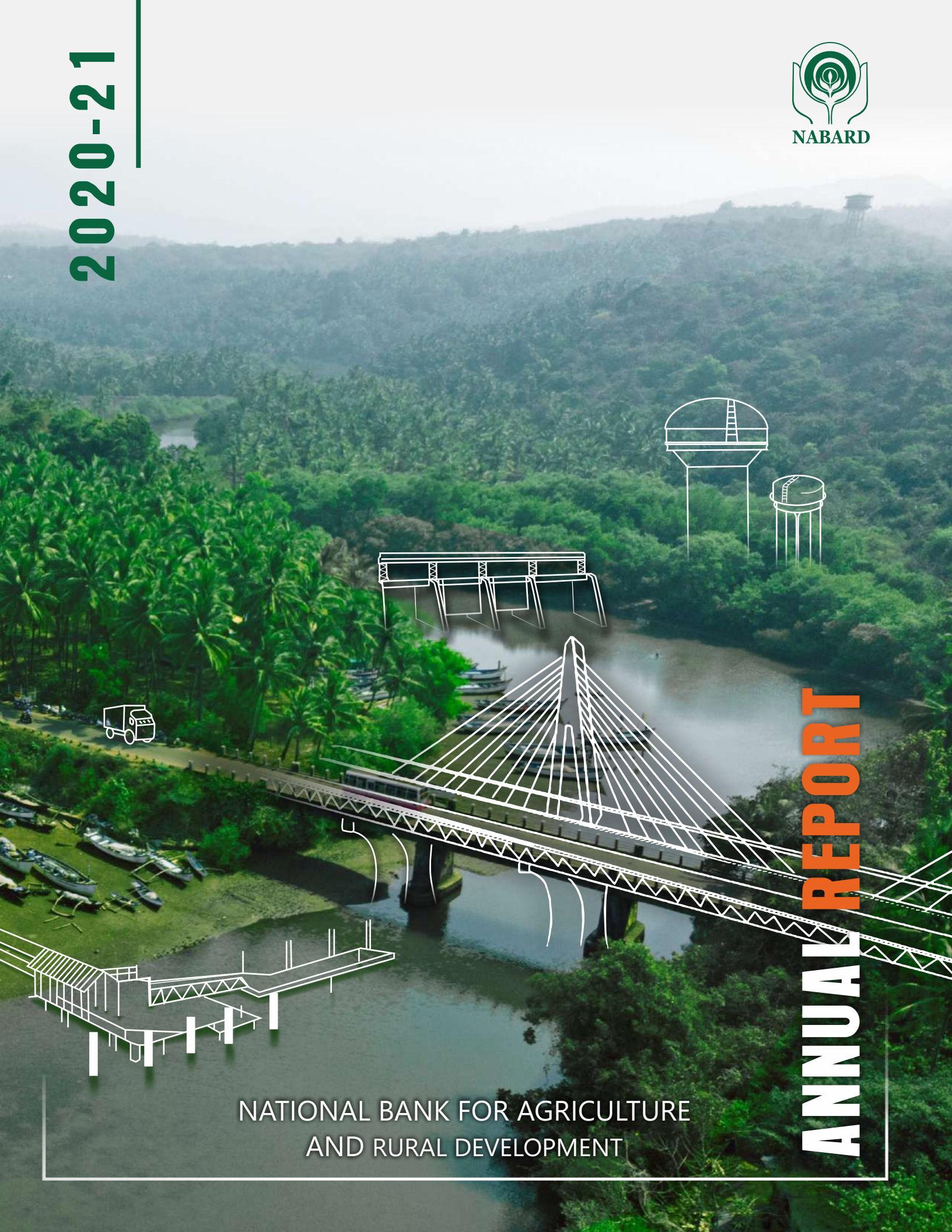


2020-21



ANNUAL REPORT

NATIONAL BANK FOR AGRICULTURE
AND RURAL DEVELOPMENT

2020-21



ANNUAL REPORT

NATIONAL BANK FOR AGRICULTURE
AND RURAL DEVELOPMENT

On the cover:

Infrastructure has the strength to transform life in a rural setting. Check dams, irrigation projects, road connectivity, bridges, renewable power, silos, jetties for fishing and tourism, cold chain, godowns, modern agriculture, and other civic and social amenities are essential for rural India to leapfrog to catch up with urban India and the rest of the world. The cover is an artist's impression of how rural infrastructure in a fishing village near Goa could metamorphose an idyllic landscape into a modern economically vibrant setting.

Photo credits: NABARD, except those mentioned below.

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अध्यक्ष
Chairman



Ref.No.NB.Secy/225/AR-1/2021-22

27 May 2021

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

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

Dear Sir

Letter of Transmittal

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

- i. A copy of the audited Annual Accounts of National Bank for the year ended 31 March 2021 along with a copy of the Auditors' Report, and
- ii. Two copies of the Annual Report of the Board of Directors on the working of National Bank during the year ended 31 March 2021.

Yours faithfully


(Dr. G.R. Chintala)

राष्ट्रीय कृषि और ग्रामीण विकास बैंक

National Bank for Agriculture and Rural Development



भारत के उपराष्ट्रपति
VICE-PRESIDENT OF INDIA
MESSAGE

My congratulations to the entire team at NABARD on their 40th Foundation Day on 12 July 2021.

In the past, I have had the opportunity to observe the activities of NABARD and deeply appreciate the outstanding work being done by the Bank and its contribution to nation's policy making.

Agriculture in India is witnessing a rapid transformation and there is a need to get the rural economy ready for the youth of tomorrow. Skilling farmers and taking technology to the fields will be the key to catalyse this transformation. In all these aspects, I would urge NABARD to keep the small and marginal farmers of our country at the core of all its strategies and programme implementation.

I take this opportunity to once again, congratulate every NABARDIAN and urge them to renew their dedication and commitment to the cause of agriculture and rural development in our country.


(M. Venkaiah Naidu)

New Delhi
7th July, 2021.



सत्यमेव जयते

प्रधान मंत्री
Prime Minister

MESSAGE

It is a pleasure to learn about the 40th Foundation Day celebrations of National Bank for Agriculture and Rural Development (NABARD). The occasion marks an important milestone in the course of the institution's journey that has been steadfast in its efforts towards the cause of agriculture and rural economy.

Self-reliant rural economy is necessary for Aatmanirbhar Bharat. Our Government has been taking concrete measures over the last 7 years to provide new solutions and options in farming.

We are committed to empower our close to 12 crore small farmers and help them become the driving force of rural economy. Our hardworking farmers have made record production in farming amid the unprecedented challenges of Corona.

With the ever-increasing agricultural production, there is a need of post-harvest revolution and value addition. We are striving tirelessly to intensify our speed and scale to achieve this. We have been taking comprehensive steps to get a complete solution, from irrigation to sowing, harvesting and earnings that is technology enabled. Our focus is to encourage the youth and promote start-ups associated with the agriculture sector.

We are giving impetus to create a scientific ecosystem, speed up development according to the wishes and expectations of villages and transform the agriculture sector of the country through holistic approach. With the experience and vision in the domain, NABARD is one of the valued stakeholders.

May the 40th Foundation Day celebrations inspire members of NABARD to rededicate themselves to the pledge of redevelopment of rural India. The organization will continue to strive in service of the agriculture sector and our farmers with a new resolve and renewed energy.

I wish the 40th Foundation Day celebrations all success.

(Narendra Modi)

New Delhi

आषाढ 16, शक संवत् 1943

July 07, 2021

Dr. G. R. Chintala

Chairman, NABARD

Plot No. C-24, 'G' Block

Bandra-Kurla Complex, Bandra (E), Mumbai

Maharashtra- 400051

Message on the 40th Foundation Day of NABARD



40th
Foundation Day
Celebrating Development





1982–1991: Energising rural credit

1992–2001: Empowering women and strengthening rural infrastructure

NABARD is born

FY1983

- Vikas Volunteer Vahini (VVV)
- Created R&D fund

FY1989

- DDM
- PLP

FY1991

- Trebling of balance sheet in a decade

- Balance sheet size of ₹4,519 crore
- To provide undivided attention to rural India
- 'Development through Credit' through VVV—later, 'Farmers' Club'
- Norms for lending credit (scale of finance & unit cost) derived

- Offices opened under district development managers
- Annual district-wise potential linked credit plans initiated

- Balance sheet reached ₹12,751 crore on 31 March 1991

FY1993

- SHG-BLP
- Indo-German Watershed Development Programme in Maharashtra

- SHG-BLP started with a pilot of 500 SHGs
- Engaged in watershed development programmes since 1992

FY1996

- RIDF

- GOI instituted RIDF in NABARD with ₹2,000 crore as initial corpus

FY1997

- NABFINS
- NABKISAN
- NABSAMRUDDHI

- NABFINS: To provide micro-finance for the needy in rural, semi-urban, and urban areas
- NABKISAN: To provide credit to MFIs, NBFCs, and FPOs, which extend micro-credit to agriculture and rural enterprises towards livelihood/income generation
- NABSAMRUDDHI: To provide credit facilities to individuals and legal entities for promotion and expansion of enterprises in non-farm activities including micro-finance, MSME, housing, education, transport, etc.

FY2001

- Trebling of balance sheet in a decade
- 'Status of Microfinance' first published

- Balance sheet size reached ₹38,816 crore on 31 March 2001

FY1999

- KCC

- Kisan Credit Cards issued to farmers to help them readily purchase agriculture inputs such as seeds, fertilisers, and pesticides, and draw cash for their production needs

FY2000

- WDF

- Watershed Development Fund instituted in NABARD with a corpus of ₹200 crore

FY2021

- RIAS
- NABSANRAKSHAN
- New refinance products
- Quadrupling of balance sheet in a decade

- RIAS: To augment investment in rural infrastructure and support livelihoods initially in Eastern region and Eastern Uttar Pradesh
- NABSANRAKSHAN: To promote the flow of institutional credit for sustainable and equitable agriculture and rural development by operationalising various government credit guarantee funds
- Special LT refinance schemes post-pandemic to:
 - convert PACS to MSCs
 - support beneficiaries of watershed and wadi project areas
 - promote micro food processing activities
 - finance WASH projects
- Balance sheet size reached ₹6,57,798 crore on 31 March 2021

- MIF: To ensure water-use efficiency and water conservation, while also increasing irrigation coverage
- NABFOUNDATION: To implement NABARD's developmental initiatives and to network, coordinate, and collaborate with other organisations to execute projects for CSR activities

FY2020

- MIF
- NABFOUNDATION

NABARD Evolution, 1982-2021(A)

2002–2011: Reaching the unreachable

FY2003

- NABCONS
- TDF



- NABCONS: To provide consultancy in agriculture, rural development, and allied areas
- TDF: To benefit tribal families

FY2007

- MEDPs
- JLGs
- Interest Subvention Scheme



- MEDP: To provide livelihood for members of mature SHGs
- JLGs: To augment credit flow to tenant and landless farmers by extending collateral free loans and building mutual trust and confidence between banks and JLG members
- Under interest subvention scheme of the GOI, farmers get crop loans @4% after interest subvention of 2% to banks and 3% incentive for prompt repayment

FY2005

- Farmers' Clubs, earlier, VVV



- FCs: To build capacity and empower the farming community, especially, the small and marginal farmers

FY2008

- FIF and FITF later merged to FIF
- UPNRM



- FIF and FITF: To support infrastructure creation and stakeholder capacity building to promote financial inclusion.
- UPNRM: To support community-based natural resources management projects

FY2018

- NAFIS
- Credit guarantee for FPOs
- DIDF



- NAFIS: All India Rural Financial Inclusion Survey report was published
- Credit Guarantee Scheme facilitates bank financing to FPOs
- DIDF: To ensure competitiveness of dairy cooperatives to secure benefits for dairy farmers

2012–2021: Building an aspiring India

FY2019

- FIDF
- PMAY-G
- NABVENTURES



- FIDF: To boost fish production from 11.4 million tonne to 15 million tonne by FY2020 and 20 million tonne by FY2023
- PMAY-G: supported by NABARD through NRIDA
- NABVENTURES:
 - an early- to mid-stage venture growth equity fund
 - emerging as one of the leading funds in the agri-tech space in India

FY2017

- LTRCF
- OFPO
- CCF



- LTRCF: To refinance cooperative banks and RRBs to extend concessional term loans to farmers
- OFPO: To support collectives of off-farm producers such as handloom weavers and handicraft workers
- CCF: To support activities to address climate change issues

FY2015

- E-Shakti



- E-Shakti: provides an end-to-end solution to the SHG-BLP by standardising books of accounts and bringing transparency and regularity in operations in a digital ecosystem

FY2014

- WIF



- WIF: To extend credit for expansion of decentralised modern scientific storage capacity and post-harvest credit to farmers

FY2012

- NIE



- First NIE in Asia for Adaptation Fund Board

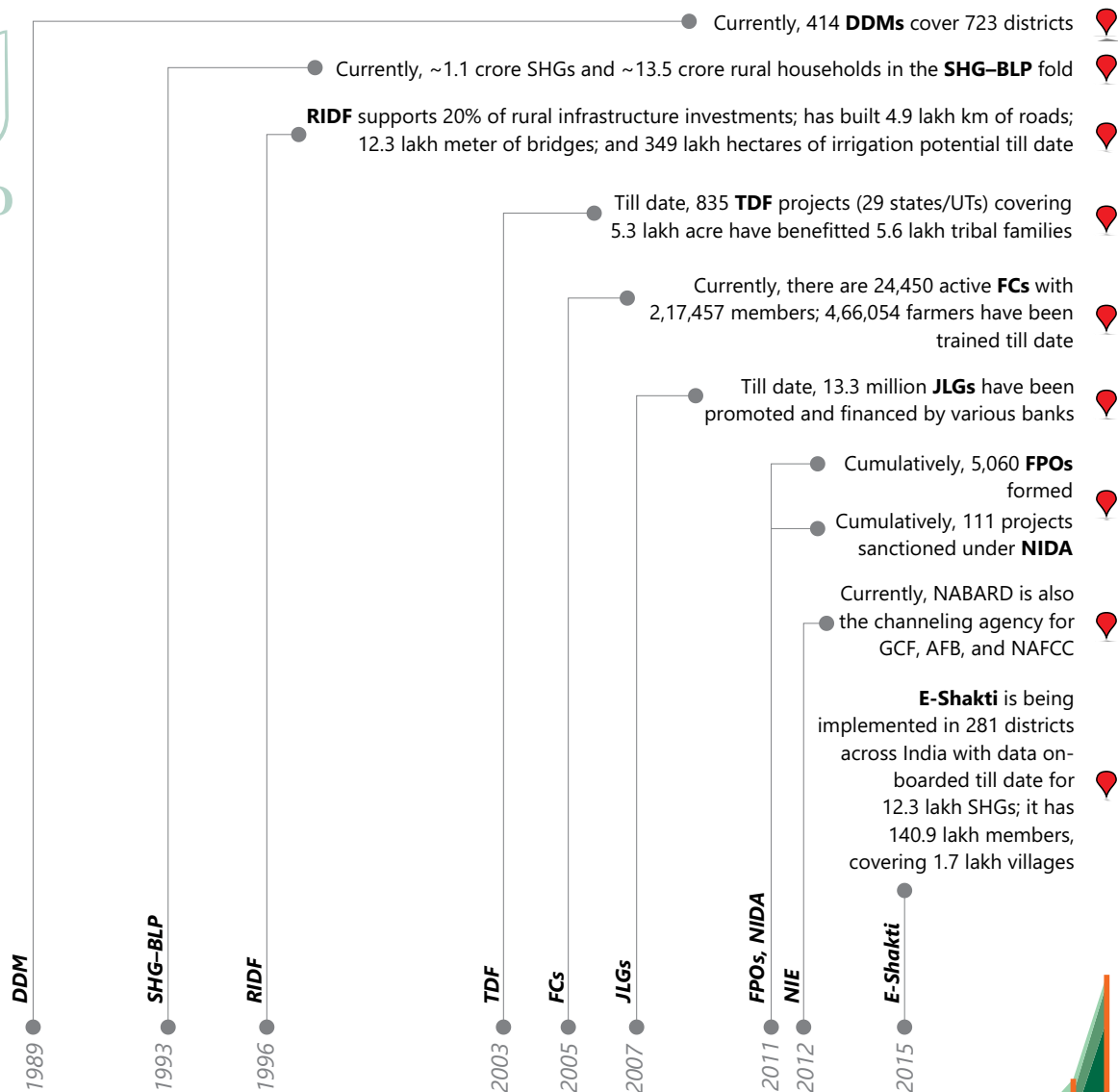
FY2011

- NIDA
- PODF
- Quadrupling of balance sheet in a decade

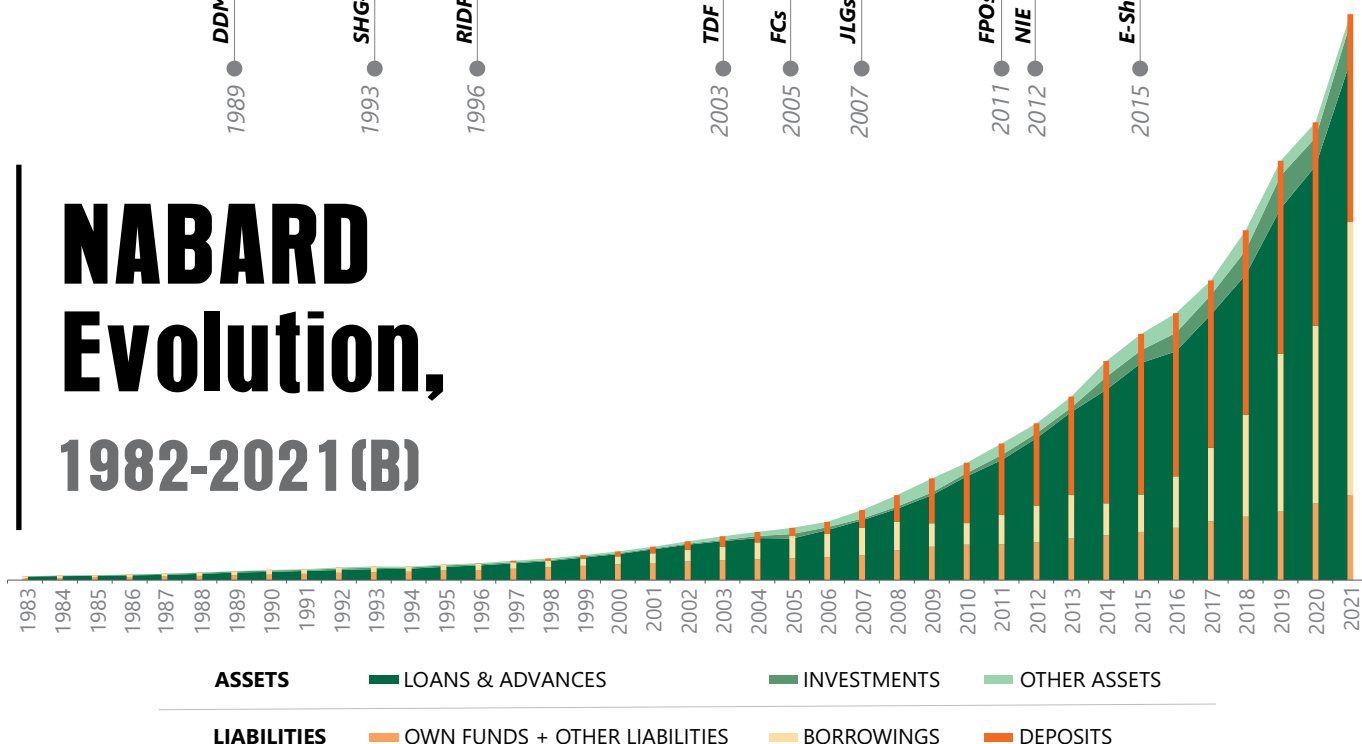


AFB	Adaptation Fund Board	NIDA	NABARD Infrastructure Development Assistance
CCF	Climate Change Fund	NIE	National Implementing Entity
CSR	Corporate Social Responsibility	NRIDA	National Rural Infrastructure Development Agency
DDM	District development manager	OFPO	Off-Farm Producers' Fund
FC	Farmers' Club	PACS	Primary agricultural credit societies
FIDF	Fisheries and Aquaculture Infrastructure Development Fund	PLP	Potential linked credit plan
FIF	Financial Inclusion Fund	PMAY-G	Pradhan Mantri Awaas Yojana-Gramin
FITF	Financial Inclusion Technology Fund	PODF	Producers' Organisation Development Fund
FPO	Farmer Producers' Organisation	RIAS	Rural Infrastructure Assistance to State Governments
GCF	Green Climate Fund	RIDF	Rural Infrastructure Development Fund
GOI	Government of India	SHG	Self-help group
JLG	Joint liability group	SHG-BLP	SHG-Bank Linkage Programme
KCC	Kisan Credit Card	UPNRM	Umbrella Programme for Natural Resource Management
LTRCF	Long Term Rural Credit Fund	WASH	Water, Sanitation, and Hygiene
MFI	Micro-Finance Institution	WDF	Watershed Development Fund
MSC	Multi-service Centre	WIF	Warehouse Infrastructure Fund
MSME	Micro, small, and medium enterprises		
NAFCC	National Adaptation Fund for Climate Change		
NAFIS	NABARD All India Rural Financial Inclusion Survey		

NABARD Evolution, 1982-2021 (Notes)



NABARD Evolution, 1982-2021(B)



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



Dr G. R. Chintala
Chairman

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



Dr M. D. Patra



Ms Revathy Iyer

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



Shri Sanjay Agarwal



Shri Nagendra Nath Sinha



Shri Sanjeev Kaushik

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



Shri Alok Sinha



Shri Hans Raj Verma



Dr M. V. Rao

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



Shri P. V. S. Suryakumar



Shri Shaji K. V.



“ *Like tiny seeds with potent power to push through tough ground and become mighty trees, we hold innate reserves of unimaginable strength. We are resilient.* ”

—Catherine DeVrye

The Annual Report for FY2021 is unlike any of its predecessors. For it was an incredibly challenging year like none witnessed ever in our collective memories. It was also an exceptional year that demonstrated the indomitable spirit and the resilience of humankind. This, then, is a report on response, rehabilitation, recovery, reinvention, and yes... *resilience* that can infuse immense confidence in the power of grit, determination, and the human capacity to face and fight against all adversities.

—G. R. Chintala



The country has just battled one of the worst tragedies of human history due to the COVID-19 pandemic. Entire families have been wiped out, millions of livelihoods lost and the economy ravaged. But during these gloomy and desperate times, the courage and unassailable spirit of the masses shone through, and with the steadfast and unflinching support of the government, the country rallied together and remained resilient throughout.

NABARD, amidst all this, stood tall and delivered. We strove to fulfil our objectives and mission of promoting and supporting agriculture and rural development through various interventions and initiatives, and succeeded enormously. I am happy to present the Annual Report for FY2021 as a testament to our excellent performance during these testing times.

But before I say anything further, let me place on record my deep gratitude for the sacrifices made by our staff who braved the pandemic to serve our partners in need, despite the loss of their near and dear ones. We too lost some of our employees to the deadly virus. I express my heartfelt condolences to the bereaved and I promise that NABARD will continue to do everything in its power to provide succour to the grieving families.

NABARD's remarkable performance was achieved by reorienting our products and policies to suit the emerging situation. We took care of the needs of our ultimate client, the farmer; constantly interacted with highest policy level functionaries; dovetailed our projects to the Government of India's (GOI's) economic revival packages; and adopted information and communication technology to deal with the challenges of the changed work scenario during lockdown.

I am glad to announce that NABARD's balance sheet size reached ₹6.57 lakh crore as on 31 March 2021, most of which is on account of non-idle (earning) assets that, in turn, helped create private and public investments at the ground level. We achieved a record year-on-year growth of 24% in our total assets and similar impressive growth in loan portfolio.

Thanks to the GOI's AatmaNirbhar Bharat package and our hardworking farmers, the agricultural sector recorded a growth of 3.6% last year and is likely to repeat the performance in FY2022. Agricultural credit outstanding grew at 12.3% in FY2021, highest across all sectors. This gives us confidence to meet the target of ₹16.5 lakh crore rural credit flow set by the Union Budget 2022, as the monsoon during current year too is expected to be normal.

Our loans and advances grew faster at 25.2% in FY2021 compared to 11.5% in previous year. Notably, half of the total loans outstanding of ₹6 lakh crore was for credit support of production activities at the grassroots and a third for infrastructure development. The ₹25,500 crore Special Liquidity Facility (SLF) and ₹1,567 crore additional SLF given upfront to cooperative banks, regional rural banks, and micro-finance institutions enabled unhindered flow of credit to farmers for seasonal agricultural operations while the Long Term Rural Credit Fund helped enhance on-farm capital formation.

NABARD has been a major player in the infrastructure space with 7.1 lakh projects (including Bharat Nirman) sanctioned since inception of RIDF under agriculture, irrigation, connectivity, and social infrastructure categories. We designed a new line of credit to partake in the \$5 trillion economy drive, viz., Rural Infrastructure Assistance to the State Governments (RIAS). The RIAS aims to create infrastructure to support livelihoods in Eastern India, which not only lagged behind in physical and social infrastructure, but also bore the brunt of post-pandemic reverse migration. We continued to support post-harvest infrastructure creation—the process of geo tagging of agri-storage infrastructure across the country was completed by our subsidiary NABCONS, which I'm sure, will pave way for a storage-on-call revolution.

To address the issue of reverse migration and boost agricultural and rural growth in the post-pandemic era, special refinance schemes for NABARD-supported watershed and wadi areas, a scheme for promoting micro- food processing units, and a special refinance scheme on water, sanitation, and hygiene (WASH) projects were introduced.

We also launched an agriculture infrastructure scheme for primary agricultural credit societies at an effective interest rate of just 1%.

I strongly believe that the future of agriculture lies in the use of technology and hence, we intensified our efforts to encourage start-ups and the innovation ecosystem through agri-business incubation centres. We funded the Madurai Agri-Business Incubation Forum at Tamil Nadu Agricultural University, which has been enabling product fine-tuning, market validation, business plan preparation, and even providing legal assistance to new ventures.

Our philosophy of building strong grassroots institutions as long-term social investment was vindicated last year when self-help groups (SHGs) and farmer producers' organisations (FPOs) effectively engaged in the larger cause of fighting the pandemic. More than one crore SHGs were financially empowered with ₹1.03 lakh crore outstanding loan and over 5,000 FPOs were formed and handheld to build their capacity to participate in, contribute to, and thrive in the growth process. Further, to facilitate bank financing to FPOs, a Credit Guarantee Fund of ₹1,000 crore with matching contributions from the GOI and NABARD was set up under NABSANRAKSHAN, a new subsidiary of NABARD. We also intensified our efforts in addressing climate change issues through cumulative disbursement reaching ₹868.5 crore to the sanctioned projects under various national and global funding arrangements.

NABARD sincerely acknowledges the support extended by the GOI (especially, the Department of Financial Services, Ministry of Finance), the Reserve Bank of India, and our partners from the banking fraternity, civil society organisations, and most importantly, farmers.

I also express my gratitude to the international community for appointing me as the Chairman of Asia-Pacific Rural and Agricultural Credit Association (APRACA). I am positive that fruitful partnerships among the nations of the Asia Pacific through the APRACA will lead to the creation of a more robust rural and agricultural ecosystem.

As I write this message, the second pandemic wave is receding, vaccination drive has intensified, and despite the shadow of a third wave looming large, I am unhesitatingly and unwaveringly hopeful of a vibrant rural economy and a rejuvenated agricultural ecosystem. Having just celebrated the 40th Foundation Day of our venerable institution, I seek your blessings for NABARD to embark on an awe-inspiring journey ahead and take leave of you with this motivating quote by Gregory S. Williams:.

‘On the other side of a storm is the strength that comes from having navigated through it. Raise your sail and begin.’

Dr G. R. Chintala
Chairman

NABARD at a Glance

(amount in ₹ crore as on 31 March)

Sources of Funds	2021	2020	Net accretion
Capital	15,080	14,080	1,000
Reserves & Surplus	39,269	34,951	4,318
National Rural Credit (Long-Term Operations) Fund	14,497	14,495	2
National Rural Credit (Stabilisation) Fund	1,597	1,595	2
Deposits (Tea/Coffee/Rubber)	64	61	3
Bonds & Debentures	1,95,882	1,39,752	56,130
Borrowings Jawaharlal Nehru National Solar Mission (JNNSM)	3	3	0
Foreign Currency Loan	960	1,052	-92
Commercial Paper	42,457	24,036	18,421
Statutory Liquidity Facility from Reserve Bank of India	24,567	0	24,567
Collateralised Borrowing and Lending Obligation (CBLO)	12,044	6,225	5,819
Certificate of Deposits	11,590	21,145	-9,555
Term Loan from Banks	26,435	7,000	19,435
Term Money Borrowing	3,602	7,210	-3,608
Repo Account	0	0	0
Rural Infrastructure Development Fund (RIDF) Deposits	1,36,227	1,30,442	5,785
Short Term Cooperative Rural Credit Fund	44,644	44,787	-143
Short Term Regional Rural Bank Credit Refinance Fund	9,921	9,953	-32
Warehouse Infrastructure Fund (WIF)	5,540	5,940	-400
Food Processing Fund	350	350	0
Long Term Rural Credit Fund	44,826	44,930	-104
Other Liabilities	18,386	15,600	2,786
Other Funds	9,857	8,468	1,389
TOTAL	6,57,798	5,32,075	1,25,723

Uses of Funds	2021	2020	Net accretion
Cash and Bank Balances	4,408	11,997	-7,589
CBLO/Tri-party Repo	0	0	0
Investments in:			
Government Securities	38,435	23,248	15,187
Other Approved Securities	0	0	0
Equity Shares	1,110	1,114	-4
Debentures and Bonds	1,475	2,246	-771
Shareholding in Subsidiaries & Joint Ventures	480	415	65
Others	3,295	5,865	-2,570
Sub Total	44,795	32,888	11,907
Loans & Advances:			
Production & Marketing Credit	1,06,372	68,693	37,679
Conversion Loans for Production Credit	15	92	-77
Medium Term and Long Term Project Loans	1,98,800	1,65,980	32,820
Direct Refinance to District Central Cooperative Banks	4,567	3,026	1,541
Loans under RIDF	1,32,724	1,25,647	7,077
Loans under WIF	5,155	5,165	-10
Long Term Non-Project Loans	59	63	-4
Loans under NABARD Infrastructure Development Assistance	17,999	11,751	6,248
Loans under Producers' Organisation Development Fund	38	83	-45
Credit Facility to Federations	20,038	12,123	7,915
Loans under Food Processing Fund	293	279	14
Loans under Long Term Irrigation Fund	51,713	44,687	7,026
Pradhan Mantri Awaas Yojana – Gramin	48,819	28,819	20,000
Special Development Debentures of SCARDBs*	710	1,118	-408
Other Loans (including JNNSM)	103	337	-234
Loans under Micro-Irrigation Fund	1,827	0	1,827
Loans under Fisheries and Aquaculture Infrastructure Development Fund	194	0	194
Swachh Bharat Mission – Gramin	12,298	12,298	0
Dairy Processing and Infrastructure Development Fund	956	1,010	-54
Green Climate Fund	320	344	-24
Sub Total	6,03,000	4,81,515	1,21,485
Fixed Assets	566	530	36
Other Assets	5,029	5,145	-116
TOTAL	6,57,798	5,32,075	1,25,723

* amount subscribed to Special Development Debentures of State Cooperative Agriculture and Rural Development Banks (SCARDBs) which are in the nature of deemed advances

Key Data References: Part A



Growth rate of different sectors of economy at 2011-12 constant prices

Sector	FY2019	FY2020	FY2021
GVA	5.9	4.1	-6.2
i. Agriculture	2.6	4.3	3.6
ii. Industry	5.3	-1.2	-7.0
iii. Services	7.2	7.2	-8.4
Overall GDP growth	6.5	4.0	-7.3

Updated on: 31 May 2021

Note: GDP = Gross Domestic Product; GVA = Gross Value Added.

Source: Centre for Monitoring Indian Economy



Landholdings

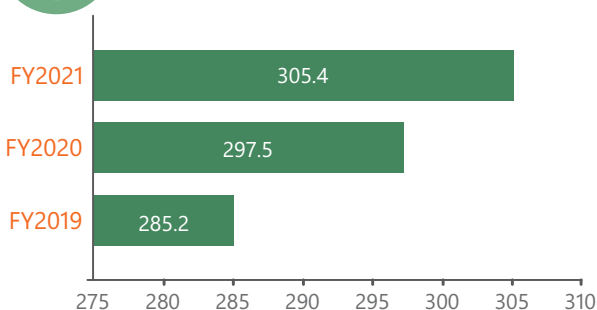
Particulars

Total operational holdings in India (no. in million)	146.5
Average landholding size (ha)	1.1
Gross cropped area (million ha) (FY2016)	197.1
Net sown area (million ha) (FY2016)	139.5

Sources: GOI (2016), Agriculture Census 2015-16 and GOI (2019), Agricultural Statistics at a Glance 2019; Department of Agriculture, Cooperation, and Farmers' Welfare, Ministry of Agriculture and Farmers' Welfare, Government of India.



Foodgrain production (million tonne)



Source: Centre for Monitoring Indian Economy



Gross capital formation in agriculture at 2011-12 constant prices (%)

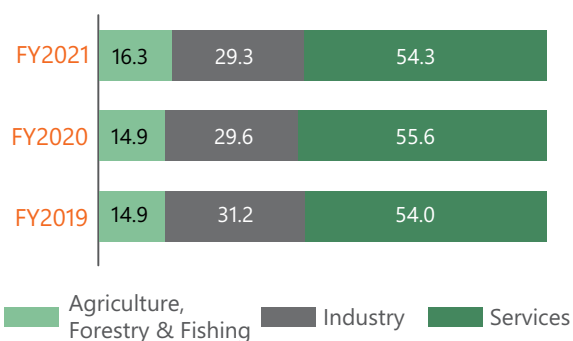
Particulars	FY2019	FY2020
Share (%) of GCF in agriculture and allied activities in total GCF	7.0	7.4
GCF in agriculture and allied activities as % of GVA (constant prices) of the sector	13.5	13.1

Note: GCF = Gross Capital Formation

Source: GOI (2020), First Revised Estimates of National Income, Consumption Expenditure, Saving and Capital Formation for 2019-20, Ministry of Statistics and Programme Implementation, Government of India.



Sectoral share (%) in GVA at 2011-12 prices

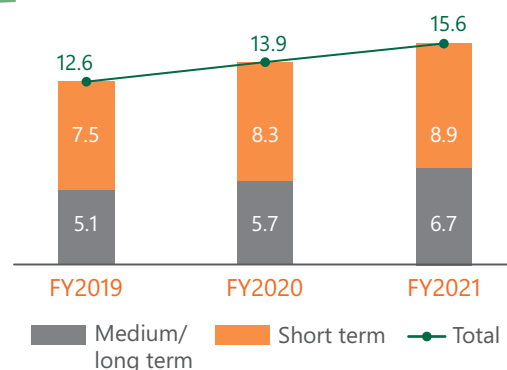


Note: GVA = Gross Value Added.

Source: RBI (various years), Handbook of Statistics on Indian Economy, Reserve Bank of India, Mumbai. GOI (2021), Second Advance Estimates of National Income, 2020-21, Ministry of Statistics and Programme Implementation, Government of India.

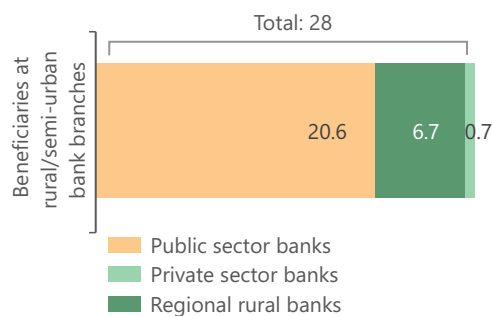


Ground level credit flow to agriculture (lakh crore)



Source: NABARD

Achievements of Pradhan Mantri Jan Dhan Yojana as on 1 April 2021 (beneficiaries in crore)



Source: <https://pmjdy.gov.in/account>

Achievements of Pradhan Mantri Gram Sadak Yojana

Particulars	FY2019	FY2020	FY2021
Road length completed (in km)	48,094.3	27,305.0	36,676.6
Number of bridges completed	639	995	1,292

Source: <http://omms.nic.in/#>

Houses completed under Pradhan Mantri Awaas Yojana–Gramin (lakh)

FY2019	FY2020	FY2021
4.7	21.9	35.3

Source: <https://pmayg.nic.in/netiay/home.aspx>

Part B



(A) Financial support by NABARD

(i) Refinance – Short term credit (maximum outstanding) (₹ crore)

Particulars	FY2020	FY2021
ST–SAO, StCB	44,787	44,643
ST–SAO, RRB	9,953	9,730
ST–OSAO, StCB	7,281	8,921
ST–OSAO, RRB	690	2,812
Additional ST–SAO, StCB	31,270	30,781
Additional ST–SAO, RRB	6,403	10,577

(ii) Refinance – Investment credit (disbursements) (₹ crore)

Particulars	FY2020	FY2021
Agriculture and allied activities	17,127	18,124
Non-farm sector	29,634	48,344
Self-help groups	25,256	24,032
Rural housing	6,163	2,286

Note: RRB = Regional Rural Bank; StCB = State Cooperative Bank; ST–SAO = Short-Term Credit for Seasonal Agricultural Operations; ST–OSAO = Short-Term Credit for Purposes Other than Seasonal Agricultural Operations.

(iii) Credit support (₹ crore)

Particulars	FY2020	FY2021	Cumulative disbursement as on 31 March 2021	Loan outstanding as on 31 March 2021
Rural Infrastructure Development Fund	26,266	29,193	3,23,677	1,32,724
Long Term Irrigation Fund	10,470	7,761	52,480	51,713
Pradhan Mantri Awaas Yojana–Gramin	10,811	20,000	48,819	48,819
Warehouse Infrastructure Fund	844	909	7,621	5,155
Food Processing Fund	43	53	409	293
NABARD Infrastructure Development Assistance	3,727	7,506	22,800	17,999
Direct refinance assistance to cooperative banks	9,200	7,373	49,823	4,567
Credit facility to federations	37,207	47,853	1,73,350	20,038
Producer organisations including PACS as MSCs (loan+grant)	3	4	769	37.55
UPNRM (Loan) Phase I & II	0.67	0.95	544.72	118.18
Dairy Processing and Infrastructure Development Fund	670	121	1,231	956
Swachh Bharat Mission – Gramin	3,600	0	12,298	12,298

Note: MSC = Multi-Service Centre; PACS = Primary Agricultural Credit Societies; UPNRM = Umbrella Programme for Natural Resource Management.



(B) Development initiatives

Particulars	FY2019	FY2020	FY2021
Watershed development projects (no.)	69	83	65
Area (ha)	51,559	37,935	65,195
Families benefitted (no.)	20,700	33,200	26,585
Spring-shed development projects (no.)	27	17	17
Area (ha)	6,841	8,683	6,018
Families benefitted (no.)	4,050	850	884
Projects under Tribal Development Fund (no.)	36	46	51
Area (acre)	11,879	17,199	16,362
Families benefitted (no.)	13,359	19,306	19,801

Chief General Managers



S. Selvaraj
Tamil Nadu



K. Venkateswara Rao
MD, NABCONS



Jiji Mammen
MD, NABFINS



Padma Raghunathan
DSM



T.S. Raji Gain
Madhya Pradesh



Shankar A. Pande
Director, BIRD Lucknow



Vijay Kumar
ID



Asit Kumar Mohanty
SPD



N.P. Mohapatra
IDD



L.R. Ramachandran
DOR



U.D. Shirsalkar
FSDD



P. Balachandran
Kerala



S.S. Saha
Assam



M. Soren
Chhattisgarh



Suresh Chand
Rajbhasha



D.K. Mishra
Gujarat



S.D.P. Sharma
DDMABI



S.K. Jannawar
Andhra Pradesh



A.K. Padhi
Jharkhand



Sunil Kumar
Bihar



K.S. Raghupathi
DOS



Niraj Kumar Verma
Karnataka



Nilay D. Kapoor
HRMD/LAW



C. Udayabhaskar
Odisha



D. Nageswara Rao
SPPID



R. Mahajan
Haryana



B.R. Pattanaik
DPSP



Jaideep Srivastava
Rajasthan



S.B. Johnson
DIT



Monomoy Mukherjee
Secretary



R.K. Srivastava
RMD



T. Ramesh
CPD



Lakulish Raval
Maharashtra



K.J. Satyasai
DEAR



Gyanendra Mani
Uttarakhand



Rajiv Siwach
Punjab



S.K. Dora
NBSC Lucknow



Sanjeev Dhamija
FD/DSSI



Y.K. Rao
Telangana



Rosie Tshering
DFIBT



A.R. Khan
West Bengal



Prabhakar Behera
Andhra Pradesh



H.M. Purohit
DPSP



Devasis Padhi
OFDD



H.R. Srivatsa
BID / CCD



D. Ravindra
Chhattisgarh



P. Selvaraj
SPPID



D.S. Chauhan
Uttar Pradesh



G.S. Rawat
Maharashtra



U.S. Shevde
AD



Dinesh Raina
Himachal Pradesh



S. Vijayalakshmi
MCID



V.K. Sinha
DSM



Deepa B. Guha
Haryana



Susheela Chintala
MD, NABKISAN

Officer on deputation



Venkateswarlu Sistla
CVO

OICs of regional offices/ cells/training institutes



K.C. Badatya
BIRD, Kolkata



Usha Ramesh
Goa



Ajay K. Sood
Jammu & Kashmir



Mashar Velapurath
Andaman & Nicobar



L. Leivang
Nagaland



S.N. Mallick
Mizoram



A.K. Sarangi
Meghalaya



A.M. Tallur
BIRD, Mangaluru



M.S. Rao
Manipur



D. Hegde
Sikkim



M.R. Gopal
Tripura



R.V. Ramakrishna
New Delhi



Partho Saha
Arunachal Pradesh



Manohar Lal
Srinagar Cell



Suparna Tandon
MD
NABSAMRUDDHI



S.D. Rohilla
CEO
NABFOUNDATION



Pankaj Kumar
CEO
NABSANRAKSHAN



R. Ranjan
CEO
NABVENTURES

CEOs of NABARD Subsidiaries

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(NABKISAN, NABSAMRUDDHI, NABFINS, NABCONS, NABVENTURES, NABFOUNDATION, & NABSANRAKSHAN)

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Abbreviations

ANB	AatmaNirbhar Bharat	NaBFID	National Bank for Financing
APMC	Agricultural Produce Marketing Committee		Infrastructure and Development
		NBFC	Non-Banking Financial Company
ASLF	Additional Special Liquidity Fund	NIDA	NABARD Infrastructure
ATM	Automated Teller Machine		Development Assistance
COVID-19	Corona Virus Disease	NIP	National Infrastructure Pipeline
C-PEC	Centre for Professional Excellence in Cooperatives	NPA	Non-performing Asset
		OFPO	Off-Farm Producers' Organisation
CRAR	Capital to Risk-Weighted Assets Ratio	PACS	Primary Agricultural Credit Societies
DCCB	District Central Cooperative Bank	PMAY-G	Pradhan Mantri Awaas Yojana–
DRA	Direct Refinance Assistance		Gramin
e-NAM	Electronic National Agriculture Markets	PSL	Priority Sector Lending
		RBI	Reserve Bank of India
FPO	Farmer Producers' Organisation	RCB	Rural Cooperative Bank
FY	Financial Year	RIDF	Rural Infrastructure Development Fund
GDP	Gross Domestic Product		
GLC	Ground Level Credit	RII	Rural Infrastructure Index
GOI	Government of India	RoA	Return on Asset
GVA	Gross Value Added	RRB	Regional Rural Bank
ha	Hectare	RTI	Right to Information
IT	Information Technology	SCARDB	State Cooperative Agriculture and Rural Development Bank
JLG	Joint Liability Group		
KYC	Know Your Customer	SDG	Sustainable Development Goal
LEDP	Livelihood and Enterprise Development Programme	SHG	Self-Help Group
		SLF	Special Liquidity Fund
LT	Long Term	ST	Short Term
LTIF	Long Term Irrigation Fund	StCB	State Cooperative Bank
MFI	Micro-Finance Institution	WIF	Warehouse Infrastructure Fund
NABARD	National Bank for Agriculture and Rural Development	WSHG	Women Self-Help Group

Notes to the NABARD Annual Report 2020–21:

1. FY before a calendar year denotes the year in which the financial year ends, e.g., FY2021 ends on 31 March 2021.
2. As a result of rounding off, numbers in tables may not add to totals, and percentages in figures have been adjusted to add to 100.
3. \$ refers to United States Dollars, unless otherwise stated.
4. Wherever \$ or € are converted to ₹, exchange rate as on 31 March 2021 was used: \$1 = ₹73.2065 and €1 = ₹85.842.

2020-21

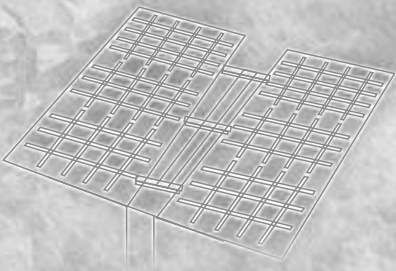
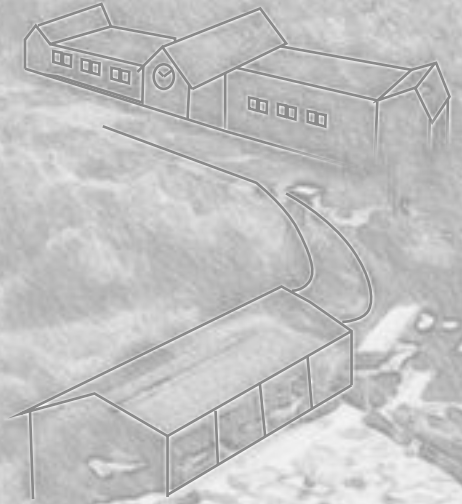
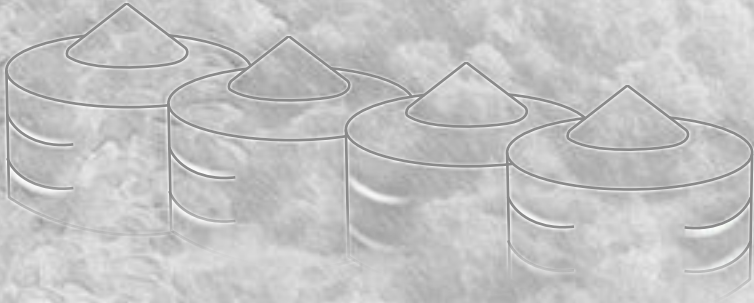
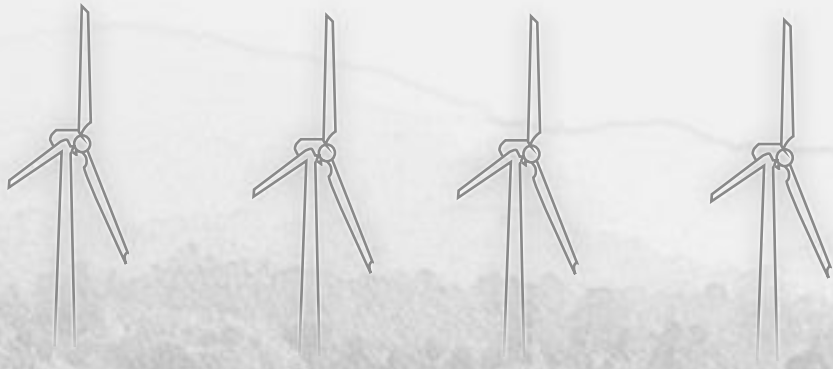


ANNUAL REPORT

NATIONAL BANK FOR AGRICULTURE
AND RURAL DEVELOPMENT

ANNUAL REPORT

2020-21





We are at war with a virus. I see three critical areas for action: First, tackling the health emergency. Second, we must focus on the social impact and the economic response and recovery. Third, and finally, we have a responsibility to 'recover better'. More than ever before, we need solidarity, hope and the political will to see this crisis through together.



—António Guterres¹

1



THE YEAR OF CHALLENGES

The COVID-19 pandemic has, since early 2020, put the world economy in serious jeopardy, and forced a transformation of human lives and livelihoods globally. And yet, in the midst of this unprecedented crisis, Indian agriculture stood out as an exception, growing at 3.6% during FY2021, while the other sectors contracted.²

We, at NABARD, too have emerged stronger from this adversity with a record 23.6% growth in our balance sheet size to reach close to ₹6.6 lakh crore in FY2021 (Chapter 9). While a detailed account of our operations and performance during FY2021 is presented in subsequent chapters, this chapter recapitulates the major developments of FY2021 that had a significant bearing on us.

1.1 The 'lives versus livelihoods' dilemma

The trying times brought on by the pandemic placed extremely difficult choices before India, especially given the country's size and complexity. Hoping for long-term gain at the cost of some short-term pain, India imposed stringent nationwide lockdown. The poor and the vulnerable as well as the business sector (especially the micro, small, and medium enterprises) bore the brunt of the extreme economic disruption.

Under the AtmaNirbhar Bharat package, the Government of India endeavoured to cushion the economic shock faced by these segments through a variety of measures. The Pradhan Mantri Garib Kalyan Yojana ensured food security through the public distribution system; direct benefit

transfers were made to widows, pensioners, and women holding Jan Dhan accounts; additional funds sanctioned for the Mahatma Gandhi National Rural Employment Guarantee Scheme; and debt moratoria and liquidity support extended to businesses. With the easing of movement- and health-related restrictions in the third quarter of FY2021, government support shifted to a calibrated push for growth in investment and demand through the AatmaNirbhar Bharat (ANB) 2.0 and 3.0 economic recovery packages which focused on boosting capital expenditure.

1.2 Severe economic contraction

According to the International Monetary Fund³ and the World Bank,⁴ the global economy contracted 3.5%–4.3% due to the pandemic in 2020. Demand compression coupled with supply disruptions led to contraction in fixed investment, private consumption, and exports.

The Indian economy contracted sharply due to the stringent lockdown imposed during March–May 2020. Its real gross domestic product (GDP) recorded a whopping 23.9% de-growth in Q1 of FY2021 followed by a 7.5% drop in Q2.⁵ The protracted nationwide

lockdown, social distancing norms, and the mass exodus of migrant workers led to a steep decline in manufacturing, construction, trade, and transportation sectors. Credit conditions also remained muted.

However, with the announcement of multiple packages under the ANB Mission, economic activity started to gain traction in the second half of FY2021 (Box 1.1). Provisional Estimates of National Income FY2021 indicated real GDP growth of 0.4% in Q3 and 1.6% in Q4 and put the GDP contraction for entire FY2021 at 7.3%.⁶

1.3 Inflation targets missed

Inflation as measured by the Consumer Price Index (CPI) breached the upper tolerance threshold of 6% for eight months in a row from April 2020 due to supply chain disruptions. Favourable base effects and a sharp fall in key vegetable prices helped the headline CPI inflation to moderate below 6% from December 2020 (Figure 1.1). Even though CPI inflation stayed within the target range (4±2%) during December 2020–March 2021, upward pressures continue owing to supply chain disruptions and rising inputs costs. Concerted supply side interventions by the centre and states may help cool down inflation in the ensuing months, provided disruptions caused by the pandemic ebb.

Box 1.1: AatmaNirbhar Bharat package for economic recovery

We have to be dedicated to make ourselves self-reliant. This magnificent building of self-reliant India will stand on five pillars, namely, economy, infrastructure, technology, demography, and demand.

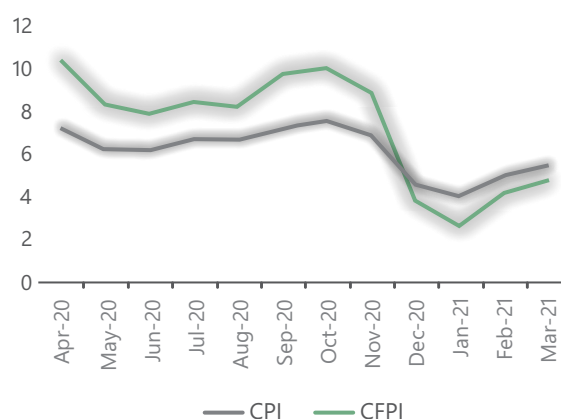
– Prime Minister Shri Narendra Modi

The government is seeking to address the challenges presented by the pandemic head-on by creating an AatmaNirbhar Bharat (ANB) with focused endeavours such as Sankalp (pledge) of Nation First; Doubling Farmers' Income; Strong Infrastructure; Healthy India; Good Governance; Opportunities for Youth; Education for All; Empowerment of Women; and Inclusive Development.

While the ANB 1.0 package is meant to sustain the recovery process, ANB 2.0 and ANB 3.0 packages are aimed at stimulating further growth. In FY2021, the total financial outlay encompassing all three ANB packages and monetary measures taken by the Reserve Bank of India was estimated to be 15.7 % of the GDP.^a

a RBI (2021), *Annual Report 2020–21*, Reserve Bank of India, Mumbai.

FIGURE 1.1: Monthly consumer price index and consumer food price index



Notes: CPI = Consumer Price Index; CFPI = Consumer Food Price Index

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

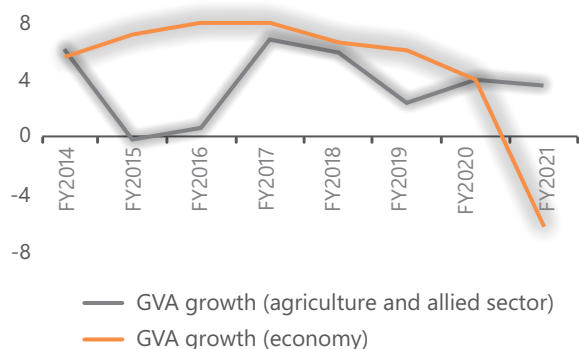
1.4 Record agricultural production

The abrupt countrywide 'COVID-lockdown' coincided with the harvesting of rabi crops, restricting movement of farm inputs and machinery. More significantly, the



lockdown halted the seasonal migration of workers, precipitating a shortage of farm labourers in destination states while increasing pressure on land in their native states; many were stranded in cities-on-brakes without earnings. Despite these odds, there was no aggregate shortage of food supply, thanks to the Indian farmer and other stakeholders in the agricultural supply chains. As a result, the agriculture and allied sector recorded a robust growth in gross value added (GVA) of 3.6% at constant prices (2011–12 series) (Figure 1.2).⁷

FIGURE 1.2: GVA growth (%) trends at constant prices (2011–12 series)

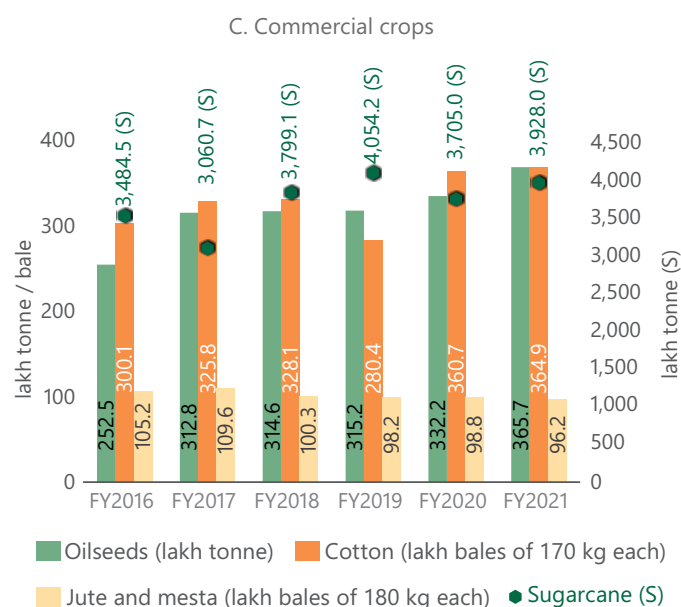
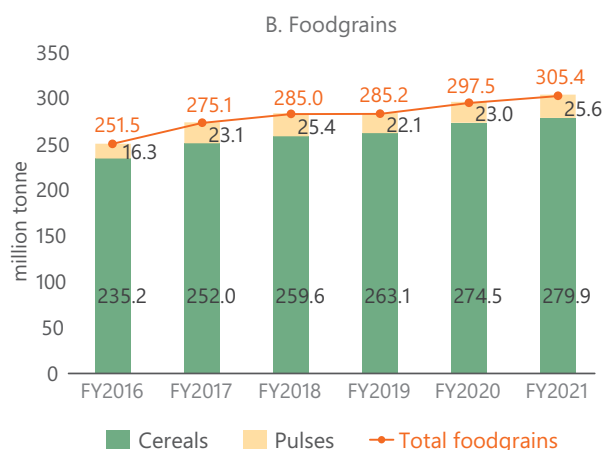
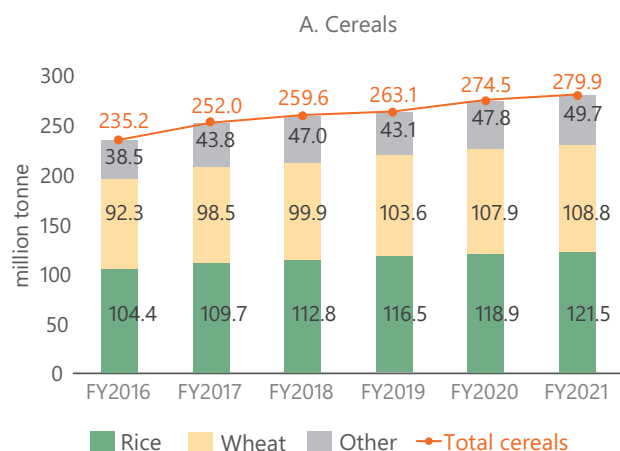


Note: GVA = Gross Value Added.

