,00 | 29,54,30 |
| **3** | **Profit available for Appropriation** | **2581,08,51** | **20,44,81,87** |
| | Less: Transferred to: | | |
| a) | Special Reserves u/s 36(1) (viii) of IT Act, 1961 | 4,90,00,00 | 3,10,00,00 |
| b) | National Rural Credit (Long Term Operations) Fund (Refer Schedule 2) | 1,00,00 | 1,00,00 |
| c) | National Rural Credit (Stabilisation) Fund (Refer Schedule 2) | 1,00,00 | 1,00,00 |
| d) | Research and Development Fund (Refer Schedule 1) | 20,22,32 | 15,59,52 |
| e) | Investment Fluctuation Reserve (Refer Schedule 1) | 63,93,15 | 5,24,38,45 |
| f) | Farmers Technology Transfer Fund | – | 1510,94 |
| g) | Farm Sector Promotion Fund (Refer Schedule 1) | 50,00,00 | – |
| h) | Reserve Fund | 1954,93,04 | 1177,72,96 |
| | **Total** | **2581,08,51** | **2044,81,87** |

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
26 May 2015

Padma Raghunathan
Chief General Manager
Accounts Department
Mumbai, 26 May 2015

Harsh Kumar Bhanwala
Chairman

R Amalorpavanathan
Deputy Managing Director

H R Khan
Director

Snehlata Shrivastava
Director

## SCHEDULES TO BALANCE SHEET
## SCHEDULE 1 - RESERVE FUND AND OTHER RESERVES

(₹ in thousands)

| Sr. No. | Particulars | Opening Balance as on 01.04.2014 | Exp./Add./Adjust. during the year | Transferred From P&L Appropriation | Transferred to P&L Appropriation | Balance as on 31.03.2015 |
|---|---|---|---|---|---|---|
| 1 | Reserve Fund | 10759,10,04 | – | 1954,93,04 | – | **12714,03,08** |
| 2 | Research and Development Fund | 50,00,00 | – | 20,22,32 | 20,22,32 | **50,00,00** |
| 3 | Capital Reserve | 74,80,53 | – | – | – | **74,80,53** |
| 4 | Investment Fluctuation Reserve | 686,70,00 | – | 63,93,15 | 95,63,15 | **655,00,00** |
| 5 | Co-operative Development Fund | 93,53,25 | – | – | 11,71,09 | **81,82,16** |
| 6 | Special Reserves Created & Maintained u/s 36(1)(viii) of Income Tax Act, 1961 | 5395,00,00 | – | 490,00,00 | – | **5885,00,00** |
| 7 | Producers' Organizations Development Fund | 47,77,66 | – | – | 2,14,71 | **45,62,95** |
| 8 | Rural Infrastructure Promotion Fund | 22,70,39 | – | – | 2,29,35 | **20,41,04** |
| 9 | Farm Innovation & Promotion Fund # (Refer Note B-2 of Schedule 18) | 26,92,93 | (26,92,93) | – | – | **–** |
| 10 | Farm Sector Promotion Fund @ (Refer Note B-2 of Schedule 18) | – | 67,92,93 | 50,00,00 | 43,63,72 | **74,29,21** |
| | **Total** | **17156,54,80** | **41,00,00** | **2579,08,51** | **175,64,34** | **19600,98,97** |
| | Previous year | 15234,16,74 | (20,81) | 2027,70,93 | 105,12,06 | 17156,54,80 |

# ₹26.92 crore transferred to Farm Sector Promotion Fund as per resolution of the Board

@ – Represents ₹41 crore transferred from Farmer's Technology Transfer Fund and ₹26.92 crore transferred from Farm Innovation & Promotion Fund as per resolution of the Board.

## SCHEDULE 2 – NATIONAL RURAL CREDIT FUNDS

(₹ in thousands)

| Sr. No. | Particulars | Opening Balance as on 01.04.2014 | Contribution by RBI | Transferred from P&L Appropriation | Balance as on 31.03.2015 |
|---|---|---|---|---|---|
| 1. | National Rural Credit (Long Term Operations) Fund | 14483,00,00 | 1,00,00 | 1,00,00 | 14485,00,00 |
| 2 | National Rural Credit (Stabilisation) Fund | 1583,00,00 | 1,00,00 | 1,00,00 | 1585,00,00 |
| | **Total** | **16066,00,00** | **2,00,00** | **2,00,00** | **16070,00,00** |
| | Previous year | 16062,00,00 | 2,00,00 | 2,00,00 | 16066,00,00 |

## SCHEDULE 3 – FUNDS OUT OF GRANTS RECEIVED FROM INTERNATIONAL AGENCIES

(₹ in thousands)

| Sr. No | Particulars | Opening Balance as on 01.04.2014 | Grants received/ adjusted during the year | Interest credited to the fund | Exp./Disb./ Adjust.During the year* | Balance as on 31.03.2015 |
|---|---|---|---|---|---|---|
| 1 | National Bank - Swiss Development Coop. Project | 55,61,77 | – | – | – | 55,61,77 |
| 2 | Rural Innovation Fund (RIF) (Refer Note B-1 & 5 of Schedule 18) | 50,39,82 | – | 2,99,68 | 53,39,50 | – |
| 3 | Rural Promotion Fund (Refer Note B-1 of Schedule 18) | 11,47,36 | 2,48,48 | – | 13,95,84 | – |
| 4 | RPF & RIF - Off-Farm Sector Promotion Fund @ (Refer Note B-1 of Schedule 18) | – | 66,05,15 | – | 9,50,27 | 56,54,88 |
| 5 | KfW - NABARD V Fund for Adivasi Programme (Refer Note B-5 of Schedule 18) | 1,56,16 | 78,28 | 8,39 | 63,10 | 1,79,73 |
| | **Total** | **119,05,11** | **69,31,91** | **3,08,07** | **77,48,71** | **113,96,38** |
| | Previous year | 125,38,44 | 1,62,88 | 3,08,94 | 11,05,15 | 119,05,11 |

1. @ being ₹52.09 crore transferred from Rural Innovation Fund and ₹13.96 crore transferred from Rural Promotion Fund to RPF & RIF – Off Farm Sector Promotion Fund in accordance with the resolution of the Board.
2. * Includes approved claims of reimbursements pending disbursements
3. 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 01.04.2014 | Grant received during the year | Interest Credited to the fund | Refunded/Adjusted against the expenditure* | Balance as on 31.03.2015 |
|---|---|---|---|---|---|---|
| **A.** | **Grants from International Agencies** | | | | | |
| 1 | KfW - NB - IX Adivasi Development Programme - Maharashtra (Refer Note B-5 of Schedule 18) | 3,55,63 | 7,16 | 38,06 | 7,39 | 3,93,46 |
| 2 | KfW UPNRM - Accompanying Measures (Refer Note B-5 of Schedule 18) | – | 7,93,32 | 18,47 | 4,59,12 | 3,52,67 |
| 3 | KfW NB UPNRM - Financial Contribution (Refer Note B-6 of Schedule 18) | – | 41,27 | – | 41,27 | – |
| 4 | KfW UPNRM - Risk Mitigation Fund (Refer Note B-4 of Schedule 18) | 2,74,45 | – | – | 2,74,45 | – |
| 5 | International Fund for Agriculture Development (IFAD) Priyadarshini (Refer Note B-6 of Schedule 18) | – | 4,50,00 | – | 4,50,00 | – |
| 6 | KfW-NB-Indo German Watershed Development Programme - Phase III - Maharashtra (Refer Note B-5 of Schedule 18) | 47,82 | – | 4,56 | 20,46 | 31,92 |
| 7 | Indo German Watershed Development Programme - Andhra Pradesh ((Refer Note B-5 &6 of Schedule 18) | – | 6,32,54 | 2,36 | 6,34,90 | – |
| 8 | Indo German Watershed Development Programme - Gujarat (Refer Note B-5 of Schedule 18) | – | 10,50,54 | 1,23 | 10,15,50 | 36,27 |
| 9 | Indo German Watershed Development Programme - Rajasthan (Refer Note B-5 & 6 of Schedule 18) | – | 9,73,16 | 96 | 9,74,12 | – |
| 10 | KfW Umbrella Programme on Natural Resource Management Fund (Refer Note B-4 of Schedule 18) | 12,50,58 | – | – | 12,50,58 | – |
| 11 | GIZ Rural Financial Institutions Program (RFIP) | 12,73 | 1,58,69 | – | 48,66 | 1,22,76 |
| 12 | GIZ UPNRM Technical Collaboration (Refer Note B-6 of Schedule 18) | 15,82 | 66,33 | – | 82,15 | – |

(Contd)

| Sr. No. | Particulars | Opening Balance as on 01.04.2014 | Grant received during the year | Interest Credited to the fund | Refunded/Adjusted against the expenditure* | Balance as on 31.03.2015 |
|---|---|---|---|---|---|---|
| **B.** | **Government Subsidy Schemes** | | | | | |
| 1 | Capital Investment Subsidy for Cold Storage Projects - NHB | 1,44,40 | - | - | - | 1,44,40 |
| 2 | Capital Subsidy for Cold Storage TM North East | - | - | - | (8,40) | 8,40 |
| 3 | Credit Linked Capital Subsidy for Technology Upgradation of SSIs | 56,30 | 4,73,91 | - | 5,30,21 | – |
| 4 | Capital Investment Subsidy for Rural Godowns | 2,69,32 | – | – | 2,69,32 | – |
| 5 | On-farm Water Management for Crop Production | 7,17 | – | – | – | 7,17 |
| 6 | Bihar Ground Water Irrigation Scheme (BIGWIS) | 77,29,42 | – | – | 327 | 77,26,15 |
| 7 | Cattle Development Programme - Uttar Pradesh Refer Note B-5 of Schedule 18) | 1,94 | – | 21 | – | 2,15 |
| 8 | Cattle Development Programme - Bihar (Refer Note B-5 of Schedule 18) | 4,62 | – | 50 | – | 5,12 |
| 9 | National Project on Organic Farming | 80,09 | 3,78,00 | – | 1,55,03 | 3,03,06 |
| 10 | Integrated Watershed Development Programme - Rashtriya Sam VikasYojana | 4,29,42 | – | – | (3) | 4,29,45 |
| 11 | Centrally Sponsored Scheme on Integrated Development of Small Ruminants and Rabbits | 51,54 | 62,39,15 | – | 41,11,04 | 21,79,65 |
| 12 | Kutch Drought Proofing Project | 2,164 | – | – | – | 21,64 |
| 13 | Dairy and Poultry Venture Capital Fund | 5,74,84 | – | – | (9,36,46) | 15,11,30 |
| 14 | Poultry Venture Capital Fund | 4,00,43 | – | – | (1,00,22) | 5,00,65 |
| 15 | Poultry Venture Capital Fund (Subsidy) | 11,27,69 | 55,35,00 | – | 47,99,16 | 18,63,53 |
| 16 | Capital Subsidy for Agriculture Marketing Infrastructure, Grading and Standardisation | 27,54,71 | – | – | 27,54,71 | – |
| 17 | ISAM - Agricultural Marketing Infrastructure (Refer Note B-3 of Schedule 18) | – | 663,32,04 | – | 568,64,50 | 94,67,54 |
| 18 | Centrally Sponsored Scheme for establishing Poultry Estate | 3,16,91 | – | – | 1819 | 2,98,72 |

(Contd)

| Sr. No. | Particulars | Opening Balance as on 01.04.2014 | Grant received during the year | Interest Credited to the fund | Refunded/Adjusted against the expenditure* | Balance as on 31.03.2015 |
|---|---|---|---|---|---|---|
| 19 | Climate Change - (AFB) - Project Formulation Grant | – | 53,77 | – | 34,74 | 19,03 |
| 20 | Climate Change - (AFB) - Project / Programme Implementation a/c | – | 3,40,48 | – | – | 3,40,48 |
| 21 | Multi Activity Approach for Poverty Alleviation - Sultanpur, Uttar Pradesh (Refer Note B-5 of Schedule 18) | 4.17 | – | 45 | – | 4,62 |
| 22 | Multi Activity Approach for Poverty Alleviation - BAIF - Rae Bareli, Uttar Pradesh ((Refer Note B-5 of Schedule 18) | 1,11 | – | 12 | – | 1,23 |
| 23 | CCS - on Pig Development | 4,94,73 | 21,50,00 | – | 23,19,37 | 3,25,36 |
| 24 | Dairy Entrepreneurship development Scheme | 48,43,15 | 154,59,00 | – | 170,58,91 | 32,43,24 |
| 25 | CCS - S & R Male Buffaloes calves | – | 25,00 | – | 23,74 | 1,26 |
| 26 | CSS - JNN Solar Mission | 7,74,81 | – | – | 2,23,92 | 5,50,89 |
| 27 | CSS - JNNSM - Solar Lighting a/c - subsidy recd | 1,07,03 | – | – | (11,81) | 1,18,84 |
| 28 | CSS - Solar Photovoltaic Water Pumping | – | 120,00,00 | – | 4,45,78 | 115,54,22 |
| 29 | Capital Subsidy Scheme - Agri Clinics Agri Business Centres | 2,75,15 | 8,08,90 | – | 8,17,02 | 2,67,03 |
| 30 | Artificial Recharge of Groundwater in Hard Rock Area | – | – | – | (1,33,74) | 1,33,74 |
| **C.** | **Government Schemes** | | | | | |
| 1 | Agriculture Debt Waiver and Debt Relief Scheme (ADWDR) 2008 | 262,66,73 | – | – | (15,46,69) | 278,13,42 |
| 2 | Women's Self Help Groups [SHGs] Development Fund | 149,80,48 | – | – | 16,62,78 | 133,17,70 |
| 3 | PRODUCE FUND | – | 200,00,00 | – | 1,00,37 | 198,99,63 |
| 4 | Revival of 23 unlicensed DCCBs | – | 562,07,00 | – | 258,75,00 | 303,32,00 |
| **D.** | **Interest Relief / Subvention** | | | | | |
| 1 | Interest Subvention (Sugar Term Loan) | 8,67,23 | – | – | 8,59,19 | 8,04 |
| 2 | Scheme for providing Financial Assistance to Sugar Undertakings - 2007 (SEFASU - 2007) | 65,27 | – | – | – | 65,27 |
| **E** | **Revival Package of Short Term Cooperative Credit Structure** | | | | | |
| 1 | Implementation Cost | 39 | – | – | 39 | – |

(Contd)

| Sr. No. | Particulars | Opening Balance as on 01.04.2014 | Grant received during the year | Interest Credited to the fund | Refunded/Adjusted against the expenditure* | Balance as on 31.03.2015 |
|---|---|---|---|---|---|---|
| **F** | **Revival Package for Long Term Co-operative Credit Structure (LTCCS)** | 20,00,00 | – | – | – | 20,00,00 |
| **G** | **Revival reform and Restructure of Handloom Sector** | | | | | |
| 1 | Implementation Cost [RRR - Handloom Package ] a/c - grant received (Refer Note B-6 of Schedule 18) | – | – | – | – | – |
| 2 | Expenditure on Loss Asset [RRR - Handloom Package] a/c - grant received | 1,49,89 | – | – | 24,91 | 1,24,98 |
| 3 | Recap Assist [RRR - Handloom Package] to AWCS a/c - | 124,15,75 | 18,79,20 | – | 53,82,18 | 89,12,77 |
| 4 | Recap Assist [RRR - Handloom Package] to PWCS a/c - | 62,71,66 | 2,479,62 | – | 56,89,57 | 30,61,71 |
| 5 | Recap Assist [RRR - Handloom Package] to individual weaver a/c - | 36,28,48 | 74,47 | – | 1,72,23 | 35,30,72 |
| 6 | Technical Assistance [RRR - Handloom Package] (Refer Note B-6 of Schedule 18) | 2,00,00 | 1,37,18 | – | 3,37,18 | – |
| 7 | HRD [RRR - Handloom Package] | 1,84,70 | – | – | 17,50 | 1,67,20 |
| 8 | Interest Subvention [RRR - Handloom Package](Refer Note B-6 of Schedule 18) | – | – | – | – | – |
| 9 | Comprehensive Handloom Package | 79,03 | 19,50,48 | – | 18,80,03 | 1,49,48 |
| **H** | Centre for Professional Excellence in Co-operatives - (C-PEC) (Refer Note B-5 of Schedule 18) | 1,10,49 | 50,88 | 14,06 | 19,52 | 1,55,91 |
| | **Total** | **896,47,72** | **1967,47,09** | **80,98** | **1349,71,01** | **1515,04,78** |
| | **Previous year** | **977,39,94** | **1413,60,61** | **31,91** | **1494,84,74** | **896,47,72** |

1. * Includes approved claims of reimbursements pending disbursements
2. 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 01.04.2014 | Additions/ Adjustment during the year | Transferred from P&L Appropriation | Interest Credited | Expenditure/ Disb. during the year* | Transferred to P&L Appropriation | Balance as on 31.03.2015 |
|---|---|---|---|---|---|---|---|---|
| 1 | Watershed Development Fund (i)* (Refer Note B-5 & 8 of Schedule 18) | 929,63,80 | 300,00,00 | – | 57,14,75 | 201,84,50 | – | 1084,94,05 |
| 2 | Interest Differential Fund - (Forex Risk) | 209,11,93 | 18,74,13 | – | – | – | – | 2,27,86,06 |
| 3 | Interest Differential Fund - (Tawa) | 10,00 | – | – | – | – | – | 10,00 |
| 4 | Adivasi Development Fund | 5,77,50 | – | – | – | – | – | 5,77,50 |
| 5 | Tribal Development Fund (ii)* (Refer Note B-5 & 8 of Schedule 18) | 1090,14,07 | 303,62,61 | – | 64,12,22 | 715,62,27 | – | 742,26,63 |
| 6 | Financial Inclusion Fund (iii)* (Refer Note B-5 & 8 of Schedule 18) | 1626,51,43 | 659,26,96 | – | 108,39,83 | 324,76,46 | – | 2069,41,76 |
| 7 | Financial Inclusion Technology Fund (Refer Note B-9 of Schedule 18) | (18,50,80) | – | – | – | 30,83,47 | – | (49,34,27) |
| 8 | Farmers Technology Transfer Fund@ (Refer Note B-2 of Schedule 18) | 41,00,00 | – | – | – | 41,00,00 | – | – |
| | **Total** | **3883,77,93** | **1281,63,70** | **–** | **229,66,80** | **1314,06,70** | **–** | **4081,01,73** |
| | Previous year | 4154,75,73 | 882,39,14 | 15,10,94 | 254,28,83 | 1372,86,34 | 49,90,37 | 3883,77,93 |

1. * Includes approved claims of reimbursements pending disbursements
2. @ being ₹41 crore transferred to Farm Sector Promotion Fund
3. i Includes ₹101.97 crore being income taxes paid including interest
   ii Includes ₹527.37 crore being income taxes paid including interest
   iii Includes ₹224.08 crore being income taxes paid including interest
4 NABARD is acting as banker/custodian/ trustee on behalf of GoI/ RBI/Other entities and is holding the above funds, pending disbursement /Utilization in terms of respective schemes, on their behalf ,to the extent of contribution made by them and accrued interest on unutilized balances, wherever applicable

## SCHEDULE 6 – DEPOSITS

(₹ in thousands)

| Sr. No. | Particulars | As on 31.03.2015 | As on 31.03.2014 |
|---|---|---|---|
| 1 | Central Government | – | – |
| 2 | State Governments | – | – |
| 3 | Others | | |
| | a) Tea / Rubber / Coffee Deposits | 300,84,98 | 333,13,06 |
| | b) Commercial Banks (Deposits under RIDF) | 89603,39,36 | 83862,83,17 |
| | c) Short Term Cooperative Rural Credit Fund | 60000,00,00 | 50000,00,00 |
| | d) ST RRB Credit Refinance Fund | 30000,00,00 | 30000,00,00 |
| | e) Warehouse Infrastructure Fund | 1550,00,00 | 1250,00,00 |
| | f) Long Term Rural Credit Fund | 5000,00,00 | – |
| | **Total** | **186454,24,34** | **165445,96,23** |

## SCHEDULE 7 – BONDS AND DEBENTURES

(₹ in thousands)

| Sr. No. | Particulars | As on 31.03.2015 | As on 31.03.2014 |
|---|---|---|---|
| 1 | Non Priority Sector Bonds | 29031,00,00 | 31229,10,00 |
| 2 | Capital Gains Bonds | 1,29,40 | 1,29,40 |
| 3 | Bhavishya Nirman Bonds | 4975,19,96 | 4975,19,96 |
| 4 | NABARD Rural Bond | – | 9,60,36 |
| | **Total** | **34007,49,36** | **36215,19,72** |

## SCHEDULE 8 – BORROWINGS

(₹ in thousands)

| Sr. No. | Particulars | As on 31.03.2015 | As on 31.03.2014 |
|---|---|---|---|
| | (A) In India | | |
| 1 | Central Government | 19,61,52 | 39,59,18 |
| 2 | JNN Solar Mission | 35,82,00 | 35,82,00 |
| 3 | Reserve Bank of India | – | – |
| 4 | **Others :** | | |
| | (i) Commercial Paper | 2898,04,50 | – |
| | (ii) Borrowing under Collateralised and Borrowing Lending Obligation | 5280,66,50 | – |
| | (iii) Term Money Borrowings | 515,24,00 | 227,85,00 |
| | (iv) Commercial Banks | – | – |
| | (v) Borrowing against STD | – | – |
| | (B) Outside India | | |
| | (i) International Agencies | 726,78,27 | 715,01,02 |
| | **Total** | **9476,16,79** | **1018,27,20** |

Out of the above, borrowings under CBLO are secured against Government Securities including Treasury Bills

## SCHEDULE 9 – CURRENT LIABILITIES AND PROVISIONS

(₹ in thousands)

| Sr. No. | Particulars | As on 31.03.2015 | As on 31.03.2014 |
|---|---|---|---|
| 1 | Interest / Discount Accrued | 7698,97,07 | 7461,96,10 |
| 2 | Sundry Creditors * | 540,22,16 | 455,80,98 |
| 3 | Subsidy Reserve (Co-finance, Cold Storage) | 13,80,41 | 1,12,82 |
| 4 | Subsidy Reserve - CSAMI under RIDF | 2,27,06 | 16,72,05 |
| 5 | Provision for Gratuity (Refer Note B-32 of Schedule 18) | – | – |
| 6 | Provision for Pension (Refer Note B-32of Schedule 18) | 59,93,44 | 15,16,16 |
| 7 | Provision for Encashment of Ordinary Leave (Refer Note B-32 of Schedule 18) | – | 6,59,13 |
| 8 | Provision for Post-Retirement Medical Benefit (Refer Note B-32 of Schedule 18) | 106,61,60 | 86,34,06 |
| 9 | Unclaimed Interest on Bonds | 1,79,44 | 2,09,68 |
| 10 | Unclaimed Interest on Term Deposits | 68 | 78 |
| 11 | Term Deposits Matured but not claimed | 22,87 | 33,18 |
| 12 | Bonds matured but not claimed | 3,63,14 | 4,89,51 |
| 13 | Application money received pending allotment of Bonds | – | – |
| 14 | Provisions and Contingencies | | – |
| (a) | Depreciation in Value of Investment a/c - G. Sec. | – | 63,82,69 |
| (b) | Amortisation of G. Sec. - HTM | 4,81,79 | 3,57,80 |
| (c) | For Standard Assets | 1011,24,00 | 887,04,00 |
| (d) | Depreciation in Value of Investment a/c - Equity | – | 69,75 |
| (e) | Non-performing investments | 16,00,00 | – |
| (f) | Non-performing assets | – | – |
| (g) | Countercyclical Provisioning Buffer (Refer Note B-43 (b) & (e) of Schedule 18) | 14,44,89 | 25,51,00 |
| (h) | Sacrifice in interest element of restructured loans (Refer Note B-40 (b) of Schedule 18) | 15,21,01 | 37,17,37 |
| (i) | Provision for Other Assets & Receivables | 57,00 | 4,00,30 |
| | **Total** | **9489,76,56** | **9072,87,36** |

* - includes an amount of ₹35.50 crore towards mFDEF (refer note B -7 of Schedule 18)

## SCHEDULE 10 – CASH AND BANK BALANCES

(₹ in thousands)

| Sr. No. | Particulars | As on 31.03.2015 | As on 31.03.2014 |
|---|---|---|---|
| 1 | Cash in hand | 6 | 5 |
| 2 | **Balances with :** | | |
| | **A) Banks in India** | | |
| | i) Reserve Bank of India | 2030,03,79 | 107,31,18 |
| | **B) Others** | | |
| | a) in Current Account | 120,03,75 | 11,64,31 |
| | b) Deposit with Banks | 10811,00,00 | 13187,64,00 |
| | c) Remittances in Transit | 5,31 | 104,40,17 |
| | d) Collateralised Borrowing and Lending Obligations | 164,82,76 | 211,08,74 |
| | **(C) Outside India** | – | – |
| | **Total** | **13125,95,67** | **136,220,845** |

