

7

# Effective Governance





**7.1**

# rganisational Profile



## Genesis

The National Bank for Agriculture and Rural Development (NABARD) was established on 12 July 1982, under NABARD Act, 1981, as a Development Financial Institution for fostering rural prosperity.

The paid-up capital of NABARD stood at ₹170.80 billion as on 31 March 2024, and it is fully owned by the Government of India.

## Mandate

NABARD was set up for providing and regulating credit and other facilities for the promotion and development of agriculture, small-scale industries, cottage and village industries, handicrafts and other rural crafts and other allied economic activities in rural areas with a view to promoting integrated rural development and securing prosperity of rural areas and for matters connected therewith or incidental thereto.



## 7.2 Governance Structure

The management and business of NABARD vests with the Board of Directors, appointed by Government of India.

Structure of the Board	Relevant provision of NABARD Act, 1981	Names of Directors
Chairman	Appointed under Section 6(1)(a) of NABARD Act, 1981	Shri Shaji K. V.
Experts from field such as rural economics, rural development, cottage and village industries, cooperative banks, regional rural banks, etc.	Appointed under Section 6(1)(b) of NABARD Act, 1981	Dr Urvish Shah
Directors from out of Directors of RBI	Appointed under Section 6(1)(c) of NABARD Act, 1981	Dr M. D. Patra Smt Revathy Iyer Dr Ravindra H. Dholakia
Directors from Central Government	Appointed under Section 6(1)(d) of NABARD Act, 1981	Shri Manoj Ahuja Shri Shailesh Kumar Singh Dr M. P. Tangirala
Directors from State Governments	Appointed under Section 6(1)(e) of NABARD Act, 1981	Shri Ashok Barnwal Shri Gopal Krishna Dwivedi Shri Vinod Kumar Suman
Managing Director	Appointed under Section 6(1)(g) of NABARD Act, 1981	This post is vacant
Deputy Managing Directors	Appointed under Section 6(3) of NABARD Act, 1981	Shri Goverdhan Singh Rawat Dr Ajay K. Sood

### Committees of the Board

❖ Executive Committee

❖ Audit Committee

❖ Risk Management Committee

❖ Premises Committee

❖ Human Resources Committee

❖ Information Technology Committee

❖ Sanctioning Committee

❖ Review Committee on Wilful Defaulters

❖ Review Committee on Non-Cooperative Borrowers

❖ Stakeholders Relationship Committee



## 7.3 Audit Committee of the Board

The Audit Committee of the Board (ACB) was constituted by the Board under Section 13(3) of NABARD Act, 1981.

### Brief description of terms of reference:

- ✘ The ACB may provide direction as also oversee the operation of the total audit functions. Total audit function will imply the organisation, operationalisation and quality control of internal audit and inspection within the institution and follow-up on the statutory/external audit and inspections of the Reserve Bank of India (RBI).
- ✘ As regards internal audit, the ACB may review the internal inspection/audit function in the institution – the system, its quality, and effectiveness in terms of follow-up. It may also focus on the follow-up on frauds and major areas of housekeeping.
- ✘ Regarding statutory audits, the ACB may follow-up on all the issues raised in the reports. It may interact with the external auditors before the finalisation of the annual financial accounts and reports.
- ✘ Review and follow-up on all the issues/concerns raised in the inspection reports of the RBI.
- ✘ Review of implementation of Ind AS.
- ✘ Review of implementation of Basel III norms.
- ✘ Review of implementation of risk-based internal audit.
- ✘ Review & follow-up of information security (IS) audit observations.
- ✘ Interaction with rating agencies.
- ✘ Any other related issue.



## 7.4 Risk Management Committee of the Board

The Risk Management Committee of the Board (RMCB) was constituted by the Board under Section 13(3) of NABARD Act, 1981.

