





### Letter of Transmittal

NABARD

Plot: C-24/'G'

Bandra-Kurla Complex

Post Box: 8121, Bandra (East)

Mumbai - 400 051

#### CHAIRMAN

Ref.No.NB.Secy./ 521 /AR-1/2018-19

13 June 2018

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:

- A copy of the audited Annual Accounts for the year ended 31<sup>st</sup> March 2018 alongwith a copy of the Auditors' Report, and
- Two copies of the Annual Report of the Board of Directors on the working of National Bank during the year ended 31<sup>st</sup> March 2018.

Yours faithfully

Harsh Kumar Bhanwala

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## Board of Directors as on 31 March 2018

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



Shri Harsh Kumar Bhanwala Chairman

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







r. <mark>An</mark>up Kumar Dash



Shri Anil Kumar Bans

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



Oh...i D. D. V.



r. Ashok Gula

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



hri Suchindra Misra



hri S.K. Pattanayak



ri Amarieet Sinha

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



Shri Suresh Chandra Gupta



Shri P. C. Meena



Smt. Pooja Singha



Shri C. Parthasarat



Shri H R Da



Shri R. Amalorpavanathan

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







### From the Chairman...

A major milestone in the 35-year journey of NABARD has been the enactment of the NABARD (Amendment) Act, 2018 by the Indian Parliament. The amendment raised the authorised capital of NABARD from ₹5,000 crore to ₹30,000 crore. This will enable NABARD to expand its business in consonance with the mandate.

I am glad to note that foodgrains production during the year 2017–18 peaked to a record level of 279.5 million tonnes. Interestingly, since 2009–10 a Rabi-orientation in foodgrains production has been often observed. This represents a structural break that steps up demand for irrigation and other inputs, creating a challenge that needs to be met. Investing in irrigation, a proven strategy for improving and stabilising incomes, can alleviate distress while smoothening the year-to-year variability in growth in Gross Value Added (GVA) from agriculture. Government of India (GoI) and NABARD therefore accorded high priority, through

various components of the Pradhan Mantri Krishi Sinchayee Yojana (PMKSY), to expanding irrigation and improving water-use efficiency. NABARD is funding, as a part of PMKSY, 101 identified irrigation projects in 18 states under the Long Term Irrigation Fund (LTIF). Targeted to be completed by 2019, the projects would augment irrigated area by 7.9 million hectares. It is equivalent to nearly 5.6 per cent of net sown area of the country. This is in addition to NABARD's existing support mechanisms for irrigation projects.

NABARD's strategy has always been to build rural infrastructure which spurs capital formation through term loans. Our efforts have paid off, I believe, as agri term loans grew at 18.4 per cent during the last ten years and share of term loans in ground level credit (GLC) to the sector steadily increased to 35.6 per cent in 2017–18. I must place on record the increasingly important role played by banks in enhancing term loans and thereby capital formation in agriculture.

NABARD has leveraged its long term refinance for encouraging term lending.

NABARD strongly believes, that in small-farmer-dominated agriculture, aggregation is an important strategy for inclusive growth. Hence, a theme chapter titled "Economic Empowerment through Aggregation" focusing on the role of Farmer Producer Organisations (FPOs) has been included in the Annual Report. The chapter highlights the positive contribution of aggregation in enhancing farmer income and deliberates on the issues faced in scaling up FPOs, among others. Cases mentioned therein offer convincing reasons for small farmers and stakeholders to mainstream FPOs.

The next strategy for inclusive growth can be value addition. Again, NABARD has been facilitating the provision of affordable credit to both the public and the private sector for setting up of food parks and food processing units in Designated Food Parks under the Food Processing Fund (FPF). Farmer producer organisations and the food processing industry should work together, as a win-win strategy.

NABARD has been well recognised for its SHG-Bank Linkage Programme (SBLP) which ushered significant changes into the lives of rural women through access to affordable banking services and support for livelihoods. NABARD has brought 3.49 lakh SHGs (out of 87.4 lakh SHGs) in 100 districts across 22 states on the 'E-Shakti', a web-based platform for collation of data on the functioning of SHGs that is accessible to all stakeholders. It has facilitated increase in credit linkage of SHGs from 39 per cent to 53 per cent.

Climate change poses a major threat to food security in the country. NABARD as the National Implementing Entity for the Adaptation Fund (AF), the Green Climate Fund (GCF), and the National Adaptation Fund for Climate Change (NAFCC), has facilitated the sanction of ₹1,593 crore for 35 projects towards promotion of climate change adaptation in agriculture.

We at NABARD understand the challenges of rural India and are conscious of "miles to go" and "milestones to achieve". At the same time, I am confident that NABARD will traverse these miles and cross these milestones with élan. And, of course, I seek support of Government, RBI, partner agencies, and NABARD staff in the endeavour.

Harsh Kumar Bhanwala

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# NABARD at a Glance (As on 31 March)

(₹ in crore)

Sources of Fund	2018	2017	Net Accretion	Uses of Funds	2018	2017	Net Utilisation
Capital	10580	6700	3880	Cash and Bank Balances	17480	11612	5868
Reserves & Surplus		24771	2960	Collateralised Borrowing and Lending Obligation	1204	1349	-145
NRC (LTO) Fund	14491	14489	2	Investments in			
Title (Ele) Fulla	14401	14400	۷	Government Securities	15589	11366	4223
NRC (Stabilisation) Fund	1591	1589	2	Other Approved Securities	0	198	-198
Deposits (Tea/Rubber/Coffee)	164	219	<b>–</b> 55	Equity Shares	1137	218	919
.,				Debenture and Bonds	2427	1307	1120
Bonds and Debentures	74021	50537	23484	Shareholding in Subsidiaries and Joint Venture	180	180	0
Borrowings from Gol	0	0	0	Others	9060	9505	-445
Borrowings JNN Solar Mission	3	15	-12	Sub Total	28393	22774	5619
Foreign Currency Loan	812	684	128	Loans and Advances			
Foreign Currency Loan	012	004	120	Production & Marketing Credit	66128	73553	-7425
Commercial Paper	32040	16193	15847	Conversion Loans for Production Credit	633	1065	-432
Borrowing against STD	0	750	750	Medium Term and Long Term Project Loans (Refer Note B -24 of Schedule 18)	120095	101531	18564
CBLO	2457	7319	-4862	Direct refinance to DCCBs	2950	2565	385
CBLO	2437	7319	-4002	JNN Solar Mission	1	2	-1
Certificate of Deposits	4001	7479	-3478	Loans under Rural Infrastructure Development Fund	110062	100981	9081
Term Money Borrowings	3229	2193	1036	Loans under Warehouse Infrastructure Fund	4296	3402	894
Repo a/c	2011	295	1716	Long Term Non-Project Loans	42	53	-11
RIDF Deposits	116314	105502	10812	Loans under NABARD Infrastructure Development Assistance (NIDA)	7241	4978	2263
STCRC Fund	45000	45009	-9	Loans to Producers' Organisation Development (Net of provision)	220	317	-97
ST RRB Credit Refinance Fund	10000	10003	-3	Credit Facility to Federations [CFF]**	11954	6961	4992
				Loans under Food Processing Fund	239	140	99
Warehouse Infrastructure Fund	4671	3531	1140	Loans under Long Term Irrigation Fund	20447	9086	11361
Food Processing Fund	300	150	150	PMAY - G	7329	0	7329
Ŭ				Special Dev Debentures of SCARDBs (#)	2593	3676	-1083
Long Term Rural Credit Fund	38001	30000	8001	Other Loans	474	320	154
Other Liabilities*	12346	13742	-1396	Sub Total	354704	308631	46073
Other funds*	6879	7090	-211	Fixed Assets Other Assets	471 4390	391 3503	80 887
Total	406642	348260	58382	Total	406642	348260	58382

<sup>\*</sup> Previous year's figure regrouped

The Paid-up capital includes ₹5580 crore (previous year ₹1700 crore) received from Government of India, which is held in Advance towards capital account. Pursuant to increase of authorised capital of NABARD to ₹30000 crore vide Gazette Notification No. 1410 dated 10 April 2018, the above advance amount will be transferred to paid up capital during the year 2018–19.

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# **Key Data References**PART A

## GROWTH RATE IN DIFFERENT SECTORS OF THE ECONOMY AT 2011–12 PRICES (%)

 SECTOR
 2015–16
 2016–17
 Provisional Estimate

 GVA at basic prices (at 2011–12 prices)
 8.1
 7.1
 6.5

 I. Agriculture
 0.6
 6.3
 3.4

 III. Industry
 9.8
 6.8
 5.5

 III. Services
 9.6
 7.5
 7.9

 Overall GDP Growth
 8.2
 7.1
 6.7

Sources: (1) Key Economic Indicators, May 2018, (Table 1 & 3-B), Office of the Economic Adviser, Ministry of Commerce and Industry, Gol, (2) Provisional estimates of National Income 2017–18, CSO Ministry of Statistics and Programme Implementation, Gol (press Note dated 31 May 2018)

## GROSS CAPITAL FORMATION (GCF) IN AGRICULTURE AT 2011–12 PRICES (%)

Particulars

Share of agriculture and allied sectors in total GCF

GCF in agriculture and allied sectors as per cent to GVA of the sector

2015–16

2016–17

A. 3

6.82

(2nd Revised (1st Revised Estimates)

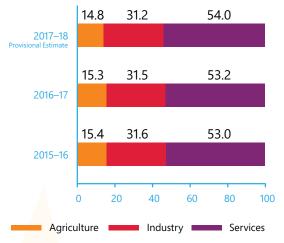
Estimates)

14.4

15.5

Sources: (1) Key Economic Indicators, May 2018, (Tables 5 & 7), Office of the Economic Adviser, Ministry of Commerce and Industry, Gol, (2) National Accounts Statistics, CSO, Ministry of Statistics and Programme Implementation, Gol.

#### SECTORAL SHARE (%) in GVA at 2011–12 prices



Source: Provisional estimates of National Income 2017–18, CSO Ministry of Statistics and Programme Implementation, Gol (Press Note dated 31 May 2018)

#### DETAILS OF LANDHOLDINGS - SNAPSHOT

Total operational holdings in India (No. in million)	138.35
Average land holding size (hectare)	1.15
Gross Cropped Area (million hectare) (2013–14)	200.86
Net Sown Area (million hectare)	141.43

Sources: (1) Agriculture Census, 2010–11, Agriculture Census Division, Directorate of Economics and Statistics, Department of Agriculture and Cooperation, Ministry of Agriculture and Farmers' Welfare, Government of India; (2) Agricultural Statistics at a Glance 2016, Directorate of Economics and Statistics, Department of Agriculture, Cooperation & Farmers Welfare, Gol.

<sup>\*\*</sup> Figures are rounded off.

<sup>#</sup> Amount subscribed to Special Development Debentures of SCARDBs which are in the nature of Deemed Advances



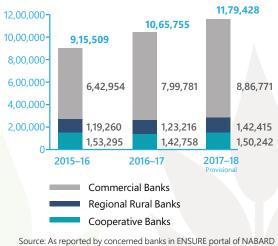


#### **PRODUCTION OF FOODGRAINS** (MILLION TONNES)

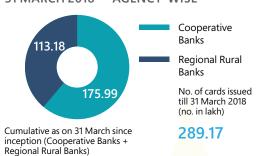


Sources: (1) Key Economic Indicators, May 2018, (Tables 5 & 7), Office of the Economic Adviser, Ministry of Commerce and Industry, Gol, (2) National Accounts Statistics, CSO, Ministry of Statistics and Programme Implementation, Gol.

#### GROUND LEVEL CREDIT FLOW—AGENCY-WISE (₹ CRORE)

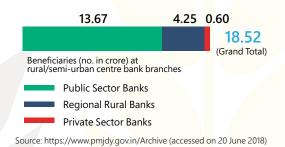


#### TOTAL RUPAY KCCs ISSUED AS ON 31 MARCH 2018 — AGENCY-WISE



Source: ENSURE Portal, NABARD Head Office

#### PRADHAN MANTRI JAN DHAN YOJANA (AGENCY-WISE TOTAL NUMBER OF ACCOUNTS OPENED AS ON 28 MARCH 2018)



## PART B

### I FINANCIAL SUPPORT BY NABARD (i) Refinance — Short-Term Credit

(Maximum Outstanding)	Amount in	₹crore	
Particulars	2016–17	2017–18	
a. ST-SAO, StCB	62,610	44,760	
b. ST-SAO, RRB	10,002	10,000	
c. ST-SAO, PSBs for PACS	271	240	
d. Weavers, StCB	13	25	
e. ST (Others), StCB	1,042	3,125	
f. ST (Others), RRB	455	1,418	
g. Additional ST-SAO, StCB	7,465	15,308	
h. Additional ST-SAO, RRB	3,116	4,828	

#### (ii) Refinance — Investment Credit (Amount in ₹ crore)

Particulars	2016–17	2017–18
a. Agriculture and allied activities	29 <mark>,34</mark> 1	30,563
b. Non-Farm Sector	18,505	27,696
c. Self Help Groups	5,660	6,981

#### (iii) Credit Support (Amount in ₹ crore)

Particulars	2016–17	2017–18	Cumulative disbursement as on 31 March 2018	Loan Outstanding as on 31 March 2018
Rural Infrastructure Development Fund	25,600	24,993	2,40,596	1,10,062
Long-Term Irrigation Fund	9,086	11,360	20,447	20,447
PMAY-G (Rural Housing)	-	7,329	7,329	7,329
Warehouse Infrastructure Fund	1,169	1,249	4,778	4,296
Food Processing Fund	124	111	256	239
NABARD Infrastructure Development Assistance	2,456	2,921	9,067	7,241
Direct Refinance Assistance to Cooperative Banks	4,740	4,849	26,753	2,950
Credit Facility to Federations	15,755	25,436	58,610	11,954
Producer Organisations including PACS as MSC (loan)	85	11	739	234
UPNRM (loan)	18	152	540	219

II DEVELOPMENT INITI	ATIVES
----------------------	--------

Watersheds (no.)	48	57	58	
— Area (hectare)	30 <mark>,6</mark> 00	33,800	47,922	
No. of families benefited	14,500	17,400	17,800	
Spring-shed based Watershed Development Programme (no.)	-	-	24	
Area (hectare)	-	-	5,256	
No. of families benefited	7	-	3,500	
TDF projects (no.)	23	40	39	
No. of families benefited	12,087	18,982	17,758	
Farmers' Clubs (no.)	5 <mark>,0</mark> 16	5,837	2,229	

Source: NABARD

xvii xvi



## **Principal Officers Chief General Managers**



(Chennai)



Shri M. K.Mudgal (CPD)



(OFDD/Rajbhasha)



(FD/DSSI)



Shri S. Selvaraj (RMD)



Shri K. Venkateswara Rao (DOS)



Shri M. I. Ganagi (Karnataka - OIC)



Shri G. R. Chintala (mCID)



Shri Jiji Mammen (CEO, MUDRA)



Shri A. K. Sahoo (SECY)



Shri A. K. Panda (Uttar Pradesh)



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



Smt. Padma Raghunathan (DOR)



Shri K. R. Rao (Madhya Pradesh)



Smt. T. S. Raji Gain (FSPD)



Shri Shankar A. Pande (SPD)



Dr. U. S. Saha (DEAR)



Smt. Sarita Arora (IDD)



Shri P. Radhakrishnan (Telangana)



Dr. P. M. Ghole (FSDD)



(Jharkhand)



(Kerala)



Shri D. N. Magar (Uttarakhand)



(HRMD/ LAW)



(Punjab)

### **Chief General Managers**



Shri Vijaykumar (Jammu & Kashmir)



Shri A. K. Raybarman (West Bengal)





Smt. R. Kakati Baruah (Assam)



Dr.K.C. Panigrahi (Odisha)



Shri Kishan Singh (Himachal Pradesh)



Shri Bibhisan Naik (DPSP)



Shri M. K. Chandekar (ID)



Shri Sunil Chawla (Gujarat)



Shri Arun K Shukla (Haryana)



Shri Asit Kumar Mohanty (New Delhi)



Shri H.S. Singh (DIT)



Shri N.P. Mohapatra (Chhattisgarh)



Shri S.K. Mazumdar (Bihar)



Shri K. Suresh Kumar (Andhra Pradesh - OIC)



Shri A. K. Singh (Rajasthan)



Shri Ranbir Singh (DSM)



Shri R.K. Deb Barman



(Andhra Pradesh)



Shri L.R. Ramachandran (Karnataka)



Shri R. Srinivasan (DFIBT)

## **CEOs of NABARD Subsidiaries / BIRD**



Shri Naresh Gupta (CEO, NABCONS, New Delhi) (Director, BIRD, Lucknow)



Dr. D. V. Deshpande



(CEO, NABFINS)



(CEO, NABKISAN)



Shri H.B. Songadkar (MD, NABSAMRUDDHI)



## Officers-in-Charge of Regional Offices / Cells / Training Institutions



Shri K. Marjit (BIRD, Bolpur)



Smt. Anjana Lam (Sikkim)



Shri Sunil Kumar (Agartala)



Shri S. V.Sardesai (NBSC, Lucknow)



Ms. K. S. Pai (BIRD – Mangalore)



Shri B.V.S. Prasad (Andaman and Nicobar)



Shri V. R. Khusro (Goa)



Shri S.K. Dhumal (Nagaland)



Shri P.N. Praveen Kumar (Manipur)



Shri R.K. Srivastava (Mizoram)



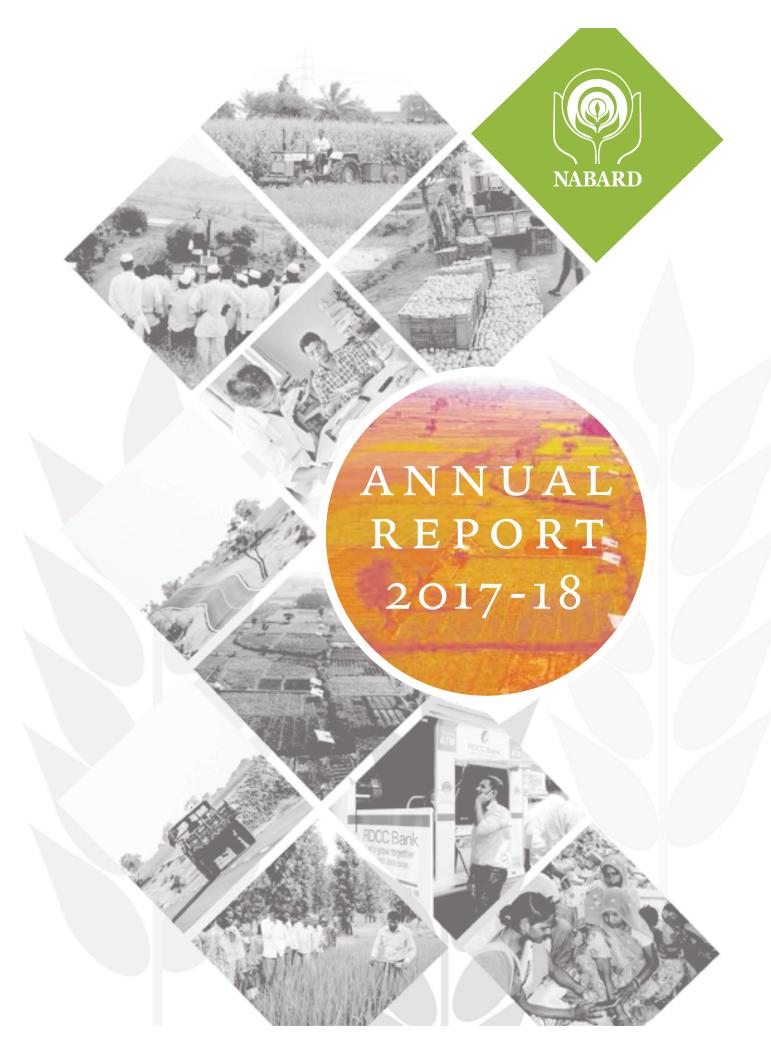
Dr. Gyanendra Mani (Arunachal Pradesh)



Smt. L. Leivang (Meghalaya)



Shri Push<mark>phas Pande</mark> (Srinagar Cell)





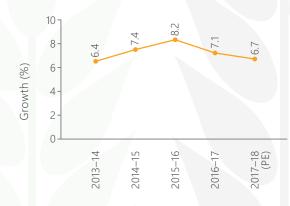




# 1.1 STATE OF THE INDIAN ECONOMY: 2017–18

The Indian economy recorded a growth rate of 6.7 per cent in 2017-18 (Figure 1.1). The Economic Survey 2017–18 predicted brighter growth prospects for 2018–19, at 7.0 to 7.5 per cent. The Reserve Bank of India (RBI)1 also projected a higher growth rate of GDP of 7.4 per cent in 2018-19. The International Monetary Fund (IMF), World Bank and Asian Development Bank (ADB) too predicted higher growth rates for India during 2018. While IMF estimated India's growth rate at 6.7 per cent for 2017, 7.4 per cent for 2018 and 7.8 per cent for 2019 (IMF, 2018), the corresponding World Bank estimates stood at 6.7 per cent, 7.3 per cent, and 7.5 per cent (World Bank, 2018). Similarly, ADB estimated India's growth rate at 6.6 per cent for 2017, 7.3 per cent for 2018, and 7.6 per cent for 2019 (ADB, 2018). Thus, India is once again poised to be the fastest growing large economy in the world.

Figure 1.1 India's GDP Growth at Constant (2011–12) Prices



Source: (1) First Revised Estimates of National Income 2016–17, CSO, Government of India (GoI) (31 Jan 2018);

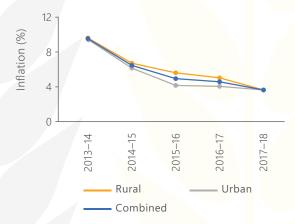
4

Major factors which could help India to regain the high growth trajectory are the introduction of the Goods and Services Tax (GST), increased investment in infrastructure, various other policy initiatives, etc. They enabled the acceleration in growth to 7.0 per cent and 7.7 per cent during the third and fourth quarters of 2017–18, respectively. A few macroeconomic challenges, such as inflation, fiscal issues and external sector developments may pose difficulties for achieving higher growth in the near future.

#### 1.1.1 Inflation

Over the years inflation has turned benign, and moved towards a 'new normal' low inflation trajectory, as reflected in the decline in Consumer Price Index (CPI)-based inflation, from an average of 9.5 per cent in 2013–14, to 3.6 per cent in 2017–18 (Figure 1.2) which was lower than RBI's medium term target of 4 per cent. Both rural and urban inflation rates also declined to 3.6 per cent in 2017–18 as compared to 9.6 per cent in rural areas and 9.4 per cent in urban areas, recorded in 2013–14.

Figure 1.2 CPI Inflation (%) General (Annual Average)

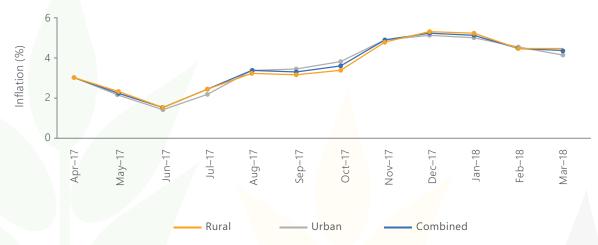


Source: CSO, Ministry of Statistics and Programme Implementation www.mospi.nic.in

The major factors influencing low average general inflation during 2017–18 were a sharp decline in food prices, especially those of vegetables and pulses, good monsoon resulting in a record agricultural output, a moderate increase in Minimum Support Price (MSP) and benign global food prices. However, retail inflation, which touched a record low of 1.5 per cent in June

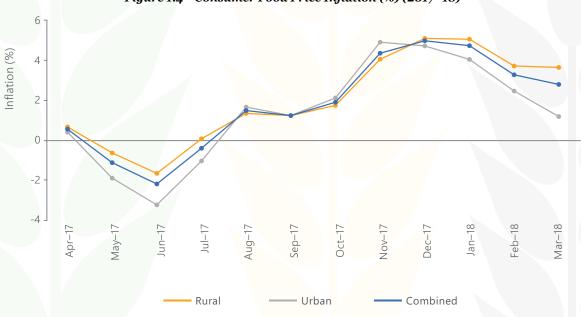
2017, increased continuously to reach 4.3 per cent in March 2018 (Figure 1.3). This was mainly due to food inflation moving from -2.1 per cent in June 2017 to 2.8 per cent in March 2018 (Figure 1.4). Despite this trend, the average annual CPI inflation in 2017–18 was lower than that of the previous year.

Figure 1.3 CPI Inflation (%)—General (2017–18)



Source: CSO, Ministry of Statistics and Programme Implementation www.mospi.nic.in

Figure 1.4 Consumer Food Price Inflation (%) (2017–18)



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Source: CSO, Ministry of Statistics and Programme Implementation www.mospi.nic.in

<sup>(2)</sup> Provisional Estimates of National Income 2017–18, CSO, GoI (31 May 2018).

<sup>&</sup>lt;sup>1</sup> First Bi-monthly Monetary Policy Statement, 2018–19 Resolution of the Monetary Policy Committee (MPC), RBI.





As per the first bi-monthly monetary policy statement 2018–19 of the Monetary Policy Committee (MPC) of the RBI, inflation is estimated to be in the range of 4.7 per cent to 5.1 per cent in the first half, and 4.4 per cent in the second half of 2018–19. The forecast would hold good subject to normal monsoon<sup>2</sup> predicted during 2018 and stable prices of crude oil in international markets.

#### 1.1.2 Fiscal Challenges

Many fiscal indicators, viz. revenue buoyancy, expenditure quality, devolution, and deficits have improved significantly in the last three years (GoI 2018a). However, there was a slippage in fiscal deficit to 3.5 per cent of GDP, as against a target of 3.2 per cent budgeted for the year 2017-18. In view of this, the fiscal deficit target set for 2018-19 is 3.3 per cent of GDP. The Fiscal Responsibility and Budget Management (FRBM) Review Committee<sup>3</sup> recommends a debt-to-GDP ratio ceiling of 40 per cent for the Central Government and 20 per cent for state governments, and a fiscal deficit of 2.5 per cent of GDP, by financial year (FY) 2022-23. As per 2016-17 budget estimates, seven states with a debt-to-gross state domestic product (debtto-GSDP) ratio less than 20 per cent were Assam, Chhattisgarh, Karnataka, Maharashtra, Odisha, Tamil Nadu, and Telangana.

#### 1.1.3 Banking Sector Reforms

Business growth of Scheduled Commercial Banks (SCBs) picked up momentum during the year. The capital to risk-weighted asset ratio (CRAR) stood at 13.8 per cent in March 2018 (RBI, 2018), which is above the RBI stipulated norm for regulatory capital requirement under the Basel III framework. Important banking sector reform measures initiated by the Central Government and RBI during the year were the infusion of ₹2.11 lakh crore capital into PSBs, passing of the

Insolvency and Bankruptcy Code (Amendment) Bill, 2017 to provide the needed legal framework to resolve the twin balance sheet problem and to address the NPA issue, Prompt Corrective Measures (PCA), etc. Further, technological and digital innovations remained in the forefront of reforms in the financial services sector.

## 1.1.4 External Sector Developments and Agricultural Exports

India's current account deficit (CAD) in 2017–18 widened to 1.9 per cent of GDP from 0.6 per cent in 2016–17. However, the country's foreign exchange reserves stood at an all-time high of US\$424.4 billion as on 30 March 2018. The share of India's total exports in global merchandise exports stood at 2.1 per cent, and was valued at US\$264 billion<sup>4</sup> in 2016. The country's share in global agricultural exports too stood at 2.1 per cent and was valued at US\$34 billion<sup>5</sup> in 2016. As recommended by the Dalwai Committee on Doubling Farmers' Income, agricultural exports should treble by 2022–23 to reach a target of US\$100 billion (GoI, 2017).

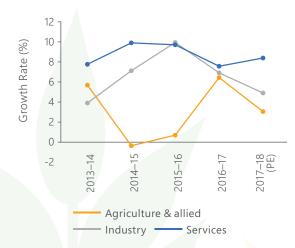
# 1.2 AGRICULTURE AND ALLIED SECTORS

## 1.2.1 Agriculture and the Structure of the Indian Economu

The monsoon remains the major factor impacting Indian agricultural prospects. In 2017, the southwest monsoon brought normal rainfall (5 per cent below long period average) to the country as a whole, though regional variations were observed. Despite that, foodgrains production had reached a record level of 279.5 million tonnes in 2017-18. As a result, agriculture and allied sectors, in terms of gross value added (GVA), grew at 3.4 per cent during 2017–18. This was a deceleration compared to 6.3 per cent growth

in the previous year, but a good performance compared to 2014–15 and 2015–16 (Figure 1.5). While the industrial sector grew at 5.5 per cent in 2017–18 as compared to 6.8 per cent in 2016–

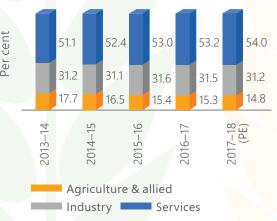
Figure 1.5 Sector-wise Growth Rate (%) of GVA at Basic Price (at 2011–12 prices)



Source: (1) First Revised Estimates of National Income 2016–17, CSO, GoI (31 Jan 2018);

(2) Provisional Estimates of National Income 2017–18, CSO, GoI (31 May 2018).

Figure 1.6 Sector-wise Share of GVA at Basic Price (at 2011–12 prices)



Source: (1) First Revised Estimates of National Income 2016-17, CSO, MoSPI, GoI (31 January 2018); 17, the services sector improved to 7.9 per cent during the year from 7.5 per cent growth in the previous year. As a result, the share of agriculture and allied sectors in GVA, was 14.8 per cent in 2017–18, as compared to 15.3 per cent in 2016–17 and 17.8 per cent in 2013–14 (Figure 1.6).

The share of the service sector showed an increasing trend, while that of the industrial sector hovered around 31 per cent in the last five years. Inter-sectoral shares have implications for the farm and non-farm sector linkages which need to be forged for diversification. According to the Dalwai Committee on Doubling Farmers' Income (DFI), strong linkages of agriculture sector with manufacturing and service sectors are needed to transform 'agricultural units' to 'agricultural enterprises'. Development of the non-farm sector is emphasised to effectively supplement income of farmers.

Agriculture has been on top of GoI's agenda, as reflected in the Union Budget 2018–19, with increased focus on infrastructure, marketing and product enhancement, for market sensitive and perishable vegetable crops. Pegging MSP of foodgrains at 1.5 times the cost of production, strengthening agricultural market infrastructure, and introduction of "Operation Greens" for price sensitive vegetables, viz. tomato, potato and onion (TOP) are some of the other measures announced in the Union Budget 2018–19 (Box 1.1).

#### 1.2.2 Doubling Farmers' Income— Strategies

One of the major challenges faced by the agricultural sector is that farmers remain in frequent distress despite increase in production. Another critical problem faced by India's agriculture sector is the fragmented and distortion-ridden state of agricultural markets. To address this issue a path-breaking agriculture marketing reform initiative by GoI is e-NAM, under which a common e-market platform has already been deployed in 585 regulated wholesale markets in 16 states and 2 Union Territories.

 $<sup>^{\</sup>rm 2}$  Forecast to be 97 per cent of the Long Period Average (LPA). Press Release dated 16 April 2018, India Meteorological Department.

<sup>&</sup>lt;sup>3</sup> FRBM Review Committee Report, 2017, Chairman, Shri N.K. Singh.

<sup>&</sup>lt;sup>4</sup> World Trade Statistical Review 2017, World Trade Organization

⁵ ibid.

<sup>(2)</sup> Provisional Estimates of National Income 2017–18, CSO, MoSPI, GoI (31 May 2018).





# Box 1.1 Announcements for Agriculture & Rural Sector in Union Budget 2018–19: Highlights

- MSP to be at least 50 per cent more than the cost of produce.
- ii. To develop and upgrade 22,000 existing rural haats into Gramin Agricultural Markets (GrAMs) that are electronically linked to (electronic) National Agricultural Market (e-NAM) and exempted from regulations of Agricultural Produce Marketing Committees (APMCs).
- iii. Agri-Market Infrastructure Fund to be set up with a corpus of ₹2,000 crore for developing and upgrading agricultural marketing infrastructure in the 22,000 GrAMs and 585 APMCs.
- iv. Ministry of Agriculture & Farmers' Welfare to promote cluster-based development of agricommodities and regions in partnership with Food Processing, Commerce, and other allied ministries.
- v. Organic farming to be encouraged by Farmer Producer Organisations (FPOs) and Village Producer Organisations (VPOs) in large clusters, preferably of 1,000 hectares each.
- vi. Women's self-help groups (WSHGs) to be encouraged to take up organic agriculture in clusters under National Rural Livelihoods Mission (NRLM).
- vii. Support to organised cultivation of medicinal plants and associated industry with allocation of ₹200 crore.
- viii. Government to promote establishment of specialised agro-processing financial institutions.
- ix. Launching of 'Operation Greens' for tomato, onion, and potato, on the lines of 'Operation Flood' to promote FPOs, agri-logistics, processing facilities and professional management.
- x. Liberalisation of exports of agri-commodities. Setting up state-of-the-art testing facilities in all 42 Mega Food Parks.
- xi. Extension of Kisan Credit Card (KCC) facilities to fisheries and animal husbandry farmers.
- xii. Scope of Long Term Irrigation Fund (LTIF) to be expanded to cover specified command area development projects.
- xiii. Setting up of Fisheries & Aquaculture Infrastructure Development Fund (FAIDF) and Animal Husbandry Infrastructure Development Fund (AHIDF) with a total corpus of ₹10,000 crore.
- xiv. Target for institutional credit for agriculture sector to be raised from ₹10 lakh crore in 2017–18 to ₹11 lakh crore in 2018–19.
- xv. 100 per cent tax deduction on profits to Farmer Producer Companies having annual turnover up to ₹100 crore.

Doubling real income of farmers, involves increase in private investment by 6.62 per cent per annum from the base year 2015–16 at the national level, according to the Dalwai Committee on Doubling Farmers' Income (Box 1.2). The strategy in this regard should include: increasing the share of farm income in total income, enhancing agricultural growth in less developed regions and rainfed areas, with a focus on marginal and

small holders; strengthening livestock-related activities and crop diversification to high value produce, focus on post-production management and the agricultural marketing system; increase in institutional credit to farmers; higher allocation of resources by state governments towards irrigation, and incentivising private corporate sector to participate in investments in agriculture (GoI 2017a).

# Box 1.2 Major Recommendations on Doubling Farmers' Income

#### A. Marketing

- i. Reorient current price policy through Minimum Insured Price and Deficiency Price Payment for commodities other than rice and wheat.
- ii. Centre and states to work concertedly for a truly unified National Agriculture Market by 2019–20.
- iii. A more 'farmer-centric' approach to enable farmers to avail the lucrative price scenario at both domestic and global levels.
- iv. Shift priority focus to post-production management and an agricultural marketing system.
- v. MSP-linked expenditure on stock of wheat and rice, beyond the buffer norms, to be diverted to other crop types that require production incentives.
- vi. States to adopt Model Agricultural Produce and Livestock Marketing Act, 2017.
- vii. Renewed emphasis on promoting Farmers Producer Organisations (FPOs).

#### **B.** Production and Credit

- i. Diversification into high value produces such as horticulture, livestock, and fisheries.
- ii. 'Har khet ko pani': In addition to 99 major and medium projects under Accelerated Irrigation Benefit Programme (AIBP), the remaining 50 projects may be taken up by increasing the corpus of LTIF.
- iii. Promotion of micro/drip and sprinkler irrigation and adoption of alternate, drought-tolerant crops.
- iv. Sizeable increase in institutional credit, as only 50 to 60 per cent of the investment needs of farmers are currently being fulfilled through institutional loans.

*Note:* A few major recommendations of the Committee on Doubling Farmers' Income (Chaired by Dr Ashok Dalwai), set up by Ministry of Agriculture & Farmers' Welfare, GoI.





#### 1.2.3 Capital Formation in Agriculture

With close to 50 per cent of the population still dependent on agriculture, there is an express need to step up investments in agriculture, to enhance production. This would require continued increase in allocation of funds for the agriculture and allied sectors, by both Central and state governments.<sup>6</sup> Sustaining growth in the agriculture sector largely depends on capital formation in agriculture. On a positive note, there was an increase in the ratio of Gross Capital Formation (GCF) to GVA in agriculture and allied sectors in 2016–17, at 15.5 per cent from 14.4 per cent in 2015–16 (Table 1.1). However, there is a case for further increase in the ratio.

TABLE 1.1
GVA and GCF in Agriculture & Allied
Sectors (Amount in ₹ crore)

Year	Agriculture & GVA at Basic Price (at 2011–12 Prices)	Allied Sectors GCF (at 2011–12 Prices)	Ratio of GCF to GVA in Agriculture & Allied Sectors (%)	
2015–16	16,15,216	2,32,839	14.4	
2016–17	17,16,746	2,65,352	15.5	

Source: Press Note of First Revised Estimates of National Income, Consumption Expenditure, Saving and Capital Formation for 2016–17, MoSPI, GoI (31 January 2018)

# 1.2.4 Budgetary Allocations to Agriculture

Empirical evidence shows that higher government spending on infrastructure and other capital investments has a crowding-in effect on private investments by raising the marginal productivity of private capital. Hence, public investment in agriculture needs to be increased to facilitate further investments in the private sector. Therefore, states need to increase the budgetary

<sup>6</sup> Budgetary allocation for agriculture and allied sector in select states is presented in Table 1.2.

allocation for capital expenditure for agriculture and allied sectors.

Budgetary estimates by select states for capital expenditure on agriculture and allied sectors, including irrigation and flood control, for 2017-18 are presented in Table 1.2. It is observed that six states had made a substantial budgetary allocation for capital expenditure in total budgetary estimates for the same sectors (>40 per cent) in 2017–18, viz. Andhra Pradesh (69.7 per cent), Gujarat (52.7 per cent), Odisha (44.3 per cent), Assam (44.1 per cent), Jharkhand (42.5 per cent), and Karnataka (40.9 per cent). Five states which had share of capital expenditure between 30 to 40 per cent of total budget for agriculture and allied sectors, including irrigation and flood control, as shown in Table 1.2, were Madhya Pradesh (38.5 per cent), Telangana (37.9 per cent), West Bengal (35.3 per cent), Bihar (32.8 per cent), and Maharashtra (31.6 per cent). The share of agriculture and allied sectors in total state budgetary allocation in 2017-18 was above 15 per cent in Telangana (19.5 per cent), Chhattisgarh (17.5 per cent), Karnataka (16.2 per cent), Punjab (15.6 per cent) and Odisha (15.3 per cent), whereas the share of five states, viz. Maharashtra (14.6 per cent), Andhra Pradesh (13.5 per cent), Uttar Pradesh (12.2 per cent), Gujarat (11.7 per cent) and Madhya Pradesh (11.6 per cent), ranged between 10 and 15 per cent.

Public investment in agriculture needs to be increased to facilitate further investments in the private sector.

TABLE 1.2

Budgetary Estimates of Select States for Agriculture and Allied sectors, Irrigation and Flood Control: Capital Expenditure—2017–18 (Revised Estimates) (Amount in ₹ crore)

State	Total State Budget	Revenue+ Capital Expenditure (Agri & Allied Sectors)	Capital Expenditure (Agri & Allied Sectors)	Share (%) of Capital Expenditure in Total Agri & Allied Sectors, Irrigation, etc. Expenditure (Col. 4 as % of Col. 3)	Share (%) of Expenditure on Agri & Allied Sectors in total State Budget (Col. 3 as % of Col. 2)
(1)	(2)	(3)	(4)	(5)	(6)
Andhra Pradesh	1,59,822	21,547	15,013	69.7	13.5
Assam	99,454	9,763	4,308	44.1	9.8
Bihar	1,72,884	9,970	3,271	32.8	5.8
Chhattisgarh	78,623	13,706	2,258	16.5	17.5
Gujarat	1,67,611	19,597	10,327	52.7	11.7
Jharkhand	76,044	6,177	2,627	42.5	8.1
Karnataka	1,76,880	28,725	11,748	40.9	16.2
Kerala	1,11,351	8,668	1,74 <mark>4</mark>	20.1	7.8
Madhya Pradesh	1,64,295	19,071	7,3 <mark>51</mark>	38.5	11.6
Maharashtra	3,23,652	47,12 <mark>7</mark>	14,8 <mark>91</mark>	31.6	14.6
Odisha	1,07,235	16,423	7,271	44.3	15.3
Punjab	1,12,797	11,806	595	5.0	15.6
Rajasthan	1,90,615	10,569	2,706	25.6	5.5
Tamil Nadu	2,05,442	16,80 <mark>1</mark>	4,022	23.9	8.5
Telangana	1,42,506	27,812	10,554	37.9	19.5
Uttar Pradesh	3,68,401	45,041	5,005	11.1	12.2
West Bengal	1,85,998	8,910	3,142	35.3	4.8

Note: 'Agri & Allied Sectors' here include agriculture and allied activities, irrigation, and flood control Source: Budget documents of state governments (calculations by NABARD).

## 1.2.5 Production of Major Agricultural Crops

#### **Foodgrains**

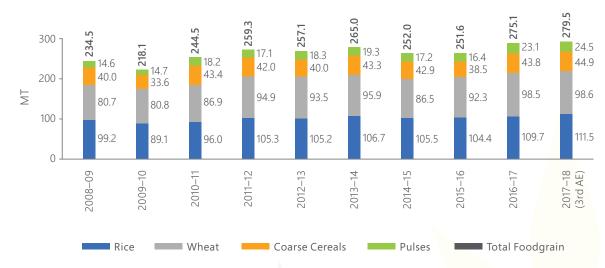
The total foodgrains production during 2017–18 was estimated to increase by 1.6 per cent over the previous year, to 279.5 million tonnes (MT) (Figure 1.7). Rice production was expected to increase by 1.7 per cent to 111.5 MT; pulses by 6.1 per cent to 24.5 MT; and wheat by 0.1 per cent to 98.6 MT.

Total foodgrains production increased in the past decade from 234.5 MT (2008–09) to 279.5 MT (2017–18), at a compound annual growth rate (CAGR) of 2.0 per cent (Figure 1.8). The CAGR trend of rice (1.8 per cent), wheat (2.0 per cent), coarse cereals (1.5 per cent), and pulses (4.6 per cent) is presented in Figure 1.8.



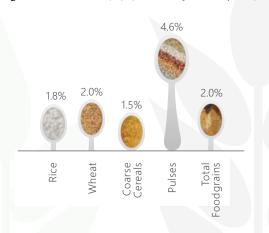


Figure 1.7 Production of Foodgrains (MT)



Source: Calculations based on 3rd AE of Production of Foodgrains for 2017–18, Department of Agriculture, Cooperation and Farmers Welfare, GoI

Figure 1.8 CAGR (%) (2008-09 to 2017-18)



Source: Calculations based on 3rd AE of Production of Foodgrains for 2017–18, Department of Agriculture, Cooperation and Farmers Welfare, GoI

#### Commercial Crops

Production of sugarcane is estimated to increase by 16.0 per cent to 355.1 MT in 2017–18 (Table 1.3) due to 9.4 per cent increase in the area under cultivation. Cotton production is estimated to increase by 7.1 per cent to 34.9 million bales, with area under cultivation having increased by 19.3 per cent. Production of oilseeds (30.6 MT) is estimated to decline by 2.2 per cent and that of jute and mesta (10.6 million bales) by 3.6 per cent.

Horticulture Crops—Tomato, Onion, and Potato (TOP)

The area under tomato cultivation is estimated to have increased from 7.97 lakh ha in 2016–17 to 8.01 lakh ha in 2017–18. While the estimated

TABLE 1.3
Production of Commercial Crops

Crop	2013–14	2014–15	2015–16	2016–17	2017–18 (3rd AE)
Oilseeds (MT)	32.8	27.5	25.3	31.3	30.6
Cotton (million bales of 170 kg each)	35.9	34.8	30.0	32.6	3 <mark>4.</mark> 9
Jute and mesta (million bales of 180 kg each)	11.7	11.1	10.5	11.0	10.6
Sugarcane (MT)	352.1	362.3	348.5	306.1	355.1

Source: Third Advance Estimates of Production of Commercial Crops for 2017–18, Department of Agriculture, Cooperation and Farmers Welfare, GoI.

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area under cultivation of onion has declined from 13.06 lakh ha in 2016–17 to 11.96 lakh ha in 2017– 18, the area under potato is estimated to have declined marginally from 21.79 lakh ha to 21.76 lakh ha. Irrigated area under tomato, onion and potato stands at 71 per cent, 51 per cent and 86 per cent, respectively. Tomato production is expected to increase to 22.3 MT (2017-18) from 20.7 MT (2016-17) (Table 1.4), and of potato to 49.3 MT (2017–18) from 48.6 MT (2016–17), whereas onion production is expected to decline from 22.4 MT (2016–17) to 21.4 MT (2017–18). The Union Budget 2018–19 has announced 'Operation Greens' with a view to reduce volatility in tomato, onion and potato prices, and enhance farmers' income on a sustainable basis (see Box 1.1).

TABLE 1.4
Production of Horticulture Crops—
Tomato, Onion, and Potato (MT)

Crop	2013- 14	2014– 15	2015– 16	2016– 17	2017–18 (1st AE)
Tomato	18.7	16.4	18.7	20.7	22.3
Onion	19.4	18.9	20.9	22.4	21.4
Potato	41.6	48.0	43.4	48.6	49.3

Source: Department of Agriculture, Cooperation and Farmers' Welfare, GoI.

#### Dairy and Other Allied Sectors

Strategies for enhancing farmers' income envisage the adoption of activities in animal husbandry, dairy, poultry and fisheries by the farming community. India continues to be the largest producer of milk in the world. Milk production stood at 165.4 MT during 2016–17,7 recording a growth of 6.4 per cent over the previous year. The poultry sector has also grown significantly over the years. The production of eggs increased by 6.3 per cent in 2016–17, over the previous year. India also has a vast potential for fisheries on account of a long coastline of about 8,118 km, in addition

to large inland water resources. The country is the world's second largest producer of fresh water fish, with total production of 77.7 lakh tonnes in 2016–17. Production of marine fisheries stood at 36.4 lakh tonnes.

#### 1.2.6 Minimum Support Price vis-à-vis Cost of Production of Major Crops

The Union Budget 2018–19 announced that the MSP be at least 50 per cent higher than the cost of produce, to ensure remunerative prices to farmers. The cost of production is assessed in three ways, *viz.* A2, A2+FL and C2. The present status of major foodgrains and the corresponding MSP is presented in Table 1.5.

TABLE 1.5 MSP vis-à-vis Cost of Production

Commodities	All India Weighted Average Cost of Production (₹/quintal)			Cost of Production (2017–16		MSP (2017–18) (₹/quintal)
	A2	A2+FL	C2			
Paddy	840	1,117	1,484	1,550		
Wheat	642	817	1,256	1,735		
Arhar	2,463	<mark>3</mark> ,318	4,612	5,450		
Moong	2,809	4,286	5,700	5,575		
Urad	2,393	3,265	4,517	5,400		

Note 1: A2 = Cost the farmer actually pays, viz. input costs for seeds, fertilisers, pesticides, labour etc., and hiring cost of machinery and leased-in land; A2+FL = Imputed cost of family labour added to A2; C2 = Comprehensive cost, which includes imputed costs of family labour, imputed rent of owned land and imputed interest on owned capital.

Source: Price Policy for Kharif Crops 2017–18 Marketing Season & Price Policy for Rabi Crops 2018–19 Marketing Season, CACP, GoI and MoA&FW, GoI for MoSP.

# 1.2.7 Credit to Agriculture and Allied Sectors

During 2017–18, banks disbursed ₹11,79,428 crore (provisional) credit to the agriculture sector (agriculture and allied activities, agri-infrastructure, and ancillary activities under priority sector) as may be seen from Table 1.6, against a target of ₹10,00,000 crore.

<sup>&</sup>lt;sup>7</sup> Annual Report 2017–18, Department of Animal Husbandry, Dairying and Fisheries, Ministry of Agriculture & Farmers' Welfare, GoI.



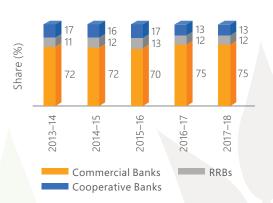


TABLE 1.6
Agency-wise Ground Level Credit Flow (Amount in ₹ crore)

Agency	2013–14	2014–15	2015–16	2016–17	2017–18
Commercial Banks	5,27,506	6,04,376	6,42,954	7,99,781	8,86,771
RRBs	82,653	1,02,483	1,19,260	1,23,216	1,42,415
Cooperative Banks	1,19,964	1,38,469	1,53,295	1,42,758	1,50, <mark>242</mark>
Total	7,30,123	8,45,328	9,15,509	10,65,755	11,79 <mark>,4</mark> 28(P)

Source: NABARD (as reported by banks); (P): provisional.

Figure 1.9 Agency-wise Share (%) of Credit Flow to Agriculture

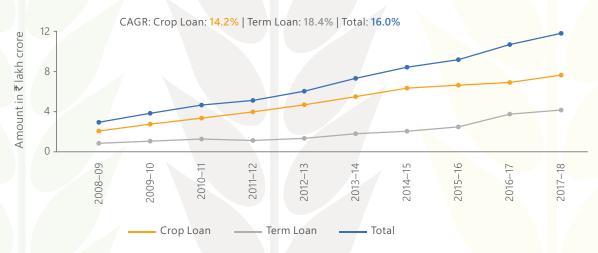


Source: NABARD (as reported by banks) (2017–18 figures are provisional)

The agency-wise share of credit flow to the agriculture sector in the last five years is presented in Figure 1.9. Agricultural credit disbursement continues to be dominated by commercial banks (75 per cent). While the share of Regional Rural Banks (RRBs) remained constant at 12 per cent for the last two years in 2016–17 and 2017–18, the share of cooperative banks was also constant at 13 per cent respectively during the years.

Taking a longer term view, during the period 2008-09 to 2017-18, agricultural credit flow grew impressively at a CAGR of 16.0 per cent from ₹3.0 lakh crore to ₹11.8 lakh crore (provisional). Further, CAGR of term loan and crop loan stood at 18.4 per cent and 14.2 per cent, respectively (Figure 1.10).

Figure 1.10 Ground-Level Credit Flow to Agriculture and Allied Sector



Source: NABARD (as reported by banks) (2017-18 figures are provisional)

Further analysis shows that the share of term loan in total agricultural credit disbursed, declined steadily from 30.2 per cent in 2008–09 to 22.1 per cent in 2012–13, but the trend reversed in 2013–14. The share of term loan in total Agri-GLC increased to 35.6 per cent in 2017–18 (Figure 1.11). This is an encouraging trend for increasing capital formation in agriculture.

Figure 1. 11 Share (%) of Term Loan in Ground-Level Credit



Note: P - Provisional
Source: Calculated from data sourced from banks and IBA

Figure 1.12 Share (%) of Agri-Credit to Agri-GVA



Source: (1) PE (GVA), MoSPI, GoI, (2) NABARD (Agri Credit as reported by banks, the 2017–18 figures are provisional)

The share of agriculture credit to agriculture gross value-added (GVA; at current prices) has shown an increasing trend from 34 per cent in 2011–12 to 45.5 per cent in 2017–18 (Figure 1.12). It is expected that increase in agriculture

credit will have a positive impact on agricultural production. Therefore, it is imperative to further increase the share of agriculture credit in agriculture GVA for enhancing crop production and investment and also to meet the increasing credit needs of farmers.

#### 1.3 RURAL SECTOR

In this section, major programmes to combat poverty and exclusion, state-wise budget allocation to rural development and recent initiative to develop aspirational districts, are discussed in brief.

#### 1.3.1 Poverty and Human Development

Committed to achieve Sustainable Development Goals (SDGs), poverty alleviation and inclusive growth, GoI has been implementing various programmes and schemes where NABARD has been an active partner. The Pradhan Mantri Jan Dhan Yojana (PMJDY), MUDRA Yojana, and Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) are some of the major programmes of GoI, aiming at social inclusion, income generation, and reduction in poverty. Over 179.4 million person-days of employment was generated by MGNREGA during 2017-18 (up to 17 January 2018) (GoI 2018b). Pradhan Mantri Awaas Yojana-Gramin (PMAY-G) is another important programme to provide housing to all by 2022. Separate schemes are also being implemented by GoI through different ministries to achieve food and nutrition security. For instance, more than 800 million people are being provided foodgrains at affordable prices through the Public Distribution System (PDS) (GoI 2018a), which is supplemented by mid-day meals to school students, nutrition enhancement programme, etc.

#### 1.3.2 Budgetary Allocations by States

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An increasing thrust by GoI on rural development, through investment in rural infrastructure, is





translating into increased budgetary allocations on rural development in state budgets. Budgetary estimates for capital expenditure on rural development for 2017–18 (revised estimates) with regard to select states, are presented in Table 1.7. Two states having more than 40 per cent of capital expenditure to total budgetary estimates for rural development for the year 2017–18 were Telangana (66.5 per cent) and Bihar (42.0 per cent), while six other states had shares ranging between 20 and 30 per cent, *viz.*, Tamil Nadu

(25.6 per cent), Gujarat (24.5 per cent), Punjab (24.1 per cent), Madhya Pradesh (23.1 per cent), Jharkhand (21.5 per cent), and Kerala (21.5 per cent) (Table 1.7).

Further, it is observed that four states allocating more than 10 per cent of their budgetary estimates to rural development in the total State Budget in 2017–18 were Bihar (12.9 per cent), Jharkhand (12.7 per cent), West Bengal (10.7 per cent) and Rajasthan (10.6 per cent) (Table 1.7).

TABLE 1.7

Budgetary Estimates in Select States' Expenditure for Rural Development – Capital

Expenditure 2017–18 (Revised Estimates) (Amount in ₹ crore)

State	Total State Budget	Revenue+ Capital Expenditure (Rural Development)	Capital Expenditure (Rural Development)	Share (%) of Capital Expenditure to Total Expenditure (Rural Development) (Col. 4 as % of Col. 3)	Share (%) of Expenditure on Rural Development to Total State Budget (Col. 3 as % of Col. 2)
(1)	(2)	(3)	(4)	(5)	(6)
Andhra Pradesh	1,59,822	8,837	879	10.0	5.5
Assam	99,454	7,137	1,280	17.9	7.2
Bihar	1,72,884	22,249	9,335	42.0	12.9
Chhattisgarh	78,623	4,406	669	15.2	5.6
Gujarat	1,67,611	5,030	1,232	24.5	3.0
Jharkhand	76,044	9,688	2,085	21.5	12.7
Karnataka	1,76,880	7,950	1,042	13.1	4.5
Kerala	1,11,351	2,280	490	21.5	2.0
Madhya Pradesh	1,64,295	9,895	2,285	23.1	6.0
Maharashtra	3,23,652	12,216	1,586	13.0	3.8
Odisha	1,07,235	8,357	149	1.8	7.8
Punjab	1,12,797	689	166	24.1	0.9
Rajasthan	1,90,615	20,286	2,354	12.5	10.6
Tamil Nadu	2,05,442	6,265	1,604	25.6	3.2
Telangana	1,42,506	6,777	4,507	66.5	4.8
Uttar Pradesh	3,68,401	22,403	4,261	19.0	6.1
West Bengal	1,85,998	19,930	2,176	10.9	10.7

Note: Rural development also includes Special Area Programmes.

Source: Budget documents of state governments (calculations by NABARD).

## 1.3.3 Transformation of Aspirational Districts

Rural development is a multidimensional task that includes human development. The UNDP's Human Development Index (HDI) presently ranks India 131 out of 188 countries. In light of this, the NITI Aayog has identified 115 aspirational districts in 28 states for transformation. It aims to remove the high inter-state and inter-district heterogeneity in living standards through a mass movement to quickly and effectively create transformation (NITI Aayog 2018).

#### 1.4 ROLE PLAYED BY NABARD

NABARD has been an active partner in carrying forward government programmes aimed at agriculture and rural development. For instance, it proposes to scale-up interventions through convergence for the aspirational districts. NABARD has been implementing various programmes for income generation, poverty reduction and livelihood improvement of rural people with the aim of supporting the attainment of the goals of GoI. For this, NABARD has been providing refinance for various activities under agriculture and allied sectors, GoI programmes/ schemes implementation, financial assistance for promotion/development programmes such as, watershed development, water conservation & management, rejuvenation of water bodies, water campaign, Natural Resource Management, climate adaptation and mitigation, Tribal Development, micro irrigation, Producer Organisations (POs), SHG-Bank Linkage programme for women development, skill development, etc. Further, NABARD has also been providing financial support for infrastructure development related to agriculture, irrigation, roads/connectivity, warehouses, social sector and market infrastructure etc. which would help towards attaining the goal. Details of these and many other recent initiatives are discussed in other chapters.

#### 1.5 WAY FORWARD

The growth in agri-GVA needs to be ensured by enhancing agriculture production, better pricing, marketing, risk mitigation measures and higher value realisation. For this, various interventions such as extension of irrigation facilities, improvement in water-use efficiency, supply of quality inputs, strengthening of technology and extension support, etc. are to be provided. The Pradhan Mantri Fasal Bima Yojana (PMFBY) is to be implemented effectively for taking care of agriproduction risk. Other interventions that would help in better value realisation are creation of quality storage and market infrastructure and linking e-NAM with Grameen agricultural market, agrimarketing reforms, promotion and strengthening of FPOs/FPCs, better pricing policy, reduction of post-harvest losses and agro-processing.

Implementation of 'Operation Greens', 'Blue Revolution' and 'Sweet Revolution' have the potential to increase income of farmers through appropriate interventions of Government, NABARD and banks.

The recommendations of the Dalwai Committee on Doubling Farmers' Income may be implemented in mission mode, in order to prevent agrarian distress and to make farming a profitable venture.

The thrust given by GoI for enhancement of investment in agriculture and allied sectors would help in enhancing gross capital formation in public sector, both at central and state levels. This can be supplemented by higher investment in the private sector, where banks can play a crucial role.

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2.10 Conclusion



'Most of the world's poor people earn their living from agriculture, so if we knew the economics of agriculture, we would know much of the economics of being poor....'

> Theodore Schultz, Nobel Prize lecture, 1979

#### 2.1 INTRODUCTION

Aggregation is an effective method to mitigate risk in agriculture and strengthen livelihoods of farmers, particularly the small and marginal. It helps effectively link producers with off-takers to achieve economies of scale along the value chain. Aggregation as a concept is time tested and has been adopted in different forms through the years. It is one of the viable solutions to address various problems facing Indian agriculture.

The sector has progressively become predominantly smallholder driven. Eighty-five per cent farmers possess less than two hectares (ha) of land. The Agricultural Census (2010–11) indicates that the average size of a landholding had declined to 1.15 ha from 1.41 ha (Agricultural Census, 1995–96), which is hardly enough to eke out a livelihood for a family.

Smallholders often suffer from poor access to quality inputs, institutional credit and other resources, organised markets, modern farming technologies, etc. Economies of scale are not available to most smallholders, which becomes a critical weakness as overheads on inputs and services purchased are very high. Their bargaining power in the marketplace for outputs too remains limited by their low individual marketable surplus. In this context, organising small farmers to achieve economies of scale can spur farm-level efficiency.

Over the years, efforts to organise farmers evolved into various forms of aggregation with varying degrees of success. Farmer Producer Organisations (FPOs) in their current form are one such manifestation. This chapter documents experiences in organising farmers' groups into FPOs in view of the confidence reposed in them

and the policy resolve to scale up their numbers as the solution to the problems farmers face. It explores the prospects and potential of FPOs and examines challenges they face.

#### 2.2 PAST EFFORTS TOWARDS ORGANISING FARMERS

In the past, a 'group approach' to farming, input and service procurement, marketing, processing and credit delivery, was tried using the 'cooperative' as the preferred organisational model. However, barring the dairy sector, this earliest effort at aggregation, using the cooperative model, proved inadequate to meet the emerging needs of farmers<sup>1</sup>. Success stories, such as the Mulkanoor Cooperative Society (Showcase 2.1) were few and far between. Much depends on the leadership and governance structure of the organisation. The challenges cooperatives face are poor financial health, excessive government control, hugely stressed assets, lack of professional management, lack of agri-logistics, inadequate and poor quality of services to members, among others. Alternatives therefore, need to be continuously explored for a more efficient form of aggregation.

Efforts are being made to form different types of farmer collectives and rural collectives such as self-help groups (SHGs), SHG Federations, joint liability groups (JLGs), etc. and more recently, FPOs that can be promoted under various legal provisions, including under Section IXA of the Companies Act, 1956. The FPOs are expected to evolve by combining the traditional cooperative spirit with the managerial efficiency of modern companies (Trebbin, 2014; and, Singh and Singh, 2013). They are seen as a ray of hope for improving farmers' welfare, alleviating poverty and minimising risks by virtue of being closer to the rural poor (IFAD, 2004).



#### **SHOWCASE 2.1**

#### Mulkanoor Cooperative Society: A Beacon of Hope for Cooperatives

Mulkanoor Cooperative Society (MCS), established in 1956 in the drought prone and rainfed Karimnagar district (undivided) of Telangana State, continues to be a successful cooperative icon. Started with 373 members under the Societies Act, it was later brought under the Andhra Pradesh Mutually Aided Cooperative Societies (APMACS) Act, 1995, of erstwhile Andhra Pradesh state that included Telangana.

Since its inception, MCS has been serving its members through input supply, credit, extension services, procurement, processing and marketing, etc. It has seed processing units, a cotton ginning mill, a parboiled rice mill, a Super Bazar/shopping complex and petrol/diesel bunk, etc. for providing multiple services to its members. Further, MCS members are covered under various welfare schemes and insurance services. Serving 14 villages and 7,400 members, MCS has a turnover of ₹290 crore, and earned ₹6 crore net profit during 2016–17.

Major factors contributing to the success of MCS include absence of outside interference, dedicated and honest management, provision of timely and adequate credit, active and loyal members, continuous member education programmes, provision of recommended package of practices for crop production, linking of credit with marketing of produce, constant build-up of strong internal resources, service motive of employees, efficient marketing arrangements for ensuring remunerative prices to members for their produce, etc.

#### WHAT IS A 'PRODUCER COMPANY'?

A Producer Company is a limited holding firm created by individuals, producer institutions or a combination. Producer Companies, in addition to being owned by producers, operate consistently as per the principles of Mutual Assistance.

Producer Companies are meant for primary producers, i.e. persons engaged in an activity connected with, or related to, primary produce.<sup>2</sup>

A Producer Company can be formed by minimum 10 producers and should have a Board comprising 5 to 15 Directors, who are elected by the members either via direct voting or through representation of groups. The Board of Directors appoints a CEO for the day-to-day management of a Producer Company, and the CEO is assisted by staff.

<sup>&</sup>lt;sup>1</sup> Milk cooperatives, accounting for one-fourth of total number of cooperative societies, started with Kaira District Cooperative Milk Producers' Union Limited, Anand (established in 1946) and revolutionised the dairy sector.

<sup>&</sup>lt;sup>2</sup> Primary produce, in terms of the Act, is produce arising from agriculture by farmers and includes animal husbandry, horticulture, floriculture, viticulture, forestry, forest products, re-vegetation, bee-keeping and farming, plantation products, as well as the produce of persons engaged in handloom, handicrafts and other cottage industries, by-products of such products; and products arising out of ancillary industries.