## SCHEDULE 11 – INVESTMENTS

(₹ in thousands)

| Sr. No. | Particulars | As on 31.03.2015 | As on 31.03.2014 |
|---|---|---|---|
| **1** | **Government Securities** | | |
| | a) Securities of Central Government | 3099,48,70 | 3007,34,59 |
| | [Face Value ₹3133,97,80,000 (₹3053,31,00,000)] | | |
| | [Market Value ₹3166,61,16,724 (₹2916,58,70,419)] | | |
| | **b) Treasury Bills** | 5346,42,17 | 2754,46,32 |
| | [Face Value ₹5465,81,75,000 (₹2822,80,00,000)] | | |
| | [Market Value ₹.5346,42,17,463 (₹2754,46,32,458)] | | |
| **2** | **Other Approved Securities** | – | – |
| **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. [77,389 (17,389) - Equity shares of ₹10 each] | 2,95,29 | 42,60 |
| (ii) | Power Grid Corpn of India Ltd. [28,592 (28,592) - Equity shares of ₹10 each] | 25,73 | 25,73 |

(Contd)

| Sr. No. | Particulars | As on 31.03.2015 | As on 31.03.2014 |
|---|---|---|---|
| (iii) | Manganese Ore India Ltd. [11,719 (11,719) -Equity shares of ₹10 each] | 43,95 | 43,95 |
| (iv) | Punjab & Sind Bank [0 (7,958) - Equity shares of ₹10 each] | – | 9,55 |
| (v) | State Bank of India [2,39,888 (3,19,488) shares of ₹10 each] | 37,54,24 | 49,99,99 |
| (vi) | Punjab National Bank [1,50,000 (0) shares of ₹2 each] | 2,98,39 | – |
| (vii) | Larsen & Toubro Limited [13,000 shares (0) of ₹2 each] | 2,25,22 | – |
| (viii) | Oil and Natural Gas Corporation Ltd [60,000 shares (0) of ₹5 each] | 2,67,04 | – |
| (ix) | Steel Authority of India Ltd [3,58,626 shares (0) of ₹10 each] | 3,48,35 | – |
| (x) | Bharat Heavy Electrical Ltd [80,000 shares (0) of ₹2 each] | 1,99,13 | – |
| (xi) | Indian Oil Corporation Ltd [35,000 shares (0) of ₹10 each] | 1,20,32 | – |
| (xii) | Maruti Suzuki India Ltd [10,000 shares (0) of ₹5 each] | 2,55,49 | – |
| (xiii) | NTPC [70,000 shares (0) of ₹10 each] | 1,05,82 | – |
| (xiv) | TATA Consultancy Services Ltd [10,000 shares (0) of ₹1 each] | 2,39,88 | – |
| **4** | **Debentures and Bonds** | | |
| (i) | Special Dev Debentures of SCARDBs (Refer Note B-24 of Schedule 18) | 6469,24,23 | 82,39,44,23 |
| (ii) | Non-Convertible Debentures | 1,50,08,77 | 2,35,10,39 |
| (iii) | NTPC - Non Convertible Debentures | 8,75 | – |
| **5** | **Shareholding in subsidiaries and Joint Venture** | | |
| (i) | NABARD Financial Services Ltd, Karnataka [10,20,06,300 (7,60,06,300) - Equity shares of ₹10 each] | 1,02,00,63 | 76,00,63 |
| (ii) | Agri - Business Finance [Andhra Pradesh] Ltd. [1,31,61,000 (1,31,61,000) - Equity shares of ₹10 each] | 13,22,81 | 13,22,81 |
| (iii) | NAB KISAN Finance Ltd (formerly known as Agri Development Finance (TN) Ltd [1,55,56,700 (1,55,54,200) - Equity shares of ₹10 each] | 15,64,16 | 15,63,85 |
| (iv) | 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) | Mutual Fund | 6,00,29,09 | 901,00,17 |
| (b) | Commercial Paper [Face Value ₹1000,00,00,000 (₹475,00,00,000)] | 975,10,97 | 464,09,46 |
| (c) | Certificate of Deposit [Face Value ₹4250,00,00,000 (₹7481,75,00,000)] | 4160,79,19 | 7345,14,17 |
| (d) | SEAF - Indian Agri- Business | 8,33,12 | 7,57,77 |
| (e) | APIDC - Ventures Life Fund III | 12,48,69 | 10,18,90 |
| (f) | BVF (Bio-Tech Venture Fund) - APIDC-V Investment | 4,98,35 | 4,98,35 |
| (g) | Omnivore India Capital Trust | 13,00,80 | 8,06,80 |
| (h) | India Opportunities | 7,32,05 | 4,60,14 |
| (i) | Ivy Cap Ventures Fund | 12,00,00 | 2,00,00 |
| (j) | Tata Capital Innovation Fund | 29,51,25 | 22,60,47 |
| (k) | TVS Shriram Growth Fund IB | 8,34,37 | – |
| | **Total** | **212,38,29,45** | **23310,83,37** |

All the above investments are made in India

@ The company is valued at ₹1/-. The provision against the investment is shown under the head Provision against Non Performing Investments Schedule-9.(Refer Note B-31 of Schedule 18)

## SCHEDULE 12 – ADVANCES

(₹ in thousands)

| Sr. No. | Particulars | As on 31.03.2015 | As on 31.03.2014 |
|---|---|---|---|
| 1 | **Refinance Loans** | | |
| (a) | Production & Marketing Credit | 88711,21,42 | 79806,15,00 |
| (b) | Conversion Loans for Production Credit | – | – |
| (c) | **Other Investment Credit** | | |
| (i) | Medium Term and Long Term Project Loans (Refer Note B -24 of Schedule 18) | 61916,86,41 | 46684,71,84 |
| (ii) | Interim Finance | – | – |
| (iii) | Direct refinance to DCCBs | 2818,16,68 | 2011,61,11 |
| (iv) | JNN Solar Mission | 13,25,59 | 19,72,66 |
| 2 | **Direct Loans** | | |
| (a) | Loans under Rural Infrastructure Development Fund | 83545,23,44 | 78957,07,51 |
| (b) | Loans under Warehouse Infrastructure Fund | 1153,50,18 | 415,64,61 |
| (c) | Long Term Non-Project Loans | 58,56,55 | 82,86,85 |
| (d) | Loans under NABARD Infrastructure Development Assistance (NIDA) | 2222,63,12 | 1750,27,07 |
| (e) | Loans to Producers' Organisation Development (Net of provision) | 354,86,25 | 259,21,18 |
| (f) | Credit Facility to Federations[CFF] | 4827,45,00 | 2594,67,19 |
| **(3)** | **Other Loans:** | | |
| (i) | Co-operative Development Fund Programme Loans | 1,28,57 | 1,73,49 |
| (ii) | Micro Finance Development Equity Fund Programme Loans (Net of Provision) | 12,81,10 | 32,40,23 |
| (iii) | Watershed Development Fund Programme Loans | 41,45,01 | 38,09,85 |
| (iv) | Tribal Development Fund Programme Loans | 15,11,30 | 13,17,31 |
| (v) | KfW UPNRM Loans (Net of provision) | 127,24,42 | 141,99,69 |
| (vi) | Farm Innovation & Promotion Fund Programme Loans | – | 22,84 |
| (vii) | NFS Promotional Activities Programme Loans (Net of provision) | 7,36,16 | 9,53,76 |
| (viii) | Farmers Technology Transfer Fund Activities Programme Loans | 20,29 | 88,73 |
| (ix) | Off Farm Sector Promotion Activities Programme Loans | 12,48,20 | – |
| (x) | Farm Sector Promotion Activities Programme Loans | 1,70,39 | – |
| (h) | Co-Finance Loans (Net of provision) | 9,50,08 | 22,67,22 |
| (i) | CP - HCC Deemed Advance | 48,59,18 | 51,68,36 |
| | **Total** | **245899,49,33** | **212894,36,50** |

## SCHEDULE 13 – FIXED ASSETS

(₹ in thousands)

| Sr. No. | Particulars | As on 31.03.2015 | As on 31.03.2014 |
|---|---|---|---|
| 1 | LAND : Freehold & Leasehold (Refer Note B-23 of Schedule 18) | | |
| | Opening Balance | 162,83,32 | 162,84,71 |
| | Additions/adjustments during the year | –39,72 | –1,39 |
| | **Sub-Total** | **162,43,60** | **162,83,32** |
| | Less: Cost of assets sold/written off | – | – |
| | Closing Balance (at cost) | 162,43,60 | 162,83,32 |
| | Less: Amortisation of Lease Premia | 49,06,40 | 46,47,60 |
| | **Book Value** | **113,37,20** | **116,35,72** |
| 2 | PREMISES (Refer Note B-23 of Schedule 18) | | |
| | Opening Balance | 304,35,84 | 265,98,81 |
| | Additions/adjustments during the year | 34,73,49 | 38,37,03 |
| | Sub-Total | 339,09,33 | 304,35,84 |
| | Less: Cost of assets sold/written off | – | – |
| | Closing Balance (at cost) | 339,09,33 | 304,35,84 |
| | Less: Depreciation to date | 215,59,87 | 182,35,09 |
| | **Book Value** | **123,49,46** | **122,00,75** |
| 3 | FURNITURE & FIXTURES | | |
| | Opening Balance | 56,79,08 | 59,09,32 |
| | Additions/adjustments during the year | 4,72,65 | 39,91 |
| | **Sub-Total** | **61,51,73** | **59,49,23** |
| | Less: Cost of assets sold/written off | 45,11 | 2,70,15 |
| | Closing Balance (at cost) | 61,06,62 | 56,79,08 |
| | Less: Depreciation to date | 57,26,12 | 55,22,62 |
| | **Book Value** | **3,80,50** | **1,56,46** |
| 4 | COMPUTER INSTALLATIONS & OFFICE EQUIPMENTS | | |
| | Opening Balance | 88,71,46 | 82,11,62 |
| | Additions/adjustments during the year | 9,29,90 | 14,43,39 |
| | Sub-Total | **98,01,36** | **96,55,01** |
| | Less: Cost of assets sold/written off | 2,79,48 | 7,83,55 |
| | Closing Balance (at cost) | 95,21,88 | 88,71,46 |
| | Less: Depreciation to date | 84,04,56 | 77,38,46 |
| | **Book Value** | **11,17,32** | **11,33,00** |
| 5 | VEHICLES | | |
| | Opening Balance | 5,49,45 | 5,46,73 |
| | Additions/adjustments during the year | 1,80,14 | 1,08,04 |
| | Sub-Total | **7,29,59** | **6,54,77** |
| | Less: Cost of assets sold/written off | 1,07,88 | 1,05,32 |
| | Closing Balance (at cost) | 6,21,71 | 5,49,45 |
| | Less: Depreciation to date | 3,49,39 | 3,04,95 |
| | **Book Value** | **2,72,32** | **2,44,50** |
| 6 | Capital Work in Progress [Purchase of Staff Quarters & Office Premises] (Refer Note A - 4 (i) of Schedule 18) | 70,62,57 | 71,57,74 |
| | **Total** | **325,19,37** | **325,28,17** |

## SCHEDULE 14 – OTHER ASSETS

(₹ in thousands)

| Sr. No. | Particulars | As on 31.03.2015 | As on 31.03.2014 |
|---|---|---|---|
| 1 | Accrued Interest | 4343,28,05 | 3739,09,95 |
| 2 | Deposits with Landlords | 1,18,51 | 1,09,81 |
| 3 | Deposits with Government Departments and Other Institutions | 3,38,68 | 3,36,31 |
| 4 | Housing loan to staff | 154,79,67 | 158,14,64 |
| 5 | Other Advances to staff | 89,52,67 | 87,79,89 |
| 6 | Advances to Landlords | 1,04 | 2,03 |
| 7 | Sundry Advances | 21,42,04 | 38,00,27 |
| 8 | Provision for Gratuity (Refer Note B-32 of Schedule 18) | – | – |
| 9 | Advance Tax (Net of Provision for Income Tax) | 251,81,23 | 110,14,88 |
| 10 | Deferred Tax Assets (Refer Note B-14 of Schedule 18) | 151,46,02 | 115,76,02 |
| 11 | Expenditure recoverable from Government of India/International Agencies. (Refer Note B-6 of Schedule 18) | 33,58,05 | 25,43,58 |
| 12 | Discount Receivable | 151,37,72 | 142,72,20 |
| 13 | Investment earmarked for encashment of ordinary leave (net of provision)(Refer to Note B-32 Schedule 18) | 17,91,41 | – |
| | **Total** | **5219,75,09** | **4421,59,58** |

## SCHEDULE 15 – INTEREST AND FINANCIAL CHARGES

(₹ in thousands)

| Sr. No. | Particulars | 2014–15 | 2013–14 |
|---|---|---|---|
| 1 | **Interest Paid on** | | |
| (a) | Deposits under RIDF | 5292,52,13 | 4839,86,21 |
| (b) | Short Term Cooperative Rural Credit Fund (Refer Note B-10 of Schedule 18) | 2314,38,04 | 1439,68,04 |
| (c) | ST RRB Credit Refinance Fund (Refer Note B-10 of Schedule 18) | 1271,95,44 | 570,87,24 |
| (d) | Tea / Coffee / Rubber Deposits | 20,27,39 | 20,65,22 |
| (e) | CBS Deposits | 77,33 | 2,29,42 |
| (f) | Loans from Central Government | 2,14,58 | 2,88,85 |
| (g) | Borrowings from Reserve Bank of India | – | 149,79,00 |
| (h) | Bonds (Refer Note B-10 of Schedule 18) | 2970,15,27 | 3776,24,17 |
| (i) | Commercial Paper | 429,32,09 | 139,69,58 |
| (j) | Term Money Borrowings | 24,05,01 | 9,68,92 |
| (k) | Borrowing against ST Deposit | 2,70 | 8 |
| (l) | Borrowings from International Agencies | 27,69,95 | 21,19,71 |
| (m) | Watershed Development Fund | 57,14,75 | 96,13,88 |
| (n) | Rural Innovation Fund | 2,99,68 | 3,08,94 |
| (o) | Financial Inclusion Fund | 108,39,83 | 78,91,41 |
| (p) | Indo German Watershed Development Programme - Andhra Pradesh | 2,36 | 1,03 |
| (q) | Indo German Watershed Development Programme - Rajasthan | 96 | – |

(Contd)

| Sr. No. | Particulars | 2014–15 | 2013–14 |
|---|---|---|---|
| (r) | Indo German Watershed Development Programme - Gujarat | 1,23 | – |
| (s) | KfW UPNRM - Accompanying measures | 18,47 | 9 |
| (t) | KfW - NB Indo German Watershed Development Programme - Phase III - Maharashtra | 4,56 | 4,58 |
| (u) | KfW - NB - IX Adivasi Development Programme | 38,06 | 19,64 |
| (v) | KfW - NB - V Adivasi Development Programme | 8,39 | |
| (w) | Commitment Charges -KfW UPNRM Borrowings | 26,42 | 18,70 |
| (x) | Multi Activity Approach for Poverty Alleviation BAIF Project - Sultanpur, Uttar Pradesh | 45 | 23 |
| (y) | Multi Activity Approach for Poverty Alleviation BAIF Project -Rae Bareli, Uttar Pradesh | 12 | 6 |
| (z) | Cattle Development Programme (UP & Bihar) | 71 | 36 |
| (aa) | Tribal Development Fund | 64,12,22 | 79,23,54 |
| (ab) | Centre for Professional Excellence in Co-operatives (C - PEC) | 14,06 | 5,91 |
| (ac) | Warehouse Infrastructure Fund | 87,95,28 | 8,15,07 |
| (ad) | Long Term Rural Credit Fund | 124,76,64 | – |
| 2 | Discount on Collateralised Borrowing and Lending Obligations | 96,73,65 | 45,71,03 |
| 3 | Discount, Brokerage, Commission & issue exp. on Bonds and Securities | 9,16,63 | 3,46,72 |
| 4 | Capital Loss - Equity Shares of Other Institutions | 564 | – |
| 5 | Swap Charges | 23,16,29 | 9,44,17 |
| | **Total** | **12928,96,33** | **11297,51,80** |

## SCHEDULE 16 A – ESTABLISHMENT AND OTHER EXPENSES

(₹ in thousands)

| Sr. No. | Particulars | 2014–15 | 2013–14 |
|---|---|---|---|
| 1 | Salaries and Allowances (Refer Note B-13 of Schedule 18) | 725,84,75 | 717,47,90 |
| 2 | Contribution to / Provision for Staff Superannuation Funds | 250,28,44 | 274,67,15 |
| 3 | Other Perquisites & Allowances | 29,53,45 | 29,11,48 |
| 4 | Travelling & Other allowances in connection with Directors' & Committee Members' Meetings | 39,95 | 48,87 |
| 5 | Directors' & Committee Members' Fees | 2,75 | 3,31 |
| 6 | Rent, Rates, Insurance, Lighting, etc. | 31,81,58 | 37,41,69 |
| 7 | Travelling Expenses | 28,00,71 | 33,61,66 |
| 8 | Printing & Stationery | 3,94,40 | 3,16,86 |
| 9 | Postage, Telegrams & Telephones | 12,25,70 | 9,99,93 |
| 10 | Repairs | 19,44,75 | 13,89,62 |
| 11 | Auditors' Fees | 34,99 | 44,26 |
| 12 | Legal Charges | 1,59,83 | 90,72 |
| 13 | Miscellaneous Expenses | 59,36,70 | 48,61,17 |
| 14 | Expenditure on Miscellaneous Assets | 8,32,06 | 5,06,15 |
| 15 | Expenditure on Study & Training [Including ₹19,48,20 (₹16,57,33) pertaining to establishment expenses of Training Establishments] | 52,94,28 | 44,49,11 |
| 16 | Wealth Tax | 5,54,54 | 3,60,31 |
| | **Total** | **1229,68,87** | **1223,00,19** |

## SCHEDULE 16 B – EXPENDITURE ON PROMOTIONAL ACTIVITIES

(₹ in thousands)

| Sr. No. | Particulars | 2014–15 | 2013–14 |
|---|---|---|---|
| (i) | Cooperative Development Fund | 11,71,09 | 9,58,30 |
| (ii) | Farm Innovation and Promotion Fund | – | 13,00,66 |
| (iii) | Producers' Organization Development Fund | 2,14,71 | 1,83,33 |
| (iv) | Rural Infrastructure Promotion Fund | 2,29,35 | 1,17,10 |
| (v) | Exp. for NFS Promotional Measures/ Activities | 1,39,68 | 10,41,09 |
| (vi) | Expenditure under Farm Sector Promotion Fund | 43,63,72 | – |
| (vii) | Expenditure under Climate Change Programme | 63 | – |
| | **Total** | **61,19,18** | **36,00,48** |

## SCHEDULE 16 C – PROVISIONS

(₹ in thousands)

| Sr. No. | Particulars | 2014–15 | 2013–14 |
|---|---|---|---|
| | **Provisions for:** | | |
| 1 | Standard Assets | 124,20,00 | 88,07,00 |
| 2 (a) | Non-Performing Assets(net of withdrawal from counter cyclical buffer) (Refer Note B-43(b) & (e)) | – | (12,63,00) |
| 2 (b) | Non-Performing Assets - staff | 3,64 | 20 |
| 3 | Provision for Non Performing Investments | 16,00,00 | – |
| 4 | Depreciation in value of Investment Account - Equity | (59,28) | – |
| 5 | Sacrifice in interest element of restructured Accounts (Refer Note B-40(b) of Schedule 18) | (21,96,36) | (11,31,15) |
| 6 | Other Assets / Receivable | (3,43,30) | (8,45,71) |
| 7 | Amount written off a/c - Co - Finance | – | 17,46,00 |
| | **Total** | **114,24,70** | **73,13,34** |

## SCHEDULE 17 – COMMITMENTS AND CONTINGENT LIABILITIES

(₹ in thousands)

| Sr. No. | Particulars | As on 31.03.2015 | As on 31.03.2014 |
|---|---|---|---|
| 1 | Commitments on account of capital contracts remaining to be executed | 510,219 | 445,267 |
| | **Sub Total "A"** | **510,219** | **445,267** |
| 2 | Contingent Liabilities | | |
| (i) | Claims against the Bank not acknowledged as debt | – | – |
| | **Sub Total "B"** | **–** | **–** |
| | **Total (A + B)** | **510,219** | **445,267** |

# Schedule 18

## Significant Accounting Policies and Notes forming Part of Accounts for the year ended March 31, 2015

## A. SIGNIFICANT ACCOUNTING POLICIES

### 1. Basis of Preparation:

The accounts are prepared on the historical cost convention and comply with all material aspects contained in the National Bank for Agriculture and Rural Development Act, 1981 and Regulations thereof, applicable Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI) and regulatory norms prescribed by the Reserve Bank of India (RBI). Except otherwise mentioned, the accounting policies have been consistently applied by the National Bank for Agriculture and Rural Development (the Bank/NABARD) and are consistent with those used in the previous year.

### 2. Use of Estimates:

Preparation of financial statements in conformity with the Generally Accepted Accounting Principles (GAAP) requires the management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of the operations for the reporting period.

Although these estimates are based on the management's best knowledge, the actual results could differ for these estimates. Such differences are recognized in the year of outcome of such results.

## 3. Revenue recognition:

3.1 Income and expenditure are accounted on accrual basis, except the following, which are accounted on cash basis:

- i) Interest on non-performing assets identified as per Reserve Bank of India (RBI) guidelines.
- ii) Income by way of penal interest charged due to delayed receipt of loan dues or non–compliance with terms of loan.
- iii) Service Charges on loans given out of various Funds.
- iv) Expenses not exceeding ₹10,000 at each accounting unit, under a single head of expenditure.

3.2 Discount on Bonds and Commercial Papers issued are amortized over the tenure of Bonds and Commercial Papers. Issue expenses relating to floatation of bonds are recognized as expenditure in the year of issue of Bonds.

3.3 Dividend on investments is accounted for, when the right to receive the dividend is established.

3.4 Expenditure incurred on Subsidy scheme includes approved claims of reimbursements pending disbursements.

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

3.6 Provision for Wealth Tax is made, in accordance with the provisions of Wealth Tax Act, 1957.

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 freehold and leasehold land.

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

d) Depreciation on premises situated on freehold land is charged at 10% p.a., on written down value basis.

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

f) Fixed Assets costing ₹1 lakh and less (except easily portable electronic assets such as laptops, mobile phones, etc.) are charged to the Profit and Loss Account in the year of acquisition. Easily portable electronic assets such as laptops, mobile phones, etc., are capitalized, if individual cost of the items is more than ₹10,000/-. All software costing ₹1 lakh each and less, purchased independently are charged to the Profit and Loss Account.

g) Depreciation on other fixed assets is charged over the estimated useful life of the assets ascertained by the management at the following rates on Straight Line Method basis:

| *Type of Assets* | *Depreciation Rate* |
|---|---|
| Furniture and Fixtures | 20% |
| Computer & Software | 33.33% |
| Office Equipment | 20% |
| Vehicles | 20% |

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

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

## 5. Investments

a) In accordance with the RBI guidelines, Investments are classified into "Held for Trading" (HFT), "Available for Sale" (AFS) and "Held to Maturity" (HTM) categories (hereinafter called "categories").

b) Securities that are held principally for resale within 90 days from the date of purchase are classified as "HFT". Investments that the Bank intends to hold till maturity are classified as "HTM". Securities which are not to be classified in the above categories are classified as "AFS".

c) Investments classified under Held to Maturity category are carried at acquisition cost, wherever cost is equivalent to face value or less. If cost is more than the face value, the premium is amortized over the period remaining to maturity. Provision for diminution, other than temporary, in the value of investments in subsidiaries and joint ventures under the category "HTM" is made, wherever necessary. Provision for diminution/ amortization, in value of such investments, is included under Current Liabilities and Provisions.

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

e) Investments under "AFS" are marked to market, scrip-wise, at the rate, declared by Primary Dealers Association of India (PDAI), jointly with Fixed Income Money Market and Derivative Association of India (FIMMDA). Net depreciation, if any, is provided for investments in the category classified as "AFS" and appreciation is ignored. The book value of the individual scrip are not changed after the revaluation.

f) Investments under "HFT" are marked to market, scrip-wise, at the rate, declared by Primary Dealers Association of India (PDAI), jointly with Fixed Income Money Market and Derivative Association of India (FIMMDA). Depreciation/appreciation is recognized in the category for investments classified as "HFT". The book value of the individual scrip are changed after the revaluation.

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

h) Treasury Bills are valued at carrying cost.

i) Unquoted Shares are valued at breakup value, if the latest Audited Accounts of the investee companies are available, or at ₹1/- per Company as per RBI guideline.

j) Brokerage, commission, etc. paid in respect of investments including unlisted equities, at the time of acquisition, are charged to revenue.

k) Brokerage, paid on acquisition/ disposal of equities traded on stock exchange is capitalized.

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

m) Transfer of a security between the categories is accounted for, at lower of the acquisition cost/book value/ market value on the date of transfer and depreciation, if any, on such transfer, is fully provided for.

n) Amortization/Gain/Loss on Revaluation of Government Securities is charged to Profit and Loss Account.

o) Weighted average cost method has been followed for accounting for investments.