### Brief description of terms of reference:

- ✘ Devise policy and strategy for integrated risk management containing various risk exposures of the bank including the credit risk. For this purpose, the RMCB should effectively coordinate between the Enterprise Risk Management Committee (ERMC), the Asset Liability Management Committee and other risk committees of the bank, if any.
- ✘ Decide the policy and strategy for integrated risk management containing various risk exposures of the bank including the market risk.
- ✘ Set policies and guidelines for market risk measurement, management, and reporting.
- ✘ Ensure that market risk management processes (including people, systems, operations, limits, and controls) satisfy the bank's policy.
- ✘ Review and approve market risk limits, including triggers or stop-losses for traded and accrual portfolios.
- ✘ Ensure robustness of financial models, and the effectiveness of all systems used to calculate market risk.
- ✘ Decide the operational risk policies and issues delegated to it by the Board.
- ✘ Review profiles of operational risk throughout the organisation.
- ✘ Decide operational risk capital methodology and resulting attribution.
- ✘ Decide and review rating norms of various clients.
- ✘ Decide the exposure norms for various clients/client groups.
- ✘ Review the exposure to clients at quarterly rests.
- ✘ Set and approve expressions of risk appetite, within overall parameters set by the Board.
- ✘ Reinforce the culture and awareness of operational risk management throughout the organisation.
- ✘ Any other matter that the Board may assign to it.



Note: Independent/ External auditors are appointed by NABARD to express opinion on the financial statements of NABARD, based on their audit to have a true and fair value of the financial position, financial performance, and cash flows of the Bank, and to ensure conformity with standard accounting principles.



## 7.5 We have a Pan India Presence



Map not to scale. For illustrative purposes only.

**27**

Departments at  
Head Office, Mumbai

**31**

Regional Offices covering all  
States & Union Territories

**479**

District Development  
Offices

NABARD has **417** standalone DDMs and 4 DDM-Rs, 58 Cluster Officers serving 28 cluster offices, and **31** regional offices serving 758 districts in India.

### Structure of Training Establishments



#### National Bank Staff College, Lucknow

Catering to training needs of  
officers of NABARD



#### Bankers' Institute of Rural Development, Lucknow, Kolkata and Mangaluru

Catering to training and capacity building  
needs of bankers, NGOs & other  
developmental agencies, across India and  
Asia-Pacific countries

## 7.6 Our Ethics, Values and Principles

**Over the course of its four-decade journey, NABARD has established a commendable reputation for conducting its affairs with honesty, ethics, and integrity, while steadfastly supporting the development of the nation.**

The organisation has cultivated a brand identity that emphasises integrity and unwavering honesty, consistently upholding the highest moral and ethical standards in all its endeavours. The core values serve as the bedrock of NABARD's operations, fostering leadership that is grounded in teamwork, vigilance, transparency, trust, integrity, excellence, and respect for both institutions and individuals.

NABARD's relationships with client institutions and beneficiaries are founded on principles of mutual respect, transparency, vigilance, integrity, and honesty. Vigilance is integral to NABARD's management

approach, ensuring that systems, practices, and processes function effectively through stringent checks and controls. The Vigilance Cell is dedicated to implementing proactive measures to avert issues through ongoing monitoring, enhancements to systems, and initiatives aimed at raising staff awareness.

In alignment with its commitment to transparency and regulatory compliance, NABARD has effectively responded to requests for information under the Right to Information (RTI) Act, 2005. Additionally, it enforces a Whistleblower Policy to uphold the highest ethical, moral, and business

standards within the organisation, fostering a culture of sustainable corporate governance. This policy empowers employees to report any unethical practices, misconduct, or violations of service rules.

In accordance with the Provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (14 of 2013), Central Complaints Committee at the Head Office (HO) and Regional Complaints Committee at the regional offices (ROs) of NABARD are functioning effectively to deal with said complaints.







## 7.7 Risk Management

**NABARD has developed a robust and independent Risk Governance framework for Integrated Enterprise Risk Management, which encompasses Credit, Market, Operational, and Compliance Risks. This framework is seamlessly integrated into all business operations, ensuring that the risk profile of borrowers aligns with NABARD's risk appetite.**

Additionally, procedures have been established to regularly present risk assessment and management strategies to the Enterprise Risk Management Committee, the Risk Management Committee of the Board, and the Board of Directors.

In recent years, NABARD has implemented several essential systems and processes, enhanced its risk management frameworks, and automated its enterprise risk management system (ERMS) to effectively mitigate enterprise risks while ensuring business performance and continuity. Regular inspections are conducted to maintain checks and balances within the system, and mid-office functions have been fortified to manage risks and evaluate profit and loss.