Source: GOI (2021), Provisional Estimates of National Income 2020–21, National Statistical Office, Ministry of Statistics and Programme Implementation, Government of India.

The agriculture sector became the driving force of the Indian economy during the COVID-19 pandemic. In FY2021, our farmers increased sown area by 5.7% in kharif season and 4.3% in rabi season over FY2020. Consequently, foodgrain production peaked at a record 305.4 million tonne in FY2021, 8 million tonne over the previous year.⁸ Total foodgrain production was

FIGURE 1.3: Agricultural production



Note: Components may not add up to the total due to rounding off.

Sources: GOI (2021), Third Advance Estimates of Production of Foodgrains (for Figures 1.3 A and B) and Third Advance Estimates of Production of Oilseeds and Commercial Crops (for Figure 1.3 C), Directorate of Economics and Statistics, Department of Agriculture, Cooperation and Farmers' Welfare, Ministry of Agriculture and Farmers' Welfare, Government of India.

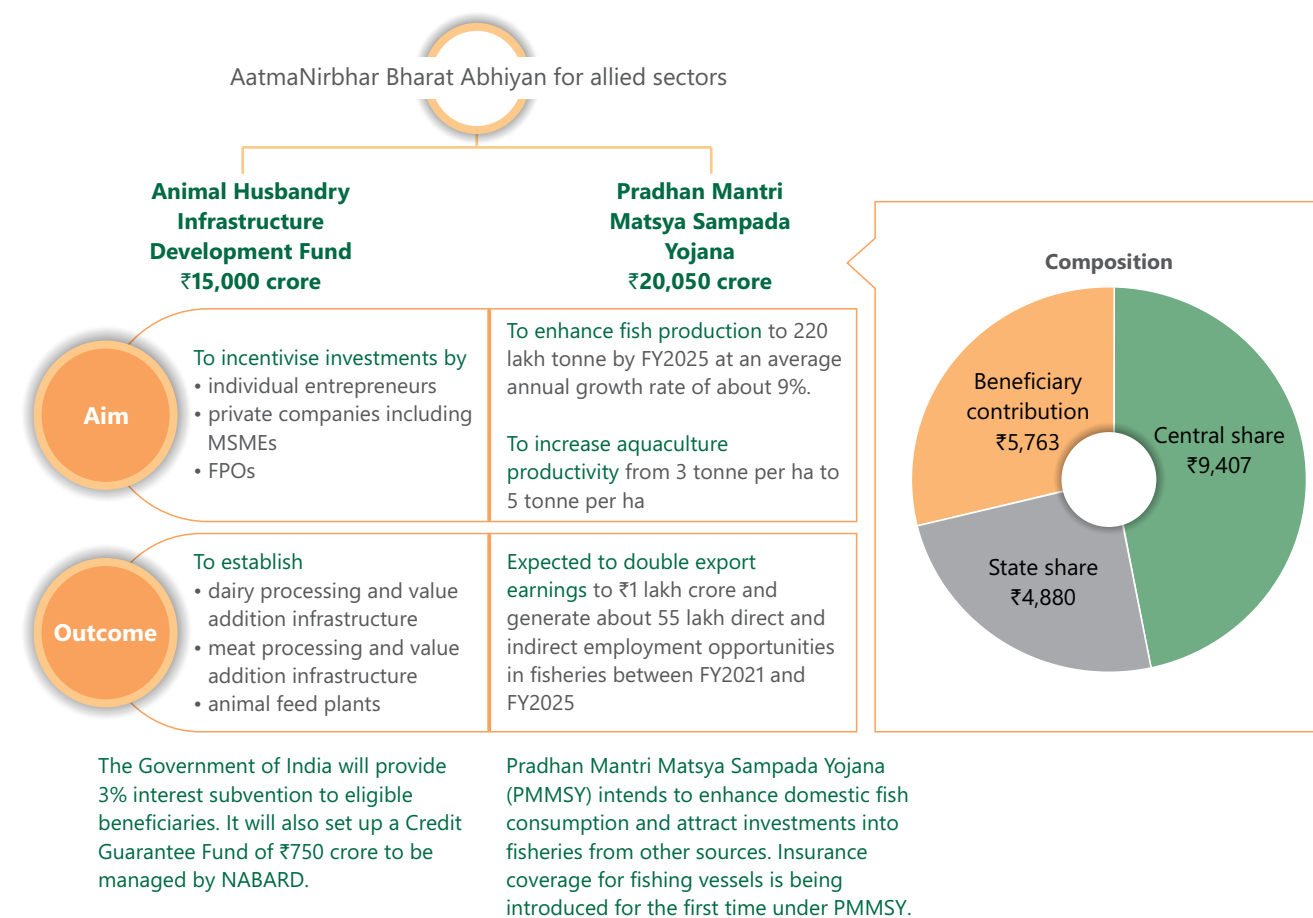
26.6 million tonne higher than the average between FY2016 and FY2020 (Figure 1.3A and B).

Compared to FY2020, production of three major commercial crops increased—oilseeds (10%), sugarcane (6%), and cotton (1.1%) (Figure 1.3C). Growth in production of medicinal and aromatic plants (10.6%) and vegetables (2.5%) were the highest amongst all horticulture produce (estimated at 326.6 million tonne) (Table 1.1).

TABLE 1.1: Horticulture crops—Area and production

	Area (lakh hectare)			Production (million tonne)		
	FY2019	FY2020	FY2021	FY2019	FY2020	FY2021
Fruits	66.0	67.6	69.6	98.0	102.0	103.2
Vegetables	100.7	103.0	107.1	183.2	188.9	193.6
Tomato	7.8	8.1	8.3	19.0	21.2	20.1
Onion	12.2	14.3	16.0	22.8	26.1	26.3
Potato	21.7	20.5	22.5	50.2	48.6	53.1
Aromatic and medicinal plants	6.3	6.4	6.5	0.8	0.7	0.8
Flowers	3.0	3.2	3.2	2.9	3.0	2.8
Honey	NA	NA	NA	0.1	0.1	0.1
Plantation crops	40.7	40.8	41.1	16.6	15.7	15.8
Spices	40.7	43.5	44.1	9.5	10.3	10.2

Source: GOI (2021), Area and Production of Horticulture Crops for 2020–21 (1st Advance Estimates), National Horticulture Board, Ministry of Agriculture and Farmers' Welfare, Government of India.

FIGURE 1.4: Initiatives for the allied sector under the AatmaNirbhar Bharat Abhiyan

Notes: 1. FPO = Farmer Producers' Organisation; ha = hectare; MSME = Micro, Small, and Medium Enterprises.

2. Composition of PMMSY is in ₹ crore.

3. Beneficiary contribution to PMMSY only from FY2021 to FY2025.

Source: GOI (2020), AatmaNirbhar Bharat Package-Part 3, Press Information Bureau, Press Release dated 15 May 2020. <https://static.pib.gov.in/WriteReadData/userfiles/Aatma%20Nirbhar%20Bharat%20Presentation%20Part-3%20Agriculture%2015-5-2020%20revised.pdf>



1.5 Good performance by the allied sector

Growing at a compounded annual growth rate of 8.2% between FY2015 and FY2019, the livestock sector increased its contribution to the GVA from agriculture and allied sectors from 24.3% to 28.6% (at constant prices). Its contribution to total GVA for FY2019 stood at 4.2%.⁹

India produced 14.2 million tonne of fish in FY2020, second highest globally, with a share of 7.6%. The sector contributes 1.2% to total GVA and 7.3% to agricultural GVA. The country exported 1.3 million tonne of marine produce during FY2020, valued at ₹46,662 crore. Fish production has contributed to meaningful socio-economic development of over 28 million Indians (mostly from marginalised and vulnerable communities) who depend on the sector for their livelihood.¹⁰ Initiatives under ANB for allied activities are presented in Figure 1.4.

1.6 Impressive agricultural exports

India's exports of agriculture and allied products grew 17.3% to \$41.3 billion in FY2021 after stagnating around \$38 billion in FY2018 and FY2019 and dipping to \$35.2 billion in FY2020.¹¹ Although India is a leader in global trade in marine products, basmati rice, buffalo meat, spices, non-basmati rice, raw cotton, oil meals, sugar, castor oil, and tea, it accounts for just a little over 2.5% of global agri-trade (Figure 1.5).¹²

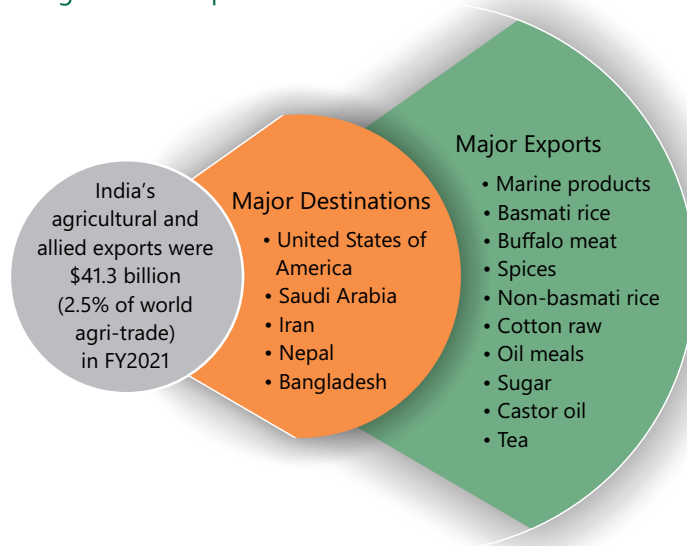
India's agricultural exports have grown since May 2020 despite the pandemic, with cereals leading the way. It emerged as the largest exporter of rice in the world (especially, non-basmati), driven by a strong international demand from households in Europe to stock rice during COVID-19 lockdowns. Indian exports also gained from supply side disruptions affecting other major exporters, including Viet Nam and Thailand.

1.7 Double digit growth of agricultural credit

Timely credit is vital for Indian agriculture, with predominantly capital-starved smallholders. Initiatives of the central and state governments, the Reserve Bank of India (RBI), NABARD, and financial institutions have been instrumental in steadily expanding the institutional credit flow to agriculture. In FY2021, ₹15.6 lakh crore of agriculture credit was disbursed till 31 March 2021 against a target of ₹15.0 lakh crore.¹³ To keep up the momentum, the target for FY2022 was set at ₹16.5 lakh crore in the Union Budget.

Access to affordable credit can enable farmers to adopt new technology, farm mechanisation, and commercialisation, thus increasing incomes. However, we need to go beyond supply enhancement to demand stimulation through the expansion of credit absorption capacity by building infrastructure; improving financial, agri-technology, and digital literacy of farmers; and encouraging farm investments.

FIGURE 1.5: Snapshot of agricultural exports



Sources:

1. PIB (2021), India registered excellent growth in Agriculture Exports during 2020-21, Press Information Bureau, Ministry of Commerce & Industry, Government of India, 10 June. <https://pib.gov.in/Pressreleaseshare.aspx?PRID=1725891>.
2. GOI (2021), *Economic Survey 2020-21*, Ministry of Finance, Government of India, New Delhi.

In May 2020, 11 measures (3 reforms and 8 initiatives) for agriculture and allied activities were announced under the ANB package to add liquidity of up to ₹1.5 lakh crore (for the reforms, see Box 1.2).

Box 1.2: Agri-reforms 2020 announced under the AatmaNirbhar Bharat package

1. The **Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020** is expected to allow open trade, increase competition amongst buyers, remove barriers to interstate trade and offer more options to farmers to sell their produce leading to enhancement of farmers' income. It is hoped that demarcating the jurisdiction of the APMC will facilitate greater trade outside the APMC market yard.
2. The **Farmers' (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020** aims to give price assurance to farmers at the time of sowing. Cropping decisions based on forward contracts (say, with corporate entities) are expected to minimise market risks and solve issues of erratic food pricing.
3. The **Essential Commodities (Amendment) Act 2020** aims to boost private investment in agriculture supply chains, food processing industries, and export infrastructure.

It is hoped that collectively, these reforms will provide farmers access to organised agri-business houses directly and in turn also facilitate backward integration of agri-business entities. This may enable modernisation of agriculture, technology adoption, enhancement of systemic transparency, and agri-infrastructure development towards building a robust and functional value chain ecosystem.

Note: APMC = Agricultural Produce Marketing Committee.

March 2020 onwards, the RBI took several conventional and unconventional measures to ease the monetary policy in the wake of COVID-19 (Figure 1.6).

Agriculture witnessed the highest credit growth in FY2021 with year-on-year gross bank credit outstanding (as on 26 March 2021) at 12.3%, compared to industry (0.4%) and service (1.4%).¹⁴ The total loan and advances of NABARD grew by 25.2% in FY2021 compared to 11.5% last year. Encouragingly, half of

FIGURE 1.6: Response of the Reserve Bank of India to the pandemic

Conventional measures	Unconventional measures
<ul style="list-style-type: none"> • Reduction in the policy repo rate by 115 bps • Reduction in the cash reserve ratio by 100 bps 	<ul style="list-style-type: none"> • Extended lending or term funding operations including liquidity support through refinance • Asset purchase programmes including operation twists • Forward guidance

Note: bps = basis points.

Source: GOI (2021), *Economic Survey 2020-21*, Ministry of Finance, Government of India, New Delhi.

this total went into production and investments and a third into infrastructure development. With the package unfolding over the coming years, the retail credit off-take in agriculture and rural sector is likely to remain buoyant.

1.8 Renewed thrust on agricultural infrastructure

The pandemic has re-emphasised the need to create resilient future-ready infrastructure. In response, the government proposed an outlay of ₹5.5 lakh crore in FY2022 for infrastructure (34.5% more than that budgeted in FY2021). The unforeseen events of FY2021 also underscored the need for long-term debt financing by professionally-managed development finance institutions to enable and catalyse the financing of such infrastructure.

The pandemic has reminded us of the importance of investing in agricultural infrastructure at the farm gate during peace time for it to be useful during crises. Such investments are needed to create adequate storage, post-harvest value addition, and supply chain integration. Creating the ₹1 lakh crore Agriculture Infrastructure Fund (AIF) to build infrastructure at the farm gate as a central sector scheme can be a game changer under the ANB package (Box 1.3).

The Union Budget FY2022 also seeks to promote fisheries and seaweed cultivation while enhancing credit



Box 1.3: Agriculture Infrastructure Fund

The Agriculture Infrastructure Fund (AIF) will remain operational from FY2021 to FY2030 to extend medium- to long-term debt financing facility for investment in viable infrastructure projects for post-harvest management and community farming assets. Under the scheme, banks and financial institutions will extend loans up to a limit of ₹2 crore with an interest subvention of 3% per annum for a maximum period of seven years to individual farmers as well as entities such as primary agricultural credit societies; marketing cooperative societies; farmer producers' organisations; self-help groups; joint liability groups; multipurpose cooperative societies; agri-entrepreneurs; start-ups; and central-, state-, or local body-sponsored public-private partnership projects.

The AIF also offers credit guarantee coverage to eligible borrowers through the Credit Guarantee Fund Trust for Micro and Small Enterprises scheme for loans up to ₹2 crore.

flow to allied sectors. This aims to create additional employment and income for farmers.

The Budget proposal to expand 'Operation Green' from 3 crops (onion, tomato, and potato) to 22 perishable commodities will improve efficiencies of supply chains, dampen price fluctuations, and boost agricultural exports.

The extension of the AIF to Agricultural Produce Marketing Committees (APMCs) and integration of 1,000 additional APMC mandis with e-NAM (over the 1,000 mandis already on board) will offer better market access and boost marketing efficiency, potentially improving returns for farmers.

1.9 Managing fiscal pressure during the pandemic

India's fiscal position witnessed a scissor effect during FY2021 of revenue shortfall owed to lockdowns along with additional expenditure to mitigate the fallout from the pandemic. In contrast to other countries, India opted for medium-sized revival packages enabling a graduated stepping up of capex and a calibrated and targeted response to the evolving situation. With the gradual unlocking of the economy, the government ramped up spending to revive domestic demand. According to the

Union Budget FY2022, this resulted in expenditure of ₹34.5 lakh crore in Revised Estimates as against ₹30.4 lakh crore in Budget Estimate for FY2021. This fiscal deficit, pegged at 9.5% of GDP (Revised Estimates), was funded through government borrowings, multilateral borrowings, small saving funds, and short-term borrowings.

In view of the COVID-19 pandemic, for FY2021, states were allowed additional borrowing limit of up to 2% of Gross State Domestic Product, half of it being subject to the implementation of state level reforms.¹⁵

1.10 Moving ahead with hope

By the close of FY2021, the second wave of the pandemic had brought most of India to a standstill again. However, with vaccinations underway there is hope of containing the virus in the medium to long term. Support to shore up private investment and consumption, the key drivers of India's growth story, continues to be an absolute priority for the Union as well as state governments. Consistent, proactive, graded, and calibrated policy support and reforms are expected to help the Indian economy build back better. Riding on this hope and expectation, NABARD remained functional throughout FY2021 with all precautions in place. The resilience and promise held out by the agriculture sector through the pandemic and our own ability to support the agricultural and rural sectors in FY2021 gives us confidence for the future.

NABARD's performance in FY2021 has been good and our experience in growing through the apocalyptic year is articulated in the ensuing chapters. Through this challenging period, we have taken a pragmatic view of the issues faced by the credit and non-credit institutions at the grassroots and wholeheartedly facilitated their operations to meet the needs of rural India. In the process, we scaled up grant-based interventions wherever possible and relaxed (or substituted) eligibility norms for financial intermediaries such as cooperatives and regional rural banks. As will be evident later in this report, our approach helped widen and deepen our refinance activity. Throughout the lockdown, we continued to be agile, if not mobile. Chairman, NABARD held ice-breaker discussions with chief ministers, ministers, and officials from several state governments. This catalysed productive engagement with many state governments increasingly availing finance facility from NABARD. Significantly, we learnt that technology can help more-than-overcome physical constraints

to scaling up our interventions. The COVID-19 crisis compelled us to think and act outside the box and create new opportunities to build back better, continuing our commitment to take rural India forward.

Notes

1. UN Secretary-General (excerpt from his speech dated 19 March 2020).
2. GOI (2021a), Provisional Estimates of National Income 2020–21, National Statistical Office, Ministry of Statistics and Programme Implementation, Government of India.
3. IMF (2021), *World Economic Outlook*, International Monetary Fund, Washington D.C.
4. World Bank (2021), *Global Economic Prospects* (January 2021), World Bank, Washington D.C.
5. GOI (2021b), *Economic Survey 2020-21*, Ministry of Finance, Government of India, New Delhi.
6. GOI (2021a), Note 2.
7. GOI (2021a), Note 2.
8. GOI (2021c), Third Advance Estimates of Production of Foodgrains, Directorate of Economics and Statistics, Department of Agriculture, Cooperation and Farmers' Welfare, Ministry of Agriculture and Farmers' Welfare, Government of India.
9. GOI (2021b), Note 5.
10. All data related to fisheries are drawn from GOI (2021b), Note 5.
11. PIB (2021), India registered excellent growth in Agriculture Exports during 2020-21, Press Information Bureau, Ministry of Commerce & Industry, Government of India, 10 June. <https://pib.gov.in/Pressreleaseshare.aspx?PRID=1725891>.
12. GOI (2021b), Note 5.
13. According to data entered by banks in the ENSURE portal of NABARD.
14. Data drawn from RBI (2021), *Monthly Bulletin*, May, Reserve Bank of India, Mumbai. Data is provisional and relates to select banks which cover about 90% of total non-food credit extended by all scheduled commercial banks.
15. As recommended by the 15th Finance Commission, the net borrowing ceiling for the 28 states had been fixed at ₹6.4 lakh crore for FY2021 in line with the fiscal deficit target of 3% of gross state domestic product for each state.

APPENDIX TO CHAPTER 1

NABARD's Response to the COVID-19 Pandemic

The COVID-19 pandemic has brought with it prolonged and monumental human suffering, disrupting the world economy in unimaginable ways. Humankind has survived such episodes in history by responding with grit and determination; the intensity of the crisis, notwithstanding.

The Government of India was quick and decisive in responding to the pandemic. Besides health sector interventions, immediate short-term economic relief measures included three months of free rations to the needy under the Pradhan Mantri Garib Kalyan Anna Yojana, while revival and recovery packages such as the AatmaNirbhar Bharat 2.0 and 3.0 focused on course correction in the medium and long term to bring the Indian economy back on rails.

We all acknowledge that disaster response is seldom a set of static one-time decisions. Depending on the path and pace of recovery, response measures need to be phased, regulated, and calibrated. Most importantly,

existing institutions and mechanisms that can be pressed into action immediately need to be identified. In this note, we discuss the challenges that came our way during the pandemic and the measures initiated by us in response.

NABARD's initiatives and projects, with deep and wide implications for the rural economy, faced

- disruption of communication between project implementing staff and communities;
- delays owing to restrictions on movement of people and materials; and
- choking of fund flows, an economy-wide pandemic outcome, further exacerbated by low digital penetration.

Rural communities in the meanwhile reeled from the effects of

- meagre rural health infrastructure;
- abrupt job loss, forced reverse migration, increased pressures on land, scarcity of rural livelihood options;
- disruptions in supply chains of essentials; and
- loss of income, crippling repayment capacity.



Many communities leveraged technology and communication tools such as mobile phones and social media to reach out to those in need, mobilise resources and people, and initiate activities related to supplying essentials, participating in government efforts, producing masks and kits, and helping returning migrants.

Community-level institutions such as self-help groups (SHGs) and farmers' producer organisations plunged into action. NABARD's district development managers and regional offices coordinated with government agencies to notify these institutions so that they would be allowed to sell their members' produce, thus supplying essentials like vegetables and groceries on behalf of the state.

Besides direct staff contribution of ₹9 crore to the PMCARES Fund, NABARD devised multi-pronged response to the pandemic.

Liberalising loan-related policies and regulations

- Special Liquidity Fund and Additional Special Liquidity Fund extended by RBI fuelled NABARD's drive to improve the financial health of RFIs by liberalising its refinance policy to cover rural financial institutions (RFIs) that are otherwise ineligible.
- It deferred principal and interest payments of borrowing entities to the tune of ₹8.38 crore under Food Processing Fund (FPF) to mitigate the burden of debt servicing and ensure business continuity.
- The 'Resolution Framework for COVID-19 Related Stress' also granted an extension of 18 to 24 months (with moratorium) to borrowers under FPF for principal repayment. The borrowers were sanctioned funded-interest term loan to service the accumulated interest.

Building capacity and meeting credit needs

- NABARD's initiatives such as converting primary agricultural credit societies into multi-service centres, impetus to agriculture infrastructure, and refinance for projects related to water, sanitation, and hygiene seamlessly melded into its pandemic-response actions.

- Since the pandemic precipitated reverse migration, allocations were increased to provide adequate skilling opportunities for re-employment in rural areas in the worst-affected districts. This facilitated 744 micro-enterprise development programmes, 500 livelihood and enterprise development programmes, and capacity building programmes in the worst-affected states such as Assam, Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Odisha, Rajasthan, Uttar Pradesh, and West Bengal.

Investing in preparedness

Infrastructure

Well-developed infrastructure provides the bulwark for minimising adverse effects of a disaster such as the pandemic. NABARD's infrastructure development initiatives to enable state governments to ensure good road connectivity, access to health and social facilities, potable drinking water, hygiene, and sanitation, etc., and to ensure regional balance in distribution are presented in Figure A1.1.

Financial inclusion

The pandemic called for interventions such as cash dispensation at doorsteps and livelihood cash subsidies to rural women. Though technology penetration in rural areas improved banking reach and affordability while facilitating direct benefit transfers and online trading, most rural citizens were not fully prepared for radical technology solutions. NABARD therefore, focused on building digital-financial preparedness for future calamities.

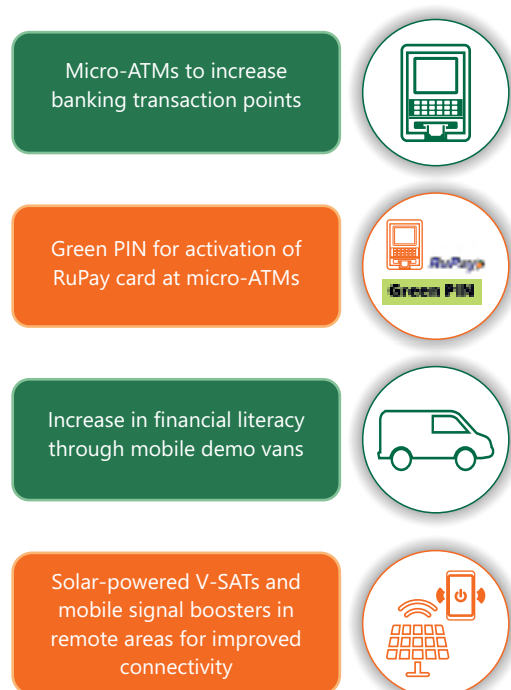
- The NABARD supported banks for on-boarding to Bharat Bill Payment System platform for providing online utility payment services to their rural customers.
- Technology-based doorstep banking was extended by 148 mobile demo vans [under Financial Inclusion Fund (FIF)], benefitting more than 3.5 lakh people in rural areas.
- NABARD also facilitated the implementation of the Pradhan Mantri Garib Kalyan Yojana that provides direct cash transfer to Jan Dhan accounts of 10.7 lakh women in 108 rural cooperative banks.
- NABARD urged regional rural banks to treat banking correspondents, who faced hardships during the pandemic, with compassion and provide them with healthcare support, insurance cover, and performance-based remuneration for three months.

FIGURE A1.1: Dovetailing pandemic response with infrastructure development

Revised parameters of state-wise allocation	Rural poverty and per capita priority sector credit flow were added as parameters.
Increased delegation for ISC	Sanctioning of projects was fast-tracked.
Secured access to undrawn balances under RIDF	Approval was obtained from RBI to sanction more projects under the ongoing RIDF tranches by utilising undrawn balances from closed tranches of RIDF.
Extended time for RIDF projects	Timeline was extended for administrative approval and technical sanction of projects sanctioned under RIDF.
RIDF XX & XXI projects extended	Phasing of projects under Tranches XX and XXI was extended to allow more time for completion.
RIDF and MIF corpus augmented	RIDF corpus was increased to ₹40,000 crore and MIF doubled to ₹10,000 crore in the Union Budget FY2022 to boost rural economy through infrastructure development.
Digitalised RIDF records	A dedicated web portal and mobile app were launched for remote monitoring of RIDF projects that helped reduce physical contact.

Notes: ISC = Internal Sanctioning Committee; MIF = Micro-Irrigation Fund; RBI = Reserve Bank of India; RIDF = Rural Infrastructure Development Fund.

FIGURE A1.2: Measures to improve financial inclusion towards ensuring crisis preparedness



Awareness generation

- NABARD announced new schemes and programmes for awareness building among rural people to enhance digital outreach and access to financial services, thus reducing crowding at the bank branches (Figure A1.2).
- NABARD made 14 educational movies in regional languages about the usage of digital banking through mobile demo vans, micro-ATMs, and point of sale devices and mobile point of sale apps.
- For awareness building on various FIF schemes, micro-modules were created using gamification for enhanced learning. These micro-modules are available to users on mobile platform for anytime-anywhere access.
- NABARD's E-Shakti portal was used for sending 40 lakh health advisory text messages to SHG members.
- Besides curating a dedicated page on COVID-19 advisories on their website, NABARD brought out several products to meet the business and communication needs during the pandemic. These included an animation film on 'Safe Banking' during the pandemic and a film and booklet on NABARD's pandemic-response interventions.

“

Public investment in key infrastructure sectors is a force multiplier with historically proven ability to revive the broader economy by directly enhancing capital stock and productivity and by attracting private investment.

”

—Shaktikanta Das¹

2



BUILDING RURAL INDIA THROUGH INFRASTRUCTURE DEVELOPMENT

2.1 Infrastructure drives growth

Rural infrastructure is critical for stimulating the rural economy and achieving the United Nations' Sustainable Development Goals (SDGs) by 2030.² For India to become a \$5 trillion economy by FY2025 too requires additional infrastructure.³ Studies reveal that a 1% increase in the stock of infrastructure is associated with a 1% increase in gross domestic product (GDP) across countries.⁴ Furthermore, the estimated welfare multiplier of 0.8 for effective public infrastructure investment can lead to the substantial welfare gains.⁵ Several studies have articulated theoretically⁶ and established empirically⁷ the positive impact of infrastructure on agricultural development. Gulati *et al.* (2021) established infrastructure as one of the three important factors behind agrarian growth (Box 2.1).⁸ Infrastructure is defined by various agencies in different ways (Box 2.2).

Box 2.1: Role of rural infrastructure in enabling agrarian growth

A recent study by Gulati *et al.* (2021) found that in six states, viz. Punjab, Madhya Pradesh, Gujarat, Uttar Pradesh, Bihar, and Odisha, three factors explained most of the agrarian growth, i.e., (i) access to infrastructure including irrigation, roads, and uninterrupted quality power; (ii) diversification to high value agricultural products like fruits, vegetables, and allied activities like dairy and poultry; and (iii) price incentives or favourable terms of trade.

The study advocates the need to bring markets closer to farmers. In this context, setting up of the ₹1 lakh crore Agriculture Infrastructure Fund by the Government of India under the post-pandemic

(Continued)

AatmaNirbhar Bharat package would address the issues of lack of adequate cold storage, post-harvest management infrastructure, and markets in the vicinity of farm gate.

The study has also shown that increasing the efficiency of the value-chains is an important factor that explained agricultural growth in Gujarat (mainly cotton, groundnut, livestock); Madhya Pradesh (wheat, soybean, pulses); Odisha (livestock and fruits and vegetables); and Bihar (maize and livestock).

Source: Ashok Gulati, Ranjana Roy, and Shweta Saini (eds) (2021), *Revitalising Indian Agriculture and Boosting Farmer Incomes*, Springer, New Delhi.

Box 2.2: What is infrastructure?

World Bank

Infrastructure includes

- public utilities such as power, telecommunications, piped water supply, sanitation and sewerage, solid waste collection and disposal, and piped gas;
- public works such as roads and major dam and canal works for irrigation and drainage; and
- other transport systems including urban and interurban railways, urban transport, ports and waterways, and airports.

Food and Agriculture Organization of the United Nations

Infrastructure includes physical structures that aid the competitiveness of the productive agricultural sector, and the related organisational systems that support their planning, procurement, design, construction, regulation, operation and maintenance.

Asian Development Bank

Infrastructure includes fixed asset investments in transport (road, rail, airports, and ports); energy; telecommunications; and water and sanitation, including dams, irrigation, and flood control waterworks.

Reserve Bank of India

Infrastructure includes projects in

- road, including toll road, a bridge, or a rail system;
- highway, including other activities being an integral part of the highway project;
- port, airport, inland waterway, or inland port;
- water supply, irrigation, water treatment system, sanitation and sewerage system, or solid waste management system; and
- telecommunication service.

NABARD

Under its Rural Infrastructure Development Fund (RIDF), NABARD has, over time, expanded and broad-based the activities eligible for assistance. At present it considers 37 activities under (i) irrigation; (ii) agriculture and related sector; (iii) rural connectivity (roads and bridges); and (iv) social sector (projects related to drinking water provisioning, rural education institutions, public health institutions, construction of toilets in schools, public toilets, construction of anganwadi centres, sanitation infrastructure and rural industrial estates).

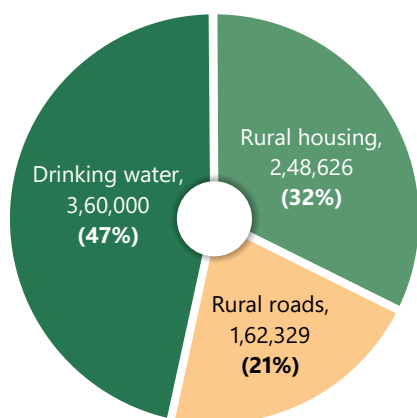
Sources:

1. World Bank (1994), *World Development Report 1994: Infrastructure for Development*, published for the World Bank by Oxford University Press, New York, Box 1, p. 2. <http://documents1.worldbank.org/curated/en/535851468336642118/pdf/131840REPLACEMENT0WDR01994.pdf>.
2. Michael Warner, David Kahan, and Szilvia Lehel (2008), Market-oriented agricultural infrastructure: Appraisal of public-private partnerships, *Agricultural Management, Marketing and Finance Occasional Paper 8*, Food and Agriculture Organization of the United Nations, Rome, p. 1, para 2. <http://www.fao.org/3/i0465e/i0465e.pdf>.
3. ADB (2017), *Meeting Asia's Infrastructure Needs*, Asian Development Bank, Manila. p. 19. <https://www.adb.org/sites/default/files/publication/227496/special-report-infrastructure.pdf>.
4. RBI Circular DBOD.BP.BC.No.66/08.12.014/2013-14 dated 25 November 2013.



India has expressly prioritised infrastructure development more than ever during FY2021. The Taskforce on National Infrastructure Pipeline (NIP) estimates capital expenditure of ₹7,73,915 crore between FY2020 and FY2025 on rural infrastructure development by the centre and states (Figure 2.1).⁹

FIGURE 2.1: Distribution of capital expenditure for rural infrastructure (FY2020–FY2025) (₹ crore)



Note: The estimated capital expenditure on rural infrastructure from State Budgets is ₹2,960 crore.

Source: GOI (2020), *Report of the Taskforce on National Infrastructure Pipeline Volume II*, Department of Economic Affairs, Ministry of Finance, Government of India.

2.2 Regional spread of infrastructure

A state-wise composite Rural Infrastructure Index (RII)¹⁰ constructed by the Economic and Political Weekly Research Foundation shows Jharkhand, Manipur, Arunachal Pradesh, Meghalaya, Odisha, Chhattisgarh, Madhya Pradesh, Bihar and Uttar Pradesh as states with low RII (Figure 2.2).¹¹ It is, therefore, imperative to accord high priority to these states in terms of access to financial resources for creation of rural infrastructure. NABARD considers low RII as one of the criteria for allocating higher RIDF corpus annually.

Most states with high RII of irrigation (more than 0.7) are also major producers of foodgrains with high irrigation coverage¹²—Punjab (99%), Haryana (92.7%), West Bengal (80.4%), and Uttar Pradesh (69.8%).¹³ Large states with low RII of irrigation such as Odisha (0.195), Maharashtra (0.209), and Chhattisgarh (0.243) figure among the top 10 states to be sanctioned loans for irrigation under the Rural Infrastructure Development Fund (RIDF).¹⁴ There is a need to prioritise investment in irrigation in the North Eastern states, three of which figure among the bottom five states in terms of RII of irrigation (Figure 2.2).





Major states like Bihar, Uttarakhand, and Goa, along with the North Eastern states, lag in terms of RII

FIGURE 2.2: Rural Infrastructure Index by state: Best and worst performers

A. Best performers

Rural Infrastructure Index	Kerala 0.521	Punjab 0.516	Puducherry 0.514	Goa 0.494	Haryana 0.462
Irrigation	Punjab 1.000	Haryana 0.915	Puducherry 0.755	West Bengal 0.729	Uttar Pradesh 0.702
Agriculture and allied activities	Andhra Pradesh 0.287	Telangana 0.235	Maharashtra 0.221	Tamil Nadu 0.210	Karnataka 0.209
Road connectivity	Puducherry 1.000	Kerala 0.956	Assam 0.760	Goa 0.743	Tripura 0.636
Drinking water, sanitation, and housing	Sikkim 0.973	Haryana 0.868	Goa 0.864	Punjab 0.862	Uttarakhand 0.800

B. Worst performers

Rural Infrastructure Index	Jharkhand 0.120	Manipur 0.187	Arunachal Pradesh 0.215	Meghalaya 0.227	Odisha 0.233
 Irrigation	Manipur 0.034	Mizoram 0.067	Assam 0.068	Jharkhand 0.111	Sikkim 0.124
 Agriculture and allied activities	Sikkim 0.004	Arunachal Pradesh 0.013	Nagaland 0.017	Meghalaya 0.019	Manipur 0.031
 Road connectivity	Jammu and Kashmir 0.002	Arunachal Pradesh 0.013	Mizoram 0.022	Chhattisgarh 0.044	Haryana 0.051
 Drinking water, sanitation, and housing	Jharkhand 0.047	Odisha 0.048	Tripura 0.148	Madhya Pradesh 0.184	Uttar Pradesh 0.198

Note: The report followed three approaches of weighting nine infrastructure components for constructing the Rural Infrastructure Index, i.e. equal weights, conjectural weights based on expert opinion, and weights based on Principal Component Analysis (PCA). Above figure presents state-wise indices based on PCA.

Source: Dennis J. Rajakumar, Vijayata B. Sawant, and S.L. Shetty (2020), Construction of State-wise Rural Infrastructure Indices, Economic and Political Weekly Research Foundation, Mumbai (sponsored by NABARD).

in agriculture and allied activities (less than 0.1) and, therefore, there is a strong case for higher investment in agri-infrastructure in these states. As expected, most Himalayan and hill states in the North and North East score poorly in terms of RII of road connectivity. It is, however, more worrisome to note that the same is less than 0.2 for even populous and large states such as Andhra Pradesh, Uttar Pradesh, Madhya Pradesh, Rajasthan, and Gujarat. Big states with low RII (below 0.5) in social infrastructure include not just Jharkhand, Odisha, Madhya Pradesh, and Uttar Pradesh but also, Andhra Pradesh, Rajasthan, Tamil Nadu, West Bengal, Chhattisgarh, and Bihar, which calls for urgent action.¹⁵

2.3 Government initiatives in rural infrastructure

The emphasis laid by successive five-year plans on the development of rural infrastructure comprising irrigation, rural connectivity, post-harvest infrastructure, and digital network has shown results. About 49% of the net sown area in the country is irrigated at present¹⁶ though growth of net irrigated area is stagnating (with a compounded annual growth rate of only 1.3% between FY1996 and FY2015).¹⁷ The total length of rural roads in the country has increased more

than 20 times from 0.2 million km in FY1951 to 4.2 million km in FY2017.¹⁸ The Warehousing Development and Regulatory Authority (WDRA) estimated that a storage capacity of 162.7 million tonne was available in the public, private, and cooperative sectors in the form of warehouses.¹⁹ Besides Electronic National Agriculture Markets (e-NAMs) in Agricultural Produce Marketing Committee (APMC) mandis, the Bharat Net project aims to set up the world's largest rural broadband infrastructure connecting all 2.5 lakh Gram Panchayats in the country.

Major government initiatives like the Mahatma Gandhi National Rural Employment Guarantee Scheme, AatmaNirbhar Bharat, Pradhan Mantri Awaas Yojana–Gramin (PMAY–G), Pradhan Mantri Gram Sadak Yojana (PMGSY), SP Mukherjee Rurban Mission, Swachh Bharat Mission–Gramin (SBM–G), Jal Jeevan Mission, Pradhan Mantri Kisan Sampada Yojana, Deen Dayal Upadhyay Gram Jyoti Yojana, and Pradhan Mantri Sahaj Bijli Har Ghar Yojana–Saubhagya package, all focused on infrastructure in all major economic sectors (Figure 2.3 and Appendix A2.1).

Major announcements in the Union Budget FY2022 for the creation of rural infrastructure are presented in Figure 2.4. The Budget raised the estimates for capital



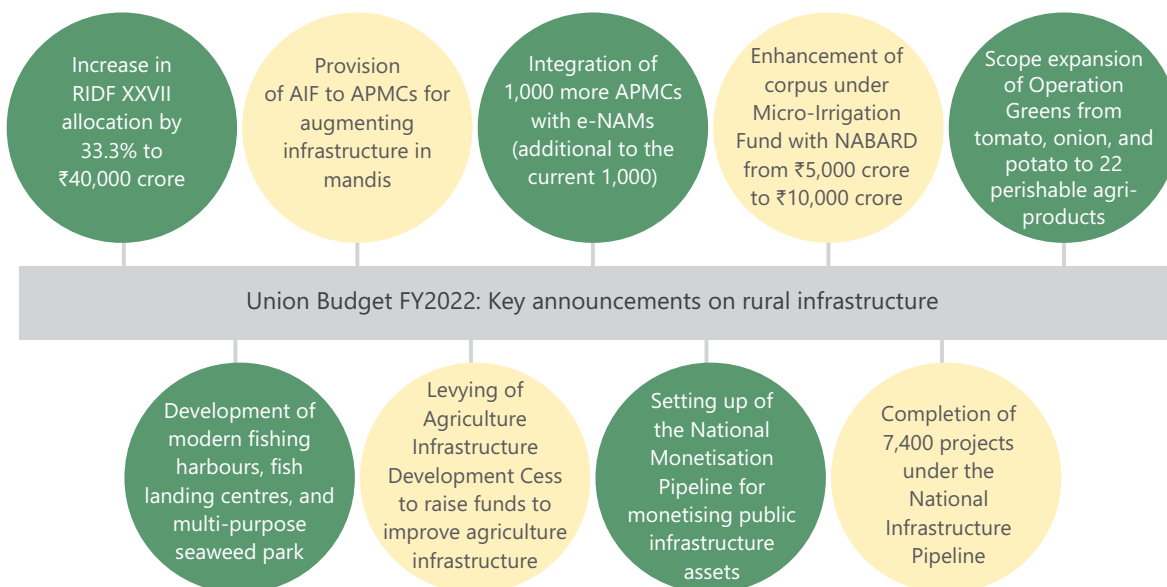
FIGURE 2.3: AatmaNirbhar Bharat package for rural infrastructure

Agriculture Infrastructure Fund	<ul style="list-style-type: none"> • ₹1,00,000 crore • Post-harvest infrastructure projects at farm gate or aggregation points, PACS, FPOs, agri-entrepreneurs, start-ups, etc.
Pradhan Mantri Matsya Sampada Yojana	<ul style="list-style-type: none"> • ₹20,050 crore • Fishing harbours, cold chains
Scheme for Formalisation of Micro-Food Processing Enterprises	<ul style="list-style-type: none"> • ₹10,000 crore • Technical upgrading of MFPEs to attain FSSAI standards • Cluster-based approach
Animal Husbandry Infrastructure Development Fund	<ul style="list-style-type: none"> • ₹15,000 crore • Supporting private investment in dairy processing, value addition, cattle feed infrastructure • Establishing plants for export of niche products

Notes: FPO = Farmer Producers' Organisation; FSSAI = Food Safety and Standards Authority of India; MFPE = Micro-Food Processing Enterprise; PACS = Primary Agricultural Credit Societies.

Source: Compiled by author from AatmaNirbhar Bharat Mission website, <https://aatmanirbharbharat.mygov.in/>.

FIGURE 2.4: Union Budget FY2022: Key announcements on rural infrastructure



Notes:

1. AIF = Agriculture Infrastructure Fund; APMC = Agricultural Produce Marketing Committee; e-NAM = Electronic National Agriculture Market; RIDF = Rural Infrastructure Development Fund.
2. For details on the National Monetisation Pipeline, see Appendix A2.2.

Source: Union Budget FY2022 speech of Union Finance Minister Nirmala Sitharaman.

expenditure by 34.5% over the previous year to ₹5.54 lakh crore.

2.4 Issues and challenges of India's rural infrastructure

The report of the Taskforce on National Infrastructure Pipeline has identified critical challenges faced by major rural infrastructure development programmes in India.²⁰ It has also recommended measures to address these challenges (Table 2.1).

TABLE 2.1: Addressing the challenges to rural infrastructure development

Sector	Challenges	Suggested measures
Rural housing 'Housing for All by 2022'	Land scarcity; inadequate financing; and legal constraints	Efficient land usage; easy access to finance and innovative financing mechanism; and setting up an affordable housing fund in the National Housing Bank
Roads	Poor condition of rural road network	To follow Rural Roads Maintenance Policy prepared by the National Rural Infrastructure Development Agency and International Labour Organization
Water supply and sanitation	Poor delivery	Decentralised service delivery model with key role to Gram Panchayats and local communities

Poor quality of infrastructure is a major cause of economic inefficiency. Uniform regulation and output-based performance standards, consistent processes for updating/setting standards, improving compliance mechanism, alignment with development strategy, and social and environmental sustainability would help strengthen infrastructure quality. The taskforce therefore recommended that a National Framework for Infrastructure Quality be laid down, based on global and national standards.²¹

2.5 Investment opportunities for building rural India

There is a wide array of investment opportunities in rural infrastructure. Some of these are presented here.

2.5.1 Digital infrastructure

Infrastructure should not only be about highways but also about information highways! The way ahead lies in creating optical fibre networks.

— Prime Minister Shri Narendra Modi

The Government of India (GOI) has taken up various initiatives including Bharat Net for achieving the goal of the Digital India programme. Under the project, network infrastructure is being established for broadband highways, accessible on a non-discriminatory basis to provide affordable broadband services to citizens and institutions in rural areas, in partnership with states and the private sector.²²

2.5.2 Market and value chain infrastructure

Lack of cold-chain systems forces farmers in India to monetise their produce at first instance by selling into food processing units and inefficient wholesale markets.²³ Further, lack of food processing infrastructure in the vicinity of farm gates results in about 25%–30% post-harvest losses. It may be concluded that although the GOI has prioritised investment in food parks and cold chain infrastructure under the Pradhan Mantri Kisan SAMPADA (Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters) Yojana, there is further scope for investment in value chain infrastructure across India, especially in the North East, Sikkim, Uttarakhand, Jammu & Kashmir, Ladakh, and states in the Eastern and Central regions of India.

2.5.3 Agriculture export infrastructure

The Agriculture Export Policy (AEP), 2018 has argued that the development of export-oriented clusters across states will be central to ensuring surplus produce with standard physical and quality parameters which meet export demand.²⁴ The AEP has further recommended the establishment of Agri Export Zones (AEZs) with common facility creation to facilitate value addition to agri-commodities. Farmer producers' organisations need to be linked to the AEZs. The GOI needs to further consider the development of Dairy Export Zones in collaboration with state governments.²⁵

2.5.4 Disaster-resilient infrastructure

The Coalition for Disaster-Resilient Infrastructure, launched in September 2019 at the United Nations Climate Action Summit, has initiated the process of national level risk and resilience assessment of infrastructure to support better decision making and policy development, and thus protect infrastructure investments from disasters and climate change.²⁶



2.5.5 Rural health infrastructure

While National Family Health Survey data has shown improvement in rural health indicators,²⁷ the pandemic (with attendant loss of food, health, and livelihoods security) poses a gargantuan challenge to rural health infrastructure which must be modernised and strengthened.

2.5.6 Infrastructure development in Aspirational Districts

The Transformation of Aspirational Districts programme (2018) of the NITI Aayog (transforming 115 districts across 28 states) focuses on (i) health and nutrition; (ii) education; (iii) agriculture and water resources; (iv) financial inclusion and skill development; and (v) basic infrastructure including roads (PMGSY), houses (PMAY-G), potable water, rural electrification, household toilets (SBM-G), internet connection, and common service centres.

2.5.7 Micro-infrastructure

To ensure that even the most remote villages attain SDGs by 2030, a micro-infrastructure approach could revolutionise poverty alleviation through a highly

decentralised, smart, clean, climate-resilient system to provide agriculture, water, and energy services. Specialist designers and investors could be brought on board to deliver appropriate infrastructure to the poorest 1–2 billion people on the planet.²⁸ Solutions would involve designing electricity or piped water distribution networks to reach every house, using an appropriate modern mix of extending the existing centralised systems (e.g., electricity grid), building stand-alone mini-networks (e.g., mini/micro/pico grids for medium/small/tiny villages), and home-based services (such as solar home systems and household water tanks).

2.6 NABARD's contribution to rural infrastructure

NABARD is a major player in India's rural infrastructure space. During its 26-year journey, RIDF has evolved into a dependable, affordable, and timely source of funding for rural infrastructure projects for state governments.²⁹ As on 31 March 2021, under tranches RIDF I (FY1996) to XXVI (FY2021), cumulative sanctions aggregating to ₹4,09,063 crore have been accorded to various states/UTs including an earlier sanction of ₹18,500 crore under the Bharat Nirman Programme (Figure 2.5).³⁰

FIGURE 2.5: Cumulative sanctions, share, and growth by sector under Rural Infrastructure Development Fund (I–XXVI) as on 31 March 2021

	Irrigation	Agri-related	Connectivity	Social sector
Cumulative sanctions (₹ crore)	1,25,044	45,486	1,47,210	72,823
Share (%)	32.0	11.7	37.7	18.6
CAGR (%)	11.4 (FY1996–FY2021)	14.3 (FY1996–FY2021)	9.5 (FY1997–FY2021)	12.5 (FY2005–FY2021)
AAG (%)	10.8	29.6	10.8	17.9
Top 10 states	GJ, MP, UP, OD, MH, AP, CH, RJ, TN, WB	WB, UP, OD, TN, KL, AP, RJ, AS, BH, GJ	BH, JH, OD, UP, TN, WB, RJ, AP, KN, AS	RJ, TN, AP, GJ, TL, KN, MP, KL, OD, HR

Total Sanctions ₹4,09,063 crore (including ₹18,500 crore under Bharat Nirman)

Notes: AAG = Average Annual Growth; AP = Andhra Pradesh; AS = Assam; BH = Bihar; CAGR = Compounded Annual Growth Rate; CH = Chhattisgarh; GJ = Gujarat; HR = Haryana; JH = Jharkhand; KL = Kerala; KN = Karnataka; MH = Maharashtra; MP = Madhya Pradesh; OD = Odisha; RJ = Rajasthan; TL = Telangana; TN = Tamil Nadu; UP = Uttar Pradesh; WB = West Bengal.

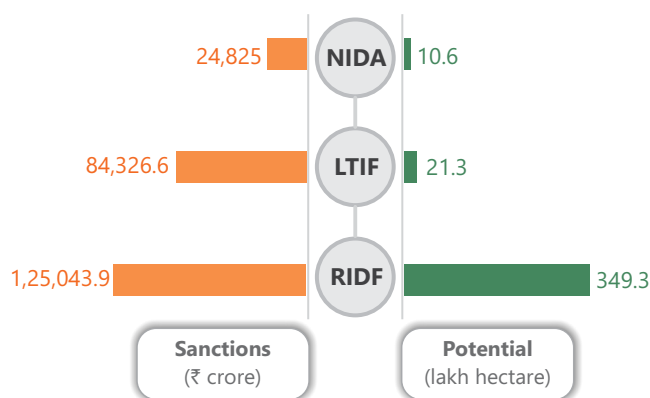
Source: Data accessed from NABARD.

On completion of the RIDF projects sanctioned under major sectors up to 31 March 2021, the cumulative benefits likely to be generated include the creation/restoration of 349.3 lakh ha of irrigation potential, rural road length of 4.9 lakh km, and rural bridges of 12.3 lakh metre. In addition, these projects are expected to generate around 2,000 crore person days of non-recurring employment.

NABARD has been funding the National Water Development Agency, the special purpose vehicle of the GOI and willing state governments under the Long Term Irrigation Fund (LTIF) since FY2017 towards identified major and medium irrigation projects. Cumulative loans sanctioned and released under LTIF as on 31 March 2021 stand at ₹84,326.6 crore and ₹52,479.7 crore, respectively. The LTIF aimed at increasing the total irrigation potential of the 99 projects identified under the fund from 41.4 lakh ha as on 31 March 2016 to 76 lakh ha. Up to 31 March 2020, an incremental irrigation potential of 21.3 lakh ha was achieved, bringing the total to 62.7 lakh ha, just shy of the final target by 13.3 lakh ha (Figure 2.6).

Cumulative sanctions of NABARD under RIDF, LTIF, and the NABARD Infrastructure Development Assistance (NIDA) amount to ₹2,34,195.5 crore (as on 31 March 2021), creating a total irrigation potential of 381.2 lakh ha (Figure 2.6).

FIGURE 2.6: Cumulative sanctions and irrigation potential under various NABARD funds for rural infrastructure as on 31 March 2021



Notes:

1. LTIF = Long Term Irrigation Fund; NIDA = NABARD Infrastructure Development Assistance; RIDF = Rural Infrastructure Development Fund.
2. Sanctions under NIDA include micro-irrigation.

Source: Data accessed from NABARD.

Set up by NABARD in FY2011, NIDA offers flexible options for financing a wide array of rural infrastructure projects to public sector entities as well as corporate sector through public-private partnership (PPP). Cumulative sanctions under NIDA as on 31 March 2021 stood at ₹57,724.3 crore.

Investments in warehouses and cold storages are the primary development focus of post-production agriculture for holding inventory for extended durations, enabling farmers to avoid distress sale of their produce; facilitating better price discovery mechanism; and providing post-harvest credit support to farmers through electronic negotiable warehouse receipts. Cumulative sanctions stood at ₹9,728 crore and disbursements at ₹7,620.7 crore as on 31 March 2021, under the Warehouse Infrastructure Fund (instituted by the GOI in NABARD in FY2014) for a total designed capacity of 12.7 million tonne (Table 2.2).

TABLE 2.2: Status of Warehouse Infrastructure Fund in top states as on 31 March 2021

	Total designed capacity (million tonne)	Total sanctions (₹ crore)	Total disbursements (₹ crore)
Tamil Nadu	1.8	2,520.9	2,088.4
Karnataka	1.3	1,700.5	1,366.2
Telangana	1.8	951.7	852.3
Total (all states)	12.3	9,575.4	7,484.0
Loans to other agencies	0.4	152.7	136.7
Grand Total	12.7	9,728.0	7,620.7

Source: NABARD.

Despite NABARD's significant contribution, shortfall in India's rural infrastructure financing vis-à-vis demand persists.

2.7 Financing rural infrastructure

The aggregate infrastructure spending gap in low and middle income countries is estimated at about \$1 trillion³¹—a challenge for most of them to fill with domestic revenues. China, now an upper middle income economy,³² figures among the few exceptions (Box 2.3). For nearly eight decades, multilateral development banks and development finance institutions (DFIs) have supported such economies bridge this gap (Figure 2.7).³³



Box 2.3: Infrastructure development in China

Infrastructure has driven the economic growth of China.^a In 2017, investments formed 45% of China's GDP, over a fifth of it (>9% of GDP) from infrastructure. The world's highest (and still expanding) railway, biggest hydropower station, and largest water transfer system are all in China.^b In response to the COVID-19 pandemic, China is rolling out new nationwide digital infrastructure—5G networks, artificial intelligence, internet of things, intercity high-speed rail, digital industrial infrastructure, and research and development institutions. China's model of improving physical infrastructure coupled with formation of human capital that encompasses policy, planning, financing, executing, and implementing large and at scale projects, at times ecologically sensitive, is instructive for other countries.^c

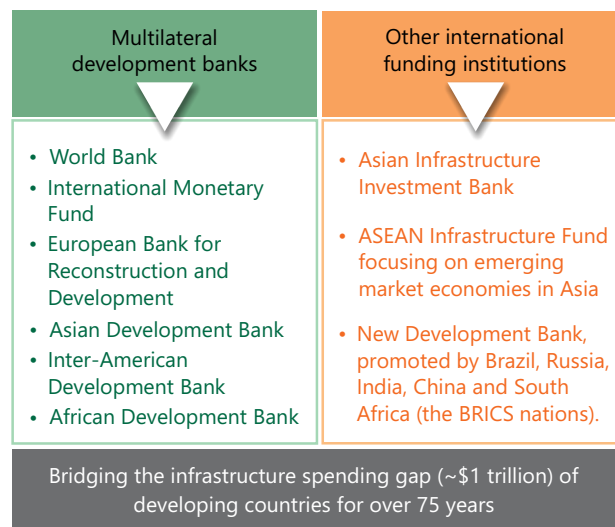
Sources:

^a Liang Chuan (2008), Infrastructure Development in China, in Kumar, N. (ed.), *International Infrastructure Development in East Asia – Towards Balanced Regional Development and Integration*, ERIA Research Project Report 2007-2, China: IDE-JETRO, pp. 85-104.

^b Mohamed Zeeshan (2021), *Flying Blind: India's Quest for Global Leadership*, Penguin Random House India.

^c Pravakar Sahoo, Ranjan Dash, and Geenthanjali Nataraj (2010), Infrastructure development and economic growth in China, IDE Discussion Papers 261, Institute of Developing Economies, Japan External Trade Organization.

FIGURE 2.7: Financing infrastructure by multilateral and regional institutions



Source: Compiled by author.

The ambitious NIP for FY2019–FY2025 aims at increasing infrastructure outlay to take India closer to its goal of becoming a \$5 trillion economy.

Many of these institutions extend easy long-term credit and technical and advisory services aimed at developing infrastructure for sustainable growth.

The World Bank has identified a sizeable global opportunity to invest in infrastructure, provided stronger infrastructure governance is in place. Private capital could help bridge the large-sized infrastructure funding need gaps that the member countries have.³⁴

With a similar population, India's GDP is less than a fourth of China and our outlay for infrastructure at 5.2% of GDP (FY2019) is less than one-eighth. The ambitious NIP for FY2019–FY2025 aims at reducing this gap

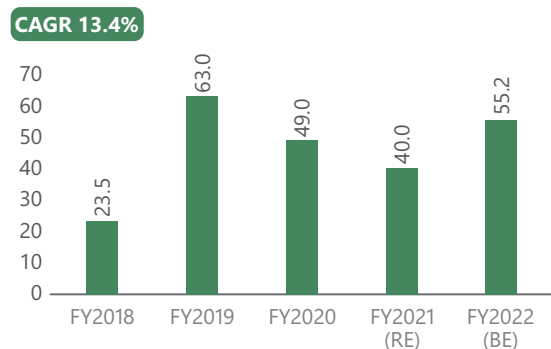
as India attempts to become a \$5 trillion economy by FY2025.³⁵ The over ₹7.7 lakh crore³⁶ NIP multi-year spending (capital expenditure) envisaged for rural India during the period will act as a major boost to physical infrastructure.