## 6. Advances and Provisions thereon

a) Advances are classified as per RBI guidelines. Provision for standard assets and non–performing assets is made in respect of identified advances, based on a periodic review and in conformity with the provisioning norms prescribed by RBI.

b) In case of restructuring/rescheduling of advances, the difference between the present value of future principal and interest as per the original agreement and the present value of future principal and interest as per the revised agreement is provided for.

c) Advances are stated net of provisions towards Non-performing Advances.

d) Provision for Non-Performing Loans in respect of loans granted out of funds are charged to the respective funds to the extent available.

## 7. Foreign Currency Transactions

As per Accounting Standard (AS-11) (Revised 2003) on Accounting for the Effects of Changes in Foreign Exchange Rates issued by the Institute of Chartered Accountants of India; following accounting treatment is given to foreign exchange transactions:

a) Assets and liabilities in foreign currency, are revalued at the exchange rate notified by 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

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

## 8. Accounting for Foreign Exchange Contracts

a) Foreign Exchange Contracts are to hedge the repayment of foreign currency borrowings.

b) The foreign exchange contracts are revalued at the exchange rates notified by FEDAI at the year end. The resultant gain/loss on revaluation is recognized in the Profit and 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 and 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. Actuarial valuation, wherever required, are carried out at each balance sheet date.

a) **Short Term Employee Benefits:**

The undiscounted amount of short-term employee benefits, which are expected to be paid in exchange for the services rendered by employees are recognised during the period when the employee renders the service.

b) **Post Employment Benefits:**

i) **Defined Contribution Plan**

The Bank has a Provident Fund Scheme in respect of all eligible employees who joined the Bank on or before 31 December 2011. The scheme is managed by RBI. Contribution is recognized on accrual basis.

The Bank has introduced a New Pension Scheme (NPS) for all the officers/employees who have joined the services of the Bank on or after 01 January 2012. The Bank has adopted the "NPS- Corporate Sector Model", a defined contribution plan, as formulated by the Pension Fund Regulatory and Development Authority (PFRDA). Contribution to the Fund is made on accrual basis.

ii) **Defined Benefit Plan**

a. Provision for gratuity is made based on actuarial valuation, made at the end of each financial year based on the projected unit credit method in respect of all eligible employees. The scheme is funded by the Bank and is managed by a separate trust. Actuarial gain or loss are recognised in the Profit and Loss Account on accrual basis.

b. Provision for pension is made based on actuarial valuation, in respect of all eligible employees who joined the Bank on or before 31 December 2011. The scheme is funded by the Bank and is managed by a separate trust.

iii) **Other Long Term benefits**

All eligible employees of the bank are eligible for compensated absences. All the eligible employees are also eligible for post-retirement medical benefits. The cost of providing other long term benefits is determined using the projected unit credit method based on actuarial valuations being carried out at each balance sheet date. Actuarial gain or loss are recognised in the Profit and Loss Account on accrual basis.

## 10. Taxes on Income

a) Tax on income for the current period is determined on the basis of taxable income and tax credits computed, in accordance with the provisions of Income Tax Act, 1961 and based on expected outcome of assessments/ appeals.

b) Deferred tax is recognized, on timing difference, being the difference between taxable income and accounting income for the year and quantified, using the tax rates and laws that have been enacted or substantively enacted, as on Balance Sheet date.

c) Deferred tax assets relating to unabsorbed depreciation/business losses are recognised and carried forward to the extent that there is virtual certainty that sufficient future taxable income will be available against which, such deferred tax assets can be realized.

d) Tax paid/provided on taxable income earned by the funds are accounted as expenditure of respective funds.

## 11. Segment Reporting

a) Segment revenue includes interest and other income directly identifiable with / allocable to the segment.

b) Income, which relates to Bank as a whole and not allocable to segments is included under "Other Unallocable Bank income".

c) Expenses that are directly identifiable with/allocable to segments are considered for determining the segment result. The expenses, which relate to the Bank as a whole and not allocable to segments, are included under "Other Unallocable Expenditure".

d) Segment Assets and Liabilities include those directly identifiable with the respective segments. Unallocable Assets and Liabilities include those that relate to the Bank as a whole and not allocable to any segment.

### 12. Impairment of Assets

a) As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine:

 i) the provision for impairment loss, if any, required; or

 ii) the reversal, if any, required for impairment loss recognized in the previous periods.

b) Impairment loss is recognized when the carrying amount of an asset exceeds recoverable amount.

### 13. Provisions, Contingent Liabilities and Contingent Assets

13.1 Provisions are recognised for liabilities that can be measured only by using substantial degree of estimation if:

a) the Bank has a present obligation as a result of a past event;

b) a probable outflow of resources is expected to settle the obligation; and

c) the amount of the obligation can be reliably estimated.

13.2 Contingent liability is disclosed in the case of:

a) a possible obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation,

b) a present obligation when no reliable estimate is possible, and

c) a possible obligation arising from past events where the probability of outflow of resources is remote.

13.3 Contingent assets are neither recognized, nor disclosed.

13.4 Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

### 14. Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank, cash in hand, demand deposits with banks and other short-term investments with an original maturity of three months or less.

## B. NOTES FORMING PART OF THE ACCOUNTS

1. In accordance with the 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). An amount of ₹2.48 crore upto 30 September 2014 (₹1.62 crore for FY 2013-14) has been credited to the said fund. With effect from 01 October 2014, based on the resolution of the Board, Rural Innovation Fund (RIF) and Rural Promotion Fund (RPF) are merged and a new fund has been created named as "RPF & RIF - Off-Farm Sector Promotion Fund".

2. Based on the resolution of the Board, "Farmers Technology Transfer Fund"(FTTF) and "Farm Innovation Promotion Fund"(FIPF) are merged

to create a new fund "Farm Sector Promotion Fund"(FSPF) w.e.f. 01 August 2014. Accordingly the expenditure of erstwhile FTTF and FIPF are accounted as the expenditure of FSPF.

3. Department of Agriculture and Co-operation (DAC), Government of India vide their. D.O. No.16011/3/2013-M. II dated 09 May 2014 has introduced an "Integrated Scheme of Agricultural Marketing" (ISAM). As per the decision of Government of India "Grameen Bhandaran Yojna" (GBY) and "Scheme for development/ strengthening of Agricultural Marketing Infrastructure, Grading and Standardization" (AMIGS) have been combined into ISAM.

4. In terms of the agreement with Kreditanstalt Fur Wiederaufbau -German Development Bank (KfW), accretion/ income and expenditure under UPNRM have been charged to the fund. The loans granted out of this fund have been classified as direct loans and disclosed under Schedule 12. The borrowing related to the UPNRM are classified as borrowing from international agencies and disclosed under Schedule 8.

   During the year, a sum of ₹15.68 crore has been incurred towards admissible expenditure and provision for NPA for Loans granted under KfW UPNRM Scheme. NABARD has accounted for ₹12.51 crore and ₹2.74 crore under the UPNRM Fund and UPNRM Risk Mitigation Fund, respectively towards such costs. The balance (to the extent not available in the funds) of ₹0.43 crore has been accounted in the Profit and Loss Account.

5. Interest on unutilized balances has been credited to the following funds as per the respective agreements/as approved by the management. The details of rate of interest for respective funds are as under:

| *Sr. No.* | *Name of the Fund* | *Rate of Interest for 2014–15* | *Rate of Interest for 2013–14* |
|---|---|---|---|
| 1. | Watershed Development Fund | 6% | 6% |
| 2. | KfW- NB IGWDP (Andhra Pradesh, Gujarat, Maharashtra, Rajasthan) | 6% | 6% |
| 3. | KfW Accompanying Measures | 6% | 6% |
| 4. | Rural Innovation Fund* | 6% | 6% |
| 5. | Tribal Development Fund | 6% | 6% |
| 6. | Financial Inclusion Fund | 6% | 6% |
| 7 | Kfw NB- V Adivasi Development Programme- Gujarat | 6% | – |
| 8. | Cattle Development Fund (UP & Bihar) | 10.80% | 5.85% |
| 9 | Multi Activity Approach For Poverty Alleviation (Sultanpur and Rae Bareilly) | 10.80% | 5.85% |
| 10 | Center for Professional Excellence in Co-operatives. | 10.80% | 5.85% |
| 11 | Kfw NB- IX- Adivasi Development Programme- Maharashtra | 10.80% | 5.85% |

* paid upto 30 September 2014

6. Recoverable from Government of India/International Agencies (Refer Schedule-14 of Balance Sheet) includes ₹33.58 crore (₹24.69 crore) being debit balance of various funds. The details of such funds are as under:

(₹ in crore)

| Sr No. | Name of the Fund | 31–03–2015 | 31–03–2014 |
|---|---|---|---|
| 1 | KfW- NB IGWDP ( Andhra Pradesh) | 0.09 | 0.41 |
| 2 | KfW- NB IGWDP (Rajasthan) | 2.01 | 3.88 |
| 3 | KfW- NB IGWDP (Gujarat) | – | 4.44 |
| 4 | IFAD- Priyadarshni Programme | 6.80 | 0.83 |
| 5 | GIZ UPNRM- Technical Collaboration | 0.20 | – |
| 6 | KfW UPNRM- Accompanying Measures | – | 1.15 |
| 7 | KfW UPNRM- Financial Contribution | 0.62 | 0.10 |
| 8 | Implementation Cost [RRR - Handloom Package ] | 8.55 | 8.55 |
| 9 | Interest Subvention [RRR - Handloom Package] | 13.63 | 5.27 |
| 10 | Technical Assistance [RRR - Handloom Package] | 1.37 | – |
| 11 | IFAD-MRCP | 0.06 | 0.06 |
| 12 | Others | 0.25 | 0.00 |

7. Sundry creditors includes ₹35.50 crore (₹44.74 crore) being amounts outstanding to contributors in respect of Micro Finance Development and Equity Fund (MFDEF), which was closed in the earlier year. Details of the same is as under:

(₹ in crore)

| Particulars | Opening Balance as on 01 April 2014 | Excess contribution by NABARD Transferred to Reserve Fund | Withdrawn towards provision for NPA | Closing Balance as on 31 March 2015 |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 [2-(3+4] |
| Sundry Creditors-mFDEF | 44.74 | 2.18 | 7.06 | 35.50 |

8. Pursuant to the directions of RBI, the relative margin available to the Bank in excess of 0.5 percent in respect of Rural Infrastructure Development Fund (RIDF) deposits, Short Term Co-operative Rural Credit Refinance Fund (STCRC) deposits, Short Term RRB Credit Refinance Fund (STRRB) deposits and Warehousing Infrastructure Fund (WIF) deposits, placed by the Commercial Banks is credited to Tribal Development Fund, Watershed Development Fund and Financial Inclusion Fund as per directions of Reserve Bank of India. Previous year, the amounts were credited to Financial Inclusion Fund.

9. Negative balance of ₹49.34 crore in Financial Inclusion Technology Fund (FITF) represents amounts spent by NABARD based on the commitments made under the fund. NABARD has approached Reserve Bank of India to permit them to transfer the said amount to Financial Inclusion Fund. Pending such approval, the balance has been disclosed under the FITF.

10. Subvention received/receivable from Government of India (GOI) under Seasonal Agricultural Operations (SAO) amounting to ₹1416.37 crore (₹1843.58 crore) and ₹17.11 crore (₹0.62 crore) under National Rural Livelihood Mission (NRLM) respectively, being the difference between the cost of borrowing by NABARD and the refinance rate, has been reduced from interest and financial charges and shown as accrued interest and disclosed under Schedule 14.

11. Other receipts includes ₹162.62 crore (₹134.59 crore) received/receivable from GOI towards administration charges on providing refinance under interest subvention scheme to StCBs, RRBs and to CCBs, Public Sector Banks for financing Primary Agriculture Co-operative Societies (PACS) for Seasonal Agricultural Operations and under NRLM scheme.

12. The legal dispute with the builders of staff quarters located at Mumbai has been settled by the Supreme Court. During the year, the Bombay High Court has refunded the deposit paid by NABARD in respect of the said suit alongwith Interest of ₹76.75 crore (Nil). Such interest had been accounted under "Other Income" in profit and loss account. Subsequent to the year end, the Conveyance in respect of such staff quarters has been executed by NABARD.

13. The salaries and allowances of the employees of the Bank are reviewed every five years. The review is due from 01 November 2012. Pending such settlement an amount of ₹135.00 crore (₹180 crores) has been provided under the head "Salary and Allowances" during the year.

14. The Bank, during the year, in accordance with AS 22 "Accounting for taxes on Income", recognized in the Profit and Loss Account the deferred tax of ₹35.70 crore (₹29.81 crore). The details of the deferred tax are as under:

(₹ in crore)

| Sr. No. | Deferred Tax Assets | 31 March 2015 | 31 March 2014 |
|---|---|---|---|
| 1 | Provision allowable on payment basis | 117.71 | 106.13 |
| 2 | Depreciation on Fixed Assets | 33.75 | 9.63 |
| | **Total** | **151.46** | **115.76** |

Provision for Deferred Tax on account of Special Reserve created u/s 36(1)(viii) of the Income Tax Act, 1961, is not considered necessary, as the Bank has decided not to withdraw the said reserve.

15. The tax liability of the Bank for the Assessment Year 2002-03 amounting to ₹373.15 crore was assessed by the Income Tax Department. The Bank has provided and paid the said liability. However, the Bank has filed an appeal against the order of the CIT Appeals with the Income Tax Appellate Tribunal.

16. Income Tax Department has reopened the assessment for the Assessment Year 2006-07, during the FY 2011-12. An amount of ₹343.21 crore has been added to the income of the Bank during the re-assessment of the income. Out of above,

    a) an addition of ₹132.08 crore has been made on account of differential interest accounted under the RIDF which was credited to Watershed Development Fund in terms of the RBI directions.

b) Further, an amount of ₹211.13 crore has been added to the income on other accounts. In the opinion of the management, in respect of these additions, there is remote possibility of any tax outflow. The Bank has filed an appeal against the above order with CIT- Appeals and also an rectification application with Assessing Officer. Pending the outcome of the appeal/ rectification application, the bank has

- accounted the tax including interest amounting to ₹97.83 crore under the head Watershed Development Fund as an expenditure of the fund, in accordance with the resolution of the Board, and
- The bank has paid an amount of ₹108.60 crores out of the total demand of ₹254.22 crore by way of adjustment of refund of taxes of previous years.

17. During the Reassessment of the income for the Assessment Year 2007-08 (reopened during 2011-12) an additional tax liability of ₹157.47 crore was assessed on account of differential interest accounted under the RIDF/STCRC. The Bank has provided and paid said liability. However, the Bank has filed an appeal against the above order with CIT-Appeals. The tax amount of ₹129.99 crore is accounted under Tribal Development Fund during FY 2012-13.

18. Income Tax Department has reopened the assessment for the Assessment Year 2008-09 during the Financial Year 2012-13. An amount of ₹349.42 crore has been added to the income of the Bank during the re-assessment of the income. The addition 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. 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 ₹174.59 crore under the head Tribal Development Fund as an expenditure of the fund, in accordance with the resolution of the Board, and paid the total demand of ₹174.59 crores.

19. Income Tax Department has reopened the assessment for the Assessment Year 2009-10 during the Financial Year 2012-13. An amount of ₹573.16 crore has been added to the income of the Bank during the re-assessment of the income. Out of above, an addition of ₹527.52 crore has been made on account of differential interest accounted under the RIDF which was credited to Watershed Development Fund in terms of the RBI directions. Further, an amount of ₹45.64 crore has been added to the income of the Bank on account of other disallowances. 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 ₹236.45 crore under the head Watershed Development Fund as an expenditure of the fund, in accordance with the resolution of the Board, and
- provided the tax including interest of ₹20.45 crore to the Profit and Loss Account for the year .The bank has paid the total demand of ₹256.90 crore.

20. During the Assessment of the income for the Assessment Year 2010-11 a tax liability of ₹313.07 crore was assessed on account of differential interest accounted under the RIDF/STCRC and others. The Bank has provided and paid the liability. However, the Bank has filed an appeal against the above order with CIT- Appeals. The tax amount of ₹276.66 crore was accounted under Tribal Development Fund during FY 2012-13.

21. During the Assessment of the income for the Assessment Year 2011-12 a tax liability of ₹424.95 crore was assessed on account of differential interest accounted under the RIDF/STCRC and others. The Bank has provided and paid the liability. However, the Bank has filed an appeal against the above order with CIT- Appeals. The tax amount of ₹359.84 crore was accounted under Watershed Development Fund during FY 2013-14.

22. During the year, the Income Tax Department, for the Assessment year 2012-13, has made an addition of ₹1002.68 crore on account of differential interest accounted under the RIDF/ STCRC which was credited to Tribal Development Fund in terms of the RBI directions. Further, an amount of ₹145.90 crore has been added to the income of the Bank on account of disallowance of expenditure on promotional activities and other disallowances. The Bank has 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 ₹425.40 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 ₹61.90 crore to the Profit and Loss Account for the year. The tax demand of ₹487.30 crore has been fully paid by the Bank.

23. 'Free hold land' and 'lease Land' and 'Premises' include - ₹29.87 crore (₹29.87 crore) paid towards Office Premises and Staff Quarters for which conveyance is yet to be completed. Subsequent to the date of the Balance Sheet, conveyance in respect of Staff Quarters valuing to ₹10.21 crore have been executed.

24. Pursuant to the directives of RBI, the project loans provided to State Co-operative Agriculture and Rural Development Banks (SCARDBs) by way of subscription to the Special Development Debentures (SDDs) floated by these agencies, are treated as under:
   a. Classified as Investments and shown in Schedule – 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).

25. As on the date of the financial statements, out of the disbursement extended to various State Governments under RIDF, ₹492 crore (₹393.51 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.

26. 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) | 40.00<br>(40.00) | 37.26<br>(37.26) |
| Pledged for Business Segment (Collateralised Borrowing and Lending Obligation) | 3086.00<br>(5197.00) | 3054.17<br>(5103.61) |

27. The market value of all investments held by NABARD under Held to Maturity (HTM) category was ₹2506.22 crore against the book value of ₹1719.18 crore. Out of this, the market value of investment in Venture Capital Fund was ₹63.54 crore against the book value of ₹85.65 crore. Accordingly, the excess of book value over market value was ₹22.11 crore for which no provision was made as per RBI guidelines.

28. **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 94.88 million (94.56 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 ₹640.46 crore (₹780.89 crore) and the value of outstanding principal liability in the books of account stood at contracted value i.e. ₹726.78 crore (₹715.01 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 | 640.46<br>(780.89) | NA |
| | B) For Trading | NA | NA |
| 2 | **Marked to Market Positions [1]** | | |
| | a) Asset (+) | N.A<br>(65.88) | NA |
| | b) Liability (–) | 86.32<br>(N.A.) | NA |
| 3 | **Credit Exposure [2]** | –243.79<br>(–148.97) | NA |
| 4 | **Likely impact of one percentage change in interest rate (100*PV01)** | | |
| | a) on hedging derivatives | 26.83@<br>(22.13) | 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 will increase by ₹26.83 crore (₹22.13 crore).

**29. Exposures where the FI had exceeded prudential exposure limits during the year: NIL (NIL)**

**30. Issuer categories in respect of investments made in Debt Securities**

(₹ 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 | 291.40 (139.71) | 291.40 (139.71) | – | – | 241.31 (39.69) |
| 2 | FIs | 833.87 (279.09) | 833.87 (279.09) | – | – | 733.79 (179.01) |
| 3 | Banks | 4160.79 (7345.14) | 4160.79 (7345.14) | – | – | 4160.79 (7345.14) |
| 4 | Private Corporate | 0.00 (280.38) | 0.00 (280.38) | – | – | 0 (245.38) |
| 5 | Subsidiaries/Joint ventures | – | – | – | – | – |
| 6 | Others (Net of Provision) | – | – | – | – | – |
| 7 | Provision held towards depreciation | - | – | – | – | – |
| | Total (1 to 6 minus 7) | 5286.06 (8044.32) | 5286.06 (8044.32) | – | – | 5135.89 (7809.22 |

**31 Non performing investments:**

(₹ in crore)

| *Particulars* | *2014–15* | *2013–14* |
|---|---|---|
| Opening balance as at the beginning of financial year | 0.00 | 0.00 |
| Addition during the year since 01 April 2014 | 16.00 | 0.00 |
| Reduction during the above period | 0.00 | 0.00 |
| Closing balance as on 31 March 2015 | 16.00 | 0.00 |
| Total Provision held | 16.00 | 0.00 |

Investment of ₹16.00 crore in Universal Commodity Exchange Limited (UCX) is treated as an Non Performing Investment as the company was barred from operating as a Commodity Exchange following Forward Markets Commission (FMC) directive in July 2014. As per the RBI guidelines the investment in the company is valued at ₹1/-.

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

32.1 **Defined Benefit Plans**

Employees Retirement Benefit plans of the bank include Pension, Gratuity, Leave Encashment and Post-retirement Medical Benefits, which are defined benefit plans. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of services as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

### 32.1.1 Pension

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

(₹ in crore)

| Particulars | 2014–15 | 2013–14 |
|---|---|---|
| Present value of defined benefit obligation at the beginning of year | 2071.33 | 1847.53 |
| Current Service Cost | 35.14 | 32.06 |
| Interest Cost | 186.42 | 152.42 |
| Actuarial gain/loss | 201.96 | 112.97 |
| Benefits paid | –83.30 | –73.65 |
| Present value of defined benefits obligations at the year end | 2411.55 | 2071.33 |

b. Amount recognised in the Balance Sheet as on 31 March 2015 and previous year from 2010-11 to 2013-14:

(₹ in crore)

| Particulars | 2014–15 | 2013–14 | 2012–13 | 2011–12 | 2010–11 |
|---|---|---|---|---|---|
| | Pension | Pension | Pension | Pension | Pension |
| Present value of defined benefits obligations as at the year end | 2411.55 | 2071.33 | 1847.53 | 1556.87 | 1223.03 |
| Fair value of plan assets as at the yearend @ | 2351.61 | 2056.07 | 1832.69 | 1311.25 | 288.11 |
| Liability recognized in the Balance sheet as at the year end | 59.94 | 15.26 | 14.84 | 245.63 | 934.92 |

@ Includes the Bank's contribution of ₹444.11 crore (₹417.56 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 | 2014–15 | 2013–14 |
|---|---|---|
| Current Service Cost | 35.14 | 32.06 |
| Interest Cost | 186.42 | 152.42 |
| Net Actuarial gain/loss | 194.77 | 79.16 |
| Expected return on Plan Assets | –156.64 | –131.12 |
| Expense recognized in the statement of Profit and Loss | 259.69 | 132.52 |

d. Actuarial assumptions:

| Particulars | 2014–15 | 2013–14 |
|---|---|---|
| Mortality Table (LIC) | 2006–08 (Ultimate) | 2006–08 (Ultimate) |
| Discount rate (per annum) | 8.60% | 9.00% |
| Salary growth (per annum) | 5.50% | 5.50% |
| Withdrawal rate | 1.00% | 1.00% |

### 32.1.2 Gratuity

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

(₹ in crore)

| Particulars | 2014–15 | 2013–14 |
|---|---|---|
| Present value of defined benefit obligation at the beginning of year | 274.62 | 260.94 |
| Current Service Cost | 20.76 | 18.31 |
| Interest Cost | 24.71 | 21.53 |
| Actuarial gain/ loss | –7.31 | –4.63 |
| Benefits paid | –27.44 | –21.53 |
| Present value of defined benefits obligations at the year end | 285.34 | 274.62 |

b. Amount recognized in Balance Sheet as on 31 March 2015 and P.Y. from 2010-11 to 2013-14:

(₹ in crore)

| Particulars | 2014–15 | 2013–14 | 2012–13 | 2011–12 | 2010–11 |
|---|---|---|---|---|---|
| Present value of defined benefits obligations as at the year end | 285.34 | 274.62 | 260.93 | 239.68 | 242.57 |
| Fair value of plan assets as at the year end | 303.01 | 288.49 | 261.90 | 260.82 | 227.85 |
| Liability recognized in the Balance sheet as at the year end | –17.67 | –13.87 | –0.97 | –21.14 | 14.72 |

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

(₹ in crore)

| Particulars | 2014–15 | 2013–14 |
|---|---|---|
| Current Service Cost | 20.76 | 18.31 |
| Interest Cost | 24.71 | 21.53 |
| Net Actuarial gain/loss | –18.85 | 3.15 |
| Expected return on Plan Assets | –26.97 | –26.61 |
| Expense recognized in the statement of Profit and Loss | –0.35 | 16.38 |

d. Actuarial assumptions:

| Particulars | 2014–15 | 2013–14 |
|---|---|---|
| Mortality Table (LIC) | 2006–08 (Ultimate) | 2006–08 (Ultimate) |
| Discount rate (per annum) | 8.60% | 9.00% |
| Salary growth (per annum) | 7.00% | 7.00% |
| Withdrawal rate | 1.00% | 1.00% |

### 32.1.3 Encashment of Ordinary Leave

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

(₹ in crore)

| Particulars | 2014–15 | 2013–14 |
|---|---|---|
| Present value of defined benefit obligation at the beginning of year | 225.88 | 197.26 |
| Current Service Cost | 8.40 | 2.48 |
| Interest Cost | 20.33 | 16.27 |
| Actuarial gain/loss | –5.60 | 22.31 |
| Benefits paid | –9.32 | –12.44 |
| Present value of defined benefits obligations at the year end | 239.69 | 225.88 |

b. Amount recognized in the Balance Sheet as on 31 March 2015 and P.Y. from 2010-11 to 2013-14:

(₹ in crore)

| Particulars | 2014–15 | 2013–14 | 2012–13 | 2011–12 | 2010–11 |
|---|---|---|---|---|---|
| Present value of defined benefits obligations as at the year end | 239.69 | 225.88 | 197.26 | 153.03 | 144.88 |
| Funds earmarked by the Bank | 257.61$ | 219.28$ | 184.06$ | 137.14$ | 143.66$ |
| Liability recognized in the Balance sheet as at the year end | –17.92 | 6.60 | 13.20 | 15.89 | 1.22 |

$ 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 | 2014–15 | 2013–14 |
|---|---|---|
| Current Service Cost | 8.40 | 2.48 |
| Interest Cost | 20.33 | 16.27 |
| Net Actuarial gain/loss | –10.75 | 10.04 |
| Expected return on Plan Assets | –31.40 | –16.69 |
| Expense recognized in the statement of Profit and Loss | –13.42 | 12.10 |

d. Actuarial assumptions:

| Particulars | 2014–15 | 2013–14 |
|---|---|---|
| Mortality Table (LIC) | 2006–08 (Ultimate) | 2006–08 (Ultimate) |
| Discount rate (per annum) | 8.60% | 9.00% |
| Salary growth (per annum) | 7.00% | 7.00% |
| Withdrawal rate | 1.00% | 1.00% |

**32.1.4 Post Retirement Medical Benefits**

The present value of defined benefit obligation in respect of post retirement medical benefits accounted in Profit and Loss Account is ₹20.27 crore (₹86.35 crore).