## 2.2.1 Likely Benefits of Aggregation in India

The FPOs are expected to address many problems and create several benefits for the members as listed in Figure 2.1.

# 2.3 STATUS OF PRODUCER ORGANISATIONS: NUMBERS SPEAK

It is estimated that there are around 6,000 FPOs across the country formed by different agencies under different arrangements (Srinivasan and Srinivasan, 2017). NABARD has been one of the

Figure 2.1 Likely Benefits of Aggregation



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TABLE 2.1
FPOs Promoted by NABARD as on 31 March 2018: Region-wise

Region	No. of FPOs			No. of FPOs		
	Formed	Registered	Company#	Society*	Cooperative * *	Others
Central	760	386	245	16	125	0
Eastern	1096	416	264	0	14	138
NE Region	99	70	10	39	20	1
Northern	538	329	215	22	92	0
Western	407	224	156	3	65	0
Southern	1104	619	575	38	6	0
Total	4,004	2,044	1,465	118	322	139

#Companies Act 1956 (as amended in 2013), \* Society Registration Act, 1860, \*\*Cooperative Societies Act.

*Note:* NGOs, KVKs, ATMA, corporates, development foundations, government extension departments, cooperatives, established producer companies, etc. are acting as Producer Organisation Promoting Institutions.

major institutions promoting a large number of FPOs in a short time span. It initially assisted 221 existing Producer Organisations (POs) under its Producers' Organisation Development Fund (PODF), which was set up with an initial corpus of ₹50 crore taken from its operating surplus during 2011–12. Subsequently, between 2014–15 and 2017-18, NABARD promoted 4,004 new FPOs across 29 states. Of these, 2,154 FPOs were promoted out of Producers' Organisation Development and Upliftment Corpus (PRODUCE) Fund set up by the Government of India in NABARD during 2014–15, with a corpus of ₹200 crore. The remaining 1,850 FPOs were promoted out of resources under various promotional and developmental schemes of NABARD. Around 95 per cent of FPOs formed under the PRODUCE Fund, have been registered as on 31 March 2018, of which 72 per cent are registered<sup>3</sup> under the Companies Act, 1956 (as amended in 2013). These FPOs, spread across the country covering more than 25,000 villages, have around six lakh shareholder members. In all, 790 Producer

Organisation Promoting Institutions (POPIs) have partnered with NABARD in FPO promotion efforts. The region-wise status of FPOs promoted under NABARD's initiatives, is given at Table 2.1.

The Small Farmers' Agribusiness Consortium (SFAC), a Society formed by the Ministry of Agriculture and Farmers' Welfare, Government of India has so far promoted 847 FPOs covering 8.2 lakh farmers. State governments of Tamil Nadu, Rajasthan, Maharashtra, and Karnataka have also taken up FPO promotion on varying scales. There are attempts to form FPOs out of SHG federations and similar institutions (like Kudumbashree) in Andhra Pradesh, Kerala, and Telangana. The Mahila Arthik Vikas Mahamandal (MAVIM) has promoted livelihood improvement initiatives and plans to form women FPOs, with assistance from International Fund for Agriculture Development (IFAD).

NABARD digitised data on all the registered FPOs promoted under the PRODUCE Fund and put it on a cloud-based portal which could also capture data on FPOs promoted by other agencies. Efforts are on to consolidate the FPO database to enable real-time tracking, objective analysis and networking with other stakeholders. The NABARD website carries FPO-wise details from this portal.

<sup>&</sup>lt;sup>3</sup> Various legal forms available for FPO registration are: (i) Cooperative Societies Act/ Autonomous or Mutually Aided Cooperative Societies Act of the respective State; (ii) Multi-State Cooperative Society Act, 2002; (iii) Producer Company under Section 581(C) of Indian Companies Act, 1956, as amended in 2013; (iv) Section 25 Company of Indian Companies Act, 1956, as amended as Section 8 in 2013; (v) Societies registered under Society Registration Act, 1860; and, (vi) Public Trusts registered under Indian Trusts Act, 1882.

#### 2.4 FPO: SIZE MATTERS

Legally, an FPO can be formed by a minimum of 10 producers. However, in order to encourage economies of scale and promote collectivisation, NABARD promoted FPOs with minimum 50 members initially, which could be scaled up to 1,000 members or more over three years. Of the FPOs promoted under the PRODUCE Fund, 85 per cent are still in the emerging stage and have membership of less than 500 farmers each. The distribution of FPOs as per number of shareholder members is given in Table 2.2.

TABLE 2.2 Distribution of FPOs as per Number of Members

Membership	Percentage of FPOs			
Up to 50	16			
51–100	14			
101–500	56			
501–1000	13			
Above 1000	1			
Total	100			

Pan-India, more than 75 per cent of FPO members are small and marginal farmers. This figure is more than 90 per cent for FPOs in Jammu and Kashmir, Uttarakhand, Bihar, Assam, Meghalaya, and Maharashtra, where marginal farmers in particular find wide representation.

Since the objective of an FPO is to achieve economies of scale and enhance the size of marketable surplus after aggregation, higher the number of shareholder members, better the pooling of produce and efficiency in the usage of inputs and services for farming operations. However, optimal size of the membership and geographical spread is determined by the ease of managing the organisation profitably, nature of agricultural commodities and socioeconomic environment. In irrigated areas, the threshold

level of output may be achieved even with a lesser membership and smaller geographical spread.

The National Round Table on design features of FPOs held in 2016 provided the following suggestions (Nayak and Panda 2016):

- optimal membership of an FPO ranges from 500 to 1500;
- membership size depends on the context; in tribal belts, mountain regions, etc. FPOs may be formed with a smaller number of producers;
- cluster and membership sizes should be based on boundaries that people understand, such as a micro-watershed or a Gram Panchayat area;
- basic village-level units comprising of about 15 to 20 members (through Farmer Interest Group, SHG, Producer Group) may come together to form FPOs of maximum of 1,500 members at Gram Panchayat level.
- If the market so demands, membership within the cluster may be increased and more Producer Groups in adjacent clusters may be promoted; and,
- FPOs should be as small as possible, as large as necessary.

It is observed that in any FPO only 30 to 50 per cent of the members are generally active. Also, many FPOs are doing business with non-members even while they are not able to cover all the existing members. Since FPO federations offer a solution to issues related with low membership, state-level consortia of Producer Companies have been formed in eight states—Madhya Pradesh, Rajasthan, Maharashtra, Gujarat, Tamil Nadu, Uttar Pradesh, Telangana, and West Bengal. These federations can help achieve better coordination among FPOs, enter into policy dialogue with governments, access services and inputs better, leverage opportunities, and seek credit from financial institutions.

For FPOs to be sustainable, it is recommended that they: (i) begin with about 50 farmers and limit the maximum membership base to about 1,000 members (individual families or households to be taken as a membership unit) covering the area of just one Gram Panchayat for optimal sociotechnical and financial viability; and (ii) begin with one product or a service, but be designed as a multi-product, multi-service farmers'/producers' collective. Remaining a producer company focused on a single product would reduce long-term viability.

Majority of FPOs promoted by NABARD are engaged in inputs supply and to some extent aggregation/marketing, they are yet to scale up business activities of reckonable scale in core areas of aggregation, value addition and direct marketing, mostly due to lack of technical skills, infrastructure and affordable credit facility for want of collateral security.

#### 2.5 KEY ACTIVITIES AND ISSUES

The FPOs are expected to engage in various activities that matter to the members such as productivity enhancement, inputs supply, credit and agro services facilitation, provision of crop, weather and market advisories, aggregation and marketing (including grading, sorting, assaying, etc. ), value addition, brand building and linking farmers to sustainable markets including commodity exchanges. Generally, FPOs commence their business with bulk procurement and supply of inputs to members followed by aggregation, primary value addition, and marketing. As they gain financial capacity and technical skills, they tend to diversify towards processing, branding, and even exports of certain commodities. The majority of FPOs promoted by NABARD are engaged in inputs supply and to some extent aggregation/marketing. They are yet to scale up business activities in core areas of aggregation, value addition and direct marketing, mostly due to lack of technical skills, infrastructure, and affordable credit facility (for want of collateral security). The FPOs face stiff competition in all areas of operation due to lack of favourable ecosystem services.

Nevertheless, FPOs can help in building value chains around different commodities. They need to follow the 'Fork to Farm' approach by first establishing market linkages, followed by backward linkages. The biggest challenge is value-chain financing and bankers need to innovate and design new products to meet this challenge.

Two case studies of horticulture FPOs promoted by the Government of Karnataka help us understand how FPOs can move into value-chain building and various other activities that have a bearing on their members (Showcases 2.2 and 2.3).





#### Showcase 2.2

#### Srigiripura Horticulture Farmer Producer Company Limited

Srigiripura HFPCL set up in 2016, has 1,000 shareholders, and 50 Farmer Interest Groups (FIGs) spread across 26 villages. Its key achievement has been in the development of a value chain through the convergence of various facilities provided by the Department of Horticulture. It has been successful in forging both forward and backward market linkages in a sustainable model. Cost of cultivation has been reduced through judicious use of inputs.



Value chain	Backward channel	Forward channel
Scope of work: Srigiripura	<ul> <li>Crop planning at FIG level and suggestions at various crop stages for better agriculture practices</li> <li>Supply of various crop inputs and custom hiring service at reasonable rates to member farmers</li> <li>Sale of cattle feed</li> </ul>	<ul> <li>Collectivised marketing of farmer members' produce through FPO</li> <li>Marketing linkages with various buyers</li> <li>Inter-FPO marketing to address the requirements of the farmer members</li> </ul>
	Procurement of farmer members' produce on differential pricing system	

**Input business:** Around 750 member farmers and 250 non-members benefited from buying inputs and cattle feed from the FPO.

**Custom Hire Centre (CHC):** The FPO provided various agricultural implements on rent to small and marginal farmers. To date, around 90 farmer members and 10 non-members have used these implements for cultivation. The rent is very reasonable as compared to other local machinery suppliers.

**Output business:** Srigiripura HFPCL is the first FPO to start inter-FPO marketing of onion and maize among farmer members and has been successful in eliminating various intermediaries. This has helped the FPO to compete with local traders in the market. A tie-up with bulk buyers has helped FPO members realise better returns for their produce by avoiding transportation and commission charges from market intermediaries at different stages of marketing.

#### Showcase 2.3

#### Basavana Bagewadi Horticulture Farmer Producer Company Limited



Basavana Bagewadi HFPCL started in 2017 and initiated horticultural business activities such as bulk marketing, minimal processing, value addition and branding of FPO produce, to ensure sustainability over a period of time.

The FPO consists of 1,000 shareholders with 50 FIGs spread across 24 villages. It is also involved in the marketing of horticultural crops like raisin and onion.

**Custom Hire Centre:** The FPO put a stop to the burning of trash by sugarcane growers and channelled it instead to the mulching of grape orchards and composting. To convert trash into an economically viable product, the FPO purchased a *Sugarcane Baler Machine* with assistance from the Department of Horticulture. It used the machine to prepare sugarcane trash bales and sold these to farmer members to use as compost or mulch. Farmers thus learnt that they could realise handsome net economic value from trash in a short time. The use of this trash as mulch, or as compost, also helped to shift towards organic farming. The CHC also rented out other farm implements to its farmer members at reasonable rates.

**Output marketing:** The selling of onions to bulk buyers saved marketing and transportation costs. It also helped quick offloading of produce in a short span of time. The collective marketing approach helped highlight the superiority of the Rabi crop in terms of extended shelf life, which generated higher demand.

Input business: The FPO sold inputs at reasonable prices and achieved a turnover of ₹60 lakh in a single year. In contrast to local input retailers, the FPO offered free advice on inputs to its members as a value added service. Farmers are happy with quality service that has reduced their production costs.

Although conceptually FPOs are seen as a route to ameliorating farmers' distress, this is yet to be proved by empirical evidence. It may be too early to evaluate the performance of FPOs,

as these are only in the initial/formative stages. There are, however, many successful FPOs, which have already positively impacted their members' lives (Showcases 2.4 and 2.5).



#### Showcase 2.4

#### Amrapali FPO: Farmers' Hope

Farmers of Kairo block of Lohardaga district of Jharkhand State formed the Amrapali Phal Sabji Utpadak Producer Company Ltd. during 2016 under the PRODUCE Fund of NABARD, with active membership of 515 farmers. Of these, the 155 women members were drawn from 22 women SHGs. The FPO was formed to address issues of poor input supply, marketing linkage, availability of good quality vegetable seeds, pesticides and fertilisers, exploitation by middlemen, etc.





The district is famous for quality fruits like mango and guava. While locally, there is good demand for these products, farmers were not getting remunerative prices. NABARD provided financial assistance of ₹9.06 lakh under PRODUCE Fund for FPO registration, training of CEO, the directors, and the representatives of POPI, etc. The Producer Company made arrangements to provide good quality

seeds, fertilisers, pesticides for vegetables and fruits to their members and established a channel for marketing their produce. During 2017–18, the FPO collected 450 quintals of mango and secured remunerative prices for member farmers.

#### Showcase 2.5

#### Mahashakti Mahila Milk Producer Company Limited

Thanagazi Block in Alwar District in Rajasthan is a backward area with low literacy levels; particularly among women. Agriculture is the primary occupation and due to lack of irrigation facilities, productivity is low. Animal husbandry and dairy farming, mainly undertaken by women, is therefore an important livelihood activity. However, till recently, women dairy farmers, in the absence of proper marketing facilities, were not able to realise remunerative prices for their produce. To respond to the situation, active farmers of these villages promoted the Mahashakti Mahila Milk Producer Company Ltd, an FPO, in January 2015 with a membership of 778 women dairy farmers. Collection, processing, value addition, and marketing of milk were streamlined, with preparation of products like milk cake, khoya, paneer, etc. according to market demand. The FPO also facilitated bank finance to members for up-scaling dairy activities and ensuring regular income.

#### 2.6 FACTORS IMPACTING FPO PERFORMANCE

Much is expected from FPOs and this leads us to two questions: (i) how to form and nurture an FPO; and (ii) how to enable an FPO to run independently and make it member-driven. NABARD explored these and related questions through an action research project, which it funded during the first three years. The project focused on establishing a sustainable community

enterprise system and it prepared a manual for guiding future endeavours.

Nava Jyoti Producer Company, which formed a part of this project, has been operating in Rayagada district of Odisha (Showcase 2.6) since 2009. The experiment, where various asymmetries are addressed, proved that there can be significant performance improvements on all the sustainable indicators by following sustainable design principles, *viz.*, small organisation size, greater diversity of activities, sustainable agriculture and appropriate technologies, and selling produce in local markets (Nayak 2017).

Nayak (2014a) had earlier concluded that early Producer Companies from the states of Kerala, Tamil Nadu, Rajasthan, Maharashtra, Madhya Pradesh, Jharkhand, and Bihar had had poor financial performances and benefits to farmers/ producers from these producer organisations had been marginal. Performance of producer organisations depends on different sustainable indicators, such as: (i) social capital formation; (ii) financial capital formation; (iii) capability enhancement of producers; (iv) external networks with markets and financial institutions; and (v) engagement of producer organisation with diverse needs of the community. Nayak (2014b) concluded that those FPOs that had stayed small but had operated on a broader scale provided more value to farmer members. And producer organisations, including Deccan Development Society, Mahila Umang, etc., that adopted local marketing techniques with multiple products had gained (ibid).

#### Showcase 2.6

#### Nava Jyoti Producer Company Ltd: Serving Tribal Farmers

An Action Research Project involving the formation of FPCs was implemented in 55 villages in two Gram Panchayats with a membership of 1,350 tribals under NABARD's financial assistance (Nayak and Nayak, 2012).

The objective of the company was to procure pulses (*arhar*, horse gram and green gram), turmeric, hill broom, etc. from the farmers. The project also aimed to collect cashew, tamarind, *mahua* and other items and market them through value addition.

The producers were trained in natural farming practices, land and water management practices, improving the community health, education and basic infrastructure in the area. They were then able to negotiate better with the local traders and intermediaries. Their net income from different pulses and hill broom went up by 60 to 90 per cent as a result of the initiative. The FPO helped the members grow economically. Important lessons from the experiment are as follows:

- 1. simultaneous optimisation of all the design variables (size, scope, technology, capital, ownership and management) of an enterprise system is fundamental to sustainable community enterprise system;
- 2. sustainability of a system rests on building a system around the weaker groups;
- 3. the foundation for success of such a community model is the level of trust and cooperation among the people within the community; and,
- 4. the implementation strategy has to be gradual and largely community driven.

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A recent study by Satish Verma (2017) on FPOs in Punjab and Madhya Pradesh revealed that even if the share of produce sold through an FPO is low, members can still realise better prices. Even while FPOs are not effective in extending credit access to members, they can always improve input supply. One of the recommendations of the study was that FPOs deal with only one crop to start with. This is contrary to Nayak (2014a) recommendation that FPOs deal in multiple crops to leverage economies of scope.

The scoping study of FPOs by International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) in Andhra Pradesh, highlights the lack of convergence of government agencies in delineating their jurisdiction for either going solo or hand-in-hand with other sister agencies to set up the producer company in any district. The state has already built robust social capital through SHGs, JLGs, cooperatives, MACS, Rythu Mithra groups, etc. The effort of FPOs/Producer Companies should essentially build upon these social institutions. Also, the right support agency with appropriate technical experts on the ground, a competent management team, and a workable and scalable business plan will hold the key to the success of any producer company. Most importantly, the suitably identified/selected clusters, to be scaled up to Producer Companies, need to be financially supported right from the community mobilisation stage (Raju et al. 2017).

#### CHALLENGES IN BUILDING **SUSTAINABLE FPOS**

The above discussion reveals that there are challenges to promoting and scaling-up FPOs. The SWOT analysis of FPOs is given in Figure 2.2. It is evident that FPOs face several challenges, which have been documented by IRMA (2017), based on feedback received during a workshop. Challenges include: member loyalty, limited access to finance, higher overhead costs, lower capacities for governance, lack of awareness of

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benefits among members, burden of statutory compliance, poor business planning, lack of convergence with government programmes, higher transaction costs in dealing with a large number of small holders spread over larger geographies, free-rider syndrome, low patronage by members, high attrition rate of professionals, and low risk appetite.

Most FPOs are initially not financially strong enough to deliver vibrant products and services to their members and secure their confidence. Professional management by trained and qualified CEOs and other personnel, under the supervision and control of a democratically-elected Board of Directors is required. However, such trained manpower is presently not adequately available in the rural areas.

Lack of funds is often one of the constraints reported by FPOs. Access to affordable credit is limited for want of collateral and credit history. Further, the credit guarantee cover being offered by SFAC for collateral-free lending is available only to Producer Companies that have a minimum of 500 members, and not to other forms of FPOs. Due to this, banks hesitate to extend credit facility to FPOs, which are registered under other legal statutes. The Exclusion rate can be very high as 86 per cent of FPOs operate below the threshold level of membership and 29 per cent are not companies.

Currently, while farmers' production risks are partially covered under the existing insurance schemes, there is no provision to cover the business risks of FPOs. While input prices may be stable, output price can be volatile, squeezing the margins. The FPOs may therefore identify local consumers' needs and enter into tie-ups for sale of produce to expand their market opportunities. Linkage with industry/other market players, large retailers, etc., leveraging their collective bargaining strength and aggregation is necessary for the long-term sustainability of FPOs.

#### Figure 2.2 SWOT Analysis of FPOs

Weaknesses **Strengths** • Creating efficient input delivery system Weak financials • Market linkages including direct selling Low skills of CEO and BODs for optimum returns Inadequate market linkages • Aggregation and value addition Non-availability of credit, affecting Members' empowerment implementation of business plan • Holistic development of members Low equity base Lack of awareness amongst members Improved extension services • Lack of clarity on business plan • Inadequate access to infrastructure **Opportunities Threats** Dependence on POPIs SFAC support for equity and credit Lack of governance and management guarantee • PODF and PRODUCE funds of NABARD capabilities CSR funding Compliance to provisions of the Act • Deendayal Antyodaya Yojana—NRLM • Limited scope, scale, and market guidelines for promotion of POs Limited leverage Potential of SHGs, JLGs, Farmers' clubs, and • Lack of collateral and infrastructure. • No built-in exit mechanism for the POPI PACS to be developed into POs Availability of potential commodity clusters

Producer collectives have inadequate access to basic infrastructure like transport facilities, storage, value addition (cleaning, grading, sorting, etc.) and processing, brand building and marketing. All these are required for aggregation. Further, in most commercial farming models, the primary producers are generally excluded from the value chain.

#### 2.8 SUPPORT SYSTEM

For any initiative or innovation to sustain and multiply, a favourable ecosystem, policy environment, and synergy between the efforts of various stakeholders are vital. In this regard, NABARD, SFAC, National Dairy Development Board (NDDB), private donor organisations, financial institutions, resource NGOs, and other organisations have been facilitating creation of an appropriate ecosystem and support mechanism for the development of FPOs; reinforced by policy support from GoI and RBI. In this section, we discuss the efforts of GoI, RBI, NABARD and SFAC along with the recent policy changes concerning FPOs.

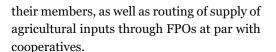
#### 2.8.1 Policy and other initiatives of the GoI/RBI

Department of Agriculture, Cooperation and Farmers' Welfare (DAC&FW), Ministry of Agriculture and Farmers Welfare, issued the National Policy and Process Guidelines for FPOs in March 2013 for promoting agencies to build sustainable FPOs. The DAC&FW suggests several steps to state governments to support and strengthen FPOs, but as of now, progress is poor.

The following are the steps suggested by the DAC&FW.

- Declare FPOs at par with cooperatives registered under the relevant State legislation and SHGs/federations for all benefits and facilities that are extended to member-owned institutions from time to time.
- Make provisions for easy issue of licenses to FPOs to trade in inputs (seed, fertiliser, farm machinery, pesticides, etc.) for use of





- Use FPOs as producers of certified seed, saplings and other planting material and extend production and marketing subsidies on par with cooperatives.
- Make suitable amendments in the APMC
   Act to allow direct sale of farm produce by
   FPOs at the farm gate, through FPO-owned procurement and marketing centres and facilitate contract farming arrangements between FPOs and bulk buyers.
- Appoint FPOs as procurement agents for MSP operations for various crops.
- Use FPOs as implementing agencies for various agricultural development programmes, especially Agriculture Technology Management Agency (ATMA), National Food Security Mission (NFSM), Rashtriya Krishi Vikas Yojana (RKVY), etc. and extend the benefits of Central and State funded programmes in agriculture to members of FPOs on a preferential basis.
- Link FPOs to financial institutions like cooperative banks, State Financial Corporations (SFCs), etc. for working capital, storage and processing infrastructure and other investments.
- Promulgate state-level policies to support and strengthen FPOs to make them vibrant, sustainable and self-governing bodies.

The Union Budget 2013–14 proposed the 'Equity Grant Scheme and Credit Guarantee Scheme' for FPCs, being implemented by the SFAC since January 2014. The scheme enables FPCs that have a minimum membership of 50 farmers to access grant support up to ₹10 lakh to double members' equity for enhancing their borrowing capacity. Further, FPCs that have a minimum of 500 farmers as shareholders, can access collateral-free loans up to ₹100 lakh from banks, which in turn, can seek credit guarantee cover of up to 85 per cent of the sanctioned loan facility under the Scheme.

The Union Budget 2014–15 proposed to supplement NABARD's PODF with ₹200 crore for building 2,000 FPOs in two years.

Besides, FPOs are solely authorised to procure pulses and oilseeds at the farm gate to undertake price support operations under the Minimum Support Price (MSP) programmes. The SFAC has been designated as a central procurement agency for this.

The GoI included collectivisation as one of the key strategies under the 12<sup>th</sup> Five-Year Plan to boost agricultural growth and the DAC&FW had announced 2014 as the 'Year of the Farmer Producer Organisations'. In addition, all major centrally-sponsored schemes of the DAC&FW have incorporated special provisions for promotion and nurturing of FPOs.

In the Union Budget for 2018–19, the Union Finance Minister made two major announcements: (i) 100 per cent tax deduction for the next five years for FPOs with annual turnover of up to ₹100 crore; and (ii) the launch of 'Operation Greens' for tomato, onion, and potato, on the lines of 'Operation Flood', by promoting FPOs, agri-logistics, processing facilities, and professional management.

The policy circular on priority sector lending issued by the RBI includes a loan up to ₹2 crore to FPOs/Companies of individual farmers in agriculture and allied activities as priority sector lending.

# 2.8.2 Initiatives of NABARD for Supporting FPOs

A National Advisory Committee (NAC) under the Chairmanship of Chairman, NABARD with members from the Union Ministries of Finance and Agriculture and Farmers Welfare, and SFAC, senior representatives of the agribusiness industry, market players, NDDB, leading FPCs, commodity derivatives market, academic institutions and resource institutionshas been constituted to provide policy inputs and monitor the overall progress in promoting FPOs as a sustainable business enterprise of farmers. Similarly, State Level Consultative Committees under the Regional Offices of NABARD have been constituted to sort out operational issues, monitor progress and provide inputs for bringing synergy in the efforts of various agencies. Further, to constantly monitor the effectiveness of various nurturing and handholding interventions and promote creditworthy, quality FPOs, NABARD has devised a performance measurement (grading) tool for FPOs at different stages of maturity. The grading tool is built into the digitisation software and provides online grading results.

NABARD, with support of the Bankers Institute of Rural Development (BIRD), Lucknow, has been offering a certificate course for CEOs of FPOs through 10 region-specific anchor agencies. During 2017–18, eight short-term courses were supported to cover 240 CEOs across various states.

NABARD extended the concept of producer organisations to weavers, craftsmen and artisans too, by promoting Off Farm Producers Organisations (OFPOs). NABARD extends technical, managerial and financial support for hand-holding, capacity building and market intervention efforts of the OFPOs. The key interventions like skill development for members, business planning, technological extension through training, exposure visits to handloom and handicrafts societies, corporations and expert meets, among others, are the activities eligible for financial support. Support is given either to existing clusters or for forming new ones, in partnership with Central or state governments, the Khadi and Village Industries Commission (KVIC), the Khadi and Village Industries Board (KVIB), Handloom Development Corporation (HDC), or entirely by NABARD, depending on the need.

As a first step to create awareness about the benefits of FPOs and the need for collectivisation, NABARD has initiated an awareness-building drive with the support of local institutions and other stakeholders to educate farmers on FPO activities and feasible business models through exposure programmes. The concept of the FPO has been included in all developmental and promotional programmes, as well as in training modules. Efforts are being made to sensitise branch-level officials of banks, government departments, corporates, etc. to facilitate the process of building commercially viable and sustainable FPOs.

#### 2.8.3 NABKISAN Finance Ltd (NKFL)

A subsidiary of NABARD, NKFL was formed for financing FPOs. Facilitated by Credit Guarantee Scheme of NABARD, NKFL is empowered to finance FPOs during their early growth stages, when they do not have adequate access to credit for want of required collateral. The NKFL introduced different loan products for FPOs depending on the life cycle needs and capacity to offer collateral security. Further, it has launched a web portal to solicit loan applications and loan decisions are guided by a dynamic rating system integrated in this portal. The NKFL has been identified by SEBI as a training partner to train FPOs in commodity derivative trading across the country, so as to increase farmers' participation in the commodity derivatives market.

#### 2.8.4 Small Farmers' Agri-business Consortium (SFAC)

The SFAC besides forming Producer Companies, has emerged as one of the major champions of the cause of FPOs. It is a partner in many government initiatives. It is involved in two Central schemes, i.e. National Vegetable Initiative for Urban Clusters (NVIUC) and the Integrated Development of Pulses Villages in Rainfed Areas. The scope of these schemes was expanded to include special FPO projects being taken up by some of the state governments under RKVY and the National Demonstration Projects under the NFSM. The SFAC, besides



promoting FPOs directly, also provides technical and advisory support to state governments in promotion of FPOs. The SFAC has nominated the state-level federations of FPOs as procurement agents under the Price Support Scheme and the Price Stabilisation Fund Scheme. The state federations act as support agencies on behalf of SFAC to implement procurement operations at the field level.

#### 2.9 THE WAY FORWARD

Helping farmers, especially the small and marginal ones, to build financially viable and commercially sustainable business enterprises, is considered imperative for enhancing the net income, building resilience against climate change, and boosting inclusive growth of the agricultural economy. The long-term sustainability of FPOs could be achieved through appropriate interventions for a longer duration (say up to five years) and by addressing the key issues and challenges in a focused manner. Some of the measures needed are listed below:

## Social Capital Formation by Promoting Institutions

Strong social capital formation is the foundation for strong long-term financial performance by members, and the sustainability of the Producer Organisation. Therefore, sufficient time and budget has to be provided to build social capital among members of the Producer Organisation through competent institutions.

#### Capacity Building and Professional Skill

Regular training, capacity building and handholding of the members of Board of Directors/ CEO through a competent agency is necessary, particularly in the areas of human resource management, financial mobilisation and accounting, statutory compliances, business development, marketing, processing, value addition, etc. for the purpose of sustainable organisation building.

#### Basic Physical Infrastructure

The FPOs are required to have basic infrastructure such as own/rented office, space for storage, grading, sorting, assaying, etc. and accredited warehouses that can take loans against warehouse receipts, wherever necessary.

## Capital Support for Increasing Borrowing Capacity

The majority of emerging FPOs are financially not strong enough to deliver vibrant products and services to members. Hence, emerging FPOs need to be provided with adequate equity support or venture capital assistance to enable them to access bank loans for business, so that they gradually become financially self-sustaining.

#### Life Cycle-based Credit Facilities

The FPOs need different types of credit facilities at different stages of their life cycle. For instance, they need seed capital during incubation and the early stage; working capital in the emerging and growing stage; and working capital and investment credit for infrastructure, processing and other needs during the matured stage (business expansion). The products and lending terms need to be suitably customised.

#### **Building of Marketing and Trading Skills**

The CEO and Board members of FPOs need to acquire adequate skills to develop appropriate marketing strategies to run their business. With adequate capacity building and handholding for building scale, FPOs can directly operate in commodity markets for hedging their risks and realising better returns. As on 31 March 2018, FPOs have delivered/hedged over 16 commodities covering 12 states, affirming the primary necessity for the existence of such contracts. Going forward, the NCDEX with support of NABARD intends to bring around 100 FPOs on its trading platform

initially and expand it further for increasing the participation of farmers. NABARD, along with SEBI and NCDEX, is working on launching massive training programmes for farmers/FPOs at the district- and state-level to create awareness about the working of commodity exchanges and the benefits that FPOs can derive from such platforms.

#### Convergence with Government Schemes

State governments need to develop suitable policies not only for supporting FPOs directly but also for implementing farmer-centric schemes through FPOs, including the Government Food Grain Procurement Scheme and agri-extension services. In essence, FPOs can be used to minimise last mile issues in the delivery of various schemes.

#### 2.10 CONCLUSION

Actions have been initiated by GoI, RBI, NABARD, and other stakeholders towards addressing the above issues and it is expected that FPOs will become sustainable enough to help millions of farmers in several ways. Forming FPOs is only the first step. Strengthening them to serve the purpose of their existence, enduring market realities and making them sustainable are the real challenges, and NABARD and other stakeholders need to work together for this.

NABARD is confident that just as its experiment (which started with small steps in SHG formation and later grew in leaps and bounds) has succeeded in changing millions of rural lives, so also will the efforts in nurturing and strengthening FPOs succeed in significantly increasing the income of farmers.

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- 3.1 Towards Sustainability: Climate Change Actions and Management of Natural Resources
- **3.2** Enhancing Income, Promoting Inclusion, and Securing Livelihoods
- 3.3 Supporting Research and Sharing Knowledge





India is currently among the fastest growing large economies in the world in terms of GDP growth. However, the country is ranked 62nd out of 103 countries in the Inclusive Development Index (IDI) of the World Economic Forum (WEF). Thus, growth needs to be evenly spread so that it becomes meaningful to the person at the last mile. NABARD, as the apex development bank of the nation, has continuously aligned its role, programmes and policies to foster inclusive development. Its initiatives encompass farm, off-farm and microfinance sectors aiming to enhance income and employment in rural areas, making the development process sustainable and inclusive. The challenges emanating from climate change have now been accorded high priority on NABARD's agenda. In the ensuing sections, the role and initiatives of NABARD facilitating inclusive growth are presented in brief.

# 3.1 TOWARDS SUSTAINABILITY: CLIMATE CHANGE ACTIONS AND MANAGEMENT OF NATURAL RESOURCES

Though climate change is a global phenomenon, India is more vulnerable than many other countries because the livelihood of the majority of its population, with a predominance of small and marginal farmers, depends on rainfed farming. Financing climate change resilience is one of the most critical challenges the country is facing today. Sustainable natural resources management is a

India plans to reduce the emissions intensity of its GDP by 33 to 35 per cent by 2030, from the 2005 level.

key activity towards meeting this end. India has set ambitious targets for itself. It plans to reduce the emissions intensity of its GDP by 33 to 35 per cent by 2030, from the 2005 level. The country is running one of the largest renewable energy capacity expansion programmes in the world and aims to create capacity of 175 GW of renewable energy by 2022.

## 3.1.1 NABARD's Climate Change Initiatives

NABARD has been making substantial efforts for accessing resources through national and international funding mechanisms for financing climate change initiatives. Thirty-five projects involving assistance of ₹1,593 crore have been sanctioned through three funding mechanisms—the Green Climate Fund (GCF), the Adaptation Fund (AF) and the National Adaptation Fund for Climate Change (NAFCC). Till 31 March 2018, executing entities received ₹142.50 crore towards implementing these projects. The various initiatives taken during the year were as under.

- NABARD has been re-accredited as National Implementing Entity (NIE) up to December 2022 by the AF Board, set up under the Kyoto Protocol of the United Nations Framework Convention on Climate Change (UNFCCC).
- NABARD signed the Accreditation Master Agreement (AMA) with GCF for facilitating operationalisation of the financing arrangements between NABARD and GCF. NABARD can now access the financial resources of GCF for climate resilient development in India.
- The GCF Board in 2017 had approved a proposal titled 'Ground Water Recharge and Solar Pumping System to ensure food security and enhance resilience in vulnerable tribal areas of Odisha', with an outlay of US\$34.36 million covering 15 districts of Odisha involving 5.20 million people. NABARD signed the Funded Activity Agreement (FAA) with GCF for implementing this project.



Signing of Accreditation Master Agreement by Shri H.R. Dave, DMD, NABARD and Mr Howard Bamsey, Executive Director, Green Climate Fund (GCF) in the presence of Hon'ble Minister for Environment, Forests and Climate Change, GoI, Dr Harsh Vardhan, Dr Harsh Kumar Bhanwala, Chairman, NABARD and other officials from NABARD and GCF.

- India's first private sector facility project on 'Line of Credit for Solar Rooftop Segment for Commercial, Industrial and Residential Housing Sectors' with an outlay of US\$250 million and loan support of US\$100 million in 2017–18, was approved by GCF.
- The National Steering Committee on Climate Change (NSCCC) set up by the Ministry of Environment, Forest, and Climate Change (MoEF & CC), GoI, approved six projects under NAFCC in 2017–18. A critical project sanctioned related to 'Crop Residue Management' in Punjab, Haryana, Rajasthan and Uttar Pradesh with a total grant assistance of ₹120.66 crore under NAFCC.
- NABARD hosted two side events at the India Pavilion, i.e., 'Financing Climate Resilient Livelihoods in India' and 'Strategy for Empowering Rural Communities for Climate Change' at the 23rd Conference of the Parties

- (COP-23), UNFCCC, in November 2017 at Bonn, Germany.
- Stakeholders' workshops were conducted in 13 states to identify ideas for project development related to climate change adaptation.

NABARD set up a Climate Change Fund (CCF) during 2016–17 and further augmented it with ₹5 crore during 2017–18 out of its profits to undertake a pivotal promotional and leadership role in climate change adaptation and mitigation in India. The CCF supports awareness creation and dissemination of information, national and international conferences/seminars on climate change, preparation of Project Concept Note (PCN) and Detailed Project Reports (DPRs), etc. By the end of 2017–18, ₹0.99 crore were spent while the cumulative expenditure stood at ₹1.03 crore.

### Box 3.1 Centre for Climate Change

The Board of Directors of NABARD has envisaged the establishment of a 'state-of-the art' training hub on climate change. Accordingly, a Centre for Climate Change is slated to be instituted at the Bankers' Institute of Rural Development (BIRD), Lucknow to facilitate training on climate change adaptation and mitigation, climate finance, consultancy services, policy advocacy, etc. to various stakeholders. The Centre will prioritise climate issues related to agriculture and farmers, besides climate finance.





#### Showcase 3.1

## **Promoting Integrated Farming System to Mitigate Climate Change Impact** in Kerala

**Objective:** To scale-up climate resilient farming practice, ensure food security, and generate livelihood.

**The initiative:** Reclaiming cultivation area to grow *Pokkali* (a salt-tolerant rice) and rejuvenating the *Kaipad* method of rice growing, alternated with aquaculture in brackish water marshes, to scale-up climate resilient farming practice, ensure food security, and generate livelihood.

Funding: NAFCC

**Location:** *Pokkali* cultivation area, Central Kerala and *Kaipad* cultivation area, North Kerala

#### Impact (achievement so far):

- protection of 180 ha *Pokkali* and 65 ha *Kaipad* area with earthen bunds;
- reclaiming 300 ha of *Kaipad* lands and 300 ha of *Pokkali* fields for traditional rotational farming of paddy and shrimp;
- generation of over 2.64 lakh persondays of annual employment;
- planting 120 ha of mangroves;
- · protecting shrimp farming from abrupt wave action and tides;
- promoting use of Euryhaline species of shrimp/fish for farming as an adaptive strategy;
- reducing land encroachment while increasing reclamation;
- production of 1,800 tonnes of rice and 540 tonnes of shrimp/fish during the monsoon season
  in each *Pokkali* farm unit; and,
- on completion, 250 coastal households in project areas will have a climate-resilient livelihood and ecosystem.



Sluice Gate and Bund Work

Paddy and Shrimp Farming Harvest

Pokkali-Kaipad farming

system

#### Showcase 3.2

#### Rehabilitating Marine Ecosystem for Climate Change Adaptation and Sustainable Livelihood off the Tamil Nadu Coast

2014 (June)

2016 (January)



Stemming the Erosion of Vaan Island

**Objective:** To reduce vulnerability to climate change and enhance adaptive capacity of human and natural systems.

The initiative: Management and rehabilitation of coastal habitats and biodiversity, for climate change adaptation and sustainable livelihood in the Gulf of Mannar, Tamil Nadu, India—including the rehabilitation of coral and sea grass, artificial reef deployment, eco-development activities to reduce vulnerability from climate change, and enhancing adaptive capacity of human and natural systems.

**Funding:** NAFCC

**Location:** Sea around Vaan Island, Gulf of Mannar, Tamil Nadu and 23 villages of Tuticorin District, Tamil Nadu

#### **Impact (achievement):**

- mitigating the erosion of Vaan Island;
- restoring the marine ecosystem around Vaan Island:
  - dominant genera of coral recruits—Pocillopora, Favites, and Porites settled on the artificial reef modules;
  - » 43 Epifaunal and 38 Macrofaunal species recorded;
- » 18,368 fishes from 14 genera rehabilitated around the artificial 1eef modules between December 2015 and January 2018; and
- » dominant fish genus was Lujanus, followed by Pempheris;
- coral reef and sea grass rehabilitated in 4.00 sq. km area:
  - » improved coral cover and fish diversity;
- » rejuvenation of destroyed habitats;
- » development of carbon sink;
- climate resilient livelihood and ecosystem for 6,900 fishermen; and,
- estimated potential revenue of ₹1.84 crore for fishermen and ₹1.03 crore for Women SHGs (WSHGs).



Corals Growing on Artificial Reef Modules in Gulf of Mannar





#### 3.1.2 Watershed Development Programmes

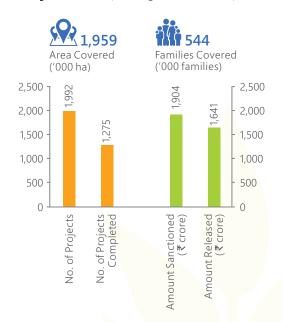
The journey of the watershed development programme started in 1992 with peoples' participation in an integrated approach for water conservation, ground water recharging, forestry, water budgeting and crop planning under the aegis of the Indo-German Watershed Development Programme (IGWDP) on a pilot basis in Maharashtra. Based on success of the pilot, the programme was expanded further in three phases of which Phase III is under implementation covering Maharashtra, Andhra Pradesh, Gujarat and Rajasthan.

The projects in Maharashtra and Andhra Pradesh were completed in 2015–16, and those in Gujarat and Rajasthan, in 2016–17. Activities under the IGWDP went beyond watershed management to improve quality of life and reduce the drudgery of women in rural areas. Details of the completed IGWDP projects are presented in Table 3.1.

Currently, the following Watershed Development Programmes are being implemented by NABARD:

 Participatory Watershed Development Programme under Watershed Development Fund (WDF)

Figure 3.1 Watershed Development Projects of NABARD (as on 31 March 2018)

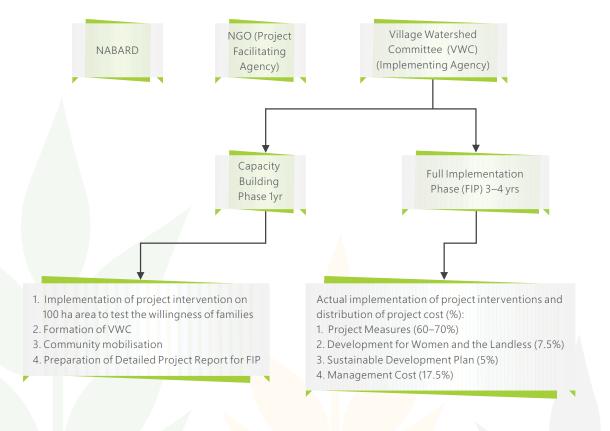


- 2. Sustainable Development Plan (SDP)
- 3. Soil Restoration and Rehabilitation of Degraded Soils for Food Security (Climate Proofing Soil Project) through KfW, Germany and WDF of NABARD
- 4. Climate Proofing in Indo-German Watershed
  Development Projects
- 5. Spring-shed based Watershed Development Projects

TABLE 3.1
Completed IGWDP Projects (Amount in ₹ lakh)

State	Number of Projects		Am	Area Treated (ha)	
	Sanctioned	Completed	Sanctioned	Released	
Gujarat	35	28	3,836.13	3,488.61	37,532
Maharashtra	220	205	21,071.78	20,002.10	2,21, <mark>60</mark> 2
Rajasthan	35	31	4,036.80	3,904.31	34, <mark>60</mark> 1
Andhra Pradesh	36	36	4,901.22	4,88 <mark>5.58</mark>	41,634
Grand Total	326	300	33,845.93	32,280.60	3,35,369

Figure 3.2 Watershed Project Implementation Mechanism



## Participatory Watershed Development Programme

Watershed Development Fund (WDF) was created in NABARD in 1999–2000 with an initial corpus of ₹200 crore. The corpus was augmented over the years with the interest differential earned under Rural Infrastructure Development Fund (RIDF) and the interest accrued on the unutilised portion of the Fund. The financial assistance under the programme was in the form of grant or grant-cumloan. As on 31 March 2018, the total corpus stood at ₹1,241.53 crore.

#### Impact evaluation of select watershed projects

The major findings based on the impact evaluation studies of watershed projects in Tamil Nadu, Odisha, Karnataka, and Kerala show an increase in the availability of ground water throughout the year, increase in crop production cropping intensity, net irrigated area, increase in crop diversification, resulting in increase in the income level of farmers, livestock population due to increased fodder availability, generation of additional employment, reduction in soil loss, etc. An impact assessment on watershed projects in Tamil Nadu is presented in Box 3.2.

#### Su<mark>stainable Deve</mark>lopment Plan

Building on the success of the initial watershed programmes, NABARD has reoriented its approach towards sustainable development by making it more holistic. Its approach includes technology transfer, agriculture extension, credit intensification, Integrated Pest Management





#### Box 3.2

#### Impact Assessment of Watershed Projects in Tamil Nadu

- **Kombaipatty Watershed, Dindigul District:** Increase in gross cropped area by 103.90 ha and net sown area by 520.04 ha post watershed intervention activities.
- 2. Mallanampatty Watershed, Dindigul District: Net irrigated area and gross irrigated area increased by 561 per cent and 718 per cent, respectively.
- 3. Ammapatti Watershed, Dindigul District: Cropping intensity increased by 14.28 per cent.
- 4. Kanadani Watershed, Sivagangai District: Under the dairy development programme launched for income generation among landless workers and women of the watershed areas, a sum of ₹5.65 lakh was disbursed as loan from the revolving fund sanctioned by NABARD and Tamil Nadu Water Development Agency (TAWDEVA) to purchase milch animals through SHGs. There was a 300 per cent increase in the number of milch cows and the milk yield doubled. The number of sheep increased by 100 per cent too.
- 5. Thumberi Watershed, Vellore District: Around 14 women-SHGs were formed and strengthened through capacity building programmes. A sum of ₹5.79 lakh was provided as loan to the SHG members to undertake micro-enterprise activities.
- **6. Kadavakuruchi Watershed, Dindigul District:** Increase in deposit amount by 38 times and loan amount by 74 times.

Note: The Impact Assessment Study was conducted by the Centre for Agriculture and Rural Development Studies (CARDS), New Delhi

(IPM), Integrated Nutrient Management (INM), promotion of FPOs, etc. Need-based capacity building and leadership development of the watershed community, convergence of various centrally sponsored schemes and programmes form part of the Sustainable Development Plan (SDP). As on 31 March 2018, 452 SDPs were sanctioned.

Soil Restoration and Rehabilitation of Degraded Soils for Food Security (Climate Proofing Soil Project) through KfW, Germany

A soil restoration programme is being implemented by NABARD across five states with a support of €10 million from KfW, Germany from August 2016 to December 2019. It covers 123 completed watershed projects earlier funded

under WDF and spread over 32 districts, which ranked high in the Rainfed Area Priority Index (RAPI) developed by Central Research Institute for Dryland Agriculture (CRIDA). As on 31 March 2018, grants for 123 projects were sanctioned with financial commitment of ₹58.53 crore, of which ₹24.75 crore was disbursed.

#### Climate Proofing Projects under WDF

NABARD is implementing a climate change adaptation initiative under WDF, in four states (Himachal Pradesh, Jharkhand, Tamil Nadu and Maharashtra), to reduce the rural community's vulnerability to climate change and to enhance agriculture productivity. As on 31 March 2018, 97 climate proofing projects had been sanctioned with a commitment of ₹45.76 crore.

Climate Proofing in Indo-German Watershed Development Programme (IGWDP) Projects

NABARD, as part of sustainable development in completed IGWDP projects in Gujarat and Rajasthan is implementing climate change adaptation and livelihood programmes in 40 projects with total financial assistance of  $\ref{22.50}$  crore from KfW, Germany and WDF, NABARD.

Spring-shed Development Programme in NER

In view of the potential for developing freshwater springs, which form the lifeline of the North-Eastern Region (NER), coupled with the need to reduce and recover from the impact of climate change, NABARD launched an innovative and integrated spring-shed based participatory watershed development programme in the NER including Sikkim in January 2017, on a pilot basis with financial support under WDF. The programme's twin objectives are: (i) to reduce drinking water scarcity; and, (ii) to promote offseason farming. As on 31 March 2018, 24 springshed development projects have been sanctioned in the NER, including Sikkim.

#### Web-based monitoring of watershed projects

NABARD signed a Memorandum of Understanding (MoU) with the National Remote Sensing Centre (NRSC), Hyderabad for monitoring of IGWDP watershed projects through geospatial technologies

on a pilot basis in Gujarat, Rajasthan and Andhra Pradesh and NABARD assisted watershed projects under WDF in Madhya Pradesh. A separate web portal and mobile app have been developed under this initiative in which the Project Facilitating Agencies (PFAs) can upload their data. The project is facilitating NABARD in tracking physical and financial progress in real time and in impact evaluation of watershed projects ('pre' and 'post') and improving the effectiveness of implementation.

Based on success of the pilot project, all the ongoing 394 projects are covered under Phase II of the programme sanctioned during 2017–18.

# 3.1.3 Natural Resource Management (NRM): Collaboration with Corporate Entities

NABARD has emerged as a unique institution that promotes convergence of CSR initiatives with its own development interventions. Corporate entities collaborate with NABARD in the NRM space as they are always scouting for robust project ideas around which they can build their CSR initiatives. Such collaborations have created a win-win situation for NABARD, the corporates, and most significantly, the beneficiaries (Table 3.2).

As on 31 March 2018, 37 corporate entities were partnering with NABARD in the implementation of 238 projects. Many corporate partners are also

TABLE 3.2
A Snapshot of Collaboration Status

S.No	Programme	Corporate	Projects	Amount Sanctioned (₹ lakh)			
		Partners		Total outlay	NABARD	CSR	Share of CSR Companies
1	Watershed	28	154	9,868	6,024	3,844	3844
2	TDF	19	41	14,638	9,529	4,839	5109
3	UPNRM	8	22	4,662	3,586	1,076	1076
4	FSPF	5	14	464	255	209	209
5	GVN	4	7	152	76	76	76
	Total		238	29,784	19,470	10,044	10,314

TDF: Tribal Development Fund; UPNRM: Umbrella Programme for Natural Resource Management; FSPF: Farm Sector Promotion Fund; GVN: Gramya Vikas Nidhi.





engaging with the farmers' clubs and SHGs for social/technology intermediation initiatives of NABARD.

#### 3.1.4 Water Campaign

India is facing acute water shortage on account of changing weather conditions, unsustainable use of water, deteriorating water quality and increasing sectoral water demand. Over-exploitation of ground water, large scale use of chemical fertilisers/pesticides in agriculture with unsafe disposal of industrial wastes into fresh water, pose severe water quality problems.

#### Showcase 3.3

#### Activities and Achievements of Water Campaign (April to July 2017)

#### **Activities**

- To leverage voluntary initiatives of villagers, 200 master trainers and 8,000 Krishi Jal Doots (KJDs), were trained and deployed.
- Material on water management practices suitable to local agro-climatic conditions including harvesting rainwater, conservation of water through community actions, efficient utilisation of irrigation water, improved agronomic practices and ground water recharging, with emphasis on community participation, were developed in local languages.
- State governments, banks, corporates, and other stakeholders collaborated closely to converge their programmes in these villages, for the creation irrigation/water management infrastructures, both for the individual as well as the community. Following the village-level campaign, district-wise and state-level debriefing sessions were organised with major stakeholders to consolidate the action plan that evolved during the campaign, document major achievements, important lessons learnt and other feedback and to integrate the action plans with development plans of the State Government/ other stakeholders.

#### **Achievements**

- One-day water campaigns were implemented in 1,01,569 villages from April to July 2017.
- During the campaign, village-wise resource maps were prepared and key interventions identified, which have been used as inputs for preparation of area development schemes, state government development plans and also for designing appropriate interventions by the village communities.
- Desilting/renovation of village water bodies, water harvesting structures, drainage improvement, afforestation, etc., were taken up by volunteers.
- Area development schemes were prepared and launched for enhancing credit flow for water management activities.
- In each village, 6–7 volunteers were identified to coordinate implementation of village plan through voluntary action/ convergence with banks and other stakeholders.
- Data of about 7 lakh village volunteers, KJDs and master trainers was captured on the web portal.



Dr H.K. Bhanwala, Chairman, NABARD launched the campaign



Preparing a Resource Map<mark>,</mark> Samba District, Jammu & Kash<mark>mi</mark>r



Shri S.C. Jamir, Hon'ble Governor of Odisha State, participating in Water Campaign



Shramdan o<mark>r vol</mark>untary labour by villagers, Kadapa District, Andhra Pradesh

To create awareness among the rural community about methods of water conservation, preservation and efficient utilisation, a 'Water Campaign' was launched on 22 March 2017, covering 1,01,569 villages located in the 250 most vulnerable districts in 21 major states in the country.¹ The campaign comprised of walkathons, resource mapping, *Jal Samvad* (Gram Sabha), voluntary actions by the community, and action planning.

The campaign received good response from the villagers, bankers and government officials. Many of the state governments have decided to converge

MNAREGA interventions using the water maps prepared by the people. Banks have come forward for lending for water conservation measures.

#### 3.1.5 Tribal Development Initiatives

India's tribal population (10.4 crore) constitutes around 8.6 per cent of the total population and is distributed over several regions of the country. The Government of India (GoI) has initiated measures to strengthen the social and physical infrastructure in these regions. Tribal communities are dependent mainly on agriculture, forests and livestock for their livelihood. Dwindling forest resources, shrinking water resources, coupled with traditional agriculture practices and reduced fuel and fodder supply continue to impact livelihoods adversely over time.

<sup>&</sup>lt;sup>1</sup> Selection of villages was based on vulnerability assessment report of CRIDA, that is, the Rainfed Area Priority Index (RAPI)





## Tribal Development Programme: Wadi projects

Wadi (orchard) based livelihood development programmes conducted in collaboration with KfW funding support has paved the way for sustainable livelihood creation for tribal families. NABARD started the Adivasi Development Programme (ADP) in Gujarat and subsequently in Maharashtra with the BAIF Development Research Foundation as implementing NGO. Both these programmes were found to be very successful for improving the lives of tribal families.

Major findings of an ex-post evaluation study on KfW-NABARD Adivasi Development Programme, are presented in Box 3.3. Leveraging the successes of the first phase of ADPs, the Adivasi Development Programme Gujarat Phase-II (ADPG-II) was initiated in 2007. It is being implemented in six clusters of Dang district and one in Dharampur block of Valsad district. Financial assistance of ₹43.20 crore has been sanctioned for setting up 4,700 wadis covering 4,700 acres.

As on 31 March 2018, under ADPG II, NABARD has disbursed grant of ₹33.21 crore to support 5,922 families for *wadi* development, soil conservation, water resource development, women/landless family development and health-care.

#### Box 3.3

# KfW-NABARD Adivasi Development Programme, Gujarat-Phase I—Ex-post Evaluation Study

KfW's Independent Evaluation Department visited India for the ex-post evaluation of Adivasi Development Programme, Gujarat—Phase I to assess whether the originally intended development impacts and goals of the programme have been achieved and whether the achievements are sustainable. The study was conducted seven years after the closure of the programme to evaluate the outcomes on the basis of international performance parameters, *viz.*, Overall Rating, Relevance, Effectiveness, Efficiency, Impact and Sustainability.

The major findings were as follows.

- 1. The *wadi* model pursued in the programme sets a good example and has since been replicated in a number of Indian states using funds from the implementing agency itself or the GoI.
- 2. Synergies with various national programmes set up by the GoI were developed during the course of the implementation phase.
- 3. The programme complemented the national strategy to strengthen and develop rural regions (reducing push factors and rural migration). Thus, it was ascertained that the programme had a high level of relevance.
- 4. *Impact*: At least 70 per cent of the families received an income above the poverty line; there was a significant fall in seasonal migrant labour for reasons of survival; a significant improvement was seen in the standard of living: the economic and social situation, health, education improved; and ecosystem services increased.

The 'Mission Team' awarded the Programme a rating of '1' which means 'very good results that clearly exceeds expectations', which is a very rare rating given by an international agency.

#### Showcase 3.4

#### Suresh Singh's Wadi, Surguja District, Chhattisgarh



**The initiative:** Developing Suresh Singh's *wadi*, Meravi tribe, Chhattisgarh **Location:** Karra Village, Ambikapur Block, Surguja District, Chhattisgarh

Funding: Wadi Project, TDF

Facilitation: Manay Sansadhan Sanskruti Vikash Parishad (MSSVP)

#### **Achievements:**

- Suresh got trained in *wadi* cultivation techniques and also learnt from exposure visits to *wadis* elsewhere. Suresh recalls, 'We learnt to use Urea, DAP, Vermicompost and Linden powder. We did not know these techniques earlier. We also learnt how to use manure and erect fencing for our orchards.'
- Currently he owns a beautiful seven-year-old wadi that has 28 mango trees, 10 litchi trees, 10 amla trees and others, and produced about 2.5 quintals of mango in 2017 and earned around ₹35,000.
- He is training his three sons in *wadi* cultivation too.

#### What next:

Suresh says, 'As the tree grows bigger, it will give more fruits, we will sell them and make higher profits in the future. So, I'm not going to give up on this.'

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Securing sustainable tribal livelihoods under the Tribal Development Fund

Enriched by its implementation experience of the KfW-assisted Adivasi Development Programmes (ADPs) in Gujarat and Maharashtra, NABARD initiated programmes out of its own fund for the development of sustainable livelihood for tribal people and instituted the Tribal Development Fund (TDF) with an initial corpus of ₹50 crore out of its profits in the year 2003–04. Subsequently, the fund was augmented through contribution from interest differentials under

RIDF. The cumulative sanctions under TDF stood at ₹2,120.71 crore, as on 31 March 2018, while disbursement stood at ₹1,462.53 crore, covering 5.21 lakh families with 712 projects across 28 states and union territories. During 2017–18, 39 projects were sanctioned with grant assistance of ₹90.39 crore in 21 states covering 18,000 tribal families and ₹122.22 crore was disbursed for ongoing projects.

Major findings of a study on the impact of TDF projects in Andhra Pradesh are presented in Box 3.4





### Box 3.4 Impact of TDF Projects in Andhra Pradesh—Study Findings

Bankers' Institute of Rural Development (BIRD), Lucknow conducted an impact assessment study of seven tribal development projects of Andhra Pradesh in September 2016. Key findings are presented below.

- 1. In a *wadi*, a mix of two long-term crops selected (from amongst mango, cashew, *amla*, *sapota* etc.) used for core plantation, yielded survival rates in the range of 79 to 93 per cent.
- 2. A variety of forest trees, fodder, and fruit crops were used as border plantations. In Prakasam District, the income from the border crop of Subabul (Leucaena) was more than the income from core plantations.
- 3. The beneficiaries also cultivated rainfed intercrops like groundnut, pulses, vegetables etc. The income from intercrops sustained the project during the gestation period of three years of the plantation.
- 4. In some projects in Chittoor District, regular income from dairy animals and sheep had helped the farmers to tide over the resource crunch during the gestation period of fruit crops.
- 5. The average net incremental income from all the investments (core plantation, border plantation, intercrops and allied activities) was in the range of ₹24,470−₹30,991 in five- to seven-year-old plantations.
- 6. Incomes have stabilised and are on the rise due to better soil and moisture conservation measures such as ring bunds, farm bunds, percolation tanks, as well as the provision of assured irrigation.
- 7. Water resources have been developed by harvesting rainwater in farm ponds and percolation tanks, bore wells and open wells that have been constructed.
- 8. The income from the core plantations was mainly utilised for creating long-term assets like construction/renovation of houses, purchase of land, marriage of children and purchase of gold ornaments.
- 9. The income from intercrops, allied activities and wage labour was utilised for meeting regular household expenses, including education of children, purchase of consumer durables etc. Due to regular income streams, migration has reduced/stopped.

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A success story of Wadi project in Madhya Pradesh is presented in Showcase 3.5.

### 3.1.6 Umbrella Programme for Natural Resource Management

The UPNRM, a unique financing product involving loan and grant support in community-based NRM started in 2008–09 in collaboration with KfW and GIZ. On successfully assessing the viability of the product, it was further extended

as UPNRM II in 2012–13. NABARD has been able to successfully demonstrate the business angle in few of the initiatives like System of Rice Intensification (SRI), Sustainable Sugarcane Initiative (SSI), Better Cotton Initiative (BCI) with drip irrigation, Integrated Bio Gas model, Ecotourism, sustainable agricultural practices, cultivation of medicinal plants with primary processing, soil and water conservation measures in tank-based irrigation in dry-land areas,

#### Showcase 3.5

### Sakhiya Uikey's Wadi, Chhindwara District, Madhya Pradesh



The initiative: Sakhiya Uikey's Wadi, Gond Tribe, Madhya Pradesh

Location: Khutia Village, Chhindwara Block and District, Madhya Pradesh

Funding: Wadi Project, Tribal Development Fund

Facilitation: by SRIJAN

#### **Achievements:**

- Sakhiya Bai joined the *Wadi* Project in July 2011, initially planting mango, guava, bamboo and lemon saplings;
- she received training on intercropping and other modern farming techniques;
- after the construction of a water tank (under the project), she also intercropped fruit trees with bitter gourd, pumpkin, lady's finger, brinjal, onion, chilli, etc.;
- today, Sakhiya sells her produce at the Chhindwara Organic Farmers' Enterprise (COFE) outlet at Chhindwara city; and,
- she earns a steady annual income of about ₹35,000.

community drinking water, and installation of automatic weather stations, etc. A loan assistance to the tune of €52 million (equivalent to ₹403 crore) from KfW has been availed under Phase II as per the financial agreement with KfW and will be used till the end of the project period.

#### Recent developments

Across India, 334 UPNRM projects were sanctioned covering 10 major sectors with a financial assistance of ₹780 crore including a grant assistance of ₹42 crore. The disbursements as on 31 March 2018 stood at

₹567 crore, including a grant assistance of ₹27 crore. During the year five projects were sanctioned with financial assistance of ₹146 crore.

Impact assessment of 191 UPNRM projects conducted by GIZ has reported positive results. Women, accounting for 40 per cent of participants are empowered receiving better healthcare, reduced drudgery and increased leisure due to the projects. Livelihood-based projects covered 1.6 lakh beneficiaries; while another 1.5 lakh were covered by drinking water projects. The programme predominantly reached socially and economically marginalised communities, improved their incomes



FACILITATING INCLUSIVE GROWTH

up to 50 per cent, besides achieving carbon sequestration of about 2,01,618 tonnes of CO2 annually. Successful bio-gas projects under UPNRM reduced the drudgery of women in collecting fuel wood, saving time and allowed them to use it for agriculture, child rearing and education. The income enhancement impact created by UPNRM is captured in Showcases 3.6 and 3.7.

#### Showcase 3.6

### From Pond to Plate—A UPNRM Success Story of the Integrated Fish Farming Business Model



**The initiative:** Kalong Kapili, an NGO of Assam, was supported under UPNRM for up-scaling a pisciculture initiative in Kamrup. The project aimed at: (i) replacement of carp by fresh water prawn; (ii) promotion of fish farming as a sustainable livelihood option; and, (iii) encouragement to horticulture activity on the embankments.

To this end, two innovations were introduced: (i) pooling of contiguous ponds for large-scale operations; and, (ii) financing was channelled through joint liability groups (JLGs) of fish farmers.

#### **Achievements:**

- within the first project year, the annual income of the poor fish farmers increased from ₹50,000-₹60,000 to ₹1.50 lakh-₹1.60 lakh;
- gender empowerment was seen, as 60 per cent of the beneficiaries were women;
- the successful pilot has been mainstreamed by the Assam Gramin Vikas Bank, the local RRB, for large-scale adoption covering 200 fish farmers in the first phase; the Model has become bankable;
- the Fisheries Department of the Government of Assam recognised the project's success and NGO Kalong Kapili was hired to provide technical training to fish farmers;
- activities under MNREGA led to the construction of 5 km of an all-weather road to connect the regional market to the village;
- the State Irrigation Department financed the construction of a pucca canal that keeps the ponds filled and irrigates the surrounding land round the year; and,
- pond owners are engaging in horticulture plantation (predominantly banana) around embankments.