The key sources for financing India's rural infrastructure are:

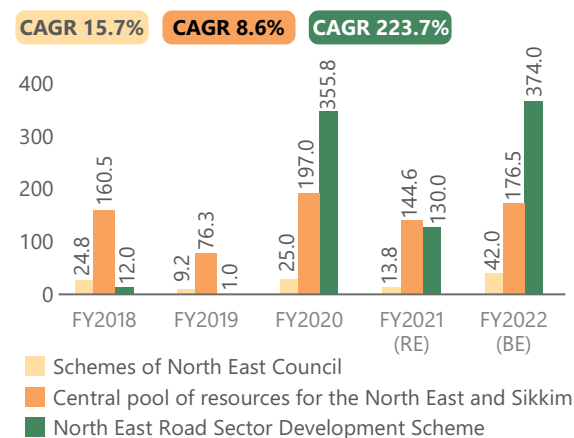
1. **Union budgetary resources:** Capital expenditure exceeding ₹15,000 crore through prominent centrally sponsored and central sector schemes between FY2018 and FY2022 for rural infrastructure development (Figure 2.8).

FIGURE 2.8: Capital expenditure on select central sector schemes for development of rural infrastructure (₹ crore)

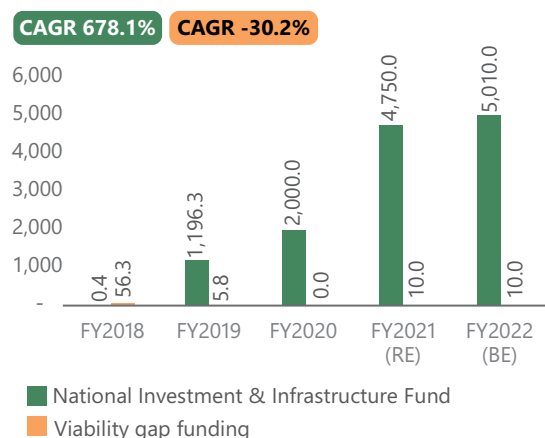
Department of Food & Public Distribution,
Storage & Godowns



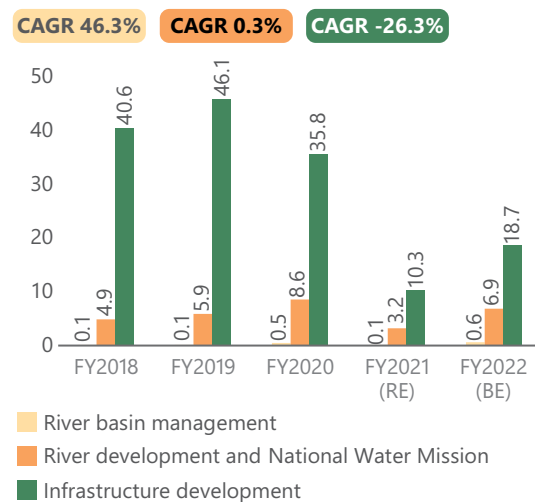
Ministry of Development of North East Region



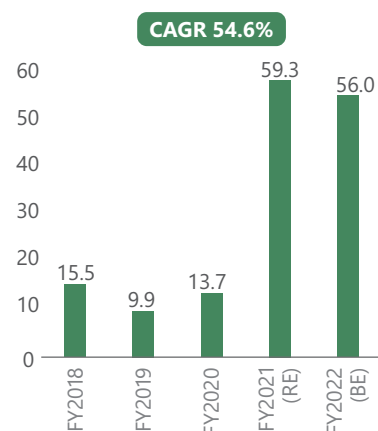
Department of Economic Affairs



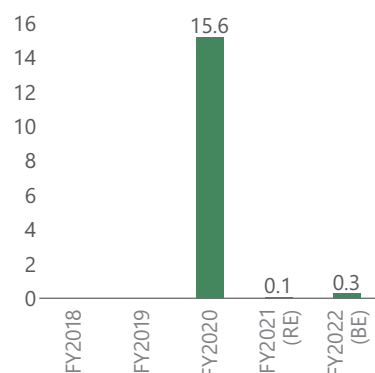
Department of Water Resources, River Development &
Ganga Rejuvenation



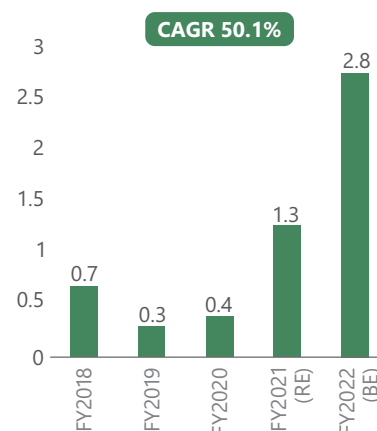
Green Revolution



Jal Jeevan Mission/ National Rural
Drinking Water Mission



Pradhan Mantri Krishi Sinchayee Yojana



Notes:

1. BE=Budget Estimate; CAGR = Compounded Annual Growth Rate; RE = Revised Estimates.
2. CAGR calculated for the period FY2018–FY2022.

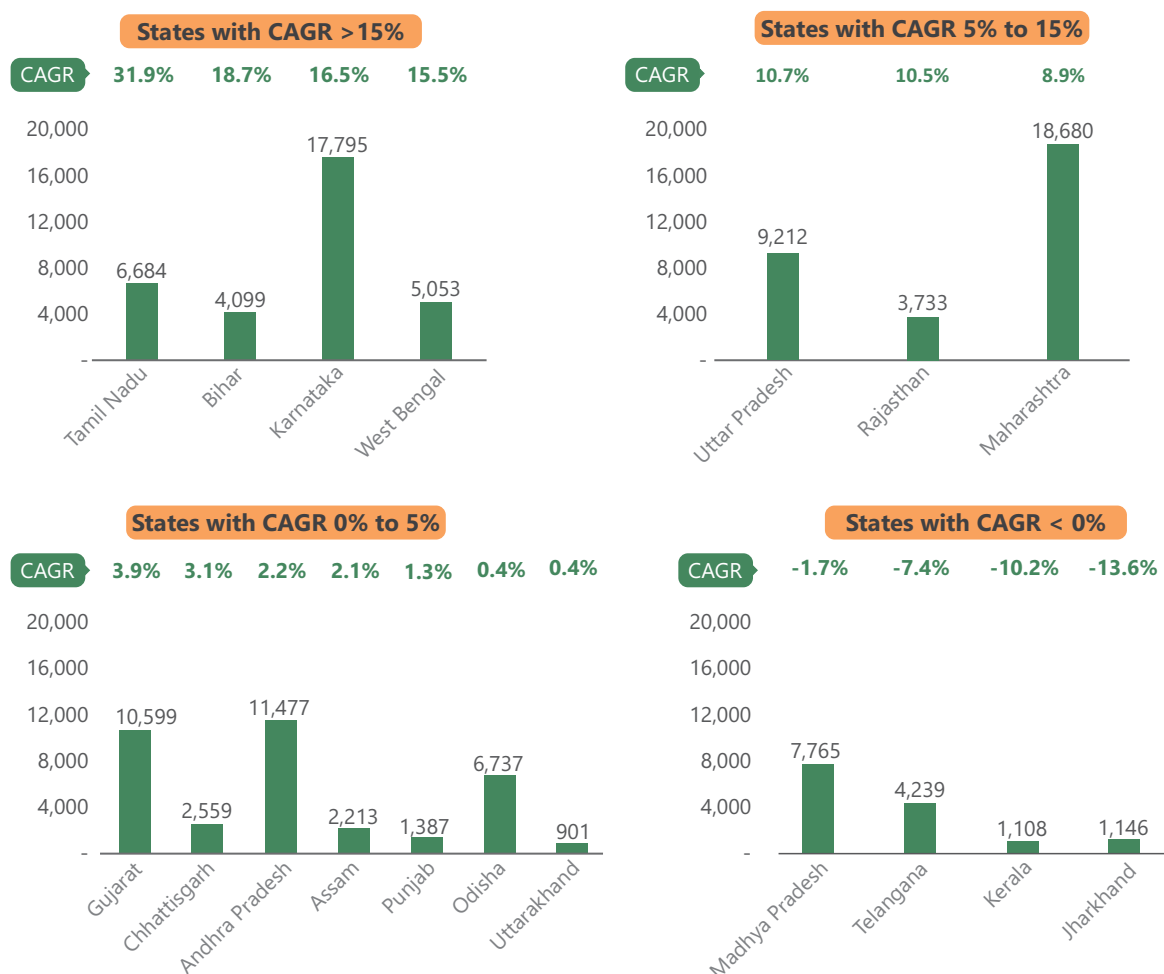
Sources: Expenditure Profile, Union Budget Documents for FY2020, FY2021, and FY2022, Ministry of Finance, Government of India.



2. **Budgets of states:** Nearly ₹5.1 lakh crore in capital expenditure on irrigation, storage, warehousing, other agriculture, and allied sector infrastructure by 18 major states between FY2017 and FY2021 (Figure 2.9).
3. **Extra-budgetary resources:** ₹1.4 lakh crore was raised by the GOI by issuing fully serviced bonds to central public sector enterprises during FY2017–FY2021.³⁷
4. **Bank loans:** Banks must lend a portion of their adjusted net bank credit to priority sectors on

NABARD offers states low-cost funds @ 1.5% below bank rate from RIDF, subject to provisions of Article 293 (3) of the Constitution of India.

FIGURE 2.9: Capital expenditure on agri-infrastructure from state budgets in major states in FY2021 (Budget Estimates; ₹ crore)



Notes:

1. CAGR = Compounded Annual Growth Rate; BE = Budget Estimates; RE = Revised Estimate.
2. CAGR calculated for the period FY2017–FY2021.
3. Capital expenditure on agri-infrastructure includes spends on irrigation, other agriculture infrastructure, storage, warehousing, and allied sector infrastructure.

Sources: RBI (various years), *State Finances: A Study of Budgets* (2018–19, 2019–20, and 2020–21 issues), Reserve Bank of India, Mumbai.

favourable terms (per RBI guidelines) to infuse capital into agriculture, health, renewable energy, and social infrastructure according to emerging national priorities.³⁸

5. Private investments

- a. **Public–private partnerships:** In 24 states, warehousing facilities are being built via private participation (under the Private Entrepreneurs Guarantee scheme) alongside Central Warehousing Corporation and state-specific warehousing corporations.
- b. **Viability gap funding (VGF):** In FY 2021, the revamped Infrastructure VGF scheme that offers capital subsidy to attract the private sector to invest in economically justified–financially unviable projects since 2004 was extended by the GOI till FY2025.

6. Other innovative financing options for rural infrastructure

- a. **Asset monetisation:** A National Monetisation Pipeline of potential brownfield infrastructure assets was proposed in the Union Budget for FY2022, to be rolled out under the Asset Monetisation Programme. Monetisation of some agricultural and rural assets like warehousing or even railway infrastructure could be financed through the asset monetisation route.
- b. **Takeout Finance Scheme:** India Infrastructure Finance Company Ltd. offers funding of up to 100% of the residual loan amount to address asset–liability mismatch due to financing of commercially viable projects in sectors such as roads, bridges, cold chains, warehouses, and power.³⁹ It also helps free up capital for new projects.
- c. **Pension and insurance funds:** These long-term, low risk–return stable funds have expressed interest in financing infrastructure projects around the world.⁴⁰ Report of the Taskforce on NIP observes that these would be interested in investing in post-construction and operational stages of an infrastructure project.⁴¹

7. National Bank for Financing Infrastructure and Development (NaBFID):

The NaBFID is envisioned as a DFI to support the development of long-term, non-recourse infrastructure financing in India, including the development of the prerequisite bonds and derivatives markets. The NaBFID is

expected to finance big infrastructure projects in sectors such as power, ports, and airports. However, with pan-India jurisdiction, it could as well be involved in financing high-cost rural infrastructure projects.

2.8 Outlook for infrastructure for a \$5 trillion economy

Post-pandemic recovery will require sustained and graduated measures to facilitate the return of the Indian economy to its long-term growth trajectory. This would entail revival of the infrastructure sector to attain overall economic growth and macroeconomic stability. Investment in rural infrastructure to build rural India may include the following:

- Greater investment in post-harvest infrastructure like storage, cold chains, food parks, logistics, market infrastructure near the farm gates, and expansion and strengthening of e-NAMs in all APMC markets as well as in gramian agricultural markets and WDRA-accredited warehouses.
- Covering all farms under irrigation through Pradhan Mantri Krishi Sinchayee Yojana (PMKSY)–Har Khet Ko Pani and PMKSY–Per Drop More Crop, significantly increasing investment in irrigation, including micro-irrigation.
- Increasing investment in rural connectivity (including roads, bridges, and digital infrastructure) by the GOI, state governments, NABARD, and the corporate sector.
- Preparing a roadmap for investments in solar and wind energy across rural India to achieve net-zero emissions (Box 2.4).
- Ensuring climate- and disaster-resilience of new and existing infrastructure to minimise losses due to extreme events.⁴²
- Spending on social infrastructure by central and state governments and the corporate sector through corporate social responsibility funds.
- Developing high-quality infrastructure to boost regional economic development, reduce poverty and income inequality, and improve quality of life.⁴³
- Financing rural infrastructure through increased central and state budgetary allocations, mobilisation of extra-budgetary resources, and financing under RIDF and NIDA by NABARD, as also NaBFID, VGF, PPP, asset monetisation, take-out financing, and pension and insurance funds.



Box 2.4: Financing green rural infrastructure

India's Nationally Determined Contribution (NDC) under the Paris Agreement builds on its goal of installing 175 gigawatts of renewable power capacity by 2022 by setting a new target to increase India's share of non-fossil-based installed electric capacity to 40% by 2030. The NDC also commits to reducing India's greenhouse gas emissions intensity per unit GDP by 33%–35% below 2005 levels by 2030, and to creating an additional carbon sink of 2.5–3.0 billion tonne of carbon dioxide through expansion of tree cover.^a Considering the targets, there are huge opportunities for investment in green infrastructure in rural India.

^a GOI (2020), *Annual Report 2019-20*, Ministry of New and Renewable Energy, Government of India.

Creating new and upgrading existing rural infrastructure will be key to reviving the rural economy, creating efficiency gains, and improving competitiveness. According to the report of the Taskforce on NIP,⁴⁴ this can help kick in a virtuous cycle of higher investments, growth, and employment generation in the economy. This could enable the achievement of a \$5 trillion economy and a \$1 trillion rural economy by FY2025 and the SDGs by 2030.

Authored by Dr Debesh Roy, economist and independent consultant (roydebesh0203@gmail.com). Views expressed are personal and do not necessarily reflect those of NABARD.

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APPENDIX TO CHAPTER 2

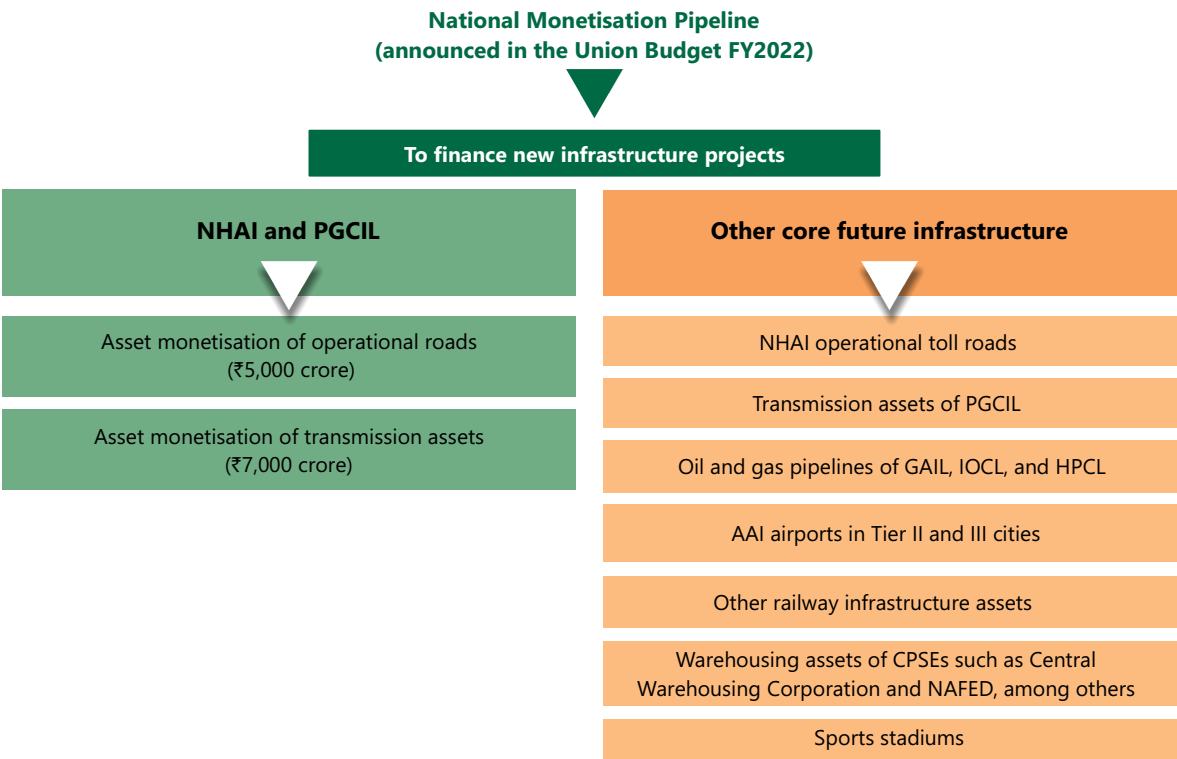
APPENDIX A2.1: Government of India schemes for rural infrastructure

Scheme	Nodal Ministry	Total fund allocation/ outlay (₹ crore)	Highlights
Pradhan Mantri Awaas Yojana–Gramin, 2016	Ministry of Rural Development	2,72,672.5	<ul style="list-style-type: none"> Housing for All by 2022 Target 2.2 crore houses Sanctioned: 2 crore Completed: 1.4 crore
Pradhan Mantri Gram Sadak Yojana, 2000		2,90,774.8 60:40 sharing by centre and state (90:10 in special category states)	<ul style="list-style-type: none"> Total road length completed: 6.6 lakh km PMGSY-III target: 1.3 lakh km Connectivity to GrAMs, schools, hospitals
S.P. Mukherjee Rurban Mission, 2016		27,844.05 70% through central and state government schemes, 30% critical gap funding by nodal ministry	<ul style="list-style-type: none"> Develop 300 Rurban clusters in 35 states and UTs
Swachh Bharat Mission –Gramin, 2014	Ministry of Jal Shakti	Phase II: 1,40,881	<ul style="list-style-type: none"> 6.03 lakh ODF villages ODF across 711 districts, 35 states and UTs
Jal Jeevan Mission, 2019		3,60,000	<ul style="list-style-type: none"> 15.7 crore (83%) rural HHs to be provided functional tap water connection by 2024
Pradhan Mantri Kisan Sampada Yojana, 2017	Ministry of Food Processing Industries	6,000	<ul style="list-style-type: none"> Mega food park Integrated cold chain Operation Greens
Deen Dayal Upadhyay Gram Jyoti Yojana, 2015	Ministry of Power	75,893 States are provided grant up to 75% (90% for special category states)	<ul style="list-style-type: none"> Universal household electrification Separation of agricultural and non-agricultural feeders All census villages and all HH electrified
Pradhan Mantri Sahaj Bijli Har Ghar Yojana –Saubhagya, 2017		16,320 States are provided grant up to 75% (90% for special category states)	<ul style="list-style-type: none"> Universal HH electrification as on 31 March 2019 2.63 crore HH electrified

Notes: GrAM = Gramin Agricultural Market; HH= Household; ODF = Open Defecation Free; PMGSY = Pradhan Mantri Gram Sadak Yojana; UT = Union Territory.

Sources: Ministry of Rural Development, Ministry of Jal Shakti, and Ministry of Food Processing Industries, Government of India.

APPENDIX A2.2: National Monetisation Pipeline



Notes: AAI = Airports Authority of India; CPSE = Central Public Sector Enterprises; HPCL = Hindustan Petroleum Corporation Limited; IOCL = Indian Oil Corporation Limited; NAFED = National Agricultural Cooperative Marketing Federation of India; NHAI = National Highways Authority of India; PGCIL = Power Grid Corporation of India Limited.

Source: Union Budget FY2022, Ministry of Finance, Government of India.

“Sustainable development is the peace policy of the future.” —Klaus Topfer¹

3

TOWARDS SUSTAINABILITY: CLIMATE ACTION AND NATURAL RESOURCES MANAGEMENT



The risks posed by climate change are numerous and critical—be it extreme weather events such as excess or scanty rainfall, reduced rainy days, frequent droughts, land degradation, diminished crop yields, or drying up of water resources—and agrarian and marginalised populace usually bear the brunt. These risks are exacerbated by poor farming conditions, increased input costs, inefficient land use, and falling incomes among other factors. It is therefore crucial for development programmes to be designed to focus on sustainability and inclusivity along with efficient management of natural resources.

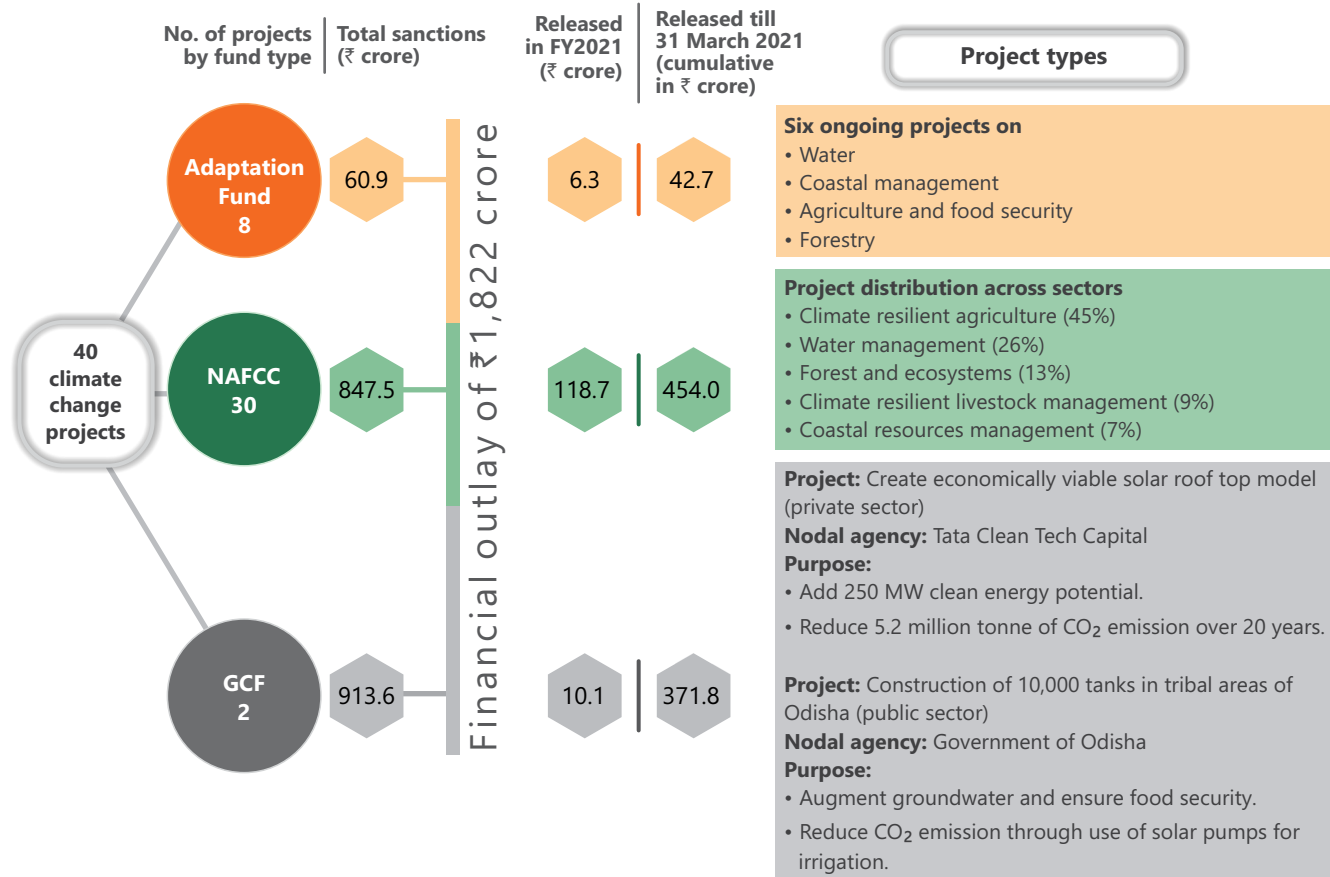
NABARD has been initiating and implementing programmes to achieve ‘sustainable and equitable rural prosperity,’ in line with its development agenda of inclusive and sustainable management of natural resources while improving rural lives and livelihoods. This chapter presents NABARD’s major initiatives in this sphere.

3.1 Climate change initiatives for sustainability

NABARD has played a pivotal role in implementing climate solutions, as the National Implementing Entity (NIE) for the Adaptation Fund (AF)² under the United Nations Framework Conventions on Climate Change and the National Adaptation Fund for Climate Change (NAFCC) of Government of India; it is also the Direct Access Entity to the Green Climate Fund.

It has been working in tandem with the goals of National Action Plan for Climate Change and State Action Plan for Climate Change to address the challenges, assess vulnerable areas and sectors for prioritisation of climate actions, and develop climate action strategies. Currently, there are 40 climate change projects underway with a total financial outlay of ₹1,822 crore (Figure 3.1).

FIGURE 3.1: Overview of climate change initiatives by fund type



Notes:

1. AF = Adaptation Fund; GCF = Green Climate Fund; NAFCC = National Adaptation Fund for Climate Change.
2. Projects under the Adaptation Fund include South-South Cooperation Grant for supporting National Implementing Entity accreditation in Afghanistan and Readiness Grant for development of the environmental, social, and governance framework.
3. Figures in parentheses against NAFCC project types represent share of the sector in total number of NAFCC projects.

The NAFCC-supported projects in 130 districts across 25 states and 2 UTs addressed adaptation requirements of communities vulnerable to climate change impact (Showcase 3.1). Such interventions aimed at engaging and training the members in protecting natural

resources, say by reviving natural water resources to counter rainfall deficit, and increasing green cover through better farming practices like integrated mountain farming and climate-resilient crop cultivation and livestock rearing (Showcase 3.2).

SHOWCASE 3.1: Model carbon-positive eco-village in Phayeng, Manipur

Situated at the foothills of Kangchup hill range, Phayeng village is inhabited by Manipur's indigenous Chakpa community that is both culturally and economically dependent on agriculture and animal husbandry. The village, which once had over 76% forest cover, is now seeing alarming levels of deforestation due to increased anthropogenic activities resulting in rainfall deficit, which, in turn, has led to shrinking water resources, decrease in crop yield, crop damage, etc.

With support from the National Adaptation Fund for Climate Change, Phayeng village has developed a carbon-positive eco-model by undertaking adaptation measures to enhance greenhouse



(Continued)



gas sequestration through various initiatives such as promoting integrated mountain farming, introducing climate-resilient crops, and replacing biomass as cooking fuel with renewable energy source. In addition, innovative measures included regeneration of lost springs, maximising green cover, and protection of natural resources.

Project outcome

- Planting of 60,000 fruit-bearing plants in 65 hectares of degraded forest catchment area
- Recharging of underground water for reviving natural springs, traditional ponds, etc.
- Securing irrigation facilities by constructing check dams to restrain speed of water flow in upper catchment areas
- Introducing modern irrigation facilities like sprinklers in 500 hectares of agricultural land
- Training 500 farmers in adopting climate-resilient agriculture systems
- Supplying potable water collected from springs through pipelines
- Establishing traditional village knowledge centres to promote conservation and development of community-based eco-health resort
- Creating self-help groups of women to help generate alternate livelihood

SHOWCASE 3.2: Climate-resilient livestock rearing

NABARD sanctioned ₹17.4 crore over a five-year project period (ending in December 2020) to the Punjab State Council for Science and Technology for 'Climate Resilient Livestock Production in Punjab'. The project, spanning the districts of Bathinda, Ludhiana, and Tarn Taran, aims to develop an integrated livestock farming model incorporating climate considerations, promotion of indigenous breeds, and income enhancement of small and marginal farmers. Salient features of the project are enumerated below.

***For the first time in India,
a weather-linked insurance
product for livestock is
being developed.***

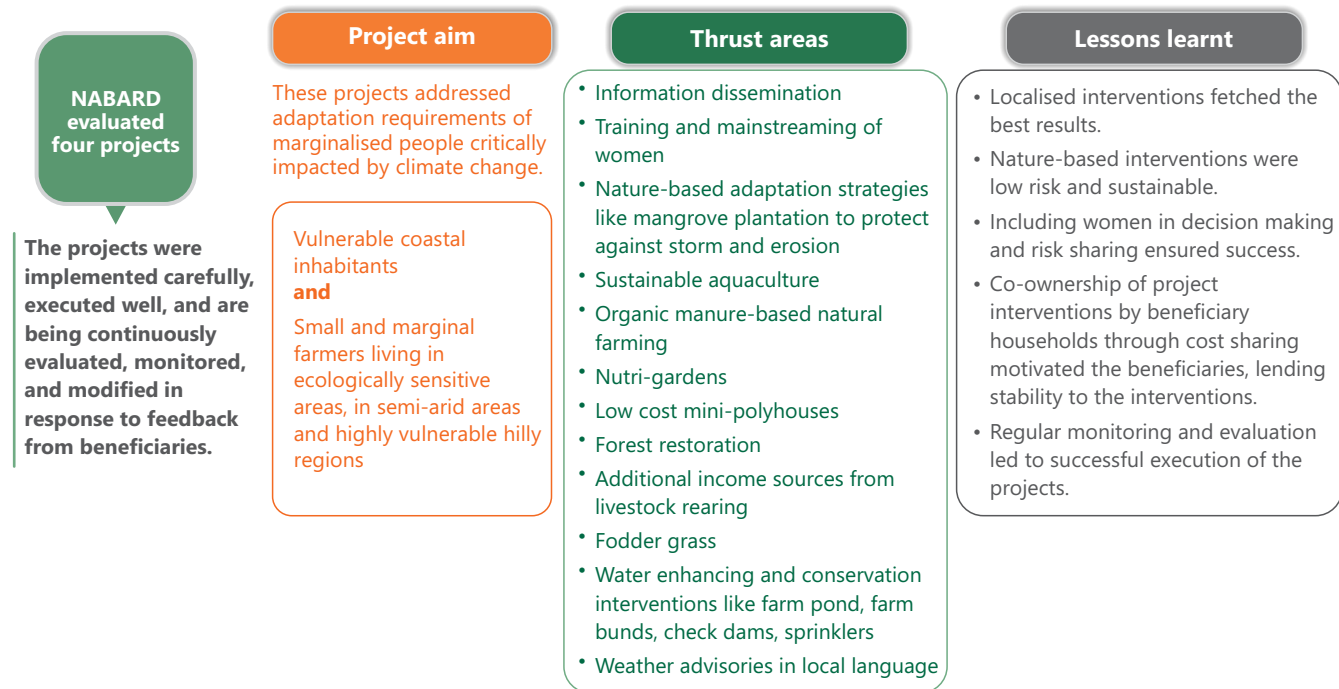
- *Weather-linked insurance:* For the first time in India, a weather-linked insurance product is being developed to compensate for income losses due to reduction in milk yield owed to heat and humidity variations. Now at the final stages of development and testing, the insurance product will link milk production with a temperature humidity index.
- *Promotion of indigenous breeds:* Indigenous breeds are being promoted through artificial insemination (3,000 procedures targeted) and oestrus synchronisation (6,000 procedures targeted).
- *Climate resilient and tick-free sheds:* Key determinants of animal health, namely, ventilation, moisture, and storage of animal feed, are being factored in for the preparation of sheds.
- *Automated weather stations:* These are providing weather- and feed-related advisories to farmers.

As on 31 December 2020, a cumulative amount of ₹12.5 crore has been released by NABARD under the project, securing its benefits for over 6.5 lakh farmers. The State Level Steering Committee on the National Adaptation Fund for Climate Change has recommended extension of the project by 18 months.

Midterm evaluation of AF-supported projects of NABARD pointed to the importance of factors such as localising interventions, ensuring women in decision making, and regular monitoring in successful climate interventions (Figure 3.2).

Utilising ₹97.2 lakh from the Climate Change Fund,³ NABARD also co-sponsored the World Sustainable Development Summit 2021; funded installation of customised automated weather stations in Nagaland; and supported online training programmes on climate finance by the Bankers Institute of Rural Development, Lucknow during FY2021.

FIGURE 3.2: Midterm evaluation of NABARD projects supported by the Adaptation Fund



Source: Saudamini Das (2021), Midterm Evaluation of AF-supported Projects by NABARD, Institute of Economic Growth, New Delhi (sponsored by NABARD).

3.2 Watershed development

NABARD has been engaged in watershed development since 1992, starting with the Indo-German Watershed Development Programme in Maharashtra. The GOI instituted the Watershed Development Fund (WDF) in NABARD in FY2000 with the corpus of ₹200 crore. NABARD has been making significant progress in its watershed development initiatives across the board.

While covering more area was the priority in the initial years, consolidating the gains through sustainable development plans, climate proofing, and soil restoration initiatives has been the focus during the later years as described in Figures 3.3–3.7. Figure 3.8 displays our efforts in rejuvenating springs in Himalayan and hill areas through the springshed development programme.

FIGURE 3.3: Utilisation of Watershed Development Fund (cumulative till 31 March 2021)

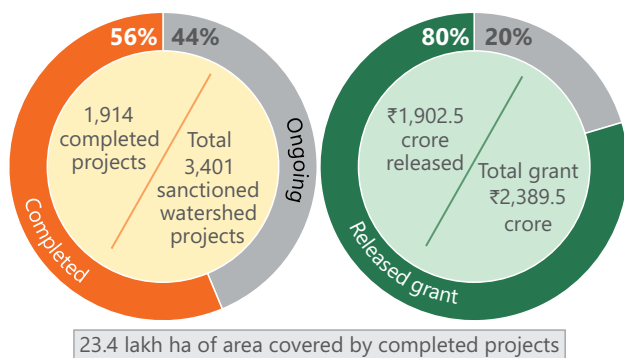


FIGURE 3.4: Participatory Watershed Development Programme

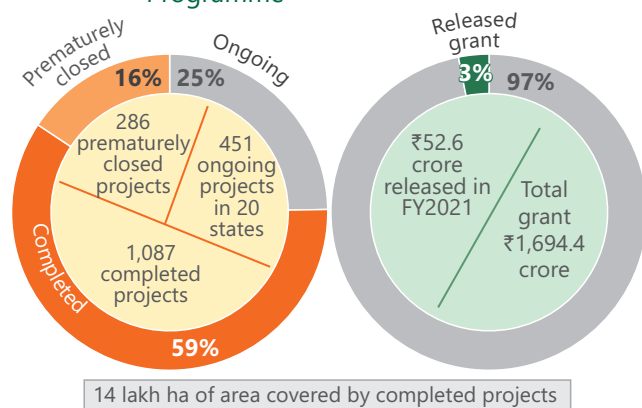
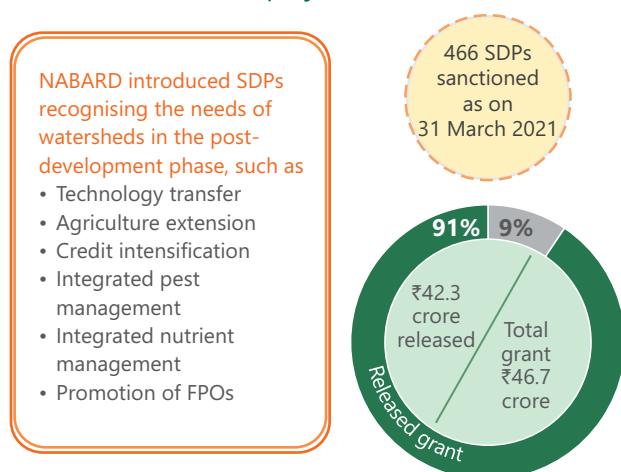


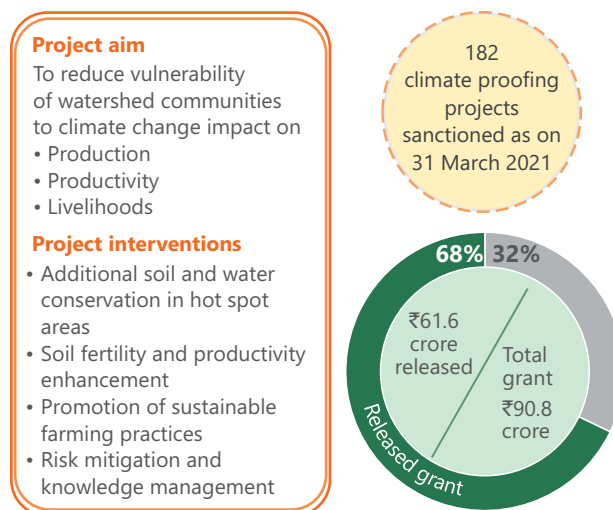


FIGURE 3.5: Sustainable development plans for watershed projects



Notes: FPO = Farmer Producers' Organisation; SDP = Sustainable Development Plan.

FIGURE 3.6: Climate-proofing of watershed projects



Note: WDF = Watershed Development Fund.

FIGURE 3.7: Overview of the Soil Restoration and Rehabilitation Project under KfW

	Phase I	Phase II 2019–2022	Phase III Initiated in 2020
States covered	Karnataka Telangana Andhra Pradesh Odisha Chhattisgarh	Kerala (43 projects) Jharkhand (12 projects)	Bihar (10 projects) Maharashtra (13 projects) Tamil Nadu (25 projects)
Total grant	€10 million (₹70 crore) for 32 districts	€5 million (₹35 crore)	€4.5 million (₹38.6 crore)
Disbursed	₹65.5 crore	₹17.7 crore	
No. of projects	123 projects under WDF	55 ongoing projects	

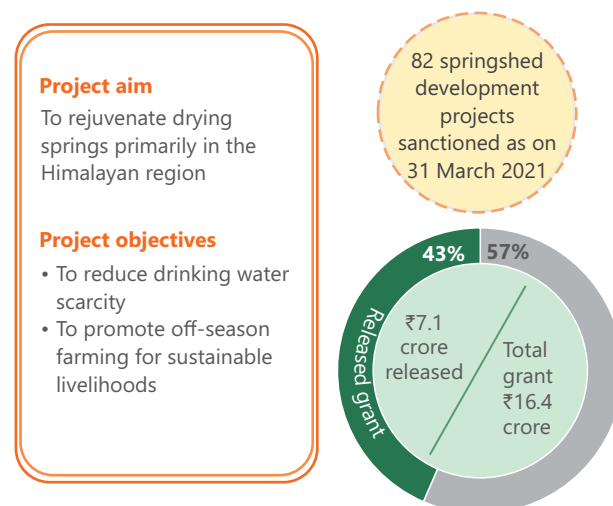
Phase I completed

Notes:

1. WDF = Watershed Development Fund.
2. KfW Germany is supporting this initiative under the 'One World, No Hunger' programme of the German Federal Ministry for Economic Cooperation and Development.

NABARD leveraged geospatial technology for better outcomes in ongoing watershed programmes. The NABARD-Bhuvan web portal, mobile app, and the

FIGURE 3.8: Springshed Development Programme



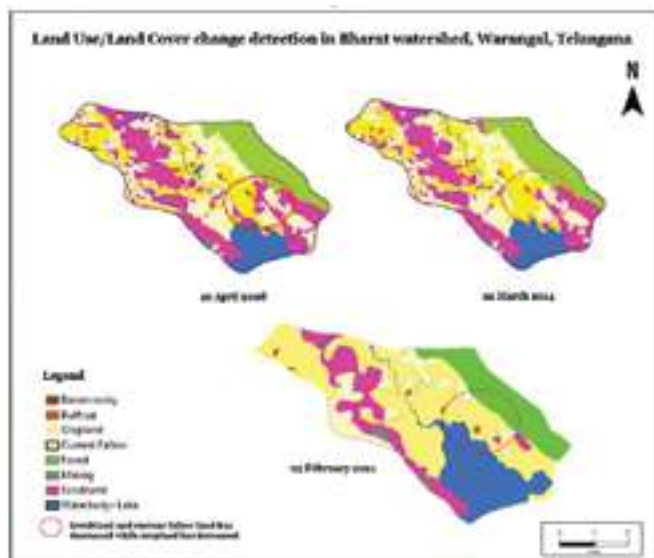
Note: WDF = Watershed Development Fund.

latest in-house Remote Sensing Cell (RSC) initiative together facilitate web-based monitoring and evaluation of 627 ongoing projects by capturing pre- and post-development satellite images, eventually leading to better implementation of projects (Showcase 3.3). As on 31 March 2021, RSC is hosting 39 ongoing projects under WDF on the NABARD-Bhuvan portal.

SHOWCASE 3.3: Land-use change detection in watersheds using remote sensing and Geographic Information System

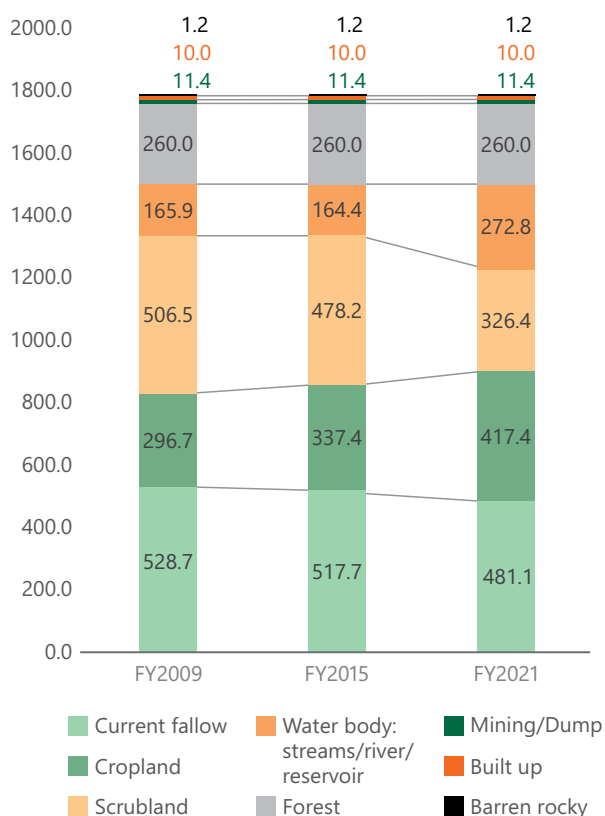
Bharat watershed in Warangal district of Telangana was supported under the Indo-German Watershed Development Programme from 2007 to 2013. Satellite images for the years 2008, 2014, and 2021 were analysed to study the impact of watershed interventions on land use/land cover changes in the watershed. The changes are depicted in the images below.

FIGURE S3.3.1: Land-use change detection



The analysis of satellite data shows that implementation of various watershed interventions under the project led to significant conversion of fallow and scrub land (indicated by decrease in area) to crop land and water bodies (indicated by increase in area).

FIGURE S3.3.2: Impact analysis of Bharat Watershed (area in hectare)





3.3 Towards remunerative farming systems

Despite making great strides over the past four decades, Indian agriculture is still beset with problems such as falling productivity, increasing input costs, low profits, emergence of climate risks, and volatile prices, which render farming unremunerative. Marginalisation of farm holdings has aggravated the situation further. A large section of farmers is still deprived of the benefits of promising research findings for poverty alleviation and income generation.

NABARD has constantly endeavoured to enhance farmers' incomes through multi-pronged strategies. One such initiative is reclamation of saline and alkaline soils through rainwater management wherein NABARD has sanctioned four pilot projects in Punjab and Haryana with an initial grant of ₹0.1 crore as on 31 March 2021. The programme integrates a watershed/

landscape approach and is supported by the Central Soil Salinity Research Institute, Karnal as the technical partner. The programme aims to cover a total area of 3,000 hectare (ha) in Punjab and Haryana (2,000 ha alkaline soils and 1,000 ha of saline soils) with an outlay of ₹20.4 crore. The Centre for Research in Rural and Industrial Development, Chandigarh conducted a study in Haryana to suggest the most remunerative crop-combination in the region, the major recommendations of which are given in Box 3.1.

Livestock rearing plays an important role in diversified farming systems, to which fodder shortage poses a major constraint, especially in arid areas. In search of solutions, NABARD sponsored two successful pilot projects between 2015 and 2021 which established the efficacy and viability of cactus as an alternative source of fodder. Armed with the lessons from the pilots, NABARD's Madhya Pradesh regional office too implemented a similar project in collaboration with

Box 3.1: Remunerative farming systems in Haryana

The Centre for Research in Rural and Industrial Development, Chandigarh conducted a study on identifying the most remunerative crop-combination in Haryana and made recommendations on both crop area management and institutional arrangements.

- Crop area management
 - » Prepare plans to promote area-specific cropping and processing units to mitigate the issues in procurement and minimum support prices (MSPs).
 - » Extend adequate MSPs to crops outside the rice–wheat system to encourage crop diversification.
 - » Encourage demand-driven crop calendars considering the edaphic, physiographic, and climatic conditions to increase farm income.
 - » Promote agro-forestry to tackle water logging and salinity problems.
- Institutional arrangements
 - » Develop a 'single window' system for effective delivery and implementation of agricultural schemes.
 - » Encourage contract farming practices and setting up of farmer producers' organisations on principles of cooperative development to safeguard farmers' interests.
 - » Enact a 'Long-term Lease/Rent Act' to instil confidence regarding land security among farmers when they lease land for long-term contract farming or cooperative farming.
 - » Enact a law to prevent groundwater depletion.

Source: Vikash Kumar and Jatinder Singh (2020), Identifying the Most Remunerative Crop-Combination Regions in Haryana: A Spatial-Temporal Analysis, NABARD Research Study - 7 by Centre for Research in Rural and Industrial Development (CRRID), Chandigarh supported by NABARD.

the International Center for Agricultural Research in the Dry Areas, Beirut (Box 3.2).

NABARD also commissioned Xavier Institute of Management, Bhubaneswar to do an Action Research on Sustainable Agricultural System (SAS)

with a grant assistance of ₹34.2 lakh to understand the interconnectedness of various factors affecting sustainable agriculture and to develop a sustainable farming operation manual. The major findings and recommendations of the research are given in Box 3.3.

Box 3.2: Spineless cactus as a promising fodder alternative

Fodder shortage is common and often acute in arid and semi-arid areas. BAIF Development Research Foundation, Pune, with financial assistance from NABARD, conducted a research trial during 2015–2017 on the spineless cactus (*Opuntia ficus indica*, also known as prickly pear or cactus pear) as a source of fodder. NABARD also supported BAIF in 2019–2021 for taking the technology to the farmer's field after standardisation.

The spineless cactus can potentially serve as forage while generating a host of ecological benefits. It is extremely water-use efficient and thus strongly suited to water-stressed conditions. The cladodes (modified leaf/pads) are highly succulent (comprising about 85% water) and can keep foragers well hydrated for long periods. Besides having industrial and medicinal uses, the cactus is also climate change-resilient.

During the first phase of the study, goats in Barmer (Rajasthan) and Nanodara (Gujarat) that fed on the cactus were seen to gain weight. The study inferred that the cactus as a green fodder for goats could easily replace 30% dry matter without any adverse health impact thus establishing the financial viability of cactus cultivation.

During the second phase, 600 demonstrations (300 each in Kutch, Gujarat and Barmer, Rajasthan) were conducted at farmers' fields covering 29 villages to promote the cactus on large scale. It was observed that

- over 88% plants survived and adapted well (in terms of growth and yield) to the region;
- farmers fed the harvested cladodes to their goats and cattle during the fodder scarcity in summer with good results;
- acceptance and palatability of cactus among lactating cows was high and its inclusion in their diet led to improvements not just in total body weight and average daily gain in body weight but also milk production, without any adverse effects; and
- water-use efficiency of cactus was higher than crops like rice and pearl millet.

Based on the various study outcomes in support of the cactus as green fodder, NABARD collaborated with the International Center for Agricultural Research in the Dry Areas (ICARDA) (headquartered in Beirut, Lebanon) to promote the spineless cactus among farmers, farmer producers' organisations, and beneficiaries of NABARD's watershed and wadi (orchard) projects in Madhya Pradesh. During FY2021, 200 farmers received onsite exposure and handholding by scientists and experts of the ICARDA under five Capacity Building for Adoption of Technology programmes.



Cactus fruiting



Goat feeding on cactus

Sources:

1. BAIF (2017), Study on Standardization of Nursery and Production Technology of Spineless Cactus for Livelihood Development in the Arid and Semi-Arid Regions, BAIF Development Research Foundation, Pune, (sponsored by NABARD).
2. BAIF (2021), Study on Introduction of Cactus Pear (*Opuntia ficus indica*) as a Source of Fodder in Dry Areas of Rajasthan and Gujarat, BAIF Development Research Foundation, Pune, (sponsored by NABARD).



Box 3.3: Action Research on Sustainable Agricultural System

The focus of the Sustainable Agricultural System (SAS) action research (conducted in Liligada in Gajapati district, Nunagada in Rayagada district, and Pilheri in Kandhamal district of Odisha) is summarised in Figure B3.1.

FIGURE B3.1: Unsustainable versus sustainable agricultural systems

External	←	Moisture	→	In-situ
Dead	←	Soil	→	Live
Exotic	←	Seed	→	Indigenous
Low	←	Farm diversity	→	High
Shallow	←	Farm ecology	→	Deep

Major findings of SAS action research

- **Water:** Despite the topography and slope of the land, the water level improved in the fields (across all three sites) within two years of intervention and sufficient water was available through open wells.
- **Soil health:** Soil health on a farm showed some improvement by end of Year 1.
- **Farm forestry:** Farm forestry as a live infrastructure has been built in the three sites. The benefits and significance of this will be visible by Year 4 of the intervention.
- **Seeds:** The team is trying to grow indigenous seeds to wean the farmers away from their reliance on market-supplied expensive seeds.
- **Farm agricultural diversity:** Farming at the study sites became more climate-resilient with improved soil health, in turn increasing both productivity and yield.



Farmers' training session on SAS with late Deepak Suchde



Plantation activities to deepen farm ecology

(Continued)

Policy recommendations for large scale SAS replication

- Ensure capacity building of farmers by demonstrating SAS.
- Promote common cattle grazing and fodder cultivation at Gram Panchayat (GP)/Ward level.
- Develop physical infrastructure for water harvesting and in-situ water conservation on the fields.
- Develop seed banks in every GP through the support of the farmer producers' organisation (FPO).
- Facilitate establishment of optimally designed GP-level farmer institutions and collectives.
- Integrate various agricultural extension services of the district/state at the GP-level FPOs.
- Channel bank credit through GP-level FPOs to farmers to ensure timely and speedy delivery of credit.

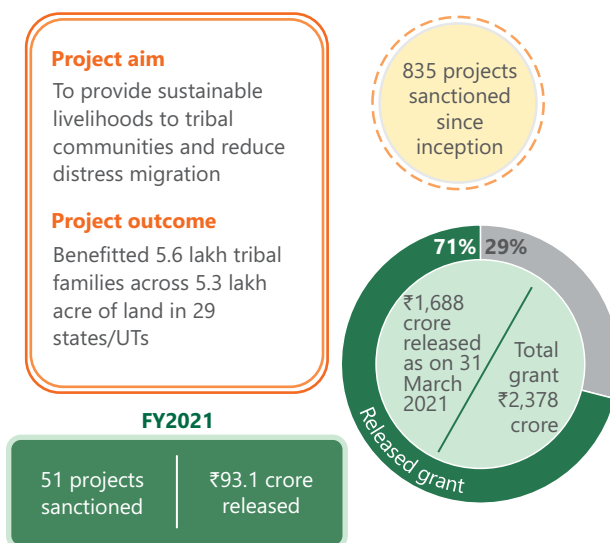
Source: Amar K.J.R. Nayak (2021), Action Research on Sustainable Agricultural System, NABARD Research Study-14, by Xavier Institute of Management, Bhubaneswar (sponsored by NABARD).

3.4 Tribal Development Fund

The Tribal Development Fund (TDF), created in FY2004 with an initial corpus of ₹50 crore, aims to provide sustainable livelihoods to tribal households across India (primarily through *wadi* development)⁴ to reduce distress migration (Figure 3.9).

Since FY2021, NABARD also extended support to other (non-wadi) projects to cover agri-allied activities such as sericulture, apiculture, animal husbandry, and micro-enterprise development, to include more landless tribals and tap the potential of other income generation activities. During FY2021, four agri-allied (non-wadi) TDF projects have been sanctioned in Chhattisgarh (apiculture), Tamil Nadu (animal husbandry), Telangana (micro-enterprise development) and West Bengal (pig and goat rearing) (for impact of TDF project in Junnar, Maharashtra see Figure 3.10).

FIGURE 3.9: Tribal Development Fund: Wadi projects



Note: UT = Union Territory.

FIGURE 3.10: Impact of Tribal Development Project in Junnar, Maharashtra



Source: Debdulal Thakur, Deepa Gupta, and Varun Miglani (2019), Impact Evaluation of Tribal Development Fund: A Study of Selected Villages in Junnar – I (Pune), Symbiosis School of Economics, Pune (supported by NABARD).



3.5 Umbrella Programme for Natural Resource Management

NABARD has demonstrated successful business models through a variety of initiatives under the Umbrella Programme for Natural Resource Management (UPNRM) including System of Rice Intensification, Sustainable Sugarcane Initiative, Better Cotton Initiatives (using drip irrigation), integrated biogas, ecotourism, sustainable agriculture practices, fisheries, cultivation of medicinal plants with primary processing, soil and water conservation in tank-based irrigation in dryland areas, vermi-compost production, horticulture and plantation crop, organic farming, crop waste management, community drinking water, and installation of automated weather stations.

Though the programme ended in December 2017, the disbursement for sanctioned projects continues as per the phasing. As on 31 March 2021, there are 334 sanctioned projects with a loan of ₹738.6 crore and grant support of ₹45.4 crore; cumulative disbursement stood at ₹577.2 crore, including grant assistance of ₹31.5 crore.

Projects under UPNRM have had deep and long-term impact on their beneficiaries including

- increase in credit absorption capacity of beneficiaries;
- empowerment of women (constituting 40% of beneficiaries);
- empowerment of excluded or marginalised communities (with members of Scheduled Castes/ Scheduled Tribes/Other Backward Classes constituting 80% of beneficiaries);
- increased average annual income (in more than 98% projects);
- benefits such as introduction of new technologies, promotion of good agricultural practices, integrated approach, capacity building of farmers, and collectivisation of produce for reaching better markets; and
- addressing of climate change risks by contributing to annual carbon sequestration, saving fuel wood (trees), and water and energy conservation, among other measures.

3.6 India towards 'net zero'

NABARD's contribution towards climate action needs scaling up given the immensity of the problem. India's

per capita emissions are among the lowest in the world. It is the only country that has kept its commitments as per the 2015 Paris Accord, even among the G20 countries which account for more than 80% of the global GDP.

At the same time, per capita emissions vary widely by income class and degree of urbanisation.

[Carbon footprint] CF reduction policies within India need to target high-expenditure households which are responsible for nearly seven times the carbon emissions than low-expenditure households (living on \$1.9 consumption a day)...Per capita carbon emissions in India [also] vary greatly within and between urban and rural areas, whilst residents in mega districts such as Mumbai (1.76 ton CO₂/capita), New Delhi (0.98 ton CO₂/capita), Bangalore (1.13 ton CO₂/capita), Chennai (1.11 ton CO₂/capita), or Kolkata (1.56 ton CO₂/capita) have a carbon footprint above the national average (0.56 ton CO₂/capita). Almost a tenfold difference is observed between the highest CF district, Gurgaon (2.04 ton CO₂/capita), and the lowest CF district, Baudh (0.21 ton CO₂/capita)...These vast disparities between the carbon footprint of citizens in India highlights the need to differentiate individual responsibilities for climate change in national and global climate policy.⁵

India is thus yet to reach its peak and once it does so, it would need to drastically cut down on emissions to reach 'net zero' or 'near net zero' level. Commitment to net zero—impacting livelihoods, employment, and consumption, and thus, the entire economy—demands a two-pronged approach: (i) scaling up climate-friendly interventions such as watersheds, wadis, mitigation measures, and adaptation projects; and (ii) adopting new techniques and shifts in paradigm towards agro-ecology. Such an approach for India would no doubt entail huge investments in natural resource management and people. NABARD's best efforts in this direction could be integrated with mainstream programmes for large scale impact.

Notes

1. Institute of Advanced Sustainable Studies, Germany.
2. The Adaptation Fund was set up under the Kyoto Protocol of the United Nations Framework Convention on Climate Change. It finances concrete projects and programmes that help vulnerable communities in developing countries to adapt to climate change. NABARD has graduated to facilitating the accreditation of an NIE in the Islamic Republic of Afghanistan and received \$50,000

- (₹36.6 lakh where conversion rate is \$1 = ₹73.206 as on 31 March 2021) under South–South Cooperation.
3. The Climate Change Fund was created in-house in FY2017 with a corpus of ₹4.3 crore to promote and support activities that can address climate change impact, adaptation and mitigation measures, awareness generation, knowledge sharing, and facilitating sustainable development.
 4. A *wadi* is a small orchard.
 5. Jemyung Lee, Oliver Taherzadeh, and Keiichiro Kanemoto (2021), The scale and drivers of carbon footprints in households, cities and regions across India, *Global Environmental Change*, Volume 66, January, 102205. Elsevier.

“As we are pursuing economic growth and economic development, we have to make sure it happens with and by and for everyone. That everyone gets opportunity.” —Betsy Hodges¹

4

TOGETHER, WE GROW



The war on COVID-19 taught governments that investing in people-centric institutions during safe times pays rich dividends during disasters. This was vindicated by the critical role played by self-help groups (SHGs), joint liability groups (JLGs), farmer producers' organisations (FPOs), and off-farm producers' organisations (OFPOs) in proactively fighting-off the pandemic in rural India.