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

**32.1.6** The aforesaid liabilities include liabilities of employees deputed to subsidiaries.

**32.1.7 Amortisation of Post retirement benefits**

The entire liability towards post-retirement benefits are charged to Profit and Loss account and are not amortised.

**32.1.8 Investment under Plan Assets of Pension, Gratuity & Leave Encashment Fund as on 31st March 2015**

| *Particulars* | *Pension* | *Gratuity* | *Encashment of OL* |
|---|---|---|---|
| | % of Plan Assets | % of Plan Assets | % of Plan Assets |
| Central Govt. Securities | 26.57 | – | – |
| State Govt. Securities | 22.41 | – | – |
| Insurer Managed Funds | – | 100.00 | 100.00 |
| Others | 51.02 | – | – |
| Total | 100.00 | 100.00 | 100.00 |

**32.2 Defined Contribution Plan:**

The bank contributes its share to Provident Fund with RBI. As per the terms the contribution is a defined contribution plan. During the year the bank has contributed ₹18.59 crore (₹16.65 crore) with RBI.

As per the New Pension scheme for the employee's w.e.f. 01 January 2012, the contribution by the bank is a defined contribution. During the year the bank has contributed ₹0.05 crore (₹0.07 crore) to the said scheme.

33. 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.

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

(₹ in crore)

| *Particulars* | *2014–15* | *2013–14* |
|---|---|---|
| Opening Balance | 0.00 | 0.24 |
| Addition during the year | 0.00 | 0.00 |
| Deletion during the year | 0.00 | 0.24 |
| Closing Balance | 0.00 | 0.00 |

35. **Related Party Transactions**

As the Bank is state controlled enterprise within the meaning of AS-18 "Related Party Transactions", the details of the transactions with other state controlled enterprises are not given.

List of Related Parties:

a) Companies where entity has control:

| *Sr. No.* | *Companies* |
|---|---|
| 1. | Nabard Financial Services Ltd. |
| 2. | Agri Business Finance (AP) Ltd. |
| 3. | NABKISAN Finance Ltd. |
| | [Formerly known as Agri Development Finance (Tamil Nadu) Ltd.] |
| 4. | Nabard Consultancy Services Pvt. Ltd. |

b) Key Management Personnel:

| Name of the party | Designation |
|---|---|
| Dr. Harsh Kumar Bhanwala | Chairman |
| Shri Harishkumar Rasiklal Dave | Deputy Managing Director (w.e.f.14 August 2014) |
| Shri R Amalorpavanathan | Deputy Managing Director (w.e.f.19 August 2014) |

c) Transactions with Key Management Personnel:

(₹ in crore)

| Name of the Party | Nature of Relationship | Nature of Transaction | Amount of transaction during the year | Outstanding |
|---|---|---|---|---|
| Dr. Harsh Kumar Bhanwala | Key Management Personnel–Chairman | Remuneration including perquisites | 0.22(0.07) | 0.00 |
| Shri Harish Kumar Rasiklal Dave | Key Management Personnel–Deputy Managing Director | Remuneration including perquisites | 0.12(0.00) | 0.00 |
| Shri R Amalorpavanathan | Key Management Personnel–Deputy Managing Director | Remuneration including perquisites | 0.12(0.00) | 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.

36. **Disclosure of Remuneration**

Chairman and Deputy Managing Directors of NABARD who are appointed by the Central Government are entitled to incentives under the Performance Linked Incentive Scheme of Department of Financial Services, Government of India as conveyed vide GOI office memorandum No. 3/2/2009-IF.I dated 24 June 2009. The performance evaluation for payment of incentive under the scheme is done by the sub-committee of the Board called "Remuneration Committee". The said committee for 2014-15 is yet to be constituted. No provision has been made for such incentive during the year.

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

(₹ in crore)

| Sr. No. | Particulars | 2014–15 | 2013–14 |
|---|---|---|---|
| 1. | Income | 0.09 | 0.23 |
| 2. | Revenue Expenditure | –0.04 | –0.23 |
| 3. | Post Retirement Medical Benefits | 0.00 | 93.18 |
| 4. | Fund Expenditure | 0.00 | –0.21 |
| | Total | 0.05 | 92.97 |

38. **Capital**

**38.1 Pattern of Capital contribution as on the date of the Balance Sheet:**

NABARD has received an amount of ₹300 crore from Government of India (vide their letters No. F.No.20/16/2010-AC dated 12 May 2014 and 14 August 2014) 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 2015 was at 99.60% : 0.40% as per details given below.

(₹ in crore)

| *Contributor* | *31 March 2015* | | *31 March 2014* | |
|---|---|---|---|---|
| Reserve Bank of India | 20.00 | 0.40% | 20.00 | 0.43% |
| Government of India | 4,980.00 | 99.60% | 4,680.00 | 99.57% |
| **Total** | **5,000.00** | **100.00%** | **4,700.00** | **100.00%** |

38.2 **Capital to Risk–weighted Assets Ratio (CRAR)**

(Percent)

| *Particulars* | *31 March 2015* | *31 March 2014* |
|---|---|---|
| CRAR | 16.91 | 16.61 |
| Core CRAR | 15.83 | 15.48 |
| Supplementary CRAR | 1.08 | 1.13 |

38.3 Capital adequacy ratio of the Bank as on 31 March 2015 was 16.91% (16.61%) as against a minimum of 9% as stipulated by RBI.

38.4 In accordance with RBI Instructions, assets financed from National Rural Credit – Long Term Operations (NRC LTO) Fund are excluded for the purpose of computing the CRAR.

38.5 **Subordinated Debt**

(₹ in crore)

| *Particulars* | *31 March 2015* | *31 March 2014* |
|---|---|---|
| Amount of subordinated debt raised and outstanding as Tier II Capital | Nil | Nil |

38.6 **Risk weighted assets**

(₹ in crore)

| *Particulars* | *31 March 2015* | *31 March 2014* |
|---|---|---|
| On – Balance Sheet Items | 148101.43 | 134053.11 |
| Off – Balance Sheet Items | 83.62 | 86.98 |

38.7 **Credit exposure as percentage to Capital Funds and as percentage to Total Assets**

| | Category | 2014–15 | | 2013–14 | |
|---|---|---|---|---|---|
| | | Credit Exposure as % to | | Credit Exposure as % to | |
| | | Capital Funds | Total Assets | Capital Funds | Total Assets |
| I | Largest Single Borrower | 34.83 | 2.86 | 38.12 | 3.11 |
| II | Largest Borrower Group | Not Applicable | | Not Applicable | |
| III | Ten Largest Single Borrowers for the year | 282.60 | 23.19 | 306.36 | 24.98 |
| IV | Ten Largest Borrower Groups | Not Applicable | | Not Applicable | |

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

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

**40. Asset Quality and Credit Concentration**

(a) Asset classification

(₹ in crore)

| | 2014–15 | | 2013–14 | |
|---|---|---|---|---|
| Classification | Amount | (%) | Amount | (%) |
| Standard | 252589.73 | 99.950 | 221360.03 | 99.956 |
| Sub–standard | 22.40 | 0.009 | 6.23 | 0.003 |
| Doubtful | 95.67 | 0.038 | 88.55 | 0.040 |
| Loss | 7.92 | 0.003 | 1.02 | 0.001 |
| **Total** | **252715.72** | 100.000 | **221455.83** | 100.000 |

(b) Restructured accounts

During the current financial year, five loan accounts have been restructured. An amount of ₹21.96 crore (₹11.31 crore) is recognized as reversal of sacrifice on accounts restructured in earlier period

(c) Details on Restructuring

| Sr. No. | Type of restructuring | | Under CDR Mechanism | | | Under SME Debt Restructuring Mechanism | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Asset Classification | | Std | SS | Dful | Loss | Total | Std | SS | Dful |
| | Details | | | | | | | | | |
| 1 | Restructured Accounts as on 01 April 2014 | No. of Borrowers | 1 | 0 | 0 | 0 | 1 | | | |
| | | Amount outstanding | 51.68 | 0 | 0 | 0 | 51.68 | | | |
| | | Provision thereof | 1.81 | 0 | 0 | 0 | 1.81 | | | |
| 2. | Fresh restructures during the year | No. of Borrowers | | | | | | | | |
| | | Amount outstanding | | | | | | | | |
| | | Provision thereof | | | | | | | | |
| 3. | Upgradation to restructured standard category during 2014-15 | No. of Borrowers | | | | | | | | |
| | | Amount outstanding | | | | | | | | |
| | | Provision thereof | | | | | | | | |
| 4. | Restructured Standard advances which cease to attract higher provisioning and/ or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY | No. of Borrowers | 1 | 0 | 0 | 0 | 1 | | | |
| | | Amount outstanding | 51.68 | 0 | 0 | 0 | 51.68 | | | |
| | | Provision thereof | 1.81 | 0 | 0 | 0 | 1.81 | | | |
| 5. | Downgradation of restructured accounts during the FY | No. of Borrowers | | | | | | | | |
| | | Amount outstanding | | | | | | | | |
| | | Provision thereof | | | | | | | | |
| 6. | Write offs of Restructured accounts during the FY | No. of Borrowers | | | | | | | | |
| | | Amount outstanding | | | | | | | | |
| | | Provision thereof | | | | | | | | |
| 7. | Restructured accounts as on 31 March 2015* | No. of Borrowers | 0 | 0 | 0 | 0 | 0 | | | |
| | | Amount outstanding | 0 | 0 | 0 | 0 | 0 | | | |
| | | Provision thereof | 0 | 0 | 0 | 0 | 0 | | | |

*excluding the figures of standard restructured advances which do not attract higher provisioning or risk weight if applicable

(Amount in ₹ Crore)

| Others | | | | | Total | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *Loss* | *Total* | *Std* | *SS* | *Dful* | *Loss* | *Total* | *Std* | *SS* | *Dful* | *Loss* | *Total* |
| | | | | | | | 1 | 0 | 0 | 0 | 1 |
| | | | | | | | 51.68 | 0 | 0 | 0 | 51.68 |
| | | | | | | | 1.81 | 0 | 0 | 0 | 1.81 |
| | | 5 | 0 | 0 | 0 | 5 | 5 | 0 | 0 | 0 | 5 |
| | | 2.10 | 0 | 0 | 0 | 2.10 | 2.10 | 0 | 0 | 0 | 2.10 |
| | | 0.09 | 0 | 0 | 0 | 0.09 | 0.09 | 0 | 0 | 0 | 0.09 |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | 1 | 0 | 0 | 0 | 1 |
| | | | | | | | 51.68 | 0 | 0 | 0 | 51.68 |
| | | | | | | | 1.81 | 0 | 0 | 0 | 1.81 |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | 5 | 0 | 0 | 0 | 5 |
| | | | | | | | 2.10 | 0 | 0 | 0 | 2.10 |
| | | | | | | | 0.09 | 0 | 0 | 0 | 0.09 |

**41. Corporate Debt Restructuring (CDR)**

No account has been subjected to CDR during the year.

**42. NPA Position**

(a) **Net NPA position**

| *Particulars* | *31 March 2015* | *31 March 2014* |
|---|---|---|
| Percentage of Net NPAs to Net Loans & Advances | 0.0092 | 0.0089 |

(b) **Movement in Net NPAs**

(₹ in crore)

| *Particulars* | *2014–15* | *2013–14* |
|---|---|---|
| (A) Net NPAs as at beginning of the year | 19.73 | 23.84 |
| (B) Add: Additions during the year | 16.25 | 7.11 |
| (C) **Sub–total (A+B)** | 35.98 | 30.95 |
| (D) Less: Reductions during the year | 12.65 | 11.22 |
| (E) Net NPAs as at the end of the year (C–D) | 23.33 | 19.73 |

**43. Movement in the provisions**

(a) Provisions made during the year

(₹ in crore)

| *Provisions against* | *2014–15* | *2013–14* |
|---|---|---|
| Standard Assets | 124.20 | 88.07 |
| Non-Performing Assets | 26.55 | –12.63 |
| Investments (Net) | 15.41 | 63.83 |
| Income Tax | 992.00 | 873.02 |
| **Total** | **1158.16** | **1012.29** |

(b) Floating provisions

(₹ in crore)

| *Particulars* | *2014–15* | *2013–14* |
|---|---|---|
| Opening balance in the account (Counter cyclical Provisioning Buffer) | 25.51 | 25.51 |
| Addition during the year | | 0.00 |
| Drawdown during the year | (11.07) | 0.00 |
| Closing balance at the close of financial year | 14.44 | 25.51 |

(c) Provision for Non-Performing Assets (Loan Assets)

(₹ in crore)

| *Particulars* | *2014–15* | *2013–14* |
|---|---|---|
| Opening balance as at the beginning of financial year | 76.07 | 87.52 |
| Add: Provision made during the year | 26.59 | 12.80 |
| Less: Write off, write back of excess provision (1a/c) | 0.00 | 24.25 |
| Closing balance at the close of financial year | 102.66 | 76.07 |

(d) Provision for depreciation in investments

(₹ in crore)

| | | Particulars | 2014–15 | 2013–14 |
|---|---|---|---|---|
| A | | Opening balance as at the beginning of the financial year | 64.52 | 0.59 |
| B | **Add** | | | |
| | (i) | Provisions made during the year | 16.00 | 74.16 |
| | (ii) | Appropriation, if any, from Investment Fluctuation Reserve Account during the year | 0.00 | 0.00 |
| C | | Sub Total [A+B (i)+B (ii)] | 80.52 | 74.75 |
| D | **Less** | | | |
| | (i) | Write off / Write back of excess provision | 64.52 | 10.23 |
| | (ii) | Transfer, if any, to Investment Fluctuation Reserve Account | 0.00 | 0.00 |
| | | Sub Total [D] | 64.52 | 10.23 |
| E | | Closing balance as at the close of financial year (C–D) | 16.00 | 64.52 |

e) Withdrawal from Floating provisions

Pursuant to Reserve Bank of India Circular No..DBR.No.BP.BC.79/21-04.048/2014-15 dated 30 March 2015, the bank has withdrawn an amount of ₹11.07 crore from the Countercyclical Provisioning Buffer towards specific provision for Non-performing assets.

**44. Provisioning Coverage Ratio**

The provision coverage ratio of the Bank stood at 93.15% (106.27%).

**45. 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** | 160764.60 (140904.50) | 57672.85 (53679.04) | 40682.83 (35933.08) | 19025.71 (16593.90) | 6630.64 (6508.49) | 284776.63 (253619.01) |
| 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** | 160764.60 (140904.50) | 57672.85 (53679.04) | 40682.83 (35933.08) | 19025.71 (16593.90) | 6630.64 (6508.49) | 284776.63 (253619.01) |
| 3 | **Rupee Liabilities** | 131546.95 (93292.27) | 47266.31 (74731.88) | 40558.06 (32458.29) | 23352.76 (13932.30) | 41325.77 (38489.26) | 284049.85 (252904.00) |
| 4 | **Foreign currency liabilities** | 46.59 (46.58) | 78.22 (93.18) | 168.33 (64.31) | 74.24 (159.45) | 359.40 (351.49) | 726.78 (715.01) |
| | **Total Liabilities** | 131593.54 (93338.85) | 47344.53 (74825.06) | 40726.39 (32522.60) | 23427.00 (14091.75) | 41685.17 (38840.75) | 284776.63 (253619.01) |

#Net of provision made as per RBI directives on Standard Assets as well as for diminution in value of Investments aggregating to ₹1032.06 (₹955.15 crore)

## 46. Operating results

| | Particulars | 2014–15 | 2013–14 |
|---|---|---|---|
| (a) | Interest income as a percentage to average working funds | 6.80 | 6.75 |
| (b) | Non interest income as a percentage to average working funds | 0.12 | 0.08 |
| (c) | Operating profit as a percentage to average working funds | 1.37 | 1.27 |
| (d) | Return on average Assets (%) | 0.93 | 0.82 |
| (e) | Net Profit per Employee (₹ in crore) | 0.59 | 0.44 |

## 47. Other Disclosures

**47.1 Assets sold to Securitisation Company / Reconstruction Company : NIL (NIL)**

**47.2 Forward Rate Agreements and Interest Rate Swaps** : NIL (NIL)

**47.3 Interest Rate Derivatives** : NIL (NIL)

**47.4 Credit Default Swaps** : NIL (NIL)

**47.5 Investments in Non Government Debt Securities** : NIL (NIL)

**47.6 Disclosure on Repo transactions** : NIL (NIL)

## 48. Concentration of Deposits, Advances, Exposure and NPAs

(a) Concentration of Deposits

(₹ in crore)

| | 2014–15 | 2013–14 |
|---|---|---|
| Total Deposits of twenty largest depositors | 160161.73 | 141947.18 |
| Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank | 85.90% | 85.88% |

(b) Concentration of Advances

(₹ in crore)

| | 2014–15 | 2013–14 |
|---|---|---|
| Total Advances to twenty largest borrowers | 114561.46 | 105581.21 |
| Percentage of Advances to twenty largest borrowers to Total Advances of the Bank | 45.38% | 47.73% |

(c) Concentration of Exposure

(₹ in crore)

| | 2014–15 | 2013–14 |
|---|---|---|
| Total Exposure to twenty largest borrowers/ customers | 115514.54 | 106562.78 |
| Percentage of Exposure to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers | 43.19% | 44.08% |

(d) Concentration of NPAs

(₹ in crore)

| | 2014–15 | 2013–14 |
|---|---|---|
| Total Exposure to Top four NPA accounts | 58.42 | 52.14 |

**49. Sector-wise NPAs**

| Sr. No. | Sector | Percentage of NPAs to Total Advances in that sector | |
|---|---|---|---|
| | | 2014–15 | 2013–14 |
| 1 | Agriculture and allied activities | 6.57 | 1.40 |
| 2 | Industry (Micro & Small, Medium and Large) | 96.75 | 79.82 |
| 3 | Services | 0.00 | 0.00 |
| 4 | Personal Loans-Staff Loans | 0.16 | 0.12 |

**50. Movement of Gross NPAs**

(₹ in crore)

| Particulars | 2014–15 | 2013–14 |
|---|---|---|
| Gross NPAs as on 1st April of particular year (Opening Balance) | 95.80 | 111.37 |
| Additions (Fresh NPAs) during the year | 31.12 | 9.55 |
| Sub-total (A) | 126.92 | 120.92 |
| Less:- | | |
| (i) Upgradations | 0.35 | 0.87 |
| (ii) Recoveries (excluding recoveries made from upgraded accounts) | 0.58 | 6.79 |
| (iii) Write-offs | 0.00 | 17.46 |
| Sub-total (B) | 0.93 | 25.12 |
| Gross NPAs as on 31st March of following year (closing balance) (A-B) | 125.99 | 95.80 |

**51. Overseas Assets, NPAs and Revenue:** NIL (NIL)

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

**53. Disclosure of Complaints**

| | Particulars | Nos. |
|---|---|---|
| a) | No. of Complaints pending at the beginning of the year | 0 |
| b) | No. of complaints received during the year | 72 |
| c) | No. of complaints redressed during the year | 61 |
| d) | No. of complaints pending at the end of the year | 11 |

**54. Awards passed by the Banking Ombudsman:** : NIL (NIL)

**55. Letters of comfort issued by Banks** : NIL (NIL)

**56. Bankassurance Business**

Bank has not undertaken the business of Bankassurance during the year.

**57. Information on Business Segment**

(a) **Brief Background**

The Bank has recognized Primary segments as under:

i) **Direct Finance:** Includes Loans given to state governments and other agencies for rural infrastructure development, co-finance loans and loans given to voluntary agencies/ non–governmental organizations for developmental activities and other direct loans to Co-operative Banks etc.

ii) **Refinance:** Includes Loans and Advances given to State

Governments, Commercial Banks, SCARDBs, StCBs Regional Rural Banks etc. as refinance against the loans disbursed by them to the ultimate borrowers.

iii) **Treasury:** Includes investment of funds in treasury bills, short-term deposits, government securities, etc.

iv) **Unallocated:** Includes income from staff loans and other miscellaneous receipts and expenditure incurred for the developmental role of the bank and common administrative expenses.