### **Happy Farmers** — **Happy Musings**

Dinfuli Das, 65, Woman Fish Farmer

'Through JLG meetings that happen every month, I have learnt many things not only about good fishery practices and marketing but also about the world outside our village. I feel happy, when I

am able to spend on my grandchildren's food and clothing when they come to see me during festival time. All credit goes to this programme.'

Renu Talukdar, 45, Woman Fish Farmer

'I do not have to depend on my husband for money. I am earning almost as much as my husband through fishery activity and am supporting the construction of my house and higher education of my daughter, who is staying in a hostel in Guwahati.'

Rajendra Joshi, 40, fish farmer

'Unlike earlier times, now in our village, marriages can happen in the rainy season because of the all-weather road and good connectivity. Our thanks to UPNRM, which brought development to our village and made our lives easier.'

#### Showcase 3.7

### Promoting Beekeeping—Journey from a Solitary Intervention to a Business Model



The initiative: Devbhumi Natural Products Producer Company Limited (DNPPCL), an FPC operating in Chamoli, Rudraprayag, Tehri Garhwal and Uttarkashi districts of Uttarakhand, has strengthened the bee keeping/honey processing value chain.

#### Funding: UPNRM

#### **Achievements:**

- the sale of honey increased from 125 tonnes in 2012–13, to 185 tonnes in 2017–18;
- more village youth chose entrepreneurship over migration for livelihood opportunities;
- around 20 per cent of women from farmer households became beekeepers (traditionally a male domain);
- women producers are not only going from bee rearing to harvesting independently but are also selling their produce without the involvement of the men;
- farmers observed crop productivity increase, particularly mustard, which they attributed to improved pollination due to beekeeping; and,
- farmers cultivating fruit trees, such as citrus and peach, also made similar observations.



## FACILITATING INCLUSIVE GROWTH

### 3.1.7 Way Forward

NABARD, through its various initiatives, has demonstrated that natural resource management not only leads to sustainable agricultural growth, but also helps in meeting some of the grave challenges faced by vulnerable small and marginal farmers due to depleting water levels, fragmented landholdings, climate change, etc. To reduce and remove the impact of all these factors, NABARD facilitates the development of agriculture in an ecologically sustainable manner.

For mainstream financial institutions to step in and finance integrated NRM-based business models piloted under UPNRM, there was a felt need to develop bankable model projects/schemes by NABARD. NABARD has developed the following five model schemes:

- Sustainable Sugarcane Initiative (SSI)
- Integrated Vegetable Cultivation (Half acre model)
- Tissue Culture-based Banana Farming and Utilisation of its Stem
- Integrated Fish Farming
- · Bee Keeping and Honey Processing

The interventions piloted and implemented by NABARD are largely replicable models, which can be emulated by state government departments for mainstreaming on a much bigger scale. Banks are also being encouraged to mainstream UPNRM by financing projects piloted by NABARD.

# 3.2 ENHANCING INCOME, PROMOTING INCLUSION, AND SECURING LIVELIHOODS

### 3.2.1 Scaling-up Microfinance Initiatives

NABARD started promoting SHGs in 1992 with credit linked to savings to meet the needs of families and to improve their livelihood. This savings led, women-centric, door-step, self-managed microfinance programme i.e. the SHG Bank Linkage Programme (SBLP) has emerged as one of the world's largest movements of organising the poor into groups and linking them with banks for credit facilities. The progress of journey so far is summarised in Figure 3.3.

During its 25 year journey, SBLP has been empowering the rural poor, especially rural women. It has emerged as a powerful intervention for poverty alleviation through holistic financial inclusion. The progress during the past two years is presented in Table 3.3.

TABLE 3.3

Progress of SHG-Bank Linkage Programme (Amount in ₹ crore)

Particulars	2016	i–17	2017–18		% Change	
	Number of SHGs	Amount	Number of SHGs	Amount	Number of SHGs	Amount
Loans disbursed	1,898,120	38,781	2,261,132	47,186	19.1	21.7
Loans outstanding	4,848,287	61,581	5,020,358	75,598	3.5	22.8
Savings of SHGs with banks	8,576,875	16,114	8,744,437	19,592	1.9	21.6
NPA level %	6.5	50	6.1	2		
Average loan per SHG	₹2.04	lakh	₹2.09 lakh			

Figure 3.3 Progress of SHG-Bank Linkage Programme



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### Deepening of the SHG-Bank Linkage Programme

Increased coordination with the National Rural Livelihood Mission (NRLM) resulted in synergising the training efforts and support to the SHGs and understanding each other's views. Promotion and nurturing of SHGs by existing and new partners continued to be supported to encourage financial inclusion, increasing bank outreach, credit linkage, handholding and livelihood promotion. Redoubling the efforts of capacity building of stakeholders and improving interface besides organising Award Ceremonies in all states for recognising good performance, further energised the SBLP movement.

#### **Promotional support**

During 2017–18, an amount of ₹51.38 crore from the Financial Inclusion Fund (FIF) and ₹20.72 crore from the Women Self Help Group Fund was released as grant for formation and linkage of SHGs, digitisation of SHGs, training and capacity building of stakeholders, livelihood promotion, documentation, awareness and innovations, etc.

#### Support to partner agencies/SHPIs

Partner institutions such as NGOs, RRBs, District Central Cooperative Banks (DCCBs), Farmers' Clubs, Individual Rural Volunteers (IRVs), SHG Federations and Primary Agricultural Credit





Societies (PACS) continued to receive support from NABARD for promoting and nurturing SHGs. Grant support was also provided to not-for-profit microfinance institutions (MFIs) to act as Self Help Promoting Institutions (SHPIs) in priority states. During 2017−18, grant assistance of ₹27.37 crore has been sanctioned to these agencies for promotion of SHGs. The cumulative assistance (up to 31 March 2018) sanctioned to various agencies was ₹387.94 crore for promoting 8.39 lakh SHGs, against which assistance of ₹143.18 crore was released for formation of 6.11 lakh SHGs. NGOs were the most dominant SHPIs, forming more than 79 per cent SHGs and availing 91 per cent grant assistance.

### Training and capacity building of stakeholders

During 2017–18, 3,473 training programmes were conducted covering 1.41 lakh participants from various banks/stakeholders under FIF. In addition, 904 training programmes covering 0.30 lakh participants were conducted under WSHG Fund. With this, cumulatively, around 1.07 lakh participants have been imparted training under WSHG fund support up to 31 March 2018.

### Promotion of WSHGs in backward/Left Wing Extremism affected districts

In all 2.05 lakh WSHGs have been savings linked and 1.20 lakh of these have been credit-linked under the scheme for promotion of WSHG in 150 backward/Left Wing Extremism (LWE) affected districts spread across 29 states. A cumulative amount of ₹110 crore was utilised as grant assistance out of the WSHG Fund for various activities up to 31 March 2018.

#### Project E Shakti

Realising that SHGs were left out of the digital initiatives in the banking ecosystem, NABARD launched a pilot project for the digitisation of SHGs in 2015, in Ramgarh district in Jharkhand and Dhule district in Maharashtra.

The *E-Shakti* platform captures demographic, social and financial information of SHGs and their members, enables proper credit appraisal of SHGs and consequently, formal lending institutions have greater confidence in giving these SHGs access to a wider range of financial services.

Encouraged by the positive response of pilots from stakeholders, the project was extended to 23 districts in Phase II in 2016 and further expanded to 75 more districts during 2017–18, extending the coverage to 100 districts. As on 31 March 2018, total 3.49 lakh SHGs were digitised capturing **E-Shakti** data related to 38.36 lakh members across the country. NABARD is currently working with credit information companies to provide a linkage between *E-Shakti* software and the reporting mechanism of credit information companies through the CBS of respective banks. As per initial reports, E-Shakti has enabled banks to step up credit flow to SHGs, as it provides bank branches access to the monthly grading of each SHG that has a savings account with them. The quality of book-keeping by SHGs has substantially improved. The SHG members also get an SMS alert about their savings and loan transactions.

### Financing of Joint Liability Groups

As on 31 March 2018, NABARD has extended grant assistance of ₹170.05 crore to JLG Promoting Institutions (JLGPIs) for promoting 9.49 lakh JLGs across the country and enabling flow of collateral-free loans to tenants/landless farmers. Encouraged by NABARD's 100 per cent refinance support to banks, financial assistance extended for awareness creation and capacity building to banks and good repayment, banks promoted and financed 10.09 lakh JLGs during 2017–18.

As RRBs have a huge rural network, NABARD encouraged RRBs to finance JLGs in big way and accordingly entered into an MoU with 38 RRBs in 19 states and one MoU with State Bank of India in 2017–18. Under this scheme NABARD provides

grant assistance to banks for using corporate BC/NGO as JLGPIs and for capacity building to create a pool of trainers from among the bank staff for the formation, nurturing and financing of new JLGs.

### Livelihood and Enterprise Development Programme

Livelihood and Enterprise Development Programme (LEDP), targeting SHG-clusters in contiguous villages involved in farm and offfarm activities, supports intensive skill building, refresher training, backward-forward linkages, value chain management, end-to-end solutions, handholding and escort services over two credit cycles. Around 2,260 members were supported for setting up livelihoods through 185 LEDPs programmes during 2017–18. As on 31 March 2018, 15,382 SHG members had been supported through 203 LEDP programmes (Showcase 3.8).

#### Micro Enterprise Development Programme

Under the Micro Enterprise Development Programme (MEDP) of NABARD, around 27,872 SHG members were trained through 854 MEDPs during the 2017–18 for enabling them to start micro-enterprises. As on 31 March 2018, around 4.68 lakh SHG members have received training through 16,406 MEDPs.

#### Showcase 3.8

### Dream Weavers on the Banks of the Brahmaputra

**Initiative:** Skill development of 90 members from 15 WSHGs for handloom weaving, product diversification and design development

**Funding:** LEDP

Location: Mising Village, Jonai Block, Dhemaji District, Upper

Assam (Assam)

### Achievements:

- setting up of a Common Facility Centre with a warping drum for defect-free warps;
- providing inputs on publicity and packaging of products, record keeping, pricing and marketing of products; and,
- arranging bank credit for weavers.

#### **Impact:**

- beneficiaries earned ₹300–₹500 per day;
- all 90 acquired personal looms;
- products include shawls, stoles, tablecloths, curtains, fabric for shirts and *kurtas*, table runners, cushion covers, and pocket squares in diverse designs and colours; and,
- a fashion show organised in Guwahati helped increase buyers and boost sales.







### Box 3.5 New Policy of the Farmers' Club (FC) Programme

The Farmers' Club Programme was redesigned to enable FCs to play a pivotal role in the following:

- risk reduction and risk management by farmers;
- increasing coverage of crop insurance;
- promoting climate smart agriculture;
- promoting the use of Information Technology (IT) in agriculture by accessing weather, price and market advisories;
- technology transfer;
- promoting community-based organisations like FPOs, SHGs, and JLGs; and,
- facilitating the convergence of various developmental government programmes for the benefit of member farmers.

### 3.2.2 Promoting Farmers' Clubs

NABARD has been implementing the Farmers' Club (FC) Programme aimed at forging linkages of farmers with banks and agricultural technologies. Keeping in view the structural changes and other challenges posed by the agriculture sector, as also GoI's policy initiatives, NABARD has modified the policy on the Farmers' Club Programme to include various supplementary functions, such as assessment of risks and risk mitigation measures, etc. (Box 3.5).

Under the Programme, FCs receive performance-linked financial support ranging from ₹45,000 to ₹54,000, along with capacity building support beyond three years (of the programme period). A total of 2,229 FCs were formed during 2017–18. Financial support is provided for formation and capacity building of FCs as a grant under FSPF, enabling them to adopt new technology through skill-based training. NABARD also supports FCs that are ready for transition to FPOs and federations.

A portal named 'Krishak Sarathi' was developed to effectively monitor the activities of FCs. As on 31 March 2018, data of 23,000 FCs had been digitised and their details are available on the portal.

During 2017–18, a grant of ₹20.88 crore was disbursed out of FSPF for various farm sector promotional activities, including FC promotion; the amount was marginally less than ₹21.19 crore disbursed in 2016–17.

### 3.2.3 Promotion of Farmer Producer Organisations

With 85 per cent of Indian farmers falling in the small and marginal holding categories, ensuring their inclusive growth through input cost savings, increasing productivity and enhancing incomes has been a major challenge confronting policy makers and development practitioners. The power of farmers' aggregates in driving such transformational change has been explored in detail in Chapter 2. We have also seen that the aggregation of farmers is a laddered process that farmer groups must climb one rung at a time. Individual farmers may get together to form FCs which can also transform over time into FPOs, and may eventually enter the market as FPCs.

NABARD has been supporting the development of FCs and FPOs/FPCs through a number of interventions. NABARD had earlier set up the Producers Organisation Development Fund (PODF) with an initial corpus of ₹50 crore out of



its operating surplus during 2011–12, to support POs /PACS as Multi Service Centres as a new direct business initiative and to create innovative financing models for mainstream banking. The broad objective of the fund is to support producer organisations across three purposes *viz.* credit support, capacity building and market linkage to meet their end-to-end requirements and thereby ensuring sustainability and economic viability.

Considering the success of financing to FPOs/PACS in terms of improved access to inputs, affordable credit, better price realisation of members by building scale, and enhanced skill development of farmers, NABARD entrusted the role of financing of FPOs/PACS to its subsidiary (NABKISAN Finance Ltd or NKFL), while it continues to provide promotional grant support towards capacity building, market linkages and other incubation services to FPOs. As on 31 March 2018, cumulative grant assistance of ₹13.54 crore was disbursed to 224 POs and 2,592 PACS under PODF.

NABARD has introduced a credit guarantee scheme to provide protection to lending institutions

for supporting the credit needs of FPOs. The scheme is being piloted with its subsidiaries, and on successful implementation, the same will be extended to other lending institutions.

GoI created Producers Organisation Development and Upliftment Corpus (PRODUCE) Fund in NABARD during 2014–15 for promotion and nurturing of 2000 FPOs in the country. Details of the Fund are discussed in Chapter 2.

#### Digitisation of FPOs

The data in respect of these FPOs and also member profiles have been digitised on a web portal and a few important details uploaded on NABARD website for the use by the stakeholders. In order to assess the organisational and business performance of the FPOs, a self-assessment (grading) tool has been developed and the FPOs are being graded based on key performance parameters so as to design appropriate interventions for further strengthening and credit linkages.

A success story on Farmer Producer Company is presented in Showcase 3.9.





### Showcase 3.9

### Adivasi Utthan Farmer Producers' Company Ltd.



The initiative: Adivasi Utthan Farmer Producers' Company Ltd. (AUFPCL) was formed in February 2016 by 350 tribal farmers from 15 villages in Vansada block of Navsari district, Gujarat.

Location: Navsari, Gujarat

**Funding:** NABARD, Baroda–Gujarat Gramin Bank, and share capital of ₹500 per member.

**Producer Organisation Promoting Institution (POPI):** LokSeva Trust

### **Activities of the FPC:**

- setting up of four collection centres in a cluster of 15 villages;
- aggregation, cleaning, grading, sorting, packaging, transporting, and marketing of different varieties of mangoes and baby corn.

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#### **Achievements:**

- Sales (2016–17):
  - » 250 MTs of baby corn worth ₹15 lakh
  - » 65-70 MT of mango worth ₹25-₹30 lakh
- Incremental price realisation of ₹500 per quintal (minimum)
- Reduction in transportation cost for individual member

#### What next?

Procurement of paddy seeds in bulk, for distribution among members.

A National Advisory Committee (NAC) has been formed to discuss major issues relating to FPOs and review the overall progress. State Level Consultative Committees (SLCCs) have also been formed for reviewing the progress at state level. Two NAC and 32 meetings of SLCCs have been conducted during the year.

Bankers Institute of Rural Development (BIRD), Lucknow has been spearheading the capacity building initiatives for FPOs. Eight short-term certificate courses for CEOs of FPOs were sanctioned during 2017–18. Nearly 800 POPIs and 19 resources support agencies (RSAs) across states are partnered for nurturing and handholding of FPOs.

### 3.2.4 Krishak Samridhi—Enhancing Farmers' Income

In 2016–17, while announcing the target of 'Doubling Farmers' Income by 2022', the GoI had highlighted the need to think beyond the food security of the country and focus on the income security of farmers. Krishak Samridhi, an income enhancement initiative, constitutes a bouquet of action research projects to enhance farmers' income in the project area by 60 per cent over a period of three years. The project is implemented through NGOs and FPOs, and covers 1,000 to 1,200 farmer households in five to seven villages in one district each in five states—Assam, Bihar, Gujarat, Haryana and Odisha.

The pilot would make use of a combination of strategies to improve the income of farmers, thereby raising their standard of living. These include:

- enhancing gross income by improving production and productivity;
- reducing input costs;
- stabilising income through measures such as insurance coverage, expanding irrigation cover and increasing irrigation efficiency;
- diversification of cropping system and adoption of rural non-farm and allied activities;
- integrated farming system approach;
- convergence with government sponsored programmes; and,
- leveraging bank credit for eligible activities.

NABARD sanctioned a grant support of ₹4.50 crore for the five pilot projects under implementation. The projects are being driven in convergence with government programmes, bank credit and beneficiaries' own contribution.

#### 3.2.5 Promoting Financial Inclusion

Early efforts towards inclusive banking to cater to the needs of citizens at the bottom of the pyramid began with the nationalisation of banks in 1969. Emphasis on financial inclusion continued through



the establishment of RRBs and NABARD, priority sector lending, lead bank scheme, service area approach, branch licensing policy and other RBI initiatives. The endeavours culminated in the Pradhan Mantri Jan Dhan Yojana (PMJDY) 2014 and the JAM trinity (Jan Dhan–Aadhaar–Mobile) of the government. With the setting up of Financial Inclusion Fund (FIF) and Financial Inclusion Technology Fund (FITF) in 2008, the role of NABARD in bridging the supply–demand gap in the rural financial infrastructure increased manifold.

On the supply side, Core Banking Solution (CBS) was implemented to strengthen RRBs and Rural Cooperative Banks (RCBs); all 56 RRBs are functioning on the CBS platform since 2011. Other technology upgrades include electronic fund transfers and real time settlement. The progress of RCBs in this regard is given in Table 3.4.

TABLE 3.4
Technology Upgrades in Licensed RCBs as
on 31 March 2018

Sr. No.	<b>Particulars</b>	2016–17	2017–18
1	CBS	382	376
2	RTGS/NEFT	382	376
3	RuPay Kisan Cards	167	350

Note: The number of licensed cooperatives decreased from 400 in 2016–17 to 393 in 2017–18. The reduction was due to amalgamation of seven District Central Cooperative Banks of Jharkhand with their State Cooperative Bank as on 1 April 2017

NABARD also supported the grounding of post-CBS Information and Communications





Technology (ICT) Solutions in RRBs and RCBs. With NABARD's facilitation, the number of RCBs on-boarded for RuPay Kisan Cards increased from 47 (1 January 2017) to 350 (31 March 2018).

NABARD provided grants for establishment of 384 FLCs in RRBs and 1,086 in RCBs. To increase rural demand for institutional financial services, NABARD supports Financial Literacy Centres (FLCs), conducts Financial Literacy Awareness Camps and prints Financial Literacy material. In order to give a fillip to digital transactions, NABARD supported 19,186 digital Financial Literacy Awareness Programmes (dFLAPs) from December 2016 to March 2017.

### Sanctions and disbursements under Financial Inclusion Fund

The FIF and FITF set up in 2008 were merged in July 2015 and renamed the Financial Inclusion Fund (FIF). The fund was augmented with interest differentials of RIDF deposits as per policy of RBI. As on 31 March 2018, cumulative sanctions and disbursements under FIF stood at ₹3,400.08 crore and ₹1,568.74 crore respectively. An amount of ₹712.8 crore and ₹294.8 crore respectively were sanctioned and disbursed during the year 2017–18. Sanctions and disbursements under FIF during the last four years are furnished in Table 3.5.

TABLE 3.5
Sanction and Disbursement under FIF\*
(Amount in ₹ crore)

Year	Sanctions	Disbursements
2014–15	304.89	131.50
2015–16	464.31	157.23
2016–17	1,131.46	628.33
2017–18	712.80	294.77

\*FIF and FITF were merged into a single fund FIF in 2015

On 31 December 2016, the Hon'ble Prime Minister announced that RuPay debit cards would be issued to three crore Kisan Credit Card (KCC) account holders. To fulfil this mandate, NABARD facilitated the issue of 113.18 lakh RuPayKisan Cards through RRBs and 175.99 lakh cards through Rural Cooperative Banks. The push for card acceptance was complemented by the 'Going Digital' camps on digital financial literacy.

### Financial literacy initiatives—special camps for 'Going Digital'

Rural branches and FLCs of banks were advised to conduct special camps every month on 'Going Digital' to promote financial literacy and digital banking. Furthermore, banks and State Level Bankers' Committees (SLBCs) were advised to cover the Unbanked Rural Centres (URCs) under their jurisdiction in mission mode. As on 31 March 2018, NABARD sanctioned ₹105.32 crore for 'Going Digital' camps pan-India to various banks.

### Hand-held Projectors for FLCs and Rural Branches of Banks

Traditionally, FLCs and rural branches conducted outdoor camps in public places where the FLC counsellors/Directors explain financial literacy concepts to the audience through speeches and lectures. It is well recognised that such camps can be made more effective with appropriate tools and audio-visual learning aids to arouse the curiosity of the audience, hold their attention and transfer information better. NABARD, therefore, initiated the provision of grant support to rural branches and FLCs for purchasing handheld projectors with portable speakers.

#### Pilot Project for Centre for Financial Literacy

During the year, a pilot project was launched by RBI with financial support from FIF for setting up of Centres for Financial Literacy (CFLs) by banks through selected NGOs. The pilot aims to set up 80 CFLs across nine states—Haryana, Odisha, Bihar, Karnataka, Andhra Pradesh, Telangana, Chhattisgarh, Uttar Pradesh and Maharashtra.

TABLE 3.6
Transactions on the 50 Tablet-based microATMs
(1 April 2017–31 March 2018) (Value in ₹ crore)

No. of	Deposit		Withdrawal		Funds Transfer	
Accounts Opened	INU. UI II A		No. of Transactions	Transaction value	n No. of Transa transactions valu	
7,596	1,64,875	22.26	55,851	21.81	2,793	0.19

### Showcase 3.10

Financial Intermediation by Kerala Gramin Bank through Business Correspondents equipped with microATMs



Initiative: Equipping BCs with microATMs at 50 BC points in rural Kerala

Funding: NABARD

Facilitation: Kerala Gramin Bank

### Impact:

- tablet microATMs, thermal printers, and fingerprint scanners with GSM SIM cards provided at BC points serving 45 villages; and,
- Aadhaar-based and card-based transaction services enabled either through fingerprint or One Time Password (OTP).
- BCs are able to provide doorstep banking services in case of need.

### Demonstration of Banking Technology through mobile vans

During the year NABARD reintroduced a scheme for supporting the purchase of mobile vans fitted with banking technology that can demonstrate the use of ATM, microATM and in areas with low financial literacy.

### Pilot Project for Comprehensive Financial Inclusion

A pilot project on comprehensive financial inclusion was launched by NABARD in six subservice areas (SSAs) by RRBs in Assam, Bihar, Rajasthan, Tamil Nadu, Uttar Pradesh and Uttarakhand. The objective is to ensure delivery





of all FI products in the SSAs through technology and awareness creation in households. Anchored by NGOs, the pilot will run for 18–24 months with oversight of Regional Officers and District Development Managers of NABARD and RRBs.

#### **PACS** Computerisation

The Union Budget 2017–18 announced support for the computerisation and integration of 63,000 functional PACS with DCCBs to ensure smooth credit flow to farmers in the rural areas. NABARD will anchor the scheme which will be implemented over the next three years at an estimated cost of ₹1,985 crore with financial participation from state governments and the cooperative credit structure. Consultations with the state governments have been completed and the roll out of the scheme is expected to begin during 2018–19.

### MicroATMs for RRBs

NABARD continued to extend grant support to RRBs and RCBs for setting up microATMs, all-in-one integrated devices or mobiles/PCs/tablets with accessories that are to be deployed in branches/PACS of RCBs and BCs/Agri-vendors attached to RRBs. During the year, scheme for funding one microATM per RRB branch was launched in addition to the support which was extended earlier (Showcase 3.10).

### Operationalisation of Central KYC Records Registry

Central KYC Records Registry (CKYCR) was set up, as per Prevention of Money Laundering (Maintenance of Records) Rules, 2005. All Regulated Entities (other than Scheduled Commercial Banks) have to upload KYC data of new individual accounts opened from 01 April 2017 onwards with CKYCR, i.e. CERSAI. This will eventually lead to a unified KYC regime across the BFSI sector. NABARD is extending support to RCBs and RRBs in order to encourage them to onboard to the CKYCR system.

### Membership to Authentication User Agency (AUA) / KYC User Agency (KUA) facilities

All bank account holders mandatorily have to link their accounts with their Aadhaar number as per Prevention of Money-laundering (Maintenance of Records) Second Amendment Rules, 2017. In order to comply with these provisions, banks need to access AUA / KUA facilities of Unique Identification Authority of India (UIDAI). NABARD is extending support to RRBs and RCBs for setting up the infrastructure so that they can provide their customers with Aadhaar authentication services.

#### Incentives to migrate to digital transactions

To encourage citizens to move towards a digital and cashless economy, GoI had launched several schemes in April 2017. It is expected that the following three schemes will show appreciable offtake in the coming years.

### (i) BHIM Aadh<mark>aar Merchant Incentive</mark> Scheme

NABARD is incentivising Aadhaar-based biometric transactions by merchants based on the value of any transaction made on an Aadhaar-enabled Point of Sale (PoS) device or mobile-based app. The incentive amount may be shared equitably between the merchant to defray operating costs of acquiring the PoS device and the issuing bank.

### (ii) BHIM Referral Bonus Scheme for Individuals/ BHIM Merchant Cashback Scheme

The referral scheme incentivises both the new users that are onboarding on the BHIM app and the existing users transacting on the BHIM app and/or BHIM-UPI apps of banks. The new user is eligible for incentive upon completion of one successful financial transaction. Incentives are given separately to existing users for unique and total financial transactions. The Cashback Scheme incentivises the adoption of BHIM app and/or

BHIM-UPI by merchants and transactions via BHIM/BHIM-UPI mode. The enabling condition includes a minimum transaction value of ₹25.

### (iii) Deployment of 20 lakh BHIM Aadhaar Pay Devices

In December 2016, NABARD had announced a scheme for placement of 2 lakh PoS devices in 1 lakh villages in Tier 5 and 6 centres. In view of the need for strengthening digital payment acceptance infrastructure, a new scheme was announced during the year to support banks for deployment of 20 lakh BHIM Aadhaar Pay devices, merchant on-boarding, for merchant transactions.

### 3.2.6 Developing Off-Farm Sector to Expand Livelihood Options

The off-farm sector plays an important role in creating employment opportunities, curtailing regional disparities, and contributing to GDP. Developing off-farm economic activities reduces dependence on agriculture as a means of livelihood and helps slow down distress migration to cities on account of rural poverty and lack of income opportunities. NABARD has been supporting off-farm sector development since inception, through a range of credit and promotional mechanisms, the latest being the Gramya Vikas Nidhi (Box 3.6).

#### Off-farm Producer Organisations

To promote collectivisation of rural artisans so as to make them strong enough to take up business activities, through capacity building, business planning, and development of marketing linkages, Off-Farm Producer Organisations (OFPOs)

were promoted on a pilot basis during 2016–17 in existing clusters. During 2017–18, ₹1.17 crore (cumulative ₹1.94 crore) was sanctioned under the scheme, including new clusters. Also during the fiscal, strong emphasis was laid on developing new cluster OFPOs in the northeast. As a direct outcome, besides OFPOs approved in Uttar Pradesh (handlooms), Chhattisgarh (minor forest produce) and Odisha, a new cluster OFPO was sanctioned in Mizoram. Additionally, 17 proposals from 12 states were given in-principle approval.

### Establishing Agri-Business Incubation Centres

The incubation centres have a role in promoting start-ups and enterprises to commercialise/upscale innovations. While India is witnessing the emergence of start-ups, very few start-ups have come up in the rural space.

Keeping this in view, NABARD decided to provide financial and other support to two agriculture universities for the establishment of Agri-Business Incubation Centres (ABICs). These ABICs would incubate start-ups in irrigation, seeds, bio-pesticides, bio-fertilisers, precision farming, agro-processing, marketing, bio-fuel, drinking water and sanitation, energy, health, education, etc.

During 2017–18, NABARD sanctioned grant assistance of ₹11.75 crore to Chaudhary Charan Singh Haryana Agricultural University (CCSHAU) towards both operational and infrastructure expenses for setting up a NABARD ABIC

### Box 3.6 Gramya Vikas Nidhi (GVN)

Gramya Vikas Nidhi (GVN), a new fund instituted during 2016–17 with an initial corpus of ₹20 crore to provide grant support to off-farm sector activities, has been enhanced to ₹40 crore during 2017–18. From the Off-farm Sector Promotion Fund (OFSPF) and GVN, ₹47.52 crore was sanctioned during 2017–18 to support off-farm activities, of which ₹19.39 crore was utilised.







Chairman, seen along with Chief Secretary, Haryana, at the ceremony to lay the foundation stone of the NABARD Agri Business Incubation Centre (NABIC) on 2 February 2018 in CCSHAU, Hisar.

(NABIC) in Hisar and ₹12.24 crore to Tamil Nadu Agricultural University (TNAU) for establishing incubation centre at Madurai.

#### **Promoting Rural Innovations**

Support for new rural innovation projects and up-scaling of successful innovations continued to be funded through OFSPF and more recently, through the GVN. As on 31 March 2018, NABARD sanctioned ₹74.07 crore to support 698 rural innovation projects, eight of which were identified for up-scaling in 2017–18. Funds have been sanctioned for innovative projects in Haryana, Telangana, Punjab, Uttar Pradesh and Odisha during 2017–18 with a commitment of ₹0.53 crore.

#### Skill Development Initiatives

Skilling and promotion of an entrepreneurial culture among the rural youth to encourage enterprises in the rural off farm sector has been a thrust area of NABARD for more than three decades. NABARD developed a structured approach for addressing the skill gap in rural India through demand-based and outcome-oriented programmes through Rural Development and Self Employment Training

Institutes/Rural Self Employment Training Institutes, NGOs/Voluntary Agencies, training institutes affiliated with the National Skill Development Corporation, government agencies and corporate partners.

NABARD sanctioned ₹9.70 crore during 2017–18 towards Skill Development Programmes (SDPs) for the rural youth, conducting 1,498 programmes for training of 35,462 participants in entrepreneurship and skill development. As on 31 March 2018, NABARD had supported 32,520 SDPs with grant assistance of ₹121.42 crore, imparting training to around 8.37 lakh unemployed rural youth.

During the year NABARD partnered with corporate entities like Ambuja Cement Foundation (ACF), Ashok Leyland Institute for Driving, Training and Research (ALIDTR) and Dalmiya Cement Foundation for skilling of rural youth in driving, soft skills, plumbing, tailoring, etc.

### Gurukuls set up by PANIIT

During 2015–16, financial assistance of ₹5 crore was sanctioned to NABFINS (a subsidiary of NABARD) for extending loans to the youth through *Gurukuls* set up by PANIIT Reach for India Foundation (PARFI), and an amount of ₹2.50 crore was disbursed. The balance amount of ₹2.50 crore was disbursed to NABFINS during 2017–18 for implementation of the project. As on 31 March 2018, 3,510 students received training in 18 *Gurukuls* located in 5 states *viz*. Jharkhand (13), Bihar (1), Odisha (1), Madhya Pradesh (1) and Tamil Nadu (2) through 92 training programmes.

#### NABSKILL—digital interface with NABARD

NABARD developed a portal NABSKILL (www.nabskillnabard.org), which captures the details of all stakeholders involved in skill development initiatives of NABARD (training seekers, training providers, placement agencies

and NABARD). Eligible training providers can submit their applications online to seek financial support from NABARD for conducting their programmes.

### Marketing initiatives: Exhibitions, melas, rural haats and marts

Thousands of artisans market their traditional art and craft work as well as produce through the many exhibitions, melas, rural haats and marts which NABARD supports pan-India. Since rural artisans are scattered all over the country and their buyers are mostly concentrated in urban centres who rarely venture into rural spaces, these forums which bring together the two are of significant economic value. During 2017-18, NABARD organised/sponsored 247 melas/ exhibitions in different parts of the country with financial assistance of ₹4.04 crore. During the last three years, 677 exhibitions were sponsored with an assistance of ₹10.35 crore. A few important melas/exhibitions sponsored by NABARD during the year are as follows.

- For the famous Mahalaxmi SARAS Mela
  in Mumbai, 98 participating artisans from
  across India were sponsored for setting up
  stalls. Artisans sold products worth nearly ₹1
  crore. Some of the artisans got bulk orders
  for their products.
- NABARD sponsored 42 stalls at the 32nd Surajkund International Crafts *Mela* 2018 which yielded total sales of ₹0.82 crore.
- The Fourth Deccan *Haat* was organised at Hyderabad in partnership with three commercial banks, two RRBs, and the Telangana State Cooperative Apex Bank. Handicraft and handloom products worth ₹1.14 crore were sold by artisans of 100 stalls from 12 states during the event. Promise of future orders to the tune of ₹0.18 crore was also received.

Arural *haat* is an open-air trading venue for the local rural population, organised by Panchayati

Raj Institutions (PRIs) or PACS/Producer Organisations/NGOs with NABARD financial assistance towards the basic infrastructure. As on 31 March 2018, 36 Rural *Haats* with grant assistance of ₹3.46 crore were sanctioned in 20 states. A rural mart is a district-level trading venue to be located at a prominent district landmark to facilitate marketing linkages for producers from across the district; 66 rural marts with grant assistance of ₹1.85 crore were sanctioned in 26 states as on 31 March 2018.

### 3.2.7 Supporting Government of India Initiatives

Credit Linked Capital Subsidy Scheme (CLCSS)

NABARD is one of the nodal agencies for channelling subsidy through cooperative banks, RRBs and commercial banks under the Credit Linked Capital Subsidy Scheme (CLCSS) for Technology Upgradation of Micro and Small Enterprises. The scheme, launched in 2000, supports the induction of proven and improved technologies into micro and small units in specified products/sub-sectors. As on 31 March 2018, NABARD had provided capital subsidy support worth ₹70.97 crore to 1,362 micro and small enterprise under the scheme.

#### Stand Up India Scheme

Stand Up India Scheme (SUI) launched by GoI on 5 April 2016 facilitates bank loans ranging from ₹10 lakh to ₹1 crore to at least one SC or ST borrower, and at least one women borrower, per bank branch for setting up an enterprise.

The District Development Managers (DDM) of NABARD have been designated as the Stand Up Connect Centres, they organise post-disbursement handholding events in the district to share best practices, provide guidance and help in resolving problems. As on 31 March 2018, 1,173 handholding events were conducted by DDMs in 478 districts of the country and 51,708 people participated in the events.





### 3.3 SUPPORTING RESEARCH AND SHARING KNOWLEDGE

Science-based development and evidence-based policy making are the pillars of modern economy and governance. Research and Development (R&D) efforts provide inputs for innovation, the key driver of development. For instance, NABARD's early years of research support to credit management groups, pre-cursors to SHGs, helped spawn the SHG movement that we see now. Being a knowledge-driven organisation, NABARD has been banking on learnings from research conducted in-house and supplemented by the external research efforts that it sponsors through its R&D Fund. Even extension efforts are supported by this fund which has a ₹50 crore corpus replenished every year to maintain the level.

NABARD supports various other research activities such as conducting surveys, dissemination of research outcomes through seminars and conferences, student internship programmes, and so on. Besides the R&D Fund, NABARD sponsors research and extension activities through some of its other funds such as the FSPF, FIF and the Rural Innovation Promotion Fund (RIPF). The details are discussed here as well as in other chapters.

### 3.3.1 In-house Studies

NABARD has a team of in-house professionals who conduct research on various topics such as farm mechanisation, state finances, doubling farmers' incomes, credit growth, price and production aspects of tomato, cumin, agri-marketing infrastructure, wind energy, protective cultivation, etc. The research findings are published in journals and as internal bulletins/reports.

NABARD assessed the agri-marketing infrastructurefacilities related to assaying, sorting/grading, packaging, storage and transportation in

the new markets under the Electronic National Agriculture Markets (eNAM) and Unified Market Platform (UMP) in Maharashtra and Karnataka, respectively. It examined the constraints faced by farmers in selling their produce under the new system and suggested steps that could be taken by NABARD for the creation of the Agri-Marketing Infrastructure Fund (AMIF).

The study revealed that while computerisation/automation had been undertaken at Agricultural Produce Marketing Committees (APMCs) or mandis selected for eNAM and electronic entry enabled, e-bidding/trading and e-payment were not made fully effective. Thus, while accurate electronic weighing of produce benefited farmers, the integration of markets across the states was not complete. The study suggested the need to provide infrastructure facilities and services relating to registration, cleaning, sorting, grading, assaying, etc. The study estimated that the setting up of such marketing infrastructure would need assistance of ₹867 crore in Maharashtra and ₹1,062 crore in Karnataka.

The other in-house studies conducted include:

- a) Zero Budget Natural Farming (ZBNF) in Kurnool and Anantapur districts of Andhra Pradesh
- b) Participatory Guarantee Scheme India in Aurangabad, Maharashtra
- c) Revival of Value Chains of Millets in Karnataka, Uttarakhand, Rajasthan, Haryana, Gujarat, Madhya Pradesh and Tamil Nadu
- d) 'Harvesting Solar Power': Model schemes have been prepared in the states of Karnataka, Gujarat and Haryana
- e) Issues in the Silk Sector in the states of Tamil Nadu, Chhattisgarh, Jharkhand, Meghalaya and Karnataka
- f) Impact of pilot projects on Value Chain in Potato (West Bengal), Tomato (Haryana) and Onion (Maharashtra)

### 3.3.2 External Research Projects Supported

During 2017–18, NABARD supported under its R&D Fund, a few studies on topics such as the Rural Development Infrastructure Index for Districts of Maharashtra; Agro-Processing Sector in India; Start-ups in Agriculture; and Sustainability of Small Farmer Households and Doubling of Farmers' Income. The total grant assistance sanctioned during the year was ₹1.13 crore. Grant assistance of ₹2.55 crore was released during 2017–18 towards ongoing studies. Five projects were completed during the year.

G.B. Pant University of Agriculture and Technology conducted a study on the 'Promotion and Evaluation of Eco-Friendly Practices for Bee Keeping in Uttarakhand'. The study clearly revealed that the bovine urine and dung (powder, smoke and ash), neem leaf and ajwain seed powders offer viable alternatives to conventional chemical management of diseases and pests in honey bee colonies. They also have no adverse effect on the brood and the adult bees.

The BAIF Development Research Foundation, Pune conducted a study on the 'Standardisation of Nursery and Production Technology of Cactus (*Opuntia ficus indica*) for Livelihood Development in the Arid and Semi-Arid Regions'. Under the study, a model scheme has been developed for nursery and production of cactus which can be used as fodder for sheep/goat rearing in arid/semi-arid regions.

A multi-location study on 'Doubling of Farmers' Income by 2022: Issues and Strategies' was conducted in six states of various agroclimatic regions by various agencies. These studies examined current level of farmer income and its composition, identified the constraints, explored income diversification options for farmers, and recommended strategies to achieve the income enhancement goal. Some of the broad findings of the studies include adequate infrastructure to facilitate pre- and post-production activities,

sustainable farm models integrated with allied activities, change in cropping pattern in favour of high value crops, rural skill-based entrepreneurship activities, promote institutional credit support to farmers for timely, adequate and quality farm inputs.

A study on the 'Review of Policies in the Decentralised Renewable Energy Sector and Solar Cropping Pattern in India' was funded by FSPF and executed by Intellecap Advisory Services Pvt. Ltd.

A few collaborative studies have also been conducted during 2017–18. The EPW Research Foundation (EPWRF), Mumbai and NABARD undertook the 'Critical Evaluation of Rural Indebtedness' using data from All India Debt and Investment Survey (AIDIS). The study examined the salient features of the seven decennial surveys of AIDIS (including 2012-13) covering a lakh households each and presented the major outcomes. Trends in distribution of assets and liabilities revealed the changing structure of rural and urban finance as well as rising assets inequality, particularly in the last three decades. The overall share of institutional credit in total rural debt decreased from 64 per cent in 1991 to 56 per cent in 2012 signalling the dwindling role of commercial banks in servicing rural credit needs. Professional moneylenders re-emerged as the single most important source of rural finance in 2012.

### 3.3.3 NABARD All India Rural Financial Inclusion Survey

NABARD launched the NABARD All India Rural Financial Inclusion Survey (NAFIS) in 2016–17 to gain a deeper insight into the livelihood and financial inclusion of households and bridge critical gaps in the understanding of rural financial inclusion. With a sample of 40,000 rural households from 29 states, 245 districts and 2016 villages/centres, NAFIS would aid evidence-based policy making. Survey work has been completed and preliminary results are being discussed by experts and are being validated. This is one of





the important initiatives of NABARD towards evidence-based policy making. Preliminary results indicate positive outcome of the country's efforts towards financial inclusion.

### 3.3.4 Long Term Research Partnerships

NABARD has forged long-term partnerships with a few institutes. They are in the form of Centre for Research and Chair Units.

### NABARD Centre for Research in Agri-Economics

NABARD Centre for Research in Agri-Economics (http://icrier.org/nabard-centre-for-researchin-agri-economics) has been set up for three years in the Indian Council for Research on International Economic Relations (ICRIER), New Delhi. It is working on land use in agriculture (land use policy, tenancy laws, soil health), water use in agriculture (water productivity, timely completion of surface irrigation projects, checking groundwater depletion), and small holders in high value agriculture (dairy, horticulture-onion, potato, banana, mango, and pulses). The Centre has published a report on Water Productivity Mapping of 10 Major Indian Crops-rice, wheat, maize, tur, chickpea, sugarcane, cotton, groundnut, rapeseed-mustard and potato-in all districts across the states of India. A key finding indicates the significant misalignment between cropping patterns and available water resources across geographies. Through this lens the report identifies regions with poor water-use efficiency that need special interventions. The work on other land and value chain issues is underway.

#### NABARD Chair Units

NABARD has a network of eight NABARD Chair Units (NCUs) across India as on 31 March 2018. In 2017–18, a chair unit was set up in Tamil Nadu Agricultural University, Coimbatore with the release of fund for first year and one more chair in Fishery sector at CMFRI, Kochi has been approved.

### 3.3.5 NABARD Student Internship Scheme

NABARD has been offering internships during summer vacation since 2005–06. The objective is to encourage meritorious students pursuing postgraduate degrees in agriculture, agribusiness, economics, social sciences and management in reputed institutes to bring fresh perspective on themes of interest to NABARD. In 2017–18, 59 students completed internship under the scheme and submitted their findings across eight broad themes that included the economics of solar pump irrigation, impact of farm diversity on nutritional status, effect of e-NAM on traders, sustainability of farmers' club and role of farming in enhancing farmers' income.

### 3.3.6 Seminars, Conferences, Workshops, and Consultations

NABARD supported 218 seminars, conferences, symposia and workshops during the year on various aspects related to agriculture and rural development. The events organised by various agencies covered sustainable rural development, bio-diversity, agri-business, growth and opportunities for small and medium enterprises, financial inclusion, cold chain, climate smart sustainable agriculture, fisheries, and empowerment of disabled farmers through skill development, among others.

### 3.3.7 Publications

NABARD has brought out print as well as web editions of various reports during the year. During 2017–18, six issues of the Rural Pulse, an in-house policy brief on wide ranging topics such as Protected Cultivation of Horticulture Crops, Onion Supply Chain Analysis: Constraints and Way Forward, Hydroponics, Fodder Production: An Alternative Technology for Sustainable Dairying, Cumin Supply Chain Constraints and Prospects, Prospects of Wind Energy in India and Commodity Study of Tomato in Maharashtra, were brought out.

Besides these, NABARD National Sectoral Papers on fisheries and aquaculture, animal husbandry, plantation and horticulture, soil, water and crop management, water resources and forestry were brought out by the Central Technical Advisory Group (C-TAG), its technical think-tank. This team also published 45 model bankable projects on the NABARD website.

#### 3.3.8 Consultancy

NABARD Consultancy Services (NABCONS), a wholly owned subsidiary of NABARD is involved in conducting feasibility studies, project preparation and appraisal, project management and monitoring, concurrent and impact evaluation, etc., in the area of agriculture and rural development.

### 3.3.9 Way Forward

NABARD values research and supports it in various ways. While efforts are on to internalise most of the research, it is through long-term partnerships and exchange of ideas that we can minimise the research gaps, bring economies by avoiding wasteful duplication and reap the benefits of vast amount of research lying within and outside the organisation. NABARD would need to work in this direction and further invest in partnerships.

### Box 3.7 Some Important Events of the Year

### NATIONAL SEMINAR ON HANDLOOM

To mine fresh ideas for invigorating the handloom sector, NABARD held a 'National Seminar on Handloom' at Mumbai on 19 January 2018, on the sidelines of the Mahalaxmi SARAS *Mela*. The seminar was attended by senior government officials with domain expertise and industry doyens from organisations like Cooptex, FabIndia, Tata Tanera, Gocoop, Malkha and Jaypore, as also master weavers from Varanasi. Delegates shared their views on the challenges facing the sector, financing solutions, and strategies for developing new markets.

#### SEMINAR CELEBRATING 25 YEARS OF SHG BANK LINKAGE PROGRAMME

To commemorate 25 years of the SBLP, NABARD dedicated its 36th Foundation Day to the SHG movement by holding a seminar on 11 July 2017, which was inaugurated by Hon'ble Finance Minister, Shri Arun Jaitley at Vigyan Bhawan, New Delhi. During the inauguration, many eminent personalities who had made yeomen contribution to the SHG movement *viz.*, Dr C. Rangarajan, former Governor, RBI, Padmashree Shri Aloysius Fernandes of MYRADA, Magsaysay award winner and founder of Sewa Bank Smt. Ela Bhatt, Shri Y.C. Nanda and Dr P. Kotaiah, former Chairpersons of NABARD, CEOs/senior executives of banks including SBI, Indian Bank, ICICI Bank, a few Central Cooperative Banks (CCBs) and RRBs, SHG members and NGOs who made significant contribution to the movement were felicitated by Hon'ble Finance Minister. A Silver Jubilee Commemorative Memoir book and also the 'State of Microfinance 2017' were unveiled by the Hon'ble FM.

A panel discussion on the theme 'Giant Leap in Women Empowerment and Financial Inclusion' was organised during the seminar. The eminent participants were Shri Atal Dulloo, Mission Director, NRLM, Shri Suresh N. Patel, MD and CEO, Andhra Bank, Shri Rajnish Kumar,

Box 3.7 (contd)



Box 3.7 (contd)

MD, State Bank of India, Shri Sunil Mehta, MD and CEO, PNB, Shri Ajay Kumar Mishra, CGM, FIDD, RBI and other practitioners in the SBLP movement. Panellists deliberated over a variety of issues from credit linkage to promotion of livelihood among SHG members to impact of digital technology in the sector. The discussion was moderated by Shri H.R. Dave, DMD, NABARD.

### **COMMODITY BOARDS MEET**

A consultation meet was organised at Kochi, Kerala in November, 2017, with major Commodity Boards of the country, *viz.*, Coffee Board, Tea Board, Spices Board, Coconut Development Board, Rubber Board, National Jute Board, Central Silk Board, Coir Board and institutions such as Agricultural and Processed Food Products Export Development Authority (APEDA) and the Marine Products Export Development Authority (MPEDA), in order to identify prominent issues under each sector and explore possible areas of collaboration to build solutions and improve farmers welfare.

### NATIONAL LEVEL FARMERS' CONSULTATIVE GROUP

The National Level Farmers' Consultative Group (NLFCG) met for the first time at BIRD, Lucknow on 9 February 2018. Farmers' representatives from 20 states across the country shared first-hand information on issues and constraints faced by them, with NABARD.



- 4.1 Credit Planning
- 4.2 Policy
- 4.3 Operations
- 4.4 Credit Enhancement through Developmental Initiatives
- 4.5 Channelling Government of India Sponsored Schemes for Credit Enhancement
- 4.6 Way Forward





Access to timely agricultural credit is critical in facilitating the growth of a rural economy. The effectiveness of credit depends, inter alia, on credit absorption capacity, which is influenced by technology, extension support, infrastructure, marketing facilities, transportation, storage, etc. As part of its mandate, NABARD works on both the supply side and demand side. On the supply side, it works on credit policy, planning, strengthening of rural financial institutions, providing shortand long-term refinance to enhance liquidity and enable banks to extend long-term loans with affordable repayment periods. On the demand side, NABARD works on creating demand through: supporting the creation of rural infrastructure; building sustainable models for convergence; organising the rural populace into self-help groups (SHGs), joint liability groups (JLGs), Producer Organisations (POs) of farmers and artisans; supporting agricultural extension through Farmers' Clubs; setting up Incubation Centres for faster growth of rural start-ups, etc. This chapter deliberates on credit planning, policy and operations, and encapsulates the initiatives taken towards credit enhancement.

#### 4.1 CREDIT PLANNING

#### 4.1.1 Potential Linked Credit Plans

Under the policy framework set up by RBI, NABARD prepares Potential Linked Credit Plans (PLPs) for each district in the country every year. The document provides credit estimates for agriculture and its sub-sectors, allied activities, non-farm sector, other priority sectors, etc., which can be potentially absorbed at the district-level. The infrastructure gaps and ways to bridge the same are also discussed in the PLPs. During 2017–18, NABARD prepared PLPs for 702 districts to guide the credit planning exercise undertaken by banks in 2018–19. Sector-wise credit projections in the PLPs were utilised to fix credit targets for agriculture and allied sectors

and other priority sector activities for 2018–19 at the state and district level.

#### 4.1.2 State Focus Paper

Consolidating the projections given in the PLPs, state estimates form the basis of State Focus Papers (SFPs) prepared by NABARD at the state level, wherein the credit potential, critical infrastructure gaps, requisite linkage support from line departments, policy changes required, etc. are detailed. During 2017–18, State Credit Seminars were organised in states and Union Territories (UTs) to discuss credit potential and the means to bridge the infrastructure gaps to facilitate future credit flow, with officials of various state government departments, financial institutions and other stakeholders. Many of the suggestions given in the SFPs were reflected in the annual state budgets.

### 4.1.3 Area Development Schemes

NABARD prepared district-specific Area Development Schemes for almost all the districts of the country for major sectors such as dairy, fisheries, horticulture, etc. by involving all stakeholders, viz. line departments, banks, NGOs, and other agencies. These schemes aid in boosting capital formation through improved term lending by banks and also offer a bouquet of bankable activities to potential entrepreneurs to choose. Such bankable projects help in enhancing investment credit flow to agriculture and allied activities at the grassroots level.

During 2017–18, NABARD prepared PLPs for 702 districts to guide the credit planning exercise undertaken by banks in 2018–19.

### 4.2 POLICY

Keeping in view the resource position, ground-level credit demand, need for maintaining regional and inter-sectoral balance, objectives of national-level programmes and missions, national and international regulatory and statutory requirements, health status of the rural financial institutions, NABARD formulates policies for refinance (short-and long-term credit) and direct finance.

#### 4.2.1 Short-Term Refinance

Short-Term Seasonal Agricultural Operations (ST-SAO): NABARD sanctions refinance limits for lending under ST-SAO, as a proportion of the Realistic Lending Programme (RLP) of State Cooperative Banks (StCBs) and Regional Rural Banks (RRBs) with special incentives favouring Eastern and North-Eastern states (Table 4.1).

TABLE 4.1 Credit Limits under ST-SAO

	Pagian	Lin	nit
	Region	StCBs	RRBs
i	States, other than those listed in 'ii' and 'iii'	40 per cent of RLP	20 per cent of RLP
ii	Eastern Region (Bihar, West Bengal, Odisha, Jharkhand, Chhattisgarh, and 28 districts of Eastern Uttar Pradesh)	45 per cent of RLP	25 per cent of RLP
iii	North-Eastern Region (NER), J&K, Sikkim, A&N Islands, Himachal Pradesh, and Uttarakhand	60 per cent of RLP	45 per cent of RLP

The ST-SAO refinance (up to 18 months) for StCBs and RRBs include the following components.

- National Mission on Oilseeds and Oil Palm (NMOOP-Oilseeds)
- Development of Tribal Population (DTP)

 National Food Security Mission-Pulses (NFSM-Pulses)

Additional Short-Term Seasonal Agricultural Operations (ST-SAO): NABARD introduced a new line of credit in the year 2016-17 for helping banks to tide over liquidity constraints arising due to drought, increased ground-level demand for credit, low accretion of deposits and also withdrawal of deposits by DCCBs etc. NABARD provides Additional ST-SAO to StCBs and RRBs over and above the normal ST-SAO limit, to meet financial exigencies. Refinance is extended as percentage of the RLP as shown in Table 4.2.

TABLE 4.2 Credit Limits under Additional ST-SAO

Panian	Liı	nit
Region	StCBs	RRBs
States, other than those listed in 'ii' and 'iii'	50 per cent of RLP	40 per cent of RLP
<ul> <li>Eastern Region         <ul> <li>(Bihar, West Bengal,</li> <li>Odisha, Jharkhand,</li> <li>Chhattisgarh, and 28</li> <li>districts of Eastern Uttar</li> <li>Pradesh)</li> </ul> </li> </ul>	55 per cent of RLP	45 per cent of RLP
North-Eastern Region     (NER), J&K, Sikkim, A&N     Islands, Himachal Pradesh,     and Uttarakhand	70 per cent of RLP	65 per cent of RLP

Short-Term (Others): NABARD has widened the scope of assistance extended in its ST (Others) product by providing refinance for procurement and marketing of activities of state owned federations/apex marketing societies and also for bona fide trading activities of rural artisans and small businesses. Refinance for these activities is extended up to 100 per cent of the realistic lending programmes of banks. The policy is detailed in Box 4.1.





### Box 4.1 **Refinance under ST-Others: Credit Limits for StCBs and RRBs**

Refinance is extended under Section 21 (1)(iv) of the NABARD Act, 1981

Quantum of refinance: 100 per cent of RLP for eligible purposes.

Eligible institutions: State agencies/societies, civil supplies corporations, cooperative agri-marketing federations (MARKFED), agro-industries corporations, other state government notified cooperatives or federations

**Purposes (StCBs):** Inter-alia, short-term agriculture and allied activities, crop marketing, industrial cooperative societies (other than weavers), labour contract cooperatives and societies, rural artisans, fisheries, purchase and distribution of agricultural inputs.

Purposes (RRBs): Crop marketing, fisheries, artisans (other than handloom weavers), village/cottage/tiny sector industries, commercial or trade transactions, financing persons belonging to the weaker sections engaged in trade/business/service activities, etc.

### 4.2.2 Refinance Support for Marketing

Marketing federations and cooperative institutions play a very important role in procurement of agricultural commodities, aggregation, storage and value addition and marketing. Farmers, producers' organisations and primary societies depend upon these institutions for marketing of their produce and value-added services such as input supply, value addition and storage facilities. The marketing operations of these federations and cooperatives require seasonal and timely short-term credit to support their day-to-day operations. NABARD has been playing an important role through the mechanisms discussed briefly below:

Loans are extended to farmers against Negotiable Warehouse Receipts (NWRs). In order to discourage distress sale by farmers and to encourage them to store their produce in accredited warehouses against warehouse receipts, the Government of India (GoI) extends

the benefit of 2 per cent interest subvention to banks for making advances from their own funds. Banks were eligible for subvention for credit support up to ₹3 lakh at an interest rate of 7 per cent per annum to small and marginal farmers having Kisan Credit Cards (KCCs), for up to six months post-harvest, against NWRs for keeping their produce in accredited warehouses. NABARD provides refinance to banks at an interest rate of 4.5 per cent for such loans.

#### 4.2.3 Credit Facility to Federations

Under Credit Facility to Federations (CFF), shortterm credit support is available to State/Central Government, Agricultural Marketing Federations, Corporations, Dairy Co-operatives/Federations, Agriculture Marketing Co-operatives/ Federations, and Registered Companies for marketing of agricultural commodities inputs supply, value and supply chain management by the corporations, federations, cooperatives, registered companies, dairy cooperatives, milk union, etc. Under this facility, credit support is made available for procurement of foodgrains by marketing federations and civil supplies corporations and coarse grains procurement by marketing federations, marketing of fertilisers by federations, and oil seeds/milk processing by the respective cooperative unions.

The policy for Credit Facility to Federations (CFF) is as follows:

- providing working capital requirements to assist marketing activities of Marketing Federations, Civil Supplies Corporations and Cooperatives;
- eligible activities are: (i) procurement and marketing of agricultural commodities; (ii) processing and marketing of agricultural commodities; (iii) procurement, processing and marketing of milk; (iv) supply of agricultural inputs including animal feed and agricultural chemicals, etc.;
- short-term credit facility will be operative for a period of 12 months from the date of sanction. A shorter period product of 3 months has also been introduced; and,
- the rate of interest will depend upon the type of borrower, purpose of loan, security offered, credit rating of the entity and prevailing market conditions, etc.

### 4.2.4 Direct Refinance Assistance to **DCCBs for Short-Term Multipurpose Credit**

While NABARD has been providing refinance for various lending purposes to StCBs on behalf of DCCBs, Direct Refinance Assistance to DCCBs was designed as an additional line of credit to DCCBs for diversification of lending and enhancing their earnings through profitable portfolios. The policy for the scheme is as follows:

 the product is to provide financial assistance to DCCBs to expand their lendable resources

- to diversify business operations, and thereby improve their profitability;
- the credit limit is sanctioned to well governed and financially strong 'A' and 'B' rated StCBs/ DCCBs as per the latest Inspection Report of NABARD;
- purpose of the loan covers, inter alia, working capital, repair and maintenance of farm equipment and other productive assets, storage/grading/packaging of produce, marketing activities, etc.;
- the limit is in the nature of cash credit and is operative for a period of one year from the date of sanction.
- a limit for shorter period product of three months is also available; and,
- the limits are sanctioned to Cooperative Banks against pledging their unencumbered Fixed Deposit Receipts (FDRs) in a predetermined proportion.

#### 4.2.5 Long-Term Refinance

Refinance for asset creation and capital formation in rural areas, which is critical for increasing agricultural productive capacity, agricultural growth, and rural development, is extended by NABARD in the form of long-term (LT) refinance to Scheduled Commercial Banks (SCBs), RRBs, StCBs, State Cooperative Agriculture and Rural Development Banks (SCARDBs), Small Finance Banks (SFBs), Non-Banking Financial Companies (NBFCs), NBFC-Microfinance Institutions (MFIs), Primary Urban Cooperative Banks (PUCBs), and NABARD Subsidiaries. Refinance is available for loans to farm investments, allied activities, micro, small, and medium enterprises, agro-processing, organic farming, non-conventional energy, SHGs, JLGs, rural housing, etc. The repayment period ranges from 3 to 15 years. There is a renewed focus on area development plans for enhancing investment credit. The eligibility criteria for availing LT refinance support are presented in Box 4.2.





## Box 4.2 Eligibility Criteria for LT Refinance Support: Salient Features

For the year 2017–18, the eligibility criteria for refinance for major agencies were broadly as under.

- Minimum CRAR norms: 7 per cent as on 31 March 2016 for StCBs; 9 per cent for RRBs and SCBs (as per Basel II), 10 per cent for PUCBs and 15 per cent for NBFCs/NBFC-MFIs and SFBs, as on 31 March 2017.
- Net NPA (maximum) norms: as of 31 March 2017, ranges from 3 per cent for PUCBs, NBFCs/NBFC-MFIs and SFBs, to up to 6 per cent for public sector Scheduled Commercial Banks.
- Audit completion and submission of audit report to NABARD: for RRBs up to 30 June 2017, for StCBs and SCARDBs up to 30 September 2017.

#### • Eligibility norms for NBFCs:

- » RBI registered NBFCs: rated minimum 'AA' by a SEBI approved rating agency and lending experience of five years or more;
- » RBI registered NBFC-MFIs: graded up to one notch below top grading of mFR1/MF1 by a SEBI approved rating agency and lending experience of five years or more; and,
- » special eligibility norms for NBFC in NER states: for NBFCs, rating norm relaxed from 'AA' to 'A', and for NBFC-MFIs norm relaxed to include MFIs two notches below top rating.

### • Extent of refinance:

- » 100 per cent to StCBs, RRBs, PUCBs, SFBs, DCCBs, SCARDBs and scheduled commercial banks (SCBs) for all 'thrust areas';
- » for all other approved purposes for investment credit, to the extent of 95 per cent for Krishak Sathi Yojana;
- » for all activities, 90 per cent for NBFC/NBFC-MFIs rated 'AAA' or equivalent, 85 per cent for NBFC/NBFC-MFIs rated one notch below top and 80 per cent for NBFC/NBFC-MFIs rated two notches below top;
- » refinance to subsidiaries of NABARD for up to 100 per cent of the eligible bank loan for all activities under 'thrust areas' in all regions and 95 per cent for other activities;
- » National Mission on Sustainable Agriculture (NMSA) and Area based Schemes under banking plan – NABARD has made special concessional norms of 100 per cent refinance and rate of interest at 50 basis point less than prevailing rate.
- » Women SHGs (WSHGs) under NRLM-NABARD provided concessional refinance at 4.5 per cent to StCBs and RRBs for lending at 7 per cent for loan up to ₹3 lakh to WSHGs under NRLM.

### 4.2.6 Long-Term Rural Credit Fund (LTRCF)

In order to boost capital formation in agriculture GoI had set up the LTRCF with NABARD in 2014–15, to exclusively provide LT refinance support to cooperative banks and RRBs. The allocation to LTRCF was ₹15,000 crore in 2017–18. The interest rate on refinance was revised downwards to 4.65 per cent per annum with an advisory that the banks pass on this benefit to the borrowing farmers.

### 4.3 OPERATIONS

### 4.3.1 Short-Term Refinance Support

Production and working capital needs of farmers, weavers, artisans, etc. for agriculture and allied activities are met by RFIs through short-term credit.

During 2017–18, an amount of ₹79,704 crore was disbursed to StCBs (₹63,458 crore) and RRBs (₹16,246 crore) to meet the seasonal credit demand for rural economic activities (Table 4.3).

ST-SAO: In order to augment resources for supporting ST-SAO operations during 2017–18, GoI allocated ₹45,000 crore to the Short-Term Cooperative Rural Credit (STCRC) fund and

₹10,000 crore to Short-Term RRB Refinance (STRRB) fund. Both the funds were fully utilised.

Additional ST-SAO: During 2017–18 NABARD disbursed ₹15,308 crore to StCBs and ₹4,828 crore to RRBs under additional ST-SAO line of credit, which had helped banks for enhancing the ground-level credit flow substantially (Table 4.3).

ST-Others: ST-Others recorded a threefold increase at ₹4,568 crore during 2017–18, of which StCBs utilised ₹3,150 crore and RRBs ₹1,418 crore (Table 4.3). An amount of ₹25 crore was disbursed to Andhra Pradesh StCB for production, procurement and marketing activities of weaver societies.

### 4.3.2 Credit Facility to Federations

During the year, credit limit of ₹15,254 crore was sanctioned to state marketing federations, civil supply corporations and dairy cooperatives for procurement and marketing of agricultural produce. Aggregate disbursements during the year was ₹25,436 crore, registering a growth of 61 per cent over the previous year. The outstanding under CFF loan as on 31 March 2018 stood at ₹11,954 crore, which was 72 per cent higher than that of the previous year. Figure 4.1 depicts the trend of sanctions and disbursements during the last three years.