Leveraging various funds at its disposal,² NABARD has, over many years, been building these grassroots institutions for, of, and by the rural people, ensuring their participation. And unsurprisingly, these institutions proved to be the lifeline for their stakeholders and clientele during the pandemic. NABARD's multi-pronged approach of skilling, livelihood development, financial inclusion, digital inclusion, and engagement with the research community underlined by a strong positive bias towards disadvantaged peoples (e.g., tribal communities) and geographies (e.g., North Eastern Region) sustained well through FY2021. This chapter presents highlights of its outcomes on ground that bear out the success of the approach in building a vibrant development ecosystem for rural India.

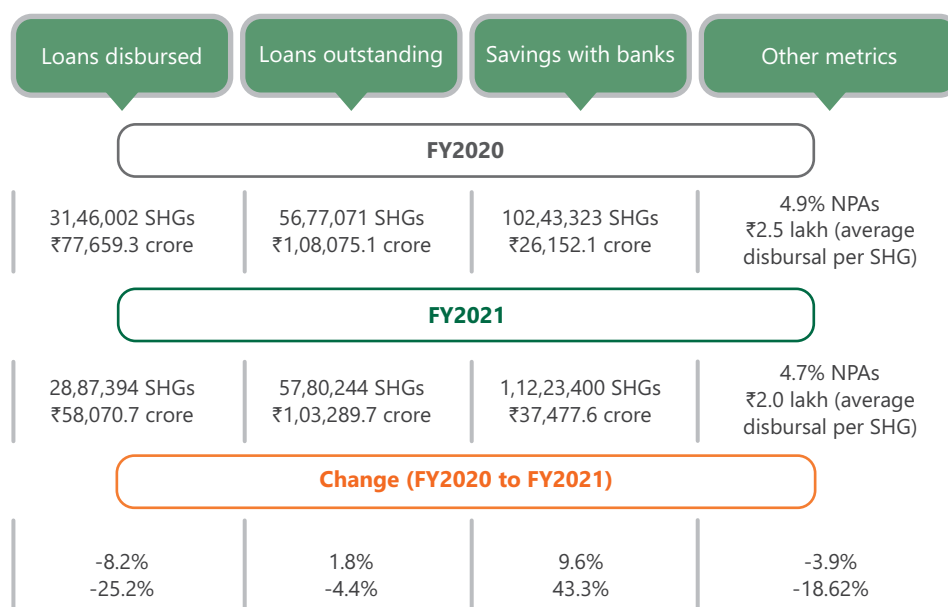
4.1 Building community institutions

4.1.1 Institutions for micro-finance

Scaling up self-help groups

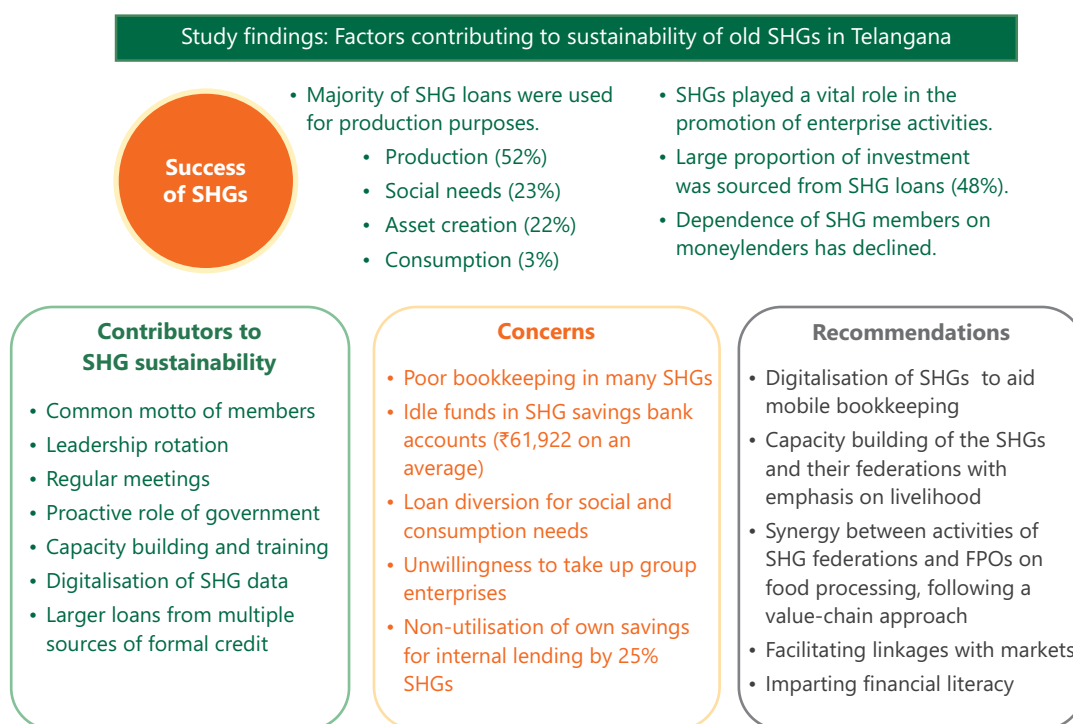
Since inception in FY1993, the SHG-Bank Linkage Programme (SHG-BLP) has improved the lives of women by helping them save, borrow, and build social capital. About 1.1 crore SHGs and an estimated 13.5 crore rural households are within the fold of SHG-BLP (Figure 4.1).

FIGURE 4.1: Progress of SHG–Bank Linkage Programme



Notes: NPA = Non-Performing Asset; SHG = Self-Help Group.

FIGURE 4.2: Effectiveness and sustainability of self-help groups



Notes: FPO = Farmer Producers' Organisation; SHG = Self-Help Group.

Source: Mahila Abhivridhi Society (2020), Sustainability of Old SHGs in Telangana (study sponsored by NABARD).



During FY2021, NABARD formed around 6.8 lakh SHGs; ensured bank credit for nearly 4 lakh; and released ₹170.2 crore against a sanction of ₹418.20 crore for promoting over 8.7 lakh SHGs. In the 150 backward or left-wing extremism (LWE)-affected districts, we spent ₹725.4 lakh on implementing women-SHG (WSHG) programmes in FY2021 (a 17.8% increase over FY2020) enabling 2.1 lakh WSHGs to open bank accounts and 1.3 lakh to avail bank credit. Since FY2013, ₹146.7 crore has been utilised out of WSHG Fund (as on 31 March 2021).

Over the years, SHGs have helped members initiate and sustain entrepreneurial activity; attain financial stability; and reduce dependence on private lenders

Box 4.1: Role of self-help groups in mainstreaming *joginis* and *basavins* in Anantpur, Andhra Pradesh

The Andhra Pradesh Devadasi Abolition Act, 1986 has had minimal impact on the lives of *basavins* (*joginis*) in the last 34 years as mainstreaming them is simultaneously a social, economic, and cultural challenge.

The *basavins* surveyed for a recent NABARD-sponsored study cited family pressures, community attitudes and beliefs, and fear of income loss as the reasons for their entrapment. Though all respondents were aware of SHGs, few were part of any such group.

Leveraging government schemes while forming SHGs of *basavins* could be an empowering option. The study recommended the formation of a dedicated state-level committee to ascertain that the benefits of current welfare programmes reach all the eligible *basavins*; formation of SHGs to extend livelihood, capacity building, and financial support; counselling services to address adjustment and mental health issues; and social reintegration through awareness drives involving women-SHGs, villagers, officials, and NGOs.

Notes:

1. NGO = Non-Governmental Organisation; SHG = Self-Help Group.
2. *Basavins* (Andhra Pradesh), *joginis* (Telangana), *mathammas* (Tamil Nadu), and *devadasis* (Karnataka) are virgin girls married off to the local deity as a vestige of a medieval social practice.

Source: The study on 'Improving livelihood opportunities for Jogini women in Anantapur district of Andhra Pradesh through SHG and other promotional schemes', Administrative Staff College of India, Hyderabad (sponsored by NABARD).

(Figure 4.2) while also carrying the potential to play a transformative role in social change (Box 4.1).

Financing joint liability groups

Banks promoted and financed 41.3 lakh new JLGs in FY2021, taking the total to 133.8 lakh. NABARD provided incentives to implementing partners (which was doubled to ₹4,000 per group this year); extended refinance to banks covering the loan amount; and executed memoranda of understanding (MOUs) with banks to scale up JLG formation. We sanctioned ₹219.7 crore for promotion of 6.9 lakh JLGs across the country during the year. As on 31 March 2021, we had executed 70 MoUs in 22 states—49 with regional rural banks; 15 with the State Bank of India (in five states); 4 (one each) with Syndicate Bank (later, Canara Bank), Allahabad Bank (now, Indian Bank), Union Bank of India, and Bank of Baroda; and 2 (one each) with state cooperative banks in Jharkhand and Odisha. In addition, through an MOU, NABARD has appointed NABFINS as the JLG promoting institution for Chhattisgarh and Jharkhand, and sanctioned a three-year pilot project for Assam, Chhattisgarh, Madhya Pradesh, Maharashtra, and Jharkhand.

4.1.2 Promoting technology adoption

NABARD supports Farmers' Clubs (FCs) to enable technology transfer. Our current focus is on the consolidation or strengthening of existing FCs and facilitating reorganisation of well-functioning FCs into FPOs. A portal, 'Krishak Sarathi' (www.krishaksarathi.com), was developed to effectively monitor FC activities and ensure their sustainability.

4.1.3 Seeding farmers' collectives

The formation of FPOs has been an effective mechanism for the transformation of smallholders into viable agri-business entrepreneurs. Under Producers' Organisation Development Fund (PODF); PODF–Interest Differential; and Producers Organisation Development and Upliftment Corpus fund, NABARD extended financial support for the formation of FPOs, their capacity building/handholding, credit facilitation, and market linkages (Table 4.1).

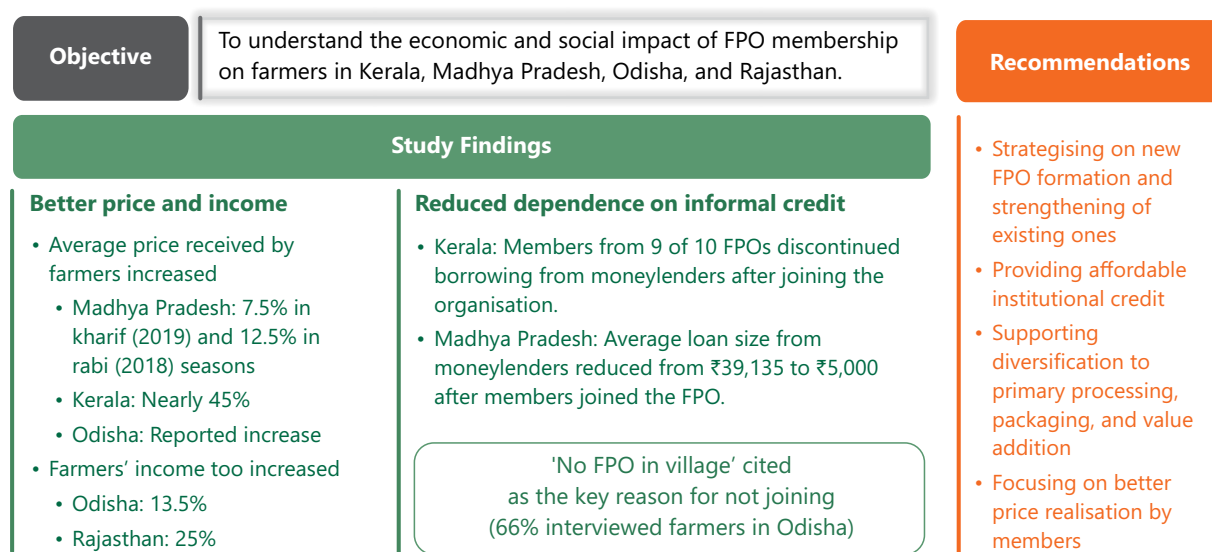
About 83% of the FPO members are small producers and 46% women. Nearly all FPOs established market linkages with 808 of them being able to arrange bank credit for members. Data for over 12.8 lakh producer members from 3,857 FPOs was digitised. An evaluation of sample FPOs across states revealed tangible benefits

TABLE 4.1: Cumulative status of FPOs under PODF, PODF-ID and PRODUCE fund as on 31 March 2021

Particulars	PODF-ID	PODF	PRODUCE	Overall
Target FPOs	3,000	-	2,000	5,000
FPOs sanctioned	2,906	-	2,154	5,060
	[576]	-	-	[576]
FPOs registered cumulatively	1,627	-	2,094	3,721
	[633]	-	-	[633]
Grant sanctioned (₹ crore)	248.0	47.1	205.4	500.6
	[46.8]	-	-	[46.8]
Grant utilised (₹ crore)	68.2	21.8	176.4	266.5
	[38.6]	[4.1]	[11.3]	[53.9]
Farmers covered as shareholder (lakh)	4.7	-	9.1	13.8
Share capital collected by FPOs (₹ crore)	45.3	-	98.2	143.5
Producer organisation promoting institutions associated	663	-	779	1,442
Resource support agencies	15	-	17	32
Balance corpus on 31 March 2020 (₹ crore)	252.0	200.0	34.9	-
Corpus used during FY2021 (₹ crore)	38.6	4.1	11.3	-
Balance corpus on 31 March 2021 (₹ crore)	314.2	300.0	23.6	-

Notes:

1. FPO = Farmer Producers' Organisation; PODF = Producers' Organisation Development Fund (PODF); PODF-ID = PODF Interest Differential; PRODUCE = Producers Organisation Development and Upliftment Corpus.
2. Data in square brackets are for FY2021.
3. The corpus under PODF is ₹300 crore as on 31 March 2021 after drawing ₹4 crore and appropriation of profit of ₹104 crore during the year.

FIGURE 4.3: Impact of FPOs on member-farmers

Note: FPO = Farmer Producers' Organisation.

Source: In-house study conducted by four regional offices of NABARD namely, Kerala, Madhya Pradesh, Odisha, and Rajasthan.

to members (Figure 4.3). To identify the challenges and strategies for FPOs, a detailed study was conducted (Box 4.2).

In FY2020, the Government of India (GOI) announced a scheme to develop 10,000 FPOs in five years. As one of the implementing agencies, NABARD



Box 4.2: Strategies for farmer producers' organisations: Policy and execution

At the behest of NABARD, Dr Amar Nayak of Xavier Institute of Management, Bhubaneswar undertook detailed case studies of well-performing farmer producers' organisations (FPOs) across the country to identify factors behind their success. The study identified effective strategies for FPOs to tackle internal management and governance issues and leverage externalities to come up with recommendations on FPO policy and execution.

<i>FPO policy</i>	<i>Execution</i>
<ol style="list-style-type: none"> 1. Develop clear operational guidelines to ensure policy coherence. 2. Ensure coordination between central and state governments to generate consistent policy signals. 3. Design FPOs that are aligned to local food consumption habits on the demand side and diversified cropping patterns for procurement of seeds and other inputs. 4. Create FPO architecture at Gram Panchayat, block, and district levels for optimally connecting to consumers. 5. Optimally align the 'one district-one product' approach of the national scheme for 10,000 FPOs to the institutional architecture of each district based on economies of scope. 	<ol style="list-style-type: none"> 1. Factor in the needs of producer members in multi-product and service business plan. 2. Keep members' interest paramount while framing autonomous and effective governance structure. 3. Make holistic development and empowerment of smallholders the long-term goal of public investments in FPOs. 4. Emphasise geographic cluster size and membership needed within the cluster for long-term performance and sustainability of FPOs. 5. Build equity to help FPOs handle their own credit needs in the early stages of development. 6. Saturate the local and nearby markets of an FPO before expanding geographically to minimise transaction cost and boost net income.

targeted the promotion of about 4,000 FPOs within the scheme period. During FY2021, NABARD promoted 634 FPOs against the target of 600.

A Credit Guarantee Fund of ₹1,000 crore with equal share from the GOI and NABARD was set up under NABSANRAKSHAN, a NABARD subsidiary, to incentivise banks to finance FPOs.

4.1.4 Supporting collectives of off-farm producers

Off-farm Producer Organisations, which are collectives for producers of non-farm products in handloom, handicraft, and agro-processing industries, were extended an aggregate of ₹4.5 crore in committed grant assistance (for 8 OFPOs) benefitting 2,365 artisans and craftsmen across 7 states during FY2021 (Showcase 4.1). Since FY2017, ₹17.4 crore has been provided to 40 OFPOs across 20 states to similarly benefit 14,043 members.

To help OFPOs overcome the pandemic-induced disruption of business cycles, NABARD has provided ₹5 lakh as one-time revolving-fund assistance for all registered OFPOs.

4.2 Intervening for a better livelihood

4.2.1 Capacity building

NABARD sponsored 20,034 training programmes on micro-finance during FY2021 covering around 1.7 lakh participants from banks and other stakeholder institutions. Another 1,156 training programmes with grant support of ₹2.2 crore from the WSHG Fund were conducted in LWE areas for 41,000 participants. Capacity has been built cumulatively for around 42.2 lakh participants under the Financial Inclusion Fund (FIF) and 3.7 lakh participants under the WSHG Fund.

SHOWCASE 4.1: Carpets from the Valley: A sweet story of collective effort from Kashmir

The challenge

The world-famous carpets of Kashmir, renowned for their design and finish, are cherished and treasured. However, the weavers have been in distress due to multiple causes: scattered and unorganised weaving activity; indebtedness to middlemen as job-workers; poor access to quality raw material; challenges with designs, institutional credit, and markets; and health hazards from traditional modes of knotting.



The initiative

An Off-farm Producer Organisation (OFPO) for 329 carpet weavers from 14 villages of Baramulla and Bandipora districts in Kashmir valley was supported with a grant of ₹30 lakh from NABARD.

Solutions

The OFPO member-weavers registered as Shehar Carpet Producers' Company Limited and mobilised a share capital of ₹4.9 lakh. To access design banks and conduct quality testing of raw materials, a memorandum of understanding was signed with the Indian Institute of Carpet Technology, Srinagar. NABARD also enabled training and capacity building. To overcome the pandemic-induced disruption to business operations during FY2021, the OFPO was provided with revolving fund assistance of ₹5 lakh. With this support, it undertook direct selling of carpets to exporters in Srinagar.



Impact

- A total of 61 weavers came out of debt trap.
- New designs from the design bank helped fetch good price for the carpets.
- Assured and timely access to quality raw material resulted in 20% higher profit for independent weavers.

4.2.2 Skilling and building entrepreneurship

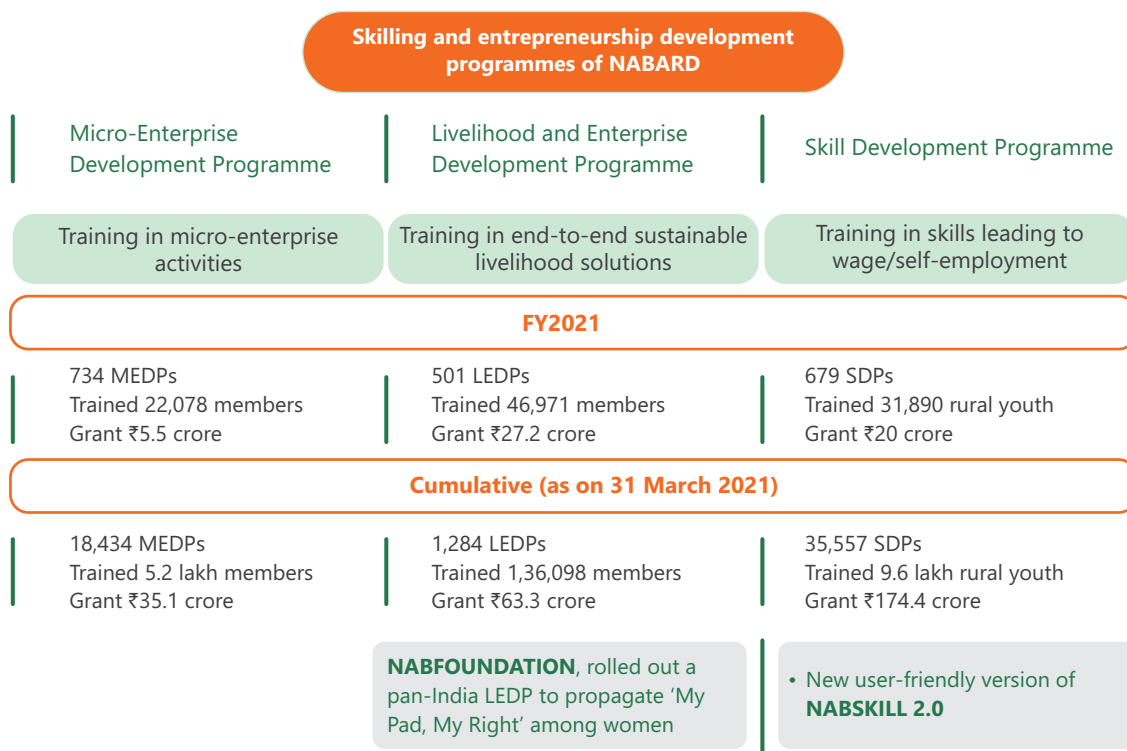
NABARD runs three types of skills and entrepreneurship development programmes: Micro-Enterprise Development Programme (MEDP); Livelihood and Enterprise Development Programme (LEDP); and skill development programmes. Of late, JLG members have also been made eligible for MEDPs and LEDPs. Participants are given a daily stipend; additional training inputs on marketing, e-marketing, branding, packing, demonstration units; and a certificate (Figure 4.4).

While the assistance has been doubled to ₹1 lakh for MEDPs from FY2021, support for LEDPs has also been enhanced to ₹8.8 lakh (from ₹6.4 lakh) for farm sector activities and to ₹7.15 lakh (from ₹4.98 lakh) for non-farm sector activities.

Notably, in October 2020 a prominent initiative, 'My Pad, My Right', launched pan-India LEDPs for women covering 35 districts through NABFOUNDATION, a subsidiary of NABARD (Box 4.3).



FIGURE 4.4: Promoting skills and entrepreneurship



Notes: LEDP = Livelihood and Enterprise Development Programme; MEDP = Micro-Enterprise Development Programme; SDP = Skill Development Programme.

Box 4.3: 'My Pad, My Right'

Under the 'My Pad, My Right' initiative, SHG members are being trained to produce and market sanitary pads through pan-India Livelihood and Enterprise Development Programmes (LEDPs). Alongside generating livelihood for SHGs in the targeted districts, the project aims to improve menstrual hygiene accessibility for women in rural India. During FY2021, ₹1.6 crore was utilised (from a total project outlay of ₹2 crore), machines installed in 33 districts, and production started in 29 districts.



Padmashri Arunachalam Muruganantham, who designed the award-winning low-cost pad-making machine is the technical partner for the project. The LEDPs were launched by the Minister for Women and Child Development and Textiles, Smriti Irani.



Rapid skill development by NABARD through Pipal Tree Ventures

In response to the COVID-19 pandemic, NABARD sanctioned a ₹5 crore mega project to rapidly re-skill 10,000 reverse migrants in construction work and generate wage- or self-employment. The project benefits rural youth from Uttar Pradesh (Raebareli, Gorakhpur, Mirzapur, Maharajganj, and Allahabad); Bihar (Muzaffarpur, Vaishali, Rohtas, and Gaya); and Jharkhand (Hazaribagh).

4.2.3 Promoting livelihood activities

NABARD promoted a range of livelihood opportunities by leveraging technology adoption and transfer, extension, innovation, off-farm activities, revolving-fund assistance, marketing support, supporting start-ups, and backing incubators.

Strengthening the farm sector

During FY2021, NABARD sanctioned ₹20 crore (and disbursed ₹12.6 crore) for 166 projects. These included Krishak Samridhi; zero budget natural farming; certified seed production; fodder and vegetable production through hydroponics; integrated farming systems; demonstration of bio-flock fish farming; commercial beekeeping; high density guava cultivation; and quail farming.

In collaboration with institutions under the Indian Council of Agricultural Research, state agricultural universities, Krishi Vigyan Kendras, and other research institutes, NABARD facilitated 270 exposure visits for 8,022 farmers to see new or innovative farming methods

in action, spending ₹2.1 crore under the Capacity Building for Adoption of Technology programme.

NABARD also supported *krishi melas*, fairs, workshops, etc., that showcased agri-products, machineries, and innovative practices, spending more than ₹1.2 crore on these activities.

Developing the off-farm sector

Marketing initiatives

NABARD has been supporting producers in both farm and off-farm sectors to market their produce effectively by setting up rural *haats*, rural marts, and participation of artisans and craftspeople in national or regional level exhibitions and *melas* (Figure 4.5; Showcase 4.2).

FIGURE 4.5: Progress of marketing initiatives

Rural haats	Rural marts	Melas/fairs/exhibitions
FY2021		<ul style="list-style-type: none">• The prolonged lockdown during FY2021 disrupted the calendar of these events.• As soon as the situation eased, 9 regional offices organised 10 exhibitions with grant assistance of ₹2.7 crore while following COVID-19 hygiene protocols.
58 rural haats ₹7.6 crore financial assistance	155 rural marts ₹7.6 crore financial assistance	
Cumulative (as on 31 March 2021)		
636 rural haats ₹54.2 crore financial assistance	1,085 rural marts ₹23.2 crore financial assistance	



SHOWCASE 4.2: Unlocking opportunity with rural mart: Green Pasture Agro Producer Company Ltd

Initiative

During FY2020 lockdown, the farmer producers' company (FPC), Green Pasture Agro Producer Company Ltd. continued running a rural mart with NABARD's support. The FPC promoted by Bade Area Agri & Allied Farming Co-operative Society, took up the initiative with permission from the district administration.

Beneficiaries

Farmers and consumers in Dimapur and Kohima districts in Nagaland.

Activity and impact

Fresh and locally produced vegetables and fruits were sourced from Dimapur and other districts of Nagaland and supplied in and around Dimapur town as well as parts of Kohima, including home deliveries. During April–July 2020, when all establishments had stalled due to the pandemic-induced lockdown, the FPC achieved a turnover of around ₹65 lakh.



Promoting geographical indications

Nizamabad Black Pottery;³ Ghazipur Wall Hanging; Varanasi Soft Stone Jali Work;⁴ Banaras Gulabi Meenakari Craft;⁵ and Mirzapur Handmade Dari (carpet) are among the 72 products that have been registered as geographical indications (GI) with support from NABARD. We had issued policy guidelines for end-to-end support covering pre-registration to post-registration activities for GI products to improve quality, provide and expand market access, create awareness, strengthen producer's capacity to enforce their rights, subsidise cost of registration and enforcement, and marketing.

Supporting start-up and innovation ecosystem

Agri-business incubation centres foster ideas, innovations, and technologies that focus on agriculture. They provide support and resources necessary for agri-start-ups and agri-entrepreneurs to develop ideas into viable commercial entities. Covering both agri-technologies as well as rural technologies, NABARD extends end-to-end assistance and grant support in setting up rural agri-business incubation centres at agriculture universities and similar institutions (Figure 4.6).

NABARD set up a ₹100-crore Catalytic Capital Fund in FY2020 to support agricultural and rural start-ups in 'Death Valley' phase through incubation centres and NABARD subsidiaries. Of the ₹10 crore sanctioned from this fund, NABARD disbursed ₹6 crore to NABKISAN Finance Limited (a subsidiary) and Madurai Agri-Business Incubation Forum (Box 4.4).

Facilitating 'Stand Up India'

As a connect centre for the Stand Up India scheme,⁶ the district development managers of NABARD facilitated 238 pre- and post-disbursement handholding events at district level through FY2021 to share best practices, review the programme, solve problems, and guide the potential borrowers.

Managing the Credit Linked Capital Subsidy Scheme

In FY2021, NABARD cleared 239 applications for subsidy under the Credit Linked Capital Subsidy Scheme for Technology Upgradation of Micro and Small Enterprises of Government of India and released ₹1,901.6 lakh (cumulatively, ₹9,556.1 lakh) to support technology adoption by micro and small units in specified categories.

FIGURE 4.6: End-to-end support in setting up rural and agribusiness incubation centres



Notes: ABIC = Agri-Business Incubation Centre; RBIC = Rural Agri-Business Incubation Centre.



Box 4.4: NABARD supported Madurai Agri-Business Incubation Forum in Tamil Nadu



Lobby of MABIF showcasing products developed by its incubatees

Hosted at TNAU as one of the first NABARD-supported ABICs, the MABIF is a Section 8 company registered in May 2018. In the last two years MABIF has identified and assisted 86 start-ups, 243 FPOs, and 32 idea-stage start-ups with upscaling. Incubatees at MABIF are a mix of ideas, early-stage enterprises, and prototypes which have been leveraging the collective knowledge and experience at the ABIC to introduce nearly 100 new marketable products. MABIF has facilitated registration of 11 patents, 46 trademarks, 38 plant varieties, and 4 GIs. MABIF has also been exploring block chain, internet of things, artificial intelligence, machine learning, and other such technologies to overcome agri-rural environmental constraints. 'Jallikattu', a flagship 'Ideathon' at MABIF for students has generated agri-rural innovation ideas for incubation.



Chairman, NABARD inaugurating the administrative building of MABIF

MABIF is enabling product fine-tuning, market validation, business plan preparation, and providing legal assistance to new ventures. It is transforming farming practices and technologies in its command area by providing consultancy services; helping farmers store and market their produce using own cold storage facilities; organising buyer-seller meets; facilitating farmer-FPO engagements; and helping small producers find external markets within Tamil Nadu and outside. The ABIC has resolved many ground-level issues for farmer- and agri-entrepreneurs to create a sustainable business ecosystem for agriculture.

Notes:

1. ABIC = Agri-Business Incubation Centres; FPO = Farmer Producers' Organisation; GI = Geographical Indications; MABIF = Madurai Agri-Business Incubation Forum; TNAU = Tamil Nadu Agricultural University, Madurai.
2. MABIF is an Intellectual Property Rights Facilitation Centre with the Ministry of Micro, Small, and Medium Enterprises, Government of India.

4.3 Promoting financial inclusion

NABARD has adopted a differentiated strategy since FY2020 by providing grants under FIF at an enhanced rate of 90% of outlay for Special Focus Districts (SFDs) that are identified as aspirational, LWE-affected, credit-starved (by Reserve Bank of India), hilly districts, or districts from the North Eastern Region (NER), or islands of Lakshadweep and Andaman & Nicobar. During FY2021, NABARD (through FIF) supported a host of activities under the five broad heads of financial literacy programmes; banking technology adoption; regulatory infrastructure support; support for connectivity and power infrastructure; and incentivising digital transactions. These were

- financial and digital literacy camps;
- demonstration of banking technology via mobile vans;
- handheld projectors;
- opening kiosk outlets in unbanked villages in NER states;
- setting up Centre for Financial Literacy;
- provision of Green PIN facility at automated teller machines (ATMs) and/or micro-ATMs for RuPay Kisan Card activation;
- authentication user agency/e-KYC⁷ user agency membership of the Unique Identification Authority of India;

- deploying V-SATs;⁸ micro-ATM and point-of-sale (PoS)/mobile PoS devices; mobile signal boosters; and solar panel for UPS⁹ in SFDs; and
- on-boarding of platforms such as
 - » BHIM UPI;
 - » Public Financial Management System;
 - » Bharat Bill Payment System; and
 - » Central KYC Registry.

Cumulatively, NABARD sanctioned ₹4,592.8 crore and disbursed ₹2,527.7 crore till 31 March 2021.

Following up on the first NABARD All-India Rural Financial Inclusion Survey (NAFIS) in FY2016 that covered 40,000 rural households across 245 districts, we are undertaking NAFIS 2.0 covering a much larger sample across all districts with FY2021 as the reference year.

Financial inclusion is a multi-dimensional phenomenon beyond just access to credit or bank account. Therefore, any measure of financial inclusion must capture breadth, intensity, and extent of financial and digital penetration. NABARD developed the state-wise NAFINDEX based on three household level dimensions: traditional banking products, modern banking services, and payment systems measured by 18 indicators of the NAFIS to represent financial inclusion (Box 4.5).

Box 4.5: NAFINDEX, an index of financial inclusion

NAFINDEX attempts to reflect state-wise household level access to financial services based on field data from NABARD All-India Rural Financial Inclusion Survey, FY2017. NAFINDEX has been constructed combining three dimensions—traditional banking products, modern banking services, and payment systems. The average all-India index stood at 0.337, suggesting a significant need to expand coverage of financial inclusion. NAFINDEX and dimension indices vary across states, many of which with lower traditional banking products' penetration demonstrated higher dimension values for modern banking products and payment mechanisms. This serves as a compass for expansion in states with poor access to banking products.



4.4 Digitally driving initiatives

TABLE 4.2: Select digital initiatives offering solutions to promote technology adoption

Initiative	Purpose	Status (31 March 2021)
e-Shakti	Creating a digital ecosystem to provide an 'end-to-end' solution to the Self-Help Group–Bank Linkage Programme to help standardise books of accounts and bring transparency and regularity in operations.	<ul style="list-style-type: none"> • Ongoing in 281 districts across India • Credit linkage increased from 4.7 lakh (38% of total) to 6.5 lakh groups (53% of total) by FY2021. • On-boarded data pertains to <ul style="list-style-type: none"> » 12.3 lakh SHGs; » 140.9 lakh members; and » over 1.7 lakh villages.
NABARD BHUVAN	Web-based monitoring of <ul style="list-style-type: none"> • NABARD-supported watershed projects • Impact evaluation (change detection through the analysis of satellite images of pre- and post-development phases or periods). 	On-boarded 666 watershed projects
Tribal Development	Ensuring accessibility of data on Tribal Development Fund projects for oversight	Covered 281 districts from 28 states benefitting 5.29 lakh families till date
Krishak Sarathi	Digitalising information on farmers' clubs for effective monitoring	Data for 24,450 farmers' clubs captured.
Nabskill 2.0 (a new user-friendly version)	Recording data related to trainers, trainees, placement agencies, and other skilling ecosystem stakeholders for NABARD initiatives	NABARD supported training towards gainfully engaging rural youth through wage and self-employment. <ul style="list-style-type: none"> • 9.6 lakh rural youth • 35,557 programmes • ₹174.4 crore in grant assistance
NabPragna	Digitalising Research and Development (R&D) Fund operations for online sourcing and processing of proposals and effectively collaborating in studies with research partners	The portal is ready for roll out.
NABFPO	Capturing parametric data (membership, registration, and financial details, grading, etc.) for all NABARD-promoted farmer producers' organisations	On-boarded 4,071 FPOs
ENSURE	<ul style="list-style-type: none"> • Enabling commercial banks, cooperative banks, and regional rural banks to submit financial data including ground level credit flow • Recording status updates on programmes and schemes promoted by NABARD and the Government of India • Facilitating online submission of subsidy applications by banks with complete traceability of application status • Enabling online submission of SHG–JLG returns by banks 	The portal captures data entered by client institutions and regional offices of NABARD and is fully functional.
Rajbhasha SETU	Digitalising various activities of Rajbhasha Department of NABARD with provision for entering data and preparing quarterly progress reports on the use of Hindi in official communication	It will be operationalised soon.
RIDF (web portal and mobile application)	<ul style="list-style-type: none"> • Providing real-time data on Rural Infrastructure Development Fund sanctions and disbursement • Using mobile app to monitor, including geo-tagging of monitored assets • Facilitating online submission and processing of drawal applications 	The portal/mobile app has already been used for 154 RIDF project monitoring visits.
Student Internship Scheme	<ul style="list-style-type: none"> • Automating the SIS for enhanced accessibility and reach of the scheme and transparency in the selection process. • Making available a ready-to-use management information system. 	In FY2021, 3,162 online applications were submitted for 75 pan-India seats.

Notes: FPO = Farmer Producers' Organisation; JLG = Joint Liability Group; RIDF = Rural Infrastructure Development Fund; SHG = Self-Help Groups; SIS = Student Internship Scheme.

4.5 Engaging with the research community

NABARD supports research on agriculture and rural development issues to share insights with policy makers and the public. The Department of Economic Analysis and Research (DEAR) at NABARD initiates, assimilates, conducts, and anchors such research by extending research grants from the R&D Fund, currently maintained at ₹50 crore.¹⁰

In FY2021, the following knowledge, research, and related activities were undertaken at NABARD:

1. To revamp its R&D Fund activities and prioritise thrust areas for research activities, NABARD constituted a Research Advisory Committee of Experts (RACE).
 - a. The RACE is chaired by the NABARD chairperson (ex-officio), Dr G.R. Chintala.
 - b. Internal members include NABARD deputy managing directors (ex-officio), Shri K.V. Shaji and Shri P.V.S. Suryakumar.
 - c. External members (by invitation) include Dr Ashok Gulati, Dr Mahendra Dev, Dr P.K. Joshi, Dr Kanakasabhapathy, and Shri Tamal Bandyopadhyay.
 - d. Member secretary is the chief general manager, DEAR, NABARD (ex-officio), Dr K.J.S. Satyasai.
2. NABARD engages with researchers by funding research studies, seminars/conferences, and NABARD Chair Units, etc.¹¹
3. Around 70 students were offered a unique opportunity to work in rural areas, get mentored by NABARD officers, and gather experience under our Student Internship Scheme.
4. In-house studies were conducted on
 - a. viability of district central cooperative banks in West Bengal;
 - b. a quick pan-India assessment of the impact of COVID-19-induced lockdown on the rural economy based on feedback from our district-level officers.
5. Two booklets on current issues were published:
 - a. *Writings on Indian Economy* (collected articles on the economy) and
 - b. *Achieving an Equal Future* (on gender issues written and edited by women)
6. Grant assistance of ₹2.3 crore was released towards ongoing studies, some of which are¹²
 - a. 'Renewed effort at construction of state-wise rural infrastructure indices', by Economic and Political Weekly Research Foundation (EPWRF), Mumbai
 - b. 'Agrarian structure and transformation of the institutional framework of agriculture sector' using data from agricultural censuses by EPWRF, Mumbai
 - c. 'Improving livelihood opportunities for Jogini women in Anantapur district of Andhra Pradesh through SHG and other promotional schemes' by Administrative Staff College of India, Hyderabad
 - d. 'Identifying the most remunerative crop-combination regions in Haryana: A spatial-temporal analysis' by Centre for Research in Rural and Industrial Development, Chandigarh
7. NABARD supported 111 webinars, seminars, conferences, symposia, and workshops with a financial assistance of ₹157.7 lakh during FY2021 to encourage debate and knowledge dissemination on themes such as
 - a. Impact of COVID-19 on agro and food processing industries
 - b. Vocal for Local
 - c. Innovative business models and roadmap for revival of domestic tourism for rural development
 - d. Sustainable development
8. NABARD also extended financial support for publications such as *State of India's Livelihoods Report 2020*,¹³ *The Bharat Microfinance Report 2020*,¹⁴ and *State of Agriculture Financing Report*.¹⁵

4.6 Stronger grassroots institutions to withstand crises

NABARD has invested in people, their livelihoods, and grassroots institutions as part of its mission across both farm and non-farm sectors. This yielded dividends during the first wave of the pandemic in FY2021 when SHGs, FPOs, OFPOs, and other peoples' organisations supplied essential goods for the masses to keep the economy's wheels rolling. The AatmaNirbhar Bharat package and 'Vocal for Local' campaign too revolved around these organisations, assigning them deeper and wider roles.

Though each wave of the pandemic is leaving behind a trail of shattered lives and economies, the bitter experience is offering precious lessons for the future.



It has underscored the significance of inclusion and the importance of community institutions. In its wake, leveraging technology to bring people centre stage has become especially pertinent.

The way rural India delivered during the pandemic presents a strong and compelling case for us to continuously nurture, strengthen, and, most importantly, scale up these grassroots institutions during safer times to better face future calamities, for it is stronger institutions that can help us grow together in good times and bad.

Notes

1. A Minnesota Democratic-Farmer-Labor Party member in the United States of America who served as the 47th mayor of Minneapolis.
2. Farm Sector Promotion Fund; Financial Inclusion Fund; Producers' Organisation Development Fund; PODF-Interest Differential; Producers Organisation Development and Upliftment Corpus fund; Gramya Vikas Nidhi; and Off-farm Sector Promotion Fund.
3. Black clay pottery.
4. *Jali* = Filigree.
5. *Meenakari* = Enamel painting of metal and ceramic surfaces.
6. Stand Up India (SUI) Scheme, launched by Government of India on 5 April 2016, and now extended till 2025, facilitates bank loans ranging from ₹10 lakh to ₹1 crore for setting up a greenfield enterprise to at least one member of a Scheduled Caste/Tribe and at least one woman borrower per bank branch. NABARD and Small Industries Development Bank of India continue to be the connect centres for SUI.
7. KYC = Know Your Customer.
8. A very-small-aperture terminal (VSAT) is a two-way satellite ground station with a dish antenna that is smaller than 3.8 meters.
9. UPS = Uninterruptible power supply.
10. All DEAR, NABARD publications are on www.nabard.org.
11. All Chair Units except the one in Central Marine Fisheries Research Institute, Mumbai completed their tenure and hence, discontinued.
12. Complete reports are accessible on NABARD website under NABARD Research Study Series.
13. ADS (2020), *State of India's Livelihoods Report 2020*, Access Development Services, New Delhi. <https://livelihoods-india.org/download-subsection-file.php?key=K1hkTDluYjI4OHBCOHdFUEVMYzNlZzo9>.
14. Sa-Dhan (2020), *The Bharat Microfinance Report 2020*, Sa-Dhan: The Association of Community Development and Finance Institutions, New Delhi. https://drive.google.com/file/d/1MmM7JbctxnAz2TREC9pC_hhrkzum_hpf/view?usp=sharing.
15. ADS (2021), *State of Agriculture Financing Report*, Access Development Services, New Delhi (final report being published).

“

Credit is one of the important supply side factors which contribute to agricultural production. An efficient and effective rural credit delivery system is imperative for providing timely, adequate, and equitable access to credit for raising agricultural productivity and income. Equitable access to institutional credit is important in this context of relative scarcity of credit and the high cost of informal credit.

”

—RBI Study Report¹



5.1 Rural credit in pandemic times: Initiatives and impact

In FY2021, agricultural credit outstanding grew at 12.3% over FY2020, despite it being an extremely difficult period in the history of India and the world. Though this is partly explained by better performance of agriculture in FY2021, it also reflects the robustness and resilience of our formal rural credit system. Following the serious contraction of the economy (barring agriculture), the Government of India (GOI) announced a series of recovery packages (the AatmaNirbhar Bharat packages) and NABARD did not lose any time in collaborating on the revival process.

Persistent issues in rural credit have been

- **regional disparities**, for instance, share of credit in Eastern and North Eastern regions is lower than other regions and not commensurate with their share of population;
- **inter-personal inequity**, that is, formal credit is not equally accessible and affordable across gender, caste, class, etc.;
- **poor loan recovery**, especially in crises; and
- **poor health of rural financial institutions**, making them ineligible for refinance from NABARD.

During the year, NABARD, the GOI, and Reserve Bank of India (RBI) took several initiatives to enhance ground level credit (GLC) flow besides addressing some of these issues (Figure 5.1).



FIGURE 5.1: Initiatives to improve rural credit flow (FY2021)

1	Adopted liberal policy to extend refinance to RRBs	<ul style="list-style-type: none"> NABARD applied its own internal risk-rating tool and extended refinance to RRBs that would otherwise have been ineligible as per applicable norms. Refinance grew by 40% (i.e., additional ₹4,500 crore) as a result. 35 RRBs availed refinance (up from 27). Eastern and North Eastern regions accounted for most newly eligible RRBs (favourable impact on reducing regional disparities).
2	Leveraged STCRC and STRRB funds for incentivising higher production loans to agriculture	<ul style="list-style-type: none"> NABARD gave special incentives for sanctioning refinance limits to StCBs and RRBs in Eastern and North Eastern states to enable them to lend for ST-SAO.
3	Ensured liquidity to financing entities with impaired lending ability	<ul style="list-style-type: none"> SLF of ₹25,000 crore and additional SLF of ₹5,000 crore was extended by RBI to NABARD. SLF provided liquidity to financing entities with impaired lending ability due to moratorium on loan repayments imposed by RBI. This helped reach out to more institutions and geographies. SLF, given upfront, could prime move the building of assets by financing entities and allow them to avail of regular refinance subsequently against these assets.
4	Used additional SLF to refinance small NBFCs and MFIs	<ul style="list-style-type: none"> Provided funds to small NBFCs and MFIs which faced difficulty in obtaining funds from elsewhere Even BBB-rated NBFCs covered May be expected to drive the credit deep into the lowest tier of the economic agents
5	Aligned activities to GOI schemes under ANB package	<ul style="list-style-type: none"> NABARD's scheme for converting PACS into MSCs integrated with AIF-support to PACS under ANB for building post-harvest infrastructure such as godowns, cold storage, silos, custom hiring, etc. NABARD's refinance scheme aligned with micro-food processing scheme under ANB
6	Designed refinance product for WASH	<ul style="list-style-type: none"> Product supported Swachh Bharat Abhiyan of the GOI.
7	Taken steps to accelerate financing of FPOs	<ul style="list-style-type: none"> Initiated steps for financing FPOs being promoted under GOI scheme for establishing 10,000 FPOs by FY2024
8	Action taken on fixing GLC term loan sub-targets for allied activities	<ul style="list-style-type: none"> RBI's Internal Working Group to Review Agricultural Credit (Chair: N.K. Jain) recommended GLC term loan sub-targets for allied activities Allied activities target of ₹61,650 crore comprised dairy (₹35,141 crore), poultry (₹13,563 crore), small ruminants and other animals (₹6,781 crore), and fisheries (₹6,165 crore)
9	Rolled out Pilot Partial Credit Guarantee scheme for NBFCs/ NBFC-MFIs	<ul style="list-style-type: none"> Scheme will enable NBFCs and NBFC-MFIs to raise funds from debt and capital market for onward lending in agriculture, MSME, and micro-finance Partial credit guarantee may be extended by NABARD (either solely or) along with co-guarantee from financial facilitation agencies(y) which share(s) the guaranteed risk Pilot includes two transactions of ₹100 crore each per market player Aims to increase GLC flow May develop smaller NBFC/ NBFC-MFIs into NABARD's future refinance clients

- 10**
NBFCs monitored effectively

11
SFBs made eligible for ST refinance

12
Special LT Refinance Scheme rolled out to support migrants

- Considering the market conditions and the demand for refinance from NBFCs, the appraisal process of the NBFC applications strengthened
 - Third-party pool analysis and monitoring envisaged in addition to the existing monitoring and appraisal mechanism
 - Third-party reports expected to include early warning signals and market intelligence regarding NBFC sector
 - Step expected to improve affordable credit availability for farmers, MSMEs, retail trade, small businesses, professionals, and other unorganised players
 - ₹49 crore extended to North East SFB during FY2021
 - Special Long-Term Refinance Scheme at concessional rates rolled out for beneficiaries of the watershed and wadi project areas, especially to address issues of migrants who came back to villages during the pandemic

Notes: AIF = Agriculture Infrastructure Fund; ANB = AatmaNirbhar Bharat; FPO = Farmer Producers' Organisation; GOI = Government of India; GLC = Ground Level Credit; LT = Long-Term; MFI = Micro-Finance Institution; MSC = Multi-Service Centre; MSME = Micro, Small, and Medium-sized Enterprises; NBFC = Non-Banking Financial Company; PACS = Primary Agricultural Credit Societies; RBI = Reserve Bank of India; RRB = Regional Rural Bank; SFB = Small Finance Bank; SLF = Special Liquidity Facility; ST = Short-Term; StCB = State Cooperative Bank; STCRC = Short Term Cooperative Rural Credit; STRRB = Short-Term RRB Refinance Fund; ST-SAO = Short-Term Seasonal Agricultural Operations; WASH = Water, Sanitation and Hygiene.

5.2 Credit potential and achievement

NABARD annually estimates credit potential by aggregating grassroots assessment given in district-wise potential linked credit plans. Credit potential estimates are shared with lead banking institutions in priority sector lending for evaluation and ratification. The aggregate priority sector credit potential estimated

for FY2022 is ₹38.4 lakh crore, of which the estimate for agriculture and allied sectors is ₹24 lakh crore. Hallmark of this exercise includes consultations across districts and states during annual state credit seminars, instilling a sense of ownership among partners.

The target for FY2022 is pegged at ₹16.5 lakh crore in the latest Union Budget (Figure 5.2).

FIGURE 5.2: Ground level credit (agriculture): Target versus achievement for FY2021 (provisional) (₹ lakh crore)





Although commercial banks form the more dominant agriculture credit channel and their share has gone up, regional rural banks (RRBs) and cooperative banks have disbursed a higher share of agricultural loans to small and marginal farmers (who comprise an overwhelming majority of cultivators in India).

TABLE 5.1: Agency-wise ground level credit (agriculture) targets for FY2022 (₹ lakh crore)

Agency	Crop Loan	Term Loan	Total
Commercial banks	6.1	6.0	12.1 (73%)
Cooperative banks	2.0	0.4	2.3 (14%)
Regional rural banks	1.6	0.5	2.1 (13%)
Total	9.7	6.9	16.5

Despite the COVID-19 pandemic, trends in GLC disbursement show that overall expected GLC achievement will exceed the target fixed for the year (Table 5.1).

5.3 NABARD's refinance supports GLC flow

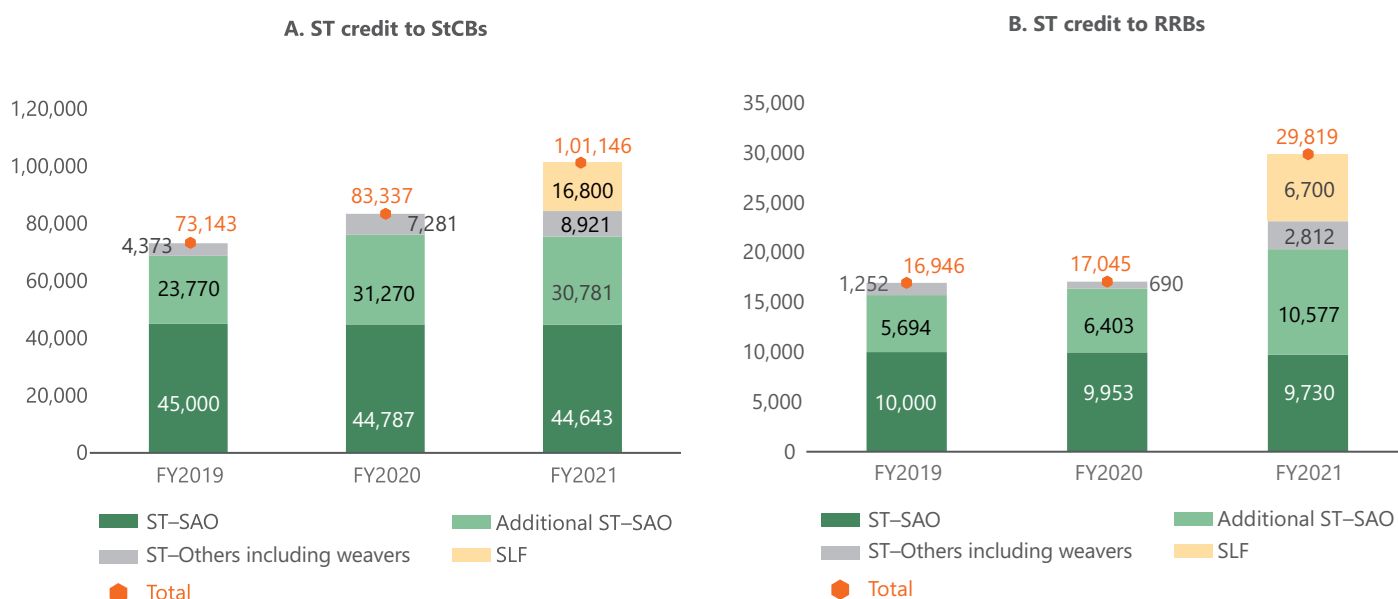
During FY2021, NABARD disbursed a total of ₹1,30,964 crore to state cooperative banks (StCBs)

and RRBs (with respective shares of 77.2% and 22.8%) under short-term (ST) refinance facility to enable them to meet production and working capital requirements of farmers, weavers, and artisans. Disbursements under ST credit support of NABARD grew at 30.5% in FY2021 over FY2020, which was much higher than the 11.4% growth in FY2020 over FY2019. Short-term facility to StCBs grew at 21.4% in FY2021 as opposed to 14% in FY2020 (Figure 5.3 A). Growth in disbursement to RRBs peaked at 74.9% in FY2021 following near stagnation in FY2020 (Figure 5.3 B).

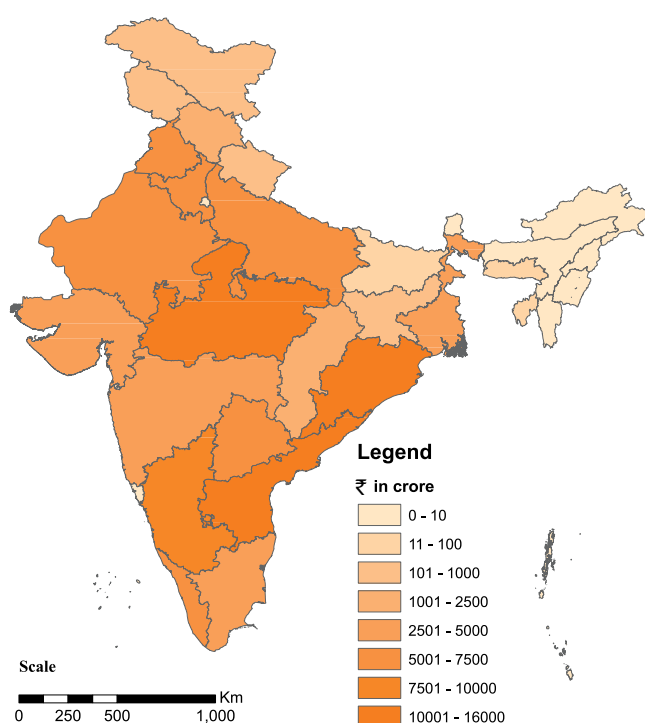
State-wise ST refinance data showed overall growth. States like Rajasthan, Tamil Nadu, Karnataka, Maharashtra, and Assam witnessed significant increase in ST refinance (Figures 5.3 C and D).

Long-term (LT) refinance disbursements reached ₹92,786 crore in FY2021 registering a year-on-year growth of 19.8%. Sizeable share of disbursement went to schedule commercial banks (SCBs) (61.5%), followed by RRBs at 16.1% (Figure 5.4). Counter-pandemic initiatives helped non-banking financial companies (NBFCs) and NBFC-micro-finance institutions (MFIs) get additional refinance of ₹6,327 crore in FY2021 over last year, followed by SCBs (₹5,054 crore) and RRBs (₹4,308 crore).

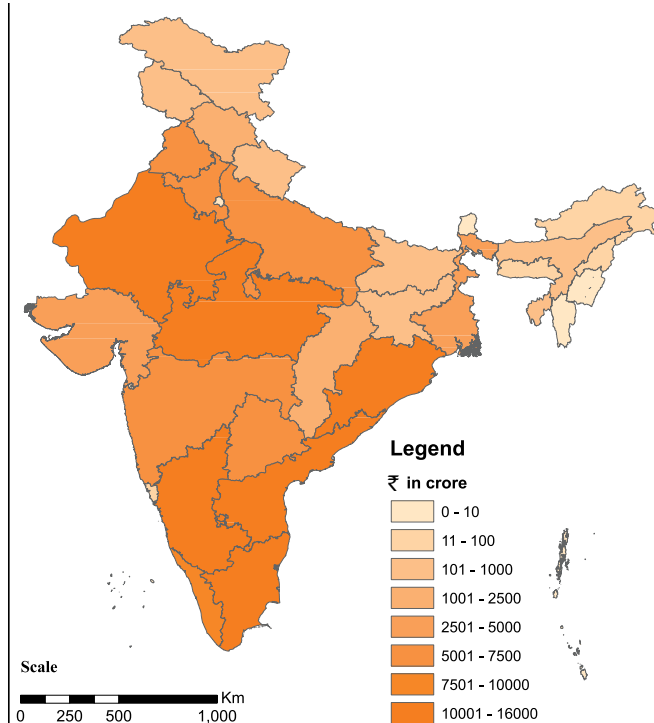
FIGURE 5.3: Disbursement of short-term refinance to state cooperative banks and regional rural banks (₹ crore)



C. ST credit to states (FY2020)



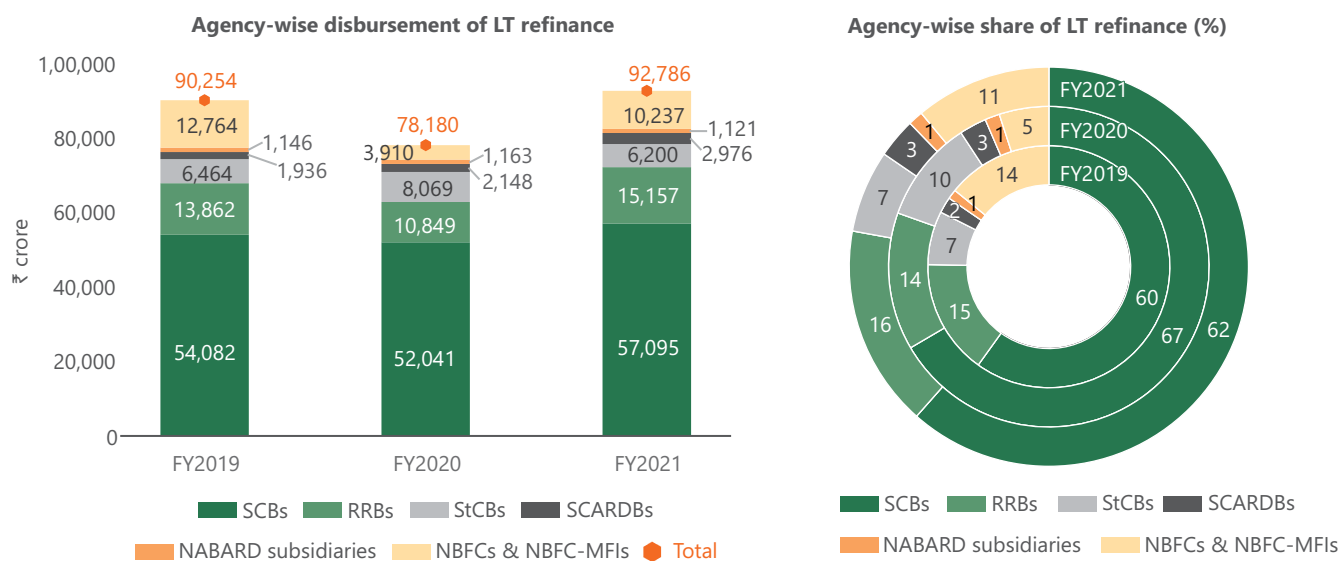
D. ST credit to states (FY2021)



Notes:

1. SLF = Special Liquidity Facility; RRB = Regional Rural Bank; ST = Short-Term; StCB = State Cooperative Bank; ST-SAO = Short-Term Credit for Seasonal Agricultural Operations.
2. ST-SAO is disbursed to StCBs through Short-Term Cooperative Rural Credit fund and to RRBs through Short-Term RRB Refinance fund of the Government of India.