**(b) Information on Primary Business Segment:**

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

58. Figures in brackets pertain to previous year.

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

(₹ in crore)

| | *Direct Finance* | *Refinance* | *Treasury* | *Unallocated* | *Total* |
|---|---|---|---|---|---|
| **Segment Revenue** | 6186.38<br>(5528.36) | 9253.43<br>(7711.89) | 2219.21<br>(2159.68) | 146.68<br>(42.40) | **17805.70<br>(15442.33)** |
| **Segment Results** | 609.55<br>(505.21) | 1898.80<br>(1412.26) | 2080.64<br>(2087.83) | –1167.53<br>(–1217.30) | **3421.46<br>(2788.00)** |
| **Total carrying amount of Segment Assets** | 95320.82<br>(86417.98) | 160754.36<br>(137781.03) | 26438.69<br>(29194.80) | 3294.82<br>(1180.35) | **285808.69<br>(254574.16)** |
| **Total carrying amount of Segment Liabilities** | 92951.87<br>(87425.90) | 152408.75<br>(139725.41) | 10415.80<br>(1106.65) | 30032.27<br>(26316.20) | **285808.69<br>(254574.16)** |
| **Other Items:** | | | | | |
| **Cost to acquire Segment Assets during the year** | 0.00<br>(0.00) | 0.00<br>(0.00) | 0.00<br>(0.00) | 54.27<br>(50.16) | **54.27<br>(50.16)** |
| **Amortization & Depreciation** | 0.00<br>(0.00) | 0.00<br>(0.00) | 1.24<br>(1.79) | 48.91<br>(24.67) | **50.15<br>(26.46)** |
| **Non Cash Expenses** | 48.08<br>(40.50) | 54.05<br>(40.96) | 15.43<br>(0.02) | 231.02<br>(251.64) | **348.58<br>(333.12)** |

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

Rajen Ashar
Partner
26 May 2015

Padma Raghunathan
Chief General Manager
Accounts Department
Mumbai, 26 May 2015

Harsh Kumar Bhanwala
Chairman

R Amalorpavanathan
Deputy Managing Director

H R Khan
Director

Snehlata Shrivastava
Director

# Cash flow NABARD 2014–15

**NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT**
**CASH FLOW FOR THE YEAR ENDED 31 MARCH 2015**

(₹ in thousands)

| *Particulars* | *2014–2015* | *2013–2014* |
|---|---|---|
| (a) Cash flow from Operating activities | | |
| Net Profit as per Profit and Loss a/c before tax | 3421,46,31 | 2788,00,09 |
| Adjustment for: | | |
| Depreciation | 48,90,87 | 24,67,08 |
| Provisions and Amortisations | 11,97,42 | (8,45,71) |
| Provision for Non-performing Assets | 3,64 | (12,62,80) |
| Provision for Standard Assets | 124,20,00 | 88,07,00 |
| Provision for sacrifice in interest element of Restructured Loan | (21,96,36) | (11,31,15) |
| Profit / Loss on sale of Fixed Assets | (2,04) | (13,75) |
| Interest credited to various Funds (including addition/ adjustment made to Interest Differential Fund) | 252,29,98 | 284,48,75 |
| Income from Investment (including Discount Income) | (2219,21,26) | (2161,47,32) |

(Contd)

| Particulars | 2014–2015 | 2013–2014 |
|---|---|---|
| **Operating profit before changes in operating assets** | **1617,68,56** | **991,22,19** |
| Adjustment for changes in working capital : | | |
| (Increase) / Decrease in Current Assets | 1757,65,94 | (6590,58,04) |
| Increase / (Decrease) in Current Liabilities | 419,07,20 | 1321,66,62 |
| Increase in Loans and Advances (Including Housing Loan & Other Advances to Staff | (31335,57,93) | (25979,15,06) |
| **Cash generated from operating activities** | **(27541,16,23)** | **(30256,84,29)** |
| Income Tax paid - Net of refund<br>(Out of above ₹853.42 crore paid on account of taxability of RIDF/<br>STCRC differential debited to Watershed Development/<br>Tribal Development/Financial Inclusion Fund ) | (1195,56,49) | (1038,20,94) |
| **Net cash flow from operating activities (A)** | **(28736,72,72)** | **(31295,05,23)** |
| **(b) Cash flow from Investing activities** | | |
| Income from Investment (including Discount Income) | 2217,97,27 | 2159,68,42 |
| Purchase of Fixed Asset | (53,12,50) | (45,95,33) |
| Sale of Fixed Assets | 4,32,49 | 11,59,02 |
| Increase / Decrease in Investment | 288,17,19 | (9605,32,57) |
| **Net cash used / generated from investing activities (B)** | **2457,34,45** | **(7480,00,46)** |
| **(c) Cash flow from financing activities** | | |
| Grants / contributions received | 601,42,15 | (606,13,48) |
| Proceeds of Bonds | (2207,70,36) | (11450,76,75) |
| Increase / (Decrease) in Borrowings | 8457,89,59 | (2090,88,97) |
| Increase / (Decrease) in Deposits | 21008,28,11 | 51385,10,76 |
| Increase in Share capital | 300,00,00 | 700,00,00 |
| **Net cash raised from financing activities (C)** | **28159,89,49** | **37937,31,56** |
| Net increase in cash and cash equivalent (A)+(B)+(C ) | 1880,51,22 | (837,74,13) |
| Cash and Cash equivalent at the beginning of the year | 434,44,45 | 1272,18,58 |
| **Cash and cash equivalent at the end of the year** | **2314,95,67** | **434,44,45** |
| **1. C Cash and cash equivalent at the end of the year includes :** | **2014–2015** | **2013–2014** |
| Cash in hand | 6 | 5 |
| Balance with Reserve Bank of India | 2030,03,79 | 107,31,18 |
| Balances with other Banks in India | 120,03,75 | 11,64,31 |
| Remittances in Transit | 5,31 | 104,40,17 |
| Collateralised Borrowing and Lending Obligations | 164,82,76 | 211,08,74 |
| **Total** | **2314,95,67** | **434,44,45** |

As per our attached report of even date

G M Kapadia & Co.
Chartered Accountants

Rajen Ashar
Partner
26 May 2015

Padma Raghunathan
Chief General Manager
Accounts Department
Mumbai, 26 May 2015

Harsh Kumar Bhanwala
Chairman

R Amalorpavanathan
Deputy Managing Director

H R Khan
Director

Snehlata Shrivastava
Director

NABARD

# Consolidated Balance Sheet, Profit and Loss Account & Cash Flow of NABARD and Subsidiaries (NABCONS, NABKISAN, ABFL and NABFINS)

# Independent Auditors' Report

To

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

## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. We have audited the accompanying consolidated financial statements of **National Bank for Agriculture and Rural Development** (the Bank) and its subsidiaries which comprises the Consolidated Balance Sheet as at March 31, 2015 and the Consolidated Statement of Profit and Loss Account and Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## 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 but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. 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 and to the best of our information and according to the explanations given to us, and based on consideration of the reports of the other auditors on the consolidated financial statements of the subsidiaries, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
    a. in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2015;
    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 date.

## OTHER MATTER

8. We did not audit the financial statements of 2 subsidiary companies, whose financial statements reflect total assets (net) ₹523324.30 thousands as at March 31, 2015, total revenue of ₹137799.25 thousands and net cash inflow of (₹68557.35) thousands for the year ended on that date. These financial statements

have been audited by other auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the reports of the other auditors. Our opinion is not qualified in respect of this matter.

9. We have relied on the unaudited financial statements of 2 subsidiary companies whose financial statements reflect total assets (net) of ₹2594293.87 thousands as at March 31, 2015, total revenue (net) of ₹1589075.28 thousands and net cash inflows amounting to (₹46609.28) thousands for the year ended on that date. These unaudited financial statements as approved by the respective management of these companies have been furnished to us and our report in so far as it relates to the amounts included in respect of the subsidiary companies as mentioned above is based solely on such approved unaudited financial statements. Our opinion is not qualified in respect of this matter.

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

Rajen Ashar
Partner
(Membership No. 048243)

Date: May 26, 2015
Place: Mumbai

# Consolidated Balance Sheet As on 31 March 2015

**NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2015**

(₹ in thousands)

| *Sr. No.* | *Funds and Liabilities* | *Schedule* | *As on 31.03.2015* | *As on 31.03.2014* |
|---|---|---|---|---|
| 1 | Capital (Under Section 4 of the NABARD Act 1981) | | 5000,00,00 | 4700,00,00 |
| 2 | Reserve Fund and other Reserves | 1 | 19703,67,69 | 17232,05,85 |
| 3 | National Rural Credit Funds | 2 | 16070,00,00 | 16066,00,00 |
| 4 | Funds out of grants received from International Agencies | 3 | 113,96,38 | 119,05,11 |
| 5 | Gifts, Grants, Donations and Benefactions | 4 | 1515,10,11 | 896,49,10 |
| 6 | Other Funds | 5 | 4081,01,74 | 3883,77,93 |
| 7 | Minority Interest | | 73,79,87 | 52,53,10 |
| 8 | Deposits | 6 | 186454,24,34 | 165445,96,23 |
| 9 | Bonds and Debentures | 7 | 34006,52,71 | 36214,23,07 |
| 10 | Borrowings | 8 | 9527,67,17 | 1021,29,36 |
| 11 | Current Liabilities and Provisions | 9 | 9555,52,16 | 9179,44,14 |
| | **Total** | | **286101,52,17** | **254810,83,89** |
| | Forward Foreign Exchange Contracts (Hedging) as per contra | | 640,45,99 | 780,89,06 |

## NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
## CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2015

(₹ in thousands)

| Sr. No | Property and assets | Schedule | As on 31.03.2015 | As on 31.03.2014 |
|---|---|---|---|---|
| 1 | Cash and Bank Balances | 10 | 13314,79,08 | 13821,38,24 |
| 2 | Investments | 11 | 21102,41,86 | 23200,96,08 |
| 3 | Advances | 12 | 246096,03,04 | 213011,70,48 |
| 4 | Fixed Assets | 13 | 327,83,25 | 327,60,14 |
| 5 | Other Assets | 14 | 5260,44,94 | 4449,18,95 |
| | **Total** | | **286101,52,17** | **254810,83,89** |
| | Forward Foreign Exchange Contracts (Hedging) as per contra | | 640,45,99 | 780,89,06 |
| | 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
26 May 2015

Padma Raghunathan
Chief General Manager
Accounts Department
Mumbai, 26 May 2015

Harsh Kumar Bhanwala
Chairman

R Amalorpavanathan
Deputy Managing Director

H R Khan
Director

Snehlata Shrivastava
Director

## NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2015

(₹ in thousands)

| Sr. No. | Income | Schedule | 2014-15 | 2013-14 |
|---|---|---|---|---|
| 1 | Interest received on Loans and Advances | | 15333,56,98 | 13183,02,54 |
| 2 | Income from Investment Operations / Deposits | | 2231,04,52 | 2169,05,36 |
| 3 | Other Receipts | | 351,80,52 | 218,05,08 |
| | **Total "A"** | | **17916,42,02** | **15570,12,98** |

(₹ in thousands)

| Sr. No. | Expenditure | Schedule | 2014-15 | 2013-14 |
|---|---|---|---|---|
| 1 | Interest and Financial Charges | 15 | 12930,29,76 | 11297,40,59 |
| 2 | Establishment and Other Expenses | 16 A | 1275,68,86 | 1261,58,84 |
| 3 | Expenditure on Promotional Activities | 16 B | 61,31,53 | 36,28,75 |
| 4 | Depreciation | | 49,82,58 | 25,01,15 |
| 5 | Provisions | 16 C | 120,70,53 | 78,44,03 |
| | **Total "B"** | | **14437,83,26** | **12698,73,36** |
| 6 | **Profit before Tax (A - B)** | | **3478,58,76** | **2871,39,62** |
| 7 | **Provision for** | | | |
| | a) Income Tax | | 1075,56,40 | 970,21,00 |
| | b) Deferred Tax – Asset Adjustment | | –35,92,19 | –29,96,67 |
| 8 | **Profit after Tax** | | **2438,94,55** | **1931,15,29** |
| | Minority Interest | | 7,53,74 | 5,81,50 |
| | **Profit available for Appropriation** | | **2431,40,81** | **1925,33,79** |
| | **Appropriations** | | | |
| | **Profit as above** | | **2431,40,81** | **1925,33,79** |
| | Add : Withdrawals from various funds against expenditure debited to Profit & Loss Account | | 177,82,34 | 140,05,65 |
| | Total Profit Available for appropriation | | **2609,23,15** | **2065,39,44** |
| | Transferred to: | | | |
| | Special Reserves u/s 36(1) (viii) of IT Act, 1961 | | 4900000 | 3100000 |
| | National Rural Credit (Long Term Operations) Fund | | 1,00,00 | 1,00,00 |
| | National Rural Credit (Stabilisation) Fund | | 1,00,00 | 1,00,00 |
| | Research and Development Fund | | 20,22,32 | 15,59,52 |
| | Investment Fluctuation Reserve | | 63,93,15 | 5,24,38,45 |
| | Farmers Technology Transfer Fund | | 0 | 15,10,94 |
| | Farm Sector Promotion Fund | | 50,00,00 | - |
| | Tax on Proposed Dividend | | 1245 | |
| | Reserve Fund | | 1982,95,23 | 1198,30,53 |
| | Total | | **2609,23,15** | **2065,39,44** |

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

Rajen Ashar
Partner
26 May 2015

Padma Raghunathan
Chief General Manager
Accounts Department
Mumbai, 26 May 2015

Harsh Kumar Bhanwala
Chairman

R Amalorpavanathan
Deputy Managing Director

H R Khan
Director

Snehlata Shrivastava
Director

## SCHEDULES TO BALANCE SHEET
## CONSOLIDATED SCHEDULE 1 - RESERVE FUND AND OTHER RESERVES

(₹ in thousands)

| *Sr. No.* | *Particulars* | *Opening Balance as on 01.04.2014* | *Diff.bet. Audited & Unaudited financial statement of previous year* | *Exp./Add./ Adjust. during the year* | *Transferred From P&L Appropriation* | *Transferred to P&L Appropriation* | *Balance as on 31.03.2015* |
|---|---|---|---|---|---|---|---|
| 1 | Reserve Fund | 10821,48,09 | 84,52 | – | 1982,95,23 | 25,00 | **12803,33,80** |
| 2 | Research and Development Fund | 52,00,00 | | – | 20,47,32 | 20,22,32 | **52,25,00** |
| 3 | Capital Reserve | 85,93,53 | | – | – | – | **85,93,53** |
| 4 | Investment Fluctuation Reserve | 686,70,00 | | – | 63,93,15 | 95,63,15 | **655,00,00** |
| 5 | Co-operative Development Fund | 93,53,25 | | – | – | 11,71,09 | **81,82,16** |
| 6 | Special Reserves Created & Maintained u/s 36(1)(viii) of Income Tax Act, 1961 | 5395,00,00 | | – | 490,00,00 | – | **5885,00,00** |
| 7 | Producers' Organizations Development Fund | 47,77,66 | | – | – | 2,14,71 | **45,62,95** |
| 8 | Rural Infrastructure Promotion Fund | 22,70,39 | | – | – | 2,29,35 | **20,41,04** |
| 9 | Farm Innovation & Promotion Fund # | 26,92,93 | | (26,92,93) | – | – | **–** |
| 10 | Farm Sector Promotion Fund @ | | | 67,92,93 | 50,00,00 | 43,63,72 | **74,29,21** |
| | **Total** | **17232,05,85** | **84,52** | **41,00,00** | **2607,35,70** | **175,89,34** | **19703,67,69** |
| | Previous year | 15286,51,67 | – | 4,13,12 | 2048,28,50 | 106,87,44 | 17232,05,85 |

# ₹26.92 crore transferred to Farm Sector Promotion Fund as per resolution of the Board

@ - Represents ₹41 crore transferred from Farmer's Technology Transfer Fund and ₹26.92 crore transferred from Farm Innovation & Promotion Fund as per resolution of the Board.

## CONSOLIDATED SCHEDULE 2 - NATIONAL RURAL CREDIT FUNDS

(₹ in thousands)

| *Sr. No.* | *Particulars* | *Opening Balance as on 01.04.2014* | *Contribution by RBI* | *Transferred from P&L Appropriation* | *Balance as on 31.03.2015* |
|---|---|---|---|---|---|
| 1. | National Rural Credit (Long Term Operations) Fund | 14483,00,00 | 1,00,00 | 1,00,00 | 14485,00,00 |
| 2 | National Rural Credit (Stabilisation) Fund | 1583,00,00 | 1,00,00 | 1,00,00 | 1585,00,00 |
| | **Total** | **16066,00,00** | **2,00,00** | **2,00,00** | **16070,00,00** |
| | Previous year | 16062,00,00 | 2,00,00 | 2,00,00 | 16066,00,00 |

## CONSOLIDATED SCHEDULE 3 - FUNDS OUT OF GRANTS RECEIVED FROM INTERNATIONAL AGENCIES

(₹ in thousands)

| Sr. No | Particulars | Opening Balance as on 01.04.2014 | Grants received / adjusted during the year | Interest credited to the fund | Exp./ Disb. / Adjust.During the year * | Balance as on 31.03.2015 |
|---|---|---|---|---|---|---|
| 1 | National Bank - Swiss Development Coop. Project | 55,61,77 | – | – | – | 55,61,77 |
| 2 | Rural Innovation Fund (RIF) | 50,39,82 | – | 2,99,68 | 53,39,50 | – |
| 3 | Rural Promotion Fund | 11,47,36 | 2,48,48 | – | 13,95,84 | – |
| 4 | RPF & RIF - Off-Farm Sector Promotion Fund @ | – | 66,05,15 | – | 9,50,27 | 56,54,88 |
| 5 | KfW - NABARD V Fund for Adivasi Programme | 1,56,16 | 78,28 | 8,39 | 63,10 | 1,79,73 |
| | **Total** | **119,05,11** | **69,31,91** | **3,08,07** | **77,48,71** | **113,96,38** |
| | Previous year | 125,38,44 | 1,62,88 | 3,08,94 | 11,05,15 | 119,05,11 |

1 @ being ₹52.09 crore transferred from Rural Innovation Fund and ₹13.96 crore transferred from Rural Promotion Fund to RPF & RIF – Off Farm Sector Promotion Fund in accordance with the resolution of the Board.

2. * Includes approved claims of reimbursements pending disbursements

3. 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.

## CONSOLIDATED SCHEDULE 4 - GIFTS, GRANTS, DONATIONS AND BENEFACTIONS

(₹ in thousands)

| Sr. No. | Particulars | Opening Balance as on 01.04.2014 | Grant received during the year | Interest Credited to the fund | Refunded / Adjusted against the expenditure * | Balance as on 31 .03.2015 |
|---|---|---|---|---|---|---|
| **A.** | **Grants from International Agencies** | | | | | |
| 1 | KfW - NB - IX Adivasi Development Programme - Maharashtra | 3,55,63 | 7,16 | 38,06 | 7,39 | 3,93,46 |
| 2 | KfW UPNRM - Accompanying Measures | – | 7,93,32 | 18,47 | 4,59,12 | 3,52,67 |
| 3 | KfW NB UPNRM - Financial Contribution | – | 41,27 | – | 41,27 | – |
| 4 | KfW UPNRM - Risk Mitigation Fund | 2,74,45 | – | – | 2,74,45 | – |
| 5 | International Fund for Agriculture Development (IFAD) Priyadarshini | – | 4,50,00 | – | 4,50,00 | – |
| 6 | KfW-NB-Indo German Watershed Development Programme - Phase III - Maharashtra | 47,82 | – | 4,56 | 20,46 | 31,92 |
| 7 | Indo German Watershed Development Programme - Andhra Pradesh | – | 6,32,54 | 2,36 | 6,34,90 | – |
| 8 | Indo German Watershed Development Programme - Gujarat | – | 10,50,54 | 1,23 | 10,15,50 | 36,27 |
| 9 | Indo German Watershed Development Programme - Rajasthan | – | 9,73,16 | 96 | 9,74,12 | – |

(Contd)

| Sr. No. | Particulars | Opening Balance as on 01.04.2014 | Grant received during the year | Interest Credited to the fund | Refunded / Adjusted against the expenditure * | Balance as on 31 .03.2015 |
|---|---|---|---|---|---|---|
| 10 | KfW Umbrella Programme on Natural Resource Management Fund | 12,50,58 | – | – | 12,50,58 | – |
| 11 | GIZ Rural Financial Institutions Program (RFIP) | 12,73 | 1,58,69 | – | 48,66 | 1,22,76 |
| 12 | GIZ UPNRM Technical Collaboration | 15,82 | 66,33 | – | 82,15 | – |
| **B.** | **Government Subsidy Schemes** | | | | | |
| 1 | Capital Investment Subsidy for Cold Storage Projects - NHB | 1,44,40 | – | – | – | 1,44,40 |
| 2 | Capital Subsidy for Cold Storage TM North East | – | – | – | (8,40) | 8,40 |
| 3 | Credit Linked Capital Subsidy for Technology Upgradation of SSIs | 56,30 | 4,73,91 | – | 5,30,21 | – |
| 4 | Capital Investment Subsidy for Rural Godowns | 2,69,28 | – | – | 2,69,28 | – |
| 5 | On-farm Water Management for Crop Production | 7,17 | – | – | – | 7,17 |
| 6 | Bihar Ground Water Irrigation Scheme (BIGWIS) | 77,29,42 | – | – | 327 | 77,26,15 |
| 7 | Cattle Development Programme - Uttar Pradesh | 1,95 | – | 20 | – | 2,15 |
| 8 | Cattle Development Programme - Bihar | 4,63 | – | 50 | – | 5,13 |
| 9 | National Project on Organic Farming | 80,09 | 3,78,00 | – | 1,55,03 | 3,03,06 |
| 10 | Integrated Watershed Development Programme - Rashtriya Sam VikasYojana | 4,29,43 | – | – | (3) | 4,29,46 |
| 11 | Centrally Sponsored Scheme on Integrated Development of Small Ruminants and Rabbits | 51,55 | 62,39,15 | – | 41,11,04 | 21,79,66 |
| 12 | Kutch Drought Proofing Project | 21,64 | – | – | – | 21,64 |
| 13 | Dairy and Poultry Venture Capital Fund | 5,74,84 | – | – | (9,36,46) | 15,11,30 |
| 14 | Poultry Venture Capital Fund | 4,00,43 | – | – | (1,00,22) | 5,00,65 |
| 15 | Poultry Venture Capital Fund (Subsidy) | 11,27,70 | 55,35,00 | – | 47,99,16 | 18,63,54 |
| 16 | Capital Subsidy for Agriculture Marketing Infrastructure, Grading and Standardisation | 27,54,71 | – | – | 27,54,71 | – |
| 17 | ISAM - Agricultural Marketing Infrastructure | – | 663,32,04 | – | 568,64,50 | 94,67,54 |
| 18 | Centrally Sponsored Scheme for establishing Poultry Estate | 3,16,91 | – | – | 18,19 | 2,98,72 |
| 19 | Climate Change - (AFB) - Project Formulation Grant | – | 53,77 | – | 34,74 | 19,03 |
| 20 | Climate Change - (AFB) - Project / Programme Implementation a/c | – | 3,40,48 | – | – | 3,40,48 |

(Contd)

| Sr. No. | Particulars | Opening Balance as on 01.04.2014 | Grant received during the year | Interest Credited to the fund | Refunded / Adjusted against the expenditure * | Balance as on 31 .03.2015 |
|---|---|---|---|---|---|---|
| 21 | Multi Activity Approach for Poverty Alleviation - Sultanpur, Uttar Pradesh | 555 | 248 | 45 | – | 848 |
| 22 | Multi Activity Approach for Poverty Alleviation - BAIF - Rae Bareli, Uttar Pradesh | 1,11 | – | 12 | – | 1,23 |
| 23 | CCS - on Pig Development | 4,94,73 | 21,50,00 | – | 23,19,37 | 3,25,36 |
| 24 | Dairy Entrepreneurship development Scheme | 48,43,15 | 154,59,00 | – | 170,58,91 | 32,43,24 |
| 25 | CCS - S & R Male Buffaloes calves | – | 25,00 | – | 23,74 | 1,26 |
| 26 | CSS - JNN Solar Mission | 7,74,81 | – | – | 2,23,92 | 5,50,89 |
| 27 | CSS - JNNSM - Solar Lighting a/c - subsidy recd | 1,07,03 | – | – | (11,81) | 1,18,84 |
| 28 | CSS - Solar Photovoltaic Water Pumping | – | 120,00,00 | – | 4,45,78 | 115,54,22 |
| 29 | Capital Subsidy Scheme - Agri Clinics Agri Business Centres | 2,75,15 | 8,08,90 | – | 8,17,02 | 2,67,03 |
| 30 | Artificial Recharge of Groundwater in Hard Rock Area | – | – | – | (1,33,74) | 1,33,74 |
| **C.** | **Government Schemes** | | | | | |
| 1 | Agriculture Debt Waiver and Debt Relief Scheme (ADWDR) 2008 | 262,66,73 | – | – | (15,46,69) | 278,13,42 |
| 2 | Women's Self Help Groups [SHGs] Development Fund | 149,80,48 | – | – | 16,61,31 | 133,19,17 |
| 3 | PRODUCE FUND | – | 200,00,00 | – | 1,00,38 | 198,99,62 |
| 4 | Revival of 23 unlicensed DCCBs | – | 562,07,00 | – | 258,75,00 | 303,32,00 |
| **D.** | **Interest Relief / Subvention** | | | | | |
| 1 | Interest Subvention (Sugar Term Loan) | 8,67,23 | – | – | 8,59,19 | 8,04 |
| 2 | Scheme for providing Financial Assistance to Sugar Undertakings - 2007 (SEFASU - 2007) | 65,27 | – | – | – | 65,27 |
| **E** | **Revival Package of Short Term Cooperative Credit Structure** | | | | | |
| 1 | Implementation Cost | 39 | – | – | 39 | – |
| **F** | **Revival Package for Long Term Co-operative Credit Structure (LTCCS)** | 20,00,00 | – | – | – | 20,00,00 |
| **G** | **Revival reform and Restructure of Handloom Sector** | | | | | |
| 1 | Implementation Cost [RRR - Handloom Package ] a/c - grant received | – | – | – | – | – |
| 2 | Expenditure on Loss Asset [RRR - Handloom Package] a/c - grant received | 1,49,88 | – | – | 24,91 | 1,24,97 |
| 3 | Recap Assist [RRR - Handloom Package] to AWCS a/c - | 124,15,74 | 18,79,20 | – | 53,82,18 | 89,12,76 |

(Contd)

| Sr. No. | Particulars | Opening Balance as on 01.04.2014 | Grant received during the year | Interest Credited to the fund | Refunded / Adjusted against the expenditure * | Balance as on 31 .03.2015 |
|---|---|---|---|---|---|---|
| 4 | Recap Assist [RRR - Handloom Package] to PWCS a/c - | 62,71,66 | 24,79,62 | – | 56,89,57 | 30,61,71 |
| 5 | Recap Assist [RRR - Handloom Package] to individual weaver a/c - | 36,28,48 | 74,47 | – | 1,72,23 | 35,30,72 |
| 6 | Technical Assistance [RRR - Handloom Package] | 2,00,00 | 1,37,18 | – | 3,37,18 | – |
| 7 | HRD [RRR - Handloom Package] | 1,84,70 | – | – | 17,50 | 1,67,20 |
| 8 | Interest Subvention [RRR - Handloom Package | – | – | – | – | – |
| 9 | Comprehensive Handloom Package | 79,02 | 19,50,48 | – | 18,80,04 | 1,49,46 |
| **H** | Centre for Professional Excellence in Co-operatives - (C-PEC) | 1,10,50 | 50,88 | 14,06 | 19,53 | 1,55,92 |
| | **Total** | **896,49,10** | **1967,49,57** | **80,97** | **1349,69,52** | **1515,10,11** |
| | **Previous year** | **977,43,67** | **1413,58,28** | **31,91** | **1494,84,76** | **896,49,10** |

1. * Includes approved claims of reimbursements pending disbursements
2. 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.