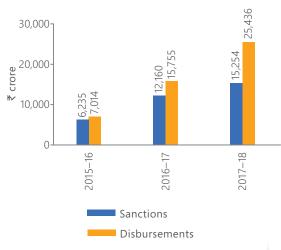
TABLE 4.3

Progress of Disbursements under Short-Term Credit to StCBs and RRBs

(Amount in ₹ crore)

Purpose		StCBs		RRBs		
	2015–16	2016–17	2017–18	2015–16	2016–17	2017–18
ST-SAO	54,001	62,881	45,000	16,000	10,002	10,000
Addl. ST-SAO	-	7,465	15,308	-	3,116	4,828
ST-Others (including Weavers)	767	1,055	3150	424	455	1,418
Total	54,768	71,401	63,458	16,424	13,574	16,246

Figure 4.1 CFF Sanctions & Disbursements (Amount in ₹ crore)



## 4.3.3 Direct Refinance Assistance to DCCBs for Short-Term Multipurpose Credit

Loans amounting to ₹6,447 crore were sanctioned to 61 DCCBs and 5 StCBs during 2017–18. The disbursement during the year was ₹4,849 crore. Ten cooperative banks were sanctioned loans for the first time during 2017–18. Cumulatively 104 banks had availed assistance since inception of the product. The major states where cooperative banks have availed of this facility are Karnataka, Gujarat, Uttar Pradesh, Madhya Pradesh, Maharashtra, Odisha, Kerala, Haryana, Himachal Pradesh, Bihar, Rajasthan, Andhra Pradesh, Uttarakhand, and Chhattisgarh.

### 4.3.4 Facilitating Medium-Term Conversion (MT-C)

For providing relief to farmers affected by crop damage due to natural calamities, StCBs and RRBs are being provided medium-term conversion support by NABARD. Accordingly, refinance under ST-SAO converted to MT-C loans during the last three years was ₹484 crore (2015–16), ₹2,789 crore (2016–17) and ₹116 crore (2017–18).

### 4.3.5 Long-Term (LT) Refinance

Disbursements under LT refinance have continuously increased and recorded ₹65,240 crore in 2017–18. The disbursement has increased at a compound annual growth rate (CAGR) of 16.50 per cent for the period 2015–16 to 2017–18 (Figure 4.2). Of the total refinance assistance provided during 2017–18, scheduled commercial banks (SCBs) accounted for 61 per cent, RRBs 18 per cent and StCBs for 11 per cent. SCBs have steadily increased their share over the years (Table 4.4).

Figure 4.2 Trend in Long-Term Refinance (Amount in ₹ crore)



TABLE 4.4
Agency-wise Disbursement and Share (%) of Refinance (Amount in ₹ crore)

Agency	2015	<b>–16</b>	2016	<del>-17</del>	2017–18		
	Disbursement	Share (%)	Disbursement	Share (%)	Disbursement	Share (%)	
SCBs	22,824	47.49	25,834	48.29	40,000	61.32	
RRBs	12,140	25.26	11,370	21.25	11,537	17.68	
StCBs	6,231	12.96	6,434	12.02	7,086	1 <mark>0.</mark> 86	
SCARDBs	3,258	6.78	3,398	6.35	2,594	3.98	
NABARD Subsidiaries	611	1.27	532	0.99	1,228	1.88	
NBFCs	3,000	6.24	5,938	11.10	2,794	4.28	
Total	48.064	100.00	53.506	100.00	65,240	100.00	

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TABLE 4.5 Region-wise Disbursement (Amount in ₹ crore)

Region	2015–16	2016–17	2017–18
Northern	7,106	10,502	10,107
North-Eastern	481	445	772
Eastern	5,501	4,385	5,498
Central	4,499	5,165	6,776
Western	6,813	9,037	14,720
Southern	23,664	23,970	27,367
Total	48,064	53,506	65,240

Southern: Andhra Pradesh, Telangana, Karnataka, Kerala, Tamil Nadu, Puducherry, and Lakshadweep

Western: Gujarat, Goa, Maharashtra, Dadra and Nagar Haveli, and Daman and Diu

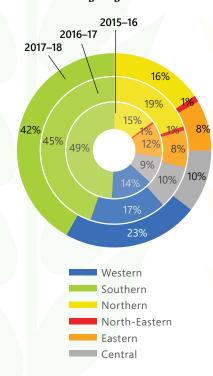
Northern: Haryana, Himachal Pradesh, Punjab, Rajasthan, Jammu & Kashmir, Delhi, and Chandigarh

Central: Madhya Pradesh, Chhattisgarh, Uttar Pradesh, and Uttarakhand

Eastern: Bihar, Jharkhand, Odisha, West Bengal, and Andaman and Nicobar Islands

North-Eastern: Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, and Sikkim

Figure 4.3 Share of Disbursements by Region



### Region-wise disbursement under LT refinance

The major share of LT refinance goes to the southern states. However, their share has reduced from 49 per cent (2015–16) to 42 per cent (2017–18), while the share of western region has increased to 23 per cent in 2017–18 from 14 per cent in 2015–16. The NER has marginally increased its share from 1 per cent (2015–16) to 1.16 per cent (2017–18). An amount of ₹757 crore was disbursed among the north-eastern states during 2017–18 (Table 4.5 and Figure 4.3).

### Purpose-wise disbursement under LT refinance

Purpose-wise disbursement under LT refinance during the last three years is furnished in Table 4.6. Among the farm sector activities, farm mechanisation, dairy development and land development constituted 10.52 per cent, 5.71 per cent and 5.46 per cent, respectively, of the total disbursement in 2017–18. Together, non-farm sector (42 per cent) and micro-credit (11 per cent) constituted around 53 per cent of total LT refinance (Figure 4.4).

Figure 4.4 Broad Sector-wise Share of LT Refinance, 2017–18

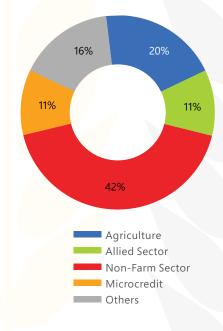






TABLE 4.6
Purpose-wise Disbursement under LT Refinance (Amount in ₹ crore)

Purpose	2018	5–16	2016–17 2017–18		7–18	
	Disb.	Share (%)	Disb.	Share (%)	Disb.	Share (%)
Minor Irrigation	1,174.00	2.44	1,145.00	2.14	1,513.00	2.32
Land Development	1,555.00	3.23	5,752.00	10.75	3,561.00	5.46
Farm Mechanisation	5,672.00	11.80	11,076.00	20.70	6,862.00	10.52
Plantation and Horticulture	1,983.00	4.13	2,631.00	4.92	906.00	1.39
PF/SGP/ AH-Other	1,238.00	2.57	1,088.00	2.03	2,033.00	3.12
Fisheries	371.00	0.77	211.00	0.40	95.00	0.14
Dairy Development	2,834.00	5.90	2,118.00	3.95	3,724.00	5.71
Bio-Gas	_	_	0.59	0.00	0.65	0.00
Forestry	5.90	0.01	0.83	0.00	0.15	0.00
Storage Godown and Market Yard	413.00	0.86	109.00	0.20	234.00	0.36
Non-Farm Sector	14,056.00	29.24	18,505.00	34.59	27,696.00	42.45
SHG	6,906.00	14.37	5,660.00	<mark>10.58</mark>	6,981.00	10.70
Others (including SGSY& SC/ST-AP)	11,856.00	24.67	5,210.00	9.74	11,634.00	17.83
Total	48,064.00	100.00	53,506.00	100.00	65,240.00	1 <mark>00.00</mark>

## 4.4 CREDIT ENHANCEMENT THROUGH DEVELOPMENTAL INITIATIVES

### 4.4.1 Microfinance Initiatives in Credit Enhancement

The SHG-Bank Linkage Programme (SBLP), pioneered by NABARD about two-and-a-half decades ago, currently covers about 87.4 lakh SHGs and nearly 10 crore poor households in India. It has emerged as a powerful intervention for poverty alleviation through holistic financial inclusion. The rural poor, thought to be unbankable prior to the SBLP era, now have credit outstanding of more than ₹61,581 crore with the formal lending institutions. The SBLP initiative has been discussed in detail in Chapter 3.

### 4.4.2 Umbrella Programme for Natural Resource Management (UPNRM)

The UPNRM aims at creating a loan-based product for banks to support livelihood initiatives in rural areas. The programme intends to build capacities of the channel partners and end users. Banks have also started financing under this programme. The details of this model have been presented in Chapter 3.

## 4.4.3 Watershed Development, Tribal Development Programme (Wadi), and Farmers' Clubs

Support for watershed development by NABARD has enabled the rural community to build resilience against climate variation, climate proofing, management of dryland resources through soil and water conservation, livelihood development of women/landless through income

generation and other interventions which aim at increasing credit absorption capacity and hence, demand for credit. Similarly support for tribal families through *wadi* (orchard) development, soil conservation, water resources development and other activities also enable improvement in credit absorption capacity among the tribal population. Developments under these programmes have been discussed in Chapter 3.

Farmers' Clubs (FCs) are created to act as enablers of raising credit demand and also inculcating credit habits and ethics of repayment along with providing information to farmers on technology, markets etc. Details of this programme have been discussed in Chapter 3.

### 4.4.4 Off-Farm Development

Developmental and promotional support for offfarm sector enhances credit demand and credit absorption capacity of the rural people/youth, by improving employability through skill and entrepreneurship development, promotion of rural innovations, marketing of rural produce, formation of Off-farm Producer Organisations (OFPOs), agri-business incubation centres, and rural housing. NABARD has been providing adequate refinance support as reflected in refinance disbursements over the years (42 per cent in 2017–18). Details of these programmes have been discussed in Chapter 3.

## 4.5 CHANNELLING GOVERNMENT OF INDIA SPONSORED SCHEMES FOR CREDIT ENHANCEMENT

### 4.5.1 Extending Interest Subvention to Farmers

The scheme envisages providing crop loan at 7 per cent interest for a maximum loan of ₹3 lakh to farmers. To ensure this, the GoI incentivises banks at the rate of 2 per cent and also extends an additional 3 per cent to the farmers who make prompt repayment. Besides the loan for raising

crops, the GoI extends similar subvention to loans against NWRs devised to stop distress sale of produce by small and marginal farmers. During 2017–18, Aadhaar linkage was made mandatory for farmers to avail short-term crop loans from lending institutions.

### 4.5.2 Administering Schemes for Sugar Farmers

Being the nodal agency for settling of Interest Subvention claims under the scheme for restructuring term loans of Cooperative Sugar Mills (CSM), NABARD has settled claims worth ₹245.24 crore of 74 CSMs, as on 31 March 2018 in respect of loans of cooperative banks and RRBs. NABARD as coordinator has forwarded interest subvention claims amounting to ₹958.11 crore to the State Bank of India (SBI), the nodal agency for the Scheme for Extending Financial Assistance to Sugar Undertakings (SEFASU-2014), and SBI has in turn remitted an aggregate amount of ₹880.41 crore to sugar mills across 11 states.

## 4.5.3 Implementing Revival, Reform, and Restructuring Package for Handloom Sector

The revival, reform, and restructuring (RRR) package for handloom sector is being implemented since 2011–12. As on 31 March 2018, almost the entire fund (amounting to ₹741.03 crore) had been utilised.

#### 4.5.4 Implementation of GoI Schemes

NABARD has been playing an important role in channelling subsidy to eligible banks under various subsidy oriented credit-linked GoI schemes, primarily for agricultural projects and other priority sector activities. Implementation of these schemes has also enabled in enhancing of ground-level credit (GLC) to agriculture and allied sector and priority sector activities. The status of subsidy released in 2017–18 and cumulative status as on 31 March 2018 is presented in Table 4.7.

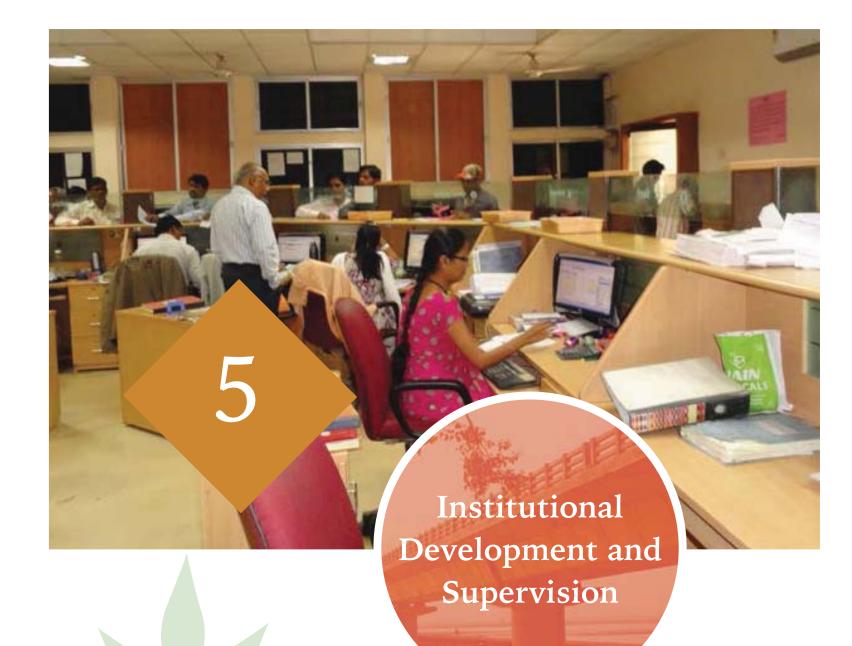


TABLE 4.7
Subsidy Released under Various Schemes (Amount in ₹ crore)

S. No.	Name of Scheme			Cumulative Progress as on 31 March 2018		
		Units	Subsidy Released	Units	Subsidy Released	
1	Dairy Entrepreneurship Development Scheme	61,076	289.00	3,30,125	1,338.00	
2	Poultry Venture Capital Fund (Subsidy) Scheme	2,728	63.00	12,352	<mark>2</mark> 30.00	
3	Integrated Development of Small Ruminants and Rabbits	7,423	33.00	34,223	139.00	
4	Pig Development	2,601	26.00	10,702	84.00	
5	Salvaging and Rearing of Male Buffalo Calves	58	0.42	93	0.66	
6	Agri-Marketing Infrastructure Sub-Scheme	1,118	578.00	42,110	4,297.00	
7	Agri-Clinics and Agri-Business Centres	368	13. <mark>35</mark>	1,996	69.00	
8	National Project on Organic Farming	5	1.06	716	27.00	
9	MNRE Lighting Scheme	0	0.00	5,951	12.00	
10	Solar Pumping	1,569	9.00	4,402	90.00	

### 4.6 WAY FORWARD

- To enhance agricultural productivity and make agriculture sustainable, it is imperative to increase the share of investment credit in the GLC by commercial banks and RFIs.
- PLPs based on realistic assessment of credit demand, infrastructure gaps and sectoral credit requirements, should aid in enhancing the credit needs for sustainable rural development as they provide direction to allocate resources as per the requirements in a district.
- While commercial banks continue to dominate the rural credit scenario, the share of RRBs and cooperatives need to be increased through institutional strengthening as these institutions are better suited to meet the credit demand of small and marginal farmers.
- Enhancing the LTRCF could enable RRBs and cooperatives to further increase their share in investment credit.



- **5.1** Supporting Rural Cooperative Credit Structure
- **5.2** Supporting Regional Rural Banks
- 5.3 Supervision of Rural Financial Institutions
- 5.4 Performance of Rural Financial Institutions





Strong and efficient Rural Financial Institutions (RFIs), capable of taking care of the expanding and diverse needs of agriculture and rural development, is a sine qua non for inclusive and sustainable economic growth. Banking services in rural India are extended by various institutions including commercial banks and RFIs, viz. cooperative credit institutions and Regional Rural Banks (RRBs). These institutions function within a precarious ecosystem, economic cycles and shocks, monsoon dependency, floods and droughts, logistical bottlenecks, and available forward and backward linkages, market, etc. Thus, anything that affects the farmers, affects the banks. It has, therefore, been the endeavour of NABARD to strengthen the capacity of the RFIs through various developmental and supervisory initiatives to enable them to become competitive. In this direction, NABARD has been taking various initiatives in association with GoI and RBI to improve the health of cooperative banks and RRBs.

The RFIs suffer from some endemic weaknesses due to their business models, client orientation, structural weaknesses, low level of technology adoption and human resources in both qualitative and quantitative terms. Moreover, with the advent of recent regulatory norms and technology-oriented new players like Small Finance Banks (SFBs) in the rural banking sector, the traditional RFIs represented by cooperative banks and RRBs face stiff competition, and hence RFIs need to equip themselves to meet these challenges. NABARD, therefore, plays a crucial role in supporting RFIs through various policy interventions, close monitoring of financial health, measures to enhance capital, guidance for improving long-term viability, and capacity building for equipping human resources. Institutional development, therefore, assumes significant importance in building a sound financial system in the rural areas for extending comprehensive financial services to the rural population.

### 5.1 SUPPORTING RURAL COOPERATIVE CREDIT STRUCTURE

As on 31 March 2017, the Short-Term Cooperative Credit Structure (STCCS) in the country comprised 93,367 PACS, 370 District Central Cooperative Banks (363 DCCBs on 01 April 2017 due to merger in Jharkhand), and 33 State Cooperative Banks (StCBs).

Institutions within the Long-Term Cooperative Credit Structure (LTCCS) include 13 State Cooperative Agriculture and Rural Development Banks (SCARDBs) with 673 branches and 601 Primary Cooperative Agriculture and Rural Development Banks (PCARDBs).

NABARD provides both financial as well as technical support to rural cooperative credit institutions. Financial support is provided through the Cooperative Development Fund (CDF) while technical, capacity building and knowledge sharing support comes from the Centre for Professional Excellence in Cooperatives (C-PEC). Besides these, NABARD also provides assistance to PACS Development Cells (PDCs).

#### 5.1.1 Cooperative Development Fund

Cooperative Development Fund (CDF) was instituted within NABARD to supplement the efforts of cooperative credit institutions to transform into multi-functional entities capable of providing world class services to their clients. Support under the Fund enables these institutions to achieve better governance and managerial efficiency, human resource capability, and analytical capability, Management Information Systems (MIS) for efficient decision making and effective implementation, improved functional efficiency, and conduct of special studies, seminars, workshops, etc.

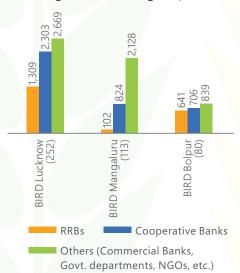
Across all tiers of cooperative credit structure, the Fund support by way of grant, soft loan or grant-cum-soft loan assistance amounted to ₹18.84 crore in 2017–18 (cumulative support

stood at ₹176.23 crore, as on 31 March 2018). Assistance was extended under the Scheme of Financial Assistance for Training of Cooperative Banks' Personnel (SOFTCOB), PACS Development Cell (PDC), capacity building programmes conducted by the cooperative institutions as well as to Bankers Institute of Rural Development (BIRD) campuses in Lucknow, Mangaluru, and Bolpur. During the year, 37,659 participants took part in 1,507 SOFTCOB training programmes.

### 5.1.2 Capacity Building of Client Institutions

NABARD also facilitates training programmes for client institutions through BIRD. Besides training, BIRD campuses also provide research and consultancy support to the clients, particularly for the development of cooperative banks and promotion of financial inclusion. In the year 2017–18, BIRD had conducted 445 programmes in three campuses which were attended by 11,521 participants. The status of training programmes conducted by BIRD during 2017-18, is presented in Figure 5.1.

Figure 5.1 Number of Participants from Client Institutions in BIRD Training Programmes during 2017–18



Note: Figures in parentheses indicate the number of programmes.

### 5.1.3 Centre for Professional Excellence in Cooperatives

The Centre for Professional Excellence in Cooperatives (C-PEC) was instituted at BIRD, Lucknow to coordinate the training efforts of various cooperative training institutes (CTIs) and build professional and technical competence in cooperative credit institutions. The centre is involved in accreditation of national and state-level CTIs, evolving uniform standards for training and curricula, building professional competence among staff and the management of cooperative credit structures through distance learning/e-learning, examinations and certification of trainers.

Ever since assistance under SOFTCOB to CTIs has been linked to their accreditation with C-PEC, the quality of training and uniformity of standards have improved significantly throughout the country.

As on 31 March 2018, C-PEC membership stood at 7,062, which included 43 accredited CTIs, 26 StCBs, one SCARDB, one State Cooperative Union, 211 DCCBs, 5,421 PACS and 1,359 individuals. Also, 20 training programmes were standardised for the benefit of CTIs. Additionally, C-PEC has been implementing various courses such as Certified Trainer for Financial Cooperatives (CTFC), Certified Professional in Cooperative Banking (CPCB) Level I & II, and Certified PACS Secretary (CPS).

Based on the decision of the accreditation board meeting, C-PEC formulated a working committee to bring objectivity into the validation visit formats. It has also constituted a working group for the launching of a Certification Course on Corporate Governance for Leaders/Board of Directors of Cooperatives.

During the year, C-PEC organised a National Seminar on Best Practices in Cooperatives on six theme areas: (i) Management and Corporate Governance in Cooperatives; (ii) CRAR



Improvement and Share Capital Mobilisation; (iii) Loan and Pricing Mechanism: Short-Term and Long-Term Loans; (iv) Recovery and NPA Management: Internal and External Mechanisms; (v) Development of PACS as Multi Service Centres; and, (vi) Best Practices in ICT Application in Cooperative Banks. The C-PEC also conducted a stakeholders' conference and the annual conference of Principal/Directors of CTIs.

### 5.1.4 PACS Development Cells

The PACS Development Cells (PDCs) are created in DCCBs/StCBs to undertake capacity building and strengthening of PACS through training, handholding, guiding, exposure visits and other suitable interventions so that these agencies can deliver financial and non-financial services in an efficient and viable manner to their members. As on 31 March 2018, 94 PDCs had been provided total financial assistance of ₹14.91 crore.

### 5.2 SUPPORTING REGIONAL RURAL BANKS

There are 56 RRBs in India with a network of 21,422 branches (as on 31 March 2017) covering 680 notified districts in 27 states¹ and the Union Territory of Puducherry. NABARD plays a key role in the monitoring of RRBs, addressing their human resource development issues, and recapitalisation of under-capitalised banks.

### 5.2.1 Performance Monitoring

During the year, the performance of the RRBs was monitored by NABARD in half-yearly review meetings, where issues faced by RRBs and their action plans were discussed. Additionally two review meetings were held for 37 RRBs that reported having sub-par performance in terms of capital adequacy, non-performing assets, accumulated losses, etc. (as on 31 March 2017).

### 5.2.2 Recapitalisation of RRBs

As on 31 March 2017, five RRBs—Utkal Grameen Bank, Madhyanchal Gramin Bank, Ellaquai Dehati Bank, Nagaland Rural Bank and Sutlej Gramin Bank—were flagged for recapitalisation. Recapitalisation assistance of ₹422.18 crore for these banks, with a GoI share of ₹211.09 crore, was recommended by NABARD to the GoI. During 2017–18, GoI released a recapitalisation amount of ₹5.51 crore to three RRBs—Ellaquai Dehati Bank (₹2.60 crore as the residual amount of the GoI share sanctioned during 2015–16), Manipur Rural Bank (₹2.33 crore), and Arunachal Pradesh Rural Bank (₹0.58 crore of the GoI share of recapitalisation assistance of ₹3.05 crore).

### 5.2.3 Joint Consultative Committee (JCC) Meetings

The eighth JCC meeting was held under the Chairmanship of Chairman, NABARD on 25 September 2017. The meeting was attended by the national-level association of RRBs, representatives from sponsor banks and state governments. The Committee discussed the issues faced by RRBs and firmed up action plans which were thereafter circulated among stakeholders. The major issues discussed were review of salary and other benefits, posting of sponsor bank officers, creation of departments at RRB Head Offices, Internet Banking, job rotation, etc.

### 5.3 SUPERVISION OF RURAL FINANCIAL INSTITUTIONS

As part of its supervisory function, NABARD conducts statutory inspections of StCBs, DCCBs, and RRBs, and voluntary inspections of SCARDBs, apex cooperative societies and federations. During 2017–18, 337 statutory inspections were conducted in respect of 34 StCBs, 247 DCCBs, and 56 RRBs. In addition, 9 voluntary inspections of SCARDBs were conducted.

### 5.3.1 Board of Supervision

The Board of Supervision (BoS), constituted in 1999 as an internal committee of the Board of Directors of NABARD met four times during 2017–18. It reviewed matters such as:

- roadmap for achieving financial viability and sustainability of RRBs within a reasonable time frame;
- summary of the financial position of 'A', 'B+', and 'B' rated banks;
- performance of 'C' and 'D' rated banks and remedial action for their improvement;
- management and governance issues in rural cooperative banks (RCBs);
- quarterly position of frauds;
- complaints pending for more than four months;
- CRAR position of RRBs and RCBs;
- steps initiated for developing Cyber Security Framework for RFIs; and,
- compliance with provisions of the various Acts applicable to banks.

### 5.3.2 Major Supervisory Concerns

The supervisory concerns—such as shortfalls in capital adequacy, non-compliance with statutory provisions, inadequate financial margin/high cost of management, adverse working results, poor corporate governance, high level of NPAs, non-compliance with KYC/AML/CFT standards, and violation of Income Recognition and Asset Classification (IRAC) norms related to RCBs—were advised to the banks, Registrars of Cooperative Societies and the concerned state governments. Concerns related to RRBs were also communicated to them and their sponsor banks to initiate corrective action.

### 5.3.3 Licensing and Scheduling of the Supervised Banks (other than SCARDBs and Apex Societies)

Summary of status of bank compliance with the minimum share capital requirement, licensing and scheduling norms is given in Table 5.1.

TABLE 5.1
Compliance with Minimum Share Capital Requirements, Licensing, and Scheduling Norms

Parameters	StCBs	DCCBs	RRBs
Total number of Banks	34#	364 <sup>*</sup>	56
Compliance with Minimum Share Capital Requirement			
Compliance with Sec11(1) of BRAct,1949 (AACS)	12	352*	NA
Non-compliance with Sec11(1) of BR Act,1949 (AACS)	3#	12	NA
Compliance with Sec42(6)(a)(i) of RBI Act, 1934	19	NA	56
Licensing of Cooperative Banks			
Licensed Banks	33	361*	NA
Un-Licensed Banks	1	3**	NA
Scheduling of Banks			
Scheduled of Banks	20	NA	56
Non-Scheduled Banks	14#	NA	0

<sup>\*</sup> Includes Tamil Nadu Industrial Cooperative Bank Ltd (TAICO Bank).

NA: Not applicable.

<sup>&</sup>lt;sup>1</sup> There is no RRB in Sikkim, Delhi and Goa.

<sup>\*\*</sup> DCCBs in J&K are not yet licensed.

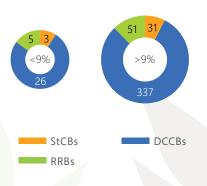
<sup>\*</sup> includes Daman and Diu StCB.



### 5.3.4 Review of CRAR of Supervised Entities

Of the 453 banks supervised, 419 have reported CRAR above the prescribed minimum level of nine per cent as on 31 March 2017, compared to 406 banks in the previous year. The banks that did not make the grade included 26 DCCBs, 3 StCBs, and 5 RRBs (Figure 5.2). The status of compliance to capital to risk-weighted assets ratio (CRAR) norms has improved due to regular monitoring and guidance from NABARD as also the recapitalisation assistance provided by central and state governments.

Figure 5.2 CRAR as on 31 March 2017



#### 5.3.5 Supervisory Rating

All the inspected banks are awarded supervisory ratings based on Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, Systems and Compliance (CAMELSC). NABARD has also prescribed a set of Trigger Points for initiating supervisory and regulatory actions. The implementation of the Trigger Point policy led to the recommendation of a series of regulatory actions in respect of a number of banks to the RBI and issue of several communications conveying areas of supervisory concern to state governments and banks.

### 5.3.6 Important Policy Instructions Issued and Action Taken

Significant supervisory instructions issued and actions taken during 2017–18 are as under.

- Record keeping: to protect the interest of the customers, StCBs and DCCBs have been instructed to maintain proper records of transactions in passbooks/statements of account of the customers.
- Accuracy of information: filing of accurate Annual Information Return (AIR)/ Statement of Specified Financial Transactions (SFT) under I.T Act, 1961 is mandated for StCBs and DCCBs.
- Detection and impounding of counterfeit notes: Master Circular dated 20 July 2017 issued by RBI carrying instructions on procedures to be followed upon the detection and impounding of counterfeit notes must be strictly adhered to by RRBs, StCBs, and DCCBs.
- Prevention of money laundering: NABARD has advised StCBs and DCCBs to take suitable steps to implement the revised Prevention of Money Laundering (maintenance of records) Rules 2005 relating to Small Accounts.
- Frauds: revised instructions have been issued to StCBs and DCCBs on classification, reporting, and monitoring of frauds.
- Performance Assessment Report (PAR): ENSURE, an online digital platform of NABARD, enables the generation of 'Performance Assessment Report and Efficiency of Investment and Credit'. Data is directly fed by RRBs and StCBs/DCCBs. These entities have been advised to generate PAR on a quarterly basis and place the same before the Board/Top Management.
- Depositor Education and Awareness
   Fund (DEAF) Scheme, 2014 of RBI:
   NABARD has advised all StCBs, DCCBs and
   Registrars of Cooperative Societies to submit

information related to DEAF Scheme in the Long Form Audit Report (LFAR).

- Information audit: all RCBs were advised to complete both Migration Audit and IS Audit in a time-bound manner and place the same before the Board of Directors and Audit Committee of the bank and update status through ENSURE.
- Know Your Customer (KYC) Directions, 2016: all RRBs and RCBs have been advised to report status of compliance with KYC Directions in the two new returns, titled 'KYC Statistics' and 'KYC Directions: Status of Compliance' in the ENSURE portal on a quarterly basis.
- Monitorable Action Plan: all RCBs with NPAs higher than 5 per cent were advised to prepare Monitorable Action Plan that could be monitored by the Board of Directors of banks and also during state-level review meetings.
- Adherence to IRACP norms: RBI assesses compliance by banks with extant prudential norms on income recognition, asset classification and provisioning (IRACP) as part of its supervisory processes. All StCBs and DCCBs were advised on minimising divergence between the asset classification made by the bank and that observed in NABARD inspection while ensuring strict adherence to IRAC norms by sensitising bank staff/auditors on a continuous basis.

### 5.3.7 Capacity Building in a Supervisory Role

During 2017–18, NABARD in its supervisory role undertook the following capacity building initiatives for personnel of the supervised banks, as well as for its own staff.

 Two Regional Workshops for sensitising bank supervision personnel at the Regional Offices in the northern, eastern and northeastern states, to new policy initiatives, the

- importance of adherence to the methodology of inspection, the significance of quality and timely submission of inspection reports and other supervisory concerns.
- A six-day training programme on 'Risk Assessment Framework for Banks' for inspecting officers.
- 'Risk-based Supervision of RRBs and RCBs' and capacity building of personnel of the supervised banks and NABARD on emerging supervisory issues.
- Two workshops to review the performance of 'D' rated banks.

### 5.3.8 Steps Envisaged

NABARD, in consultation with RBI, issued circulars on Cyber Security Framework in Banks to RRBs, StCBs, and DCCBs. It is mandated that a Cyber Security Operations Centre (C-SOC) be set up in each bank by 30 June 2018. Steps have been initiated for setting up a Cyber Security and Information Technology Examination (CSITE) Cell in NABARD to monitor and guide the RRBs, StCBs, and DCCBs.

In order to ensure financial soundness and functional efficiency of RRBs with statutory and regulatory compliance, NABARD, in consultation with RBI, issued circulars on Supervisory Action Framework for Prompt Corrective Action (PCA) i.e. self-corrective action by RRBs and supervisory action by NABARD.

The RBI has constituted a High-Level Task Force (HTF) on Public Credit Registry (PCR)—an extensive database of credit information for India that is accessible to all stakeholders. One of the four sub-groups constituted by the HTF relates to cooperative banks including Urban Cooperative Banks (UCBs). This sub-group is headed by NABARD with members drawn from NAFSCOB, two StCBs, four DCCBs, two affiliated PACS, and four UCBs. The final recommendations of the sub-group were sent to RBI and presented before the HTF.

### 5.4 PERFORMANCE OF RURAL FINANCIAL INSTITUTIONS

In the context of the various supervisory and support functions performed by NABARD for rural financial institutions, the following assessment has been made on their performance.

#### 5.4.1 State Cooperative Banks

The performance of StCBs during 2015–16 and 2016–17 is presented in Table 5.2. As StCBs loan portfolio is largely dependent on the loan portfolio of DCCBs, loans had shown a modest growth in spite of appreciable growth in deposits and borrowings.

TABLE 5.2
Performance of StCBs

Particulars	As on 31 March 2016	As on 31 March 2017	Growth (%)
Total number of banks	33	33	0
Share capital (₹ crore)	5,647	5,161	-9
Reserves (₹ crore)	7,334	10,294	40
Deposits (₹ crore)	1,09,257	1,22,039	12
Borrowings (₹ crore)	68,775	80,892	18
Loans outstanding (₹ crore)	1,22,854	1,27,048	3

During 2016–17, 31 out of 33 StCBs earned profit aggregating ₹970 crore while the remaining two StCBs incurred loss aggregating ₹18 crore (Table 5.3). Three StCBs *viz.*, Manipur, Puducherry and New Delhi, earned profit during 2016–17 after having incurred loss in 2015–16. However, the StCBs in Goa and Jharkhand continued to remain in the category of loss-making banks. Further, as on 31 March 2017, out of 33 StCBs, only Goa StCB and Manipur StCB had less than 9 per cent CRAR. The accumulated losses of StCBs declined from ₹697 crore as on 31 March 2016 to ₹605 crore as on 31 March 2017. Two StCBs *viz.*, Manipur and New Delhi have wiped off their accumulated losses.

Table 5.3
Profits of StCBs

	2015–16	2016–17
Total No. of Banks	33	33
StCBs in Profit	28	31
Profit (₹ crore)	714	970
StCBs in Loss	5	2
Loss (₹ crore)	115	18

At the aggregate level, the percentage of Non-Performing Assets (NPAs) to loans outstanding in respect of StCBs, reduced to 4.08 per cent as on 31 March 2017 as against 4.50 per cent as on 31 March 2016. Region-wise analysis showed that the NPA levels in percentage terms of the StCBs in the central, north-eastern and western regions were higher than the all-India level. As on 30 June 2017, the recovery of StCBs stood at 93.50 per cent (Table 5.4).

TABLE 5.4

Profitability, NPAs, and Recovery of StCBs by Region (Amount in ₹ crore)

Region	2018	5–16	2016	i–17	Total	NPAs	outs	% of loans tanding 31 March		ery (%) 30 June)
	Profit	Loss	Profit	Loss	2015–16	2016–17	2016	2017	2016	2017
Central	105	0	85	0	894	1,014	4.0	4.8	95.46	94.00
Northern	119	13	226	0	452	470	1.8	1.8	98.80	97.48
Eastern	58	5	59	3	897	669	5.6	3.9	62.36	92.46
Western	261	8	285	15	1,591	1,546	7.5	6.4	87.71	87.20
Southern	149	15	262	0	1,137	876	3.6	2.6	94.26	94.42
North-Eastern	23	74	53	0	593	605	13.1	13.1	55.11	50.88
All-India	714	115	970	18	5,564	5,180	4.5	4.1	91.70	93.50

### 5.4.2 District Central Cooperative Banks

The performance of DCCBs during 2015–16 and 2016–17 is presented in Table 5.5.

TABLE 5.5
Performance of DCCBs

Particulars	As on 31 March 2016	As on 31 March 2017	Growth (%)
Total No. of Banks	370	370	_
Share capital (₹ crore)	16,008	18,674	17
Reserves (₹ crore)	14,356	19,766	38
Deposits (₹ crore)	2,91,599	3,30,904	13
Borrowings (₹ crore)	81,891	91,438	12
Loans outstanding (₹ crore)	2,36,852	2,52,655	7

Notwithstanding a proportionately higher increase in borrowings and deposits (13 per cent),

the loan growth among DCCBs was only 7 per cent. During 2016–17, DCCBs as a whole reported a net profit of ₹910 crore. However, the accumulated losses increased by 10 per cent from the previous year to ₹5,242 crore.

The average gross NPAs for DCCBs across India increased from 9.4 per cent as on 31 March 2016 to 10.45 per cent as on 31 March 2017 (Table 5.6). This was a reversal in trend because NPA as a percentage of loan outstanding had been declining consistently from 2013 to 2016. Recovery percentage declined marginally due to lowering in recovery percentage of banks in northern and western regions.

Due to concerted efforts by NABARD, and with the support of state governments, 340 banks could achieve the mandated CRAR of 9 per cent (Table 5.7). In comparison to 110 non-complying banks as on 31 March 2016, 30 banks did not comply with the 9 per cent CRAR norm as on 31 March 2017.

Table 5.6

Profitability, NPAs, and Recovery of DCCBs by Region (Amount in ₹ crore)

Region		2	015–16				2	016–17			Tota	NPAs .	NPA %	of Loans	Recove	ry %
	DCCBs reported Profit/	Profit		Loss		DCBs reported Profit/	Profit		Loss		as on 31	March		anding 31 March	as on 3	O June
	loss	No.	Amt.	No.	Amt.	loss	No.	Amt.	No.	Amt.	2616	2017	2016	2017	2016	2017
Central	104	84	339	20	195	105	85	298	19	191	4,620	5,640	13	15.5	70.69	73.10
Northern	73	61	146	12	61	73	56	100	17	126	2,195	2,760	5.7	7.0	83.71	80.94
Eastern	64	55	173	9	53	63	53	151	11	73	1,931	2,065	10.5	10.4	71.54	76.58
Western	49	41	459	8	121	49	43	597	6	235	7,815	9,244	13.4	14.3	74.36	71.21
Southern	80	77	568	3	137	80	78	521	2	132	5,813	6,706	6.8	7.3	88.53	88.48
All-India	370	318	1,685	52	567	370	315	1,667	55	757	22,374	26,415	9.4	10.5	79.57	78.93

Note: Recovery figures are available for 283 out of 370 DCCBs as on 30 June 2017

TABLE 5.7
Capital Adequacy of DCCBs (as on 31 March)

Year	CRAR < 5%	5% <= CRAR < 9%	9% <= CRAR < 10%	10% <= CRAR < 12%	CRAR >= 12%
2016	18	92	53	94	113
2017	17	13	46	138	156



### 5.4.3 Primary Agricultural Credit Societies

As on 31 March 2016, there were 93,367 PACS with a total membership of 12.73 crore, of which 4.62 crore (36 per cent) were borrowing members. As compared to the previous year, while the total membership increased by 5 per cent, the borrowing membership of PACS declined by 7 per cent. The deposits mobilised and total loans outstanding by PACS as on 31 March 2016 stood at ₹1,01,065 crore and ₹1,58,487 crore respectively. During 2015–16, as per available data in respect of 82,008 PACS, 44,896 PACS earned profit of ₹4,151 crore; the remaining 37,112 PACS incurred a loss of ₹7,010 crore.

### 5.4.4 State Cooperative Agriculture and Rural Development Banks

The performance of 13 SCARDBs is presented in Table 5.8.

Out of 13 SCARDBs, eight were in profit in 2015–16 and 2016–17. The net profit, however, declined from ₹63 crore to a net loss of ₹183 crore. The accumulated losses of SCARDBs stood at ₹463 crore as on 31 March 2017, increasing from ₹212 crore in the previous year on account of higher loss incurred in central and northern region SCARDBs.

TABLE 5.8

Performance of SCARDBs

(Amount in ₹ crore)

Particulars	As on 31 March 2016	As on 31 March 2017	Growth (%)
Share Capital	908	939	3
Reserve	4,326	3,365	-22
Deposits	2,350	2,423	3
Borrowings	14,594	15,500	6
Loans Outstanding	20,409	21,208	4

Region-wise NPA and recovery position of SCARDBs is presented in Table 5.9. The highest recovery position was observed in the southern region at 84 per cent (as on 30 June 2017). The southern region also recorded the lowest NPA at 6 per cent as on 31 March 2017. The NPA position of SCARDBs declined in the eastern and southern regions while in the remaining region NPA has increased. At all-India level, NPA increased from 22 per cent as on 31 March 2016, to 24 per cent as on 31 March 2017.

### 5.4.5 Primary Cooperative Agriculture and Rural Development Banks

The performance of PCARDBs is presented in Table 5.10.

TABLE 5.9

Profitability, NPAs, and Recovery of SCARDBs by Region (Amount in ₹ crore)

Region		it/Loss ) / (-)	Total NPAs as on 31 March		Outst	6 of Loans anding 11 March	Recovery (%) (as on 30 June)	
	2016	2017	2016	2017	2016	2017	2016	2017
Central	12	-27	1181	1429	28	46	_	14
Eastern	1	1	427	255	36	24	38	40
North-Eastern	0	-1	13	10	38	50	44	39
Northern	-1	-204	2,273	2,462	36	37	45	31
Southern	27	30	560	552	7	6	83	84
Western	24	18	269	305	17	54	43	34
All-India	63	-183	4,723	5,013	22	24	64	51

TABLE 5.10
Performance of PCARDBs

Particulars	As on 31 March 2016	As on 31 March 2017	Growth (%)
Total PCARDBs	601	601	0
Share Capital (₹ crore)	1,093	1,006	-8
Reserves (₹ crore)	2,611	1,688	-35
Deposits (₹ crore)	1,353	1,252	-7
Borrowings (₹ crore)	14,265	15,530	9
Loans Outstanding (₹ crore)	12,682	15,064	19

The accumulated losses of PCARDBs stood at ₹3,855 crore as on 31 March 2017 up from ₹2,987 crore as on 31 March 2016.

Losses have been reported by PCARDBs in all states, except Tamil Nadu in 2016–17. The NPA and recovery position of PCARDBs is presented in Table 5.11.

### 5.4.6 Regional Rural Banks

The performance indicators of RRBs during 2015–16 and 2016–17 are presented in Table 5.12. The number of RRBs earning profits decreased from 50 as on 31 March 2016, to 49 as on 31 March 2017. Also, the number of RRBs that were sustainably viable *viz.*, earning profits and carrying no accumulated losses declined from 45 as on 31 March 2016, to 44 as on 31 March 2017. The net profit of RRBs increased from ₹2,018 crore during 2015–16 to ₹2,218 crore during 2016–17 (Table 5.13). The accumulated losses of RRBs increased from ₹1,050 crore as on 31

TABLE 5.11

Profitability, NPAs, and Recovery of PCARDBs (Amount in ₹ crore)

Region		it/Loss / (–)	Total NPAs as on 31 March		Outst	6 of Loans anding 1 March	Recovery (%) (as on 30 June)	
	2016	2017	2016	2017	2016	2017	2016	2017
Central	-	_	-	-	_	_	-	_
Eastern	-17	-17	438	428	43	41	38	37
North-Eastern	-	_	_	-	_	/ –	-	-
Northern	-225	-451	2,572	2,931	45	50	41	22
Southern	-26	-137	1,642	1,615	23	27	59	74
Western	-	-	_	-	_	-	-	-
All-India	-268	-605	4,652	4,974	37	33	44	44

TABLE 5.12
Performance Indicators of RRBs (as on 31 March) (Amount in ₹ crore)

Particulars	2016	2017
Number of RRBs	56	56
Branch Networks	20,920	21,422
Share Capital	6,387	6,401
Tier II Bonds	97	20
Reserves	20,665	23,080
Deposits	3,13,499	3,71,910
Borrowings	47,888	51,588
Investments	1,69,592	2,10,984
Gross Loans & Advances (outstanding)	2,06,538	2,26,175



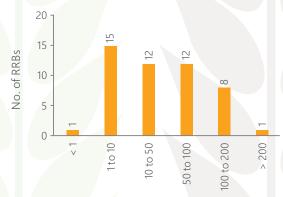
March 2016, to ₹1,147 crore as on 31 March 2017. The number of RRBs in loss increased from six in 2015–16, to seven in 2016–17. Further, the number of RRBs carrying accumulated losses remained eight in 2015–16 and 2016–17.

TABLE 5.13 Profitability of RRBs

<b>Particulars</b>	31 March 2016	31 March 2017
RRBs Earning Profit (No.)	50	49
Profit in ₹ crore (A)	2,206	2,604
RRBs Incurring Losses (No.)	6	7
Losses in ₹ crore (B)	188	387
Net Profit of RRBs ₹ crore (A – B)	2,018	2,218
RRBs with Accumulated Losses (No.)	8	8
Accumulated Losses in ₹ crore	1,050	1,147

The profit earned by 49 RRBs during the year ranged from ₹0.56 crore to ₹352 crore. The frequency distribution of profit earning RRBs during 2016–17 showed that 48 RRBs posted profits between ₹1 crore to above ₹200 crore, of which nine RRBs posted a profit of ₹100 crore and above (Figure 5.3).

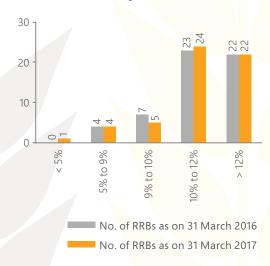
Figure 5.3 Frequency Distribution of RRBs by Profit Earned during 2016–17 (profits in ₹ crore)



As a percentage of loans outstanding, the gross NPA of RRBs increased from 6.8 per cent as on 31 March 2016 to 8.07 per cent on 31 March 2017. It ranged from 0.37 per cent reported by Saurashtra Gramin Bank to 29.26 per cent reported by Utkal Grameen Bank.

The CRAR of 51 RRBs was above 9 per cent; five RRBs had a CRAR of below 9 per cent. The range was from a low of 3.15 per cent (Utkal Grameen Bank) to a high of 22.10 per cent (Andhra Pragathi Gramin Bank). The number of RRBs with a CRAR less than 9 per cent increased from four as on 31 March 2016, to five as on 31 March 2017 (Figure 5.4). Though RRBs with weak financials have received recapitalisation assistance in the past, there is a felt need for ongoing support for meeting the 9 per cent CRAR norm as well as to maintain business growth.

Figure 5.4 Frequency Distribution of RRBs by CRAR



The efforts made by GoI and NABARD have been helping the RRBs and cooperative banks improve their performance in transforming the banking environment. These efforts would continue to further improve the performance of these banks to strengthen them. This in turn will enable them to enhance agri-rural sector ground level credit flow and other services with a view to fulfil the goals of GoI in financial inclusion, crop insurance, etc.



- **6.2** Rural Infrastructure Development Fund
- **6.3** Long-Term Irrigation Fund
- **6.4** NABARD Infrastructure Development Assistance
- 6.5 Warehouse Infrastructure Fund
- **6.6** Promoting Food Processing Industry
- 6.7 Pradhan Mantri Awaas Yojana-Gramin
- 6.8 New Initiatives on the Anvil
- 6.9 Way Forward





### 6.1 RURAL INFRASTRUCTURE IN PERSPECTIVE

Infrastructure is the backbone of economic growth for any nation, since it provides the basic physical and organisational structures and facilities needed for the operation of any economy. While productivity enhancement is the key driver to economic growth, good infrastructure, markets that are functioning well, appropriate institutions, and access to technology are the determinants of productivity levels. Key components of rural infrastructure relate to irrigation, roads and bridges, drinking water and sanitation, soil and water conservation, animal husbandry and fisheries, activities allied to agriculture like warehousing, cold storage, rural market yards and godowns, rural electricity, IT infrastructure, manufacturing of food products and beverages.

The Government of India (GoI) has initiated several programmes over the years to enhance rural infrastructure facilities in the country. Some of the major initiatives in this regard are as under:

- Bharat Nirman, which covered irrigation, drinking water, electrification, roads, housing and rural telephony sectors.
- Accelerated Irrigation Benefits Programme (AIBP), to facilitate completion of ongoing major/ medium irrigation projects.
- Pradhan Mantri Krishi Sinchayee Yojana (PMKSY), with an exclusive component to ensure completion in a Mission mode, of AIBP projects that had been languishing for decades. This would be under an innovative funding mechanism known as Long-Term Irrigation Fund (LTIF). The other components of PMKSY, viz., Har Khet Ko Pani (HKKP), Per Drop More Crop (PDMC) and Watershed Development, aim at bridging the gap between irrigation potential created and irrigation potential used as well as promoting water-use efficiency.

- Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) which was later broad-based under the Deendayal Upadhyaya Gram Jyoti Yojana (DUGJY), to provide electricity to all rural households.
- Pradhan Mantri Gram Sadak Yojana (PMGSY) to provide connectivity, by way of an All-weather Road, to the eligible unconnected habitations in the rural areas.
- Indira Awaas Yojana (IAY), which has been restructured into Pradhan Mantri Awaas Yojana-Gramin (PMAY-G) with an ambitious aim to provide a *pucca* house, with basic amenities, to all homeless households and to those households living in kutcha and dilapidated houses, by 2022.
- National Rural Drinking Water Programme and Swachh Bharat Mission (Gramin) to ensure rural households access to safe drinking water and toilet facilities.

The concerted efforts by GoI, state governments and other stakeholders have transformed the rural infrastructure scenario in the country substantially over the last two-and-a-half decades (Table 6.1).

A study commissioned by NABARD through Economic and Political Weekly Research Foundation (EPWRF), Mumbai, has computed the rural infrastructure indices across states and the relative infrastructure levels are mapped in Figure 6.1. The relative position reveals that all the four southern states (including erstwhile undivided Andhra Pradesh) figure among the top six of the eight high infrastructure index category states. The next 10 states in the middle category are Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh, among others. The 10 states in the last category predominantly cover the north-eastern states.

NABARD has been in the forefront in rural infrastructure financing to state governments under a basket of activities related to agri-rural

TABLE 6.1
Progress of Select Infrastructure Indicators in the Country

SI. No.	Infrastructure Indicator	Year			
		1991	2001	2011	2017
Α.	Rural Roads				
	Road density (road length in km per     100 sq.km)	57.04	73.91 (2003)	92.04 (2008)	142.70
	2. Proportion of surfaced road to total (per cent)	48.00	53.90	59.80	57.71
B.	Telecommunications				
	Rural tele-density (no. of telephone lines per 100 people)	0.84 (1993)	2.00 (1999)	39.90 (2012)	56.91
C.	Power & Housing				
	Proportion of households with access to electricity	30.50	43.50	55.30	60.00
	2. Proportion of villages electrified	88.05	92.30 (1999)	94.50 (2013)	97.00
	3. Proportion of households with pucca houses	30.60	41.10	51.40	56.00
D.	Water & Sanitation				
	Percentage of gross cropped area irrigated	36.00 (1 <mark>990–</mark> 93)	44.00 (2005)	44.60 (2007–08)	67.92
	Proportion of households with access to safe drinking water	55.50	73.20	82.70	86.00
	3. Proportion of households with access to toilets	9.50	22.80	30.70	32.62
	Proportion of households with access to electricity, safe drinking water and toilets	3.90	10.20	19.20	19.20 (2011)

#### Source:

- · Garv.gov.in
- Directorate of Economics and Statistics, Ministry of Agriculture and Farmers Welfare
- Transport Research Wing, Ministry of Road Transport and Highways
- Basic Road Statistics published by Ministry of Road Transport and Highways
- Handbook of Statistics on Indian States, 2017-18, RBI
- Indian Telecom Services Performance Indicators, 2017

Figure 6.1 State-wise Rural Infrastructure Index (RII)



Source: NABARD (2016). Construction of State-wise Rural Infrastructure Indices (RII), Occasional Paper No. 63.





sectors. Its various initiatives have generated significant impact at the field-level through the addition of over 316.2 lakh hectares (ha) of irrigated area and 4.5 lakh kilometres (km) of road length, which have created substantial employment opportunities in rural areas. Though the progress has been substantial over the years, a lot more infrastructure is required to be created in the agri-rural sector to bridge the wide variation in the Rural Infrastructure Index (RII) across states/ sectors and also in the event of emerging needs. Keeping this in view, NABARD has expanded its interventions in infrastructure sector through various funds. A snapshot of these funds is presented in Table 6.2.

### 6.2 RURAL INFRASTRUCTURE DEVELOPMENT FUND (RIDF)

#### 6.2.1 Expanding Corpus

Rural Infrastructure Development Fund (RIDF) is perhaps the earliest dedicated rural infrastructure funding initiative in the country. It has grown from an initial corpus of ₹2,000 crore in 1995–96 (Tranche I), to ₹25,000 crore in 2017–18 (Tranche XXIII) (Figure 6.2). The number of activities eligible to access this fund has also multiplied over the years touching different facets of rural life.

The corpus is allocated across states, based on a set of related criteria. While deciding the state-

TABLE 6.2
Infrastructure Financing by NABARD—A Snapshot

Infrastructure Fund/ Scheme	Year of Inception	Corpus (₹ crore)	Outstanding as on 31 March 2018 (₹ crore)	Activities Covered
Rural Infrastructure Development Fund (RIDF)	1995–96	Starting from 2,000 under Tranche I & 25,000 in Tranche XXIII	1,10,062	Irrigation, Flood Protection and Watershed Management initially, which has been expanded to cover 36 activities in 2017–18
NABARD Infrastructure Development Assistance (NIDA)	2011–12		7,241	Agriculture, roads & bridges, transport, renewable energy, power transformation, warehouses, drinking, social infrastructure, etc.
Warehouse Infrastructure Fund (WIF)	2013–14	5,000	4,296	Warehouses, Silos, Cold Storages & Cold Chain
Food Processing Fund (FPF)	2014–15	2,000	239	Cold chains and supply logistics, Mega Food Park (MFP)/Food Park (FP)/ Processing Unit
Long-Term Irrigation Fund (LTIF)	2016–17	20,000 in first year and additional 20,000 in second year	20,447	Ongoing Large and Medium irrigation projects
Pradhan Mantri Awaas Yojana-Gramin (PMAY-G).	2017–18		7,329	Affordable housing

Figure 6.2 RIDF Tranche-wise Allocations since Inception (Amount in ₹ '000 crore)



Note: RIDF Tranches I-XV closed.

Source: NABARD

wise normative allocation for rural infrastructure funding to state governments, NABARD accords due weight to various aspects—including the composite infrastructure development index of each state.

**6.2.2** Sanctions and Disbursements

During 2017–18 sanctions for irrigation and agriculture projects accounted for the highest share with 47 per cent (₹12,922 crore), followed by rural connectivity which had a share of 34 per cent (₹9,124 crore). Social sector projects accounted for almost one-fifth (₹5,136 crore) (Table 6.3).

Disbursements during the year aggregated to ₹24,993 crore for the ongoing projects. The sector-wise distribution of disbursement shows 35 per cent for irrigation, 26 per cent for rural roads, 10 per cent for rural bridges, 18 per cent for social sector and 11 per cent for agriculture related projects (Figure 6.3).

Figure 6.3 Sector-wise Disbursements during 2017–18 (Amount in ₹ crore)

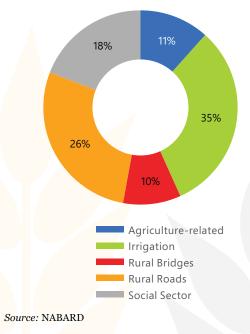


TABLE 6.3
Sector-wise Sanctions, 2017–18

Secto	r	Projects	Share (%)	Sanctioned (₹ crore)	Share (%)
(A) Agriculture & Related Sectors		20,520	73	12,922	47
1	Agriculture (other than irrigation)	1,728	6	2,280	8
2	Irrigation	18,792	67	10,642	39
(B) Total for Rural Connectivity		5,002	18	9,124	34
3	Rural Bridges	785	3	2,349	9
4	Rural Roads	4,217	15	6,775	25
(C) Total for Social Sector Projects		2,397	9	5136	19
Grand Total (A)+(B)+(C)		27,919	100	27,182	100

Source: NABARD





Total sanctions stood at ₹28,829 crore for FY 2015-16, ₹27,148 crore in 2016-17, and ₹27,182 crore during 2017–18. The share of rural connectivity projects (roads and bridges) stood around 34 per cent of total sanctions during last three years. The share of the irrigation sector increased from 37 per cent in 2015-16 to 39 per cent in 2017-18.

Figure 6.4 Sector-wise Sanctions during the Last Three Years (Amount in ₹ crore)



6.2.3 Regional Distribution of Sanctions and Disbursement

Annual RIDF disbursements of ₹23,510 crore, ₹25,600 crore and ₹24,993 crore were consecutively made during the last three years. The region-wise position of disbursements during the period indicated the highest share for the states in northern region followed by eastern, southern, western, central, and north-eastern regions (NER) (Figure 6.5).

Cumulatively, an aggregate amount of ₹2,40,596 crore (including ₹18,500 crore under Bharat Nirman) has been disbursed to various

Figure 6.5 Region-wise Disbursement under RIDF during the Last Three Years (Amount in ₹ crore)

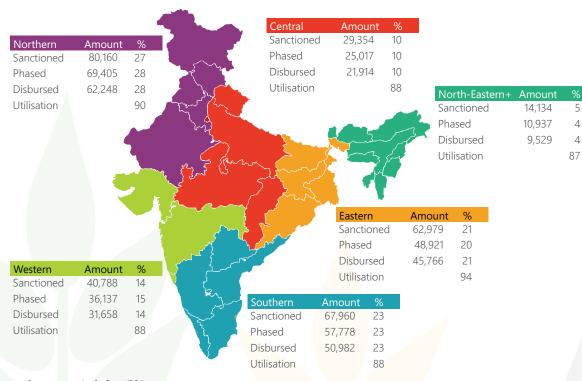


Source: NABARD

state governments as on 31 March 2018, which constituted 90 per cent of total sanctions up to RIDF XXIII. Of this, the disbursements towards closed RIDF Tranches I-XVI aggregated ₹1,24,418 crore, which indicates a utilisation level of 91 per cent. Under ongoing Tranches XVII-XXIII, ₹1,16,178 crore, which is 89 per cent of sanctioned and phased allocations, has so far been disbursed. The cumulative utilisation thus stood at 90 per cent.

Region-wise, eastern India has recorded the highest level of utilisation at 94 per cent compared to the all-India average utilisation of 90 per cent (Figure 6.6). The state-wise cumulative position of utilisation reveals that as on 31 March 2018, Uttarakhand has disbursed 110 per cent of the RIDF amount phased since inception, followed by Sikkim (103 per cent), Odisha (102 per cent), Jammu and Kashmir and Tripura at 101 per cent each, Manipur (100 per cent) and Tamil Nadu (97 per cent).

Figure 6.6 Region-wise Cumulative Fund Utilisation at a Glance (Amount in ₹ crore)



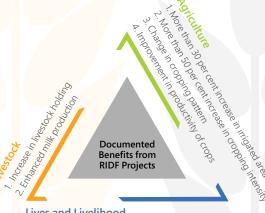
North-Eastern+ includes Sikkim Source: NABARD

Figure 6.7 Documented Benefits from RIDF Projects

### 6.2.4 Economic and Social Outcomes from the Fund

Rural Infrastructure Development Fund has emerged as a dependable source of public funding of impactful rural infrastructure projects. Assistance from RIDF constitutes a significant proportion of the investments by the various state governments in the rural infrastructure sector.

Impact studies conducted by reputed institutions on irrigation and rural connectivity projects funded under RIDF reveal diverse positive socio-economic developmental outcomes in rural areas. Several other in-house studies have concluded that the infrastructure projects built up in agri-related sectors have benefited sectors and farmers of all categories including weaker sections, marginal and small farmers (Figure 6.7).



#### **Lives and Livelihood**

1. Increase in farm assets

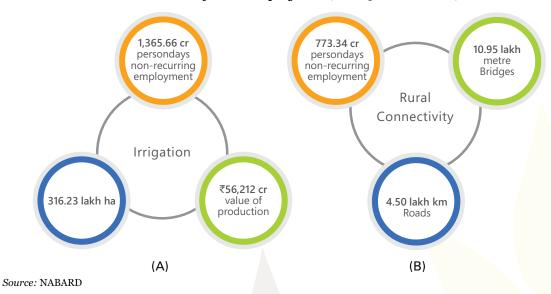
- 2. Increase in employment opportunities
- 3. Improvement in drinking water quality and availability
- 4. Increase in bank accounts, savings, deposits and credit activities
- 5. Increase in income for farmers, quality of life, and improved standard of living

Source: NABARD





Figure 6.8 (A) Irrigation and (B) Rural Connectivity Projects—Estimated Physical Potential and Generation of Rural Employment (as on 31 March 2018)



### **Showcase 6.1**

Clean Energy for Greener India—Setting up of 10 MW Teesta Canal Bank Grid Connected Solar Photovoltaic Power Plant, West Bengal (East)

The project: Setting up of the 10 MW Teesta Canal Bank Grid-Connected Solar Photovoltaic Power Plant in Chopra (block), Uttar Dinajpur (district) in West Bengal with RIDF Loan of ₹4,880.14 lakh sanctioned under Tranche XXI (2015–16). The site is located between Tailrace Channel of Teesta Canal Fall (TCF) Stage-II Power Station and Mahananda Link Canal (MLC) is a five kilometre long stretch through three villages of Borobila, Bara Dangapara, and Dangra Dangri in the Chopra block. Commissioned in August 2016, the project has since generated 15.66 million units in its first year of operation.



**Benefits:** The project has enhanced the solar power generation capacity in the state. With assured, uninterrupted and stable power supply the project has directly benefited a population of 20,325 in and around the three villages. With the use of solar power in agriculture/allied activities and household purposes, villagers have been able to significantly improve the quality of their lives and in the process have attained the national average per capita electricity consumption of 1,075 kw. The project has also helped in creation of 4,525 recurring jobs per year and 13.27 lakh non-recurring persondays of work.

The investments have augmented the irrigation potential and effective network of rural roads and bridges for better connectivity in far flung areas, through new projects/improvements in existing projects. These projects have brought about an improvement in the quality of rural life through education, health and sanitation, drinking water supply and other projects. Most significantly, RIDF investments have directly contributed to the GDP and generated sizeable

recurring and non-recurring employment in rural areas (Figure 6.8).

Another dimension of RIDF is the significant diversification in the investment portfolio over the years since inception. Now with 36 different activities, the portfolio is robust enough to cater to the various facets of infrastructure needs of rural economy. Highlights of a few important projects funded under RIDF are discussed in Showcases 6.1 and 6.2.

### Showcase 6.2

Drinking Water to every Rural Household—Mission Bhagiratha, Rural Water Supply, Telangana (South)



The challenge: Despite being endowed with Krishna and Godavari rivers and abundant reservoirs—Nagarjuna Sagar, Palair, Wyra, Dummugudem, Srisailam, Singur, SriramSagar, Yellampaly, Mid Manair, Lower Manair, Kaddam, and KumaramBheem—Telangana still faces a challenge of uneven and inadequate distribution of drinking water.

The project: Mission Bhagiratha is a flagship programme of Government of Telangana comprising 68 projects sanctioned under RIDF, to supply drinking water up to 100 litres per capita /day (lpcd) to all inhabitants of Telangana. It will ultimately supply 63,000 million cubic feet (TMC) of potable water by gravity through main bulk trunk lines, sub-trunk lines, and village network after pumping to high altitude. The projects propose to construct intra-village Overhead Service Reservoirs (OHSR) and improve the distribution network in rural areas by laying new pipelines, and piped connections to households.