### New risk management initiatives at NABARD

NABARD has introduced various improved/new systems and processes to strengthen its risk management framework. These include:

- ✦ establishing a framework for time-bound review of all NABARD policies;
- ✦ aligning all the risk management policies of NABARD to comply with the three pillars of the (recently introduced) Basel III framework: minimum capital requirement, supervisory review process, and market discipline;
- ✦ refining all the risk management policies and aligning them with the latest regulatory guidelines and industry best practices;
- ✦ introducing a committee-based approach for the sanction of refinance, direct finance and grants, as well as costs related to stressed assets management;
- ✦ constituting a tier of risk management committees headed by deputy managing directors – Credit Risk Management Committee, Operational Risk Management Committee, and Market Risk Management Committee;
- ✦ preparing standard operating procedures for NABARD business products in coordination with concerned business departments;
- ✦ upgrading the internal risk rating model for NABARD Infrastructure Development Assistance loans from a 4-point scale to a 9-point scale;
- ✦ implementing an enhanced early warning signal and default forecasting model for Non-Banking Financial Companies (NBFCs) and NBFC-microfinance institutions;
- ✦ initiating the process for reviewing, validating, and refining extant internal risk rating models;
- ✦ conducting regional risk awareness workshops to foster a robust risk management culture at all levels of staff; five workshops were held in FY2024;
- ✦ introducing new policies on outsourcing of information technology services and market risk management; two new policies were introduced in FY2024;
- ✦ refining the process of review of new/improved products and processes based on the recommendations of the New Product Approval Committee; and
- ✦ framing policies on major areas of work



## Pragati 1.0

NABARD adopted a Board-approved Five-Year Strategic Plan, named 'Pragati 1.0', starting from 1 April 2023. This plan, framed around 7 broad visions and supported by 86 strategies, aims to achieve 386 milestones and guide NABARD's institutional journey till FY2028. The objective of the plan is to promote inclusive growth and sustainable development, strengthen the resilience of rural credit institutions, and achieve meaningful business expansion. 'Pragati 1.0' reflects NABARD's commitment to embracing innovation and going beyond traditional annual planning. It is designed to be strategic, people-focussed, technologically advanced, and solution-oriented. As on 31 March 2024, 96 milestones have been achieved.

## Unveiling the New NABARD for Tomorrow's India (UNNATI)

To augment internal capabilities for effective implementation of 'Pragati 1.0', NABARD's repositioning exercise has been christened 'Unveiling the New NABARD for Tomorrow's India (UNNATI)'. As a part of this exercise, the following initiatives have been prioritised:

- ❖ **Renewed model of state financing:** NABARD, as the development partner of choice for state governments will meet their capital outlay requirements in areas aligned to its mandate and cocreate rural infrastructure development projects with them with a credit-plus offering. Under this initiative, each state government would be visualised



as a 'Segment of One' and customised finance and finance-plus offerings provided, based on its unique needs.

- ❖ **Climate financing:** During the year, NABARD came out with a 'green taxonomy' which is now being incorporated into credit assessment as also for tagging green projects. India's first subnational climate finance facility was successfully launched on 20 February 2024 with NABARD as the anchor, with a memorandum of understanding signed with the Government of Goa.
- ❖ **Partnership with multilateral development banks (MDBs):** NABARD is collaborating with MDBs, such as the World Bank, International Finance Cooperation, Asian Development Bank, Japan International Cooperation Agency, GiZ, Rabo Partnerships, etc., for the co-financing of projects, technical and operational assistance, and knowledge partnerships.
- ❖ **Shared services entity:** NABARD proposes to set up a shared

services entity for cooperative banks to provide tech-led Core Banking Solutions Plus services at par with scheduled commercial banks. This will create the necessary scale in operations to ensure cost effective and efficient delivery of solutions to the last-mile rural financial institutions.

- ❖ **Purpose-bound loans for agriculture:** NABARD is closely associated with the Reserve Bank of India, the State Bank of India, and stakeholders to pilot a mechanism to deliver purpose-bound loans using the central bank digital currency. The digital workflow for the pilot is being finalised.
- ❖ **Farmer Producer Organisation accelerator:** NABARD is designing an accelerator model for Farmer Producer Organisation (FPOs) which shall be launched for a select cohort of FPOs with strategic partnerships for on-ground implementation and support.