## CONSOLIDATED SCHEDULE 5 - OTHER FUNDS

(₹ in thousands)

| Sr. No. | Particulars | Opening Balance as on 01.04.2014 | Additions/ Adjustment during the year | Transferred from P & L Appropriation | Interest Credited | Expenditure/ Disb. during the year * | Transferred to P&L Appropriation | Balance as on 31.03.2015 |
|---|---|---|---|---|---|---|---|---|
| 1 | Watershed Development Fund (i)*) | 929,63,79 | 300,00,00 | – | 57,14,74 | 201,84,50 | – | 1084,94,03 |
| 2 | Interest Differential Fund - (Forex Risk) | 209,11,93 | 18,74,13 | – | – | – | – | 2,27,86,06 |
| 3 | Interest Differential Fund - (Tawa) | 10,00 | – | – | – | – | – | 10,00 |
| 4 | Adivasi Development Fund | 5,77,49 | – | – | – | – | – | 5,77,49 |
| 5 | Tribal Development Fund (ii)* | 1090,14,07 | 303,62,62 | – | 64,12,22 | 715,62,27 | – | 742,26,64 |

(Contd)

| Sr. No. | Particulars | Opening Balance as on 01.04.2014 | Additions/ Adjustment during the year | Transferred from P & L Appropriation | Interest Credited | Expenditure/ Disb. during the year * | Transferred to P&L Appropriation | Balance as on 31.03.2015 |
|---|---|---|---|---|---|---|---|---|
| 6 | Financial Inclusion Fund (iii)* | 1626,51,44 | 659,26,97 | – | 108,39,83 | 324,76,45 | – | 2069,41,79 |
| 7 | Financial Inclusion Technology Fund | (18,50,79) | – | – | – | 30,83,48 | – | (49,34,27) |
| 8 | Farmers Technology Transfer Fund@ | 41,00,00 | – | – | – | 41,00,00 | – | – |
| | **Total** | **3883,77,93** | **1281,63,72** | – | **229,66,79** | **1314,06,70** | – | **4081,01,74** |
| | Previous year | 4154,80,73 | 882,34,14 | 15,10,94 | 254,28,83 | 1372,86,34 | 49,90,37 | 3883,77,93 |

1. * Includes approved claims of reimbursements pending disbursements
2. @ being ₹41 crore transferred to Farm Sector Promotion Fund
3. i Includes ₹101.97 crore being income taxes paid including interest
   ii Includes ₹527.37 crore being income taxes paid including interest
   iii Includes ₹224.08 crore being income taxes paid including interest
4. NABARD is acting as banker/custodian/trustee on behalf of GoI/ RBI/Other entities and is holding the above funds, pending disbursement/Utilization in terms of respective schemes, on their behalf, to the extent of contribution made by them and accrued interest on unutilized balances, wherever applicable

## CONSOLIDATED SCHEDULE 6 – DEPOSITS

(₹ in thousands)

| Sr. No. | Particular | As on 31.03.2015 | As on 31.03.2014 |
|---|---|---|---|
| 1 | Central Government | – | – |
| 2 | State Governments | – | – |
| 3 | Others | | |
| | a) Tea / Rubber / Coffee Deposits | 300,84,98 | 333,13,06 |
| | b) Commercial Banks (Deposits under RIDF) | 89603,39,36 | 83862,83,17 |
| | c) Short Term Cooperative Rural Credit Fund | 60000,00,00 | 50000,00,00 |
| | d) ST RRB Credit Refinance Fund | 30000,00,00 | 30000,00,00 |
| | e) Warehouse Infrastructure Fund | 1550,00,00 | 1250,00,00 |
| | f) Long Term Rural Credit Fund | 5000,00,00 | – |
| | **Total** | **186454,24,34** | **165445,96,23** |

## CONSOLIDATED SCHEDULE 7-BONDS AND DEBENTURES

(₹ in thousands)

| Sr. No. | Particulars | As on 31.03.2015 | As on 31.03.2014 |
|---|---|---|---|
| 1 | Non Priority Sector Bonds | 29031,00,00 | 31229,10,00 |
| 2 | Capital Gains Bonds | 1,29,40 | 1,29,40 |
| 3 | Bhavishya Nirman Bonds | 4974,23,31 | 4974,23,31 |
| 4 | NABARD Rural Bond | – | 9,60,36 |
| | **Total** | **34006,52,71** | **36214,23,07** |

## CONSOLIDATED SCHEDULE 8 – BORROWINGS

(₹ in thousands)

| Sr. No. | Particulars | As on 31.03.2015 | As on 31.03.2014 |
|---|---|---|---|
| | (A) In India | | |
| 1 | Central Government | 19,61,52 | 39,59,18 |
| 2 | JNN Solar Mission | 35,82,00 | 35,82,00 |
| 3 | Reserve Bank of India | – | – |
| 4 | **Others :** | | |
| | (i) Commercial Paper | 2898,04,50 | – |
| | (ii) Borrowing under Collateralised and Borrowing Lending Obligation | 5280,66,50 | |
| | (iii) Term Money Borrowings | 515,24,00 | 227,85,00 |
| | (iv) Commercial Banks | 51,50,38 | 3,02,16 |
| | (v) Borrowing against STD | – | – |
| | (B) Outside India | | |
| | (i) International Agencies | 726,78,27 | 715,01,02 |
| | **Total** | **9527,67,17** | **1021,29,36** |

Out of the above, borrowings under CBLO are secured against Government Securities including Treasury Bills

## CONSOLIDATED SCHEDULE 9 - CURRENT LIABILITIES AND PROVISIONS

(₹ in thousands)

| Sr. No. | Particulars | As on 31.03.2015 | As on 31.03.2014 |
|---|---|---|---|
| 1 | Interest / Discount Accrued | 7698,25,20 | 7461,39,54 |
| 2 | Sundry Creditors* | 583,60,26 | 544,96,00 |
| 3 | Subsidy Reserve (Co-finance, Cold Storage) | 20,55,91 | 7,96,90 |
| 4 | Subsidy Reserve - CSAMI under RIDF | 2,27,06 | 16,72,05 |
| 5 | Provision for Gratuity | 12,77 | 8,03 |
| 6 | Provision for Pension | 59,93,44 | 15,16,16 |
| 7 | Provision for Encashment of Ordinary Leave | 31,82 | 6,88,43 |
| 8 | Provision for Post-Retirement Medical Benefit | 106,61,60 | 86,34,06 |
| 9 | Unclaimed Interest on Bonds | 1,79,44 | 2,09,68 |
| 10 | Unclaimed Interest on Term Deposits | 68 | 78 |
| 11 | Term Deposits Matured but not claimed | 22,87 | 33,18 |
| 12 | Bonds matured but not claimed | 3,63,14 | 4,89,51 |
| 13 | Application money received pending allotment of Bonds | – | 1,00 |
| 14 | Provisions and Contingencies | | |
| (a) | Depreciation in Value of Investment a/c - G. Sec. | – | 63,82,69 |
| (b) | Amortisation of G. Sec. - HTM | 4,81,79 | 3,57,80 |
| (c) | For Standard Assets | 10176126 | 893,41,70 |
| (d) | Depreciation in Value of Investment a/c - Equity | 16,00,00 | 69,75 |

(Contd)

| Sr. No. | Particulars | As on 31.03.2015 | As on 31.03.2014 |
|---|---|---|---|
| (e) | Non-performing investments | – | – |
| (f) | Non-performing assets | 7,46,02 | 1,92,31 |
| (g) | Countercyclical Provisioning Buffer | 14,44,89 | 25,51,00 |
| (h) | Sacrifice in interest element of restructured loans | 15,21,01 | 37,17,37 |
| (i) | Provision for Other Assets & Receivables | 2,63,00 | 6,46,20 |
| | **Total** | **9555,52,16** | **9179,44,14** |

* includes an amount of ₹35.50 crore towards mFDEF

## CONSOLIDATED SCHEDULE 10 - CASH AND BANK BALANCES

(₹ in thousands)

| Sr. No. | Particulars | As on 31.03.2015 | As on 31.03.2014 |
|---|---|---|---|
| 1 | Cash in hand | 44,21 | 46,91 |
| 2 | **Balances with :** | | |
| | **A) Banks in India** | | |
| | i) Reserve Bank of India | 2030,03,79 | 107,31,18 |
| | **B) Others** | | |
| | a) in Current Account | 156,74,64 | 101,22,14 |
| | b) Deposit with Banks | 10962,68,37 | 13296,89,10 |
| | c) Remittances in Transit | 5,31 | 104,40,17 |
| | d) Collateralised Borrowing and Lending Obligations | 164,82,76 | 211,08,74 |
| | **(C) Outside India** | – | – |
| | **Total** | **13314,79,08** | **13821,38,24** |

## CONSOLIDATED SCHEDULE 11 - INVESTMENTS

(₹ in thousands)

| Sr. No. | Particulars | As on 31.03.2015 | As on 31.03.2014 |
|---|---|---|---|
| **1** | **Government Securities** | | |
| | a) Securities of Central Government | 3099,48,70 | 3007,34,59 |
| | [Face Value ₹3133,97,80,000 (₹3053,31,00,000)] | | |
| | [Market Value ₹3166,61,16,724 (₹2916,58,70,419)] | | |
| | **b) Treasury Bills** | 5346,42,17 | 2754,46,32 |
| | [Face Value ₹5465,81,75,000 (₹2822,80,00,000)] | | |
| | [Market Value ₹5346,42,17,463 (₹2754,46,32,458)] | | |
| **2** | **Other Approved Securities** | – | – |
| **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 |

(Contd)

| Sr. No. | Particulars | As on 31.03.2015 | As on 31.03.2014 |
|---|---|---|---|
| (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. [77,389 (17,389) - Equity shares of ₹10 each] | 2,95,29 | 42,60 |
| (ii) | Power Grid Corpn of India Ltd. [28,592 (28,592) - Equity shares of ₹10 each] | 25,73 | 25,73 |
| (iii) | Manganese Ore India Ltd. [11,719 (11,719) -Equity shares of ₹10 each] | 43,95 | 43,95 |
| (iv) | Punjab & Sind Bank [0 (7,958) - Equity shares of ₹10 each] | – | 9,55 |
| (v) | State Bank of India [2,39,888 (3,19,488) shares of ₹10 each] | 37,54,25 | 49,99,99 |
| (vi) | Punjab National Bank [1,50,000 (0) shares of ₹2 each] | 2,98,39 | – |
| (vii) | Larsen& Toubro Limited [13,000 shares (0) of ₹2 each] | 2,25,22 | – |
| (viii) | Oil and Natural Gas Corporation Ltd [60,000 shares (0) of ₹5 each] | 2,67,04 | – |
| (ix) | Steel Authority of India Ltd [3,58,626 shares (0) of ₹10 each] | 3,48,35 | – |
| (x) | Bharat Heavy Electrical Ltd [80,000 shares (0) of ₹2 each] | 1,99,13 | – |
| (xi) | Indian Oil Corporation Ltd [35,000 shares (0) of ₹10 each] | 1,20,32 | – |
| (xii) | Maruti Suzuki India Ltd [10,000 shares (0) of ₹5 each] | 2,55,49 | – |
| (xiii) | NTPC [70,000 shares (0) of ₹10 each] | 1,05,82 | – |
| (xiv) | TATA Consultancy Services Ltd [10,000 shares (0) of ₹1 each] | 2,39,88 | – |
| **4** | **Debentures and Bonds** | | |
| (i) | Special Dev Debentures of SCARDBs | 6469,24,23 | 82,39,44,23 |
| (ii) | Non-Convertible Debentures | 1,50,08,77 | 2,35,10,39 |
| (iii) | NTPC - Non Convertible Debentures | 8,75 | – |
| **5** | **Others** | | |
| (a) | Mutual Fund | 6,00,29,09 | 901,00,17 |
| (b) | Commercial Paper [Face Value ₹1000,00,00,000 (₹475,00,00,000)] | 975,10,97 | 464,09,46 |
| (c) | Certificate of Deposit [Face Value ₹4250,00,00,000 (₹7481,75,00,000)] | 4160,79,19 | 7345,14,17 |
| (d) | SEAF - Indian Agri- Business | 8,33,12 | 7,57,77 |
| (e) | APIDC - Ventures Life Fund III | 12,48,69 | 10,18,90 |
| (f) | BVF (Bio-Tech Venture Fund) - APIDC-V Investment | 4,98,35 | 4,98,35 |
| (g) | Omnivore India Capital Trust | 13,00,80 | 8,06,80 |

(Contd)

| Sr. No. | Particulars | As on 31.03.2015 | As on 31.03.2014 |
|---|---|---|---|
| (h) | India Opportunities | 7,32,05 | 4,60,14 |
| (i) | Ivy Cap Ventures Fund | 12,00,00 | 2,00,00 |
| (j) | Tata Capital Innovation Fund | 29,51,25 | 22,60,47 |
| (k) | TVS Shriram Growth Fund IB | 8,34,37 | – |
| | **Total** | **21102,41,86** | **23200,96,08** |

All the above investments are made in India
@ The company is valued at ₹1/-. The provision against the investment is shown under the head Provision against Non Performing Investments Schedule-9

## CONSOLIDATED SCHEDULE 12 – ADVANCES

(₹ in thousands)

| Sr. No. | Particulars | As on 31.03.2015 | As on 31.03.2014 |
|---|---|---|---|
| 1 | **Refinance Loans** | | |
| (a) | Production & Marketing Credit | 88711,21,42 | 79806,15,00 |
| (b) | Conversion Loans for Production Credit | – | – |
| (c) | Other Investment Credit | | |
| (i) | Medium Term and Long Term Project Loans | 611726719 | 46083,81,99 |
| (ii) | Interim Finance | – | – |
| (iii) | Direct refinance to DCCBs | 2818,16,68 | 2011,61,11 |
| (iv) | JNN Solar Mission | 13,25,59 | 19,72,66 |
| 2 | **Direct Loans** | | |
| (a) | Loans under Rural Infrastructure Development Fund | 83545,23,44 | 78957,07,51 |
| (b) | Loans under Warehouse Infrastructure Fund | 1153,50,18 | 415,64,61 |
| (c) | Long Term Non-Project Loans | 999,29,47 | 801,10,68 |
| (d) | Loans under NABARD Infrastructure Development Assistance (NIDA) | 2222,63,12 | 1750,27,07 |
| (e) | Loans to Producers' Organisation Development (Net of provision) | 354,86,25 | 259,21,18 |
| (f) | Credit Facility to Federations[CFF] | 4827,45,00 | 2594,67,19 |
| **(3)** | **Other Loans:** | | |
| (i) | Co-operative Development Fund Programme Loans | 1,28,57 | 1,73,48 |
| (ii) | Micro Finance Development Equity Fund Programme Loans (Net of Provision) | 12,81,10 | 32,40,23 |
| (iii) | Watershed Development Fund Programme Loans | 41,45,01 | 38,09,86 |
| (iv) | Tribal Development Fund Programme Loans | 15,11,30 | 13,17,31 |
| (v) | KfW UPNRM Loans (Net of provision) | 127,24,42 | 141,99,69 |
| (vi) | Farm Innovation & Promotion Fund Programme Loans | – | 22,84 |
| (vii) | NFS Promotional Activities Programme Loans (Net of provision) | 7,36,16 | 9,53,76 |
| (viii) | Farmers Technology Transfer Fund Activities Programme Loans | 20,29 | 88,73 |
| (ix) | Off Farm Sector Promotion Activities Programme Loans | 12,48,20 | – |
| (x) | Farm Sector Promotion Activities Programme Loans | 1,70,39 | – |
| (xi) | Co-Finance Loans (Net of provision) | 9,50,08 | 22,67,22 |
| (xii) | CP - HCC Deemed Advance | 48,59,18 | 51,68,36 |
| | **Total** | **246096,03,04** | **213011,70,48** |

## CONSOLIDATED SCHEDULE 13 - FIXED ASSETS

(₹ in thousands)

| Sr. No. | Particulars | As on 31.03.2015 | As on 31.03.2014 |
|---|---|---|---|
| 1 | LAND : Freehold & Leasehold | | |
| | Opening Balance | 162,83,32 | 162,84,71 |
| | Additions/adjustments during the year | –39,72 | –1,39 |
| | **Sub-Total** | **162,43,60** | **162,83,32** |
| | Less: Cost of assets sold/written off | – | – |
| | Closing Balance (at cost) | 162,43,60 | 162,83,32 |
| | Less: Amortisation of Lease Premia | 49,06,40 | 46,47,60 |
| | **Book Value** | **113,37,20** | **116,35,72** |
| 2 | PREMISES | | |
| | Opening Balance | 304,35,84 | 265,98,81 |
| | Additions/adjustments during the year | 34,73,49 | 38,37,03 |
| | Sub-Total | 339,09,33 | 304,35,84 |
| | Less: Cost of assets sold/written off | – | – |
| | Closing Balance (at cost) | 339,09,33 | 304,35,84 |
| | Less: Depreciation to date | 215,59,87 | 182,35,09 |
| | **Book Value** | **123,49,46** | **122,00,75** |
| 3 | FURNITURE & FIXTURES | | |
| | Opening Balance | 57,41,43 | 59,62,59 |
| | Additions/adjustments during the year | 4,79,28 | 51,49 |
| | **Sub-Total** | **62,20,71** | **60,14,08** |
| | Less: Cost of assets sold/written off | 48,10 | 2,72,65 |
| | Closing Balance (at cost) | 61,72,61 | 57,41,43 |
| | Less: Depreciation to date | 57,43,22 | 55,38,08 |
| | **Book Value** | **4,29,39** | **2,03,35** |
| 4 | COMPUTER INSTALLATIONS & OFFICE EQUIPMENTS | | |
| | Opening Balance | 91,26,40 | 84,03,92 |
| | Additions/adjustments during the year | 10,16,45 | 15,06,03 |
| | Sub-Total | **101,42,85** | **99,09,94** |
| | Less: Cost of assets sold/written off | 2,83,86 | 7,83,55 |
| | Closing Balance (at cost) | 98,58,99 | 91,26,40 |
| | Less: Depreciation to date | 85,28,27 | 78,09,68 |
| | **Book Value** | **13,30,72** | **13,16,72** |
| 5 | VEHICLES | | |
| | Opening Balance | 5,54,33 | 5,51,62 |
| | Additions/adjustments during the year | 1,80,73 | 1,08,04 |
| | Sub-Total | **7,35,06** | **6,59,66** |
| | Less: Cost of assets sold/written off | 1,07,88 | 1,05,33 |
| | Closing Balance (at cost) | 6,27,18 | 5,54,33 |
| | Less: Depreciation to date | 3,53,28 | 3,08,47 |
| | **Book Value** | **2,73,90** | **2,45,86** |
| 6 | Capital Work in Progress [Purchase of Staff Quarters & Office Premises] | 70,62,58 | 71,57,74 |
| | **Total** | **327,83,25** | **327,60,14** |

## CONSOLIDATED SCHEDULE 14 - OTHER ASSETS

(₹ in thousands)

| Sr. No. | Particulars | As on 31.03.2015 | As on 31.03.2014 |
|---|---|---|---|
| 1 | Accrued Interest | 4342,86,17 | 3747,02,73 |
| 2 | Deposits with Landlords | 4,30,52 | 3,56,20 |
| 3 | Deposits with Government Departments and Other Institutions | 3,38,75 | 3,80,61 |
| 4 | Housing loan to staff | 154,79,67 | 158,14,64 |
| 5 | Other Advances to staff | 9,04,587 | 88,05,34 |
| 6 | Advances to Landlords | 1,04 | 2,06 |
| 7 | Sundry Advances | 58,84,18 | 50,09,95 |
| 8 | Provision for Gratuity | – | – |
| 9 | Advance Tax (Net of Provision for Income Tax) | 249,85,33 | 111,49,94 |
| 10 | Deferred Tax Assets | 153,06,23 | 117,06,86 |
| 11 | Expenditure recoverable from Government of India/International Agencies. | 33,58,05 | 27,12,99 |
| 12 | Discount Receivable | 151,37,72 | 142,77,63 |
| 13 | Investment earmarked for encashment of ordinary leave (net of provision) | 17,91,41 | – |
| | **Total** | **5260,44,94** | **4449,18,95** |

## CONSOLIDATED SCHEDULE 15 - INTEREST AND FINANCIAL CHARGES

(₹ in thousands)

| Sr. No. | Particulars | 2014–15 | 2013–14 |
|---|---|---|---|
| 1 | **Interest Paid on** | | |
| (a) | Deposits under RIDF | 5292,52,14 | 4839,86,21 |
| (b) | Short Term Cooperative Rural Credit Fund | 2314,38,05 | 1439,68,04 |
| (c) | ST RRB Credit Refinance Fund | 1271,95,45 | 570,87,24 |
| (d) | Tea / Coffee / Rubber Deposits | 20,27,39 | 20,65,22 |
| (e) | CBS Deposits | 77,33 | 2,29,42 |
| (f) | Deposits/Borrowings | 1,47,24 | 1,48 |
| (g) | Loans from Central Government | 2,14,58 | 2,88,85 |
| (h) | Borrowings from Reserve Bank of India | 0 | 149,79,00 |
| (i) | Bonds | 2970,01,45 | 3776,11,48 |
| (j) | Commercial Paper | 429,32,09 | 139,69,58 |
| (k) | Term Money Borrowings | 24,05,01 | 9,68,92 |
| (l) | Borrowing against ST Deposit | 2,70 | 8 |
| (m) | Borrowings from International Agencies | 27,69,95 | 21,19,71 |
| (n) | Watershed Development Fund | 57,14,74 | 96,13,88 |
| (o) | Rural Innovation Fund | 2,99,68 | 3,08,94 |
| (p) | Financial Inclusion Fund | 108,39,83 | 78,91,41 |
| (q) | Indo German Watershed Development Programme - Andhra Pradesh | 2,36 | 1,03 |
| (r) | Indo German Watershed Development Programme - Rajasthan | 96 | – |

| Sr. No. | Particulars | 2014–15 | 2013–14 |
|---|---|---|---|
| (s) | Indo German Watershed Development Programme - Gujarat | 1,23 | – |
| (t) | KfW UPNRM - Accompanying measures | 18,46 | 9 |
| (u) | KfW - NB Indo German Watershed Development Programme - Phase III - Maharashtra | 4,56 | 4,58 |
| (v) | KfW - NB - IX Adivasi Development Programme | 38,06 | 19,64 |
| (w) | KfW - NB - V Adivasi Development Programme | 8,39 | – |
| (x) | Commitment Charges -KfW UPNRM Borrowings | 26,42 | 18,70 |
| (y) | Multi Activity Approach for Poverty Alleviation BAIF Project - Sultanpur, Uttar Pradesh | 45 | 23 |
| (z) | Multi Activity Approach for Poverty Alleviation BAIF Project -Rae Bareli, Uttar Pradesh | 12 | 6 |
| (aa) | Cattle Development Programme (UP & Bihar) | 71 | 36 |
| (ab) | Tribal Development Fund | 64,12,22 | 79,23,54 |
| (ac) | Centre for Professional Excellence in Co-operatives (C - PEC) | 14,06 | 5,91 |
| (ad) | Warehouse Infrastructure Fund | 87,95,28 | 8,15,07 |
| (ae) | Long Term Rural Credit Fund | 124,76,64 | – |
| 2 | Discount on Collateralised Borrowing and Lending Obligations | 96,73,65 | 45,71,03 |
| 3 | Discount, Brokerage, Commission & issue exp. on Bonds and Securities | 9,16,63 | 3,46,72 |
| 4 | Capital Loss - Equity Shares of Other Institutions | 5,64 | – |
| 5 | Swap Charges | 23,16,29 | 9,44,17 |
| | **Total** | **12930,29,76** | **11297,40,59** |

## CONSOLIDATED SCHEDULE 16 A - ESTABLISHMENT AND OTHER EXPENSES

(₹ in thousands)

| Sr. No. | Particulars | 2014–15 | 2013–14 |
|---|---|---|---|
| 1 | Salaries and Allowances | 740,60,57 | 728,76,72 |
| 2 | Contribution to / Provision for Staff Superannuation Funds | 251,33,10 | 275,60,55 |
| 3 | Other Perquisites & Allowances | 31,93,41 | 31,15,93 |
| 4 | Travelling & Other allowances in connection with Directors' & Committee Members' Meetings | 45,21 | 50,58 |
| 5 | Directors' & Committee Members' Fees | 5,00 | 3,91 |
| 6 | Rent, Rates, Insurance, Lighting, etc. | 32,95,59 | 39,00,42 |
| 7 | Travelling Expenses | 31,41,48 | 36,29,84 |
| 8 | Printing & Stationery | 4,53,16 | 3,59,75 |
| 9 | Postage, Telegrams & Telephones | 12,69,14 | 10,34,01 |
| 10 | Repairs | 19,79,87 | 14,03,46 |
| 11 | Auditors' Fees | 47,09 | 54,30 |
| 12 | Legal Charges | 1,94,47 | 1,57,89 |
| 13 | Miscellaneous Expenses | 80,51,62 | 66,74,70 |
| 14 | Expenditure on Miscellaneous Assets | 8,40,30 | 5,08,62 |
| 15 | Expenditure on Study & Training | 53,04,31 | 44,67,85 |
| 16 | Wealth Tax | 5,54,54 | 3,60,31 |
| | **Total** | **1275,68,86** | **1261,58,84** |

## CONSOLIDATED SCHEDULE 16 B - EXPENDITURE ON PROMOTIONAL ACTIVITIES

(₹ in thousands)

| Sr. No. | Particulars | 2014–15 | 2013–14 |
|---|---|---|---|
| (i) | Cooperative Development Fund | 11,71,09 | 9,58,30 |
| (ii) | Farm Innovation and Promotion Fund | – | 13,00,66 |
| (iii) | Producers' Organization Development Fund | 2,14,71 | 1,83,33 |
| (iv) | Rural Infrastructure Promotion Fund | 2,29,35 | 1,17,10 |
| (v) | Exp. for NFS Promotional Measures/ Activities | 1,52,03 | 10,69,36 |
| (vi) | Expenditure under Farm Sector Promotion Fund | 436372 | – |
| (vii) | Expenditure under Climate Change Programme | 63 | – |
| | **Total** | **61,31,53** | **36,28,75** |

## CONSOLIDATED SCHEDULE 16 C – PROVISIONS

(₹ in thousands)

| Sr. No. | Particulars | 2014–15 | 2013–14 |
|---|---|---|---|
| | **Provisions for:** | | |
| 1 | Standard Assets | 124,28,27 | 92,43,11 |
| 2 (a) | Non-Performing Assets(net of withdrawal from counter cyclical buffer) | 6,57,58 | (11,68,24) |
| 2 (b) | Non-Performing Assets - staff | 3,64 | 20 |
| 3 | Depreciation in Investments G.Sec | 16,00,00 | – |
| 4 | Depreciation in value of Investment Account - Equity | (59,28) | – |
| 5 | Sacrifice in interest element of restructured Accounts | (21,96,36) | (11,31,15) |
| 6 | Other Assets / Receivable | (3,92,19) | (8,45,89) |
| 7 | Amount written off a/c - Co - Finance | 28,87 | 17,46,00 |
| | **Total** | **120,70,53** | **78,44,03** |

## CONSOLIDATED SCHEDULE 17 - COMMITMENTS AND CONTINGENT LIABILITIES

(₹ in thousands)

| Sr. No. | Particulars | As on 31.03.2015 | As on 31.03.2014 |
|---|---|---|---|
| 1 | Commitments on account of capital contracts remaining to be executed | 51,02,19 | 44,52,67 |
| | **Sub Total "A"** | **51,02,19** | **44,52,67** |
| 2 | Contingent Liabilities | | |
| (i) | Claims against the Bank not acknowledged as debt. | – | – |
| | **Sub Total "B"** | – | – |
| | **Total (A + B)** | **51,02,19** | **44,52,67** |

# Schedule 18

## Significant Accounting Policies and Notes forming Part of Accounts for the year ended March 31, 2015

## A. SIGNIFICANT ACCOUNTING POLICIES

### 1. Basis of Preparation

The accounts are prepared on the historical cost convention and comply with all material aspects contained in the National Bank for Agriculture and Rural Development Act, 1981 and Regulations thereof, applicable Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI) and regulatory norms prescribed by the Reserve Bank of India (RBI). Except otherwise mentioned, the accounting policies have been consistently applied by the National Bank for Agriculture and Rural Development (the Bank/ NABARD) and are consistent with those used in the previous year.