FIGURE 5.4: Agency-wise disbursement and share of long-term refinance

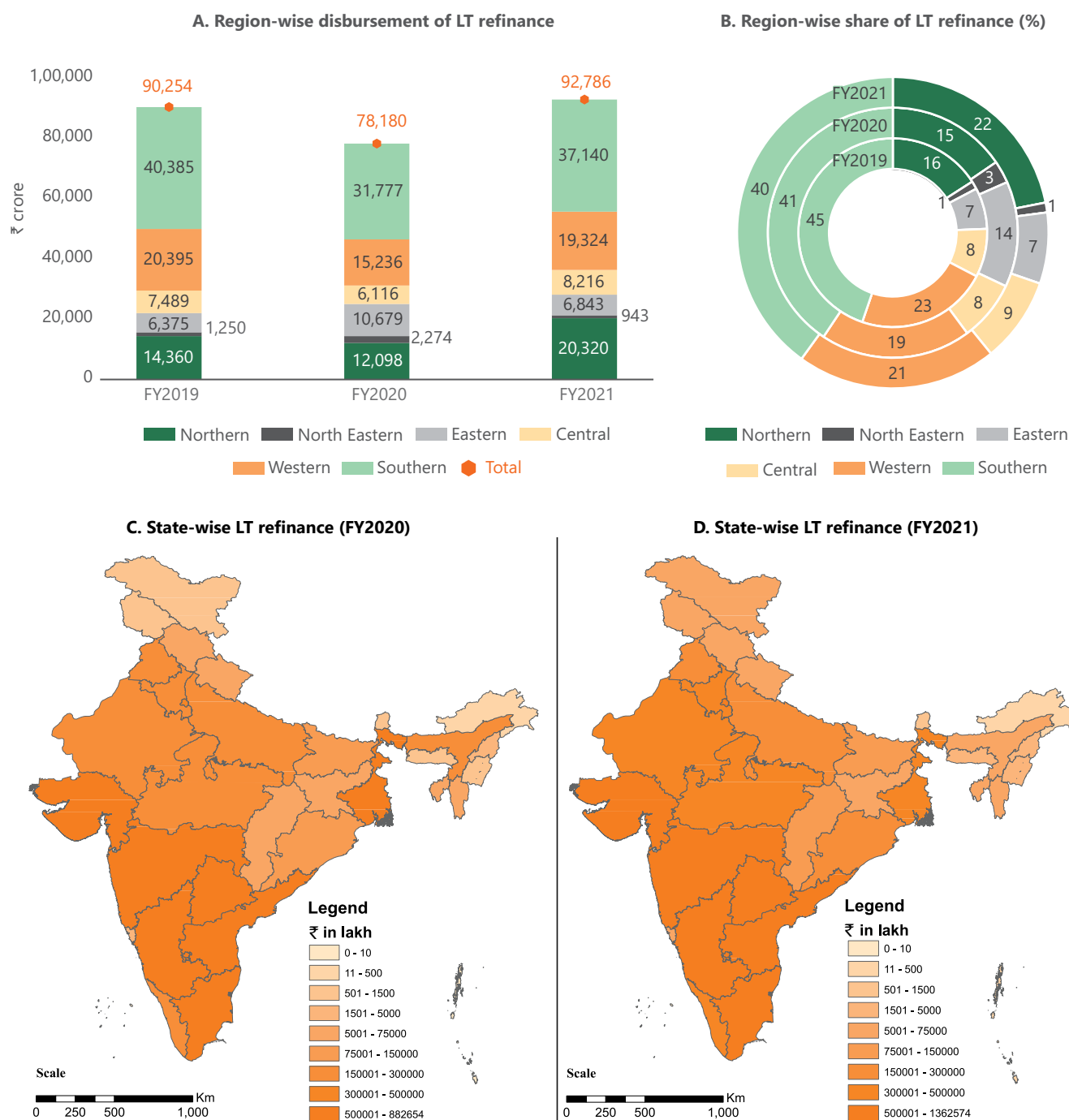


Notes:

1. LT = Long-Term; MFI = Micro-Finance Institution; NBFC = Non-Banking Financial Company; RRB = Regional Rural Bank; SCARDB = State Cooperative Agriculture and Rural Development Bank; SCB = Scheduled Commercial Bank; StCB = State Cooperative Bank.
2. Disbursement to NBFCs & NBFC-MFIs in FY2021 included ₹2,000 crore disbursed under Special Liquidity Facility and ₹1,567 crore disbursed under Additional SLF.
3. SCBs include small finance banks



FIGURE 5.5: Region-wise disbursement and share of long-term refinance



Long-term refinance offtake has a major regional skew with a large proportion flowing to the Southern region (40%), followed by the Northern (21.9%), Western (20.9%), Central (8.9%), and Eastern (7.4%) regions. The North East lags far behind with only 1% share (Figures 5.5 A and B).² Year-on-year comparison of state-wise LT refinance shows significant increase in Rajasthan,

Tamil Nadu, Madhya Pradesh, and Chhattisgarh and Union Territories of Jammu & Kashmir and Ladakh in FY2021 over FY2020 (Figures 5.5 C and D).

It is noteworthy, however, that while the overall disbursement declined in FY2020 by 13.4% over FY2019, the offtake in the East and North East increased. In contrast, in FY2021 the East and North East showed a

decline even as the overall disbursement increased. This implies that the impact of the pandemic on refinance offtake was adverse only in the East and North (Box 5.1).

The Southern region has higher credit absorption capacity perhaps owing to better infrastructure facilities, outreach, and credit availability. Similarly, low density of credit delivery outlets and weak rural financial institutions could be impeding credit flow in North Eastern, Eastern, and Central states.

Besides agriculture and allied sector, LT refinance is availed primarily for off-farm activities including micro, small, and medium enterprises, which accounted for almost 49% share followed by self-help groups (SHGs) at 25% (Table 5.2).

NABARD endeavoured to promote greater regional balance in refinance disbursement by

1. allowing higher quantum of ST refinance (for seasonal agricultural operations) with relaxation in net non-performing asset norms for only Eastern and North Eastern regions;

Box 5.1: Impact of long-term refinance on ground level credit and capital formation in Bihar

A NABARD study of the impact of long-term refinance on ground level credit flow and capital formation in Bihar suggested that

- dependence of farmers on non-institutional credit reduced, allowing them to avert the moneylenders' debt trap—share of institutional credit increased from 31.6% to 79.9% in Patna and 28.7% to 82.3% in Bhojpur districts;
- capital formation increased in sample districts due to funding through Long Term Rural Credit Fund (LTRCF); and
- capital formation as a share of total assets was 9.1% for LTRCF beneficiaries compared to 4.5% for others in Patna.

Given the positive impact of long-term credit under the LTRCF, the study recommended that in priority sector lending criteria, separate weights be assigned for long-term loans to farmers to incentivise long-term financing by banks.

TABLE 5.2: Disbursement of long-term refinance by agency and purpose (₹ crore)

Purpose	CBs	StCBs	SCARDBs	RRBs	NBFCs	Subsidiaries	Total	% Share
Agriculture and allied	6,765.8	3,656.1	1,364.6	6,092.3	246.4	0.0	18,125.1	19.5
Agri-clinics and agribusiness	144.6	3.6	0.0	2.4	105.7	0.0	256.4	0.3
Animal husbandry, others	221.2	644.6	207.3	2,324.1	42.0	0.0	3,439.2	3.7
Contract farming	0.0	8.8	0.0	6.1	0.0	0.0	14.8	0.0
Dairy development	88.1	1,033.4	83.5	1,267.1	17.8	0.0	2,490.0	2.7
Farm mechanisation	5,826.3	339.7	85.8	617.8	16.6	0.0	6,886.2	7.4
Fisheries	27.2	22.3	56.4	5.2	0.1	0.0	111.1	0.1
Forestry	0.0	1.9	0.0	0.0	0.0	0.0	2.0	0.0
Land development	19.2	546.3	185.3	614.7	8.2	0.0	1,373.7	1.5
Minor irrigation	6.5	311.5	113.2	246.3	2.6	0.0	680.0	0.7
Bio-gas (NCES)	31.6	0.0	0.0	4.2	0.0	0.0	35.8	0.0
Storage/ market yard	311.2	29.8	46.0	56.8	0.0	0.0	443.7	0.5
Plantation and horticulture	27.5	200.6	482.3	620.1	51.2	0.0	1,381.7	1.5
Plantation and horticulture- others	0.0	5.5	10.8	18.3	0.0	0.0	34.6	0.0
PF/ SGP	62.4	508.1	94.0	309.2	2.2	0.0	975.9	1.1
Off-farm sector (OFD/MSME)	37,300.1	1,223.9	137.4	1,618.7	5,343.1	306.4	45,929.5	49.5
Rural housing	642.3	476.6	552.9	612.5	1.4	0.0	2,285.6	2.5
SHGs	11,205.8	775.1	0.0	6,758.7	4,477.1	815.0	24,031.6	25.9
Others	1,181.1	68.4	921.0	75.0	169.0	0.0	2,414.5	2.6
Grand total	57,095.0	6,200.0	2,975.8	15,157.2	10,237.0	1,121.3	92,786.2	100.0

Notes: CB = Commercial Bank; MSME = Micro, Small, and Medium Enterprises; NBFC = Non-Bank Finance Company; NCES = Non-Conventional Energy Source; OFD = Off-Farm Development; PF = Poultry Farming; RRB = Regional Rural Bank; SCARDB = State Cooperative Agriculture and Rural Development Bank; SGP = Sheep, Goat, and Pig; SHG = Self-Help Group; StCB = State Cooperative Bank.



2. granting LT refinance up to 95% of bank loan outstanding to North Eastern states vis-à-vis 90% for other regions;
3. relaxing eligibility norms for StCBs and RRBs for Eastern and North Eastern states; and
4. allocating 25% of Short-Term Cooperative Rural Credit, Short-Term Regional Rural Bank and Long Term Rural Credit Fund to 191 credit starved-districts in India.

5.4 Special liquidity facility

NABARD disbursed ₹25,500 crore under Special Liquidity Facility (SLF) to cooperative banks (₹16,800 crore), RRBs (₹6,700 crore), and NBFC-micro-finance institutions (MFIs) (₹2,000 crore) to enable unhindered flow of credit to farmers in the wake of the COVID-19 pandemic.³ The RBI allocated ₹5,000 crore to NABARD as Additional Special Liquidity Facility (ASLF) for extending refinance to NBFC-MFIs and smaller NBFCs with asset size up to ₹500 crore. As on 31 March 2021, NABARD has disbursed ₹1,567 crore (of sanctioned amount of ₹1,851 crore) under ASLF to 23 NBFC-MFIs and 7 NBFCs. Considering the liquidity crunch faced by the state cooperative agriculture and rural development banks (SCARDBs) in the wake of the pandemic, NABARD extended SLF to eligible SCARDBs from its own funds as upfront liquidity support at concessional rates so that the banks could continue lending in rural areas. As on 31 March 2021, ₹908.16 crore has been disbursed to SCARDBs in Himachal Pradesh, Karnataka, Punjab, Rajasthan, and Uttar Pradesh under this line of credit.

5.5 Other credit products

5.5.1 Credit facility to federations

Credit facility to federations (CFF) is to provide ST credit to agricultural marketing federations, civil supplies corporations, dairy cooperatives/milk unions/federations, etc., for input supply, seed processing, procurement, marketing, and supply chain management of agricultural and allied commodities.

Disbursements under CFF increased by 29% (over FY2020) to ₹47,853 crore in FY2021. Credit assistance to state-level entities for procurement under government programmes enabled farmers to get timely and adequate sales proceeds, especially in states like Andhra Pradesh, Chhattisgarh, Gujarat, Haryana, Odisha, Punjab, Telangana, and West Bengal. During the year, seven new

clients were added under CFF. Further, limit was also sanctioned to the National Cooperative Development Corporation with pan-India operations.

5.5.2 Direct refinance assistance

Direct refinance assistance (DRA) is an additional line of credit extended as annual or quarterly limits to 'A' or 'B' rated district central cooperative banks (DCCBs). The DRA aims at increasing credit flow and encouraging loan portfolio diversification by cooperative banks, thus enhancing their earnings and creating a win-win situation for not just the banks but also their rural clientele.

The DRA covers, *inter alia*, loans for meeting working capital needs, repair and maintenance of farm equipment and other productive assets, storage/grading/packaging of produce, marketing activities, and non-farm activities. Working capital loans to StCBs and DCCBs against pledge limits to cooperative and private sugar factories are also allowed under DRA.

Sanctions under DRA registered a growth of 33% (over FY2020) to ₹11,890 crore in FY2021 of which ₹7,373.5 crore was disbursed. The DCCBs and StCBs of Andhra Pradesh, Bihar, Chhattisgarh, Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Rajasthan, Telangana, Uttar Pradesh, and Uttarakhand availed credit under DRA during the year.

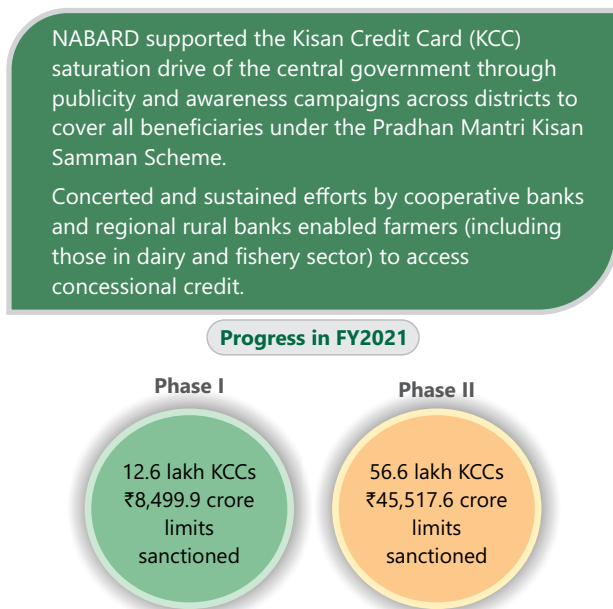
5.6 Channelling Government of India schemes

5.6.1 Interest subvention scheme

NABARD channelled interest subvention provided by the GOI to banks (@ 2%) and farmers (@ 3%) against prompt repayments on loans under Kisan Credit Cards (Figure 5.6). Recipient farmers included those in animal husbandry and fisheries sector as well.

Similar subvention is extended for loan against negotiable warehousing receipts to avoid distress sale of produce by small and marginal farmers. Rural cooperative banks and RRBs are also provided interest subvention for women SHGs in 250 districts under the Deendayal Antyodaya Yojana National Rural Livelihoods Mission (to the extent of difference between their lending rate and 7%, subject to a maximum of 5.5% for loans extended up to ₹3 lakh at 7% per annum). An additional incentive of 3% is available to beneficiary women SHGs on prompt repayment.

FIGURE 5.6: Kisan Credit Card saturation drive



5.6.2 Administering schemes for sugar farmers

Scheme for enhancement of ethanol production capacity

The scheme helps in improving the liquidity of sugar mills, especially in the surplus season, thereby enabling them to clear cane price arrears of farmers. NABARD is the nodal agency for managing the Sugar Ethanol Interest Subvention Scheme of Department of Food and Public Distribution, GOI. Under the scheme, interest subvention at 6% per annum or 50% of rate of interest charged by banks on the loans (whichever is lower) is borne by the central government for five years. An amount of ₹66 crore was released to lending banks under the scheme during FY2021.

Sugar Soft Loan Scheme 2018–19

NABARD is the nodal agency for implementing interest subvention under the central scheme of soft loans to sugar mills to facilitate payment of cane dues of farmers. Under the scheme, interest subvention is available for a maximum period of one year at 7% simple interest or at the actual rate charged by banks (whichever is lower). An amount of ₹174.4 crore was released to lending banks under the scheme during FY2021.

5.6.3 Implementation of capital subsidy schemes

NABARD channels subsidy to eligible banks under various credit-linked subsidy schemes of the GOI, primarily for agriculture projects and priority sector

activities (Table 5.3). Implementation of these schemes increases GLC to agriculture, allied, and priority sector activities.

5.7 Special long-term refinance schemes

To boost the rural economy and reduce distress migration post-pandemic, NABARD introduced three special LT refinance schemes in FY2021. Additionally, it introduced an LT refinance scheme in the water, sanitation, and hygiene (WASH) category to address adjunct health concerns amidst the COVID-19 outbreak.

5.7.1 Scheme to transform primary agricultural credit societies to multi-service centres

Under the scheme, 35,000 primary agricultural credit societies (PACS) are envisaged to be developed as multi-service centres over FY2021 (5,000 PACS), FY2022 (15,000), and FY2023 (15,000) through concessional refinance to StCBs at 3%. The PACS will receive support to create quality infrastructure (capital assets) and increase their business portfolio under this line of credit. The interest rate to be charged to PACS will not be more than 1% over the interest rate charged by NABARD and will be shared by the StCB and DCCB on mutually agreed terms. Repayment period of refinance will be up to seven years.

During FY2021, 3,055 PACS were given in-principle sanction with an estimated project cost of ₹1,761 crore and estimated bank loan of ₹1,568 crore by NABARD. The StCBs in Karnataka, Gujarat, and Rajasthan have disbursed loans to PACS thus far under this product.

5.7.2 Scheme for beneficiaries of the watershed and wadi project areas

NABARD has earmarked refinance amount of ₹5,000 crore for the period between FY2021 and FY2023 for this scheme. The objective of the scheme is to promote sustainable economic activities, livelihood, and employment opportunities in NABARD-supported watershed and wadi project areas by encouraging banks to lend at concessional rates to these beneficiaries.

Refinance will be available to all the eligible banks/financial institutions (FIs) at 3% for a maximum of five years. The ultimate lending rate to be charged by banks/FIs under the scheme is revised as six months' marginal cost of funds-based lending rate +1% or external



TABLE 5.3: Funds channelled under capital subsidy schemes of the Government of India

Scheme	FY2021		Cumulative (as on 31 March 2021)	
	No. of units	Subsidy released (₹ crore)	No. of units	Subsidy released (₹ crore)
Dairy Entrepreneurship Development Scheme	23,060	137.8	4,21,157	1,892.3
Poultry Venture Capital Fund (Subsidy) Scheme	2,938	87.9	18,700	456.7
Integrated Development of Small Ruminants and Rabbits	14,452	69.0	72,117	323.1
Pig Development	1,995	19.0	14,039	118.0
Salvaging and Rearing of Male Buffalo Calves	56	1.3	231	2.4
Construction of Storage Facility for Feed and Fodder	29	0.9	29	0.9
Effective Animal Waste Management	5	0.3	5	0.3
Integrated Scheme for Agricultural Marketing (ISAM) including sub-schemes: <ul style="list-style-type: none"> • Agricultural Marketing Infrastructure (AMI) • AMI (Grading and Standardisation) • Rural Godown 	4	20.2	422	4,454.9
New AMI sub-scheme of ISAM (22 October 2018 to 31 March 2021)	929	137.7	1,224	175.7
Agri-Clinics and Agri-Business Centres	262	12.3	2,889	106.9
National Project on Organic Farming	0	0.2	717	28.8
Lighting Scheme of the Ministry of New and Renewable Energy, Government of India	0	0.0	5,258	11.3
Solar Pumping	0	0.0	4,375	87.8

benchmark-based lending rate +2.5% whichever is lower. During FY2021, refinance of ₹126.8 crore was disbursed under this product.

5.7.3 Scheme for promoting micro food processing activities

The objective of the scheme is to encourage banks to lend support to micro food processing activities and create sustainable livelihood and employment opportunities for rural youth as well as reverse migrants displaced by the pandemic.

The scheme also envisages modernisation, formalisation, and improved competitiveness of existing rural micro-enterprises. The refinance scheme will give fillip to the recently launched 'Pradhan Mantri Formalisation of Micro Food Processing Enterprises Scheme (PMFME)' by the Ministry of Food Processing Industries, GOI, under the AatmaNirbhar Bharat Abhiyan. Concessional refinance at 4% is available to

eligible financial institutions such as commercial banks, small finance banks (SFBs), StCBs, RRBs, and NABARD subsidiaries.

5.7.4 Water, sanitation, and hygiene refinance scheme

India is signatory to the Sustainable Developmental Goals (SDGs) of the United Nations, and SDG-6 aims to provide clean water and sanitation for all, a goal made more pertinent by the pandemic. In this context, NABARD extended concessional refinance support to all eligible banks/FIs for deepening institutional credit in WASH-related activities and launched a pan-India sanitation literacy campaign on 2 October 2020. The campaign was designed to involve all stakeholders like State Level Bankers' Committees, District Level Consultative Committees, NBFCs, SFBs, RRBs, DCCBs, and public sector banks to create awareness about the WASH refinance scheme (Box 5.2).

Box 5.2: Pan-India sanitation literacy campaign

Under NABARD's sanitary literacy campaign, a series of sanitation literacy programmes was organised pan-India between 2 October 2020 and 26 January 2021. Over 1 lakh people were reached through jingles, short films, posters, etc., across 2,000 villages through over 2,000 programmes held in NABARD-supported project areas across the country including the North Eastern states. Besides creating awareness on water, sanitation, and hygiene issues in the pandemic context, the programmes informed participants about the availability of credit for constructing sanitation facilities.

5.8 Meeting the equitable credit-access challenge

NABARD has directed its efforts towards ensuring equitable credit flow across geographies and social groups. Importantly, it has relaxed LT refinance eligibility norms of RRBs and cooperative banks in the East and North East India which have poor off-take. While measures such as these have produced positive outcomes, the inequities in credit access persisted. In this context, digital drive with innovative delivery

models and methods such as dispensing credit through mobile payment systems needs to be explored.

Notes

1. V.M. Rao and P.D. Jeromi (2000), Modernising Indian Agriculture: Priority Task and Critical Policies, Study No. 21, Development Research Group, Department of Economic Analysis and Policy, Reserve Bank of India, Mumbai.
2. States and UTs across regions:
Southern: Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, Telangana, Puducherry, and Lakshadweep
Western: Goa, Gujarat, Maharashtra, Dadra & Nagar Haveli, and Daman & Diu
Northern: Delhi, Haryana, Himachal Pradesh, Punjab, Rajasthan, Jammu & Kashmir, and Chandigarh
Central: Chhattisgarh, Madhya Pradesh, Uttar Pradesh, and Uttarakhand
Eastern: Bihar, Jharkhand, Odisha, West Bengal, and Andaman & Nicobar Islands
North Eastern: Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura
3. As announced by the Finance Minister Nirmala Sitharaman, NABARD was to provide additional ₹30,000 crore refinance support to rural cooperative banks and RRBs, in addition to the targeted ₹90,000 crore during FY2021, taking to the total disbursement to ₹1.2 lakh crore short-term refinance by the end of FY2021.

“

*If cooperation fails, there
will fail the best hope of
rural India.*

”

*—The Royal Commission
on Agriculture*

6



EMPOWERING RURAL FINANCIAL INSTITUTIONS

Only healthy and strong institutions can survive and serve well during crises that often leave economic and financial agents in disarray. In such times when rural financial institutions (RFIs) have to be at their strongest to meet the crucial credit needs of their clientele, they remain most vulnerable, struggling to keep afloat. The RFIs of India form a robust multi-agency system that includes rural cooperative banks (RCBs), regional rural banks (RRBs), scheduled commercial banks, small finance banks, non-banking financial companies—micro-finance institutions, and local area banks. The system serves rural India through six lakh banking outlets, including branches and banking correspondents. Credit delivery models, refined and mainstreamed over time, aim to ensure adequate, timely, and affordable credit to borrowers. Institutional and process innovations such as the Self-Help Group–Bank Linkage Programme, joint liability groups, network of banking correspondents and business facilitators, introduction of micro-ATMs, and other financial inclusion interventions are constantly implemented to maximise outreach.

The RFIs, however, face a few challenges—exclusion of many geographies and people from the formal financial system; increasing diversity of financial needs; and heavy compliance norms mandated under the emerging regulatory framework like Basel III.

This chapter discusses NABARD’s efforts at strengthening RCBs and RRBs to enable them play their expected role in supporting rural India through the period of severe economic contraction brought on by the pandemic.

6.1 Monitoring, strengthening, and supervising rural banking

While NABARD refinances all types of RFIs, it plays the additional role of monitoring and strengthening RCBs and RRBs (that is, institutional development), as also supervising their compliance with regulatory requirements. These roles are vested in NABARD by Section 35 (6) of the Banking Regulation Act, 1949. The

Act as amended in FY2021 could lead to changes in the way RFIs are monitored and supervised (Box 6.1).

6.1.1 Structure of supervised entities

The rural cooperative system has separate institutions to cater to short-term and long-term credit needs. The short-term cooperative credit structure has largely three tiers while the long-term cooperative credit structure (LTCCS) has two (Figure 6.1).

Box 6.1: Recent developments in the short-term cooperative credit structure

1. Amendments to the Banking Regulation Act, 1949

On 26 June 2020, the Banking Regulation (Amendment) Ordinance, 2020 was promulgated bringing additional areas of functioning of cooperative banks under the regulatory purview of the Reserve Bank of India (RBI). The major provisions of the amendment pertain to areas such as

- governance and management of cooperative banks,
- prior approval of the RBI for appointment or removal of statutory auditors,
- time allowed for disposal of non-banking assets,
- additional avenues for raising capital,
- voluntary/compulsory amalgamation, and
- preparation of scheme of reconstruction and winding up by the concerned High Court at the instance of the RBI.

These amendments are likely to improve the management and financial performance of cooperative banks and enable the RBI to regulate them more effectively. The Act is not applicable to certain types of credit societies, including primary agricultural credit societies and cooperative societies whose main objective and principal business is long-term finance for agricultural development.

On 29 September 2020, the Banking Regulation (Amendment) Act, 2020, which replaced the Ordinance, was notified for urban cooperative banks from 29 June 2020. Vide Gazette notification dated 23 December 2020, the Government of India further extended the applicability of the amended provisions of the Act to state cooperative banks (StCBs) and district central cooperative banks (DCCBs) from 1 April 2021.

2. Amalgamation of DCCBs in Kerala with Kerala StCB

With effect from 29 November 2019, 13 DCCBs in Kerala (except Malappuram DCCB) were amalgamated with the Kerala StCB. The issue of amalgamation of Malappuram DCCB is pending before the Kerala High Court.

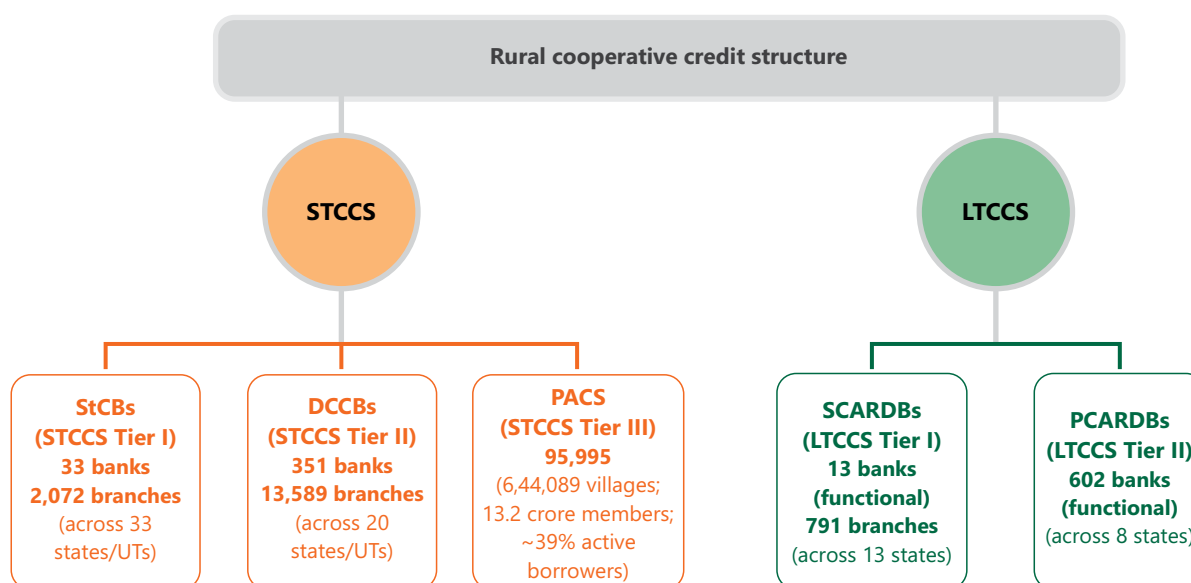
3. Formation of Supaul DCCB in Bihar

The RBI vide letter dated 19 December 2019, issued a license to Supaul DCCB in Bihar, increasing the number of DCCBs in the state from 22 to 23.

With the amalgamation of 13 DCCBs in Kerala and formation of one DCCB, viz., Supaul in Bihar during the year, the total number of DCCBs in India declined from 363 to 351 at the end of FY2020.



FIGURE 6.1: Rural cooperative credit structure



Notes:

1. DCCB = District Central Cooperative Bank; LTCCS = Long-Term Cooperative Credit Structure; PACS = Primary Agricultural Credit Societies; PCARDB = Primary Cooperative Agriculture and Rural Development Bank; SCARDB = State Cooperative Agriculture and Rural Development Bank; StCB = State Cooperative Bank; STCCS = Short-Term Cooperative Credit Structure; UT = Union Territory.
2. Number of entities as on 31 March 2020.
3. Of the 33 StCBs, 23 are listed as Scheduled StCBs in the Second Schedule of the Reserve Bank of India Act, 1934. Daman & Diu StCB is excluded as it is yet to be bifurcated from Goa StCB.
4. There are variations in the cooperative structure across states. Not all STCCS are three-tiered. For example, while Andhra Pradesh has a three-tiered STCCS, Manipur has only an StCB and PACS as two tiers.
5. Number of PACS is as on 31 March 2019.
6. Of the 13 functional SCARDBs, there are
 - a. Unitary (5), i.e., lend directly: Gujarat, Jammu & Kashmir, Puducherry, Tripura, and Uttar Pradesh;
 - b. Federal (6), i.e., lend through PCARDBs: Haryana, Karnataka, Kerala, Punjab, Rajasthan, and Tamil Nadu; and
 - c. Mixed (2), i.e., lend through PCARDBs and directly: Himachal Pradesh and West Bengal.
7. DCCBs exclude Tamil Nadu Industrial Cooperative Bank Ltd.

Regional rural banks, once at 196, were amalgamated to form 45 RRBs as on 31 March 2020. With effect from 1 April 2020, 43 RRBs remained (when Kashi Gomti

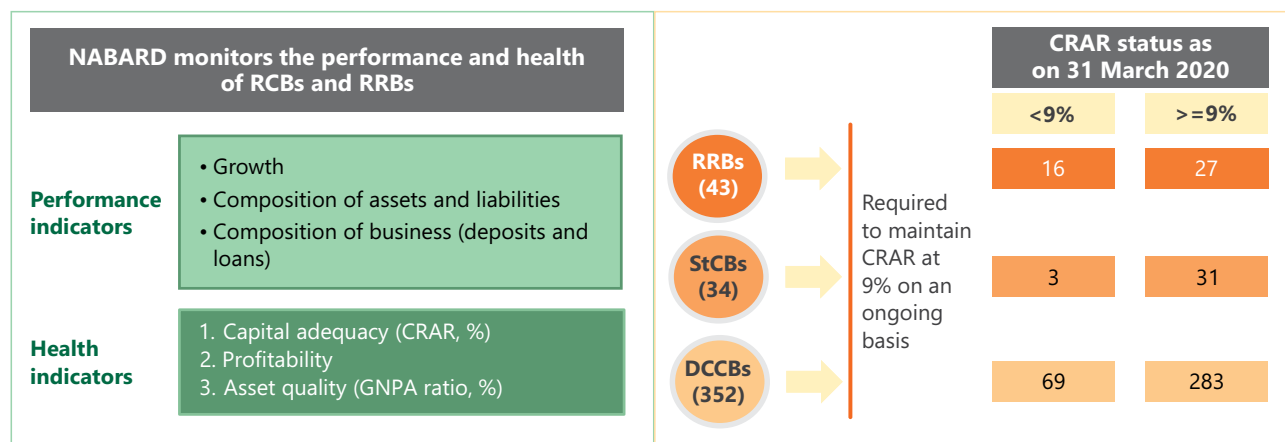
Samyut Gramin Bank, Baroda Uttar Pradesh Gramin Bank, and Purvanchal Bank were amalgamated to form the Baroda U.P. Bank) (Figure 6.2).

FIGURE 6.2: Regional rural banks



Notes: RRB = Regional Rural Bank; SCB = Scheduled Commercial Bank; UT = Union Territory.

FIGURE 6.3: Monitoring of supervised entities in FY2021



Notes:

1. CRAR = Capital to Risk Weighted Asset Ratio; DCCB = District Central Cooperative Bank; GNPA = Gross Non-Performing Assets; RCB = Rural Cooperative Bank; RRB = Regional Rural Bank; StCB = State Cooperative Bank.
2. DCCBs include Tamil Nadu Industrial Cooperative Bank Ltd; StCBs include Daman and Diu StCB.
3. Number of RRBs as on 1 April 2020.

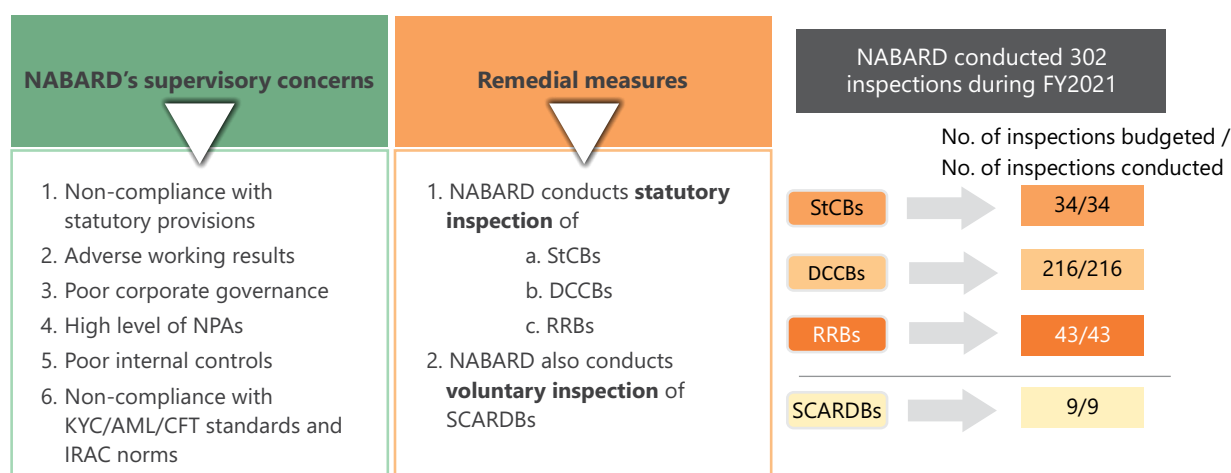
NABARD monitors the performance of RCBs and RRBs through the returns they file and their financial statements (Figure 6.3).

6.1.2 NABARD in a supervisory role

At present, NABARD follows the CAMELSC (capital adequacy, asset quality, management, earnings, liquidity, systems, and compliance) approach for supervision over the RCBs and RRBs. NABARD's supervisory concerns cover a wide range of compliance issues (Figure 6.4).

The Board of Supervision (BoS), a sub-committee of the Board of Directors of NABARD, met four times during FY2021 to provide guidance on supervision. The BoS reviewed policies on fraud monitoring, credit monitoring arrangement norms, compliance monitoring mechanism, cyber security/information systems audit, business continuity plan audit, revised inspection strategy considering COVID-19 pandemic, redressing of complaints and grievance, status of compliance, etc. (Figure 6.5).

FIGURE 6.4: Supervision by NABARD in FY2021



Notes:

1. AML = Anti-Money Laundering; CFT = Combating the Financing of Terrorism; DCCB = District Central Cooperative Bank; IRAC = Income Recognition and Asset Classification; KYC = Know Your Customer; NPA = Non-Performing Asset; RRB = Regional Rural Bank; SCARDB = State Cooperative Agriculture and Rural Development Bank; StCB = State Cooperative Bank.
2. DCCBs include Tamil Nadu Industrial Cooperative Bank Ltd; StCBs include Daman and Diu StCB.



FIGURE 6.5: Status of compliance in FY2021

	StCBs (34)	DCCBs (352)	RRBs (43)
Compliance with the Sec. 11(1) of BR Act, 1949 (AACS)	33	328	NA
Compliance with the Sec. 42 (6) (a) (i) of the RBI Act, 1934	23	NA	41
Licensed banks	33	349	NA
Scheduled banks	24	NA	42

Notes:

1. AACS = As Applicable to Cooperative Societies; BR = Banking Regulation; DCCB = District Central Cooperative Bank; NA = Not Applicable; RBI = Reserve Bank of India; RRB = Regional Rural Bank; StCB = State Cooperative Bank.
2. DCCBs include Tamil Nadu Industrial Cooperative Bank Ltd; StCBs include Daman and Diu StCB.

In line with recent directives of the BoS, NABARD envisages continuous engagement with the chief executive officers of all supervised entities, as well as deeper interactions with supervisors deputed by the Reserve Bank of India (RBI). In this context, discussions

on topics such as 'Stress Testing Model for Urban Cooperative Banks' and 'Supervisory Action Framework for Prompt Corrective Action for Rural Cooperative Banks' were held.

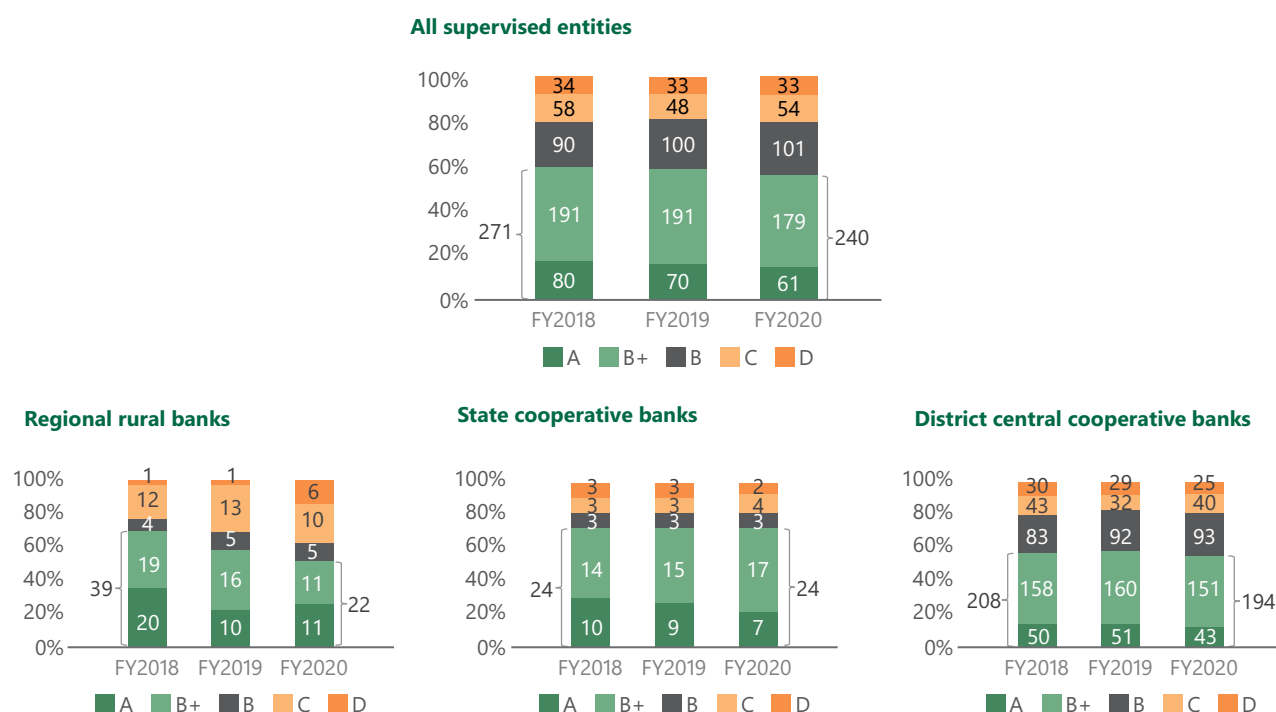
Rating of supervised entities

NABARD's ratings of RCBs and RRBs based on inspections conducted with reference to financial position as on 31 March over the last three years reveal that there is a slippage of RCBs and RRBs in A and B+ category to lower rating (Figure 6.6).

Recent action in supervision

- NABARD has strengthened its cyber security and information technology examination cell to support its supervised entities which are adopting digital banking on a large scale.
- NABARD is geared up to face the challenges involved in RCBs implementing the amendments to Banking Regulation Act (June 2020) with effect from 1 April 2021.
- NABARD has initiated action on the 78 recommendations of the Working Group on Risk-Based Supervision.¹

FIGURE 6.6: Rating of supervised entities



Note: B+ rated RRBs include the Baroda U.P. Bank, which was formed after amalgamating Kashi Gomti Samyut Gramin Bank, Baroda Uttar Pradesh Gramin Bank, and Purvanchal Bank as on 1 April 2020.

- NABARD is incorporating additional quantitative and qualitative indicators for supervision towards rolling out 'Enhanced CAMELSC' in FY2022.
- NABARD plans to develop 'SuperSoft', a software to digitise the supervision process, standardise observations, and improve efficiency.

6.2 Cooperatives

6.2.1 Short-term cooperatives

Performance and health indicators of state cooperative banks

As on 31 March 2020, state cooperative banks (StCBs) mobilised resources from deposits (62%) and borrowings (25%), of which NABARD's share was 90% (Figure 6.7). Current and Savings Account (CASA)

FIGURE 6.7: Overview of state cooperative banks

PERFORMANCE INDICATORS

LIABILITIES	31 March 2019		31 March 2020	
	Amount (₹ crore)	YoY growth (%)	Amount (₹ crore)	YoY growth (%)
Share capital and reserves	21,226 (18,545)	9.9	21,900	3.2
Deposits	1,92,693 (1,35,392)	6.3	2,10,342	9.2
Borrowings	84,073 (79,358)	10.2	85,723	2.0
ASSETS				
Loans and advances	1,83,633 (1,48,625)	11.6	1,99,943	8.9
Investments	1,03,131 (76,458)	0.3	1,12,828	9.4
Total assets/liabilities	3,17,074 (2,48,949)	7.6	3,40,267	7.3

HEALTH INDICATORS

PROFITABILITY	FY2019		FY2020
	(₹ crore)	(₹ crore)	
Profit	1,389 (1,313)	1,740	
Loss	169 (147)	16	
Net profit	1,220 (1,166)	1,724	
Accumulated loss	986 (471)	1,232	
No. of banks in profit	30	32	
No. of banks in loss	3	1	

ASSET QUALITY	31 March 2019		31 March 2020
	(₹ crore)	(₹ crore)	
Loans outstanding	1,83,633 (1,48,625)	1,99,943	
Gross NPAs	9,968 (6,420)	13,477	
Gross NPA (%)	5.4 (4.3)	6.7	
Net NPA (%)	3.0 (1.5)	3.4	

Notes:

- NPA = Non-Performing Asset; YoY = Year-on-Year.
- The figures in parentheses exclude 13 DCCBs in Kerala that were added to Kerala StCB in 2020. Their data has been added to FY2019 data to make it comparable with FY2020.
- Year-on-year variations could be slightly different because absolute numbers have been rounded off to ₹1 crore.
- Components may not add up to the total due to rounding off.
- Daman & Diu StCB has been excluded as it is yet to be bifurcated from Goa StCB.

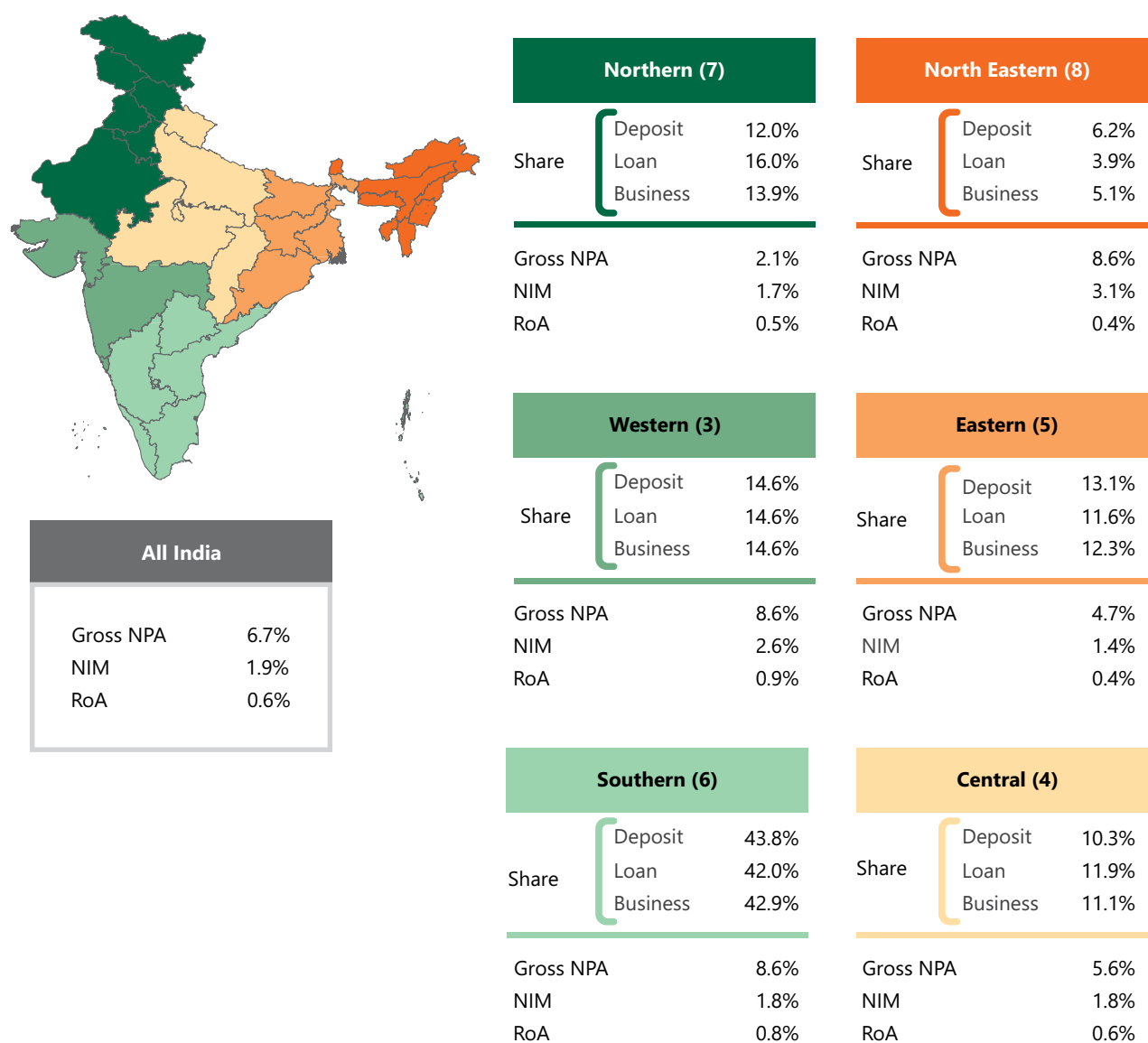


deposits, known as low-cost deposits, formed less than 18% of total deposits. On the assets side, gross loans outstanding had a share of 59%, followed by investments (33%). Sizeable share (43%) of the gross loans outstanding was towards agriculture sector. Crop loans accounted for 78% of agricultural loans. Statutory liquidity ratio (SLR) securities accounted for 50% of the total investments.

The CRAR of StCBs as a whole at 11.8% was greater than the 9% norm as on 31 March 2020, though Puducherry (7.3%), Goa (3.4%), and Kerala (7.3%)

lagged behind. All StCBs (barring Arunachal Pradesh) earned net profits (Figure 6.7). In fact, the StCBs of Jharkhand and Puducherry, which reported losses in FY2019, posted net profits of ₹2.6 crore and ₹23.4 crore, respectively in FY2020. Seven StCBs had accumulated losses amounting to ₹1,232 crore. While Nagaland StCB wiped out its accumulated losses, Kerala StCB posted accumulated losses of ₹776 crore after 13 district central cooperative banks (DCCBs) were merged with it. Asset quality of StCBs deteriorated with the share of sub-standard assets being 3.9% of total advances followed by doubtful assets (2.2%), and loss assets

FIGURE 6.8: Regional analysis of state cooperative banks (FY2020)



Notes:

1. NIM = Net Interest Margin; NPA = Non-Performing Asset; RoA = Return on Asset.
2. Figures in parentheses indicate number of StCBs in the region (as on 31 March 2020).
3. Share represents share of region in all-India deposits/loans/business.
4. Daman & Diu StCB has been excluded as it is yet to be bifurcated from Goa StCB.

(0.6%). The provision coverage ratio (PCR) was 55% as on 31 March 2020.

Regional disparities among state cooperative banks

During FY2020, the share of deposits and loans outstanding (all-India) of the StCBs in the Southern region was the highest. Asset quality, measured by gross non-performing asset (NPA) (%), was the best in the North. Though the net interest margin (NIM) was high in the North East, return on assets (RoA) was low on account of high cost of management and high incidence of NPA. The Western region had the highest RoA (Figure 6.8).

Performance and health indicators of district central cooperative banks

As on 31 March 2020, borrowings of DCCBs, forming 18% of their resources, primarily came from StCBs (80%) followed by NABARD (13%) (Figure 6.9). Deposits were the major component (64.5%) of the

resources, with two-fifths being low-cost CASA deposits. Loans and investments constituted 52% and 35% of the assets, respectively. Credit–deposit ratio (CD ratio) of DCCBs declined to 81% as on 31 March 2020 compared to 83% in the previous year. About 57% of the gross loans outstanding of DCCBs was towards the agriculture sector and within the loans towards agriculture, 87% was towards crop loans. Out of the agricultural loans outstanding of the DCCBs, 97% was towards primary agricultural credit societies (PACS) and other societies and 3% towards individuals. Of total investments, SLR investments constituted 43%, and balances kept in deposit account constituted 51%.

Capital adequacy of DCCBs as a whole stood at 12% as on 31 March 2020, with 35 DCCBs reporting CRAR less than 9% (18 DCCBs had negative CRAR). Uttar Pradesh (31%), Madhya Pradesh (23%), and Bihar (11%) have maximum concentration of such DCCBs (Figure 6.10). Though the total profitability of DCCBs improved, the performance varied across different states. As against

FIGURE 6.9: Overview of district central cooperative banks

PERFORMANCE INDICATORS

LIABILITIES	31 March 2019		31 March 2020	
	Amount (₹ crore)	YoY growth (%)	Amount (₹ crore)	YoY growth (%)
Share capital and reserves	43,584 (40,902)	7.4	43,245	5.7
Deposits	3,78,248 (3,20,947)	10.6	3,45,682	7.7
Borrowings	97,678 (92,963)	7.9	97,448	4.8
ASSETS				
Loans and advances	3,00,034 (2,65,026)	8.4	2,79,272	5.4
Investments	1,96,227 (1,69,554)	8.4	1,86,745	10.1
Total assets/liabilities	5,69,698 (5,01,573)	9.7	5,35,977	6.9



HEALTH INDICATORS

PROFITABILITY	FY2019 (₹ crore)	FY2020 (₹ crore)	ASSET QUALITY	31 March 2019 (₹ crore)	31 March 2020 (₹ crore)
Profit	1,699 (1,623)	1,887	Loans outstanding	3,00,034 (2,65,026)	2,79,272
Loss	986 (964)	1,041	Gross NPAs	35,546 (31,998)	35,208
Net profit	713 (659)	846	Gross NPA (%)	11.9 (12.1)	12.6
Accumulated loss	6,654 (6,139)	6,721	Net NPA (%)	6.0 (5.9)	6.6
No. of banks in profit	303 (291)	291			
No. of banks in loss	60 (59)	60			

Notes:

1. NPA = Non-Performing Asset; YoY = Year-on-Year.
2. The figures in parentheses exclude 13 DCCBs in Kerala that were added to Kerala StCB in 2020. These have been presented to make the data comparable with FY2020.
3. Year-on-year variations could be slightly different because absolute numbers have been rounded off to ₹1 crore.
4. Components may not add up to the total due to rounding off.
5. DCCBs exclude Tamil Nadu Industrial Cooperative Bank Ltd.

The amendments in 2020 to the Banking Regulation Act, 1949 are likely to improve the management and financial performance of cooperative banks, and enable the RBI to regulate them more effectively.

291 DCCBs showing profits, 60 DCCBs incurred a net loss during FY2020. Three-fourth of the loss-making DCCBs were concentrated in Uttar Pradesh (30%), Madhya Pradesh (22%), Punjab (13%), and Bihar (12%). In all, 21 loss-making DCCBs in FY2019 posted net profit during FY2020. However, 108 DCCBs recorded accumulated losses of ₹6,721 crore (Figure 6.9).

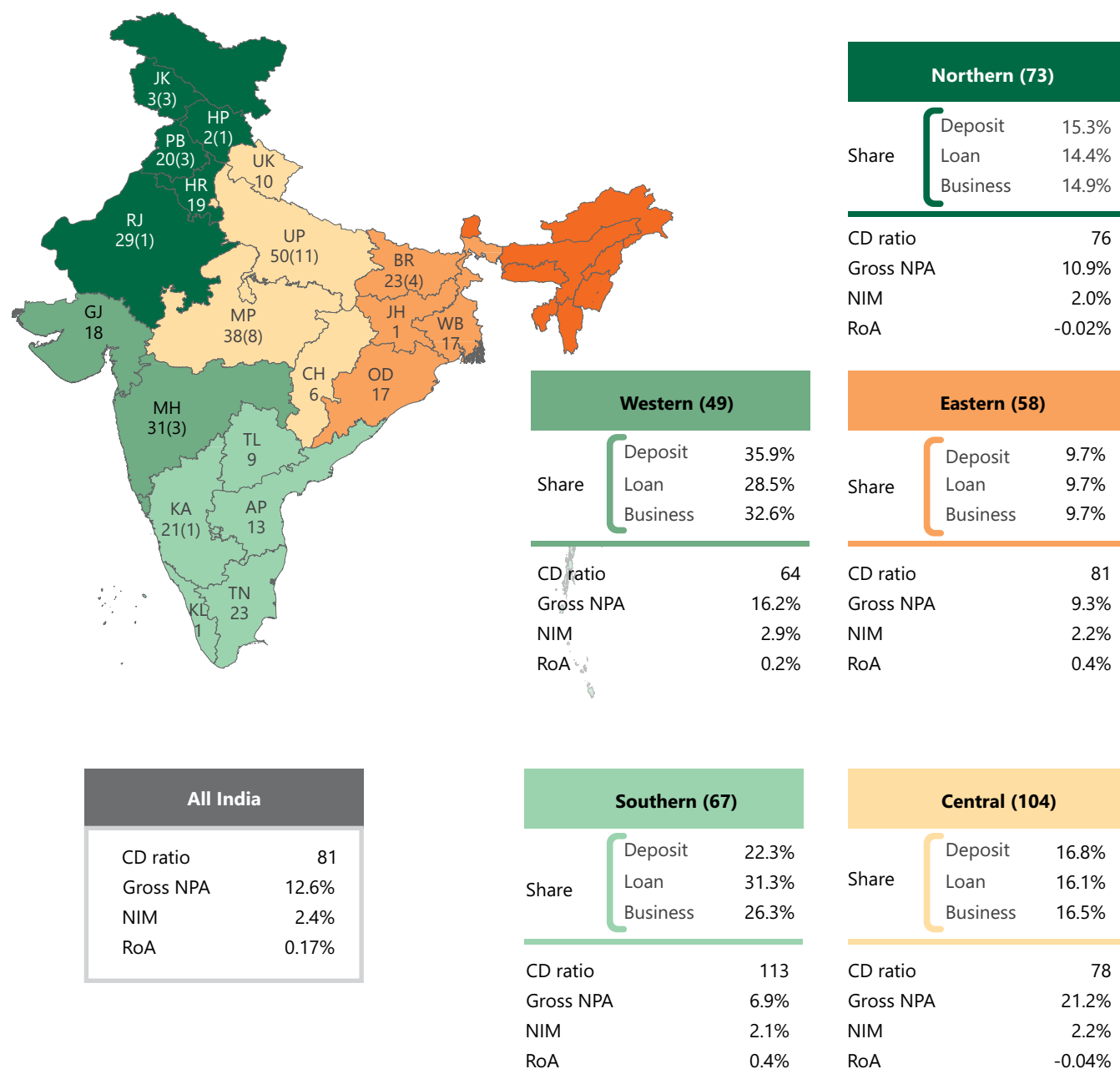
Asset quality of DCCBs (measured by gross NPA %) deteriorated to 12.6% as on 31 March 2020 comprising of sub-standard, doubtful, and loss assets, whose shares in total loans outstanding were 5.8%, 6%, and 0.8%, respectively. The PCR stood at 59%. As on 31 March 2020, 126 of 351 DCCBs had gross NPA greater than 15%. High incidence of such DCCBs was observed in Madhya Pradesh, Uttar Pradesh, Bihar, and Maharashtra. All the

DCCBs in Odisha and Tamil Nadu had gross NPA less than 15%.