Benefits on completion: When completed the project will supply safe drinking water to 30,09,904 citizens of 7,08,571 households across 2,772 habitations spread over three districts. Further, the project designs are scalable to reach 41,87,676 people by 2048.





### 6.2.5 Effective Implementation of RIDF Projects

The funding of vast multitude of rural infrastructure projects under RIDF over past 23 years has been a mutually rewarding experience for both the concerned state governments and NABARD. The robust mechanism of normative allocation based on socio-economic parameters, technoeconomic appraisal, concurrent monitoring, outcome based regular reviews at the highest level, correlation of financial progress with physical achievements and periodic ex-post evaluation have ensured enormous benefits to the rural population and the ecosystem through optimal utilisation of scarce resources. The magnificent achievements over the years have made NABARD the premiere partner of the state governments in building rural infrastructure across the length and breadth of the country.

In order to ensure prompt response to the bottlenecks in prioritisation and implementation of RIDF projects, a High Power Committee (HPC),

chaired by Chief Secretary or Principal Secretary (Finance) of each state, reviews the progress and outcome. NABARD on its own undertakes monitoring visits to the projects to assess the progress at the ground level. During the year 2017–18, 2,700 such monitoring visits were taken up in various states. Major observations, concerns and issues were taken up with relevant departments in states to facilitate smooth implementation, improve quality of ongoing projects and serve as feedback for the future.

In a bid to encourage sharing of best practices, a first of its kind National Seminar on Best Practices under RIDF was organised by NABARD at Bankers Institute of Rural Development (BIRD), Lucknow on 24 February 2018.

The objective of the seminar was to share the best practices in implementation of RIDF projects among the stakeholders *viz.*, senior/key officials of the central and state governments, deliberate on emerging challenges in financing and implementation of rural infrastructure



Inauguration of National Seminar on Best Practices under RIDF

projects as also to strategise the way forward for effective implementation of projects and optimal utilisation of infrastructure created.

#### **6.3** LONG-TERM IRRIGATION FUND

Around 42 per cent of the net area sown (141.4 mha) in the country lacks access to assured irrigation. Empirical evidence suggests that assured or protective irrigation encourages farmers to invest more in farming technology and inputs leading to productivity enhancement and increased farm income. Therefore, the PMKSY was launched in 2015–16 with a view to ensuring protective irrigation for producing 'more crop per drop'. Expanding cultivable area under assured irrigation by providing 'Har Khet Ko Pani' (water for every agricultural field) by achieving convergence of investments in irrigation at the field level is the key objective of the scheme. As a part of the measures to achieve this objective, the Hon'ble Union Finance Minister announced the Long-Term Irrigation Fund (LTIF) in the Union Budget 2016–17. The initial corpus of ₹20,000 crore and the additional corpus of ₹20,000 announced for 2017–18 were instituted in NABARD.

LTIF is envisaged to fast track the completion of the 99 identified irrigation projects, spread across 18 states, in mission mode by December 2019. Ministry of Water Resources, River Development and Ganga Rejuvenation (MoWR, RD&GR) is the designated nodal ministry to coordinate and facilitate completion of the projects. Subsequently, GoI approved the funding for the Polavaram project in Andhra Pradesh and central and state shares for the North Koel project in Bihar and Jharkhand under LTIF.

### 6.3.1 Sources of Funds for Financing under LTIF

With a view to incentivising the states, loans are extended under LTIF for 15 years, including moratorium of three years on principal repayment and at an interest rate of 6 per cent per annum. In order to ensure funding at 6 per cent per annum,

TABLE 6.4

State-wise Cumulative Loans Sanctioned and Released under LTIF (Amount in ₹ crore)

S. no.	State	Loan sa	nctioned	Loan released		
		Central share	State share	Central share	State share	
1	Andhra Pradesh	88.41	513.87	22.63	489.34	
2	Assam	168.03	0.00	0.00	0.00	
3	Bihar	134.00	0.00	67.73	0.00	
4	Chhattisgarh	126.69	0.00	42.32	0.00	
5	Gujarat	8,158.50	3,611.03	3,577.81	1,383.04	
6	Jammu & Kashmir	21.14	0.00	9.58	0.00	
7	Jharkhand	1,847.00	518.10	450.85	518.10	
8	Karnataka	1,837.34	0.00	563.06	0.00	
9	Madhya Pradesh	3,537.52	2,863.18	569.45	733.35	
10	Maharashtra	3,365.31	7,826. <mark>1</mark> 3	603.70	3,682.84	
11	Manipur	309.86	73.56	152.41	19.31	
12	Odisha	2,299.67	3,216.49	1,016.29	1,233.27	
13	Punjab	143.71	0.00	52.42	0.00	
14	Rajasthan	983.85	196.32	265.23	101.45	
15	Telangana	3,316.98	0.00	268.89	0.00	
16	Uttar Pradesh	4,569.86	0.00	201.23	0.00	
	Total	30,907.87	18,818.68	7,863.60	8,160.70	

Note: Excluding Polavaram and North Koel Projects.

Source: NABARD





there is a mechanism for blending of resources directly raised by NABARD with those raised through GoI-serviced Extra Budgetary Resources (EBRs) in the required proportion.

The cumulative releases as at the end of March 2018 constituted 25.44 per cent of sanctions in the case of central share and 43.36 per cent in the case of states' share. While the central share of the fund is borrowed by National Water Development Agency (NWDA), the state shares are borrowed by respective state governments.

### 6.4 NABARD INFRASTRUCTURE DEVELOPMENT ASSISTANCE (NIDA)

#### **6.4.1** *Policy*

- NIDA offers customised long-term loans to state governments/well-managed state entities for financing infrastructure in rural areas and benefitting rural people.
- Long-term loan is provided under NIDA to State Governments, State-owned organisations, Special Purpose Vehicles (SPVs), Corporates, etc. on customised terms.
- Assistance is provided to infrastructure projects benefitting rural areas and the rural population in sectors such as agriculture, irrigation, transport, energy, drinking water and sanitation, social and commercial infrastructure, etc.

- The repayment period is determined by projected cash flows, income streams of the borrowing entity, commercial life of project assets, etc.
- Security requirement will be project-specific depending upon the rating of the borrowing entity, project viability, etc. and as per regulations laid down by RBI from time to time.
- The rate of interest depends upon type of borrower, security offered, type of project, credit rating of the entity and prevailing market conditions. The option to reset the rate at specified intervals is available under NIDA.

Sanctions under NIDA encompass projects under agriculture, roads and bridges, rural transport, renewable energy, power transmission, drinking water and sanitation, and social and commercial infrastructure for benefitting rural areas. Inclusion of Public-Private Partnership (PPP), to be implemented by registered entities like companies, cooperatives, etc., has broadened NIDA's scope of funding. Participation in syndicated loans catering to larger infrastructure projects in the private/public sector has been a highlight of NIDA financing during the year. Financing under NIDA opens up scope for off-budget and on-budget borrowing and aids in easing the budget constraints for state governments.

Figure 6.9 Salient Projects Sanctioned under NIDA during 2017–18



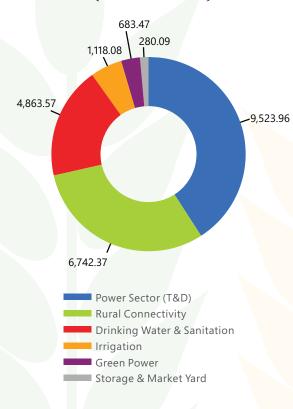
Source: NABARD

### 6.4.2 Progress under NIDA

Fifteen projects were sanctioned under NIDA during 2017–18, with an aggregate term loan of ₹7,465 crore. Loans amounting to ₹2,921 crore were disbursed during 2017–18 towards drinking water supply, road connectivity, power transmission, and renewable energy projects.

As on 31 March 2018, cumulatively, 72 projects with an aggregate term loan of ₹23,212 crore have been sanctioned under NIDA.

Figure 6.10 Sector-wise Sanctions under
NIDA as on 31 March 2018
(Amount in ₹ crore)



Source: NABARD

### 6.5 WAREHOUSE INFRASTRUCTURE FUND

Storage is crucial for efficient logistic, seamless value chain, maintaining buffer stock, timely public distribution, and effective delivery of other

government schemes. Increasing agricultural produce, while minimising post-harvest losses, also calls for augmenting scientific storage capacity for foodgrain and perishable items.

The Warehouse Infrastructure Fund (WIF) is designed to provide credit to public and private sectors for creation and augmentation of decentralised modern scientific storage facilities and post-harvest credit facilities for farmers to realise better prices, thus minimising distress sale of farm produce immediately after harvest.

NABARD-managed WIF was instituted by GoI with a corpus of ₹5,000 crore in 2013–14. The WIF was augmented by ₹5,000 crore in 2014–15. NABARD financed almost 9.05 MMT of scientific storage facilities worth ₹8,377 crore under WIF to provide impetus to the overall development of post-harvest infrastructure in the country. Cumulative disbursements (₹4,778 crore) under WIF was 57.31 per cent of drawables, with 62 per cent of projects completed (total no. of projects: 6,103) till 31 March 2018 (Table 6.5).

Table 6.5
Status of WIF Loan Sanctions and
Disbursements as on 31 March 2018
(Amount in ₹ crore)

Position as on 31 March 2018	WIF 2013–14	WIF 2014–15	Total
Corpus	4,481.0	5,000.0	9,481.0
Sanctions	4,452.0	3,885.0	8,337.0
Utilisation (%)	99.4	77.7	87.9
Disbursement as on 31 March 2018	2,287.0	2,491.0	4,778.0
Disbursement- Achievements (%) (Based on drawables as per phasing up to 31 March 2018)	51.4	64.1	57.3

Source: NABARD Promoting Food Processing Industry





### 6.6 PROMOTING FOOD PROCESSING INDUSTRY

India produces the second highest quantity of fruits and vegetables in the world. It occupies the second spot in cereals, while it is the top producer of pulses and milk. This offers an enormous opportunity for food processing in the country, to cater to export markets as well as domestic consumption. However, a significant quantity of perishable commodities is wasted due to lack of storage and processing infrastructure. While warehousing and cold chain infrastructure can help prevent some of this wastage, agro-based food industries are the true panacea to maximise gains from India's farm success. A well-developed food processing industry holds the potential to increase farm gate prices, reduce wastage, ensure value addition, promote crop diversification, and increase export. India is yet to fully reap the potentials of this industry, as there are challenges to be addressed in this sector. To overcome the myriad and complex challenges faced by food processing sector, GoI had initiated the Mega Food Parks (MFPs) scheme for expansion of food processing ecosystem, by offering grant assistance linked with bank credit to invest in food processing infrastructure.

### 6.6.1 Food Processing Fund: Objectives and Operators

The GoI instituted the Food Processing Fund (FPF) in NABARD during 2014–15. A dedicated fund, with a corpus of ₹2,000 crore, the FPF enables affordable credit to public and private sector for setting up notified food parks and food processing units in Designated Food Parks (DFPs). The Ministry of Food Processing Industries (MoFPI, GoI) has notified 181 DFPs for creating infrastructure and establishing processing units, which are eligible for financing from the Fund.

The GoI has also devised the new central sector umbrella Pradhan Mantri Krishi Sampada Yojana

(PMKSY) programme to promote food processing in India through the following schemes.

- Mega Food Parks
- Integrated Cold Chain and Value Addition Infrastructure
- Creation or Expansion of Food Processing and Preservation Capacities
- Infrastructure for Agro-processing Clusters
- Creation of Backward and Forward Linkages
- Food Safety and Quality Assurance Infrastructure
- Human Resources and Institutions

The PMKSY, with an allocation of ₹6,000 crore, will be coterminous with the XIV Finance Commission cycle for the period 2016–2020. The allocation under this programme in the Union Budget 2018–19 was doubled to ₹1,400 crore from ₹715 crore in 2017–18. NABARD sanctioned a term loan of ₹540.63 crore for 11 MFP projects, one Integrated Food Park and three processing units in the designated food parks, as on 31 March 2018. During 2017–18, ₹111.30 crore was disbursed from the Fund, taking the cumulative disbursement to ₹255.79 crore.

### 6.6.2 Envisaged Plan and Impact of Sanctioned Projects

An area of 840 acres will be developed across 11 MFPs as Central Processing Centres (CPCs). The 11 CPCs will be supported by 40 Primary Processing Centres (PPCs) at suitable places in the catchment zone of MFPs. The PPCs and CPCs will help processing units installed in the MFPs to source agricultural produce directly from farmers, thus, facilitating direct market access to the user industry. These MFPs will have an aggregate area of 840 acres with requisite basic enabling facilities to set up food processing units. On completion these projects will create:

 dry warehouses to store 1.60 lakh MT of raw material (for non-perishable products) and finished goods;

- silos adding up o.83 lakh MT for bulk storing of foodgrain;
- cold storage of 0.51 lakh MT capacity for perishable finished goods;
- freezer storage of 0.11 lakh MT capacity for finished products requiring freezing temperatures;
- controlled ripening capacity of 2,640 MT;
- pulping and aseptic packaging capacity for 36.50 MT of fruit pulp per hour; and
- individual quick freezing capacity to produce
   11 MT of frozen fruits and vegetables per hour.

### 6.7 PRADHAN MANTRI AWAAS YOJANA-GRAMIN (PMAY-G)

In pursuance of the objective of GoI to provide 'Housing for All' by 2022, the erstwhile rural housing scheme, Indira Awaas Yojana, has been restructured into the PMAY-G with effect from 1 April 2016. The PMAY-G aims at providing a *pucca* house, with basic amenities, to all houseless households and those households living in kutcha and dilapidated house by 2022.

In the first phase, one crore houses are to be constructed over a period of three years commencing from 2016-17, with a financial requirement towards Central Share amounting to ₹81,975 crore. Out of the total requirement, an amount of ₹60,000 crore is expected to be met from budgetary sources and the balance financial requirement of ₹21,975 crore is expected to be met through borrowing by National Rural Infrastructure Development Authority (NRIDA) on behalf of MoRD, GoI from NABARD. Accordingly, NABARD has sanctioned a loan amount of ₹9,000 crore to NRIDA. An amount of ₹7,329.43 crore was availed by NRIDA during 2017–18 from NABARD as Central Share assistance.

#### 6.8 NEW INITIATIVES ON THE ANVIL

#### 6.8.1 Micro Irrigation Fund

The Hon'ble Finance Minister in the Union Budget 2017–18 announced the setting up of the Micro Irrigation Fund (MIF) in NABARD with an initial corpus of ₹5,000 crore. It is envisaged to extend loans to state governments incentivising installation of micro-irrigation systems by farmers and support to other innovative measures. The main objective of MIF shall be to facilitate the states in mobilising the resources for expanding coverage of micro-irrigation by taking up special and innovative projects and also for incentivising micro-irrigation beyond the provisions available under PMKSY-PDMC to encourage farmers to install micro-irrigation systems.

### 6.8.2 Agri-Market Infrastructure Fund

The Union Budget 2018–19 announced the setting up of Agri-Market Infrastructure Fund with a corpus of ₹2,000 crore in NABARD, for developing and upgrading agricultural marketing infrastructure in the 22,000 Grameen Agricultural Markets (GrAMs) and 585 APMCs. This fund will help in creating further scope for financing market infrastructure projects to small and marginal farmers.

# 6.8.3 Fisheries and Aquaculture Infrastructure Development Fund and Animal Husbandry Infrastructure Development Fund

In order to enhance the income of farmers, there is a need to diversify their activities into fisheries and animal husbandry sectors. The setting up of the Fisheries and Aquaculture Infrastructure Development Fund and the Animal Husbandry Infrastructure Development Fund with a total corpus of ₹10,000 crore, was announced in the Union Budget 2018–19. This would provide the necessary boost to these sectors, and also create further employment opportunities.



### 6.8.4 Dairy Processing and Infrastructure Development Fund

In the Union Budget 2017–18, GoI has announced creation of a Dairy Processing and Infrastructure Development Fund (DIDF) with a total corpus of ₹8,000 crore over a period of three years (2017–18 to 2019–20). The objectives of the scheme are modernisation and creation of additional infrastructure for milk processing, value addition by producing more dairy products and to help the producer owned and controlled institutions to consolidate their market position in the organised liquid milk market and to ensure optimum price realisation by the primary producers. The operational guidelines were issued on 21 December 2017.

Under the scheme, NDDB/NCDC will borrow money from NABARD for on-lending to eligible borrowers (Cooperative Milk Unions, State Cooperative Dairy Federations, Multi State Milk Cooperatives, Milk Producer Companies, NDDB subsidiaries).

### 6.9 WAY FORWARD

 Higher allocation under RIDF/other infrastructure funds and effective implementation are imperative to meet the growing rural infrastructure needs of the states.

- The Union Budget 2018–19 has announced expansion in the scope of LTIF to cover specified command area development projects. This would require quicker prioritisation and preparation of project proposals by respective state governments.
- The overall irrigation efficiency of major and medium irrigation projects in India is estimated at around 38 per cent. In order to ensure 'per drop more crop', there is a need to provide impetus to micro irrigation and encourage farmers to adopt drip/sprinkler irrigation cultivating traditionally water-guzzling crops like sugarcane, rice, etc.
- NIDA has proved to be an important source of off-budget funding for rural infrastructure. There is a need to extend the focus of NIDA to agriculture and socio-economic development infrastructure projects under public sector particularly.
- Development of the food-processing industry is a priority for GoI for reduction of post-harvest losses of farm produce and to improve quality, value addition, etc. which would result in increasing earnings. There is also a need to explore alternative sources of funding for meeting the growing demand.





## ORGANISATION AND INITIATIVES

#### 7.1 MANAGEMENT

The Board of Directors is appointed by the Government of India (GoI), in consonance with the NABARD Act, 1981. The newly appointed Directors during 2017–18 are:

- Shri B.P. Kanungo, Deputy Governor, RBI, with effect from 28 April 2017, vice Shri R. Gandhi.
- Shri Anil Kumar Bansal, with effect from 23 May 2017.

### MEETINGS OF THE BOARD AND ITS COMMITTEES IN 2017–18



The Board of Directors: 6



Executive Committee of the Board: 4



Sanctioning Committee for Loans under RIDF: 6



Audit Committee: 4



Risk Management Committee: 4



Sub-Committee on HR Policy: 3



Building Sub-Committee: 1

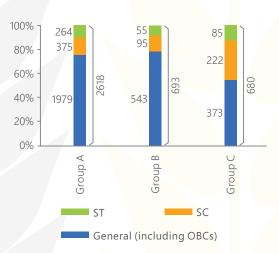
Meetings of the Board and Committees of the Board held during 2017–18 are presented in Sidebar 7.1.

The Internal Sanctioning Committees for sanction of loans under RIDF met nine times during the year. The Management Committee (MC), an important arm of governance, comprising the Chairman, Deputy Managing Directors and select Chief General Managers, met 21 times during the year. During these meetings, it deliberated on important issues, both interdepartmental as well as those with wider policy ramifications.

### 7.2 HUMAN RESOURCE DEVELOPMENT

The staff position in NABARD as on 31 March 2018 is presented in Figure 7.1.

Figure 7.1 Staff Strength by Cadre and Reservation Category (as on 31 March 2018)



During the year, 278 officers were promoted/ empanelled for promotion to higher grade of which 24 were SC and 14 were ST. Thirty (30) Group B employees were promoted as officers in Grade A (RDBS) of which 04 each were SC and ST. Three (03) Group C employees were promoted as Assistant Caretaker (Group B) of which 01 was SC. Further, during the year, 15 Development Assistants (including 02 Development Assistants (Hindi) joined the services of the Bank.

### 7.2.1 Human Resource Focus Areas-Training and development

As a knowledge-based organisation, NABARD recognises the importance of capacity building of its human resources as well as that of client institutions. Accordingly, appropriate training policies and measures are constantly adopted to upgrade staff skill-sets in the wake of the technology advancements and a changing work environment.

Based on the results of a role-competency mapping exercise for each job role, in-house and on-location training courses were designed, conducted and delivered through the National Bank Staff College (NBSC), Lucknow and the Bankers Institutes of Rural Development (BIRD) at Lucknow, Bolpur, and Mangaluru during 2017–18 (Table 7.1). The e-learning module of NABARD, 'NABSCHOLAR', was launched during the year, and so far 22 e-lessons have been made available to the staff.

The in-house programmes focus on desk-specific technical skills to serve dynamic organisational requirements particularly in new business areas. They also develop soft skills for improving the organisational work culture. On-location programmes on the other hand, provide field exposure to NABARD development interventions.

TABLE 7.1
Training for Employees, 2017–18

Establishment	No. of programmes	Number of participants	
NBSC, Lucknow	93	2,081	
BIRD, Mangaluru	6	86	
BIRD, Bolpur	8	198	
BIRD, Lucknow	8	219	

During 2017-18, the Bank deputed 106 senior officers for self-identified programmes in Behavioural Science, Human Resource Development, Finance, etc., at premier management institutes, viz. Indian Institute of Management (IIMs), Xavier Institute of Management, Bhubaneswar (XIMB), Xavier Labour Relations Institute (XLRI), Indian School of Business (ISB), etc. Further, the Bank deputed 171 officers in various grades to IIM, Management Development Institute (MDI), Fixed Income Money Market and Derivatives Association (FIMMDA), National Institute of Bank Management (NIBM), Institute for Development and Research in Banking Technology (IDRBT), and Agriculture Universities for building capacities in new and emerging areas such as Green Financing, Climate Change, Banking Technology, Risk Management, Natural Resource Management, Infrastructure Financing, etc.

Furthermore, Grade A and B officers recruited during the year underwent intensive induction training, including a Rural Immersion Programme where they were attached to various reputed NGOs for hands-on experience on every aspect of rural development. For Groups B and C, 11 refresher training programmes were conducted, which attracted 287 participants (Table 7.2).

NABARD co-hosted the 41st Annual General Meeting of the Association of Development Financing in Asia and the Pacific (ADFIAP) at New Delhi during 20–21 February 2018. The meet provided a knowledge-sharing platform for the DFIs on the theme 'Sustainable and Inclusive Development: Role of DFIs' and was attended by 90 foreign delegates from the Asia-Pacific region as well as Russia and Canada, representing 131 member-institutions of 36 countries.

### 7.2.2 Welfare of Scheduled Castes, Scheduled Tribes, and Other Backward Classes

NABARD adheres to Government of India (GoI) norms of recruitment, training, appraisal, and





TABLE 7.2
Training Programmes for Group 'B/C' Staff

Nodal ROs	No. of Programmes for Group 'B'	Participants (Group B)	No. of Programmes for Group 'C'	Participants (Group C)	Total participation
HO, Mumbai	2	63	2	65	128
Haryana	1	20			20
Lucknow	-	-	_	_	
Kolkata	3	73	3	66	1 <mark>3</mark> 9
Guwahati	-	-	_	_	
Chennai	-	-	-	_	
Total	6	156	5	131	287

promotion of persons belonging to SC, ST and Other Backward Classes (OBC).

During 2017–18, pre-recruitment training was imparted to 757 SC, ST and OBC candidates and pre-promotion training to 219 officers belonging to SC, ST and OBC categories. Further, 23 staff members were trained for promotion from clerical to officer cadre.

During 2017–18, quarterly meetings were held between representatives of the All India NABARD Progressive Employees Welfare Association, the senior executives and the Chief Liaison Officer/ Liaison Officer of NABARD at the Head Office (HO), Mumbai and its various Regional Offices (ROs).

A workshop on reservation policy was organised at National Bank Staff College (NBSC), Lucknow. Six officers attended a 'Workshop on Liaison Officers of SC/ST' conducted by the Institute of Secretariat & Management (ISTM), GoI.

#### 7.2.3 Other HR initiatives

The Housing Loan Group Insurance Scheme was renewed for the policy period 3 July 2017–2 July 2018. The Scheme covers housing loan outstanding balance together with accrued interest, thereby protecting terminal benefits payable to the family in case of death of an employee while in service.

Optional Group Term Insurance Plan (OGTIP) for existing employees on a voluntary basis and for new appointees (on or after 01 August 2013)

at Bank's cost, was renewed for the policy period 1 December 2017–30 November 2018. The Plan covered 1188 employees (861 existing and 327 new appointees).

The Group Mediclaim Policy for retired staff was renewed for a period of one year with effect from 15 August 2017 with United India Insurance Company Ltd (UIIC). Vidal Health Pvt. Ltd has been retained as Third Party Administrator (TPA) for the policy. Global Insurance Brokers Ltd. is the Insurance Consultant for the current year.

In accordance with the revised provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (14 of 2013), Central Complaints Committee at HO and Regional Complaints Committees at ROs have been reconstituted to deal with complaints of sexual harassment of women at the workplace. To educate the staff on conduct that constitutes sexual harassment and the provisions under the Act, workshops were conducted across ROs, training establishments (TEs) and departments at NABARD HO throughout 2017–18.

During the year, NABARD set up a Grievance Redressal Committee (GRC) for PwD (persons with disabilities) employees to redress their grievances related to working conditions, denial of eligible facilities, discrimination and harassment at the workplace.

Industrial relations in the Bank continued to be harmonious during the year. Periodic discussions

were held between the management and the All-India National Bank Officers' Association and the All India NABARD Employees' Association.

### 7.3 OTHER INITIATIVES

### 7.3.1 Transparency under the Right to Information Act, 2005

Pursuing its goals of transparency, proactive disclosure and compliance to statutory obligations, NABARD has been effectively providing information sought under the Right to Information (RTI) Act, 2005.

Thirty-six senior officers, including thirty-one at Regional Offices (ROs), four at Training Establishments (TEs) and one at the Head Office (HO), have been designated as Central Public Information Officers to comply with the statutory obligations under the RTI Act, 2005. Shri M.K. Mudgal, Chief General Manager was the Transparency Officer and Shri S.K. Bansal, Chief General Manager was the Appellate Authority.

During the year 2017–18, 1,425 RTI applications and 120 appeals requesting for information were received. Of the RTI applicants, 1,140 were provided with information and Appellate Orders were issued against 113 appeals. NABARD officials attended 14 hearings on appeals made to the Central Information Commissioner, during the year.

### 7.3.2 Grievance Redressal

In 2017–18, 12 grievance applications and four appeals were received. The Grievance Redressal Committee met four times during the year, discussed and resolved all 30 cases. The Grievance Redressal Appellate Committee discussed and resolved the four appeals received during the year.

#### 7.3.3 Vigilance Sensitisation

In 2017–18, Preventive Vigilance Inspections (PVIs) were conducted in 10 ROs (Gujarat, Jharkhand, Madhya Pradesh, Maharashtra, Uttar

Pradesh, Uttarakhand, Goa, Andaman & Nicobar Islands, Tripura, and Jammu & Kashmir); National Bank Staff College, Lucknow; and the Department of Premises, Security and Procurement (DPSP) at HO. The staff was sensitised to various aspects of vigilance and newly recruited officers were introduced to vigilance systems and procedures and related matters during their induction training programme.

A workshop on Procurement, Purchase, Tenders, Quotations, and Contracts with particular focus on vigilance was held for the Procurement Officers at ROs. Separately, in a workshop organised by NBSC, Lucknow for engineers, a session on 'Vigilance and Tender/ Procurement' was also held.

Circulars were issued on Systemic Improvement Guidelines for engagement of consultants, reporting of fraud cases to police/State CIDs/Economic Offences Wing of State Police by Public Sector Banks, timely disposal of sanction for prosecution cases pending for more than three months and adoption of integrity pact (the procedure and lodging of online complaints by Citizen/Public).

Vigilance Awareness Week was observed from 30 October 2017 to 4 November 2017 at HO, all ROs, and TEs, and at district level by District Development Managers. School and college students from across India celebrated Vigilance Awareness Week by participating in various quiz competitions, elocutions, lectures, etc. organised to impart and inculcate the values of being vigilant in the youth. A Walkathon around the Bandra–Kurla Complex in Mumbai was organised to disseminate the message of a corruption-free society and ethical values to the common man on the streets.

### 7.3.4 Information Technology Initiatives

NABARD has been inducting latest IT systems and services in tune with the changing IT landscape,







so as to remain current and relevant in providing better services to its various stakeholders. In this regard, the Bank has made a strategic shift towards centralised web-based computing platforms for its various management and business functions. The goal is to provide anywhere and anytime access to the users in a secured way. The enterprise-wide systems which have been rolled out include the Human Resources Management System (HRMS), Centralised Loan Management and Accounting System (CLMAS), Treasury and Asset Liability Management System (TALMS), Data Collection and Management System (DCMS), Enterprise Content Management System, Corporate Intranet, Corporate Mailing Solution, besides a host of web portals.

The CLMAS is the Core Banking Solution of NABARD which has enabled the Bank to manage end-to-end life cycle management of all loan and grant products—from origination to disbursement, accounting and servicing. The system has enabled NABARD to generate the Balance Sheet and the Profit & Loss Account on daily basis.

The TALMS takes care of the entire treasury operations including borrowings and asset liability management.

The DCMS viz. 'ENSURE' is used to collect data from the commercial banks, cooperative banks and regional rural banks on financial parameters including ground level credit flow and progress on various schemes of NABARD and Government of India. The system is also used for online submission of subsidy applications from banks for the Dairy Entrepreneurship Development Scheme where the status of the applications can be tracked.

NABARD has commenced implementation of the Enterprise Content Management (ECM) solution in the Bank, which is built on the cornerstone of scanning and digitisation of documents, document management system, and workflow management.

The following web-portals have been developed for the benefit of ultimate beneficiaries.

- a) E-Shakti: This portal has been developed for digitisation of SHGs and their accounts. The project covers 4 lakh SHGs and 42 lakh member beneficiaries in 100 districts. While data collection from the SHGs is through a mobile application, the E-Shakti Portal has been made available to all the bankers in the area to enable them to assess the financial strength of the SHGs and take a decision for lending purposes.
- b) Watershed Development: This portal captures physical progress of watersheds funded by NABARD using GIS technology.
- c) Tribal Development: This portal contains data of TDF projects funded by NABARD across 220 districts benefitting 3.65 lakh families.
- d) **KrishakSarathi:** This portal was developed to digitise farmers' clubs and their members' data. It contains data of 23,000 Clubs covering 2 lakh members.
- e) NabSkill: This is an interface to capture details of various stakeholders (Trainees, Trainers, Placement Agencies and NABARD) in skilling initiative by NABARD.

Other IT initiatives of NABARD during the year included the following:

- a) For centralised and professional IT infrastructure services management, a country-wide vendor has been selected for providing end-to-end IT Services Management (ITSM). With ITIL v3 framework-compliant ITSM tools and processes, there has been a paradigm shift in the delivery and monitoring of IT services to all end users while strengthening the security framework of the Bank.
- b) Vulnerability Assessment and Penetration Testing (VAPT) is being conducted in the Bank for all the IT assets in NABARD. Post completion of two cycles of VAPT, the

IT security of the Bank has been further enhanced.

- c) Steps have been initiated and staff members trained for the introduction of data analytics by harnessing data from various kinds of software viz. core banking, data collector, etc.
- d) NABARD has appointed a Chief Technical Adviser to help in executing the digitisation process initiated by NABARD and also for upgrading technology, cyber security, etc.

### 7.3.5 Corporate Communication Initiatives

Branding appreciation workshop for senior officials

NABARD organised a workshop (coordinated by Ms. Juhi Ramakrishnan, Adjunct Professor, IIM Ahmedabad) on Branding Appreciation at NABARD, HO, for senior officers. Proper positioning of brand NABARD would help in managing organisational expectations and drive aspirational positioning of the organisation. Developing a brand statement for NABARD was a key takeaway.

### International/National accolades for NABARD's corporate communications

The League of American Communications Professionals (LACP) Awards, Naples, Florida, USA are considered equivalent to the Academy Awards in Business Communication. For the year 2017, NABARD got three LACP awards. NABARD was also placed in the Top 100 Winners Gallery. NABARD competed with globally renowned institutions such as GE, Hyundai, Samsung, LG, Panasonic, Daimler, Morgan and Hankook. The awards received by NABARD are as follows.

- NABARD website www.nabard.org won a Silver Award under Digital: Web/Intranet site category Award for its outreach, vibrancy and rich content.
- 'NABARD Online', a YouTube Channel, created and managed in-house, won a Bronze for providing open resource for

- nation building. The judges appreciated the phenomenal (and rapidly rising) collection of short films about NABARD's successful projects—a unique achievement of NABARD as India's apex level development institution.
- 'Simply Development', a brochure, written, composed and designed in-house won a Bronze under Print Category.
- NABARD won the Champion of Champions award, for the second time in a row, in the 57<sup>th</sup> Annual Awards of Association of Business Communicators of India (ABCI). It also won seven other awards in the ABCI, including awards for NABARD YouTube channel, Annual Report, Sustainability Report, wall calendar and Simply Development.
- NABARD Sustainability Report was awarded third prize at PRSI National Award 2017.

### NABARD YouTube channel making huge strides

NABARD launched its official YouTube channel, www.youtube.com/nabardonline, in April 2014 to interface with the external world. The idea is to leverage YouTube's immense popularity in the social media sphere to highlight NABARD's contribution over the years in helping rural India prosper.

YouTube is seen in NABARD as a new generation tool for spreading literacy among people about agriculture, banking, and rural India. As on 31 March 2018, 146 videos were uploaded on the channel garnering close to one million minutes watch time. Videos on best practices in agriculture, natural resource management, farmers' clubs, self-help groups (SHGs), rural infrastructure, rural innovations, financial inclusion, eco-tourism, value chain management, etc. are being watched in 208 countries (81 per cent in India, followed by 3 per cent in USA and 1.9 per cent in Saudi Arabia).

#### NABARD goes social

On 8 January 2018, NABARD launched its official accounts on Facebook and Twitter, two high-





use social media platforms. NABARD Online, as NABARD is known in the cyberspace, is used for sharing updates on NABARD's programmes and events with various stakeholders, partners, beneficiaries, as well as members of the public.

#### NABARD unveils corporate film

The NABARD corporate film, in a 14-minute and a 4-minute version, depicts the institution's journey, functions, and achievements through engaging script and visuals, was launched during the year.

### Coffee Table Book on celebrating development

NABARD has documented 108 success stories from across India in a coffee table book titled *Celebrating Development* which celebrates hope, courage, hard work, and development in rural India. The book will be a legacy for the future generations to draw inspiration from.

#### 7.3.6 Inspection and Concurrent Audit

During 2017–18, the Inspection Department conducted 45 inspections to ensure compliance with the regulations and norms pertaining to financial transactions and operations in 22 ROs, 2 training establishments, 17 HO departments and 4 subsidiaries.

Four meetings of the Audit Committee of the Board in 2017–18 reviewed the quarterly financial results, findings of the inspection reports, Concurrent Auditor's Performance, Intermediary Accounts, reconciliation of balances in the books of Financial Institution and books of Public Debt Office, RBI, Status of RBI Inspections, etc. and other related issues.

#### 7.3.7 Risk Management

NABARD has a robust risk management governance structure, through various committees on risk management which played an effective role in mitigating various risks identified in the Bank. During the year, M/s KPMG was

engaged for the preparation of an 'Enterprise-Wide Business Continuity Management Plan' for NABARD. M/s Ernst & Young has been assisting NABARD towards enhancing the extant Risk Management Framework in line with the Basel III guidelines and implementation of a robust risk-management software.

NABARD has introduced Credit Risk Rating modules for all client institutions, ensuring robust standardised documentation processes, early recognition of issues in the loan portfolios through a default forecasting mechanism, identification, close follow up and monitoring of 'Special Mention Accounts' (SMAs) and 'Non-Performing Assets' (NPAs), comprehensive review of exposure norms for client institutions for managing the Bank's concentration risk, conduct of operational audit, and internalising of the findings including the regular legal audits.

Interest Rate Risk and Liquidity Risk are managed through the mechanism of review of assets and liabilities in monthly Assets and Liabilities Committee meetings (ALCO), productwise yield analysis, contingency fund planning, etc. During the year, market risk in the portfolio of NABARD was effectively managed using tools on stress testing, capital computation, interest rate risk in the banking book (IRRBB) and valuation of securities. Technological upgradation through implementation of Asset Liability Management Module in 'Treasury Asset Liability Management System (TALMS)' is in progress.

NABARD proactively manages Operational Risk by adopting a comprehensive mechanism of internal systems and controls. The measures initiated include, introduction of Risk Registers, review of Disaster Recovery Drills for IT applications, monitoring of statutory and regulatory returns to mitigate compliance risks etc.

Risk Management Cells established in all the accounting units continued to act as an effective tool in mitigating risk by way of convening monthly Risk Management Committee Meetings and quarterly Default Forecasting and Monitoring Committee Meetings. The Risk Coordinators and Risk Managers in Head Office Departments and Regional Offices continued to play an effective role in mitigating risks and putting in place various control mechanism to manage inherent and residual risks.

NABARD has been internally developing Risk Rating Models for all the exposures. During 2017–18, new Risk Rating Models were introduced for NBFC-MFIs and Public/Private Sector Commercial Banks. The Risk Rating Model for DCCBs was revised taking into account changes in the regulatory and business environment.

#### 7.3.8 Promotion of Rajbhasha

During 2017–18, NABARD continued its efforts to increase the use of Hindi in the day-to-day work of the Bank, under the provisions of The Official Languages Act, 1963 and Official Languages Rules, 1976. In line with the annual programme of the Government of India for 2017–18, guidelines, manuals, reference literature, publications, etc. were prepared and published in Hindi. The Official Languages Implementation Committees constituted in all offices of NABARD met every quarter to review the progressive use of Hindi within the organisation.

The Rajbhasha Division conducted inspection of nine HO departments, eight ROs, and one training establishment in 2017–18 and shared its observations on compliance with the concerned offices/departments. The Draft and Evidence Sub-Committee of the Parliament on Rajbhasha visited the Andhra Pradesh RO.

#### Workshops and training sessions

- Through 85 workshops and desk-training sessions, 924 staff members across India were trained in preparing notes and drafts in Hindi using available tools for Hindi typing.
- Rajbhasha orientation programme for senior

- officers was organised at BIRD, Mangaluru.
- Workshops for officers attached to ROs in Region 'A' were conducted for writing of the Potential Linked Credit Plans (PLPs), and inspection reports in Hindi.
- A Rajbhasha orientation programme was held for newly recruited Rajbhasha officers and translators.
- A two-day workshop for Rajbhasha Nodal Officers attached to various ROs was held at NBSC, Lucknow.
- Under Hindi Teaching Scheme, training for Prabodh, Praveen, and Pragya was imparted to staff.
- Classes for *Parangat*, the newly introduced course for proficiency in Hindi were organised at HO and some other offices.
- Hindi Day was celebrated in all the ROs and at HO. Winners of various competitions conducted during the year were awarded prizes on the occasion. Rajbhasha shields were also given to various ROs and HO departments on the basis of their performance in use of Hindi. This year Rajbhasha shields were also awarded to ROs from the northeastern region (NER).

### Prominent Rajbhasha publications

Many important publicity and promotional materials such as scripts of short films on NABARD, posters, flipcharts pamphlets pertaining to water campaign, fliers and manuals were translated to Hindi. The quarterly house journal Rashtriya Bank Srijana continued to be published during the year to provide a platform for staff members to engage in creative writing as also to disseminate schemes of NABARD for the benefit of clients and ultimate beneficiaries. The 100<sup>th</sup> issue of the magazine was brought out tracing the glorious journey since its inception covering many milestones along the way. The journal was adjudged the best house journal by Ashirwad Foundation. Srijana also bagged an award from the Association of Business Communicators of India (ABCI).



### 7.4 SUBSIDIARIES OF NABARD

The four subsidiaries of NABARD are NABKISAN Finance Services Limited (NFKL), Mumbai; NABARD Financial Services Limited (NABFINS), Bengaluru; NABSAMRUDDHI Finance Limited; and NABARD Consultancy Services Private Limited (NABCONS), New Delhi. During the

year 2017–18, NABSAMRUDDHI which was a regional company, has expanded its operation to 13 states—Andhra Pradesh, Telangana, Chhattisgarh, Gujarat, Jharkhand, Karnataka, Kerala, Maharashtra, New Delhi, Rajasthan, Tamil Nadu, Uttar Pradesh, and West Bengal. All these subsidiaries made impressive growth and posted profit.

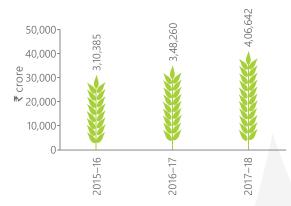




FINANCIAL PERFORMANCE

The financial resources at the disposal of NABARD were ₹4,06,642 crore, as on 31 March 2018, as compared to ₹3,48,260 crore in the previous year (Figure 8.1 and Table 8.1), registering an increase of 16.8 per cent.

Figure 8.1 Balance Sheet Size as on 31 March (Amount in ₹ crore)



#### 8.1 SOURCES OF FUNDS

#### 8.1.1 Capital, Reserves and Surplus

NABARD's authorised and paid-up capital was ₹5,000 crore on 31 March 2018, with the Government of India (GoI) holding 99.6 per cent, and the Reserve Bank of India (RBI) 0.4 per cent share. Contributions of share capital of ₹300 crore, ₹1,400 crore and ₹3,880 crore received from GoI during 2015–16, 2016–17 and 2017–18, respectively, have been kept as advance, pending adjustment of the same against share capital after issuance of GoI notification for enhancement of authorised capital. NABARD's reserves and surplus increased from ₹24,771 crore on 31 March 2017, to ₹27,731 crore on 31 March 2018.

### 8.1.2 National Rural Credit (Long-Term Operations) and National Rural Credit (Stabilisation) Funds

The NRC (LTO) Fund is utilised for investment credit refinance, while the NRC (Stabilisation) Fund is deployed for conversion or for the rescheduling of short-term credit refinance. These funds are augmented by internal accruals

and contributions received from the RBI. During 2017–18, NABARD and RBI contributed ₹1 crore each to both of these funds. The balance in the NRC (LTO) fund and the NRC (Stabilisation) fund stood at ₹14,491 crore and ₹1,591 crore respectively, as on 31 March 2018.

#### 8.1.3 Deposits

### (a) Short-Term Cooperative Rural C<mark>red</mark>it (Refinance) Fund

The STCRC (Refinance) Fund was set up in 2008–09 with an allocation of ₹5,000 crore to augment NABARD's resources to extend short-term credit facilities to cooperative institutions. The STCRC (Refinance) Fund is contributed by scheduled commercial banks (SCBs) that had not achieved their priority sector lending obligations. The fund continues to receive allocations through Central Budgetary announcements.

The outstanding balance of the STCRC (Refinance) Fund stood at ₹45,000 crore as on 31 March 2018, which was also the allocated amount for the year.

# (b) Short-Term Rural Credit (Refinance) Fund for Regional Rural Banks (STRRB Fund)

With a view to augmenting NABARD's resources to extend ST credit facilities to RRBs, the STRRB Fund was set up in 2012–13 with a corpus of ₹10,000 crore contributed by Scheduled Commercial Banks (SCBs) not achieving their priority sector lending obligations. The fund continues to receive allocations through Central Budgetary announcements. The outstanding balance of the STRRB Fund was ₹10,000 crore as on 31 March 2018, which was also the allocated amount for the year.

#### (c) Long-Term Rural Credit Fund (LTRCF)

A new line of credit to fulfil the requirements of cooperatives banks and RRBs to fund investment credit was set up in 2014–15 with a corpus of ₹5,000 crore, contributed by SCBs to the extent of the shortfall in their priority sector lending

operations. An allocation of ₹15,000 crore was made by GoI under this fund for 2017–18. The outstanding balance under this fund was ₹38,001 crore on 31 March 2018.

#### (d) Tea, Coffee and Rubber Deposits

The outstanding balance under deposits from tea, coffee and rubber companies was ₹164 crore on 31 March 2018, as compared to ₹219 crore on 31 March 2017.

#### (e) Rural Infrastructure Development Fund (RIDF) Deposits

During 2017–18, RIDF deposits from commercial banks were mobilised by NABARD, aggregating ₹25,999 crore. Repayments made during the period amounted to ₹15,188 crore under various tranches of RIDF. An allocation of ₹25,000 crore was made by GoI under this fund for fresh sanctions during 2017–18. The outstanding balance under the RIDF deposits was ₹1,16,314 crore on 31 March 2018, against ₹1,05,502 crore on 31 March 2017.

#### 8.1.4 Borrowings

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

#### (a) Bonds and Debentures:

#### (i) Capital Gains Bonds

The outstanding balance under Capital Gains Bonds was ₹1.29 crore on 31 March 2018.

#### (ii) Corporate Bonds

Corporate Bonds amounting to ₹10,024 crore were redeemed during 2017–18, while fresh bonds amounting to ₹16,600 crore were issued. The amount outstanding at the end of 31 March 2018 was ₹38,055 crore, as against ₹31,479 crore on 31 March 2017.

#### (iii) Bhavishya Nirman Bonds

Redemption of 24 series of Bhavishya Nirman Bonds was made during 2017–18. The outstanding principal balance of these bonds was ₹3,188 crore on 31 March 2018, as against ₹4,971 crore on 31 March 2017.

In addition, NABARD also borrowed by raising funds through bonds for the following two purposes:

#### (i) Bonds for Long-Term Irrigation Fund (LTIF)

In continuation of the implementation of LTIF, as announced in the Union Budget 2016-17, NABARD borrowed ₹3,105 crore towards GoI-serviced bonds and ₹8,256 crore towards NABARD's share during the year 2017–18. The outstanding amount under LTIF borrowing was ₹20,447 crore, comprising NABARD LTIF bonds (₹15,155 crore), and GoI-serviced bonds (₹5,292 crore) as on 31 March 2018.

### (ii) Bonds for Pradhan Mantri Awaas Yojana-Gramin (PMAY-G)

The GoI approved the implementation of the PMAY-G rural housing scheme which provides financial assistance for the construction of pucca house to all homeless people and to households living in dilapidated houses. During 2017−18, ₹7,330 crore was borrowed by NABARD by way of GoI fully-serviced bonds for lending towards PMAY-G, and remained outstanding as on 31 March 2018.

#### (b) Certificates of Deposit

Borrowings of ₹4,001 crore were mobilised during 2017–18 through the issuance of Certificates of Deposit (CDs), and ₹7,975 crore was redeemed during 2017–18. Outstanding borrowing, under CDs, stood at ₹4,001 crore on 31 March 2018.

#### (c) Commercial Papers

Fresh borrowings through commercial papers (CPs), aggregating ₹1,21,152 crore, were mobilised during 2017–18. The CPs, amounting to ₹1,06,775





crore (Face Value), were redeemed during the period. As on 31 March 2018, the outstanding balance was ₹32,040 crore.

#### (d) Term Money Borrowings

To meet short-term requirement for funds, term money borrowings (three to six month tenures) were mobilised. Repayments of ₹6,692 crore were made and fresh term money borrowings worth ₹7,728 crore were raised during 2017–18. The amount outstanding on 31 March 2018 was ₹3,229 crore, compared to ₹2,193 crore on 31 March 2017.

#### (e) Tax-Free Bonds

The outstanding balance, against Tax-Free Bonds mobilised in 2016, was ₹5,000 crore on 31 March

2018. No fresh bonds under this category were issued during 2017–18.

#### (f) Foreign Currency Borrowings

The redemption under borrowings from KfW was to the tune of ₹32 crore during the year. An amount of ₹160 crore was mobilised during the year, while outstanding borrowings were at ₹812 crore on 31 March 2018, as against ₹684 crore on 31 March 2017. The foreign exchange risk on these loans and interest thereof has been fully hedged at an average annual cost of 5.94 per cent for 3 to 10 years.

TABLE 8.1
Sources of Funds (audited) (as on 31 March 2018) (Amount in ₹ crore)

Particulars	2	017	2	2018		
	Amount	Share (%)	Amount	Share (%)		
Capital, Reserves & Surplus	31,471	9.04	38,311	9.42		
NRC (LTO) & NRC (Stabilisation) Funds	16,078	4.62	16,082	3.95		
STCRC Fund	45,009	12.92	45,000	11.07		
ST Fund for RRBs	10,003	2.87	10,000	2.46		
LTRC Fund	30,000	8.61	38,001	9.35		
Tea, Coffee & Rubber Deposits	219	0.06	164	0.04		
RIDF Deposits	1,05,502	30.29	1,16,314	28.60		
Bonds & Debentures (including BNB)	36,451	10.47	41,244	10.14		
Bonds for LTIF	9,086	2.61	20,447	5.03		
Bonds for PMAY-G	-	_	7,330	1.80		
Certificates of Deposit	7,479	2.15	4,001	0.98		
Commercial Papers	16,193	4.65	32,040	7.88		
Term Money Borrowings	2,193	0.63	3,229	0.79		
Tax Free Bonds	5,000	1.44	5,000	1.23		
Foreign Currency Loan	684	0.20	812	0.20		
Borrowings JNN Solar Mission	15	0.00	3	0.00		
Warehouse Infrastructure Fund	3,531	1.01	4,671	1.15		
Food Processing Fund	150	0.04	300	0.07		
CBLO & Repo	7,614	2.19	4,468	1.10		
Borrowings against STD	750	0.22	0	0.00		
Other liabilities	13,742	3.95	12,346	3.04		
Other funds	7,090	2.04	6,879	1.69		
Total	3,48,260	100.00	4,06,642	100.00		

#### 8.2 USES OF FUNDS

#### 8.2.1 Refinance

#### (a) ST Loans

The total outstanding under ST-SAO and ST(OSAO) as on 31 March 2018 stood at ₹66,128.19 crore, as against ₹73,553.37 crore in the previous year. Under ST-SAO, the share of StCBs, RRBs, CBs and SCARDBs stood at ₹48,469.47 crore, ₹13,799.22 crore, ₹240.00 crore and ₹150.00 crore respectively. Under ST-OSAO, the outstanding of StCBs and RRBs stood at ₹2,151.50 crore and ₹1318.00 crore respectively.

#### (b) MT Conversion

Outstanding loans under MT Conversion stood at ₹632.77 crore on 31 March 2018, as against ₹1,065.00 crore at the end of the previous year.

#### (c) MT and Long-Term Loan

Refinance assistance aggregating to ₹1,22,687.74 crore was outstanding against banks in respect of the medium- and long-term investment loans provided by them as on 31 March 2018, against ₹1,05,207.49 crore as on 31 March 2017—thereby registering an increase of 16.61 per cent.

### (d) Direct Refinance to District Central Cooperative Banks

A short-term multipurpose credit product designed for direct lending to DCCBs for meeting the working capital and farm asset maintenance needs of affiliated PACS and individual borrowers was launched in 2011–12. The outstanding under this line of credit stood at ₹2,949.51 crore as on 31 March 2018, as against ₹2,565.20 crore as on 31 March 2017.

#### 8.2.2 Direct Loans

#### (a) RIDF

Loans outstanding, provided to state governments for implementation of rural infrastructure development projects, stood at ₹1,10,061.77 crore as on 31 March 2018 as compared to ₹1,00,981.48 crore as on 31 March 2017.

#### (b) Warehouse Infrastructure Fund (WIF)

The WIF is used for providing loans for construction of warehouses, silos, cold storage facilities and other cold chain infrastructure in the Public/Private Sector. Loans outstanding against this fund stood at ₹4,296.12 crore as on 31 March 2018, as against ₹3,402.11 crore as on 31 March 2017.

#### (c) NABARD Infrastructure Development Assistance (NIDA)

Loans outstanding under NIDA stood at ₹7,241.57 crore as on 31 March 2018, as against ₹4,978.00 crore as on 31 March 2017.

### (d) Producers' Organisation Development Fund (PODF)

Loans outstanding under PODF stood at ₹219.61 crore as on 31 March 2018, as against ₹316.58 crore as on 31 March 2017.

#### (e) Credit Facility to Federations

Loans outstanding under Credit Facility to Federations stood at ₹11,954.00 crore as on 31 March 2018, as against ₹6,961.00 crore as on 31 March 2017.

#### (f) Food Processing Fund (FPF)

The FPF is used for providing affordable credit for establishment of designated Food Parks and for setting-up of individual processing units in these Food Parks. An amount of ₹239.40 crore was outstanding as on 31 March 2018 as against ₹139.79 crore during the previous year.

#### (g) LTIF

As part of the Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) announced in the Union Budget 2016–17, the LTIF was instituted in NABARD to support State Governments for irrigation infrastructure projects. An amount of ₹20,446.52 crore was outstanding as on 31 March 2018, as against ₹9,086.02 crore as on 31 March 2017.

#### (h) PMAY-G

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The erstwhile IAY has been restructured as PMAY-G, with a view to achieve the GoI's objective of housing for all by 2022. Under this





scheme, NABARD will be raising resources from the market for on lending to NRIDA, the nodal agency to meet the shortfall in the GoI's share in the project cost. The outstanding loans to NRIDA stood at ₹7,329.43 crore as on 31 March 2018.

#### (i) Non-Project Loans

The outstanding in respect of long-term loans granted to State governments for contributing to the share capital of cooperative credit institutions, stood at ₹42.13 crore as on 31 March 2018, compared to ₹53.43 crore as on 31 March 2017.

#### (j) Other Loans

Other loans extended out of different funds—Watershed Development Fund (WDF), Tribal Development Fund (TDF), KfW assisted Umbrella Programme for Natural Resources Management (UPNRM), Farm and Off-farm Sector Promotion Activities Programme loans, Jawaharlal Nehru National Solar Mission (JNNSM) and co-finance

loans stood at ₹474.58 crore as on 31 March 2018, against ₹321.73 crore as on 31 March 2017.

#### (k) Investment of Surplus Funds

The quantum of short-term surplus deployed by NABARD in various financial instruments including deposits with banks stood at ₹46,162.12 crore as on 31 March 2018. Of this, ₹28,393.00 crore was deployed in financial instruments, including Government securities (₹15,589 crore), Equity shares ₹1,137 crore), Debentures & Bonds (₹2,427 crore), Shareholdings in subsidiaries and Joint Ventures (₹180 crore) and others (₹9,060 crore). An amount of ₹1,204.24 crore was invested in Collateralised Borrowing and Lending Obligations (CBLO) in order to meet liquidity and contingency requirements, as on 31 March 2018. Total cash and bank balances stood at ₹17,480 crore including ₹16,815.00 crore as Short-Term Bank Deposits.

TABLE 8.2
Uses of Funds (audited) (as on 31 March 2018) (Amount in ₹ crore)

Particulars	0	047	2018		
Particulars .		017			
	Amount	Share (%)	Amount	Share (%)	
Cash and Bank Balance	11,612	3.33	17,480	4.30	
Government Securities and other Investments	22,774	6.54	28,393	6.98	
CBLO	1,349	0.39	1,204	0.30	
Loans and Advances					
Production and Marketing Credit	73,553	21.12	66,128	16.26	
Conversion of Production Credit into MT Loans	1,065	0.30	633	0.16	
MT & LT Project Loans*	1,05,207	30.21	1,22,688	30.17	
Direct Refinance to DCCBs	2,565	0.74	2,950	0.73	
Loans from RIDF	1,00,981	29.00	1,10,062	27.07	
Long-Term Irrigation Fund	9,086	2.61	20,447	5.03	
Pradhan Mantri Awaas Yojana-Gramin (PMAY- G)	0	0	7,329	1.80	
Warehouse Infrastructure Fund	3,402	0.98	4,296	1.06	
NIDA loans	4,978	1.43	7,241	1.78	
Food Processing Fund	140	0.04	239	0.05	
Producers' Organisation Development Fund	317	0.09	220	0.05	
Credit Facility to Federations**	6,961	2.00	11,954	2.94	
LT Non-Project Loans	53	0.01	42	0.01	
Other Loans (including JNN Solar Mission)	322	0.09	475	0.11	
Sub Total of Loans and Advances	3,08,631	88.62	3,54,704	87.22	
Fixed Assets & Other Assets	3,894	1.12	4,861	1.20	
Total	3,48,260	100.00	4,06,642	100.00	

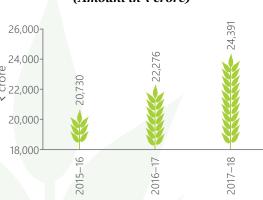
<sup>\*</sup> Including the amount subscribed to Special Development Debentures of SCARDBs which are in the nature of Deemed Advances.

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#### 8.3 INCOME AND EXPENDITURE

The total income of NABARD during 2017–18 amounted to ₹24,390.69 crore as against ₹22,276.36 crore during the previous year (Figure 8.2).

Figure 8.2 Gross Income (Amount in ₹ crore)



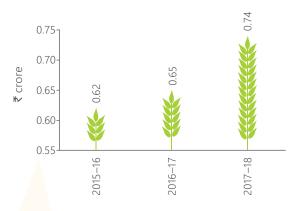
The profit before tax (PBT) and profit after tax (PAT) were ₹4,353.80 crore and ₹2,961.95 crore, respectively, during 2017–18, as against the previous year's PBT and PAT at ₹3,816.83 crore and ₹2,645.50 crore, respectively (Figure 8.3). The net surplus has been appropriated by transferring to various funds maintained in NABARD including the R&D Fund, Reserve Funds, NRC (LTO) Fund, NRC Stabilisation Fund and other funds.

Figure 8.3 Profit After Tax (Amount in ₹ crore)



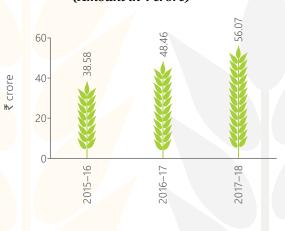
Net profit per employee increased from ₹0.65 crore during 2016-17 to ₹0.74 crore during 2017-18 (Figure 8.4).

Figure 8.4 Net Profit Per Employee (Amount in ₹ crore)



Business per employee increased to ₹56.07 crore during 2017–18 from ₹48.46 crore during the previous year (Figure 8.5).

Figure 8.5 Business Per employee (Amount in ₹ crore)



#### 8.4 CAPITAL ADEQUACY

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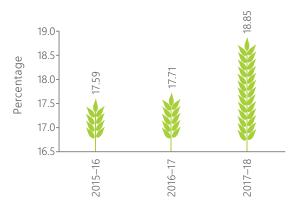
The capital to risk-weighted assets ratio (CRAR) was at 18.85 per cent as on 31 March 2018 as compared to 17.71 per cent as on 31 March 2017 (Figure 8.6).

<sup>\*\*</sup> Figures are rounded off.



FINANCIAL PERFORMANCE

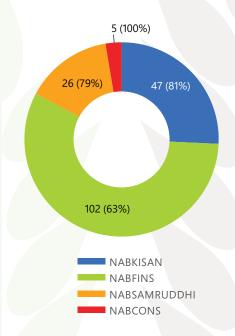
Figure 8.6 Capital Adequacy Ratio (%)



#### 8.5 SUBSIDIARIES OF NABARD

The shareholding pattern in the subsidiaries of NABARD, along with the amount invested and dividend received are presented in Figure 8.7.

Figure 8.7 Investment in Subsidiaries (Amount in ₹ crore)



Note: Shareholding percentages in parentheses.

## 8.6 NABARD: STRATEGIC INVESTMENTS

NABARD has invested in nine companies, the operations of which have an impact on agriculture and rural development, and farmers in particular. As on 31 March 2018, total investments in these companies stood at ₹1,066 crore, while NABARD received dividend of ₹3.97 crore. The details of the amount invested in each of these companies are as follows:

- Agriculture Insurance Corporation of India Limited (AICIL): ₹60 crore
- 2. Agriculture Finance Corporation (AFC): ₹1 crore
- 3. Small Industries Development Bank of India (SIDBI): ₹966.27 crore
- 4. National Commodity Exchange (NCDEX): ₹16.87 crore
- 5. Multi Commodity Exchange (MCX): ₹0.30 crore
- 6. CSC e-Governance Services India Limited (CeGSIL): ₹9.74 crore
- 7. Agricultural Skill Council of India (ASCI): ₹0.004 crore
- 8. National e-Governance Services India Limited (NeSL): ₹1.50 crore
- 9. National e-Repository Limited (NeRL): ₹10.53 crore

## 8.7 INVESTMENTS IN VENTURE CAPITAL FUNDS (VCF)

NABARD invests in VCFs to facilitate venture investments in agriculture and rural development sectors to promote technological innovations and technology dissemination in these sectors. The summary of VCF investments is given in Table 8.3 and the fund-wise status of VCF investments is presented in Figure 8.8. NABARD's commitments in VCF has resulted in investments to the tune of ₹791 crore in 37 portfolio companies that will

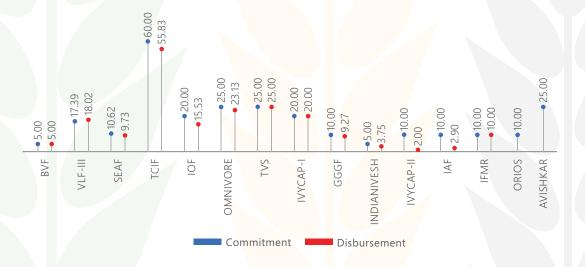
have direct or indirect impact on agriculture and rural development.

Noteworthy innovations brought about by portfolio companies that will benefit farmers are: solar-operated micro cold storage and solar dryers, bio stimulants from seaweed, e-dairy farming, and smart agriculture technology.

TABLE 8.3
Investments in Venture Capital Funds

No. of Funds Committed	15	Funds  1. Biotechnology Venture Fund (BVF)  2. Venture est Life Fund III
Total Commitments	₹263 crore	Ventureast Life Fund III     SEAF India Agribusiness Fund (SEAF)     Omnivore India Capital Trust (Omnivore)
Drawdown released (as on 31 March 2018)	₹200 crore	<ul><li>5. Tata Capital Innovations Fund (TCIF)</li><li>6. India Opportunities Fund (IOF)</li></ul>
Returns (as on 31 March 2018)  Capital refund Capital Gains Dividend / Interest	₹16.18 crore ₹7.74 crore ₹1.99 crore	<ol> <li>IvyCap Ventures Trust Fund – I (IvyCap-I)</li> <li>TVS Shriram Growth Fund (TVS)</li> <li>Golden Gujarat Growth Fund (GGGF)</li> <li>India Nivesh Growth &amp; Special Situations Fund</li> <li>IvyCap Ventures Trust Fund – II (IvyCap-II)</li> <li>India Advantage Fund</li> <li>IFMR Fimpact Long-Term Fund</li> <li>Orios Partners</li> <li>Avishkar Bharat Fund</li> </ol>

Figure 8.8 Investments in Venture Capital Funds





## **Annual Accounts 2017-18**

**Balance Sheet Profit & Loss Account Cash Flow** 2017-18 of NABARD

### INDEPENDENT AUDITORS' REPORT

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

## REPORT ON THE STANDALONE FINANCIAL STATEMENTS

We have audited the accompanying standalone financial statements of National Bank for Agriculture and Rural Development (the Bank), which comprise the Balance Sheet as at March 31, 2018, 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 15 Regional Offices and 1 Training Centre visited by us for the purposes of audit and the same including Head Office account for 76.86% of advances, 99.89% of deposits and term money borrowings, 79.97% of interest income and 99.85% 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. 16 Regional Offices and 2 Training Centres and have reviewed their returns at the Head Office.

## MANAGEMENT'S RESPONSIBILITY FOR THE STANDALONE FINANCIAL STATEMENTS

Management is responsible for the preparation of these financial statements in accordance with the National Bank for Agriculture and Rural Development (Additional) General Regulations, 1984, that give a true and fair view of the financial position, financial performance, and cash flows of the bank. This responsibility also includes maintenance of adequate accounting records for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent, and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.