### 2. Basis of Consolidation

The Consolidated Financial Statements are prepared in accordance with Accounting Standard 21 – "Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India.

The excess 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 unrealized losses resulting from the intra-group transactions have also been eliminated unless cost cannot be recovered.

Share of minority interest in the net profit of the consolidated subsidiaries is identified and adjusted against the profit after tax to arrive at the net income attributable to shareholders. Share of minority interest in losses of the consolidated subsidiaries, if exceeds the minority interest in the equity, the excess and further losses applicable to the minority, are adjusted against the Group's interest.

Share of minority interest in net assets of consolidated subsidiaries is presented in the consolidated balance sheet separately from liabilities and the equity of the company's shareholders.

3. The consolidated financial statements present the accounts of the Bank with its following subsidiaries:

| *Name of the Subsidiary* | *Country of Incorporation* | *Proportion of Ownership (%)* | |
|---|---|---|---|
| | | *2014–15* | *2013–14* |
| NABKISAN Finance Ltd. | | | |
| (formerly known as " Agri DevelopmentFinance (Tamilnadu) Ltd." (ADFT) | India | 78.29 | 77.85 |
| Agri Business Finance (AP) Ltd. (ABFL) | India | 72.46 | 72.46 |
| NABARD Financial Services Limited (NABFINS) | India | 67.01 | 67.79 |
| NABARD Consultancy Pvt. Ltd. (NABCONS) | India | 100 | 100 |

## 4. Use of Estimates:

Preparation of financial statements in conformity with the Generally Accepted Accounting Principles (GAAP) requires the management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of the operations for the reporting period. Although these estimates are based on the management's best knowledge, the actual results could differ for these estimates. Such differences are recognized in the year of outcome of such results.

## 5. Revenue recognition

5.1 Income and expenditure are accounted on accrual basis, except the following, which are accounted on cash basis:

i) Interest on non-performing assets identified as per Reserve Bank of India (RBI) guidelines.

ii) Income by way of penal interest charged due to delayed receipt of loan dues or non–compliance with terms of loan.

iii) Service Charges on loans given out of various Funds.

iv) Expenses not exceeding ₹10,000 at each accounting unit, under a single head of expenditure.

5.2 Discount on Bonds and Commercial Papers issued are amortized over the tenure of Bonds and Commercial Papers. Issue expenses relating to floatation of bonds are recognized as expenditure in the year of issue of Bonds.

5.3 Dividend on investments is accounted for, when the right to receive the dividend is established.

5.4 Expenditure incurred on Subsidy scheme includes approved claims of reimbursements pending disbursements.

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

5.6 Provision for Wealth Tax is made, in accordance with the provisions of Wealth Tax Act, 1957.

5.7 Recovery in non-performing assets (NPA) is appropriated in the following order:

i) penal interest

ii) cost & charges

iii) overdue interest and interest

iv) Principal

5.8 Interest from the term loan disbursed and interest from banks are recognized on time proportion basis taking into account amount outstanding and the rate applicable.

**5.9 Income from services**

5.9.1 Income from Assignments: Income from assignments constitute the main source of income for the Company (Nabcons). Recognition of revenue and corresponding expenses incurred on particular assignments are taken into account at the time when the assignment are completed. An assignment is treated as completed

- in case of preparation of DPR as soon as the draft report has been issued to the party.
- in case of big assignments where execution is spread over to more than one year, the income has been recognized based on the milestones completed and deliveries effected.
- in case assignment is a time bound contract for more than a year income is recognized in proportion to period completed.

5.9.2 In case of foreign assignments, the income has been recognized as soon as the assignment is executed.

5.9.3 As per the view taken by the management, the assignments which are not likely to be continued were closed on "as is where is" basis and the amount received thereon has been treated as income.

5.9.4 An advance received on progressive basis for ongoing assignments is shown as a separate item as advance received from clients and treated as current liability. The expenses incurred on such assignments are shown as current assets.

5.9.5 In respect of Pass through and monitoring agency assignment, as per terms of agreement, Nabcons is entitled to deduct 1.5% of the amount released at the time of release of each installment towards professional fees. The income has been recognized at the time of release of each instalment amount.

## 6. Fixed Assets and Depreciation

a) Fixed assets are stated at cost of acquisition, less accumulated depreciation and impairment losses, if any. The cost of assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Subsequent expenditure incurred on existing asset is capitalized, only when it increases the future benefit from the existing assets beyond its previously assessed level of performance.

b) Land includes free hold and leasehold land.

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

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

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

f) Fixed Assets costing ₹1 lakh and less (except easily portable electronic assets such as laptops, mobile phones, etc.) are charged to the Profit and Loss Account in the year of acquisition. Easily portable electronic assets such as laptops, mobile phones, etc., are capitalized, if individual cost of the items is more than ₹10,000/- . All software costing ₹1 lakh each and less, purchased independently are charged to the Profit and Loss Account.

g) Depreciation on other fixed assets is charged over the estimated useful life of the assets ascertained by the management at the following rates on Straight Line Method basis:

| *Type of Assets* | *Depreciation Rate* |
|---|---|
| Furniture and Fixtures | 20% |
| Computer & Software | 33.33% |
| Office Equipment | 20% |
| Vehicles | 20% |

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

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

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

| *Name of the Subsidiary* | *Method of Depreciation* |
|---|---|
| NABKISAN Finance Ltd.<br>(formerly known as "Agri Development Finance (Tamilnadu) Ltd." (ADFT)) | WDV as per Schedule XIV |
| Agri Business Finance (AP) Ltd. (ABFL) | WDV as per Schedule XIV |
| NABARD Financial Services Limited (NABFINS) | SLM as per Schedule XIV |
| NABARD Consultancy Pvt. Ltd. (NABCONS) | WDV as per Schedule XIV |

## 7. Investments

a) In accordance with the RBI guidelines, Investments are classified into "Held for Trading" (HFT), "Available for Sale" (AFS) and "Held to Maturity" (HTM) categories (hereinafter called "categories").

b) Securities that are held principally for resale within 90 days from the date of purchase are classified as "HFT". Investments that the Bank intends to hold till maturity are classified as "HTM". Securities which are not to be classified in the above categories are classified as "AFS".

c) Investments classified under Held to Maturity category are carried at acquisition cost, wherever cost is equivalent to face value or less. If cost is more than the face value, the premium is amortized over the period remaining to maturity. Provision for diminution, other than temporary, in the value of investments in subsidiaries and joint ventures under the category "HTM" is made, wherever necessary. Provision for diminution/ amortization, in value of such investments, is included under Current Liabilities and Provisions.

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

e) Investments under "AFS" are marked to market, scrip-wise, at the rate, declared by Primary Dealers Association of India (PDAI), jointly with Fixed Income Money Market and Derivative Association of India (FIMMDA). Net depreciation, if any, is provided for investments in the category classified as "AFS" and appreciation is ignored. The book value of the individual scrip are not changed after the revaluation.

f) Investments under "HFT" are marked to market, scrip-wise, at the rate, declared by Primary Dealers Association of India (PDAI), jointly with Fixed Income Money Market and Derivative Association of India (FIMMDA). Depreciation/ appreciation is recognized in the category for investments classified as "HFT". The book value of the individual scrip are changed after the revaluation.

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

h) Treasury Bills are valued at carrying cost.

i) Unquoted Shares are valued at breakup value, if the latest Audited Accounts of the investee companies are available, or at ₹1/- per Company as per RBI guideline.

j) Brokerage, commission, etc. paid in respect of investments including unlisted equities, at the time of acquisition, are charged to revenue.

k) Brokerage, paid on acquisition/disposal of equities traded on stock exchange is capitalized.

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

m) Transfer of a security between the categories is accounted for, at lower of the acquisition cost/book value/ market value on the date of transfer and depreciation, if any, on such transfer, is fully provided for.

n) Amortization/Gain/Loss on Revaluation of Government Securities is charged to Profit and Loss Account.

o) Weighted average cost method has been followed for accounting for investments.

## 8. Advances and Provisions thereon

a) Advances are classified as per RBI guidelines. Provision for standard assets and non–performing assets is made in respect of identified advances, based on a periodic review and in conformity with the provisioning norms prescribed by RBI.

b) In case of restructuring/rescheduling of advances, the difference between the present value of future principal and interest as per the original agreement and the present value of future principal and interest as per the revised agreement is provided for.

c) Advances are stated net of provisions towards Non-performing Advances.

d) Provision for Non-Performing Loans in respect of loans granted out of funds are charged to the respective funds to the extent available.

## 9. Foreign Currency Transactions

As per Accounting Standard (AS-11) (Revised 2003) on Accounting for the Effects of Changes in Foreign Exchange Rates issued by the Institute of Chartered Accountants of India; following accounting treatment is given to foreign exchange transactions:

a) Assets and liabilities in foreign currency, are revalued at the exchange rate notified by 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

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

## 10. Accounting for Foreign Exchange Contracts

a) Foreign Exchange Contracts are to hedge the repayment of foreign currency borrowings.

b) The foreign exchange contracts are revalued at the exchange rates notified by FEDAI at the year end. The resultant gain/loss on revaluation is recognized in the Profit and 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 and Loss Account under the head 'Gain/Loss on revaluation of Forward Exchange Contract Account.

## 11. Employee Benefits

All personnel transferred from RBI are considered as employees of the Bank and provisions for Employee Benefits are made accordingly. Actuarial valuation, wherever required, are carried out at each balance sheet date.

**a) Short Term Employee Benefits:**

The undiscounted amount of short-term employee benefits, which are expected to be paid in exchange for the services rendered by employees are recognised during the period when the employee renders the service.

**b) Post Employment Benefits:**

i) **Defined Contribution Plan**

The Bank has a Provident Fund Scheme in respect of all eligible employees who joined the Bank on or before 31 December 2011. The scheme is managed by RBI. Contribution is recognized on accrual basis.

The Bank has introduced a New Pension Scheme (NPS) for all the officers/employees who have joined the services of the Bank on or after 01 January 2012. The Bank has adopted the "NPS- Corporate Sector Model", a defined contribution plan, as formulated by the Pension Fund Regulatory and Development Authority (PFRDA). Contribution to the Fund is made on accrual basis.

ii) **Defined Benefit Plan**

a. Provision for gratuity is made based on actuarial valuation, made at the end of each financial year based on the projected unit credit method in respect of all eligible employees. The scheme is funded by the Bank and is managed by a separate trust. Actuarial gain or loss are recognised in the Profit and Loss Account on accrual basis.

b. Provision for pension is made based on actuarial valuation, in respect of all eligible employees who joined the Bank on or before 31 December 2011. The scheme is funded by the Bank and is managed by a separate trust.

**iii) Other Long Term benefits**

All eligible employees of the bank are eligible for compensated absences. All the eligible employees are also eligible for post-retirement medical benefits. The cost of providing other long term benefits is determined using the projected unit credit method based on actuarial valuations being carried out at each balance sheet date. Actuarial gain or loss are recognised in the Profit and Loss Account on accrual basis.

## 12. Taxes on Income

a) Tax on income for the current period is determined on the basis of taxable income and tax credits computed, in accordance with the provisions of Income Tax Act, 1961 and based on expected outcome of assessments/ appeals.

b) Deferred tax is recognized, on timing difference, being the difference between taxable income and accounting income for the year and quantified, using the tax rates and laws that have been enacted or substantively enacted, as on Balance Sheet date.

c) Deferred tax assets relating to unabsorbed depreciation/business losses are recognised and carried forward to the extent that there is virtual certainty that sufficient future taxable income will be available against which, such deferred tax assets can be realized.

d) Tax paid/provided on taxable income earned by the funds are accounted as expenditure of respective funds.

## 13. Segment Reporting

a) Segment revenue includes interest and other income directly identifiable with / allocable to the segment.

b) Income, which relates to Bank as a whole and not allocable to segments is included under "Other Unallocable Bank income".

c) Expenses that are directly identifiable with/allocable to segments are considered for determining the segment result. The expenses, which relate to the Bank as a whole and not allocable to segments, are included under "Other Unallocable Expenditure".

d) Segment Assets and Liabilities include those directly identifiable with the respective segments. Unallocable Assets and Liabilities include those that relate to the Bank as a whole and not allocable to any segment.

## 14. Impairment of Assets

a) As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine:

   i) the provision for impairment loss, if any, required; or

   ii) the reversal, if any, required for impairment loss recognized in the previous periods.

b) Impairment loss is recognized when the carrying amount of an asset exceeds recoverable amount.

## 15. Provisions, Contingent Liabilities and Contingent Assets

15.1 Provisions are recognised for liabilities that can be measured only by using substantial degree of estimation if:

a) the Bank has a present obligation as a result of a past event;

b) a probable outflow of resources is expected to settle the obligation; and

c) the amount of the obligation can be reliably estimated.

15.2 Contingent liability is disclosed in the case of:

a) a possible obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation,

b) a present obligation when no reliable estimate is possible, and

c) a possible obligation arising from past events where the probability of outflow of resources is remote.

15.3 Contingent assets are neither recognized, nor disclosed.

15.4 Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

## 16. Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank, cash in hand, demand deposits with banks and other short-term investments with an original maturity of three months or less.

# B. NOTES FORMING PART OF THE ACCOUNTS

1. In accordance with the 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). An amount of ₹2.48 crore upto 30 September 2014 (₹1.62 crore for FY 2013-14) has been credited to the said fund. With effect from 01 October 2014, based on the resolution of the Board, Rural Innovation Fund (RIF) and Rural Promotion Fund (RPF) are merged and a new fund has been created named as "RPF & RIF - Off-Farm Sector Promotion Fund".

2. Based on the resolution of the Board, "Farmers Technology Transfer Fund"(FTTF) and "Farm Innovation Promotion Fund"(FIPF) are merged to create a new fund "Farm Sector Promotion Fund"(FSPF) w.e.f. 01 August 2014. Accordingly the expenditure of erstwhile FTTF and FIPF are accounted as the expenditure of FSPF.

3. Department of Agriculture and Co-operation (DAC), Government of India vide their. D.O. No.16011/3/2013-M. II dated 09 May 2014 has introduced an "Integrated Scheme of Agricultural Marketing" (ISAM). As per the decision of Government of India "Grameen Bhandaran Yojna" (GBY) and "Scheme for development/ strengthening of Agricultural Marketing Infrastructure, Grading and Standardization" (AMIGS) have been combined into ISAM.

4. In terms of the agreement with Kreditanstalt Fur Wiederaufbau -German Development Bank (KfW), accretion/ income and expenditure under UPNRM have been charged to the fund. The loans granted out of this fund have been classified as direct loans and disclosed under Schedule 12. The borrowing related to the UPNRM are classified as borrowing from international agencies and disclosed under Schedule 8.

   During the year, a sum of ₹15.68 crore has been incurred towards admissible expenditure and provision for NPA for Loans granted under KfW UPNRM Scheme. NABARD has accounted for

₹12.51 crore and ₹2.74 crore under the UPNRM Fund and UPNRM Risk Mitigation Fund, respectively towards such costs. The balance (to the extent not available in the funds) of ₹0.43 crore has been accounted in the Profit and Loss Account.

5. Interest on unutilized balances has been credited to the following funds as per the respective agreements/as approved by the management. The details of rate of interest for respective funds are as under:

| Sr. No. | Name of the Fund | Rate of Interest for 2014–15 | Rate of Interest for 2013–14 |
|---|---|---|---|
| 1. | Watershed Development Fund | 6% | 6% |
| 2. | KfW- NB IGWDP (Andhra Pradesh, Gujarat, Maharashtra, Rajasthan) | 6% | 6% |
| 3. | KfW Accompanying Measures | 6% | 6% |
| 4. | Rural Innovation Fund* | 6% | 6% |
| 5. | Tribal Development Fund | 6% | 6% |
| 6. | Financial Inclusion Fund | 6% | 6% |
| 7 | Kfw NB- V Adivasi Development Programme- Gujarat | 6% | – |
| 8. | Cattle Development Fund (UP & Bihar) | 10.80% | 5.85% |
| 9 | Multi Activity Approach For Poverty Alleviation (Sultanpur and Rae Bareilly) | 10.80% | 5.85% |
| 10 | Center for Professional Excellence in Co-operatives. | 10.80% | 5.85% |
| 11 | Kfw NB- IX- Adivasi Development Programme- Maharashtra | 10.80% | 5.85% |

* paid upto 30 September 2014

6. Recoverable from Government of India/International Agencies (Refer Schedule-14 of Balance Sheet) includes ₹33.58 crore (₹24.69 crore ) being debit balance of various funds. The details of such funds are as under:

(₹ in crore)

| Sr. No. | Name of the Fund | 31–03–2015 | 31–03–2014 |
|---|---|---|---|
| 1 | KfW- NB IGWDP ( Andhra Pradesh) | 0.09 | 0.41 |
| 2 | KfW- NB IGWDP (Rajasthan) | 2.01 | 3.88 |
| 3 | KfW- NB IGWDP (Gujarat) | – | 4.44 |
| 4 | IFAD- Priyadarshni Programme | 6.80 | 0.83 |
| 5 | GIZ UPNRM- Technical Collaboration | 0.20 | – |
| 6 | KfW UPNRM- Accompanying Measures | – | 1.15 |
| 7 | KfW UPNRM- Financial Contribution | 0.62 | 0.10 |

(Contd)

| Sr. No. | Name of the Fund | 31–03–2015 | 31–03–2014 |
|---|---|---|---|
| 8 | Implementation Cost [RRR - Handloom Package ] | 8.55 | 8.55 |
| 9 | Interest Subvention [RRR - Handloom Package] | 13.63 | 5.27 |
| 10 | Technical Assistance [RRR - Handloom Package] | 1.37 | – |
| 11 | IFAD-MRCP | 0.06 | 0.06 |
| 12 | Others | 0.25 | 0.00 |

7. Sundry creditors includes ₹35.50 (₹44.74 crore) being amounts outstanding to contributors in respect of Micro Finance Development and Equity Fund (mFDEF), which was closed in the earlier year. Details of the same is as under:

(₹ in crore)

| Particulars | Opening Balance as on 01 April 2014 | Excess contribution by NABARD Transferred to Reserve Fund | Withdrawn towards provision for NPA | Closing Balance as on 31 March 2015 |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 [2-(3+4)] |
| Sundry Creditors- mFDEF | 44.74 | 2.18 | 7.06 | 35.50 |

8. Pursuant to the directions of RBI, the relative margin available to the Bank in excess of 0.5 percent in respect of Rural Infrastructure Development Fund (RIDF) deposits, Short Term Co-operative Rural Credit Refinance Fund (STCRC) deposits, Short Term RRB Credit Refinance Fund (STRRB) deposits and Warehousing Infrastructure Fund (WIF) deposits, placed by the Commercial Banks is credited to Tribal Development Fund, Watershed Development Fund and Financial Inclusion Fund as per directions of Reserve Bank of India. Previous year, the amounts were credited to Financial Inclusion Fund.
9. Negative balance of ₹49.34 crore in Financial Inclusion Technology fund (FITF) represents amounts spent by NABARD based on the commitments made under the fund. NABARD has approached Reserve Bank of India to permit them to transfer the said amount to Financial Inclusion Fund. Pending such approval, the balance has been disclosed under the FITF.
10. Subvention received/receivable from Government of India (GOI) under Seasonal Agricultural Operations (SAO) amounting to ₹1416.37 crore (₹1843.58 crore) and ₹17.11 crore (₹0.62 crore) under National Rural Livelihood Mission (NRLM) respectively, being the difference between the cost of borrowing by NABARD and the refinance rate, has been reduced from interest and financial charges and shown as accrued interest and disclosed under Schedule 14.
11. Other receipts includes ₹162.62 crore (₹134.59 crore) received/receivable from GOI towards administration charges on providing refinance under interest subvention scheme to StCBs, RRBs and to CCBs, Public Sector Banks for financing Primary Agriculture Co-operative Societies (PACS) for Seasonal Agricultural Operations and under NRLM scheme.
12. The legal dispute with the builders of staff quarters located at Mumbai has been settled by the Supreme Court. During the year, the Bombay High Court has refunded the deposit paid

by NABARD in respect of the said suit alongwith Interest of ₹76.75 crore (Nil). Such interest had been accounted under "Other Income" in profit and loss account. Subsequent to the yearend, the Conveyance in respect of such staff quarters has been executed by NABARD.

13. The salaries and allowances of the employees of the Bank are reviewed every five years. The review is due from 01 November 2012. Pending such settlement an amount of ₹135.00 crore (₹180 crore) has been provided under the head "Salary and Allowances" during the year.

14. The Bank, during the year, in accordance with AS 22 "Accounting for taxes on Income", recognized in the Profit and Loss Account the deferred tax of ₹35.70 crore (₹29.81 crore). The details of the deferred tax are as under:

(₹ in crore)

| Sr. No. | Deferred Tax Assets | 31 March 2015 | 31 March 2014 |
|---|---|---|---|
| 1 | Provision allowable on payment basis | 117.71 | 106.13 |
| 2 | Depreciation on Fixed Assets | 33.75 | 9.63 |
| | **Total** | **151.46** | **115.76** |

Provision for Deferred Tax on account of Special Reserve created u/s 36(1)(viii) of the Income Tax Act, 1961, is not considered necessary, as the Bank has decided not to withdraw the said reserve.

15. The tax liability of the Bank for the Assessment Year 2002-03 amounting to ₹373.15 crore was assessed by the Income Tax Department. The Bank has provided and paid the said liability. However, the Bank has filed an appeal against the order of the CIT Appeals with the Income Tax Appellate Tribunal.