Regional disparities among district central cooperative banks

The DCCBs in the Western region had the highest share of all-India business followed by the Southern, Central, Northern, and Eastern regions (Figure 6.10). The share of the Southern region came down from 34% in FY2019 to 14.9% in FY2020 due to the amalgamation of 13 DCCBs of Kerala with its StCB. Despite lower NIM, DCCBs in the South had high RoA, due to lower cost of management and better asset quality. The DCCBs in the Central and Northern regions reported negative RoA due to lower NIM and high NPAs.

FIGURE 6.10: Regional analysis of district central cooperative banks (FY2020)



Notes:

1. CD ratio = Credit-Deposit ratio; NIM = Net Interest Margin; NPA = Non-Performing Asset; RoA = Return on Asset.
2. State initials: AP = Andhra Pradesh; BH = Bihar; CH = Chhattisgarh; GJ = Gujarat; HP = Himachal Pradesh; HR = Haryana; JH = Jharkhand; JK = Jammu & Kashmir (now Union Territory); KL = Kerala; KN = Karnataka; MH = Maharashtra; MP = Madhya Pradesh; OD = Odisha; PB = Punjab; RJ = Rajasthan; TL = Telangana; TN = Tamil Nadu; UK = Uttarakhand; UP = Uttar Pradesh; WB = West Bengal.
3. Share represents share of region in all-India deposits/loans/business.
4. Figure in parentheses alongside region name indicates the number of DCCBs in that region.
5. Figure in each state indicates the number of DCCBs in that state as on 31 March 2020.
6. Figure in parentheses in each state indicates the number of DCCBs with CRAR less than 9% as on 31 March 2020.
7. DCCBs exclude Tamil Nadu Industrial Cooperative Bank Ltd.



FIGURE 6.11: Overview of primary agricultural credit societies

Particulars	31 March 2018	31 March 2019
No. of PACS	95,238	95,995
Total membership (lakh)	1,305	1,320
No. of borrowing members (lakh)	507	511

PERFORMANCE INDICATORS

LIABILITIES	31 March 2018 (₹ crore)	31 March 2019 (₹ crore)
Owned funds	30,942	42,196
Deposits	1,19,632	1,33,010
Borrowings	1,28,333	1,38,922
ASSETS		
Loans outstanding	1,69,630	1,15,048
Loans issued during year ended	2,07,322	2,05,895

Notes: PACS = Primary Agricultural Credit Societies.

Source: National Federation of State Cooperative Banks.

Performance of primary agricultural credit societies

As on 31 March 2019, about 39% members across the 95,995 PACS in India sought to borrow from the community-level institutions (Figure 6.11). According to data provided by the National Federation of State Cooperative Banks for 84,661 PACS, in FY2019, 46,930 PACS earned a profit of ₹5,949 crore; the remaining 37,731 incurred loss of ₹7,666 crore.

6.2.2 Long-term cooperatives

Performance and health of state cooperative agriculture and rural development banks

While borrowings and deposits of state cooperative agriculture and rural development banks (SCARDBs) declined in FY2020, their combined assets were marked by decline in investment and draw down on cash and bank balances. As we know, borrowings form half of their resources (Figure 6.12).

During FY2020, SCARDBs posted a net profit due to increase in non-interest income and decline in operating expenses even as provisions grew by 11%. Out

of 13 SCARDBs, 10 posted a net profit of ₹287 crore, while 3 (Himachal Pradesh, Jammu & Kashmir, and Puducherry) incurred a net loss of ₹35 crore. The SCARDBs in Haryana, Tripura, and Uttar Pradesh turned around in FY2020. The asset quality of SCARDBs further declined during FY2020 due to a spurt in NPAs in Himachal Pradesh, Kerala, Punjab, and Uttar Pradesh. The gross NPA (%) of all the SCARDBs (barring Kerala and Puducherry) was over 10% as on 31 March 2020. The overall gross NPA of 33% in FY2020 was 650 basis points higher than FY2019 level (Figure 6.12).

FIGURE 6.12: Overview of state cooperative agriculture and rural development banks

PERFORMANCE INDICATORS

LIABILITIES	31 March 2019		31 March 2020 ^P	
	Amount (₹ crore)	YoY growth (%)	Amount (₹ crore)	YoY growth (%)
Capital	939	-0.6	939	0.0
Reserves	3,550	5.7	3,921	10.5
Deposits	2,434	4.0	2,409	-1.0
Borrowings	15,098	-2.0	13,710	-9.2
Other liabilities	5,976	-14.0	6,125	2.5
ASSETS				
Cash and bank balances	257	-6.5	174	-32.3
Investments	3,302	-6.6	2,499	-24.3
Loans and advances	20,651	-0.7	20,700	0.2
Accumulated losses	568	12.9	547	-3.7
Other assets	3,219	-17.3	3,183	-1.1
Total liabilities/assets	27,997	-3.4	27,104	-3.2

HEALTH INDICATORS

FINANCIAL PERFORMANCE	31 March 2019		31 March 2020 ^P	
	Amount (₹ crore)	YoY growth (%)	Amount (₹ crore)	YoY growth (%)
Income	2,510	5.3	2,586	3.0
Interest income	2,427	6.1	2,378	-2.0
Other income	83	-14.2	208	150.6
Expenditure	2,559	6.9	2,334	-8.8
Interest expended	1,376	-8.4	1,296	-5.8
Provisions and contingencies	394	-12.8	437	10.9
Operating expenses	454	13.1	397	-12.6
Wage bill (out of operating expenses)	377	9.8	339	-10.1
Other expenses	335	793	204	-39.1
Net profit	-49		252	

ASSET QUALITY	31 March 2019		31 March 2020 ^P	
	(₹ crore)		(₹ crore)	
Loans outstanding	20,651		20,700	
Gross NPAs	5,476		6,836	
Gross NPA (%)	26.5		33.0	
Recovery (%) as on 30 June of previous year	46.1		38.8	

Notes:

1. NPA = Non-Performing Asset; P = Provisional; YoY = Year-on-Year.
2. Year-on-year variations could be slightly different because absolute numbers have been rounded off to ₹1 crore.
3. Components may not add up to the total due to rounding off.

Performance of primary cooperative agriculture and rural development banks

As on 31 March 2020, there were 602 primary cooperative agriculture and rural development banks (PCARDBs) spread across eight states having federal/mixed structure of LTCCS (Figure 6.13).

FIGURE 6.13: Overview of primary cooperative agriculture and rural development banks

Particulars	31 March 2019	31 March 2020 ^P
Total no. of PCARDBs	602	602
PCARDBs in profit	271	252
PCARDBs in loss	331	350

PERFORMANCE INDICATORS

LIABILITIES	31 March 2019 (₹ crore)	31 March 2020 ^P (₹ crore)
Owened funds	2,810	3,602
Deposits	1,303	1,333
Borrowings	16,101	16,538
ASSETS		
Investments	2,019	2,058
Loans outstanding	15,594	15,692
Total assets/liabilities	30,108	31,180
Net profit	-442	-568

Notes: P = Provisional; PCARDB = Primary Cooperative Agriculture and Rural Development Bank.

6.2.3 NABARD's initiatives for cooperatives

During FY2021, ₹18.7 crore was utilised from NABARD's Cooperative Development Fund towards activities for strengthening cooperatives. Some of these activities included Scheme of Financial Assistance for Training of Cooperative Banks Personnel (₹7 crore), PACS Development Cells (PDCs) (₹0.4 crore), stakeholder engagement events (meetings/seminars/conferences/workshops) (₹0.3 crore), exposure visits (₹0.4 crore), infrastructure development of PACS (₹2.6 crore), PACS computerisation (₹5 crore), and operations of the Centre for Professional Excellence in Cooperatives (C-PEC) (₹1.2 crore).



NABARD held a national review meet and conclave of RCBs in January 2021 to review performance and discuss the issues concerning rural cooperative institutions in India. The meeting highlighted best practices, new technologies, and NABARD's latest developmental schemes and policies for the RCB sector.

Business Diversification & Product Innovation Cell

NABARD has introduced a new scheme to support and incentivise efforts by RCBs for setting up Business Diversification & Product Innovation Cells (BDPICs) for the development of integrated financial and non-financial products in tune with the external and internal business environment. During FY2021, NABARD sanctioned 11 BDPICs in Andhra Pradesh, Bihar, Karnataka, Kerala, Odisha, Rajasthan, Sikkim, Telangana, Tripura, Uttarakhand, and Uttar Pradesh with grant assistance of ₹66 lakh each.

PACS computerisation

During FY2021, NABARD introduced a new scheme for PACS computerisation under which grant support of up to ₹5 crore will be provided to those state governments/StCBs/DCCBs that are willing to provide a matching grant for the purpose. NABARD has so far sanctioned six proposals for PACS computerisation in Andhra Pradesh, Bihar, Rajasthan, Telangana, Uttarakhand, and Uttar Pradesh with a total fund outlay of ₹30 crore, of which ₹5 crore has already been disbursed to Telangana StCB.

PACS as multi-service centres

Under the Agriculture Infrastructure Fund scheme, PACS can avail of NABARD's concessional special refinance facility through StCBs to take loans at an effective rate of 1% interest after netting the interest subvention at 3% to create quality infrastructure (capital assets) and increase their business portfolio. The ultimate interest rate to be charged from PACS cannot exceed 1% (over and above the interest rate charged by NABARD) and is shared by the StCB and DCCB as per the mutually agreed terms. Repayment period of refinance is up to 7 years. Each PACS can seek grant support towards accompanying measures not exceeding 10% of the loan component subject to a maximum of ₹2 lakh. Ultimately 35,000 PACS can benefit from this facility.

PACS Development Cells

NABARD also disbursed an amount of ₹38.8 lakh for functional PDCs in seven states in FY2021 for capacity building, handholding, developing new models/avenues

for income generation, guidance, exposure visits, and other suitable interventions. The PDCs, currently established and functional in 94 DCCBs/StCBs, have so far assisted 2,556 PACS operating in 20 states.

Comprehensive support plan for the North East

A separate assistance package has been developed to address specific issues faced by rural credit cooperatives in the North East (including Sikkim, Jammu & Kashmir, and Andaman & Nicobar Islands). During FY2021, assistance under the package has been sanctioned to six StCBs—Arunachal Pradesh (₹90.4 lakh), Andaman & Nicobar Islands (₹96 lakh), Jammu & Kashmir (₹99.1 lakh), Meghalaya (₹99.9 lakh), Nagaland (₹99.1 lakh), and Tripura (₹100 lakh)—and total grants released to the tune of ₹27.8 lakh to the four StCBs in Andaman & Nicobar Islands, Arunachal Pradesh, Meghalaya, and Sikkim.

Centre for Professional Excellence in Cooperatives

The C-PEC at the Bankers Institute of Rural Development, Lucknow conducted four certification course examinations, added 34 institutional and 1,502 individual members, increasing the membership to 10,024 comprising 52 central training institutes (CTIs), 29 StCBs, 271 DCCBs, 5,605 PACS, and 4,067 individuals. In FY2021, C-PEC standardised 50 online training programmes and 25 regular training programmes. Till now, C-PEC has standardised a total of 156 training programmes for various CTIs.

Supervisory instructions

NABARD advised RCBs on

- updating information on Anti-Money Laundering (AML), Counter Financing of Terrorism (CFT), and Know Your Customer (KYC);
- reporting the detection and impounding of Fake Indian Currency Notes (FICN) every month;
- sharing with the Central Economic Intelligence Bureau copies of RCB complaints against economic offenders lodged with Central Bureau of Investigation or the Economic Offences Wing of the state police; and
- the standard operating procedure for the scheme for grant of ex-gratia payment of the difference between compound interest and simple interest for six months to borrowers in specific loan accounts (from 1 March 2020 to 31 August 2020).

6.3 Regional rural banks

During FY2021, RRBs registered the maximum year-on-year growth in credit at 12.4% vis-à-vis 5.8% for public sector banks, 8.6% for private sector banks, and (-)3% for foreign banks. Some of the recent policy changes pertaining to RRBs are presented below.

1. **Perpetual debt instruments:** RRBs can issue perpetual debt instruments (PDIs) eligible for inclusion as Tier 1 capital to maintain prescribed CRAR. However, none of the RRBs have issued PDIs as on 31 March 2021.
2. **Revision in priority sector lending (PSL) guidelines:** Targets prescribed for 'small and marginal farmers' and 'weaker sections' are being increased in a phased manner and RRBs incurring any shortfall in lending against their PSL target/sub-targets from FY2021 onwards will be required to make contributions towards Rural Infrastructure Development Fund and other refinance funds, as directed by the RBI.
3. **Introduction of liquidity adjustment facility (LAF) and marginal standing facility (MSF) for RRBs:** To provide an additional avenue for liquidity management to RRBs, RBI has decided to extend LAF and MSF to scheduled RRBs that meet specific criteria.

6.3.1 Performance and health of RRBs

The consolidated balance sheet of RRBs grew at 9.3% to reach at ₹5.9 lakh crore as on 31 March 2020 (Figure 6.14). On the liabilities side, growth was driven by rise in deposits, increase in reserves (because of internal accruals of profit-making RRBs), and capital infusion. Deposits constitute over 81% of the total resources of RRBs and the share of CASA deposits constituted 53% of the total deposits of the RRBs as on 31 March 2020.

On the assets side, growth in investments surpassed the growth in gross loans and advances resulting in decline in the CD ratio of RRBs from 65% as on 31 March 2019 to 62% as on 31 March 2020.

The loans outstanding towards PSL constituted 91% of the total loans outstanding of RRBs as on 31 March 2020. Further, loans outstanding to small and marginal farmers and weaker sections constituted 48% and 60%, respectively of the total loans outstanding of RRBs.

Business of RRBs (deposits plus loans), at ₹7.8 lakh crore, grew 8.6% during FY2020. Business size ranged from ₹148 crore (Nagaland Rural Bank) to ₹49,920 crore (Karnataka Gramin Bank).

The CRAR of RRBs as whole (system-wide) deteriorated from 11.5% as on 31 March 2019 to 10.3% as on 31 March 2020, due to provisions and payments made towards the implementation of the new pension scheme for the RRB employees. There was a wide variation in CRAR across banks ranging from (-)10% (Madhyanchal Gramin Bank) to 22% (Chhattisgarh Rajya Gramin Bank). As on 31 March 2020, of the 45 RRBs, 17 reported CRAR less than 9%.

FIGURE 6.14: Overview of regional rural banks

PERFORMANCE INDICATORS

LIABILITIES	31 March 2019		31 March 2020	
	Amount (₹ crore)	YoY growth (%)	Amount (₹ crore)	YoY growth (%)
Capital	6,721	4.6	7,849	16.8
Reserves	25,398	0.8	26,814	5.6
Deposits	4,34,444	8.5	4,78,737	10.2
Borrowings	53,556	-7.1	54,393	1.6
Other liabilities	17,864	17.3	20,228	13.2
ASSETS				
Cash and bank balances	26,279	8.6	27,217	3.6
Investments	2,26,172	1.8	2,50,859	10.9
Loans and advances (net)	2,61,953	10.5	2,80,220	7.0
Accumulated losses	2,887	54.7	6,467	124.0
Other assets	20,698	5.5	23,258	12.4
Total liabilities/assets	5,37,989	6.5	5,88,021	9.3



HEALTH INDICATORS

FINANCIAL PERFORMANCE	31 March 2019		31 March 2020	
	Amount (₹ crore)	YoY growth (%)	Amount (₹ crore)	YoY growth (%)
Income	42,988	2.8	49,452	15.0
Interest income	38,931	1.5	43,698	12.2
Other income	4,057	16.5	5,754	41.8
Expenditure	43,640	8.2	51,660	18.4
Interest expended	23,716	-0.6	25,985	9.6
Provisions and contingencies	6,120	-12.7	5,599	-8.5
Operating expenses	13,803	25.3	20,076	45.4
Wage bill (out of operating expenses)	9,379	33.1	14,654	56.2
Net profit	-652	-143.4	-2,208	-

Notes:

1. YoY = Year-on-Year
2. Year-on-year variations could be slightly different because absolute numbers have been rounded off to ₹1 crore.
3. Components may not add up to the total due to rounding off.

During FY2020, 26 RRBs earned profit of ₹2,203 crore while 19 RRBs incurred losses of ₹4,411 crore, recording an overall net loss of ₹2,208 crore (Figure 6.14). Profitability deteriorated due to increase in wage bill because of implementation of the pension scheme. As on 31 March 2020, 17 of the 45 RRBs had accumulated losses amounting to ₹6,467 crore, as compared to 11 of 53 RRBs accumulating losses of ₹2,887 crore as on 31 March 2019. Aryavart Bank and Sarva Haryana Gramin Bank turned around in FY2020. Profits ranged from ₹0.5 crore for Baroda Gujarat Gramin Bank to ₹617.6 crore for Andhra Pradesh Grameena Vikas Bank. Out of 26 profit-making RRBs, 18 earned a profit below ₹100 crore. Four RRBs reported profits just below ₹1 crore and two, above ₹200 crore.

Asset quality of RRBs, measured as gross NPA, improved slightly to 10.4% as on 31 March 2020 from 10.8% as on 31 March 2019, possibly due to the moratorium on asset classification during the COVID-19 pandemic. The net NPA declined from 6.8% as on 31 March 2019 to 5.8% as on 31 March 2020 and the PCR improved from 41.5% to 47% during the same period. The shares of standard, sub-standard, doubtful, and loss assets were 89.6%, 3.5%, 6.6%, and 0.3% respectively. While there was a decline in the share of sub-standard assets from 4.6% to 3.5% during FY2020, the share of doubtful and loss assets increased from 6.2% to 6.9%.

For those RRBs which are unable to maintain minimum CRAR of 9%, the Cabinet Committee on Economic Affairs (CCEA) extended the scheme of recapitalisation of RRBs up to FY2021. The CCEA also approved further utilisation of ₹670 crore as the central government's share of recapitalisation assistance, which was 50% of the total recapitalisation assistance of ₹1,340 crore (Table 6.1).

TABLE 6.1: Government of India's share in recapitalisation sanctioned (₹ crore)

Regional Rural Bank	FY2020	FY2021
Assam Gramin Vikash Bank	20.7	12.4
Bangiya Gramin Vikash Bank	111.4	66.3
Dakshin Bihar Gramin Bank	75.7	45.1
Ellaquai Dehati Bank	7.8	-
Madhya Pradesh Gramin Bank	21.3	12.7
Madhyanchal Gramin Bank	48.3	7.6
Manipur Rural Bank	2.3	-
Nagaland Rural Bank	0.7	-
Odisha Gramya Bank	99.3	34.6
Utkal Gramin Bank	237.7	-
Uttar Bihar Gramin Bank	36.0	21.4
Vidharbha Konkan Gramin Bank	39.2	-
Total	700.5	200.0

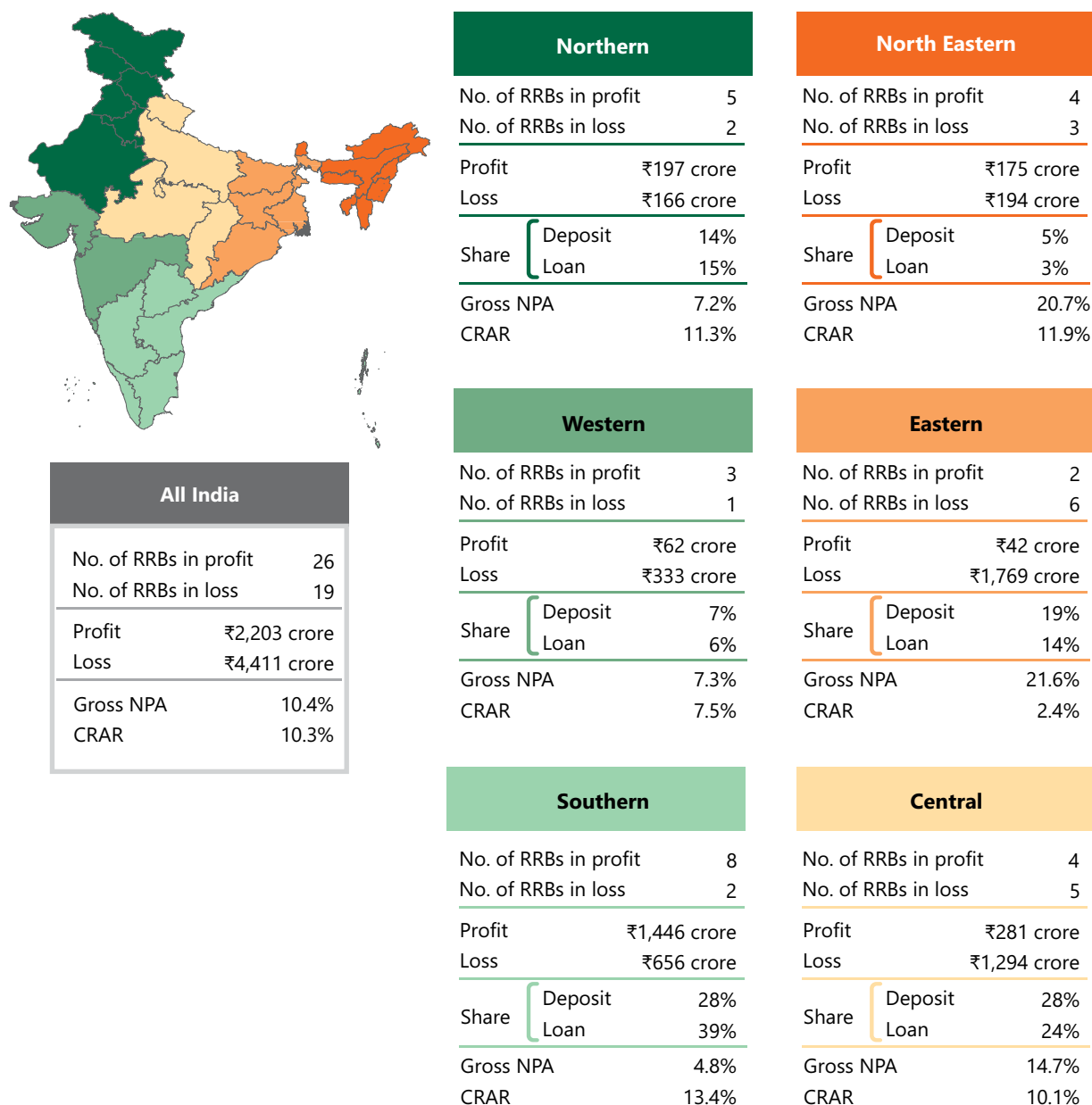
Note: NABARD released the central share of ₹39.2 crore to Vidharbha Konkan Gramin Bank (VKGB) during FY2021 after VKGB received the state government's share of recapitalisation assistance.

Regional disparities among regional rural banks

While none of the RRBs in the West or South incurred losses during FY2019, this was no longer true in FY2020 when one or more loss-making RRBs were reported across all regions (Figure 6.15). Though the number of RRBs in profit declined to 26 during FY2020 (from 39

in the previous year), the overall quantum of profit they reported increased by 25% to ₹2,203 crore in FY2020. However, RRBs in loss reported an 83% increase in quantum of loss in FY2020 (over FY2019). As a result, the net loss posted by RRBs increased from ₹652 crore during FY2019 to ₹2,208 crore during FY2020.

FIGURE 6.15: Regional analysis of regional rural banks (FY2020)



Notes:

1. CRAR = Credit Risk Weighted Asset Ratio; NPA = Non-Performing Asset; RRB = Regional Rural Bank.
2. 'Share' represents the share of the region in all-India deposits (₹4,78,737 crore) and loans (₹2,98,214 crore) as on 31 March 2020.



When FPOs take centre stage and serve as credit intermediaries, inter-institutional dynamics will redefine institutional development.

About 75% of the RRBs in the East incurred losses during FY2020 and the average CRAR of the Eastern RRBs was just 2.4% as on 31 March 2020. Deposits outstanding registered the maximum growth of 13% in the South, while gross loans outstanding registered a maximum growth of 7.7 % in the North. Though the gross NPA (%) was the least in the South at 4.8%, the asset quality improved in all regions (barring the South) as compared to the position on 31 March 2019.

Strengthening regional rural banks

Important measures taken for the development of RRBs during FY2021 are enumerated below.

1. **RRBs in focus:** NABARD continuously tracked the health of RRBs and gave special attention to weak banks. NABARD takes supervisory concerns seriously and thus decided to downgrade any RRB to B-category rating if it is under PCA framework and/or has serious governance/internal control issues even if it deserves better performance rating. As on 31 March 2020, 26 banks diagnosed with one or more health challenges such as, CRAR less than 10%, gross NPA more than 10%, or negative RoA for the last two consecutive years, were identified as 'RRBs in focus' so that timely remedial measures could be taken to prevent RRBs from slipping deeper into the PCA framework. For instance, Chhattisgarh Rajya Gramin Bank and Jharkhand Rajya Gramin Bank, which were 'in focus' in FY2019, were able to take the right measures (as recommended by NABARD) to move out of the 'RRB in focus' framework by FY2020.
2. **Industrial relations and human resource management:** On 30 December 2020, NABARD

presided over the XIth Joint Consultative Committee meeting (a consultative forum of national-level RRB associations and selected state governments/sponsor banks/RRB chairpersons) to discuss service and work conditions, employee welfare, work standards, recruitment, promotion, and discipline norms. NABARD also supported the Government of India in framing human resource policies such as guidelines on financial incentives, insurance coverage, and special leave for RRB employees during the pandemic. Following the implementation of Regional Rural Bank (Employees') Pension Scheme 2018, the RBI permitted RRBs to amortise their total pension liability over a period of five years from FY2019, subject to guidelines. NABARD monitors the disbursal of pensions to eligible retired staff and family pensioners of RRBs every month and reports to the Department of Financial Services, Government of India.

3. **Supervisory instructions:** NABARD advised RRBs on
 - a. updating information on AML, CFT, and KYC;
 - b. reporting the detection and impounding of FICN every month; and
 - c. the standard operating procedure for the scheme for grant of ex-gratia payment of the difference between compound interest and simple interest for six months to borrowers in specific loan accounts (from 1 March 2020 to 31 August 2020).

6.4 Stronger institutions and innovative delivery to define the future

To help institutions cope better with the pandemic and its aftermath, the cooperative banking system has been mainstreamed under core banking solutions. Bad assets in banks have been pared down through a series of measures, and commercial banks and RRBs recapitalised to strengthen their portfolio.

Going forward, institutional development may have to look beyond the existing institutions (RCBs and RRBs) and existing credit delivery models. Now that farmer producers' organisations are taking centre stage, once their numbers reach a threshold, they may be thought of as credit intermediaries or wholesalers. Then inter-institutional dynamics would redefine institutional development.

New entities like small finance banks, non-banking financial companies, and micro-finance institutions may have to be nurtured for them to serve the rural people better. However, there is no dedicated fund for such activities. We may have to create a new fund or expand the scope of the existing funds. Stronger institutions can deliver services sustainably to the rural clientele.

Notes

1. A Working Group on Risk-Based Supervision was constituted in September 2019 (chaired by erstwhile Deputy Managing Director, R. Amalorpavanathan) for preparing a road map for implementation of risk-based supervision.

“ We must invest in infrastructure development and rebuilding communities to create jobs. ” —Carol Moseley Braun¹

7

FINANCING RURAL INFRASTRUCTURE



7.1 NABARD in rural infrastructure financing

NABARD has emerged as an important player in rural infrastructure financing over time, leveraging various funds that Government of India (GOI) has vested in it. India's rural infrastructure landscape changed forever with a creative policy masterstroke in FY1996 that mopped up the priority sector lending (PSL) shortfall of commercial banks to institute the Rural Infrastructure Development Fund (RIDF) for reviving stalled fund-starved irrigation projects. Started with a corpus of just ₹2,000 crore in FY1996 for financing irrigation, flood control, and watershed management projects, RIDF was later extended to cover 37 activities to serve a gamut of rural infrastructure needs; its journey has been marked by many impactful achievements. Endorsing the need to scale up infrastructure at this juncture, NABARD pitched for a higher corpus for RIDF in FY2022. The GOI allocated a corpus of ₹40,000 crore for XXVII RIDF Tranche (FY2022), a big jump from ₹29,763 crore in FY2021.

The PSL shortfall funds have since been used for warehousing, food processing, as also for catalysing short-term and long-term credit by augmenting loanable funds of cooperatives and regional rural banks. In 26 years, RIDF has funded states, state-owned corporations, and other eligible agencies to reach a cumulative sanction of ₹4.1 lakh crore (including ₹18,500 crore under Bharat Nirman), disbursing ₹3.2 lakh crore for financing projects pertaining to agriculture, connectivity, and social infrastructure.

TABLE 7.1: Sanctions and disbursements under various infrastructure funds of NABARD (₹ crore)

Fund	FY2020		FY2021		Cumulative (as on 31 March 2021)	
	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements
RIDF	30,342.0	26,266.0	34,830.0	29,193.0	4,09,063.0	3,23,677.0
LTIF	6,094.9	10,469.8	2,461.8	7,761.2	84,326.6	52,479.7
MIF	2,841.6	0.0	1,128.6	1,827.5	3,970.2	1,827.5
PMAY-G	20,000.0	10,811.0	20,000.0	19,999.8	61,975.0	48,819.0
SBM-G	0.0	3,600.0	0.0	0.0	15,000.0	12,298.2
WIF	1,056.0	844.0	200.0	909.0	9,728.0	7,621.0
FPF	149.0	43.0	116.5	53.2	701.2	409.4
DIDF	564.6	670.0	943.6	120.7	3,665.9	1,230.7
FIDF	348.0	0.0	0.0	193.8	348.0	193.8
NIDA	4,382.3	3,727.1	22,767.8	7,506.1	57,724.3	22,800.1
RIPF	0.0	1.2	25.0	20.0	25.0	37.9
Total	65,778.4	56,432.1	82,473.3	67,584.3	6,46,527.2	4,71,394.2

Notes: DIDF = Dairy Processing and Infrastructure Development Fund; FIDF = Fisheries and Aquaculture Infrastructure Development Fund; FPF = Food Processing Fund; LTIF = Long Term Irrigation Fund; MIF = Micro-Irrigation Fund; NIDA = NABARD Infrastructure Development Assistance; PMAY-G = Pradhan Mantri Awaas Yojana-Gramin; RIDF = Rural Infrastructure Development Fund; RIPF = Rural Infrastructure Promotion Fund; SBM-G = Swachh Bharat Mission-Gramin; WIF = Warehouse Infrastructure Fund.

To ensure regional balance and sectoral diversity, we developed and refined an objective decision tool for allocating scarce resources across states. To determine the quantum of RIDF sanction to a state, the tool took into consideration a host of factors such as its geography, demography, current level of infrastructure development, past performance under RIDF, and share of agricultural infrastructure under RIDF.

In response to the high demand for rural infrastructure financing, NABARD has also instituted other funds such as the NABARD Infrastructure Development Assistance (NIDA) and Rural Infrastructure Promotion Fund. As on 31 March 2021, the cumulative sanctioned amount under rural infrastructure portfolio stood at ₹6.5 lakh crore with disbursements of ₹4.7 lakh crore (Table 7.1).

7.2 Rural Infrastructure Development Fund

7.2.1 Trends and patterns

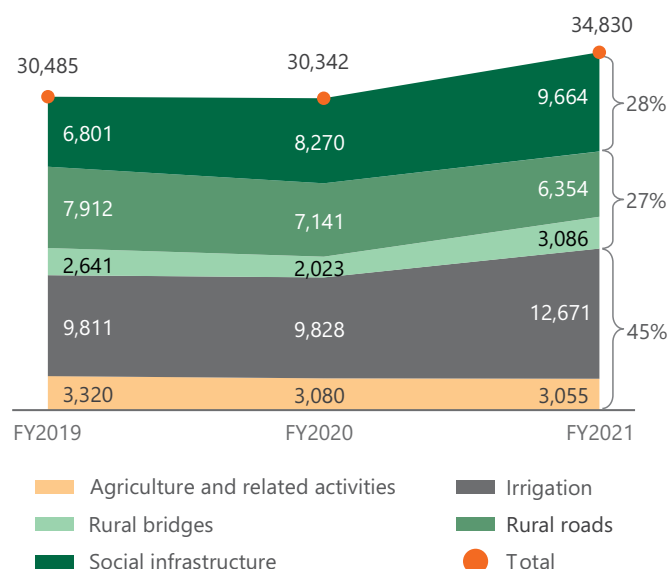
Despite the pandemic, our sanctions during FY2021 grew by 15% over FY2020, with states prioritising investments in irrigation and social infrastructure, perhaps as a counter-pandemic strategy. Disbursements too grew at an impressive 11.1% in FY2021, recovering from a decline in FY2020 (over FY2019).

Cumulative data since inception of RIDF reveals that fund utilisation (ratio of disbursements to sanctions) is high at 78% for ongoing tranches and 93% for closed tranches (I–XIX). The Reserve Bank of India (RBI) has allowed NABARD to use the undrawn balance, if any, at the time of closure of any RIDF tranche, to the full extent of the corpus; this has freed up an additional amount of ₹9,665 crore, which can be disbursed to projects under subsequent tranches on an ongoing basis, spurring growth in sanction and disbursement.



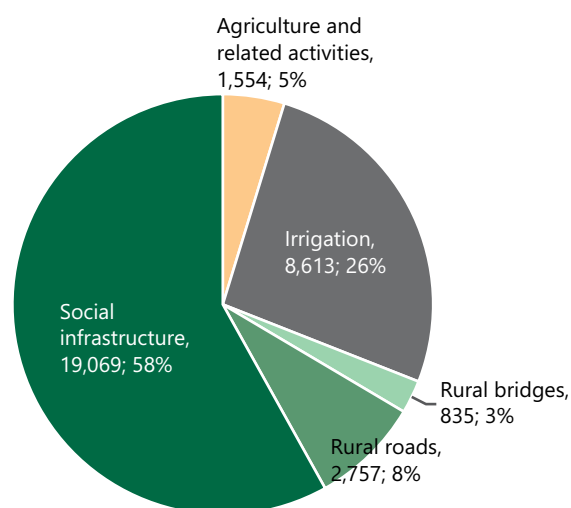
NABARD sanctioned ₹34,830 crore under RIDF XXVI during the FY2021 as compared to ₹30,342 crore in FY2020 and ₹30,485 crore in FY2019 (Figure 7.1).

FIGURE 7.1: Sanctions under Rural Infrastructure Development Fund by sector, FY2019 to FY2021 (₹ crore)



Agriculture and related projects including irrigation accounted for 45% of the sanctions with irrigation being the single-most preferred investment. At the same time, social sector seemed to be on priority of state governments with a 58% share in the number of sanctioned projects during FY2021 (Figure 7.2).

FIGURE 7.2: Projects under Rural Infrastructure Development Fund by sector in FY2021

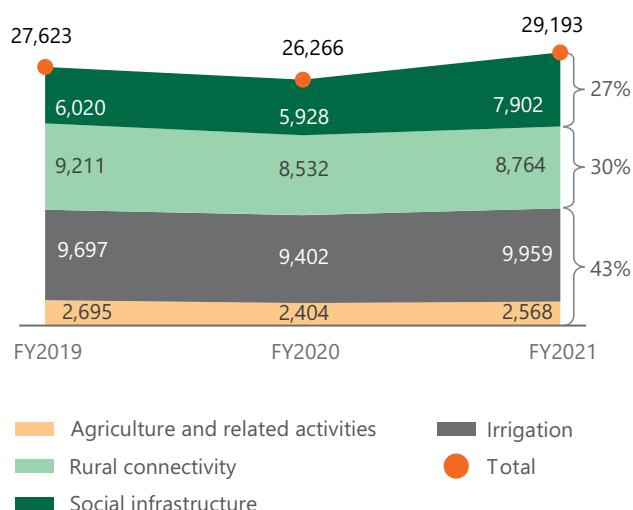


Disbursements under RIDF peaked at ₹29,193 crore in FY2021 with agriculture (including irrigation) accounting for 43% share (Figure 7.3).

Agriculture including irrigation has been the most important sector for RIDF assistance since inception with agriculture and related sector projects accounting for 44% of cumulative funding followed by rural connectivity (38%) and social sector projects (18%).

A recent study commissioned by NABARD revealed wide inter-state disparities in rural infrastructure development and suggested sector-wise reprioritisation of fund allocation for better outcomes (Box 7.1).

FIGURE 7.3: Disbursement under Rural Infrastructure Development Fund by sector, FY2019 to FY2021 (₹ crore)



Box 7.1: Renewed effort at the construction of state-wise rural infrastructure indices

The study aimed to construct state-wise rural infrastructure indices (RIIs) and use them to develop a scheme for state-wise Rural Infrastructure Development Fund (RIDF) allocation. This study took into account 9 components captured by 71 indicators of rural infrastructure, which were broadly grouped into agriculture and allied activities including irrigation, rural connectivity, and rural social sector.

The study revealed wide interstate disparity in rural infrastructural development, indicating that if the quantum of loans to state governments from RIDF were to be scientifically derived, based on their RII, it would greatly rationalise fund allocation while maximising impact.

The study classified states into top 10, middle 10, and bottom 10 on the basis of their share in RIDF allocation. Populous states such as Uttar Pradesh, Bihar, and Madhya Pradesh, occupied positions in the top category with sizable share in RIDF assistance across almost all components of rural infrastructure. The bottom states included those from the North East with very low share.

For a more equitable and balanced approach, the study recommended that 2%–3% of the total RIDF outlay be reserved for each of the 10 poorest performing states in terms of RII and the remaining be distributed to other states in accordance with their respective shares.

The study suggested that of the total RIDF funding,

- rural social infrastructure such as health care system and delivery, provision of drinking water and sanitation, and educational facilities receive 38.3%,
- agriculture and allied activities including irrigation receive 34.5%, and
- rural road connectivity be allocated 11.4%.

Source: Dennis J. Rajakumar, Vijayata B. Sawant, and S.L. Shetty (2020), Construction of State-wise Rural Infrastructure Indices, Economic and Political Weekly Research Foundation, Mumbai (sponsored by NABARD).

A quick look at Figure 7.4 reveals that between FY2019 and FY2021, Eastern India received the highest share of both sanctioned as well as disbursed funds (25%), while the North East including Sikkim received the lowest (7%). However, the fact that the share of the East and North East in sanctions and disbursements is double their respective shares in net sown area reflects NABARD's emphasis on alleviating regional disparities through strategic RIDF deployment. Continuing its efforts towards promoting greater regional balance and ensuring adequate investments in rural infrastructure for supporting livelihoods, NABARD has instituted the Rural Infrastructure Assistance to State Governments (Box 7.2).

Over the years, the cumulative RIDF sanctions to the regions with low credit–deposit ratio have witnessed a steady upward trend. Credit-starved states of the Central, East, and the North East have benefitted immensely from RIDF and the combined share of these regions has gone up in the RIDF cumulative sanctions. During FY2021, the ground level credit (GLC) in East,

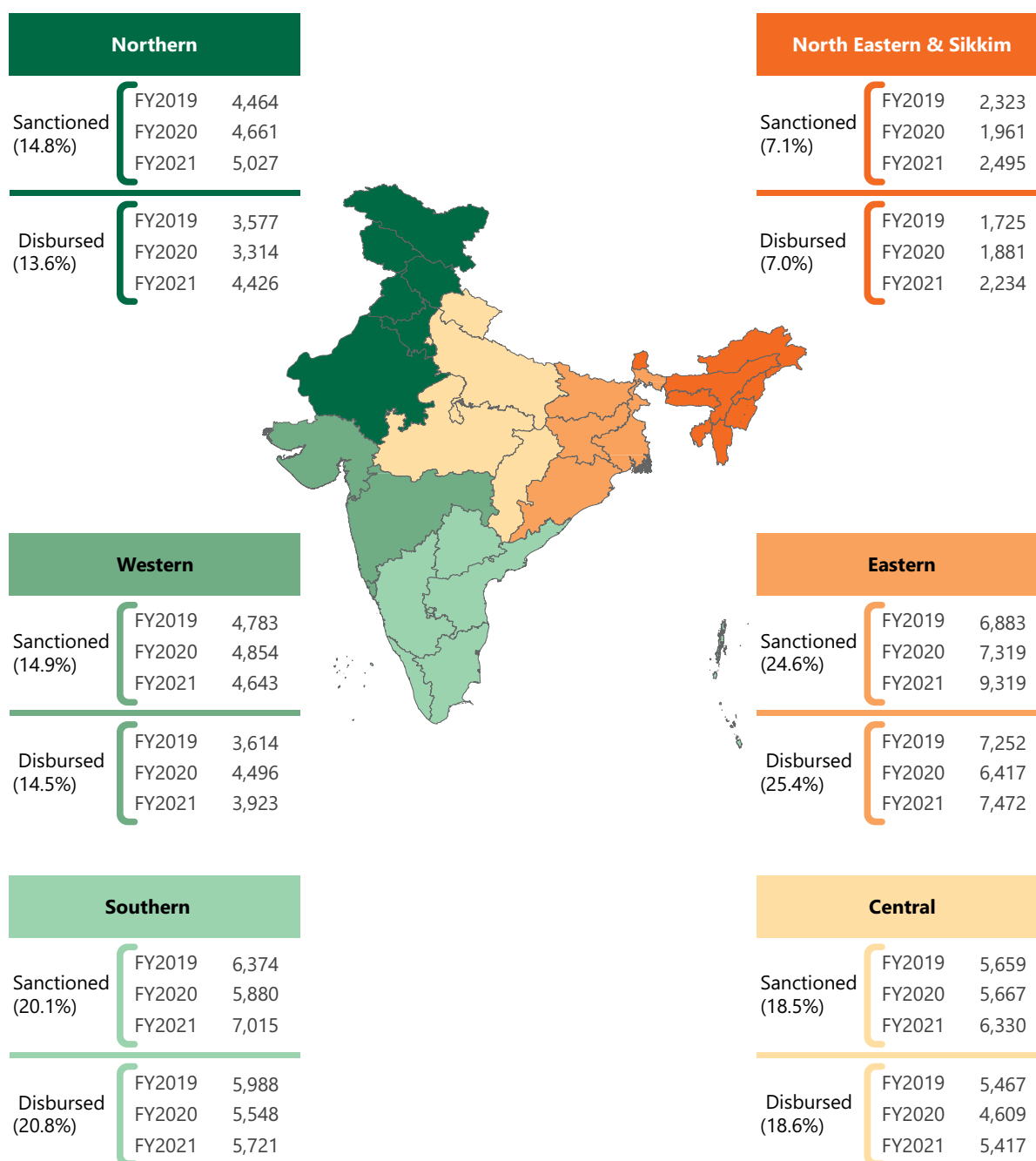
Box 7.2: Rural Infrastructure Assistance to State Governments

In the wake of the announcements made by Prime Minister Narendra Modi regarding the investment of ₹100 lakh crore in infrastructure with the objective of making India a \$5 trillion economy by FY2025 and unveiling of the report of the Task Force on National Infrastructure Pipeline by the Union Finance Minister, it was felt that NABARD could play a more significant role in boosting investments in rural infrastructure. Against this backdrop, NABARD decided to institutionalise a new product viz., Rural Infrastructure Assistance to State Governments (RIAS), to create infrastructure that supports livelihoods.

The RIAS will initially focus on Eastern India including Bihar, Jharkhand, Odisha, Chhattisgarh, West Bengal, and Eastern Uttar Pradesh because not only are these areas more deficient in physical and social infrastructure but also under maximum pressure from pandemic-induced reverse migration from other parts of the country.



FIGURE 7.4: Region-wise sanctions and disbursements under the Rural Infrastructure Development Fund (₹ crore)



Note: Figures in parentheses represent the region's share in total sanction/disbursement during FY2019–FY2021.

North East, and Central zones was 25% of the total GLC in the country, whereas the RIDF sanctions to these regions was to the tune of 52% of the total sanctions.

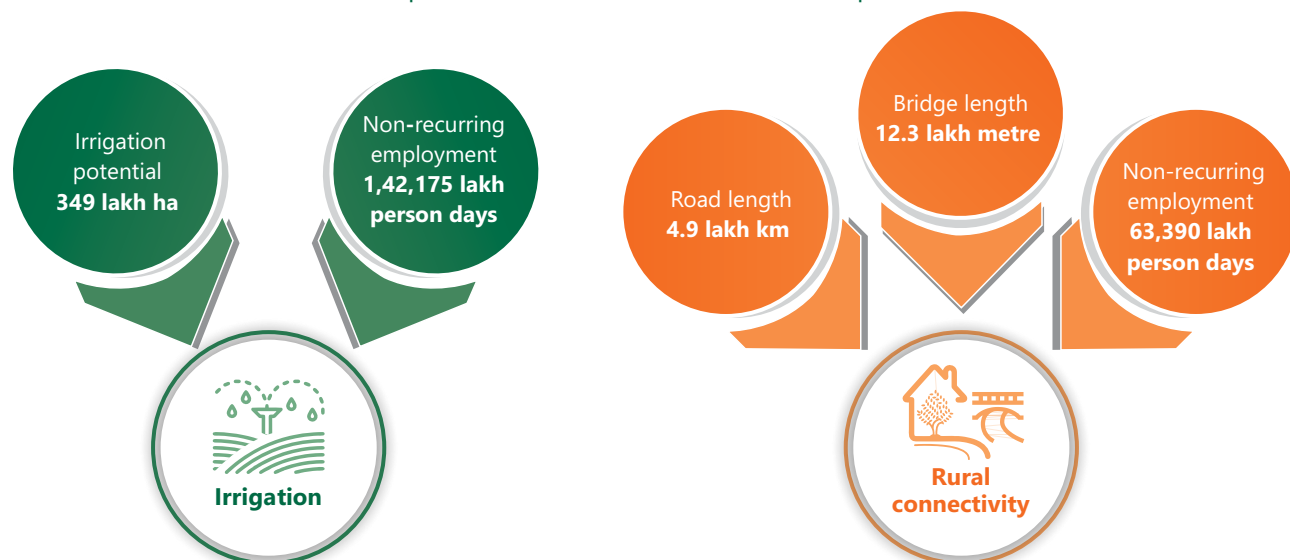
It may also be pertinent to observe that RIDF loans in the credit-starved backward districts, as identified by the Internal Working Group of the RBI, constituted about 20% of the total RIDF sanctions during FY2019

and 15% over the five-year period ended FY2020, which is much healthier than the reported share of these districts in the total outstanding priority sector credit of only 3.1%.

7.2.2 Economic and social impact

The RIDF projects consistently deliver positive outcomes for rural production, productivity, income, employment, environment, and sustainability (Figure 7.5 and Showcases 7.1–7.3).

FIGURE 7.5: Economic and social impact of the Rural Infrastructure Development Fund



SHOWCASE 7.1: Narmada–Malwa–Gambhir link, the first prepaid metered irrigation project in Madhya Pradesh

Objective

To provide piped irrigation up to 40 ha *chak* to the water deficit areas in the upper reaches of the Chambal basin.

Financials

- Total financial outlay: ₹2,187.3 crore
- Rural Infrastructure Development Fund loan
 - ❖ Phase I ₹1,035 crore (Tranche XX)
 - ❖ Phase II ₹931 crore (Tranche XXI)

Project description

- This single turnkey project, linking rivers Narmada and Gambhir, is in the last stage of implementation.
- Water is lifted from the Omkareshwar Project reservoir on the Narmada in the Nimar region and delivered to the river Gambhir to meet the irrigation and drinking water needs of the Indore and Ujjain districts of the Malwa region.
- The gross command area under the project is 83,000 ha.
- The cultivable command area is 50,000 ha.
- Annual irrigation across 78,000 ha in the Indore and Ujjain districts is planned along with water supply for both drinking and industrial use.



(Continued)



- Narmada Valley Development Authority is in the process of forming 'water user associations' to look after the operation and management of the project.

Prepaid metering process

- Under the project, assured irrigation is available through prepaid connections at the farmer's field.
- Details of the beneficiary farmers and their land are entered in the software operated and managed from the command centre at Khargone (Nimar region).
- Water user charges are levied by land area and cropping pattern of each farmer.
- The farmers recharge their irrigation accounts digitally using their mobile phones.
- Every group of 15–20 farmers in a 40 ha *chak* is represented by a team leader.
- Irrigation water is released from the command area on the telephonic request of the team leader.

Impact

- The project is expected to benefit 158 villages from 6 tehsils of Indore and Ujjain districts.
- Irrigation to 26,000 ha has been made available covering about 65,000 farmers.

Note: The command area of an irrigation outlet is called *chak*, which is a basic unit for irrigation management. Establishing layouts of the *chaks* in the command of a given channel is the first step of the irrigation planning process.

SHOWCASE 7.2: Reclamation of waterlogged areas in Sri Muktsar Sahib, Fazilka, and Ferozpur districts of Punjab

Objective

To rejuvenate agriculture production systems by reclaiming seasonally or permanently waterlogged areas of south-western districts of Punjab.

Financials

- Total financial outlay: ₹60 crore
- Rural Infrastructure Development Fund assistance: ₹51.3 crore

Project description

- Under the project, water from waterlogged areas is tapped to augment canal irrigation of water-deficit areas.
- The canal water is carried to tail-end farmers through underground pipelines for conveyance efficiency.
- The project received the Sustainable Development Goals Action Award from the Sustainable Development Goal Coordination Centre of the United Nations under the category 'Integration, Convergence, Joint Action and Holistic Solutions Approach'.

Impact

- The project aims to benefit 7,551 ha of land cultivated by 6,090 farmers from 91 villages of Sri Muktsar Sahib, Fazilka, and Ferozpur districts.
- It has already resulted in a significant increase in crop productivity (approximately 18% for paddy and 52% for wheat).
- On an average, 36.1% water is being saved in the paddy fields and 43.3% in wheat fields.
- The underground pipelines have reduced both labour cost and drudgery for the farmers.
- Land-use saving by around 3%; elimination of water logging near the channel (1.5%); elimination of additional wells in the area; and higher safety in operations are additional benefits.



SHOWCASE 7.3: Modernisation of tea processing centres in Tamil Nadu

Objective

- To facilitate phased technological upgrade of industrial cooperative tea processing centres of INDCOSERVE (Nilgiris district, Tamil Nadu), which is the largest cooperative federation of small tea growers in India.

Financials

- Rural Infrastructure Development Fund assistance: ₹16.8 crore

Project description

- The project aimed to replace existing crush-tear-curl lines in four factories and switch to orthodox line in one.
- Modernisation of pre-processing facilities involved automation of grading of green tea leaves using artificial intelligence.
- The project also entailed automation of packaging facilities.
- Besides improvements through civil works, major infrastructure upgrade included installation of new machinery at the collection centres and processing lines.

Impact

- Benefits were secured for 8,985 small tea growers spread across 68 villages of Nilgiris district.
- Improvements in processing and marketing techniques led to better price realisation by small and marginal tea farmers.



7.3 Long Term Irrigation Fund

Announced in the Union Budget FY2017, Long Term Irrigation Fund (LTIF) is meant to fast track 99 irrigation projects and augment irrigation potential by 34.6 lakh ha. NABARD has been providing assistance for meeting both central and state government shares of funding required to complete stalled priority irrigation projects. The central share is provided to the National Water Development Agency, under the aegis of Ministry of Jal Shakti, GOI, whereas state governments concerned can choose to avail loan towards their share. (Figure 7.6).

From 1 April 2018, loans towards central share have been entirely funded through extra-budgetary resources in the form of fully serviced GOI bonds while the state

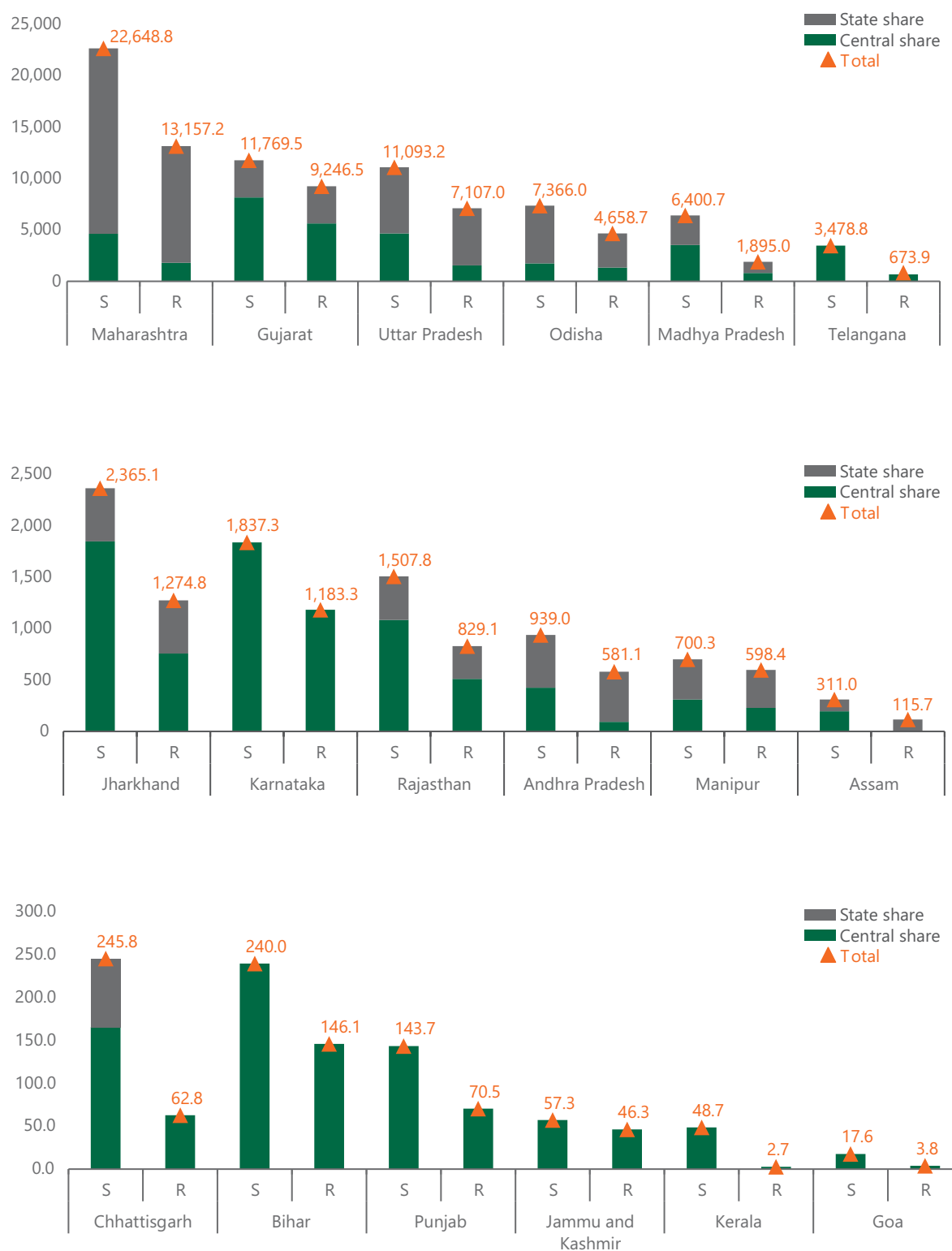
share has been fully funded through market borrowings. The loans are extended to state governments at 6% interest per annum.

Funding under LTIF has been instrumental in creating irrigation potential of 21.3 lakh ha during 2016–2020

—Ministry of Jal Shakti, Government of India.



FIGURE 7.6: State-wise funds sanctioned and released under Long Term Irrigation Fund as on 31 March 2021 (₹ crore)

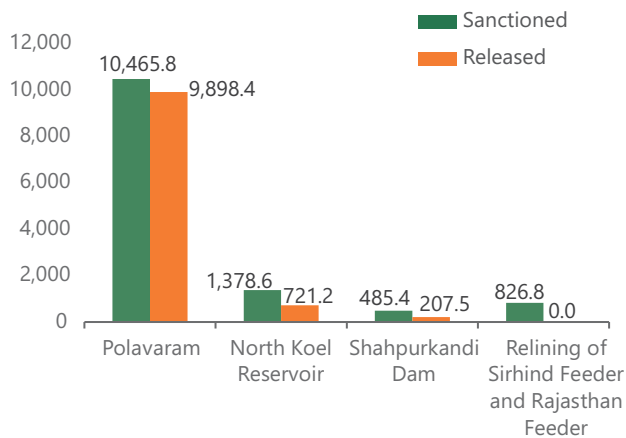


Notes:

1. S = Sanctioned; R = Released
2. Loans sanctioned across the 18 states in the figure: central share ₹32,588 crore, state share ₹38,582 crore
3. Loans released across the 18 states in the figure: central share ₹14,921.9 crore, state share ₹26,731.0 crore

In addition to the 99 projects identified initially, four new projects have been brought within the ambit of LTIF (Figure 7.7).