#### **AUDITOR'S RESPONSIBILITY**

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

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

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

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

#### **OPINION**

- In our opinion, as shown by books of bank, and to the best of our information and according to the explanations given to us;
  - a. the Balance Sheet, read with the notes thereon, containing all the necessary particulars, is properly drawn up so as to exhibit a true and fair view of state of affairs of the Bank as at March 31, 2018, in conformity with accounting principles generally accepted in India;
  - b. the Profit and Loss Account, read with the notes thereon shows a true balance of profit in conformity with accounting principles generally accepted in India, for the period ended on that date; and
  - c. the Cash Flow Statement gives a true and fair view of the cash flows for the year ended on that date.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

- a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
- c. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement

dealt with by this report are in agreement with the books of accounts and with the returns received from the regional offices and training centres not visited by us.

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

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

O.P.Vyas Partner (Membership No. 014081)

Place: Shillong Date: 25 May 2018



## **BALANCE SHEET**

## NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT BALANCE SHEET AS ON 31 MARCH 2018

(₹ in thousands)

Sr.No	FUNDS AND LIABILITIES	SCHEDULE	As on 31.03.2018	As on 31.03.2017
1	i) Capital		5000,00 <mark>,00</mark>	5000,00,00
	(Under Section 4 of the NABARD Act, 1981)			
	ii) Advance towards Share Capital		5580,00,00	1700,00,00
	(Refer Note B-29.1 of Schedule 18)			
	Total		10580,00 <mark>,00</mark>	6700, <mark>00</mark> ,00
2	Reserve Fund and other Reserves	1	27731,19,68	24770,97,15
3	National Rural Credit Funds	2	16082,00,00	16078,00,00
4	Gifts, Grants, Donations and Benefactions	3	5456,12,02	4943,94,59
5	Government Schemes	4	1423,33,19	2145,70,02
6	Deposits	5	214449,97,42	194414,81,97
7	Bonds and Debentures	6	74021,12,13	50537,50,41
8	Borrowings	7	44552,55 <mark>,98</mark>	34927,14,50
9	Current Liabilities and Provisions	8	12345,31,17	13742,19,19
	Total		406641,61,59	348260,27,83
	Forward Foreign Exchange Contracts		834,38,70	603, <mark>37</mark> ,41
	(Hedging) as per contra			

## NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT BALANCE SHEET AS ON 31 MARCH 2018

(₹ in thousands)

Sr. No	PROPERTY AND ASSETS	SCHEDULE	As on 31.03.2018	As on 31.03.2017
1	Cash and Bank Balances	9	18684,68,69	12961,09,69
2	Investments	10	30985,43,18	26450,35,95
3	Advances	11	352110,55,00	304955,05,69
4	Fixed Assets	12	471,19,46	390,76,10
5	Other Assets	13	4389,75,26	3503,00,40
	Total	A	406641,61,59	348260,27,83
	Forward Foreign Exchange Contracts (Hedging) as per contra		8343870	6033741
	Commitment and Contingent Liabilities	17		
	Significant Accounting Policies and Notes on Accounts	18		_

Schedules referred to above form an integral part of accounts

As per our attached report of even date Vyas & Vyas Chartered Accountants FRN . 000590C

O P Vyas Partner M No. 014081 Shillong

Date : 25 May 2018

R K Deb Barman Chief General Manager Accounts Department Date: 25 May 2018

Harsh Kumar Bhanwala R Amalorpavanathan
Chairman Deputy Managing Director

Ashok Gulati Director

Anup Kumar Dash Director





## NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2018

(₹ in thousands)

Sr. No.	INCOME	SCHEDULE	2017–18	2016–17
01. 110.	moome	OUNEDULE	2017 10	2010 17
1	Interest received on Loans and Advances		21226,01,09	19068,82,92
2	Income from Investment Operations / Deposits		2983,03,07	3020 <mark>,0</mark> 1,93
3	Other Income( Refer Note B-8 of Schedule 18)		181,64,82	18 <mark>7,50,</mark> 66
	Total "A"		24390,68,98	222 <mark>76,35,51</mark>
Sr. No.	EXPENDITURE	SCHEDULE	2017–18	2016–17
1	Interest and Financial Charges (Refer Note B-7 of Schedule-18)	14	17847,06,94	16267,33,10
2	Establishment and Other Expenses	15 A	1934,33,36	1953,21,66
3	Expenditure on Promotional Activities	15 B	52,53,81	43,66,08
4	Provisions	16	186,13,11	168,01,24
5	Depreciation		16,82,25	27,29,97
	Total "B"		20036,89,47	18459,52,05
6	Profit before Tax (A – B)		4353,79,51	3816,83,46
7	Provision for			
	a) Income Tax	7 ,	1405,00,00	1190,00,00
	b) Deferred Tax ( Refer Note B–10 of Schedule 18)		-13,15,00	-18,67,00
8	Profit after Tax		2961,94,51	2645,50,46
	Significant Accounting Policies and Notes on Accounts	18		

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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	2017–18	2016–17
1	Profit for the year brought down	2961,94,51	2645,50,46
2	Add:		
	Withdrawals from funds against expenditure debited to Profit & Loss A/c (Refer Schedule 1)		
a)	Co-operative Development Fund	18,77,58	16,72,43
b)	Research and Development Fund	28,93,47	15,91,28
c)	Producers Organisation Development Fund	2,55,94	4,10,43
d)	Investment Fluctuation Reserve	148,01,07	122,43,39
e)	Rural Infrastructure Promotion Fund	2,49,48	1,58,41
f)	Farm Sector Promotion Fund	20,88,29	21,19,64
g)	Climate Change Fund	1,03,53	4,95
h)	Gramya Vikas Nidhi	6,78,99	0
2.1	Withdrawals of Funds which have been closed		
a)	mFDEF ( Refer Note B-4 of Schedule 18)	28,03	1,46,00
3	Profit available for Appropriation	3191,70,89	2828,96,99
	Less: Transferred to:		
a)	Special Reserves u/s 36(1) (viii) of IT Act, 1961	700,00,00	650,00,00
b)	National Rural Credit (Long Term Operations) Fund	1,00,00	1,00,00
c)	National Rural Credit (Stabilisation) Fund	1,00,00	1,00,00
d)	Research and Development Fund	28,93,47	15,91,28
e)	Investment Fluctuation Reserve	374,01,07	95,43,39
f)	Co-operative Development Fund	18,77,58	10,30,24
g)	Producers' Organizations Development Fund	2,55,94	61,09,81
h)	Rural Infrastructure Promotion Fund	6,27,28	0
i)	Farm Sector Promotion Fund	20,88,29	21,19,64
j)	Gramya Vikas Nidhi	26,78,99	20,00,00
k)	Climate Change Fund	6,03,53	5,04,95
l)	Reserve Fund	2005,44,74	1947,97,68
	Total	3191,70,89	2828,96,99

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

As per our attached report of even date

Vyas & Vyas

**Chartered Accountants** 

FRN . 000590C

O P Vyas Partner M No. 014081 Shillong

Date : 25 May 2018

R K Deb Barman Chief General Manager Accounts Department Date: 25 May 2018

Date . 25 May 2010

Harsh Kumar Bhanwala Chairman R Amalorpavanathan Deputy Managing Director

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Ashok Gulati Director Anup Kumar Dash Director





## SCHEDULES TO BALANCE SHEET Schedule 1 – Reserve Fund and Other Reserves

(₹ in thousands)

Sr. No.	Particulars	Opening Balance as on 01.04.2017	Transferred From P&L Appropriation	Transferred to P&L Appropriation	Balance as on 31.03.2018
1	Reserve Fund	16350,94,41	2005,44,74	0	18356,39,15
2	Research and Development Fund	50,00,00	28,93,47	28,93,47	50 <mark>,00</mark> ,00
3	Capital Reserve	74,80,53	0	0	7 <mark>4,80,</mark> 53
4	Investment Fluctuation Reserve	924,00,00	374,01,07	148,01,07	1150,00,00
5	Co-operative Development Fund	60,00,00	18,77,59	18,77,59	60,00,00
6	Special Reserves Created & Maintained u/s 36(1)(viii) of Income Tax Act, 1961	7085,00,00	700,00,00	0	7785,00,00
7	Producers' Organisation Development Fund	100,00,00	2,55,94	2,55,94	100,00,00
8	Rural Infrastructure Promotion Fund	16,22,21	6,27,27	2,49,48	20,00,00
9	Farm Sector Promotion Fund	60,00,00	20,88,29	20,88,29	60,00,00
10	Gramya Vikas Nidhi	40,00,00	26,78,99	6,78,99	60,00,00
11	Climate Change Fund	10,00,00	6,03,53	1,03,53	15,00,00
	Total	24770,97,15	3189,70,89	229,48,36	27731,19,68
	Previous year	22126,00,69	2826,96,99	182,00,53	24770,97,15

## Schedule 2 – National Rural Credit Funds

(₹ in thousands)

Sr. No.	Particulars	Opening Balance as on 01.04.2017	Contribution by RBI	Transferred from P&L Appropriation	Balance as on 31.03.2018
1	National Rural Credit (Long Term Operations) Fund	14489,00,00	1,00,00	1,00,00	14491,00,00
2	National Rural Credit (Stabilisation) Fund	1589,00,00	1,00,00	1,00,00	1591,00,00
	Total	16078,00,00	2,00,00	2,00,00	16082,00,00
	Previous year	16074,00,00	2,00,00	2,00,00	16078,00,00

## Schedule 3 – Gifts, Grants, Donations and Benefactions

(₹ in thousands)

Sr. No	Particulars	Opening Balance as on 01.04.2017	Addition / Adjustment during the year	Interest Credited to the fund	Expenditure / Disbursement during the year	Balance as on 31.03.2018
A.	Grants from International Agencies					
1	KfW – NABARD V Fund for Adivasi Programme (Refer Note B–2 of Schedule 18)	1,17,74	2,94,57	1,06	3,02,42	1,10,95
2	KfW NB UPNRM – Accompanying Measures	0	2,00,24	0	2,00,24	0
3	KfW NB UPNRM – Financial Contribution	0	15,30	0	57	14,73
4	KfW UPNRM Fund	0	8,66 <mark>,75</mark>	0	8,66,75	0
5	Indo German Watershed Development Programme – Andhra Pradesh (Refer Note B-2 of Schedule 18)	1,17,05	0	4,68	0	1,21,73
6	Indo German Watershed Development Programme – Gujarat (Refer Note B–2 of Schedule 18)	2,99,75	67,82	6,23	3,73,80	0
7	Indo German Watershed Development Programme – Rajasthan (Refer Note B–2 of Schedule 18)	2,11,06	3,15,34	4,83	5,31,23	0
8	GIZ UPNRM Technical Collaboration	38,33	0	0	38,33	0
9	Climate Change – (AFB) – Project Formulation Grant/Programme /Project Implementation	7,56,91	6,92, <mark>1</mark> 9	0	7,25,93	7,23,17
10	National Adaptation Fund for Climate Change a/c (Refer note B-2 of Schedule 18)	166,34,12	115,36,00	6,46,39	74,66,16	213,50,35
11	GIZ Soil Project	58 <mark>,80</mark>	76, <mark>6</mark> 3	0	1,18,87	16,56
12	KfW Soil Project	0	10,71,69	0	10,71,69	0





#### Schedule 4 – Government Schemes

(₹ in thousands)

Sr. No.	Particulars	Opening Balance as on 01.04.2017	Addition / Adjustment during the year	Interest Credited to the fund	Expenditure / Disbursements during the year	Balance as on 31.03.2018
Α	Government Subsidy Schemes					
1	Capital Investment Subsidy for Cold Storage Projects – NHB	55,47	0	0	0	55,47
2	Capital Subsidy for Cold Storage TM North East	8,40	0	0	0	8,40
3	Credit Linked Capital Subsidy for Technology Upgradation of SSIs	19,73	0	0	19,73	0
4	On-farm Water Management for Crop Production	7,17	0	0	0	7,17
5	Bihar Ground Water Irrigation Scheme (BIGWIS)	77,91,88	99 <mark>,</mark> 96	0	0	78,91,84
6	Cattle Development Programme – Uttar Pradesh (Refer Note B–2 of Schedule 18)	2,50	0	16	0	2,66
7	Cattle Development Programme – Bihar (Refer Note B–2 of Schedule 18)	5,94	0	39	0	6,33
8	National Project on Organic Farming	1,56,43	0	0	1,40,32	16,11
9	Integrated Watershed Development Programme – Rashtriya Sam Vikas Yojana	4,29,45	0	0	0	4,29,45
10	Dairy and Poultry Venture Capital Fund	5,38,74	2,31,98	0	0	7,70,72
11	Poultry Venture Capital Fund	1,92,37	1,2 <mark>2</mark> ,06	0	0	3,14,43
12	ISAM – Agricultural Marketing Infrastructure	201,53,85	378,08,00	0	496,74,67	82,87,18
13	ISAM - Grant Recd for Promotional Expenditure a/c	1,23	0	0	0	1,23
14	NATIONAL LIVESTOCK MISSION – PVCF EDEG	66,47,95	128,08,31	0	90,39,74	104,16,52
15	Centrally Sponsored Scheme for establishing Poultry Estate	1,66,72	0	0	0	1,66,72
16	Multi Activity Approach for Poverty Alleviation – Sultanpur Uttar Pradesh (Refer Note B–2 of Schedule 18)	5,35	0	35	0	5,70
17	Multi Activity Approach for Poverty Alleviation – BAIF – Rae Bareli, Uttar Pradesh (Refer Note B–2 of Schedule 18)	1,43	0	9	0	1,52

Sr. No	Particulars	Opening Balance as on 01.04.2017	Addition / Adjustment during the year	Interest Credited to the fund	Expenditure / Disbursements during the year	Balance as on 31.03.2018
В.	Other Funds					
1	Watershed Development Fund (Refer Note B–2 of Schedule 18) (i)	1210,48,81	60,10,28	65,95,58	95,01,49	1241,53,18
2	Interest Differential Fund – (Forex Risk)	244,21,11	20,04,89	0	21,91,99	24 <mark>2,</mark> 34,01
3	Interest Differential Fund – TAWA	10,00	0	0	0	10,00
4	Adivasi Development Fund	5,77,47	0	0	0	5,77,47
5	Tribal Development Fund (Refer Note B–2 of Schedule 18) (ii)	1016,56,45	227,36,15	73,76,67	195,16,30	1122,52,97
6	Financial Inclusion Fund (Refer Note B–2 of Schedule 18) (iii)	2186,49,15	376,62,00	84,88,14	423,79,92	2224,19,38
7	Financial Inclusion Fund – Digital(Refer Note B–2 of Schedule 18)	0	213,78,00	1,56,73	1,31,50	214,03,23
8	PODF-ID (iv)	0	10518,00	0	36,40,07	68,77,93
9	National Bank – Swiss Development Coop. Project	61,87,13	86,10	0	0	62,73,23
10	RPF & RIF – Off-Farm Sector Promotion Fund	31,39,99	3,87,78	0	12,50,63	22,77,14
11	Centre for Professional Excellence in Co-operatives – (C-PEC) (Refer Note B–2 of Schedule 18)	2,18,43	0	14,36	0	2,32,79
12	LTIF Interest Fluctuation Reserve Fund (Refer Note B–6 of Schedule 18)	2,52,29	23,10,91	0	0	25,63,20
	Total	4943,94,59	1182,30,64	232,94,67	903,07,89	5456,12,02
	Previous year	4895,17,29	945,25,97	277,72,51	1174,21,19	4943,94,59

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

Includes ₹20.80 crore being the income tax paid

Includes ₹72.80 crore being the income tax paid

Includes ₹130.34 crore being the income tax paid

Includes ₹36.40 crore being the income tax paid





Schedu	le 5 –	Deposits
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(₹ in thousands)

Sr. No	Particulars	As on 31.03.2018	As on 31.03.2017
1	Central Government	0	0
2	State Governments	0	0
3	Others		
	a) Tea / Rubber / Coffee Deposits	164,46,64	219,13,63
	b) Deposits under RIDF	116313,92,78	105502,50,34
	c) Short Term Cooperative Rural Credit Fund	45000,00,00	45008,70,00
	d) ST RRB Credit Refinance Fund	10000,00,00	10002,90,00
	e) Warehouse Infrastructure Fund	4671,00,00	3531,00,00
	f) Long Term Rural Credit Fund	38000,58,00	30000,58,00
	g) Fund for Food Processing Units	300,00,00	150,00,00
	Total	214449,97,42	194414,81,97

## Schedule 6 – Bonds and Debentures

(₹ in thousands)

Sr. No	Particulars	As on 31.03.2018	As on 31.03.2017
1	Tax Free Bonds	5000,00,00	5000,00,00
2	Non Priority Sector Bonds	38055,00,00	31479,00,00
3	Capital Gains Bonds	1,29,40	1,29,40
4	Bhavishya Nirman Bonds	3187,82,73	4971,21,01
5	PMAY-G GOI Fully Serviced Bonds	7330,00,00	0
6	Bonds – LTIF	15155,00,00	6899,00,00
7	LTIF - GOI Fully Serviced Bonds	5292,00,00	2187,00,00
	Total	74021,12,13	50537,50,41

## Schedule 7 – Borrowings

(₹ in thousands)

Sr. No	Particulars	As on 31.03.2018	As on 31.03.2017
	(A) In India		
1	Central Government	0	0
2	JNN Solar Mission	2,81,20	14,55,68
3	Reserve Bank of India	0	0
4	Others:		
	(i) Certificate of Deposit	4001,11,56	7478,85,53
	(ii) Commercial Paper	32040,36,49	16193,37,51
	(iii) Collateralised Borrowing & Lending Obligation	2457,06,58	7318,66,34
	(iv) Term Money Borrowings	3228,58,32	2192,73,31
	(v) Repo a/c	2010,73,48	295,40,36
	(vi) Borrowing against STD	0	749,99,75
	(B) Outside India		
	(i) International Agencies	811,88,35	683,56,02
	Total	44552,55,98	34927,14,50

Sr. No.	Particulars	Opening Balance as on 01.04.2017	Addition / Adjustment during the year	Interest Credited to the fund	Expenditure / Disbursements during the year	Balance as on 31.03.2018
18	Dairy Entrepreneurship Development Scheme	153,08,56	203,02,00	0	277,53,04	78,57,52
19	CSS for Solar Mission	81	1,02	0	0	1,83
20	CSS – JNNSM – Solar Lighting a/c	9,67,68	0	0	1,89,73	7 <mark>,</mark> 77,95
21	CSS – Solar Photovoltaic Water Pumping	54,18,68	0	0	24,25,83	2 <mark>9,9</mark> 2,85
22	Capital Subsidy Scheme – Agri Clinic Agri Business Centres	2,39,60	13,56,47	0	13,56,52	2,39,55
23	CSS MNRE Lighting Scheme 2016 a/c	85,10	0	0	36,03	49,07
24	Artificial Recharge of Groundwater in Hard Rock Area	4,60,75	0	0	0	4,60,75
В	Other Government Schemes					
1	Agriculture Debt Waiver and Debt Relief Scheme (ADWDR) 2008	284,67,61	47,84	0	0	285,15,45
2	Women's Self Help Groups [SHGs] Development Fund	94,89,15	0	0	20,71,76	74,17,39
3	PRODUCE Fund	136,30,79	0	0	43,47,15	92,83,64
4	Revival of 23 unlicensed DCCBs	111,22,00	0	0	0	111,22,00
5	Interest Subvention (Sugar Term Loan)	18	0	0	0	18
6	Scheme for providing Financial Assistance to Sugar Undertakings – 2007 (SEFASU – 2007)	65,27	0	0	65,27	(
7	Kutch Drought Proofing Project	21,64	0	0	0	21,64
8	Revival Package for Long Term Cooperative Credit Structure (LTCCS)	20,00,00	0	0	0	20,00,00
9	Revival Reform and Restructure of Handloom Sector	6,15,80	2,91,34	0	2,84,75	6,22,39
10	Comprehensive Handloom Package	20,99	38,57	0	38,33	21,23
11	Interest Subvention (SAO, NRLM, NWR) \$	904,70,82	7335,53,99	0	7814,56,51	425,68,30
	Total	2145,70,04	8066,61,54	99	8788,99,38	1423,33,19
	Previous year	1425,03,66	1565,49,48	1,06	844,84,16	2145,70,04

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

\$ - Interest subvention, hitherto shown as part of sundry creditors in schedule - 8 has been regrouped to schedule 4





### Schedule 8 – Current Liabilities and Provisions

			(₹ in thousand
Sr. No.	Particulars	As on 31.03.2018	As on 31.03.2017
1	Interest / Discount Accrued	8871,41,08	9781,81,14
2	Sundry Creditors \$	375,87,15	833,10,97
3	Subsidy Reserve	109,15,09	52,60 <mark>,</mark> 65
4	Provision for Gratuity (Refer Note B-28 of Schedule 18)	29,97,03	174,0 <mark>5,97</mark>
5	Provision for Pension (Refer Note B–28 of Schedule 18)	141,42,95	418, <mark>08,00</mark>
6	Provision for Encashment of Ordinary Leave (Refer Note B–28 of Schedule 18)	356,05,87	305,50,50
7	Provision for Post-Retirement Medical Benefit (Refer Note B–28 of Schedule 18)	131,05,89	126,88,23
8	Unclaimed Interest on Bonds	1,69,60	1,68,23
9	Unclaimed Interest on Term Deposits	11,52	1,74
10	Term Deposits Matured but not claimed	4,78	9,08
11	Bonds matured but not claimed	71,93 <mark>,02</mark>	4,53,49
12	Bond Premium	10,52,60	1,16,50
13	Commitment Charges Payable on KfW UPNRM Borrowings	0	9, <mark>6</mark> 3
14	Debt Servicing Reserve	7,70, <mark>54</mark>	0
15	Provisions and Contingencies		
(a)	Depreciation in Value G – Sec.	146,44,37	122,43,39
(b)	Amortisation of G – Sec.	26,66,77	8,33,13
(c)	Standard Assets	1420,50,00	1236,00,00
(d)	Non-performing Investments	34,14, <mark>25</mark>	16,00,00
(e)	Countercyclical Provisioning Buffer	14,44,89	14,44,89
(f)	Provision for Other Assets & Receivables	8,50,96	8,50,96
(g)	Provision for Income Tax [Net of Advance Tax]	587,62,81	636,82,69
	Total	12345,31,17	13742,19,19

\$ an amount of ₹904.71 cr relating to interest subvention has been reduced for the previous year and regrouped under schedule – 4.

## Schedule 9 – Cash and Bank Balances

(₹ in thousands)

Sr. No	Particulars	As on 31.03.2018	As on 31.03.2017
1	Cash in hand	0	1
2	Balances with :		
	A) Banks in India		
	(i) Reserve Bank of India	18,73,146	2229,83,39
	(ii) Other Banks in India		
	a) In Current Account	17,28,99	527,91,26
	b) Deposits with Banks	16815,00,00	8846,00,00
	c) Remittances in Transit	460,84,72	8,29,28
	d) Collateralised Borrowing & Lending Obligations	1204,23,52	1349,05,75
	(B) Outside India	0	0
	Total	18684,68,69	12961,09,69

### Schedule 10 – Investments

(₹ in thousands)

		(4 iii tilousalius
Particulars	As on 31.03.2018	As on 31.03.2017
Government Securities		
a) Securities of Central Government & State Govt	13029,00,98	8944,24,48
[Face Value ₹12481,14,10,000 (₹8676,75,00,000)]		
[Market Value ₹12674,43,46,439 (₹9018,36,99,746 )]		
b) Treasury Bills	2560,16,63	2421,35,28
[Face Value ₹2715,43,40,000 (₹2438,76,90,000)]		
[Market Value ₹2560,16,62,705 (₹2421,35,28,106)]		
Other Approved Securities		
Bill Rediscounting Scheme	0	197,71,14
[Face Value ₹0 (₹200,00,00,000)]		
Equity Shares in :		
Agricultural Finance Corporation Ltd.	1,00,00	1,00,00
[1,000 (1,000) – Equity shares of ₹10,000 each]		
Small Industries Development Bank of India	966,27,55	48,00,00
[5,31,92,203 (1,60,00,000) – Equity shares of ₹10 each]		
Agriculture Insurance Company of India Ltd.	60,00,00	60,00,00
[6,00,00,000 (6,00,00,000) – Equity shares of ₹10 each]		
	Government Securities  a) Securities of Central Government & State Govt  [Face Value ₹12481,14,10,000 (₹8676,75,00,000)]  [Market Value ₹12674,43,46,439 (₹9018,36,99,746)]  b) Treasury Bills  [Face Value ₹2715,43,40,000 (₹2438,76,90,000)]  [Market Value ₹2560,16,62,705 (₹2421,35,28,106)]  Other Approved Securities  Bill Rediscounting Scheme  [Face Value ₹0 (₹200,00,00,000)]  Equity Shares in:  Agricultural Finance Corporation Ltd.  [1,000 (1,000) – Equity shares of ₹10,000 each]  Small Industries Development Bank of India  [5,31,92,203 (1,60,00,000) – Equity shares of ₹10 each]  Agriculture Insurance Company of India Ltd.	Particulars         Government Securities         a) Securities of Central Government & State Govt       13029,00,98         [Face Value ₹12481,14,10,000 (₹8676,75,00,000)]       [Market Value ₹12674,43,46,439 (₹9018,36,99,746 )]         b) Treasury Bills       2560,16,63         [Face Value ₹2715,43,40,000 (₹2438,76,90,000)]       [Market Value ₹2560,16,62,705 (₹2421,35,28,106 )]         Other Approved Securities         Bill Rediscounting Scheme       0         [Face Value ₹0 (₹200,00,00,000)]       Equity Shares in :         Agricultural Finance Corporation Ltd.       1,00,00         [1,000 (1,000) – Equity shares of ₹10,000 each]       966,27,55         [5,31,92,203 (1,60,00,000) – Equity shares of ₹10 each]       60,00,00         Agriculture Insurance Company of India Ltd.       60,00,00







Sr. No	Particulars	As on 31.03.2018	As on 31.03.2017
(d)	Multi Commodity Exchange of India Ltd.	30,22	30,22
	[3,77,758 (10,70,096) – Equity shares of ₹10 each]		
(e)	National Commodity and Derivatives Exchange Ltd.	16,87,50	16,87,50
	[56,25,000 (56,25,000) – Equity shares of ₹10 each]		
(f)	Universal Commodity Exchange Ltd [UCX] @	16,00,00	16,00,00
	[1,60,00,000 (1,60,00,000) Shares of ₹10 each]		
(g)	Indian Financial Technology and Allied Services [Equity]	0	49
	[ 0 (4900) Shares of ₹10 each]		
(h)	CSC e-Governance Services India Ltd Equity	9,74,60	9,74,60
	[ 55,000 (55,000) Shares of ₹1000 each]		
(i)	Agriculture Skill Council of India	40	40
	[ 4,000 (4000) Shares of ₹10 each]		
(j)	National E-Governance Services India Ltd [Equity]	1,50,00	1,50,00
	[ 15,00,000 (15,00,0000) Shares of ₹10 each]		
(k)	National e-Repository Ltd. [ 105,30,000 (0) Shares of ₹10 each]	10,53,00	0
(1)	Other Equity Investments		<b>1</b>
(i)	Coal India Ltd.	0	1,65,56
.,,	[0 (43,389) – Equity shares of ₹10 each]		
(ii)	MOIL Ltd.	0	25,20
	[0 (6,719) -Equity shares of ₹10 each]		
(iii)	State Bank of India	37,54,25	37,54,25
	[23,98,880 (23,98,880 share of ₹1 each ) ]		
(iv)	Punjab National Bank	0	23,87
	[0 (12,000) shares of ₹2 each]		
(v)	Larsen & Toubro Limited	0	17,32
	[0 shares (1,000) of ₹2 each]		
(vi)	Oil and Natural Gas Corporation Ltd.	4,28,93	4,28,93
	[1,87,200 shares (1,87,200) of ₹5 each]		
(vii)	Steel Authority of India Ltd.	0	6,02,34
	[0 shares (8,58,626) of ₹10 each]		
(viii)	Bharat Heavy Electricals Ltd.	1,99,13	1,99,13
	[80,000 shares (80,000) of ₹2 each]		
(ix)	Maruti Suzuki India Ltd.	1,78,84	1,78,84
	[7,000 shares (7,000) of ₹5 each]	, , ,	
(x)	Tata Consultancy Services Ltd.	0	2,39,88
(.,)	[0 shares (10,000 ) of ₹1 each]		_,55,55
(xi)	Larsen & Toubro Infotech Limited	0	11,35
(241)	[0 ( 1,599) Shares of ₹2 each]		. 1,00

Sr. No	Particulars	As on 31.03.2018	As on 31.03.2017
(xii)	Hindustan Construction Co. Ltd	8,06,30	8,06,30
	[23,08,978 (23,08,978) Shares of ₹10 each]		
(xiii)	Bandhan Bank	61,51	0
	[16,403 (0) Shares of ₹10 each]		
4	Debentures and Bonds		
(i)	Special Dev Debentures of SCARDBs (Refer Note B–24 of Schedule 18)	2592,77,98	3676,14,23
(ii)	Non Convertible Debentures	2426,54,78	1307,30,80
5	Shareholding in subsidiaries and Joint Venture		
(i)	NABARD Financial Services Ltd, Karnataka	102,00,63	102,00,63
	[10,20,06,300 (10,20,06,300] – Equity shares of ₹10 each]		
(ii)	NABSMRUDDHI (formerly known as Agri – Business Finance [Andhra Pradesh] Ltd.	26,38,91	26,38,91
	[ 2,63,22,000 (2,63,22,000) – Equity shares of ₹10 each]		
(iii)	NABKISAN (formerly known as Agriculture Development Financial [TN] Ltd)	46,75,16	46,75,16
	[ 46,66,67,000 (46,66,67,000) – Equity shares of ₹1 <mark>0 each</mark> ]		
(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	0	4001,09,28
(b)	Commercial Paper	<mark>34</mark> 23,54,30	2766,91,10
(c)	Certificate of Deposit	5206,20,83	2311,32,08
(d)	SEAF – Indian Agri-Business	9,73,06	9,50,08
(e)	APIDC – Venturies Life Fund III	14,38,07	14,38,07
(f)	BVF (Bio-Tech Venture Fund) – APIDC-V Investment	4,77,62	4,77,62
(g)	Omnivore India Capital Trust	22,07,16	19,72,25
(h)	India Opportunities	13 <mark>,</mark> 30,09	10,80,62
(i)	IvyCap Ventures Fund	18,48,87	19,60,00
(j)	Tata Capital Innovation Fund	55,82,63	55,11,31
(k)	TVS Shriram Growth Fund IB	15,52,11	19,82,59
(1)	Golden Gujarat Growth Fund	8,00,00	7,04,00
(m)	India Nivesh Growth and Special Situations Fund	3,75,00	2,75,00
(n)	Ivycap Ventures Fund – II	2,00,00	1,50,00
(0)	India Advantage Fund S4	2,90,00	2,90,00
(p)	IFMR FIMPACT Long Term Credit Fund	10,00,00	0
(q)	Investment Earmarked towards EOL (Refer Note B–25 of Schedule 18)	249,76,14	258,25,14
	Total	30985,43,18	26450,35,95





## Schedule 11 – Advances

(₹ in thousands)

Sr. No	Particulars	As on 31.03.2018	As on 31.03.2017
1	Refinance Loans		
(a)	Production & Marketing Credit	66128,18,38	73553,36,92
(b)	Conversion Loans for Production Credit	632,76,66	1065,00,22
(c)	Other Investment Credit		
(i)	Medium Term and Long Term Project Loans (Refer Note B –23 of Schedule 18)	120094,96,12	10153 <mark>1,34,7</mark> 6
(ii)	Direct refinance to DCCBs	2949,50,70	2565,20,00
(iii)	JNN Solar Mission	14,07	1,51,10
2	Direct Loans		
(a)	Loans under Rural Infrastructure Development Fund	110061,76,71	100981,48,44
(b)	Loans under Warehouse Infrastructure Fund	4296,12,13	3402,10,63
(c)	Long Term Non-Project Loans	42,1 <mark>2,53</mark>	53,43,12
(d)	Loans under NABARD Infrastructure Development Assistance (NIDA)	7241,57,49	4978,00,40
(e)	Loans to Producers' Organisation Development	219,61,25	316,57,82
(f)	Credit Facility to Federations[CFF]	11954,00,00	6961,00,00
(g)	Loans under Food Processing Fund	239,4 <mark>0,24</mark>	139,78,82
(h)	Loans under Long Term Irrigation Fund	20446,52,47	9086,02,10
(i)	Loans under PMAY – G	7329,43,00	0
(j)	Other Loans:		
(i)	Loans under Co-operative Development Fund	0	4 <mark>2</mark> ,86
(ii)	Loans under Micro Finance Development Equity Fund	0	83,41
(iii)	Loans under Watershed Development Fund	33,68,88	37,47,02
(iv)	Loans under Tribal Development Fund	6,08,15	11,38,51
(v)	Loans under KfW UPNRM	181,59,72	68,71,50
(vi)	Loans under Off Farm Sector Promotion Activities	252,9 <mark>1,48</mark>	200,54,11
(vii)	Loans under Farm Sector Promotion Activities	2,88	4,27
(k)	Co-Finance Loans	12,14	79,68
	Total	352110,55,00	304955,05,69

## Schedule 12 – Fixed Assets

(₹ in thousands)

Sr. No.	Particulars	As on 31.03.2018	As on 31.03.2017
1	LAND : Freehold & Leasehold ( Refer Note B-22 of		
1	Schedule 18)		
	Opening Balance	176,16,65	168,58,61
	Additions/adjustments during the year	3,86,19	7,58,04
	Sub-Total	180,02,84	176,16,65
	Less: Cost of assets sold/written off	0	0
	Closing Balance (at cost)	180,02,84	176,16,65
	Less: Amortisation of Lease Premia	55,29,63	53,29,82
	Book Value	124,73,21	122,86,83
2	PREMISES ( Refer Note B–22 of Schedule 18)		
	Opening Balance	407,47,74	361,12,36
	Additions / Adjustments during the year	5,82,51	46,35,38
	Sub-Total	413,30,25	407,47,74
	Less: Cost of assets sold/written off	0	0
	Closing Balance (at cost)	413,30,25	407,47,74
	Less: Depreciation to date	244,24,01	240,89,20
	Book Value	169,06,24	166,58,54
3	FURNITURE & FIXTURES		
	Opening Balance	61,98,40	62,22,94
	Additions/adjustments during the year	6,59,09	54,50
	Sub-Total	68,57,49	62,77,44
	Less: Cost of assets sold/written off	61,98	79,04
	Closing Balance (at cost)	67,95,51	61,98,40
	Less: Depreciation to date	60,91,15	58,96,30
	Book Value	7,04,36	3,02,10
4	COMPUTER INSTALLATIONS & OFFICE EQUIPMENTS		, ,
	Opening Balance	102,59,41	98,67,21
	Additions/adjustments during the year	16,06,23	6,86,71
	Sub-Total	118,65,64	105,53,92
	Less: Cost of assets sold/written off	3,93,34	2,94,51
	Closing Balance (at cost)	114,72,30	102,59,41
	Less: Depreciation to date	98,60,20	93,51,60
	Book Value	16,12,10	9,07,81
5	VEHICLES		
	Opening Balance	8,70,06	8,12,27
	Additions/adjustments during the year	2,06,67	2,17,00
	Sub-Total	10,76,73	10,29,27
	Less: Cost of assets sold/written off	1,93,33	1,59,20
	Closing Balance (at cost)	8,83,40	8,70,07
	Less: Depreciation to date	4,92,58	4,46,98
	Book Value	3,90,82	4,23,09
6	Capital Work in Progress	150,32,73	84,97,73
U	Total	471,19,46	390,76,10





## Schedule 13 – Other Assets

(₹ in thousands)

Cr. No.	Particulars	An on 21 02 2010	As on 31.03.2017
Sr. NU.	Particulars	As on 31.03.2018	AS UII 31.U3.2U17
1	Accrued Interest	3301,90,48	2883,08,91
2	Deposits with Landlords	1,27,61	1,20,75
3	Deposits with Government Departments and Other Institutions	35,73,55	9,32,36
4	Housing loan to staff	127,77,02	121,1 <mark>3,4</mark> 0
5	Other Advances to staff	96,62,62	90,3 <mark>8,10</mark>
6	Sundry Advances	66,98,18	41, <mark>37,95</mark>
7	Deferred Tax Assets (Refer Note B–10 of Schedule 18)	194,34,02	181,19,02
8	Expenditure recoverable from Government of India/International Agencies. (Refer Note B-3 of Schedule 18)	146,44,18	71,04,59
9	Discount Receivable	418, <mark>67,60</mark>	104,25,32
	Total	4389,75,26	3503,00,40

## Schedule 14 – Interest and Financial Charges

(₹ in thousands)

Sr. No.	Particulars Particulars Particular Particula	2017–18	2016–17
1	Interest / Discount Paid on		
(a)	Deposits under RIDF	6276,76,17	6038,85,05
(b)	Short Term Cooperative Rural Credit Fund (Refer Note B-7 of Schedule 18)	1954,54,21	2452,44,43
(c)	ST RRB Credit Refinance Fund ( Refer Note B-7 of Schedule 18)	438,73,22	694,02,10
(d)	Warehouse Infrastructure Fund	221,74,67	214,13,98
(e)	Long Term Rural Credit Fund	1586,40,35	1333,72,13
(f)	Fund for Food Processing Units	13,48, <mark>10</mark>	7,23,53
(g)	Tea / Coffee / Rubber Deposits	7,87,99	11,49,55
(h)	CBS Deposits	1,05	72
(i)	Loans from Central Government	0	52,33
(j)	Term Money Borrowings	159,40,74	98,45,04
(k)	Bonds (Refer Note B-7 of Schedule 18)	4475,30,27	3626,21,17
(I)	Borrowings from International Agencies	22,50,95	24,19,01
(m)	Borrowing against ST Deposit	50,23	24,71
(n)	Commercial Paper	1527,90,18	879,02,24
(0)	Certificate of Deposit	346,75,31	475,43,93
(p)	Repo borrowing	198,95,61	9,45
(q)	Collateralised Borrowing and Lending Obligations	360,19,52	117,48,44
(r)	Watershed Development Fund	65,95,58	68,83,42
(s)	Financial Inclusion Fund	84,88, <mark>14</mark>	142,77,35
(t)	Financial Inclusion Fund – Digital	1,56,73	0
(u)	Indo German Watershed Development Programme – Andhra Pradesh	4,68	2,85

Sr. No.	Particulars	2017–18	2016–17
(v)	Indo German Watershed Development Programme – Rajasthan	4,83	64
(w)	Indo German Watershed Development Programme – Gujarat	6,23	21,56
(x)	KfW UPNRM – Accompanying measures	0	22
(y)	KfW - NB - IX Adivasi Development Programme	0	59,96
(z)	KFW NB V – Adivasi Project	1,06	7,54
(aa)	Multi Activity Approach for Poverty Alleviation BAIF Project – Sultanpur / Raebareli, UP	45	47
(ab)	Cattle Development Programme (UP & Bihar)	55	59
(ac)	Tribal Development Fund	73,76,67	57,91,12
(ad)	Centre for Professional Excellence in Co-operatives (C – PEC)	14,35	15,16
(ae)	National Adaptation Fund for Climate Change	6,46,39	7,12,69
2	Discount, Brokerage, Commission & issue expenses on Bonds and Securities	22,96,68	15,53,26
3	Swap Charges	6,03	48,46
	Total	17847,06,94	16267,33,10

## Schedule 15 A – Establishment and Other Expenses

(₹ in thousands)

			(₹ in thousands
Sr. No.	Particulars	2017–18	2016–17
1	Salaries and Allowances ( Refer Note B-9 of Schedule 18)	865,67,89	676,77,85
2	Contribution to / Provision for Staff Superannuation Funds	699,13,36	957,43,35
3	Other Perquisites & Allowances	54,96,15	38,46,90
4	Travelling & Other allowances in connection with Directors' & Committee Members' Meetings	33,59	33,79
5	Directors' & Committee Members' Fees	9,82	6,20
6	Rent, Rates, Insurance, Lighting, etc.	34,79,23	34,80,06
7	Travelling Expenses	39,30,88	36,89,38
8	Printing & Stationery	5,43,73	4,90,79
9	Postage, Telegrams & Telephones	18,66,50	19,92,80
10	Repairs	39,31,80	50,83,41
11	Auditors' Fees	31,84	30,92
12	Legal Charges	1,16 <mark>,</mark> 54	72,28
13	Miscellaneous Expenses	95,23,65	76,61,96
14	Expenditure on Miscellaneous Assets	<mark>7</mark> ,65,39	8,12,76
15	Expenditure on Study & Training	72,22,99	46,99,21
	Total	1934,33,36	1953,21,66



#### Schedule 15 B – Expenditure on promotional activities

(₹ in thousands)

Sr. No.	Particulars	2017–18	2016–17
(i)	Cooperative Development Fund	18,77,59	16,72,43
(ii)	Producers' Organization Development Fund	2,55,94	4,10,43
(iii)	Rural Infrastructure Promotion Fund	2,49,48	1,58, <mark>4</mark> 2
(iv)	NFS Promotional Measures/ Activities	0	22
(v)	Farm Sector Promotion Fund	20,88,28	21,1 <mark>9,64</mark>
(vi)	Climate Change Fund	1,03,53	4,95
(vii)	Gramya Vikas Nidhi	6,78,99	0
	Total	52, <mark>53,81</mark>	43,66,09

#### Schedule 16 - Provisions

(₹ in thousands)

			( t iii tiiodealide
Sr. No	Particulars	2017–18	2016–17
	Provisions for :		
1	Standard Assets	184,50,00	173,00,00
2 (a)	Non Performing Assets	1,33,93	-1,70,12
2 (b)	Non Performing Assets – Staff	29,18	0
3	Sacrifice in interest element of restructured Accounts	0	-3,25,42
4	Other Assets / Receivable	0	-3,22
	Total	186,13,11	16801,24

#### Schedule 17 - Commitments and Contingent Liabilities

(₹ in thousands)

Sr. No.	Particulars	As on 31.03.2018	As on 31.03.2017
1	Commitments on account of capital contracts remaining to be executed	83,99,67	111,88,93
	Sub Total "A"	83,99,6 <mark>7</mark>	111,88,93
2	Contingent Liabilities		
4	Bank Guarantee	21,69,75	16,6 <mark>5</mark> ,00
(i)	Claims against the Bank not acknowledged as debt.	0	0
17	Sub Total "B"	21,69, <mark>75</mark>	16,65,00
	Total (A + B)	105,69,42	128,53,93

#### SCHEDULE 18

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2018

#### 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 from these estimates. Such differences are recognized in the year of outcome of such results.

#### 3. Revenue recognition:

- 3.1 Income and expenditure are accounted on accrual basis, except the following, which are accounted on cash basis:
  - i) Interest on non-performing assets identified as per Reserve Bank of India (RBI) guidelines.
  - ii) Income by way of penal interest charged due to delayed receipt of loan dues or non-compliance with terms of loan.
  - iii) Service Charges on loans given out of various Funds.
  - iv) Expenses not exceeding ₹10,000 at each accounting unit, under a single head of expenditure.
- 3.2 Discount on Bonds and Commercial Papers issued are amortized over the tenure of Bonds and Commercial Papers. Issue expenses relating to floatation of bonds are recognized as expenditure in the year of issue of Bonds.
- 3.3 Dividend on investments is accounted for, when the right to receive the dividend is established.

3.4

- i) Income from Venture Capital funds is accounted on realization basis.
- ii) Release of subsidy in which NABARD is acting as a pass through agency is accounted for on payment basis subject to availability of funds under the respective schemes.





- 3.5 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

#### **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.
- Premises include value of land, where segregated values are not readily available.
- d) Depreciation policy on premises situated on freehold land and leasehold land has been revised during the current year and uniformly calculated on straight line basis over the expected lifetime of 30 years. Hitherto, depreciation on premises was calculated as under:
  - Depreciation on premises situated on freehold land is charged at 10% p.a., on written down value basis.
  - ii) 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 straightline basis, whichever is higher.
- e) 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.
- 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%	

- Depreciation policy has been revised during the current year, accordingly depreciation is charged from the month the asset is capitalized in the year of purchase and till the month the asset is sold in the year of sale. Hitherto, depreciation was charged for the full year, irrespective of the date of purchase of asset and no depreciation was charged in the year of sale.
- 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.
- Investments under "AFS" are marked to market, scrip-wise, at the rate, declared by Fixed Income Money Market and Derivative Association of India (FIMMDA) and by Financial Benchmarks India Pvt. Ltd. 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.
- Investments under "HFT" are marked to market, scrip-wise, at the rate, declared by Fixed Income Money Market and Derivative Association of India (FIMMDA) and by Financial Benchmarks India Pvt. Ltd. Depreciation /appreciation is recognized in the category for investments classified as "HFT". The book value of the individual scrip is changed after revaluation.
- g) Investments in subsidiaries, joint ventures and associates are classified as Held to Maturity.

- h) Treasury Bills, Commercial Papers and Certificates of Deposits are valued at carrying cost.
- i) Unquoted Shares are valued at breakup value, if the latest Audited Accounts of the investee companies are available, or at ₹1/- per Company as per RBI guidelines.
- Brokerage, commission, etc. paid in respect of investments including unlisted equities, at the time of acquisition, are charged to revenue.
- Brokerage, paid on acquisition / disposal of equities traded on stock exchange is capitalized.
- Broken period interest paid/received on debt investments 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.
- Amortization/Gain/Loss on Revaluation of Government Securities is charged to Profit and Loss Account.
- Weighted average cost method has been followed for accounting for investments.
- p) Investments in Venture Capital Funds are accounted as per the accounting policy adopted by the respective Fund.

#### 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 Profit and Loss account.

#### 7. Foreign Currency Transactions

As per Accounting Standard (AS-11) (Revised 2003) on Accounting for the Effects of Changes in Foreign Exchange Rates issued by the Institute of Chartered Accountants of India; following accounting treatment is given to foreign exchange transactions:

- a) Assets and liabilities in foreign currency, are revalued at the exchange rate notified by Reserve Bank of India as at the close of the year and disclosed as a contra item in the Balance Sheet (as off Balance Sheet item). The liability towards foreign currency borrowings is fully hedged and stated in the Balance Sheet at the contracted value (as off balance sheet item).
- b) Income and Expenditure items are translated at the exchange rates prevailing on the date of the transaction.

## 8. Accounting for Foreign Exchange Contracts

- a) Foreign Exchange Contracts are to hedge the repayment of foreign currency borrowings.
- b) The foreign currency borrowings which are hedged are stated at the contract rate.
- c) The foreign exchange unhedged contracts are revalued at the exchange rates notified by FEDAI at the year end. The resultant gain / loss on revaluation is recognised in the Profit & Loss Account under the head Gains / Loss on revaluation of Forward Exchange Contract Account. Premium/discount are accounted over the life of the contract.

d) The Profit / Loss on cancellation and renewal of foreign exchange contracts are recognised in Profit and Loss Account under the head 'Profit / Loss on Foreign Currency Loan Account'.

#### 9. Employee Benefits

All personnel transferred from RBI are considered as employees of the Bank and provisions for Employee Benefits are made accordingly. Actuarial valuation, wherever required, are carried out at each balance sheet date.

#### a) Short Term Employee Benefits:

The undiscounted amount of short-term employee benefits, which are expected to be paid in exchange for the services rendered by employees are recognised during the period when the employee renders the service.

#### b) Post Retirement Benefits:

i) Defined Contribution Plan

The Bank has a Provident Fund Scheme in respect of all eligible employees who joined the Bank on or before 31 December 2011. The scheme is managed by RBI. Contribution is recognized on accrual basis.

The Bank has introduced a New Pension Scheme (NPS) for all the officers/employees who have joined the services of the Bank on or after 01 January 2012. The Bank has adopted the "NPS- Corporate Sector Model", a defined contribution plan, as formulated by the Pension Fund Regulatory and Development Authority (PFRDA). Contribution to the Fund is made on accrual basis.

#### ii) Defined Benefit Plan

a. Provision for gratuity is made based on actuarial valuation, made at the end of each financial year based on the projected unit credit method in respect

- of all eligible employees. The scheme is funded by the Bank and is managed by a separate trust. Actuarial gain or loss are recognised in the Profit and Loss Account on accrual basis.
- 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 entitled for compensated absences. All the eligible employees are also entitled 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

- 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;





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- 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.

#### 15. Prior Period Income/Expenses

Items of Income/Expenditure which are prior period in nature is disclosed separately only when the individual prior period income /expense exceeds 0.5% of Gross Income.

#### 16. Implementation of Indian Accounting Standards (Ind AS)

In terms of the Press Release No. 11/10/2009 CL-V dated 18 January 2016 issued by the MCA, the bank would be required to prepare Ind AS based financial statements for accounting periods beginning from April 1, 2018, with comparatives for the periods ending March 31, 2018 and thereafter. However, the implementation of Ind AS for Scheduled Commercial Banks has been deferred by one year and the bank has sought clarification from RBI regarding the applicability of the same to FIs.

The bank had set up a Steering Committee headed by Deputy Managing Director to evaluate the changes in accounting system and impact of implementation of Ind AS on the financials including the adequacy of capital, taking into account the Basel III capital requirements. Efforts are being made by the bank to complete the implementation process as per the timelines framed by RBI / MCA.

## NOTES FORMING PART OF THE ACCOUNTS

- 1. 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 other loans and disclosed under Schedule 11. The borrowing related to the UPNRM are classified as borrowing from international agencies and disclosed under Schedule 7. During the year, a sum of ₹4.75 crore is required towards NPA provision for loans granted under Kfw UPNRM Scheme and
- 2. 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:

the same has been charged to Profit & Loss

Account, for want of balance in UPNRM

Sr. No.	Name of the Fund	Rate of Interest for 2017–18	Rate of Interest for 2016–17
1	Watershed Development Fund	4%	6%
2	KfW- NB IGWDP (Andhra Pradesh, Gujarat, Maharashtra)	4%	6%
3	KfW Accompanying Measures	4%	6%
4	National Adaptation Fund for Climate change	4%	6%
5	Tribal Development Fund	4%	6%
6	Financial Inclusion Fund	4%	6%
7	Kfw NB- V Adivasi Development Programme- Gujarat	4%	6%
8	Cattle Development Fund (UP & Bihar)	6.57%	7.46%
9	Multi Activity Approach For Poverty Alleviation (Sultanpur and Rae Bareilly)	6.57%	7.46%
10	Center for Professional Excellence in Co-operatives.	6.57%	7.46%
11	Kfw NB- IX Adivasi Development Programme- Maharashtra	6.57%	7.46%

Recoverable from Government of India / International Agencies (Refer Schedule-13 of Balance Sheet) includes ₹43.35 crore (₹41.29 crore) being debit balance of various funds. The details of such funds are as under:

(Amount in ₹ crore)

Sr. No.	Name of the Fund	31-03-2018	31-03-2017
1	KfW- UPNRM – Accompanying Measures	2.00	1.84
2	KfW- NB IGWDP (Rajasthan)	0.62	0.00
3	KfW- Soil Project	3.72	11.47
4	KfW- NB IGWDP (Gujarat)	0.97	0.00
5	KfW UPNRM Fund	35.92	27.45
6	KfW UPNRM- Financial Contribution	0.00	0.53
7	KfW UPNRM - Technical collaboration	0.12	0.00

- 4. Sundry creditors includes ₹30.32 crore (₹30.67 crore) being amounts outstanding to contributors in respect of Micro Finance Development and Equity Fund (MFDEF). An amount of ₹0.28 crore being the share of NABARD has been taken to Profit & Loss Appropriation account.
- 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, Warehousing Infrastructure Fund (WIF) deposits and Food Processing Fund,
- placed by the Commercial Banks is credited to Watershed Development Fund, Tribal Development Fund, Financial Inclusion Fund and PODF. Previous year, the amounts were credited to Watershed Development Fund, Tribal Development Fund and Financial Inclusion Fund.
- 6. Pursuant to the agreement with Government of India, the relative margin in excess of 0.60%, if any, in respect of Long Term Irrigation Fund is to be transferred to "LTIF Fluctuation Reserve Fund", which will be used during the period when the relative





- margin is less than 0.60%. During the year an amount of ₹23.11 crore (₹2.52) crore, being the excess margin earned has been transferred to the 'LTIF Fluctuation Reserve Fund' from Interest Received account.
- Subvention received/receivable from Government of India (GOI) under Seasonal Agricultural Operations (SAO) amounting to ₹319.09 crore (₹422.36 crore) and ₹12.83 crore (₹20.24 crore) under National Rural Livelihood Mission (NRLM), being the difference between the cost of borrowing by NABARD and the refinance rate, has been reduced from interest and financial charges and shown under accrued interest and disclosed under Schedule 13.
- Other receipts includes ₹123.03 crore (₹126.35 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.
- The salaries and allowances of the employees of the Bank are reviewed every five years. The review is due from 01 November 2017. Pending settlement, an amount of ₹100 crore has been provided under the head Salary and Allowances during the year.
- 10. 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 ₹13.15 crore (₹18.67 crore). The details of the deferred tax are as under:

(Amount	in ₹	crore)

Sr. No.	Deferred Tax Assets	31 March 2018	31 March 2017
1	Provision allowable on payment basis	170.22	149.64
2	Depreciation on Fixed Assets	24.12	31.55
	Total	194.34	181.19

- 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.
- 11. The tax liability of the Bank for the Assessment Year 2002-03 amounting to ₹373.15 crore was assessed by the Income Tax Department. The Bank has provided and paid the said liability. However, the Bank has filed an appeal against the order of the CIT Appeals with the Income Tax Appellate Tribunal.
- 12. Income Tax Department had reopened the assessment for the Assessment Year (AY) 2006-07,AY 2007-08, AY 2008-09 and AY 2009–10, which was ruled against by the Commissioner of Income Tax – Appeals [CIT(A)]. The Income Tax department has preferred appeal against the order of CIT(A) with ITAT, Mumbai. Pending appeal with ITAT, the refund received from the IT department is held in Income Tax Refund Account.
- 13. 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, which was struck down by CIT(A). The Income Tax department has preferred appeal against the CIT(A) order with ITAT, Mumbai. Pending appeal with ITAT, the refund received from the IT department is held in Income Tax Refund Account.
- 14. During the Assessment of the Income for the Assessment Year 2011-12 a tax liability of ₹294.31 crore was assessed on account of differential interest accounted under the RIDF / STCRC funds. The Bank had filed an appeal against the above disallowance with CIT(A). During the year, the CIT(A) has passed order in favour of the Bank.
- 15. During the Assessment of the Income for the Assessment Year 2012-13 a tax liability

- of ₹340.81 crore was assessed on account of differential interest accounted under the RIDF / STCRC funds. The Bank had filed an appeal against the above disallowance with CIT(A). During the year, the CIT(A) has passed order in favour of the Bank.
- 16. During the Assessment of the Income for the Assessment Year 2013-14 a tax liability of ₹392.94 crore was assessed on account of differential interest accounted under the RIDF / STCRC funds. The Bank had filed an appeal against the above disallowance with CIT(A). During the year, the CIT(A) has passed order in favour of the Bank.
- 17. During the Assessment of the Income for the Assessment Year 2014-15 a tax liability of ₹438.37 crore was assessed on account of differential interest accounted under the RIDF / STCRC funds. The Bank had filed an appeal against the above disallowance with CIT(A). During the year, the CIT(A) has passed order in favour of the Bank.
- 18. During the Assessment of the Income for the Assessment Year 2015–16 a tax liability of ₹428.16 crore was assessed on account of differential interest accounted under the RIDF / STCRC funds. The Bank had filed an appeal against the above disallowance with CIT(A). During the year, the CIT(A) has passed order in favour of the Bank.
- 19. During the Assessment of the Income for the Assessment Year 2016-17 a tax liability of ₹372.00 crore was assessed on account of differential interest accounted under the RIDF / STCRC funds. However, the Bank has filed an appeal against the above order with CIT(A).
- 20. Free hold land and Lease Land and Premises include ₹14.00 crore (₹16.00 crore) paid towards Office Premises and Staff Quarters for which conveyance is yet to be completed.
- 21. The depreciation policy for premises in lease hold land and premises on free hold land has been revised during the year. The change in the depreciation policy has resulted in

- reversal of excess depreciation under the erstwhile policy to the extent of ₹10.39 crore. This amount has been credited to the depreciation account, thereby, resulting in increase of current year profit to the extent of ₹10.39 crore.
- 22. 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.
- 23. Pursuant to the directives of RBI, the project loans provided to State Co-operative Agriculture and Rural Development Banks (SCARDBs) by way of subscription to the Special Development Debentures (SDDs) floated by these agencies, are treated as under:
  - a) Classified as Investments and shown in Schedule – 10 under the head 'Debenture and Bonds'.
  - b) Interest earned on the same is shown as a part of 'Interest received on Loans and Advances' in the Profit and Loss Account, treating them as 'Deemed Advances'.
  - 'Deemed Advances' for the purpose of IRAC norms, capital adequacy and computation of ratios etc.
- 24. As on the date of the financial statements, out of the disbursement extended to various State Governments under RIDF, ₹560.63 crore (₹495.09 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.
- 25. In terms of Central Board of Direct Taxes, Ministry of Finance notification dated 18 February 2016, NABARD was allowed to raise tax free bonds having benefits under section10(15)(iv)(h) of the Income Tax Act 1961 amounting to ₹5,000 crore. Accordingly, ₹1,500 crore repayable in 10 year tenure was mobilized through Private Placement and ₹3,500 crore repayable in 10





& 15 year tenure through public issue. The tax free bonds are in the nature of secured, redeemable and non-convertible bonds. These bonds are secured against pari passu charge on property situated in Mumbai and also first charge on specified book debts of NABARD. The interest charge to revenue pertaining to these bonds for the current year is ₹365.79 crore (₹.365.64 crore).

The details of the debenture Trustee is as under:

#### **Axis Trustee Services Limited,**

Axis House, Second Floor Wadia International Centre Pandurang Budhkar Marg Worli, Mumbai -400 025

Telephone: 022 24255215/5216

- 26. In terms of RBI Circular RBI/2015-16/104DBR.No.FID.FIC.3/01.02.00/2015-16 dated 01 July 2015 relating to Prudential Guidelines on Investment in Venture Capital Fund, an amount of ₹33.78 crore (35.35 crore) made in the units of VCF was shifted from HTM category, on completion of 3 years, to AFS category
- 27. Investments in Government securities include the following securities pledged with Clearing Corporation of India Limited as collateral security for borrowings:

(Amount in ₹ crore)

Particulars	Face Value	Book Value
Pledged for Business Segment (Securities)	648.00 (65.00)	676.64 (63.51)
Pledged for Business Segment (Collateralised Borrowing and Lending Obligation)	8856.00 (8751.68)	8972.64 (9000.53)
Pledged for Business Segment (Securities) Default Fund	27.00 (3.00)	28.19 (3.13)
Pledged for Business Segment (Collateral Borrowing and Lending Obligation) – Default Fund	25.00 (5.00)	26.10 (4.63)

## 28. Disclosure required under AS 15 (Revised) on "Employee Benefits"

#### 28.1 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.

#### 28.1.1 Pension

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

(Amount in ₹ crore)

Particulars	2017–18	2016–17
Present value of defined benefit obligation at the beginning of year	3694.29	2911.93
Current Service Cost	76.52	57.29
Interest Cost	286.31	232.95
Actuarial gain/loss	592.77	610.88
Benefits paid	-152.98	- <mark>11</mark> 8.76
Present value of defined benefits obligations at the year end	4496.91	3694.29

b. Amount recognised in the Balance Sheet as on 31 March 2018 and previous years from 2013-14 to 2016-17: (Amount in ₹ crore)

Particulars	2017–18	2016–17	2015–16	2014–15	2013–14
Present value of defined benefits obligations as at the year end	4496.91	3694.29	2911.93	2411.55	2071.33
Fair value of plan assets as at the year end®	4355.48	3276.21	2801.56	2351.61	2056.07
Liability recognized in the Balance sheet as at the year end	141.43	418.08	110.37	59.94	15.26

@ Includes the Bank's contribution of ₹550.56 crore (₹464.12 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:

(Amount in ₹ crore)

Particulars	2017–18	2016–17
Current Service Cost	76.52	57.29
Interest Cost	286.31	232.95
Net Actuarial gain/loss	539.72	610.88
Expected return on Plan Assets	-239.87	-2 <mark>26.77</mark>
Expense recognized in the statement of Profit and Loss	662.68	674. <mark>35</mark>

#### d. Actuarial assumptions:

Particulars	2017–18	2016–17
Mortality Table (LIC)	2006-08 (Ultimate)	2006–08 (Ultimate)
Discount rate (per annum)	7.40%	7.75 <mark>%</mark>
Salary growth (per annum)	6.50%	6.50%
Withdrawal rate	1.00%	1.00%

#### **28.1.2** Gratuity

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

(Amount in ₹ crore)

Particulars	2017–18	2016–17
Present value of defined benefit obligation at the beginning of year	487.52	303.02
Current Service Cost	26.73	32.79
Interest Cost	37.78	24.24
Actuarial gain/ loss	31.28	156.44
Benefits paid	-43.06	-28.97
Present value of defined benefits obligations at the year end	540.25	487.52

b. Amount recognized in Balance Sheet as on 31 March 2018 and P.Y. from 2013–14 to 2016–17:

(Amount in ₹ crore)

Particulars	2017–18	2016–17	2015–16	2014–15	2013–14
Present value of defined benefits obligations as at the year end	540.25	487.52	303.02	285.34	274.62
Fair value of plan assets as at the year end	510.28	313.46	301.51	303.01	288.49
Liability recognized in the Balance sheet as at the year end	29.97	17 <mark>4</mark> .06	1.51	-17.67	-13.87





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

(Amount in ₹ crore)

Particulars	2017–18	2016–17
Current Service Cost	26.73	32.79
Interest Cost	37.78	24.24
Net Actuarial gain/loss	44.57	156.44
Expected return on Plan Assets	-19.93	-34.61
Expense recognized in the statement of Profit and Loss	89.14	178.86

#### d. Actuarial assumptions:

Particulars	2017–18	2016–17
Mortality Table (LIC)	2006–08 (Ultimate)	2006-08 (Ultimate)
Discount rate (per annum)	7.40%	7.75%
Salary growth (per annum)	7.00%	7.00%
Withdrawal rate	1.00%	1.00%

#### 28.1.3 Encashment of Ordinary Leave

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

(Amount in ₹ crore)

Particulars	2017–18	2016–17
Present value of defined benefit obligation at the beginning of year	305.50	<mark>2</mark> 65.45
Current Service Cost	6.19	11.62
Interest Cost	23.68	21.23
Actuarial gain/loss	40.92	24.15
Benefits paid	-20.23	-16.95
Present value of defined benefits obligations at the year end	356.06	305.50

b. Amount recognized in the Balance Sheet as on 31 March 2018 and P.Y. from 2013–14 to 2016–17:

(Amount in ₹ crore)

Particulars	2017–18	2016–17	2015–16	2014–15	2013–14
Present value of defined benefits obligations as at the year end	356.06	305.50	265.45	239.69	22 <mark>5</mark> .88
Funds earmarked by the Bank *	249.76	258.25	263.37	257.61	219.28
Liability recognized in the Balance sheet as at the year end	115.30	47.25	2.08	-17.92	6.60

<sup>\*</sup> 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:

(Amount in ₹ crore)

Particulars	2017–18	2016–17
Current Service Cost	6.18	11.62
Interest Cost	23.67	21.23
Net Actuarial gain/loss	46.78	24.15
Expected return on Plan Assets	-27.02	-30.26
Expense recognized in the statement of Profit and Loss	49.62	26.74

#### d. Actuarial assumptions:

Particulars	2017–18	2016–17
Mortality Table (LIC)	2006-08 (Ultimate)	2006-08 (Ultimate)
Discount rate (per annum)	7.40%	7.75%
Salary growth (per annum)	7.00%	7.00%
Withdrawal rate	1.00%	1.00%

#### 28.1.4 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 ₹4.18 crore (₹10.02 crore).

- **28.1.5** 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.
- **28.1.6** The aforesaid liabilities include liabilities of employees deputed to subsidiaries.
- **28.1.7** Amortisation of Post-retirement benefits:

The entire liability towards postretirement benefits are charged to Profit and Loss account and are not amortised. 28.1.8 Investment under Plan Assets of Pension, Gratuity & Leave Encashment Fund as on 31 March 2018

Particulars	<b>Pension</b> Gratuity		Encashment of OL
	% of Plan Assets	% of Plan Assets	% of Plan Assets
Central Govt. Securities	22.04	_	_
State Govt. Securities	26.04	-	_
Insurer Managed Funds	_	100.00	100.00
Others	51.92	-	-
Total	100.00	100.00	100.00

#### 28.2 Defined Contribution Plan:

- (a) 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 ₹92.84 crore (₹16.95 crore) with RBI.
- (b) The employees' recruited on or after o1 January 2012 are covered under New Pension Scheme, which is a defined contribution plan. During the year the bank has contributed ₹2.23crore (₹0.96 crore) to the said scheme.