16. Income Tax Department has reopened the assessment for the Assessment Year 2006-07, during the FY 2011-12. An amount of ₹343.21 crore has been added to the income of the Bank during the re-assessment of the income. Out of above,

    a) an addition of ₹132.08 crore has been made on account of differential interest accounted under the RIDF which was credited to Watershed Development Fund in terms of the RBI directions.

    b) Further, an amount of ₹211.13 crore has been added to the income on other accounts. In the opinion of the management, in respect of these additions, there is remote possibility of any tax outflow. The Bank has filed an appeal against the above order with CIT- Appeals and also an rectification application with Assessing Officer. Pending the outcome of the appeal/ rectification application, the bank has

    - accounted the tax including interest amounting to ₹97.83 crore under the head Watershed Development Fund as an expenditure of the fund, in accordance with the resolution of the Board, and
    - The bank has paid an amount of ₹108.60 crores out of the total demand of ₹254.22 crore by way of adjustment of refund of taxes of previous years.

17. During the Reassessment of the income for the Assessment Year 2007-08 (reopened during 2011-12) an additional tax liability of ₹157.47 crore was assessed on account of differential interest accounted under the RIDF/STCRC. The Bank has provided and paid said liability. However, the Bank has filed an appeal against the above order with CIT-Appeals. The tax amount of ₹129.99 crore is accounted under Tribal Development Fund during FY 2012-13.

18. Income Tax Department has reopened the assessment for the Assessment Year 2008-09 during the Financial Year

2012-13. An amount of ₹349.42 crore has been added to the income of the Bank during the re-assessment of the income. The addition 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. 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 ₹174.59 crore under the head Tribal Development Fund as an expenditure of the fund, in accordance with the resolution of the Board, and paid the total demand of ₹174.59 crores.

19. Income Tax Department has reopened the assessment for the Assessment Year 2009-10 during the Financial Year 2012-13. An amount of ₹573.16 crore has been added to the income of the Bank during the re-assessment of the income. Out of above, an addition of ₹527.52 crore has been made on account of differential interest accounted under the RIDF which was credited to Watershed Development Fund in terms of the RBI directions. Further, an amount of ₹45.64 crore has been added to the income of the Bank on account other disallowances. 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 ₹236.45 crore under the head Watershed Development Fund as an expenditure of the fund, in accordance with the resolution of the Board, and
    - Provided the tax including interest of ₹20.45 crore to the Profit and Loss Account for the year. The bank has paid the total demand of ₹256.90 crores.

20. During the Assessment of the income for the Assessment Year 2010-11 a tax liability of ₹313.07 crore was assessed on account of differential interest accounted under the RIDF/STCRC and others. The Bank has provided and paid the liability. However, the Bank has filed an appeal against the above order with CIT- Appeals. The tax amount of ₹276.66 crore was accounted under Tribal Development Fund during FY 2012-13.

21. During the Assessment of the income for the Assessment Year 2011-12 a tax liability of ₹424.95 crore was assessed on account of differential interest accounted under the RIDF/STCRC and others. The Bank has provided and paid the liability. However, the Bank has filed an appeal against the above order with CIT- Appeals. The tax amount of ₹359.84 crore was accounted under Watershed Development Fund during FY 2013-14.

22. During the year, the Income Tax Department, for the Assessment year 2012-13, has made an addition of ₹1002.68 crore on account of differential interest accounted under the RIDF/ STCRC which was credited to Tribal Development Fund in terms of the RBI directions. Further, an amount of ₹145.90 crore has been added to the income of the Bank on account of disallowance of expenditure on promotional activities and other disallowances. The Bank has 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 ₹425.40 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 ₹61.90 crore to the Profit and Loss Account for the year. The tax demand of ₹487.30 crore has been fully paid by the Bank.

23. Free hold land and lease Land' and 'Premises' include - ₹29.87 crore (₹29.87 crore) paid towards Office Premises and Staff Quarters for which conveyance is yet to be completed. Subsequent to the date of the Balance Sheet, conveyance in respect of Staff Quarters valuing to ₹10.21 crores have been executed.

24. 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) | 40.00 (40.00) | 37.26 (37.26) |
| Pledged for Business Segment (Collateralised Borrowing and Lending Obligation) | 3086.00 (5197.00) | 3054.17 (5103.61) |

25. The market value of all investments held by NABARD under Held to Maturity (HTM) category was ₹2506.22 crore against the book value of ₹1719.18 crore. Out of this, the market value of investment in Venture Capital Fund was ₹63.54 crore against the book value of ₹85.65 crore. Accordingly, the excess of book value over market value was ₹22.11 crore for which no provision was made as per RBI guidelines.

**26. Non performing investments:**

(₹ in crore)

| Particulars | 2014–15 | 2013–14 |
|---|---|---|
| Opening balance as at the beginning of financial year | 0.00 | 0.00 |
| Addition during the year since 01 April 2014 | 16.00 | 0.00 |
| Reduction during the above period | 0.00 | 0.00 |
| Closing balance as on 31 March 2015 | 16.00 | 0.00 |
| Total Provision held | 16.00 | 0.00 |

Investment of ₹16.00 crore in Universal Commodity Exchange Limited (UCX) is treated as an Non Performing Investment as the company was barred from operating as a Commodity Exchange following Forward Markets Commission (FMC) directive in July 2014. As per the RBI guidelines the investment in the company is valued at ₹1/-.

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

(₹ in crore)

| Particulars | 2014–15 | 2013–14 |
|---|---|---|
| Opening Balance | 0.00 | 0.51 |
| Addition during the year | 0.00 | 0.00 |
| Deletion during the year | 0.00 | 0.51 |
| Closing Balance | 0.00 | 0.00 |

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

(₹ in crore)

| Sr. No. | Particulars | 2014–15 | 2013–14 |
|---|---|---|---|
| 1. | Income | 0.09 | 0.23 |
| 2. | Revenue Expenditure | –0.04 | –0.24 |
| 3. | Post Retirement Medical Benefits | 0.00 | 93.18 |
| 4. | Fund Expenditure | 0.00 | –0.21 |
| | **Total** | **0.05** | **92.96** |

**29. Information on Business Segment**

(a) **Brief Background**

The Bank has recognized Primary segments as under:

i) **Direct Finance:** Includes Loans given to state governments and other agencies for rural infrastructure development, co-finance loans and loans given to voluntary agencies/ non–governmental organizations for developmental activities and other direct loans to Co-operative Banks etc.

ii) **Refinance:** Includes Loans and Advances given to State Governments, Commercial Banks, SCARDBs, StCBs, Regional Rural Banks etc. as refinance against the loans disbursed by them to the ultimate borrowers.

iii) **Treasury:** Includes investment of funds in treasury bills, short-term deposits, government securities, etc.

iv) **Unallocated:** Includes income from staff loans and other miscellaneous receipts and expenditure incurred for the developmental role of the bank and common administrative expenses.

**(b) Information on Primary Business Segment:**

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

30. Figures in brackets pertain to previous year.

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

(₹ in crore)

| | *Direct Finance* | *Refinance* | *Treasury* | *Unallocated* | *Total* |
|---|---|---|---|---|---|
| **Segment Revenue** | 6323.87<br>(5628.14) | 9253.43<br>(7711.89) | 2219.21<br>(2159.68) | 119.92<br>(70.41) | **17916.43**<br>**(15570.12)** |
| **Segment Results** | 709.21<br>(577.25) | 1898.80<br>(1412.26) | 2080.64<br>(2087.83) | –1210.06<br>(–1205.94) | **3478.59**<br>**(2871.40)** |
| **Total carrying amount of Segment Assets** | 96397.67<br>(86525.02) | 160754.36<br>(137781.03) | 26302.81<br>(29194.80) | 2646.68<br>(1309.98) | **286101.52**<br>**(254810.83)** |
| **Total carrying amount of Segment Liabilities** | 93103.87<br>(87532.94) | 152408.75<br>(139725.41) | 10415.80<br>(1106.65) | 30173.10<br>(26445.84) | **286101.52**<br>**(254810.84)** |
| **Other Items:** | | | | | |
| **Cost to acquire Segment Assets during the year** | 0.00<br>(0.00) | 0.00<br>(0.00) | 0.00<br>(0.00) | 55.47<br>(50.92) | **55.47**<br>**(50.92)** |
| **Amortization & Depreciation** | 0.68<br>(0.26) | 0.00<br>(0.00) | 1.24<br>(0.00) | 49.15<br>(24.75) | **51.07**<br>**(25.01)** |
| **Non Cash Expenses** | 54.74<br>(45.63) | 54.05<br>(40.96) | 15.43<br>( 0.02) | 231.20<br>(251.82) | 355.42<br>(338.43) |

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

Rajen Ashar
Partner
26 May 2015

Padma Raghunathan
Chief General Manager
Accounts Department
Mumbai, 26 May 2015

| | | | |
|---|---|---|---|
| Harsh Kumar Bhanwala<br>Chairman | R Amalorpavanathan<br>Deputy Managing Director | H R Khan<br>Director | Snehlata Shrivastava<br>Director |

# Consolidated Cash flow NABARD 2014–15

**NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT**
**CONSOLIDATED CASH FLOW FOR THE YEAR ENDED 31 MARCH 2015**

(₹ in thousands)

| *Particulars* | *2014–2015* | *2013–2014* |
|---|---|---|
| (a) Cash flow from Operating activities | | |
| Net Profit as per Profit and Loss a/c before tax | 3478,58,77 | 2871,39,62 |
| Adjustment for: | | |
| Depreciation | 49,82,58 | 25,01,15 |
| Provisions and Amortisations | (4,22,59) | (8,45,71) |
| Provision for Non-performing Assets | 6,61,22 | (12,62,80) |
| Provision for Standard Assets | 124,28,27 | 88,07,00 |
| Provision for sacrifice in interest element of Restructured Loan | (21,96,37) | (11,31,15) |
| Profit/Loss on sale of Fixed Assets | (1,99) | (13,75) |
| Interest credited to various Funds (including addition/adjustment made to Interest Differential Fund) | 252,29,98 | 284,48,75 |
| Income from Investment (including Discount Income) | (2231,04,52) | (2161,60,01) |
| **Operating profit before working capital changes** | **1654,35,35** | **1074,83,10** |

| Particulars | 2014–2015 | 2013–2014 |
|---|---|---|
| Adjustment for changes in working capital : | | |
| (Increase)/Decrease in Current Assets | 434,66,09 | (6584,26,22) |
| Increase/(Decrease) in Current Liabilities | –684,42,83 | 1411,60,05 |
| Increase in Loans and Advances | (33193,25,69) | (26107,16,22) |
| **Cash generated from operating activities** | **(31788,67,08)** | **(30204,99,29)** |
| Payment towards Income Tax | (1206,37,88) | (1055,21,56) |
| **Net cash flow from operating activities (A)** | **(32995,04,96)** | **(31260,20,85)** |
| **(b) Cash flow from Investing activities** | | |
| Income from Investment | 2229,80,53 | 2115,17,34 |
| Purchase of Fixed Asset | (54,43,54) | (46,71,10) |
| Sale of Fixed Assets | 4,39,83 | 11,61,65 |
| Increase/Decrease in Investment | 4434,58,23 | (9605,32,57) |
| **Net cash used/generated from investing activities (B)** | **6614,35,06** | **(7525,24,68)** |
| **(c) Cash flow from financing activities** | | |
| Grants/contributions received | 601,46,10 | (606,12,10) |
| Proceeds of Bonds/shares | (2207,70,36) | (11433,86,49) |
| Increase/(Decrease) in Borrowings | 8506,37,82 | (2087,86,81) |
| Increase/(Decrease) in Deposits | 21008,28,11 | 51458,12,81 |
| Tax on Dividend | (10,20) | 0 |
| Increase in Share Capital | 300,00,00 | 700,60,00 |
| **Net cash raised from financing activities (C)** | **28208,31,47** | **38030,87,41** |
| Net increase in cash and cash equivalent (A)+(B)+(C ) | 1827,61,57 | (754,58,12) |
| Cash and Cash equivalent at the beginning of the year | 524,49,14 | 1279,07,26 |
| **Cash and cash equivalent at the end of the year** | **2352,10,71** | **524,49,14** |
| **Cash and cash equivalent at the end of the year includes:** | **2014–2015** | **2013–2014** |
| Cash in hand | 44,21 | 46,91 |
| Balance with Reserve Bank of India | 2030,03,79 | 107,31,18 |
| Balances with other Banks in India | 156,74,64 | 101,22,14 |
| Remittances in Transit | 5,31 | 104,40,17 |
| Collateralised Borrowing and Lending Obligations | 164,82,76 | 211,08,74 |
| **Total** | **2352,10,71** | **524,49,14** |

Deposit with Banks with an original maturity of more than 3 months are disclosed under investments

As per our attached report of even date

G M Kapadia & Co.
Chartered Accountants

Rajen Ashar
Partner
26 May 2015

Padma Raghunathan
Chief General Manager
Accounts Department
Mumbai, 26 May 2015

Harsh Kumar Bhanwala, Chairman
R Amalorpavanathan, Deputy Managing Director
H R Khan, Director
Snehlata Shrivastava, Director

# E-Mail Address of NABARD Head Office Departments at Mumbai

| | |
|---|---|
| Chairman's Secretariat | chairman@nabard.org |
| Deputy Managing Director (Shri. H R Dave)'s Secretariat | dmd.dave@nabard.org |
| Deputy Managing Director (R Amalorpavanathan)'s Secretariat | dmd.amal@nabard.org |
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# Regional Offices/ Cell/ Training Establishments

## REGIONAL OFFICES

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# Abbreviations

| | |
|---|---|
| ABFL | Agri Business Finance (AP) Limited |
| ACSTI | Agricultural Cooperative Staff Training Institute |
| ADB | Asian Development Bank |
| ADFT | Agri Development Fund, Tamil Nadu |
| ADPG | Adivasi Development Programme in Gujarat |
| ADPM | Adivasi Development Programme in Maharashtra |
| AFB | Adaptation Fund Board |
| AGL | Agriculture Gold Loan |
| AICI | Agricultural Insurance Corporation of India |
| ALCO | Asset-Liability Management Committee |
| ALM | Asset Liability Management |
| AMI | Agricultural Marketing Infrastructure |
| AMIGS | Agricultural Marketing Infrastructure, Grading and Standardization |
| APMC | Agricultural Produce Marketing Committee |
| APMIP | Andhra Pradesh Micro-Irrigation Project |
| APRACA | Asia Pacific Rural and Agricultural Credit Association |
| BADP | Border Area Development Programme |
| BC | Business Correspondent |
| BCA | Business Correspondent Agent |
| BDP | Business Development Plan |
| BF | Business Facilitator |
| BIRD | Bankers Institute of Rural Development |
| BoD | Board of Directors |
| CA | Commission Agent |
| CAMPA | Compensatory Afforestation Fund Management and Planning Authority |
| CB | Commercial Bank |
| CBLO | Collateralized Borrowing and Lending Obligation |
| CBS | Core Banking Solution |
| CCD | Corporate Communications Department |
| CCS | Cooperative Credit Structure |
| CDF | Cooperative Development Fund |
| CEGSIL | CSC e-Governance Services India Ltd |
| CFF | Credit Facility to Federations |
| CGFC | Corporate Governance for Financial Cooperatives |
| CGM | Chief General Manager |
| CGTMSE | Credit Guarantee Trust Fund for Micro and Small Enterprises |
| CIC | Credit Information Company |
| CLMAS | Centralized Loan Management and Accounting System |
| CMA | Credit Monitoring Arrangement |
| C-PEC | Centre for Professional Excellence in Cooperatives |
| CPI | Consumer Price Index |
| CPWD | Central Public Works Department |
| CRAR | Capital to Risk-Weighted Assets Ratio |
| CRR | Cash Reserve Ratio |
| CSC | Common Service Centre |
| CSO | Central Statistical Office |
| CSP | Customer Service Point |
| CTI | Cooperative Training Institute |
| C-TAG | Central Technical Advisory Group |
| CVC | Central Vigilance Commission |
| CVO | Chief Vigilance Officer |
| DAP | Development Action Plan |
| DBT | Direct Benefit Transfer |
| DCCB | District Central Cooperative Bank |
| DDM | District Development Manager |
| DEDS | Dairy Entrepreneurship Development Scheme |
| DICGC | Deposit Insurance and Credit Guarantee Corporation |
| DMA | Deposit Mobilizing Agent |
| DMD | Deputy Managing Director |
| DPR | Detailed Project Reports |
| DTP | Development of Tribal Population |
| ECM | Enterprise Content Management |
| FAO | Food and Agriculture Organization |
| FARM | Fund for Agriculture Risk Mitigation |
| FCI | Food Corporation of India |
| FC | Farmers' Club |
| FIF | Financial Inclusion Fund |
| FIP | Financial Inclusion Plan |
| FIP | Full Implementation Phase |

| | |
|---|---|
| FIPF | Farm Innovation and Promotion Fund |
| Fis | Financial Institutions |
| FITF | Financial Inclusion Technology Fund |
| FLC | Financial Literacy Centre |
| FPF | Food Processing Fund |
| FPO | Farmer Producer Organization |
| FSPF | Farm Sector Promotion Fund |
| FSS | Farmers' Service Societies |
| FTRDC | Farmers' Training and Rural Development Centre |
| FTTF | Farmers' Technology Transfer Fund |
| FY | Financial Year |
| FYP | Five-Year Plan |
| GBY | Grameen Bhandaran Yojana |
| GCA | Gross Cropped Area |
| GCF | Gross Capital Formation |
| GCF | Green Climate Fund |
| GDP | Gross Domestic Product |
| GHI | Global Hunger Index |
| GoI | Government of India |
| GVA | Gross Value Added |
| HDI | Human Development Index |
| HO | Head Office |
| HOPCOMS | Horticultural Producers' Cooperative Marketing and Processing Society |
| IADP | Integrated Agriculture Development Programme |
| IBA | Indian Banks' Association |
| IBPC | Inter-Bank Participation Certificate |
| ICM | Institute of Cooperative Management |
| ICT | Information Communications Technology |
| IFC | Infrastructure Finance Company |
| IGWDP | Indo-German Watershed Development Programme |
| IIMs | Indian Institutes of Management |
| IITs | Indian Institutes of Technology |
| IMF | International Monetary Fund |
| IMFFS | Integrated Mangrove Fishery Farming System |
| IRAC | Income Recognition and Asset Classification |
| ISAM | Integrated Scheme for Agricultural Marketing |
| IT | Information Technology |
| ITI | Integrated Training Institute |
| JICA | Japan International Cooperation Agency |
| JLG | Joint Liability Group |
| JLTC | Junior-Level Training Centre |
| JNNSM | Jawaharlal Nehru National Solar Mission |
| KCC | Kisan Credit Card |
| KfW | Kreditanstalt für Wiederaufbau |
| KVK | Krishi Vigyan Kendras |
| LAMPS | Large-sized Adivasi Multi-Purpose Societies |
| LPA | Long Period Average |
| LTCCS | Long-Term Cooperative Credit Structure |
| MACS | Mutually Aided Cooperative Societies |
| MC | Management Committee |
| MDFVPL | Mother Dairy Fruits and Vegetable Private Limited |
| MDP | Management Development Programme |
| MEDP | Micro-Enterprise Development Programme |
| MFDEF | Microfinance Development and Equity Fund |
| MFI | Micro Finance Institution |
| MIDH | Mission for Integrated Development of Horticulture |
| MNRE | Ministry of New and Renewable Energy |
| MoA | Ministry of Agriculture |
| MoF | Ministry of Finance |
| MoFPI | Ministry of Food Processing Industries |
| MoT | Ministry of Textiles |
| MoU | Memorandum of Understanding |
| MSC | Multi-Service Centre |
| MSP | Minimum Support Price |
| Mt | million tonnes |
| NABCONS | NABARD Consultancy Services |
| NABFINS | NABARD Financial Services Limited |
| NAFCC | National Adaptation Fund for Climate Change |
| NAIS | National Agricultural Insurance Scheme |
| NBFC | Non-Banking Financial Company |
| NCCT | National Council for Cooperative Training |
| NCR | National Capital Region |
| NDDB | National Dairy Development Board |
| NDTL | Net Demand and Time Liabilities |
| NE | North-East |

| | |
|---|---|
| NEDFi | North Eastern Development Finance Corporation Ltd |
| NFS | Non-Farm Sector |
| NFSA | National Food Security Act |
| NFSM | National Food Security Mission |
| NGO | Non-Government Organization |
| NGVCT | Navodaya Grama Vikas Charitable Trust |
| NHM | National Horticulture Mission |
| NIDA | NABARD Infrastructure Development Assistance |
| NLM | National Livestock Mission |
| NMAET | National Mission on Agricultural Extension and Technology |
| NMMI | National Mission on Micro Irrigation |
| NMOOP | National Mission on Oilseeds and Oil Palm |
| NMSA | National Mission on Sustainable Agriculture |
| NPA | Non-Performing Asset |
| NPCI | National Payments Corporation of India |
| NPRI | National Programme on Rural Industrialization |
| NRLM | National Rural Livelihoods Mission |
| NWR | Negotiable Warehouse Receipt |
| NWS | NABARD Warehousing Scheme |
| OBC | Other Backward Classes |
| ODIs | Organizational Development Initiatives |
| OFSPF | Off-Farm Sector Promotion Fund |
| OTS | One-time settlement |
| PACS | Primary Agricultural Credit Society |
| PAT | Profit After Tax |
| PBT | Profit Before Tax |
| PC | Parliamentary Committee |
| PCARDB | Primary Cooperative Agriculture and Rural Development Bank |
| PDC | PACS Development Cell |
| PDS | Public Distribution System |
| PLPs | Potential-Linked Credit Plans |
| PMC | Project Management Consultant |
| PMJDY | Pradhan Mantri Jan Dhan Yojana |
| PODF | Producers Organization Development Fund |
| POPIs | Producer Organization Promoting Institutions |
| PoS | Point-of-Sale |
| POs | Producers' Organizations |
| PPP | Public–Private Partnership |
| PRODUCE Fund | Producers Organization Development and Upliftment Corpus Fund |
| PSB | Public Sector Bank |
| PSC | Parliamentary Standing Committee |
| PSU | Public Sector Undertaking |
| PUCB | Primary Urban Cooperative Bank |
| PV | photo-voltaic |
| PWCS | Primary Weavers' Cooperative Societies |
| RBI | Reserve Bank of India |
| REDPs | Rural Entrepreneurship Development Programmes |
| RFI | Rural Financial Institution |
| RFIP | Rural Financial Institutions Programme |
| RGCT | Rajiv Gandhi Charitable Trust |
| RGMVP | Rajiv Gandhi Mahila Parivikas Yojana |
| RICM | Regional Institute of Cooperative Management |
| RIDF | Rural Infrastructure Development Fund |
| RIPF | Rural Infrastructure Promotion Fund |
| RKVY | Rashtriya Krishi Vikas Yojana |
| RLP | Realistic Lending Programme |
| RML | Reuters Market Light |
| RO | Regional Office |
| RRB | Regional Rural Bank |
| R-TAG | Regional Technical Advisory Group |
| RTI | Right to Information |
| SAO | Seasonal Agricultural Operations |
| SBI | State Bank of India |
| SC | Scheduled Caste |
| SCARDB | State Cooperative Agriculture and Rural Development Bank |
| SCB | Scheduled Commercial Bank |
| SCC | Swarozgar Credit Card |
| SCDCCBL | South Canara DCCB Ltd |
| SDP | Skill Development Programme |
| SEFASU | Scheme for Extending Financial Assistance to Sugar Undertakings |
| SFAC | Small Farmers' Agriculture-Business Consortium |
| SHDC | State Handloom Development Corporation |
| SHG | Self-Help Group |
| SHG–BLP | Self-Help Group–Bank Linkage Programme |
| SHPI | Self-Help Promoting Institutions |

| | |
|---|---|
| SIDBI | Small Industries Development Bank of India |
| SLBC | State-Level Bankers' Committee |
| SOFTCOB | Scheme of Financial assistance for Training of Cooperative Banks Personnel |
| SRI | System of Rice Intensification |
| SRLM | State Rural Livelihood Mission |
| SSI | Sustainable Sugarcane Initiative |
| ST | Scheduled Tribe |
| StCB | State Cooperative Bank |
| STCCS | Short Term Cooperative Credit Structure |
| STCRC | Short Term Cooperative Rural Credit |
| ST-OSAO | Short Term Other than Seasonal Agricultural Operations |
| STRC | Short Term Rural Credit |
| ST-SAO | Short Term Seasonal Agricultural Operations |
| SWM | Solid Waste Management |
| T&D | transmission and distribution |
| TDF | Tribal Development Fund |
| TE | Training Establishment |
| TFO | Total Financial Outlay |
| UNFCCC | United Nations Framework Convention for Climate Change |
| UPNRM | Umbrella Programme for Natural Resource Management |
| UT | Union Territory |
| UTM | Unified Threat Management |
| VAMNICOM | Vaikunth Mehta National Institute of Cooperative Management |
| VAPCOL | Vasundhara Agri-Horti Producer Company Limited |
| VCF | Venture Capital Fund |
| VDP | Village Development Programme |
| VWC | Village Watershed Committee |
| WBCIS | Weather-Based Crop Insurance Scheme |
| WDF | Watershed Development Fund |
| WDRA | Warehousing Development and Regulatory Authority |
| WIF | Warehouse Infrastructure Fund |
| WPI | Wholesale Price Index |
| WSHG | Women's Self-Help Group |

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