FIGURE 7.7: Funds sanctioned and released under Long Term Irrigation Fund for additional projects as on 31 March 2021 (₹ crore)



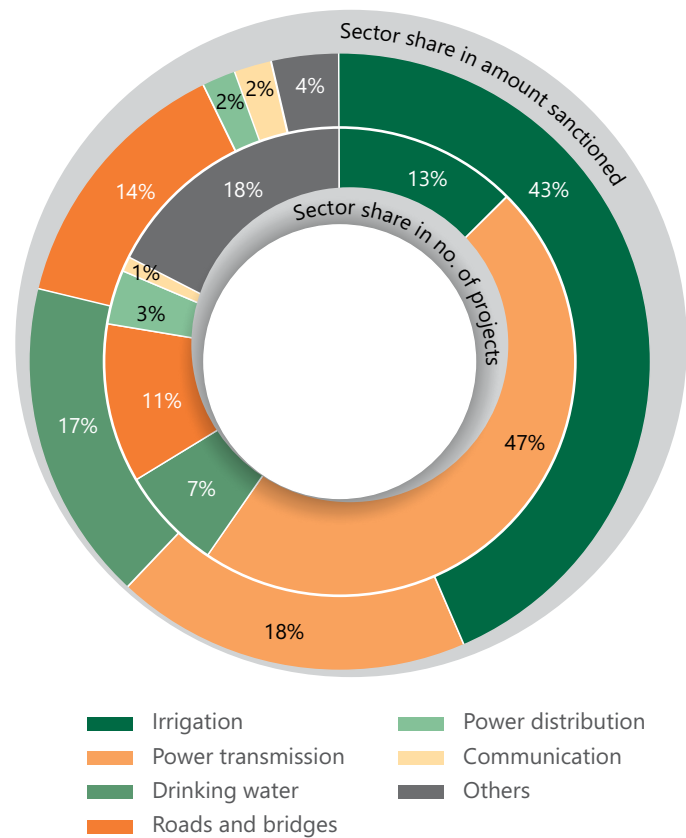
Note: These loans were extended towards 'central share' in entirety.

7.4 NABARD Infrastructure Development Assistance

NABARD Infrastructure Development Assistance (NIDA) offers flexible long-term loans to well-managed public sector entities for financing rural infrastructure, including projects for agriculture infrastructure, rural connectivity, renewable energy, power transmission, drinking water and sanitation, and other social and commercial infrastructure. Inclusion of public-private partnership (PPP) and non-PPP projects (undertaken by registered entities like corporates/companies, cooperatives, etc.) has further broadened NIDA's scope of funding.

During FY2021, term loan of ₹22,767.8 crore was sanctioned for eight irrigation projects (60.9%; ₹13,865 crore); four drinking water projects (21.7%; ₹4,931.5 crore); three transmission projects (3.9%; ₹893.7 crore); and one each under rural connectivity (5.1%; ₹1,158.5 crore), rural housing (3.5%; ₹792.4 crore), sewerage (0.3%; ₹64.9 crore), and communication sector (4.1%; ₹1,061.7 crore).

FIGURE 7.8: Sector share in NIDA as on 31 March 2021



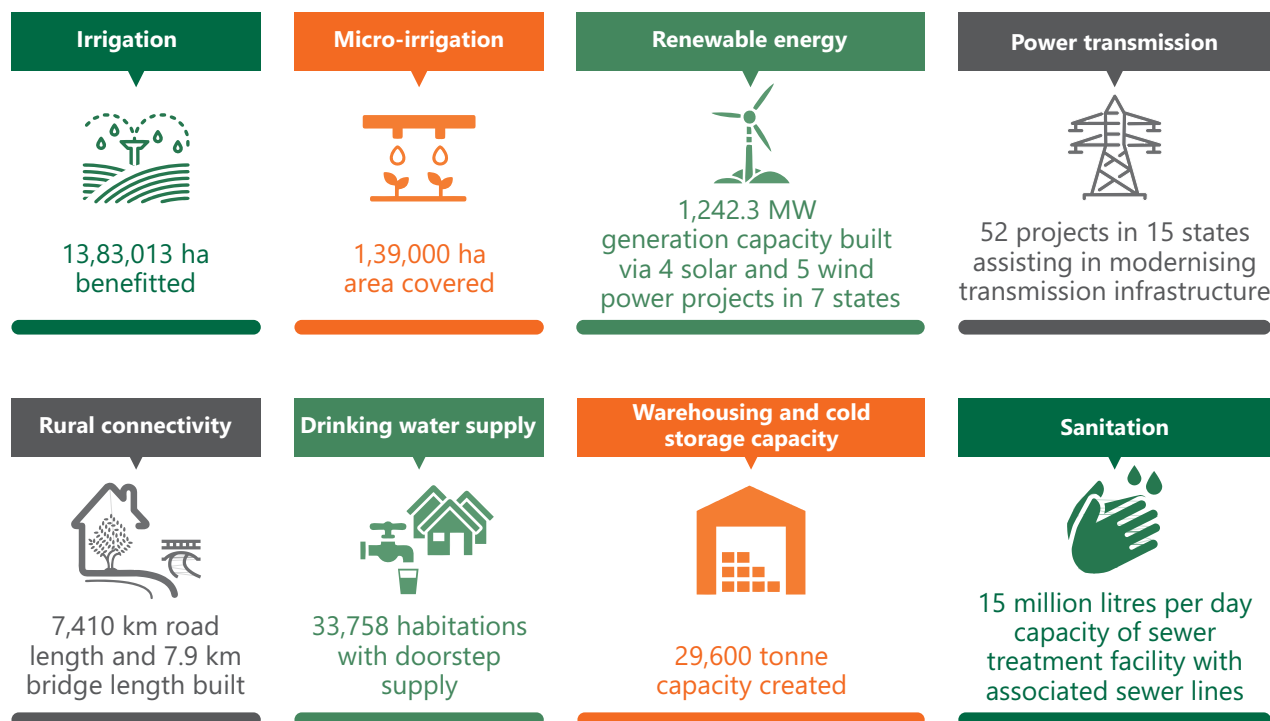
Note: 'Others' include rural housing, wind power, solar power, warehousing, hydro power, sewerage, watershed development, and development of market yard.

Cumulatively, 111 projects have been sanctioned under NIDA with term loan of ₹57,724.3 crore, of which ₹22,800 crore has been disbursed so far (Figure 7.8).

NIDA has created profound socio-economic impact by enhancing agri-production and productivity, better connectivity, employment, and also facilitating access to improved sanitation and assured supply of water, with implications for reducing child malnutrition and child mortality as well as improving female enrolment in schools. The NIDA projects are also instrumental in achieving targets under Sustainable Development Goal 6 of Clean Water and Sanitation (Figure 7.9).



FIGURE 7.9 Impact of NIDA projects



7.5 Funding warehouse infrastructure

NABARD provides financial support under the Warehouse Infrastructure Fund (WIF) to state governments, state-owned agencies, and corporates for the creation of scientific warehouse capacity to support value chains in agriculture (Table 7.2 and Figure 7.10). This investment is instrumental in aiding farmers' access to finance through negotiable warehouse receipts. Foodgrains production has grown more than six times since 1950 and trends indicate that by 2030 it will cross 350 million tonne. To accommodate the increase in production, there will be sustained demand for investment in storage during the current decade.

Loans amounting to ₹909 crore were disbursed under WIF during the year as against ₹844 crore in FY2020. Further, a term loan of ₹200 crore was also sanctioned to the Government of Madhya Pradesh in FY2021. As part of pandemic response, NABARD extended relief by deferring principal and interest repayments to two borrowing entities to the tune of ₹38.9 crore in line with the relief measures announced by the RBI.

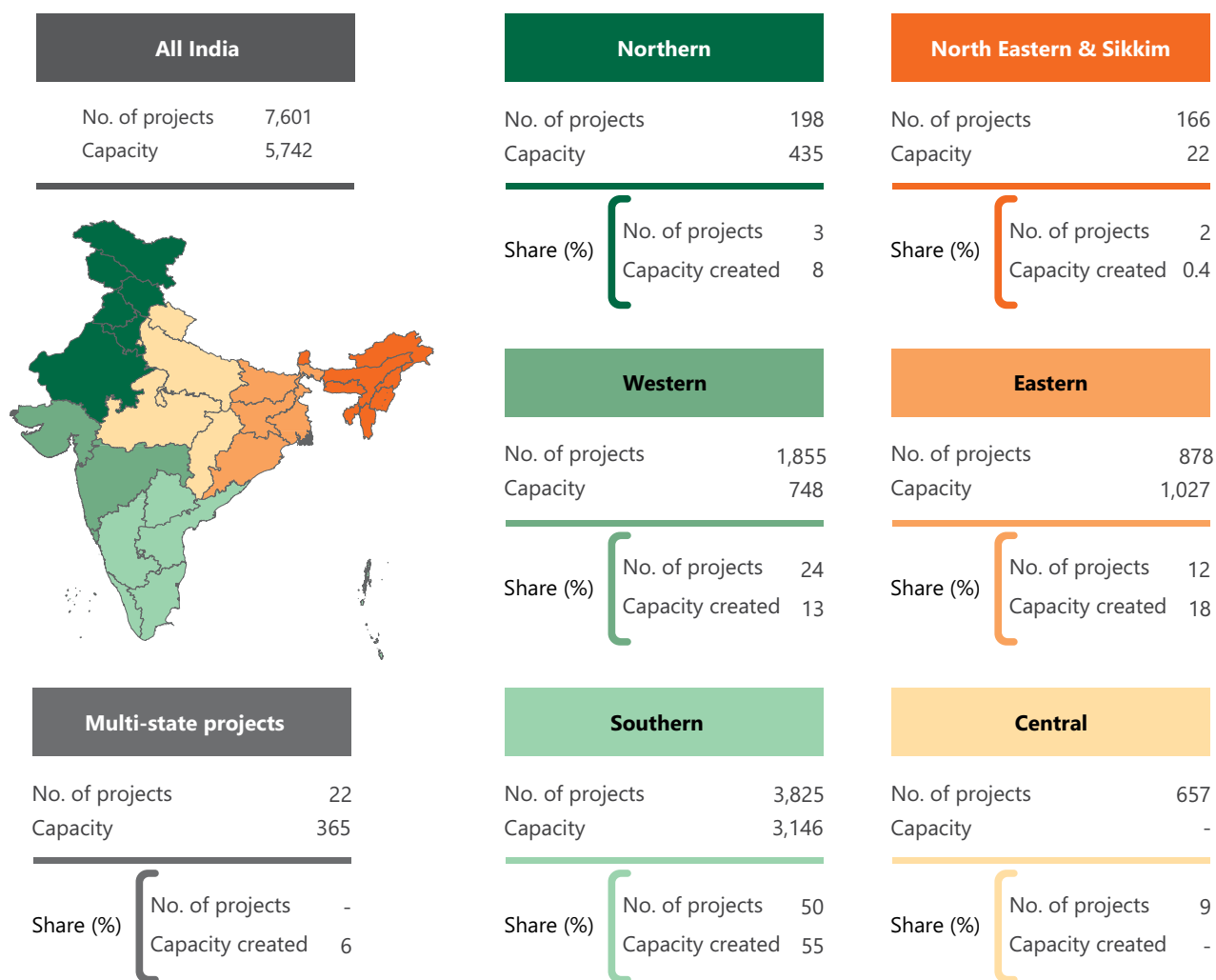
NABARD developed a web-based agri-storage infrastructure information system that captures geo-spatial coordinates and provides physical details, amenities, and contact information of each storage asset (Box 7.3).

TABLE 7.2: Loan sanctions and disbursement under Warehouse Infrastructure Fund as on 31 March 2021 (₹ crore)

Tranche	Corpus allocated	Sanctions	Cumulative disbursement
FY2014	4,481	4,535	3,237
FY2015	5,000	5,193	4,384
Total	9,481	9,728	7,621

Note: Of the ₹5,000 crore corpus of the WIF Tranche FY2014, ₹519 crore was refunded to commercial banks.

FIGURE 7.10: Region-wise performance of Warehouse Infrastructure Fund (capacity in '000 tonne)



Note: Share (%) represents the region's share in all India.

Box 7.3: Geo-tagging of agri-storage infrastructure across India

NABCONS, a subsidiary of NABARD, has developed a web-based agri-storage infrastructure information system which enables

- efficient use of existing warehousing capacity,
- integration of small farmers with the commodity value chain,
- reduction in post-harvest losses in agriculture and allied commodities, and
- uberisation of warehousing given the scalability of the platform.

Since the information system captures location, capacity, facilities, and contact details of each warehouse, geo-tagging has also led to the development of a farmers' app (Kisan Bhandar). The app helps farmers and other stakeholders locate the nearest storage structure within a radius of 30 km, enabling them to take a conscious decision in choosing the right storage structure for holding their produce.



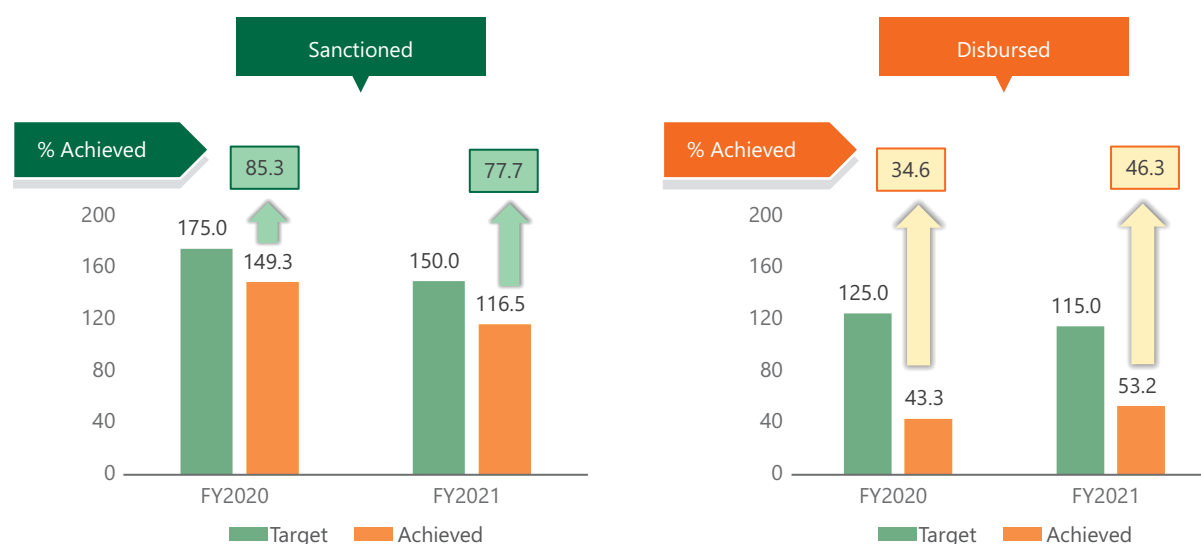
7.6 Funding food processing infrastructure

NABARD provides affordable credit under the Food Processing Fund (FPF) to public and private players for setting up agro-processing clusters in designated food parks (DFPs) notified by the Ministry of Food Processing Industries, GOI, and for establishing food processing units therein (Figure 7.11). Cumulative disbursement as on 31 March 2021 through FPF is

₹409.4 crore. While investing in infrastructure within DFPs helps prospective entrepreneurs save on capital expenditure, financing individual units helps both DFPs and enterprises become viable.

As on 31 March 2021, NABARD has sanctioned term loan of ₹701.2 crore for 12 mega food parks, 10 agro-processing clusters, and 10 individual food processing units (Showcase 7.4).

FIGURE 7.11: Loan sanctions and disbursement under Food Processing Fund (₹ crore)



SHOWCASE 7.4: Gurukripa Mega Food Park, Ladhowal, Ludhiana district, Punjab

Objective

- To set up a mega food park (MFP) in Ludhiana.

Financials

- Total financial outlay: ₹117.6 crore
- Food Processing Fund term loan: ₹27.1 crore to Punjab Agro Industries Corporation Limited

Project description

- The MFP was planned on an area of 100 acres with common facilities on 46 acres.
- Ten sheds for micro, small and medium enterprises were provided over an area of 2,619 square meters so that minor food processing units could access the plug-and-play infrastructure.
- Four primary processing centres (based on hub-and-spoke model) enabled procurement of raw material for the food processing units.



(Continued)

- The project led to the creation of
 - ❖ 2,900 tonne of cold storage capacity (including cold store, spiral freezer etc.),
 - ❖ 20,000 tonne of dry warehouse and silos capacity, and
 - ❖ 100 tonne of ripening chambers capacity along with incubation centres and testing lab.
- The MFP provided backward and forward linkages to food growers across 12 districts of Punjab.



Impact

- The MFP brought together stakeholders to create infrastructure for food processing and maximise gains for farmers through the agri-value chain.
- The food processing sector in Punjab received impetus through the creation of supply chain infrastructure including collection centres, primary processing centres, central processing centres, and the cold chain.
- Besides these services, the availability of fully developed plots for entrepreneurs contributed to making food processing units commercially viable.
- The MFP will potentially provide direct as well as indirect employment to 12,000 persons.

7.7 Housing for all by 2022

The Pradhan Mantri Awaas Yojana–Gramin (PMAY-G) aims at providing a pucca house with basic amenities to all houseless households and those living in kutchha and dilapidated houses, by 2022. The scheme envisages construction of 2.95 crore houses: 1 crore houses under Phase I (FY2017 to FY2019) and 1.95 crore under Phase II (FY2020 to FY2022) (Figure 7.12).

NABARD has been extending support to the National Rural Infrastructure Development Agency, a special purpose vehicle of the GOI, towards part funding of the central share under the PMAY–G since FY2018. As on

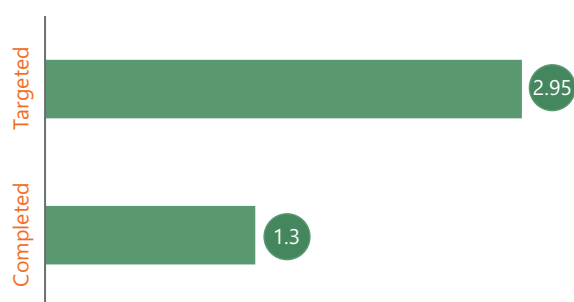
31 March 2021, NABARD has sanctioned ₹61,975 crore and released ₹48,819 crore for this purpose.

7.8 Dairy Processing and Infrastructure Development Fund

Dairy Processing and Infrastructure Development Fund set up in NABARD envisages creation and modernisation of milk processing facilities and other dairy related infrastructure within an implementing period of up to FY2023.

Cumulatively, as on 31 March 2021, 43 projects in 11 states have been sanctioned to the National Dairy Development Board and the National Cooperative Development Corporation with loan amount of ₹3,644.5 crore for an investment of ₹5,256.5 crore in the dairy processing sector. The cumulative amount disbursed is ₹1,230.7 crore. The sanctioned projects are expected to create milk-processing capacity of 162.7 lakh litre per day (LLPD), modernisation of existing plants of 10.6 LLPD, value addition capacity of 2,794.8 metric tonne per day (MTPD), and milk drying capacity of 300 MTPD in implementing states (Figure 7.13).

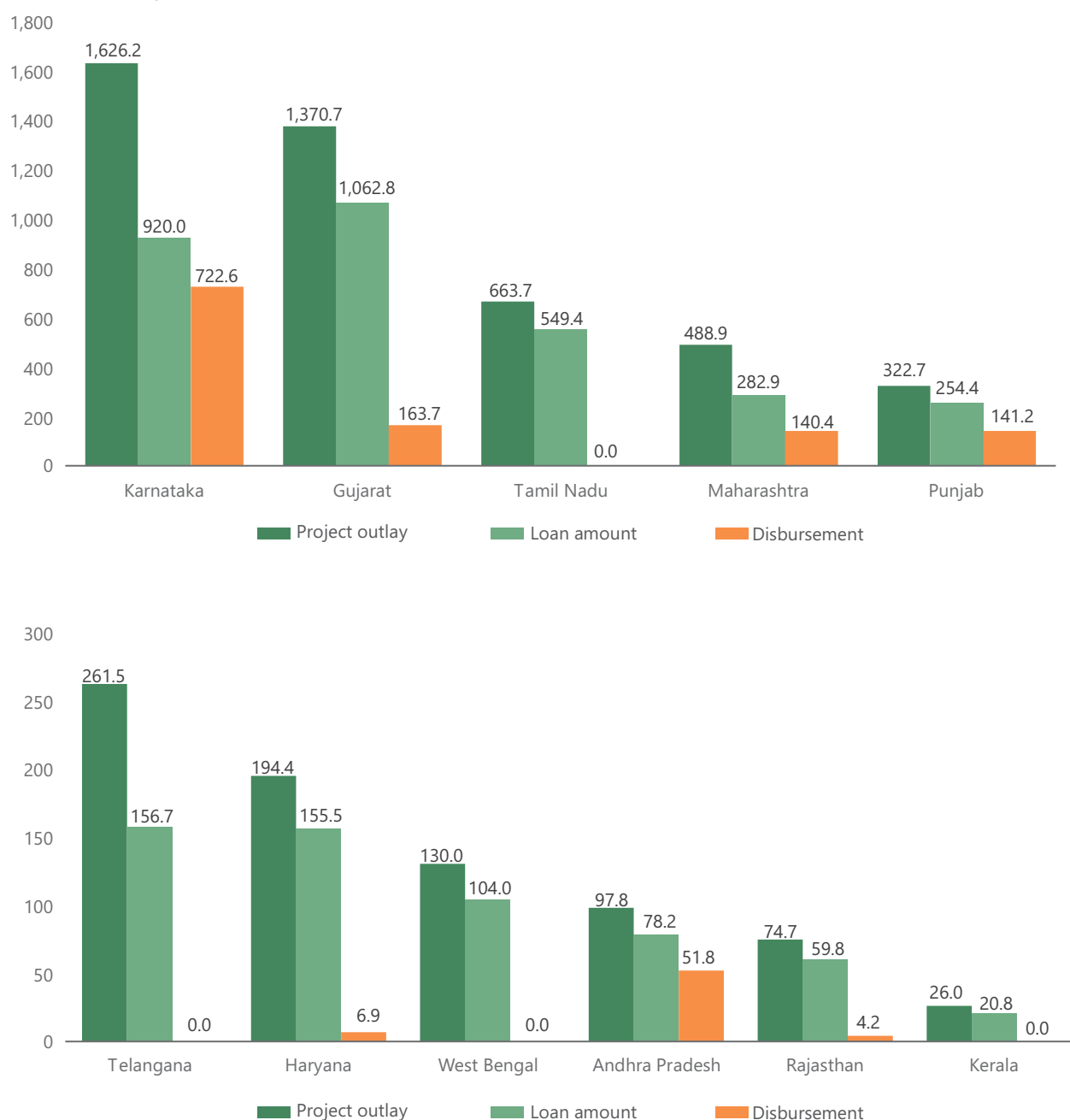
FIGURE 7.12: Rural houses built under PMAY–G as on 27 February 2021 (in crore)



Source: Ministry of Rural Development, Government of India.



FIGURE 7.13: Cumulative state-wise sanctions and disbursement under Dairy Processing and Infrastructure Development Fund as on 31 March 2021 (₹ crore)



Note: For the 11 states in the figure, the total project outlay is ₹5,256.5 crore, loan amount is ₹3,665.8 crore, and disbursement is ₹1,230.8 crore.

7.9 Other Infrastructure Initiatives

7.9.1 Per Drop More Crop

Micro-Irrigation Fund (MIF), operationalised in NABARD in FY2020, has, in this fiscal too, continued to support efforts of state governments in mobilising additional resources for expanding coverage under micro-irrigation and incentivising its adoption beyond

provisions of Pradhan Mantri Krishi Sinchayee Yojana—Per Drop More Crop.

During FY2021, loan amount of ₹1,128.6 crore was sanctioned to four states, viz., Haryana, Punjab, Uttarakhand, and West Bengal. Further, loan amount of ₹1,827.5 crore was released to the states of Andhra Pradesh, Gujarat, Haryana, and Tamil Nadu during the year.

This fund ensures water-use efficiency and water conservation while increasing irrigation coverage. As on 31 March 2021, the cumulative sanction under MIF stood at ₹3,970.2 crore and release at ₹1,827.5 crore. The implementation of sanctioned projects will facilitate expansion of micro-irrigation to an area of 12.8 lakh ha.

7.9.2 Developing fisheries and aquaculture infrastructure

NABARD, being one of the nodal loaning entities under the Fisheries and Aquaculture Infrastructure Development Fund, will fund the public infrastructure components to the tune of ₹2,508 crore through state governments/UTs for various fishery-based infrastructure activities. NABARD has executed tripartite memoranda of agreement with nine state governments, viz, Tamil Nadu, West Bengal, Andhra Pradesh, Gujarat, Karnataka, Kerala, Maharashtra, Goa, and Haryana.

So far, NABARD has sanctioned ₹348 crore and disbursed ₹93.8 crore for the development of three fishing harbours in Tamil Nadu. The proposed fishing harbours are expected to provide employment to 12,115 sea-going fishermen and additional employment to 9,000 persons in shore-based establishments related to distribution and marketing of fish and crustacean products.

7.9.3 Swachh Bharat Mission–Gramin

Under Swachh Bharat Mission–Gramin (SBM–G), NABARD has extended loans to the National Centre for Drinking Water, Sanitation, and Quality during FY2019 and FY2020 towards part funding of central share for construction of 3 crore household toilets.

As on 31 March 2021, the cumulative sanction under SBM–G stood at ₹15,000 crore and release at ₹12,298.2 crore. The loan assistance from NABARD has facilitated construction of 3.3 crore household toilets.

7.10 Rural infrastructure, key to a \$5 trillion economy

As India's economy strives to sustain through the pandemic, the role of infrastructure development as an essential enabler for economic growth, income augmentation, and improved standard of living becomes more pertinent. Infrastructure development and upgrading will be key to raising India's competitiveness and achieving the target of a \$5 trillion economy by FY2025.

NABARD has been playing a significant role in expanding rural infrastructure through various programmes and funds like RIDF, LTIF, WIF, and NIDA, and shall continue its support for infrastructure development in the country. NABARD's strategy in the infrastructure space is unique as it focuses on expansion to achieve scale and diversification to cater to new and emerging rural needs.

Notes

1. Carol Elizabeth Moseley Braun is an American diplomat, politician and lawyer who represented Illinois in the United States Senate from 1993 to 1999.
2. e-NAM = Electronic National Agricultural Market.



We were all groomed in and grew up with this organisation. We received a world of exposure which no other organisation offers. We are deeply attached to NABARD emotionally and it gives us a great feeling to serve here. We are ready to die for this organization that has always encouraged us to do the right thing in the right way. It is an equal opportunity employer. Excel, and you can rise to the top on your own merit.



—G.R. Chintala¹

8

THE ORGANISATION AND HUMAN RESOURCES



8.1 Management

The management and business of NABARD is vested in the Board of Directors appointed by the Government of India (GOI) in consultation with the Reserve Bank of India (RBI). The Board consists of the Chairman, managing director (vacant), deputy managing directors, and directors comprising experts in relevant fields such as rural economics, rural development, cottage and village industries, cooperative banks, regional rural banks, along with representatives from the RBI, GOI, and state governments.

Dr G.R. Chintala has taken charge as Chairman, NABARD on 27 May 2020 from the outgoing Chairman, Dr H.K. Bhanwala (Table 8.1).

TABLE 8.1: Changes in the Board of Directors in FY2021

Members who joined the Board in FY2021	
Name	Date of appointment
G.R. Chintala, Chairman, NABARD	27 May 2020
Shaji K.V., Deputy Managing Director, NABARD	21 May 2020
P.V.S. Suryakumar, Deputy Managing Director, NABARD	21 May 2020
Nagendra Nath Sinha, Secretary, Ministry of Rural Development, Government of India	28 April 2020
Sanjeev Kaushik, Additional Secretary, Department of Financial Services, Ministry of Finance, Government of India	21 September 2020

<i>Board members whose tenure ended in FY2021</i>	
<i>Name</i>	<i>Date of cessation</i>
Rajesh Bhushan, Secretary, Ministry of Rural Development, Government of India	26 April 2020
H.K. Bhanwala, Chairman, NABARD (retired)	27 May 2020
Debasish Panda, Secretary, Department of Financial Services, Ministry of Finance, Government of India	20 September 2020
Ashok Gulati, Infosys Chair Professor, Agriculture, Indian Council for Research on International Economic Relations, New Delhi	9 February 2021
Lalhmingthanga, Commissioner & Secretary, Agriculture and Rural Development, Government of Mizoram	1 March 2021

TABLE 8.2: Meetings of the Board and its committees in FY2021

<i>Board and its committees</i>	<i>No. of meetings</i>
Board of Directors	7
Executive Committee	4
Sanctioning Committee for loans under the Rural Infrastructure Development Fund (RIDF)	5
Internal Sanctioning Committee for loans under RIDF	26
Management Committee (comprising the Chairman, deputy managing directors, and select chief general managers)	19
Audit Committee	4
Risk Management Committee	4
Information Technology Committee	2
Premises Committee	2

During FY2021, the Board and its Committees met several times to deliberate on key issues of concern to NABARD (Table 8.2).

8.2 Human resource development

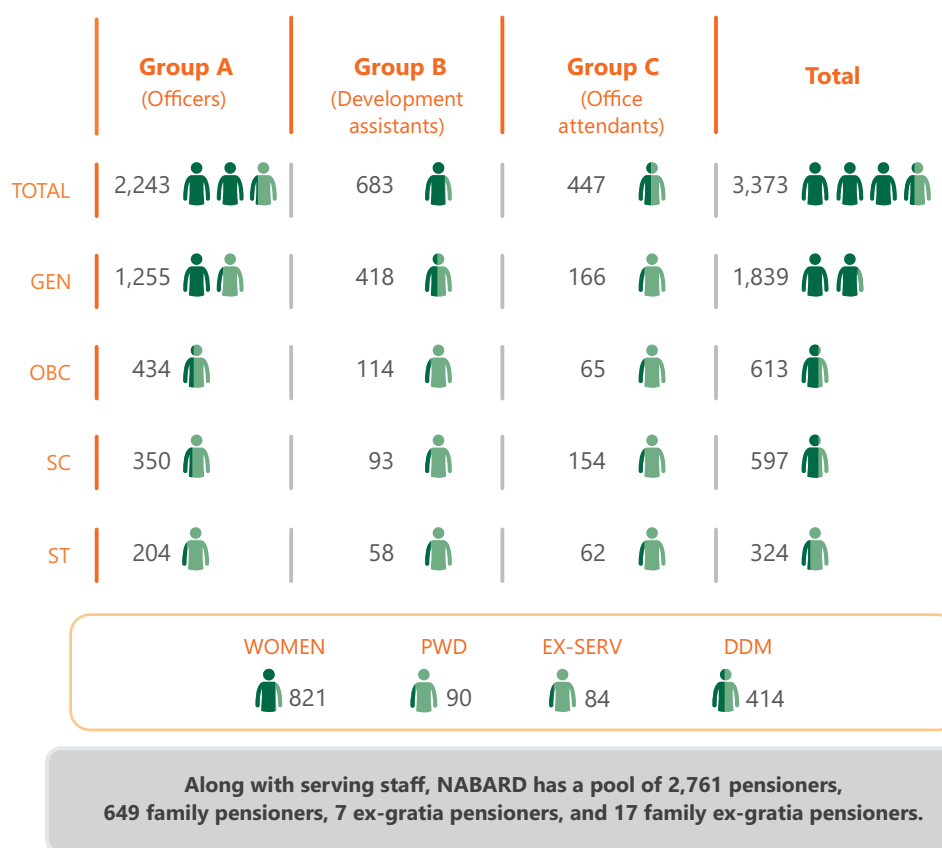
8.2.1 Staff composition

NABARD has consistently maintained high standards of qualified and trained human resources and

recruited knowledgeable experts from relevant fields for specialised inputs, adhering strictly to the prescribed reservation norms of the GOI (Figure 8.1). During FY2021, NABARD recruited 153 officers, 86 development assistants, 44 office attendants, and 13 specialist consultants. A large number of retirements combined with the recruitment of younger staff, has reduced the average age of NABARD staff to 46 years.



FIGURE 8.1: Composition of staff as on 31 March 2021



Notes: DDM = District Development Managers; EX-SERV = Ex-Servicemen; GEN = General; OBC = Other Backward Classes; PWD = Persons with Disabilities; SC = Scheduled Castes; ST = Scheduled Tribes.

8.2.2 Training and development

NABARD's training policies and programmes create an atmosphere of learning and upskilling of not just its own staff but also client institutions. Most of the training programmes during FY2021 were conducted online (Figure 8.2).

Besides the programmes listed in Figure 8.2, NABARD staff can also avail of its flexible in-house e-learning opportunities. For instance, 1,676 officers completed at least one module of Nabscholar (launched by National Bank Staff College in FY2021) in their respective desk-related operations during the year.

Furthermore, NABARD deputed 42 officers to various off-the-shelf programmes of reputed institutes for building capacities in new and emerging areas such as green financing, climate change, banking technology,

and risk management. Also, 30 officers enrolled into professional and distant learning courses under the Incentive Study Scheme of NABARD, which included an officer pursuing higher studies abroad (Figure 8.2).

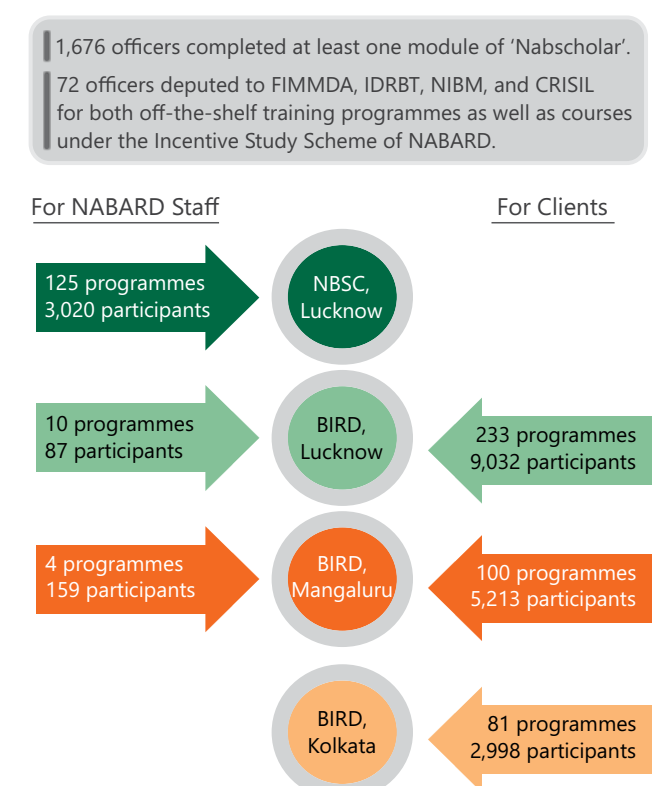
NABARD adheres to the GOI norms of recruitment, training, and promotion of persons belonging to Scheduled Castes (SC), Scheduled Tribes (ST), and Other Backward Classes (OBC). We also arranged pre-recruitment trainings for 366 candidates (including 185 officers and 181 office attendants) and pre-promotion training for 311 candidates from SC/ST/OBC categories.

8.2.3 Other human resource initiatives

Industrial relations

Industrial relations continued to remain harmonious during the year. Periodic discussions were held in which

FIGURE 8.2: Training programmes for staff and clients as on 31 March 2021



Notes: BIRD = Bankers Institute of Rural Development; CRISIL = Credit Rating Information Services of India Limited; FIMMDA = Fixed Income Money Market and Derivatives Association of India; IDRBT = Institute for Development & Research in Banking Technology NBSC = National Bank Staff College; NIBM = National Institute of Bank Management.

representatives from NABARD's management, the All-India National Bank Officers' Association, and the All-India NABARD Employees' Association participated.

Prevention of sexual harassment at workplace

NABARD, with 821 women staff members (around one-fourth of total), is sensitive to the issue of sexual harassment at work place. Hence, Central Complaints Committee at the Head Office and Regional Complaints Committee at the regional offices have been instituted in accordance with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Insurance

All group insurance schemes for serving staff (Housing Loan Group Insurance Scheme, Optional Group Term Insurance Plan, and Group Motor Vehicle Insurance Policy) and retired staff (Group Mediclaim Policy) were renewed for one year, on mutually agreed terms and conditions.

COVID compliance

During the COVID-19 crisis, NABARD offices across India initiated several measures according to the guidelines of the central and state governments as also local authorities, to ensure health and safety of its employees, and for business continuity (Box 8.1 in Section 8.4). These measures included, *inter alia*, issuance of instructions on preventive measures, guidelines for working from home, providing alternate arrangements for supply of medicines to retired staff, arrangement of isolation rooms in reputed hospitals, etc. Normal office operations resumed gradually as lockdown relaxed, while ensuring proper social distancing and dynamically responding to changing standard operating procedures and protocols issued by the government from time to time.

8.3 Transparency initiatives

8.3.1 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.

Central public information officers (35 senior officers including 31 at regional offices, 3 at training establishments, and 1 at Head Office) have been designated to comply with the statutory obligations under the RTI Act, 2005. Chief General Manager Nrusingh Prasad Mohapatra is the Appellate Authority. During FY2021, we received 1,801 RTI applications and 184 appeals. Of these, 1,556 applicants were provided with information (including RTI applications transferred to other public authorities) and 176 appeals were disposed of.

8.3.2 Redressing grievances

During FY2021, the Grievance Redressal Committee met twice to dispose of 12 grievance applications which included 6 from FY2020 and 6 (of 10) received in the current year.

8.3.3 Enhancing vigilance

Vigilance is an integral part of NABARD management functions aimed at ensuring robust systems and work practices, along with well laid out processes with effective checks and controls. It comprises preventive, surveillance, and punitive measures, undertaken by the Chief Vigilance Officer (appointed by the GOI), in liaison



with NABARD's management, under the guidance of the Central Vigilance Commission, GOI.

During the Vigilance Awareness Week (from 27 October to 2 November 2020), all NABARD staff took the Integrity Pledge and committed themselves to the theme for 2020, 'Vigilant India, Prosperous India'.

Surveillance measures like perusal of inspection reports and data on non-performing assets, scrutiny of annual property statements and contracts, and random checks were undertaken. Furthermore, the 'list of officers of doubtful integrity' and 'annual agreed list of suspected officers' were prepared.

The Vigilance Cell emphasises on preventive vigilance measures through continued surveillance and checks, system improvements, as also sensitisation and attitudinal orientation of staff. The Cell sees itself as a pillar of support for the management in reinforcing the right work ethics to keep NABARD strong.

8.4 Information technology initiatives

8.4.1 Enhancements in enterprise level software application

NABARD is currently implementing seven software solutions which are updated regularly based on user feedback. These include Human Resources Management System (HRMS), Centralised Loan Management and Accounting System (CLMAS), Fixed Asset Management System, Treasury and Asset Liability Management System, Electronic Submission of Returns (ENSURE), Enterprise Content Management (ECM) System, and NABARD Corporate Intranet.

8.4.2 ENSURE: Call centre for follow up

More than 228 returns and 411 reports were generated/published on ENSURE in FY2021. An outbound call centre has been assigned the task of following up on the submission of periodic returns by client institutions, freeing up valuable staff time for other productive activities.

8.4.3 Upgrading of CLMAS

The CLMAS is being upgraded to Intellect Digital Core Suite 2.0 with application programming interface capabilities, enhanced reporting tools, and portals for client institutions among other features.

8.4.4 Strengthening IT infrastructure and enhancing IT security

1. To strengthen security efforts, preliminary works on Network Access Control (NAC) solutions have been taken up. The NAC would provide centralised management of all edge devices that can have access to the LAN/WAN of NABARD.
2. Cyber Insurance policy has been obtained to mitigate cyber risks according to industry best practices.
3. Managed Print Solution has been installed across all departments at the Head Office to save time, improve efficiency, and cut costs (revenue and capital), besides reducing carbon footprint.
4. NABARD has embarked on a project to prepare an enterprise architecture document through consultants qualified in The Open Group Architecture Framework.

Box 8.1: Enabling work-flow environment in times of the pandemic

As the COVID-19 pandemic raged around the world, businesses were forced to adapt to the new normal of working from home and facilitate online collaboration among their personnel. NABARD rose effortlessly to the task with its officers and staff working smoothly from home using various online tools.

The following initiatives were taken to ensure business continuity during the pandemic:

1. VPN connections were given to the officers and staff members with detailed 'dos and don'ts' to ensure security and ease of work.
2. Uninterrupted and seamless staff-training programmes were enabled through WebEx training tools for training institutions.
3. Video conferencing tools like WebEx, Teams, and Google Meet were used for meeting internal and external stakeholders, provision of applications through internet, etc.
4. Minicomputer labs were set up in the staff quarters of the Head Office, with an adequate complement of personal computers, printers and scanners, and a separate video conferencing facility for the top management.

8.5 Corporate communication initiatives

NABARD has been making concerted effort to promote the brand amongst its target groups through documentation of success stories, YouTube videos, etc. During the year, NABARD produced nine films on North Eastern states reaching a cumulative number of 246 films.

NABARD's YouTube channel, www.youtube.com/nabardonline, is a repository of documentaries on the best practices in agriculture, natural resource management, farmer producers' organisations, self-help groups, rural infrastructure, rural innovations, etc. The channel has over 40,000 subscribers. As on 17 November 2020, the 283 films uploaded on the channel had garnered 35 lakh views and 45 lakh minutes of watch time from over 214 countries. NABARD's Facebook page has about 27,000 followers so far.

NABARD won 'Champion of Champions' award fourth time in a row at the Annual Awards of the Association of Business Communicators of India. In addition, NABARD received nine awards in different categories for its in-house publications, viz., NABARD *Parivar*, *Srijana*, schematic brochures, coffee table books, wallpapers, etc.

8.6 Risk management

NABARD has integrated a comprehensive and reliable risk management system into all its business activities, thus ensuring the alignment of the borrower's risk profile with its own risk appetite.

8.6.1 Credit risk

To safeguard against credit risk, a rigorous credit appraisal system and post-disbursement monitoring, including legal audit, has been designed. It aims to ensure high quality of loan assets with minimum probability of default. Exposure limits for client institutions at individual and group levels for managing NABARD's concentration risk is monitored. An internal risk rating system assesses the level of risk associated with the borrowers and ensures loading of appropriate risk premiums.

8.6.2 Market risk

Market risk is managed through interest rate and liquidity risk analysis; bucket-wise assets and liabilities (dynamic and static) gap analysis; liquidity and interest rate stress testing; contingency fund planning;

behavioural analysis of repayments under short-term loans; etc. Aspects related to market risk parameters are reviewed by the Asset Liability Management Committee and Risk Management Committee of the Board (RMCB).

8.6.3 Operational risk

NABARD proactively manages operational risk through comprehensive internal systems and controls. The measures include introduction of a business continuity management programme, digitised risk control and self-assessment, review of disaster recovery drills for IT applications, and monitoring of submission of statutory and regulatory returns to mitigate compliance risks. Operational risk management policy has been put in place to identify and manage major operational risks, report and manage incidents, and manage risks associated with outsourcing and new products/processes. The aim is to mitigate risk from inadequate or failed internal processes, people, systems, and external events.

8.6.4 Risk governance structure

NABARD has established procedures to periodically place risk assessment and management strategies before the Enterprise Risk Management Committee, RMCB, and the Board of Directors.

8.6.5 Creating organisation-wide risk awareness

NABARD conducts various staff training programmes on risk management towards building a more sustainable and profitable growth profile.

8.7 Inspection

NABARD ensures compliance with the regulations and norms pertaining to financial transactions and operations through periodic inspections. During FY2021, 55 inspections of regional offices (24), Head Office departments (23), training establishments (2), and subsidiaries (6) were done. Further, NABARD has formulated a policy and roadmap for Risk-Based Internal Inspection and Audit based on the recommendations of the Basel Committee on Banking Supervision.

8.8 Promotion of Rajbhasha

The provisions of the Official Languages Act, 1963 and the Official Languages Rules, 1976 were complied with and efforts made to increase the use of Hindi in day-to-day functioning of the office during FY2021. Steps were taken to achieve the targets stipulated under the Annual



Programme 2020-21 issued by the GOI. Achievements in respect of progressive use of Hindi were reviewed regularly in quarterly meetings of Official Languages Implementation Committees constituted in all our offices.

NABARD continued its efforts towards capacity building of officers and employees in Rajbhasha communication through *Parangat* classes in Hindi. During the year, members of the staff were trained in preparing office notes and drafts in Hindi and use of IT tools through Hindi workshops and desk training sessions. Hindi Day was celebrated in all our offices and prizes were awarded to winners of various Hindi competitions. Rajbhasha inspection of eight Head Office departments and seven regional offices and one training institute was completed during the year.

8.9 NABARD chairs the Asia-Pacific Rural and Agricultural Credit Association

NABARD has taken numerous initiatives over the last 40 years towards financial inclusion and building

people's institutions based on its shared understanding and partnerships with national and international associations. The regional policy forum of Asia-Pacific Rural and Agricultural Credit Association (APRACA) held in March 2021 on farmers collectivisation and credit guarantee co-hosted by NABARD is a testimony to such partnership. After a gap of two decades, Chairman, NABARD took over as the Chairman of APRACA with effect from 5 March 2021 during the 22nd General Assembly Meeting of APRACA. This can strengthen our alliances with member countries and provide an opportunity for us to leverage NABARD's long experience in the sector to play an effective leadership role (Box 8.2).

Note

1. Excerpt from Dr G.R. Chintala's address to Direct Recruit Officers 2021, 28 June 2021.

Box 8.2: NABARD roots for cross-country learning and cooperation

Asia-Pacific Rural and Agricultural Credit Association (APRACA), currently chaired by Dr G.R. Chintala (Chairman, NABARD), is a rural and agricultural finance organisation that helps promote productivity, inclusive growth, self-reliance, and welfare of the rural poor in the Asia-Pacific region. Its stated mission is 'to promote the efficiency and effectiveness of rural finance and improve access to financial services through a network of knowledge sharing and learning, capacity-building, research and exchange of expertise.'

Addressing common concerns, APRACA and NABARD can collaborate in areas such as financial inclusion, value chain financing, and smallholder finance, with rich experience-sharing across 43 member countries. There is scope for cross-country learning and mutual cooperation which would help in getting through the difficult times together, as Dr Chintala articulated in his maiden speech.





NABARD was awarded 'The Sustainable Development Award 2020' under SME Development category at the 43rd Annual Meeting of Association of Development Financing Institutions in Asia and Pacific, Philippines in recognition of its role in facilitating an ecosystem for growth of agri-business and income generation in rural areas through agri-business incubation centres.

“Finance without strategy is just numbers, and strategy without finance is just dreaming.” —Emmanuel Faber¹



On 31 March 2021, our balance sheet closed at ₹6.6 lakh crore. Financing the 23.6% balance sheet growth in a pandemic year was challenging. We tapped different avenues to finance business operations while striving to keep the borrowing costs low. The Special Liquidity Facility (SLF) and Additional SLF (ASLF) extended by the Reserve Bank of India (RBI) helped NABARD to augment loanable funds. NABARD’s proactive approach to fund deployment was the key enabler for financing the rural economy during the pandemic year.

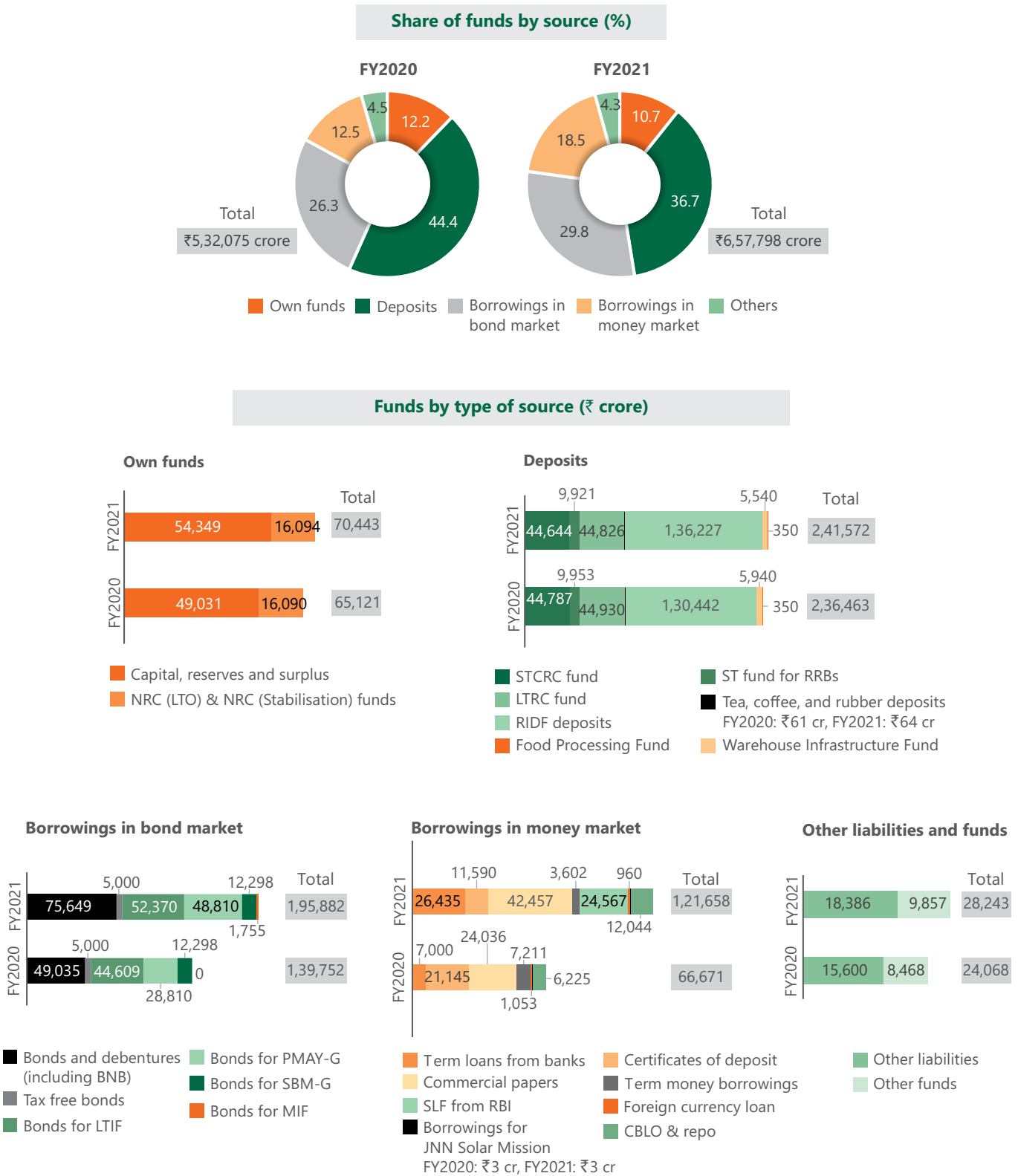
9.1 Sources of funds

Deposits, borrowings from bonds and money markets, supplemented by own funds, formed the bulk of our resources during the year. Of the incremental funds of ₹1,25,723 crore in FY2021 over FY2020, more than ₹20,000 crore each were contributed by non-convertible debentures, bonds for Pradhan Mantri Awaas Yojana–Gramin (PMAY–G), term loans from banks, and SLF from RBI. The share of deposits and own funds decreased while that of bonds, debentures, and borrowings increased in FY2021 vis-à-vis FY2020. Rural Infrastructure Development Fund (RIDF) deposits, as the single largest source, accounted for one-fifth of total resources (Figure 9.1 and Appendix Table A9.1).

9.1.1 Own funds

NABARD’s paid-up capital stood at ₹15,080 crore on 31 March 2021, with a contribution of ₹1,000 crore from the Government of India during the year. The authorised share capital of ₹30,000 crore allowed the required headroom for capital infusion. Capital, reserves, surplus, and own funds reached ₹70,443 crore (10.7% of the balance sheet) on 31 March 2021, growing 8.2%

FIGURE 9.1: Sources of funds



Notes: BNB = Bhavishya Nirman Bond; CBLO = Collateralised Borrowing and Lending Obligation; JNN Solar Mission = Jawaharlal Nehru National Solar Mission; LTIF = Long Term Irrigation Fund; LTRC = Long Term Rural Credit; MIF = Micro-Irrigation Fund; NRC (LTO) = National Rural Credit (Long-Term Operations); NRC (Stabilisation) = National Rural Credit (Stabilisation); PMAY-G = Pradhan Mantri Awaas Yojana-Gramin; RBI = Reserve Bank of India; RIDF = Rural Infrastructure Development Fund; RRB = Regional Rural Bank; SBM-G = Swachh Bharat Mission-Gramin; SLF = Special Liquidity Fund; ST = Short Term; STCRC = Short Term Cooperative Rural Credit.



over FY2020. During the period, reserves and surplus increased by 12.4% to ₹39,269 crore.

A balance of ₹14,497 crore under the National Rural Credit (Long-Term Operations) [NRC (LTO)] fund for refinancing investment credit and ₹1,597 crore under National Rural Credit (Stabilisation) fund [NRC (Stabilisation)] for conversion/rescheduling of short-term loans in case of natural calamities remained on books as on 31 March 2021. NABARD and RBI each contributed ₹1 crore to these funds during FY2021.

9.1.2 Deposits

NABARD is allowed to tap the priority sector lending shortfall of commercial banks for augmenting various funds over time for different purposes. The outstanding under such funds on 31 March 2021 amounted to ₹2,41,572 crore, accounting for 36.7% of the total assets. On 31 March 2021, the Short Term Cooperative Rural Credit Fund had an outstanding of ₹44,644 crore; Short Term Regional Rural Bank deposits, ₹9,921 crore; and Long Term Rural Credit Fund, ₹44,826 crore. The GOI allocated ₹30,000 crore for RIDF tranche XXVI in FY2021. NABARD mobilised ₹27,539 crore during the year and repaid ₹21,754 crore under RIDF deposits during the year. The outstanding RIDF deposits rose to ₹1,36,227 crore as on 31 March 2021.

The outstanding deposits for Warehouse Infrastructure Fund (WIF) were at ₹5,540 crore and Food Processing Fund (FPF) closed at ₹350 crore at the end of FY2021. Drawals under WIF were ₹800 crore and repayments ₹1,200 crore during the year while under FPF, drawals and repayments were ₹50 crore each.

9.1.3 Borrowings

NABARD has been augmenting its resources via borrowings from bond and money markets and other avenues, to meet the growing demand for credit. Over time, NABARD has included corporate bonds, commercial papers, certificates of deposit, term money borrowings, term loans from scheduled commercial banks, SLF from RBI, etc., to its resource pipeline.

Borrowings in the bond market

1. **Bonds and debentures:** NABARD's capital gains bonds stood at ₹1.3 crore on 31 March 2021, at par with previous year. Corporate bonds worth ₹11,835 crore were redeemed during FY2021, while fresh bonds amounting to ₹38,855 crore were issued resulting in an outstanding of ₹75,649 crore

as on 31 March 2021 (1.56 times the outstanding as on 31 March 2020).

2. **Bonds raised for GOI schemes:**

- a. Under the Long Term Irrigation Fund (LTIF), NABARD borrowed ₹4,156 crore as GOI-serviced bonds (extra-budgetary resources) and ₹3,605 crore as NABARD-serviced bonds during FY2021. This increased the outstanding LTIF borrowing to ₹52,370 crore (64.2% NABARD-serviced and 35.8% GOI-serviced) as on 31 March 2021.
- b. The bonds for PMAY-G reached ₹48,810 crore outstanding on 31 March 2021. Thus, NABARD supported the construction of pucca houses for the homeless and those living in dilapidated houses. Borrowing during FY2021 was ₹20,000 crore through fully GOI-serviced bonds.
- c. NABARD's outstanding borrowing for Swachh Bharat Mission-Gramin stood at ₹12,298 crore as on 31 March 2021.
- d. The Micro-Irrigation Fund with a corpus of ₹5,000 crore was placed with NABARD during FY2020, which continued through FY2021. The purpose was to fund state governments for expanding micro-irrigation coverage and incentivising its adoption beyond the provisions of the Pradhan Mantri Kisan Sinchayee Yojana-Per Drop More Crop. During FY2021, ₹1,755 crore was raised as NABARD-serviced bonds for lending to state governments with the entire amount outstanding as on 31 March 2021.

Borrowings in the money market

Commercial papers, term loans from banks, and SLF from RBI accounted for a major jump in resource mobilisation to the tune of 14.2% of total assets. NABARD borrowed ₹92,137 crore in commercial papers during the year. After redemption of ₹74,775 crore, the outstanding remained at ₹42,457 crore as on 31 March 2021 as compared to ₹24,036 crore at the end of FY2020. During FY2021, ₹34,000 crore was borrowed from commercial banks as term loans, leaving ₹26,435 crore (₹7,000 crore in FY2020) as outstanding on 31 March 2021. Certificates of deposits worth ₹11,590 crore were mobilised and ₹22,550 crore redeemed during FY2021, taking the outstanding to ₹12,075 crore (face value) as on 31 March 2021. Raising funds through Tri-party repo and repo borrowings (₹12,044 crore in outstanding); term money borrowings from cooperative banks and regional rural banks (RRBs) (outstanding of ₹3,602 crore); tax-free bonds mobilised

in 2016 (outstanding of ₹5,000 crore) without any fresh issue during FY2021; and foreign currency borrowings (outstanding of ₹960 crore)² were the other avenues of resource mobilisation.

The SLF of ₹25,000 crore and ASLF of ₹5,000 crore announced by RBI in FY2021 were a shot in the arm for rural lending. The SLF aimed at mitigating liquidity crunch faced by cooperative banks, RRBs, and micro-finance institutions (MFIs) while the ASLF aimed at meeting fund needs of smaller non-banking financial companies (NBFCs) and NBFC-MFIs. The outstanding on 31 March 2021 under the SLF stood at ₹23,000 crore (as against ₹25,000 crore availed from RBI during the year). The entire amount of ₹1,567 crore drawn under ASLF during the year remained outstanding at the end of the fiscal.