#### 29 Capital

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

The ratio of shareholding of Government of India and RBI in the paid up capital as on 31 March 2017 was at 99.60%: 0.40%. During the current year, balance shareholding of RBI has been transferred to Government of India, as such, as on 31 March 2018, the entire share capital is subscribed by Government of India. The details are given below:





(₹ crore)

Contributor	31 Marc	h 2018	31 March 2017		
Reserve Bank of India	0.00	0.00%	20.00	0.40%	
Government of India	5,000.00	100.00%	4,980.00	99.60%	
Total	5,000.00	100.00%	5,000.00	100.00%	

During the year an amount of ₹3880 crore (₹1400 crore) has been received from Government of India towards Share Capital and the same has been held as Advance towards Capital a/c pending enhancement of Authorized Capital. The advance towards share capital stood at ₹5580 crore as on 31 March 2018. Pursuant to increase of Authorized Capital of NABARD to ₹30000 crore vide gazette notification No. 1410 dated 10 April 2018, the above advance would be transferred to Share Capital account during the year 2018–19.

### 29.2 Capital Adequacy

- 29.2.1 Capital adequacy ratio of the Bank as on 31 March 2018 was 18.85% (17.71%) as against a minimum of 9% as stipulated by RBI.
- 29.2.2 In accordance with RBI Instructions, assets financed from National Rural Credit

   Long Term Operations (NRC LTO) Fund amounting to ₹14491 crore are excluded for the purpose of computing the CRAR.
- 29.2.3 The details of various parameters of Capital to Risk weighted Assets Ratio is given below:

#### (Amount in ₹ crore)

Sr. No.	Particulars	2017–18	2016–17
(i)	Common Equity	36511.78	29939.49
(ii)	Additional Tier 1 capital	0.00	0.00
(iii)	Total Tier 1 capital (i+ii)	36511.78	29939.49
(iv)	Tier 2 capital	2480.43	2069.92
(v)	Total Capital ( Tier 1+Tier 2)	38992.21	32009.41
(vi)	Total Risk Weighted Assets (RWAs)	206869.25	180718.41
(vii)	Common Equity Ratio (Common Equity as a percentage of RWAs)	17.65	16.57
(viii)	Tier 1 Ratio (Tier 1 capital as a percentage of RWAs)	17.65	16.57
(ix)	Capital to Risk Weighted Assets Ratio (CRAR)	18.85	17.71

Sr. No.	Particulars	2017–18	2016–17
(x)	Percentage of the shareholding of the Government of India in the AIFI	100.00	99.60
(xi)	Amount of equity capital raised	0.00	0.00
(xii)	Amount of Additional Tier 1 capital raised; of which	0.00	0.00
	(a) Perpetual Non-Cumulative Preference Shares (PNCPS):	0.00	0.00
	(b) Perpetual Debt Instruments (PDI)	0.00	0.00
(xiii)	Amount of Tier 2 capital raised; of which	0.00	0.00
	(a) Debt capital instruments:	0.00	0.00
	(b) Perpetual Cumulative Preference Shares (PCPS)	0.00	0.00
	(c) Redeemable Non-Cumulative Preference Shares (RNCPS)	0.00	0.00
	(d) Redeemable Cumulative Preference Shares (RCPS)	0.00	0.00

### 30. Provisions on Standard Assets

(Amount in ₹ crore)

Particulars	2017–18	2016–17
Provisions towards Standard Assets	184.50	173.00

### 31. Floating Provisions

(Amount in ₹ crore)

Sr. No.	Particulars	2017–18	2016–17
(a)	Opening balance in floating provision account (counter cyclical provisioning buffer)		
(b)	The quantum of floating provisions made during the accounting year	0.00	0.00
(c)	Amount of drawdown made during the accounting year	0.00	0.00
(d)	Closing balance in the floating provision account	14.44	14.44





## **32.** Asset Quality and specific provisions 32.1 Non-Performing Advances

(Amount in ₹ crore)

Sr. No.	Particulars	31.03.2018	31.03.2017
(i)	Net NPA to Net Advances (%)	0.00	0.00
(ii)	Movement of NPAs (Gross)		
(a)	Opening Balance	163.23	190.51
(b)	Additions during the year	9.15	3.2 <mark>8</mark>
(c)	Reductions during the year	7.93	30. <mark>56</mark>
(d)	Closing Balance	164.45	163.23
(iii)	Movement of Net NPAs		
(a)	Opening Balance	0.00	23.33
(b)	Additions during the year	4.70	1.81
(c)	Reductions during the year	4.70	25.14
(d)	Closing Balance	0.00	0.00
(iv)	Movement of provisions for NPAs (excluding provision on standard assets)		X /
(a)	Opening balance	163.23	167.17
(b)	Provision made during the year	9.15	10.06
(c)	Write off / write back of excess provision	7.93	14.00
(d)	Closing balance	164.45	163.23

### 32.2 Non-Performing Investments

(Amount in ₹ crore)

Sr. No.	Particulars	31.03.2018	31.03.2017
(i)	Net NPI to Net Investments (%)	0.00	0.00
(ii)	Movement of NPIs (Gross)		
(a)	Opening Balance	16.00	16.00
(b)	Additions during the year	0.00	0.00
(c)	Reductions during the year	0.00	0.00
(d)	Closing Balance	16.00	16.00
(iii)	Movement of Net NPIs		
(a)	Opening Balance	0.00	0.00
(b)	Additions during the year	0.00	0.00
(c)	Reductions during the year	0.00	0.00
(d)	Closing Balance	0.00	0.00
(iv)	Movement of provisions for NPIs		
(a)	Opening balance	16.00	16.00

Sr. No.	Particulars	31.03.2018	31.03.2017
(b)	Provision made during the year	0.00	0.00
(c)	Write off / write back of excess provision	0.00	0.00
(d)	Closing balance	16.00	16.00

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/-.

32.3 Non-Performing Assets (34.1+34.2)

(Amount in ₹ crore)

Sr. No.	Particulars	31.03.2018	31.03.2017
(i)	Net NPA to Net Assets (Advances + Investments) (%)	0.00	0.00
(ii)	Movement of NPAs (Gross Advances + Gross Investments)		
(a)	Opening Balance	179.23	206.51
(b)	Additions during the year	9.15	3.28
(c)	Reductions during the year	7.93	30.56
(d)	Closing Balance	164.45	179.23
(iii)	Movement of Net NPAs		
(a)	Opening Balance	0.00	23.33
(b)	Additions during the year	4.70	1.81
(c)	Reductions during the year	4.70	25.14
(d)	Closing Balance	0.00	0.00
(iv)	Movement of provisions for NPAs (excluding provision on standard assets)		
(a)	Opening balance	179.23	183.17
(b)	Provision made during the year	9.15	10.06
(c)	Write off / write back of excess provision	7.93	14.00
(d)	Closing balance	180.45	179.23

## 32.4 Particulars of Accounts Restructured

Three loans were restructured during the current financial year. An amount of ₹3.25 crore (₹11.96 crore) is recognized as reversal of sacrifice on accounts restructured in earlier period.







(Amount in ₹ Crore)

	Type of restructuring			Under CDR Mechanism				Uni
	Asset Classification		Std	SS	Dful	Loss	Total	Std
	Details							
1	Restructured Accounts	No. of Borrowers						
	as on 01 April 2017	Amount outstanding						
		Provision thereof						
2	Fresh restructures during	No. of Borrowers						
	the year	Amount outstanding						
		Provision thereof						
3	Upgradation to restructured standard	No. of Borrowers						
	category during 2016–17	Amount outstanding						
		Provision thereof						
1	Restructured Standard advances which cease to attract higher provisioning and/ or	No. of Borrowers						
	additional risk weight at the end of the FY and hence need not be shown as restructured	Amount outstanding						
	standard advances at the beginning of the next FY	Provision thereof						
;	Downgradation of restructured accounts	No. of Borrowers						
	during the FY	Amount outstanding						
		Provision thereof						
,	Write offs of Restructured	No. of Borrowers						
	accounts during the FY	Amount outstanding						
		Provision thereof						
	Restructured accounts as	No. of Borrowers						
	on 31 March 2018	Amount outstanding						
		Provision thereof						
			1					I .

E Debi	t Restructui	ring Mechai	nism			Others					Total		
SS	Dful	Loss	Total	Std	SS	Dful	Loss	Total	Std	SS	Dful	Loss	Total
				1	1	1	0	3	1	1	1	0	3
			A	0.74	0.03	15.68	0.00	16.45	0.74	0.03	15.68	0.00	16.4
				0.03	0.01	15.68	0.00	15.72	0.03	0.01	15.68	0.00	15.7
				2	2	1	0	3	1	1	1	0	3
				1.20	4.90	0.28	0.00	6.38	1.20	4.90	0.28	0.00	6.38
				0.07	4.90	0.28	0.00	5.25	0.07	4.90	0.28	0.00	5.25
									<u> </u>				
						7					1		
						·							
				3	2	3	0	8	3	2	3	0	8
				1.60	4.90	14.86	0.00	21.36	1.60	4.90	14.86	0.00	21.3
				0.37	4.90	14.86	0.00	20.13	0.37	4.90	14.86	0.00	20.1





## 32.5 Movement of Non-Performing Advances

(Amount in ₹ crore)

Sr. No.	Particulars	2017–18	2016–17
(i)	Gross NPAs as on 01 April 2017	163.23	190.51
(ii)	Additions during the year	9.15	3.28
	Sub total (A)	172.38	193.79
Less:			
(i)	Upgradations	0.00	0. <mark>61</mark>
(ii)	Recoveries (excluding recoveries made from upgraded accounts)	7.44	15.95
(iii)	Technical / Prudential Write offs	0.00	0.00
(iv)	Write offs other than those under (iii) above	0.49	14.00
	Sub-total (B)	7.93	30.56
Gross NI	PAs as on 31 March 2018 (A-B)	164.45	163.23

### 32.6 Write-offs and recoveries

(Amount in ₹ crore)

Particulars	2017–18	2016–17
Opening balance of Technical / Prudential written off accounts as at April 1	0.00	0.00
Add : Technical / Prudential write offs during the year	0.00	0.00
Sub total (A)	0.00	0.00
Less: Recoveries made from previously technical / prudential written off accounts during the year (B)	0.00	0.00
Closing balance as at March 31 (A-B)	0.00	0.00

Note: Technical or prudential write-off is the amount of non-performing loans which are outstanding in the books of the branches, but have been written-off (fully or partially) at Head Office level.

#### 32.7 Overseas Assets, NPAs and Revenue

(Amount in ₹ crore)

Particulars	2017–18	2016–17
Total Assets	0.00	0.00
Total NPAs	0.00	0.00
Total Revenue	0.00	0.00

## 32.8 Depreciation and provisions on investments

(Amount in ₹ crore)

Sr. No.	Particulars	2017–18	2016–17
(1)	Investments		
(i)	Gross Investments		
	In India	28392.65	22774.22
	Outside India	_	-
(ii)	Provision for Depreciation		
	In India	164.01	138.43
	Outside India	-	-
(iii)	Net Investments		
	In India	28228.64	22635.79
	Outside India	-	-
(2)	Movement of provisions held towards depreciation on investments		
(i)	Opening balance	138.43	16.00
(ii)	Add: Provisions made during the year	148.01	122.43
(iii)	Appropriation, if any, from Investment Fluctuation Reserve Account during the year	0.00	0.00
(iv)	Less: Write off / write back of excess provisions during the year	122.43	0.00
(v)	Less: Transfer, if any, to Investment Fluctuation Reserve Account	0.00	0.00
(vi)	Closing balance	164.01	138.43

## 32.9 Provisions and Contingencies

(Amount in ₹ crore)

Sr. No.	Provisions and Contingencies shown under the head Expenditure in Profit and Loss Account	2017–18	2016–17
1	Provisions for depreciation on Investment	148.01	122.43
2	Provision towards NPA	1.63	-1.70
3	Provision made towards Income tax	1391.85	1171.33
4	Other Provision and Contingencies (provision for other assets receivable)	0.00	-0.03

## 32.10 Provisioning Coverage Ratio (PCR):

PCR [ratio of provisioning (including counter cyclical provisioning buffer) to gross non-performing assets] as at close of business for the current year stood at 108.24% (108.85%).





32.11 Loan under Scheme for Sustainable
Structuring of Stressed Assets (S4A):
During the year 2016−17, resolution plan
for stressed loan account (HCC) to the
extent of ₹46.91 crore was considered
under Scheme for Sustainable
Structuring of Stressed Assets. The
details of resolution plan is given below:

Particulars	Amount (₹ in crore)
Part – A	
(i) Loan outstanding	24.63
Part – B	
Equity Shares	8.06
Optionally Convertible Debentures	14.22
Total	46.91

The net outstanding of the above loan account stood at ₹33.60 crore as on 31 March 2018. The account is continued as NPA and 100% provision held against the outstanding balance as per S4A guidelines. An amount of ₹7.71 crore received under S4A arrangement has been kept in Debt Servicing Reserve account.

## 33. Investment portfolio: constitution and operations

33.1 Repo Transactions

(Amount in ₹ crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on 31 March 2018
Securities sold under repo				
i. Government securities	0.99(4.94)	2010.73(295.40)	48.61(98.44)	2010.73(295.40)
ii. Corporate debt securities	0.00(0.00)	0.00(0.00)	0.00(0.00)	0.00(0.00)
Securities purchased under reverse re	еро			
i. Government securities	0.95(10.00)	328.85(10.00)	43.65(10.00)	0.0(0.00)
ii. Corporate debt securities	18.33(10.00)	18.33(10.00)	6.11( <mark>10.00)</mark>	0.00(0.00)

## 33.2 Disclosure of Issuer Composition for Investment in Debt Securities

(Amount in ₹ crore)

Sr. No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(i)	PSUs	456.56 (224.46)	456.56 (224.46)	_	_	61.00 (113.91)
(ii)	Fls	982.40 (48.00)	982.40 (48.00)	_	-	966.27 (48.00)
(iii)	Banks	38.15 (37.79)	38.15 (37.79)	_	-	0.00 (0.00)
(iv)	Private Corporates	2085.95 (1212.78)	2085.95 (1212.78)	_	-	27.25 (157.85)
(v)	Subsidiaries / Joint Ventures	180.15 (180.15)	180.15 (180.15)	-	_	180.15 (180.15)
(vi)	Others	_	_	_	-	_
(vii)	Provision held towards depreciation	-	-	-	-	-
Total		3743.21 (1703.18)	3743.21 (1703.18)	-	-	1234.67 (499.91)

## 33.3 Sale and Transfers to / from HTM Category

During the year, securities amounting to ₹2849.67 crore was transferred from HTM to AFS category and securities amounting to ₹2500 crore was transferred from AFS to HTM category. The market value of Investments held under Held to Maturity (HTM) category as on 31 March 2018 was ₹5107.50 crore against the book value of ₹5396.44 crore. The excess of book value over market value was ₹288.94 crore (₹24.10 crore) for which no provision was made as per RBI guidelines.

### 34. Details of Financial Assets purchased/ sold

- 34.1 Details of Financial Assets sold to Securitisation / Reconstruction Company for Asset Reconstruction
- A. Details of Sales : NIL
- B. Details of Book Value of Investments in Security Receipts : NIL
- 34.2 Details of Non Performing Financial Assets Purchased / Sold
- A. Details of non performing financial assets purchased : NIL
- B. Details of non performing financial assets sold : NIL





### 34.3 Operating Results

Sr. No.	Particulars	2017–18	2016–17
(i)	Interest income as a percentage to working funds	6.53	6.84
(ii)	Non interest income as a percentage to working funds	0.05	0.06
(iii)	Operating Profit as a percentage to working funds	1.22	1.23
(iv)	Return on Assets (%)	0.80	0.82
(v)	Net Profit per employee (₹ crore)	0.74	0.65

## 35 Credit Concentration risk

### 35.1. Capital market exposure

#### (Amount in ₹ crore)

Sr. No.	Particulars	2017–18	2016–17
1	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	3548.85	1525.27
2	Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity oriented mutual funds;	0.00	0.00
3	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	0.00	0.00
4	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances	0.00	0.00
5	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	0.00	0.00
6	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	0.00	0.00
7	Bridge loans to companies against expected equity flows / issues;	0.00	0.00
8	Underwriting commitments taken up by the AIFI in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	0.00	0.00
9	Financing to stockbrokers for margin trading;	0.00	0.00
10	All exposures to Venture Capital Funds (both registered and unregistered)	180.15	167.91
Total Exp	posure to Capital Markets	3729.00	1693.18

35.2 Exposure to Country risk : NIL

35.3 Prudential Exposure Limits – Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the AIFI

35.3.1 The number and amount of exposures in excess of the prudential exposure limits during the year: NIL

35.3.2 Credit exposure as percentage to Capital Funds and as percentage to Total Assets

(Amount in ₹ crore)

	Category	2017 Credit Expos		2016–17 Credit Exposure as % to		
		Capital Funds	Total Assets	Capital Funds	Total Assets	
I I	Largest Single Borrower	57.04	<mark>5</mark> .47	76.56	7.03	
II	Largest Borrower Group	Not Applicab <mark>le</mark>		Not Applicable		
Ш	Twenty Largest Single Borrowers for the year	459.96	44.10	569.38	48.83	
IV	Twenty Largest Borrower Groups	Not App	olicable	Not App	olicable	

35.3.2 Credit exposure to the five largest industrial sectors as percentage to total loan assets: Not Applicable

35.3.2 Factoring exposures : Not Applicable

35.3.2 Exposure where the FI had exceeded that Prudential Exposure Limits during the year : NIL

35.4 Concentration of borrowings / lines of credit, credit exposures and NPAs

(a) Concentration of borrowings and lines of credit

(Amount in ₹ crore)

Sr. No.	Particulars	2017–18	2016–17
(i)	Total borrowings from twenty largest lenders	225787.25	168502.98
(ii)	Percentage of borrowings from twenty largest lenders to total borrowings	67.80	86.67





#### (b) Concentration of credit exposures

(Amount in ₹ crore)

Sr. No.	Particulars	2017–18	2016–17
(i)	Total exposures to twenty largest borrowers	179347.95	170052.61
(ii)	Percentage of exposures to twenty largest borrowers to Total Advances of the AIFI	50.54	55.10

(c) Sector-wise concentration of exposures and NPAsThe sector wise concentration of exposure and NPAs is given below:

(Amount in ₹ crore)

No.	Particulars	Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
			FY 2017-18			FY 2016-1	7
I.	Agricultural sector including allied agricultural activities	354831.81	145.07	0.04	3087 <mark>71.13</mark>	139.93	1.26
1	Central Government	0.00	0.00	0.00	0.00	0.00	0.00
2	Central PSUs	84.11	0.00	0.00	5751.0 <mark>4</mark>	0.00	0.00
3	State Governments	121866.60	0.00	0.00	104369.90	0.00	0.00
4	State PSUs	7869.90	0.00	0.00	4 <mark>978.0</mark> 0	0.00	0.00
5	Scheduled Commercial Banks	54840.60	0.00	0.00	4177 <mark>4.69</mark>	0.00	0.00
6	Regional Rural Banks	45569.54	0.00	0.00	40183.06	0.00	0.00
7	Co-operative banks	71360.02	0.00	0.00	77781.19	0.00	0.00
8	Private sector (excluding banks)	32776.01	145.07	0.44	11139.83	140.00	1.26
9	Others SCRADB/LDB/ NBFC-MFI/ ADFC	20465.04	0.00	0.00	22793.41	0.00	0.00
II.	Others	243.78	19.38	7.95	234.82	23.30	9.92
1	Construction Sector	19.02	19.02	100.00	23.23	23.23	100.00
2	Staff Loans	224.76	0.36	0.16	211.59	0.07	0.03
	Total (I+II)	355075.59	164.45	0.05	309005.94	163.23	0.05

## 36. Derivatives

(i) The Bank does not trade in derivatives. However, it has hedged its liability towards borrowings from KfW Germany to the extent of 103.49 million Euro (87.13 million Euro). 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.

(ii) The value of outstanding principal

amount of hedge contract at the year—end exchange rate stood at ₹834.39 crore (₹603.37 crore) and the value of outstanding principal liability in the books of account stood at contracted value i.e. ₹811.88 crore (₹683.56 crore). The quantitative disclosure in this regard is as under:

(Amount in ₹ crore)

Sr.	Particular	Curre	nt Year	Previous Year		
No		Currency Derivatives	Interest rate derivatives	Currency Derivatives	Interest rate derivatives	
(i)	Derivatives (Notional Principal Amount)					
	a) For hedging	871.68	_	603.37	_	
	b) For trading	-	_	_	_	
(ii)	Marked to Market Positions					
	a) Asset (+)	28.17	_	_	_	
	b) Liability (–)	-	_	80.18	_	
(iii)	Credit Exposure [2]	51.83	-	18.77	-	
(iv)	Likely impact of one percentage change in interest rate (100*PV01)					
	a) on hedging derivatives	9.43	-	2.31	-	
	b) on trading derivatives	-	_	_	-	
(v)	Maximum and Minimum of 100*PV01 observed during the year					
	a) on hedging	-	-	-	-	
	b) on trading	-	-	-	-	

37. Letters of Comfort (LoCs) issued by AIFIs: NIL





#### 38. Asset Liability Management

(Amount in ₹ crore)

Particulars	1 to 14 days	15 to 28 days	29 days to 3 month	Over 3 month & up to 6 month	Over 6 Month & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	6.83	1792.79	21.48	22094.60	54523.84	57038.05	51567.73	27404.65	214449.97
	(0.00)	(8182.96)	(250.00)	(36753.42)	(32755.79)	(39998.44)	(43709.85)	(41631.22)	(203281.68)
Advances	504.00	42.66	2901.74	55235.95	85358.26	98760.15	60302.17	51598.41	354703.33
	(1628.35)	(1391.92)	(2561.45)	(44151.56)	(81524.76)	(73034.23)	(59705.93)	(43364.18)	(307362.38)
Investments	3719.93	1845.99	27699.29	3350.00	830.23	1908.71	529.12	6278.88	46162.13
	(7770.89)	(7811.79)	(4044.29)	(8660.38)	(2046.88)	(1106.26)	(501.05)	(3524.42)	(35465.95)
Borrowings	4719.05	84.68	31939.70	19545.88	12860.47	15835.00	0.00	32777.00	117761.80
	(8376.80)	(4040.40)	(13170.84)	(5061.82)	(16114.13)	(21204.05)	(2417.09)	(5000.00)	(75385.13)
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)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Foreign Currency liabilities	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	31.90 (23.35)	31.90 (8.28)	322.33 (187.87)	77.16 (77.16)	348.59 (386.91)	811.88 (683.56)

## 39. Draw Down from Reserves: NIL

#### 40. Business Ratios

Particulars	2017–18	2016–17
Return on Equity (%)	8.58	9.08
Return on Assets (%)	0.80	0.82
Net Profit Per Employee (₹ crore)	0.74	0.65

## 41. Disclosure of Penalties imposed by RBI

During the year RBI has imposed penalty of ₹63,400/- for shortage of balance of security to the extent of ₹6.34 crore in the SGL account at the time of settlement at CCIL on 25.07.2017.

#### 42. Disclosure of Complaints

(a) Customer Complaints

Sr. No.	Particulars	2017–18	2016–17
(a)	No. of complaints pending at the beginning of the year	0	2
(b)	No. of complaints received during the year	143	75
(c)	No. of complaints redressed during the year	136	77
(d)	No. of complaints pending at the end of the year	7	0

43. Off-Balance Sheet SPVs Sponsored (which are required to be consolidated as per accounting norms)

There are no SPVs sponsored by NABARD

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

(Amount in ₹ crore)

<b>Particulars</b>	2017–18	2016–17
Opening Balance	16.65	0.00
Addition during the year	21.69	<mark>16</mark> .65
Deletion during the year	16.65	0.00
Closing Balance	21.69	16.65

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

(Amount in ₹ crore)

Sr. No.	Particulars	2017–18	2016–17
1.	Income	0.00	0.00
2.	Revenue Expenditure	0.00	0.00
Tota	ı	0.00	0.00

## **46.** Accounting Standard 18 - Related Party Disclosures

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.	NABSAMRUDDHI Finance Limited
3	NABKISAN Finance Ltd.
4.	Nabard Consultancy Services Pvt. Ltd.

b) Key Management Personnel:

Name of the party	Designation
Dr. Harsh Kumar Bhanwala	Chairman
Shri Harishkumar Rasiklal Dave	Deputy Managing Director
Shri R Amalorpavanathan	Deputy Managing Director

c) Transactions with Key Management Personnel:

(Amount 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	0.52 (0.60)	0.00
Shri Harishkumar Rasiklal Dave	Key Management Personnel-Deputy Managing Director	Remuneration including perquisites	0.40 (0.43)	0.00
Shri R Amalorpavanathan	Key Management Personnel-Deputy Managing Director	Remuneration including perquisites	0.45 (0.57)	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.





#### 47. Information on Business Segment

#### (a) Brief Background

The Bank has recognised Primary segments as under:

- i) **Direct Finance**: Includes Loans given to state governments and other agencies for rural infrastructure development, co-finance loans and loans given to voluntary agencies/non-governmental organizations for developmental activities and other direct loans to Co-operative Banks etc.
- 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

(Amount in ₹ crore)

Business Segments	Treasury		Refinance		Direct Lending		Other Business		Total	
Particulars	2017–18	2016–17	2017–18	2016–17	2017–18	2016–17	2017–18	2016–17	2017–18	2016–17
Revenue	2987.81	3026.69	12240.71	11317.47	9118.16	7906.14	44.01	28.45	24390.69	22278.75
Result	529.59	1391.24	3514.19	3085.85	2313.13	1371.08	-1509.94	-1505.01	4846.96	4343.16
Unallocated Expenses									493.17	526.33
Operating Profit									4353.79	3816.83
Income Taxes									1391.85	1171.33
Extraordinary profit / loss	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Profit									2961.94	2645.50
Other Information										
Segment Assets	47809.01	33708.94	190887.18	181797.45	165470.35	129008.42	2475.07	3745.46	406641.61	348260.27
Segment Liabilities	45487.70	35365.39	191389.94	162534.44	124638.23	112201.19	0.00	0.00	361515.86	310101.01
Unallocated Liabilities									<mark>4</mark> 5125.75	38159.26
Total Liabilities									406641.61	348260.27

- (c) Since the operations of the Bank are confined to India only there is no reportable secondary segment.
- 48. Figures in brackets pertain to previous year.
- 49. Previous year's figures have been regrouped / rearranged wherever necessary.

Schedules referred to above form an integral part of accounts

As per our attached report of even date Vyas & Vyas Chartered Accountants FRN . 000590C

O P Vyas Partner M No. 014081 Shillong

Date : 25 May 2018

R K Deb Barman Chief General Manager Accounts Department Date: 25 May 2018

Harsh Kumar Bhanwala R Amalorpavanathan Ashok Gulati Anup Kumar Dash Chairman Deputy Managing Director Director Director



## **CASH FLOW**

## NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT Cash flow for the year ended 31 March 2018

(₹ in thousands)

Particulars	2017–2018	2016–2017
(a) Cash flow from Operating activities		
Net Profit as per Profit and Loss a/c before tax	4353,79,51	3816,83,46
Adjustment for:		
Depreciation	16,82,25	27,29,97
Provisions and Amortisations	0	-3,22
Provision for Non Performing Assets	1,63,11	-1,70,12
Provision for Standard Assets	184,50,00	173,00,00
Provision for sacrifice in interest element of Restructured Loan	0	-3,25,42
Profit / Loss on sale of Fixed Assets	-2 <mark>104</mark>	21,47
Interest credited to various Funds (including addition/ adjustment made to Interest Differential Fund)	232,95,66	275,41,40
Income from Investment (including Discount Income)	-2983,03,07	-3022,42,39
Operating profit before changes in operating assets	1806,46,42	1265,35,15
Adjustment for changes in working capital:		
(Increase) / Decrease in Current Assets	-8829,71,73	7014,21,33
Increase / (Decrease) in Current Liabilities	-1347,40,12	3271,12,48
Increase in Loans and Advances (Including Housing Loan & Other Advances to Staff	-46271,14,30	-43325,81,69
Cash generated from operating activities	-54,641,79,73	-31772,12,73
Income Tax paid – Net of refund	-1454,19,88	-807,76,37
Net cash flow from operating activities (A)	-56095,99,61	-32579,89,10
(b) Cash flow from Investing activities		
Income from Investment (including Discount Income)	2983,03,07	3020,57,37
Purchase of Fixed Asset	-103,53,23	-71,06 <mark>,4</mark> 0
Sale of Fixed Assets	6,48,66	5,32,75
Increase / Decrease in Investment	-5618,43,49	-1261,03,85

Particulars	2017–2018	2016–2017
Net cash used / generated from investing activities (B)	-2732,44,99	1693,79,87
(c) Cash flow from financing activities		
Grants / contributions received	-441,15,07	-104,95,20
Proceeds of Bonds	23483,61,73	11414,01,05
Increase / (Decrease) in Borrowings	9625,41,49	14342,77,40
Increase / (Decrease) in Deposits	20035,15,45	4628,48,24
Increase in Share capital	3880,00,00	1400,00,00
Net cash raised from financing activities (C)	56583,03,60	31680,31,49
Net increase in cash and cash equivalent (A)+(B)+(C)	-2245,41,00	794,22,26
Cash and Cash equivalent at the beginning of the year	4115,09,69	3320,87,43
Cash and cash equivalent at the end of the year	1869,68,69	4115,09,69

1. Cash and cash equivalent at the end of the year includes :	2017–2018	2016–2017	
Cash in hand	0	1	
Balance with Reserve Bank of India	187,31,46	2229,83,39	
Balances with other Banks in India	17,28,99	527,91,15	
Remittances in Transit	460,84,72	8,29,39	
Collateralised Borrowing and Lending Obligations	1204,23,52	1349,05,75	
Total	1869,68,69	4115,09,69	

Schedules referred to above form an integral part of accounts

As per our attached report of even date Vyas & Vyas Chartered Accountants

FRN . 000590C

O P Vyas Partner M No. 014081 Shillong

Date : 25 May 2018

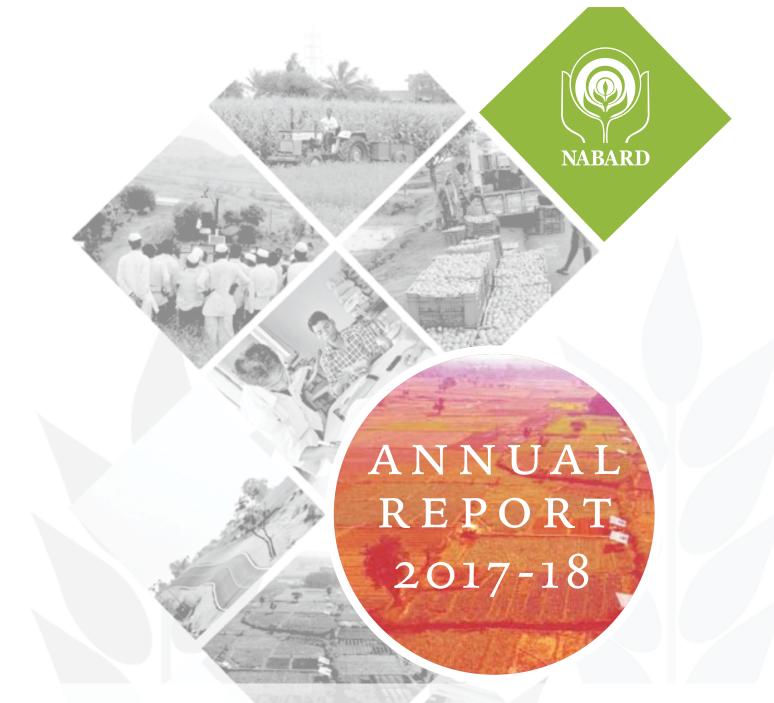
Chief General Manager
Accounts Department
Date: 25 May 2018

Harsh Kumar Bhanwala R Amalorpavanathan
Chairman Deputy Managing Director

Ashok Gulati Director

R K Deb Barman

Anup Kumar Dash Director



## **Annual Accounts 2017-18**

Consolidated Balance Sheet
Profit & Loss Account & Cash Flow 2017-18
of NABARD

&

Subsidiaries (NABCONS, NABKISAN, NABSAMRUDDHI, NABFINS)

### INDEPENDENT AUDITORS' REPORT

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

## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of **National Bank for Agriculture and Rural Development** (hereinafter referred to as "Holding Bank") and its subsidiaries (the holding bank and subsidiaries together referred to as "the Group") which comprises the Consolidated Balance Sheet as at March 31, 2018 and the Consolidated Statement of Profit and Loss Account and Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

# MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Holding Bank management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. The respective management of the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the management of the holding bank, as aforesaid.

#### **AUDITOR'S RESPONSIBILITY**

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

An audit involves performing procedures to obtain





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

We believe that the audit evidence obtained by us and audit evidence obtained by the other auditors in terms of their report referred to in Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

#### **OPINION**

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give information required and true and fair view in conformity with the accounting principles generally accepted in India:

- 1. in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2018;
- 2. in the case of the Consolidated Statement of Profit and Loss, of the Profit of the Group for the year ended on that date; and

3. in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

#### **OTHER MATTERS**

We did not audit the financial statements financial information of four subsidiaries, and whose financial statements reflect total assets of Rs.2186.77 crores as at 31st March, 2018, total revenues of Rs.307.41 crores and net cash inflow amounting to Rs.20.55 crores for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit(after tax) of Rs.38.09 crores for the year ended 31st March, 2018, as considered in the consolidated financial statements. These financial statements / financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on the reports of the other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements / financial information certified by the management.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We report that the Consolidated Financial Statements have been prepared by holding bank in accordance with the requirements of Accounting Standards (AS) 21 "Consolidated Financial Statements". In our opinion, the consolidated

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

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

O.P.Vyas Partner (Membership No. 014081)

Place: Shillong Date: 25 May 2018



## CONSOLIDATED BALANCE SHEET

## NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT Consolidated Balance sheet as on 31 March 2018

(₹ in Thousands)

Sr. No.	FUNDS AND LIABILITIES	Schedule	As on 31.03.2018	As on 31.03.2017
1	(i) Capital		5000,00,00	5000,00,00
	(Under Section 4 of the NABARD Act, 1981)			
	ii) Advance towards Capital		5580,00,00	1700,00,00
2	Reserve Fund and Other Reserves	1	27915,93,78	24920,64,82
3	National Rural Credit Funds	2	16082,00,00	16078,00,00
4	Gifts, Grants, Donations and Benefactions	3	5456,12,02	4943,94,59
5	Government Schemes	4	1423,33,19	2145,70,01
6	Minority Interest	1A	121,25,06	98,19,17
7	Deposits	5	214449,97,42	194414,81,97
8	Bonds and Debentures	6	74020,15,49	50536,53,76
9	Borrowings	7	44568,75,87	34989,49,17
10	Current Liabilities and Provisions	8	12378,12,38	13782,58,22
	TOTAL		406995,65,21	348609,91,71
	Forward Foreign Exchange Contracts (Hedging) as per contra		834,38,70	603,37,41

### NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT Consolidated Balance sheet as on 31 March 2018

(₹ in Thousands)

Sr. No.	PROPERTY AND ASSETS	Schedule	As on 31.03.2018	As on 31.03.2017
1	Cash and Bank Balances	9	18898,32,56	13158,84,65
2	Investments	10	30805,28,48	26270,21,25
3	Advances	11	352359,73,57	305224,38,36
4	Fixed Assets	12	486,25,00	404,10,04
5	Other Assets	13	4446,05,60	3552,37,41
	TOTAL		406995,65,21	348609,91,71
	Forward Foreign Exchange Contracts (Hedging) as per contra		834,38,70	603,37,41
	Commitment and Contingent Liabilities	17		
	Significant Accounting Policies and Notes on Accounts	18		

Schedules referred to above form an integral part of account.

As per our attached report of even date

Vyas & Vyas

**Chartered Accountants** 

FRN . 000590C

O P Vyas Partner M No. 014081

Shillong

Chairman

Date : 25 May 2018

R K Deb Barman Chief General Manager Accounts Department Date: 25 May 2018

Harsh Kumar Bhanwala R Amalorpavanathan

Deputy Managing Director

Ashok Gulati Director

i Anup Kumar Dash Director





## NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT Consolidated Profit and Loss account for the year ended 31 March 2018

(₹ in Thousands)

Sr. No.	INCOME	Schedule	2017–18	2016–17
1	Interest Received on Loans and Advances		21354,70,20	19153,74,64
2	Income from Investment operations / Deposits		2982,85,21	3021,23,72
3	Other Income		258,74,88	259, <mark>13,</mark> 51
	TOTAL (A)		24596,30,29	22434 <mark>,11,87</mark>
Sr. No.	EXPENDITURE	Schedule	2017–18	2016–17
1	Interest and Financial Charges	14	17 <mark>8</mark> 48,55,92	16268,66,82
2	Establishment and other expenses	15 A	202 <mark>6,96,80</mark>	2027,10,77
3	Expenditure on Promotional Activities	15 B	52,53,81	43,66,09
4	Provisions	16	211,1 <mark>8,35</mark>	179,35,26
5	Depreciation		18,36,84	28,61,99
	TOTAL (B)		20157,61,72	18547,40,93
6	Profit before Income Tax (A-B)		4438,68,57	3886,70,94
	Prior period items			
7	Provision for Income Tax		1432,07,94	1215,95,60
8	Deferred Tax Asset Adjustment		(11,90,72)	(18,83,07)
9	Profit after Tax		3018,51,35	2689,58,41
10	Provision for Dividend and DDT of Subsidiaries		_	3781
11	Profit after Tax and Dividend		3018,51,35	2689,20,60
12	Minority Interest		12,73,16	8,70,71
13	Profit available for Appropriation		3005,78,19	2680,49,89

### NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT Consolidated Profit and Loss Account for the year ended 31 March 2018

(₹ in thousands)

Sr. No.	Appropriations/Withdrawals	2017–18	2016–17
1	Profit for the year brought down	3005,78,19	2680,49,89
2	Add: Withdrawals from various funds against expenditure debited to Profit & Loss Account	229,76,39	183,46,53
3	Total Profit Available for Appropriation	3235,54,58	2863,96,42
	Less : Transferred to		
1	Special Reserve u/s 36(I)(viii) of the Income Tax Act 1961	700,00,00	650,00,00
2	National Rural Credit (Long Term Operations) Fund	1,00,00	1,00,00
3	National Rural Credit (Stabilisation) Fund	1,00,00	1,00,00
4	Co-operative Development Fund	18,77,59	10,30,23
5	Research & Development Fund	29,18,47	16,16,28
6	Investment Fluctuation Reserve	374,01,07	95,43,39
7	Producers' Organisation Development Fund	2,55,94	61,09,81
8	Rural Infrastructure Promotion Fund	6,27,28	_
9	Farm Sector Promotion Fund	20,88,29	21,19,64
10	Revolving Fund Assistance – LWE	10,50	
11	Gramya Vikas Nidhi	26,78,99	20,00,00
12	Climate Change Fund	6,03,53	5,04,95
13	Reserve Fund	2048,92,92	1982,72,11
	Total	3235,54,58	2863,96,42

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

As per our attached report of even date Vyas & Vyas Chartered Accountants

FRN . 000590C

O P Vyas Partner M No. 014081 Shillong

Date : 25 May 2018

R K Deb Barman Chief General Manager Accounts Department Date: 25 May 2018

Harsh Kumar Bhanwala Chairman R Amalorpavanathan
Deputy Managing Director

Ashok Gulati Director Anup Kumar Dash Director





## SCHEDULE TO CONSOLIDATED BALANCE SHEET Consolidated Schedule 1 – Reserve Fund and Other Reserves

(₹ in thousands)

Sr. No.	Particulars	Opening Balance as on 01.04.2017	Additions/ Adjustments during the year	Transferred from P&L Appropriation	Transferred to P&L Appropriation	Balance as on 31.03.2018
1	Reserve Fund	16487,05,66	-7,74,64	2048,04,19	-	18527,35,21
2	Research and Development Fund	52,43,41	-3,38	29,18,47	28,93,47	52,65,03
3	Capital Reserve	85,93,54	-	-	-	85,93,54
4	Investment Fluctuation Reserve	924,00,00	_	374,01,07	148,01,07	1150,00,00
5	Co-operative Development Fund	60,00,00	-	18,77,59	18,77,59	60,00,00
6	Special Reserves Created & Maintained u/s 36(1)(viii) of Income Tax Act 1961	7085,00,00	-	700,00,00	-	7785,00,00
7	Producers' Organizations Development Fund	100,00,00	-	2,55,94	2,55,94	100,00,00
8	Rural Infrastructure Promotion Fund	16,22,21	-	6,27,27	2,49,48	20,00,00
9	Farm Sector Promotion Fund	60,00,00	_	20,88,29	20,88,29	60,00,00
10	Gramya Vikas Nidhi	40,00,00	-	26,78,99	6,78,99	60,00,00
11	Climate Change Fund	10,00,00	-	6,03,53	1,03,53	15,00,00
	Total	24920,64,82	-7,78,02	3232,55,34	229,48,36	27915,93,78
	Previous year	22242,79,01	2,10,08	2861,96,42	182,00,53	24920,64,82

## Consolidated Schedule 1A – Minority Interest

(₹ in thousands)

Sr. No.	Particulars	Opening Balance as on 01.04.2017	Addition during the year	Adjustments during the year	Closing balance as on 31.03.2018
1	Share capital	68,33,67	9,44,00	0	77,77,67
2	Reserves and Surplus	29,85,50	12,73,16	88,73	43,47,40
	Total	98,19,17	22,17,16	88,73	121,25 <mark>,0</mark> 6

#### Consolidated Schedule 2 – National Rural Credit Funds

(₹ in thousands)

Sr. No.	Particulars	Opening Balance as on 01.04.2017	Contribution by RBI	Transferred from P&L Appropriation	Balance as on 31.03.2018
1	National Rural Credit (Long Term Operations) Fund	14489,00,00	1,00,00	1,00,00	14491,00,00
2	National Rural Credit (Stabilisation) Fund	1589,00,00	1,00,00	1,00,00	1591,00,00
	Total	16078,00,00	2,00,00	2,00,00	16082,00,00
	Previous year	16074,00,00	2,00,00	2,00,00	16078,00,00

## Consolidated Schedule 3 – Gifts Grants Donations and Benefactions

(₹ in thousands)

Sr. No	Particulars	Opening Balance as on 01.04.2017	Grants received / adjusted during the year	Interest credited to the fund	Exp./Disb./ Adjust. during the year	Balance as on 31.03.2018
A.	Grants from International Age	encies				
1	KfW – NABARD V Fund for Adivasi Programme	1,17,74	2,94,57	1,06	3,02,42	1,10,95
2	KfW NB UPNRM – Accompanying Measures	0	2,00,24	0	2,00,24	0
3	KfW NB UPNRM – Financial Contribution	0	15,30	0	57	14,73
4	KfW UPNRM Fund	0	8,66,75	0	8,66,75	0
5	Indo German Watershed Development Programme – Andhra Pradesh	1,17,05	0	4,68	0	1,21,73
6	Indo German Watershed Development Programme – Gujarat	2,99,75	67,82	6,23	3,73,80	0
7	Indo German Watershed Development Programme – Rajasthan	2,11,06	3,15,34	4,83	5,31,23	0
8	GIZ UPNRM Technical Collaboration	3 <mark>8,33</mark>	0	0	38,33	0
9	Climate Change – (AFB) – Project Formulation Grant	7,56,9 <mark>1</mark>	6,92,19	0	7,25,93	7,23,17
10	National Adaptation Fund for Climate Change	166,34,12	115,36,00	6,46,39	74,66,16	213,50,35
11	GIZ Soil Project	58, <mark>80</mark>	76,63	0	1,18,87	16,56
12	KfW Soil Project	0	10,71,69	0	10,71,69	0





Sr. No	Particulars	Opening Balance as on 01.04.2017	Grants received / adjusted during the year	Interest credited to the fund	Exp./Disb./ Adjust. during the year	Balance as on 31.03.2018
В.	Other Funds					
1	Watershed Development Fund (i)	1210,48,81	60,10,28	65,95,58	95,01,49	1241,53,18
2	Interest Differential Fund – Forex Risk	244,21,11	20,04,89	0	21,91,99	242,34,01
3	Interest Differential Fund – TAWA	10,00	0	0	0	10,00
4	Adivasi Development Fund	5,77,47	0	0	0	5,77,47
5	Tribal Development Fund (ii)	1016,56,45	227,36,15	73,76,67	195,16,30	1122,52,97
6	Financial Inclusion Fund (iii)	2186,49,15	376,62,00	84,88,14	423,79,92	2224,19,38
7	Financial Inclusion Fund – Digital	0	213,78,00	1,56,73	1,31,50	214,03,23
8	PODF-ID (iv)	0	105,18,00	0	36,40,07	68,77,93
9	National Bank – Swiss Development Coop. Project	61,87,13	86,10	0	0	62,73,23
10	RPF & RIF – Off-Farm Sector Promotion Fund	31,39,99	3,87,78	0	12,50,63	22,77,14
11	Centre for Professional Excellence in Co-operatives – (C-PEC)	2,18,43	0	14,36	0	2,32,79
12	LTIF Interest Fluctuation Reserve Fund	2,52,29	23,10,91	0	0	25,63,20
	Total	4943,94,59	1182,30,64	232,94,67	903,07,89	5456,12,02
	Previous year	4895,17,29	945,25,97	277,72,51	1174,21,19	4943,94,59

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.

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- (i) includes ₹20.80 crore being the income tax paid
- (ii) includes 72.80 crore being the income tax paid
- (iii) includes ₹130.34 crore being the income tax paid
- (iv) includes ₹36.40 crore being the income tax paid

#### Consolidated Schedule 4 – Government Schemes

(₹ in thousands)

Sr. No.	Particulars	Opening Balance as on 01.04.2017	Additions/ Adjustments during the year	Interest Credited to the fund	Expenditure/ Disbursements from the fund	Balance as on 31.03.2018
Α	Government Subsidy Schemes					
1	Capital Investment Subsidy for Cold Storage Projects – NHB	55,47	0	0	0	55,47
2	Capital Subsidy for Cold Storage TM North East	8,40	0	0	0	8,40
3	Credit Linked Capital Subsidy for Technology Upgradation of SSIs	19,73	0	0	19,73	0
4	On-farm Water Management for Crop Production	7,17	0	0	0	7,17
5	Bihar Ground Water Irrigation Scheme (BIGWIS)	77,91,88	99,96	0	0	78,91,84
6	Cattle Development Programme  – Uttar Pradesh	2,50	0	16	0	2,66
7	Cattle Development Programme  – Bihar	5,94	0	39	0	6,33
8	National Project on Organic Farming	1,5 <mark>6,43</mark>	0	0	1,40,32	16,11
9	Integrated Watershed Development Programme – Rashtriya Sam Vikas Yojana	4,29,45	0	0	0	4,29,45
10	Dairy and Poultry Venture Capital Fund	5,38,74	2,31,98	0	0	7,70,72
11	Poultry Venture Capital Fund	1,9 <mark>2,37</mark>	1,22, <mark>0</mark> 6	0	0	3,14,43
12	ISAM – Agricultural Marketing Infrastructure	201,53, <mark>85</mark>	378,08,00	0	496,74,67	82,87,18
13	ISAM - Grant Recd for Promotional Expenditure	1,23	0	0	0	1,23
14	NATIONAL LIVESTOCK MISSION – PVCF EDEG	66,4 <mark>7,95</mark>	128,08, <mark>3</mark> 1	0	90,39,74	104,16,52
15	Centrally Sponsored Scheme for establishing Poultry Estate	1,66,72	0	0	0	1,66,72
16	Multi Activity Approach for Poverty Alleviation – Sultanpur Uttar Pradesh	5,35	0	35	0	5,70
17	Multi Activity Approach for Poverty Alleviation – BAIF – Rae Bareli Uttar Pradesh	1,43	0	9	0	1,52
18	Dairy Entrepreneurship Development Scheme	153,08 <mark>,56</mark>	203,02, <mark>0</mark> 0	0	277,53,04	78,57,52
19	CSS for Solar Mission	81	1,02	0	0	1,83
20	CSS – JNNSM – Solar Lighting	9,67,68	0	0	1,89,73	7,77,95





Sr. No.	Particulars	Opening Balance as on 01.04.2017	Additions/ Adjustments during the year	Interest Credited to the fund	Expenditure/ Disbursements from the fund	Balance as on 31.03.2018
21	CSS – Solar Photovoltaic Water Pumping	54,18,68	0	0	24,25,83	29,92,85
22	Capital Subsidy Scheme – Agri Clinic Agri Business Centres	2,39,60	13,56,47	0	13,56,52	2,39,55
23	CSS MNRE Lighting Scheme 2016	85,10	0	0	36,03	49,07
24	Artificial Recharge of Groundwater in Hard Rock Area	4,60,75	0	0	0	<mark>4,60,</mark> 75
В	Other Government Schemes					
1	Agriculture Debt Waiver and Debt Relief Scheme (ADWDR) 2008	284,67,61	47,84	0	0	285,15,45
2	Women's Self Help Groups [SHGs] Development Fund	94,89,15	0	0	20,71,76	74,17,39
3	PRODUCE FUND	136,30,79	0	0	43,47,15	92,83,64
4	Revival of 23 unlicensed DCCBs	111,22,00	0	0	0	111,22,00
5	Interest Subvention (Sugar Term Loan)	18	0	0	0	18
6	Scheme for providing Financial Assistance to Sugar Undertakings – 2007 (SEFASU – 2007)	65,27	0	0	65,27	0
7	Kutch Drought Proofing Project	21,64	0	0	0	21,64
8	Revival Package for Long Term Cooperative Credit Structure (LTCCS)	20,00,00	0	0	0	20,00,00
9	Revival Reform and Restructure of Handloom Sector	6,15,80	2,91,34	0	2,84,75	6, <mark>22</mark> ,39
10	Comprehensive Handloom Package	20,99	38,57	0	38,33	21,23
11	Interest Subvention (SAO NRLM NWR) \$	904,70,82	7335,53,99	0	7814,56,51	425,68,30
	Total	2145,70,04	8066,61,54	99	8788,99,38	1423,33,19
$4$ $\Lambda$	Previous year	1425,03,66	1565,49,48	1,06	844,84,16	2145,70,04

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 – Deposits

(₹ in thousands)

Sr. No.	Particulars	As on 31.03.2018	As on 31.03.2017
1	From Central Government	-	-
2	From State Governments	_	_
3	From Others		
a)	Tea/Rubber/Coffee Deposits	164,46,64	219,13,63
b)	Commercial Banks (Deposits Under RIDF)	116313,92,78	105502,50,34
c)	Short Term Cooperative Rural Credit Fund	45000,00,00	45008,70,00
d)	Fund for food processing units	300,00,00	150,00,00
e)	Long Term Rural Credit Fund	38000,58,00	30000,58,00
f)	Warehouse Infrastructure Fund	4671,00,00	3531,00,00
g)	STRRB Deposits	10000,00,00	10002,90,00
	Total	214449,97,42	194414,81,97

#### Consolidated Schedule 6 – Bonds and Debentures

(₹ in thousands)

Sr. No.	Particulars	As on 31.03.2018	As on 31.03.2017
1	SLR Bonds	-	-
2	Non Priority Sector Bonds	38055,00,00	31479,00,00
3	Capital Gains Bonds	1,29,40	1,29,40
4	Bhavishya Nirman Bonds	3186,86,09	4970,24,36
5	NABARD Rural Bond	-	_
6	Tax Free Bonds	5000,00,00	5000,00,00
7	LTIF GOI Fully Serviced Bonds	5292,00,00	2187,00,00
8	LTIF Bonds	15155,00,00	6899,00,00
9	PMAY-GOI Fully Serviced Bonds	7330,00,00	-
	Total	74020,15,49	50536,53,76

<sup>\$ –</sup> Interest Subvention hitherto shown as part of Sundry Creditors in Schedule – 8 has been regrouped to schedule – 4.





## Consolidated Schedule 7 – Borrowings

(₹ in thousands)

Sr. No.	Particulars	As on 31.03.2018	As on 31.03.2017
	(A) In India		
1	Central Government	-	-
2	Reserve Bank of India	-	-
3	From Others		
(a)	In India		
(i)	Certificate of Deposits	4001,11,56	7478,85 <mark>,53</mark>
(ii)	Commercial Paper	32040,36,49	16193,3 <mark>7,51</mark>
(iii)	Borrowing under Collateralised Borrowing Lending Obligation	2457,06,58	7318, <mark>66,34</mark>
(iv)	Terms Money Borrowings	3228,58,32	2192,73,31
(v)	Borrowing against Short Term Deposits	-	798,92,03
(b)	Outside India		
(i)	From International Agencies	811,88,35	683,56,02
4	Borrowings under JNN Solar Mission	2,81,20	14,55,68
5	Repo a/c – Borrowings	2010,73,48	295,40,36
6	Borrowings from Commercial Banks Fls	16,19,89	13,42,39
	Total	44568,75,87	34989,49,17

Out of the above borrowings under CBLO are secured against Government Securities including Treasury Bills

## Consolidated Schedule 8 - Current Liabilities and Provisions

(₹ in thousands)

Sr. No.	Particulars	As on 31.03.2018	As on 31.03.2017
1	Interest / Discount Accrued	8870,23,61	9780,88,46
2	Sundry Creditors	403,25,18	861,58,62
3	Subsidy Reserve (Co-finance Cold Storage CSAMI)	112,66, <mark>00</mark>	56,85,18
4	Provision for Gratuity	30,14,30	174,21,99
5	Provision for Pension	143,14,05	420,26,10
6	Provision for Encashment of Ordinary Leave	357,54,23	306,60,10
7	Unclaimed Interest on Bonds	1,69,60	1,68,23
8	Unclaimed Interest on Term Deposits	11,52	1,74
9	Term Deposits Matured but not claimed	4,78	9,08
10	Bonds Matured but Not Claimed	71,93,02	4,53,49
11	Bond Premium	10,52,60	1,16, <mark>5</mark> 0
12	Provisions and Contingencies		
a)	Provisions for Standard Assets	1426,82,11	1240,32,96
b)	Provisions-Countercyclical Provisioning Buffer	14,44,89	14,44,89
c)	Provisions – Amortisation of G Sec – HTM	26,66,77	8,33,13

Sr. No.	Particulars	As on 31.03.2018	As on 31.03.2017
d)	Provision for Depreciation in Value of Investments	34,14,25	16,00,00
e)	PROVISION FOR OTHER ASSETS AND RECEIVABLES	8,79,41	10,03,35
f)	PROVISION FOR INCOME TAX(Net of Advance Tax)	580,22,40	636,13,15
g)	Prov for Depre.In GOI Investments	146,44,37	122,43,39
13	Other Liabilities	52,86	_
14	Provision for Medical Benefit-Retired Employees	131,05,89	126,88,23
15	COMMITMENT CHARGES – UPNRM BORROWINGS	-	9,63
16	Debt Servicing Reserve Account	7,70,54	-
	Total	12378,12,38	13782,58,22

### Consolidated Schedule 9 – Cash and Bank Balances

(₹ in thousands)

Sr. No.	Particulars	As on 31.03.2018	As on 31.03.2017
1	Cash in hand	29	36
2	Balances with:		
a)	Reserve Bank of India	18 <mark>731,4</mark> 6	2229,83,39
b)	Others		A
	(1) In India		
	(i) Others Bank in India		
	a) On Current Account	56,28,80	546,36,06
	b) Deposit with Banks	16989,63,77	9025,29,70
	(ii) Remittance in Transit	460,84,72	8,29,39
	(iii) Collateralised Borrowing and Lending Obligations	1204,23,52	1349,05,75
	(iv) Reverse Repo a/c - Investment	/-	-
	(2) Outside India	_	
	Total	18898,32,56	13158,84,65

## Consolidated Schedule 10 – Investments

(₹ in thousands)

Sr. No.	<b>Particulars</b>		As on 31.03.2018	As on 31.03.2017
1	Government Sec	curities		
	a) Securities of C	Central Government & State Govt.	13029,00,98	8944,24,48
	[Face Value	₹124811410000 (₹86767500000)]		
	[Market Value	₹12674430000 (₹ <mark>901836997</mark> 46 )]		
	b) Treasury Bills		2560,16,63	2421,35,28
	[Face Value	₹27154340000 (₹24387690000)]		







Sr. No.	Particulars	As on 31.03.2018	As on 31.03.2017
	[Market Value ₹25601662705 (₹24213528106)]		
2	Other Approved Securities		
	Bill Rediscounting Scheme	0	197,71,14
	[Face Value ₹0 (₹200000000)]		
3	Equity Shares in :		
(a)	Agricultural Finance Corporation Ltd.	1,00,00	1,00,00
	[1000 (1000) – Equity shares of ₹10000 each]		
(b)	Small Industries Development Bank of India	966,27,55	48,00,00
	[53192203 (16000000) – Equity shares of ₹10 each]		
(c)	Agriculture Insurance Company of India Ltd.	60,00,00	60,00,00
	[60000000 (60000000) – Equity shares of ₹10 each]		
(d)	Multi Commodity Exchange of India Ltd.	30,22	30,22
	[377758 (1070096) – Equity shares of ₹10 each]		
(e)	National Commodity and Derivatives Exchange Ltd.	16,8 <mark>7,50</mark>	16,87,50
	[5625000 (5625000) – Equity shares of ₹10 each]		
(f)	Universal Commodity Exchange Ltd [UCX]	16,00,0 <mark>0</mark>	16,00,00
	[16000000 (16000000) Shares of ₹10 each]		
(g)	Indian Financial Technology and Allied Services [Equity]	0	49
	[ 0 (4900) Shares of ₹10 each]		
(h)	CSC e-Governance Services India Ltd Equity	9,74,60	9,74,60
	[ 55000 (55000) Shares of ₹1000 each]		
(i)	Agriculture Skill Council of India	40	40
	[ 4000 (4000) Shares of ₹10 each]		
(j)	National E-Governance Services India Ltd [Equity]	1,50,00	1,50,00
	[ 1500000 (15000000) Shares of ₹10 each]		
(k)	National e-Repository Ltd.	10,53,00	0
	[ 10530000 (0) Shares of ₹10 each]		
(1)	Other Equity Investments		
(i)	Coal India Ltd.	0	1,65,56
	[0 (43389) – Equity shares of ₹10 each]		
(ii)	MOIL Ltd.	0	25,20
	[0 (6719) -Equity shares of ₹10 each]		
(iii)	State Bank of India	37,54,25	37,54,25
	[2398880 (2398880 share of ₹1 each ) ]		
(iv)	Punjab National Bank	0	23,87
	[0 (12000) shares of ₹2 each]		
(v)	Larsen & Toubro Limited	0	17,32
	[0 shares (1000) of ₹2 each]		
(vi)	Oil and Natural Gas Corporation Ltd.	4,28,93	4,28,93
	[187200 shares (187200) of ₹5 each]		
(vii)	Steel Authority of India Ltd.	0	6,02,34
· ,	[0 shares (858626) of ₹10 each]		

Sr. No.	Particulars	As on 31.03.2018	As on 31.03.2017
(viii	Bharat Heavy Electricals Ltd.	1,99,13	1,99,13
	[80000 shares (80000) of ₹2 each]		
(ix)	Maruti Suzuki India Ltd.	1,78,84	1,78,84
	[7000 shares (7000 ) of ₹5 each]		
(x)	Tata Consultancy Services Ltd.	0	2,39,88
	[0 shares (10000 ) of ₹1 each]		
(xi)	Larsen & Toubro Infotech Limited	0	11,35
	[0 ( 1599) Shares of ₹2 each]		
(xii)	Hindustan Construction Co. Ltd	8,06,30	8,06,30
	[ 2308978 (2308978) Shares of ₹10 each]		
(xiii	Bandhan Bank	61,51	0
	[ 16403 (0) Shares of ₹10 each]		
4	Debentures and Bonds		
(i)	Special Dev Debentures of SCARDBs	2592,77,98	3676,14,23
(ii)	Non Convertible Debentures	2426,54,78	1307,30,80
5	Others		
(a)	Mutual Fund	0	4001,09,28
(b)	Commercial Paper	3423,54,30	2766,91,10
	[Face Value ₹36500000000 (₹29500000000)]		
(c)	Certificate of Deposit	5206,20,83	2311,32,08
	[Face Value ₹55250000000 (₹23500000000 )]		
(d)	SEAF – Indian Agri- Business	9,73,06	9,50,08
(e)	APIDC – Venturies Life Fund III	14,38,07	14,38,07
(f)	BVF (Bio-Tech Venture Fund) – APIDC-V Investment	4,77,62	4,77,62
(g)	Omnivore India Capital Trust	22,07,16	19,72,25
(h)	India Opportunities	13,30,09	10,80,62
(i)	IvyCap Ventures Fund	18,48,87	19,60,00
(j)	Tata Capital Innovation Fund	55,82,63	55,11,31
(k)	TVS Shriram Growth Fund IB	15,52,11	19,82,59
(1)	Golden Gujarat Growth Fund	8,00,00	7,04,00
(m)	India Nivesh Growth and Special Situations Fund	3,75,00	2,75,00
(n)	Ivycap Ventures Fund – II	2,00,00	1,50,00
(o)	India Advantage Fund S4	2,90,00	2,90,00
(p)	IFMR FIMPACT Long Term Credit Fund	10,00,00	0
(q)	Investment Earmarked towards EOL	249,76,14	258,25,14
	Total	30805,28,48	26270,21,25

All the above investments are in India





## Consolidated Schedule 11 – Advances

(₹ in thousands)

Sr. No.	Particulars	As on 31.03.2018	As on 31.03.2017
l	Refinance Loans		
(a)	Production & Marketing Credit	66128,18,38	73682,58,42
(b)	Medium Term – Conversion Loans	632,76,66	1065,00,22
(c)	Other Investment Credit :		
(i)	Medium Term and Long Term Project Loans	118478,11,21	100536,85,00
(ii)	Direct refinance to DCCBs	2949,50,70	2565,20,00
(iii)	Other Refinance Loans – JNN Solar Mission	14,07	1 <mark>,51,10</mark>
2	Direct Loans		
(a)	Loans under Rural Infrastructure Development Fund	110061,76,71	100981,48,44
(b)	Loans under Warehouse Infrastructure Fund	4296,12,1 <mark>3</mark>	3402,10,63
(c)	Long Term Non-Project Loans (net of provision)	1908,16,01	1188,04,05
(d)	Loans under NABARD Infrastructure Development Assistance (NIDA)	7241,57,49	4978,00,40
(e)	Loans under Producers' Organisation Development Fund (PODF) (net of provision)	219,61,25	316,57,82
(f)	Credit Facility to Federations [CFF]	11954,00,00	6961,00,00
(g)	Loans under Food Processing Fund	239,40,24	139,78,82
(h)	Loans under Long Term Irrigation Fund	20446,5 <mark>2,47</mark>	9086,02,10
(i)	PMAY-G	7329,43,00	-
(j)	Other Loans:		
(i)	Loans out of Watershed Development Fund	33,68,88	37,47,02
(ii)	Loans under KfW UPNRM (net of provision)	181,59,72	68,71,50
(iii)	Loans out of Tribal Development Fund (net of provision)	6,0 <mark>8,15</mark>	11,38,51
(iv)	Loans under off-farm sector promotion activities (net of provision)	252,91,48	200,54,11
(v)	Loans out of Micro Finance Development Equity Fund (net of provision)	-	83,41
(vi)	Loans out of Cooperative Development Fund	-	42,86
(vii)	Loans out of Farmers technology fund	2,88	4,27
(k)	Co-Finance Loans (Net of Provision)	12,14	79,68
	Total	352359,73,57	305224,38,36

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## Consolidated Schedule 12 – Fixed Assets

(₹ in thousands)

Sr. No.	Particulars	As on 31.03.2018	As on 31.03.201
1	LAND : Freehold & Leasehold		
	Opening Balance	181,97,92	174,33,32
	Additions/adjustments during the year	3,86,19	7,64,60
	Sub-Total	185,84,11	181,97,92
	Less: Cost of assets sold/written off	-	-
	Closing Balance (at cost)	185,84,11	181,97,92
	Less: Amortisation of Lease Premia	55,29,63	53,29,82
	Book Value	130,54,48	128,68,10
2	PREMISES		
	Opening Balance	410,97,49	363,26,00
	Additions/adjustments during the year	5,82,50	47,71,49
	Sub-Total	416,79,99	410,97,49
	Less: Cost of assets sold/written off	_	_
	Closing Balance (at cost)	416,79,99	410,97,49
	Less: Depreciation to date	244,34,37	240,94,02
	Book Value	172,45,62	170,03,47
3	FURNITURE & FIXTURES		
	Opening Balance	63,09,78	63,19,51
	Additions/adjustments during the year	6,83,35	90,26
	Sub-Total	69,93,13	64,09,77
	Less: Cost of assets sold/written off	61,98	99,99
	Closing Balance (at cost)	69,31,15	63,09,78
	Less: Depreciation to date	61,34,29	59,27,74
	Book Value	7,96,86	3,82,04
4	COMPUTER INSTALLATIONS & OFFICE EQUIPMENTS		
	Opening Balance	109,15,54	103,89,38
	Additions/adjustments during the year	18,49,48	8,24,65
	Sub-Total Sub-Total	127,65,02	112,14,03
	Less: Cost of assets sold/written off	3,94,05	2,98,49
	Closing Balance (at cost)	123,70,97	109,15,54
	Less: Depreciation to date	103,40,24	96,95,23
	Book Value	20,30,73	12,20,31
5	VEHICLES		
	Opening Balance	8,75,54	8,17,74
	Additions/adjustments during the year	2,06,66	2,17,00
	Sub-Total Sub-Total	10,82,20	10,34,74
	Less: Cost of assets sold/written off	1,93,33	1,59,20
	Closing Balance (at cost)	8,88,87	8,75,54
	Less: Depreciation to date	4,97,46	4,51,60
	Book Value	3,91,41	4,23,94
6	Capital Work in Progress [Purchase of Staff Quarters & Office Premises]	151,05,90	85,12,18
	Total	486,25,00	404,10,04







## Consolidated Schedule 13 – Other Assets

(₹ in Thousands)

Sr. No.	Particulars	As on 31.03.2018	As on 31.03.2017
1	Accrued Interest	3300,06,22	2882,11,32
2	Deposits with Landlords	1,76,48	1,60,35
3	Deposits with Government Departments and Other Institutions	36,60,91	10,44,47
4	Housing loan to staff	127,77,02	121,13, <mark>40</mark>
5	Other Advances to staff	97,51,32	91,22 <mark>,13</mark>
6	Advances to Landlords	63	92
7	Sundry Advances	120,88,74	86,23,76
8	Deferred Tax Assets	196,32,50	184 <mark>,31,15</mark>
9	Expenditure recoverable from Government of India / International Agencies.	146, <mark>44,</mark> 18	71,04,59
10	Discount Receivable	418,67, <mark>60</mark>	104,25,32
	Total	4446,05,60	3552,37,41

## Consolidated Schedule 14 – Interest and Financial Charges

(₹ in thousands)

Sr. No.	Particulars	2017–18	2016–17
	Interest Paid on		
1	Loans from Central Government	-	52,33
2	Bonds	4475,12,40	3626,04,77
3	Tea / Coffee / Rubber Deposits	7,8 <mark>7,99</mark>	11,49 <mark>,5</mark> 5
4	Term Money Borrowings	159,40,74	98,45,04
5	CBS Deposits	1,05	72
6	Financial Inclusion Fund/Financial Inclusion Technology Fund	-	-
7	Borrowings from International Agencies	22,50,95	24,19 <mark>,0</mark> 1
8	Commercial Paper	1527,90 <mark>,18</mark>	879,02,24
9	Borrowing against ST Deposit	50,23	24,71
10	KfW UPNRM – Accompanying measures	-	22
11	Short Term Cooperative Rural Credit Fund	195 <mark>4,54,21</mark>	2452,44,43
12	Deposits under RIDF	6276,76,17	6038,85 <mark>,0</mark> 5
13	Warehouse Infrastructure Fund	221,74,67	214,13,98
14	Cattle Development Programme (UP and Bihar)	55	59
15	Watershed Development Fund	65,95,58	68,83,42

Sr. No.	Particulars	2017–18	2016–17
16	Rural Innovation Fund	_	-
17	Indo German Watershed Development Programme – Andhra Pradesh	4,68	2,85
18	Indo German Watershed Development Programme – Rajasthan	4,83	64
19	Indo German Watershed Development Programme – Gujarat	6,23	21,56
20	KfW – NB Indo German Watershed Development Programme- Phase III-Maha	_	_
21	KfW - NB - IX Adivasi Development Programme	_	59,96
22	KfW - NB - V Adivasi Development Programme	1,06	7,54
23	Corporate Borrowings from Banks and FIs in India	_	_
24	Rural Innovation Fund	_	_
25	Tribal Development Fund	73,76,67	57,91,12
26	Multi Activity Approach for Poverty Alleviation – BAIF Project- Sultanpur / Raebareli UP	45	47
27	Financial Inclusion Fund	84,88,14	142,77,35
28	Financial Inclusion Fund – Digital	1,56,73	_
29	Center for Professional Excellence in Co-operatives	14,35	15,16
30	Commitment Charges -KfW UPNRM Borrowings	_	_
31	Deposits / Borrowings	1,66,85	1,50,12
32	Discount Cost Paid on Certificate of Deposits	346,75,31	475,43,93
33	Interest Paid on STRRB Deposits	438,73,22	694,02,10
34	Interest Paid on LTRCF Deposits	1586,40,35	1333,72,13
35	Interest Paid on Fund for Food Processing Units	13,48,10	7,23,53
36	Repo – Interest Expenditure a/c	198,95,61	9,45
37	Interest Paid on Funds	-	-
38	Discount Paid on Bonds	_	-
39	Int Paid – PMAY-G Bonds	-	-
40	Discount on Collateralised Borrowing and Lending Obligations	360,19,52	117,48,44
41	Swap Charges	6,03	48,46
42	Discount Brokerage Commission and issue exp. on Bonds and Securities	22,96,68	15,53,26
43	Loss On Investments	-	-
44	National Adaptation Fund for Climate Change	6,46,39	7,12,69
	Total	17848,55,92	16268,66,82





## Consolidated Schedule 15 A – Establishment and Other Expenses

(₹ in thousands)

Sr. No.	Particulars	2017–18	2016–17
1	Salaries and Allowances	898,44,31	707,30,94
2	Contribution to / Provision for Staff Superannuation Funds	701,78,87	961,08,10
3	Other Perquisites & Allowances	57,70,00	41,50,93
4	Travelling & Other allowances in connection with Directors' & Committee Members' Meetings	40,70	41,48
5	Directors' & Committee Members' Fees	18,90	13,27
6	Rent Rates Insurance Lighting etc.	37,04,40	36,22,55
7	Travelling Expenses	44,85,56	42,28,51
8	Printing & Stationery	6,5 <mark>6,80</mark>	5,68,42
9	Postage Telegrams & Telephones	19,53, <mark>30</mark>	20,54,47
10	Repairs	39,73,77	51,53,65
11	Auditors' Fees	45,33	45,15
12	Legal Charges	1,5 <mark>3,91</mark>	1,24,81
13	Miscellaneous Expenses	138,74,94	103,30,00
14	Expenditure on Miscellaneous Assets	7,65,3 <mark>9</mark>	8,12,76
15	Expenditure on Study & Training	72,30,62	47,25,73
	Total	2026,96,80	2027,10,77

## Consolidated Schedule 15 B – Expenditure on Promotional Activities

(₹ in thousands)

Sr. No.	Particulars Particulars Particulars Particulars	2017–18	2016–17
1	Cooperative Development Fund	18,77, <mark>59</mark>	16,72,43
2	Producers Organization Development Fund	2,55,94	4,10,43
3	Rural Infrastructure Promotion Fund	2,49,48	1,58,42
4	NFS Promotional Measures/Activities	-	22
5	Farm Sector Promotion Fund	20,88,28	21,19,64
6	Climate Change Fund	1,03,53	4, <mark>95</mark>
7	Gramya Vikas Nidhi	6,78,99	-
	Total	52,53,81	43,66,09

#### Consolidated Schedule 16 – Provisions

(₹ in thousands)

Sr. No.	Particulars	2017–18	2016–17
	Provisions for :		
1	Amortisation of G. Sec	_	_
2	Standard Assets	186,49,14	173,43,36
3	Non-Performing Assets	24,69,21	9,41,39
4	Depreciation in Investments G Sec	_	_
5	Depreciation in value of Investment Account – Equity	_	_
6	Sacrifice in Interest Element of Restructured Accounts	_	(3,25,42)
7	Other Assets/Receivable	_	(24,07)
8	NB General Advices	_	-
	Total	211,18,35	179,35,26

## Consolidated Schedule 17 – Commitments and Contingent Liabilities

(₹ in thousands)

Sr. No.	Particulars Particulars Particulars Particulars	As on 31.03.2018	As on 31.03.2017
1	Commitments on account of capital contracts remaining to be executed	83,99,67	111,88,93
	Sub Total "A"	83,99,67	111,88,93
2	Contingent Liabilities		
(i)	Claims against the Bank not acknowledged as debt	-	7,30,35
(ii)	Bank Guarantee	21,69,75	16,65,00
	Sub Total "B"	21,69,75	23,95,35
	Total (A + B)	105,69,42	135,84,28



#### **SCHEDULE 18**

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS
FOR THE YEAR ENDED MARCH 31, 2018

#### A. SIGNIFICANT ACCOUNTING POLICIES

#### 1. Basis of Preparation:

The accounts are prepared on the historical cost convention and comply with all material aspects contained in the National Bank for Agriculture and Rural Development Act, 1981 and Regulations thereof, applicable Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI) and regulatory norms prescribed by the Reserve Bank of India (RBI). Except otherwise mentioned, the accounting policies have been consistently applied by the National Bank for Agriculture and Rural Development (the Bank / NABARD) and are consistent with those used in the previous year.

#### 2. Basis of Consolidation

The Consolidated Financial Statements are prepared in accordance with Accounting Standard 21 – "Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India.

The excess/deficit of the cost to the Bank of its investment, over the Bank's portion of net assets at the time of acquisition of shares is recognized in Reserves & Surplus.

The Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and events in similar circumstances and necessary adjustments required for deviations, if any to the extent possible, are made in the consolidated financial statements and are presented in the same manner as the Bank's standalone financial statements. The figures pertaining to the Subsidiary Companies have been recast/ reclassified wherever necessary to bring them in line with the parent Bank's financial statements.

The financial statements of the subsidiaries used in the consolidation are drawn up to the same reporting date as that of the Bank.

The Notes and Significant accounting policies to the Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide to better understanding of the consolidated position of the Group. In this respect, the Bank has disclosed such notes and policies which fairly present the needed disclosures, and such other notes and statutory conformation disclosed in the financial statements of the parent and the subsidiary companies which are not having any effect on the true and fair view of the Consolidated Financial statements are excluded.

The financial statements of the Bank and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra-group transactions. The unrealized profits or losses resulting from the intra-group

transactions have been eliminated and unrealized losses resulting from the intra-group transactions have also been eliminated unless cost cannot be recovered.

Share of minority interest in the net profit of the consolidated subsidiaries is identified and adjusted against the profit after tax to arrive at the net income attributable to shareholders. Share of minority interest in losses of the consolidated subsidiaries, if exceeds the minority interest in the equity, the excess and further losses applicable to the minority, are adjusted against the Group's interest.

Share of minority interest in net assets of consolidated subsidiaries is presented in the consolidated balance sheet separately from liabilities and the equity of the company's shareholders.

# 3. The consolidated financial statements present the accounts of the Bank with its following subsidiaries:

Name of the Subsidiary	Country of Incorporation	Proportion of Ownership (%)	
		2017–18	2016–17
NABKISAN Finance Ltd.	India	80.84	80.84
NABSAMRUDDH Finance Limited	II India	78.83	78.83
NABARD Financi Services Limited (NABFINS)	al India	63.10	67.01
NABARD Consultancy Pvt. Ltd. (NABCONS)	India	100	100

#### 4. Use of Estimates:

Preparation of financial statements in conformity with the Generally Accepted Accounting Principles (GAAP) requires the management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of the operations for the reporting period. Although these estimates are based on the management's best knowledge, the actual results could differ for these estimates. Such differences are recognized in the year of outcome of such results.

#### 5. Revenue recognition:

- 5.1 Income and expenditure are accounted on accrual basis, except the following, which are accounted on cash basis:
  - i) Interest on non-performing assets identified as per Reserve Bank of India (RBI) guidelines.
  - ii) Income by way of penal interest charged due to delayed receipt of loan dues or non-compliance with terms of loan.
  - iii) Service Charges on loans given out of various Funds.
  - iv) Expenses not exceeding ₹10,000 at each accounting unit, under a single head of expenditure.
- 5.2 Discount on Bonds and Commercial Papers issued are amortized over the tenure of Bonds and Commercial Papers. Issue expenses relating to floatation of bonds are recognized as expenditure in the year of issue of Bonds.
- 5.3 Dividend on investments is accounted for, when the right to receive the dividend is established.
- 5.4 Release of subsidy in which NABARD is acting as a pass through agency is accounted for on payment basis subject to availability of funds under the respective schemes.
- 5.5 Income from Venture Capital Funds are accounted on realization basis.
- 5.6 Recovery in non-performing assets (NPA) is appropriated in the following order:
  - i) penal interest
  - ii) cost & charges
  - iii) overdue interest and interest
  - iv) Principal
- 5.7 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.





#### 5.8 Income from services (NABCONS)

- 5.8.1 Income from Assignments: Income from assignments constitute the main source of income for the Company. Recognition of revenue and corresponding expenses incurred on particular assignments are taken into account at the time when the assignment are completed. An assignment is treated as completed
  - in case of preparation of DPR as soon as the draft report has been issued to the party.
  - in case of other assignments where execution is spread over a period, the income has been recognized based on the milestones completed and deliveries effected, status of execution and period completed.
  - in case assignment is a time bound contract for more than a year income is recognized in proportion to period completed.
- 5.8.2 In case of foreign assignments, the income has been recognized as soon as the assignment is executed.
- 5.8.3 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.
- 5.8.4 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.
- 5.8.5 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.

#### **Fixed Assets and Depreciation**

- Fixed assets are stated a t cost of acquisition, accumulated depreciation impairment losses, if any. The cost of assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Subsequent expenditure incurred on existing asset is capitalized, only when it increases the future benefit from the existing assets beyond its previously assessed level of performance.
- Land includes freehold and leasehold land.
- Premises include value of land, where segregated values are not readily available.
- d) Depreciation policy on premises situated on freehold land and leasehold land has been revised for NABARD during the current year and uniformly calculated on straight line basis @ 3.33% per annum. Hitherto, depreciation on premises was calculated as under:
  - i) Depreciation on premises situated on freehold land is charged at 10% p.a., on written down value basis.
  - 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.
- 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.
- 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%

- g) Depreciation policy has been revised during the current year, accordingly depreciation is charged from the month the asset is capitalized in the year of purchase and till the month the asset is sold in the year of sale. Hitherto, depreciation was charged for the full year, irrespective of the date of purchase of asset and no depreciation was charged in the year of sale.
- Capital work in progress includes capital advances and is disclosed under Fixed Assets.
- i) In case of subsidiaries the depreciation on fixed assets is provided on following basis

Name of the Subsidiary	Method of Depreciation
NABKISAN Finance Ltd.	WDV as per Schedule II
NABSAMRUDDHI Finance Limited	WDV as per Schedule II
NABARD Financial Services Limited (NABFINS)	SLM as per Schedule II
NABARD Consultancy Pvt. Ltd. (NABCONS)	SLM as per Schedule II

#### 7. Investments

- 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").
- 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.
- e) Investments under "AFS" are marked to market, scrip-wise, at the rate, declared by Fixed Income Money Market and Derivative Association of India (FIMMDA) and by Financial Benchmarks India Pvt. Ltd. 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 Fixed Income Money Market and Derivative Association of India (FIMMDA) and by Financial Benchmarks India Pvt. Ltd. Depreciation / appreciation is recognized in the category for investments classified as "HFT". The book value of the individual scrip is changed after revaluation.
- g) Investments in subsidiaries, joint ventures and associates are classified as Held to Maturity.
- h) Treasury Bills, Commercial Papers and Certificates of Deposits are valued at carrying cost.
- i) Unquoted Shares are valued at breakup value, if the latest Audited Accounts of the investee companies are available, or at ₹1/per Company as per RBI guidelines.
- 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.
- Broken period interest paid/received on debt investments 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.
- p) Investments in Venture Capital Funds are accounted as per the accounting policy adopted by the respective Fund.

#### 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 Profit and Loss account.

#### 9. Foreign Currency Transactions

As per Accounting Standard (AS-11) (Revised 2003) on Accounting for the Effects of Changes in Foreign Exchange Rates issued by the Institute of Chartered Accountants of India; following

accounting treatment is given to foreign exchange transactions:

- a) Assets and liabilities in foreign currency, are revalued at the exchange rate notified by Reserve Bank of India as at the close of the year and disclosed as a contra item in the Balance Sheet (as off Balance Sheet item). The liability towards foreign currency borrowings is fully hedged and stated in the Balance Sheet at the contracted value (as off balance sheet item).
- b) Income and Expenditure items are translated at the exchange rates prevailing on the date of the transaction.

## 10. Accounting for Foreign Exchange Contracts

- a) Foreign Exchange Contracts are to hedge the repayment of foreign currency borrowings.
- b) The foreign exchange unhedged contracts are revalued at the exchange rates notified by FEDAI at the year end. The resultant gain/loss on revaluation is recognised in the Profit & Loss Account under the head Gains/Loss on revaluation of Forward Exchange Contract Account. Premium/discount are accounted over the life of the contract.
- of foreign exchange contracts are recognised in Profit and Loss Account under the head 'Profit / Loss on Foreign Currency Loan Account'.

#### 11. Employee Benefits

All personnel transferred from RBI are considered as employees of the Bank and provisions for Employee Benefits are made accordingly. Actuarial valuation, wherever required, are carried out at each balance sheet date.

#### a) Short Term Employee Benefits:

The undiscounted amount of short-term employee benefits, which are expected to be paid in exchange for the services rendered by employees are recognised during the period when the employee renders the service.

#### b) Post Retirement Benefits:

#### i) Defined Contribution Plan

The Bank has a Provident Fund Scheme in respect of all eligible employees who joined the Bank on or before 31 December 2011. The scheme is managed by RBI. Contribution is recognized on accrual basis.

The Bank has introduced a New Pension Scheme (NPS) for all the officers/employees who have joined the services of the Bank on or after 01 January 2012. The Bank has adopted the "NPS- Corporate Sector Model", a defined contribution plan, as formulated by the Pension Fund Regulatory and Development Authority (PFRDA). Contribution to the Fund is made on accrual basis.

#### ii) Defined Benefit Plan

- a. Provision for gratuity is made based on actuarial valuation, made at the end of each financial year based on the projected unit credit method in respect of all eligible employees. The scheme is funded by the Bank and is managed by a separate trust. Actuarial gain or loss are recognised in the Profit and Loss Account on accrual basis.
- b. Provision for pension is made based on actuarial valuation, in respect of all eligible employees who joined the Bank on or before 31 December 2011. The scheme is funded by the Bank and is managed by a separate trust.

#### iii) Other Long Term benefits

All eligible employees of the bank are entitled for compensated absences. All the eligible employees are also entitled 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
  - 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.

#### 17. Prior Period Income / Expenses

Items of Income / Expenditure which are prior period in nature is disclosed separately only when the individual prior period income / expense exceeds 0.5% of Gross Income.

## 18. Implementation of Indian Accounting Standards (Ind AS)

In terms of the Press Release No. 11/10/2009 CL-V dated 18 January 2016 issued by the MCA, the bank would be required to prepare Ind AS based financial statements for accounting periods beginning from April 1, 2018 onwards, with comparatives for the periods ending March 31, 2018 and thereafter. However, the implementation of Ind AS for Scheduled Commercial Banks has been deferred by one year and the bank has sought clarification from RBI regarding the applicability of the same to FIs.

The bank had set up a Steering Committee headed by Deputy Managing Director to evaluate the changes in accounting system and impact of implementation of Ind AS on the financials including the adequacy of capital, taking into account the Basel III capital requirements. Efforts are being made by the bank to complete the implementation process as per the timelines framed by RBI / MCA.

#### B. Notes forming part of the Accounts

1. 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 11. The borrowing related to the UPNRM are classified as borrowing from international agencies and disclosed under Schedule − 7. During the year, a sum of ₹4.75 crore is required towards NPA for loans granted under Kfw UPNRM Scheme and the same has been charged to Profit & Loss Account, for want of UPNRM fund.

2. 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 2017–18	Rate of Interest for 2016–17
1.	Watershed Development Fund	4%	6%
2.	KfW- NB IGWDP (Andhra Pradesh, Gujarat, Maharashtra)	4%	6%
3.	KfW Accompanying Measures	4%	6%
4.	National Adaptation Fund for Climate change	4%	6%
5.	Tribal Development Fund	4%	6%
6.	Financial Inclusion Fund	4%	6%
7	Kfw NB- V Adivasi Development Programme- Gujarat	4%	6%
8.	Cattle Development Fund (UP & Bihar)	6.57%	7.46%
9	Multi Activity Approach For Poverty Alleviation (Sultanpur and Rae Bareilly)	6.57%	7.46%
10	Center for Professional Excellence in Co-operatives.	6.57%	7.46%
11	Kfw NB- IX Adivasi Development Programme- Maharashtra	6.57%	7.46%

3. Recoverable from Government of India / International Agencies (Refer Schedule-13 of Balance Sheet) includes ₹43.35 crore (₹41.29 crore) being debit balance of various funds. The details of such funds are as under:

(Amount in ₹ crore)

Sr. No.	Name of the Fund	31–03–2018	31–03–2017
1	KfW-UPNRM - Accompanying Measures	2.00	1.84
2	KfW-NB IGWDP (Rajasthan)	0.62	0.00
3	KfW-Soil Project	3.72	11.47
4	KfW-NB IGWDP (Gujarat)	0.97	0.00
5	KfW UPNRM Fund	35.92	27.45
6	KfW UPNRM – Financial Contribution	0.00	0.53
7	KfW UPNRM - Technical collaboration	0.12	0.00







- 4. Sundry creditors includes ₹30.32 crore (₹30.67 crore) being amounts outstanding to contributors in respect of Micro Finance Development and Equity Fund (MFDEF). An amount of ₹0.28 crore being the share of NABARD taken to Profit & Loss Appropriation account.
- 5. 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, Warehousing Infrastructure Fund (WIF) deposits and Food Processing Fund, placed by the Commercial Banks is credited to Watershed Development Fund, Tribal Development Fund, Financial Inclusion Fund and PODF. Previous year, the amounts were credited to Watershed Development Fund, Tribal Development Fund and Financial Inclusion Fund.
- 6. Pursuant to the agreement with Government of India, the relative margin in excess of 0.60%, if any, in respect of Long Term Irrigation Fund is transferred to "LTIF Fluctuation Reserve Fund", which will be used during the period when the relative margin is less than 0.60%. During the year an amount of ₹23.11 crore (₹2.52) crore, being the excess margin earned has been transferred to the 'LTIF Fluctuation Reserve Fund' out of Interest Received account.
- 7. Subvention received/receivable from Government of India (GOI) under Seasonal Agricultural Operations (SAO) amounting to ₹319.09 crore (₹422.36 crore) and ₹12.83 crore (₹20.24 crore) under National Rural Livelihood Mission (NRLM), being the difference between the cost of borrowing by NABARD and the refinance rate, has been reduced from interest and financial charges and shown as accrued interest and disclosed under Schedule 13.
- 8. Other receipts includes ₹123.03 crore (₹126.35 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.
- 9. The salaries and allowances of the employees of the Bank are reviewed every five years. The review is due from 01 November 2017. Pending such settlement, an amount of ₹100 crore has been provided under the head Salary and Allowances during the year.
- 10. 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 ₹13.15 crore (₹18.67 crore).

  The details of the deferred tax are as under:

(Amount in ₹ crore)

Sr. No.	Deferred Tax Assets	31 March 2018	31 March 2017
1	Provision allowable on payment basis	170.22	149.64
2	Depreciation on Fixed Assets	24.12	31.55
	Total	194.34	181.19

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.

- 11. The tax liability of the Bank for the Assessment Year 2002-03 amounting to ₹373.15 crore was assessed by the Income Tax Department. The Bank has provided and paid the said liability. However, the Bank has filed an appeal against the order of the CIT Appeals with the Income Tax Appellate Tribunal.
- 12. Income Tax Department had reopened the assessment for the Assessment Year (AY) 2006–07,AY 2007–08, AY 2008–09 and AY 2009–10, which was ruled against by the Commissioner of Income Tax Appeals

- [CIT(A)]. The Income Tax department has preferred appeal against the order of CIT(A) with ITAT, Mumbai. Pending appeal with ITAT, the refund received from the IT department is held in Income Tax Refund Account.
- 13. 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, which was struck down by CIT(A). The Income Tax department has preferred appeal against the CIT(A) order with ITAT, Mumbai. Pending appeal with ITAT, the refund received from the IT department is held in Income Tax Refund Account.
- 14. During the Assessment of the Income for the Assessment Year 2011–12 a tax liability of ₹294.31 crore was assessed on account of differential interest accounted under the RIDF / STCRC funds. The Bank had filed an appeal against the above disallowance with CIT(A). During the year, the CIT(A) has passed order in favour of the Bank.
- 15. During the Assessment of the Income for the Assessment Year 2012–13 a tax liability of ₹340.81 crore was assessed on account of differential interest accounted under the RIDF / STCRC funds. The Bank had filed an appeal against the above disallowance with CIT(A). During the year, the CIT(A) has passed order in favour of the Bank.
- 16. During the Assessment of the Income for the Assessment Year 2013-14 a tax liability of ₹392.94 crore was assessed on account of differential interest accounted under the RIDF / STCRC funds. The Bank had filed an appeal against the above disallowance with CIT(A). During the year, the CIT(A) has passed order in favour of the Bank.
- 17. During the Assessment of the Income for the Assessment Year 2014–15 a tax liability of ₹438.37 crore was assessed on account of differential interest accounted under the

- RIDF / STCRC funds. The Bank had filed an appeal against the above disallowance with CIT(A). During the year, the CIT(A) has passed order in favour of the Bank.
- 18. During the Assessment of the Income for the Assessment Year 2015–16 a tax liability of ₹428.16 crore was assessed on account of differential interest accounted under the RIDF / STCRC funds. The Bank had filed an appeal against the above disallowance with CIT(A). During the year, the CIT(A) has passed order in favour of the Bank.
- 19. During the Assessment of the Income for the Assessment Year 2016–17 a tax liability of ₹372.00 crore was assessed on account of differential interest accounted under the RIDF / STCRC funds. However, the Bank has filed an appeal against the above order with CIT(A).
- 20. Free hold land and Lease Land and Premises include ₹14.00 crore (₹16.00 crore) paid towards Office Premises and Staff Quarters for which conveyance is yet to be completed.
- 21. The depreciation policy for premises in lease hold land and premises on free hold land has been revised during the year. The change in the depreciation policy has resulted in reversal of excess depreciation under the erstwhile policy to the extent of ₹10.39 crore. This amount has been credited to the depreciation account, thereby, resulted in increase of current year profit to the extent of ₹10.39 crore.
- 22. Investments in Government securities include the following securities pledged with Clearing Corporation of India Limited as collateral security for borrowings:





#### (Amount in ₹ crore)

Particulars	Face Value	Book Value
Pledged for Business Segment (Securities)	648.00 (65.00)	676.64 (63.51)
Pledged for Business Segment (Collateralised Borrowing and Lending Obligation)	8856.00 (8751.68)	8972.64 (9000.53)
Pledged for Business Segment (Securities) Default Fund	27.00 (3.00)	28.19 (3.13)
Pledged for Business Segment (Collateral Borrowing and Lending Obligation) – Default Fund	25.00 (5.00)	26.10 ( <mark>4.63</mark> )

23. Dividend proposed by the subsidiaries for the year 2017–18, subject to the approval of shareholders in the ensuing Annual General Meeting:

#### (Amount in ₹ crore)

Sr. No.	Subsidiary	Proposed dividend
1	NABCONS	0.60
2	NABSAMRUDDHI	1.67
3.	NABKISAN	2.89
4.	NABFINS	3.23

## 24. Non-Performing Investments

#### (Amount in ₹ crore)

Sr. No.	Particulars	31.03.2018	31.03.2017
(i)	Net NPI to Net Investments (%)	0.00	0.00
(ii)	Movement of NPIs (Gross)		
(a)	Opening Balance	16.00	16.00
(b)	Additions during the year	0.00	0.00
(c)	Reductions during the year	0.00	0.00
(d)	Closing Balance	16.00	16.00
(iii)	Movement of Net NPIs		
(a)	Opening Balance	0.00	0.00
(b)	Additions during the year	0.00	0.00
(c)	Reductions during the year	0.00	0.00
(d)	Closing Balance	0.00	0.00
(iv)	Movement of provisions for NPIs		
(a)	Opening balance	16.00	16.00
(b)	Provision made during the year	0.00	0.00
(c)	Write off / write back of excess provision	0.00	0.00
(d)	Closing balance	16.00	16.00

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/-.

## 25. Concentration of borrowings / lines of credit, credit exposures and NPAs

(a) Concentration of borrowings and lines of credit

(Amount in ₹ crore)

Sr. No.	Particulars	2017–18	2016–17
(i)	Total borrowings from twenty largest lenders	225787.25	168502.98
(ii)	Percentage of borrowings from twenty largest lenders to total borrowings	67.80	86.67

#### (b) Concentration of credit exposures

(Amount in ₹ crore)

Sr. No.	Particulars	2017–18	2016–17
(i)	Total exposures to twenty largest borrowers	179347.95	170052.61
(ii)	Percentage of exposures to twenty largest borrowers to Total Advances of the AIFI	50.50	55.05

## **26.** Pattern of Capital contribution as on the date of the Balance Sheet:

The shareholding of Government of India and RBI in the Paid up capital as on 31 March 2017 was at 99.60%: 0.40%. During the current year, balance shareholding of RBI has been transferred to Government of India, as such, as on 31 March 2018, the entire share capital is subscribed by Government of India. The details are given below.

(₹ crore)

Contributor	31 Marc	ch 2018	31 March 2017		
Reserve Bank of India	0.00	0.00%	20.00	0.40%	
Government of India	5,000.00	100.00%	4,980.00	99.60%	
Total	5,000.00	100.00%	5,000.00	100.00%	

During the year an amount of ₹388ocrore (₹1400 crore) has been received from Government of India towards Share Capital and the same has been held as Advance towards Capital a/c pending enhancement of Authorized Capital. The advance towards share capital stood at ₹5580 crore as on 31 March 2018. Pursuant to increase of Authorized Capital of NABARD to ₹30000 crore vide gazette notification No. 1410 dated 10 April 2018, the above advance would be transferred to Share Capital account during the year 2018–19.



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

(Amount in ₹ crore)

Particulars	2017–18	2016–17
Opening Balance	16.94	0.2 <mark>9</mark>
Addition during the year	21.69	16.6 <mark>5</mark>
Deletion during the year	16.94	0.00
Closing Balance	21.69	16.94

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

(Amount in ₹ crore)

Sr. No.	Particulars	2017–18	2016–17
1.	Income	0.00	11.61
2.	Revenue Expenditure	0.00	0.00
3.	Post-Retirement Medical Benefits	0.00	0.00
4.	Fund Expenditure	0.00	0.00
Total		0.00	11.61

#### 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

(Amount in ₹ crore)

Particulars	Trea	sury	Refii	nance	Direct	Lending	Other E	Business	Τι	otal
Business Segments	2017–18	2016–17	2017–18	2016–17	2017–18	2016–17	2017–18	2016–17	2017–18	2016–17
Revenue	2987.81	3026.69	12240.71	11317.47	9256.82	8007.01	110.97	85.35	24596.30	22436.52
Result	511.25	1391.24	3514.19	3085.85	2400.95	1431.75	-1482.87	-1479.84	4943.53	4429.00
Unallocated Expenses									504.84	542.29
Operating Profit									4438.69	3886.71
Income Taxes									1420.17	1197.50
Extraordinary profit / loss	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Profit									3018.52	2689.21
Other Informat	tion					<u> </u>				
Segment Assets	47809.01	33708.94	190887.18	181797.45	165719.86	129258.67	2579.60	3844.86	406995.65	348609.92
Segment Liabilities	45487.70	35365.39	191389.94	162534.44	124887.75	112451.43	0.00	0.00	361765.38	310351.26
Unallocated Liabilities									45230.27	38258.65
Total Liabilities									406995.65	348609.92

- (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.

Schedules referred to above form an integral part of accounts

As per our attached report of even date

Vyas & Vyas Chartered Accountants

FRN . 000590C

O P Vyas Partner M No. 014081

Shillong
Date: 25-May-18

R K Deb Barman Chief General Manager Accounts Department Date: 25 May 2018

Harsh Kumar Bhanwala R Amalorpavanathan Ashok Gulati Anup Kumar Dash Chairman Deputy Managing Director Director Director

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## **CASH FLOW**

## NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT Consolidated Cash flow for the year ended 31 March 2018

(₹ in Thousands)

Particulars		2017–18	2016–17
(a) Cash flow from Operating activities	<u> </u>		
Net Profit as per Profit and Loss a/c before tax	:	4438,68,57	3886,70,93
Adjustment for:			
Depreciation		18,36,84	28,61,99
Provisions and Amortisations		0	-24,07
Provision for Non performing Assets		22,57,05	9,41,39
Provision for Standard Assets		185,76,20	173, <mark>43</mark> ,36
Provision for sacrifice in interest element of Restr	uctured Loan	0	-3,25,42
Profit / Loss on sale of Fixed Assets		-21,03	-21,47
Interest credited to various Funds (including add Interest Differential Fund)	ition/ adjustment made to	232,92,28	277,73,56
Income from Investment (including Discount Inc	ome)	-2996,53,41	-3021, <mark>79</mark> ,15
Operating profit before changes in operating a	assets	1901,56,50	1350,41,12
Adjustment for changes in working capital:			
(Increase) / Decrease in Current Assets		-8908,75,88	200,19,25
Increase / (Decrease) in Current Liabilities		-1255,04,58	2048,90,18
Increase in Loans and Advances (Including House Advances to Staff	sing Loan & Other	-46825,18,15	-44844,41,99
Cash generated from operating activities		-5 <b>5087,42,11</b>	-41244,91,44
Income Tax paid - Net of refund		-14 <mark>85,05,15</mark>	833,61,59
Net cash flow from operating activities	(A)	-56572,47,25	-40411, <mark>29</mark> ,85
(b) Cash flow from Investing activities			
Income from Investment (including Discount Inco	ome)	2996,53,41	3021,79,16
Purchase of Fixed Asset		-106,93,90	-74,01,98

Particulars Particulars Particulars Particulars	2017–18	2016–17
Sale of Fixed Assets	6,49,66	5,57,68
Increase / Decrease in Investment	-5627,99,87	6560,35,55
Net cash used / generated from investing activities (B)	-2731,90,70	9513,70,41
(c )Cash flow from financing activities		
Grants / contributions received	-441,15,07	-110,83,44
Proceeds of Bonds	23483,61,73	11414,01,05
Increase / (Decrease) in Borrowings	10120,19,34	14343,45,21
Increase / (Decrease) in Deposits	20035,15,45	4628,48,24
Divided Paid including Tax on Dividend	-7,73,66	0
Increase in Share capital	3889,44,00	1400,00,00
Net cash raised from financing activities (C)	57079,51,79	31675,11,06
Net increase in cash and cash equivalent (A)+(B)+(C)	-2224,86,16	777,51,62
Cash and Cash equivalent at the beginning of the year	4133,54,95	3356,03,33
Cash and cash equivalent at the end of the year	1908,68,79	4133,54,95
Cash and cash equivalent at the end of the year includes :	2017–18	2016–17
Cash in hand	29	36
Balance with Reserve Bank of India	187,31,46	2229,83,39
Balances with other Banks in India	56,28,80	546,36,06
Remittances in Transit	460,84,72	8,29,39
Collateralised Borrowing and Lending Obligations	1204,23,52	1349,05,75
Total	1908,68,79	4133,54,95

As per our attached report of even date Vyas & Vyas Chartered Accountants FRN . 000590C

O P Vyas Partner M No. 014081 Shillong

Date : 25 May 2018

R K Deb Barman Chief General Manager Accounts Department Date: 25 May 2018

Harsh Kumar Bhanwala R Amalorpavanathan
Chairman Deputy Managing Director

Ashok Gulati Director Anup Kumar Dash Director

## **E-Mail Addresses of Departments in** NABARD Head Office, Mumbai

Chairman's Secretariat

Deputy Managing Director (Shri H. R. Dave)'s Secretariat

Deputy Managing Director (Shri R.Amalorpavanathan)'s Secretariat

**Accounts Department** 

**Business Initiative Department** 

Central Vigilance Cell

Corporate Communication Department

Corporate Planning Department

Department of Economic Analysis and Research

Department of Financial Inclusion and Banking Technology

Department of Information Technology

Department of Premises, Security & Procurement

Department of Refinance

Department of Storage and Marketing

Department of Supervision

Department of Subsidiaries and Strategic Investments

Farm Sector Development Department

Farm Sector Policy Department

**Finance Department** 

**Human Resources Management Department** 

**Inspection Department** 

Institutional Development Department

Law Department

Micro Credit Innovation Department

NABARD Consultancy Services (NABCONS)

Nabkisan Finance Ltd.

NABSAMRUDDHI Finance Limited

Off Farm Development Department

RajbhashaPrabhag

Risk Management Department

Secretary's Department

State Projects Department

dmd.amal@nabard.org

ad@nabard.org

bid@nabard.org

dit@nabard.org

dpsp@nabard.org

dor@nabard.org

dsm@nabard.org

dos@nabard.org

hrmd@nabard.org

law@nabard.org

nabkisan@nabard.org

nabsamruddhi@nabard.org

ofdd@nabard.org

rajbhasha@nabard.org

Telephone Nos. Reception: 022-26539895/96/99 Protocol & Security: 022 - 26539046

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chairmansectt@nabard.org

dmd.dave@nabard.org

cvc@nabard.org

ccd@nabard.org

cpd@nabard.org

dear@nabard.org

dfibt@nabard.org

dssi@nabard.org

fsdd@nabard.org

fspd@nabard.org

fd@nabard.org

id@nabard.org

idd@nabard.org

mcid@nabard.org

headoffice@nabcons.in

rmd@nabard.org

secy@nabard.org

spd@nabard.org

## Regional Offices/Cells/Subsidiaries/ **Training Establishments**

#### **REGIONAL OFFICES**

#### ANDAMAN & NICOBAR

NABARD Complex, Kamaraj Road (VIP Road), PO Junglighat Port Blair - 744 103

Tel No : (03192) 233308 Fax No : (03192) 237696

Email id: portblair@nabard.org

#### ANDHRA PRADESH

1-1-61, RTC 'X' Roads Musheerabad

HYDERABAD - 500020.

Tel No : (040) 27613152 Fax No : (040) 27612651

Email id: apro@nabard.org

#### ARUNACHAL PRADESH

NABARD Tower Bank Tinali

Post Box No. 133 Itanagar - 791 111

Tel No : (0360) 2213856 Fax no : (0360) 2212675

Email id: itanagar@nabard.org

#### **ASSAM**

G.S. Road, Dispur

GUWAHATI - 781006.

Tel No : (0361) 2313228 FAX No: (0361) 2235657

Email id: guwahati@nabard.org

#### **BIHAR**

Block -B, 4th & 5th Floor Maurya Lok Complex Dak Bunglow Road Patna - 800 001

Tel No : (0612) 2223985 Fax No : (0612) 2238424 Email id: patna@nabard.org

#### **CHHATTISGARH**

1st & 2nd Floor Pithalia Complex, Oppo. Trunk Exchange,

Fafadih Chowk, K K Road Raipur – 492009 (C.G.)

Tel. No: (0771) 2888499 Fax No : (0771) 2888498

Email id: raipur@nabard.org

#### GOA

3rd Floor, Nizari Bhavan, Menezes Braganza Road

Panaji - 403 001

Tel No : (0832) 2220490/2420504

/2420053

Fax No : (0832) 2223429 Email id: panaji@nabard.org

#### **GUJARAT**

NABARD Tower

Opp. Municipal Garden Post Box no. 8

Usmanpura

Ahmedabad - 380 013 Tel No : (079) 27551959

Fax No : (079) 27551584 Email id: ahmedabad@nabard.org

## HARYANA

Plot No. 3, Sector 34-A, Chandigarh - 160022

Tel no : (0172) 5046728/5046784 : (0172) 2604033,

Email id: haryana@nabard.org

### HIMACHAL PRADESH

Block No. 32 SDA Commercial Complex

Kasumpti,

Shimla - 171009 Tel No : 0177-2622258/2624380/

2623323

Fax No : 01772622271 Email id: shimla@nabard.org

## JAMMU & KASHMIR

NABARD TOWERS, Near Saraswati Dham, Rail Head Complex, Railway

Road, Jammu – 180012 Tel No : (0191) 2472355 Fax No : (0191) 2472337 Email id: jammu@nabard.org

#### **JHARKHAND**

Opposite Adivasi College Hostel

Karamtoli Road Ranchi - 834001

Tel No : (0651) 2361107 Fax No : (0651) 2361108

Email id: ranchi@nabard.org

## KARNATAKA

NABARD Towers, 46, Kempe Gowda Road

Bengaluru – 560 009. TEL No: (080) 22076400 Fax No : (080) 22222148

Email id: bangalore@nabard.org

KERALA

NABARD Punnen Road, Statue

Thiruvananthapuram – 695 001.

Tel no : (0471) 2701600/2701700

Email id: trivandrum@nabard.org

Fax No : (0471) 2324358

## MADHYA PRADESH

E-5, Arera Colony Bittan Market Bhopal - 462016

Tel No : (0755) 2464775 Fax No : (0755) 2466188

Email id: bhopal@nabard.org



#### MAHARASHTRA

54, Wellesley Road Shivaji Nagar

Pune - 411005 Tel No : (020) 25500176/

25500172/25541439

Fax : (020) 25542250 Email id: pune@nabard.org

#### MANIPUR

Leiren Mansion 2nd Floor

Lamphelpat,

lmphal - 795004

Tel No : (0385) 2416192 Fax No : (0385) 2416191

Email id: imphal@nabard.org

#### **MEGHALAYA**

'U Pheit Kharmihpen Building' 2nd & 3rd Floor, Plot No. 28(2)

Dhankheti

Shillong - 793003

Tel No : (0364) 2221602/2503499

/2501518/2503507

Fax No : (0364)-2227463 Email id: shillong@nabard.org

#### **MIZORAM**

Ramhlun Road (North) Bawngkawn

Aizawl - 796014

Tel No : (0389) 2305290/

2340029/2343428

Fax No : 0389-2340815 Email id: aizawl@nabard.org

#### NAGALAND

NSCB Head Office Admn. Building 4th Floor, Circular Road, Khermahal,

Dimapur - 797 112

Tel No : (03862) 234063/235600/

235601

Fax No: (03862) 227040 Email id: dimapur@nabard.org

#### **NEW DELHI**

NABARD Tower 24, Rajendra Place

New Delhi - 110 008 Tel No : (011) 41539353/ 25818707

Fax No : (011) 41539187 Email id: delhi@nabard.org

#### **ODISHA**

Ankur, 2/1, Nayapalli Civic Centre

Bhubaneswar – 751015

Tel no : (0674) 2553884/2374301/

2374302/2374303 Fax No : (0674) 2552019

Email id: bhubaneswar@nabard.org

#### **PUNJAB**

Plot No. 3, Sector 34-A, Chandigarh - 160022

Tel No : (0172) 5046701; Fax No: (0172) 2604433,

Email id: chandigarh@nabard.org

#### **RAJASTHAN**

3, Nehru Place, Tonk Road,

Jaipur - 302015

Tel No: (0141) 2741633/2740821

Fax No: (0141) 2742161 Email id: jaipur@nabard.org

#### SIKKIM

Om Niwas Church Road

Gangtok - 737101

Tel No : (03592) 203015/204173 Fax No : (03592) 204062

Email id: gangtok@nabard.org

#### SRINAGAR CELL

459, Jawahar Nagar Behind DAV Institute

Srinagar - 190 008 Tel No : (0194) 2311471

Fax No: (0194) 2310479 Email id: srinagar@nabard.org

#### TAMIL NADU

48, Mahatma Gandhi Road Nungambakkam

Post Box No. 6074 Chennai - 600034

Tel No : (044) 28304444

Fax No : (044) 28275732 Email id: chennai@nabard.org

#### TELANGANA

1-1-61, RTC 'X' Roads

Musheerabad

Hyderabad – 500020 Tel No : (040) 27612640 Fax No : (040) 27611829

Email id: hyderabad@nabard.org

#### TRIPURA

Shilpa Nigam Bhaban, Ground Floor Khejur Bagan near Ginger Hotel PO Kunjaban Agartala – 799006

Tel No : (0381) 2412378 Fax no : (0381) 2414125

Email id: agartala@nabard.org

#### UTTAR PRADESH

11, VipinKhand, Gomti Nagar

Lucknow - 226010

Tel No : (0522) 2307630/4005394

Fax No : (0522) 2307631 Email id: lucknow@nabard.org

#### **UTTARAKHAND**

113/2, Rajpur Road **Hotel Sunrise Building** Dehradun - 248 001 Tel No : (0135) 2748611 Fax No : (0135) 2748610

#### WEST BENGAL

'Abhilasha', 6 Royd Street

Kolkata - 700 016

Tel No : (033) 22267943 Fax No : (033) 22494507 Email id: kolkata@nabard.org

email id: dehradun@nabard.org

#### NABARD CONSULTANCY SERVICES (NABCONS)

REGISTERED OFFICE CORPORATE OFFICE

c/o NABARD c/o NABARD

3rd Floor, C - wing, NABARD Regional Office

NABARD, Head Office NABARD Tower,24.

Plot No. C-24, G-Block, Bandra-Kurla Complex, Rajendra Place, 1st Floor, NABARD Building, Bandra (East), Mumbai- 400 051 New Delhi - 110008

Tel No: 02226539419/26539320 Tel No : 011 41539353 Fax No: 022 26520199 Fax No: 011 41539187 Email id: headoffice@nabcons.in Email id: nabcons@nabard.org

#### NABKISAN FINANCE LIMITED

REGISTERED OFFICE CORPORATE OFFICE

c/o NABARD, c/o NABARD,

NABARD Regional Office Ground Floor, 'D' Wing, 48, Mahatma Gandhi Road, Nungambakkam NABARD Head Office,

Chennai- 600034 Plot No. C-24, G- Block, BandraKurla Complex

Bandra (East) Tel No: 044 28304658/ 28270138 Fax No: 044 42138700 Mumbai – 400051

Email id: adftchennai@gmail.com Tel No: 022 26539514/26539493

Fax No: 022 26530082

c/o NABARD,

Email id: nabkisan@nabard.org

#### NABSAMRUDDHI FINANCE LIMITED

REGISTERED OFFICE CORPORATE OFFICE

c/o NABARD, NABARD Regional Office

Ground floor, D wing 1-1-61, RTC 'X' Road P.B. No. 1863 NABARD Head Office

Hyderabad - 500 020. Telangana C-24, G Block, Bandra-Kurla Complex Mumbai - 400051 Maharashtra, India

NABARD Financial Services Limited

REGISTERED OFFICE / CORPORATE OFFICE

#3072, 14th Cross, K.R. Road, Banashankari 2nd Stage Bengaluru - 560070

Karnataka

Phone - 080-26970500 Email - ho@nabfins.org



#### TRAINING ESTABLISHMENTS

#### **BOLPUR**

Bankers Institute of Rural Development, Bolpur, Bolpur Lodge Development P.O., Bolpur Dist., Birbhum

PIN - 731 204 West Bengal

Tel No : 03463-253 261

Fax No : 03463-252 295/258 202 Fax No : 0522-2421006 Email id : bird.bolpur@nabard.org Email id : bird@nabard.org

#### LUCKNOW

Bankers Institute of Rural

Sector H, LDA Colony Kanpur Road,

Lucknow – 226012 Tel No : 0522-2421954

#### MANGALURU

Bankers Institute of Rural Development Behind Government Polytechnic for

Women

Krishna Nagar Road

Bondel

Mangaluru – 575008 Tel No : 0824-2888501

(Joint Director)

Fax No : 0824-2225835/222<mark>584</mark>4 Email id: bird.mangaluru@nabard.org

National Bank Staff College (NBSC),

Lucknow

Sector H, LDA Colony Kanpur Road Lucknow - 226012

Tel no : 0522-2421065 Fax No : 0522-2421035 email id: nbsc@nabard.org

## **Abbreviations**

ABIC	Agri-Business Incubation Centre	CLCSS	Credit Linked Capital Subsidy
ADB	Asian Development Bank		Scheme
ADFIAP	Association of Development	CLMAS	Centralized Loan Management
	Financing in Asia and the Pacific		and Accounting System
ADP	Adivasi Development Programmes	COP	Convention Of The Parties
ADPG-II	Adivasi Development Programme	CPC	Central Processing Centre
	Gujarat Phase-II	CPI	Consumer Price Index
AE	Advance Estimates	CRAR	Capital to Risk-Weighted Assets
AF	Adaptation Fund	Cluff	Ratio
AHIDF	Animal Husbandry Infrastructure	CRIDA	Central Research Institute for
	Development Fund	CIGDII	Dryland Agriculture
AIBP	Accelerated Irrigation Benefits	CSM	Cooperative Sugar Mill
	Programme	CSO	Central Statistical Office
AMA	Accreditation Master Agreement	CSR	Corporate Social Responsibility
APMC	Agricultural Produce Market	DAC&FW	Department of Agriculture
	Committee	DACKIW	_
APY	Atal Pension Yojana	DAY NDI M	Cooperation & Farmers Welfare
ATMA	Agricultural Technology	DAY-NRLM DCCB	3 3 3
	Management Agency		District Central Cooperative Bank
BC	Business Correspondent	DCMS	Data Collection and Management
BHIM	Bharat Interface for Money	DDM	System
BIRD	Bankers Institute of Rural	DDM	District Development Manager
	Development	DEAF	Depositor Education and
BoS	Board of Supervision	D. 171	Awareness Fund
C-PEC	Centre for Professional Excellence	DFI	(Committee on) Doubling
CILC	in Cooperatives		Farmers' Income
CAD	Current Account Deficit	Dflap	digital Financial Literacy
CAGR	Compound Annual Growth Rate		Awareness Programme
CAMELSC	Capital Adequacy, Asset Quality,	DFP	Designated Food Parks
CHWILLSC	Management, Earnings, Liquidity,	DFS	Department of Financial Services
		DIDF	Dairy Processing and
CDC	Systems and Compliance		Infrastructure Development Fund
CBS	Core Banking Solution	DNPPCL	Devbhumi Natural Products
CCSHAU	Chaudhary Charan Singh Haryana		Producer Company Limited
QT.	Agricultural University	DPR	Detailed Project Report
CF	Contract Farming	DU <mark>G</mark> JY	Deendayal Upadhyaya Gram Jyoti
CFF	Credit Facility to Federations		Yojana
CFI	Comprehensive Financial	EBR	Extra Budgetary Resource
CTT.	Inclusion	eNAM	Electronic National Agriculture
CFL	Centre for Financial Literacy		Markets
CHC	Custom Hire Centre	EPWRF	Economic and Political Weekly
CKYCR	Central KYC Records Registry		Research Foundation
		FAA	Funded Activity Agreement





EAIDE	Eighories and Aguagultura	IME	International Manatawa Fund
FAIDF	Fisheries and Aquaculture	IMF	International Monetary Fund
EC	Infrastructure Development Fund	INM	Integrated Nutrient Management
FC	Farmers' Clubs	IPM	Integrated Pest Management
FCP	Farmers' Club Programme	IRMA	Institute of Rural Management
FI	Financial Inclusion		Anand
FIF	Financial Inclusion Fund	JAM	Jan Dhan-Aadhaar-Mobile
FIG	Farmer Interest Group	JCC	Joint Consultative Committee
FIMMDA	Fixed Income Money Market and	JLG	Joint Liability Group
	Derivatives Association Of India	JLGPI	Joint Liability Group Prom <mark>o</mark> ting
FITF	Financial Inclusion Technology		Institutions
	Fund	KCC	Kisan Credit Card
FL	Family Labour	KGB	Kerala Gramin Bank
FL	Financial Literacy	KJD	Krishi Jal Doot
FLC	Financial Literacy Centre	KVIB	Khadi and Village Industries
FPC	Farmer Producer Company		Board
FPF	Food Processing Fund	KVIC	Khadi and Village Industries
FPO	Farmer Producer Organisation		Commission
FRBM	Fiscal Responsibility and Budget	KYC	Know Your Customer
	Management	LEDP	Livelihood and Enterprise
FSPF	Farm Sector Promotion Fund		Development Programme
GCF	Green Climate Fund	LPA	Long Period Average
GCF	Gross Capital Formation	LTCCS	Long Term Cooperative Credit
GDP	Gross Domestic Product	LICOS	Structure
GLC	Ground Level Credit	LTIF	Long Term Irrigation Fund
GoI	Government of India	LTRCF	Long Term Rural Credit Fund
GPRS	General Packet Radio Service	MACP	Maharashtra Agricultural
GrAMs	Gramin Agricultural Markets	WACI	_
GST	Goods and Services Tax	MACC	Competitiveness Project
GVA	Gross Value Added	MACS	Mutually Aided Cooperative
GVN	Gramya Vikas Nidhi	26427726	Society
GW	Gigawatt	MAVIM	Mahila Arthik Vikas Mahamandal
HDC	Handloom Development	ME	Micro Enterprise
ПЪС		MEDP	Micro Enterprise Development
IIDI	Corporation		Programme
HDI HFPCL	Human Development Index	MFI	Microfinance Institution
HFPCL	Horticulture Farmer Producer	MFP	Mega Food Parks
	Company Limited	MGNREGA	Mahatma Gandhi National Rural
HKKP	Har Khet ko Pani		Employment Guarantee Act
HTF	High-Level Task Force	MIS	Management Information System
IAY	Indira Awaas Yojana	MLC	Mahananda Link Canal
IBC	Insolvency and Bankruptcy Code	MoA&FW	Ministry of Agriculture and
ICRISAT	International Crops Research		Farmers' Welfare
	Institute for the Semi-Arid Tropics	MOEFCC	Ministry of Environment, Forest,
IDI	Inclusive Development Index		and Climate Change
IFAD	International Fund for Agriculture	MoFPI	Ministry of Food Processing
	Development		Industries
IGWDP	Indo-German Watershed		
	Development Programme		

MoSPI	Ministry of Statistics and	NRM	Natural Resource Management
	Programme Implementation	NRSC	National Remote Sensing Centre
MoWR, RD	Ministry of Water Resources,	NSCCC	National Steering Committee on
& GR	River Development and Ganga		Climate Change
w or	Rejuvenation	NVIUC	National Vegetable Initiative for
MDC	Monetary Policy Committee	111100	Urban Clusters
MPC	Milk Producer Company	NWDA	National Water Development
MPC		NWDA	_
MSP	Minimum Support Price	MAD	Agency
MSSVP	Manav Sansadhan Sanskruti	NWR	Negotiable Warehouse Receipt
3.500	Vikash Parishad	OFPO	Off-farm Producer Organisation Off-farm Sector Promotion Fund
MT	Million Tonnes	OFSPF	
MUDRA	Micro Units Development and	PACS	Primary Agricultural Credit
	Refinance Agency		Societies
NABARD	National Bank for Agriculture and	PAR	Performance Assessment Report
	Rural Development	PC	Producer Company
NABIC	NABARD Agri Business	PCARDB	Primary Cooperative Agriculture
	Incubation Centre		and Rural Development Bank
NAFIS	NABARD All India Financial	PCN	Project Concept Note
	Inclusion Survey	PDC	PACS Development Cell
NABCONS	NABARD Consultancy Services	PDMC	Per Drop More Crop
NAC	National Advisory Committee	PDS	Public Distribution System
NAFCC	National Adaptation Fund for	PE	Provisional Estimates
	Climate Change	PFA	Project Facilitating Agency
NAFSCOB	National Federation of State	PLP	Potential Linked Credit Plan
	Cooperative Banks Ltd.	PMAY-G	Pradhan Mantri Awaas Yojana-
NBFC	Non-Banking Financial Companies		Gramin
NBSC	National Bank Staff College	<b>PMFBY</b>	Pradhan Mantri Fasal Bima
NCDC	National Cooperative		Yojana
11020	Development Corporation	PMGSY	Pradhan Mantri Gram Sadak
NCDEX	National Commodity and		Yojana
NCDEA	Derivatives Exchange Limited	PMJDY	Pradhan Mantri Jan Dhan Yojana
NDDB	National Dairy Development	PMKSY	Pradhan Mantri Krishi Sinchayee
NDDB	Board		Yojana
NED		PMKSY	Pradhan Mantri Krishi Sampada
NER	North Eastern Region	11,1101	Yojana
NFSM	National Food Security Mission	PO	Producer Organisation
NGO	Non-governmental Organisation	PODF	Producers Organisation
NIDA	NABARD Infrastructure	TODI	Development Fund
	Development Assistance	POPI	Producer Organisation Promoting
NIE	National Implementing Entity	rori	
NITI	National Institution for	D-C	Institution Reins of Gala
	Transforming India	PoS	Point of Sale
NKFL	NABKISAN Finance Ltd	PPC	Primary Processing Centre
NPA	Non-Performing Asset	PPP	Public Private Partnership
NRIDA	National Rural Infrastructure	PRODUCE	Producers Organisation
	Development Authority		Development and Upliftment
NRLM	National Rural Livelihood Mission		Corpus



PSB PUCB	Public Sector Bank Primary Urban Cooperative Bank	SOFTCOB	Scheme of Financial Assistance for Training of Cooperative Banks'
PVI	Preventive Vigilance Inspection		Personnel
RAPI	Rainfed Area Priority Index	SPV	Special Purpose Vehicle
RBI	Reserve Bank of India	SRI	System of Rice Intensification
RCB	Rural Cooperative Bank	SSA	Sub Service Area
RE	Regulated Entities	SSI	Sustainable Sugarcane Initiative
RE	Revised Estimates	ST	Scheduled Tribe
RFI	Rural Financial Institution	StCB	State Cooperative Bank
RGGVY	Rajiv Gandhi Grameen	STCRC	Short Term Cooperative Rural
	Vidyutikaran Yojana		Credit
RIDF	Rural Infrastructure Development	STRRB	Short Term Regional Ru <mark>ral Ban</mark> k
	Fund		Refinance
RII	Rural Infrastructure Index	ST-SAO	Short Term - Seasonal Agricultural
RKVY	Rashtriya Krishi Vikas Yojana		Operations
RLP	Realistic Lending Programme	SWOT	Strengths, Weaknesses,
RO	Regional Office		Opportunities and Threats
RRB	Regional Rural Bank	TALMS	Treasury and Asset Liability
RSA	Resources Support Agency		Management System
SBLP	SHG-Bank Linkage Programme	TCF	Teesta Canal Fall
SC	Scheduled Caste	TDF	Tribal Development Fund
SCARDB	State Cooperative Agriculture and	UN	United Nations
	Rural Development Bank	UN-HLPF	United Nations - High Level
SCB	Scheduled Commercial Bank		Political Forum
SDGs	Sustainable Development Goals	UNDP	United Nations Development
SDP	Skill Development Programme		Programme
SDP	Sustainable Development Plan	UNFCCC	United Nations Framework
SEBI	Securities and Exchange Board of		Convention on Climate Change
	India	UPI	Unified Payments Interface
SEFASU	Scheme for Extending Financial	UPNRM	Umbrella Programme for Natural
	Assistance to Sugar Undertakings		Resources Management
SEWA	Self Employed Women Association	VCF	Venture Capital Fund
SFAC	Small Farmers' Agri-Business	VPO	Village Producer Organisation
	Consortium	V-SAT	Very Small Aperture Terminal
SFB	Small Finance Banks	VWC	Village Watershed Committee
SFPs	State Focus Papers	WB	World B <mark>ank</mark>
SHG	Self-Help Group	WDF	Watersh <mark>ed Development Fun</mark> d
SHPI	Self Help Promoting Institutions	WIF	Warehouse Infrastructure Fund
SLBC	State Level Bankers' Committee	WSHG	Women Self Help Group
SLCC	State Level Consultative	XIMB	Xavier Institute of Management,
	Committees		Bhubaneswar