9.2 Uses of funds

The year in review imposed multiple pressures on rural finance players, our clients, due to the COVID-19 pandemic. Their customers defaulted on loans due to loss of business and RBI imposed a moratorium on recovering loans. This impaired the health of our clients, making them ineligible for funds from NABARD, and forcing them to turn to high cost borrowing. Thanks to GOI packages, support from the RBI, and NABARD's own responsiveness to the situation, we could channel funds through the financial institutions for developmental interventions. NABARD raised funds during FY2021 to finance its development agenda that included shoring up ground level credit (GLC) for rural production and investment, infrastructure creation, social sector development, cash and investment management, and creation of fixed assets (Figure 9.2 and Appendix Table A9.2).

9.2.1 Shoring up GLC through refinance

NABARD provides loans and advances to rural financial institutions that, in turn, finance farmers to carry out seasonal agricultural operations (SAO) and to invest in farming. Our refinance is also given for various other purposes like working capital loans for weavers and artisans; marketing support; and conversion of short-term loans into medium-term loans in case of natural calamities, etc. NABARD also lends directly to district central cooperative banks (DCCBs). All types of loans that help improve GLC, augment RFI resources for marketing, procurement, etc., account for half of NABARD's balance sheet.

Highlights of deployment of funds and year-on-year growth, as on 31 March 2021, against various loans and advances extended by NABARD are given below.

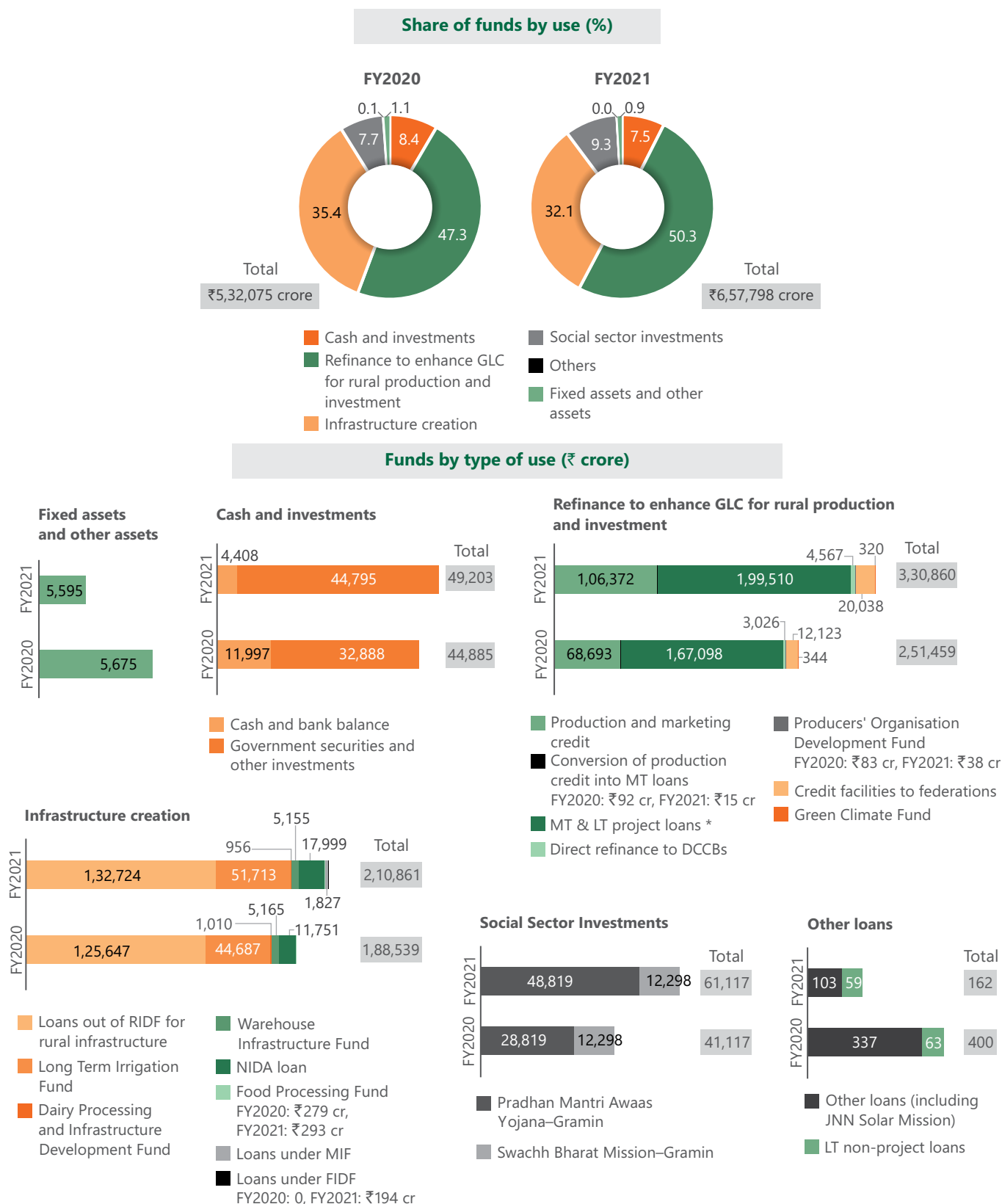
1. Total loans and advances from NABARD reached ₹6 lakh crore compared to ₹4.8 lakh crore as on 31 March 2020. They grew impressively at 25.2% despite the pandemic compared to 11.5% in FY2020.
2. Resources available for lending at the grassroots scaled up by 47.6% as short-term loans for SAO (ST-SA0) and other than SAO (ST-OSAO) (production and marketing credit) outstanding reached ₹1,06,372 crore compared to ₹68,693 crore in FY2020. They grew at mere 2.9% in the year before.
3. ST-SA0 to state cooperative banks (StCBs) and RRBs stood at ₹69,504 crore (74.8%) and ₹23,343 crore (25.2%), respectively.
4. ST-OSAO of ₹13,477 crore was shared across StCBs (76.2%), RRBs (23.7%), and small finance banks (0.1%).
5. SLF is outstanding at ₹18,763 crore with StCBs having a share of 67.7%, followed by RRBs (32.3%).
6. Capital formation at ground level got a boost as outstanding refinance against medium-and long-term investment loans provided by banks grew at 19.4% to reach ₹1,99,510 crore compared to ₹1,67,098 crore at the end of 31 March 2020. Medium-term (MT) and long-term (LT) refinance grew at 10.2% a year before.
7. Credit under direct lending window to DCCBs and StCBs grew at 50%, though it had the lowest share in assets.
8. MT and LT project loans had the highest share of 30.3% in total assets. Production and marketing credit accounted for around 16.2%. These two items in our portfolio recorded high growth and high share in assets.
9. Credit facilities to federations with a lower share of 3% in total assets stood at ₹20,038 crore as on 31 March 2021, recording a very high growth of 65.3%.

9.2.2 Infrastructure finance

1. About one-third of our assets are on account of infrastructure finance.
2. Outstanding loans for rural infrastructure development projects under RIDF account for one-fifth of our assets. These loans at ₹1,32,724 crore as on 31 March 2021 grew at 5.6% over 31 March 2020.
3. NABARD Infrastructure Development Assistance loans stood at ₹17,999 crore and LTIF loans at ₹51,713 crore as on 31 March 2021.



FIGURE 9.2: Uses of funds



9.2.3 Social sector investments

1. Reflecting NABARD's active engagement in providing affordable rural housing, our portfolio has loans outstanding of ₹48,819 crore under PMAY-G extended to the National Rural Infrastructure Development Agency, recording a growth of 69.4%, taking its share to 7.4% of assets.
2. NABARD has exposure under Swachh Bharat Mission–Gramin also.

9.2.4 Investment of surplus funds

The quantum of short-term surplus deployed by NABARD in various financial instruments including deposits with banks stood at ₹47,740 crore as on 31 March 2021, accounting for 7.3% of the balance sheet. Out of this, 94% was deployed in government securities and other financial instruments and ₹2,945 crore was kept in the form of short-term bank deposits to meet liquidity and contingency requirements, as on 31 March 2021.

9.3 Income and expenditure

NABARD earned ₹34,671.2 crore income during FY2021, i.e., a 6.1% hike over FY2020 (Figures 9.3–9.7). Profit before tax in FY2021 was ₹6,081.4 crore (against ₹5,234.3 crore in FY2020) and profit after tax

FIGURE 9.3: Gross income (₹ crore)

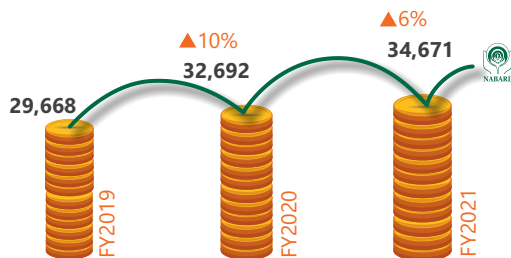


FIGURE 9.4: Profit after tax (₹ crore)

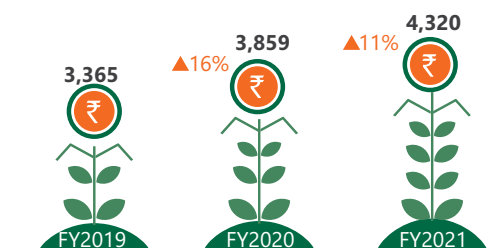


FIGURE 9.5: Capital to risk-weighted assets ratio (%)

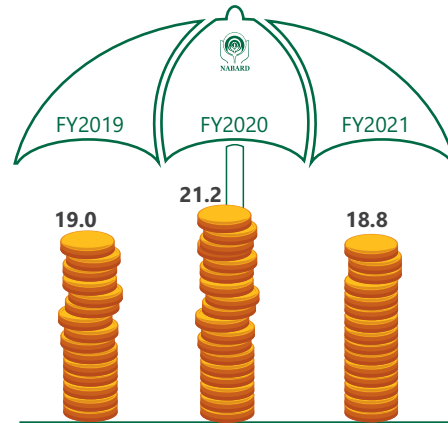


FIGURE 9.6: Business per employee (₹ crore)

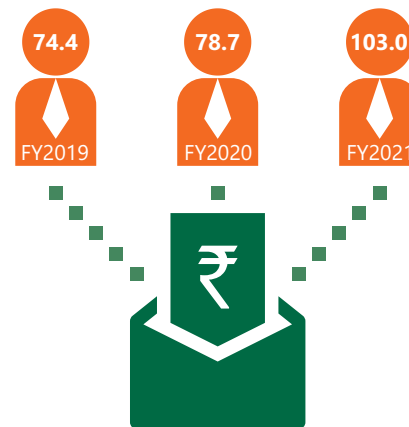
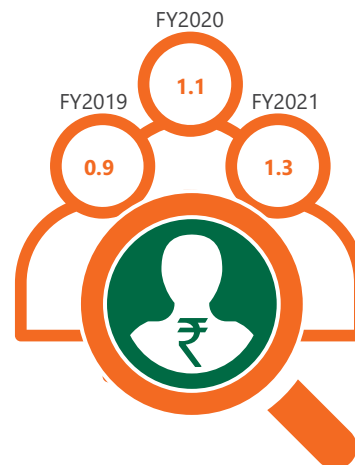


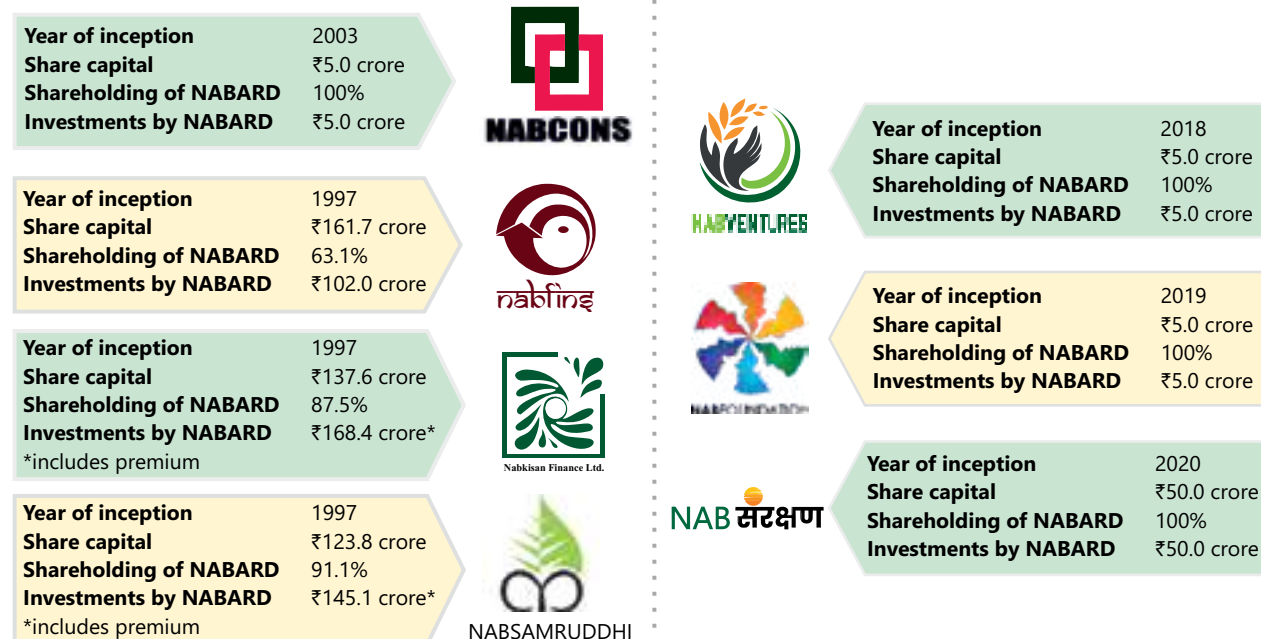
FIGURE 9.7: Net profit per employee (₹ crore)



was ₹4,320 crore (against ₹3,859.2 crore in FY2020). The net surplus has been appropriated by transferring to various funds maintained in NABARD such as the R & D Fund, Reserve Funds, NRC (LTO) Fund, and NRC (Stabilisation) Fund.



FIGURE 9.8: Shareholding in subsidiaries of NABARD



9.4 NABARD's stake in other companies

9.4.1 Investment in NABARD's subsidiaries

NABARD registered NABSANRAKSHAN as its fourth wholly-owned subsidiary (taking the total number of subsidiaries to seven) in FY2021 (Figure 9.8). We received ₹10 lakh from NABCONS as dividend for FY2020.

9.4.2 Strategic investments

Till 31 March 2021, we had invested ₹1,066.2 crore in nine entities operating in the agriculture and rural development space. At ₹966.3 crore, Small Industries Development Bank of India had the largest share while

Agricultural Skill Council of India had the smallest with ₹40,000.

9.4.3 Investing in alternate investment funds

To promote technological innovations and technology dissemination in the rural economy, we invested ₹528 crore (₹338 crore disbursed) in 21 alternate investment funds or AIFs (erstwhile venture capital funds). This catalysed an investment of ₹1,470.4 crore in 67 portfolio companies in agriculture and rural sectors. GramCover in agri-insurance business; Ergos Business Solutions Pvt. Ltd, a grain bank; and Klonec Automation Systems Pvt. Ltd, a semi-automated soil testing solution (commercial name, Krishitantra) are some such entities (Table 9.1).

TABLE 9.1: Investments in venture capital funds (₹ crore)

Name of Fund	Committed	Disbursed	Outstanding
Aavishkaar Bharat Fund	25.0	19.9	17.6
Ankur Capital Fund II	10.0	1.8	1.8
APIDC-Biotechnology Venture Fund	5.0	5.0	4.8
APIDC-Ventureast Life Fund-III	17.4	18.6	10.6
Golden Gujarat Growth Fund I	10.0	10.0	8.0
GVFL Startup Fund	10.0	6.3	6.3
IFMRF Impact Long Term Credit Fund	10.0	10.0	10.0

<i>Name of Fund</i>	<i>Committed</i>	<i>Disbursed</i>	<i>Outstanding</i>
India Advantage Fund S4I	10.0	7.4	5.1
India Opportunities Fund	20.0	18.4	12.1
India Nivesh Growth and Special Situations Fund	5.0	5.0	5.0
Ivycap Ventures Trust Fund I	20.0	20.0	16.1
Ivycap Ventures Trust Fund II	10.0	10.0	10.0
JM Financial India Fund II	10.0	7.1	6.2
NABVENTURES Fund-I	200.0	53.9	53.9
Omnivore Capital 1 India	25.0	24.2	23.7
Orios Venture Partners Fund II	10.0	10.0	10.0
SEAF India Agribusiness Fund	10.6	10.0	8.9
Stakeboat Capital Fund I	10.0	7.0	5.5
Tata Capital Innovations Fund	60.0	59.7	59.7
TVS Shriram Growth Fund 3	25.0	8.9	8.9
TVS Shriram Growth Fund 1B	25.0	25.0	0.0
Total	528.0	338.2	284.0

Note: NABVENTURES Fund-I is managed by NABVENTURES Ltd., which is a wholly owned subsidiary of NABARD.

The outstanding investment in AIFs as on 31 March 2021 stood at ₹284 crore. During FY2021

- Aavishkaar Bharat Fund exited Kottaram Agro Foods (Soulfull) to Tata Consumer Products Ltd;
- Ivycap Ventures Trust Fund I exited Manash Lifestyle (Purple) through a secondary deal;
- TVS Shriram Growth Fund 1 B made multiple exits in NSE and Prabhat Diary; and
- APIDC-Ventureast Life Fund-III exited Richcore Life Sciences to Laurus Labs.

Notes

1. Chief Executive Officer of Danone.
2. Borrowings from KfW worth ₹59 crore were redeemed during the year. Outstanding foreign currency borrowings (FCB) were ₹1,053 crore on 31 March 2021. FCBs are hedged through SWAP agreements against exchange risk as per NABARD Derivatives Risk Management Policy.



APPENDIX TO CHAPTER 9

TABLE A9.1: Sourcing of funds

Particulars	31 March 2020		31 March 2021	
	Amount (₹ crore)	Share (%)	Amount (₹ crore)	Share (%)
Own funds	65,121	12.2	70,443	10.7
Capital, reserves & surplus	49,031	9.2	54,349	8.3
NRC (LTO) & NRC (Stabilisation) funds	16,090	3.0	16,094	2.4
Deposits	2,36,463	44.4	2,41,572	36.7
STCRC fund	44,787	8.4	44,644	6.8
ST fund for RRBs	9,953	1.9	9,921	1.5
LTRC fund	44,930	8.4	44,826	6.8
Tea, coffee & rubber deposits	61	0.0	64	0.0
RIDF deposits	1,30,442	24.5	1,36,227	20.7
Warehouse Infrastructure Fund	5,940	1.1	5,540	0.8
Food Processing Fund	350	0.1	350	0.1
Borrowings in bond market	1,39,752	26.3	1,95,882	29.8
Bonds & debentures (including BNB)	49,035	9.2	75,649	11.5
Tax-free bonds	5,000	0.9	5,000	0.8
Bonds for LTIF	44,609	8.4	52,370	8.0
Bonds for PMAY-G	28,810	5.4	48,810	7.4
Bonds for SBM-G	12,298	2.3	12,298	1.9
Bonds for MIF	0	0.0	1,755	0.3
Borrowings in money market	66,671	12.5	1,21,658	18.5
Term loans from banks	7,000	1.3	26,435	4.0
Certificates of deposit	21,145	4.0	11,590	1.8
Commercial papers	24,036	4.5	42,457	6.5
Term money borrowings	7,210	1.4	3,602	0.6
SLF from RBI	0	0.0	24,567	3.7
Foreign currency loan	1,052	0.2	960	0.1
Borrowings for JNN Solar Mission	3	0.0	3	0.0
CBLO & Repo	6,225	1.2	12,044	1.8
Others	24,068	4.5	28,243	4.3
Other liabilities	15,600	2.9	18,386	2.8
Other funds	8,468	1.6	9,857	1.5
Total	5,32,075	100.0	6,57,798	100.0

Notes: BNB = Bhavishya Nirman Bond; CBLO = Collateralised Borrowing and Lending Obligation; JNN Solar Mission = Jawaharlal Nehru National Solar Mission; LTIF = Long Term Irrigation Fund; LTRC = Long Term Rural Credit; MIF = Micro-Irrigation Fund; NRC (LTO) = National Rural Credit (Long-Term Operations); NRC (Stabilisation) = National Rural Credit (Stabilisation); PMAY-G = Pradhan Mantri Awaas Yojana-Gramin; RBI = Reserve Bank of India; RIDF = Rural Infrastructure Development Fund; RRB = Regional Rural Bank; SBM-G = Swachh Bharat Mission-Gramin; SLF = Special Liquidity Fund; ST = Short-Term; STCRC = Short-Term Cooperative Rural Credit.

TABLE A9.2: Uses of funds

Particulars	31 March 2020		31 March 2021	
	Amount (₹ crore)	Share (%)	Amount (₹ crore)	Share (%)
Cash and Investments	44,885	8.4	49,203	7.5
Cash and bank balance	11,997	2.3	4,408	0.7
Government securities and other investments	32,888	6.2	44,795	6.8
CBLO/Tri-party repo lending	0	0.0	0	0.0
Refinance to enhance GLC for rural production and investment	2,51,459	47.3	3,30,860	50.3
Production and marketing credit	68,693	12.9	1,06,372	16.2
Conversion of production credit into MT loans	92	0.0	15	0.0
MT and LT project loans	1,67,098	31.4	1,99,510	30.3
Direct refinance to DCCBs	3,026	0.6	4,567	0.7
Producers' Organisation Development Fund	83	0.0	38	0.0
Credit facilities to federations	12,123	2.3	20,038	3.1
Green Climate Fund	344	0.1	320	0.1
Infrastructure creation loans	1,88,539	35.4	2,10,861	32.1
Rural Infrastructure Development Fund	1,25,647	23.6	1,32,724	20.2
Long Term Irrigation Fund	44,687	8.4	51,713	7.9
Dairy Processing and Infrastructure Development Fund	1,010	0.2	956	0.2
Warehouse Infrastructure Fund	5,165	1.0	5,155	0.8
NABARD Infrastructure Development Assistance	11,751	2.2	17,999	2.7
Food Processing Fund	279	0.1	293	0.0
Micro-Irrigation Fund	0	0.0	1,827	0.3
Fisheries and Aquaculture Infrastructure Development Fund	0	0.0	194	0.0
Social sector investments	41,117	7.7	61,117	9.3
Pradhan Mantri Awaas Yojana–Gramin	28,819	5.4	48,819	7.4
Swachh Bharat Mission–Gramin	12,298	2.3	12,298	1.9
Others	400	0.1	162	0.0
Other loans (including JNN Solar Mission)	337	0.1	103	0.0
LT non-project loans	63	0.0	59	0.0
Sub-total of loans and advances, cash and investments	5,26,400	98.9	6,52,203	99.1
Fixed Assets and Other Assets	5,675	1.1	5,595	0.9
Total	5,32,075	100.0	6,57,798	100.0

Notes:

1. MT and LT project loans include special development debentures of state cooperative agriculture and rural development banks.
2. CBLO = Collateralised Borrowing and Lending Obligation; DCCB = District Central Cooperative Bank; GLC = Ground Level Credit; JNN Solar Mission = Jawaharlal Nehru National Solar Mission; LT = Long-Term; MT = Medium-Term; ST = Short-Term.

2020-21



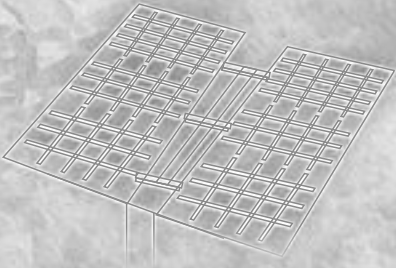
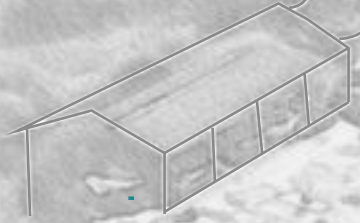
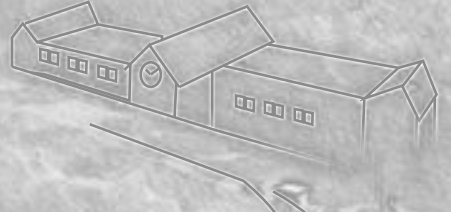
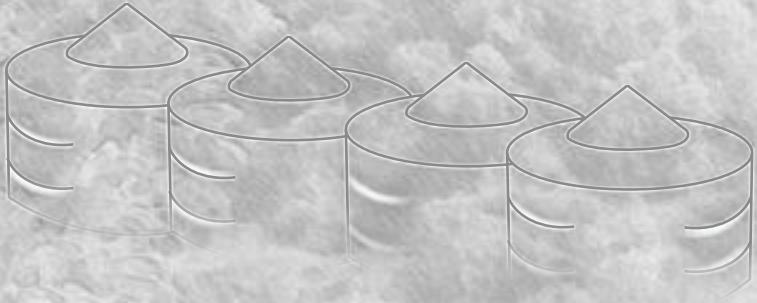
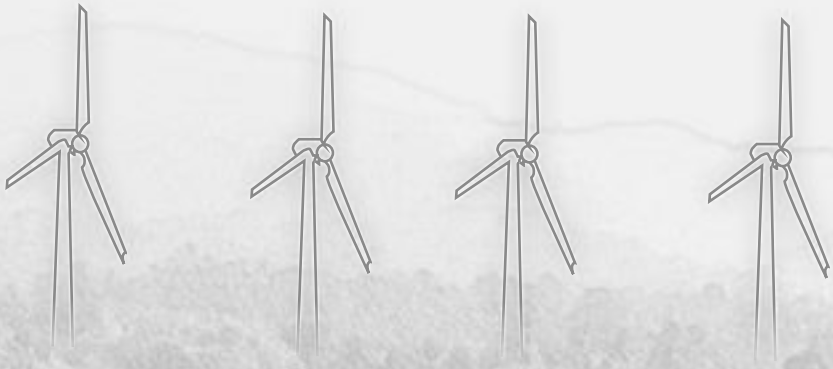
ANNUAL ACCOUNTS 2020-21
Balance sheet
Profit & Loss Account & Cash Flow 2020-21 of NABARD

ANNUAL REPORT

**NATIONAL BANK FOR AGRICULTURE
AND RURAL DEVELOPMENT**

ANNUAL REPORT

2020-21





INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Standalone Financial Statements

Opinion

1. We have audited the accompanying Standalone Financial Statements of National Bank for Agriculture and Rural Development ('the Bank' or 'NABARD'), which comprise the Balance Sheet as at March 31, 2021, Profit and Loss Account and the Cash Flow Statement for the year then ended, and notes to the Standalone Financial Statements, including a summary of significant accounting policies and other explanatory information ('Standalone Financial Statements').

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Financial Statements give the information required by National Bank for Agriculture and Rural Development (Additional) General Regulations, 1984 and exhibit a true and fair view, in conformity with the Accounting Standards notified by the Institute of Chartered Accountants of India ('ICAI') and accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2021, its profits and its cash flows for the year ended on that date.

Basis of Opinion

2. We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the ICAI. Our responsibilities under those SAs are further

described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. Those Standards require that we comply with ethical requirements. We are independent of the Bank in accordance with the Code of Ethics issued by ICAI and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide the basis for our opinion.

Emphasis of Matter

3. Attention is invited to Note No. A.17 to Schedule 18 of the Standalone Financial Statements regarding the uncertainties arising out of the ongoing COVID-19 pandemic and the assessment made by the management of the Bank on its operations and financial reporting for the year ended March 31, 2021; such an assessment and the outcome of the pandemic, as made by the management, is dependent on the circumstances as they evolve in the subsequent periods. Our report is not modified in respect of this matter.

Key Audit Matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Standalone Financial Statements for the year. These matters were addressed in the context of our audit of the Standalone Financial Statements, as a whole, and in forming our opinion thereon, we do not provide a separate opinion on the key audit matters. In our professional judgement, we have decided the following to be the key audit matter to be communicated in our report:

Particulars of the Key Audit Matter	Audit processes in the matter
<p>Multiple IT Systems:</p> <p>The Bank is dependent on technology considering significant number of transactions that are processed daily across multiple and discrete Information Technology ('IT') systems. The audit approach relies extensively on several reports generated by interface of these IT systems and inbuilt automated controls therein.</p> <p>The major IT systems concerning the financial reporting process include:</p> <ul style="list-style-type: none"> • CLMAS – transactions processing and financial reporting system • TALMS – Treasury Operations • Empower HRMS – HR and payroll • Various workflows inputting data into CLMAS • FAMS – Property, Plant and Equipment • Interface/interplay of one or more of above systems in building up or generating reports <p>IT general and application controls are critical to ensure that changes to applications and underlying data are made in an appropriate manner. Adequate controls contribute to mitigating the risk of potential fraud or errors as a result of changes to the applications and data.</p> <p>Management of the Bank continuously endeavors several remediation activities and is in the process of bettering the implementation thereof aiming at minimization of the risks over IT applications in the financial reporting process.</p> <p>These includes implementation of preventive and detective controls across critical applications and infrastructure.</p> <p>During the year under report, several errors in system interface and in accounting entries pushed by the other systems like TALMS were noted and rectified, in course of the audit.</p> <p>Due to the pervasive nature, in our preliminary risk assessment, we planned our audit by assessing the risk of a material misstatement arising from the technology as significant for the audit, hence the Key Audit Matter.</p>	<p>We performed a range of audit procedures, which included:</p> <p>Review of the report of IS Audit carried in earlier year(s) by an independent firm of Chartered Accountants pertaining to IT systems general controls including access rights over applications, operating systems and databases relied upon for financial reporting.</p> <p>Our audit tests were designed to cover the following:</p> <ul style="list-style-type: none"> • understanding the Bank's IT control environment and key changes in the course of our audit that were considered relevant to the audit; • selectively recomputing interest calculations and maturity dates; • Selectively re-evaluating masters updation, interface with resultant reports; • Selective testing of the interface of CLMAS with other IT systems like TALMS, Empower and several workflows; • Having regard to the incidences of incorrect system entries getting posted in the accounting system, detailed inquiries were made into 'root cause analysis' and about lack of adequate checks and balances around such entries, to obtain suitable explanations and representations. • Testing of the system generated reports and accounting entries manually for core financial reporting matters (i.e. verification around the computer system), so as to rectify the incorrect entries noticed during the audit.

Information Other Than the Financial Statements and Auditor's Report Thereon

5. The Bank's Management and Board of Directors are responsible for the preparation of the other information, comprising of the information such as Report of Board of Directors and such other disclosures included in the Bank's annual report, excluding the Financial Statements and auditors' report thereon ('Other Information').
The other information is expected to be made available to us after the date of this auditors' report. Our opinion on the standalone Financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the Standalone Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Standalone Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read the other Information and if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance as required under SA 720 'The Auditor's responsibilities Relating to other Information'.



Management's Responsibility for the Standalone Financial Statements

6. Management of the Bank is responsible for the preparation of the Standalone 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, 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.

In preparing the Standalone Financial Statements, the Management and Board of Directors are also responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibility for the Audit of The Standalone Financial Statements

7. Our objectives are to obtain reasonable assurance about whether the Standalone Financial Statements, as a whole, are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they

could reasonably be expected to influence the economic decisions of users taken on the basis of these Standalone Financial Statements. Our audit processes in accordance with the SAs are narrated in Annexure 1 to this report.

Other Matters

8. Incorporated in these financial statements are the returns of 17 Regional Offices and 2 Training Centres visited by us for the purposes of audit and the same including Head Office, account for 83.08% of advances, 100.00% of deposits, 84.95% of interest income and 100.00% of interest expenses. These Offices and Training Centre have been selected in consultation with the management of the Bank. We have not visited other remaining offices of the Bank i.e. 14 Regional Offices and 1 Training Centre but have reviewed their returns sent at the Head Office.
9. Due to restricted movements and partial lockdown imposed by the Authorities to prevent the spread of COVID-19, the entire audit finalization process, for the year under report, was carried out from remote locations i.e. other than the Head Office of the Bank where books of account and other records are kept, based on data/details and financial information/records remitted by the management through digital medium. Being constrained, we resorted to alternate audit procedures to obtain sufficient and appropriate audit evidence for the significant matters.
Our report is not modified in respect of the above matters.

Report on Other Legal and Regulatory Requirements

10. The Balance Sheet and the Profit and Loss Account of the Bank 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 provisions of National Bank for Agriculture and Rural Development Act, 1981 and regulations made thereunder, we further 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 in course of our audit, 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 centers not visited by us.

- d. In our opinion, the Standalone Financial Statements comply with the applicable accounting standards, in all material aspects.

For **Khimji Kunverji & Co LLP**

Chartered Accountants

Firm's Registration No.: 105146W/W100621

Hasmukh B. Dedhia

Partner

Membership No.: 033494

ICAI UDIN: 21033494AAAA1129

Place: Mumbai

Date: May 18, 2021



ANNEXURE 1 TO THE INDEPENDENT AUDITORS' REPORT

**(referred to in para 7 titled “Auditor’s Responsibilities for the
Audit of the Standalone Financial Statements”)**

As part of our audit in accordance with SAs we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, to design and perform audit procedures responsive to those risks and obtain audit evidence for material items that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management of the Bank.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our Auditor’s Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
BALANCE SHEET AS ON 31 MARCH 2021

(Amount in ₹ crore)

<i>Sr. No.</i>	<i>Funds and Liabilities</i>	<i>Schedule</i>	<i>As on 31.03.2021</i>	<i>As on 31.03.2020</i>
1	i) Capital		15,080.00	14,080.00
	(Under Section 4 of the NABARD Act, 1981)			
2	Reserve Fund and other Reserves	1	39,268.95	34,950.99
3	National Rural Credit Funds	2	16,094.00	16,090.00
4	Gifts, Grants, Donations and Benefactions	3	6,371.61	6,020.77
5	Government Schemes	4	3,485.35	2,447.42
6	Deposits	5	2,41,572.10	2,36,463.08
7	Bonds and Debentures	6	1,95,882.39	1,39,752.26
8	Borrowings	7	1,21,657.83	66,671.00
9	Current Liabilities and Provisions	8	18,386.07	15,599.43
	Total		6,57,798.30	5,32,074.95
	Forward Foreign Exchange Contracts		1,020.66	1,102.35
	(Hedging) as per contra			

Schedules referred to above form an integral part of accounts



NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
BALANCE SHEET AS ON 31 MARCH 2021

(Amount in ₹ crore)

<i>Sr. No.</i>	<i>Property and Assets</i>	<i>Schedule</i>	<i>As on 31.03.2021</i>	<i>As on 31.03.2020</i>
1	Cash and Bank Balances	9	4,407.56	11,997.17
2	Investments	10	45,505.24	34,006.15
3	Advances	11	6,02,290.30	4,80,396.46
4	Property, Plant and Equipment (Fixed Assets)	12	565.84	530.48
5	Other Assets	13	5,029.36	5,144.69
	Total		6,57,798.30	5,32,074.95
	Forward Foreign Exchange Contracts (Hedging) as per contra		1,020.66	1,102.35
	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

For Khimji Kunverji & Co LLP

Chartered Accountants

FRN: 105146W/ W100621

Hasmukh Dedhia

Partner

Membership No.: 033494

Mumbai

Date: 18 May 2021

U S Shevde

Chief General Manager

Accounts Department

Dr G R Chintala

Chairman

Shaji K V

Deputy Managing Director

P V S Suryakumar

Deputy Managing Director

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2021

(Amount in ₹ crore)

<i>Sr. No.</i>	<i>Income</i>	<i>Schedule</i>	<i>2020-21</i>	<i>2019-20</i>
1	Interest on Loans and Advances (Refer Note B-8 of Schedule-18)		31,196.24	28,744.66
2	Income from Investment Operations / Deposits		3,372.89	3,866.60
3	Other Income		102.04	81.04
	Total "A"		34,671.17	32,692.30

<i>Sr. No.</i>	<i>Expenditure</i>	<i>Schedule</i>	<i>2020-21</i>	<i>2019-20</i>
1	Interest and Financial Charges (Refer Note B-7 of Schedule-18)	14	24,219.55	23,782.98
2	Establishment and Other Expenses	15 A	1,979.15	2,170.87
3	Expenditure on Promotional Activities	15 B	95.05	69.44
4	Provisions	16	2,249.26	1,399.93
5	Depreciation		46.75	34.76
	Total "B"		28,589.76	27,457.98
6	Profit before Tax (A – B)		6,081.41	5,234.32
7	Provision for			
	a) Income Tax		1,750.00	1,330.00
	b) Deferred Tax (Refer Note B-10 of Schedule-18)		11.45	45.09
8	Profit after Tax		4,319.96	3,859.23
	Significant Accounting Policies and Notes on Accounts	18		

Schedules referred to above form an integral part of accounts



NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT PROFIT AND LOSS APPROPRIATION ACCOUNT

(Amount in ₹ crore)

Sr. No.	Appropriations / Withdrawals	2020-21	2019-20
1	Profit for the year brought down	4,319.96	3,859.23
2	Add: Withdrawals from funds against expenditure debited to Profit & Loss A/c [Refer Schedule 1]		
a)	Co-operative Development Fund	18.71	17.90
b)	Research and Development Fund	29.95	30.33
c)	Producers' Organisation Development Fund	4.03	2.61
d)	Investment Fluctuation Reserve	—	—
e)	Rural Infrastructure Promotion Fund	20.00	1.20
f)	Farm Sector Promotion Fund	17.67	17.95
g)	Climate Change Fund	0.97	1.22
h)	Gramya Vikas Nidhi	27.67	28.56
i)	Catalytic Capital Fund	6.00	—
3	Profit available for Appropriation	4,444.96	3,959.00
	Less: Transferred to: [Refer Schedule 1&2]		
a)	Special Reserves u/s 36(1) (viii) of IT Act, 1961	1,100.00	850.00
b)	National Rural Credit (Long Term Operations) Fund	1.00	1.00
c)	National Rural Credit (Stabilisation) Fund	1.00	1.00
d)	Research and Development Fund	29.95	30.33
e)	Investment Fluctuation Reserve	457.00	42.50
f)	Co-operative Development Fund	58.71	17.90
g)	Producers' Organisation Development Fund	104.03	102.61
h)	Rural Infrastructure Promotion Fund	20.00	26.20
i)	Farm Sector Promotion Fund	17.67	17.95
j)	Gramya Vikas Nidhi	47.67	28.56
k)	Climate Change Fund	0.97	1.22
l)	Catalytic Capital Fund	16.00	10.00
m)	Forex Fluctuation Reserve Fund	7.03	—
n)	Reserve Fund	2,583.93	2,829.73
	Total	4,444.96	3,959.00

Schedules referred to above form an integral part of accounts

As per our attached report of even date

For Khimji Kunverji & Co LLP
Chartered Accountants
FRN: 105146W/ W100621

Hasmukh Dedhia
Partner
Membership No.: 033494

U S Shevde
Chief General Manager
Accounts Department

Mumbai
Date: 18 May 2021

Dr G R Chintala
Chairman

Shaji K V
Deputy Managing Director

P V S Suryakumar
Deputy Managing Director



SCHEDULES TO BALANCE SHEET

Schedule 1 - Reserve Fund and Other Reserves

(Amount in ₹ crore)

Sr. No.	Particulars	Opening Balance as on 01.04.2020	Transferred from P&L Appropriation	Transferred to P&L Appropriation	Balance as on 31.03.2021
1	Reserve Fund	23,661.18	2,583.93	0.00	26,245.11
2	Research and Development Fund	50.00	29.95	29.95	50.00
3	Capital Reserve	74.81	0.00	0.00	74.81
4	Investment Fluctuation Reserve	1,240.00	457.00	0.00	1,697.00
5	Co-operative Development Fund	60.00	58.71	18.71	100.00
6	Special Reserves Created & Maintained u/s 36(1)(viii) of Income Tax Act, 1961	9,435.00	1,100.00	0.00	10,535.00
7	Producers' Organisation Development Fund	200.00	104.03	4.03	300.00
8	Rural Infrastructure Promotion Fund	50.00	20.00	20.00	50.00
9	Farm Sector Promotion Fund	60.00	17.67	17.67	60.00
10	Gramya Vikas Nidhi	90.00	47.67	27.67	110.00
11	Climate Change Fund	20.00	0.97	0.97	20.00
12	Catalytic Capital Fund	10.00	16.00	6.00	20.00
13	Forex Fluctuation Reserve Fund	0.00	7.03	0.00	7.03
	Total	34,950.99	4442.96	125.00	39,268.95
	Previous year	31,093.76	3956.99	99.76	34,950.99

Schedule 2 - National Rural Credit Funds

(Amount in ₹ crore)

Sr. No.	Particulars	Opening Balance as on 01.04.2020	Contribution by RBI	Transferred from P&L Appropriation	Balance as on 31.03.2021
1	National Rural Credit (Long Term Operations) Fund	14,495.00	1.00	1.00	14,497.00
2	National Rural Credit (Stabilisation) Fund	1,595.00	1.00	1.00	1,597.00
	Total	16,090.00	2.00	2.00	16,094.00
	Previous year	16,086.00	2.00	2.00	16,090.00

Schedule 3 - Gifts, Grants, Donations and Benefactions

(Amount in ₹ crore)

Sr. No.	Particulars	Opening Balance as on 01.04.2020	Additions during the year	Interest Credited*	Expenditure / Adjustments during the year	Balance as on 31.03.2021
A.	Grants from International Agencies					
1	KfW – NABARD V Fund for Adivasi Programme	0.61	0.03	0.02	0.13	0.53
2	KfW NB UPNRM – Accompanying Measures (Refer Note B-4 of Schedule 18)	0.00	1.11	0.00	1.11	0.00
3	KfW NB UPNRM – Financial Contribution	0.15	0.00	0.00	0.00	0.15
4	KfW UPNRM Fund (Refer Note B-1 of Schedule 18)	0.00	0.00	0.00	0.00	0.00
5	KfW Risk Mitigation Fund	7.99	0.00	0.00	7.99	0.00
6	Indo German Watershed Development Programme – Andhra Pradesh	0.64	0.00	0.03	0.00	0.67
7	Indo German Watershed Development Programme – Gujarat	1.04	0.00	0.03	1.04	0.03
8	Indo German Watershed Development Programme – Rajasthan	0.60	0.00	0.02	0.56	0.06
9	GIZ UPNRM Technical Collaboration (Refer Note B-4 of Schedule 18)	0.00	0.50	0.00	0.47	0.03
10	Climate Change – (AFB) – Project Formulation Grant	14.36	10.52	0.58	6.28	19.18
11	GIZ Soil Project	1.41	0.00	0.00	0.00	1.41
12	KfW Soil Project (Refer Note B-4 of Schedule 18)	2.43	8.46	0.00	8.42	2.47
13	GCF Project Grants	0.00	11.16	0.04	10.10	1.10
B.	Other Funds					
1	Watershed Development Fund (i)	1,384.09	88.97	86.00	107.84	1,451.22
2	Interest Differential Fund – (Forex Risk)	237.80	0.00	16.96	19.05	235.71
3	Interest Differential Fund – TAWA	0.10	0.00	0.00	0.00	0.10



Sr. No.	Particulars	Opening Balance as on 01.04.2020	Additions during the year	Interest Credited*	Expenditure / Adjustments during the year	Balance as on 31.03.2021
4	Adivasi Development Fund	5.77	0.00	0.00	0.00	5.77
5	Tribal Development Fund (ii)	1,261.91	88.97	101.03	115.47	1,336.44
6	Financial Inclusion Fund (iii)	2,573.39	296.58	162.18	300.68	2,731.47
7	Financial Inclusion Fund – Digital	18.21	19.04	0.00	25.28	11.97
8	PODF-ID (iv)	252.01	118.63	11.94	68.43	314.15
9	National Bank – Swiss Development Cooperation Project	64.43	0.84	0.00	0.00	65.27
10	RPF & RIF – Off-Farm Sector Promotion Fund	21.21	0.00	1.11	1.77	20.55
11	Centre for Professional Excellence in Co-operatives – (C-PEC)	2.74	0.00	0.21	0.00	2.95
12	LTIF Interest Fluctuation Reserve Fund	27.84	25.03	3.26	-53.69	109.82
13	National Adaptation Fund for Climate Change a/c	142.04	39.94	4.05	125.47	60.56
	Total	6,020.77	709.78	387.46	746.40	6,371.61
	Previous year	5,701.47	715.01	370.69	766.40	6,020.77

*Refer B-3 of Schedule 18

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.

- (i) includes ₹22.39 crore being income tax paid
- (ii) includes ₹22.39 crore being income tax paid
- (iii) includes ₹74.64 crore being income tax paid
- (iv) includes ₹29.86 crore being income tax paid

Schedule 4 - Government Schemes

(Amount in ₹ crore)

Sr. No.	Particulars	Opening Balance as on 01.04.2020	Additions during the year	Interest Credited*	Expenditure / Adjustments during the year	Balance as on 31.03.2021
A	Government Subsidy Schemes					
1	Capital Investment Subsidy for Cold Storage Projects – NHB	0.89	0.00	0.00	0.00	0.89
2	Capital Subsidy for Cold Storage TM North East	0.08	0.00	0.00	0.00	0.08
3	Credit Linked Capital Subsidy for Technology Upgradation of SSIs	0.02	14.65	0.00	13.96	0.71
4	On-farm Water Management for Crop Production	0.07	0.00	0.00	0.00	0.07
5	Bihar Ground Water Irrigation Scheme (BIGWIS)	78.98	0.00	0.00	0.00	78.98
6	Cattle Development Programme – Uttar Pradesh	0.03	0.00	0.00	0.00	0.03
7	Cattle Development Programme – Bihar	0.08	0.00	0.01	0.00	0.09
8	National Project on Organic Farming	1.64	0.00	0.00	0.17	1.47
9	Integrated Watershed Development Programme – Rashtriya Sam Vikas Yojana	4.29	0.00	0.00	0.00	4.29
10	Dairy and Poultry Venture Capital Fund	1.14	0.00	0.00	1.00	0.14
11	Poultry Venture Capital Fund (Refer Note B-4 of Schedule 18)	4.51	0.00	0.00	4.51	0.00
12	ISAM – Agricultural Marketing Infrastructure	49.95	143.94	0.00	162.88	31.01
13	ISAM – Grant Recd for Promotional Expenditure a/c	0.01	0.00	0.00	0.01	0.00
14	NATIONAL LIVESTOCK MISSION – PVCF EDEG	146.30	112.60	0.00	183.18	75.72
15	Centrally Sponsored Scheme for establishing Poultry Estate	0.00	0.00	0.00	-0.08	0.08
16	Multi Activity Approach for Poverty Alleviation – Sultanpur, Uttar Pradesh	0.07	0.00	0.01	0.00	0.08
17	Multi Activity Approach for Poverty Alleviation - BAIF – Rae Bareli, Uttar Pradesh	0.02	0.00	0.00	0.00	0.02
18	Dairy Entrepreneurship Development Scheme	217.35	0.00	0.00	132.85	84.50
19	CSS for Solar Mission	0.03	0.00	0.00	0.00	0.03
20	CSS – JNNSM – Solar Lighting a/c	0.02	0.00	0.00	0.00	0.02
21	CSS – Solar Photovoltaic Water Pumping	0.02	0.00	0.00	-0.01	0.03
22	Capital Subsidy Scheme – Agri Clinic Agri Business Centres	7.12	10.73	0.00	10.47	7.38
23	CSS MNRE Lighting Scheme 2016 a/c	0.08	0.00	0.00	-0.03	0.11
24	Artificial Recharge of Groundwater in Hard Rock Area	4.62	0.00	0.00	0.00	4.62
25	CSS On Formation and Promotion of FPO (Refer B-2 of Schedule 18)	0.00	33.27	0.00	0.00	33.27



Sr. No.	Particulars	Opening Balance as on 01.04.2020	Additions during the year	Interest Credited*	Expenditure / Adjustments during the year	Balance as on 31.03.2021
B	Other Government Schemes					
1	Agriculture Debt Waiver and Debt Relief Scheme (ADWDR) 2008	284.65	0.00	0.00	2.53	282.12
2	Women's Self Help Groups [SHGs] Development Fund	44.75	0.00	0.00	7.60	37.15
3	PRODUCE FUND	34.87	0.00	0.00	11.30	23.57
4	Revival of 23 unlicensed DCCBs	111.22	0.00	0.00	0.00	111.22
5	Interest Subvention (Sugar Term Loan)	104.41	568.04	0.00	240.42	432.03
6	AMI – Workshop Assistance Fund	0.04	0.00	0.00	0.02	0.02
7	Kutch Drought Proofing Project	0.22	0.00	0.00	0.00	0.22
8	Revival Package for Long Term Cooperative Credit Structure (LTCCS)	20.00	0.00	0.00	0.00	20.00
9	Revival Reform and Restructure of Handloom Sector	8.47	15.56	0.00	17.20	6.83
10	Comprehensive Handloom Package	0.23	14.93	0.00	13.11	2.05
11	Interest Subvention (SAO, NRLM, NWR)	1,320.74	5,385.14	0.00	4,459.86	2,246.02
12	Arunachal Agri Start Up Scheme	0.50	0.00	0.00	0.00	0.50
	Total	2,447.42	6,298.86	0.02	5,260.95	3,485.35
	Previous year	1,244.84	8,351.44	0.02	7,148.88	2,447.42

*Refer B-3 of Schedule 18

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Schedule 5 - Deposits

(Amount in ₹ crore)

Sr. No.	Particulars	As on 31.03.2021	As on 31.03.2020
1	Central Government	–	–
2	State Governments	–	–
3	Others		
	a) Tea / Rubber / Coffee Deposits	64.10	61.46
	b) Commercial Banks (Deposits under RIDF)	1,36,226.93	1,30,442.23
	c) Short Term Cooperative Rural Credit Fund	44,644.51	44,786.94
	d) ST RRB Credit Refinance Fund	9,921.00	9,952.65
	e) Warehouse Infrastructure Fund	5,540.00	5,940.00
	f) Long Term Rural Credit Fund	44,825.56	44,929.80
	g) Fund for Food Processing Units	350.00	350.00
	Total	2,41,572.10	2,36,463.08

Schedule 6 - Bonds and Debentures

(Amount in ₹ crore)

Sr. No.	Particulars	As on 31.03.2021	As on 31.03.2020
1	Tax Free Bonds (Refer Note B-16 of Schedule-18)	5,000.00	5,000.00
2	Non Priority Sector Bonds	75,648.30	48,628.30
3	Capital Gains Bonds	1.29	1.29
4	Bhavishya Nirman Bonds	–	405.47
5	PMAY-G – GOI Fully Serviced Bonds	48,809.60	28,809.80
6	Bonds – LTIF	33,615.40	30,010.50
7	LTIF – GOI Fully Serviced Bonds	18,755.00	14,598.70
8	SBM (G) – GOI Fully Serviced Bonds	12,298.20	12,298.20
9	Micro Irrigation Fund (MIF) Bonds	1,754.60	–
	Total	1,95,882.39	1,39,752.26

Schedule 7 - Borrowings

(Amount in ₹ crore)

Sr. No.	Particulars	As on 31.03.2021	As on 31.03.2020
	(A) In India		
1	Central Government	–	–
2	JNN Solar Mission	2.81	2.81
3	Reserve Bank of India	24,567.00	–
4	Others:		
	(i) Certificate of Deposits	11,590.27	21,144.63
	(ii) Commercial Paper	42,457.06	24,035.75
	(iii) CBLO / Tri Party Repo	12,044.39	6,224.70
	(iv) Term Money Borrowings	3,601.82	7,210.51
	(v) Repo a/c	–	–
	(vi) Term Loan from Banks	26,434.50	7,000.00
	(vii) Facility from commercial banks	–	–
	(B) Outside India		
	(i) International Agencies	959.98	1,052.60
	Total	1,21,657.83	66,671.00



Schedule 8 - Current Liabilities and Provisions

(Amount in ₹ crore)

Sr. No.	Particulars	As on 31.03.2021	As on 31.03.2020
1	Interest / Discount Accrued	7,356.92	7,293.10
2	Sundry Creditors (Refer note B-5 of Schedule-18)	1,392.99	739.24
3	Subsidy Reserve (Co-finance, Cold Storage, CSAMI)	86.93	104.07
4	Provision for Gratuity (Refer Note B-19 of Schedule 18)	5.21	20.40
5	Provision for Pension (Refer Note B-19 of Schedule 18)	39.27	160.34
6	Provision for Encashment of Ordinary Leave (Refer Note B-19 of Schedule 18)	374.99	360.46
7	Provision for Post Retirement Medical Benefit (Refer Note B-19 of Schedule 18)	135.10	135.10
8	Provision for Salary Revision (Refer Note B-9 of Schedule-18)	680.00	500.00
9	Unclaimed Interest on Bonds	3.22	4.00
10	Unclaimed Interest on Term Deposits	–	0.12
11	Term Deposits Matured but not claimed	–	0.05
12	Bonds matured but not claimed	31.74	39.14
13	Bond Premium	225.22	88.29
14	Provisions and Contingencies	–	–
(a)	Depreciation in Value of Investment a/c – G. Sec.	355.70	–
(b)	Amortisation of G. Sec. – HTM	103.92	81.30
(c)	For Standard Assets	2,623.00	1,925.00
(d)	Non-performing Investments	650.34	564.86
(e)	Countercyclical Provisioning Buffer / Floating Provision	1,264.45	514.45
(f)	Provision for Other Assets & Receivables	4.45	4.45
(g)	Provision for Income Tax [Net of Advance Tax]	3,052.62	3,065.06
	Total	18,386.07	15,599.43

Schedule 9 - Cash and Bank Balances

(Amount in ₹ crore)

Sr. No.	Particulars	As on 31.03.2021	As on 31.03.2020
1	Cash in hand	–	–
2	Balances with:		
	A) Banks in India		
	(i) Reserve Bank of India	843.23	621.20
	(ii) Other Banks in India		
	a) In Current Account	619.33	530.97
	b) Deposit with Banks	2,945.00	10,845.00
	c) Remittances in Transit	–	–
	d) CBLO / Tri party Repo	–	–
	(B) Outside India	–	–
	Total	4,407.56	11,997.17

Schedule 10 - Investments

(Amount in ₹ crore)

Sr. No.	Particulars	As on 31.03.2021	As on 31.03.2020
1	Government Securities (Refer Note B-18 of Schedule-18)		
	a) Securities of Central Government & State Govt [Face Value ₹356,24,48,60,000 (₹22143,08,90,000)] [Market Value ₹376,10,52,59,132.60 (₹23708,08,73,099)]	37,878.80	23,248.25
	b) Treasury Bills [Face Value ₹565,00,00,000.00 (₹0)] [Market Value ₹556,31,00,300.05 (₹0)]	556.31	–
2	Other Approved Securities	–	–
3	Equity Shares in:		
(a)	Agricultural Finance Corporation Ltd. [1,000 (1,000) – Equity shares of ₹10,000 each]	1.00	1.00
(b)	Small Industries Development Bank of India [5,31,92,203 (5,31,92,203) – Equity shares of ₹10 each]	966.28	966.28
(c)	Agriculture Insurance Company of India Ltd. [6,00,00,000 (6,00,00,000) – Equity shares of ₹10 each]	60.00	60.00
(d)	Multi Commodity Exchange of India Ltd. [3,77,758 (3,77,758) – Equity shares of ₹10 each]	0.30	0.30
(e)	National Commodity and Derivatives Exchange Ltd. [56,25,000 (56,25,000) – Equity shares of ₹10 each]	16.88	16.88



Sr. No.	Particulars	As on 31.03.2021	As on 31.03.2020
(f)	CSC e-Governance Services India Ltd Equity [55,000 (55,000) Shares of ₹1000 each]	9.75	9.75
(g)	Agriculture Skill Council of India [4,000 (4000) Shares of ₹10 each]	–	–
(h)	National E-Governance Services India Ltd [Equity] [15,00,000 (15,00,0000) Shares of ₹10 each]	1.50	1.50
(i)	National e-Repository Ltd. [105,30,000 (105,30,000) Shares of ₹10 each]	10.53	10.53
(j)	Other Equity Investments [Market Value ₹ 84,88,26,973 (₹ 82,44,91,556)]	43.73	47.30
4	Debentures and Bonds		
(i)	Special Dev Debentures of SCARDBs (Refer Note B-14 of Schedule 18)	709.80	1,118.34
(ii)	Non Convertible Debentures	1,474.65	2,246.26
5	Shareholding in subsidiaries and Joint Venture		
(a)	Shareholding in subsidiaries		
(i)	NABARD Financial Services Ltd, Karnataka [10,20,06,300 (10,20,06,300) – Equity shares of ₹10 each]	102.01	102.01
(ii)	NABSAMRUDDHI (formerly known as Agri - Business Finance [Andhra Pradesh] Ltd. [11,27,88,000 (10,52,88,000) – Equity shares of ₹10 each]	145.06	133.73
(iii)	NABKISAN (formerly known as Agri Development Finance [TN] Ltd) [12,04,00,050 (12,04,00,050) – Equity shares of ₹10 each]	168.36	168.36
(iv)	NABARD Consultancy Services Pvt. Ltd. [50,00,000 (50,00,000) – Equity shares of ₹10 each]	5.00	5.00
(v)	NABVENTURES Ltd [50,00,000 (50,00,000) – Equity shares of ₹10 each]	5.00	5.00
(vi)	NABFOUNDATION [50,00,000 (10,00,000) – Equity shares of ₹10 each]	5.00	1.00
(vii)	NABSANRAKSHAN TRUSTEE PVT LTD [5,00,00,000 (0) – Equity shares of ₹10 each]	50.00	–
(b)	Joint Venture	–	–
6	Others		
(a)	Mutual Fund	2,001.47	3,519.17
(b)	Commercial Paper [Face Value ₹650,00,00,000 (₹300,00,00,000)]	618.08	276.87
(c)	Certificate of Deposit [Face Value ₹250,00,00,000 (₹1725,00,00,000)]	243.44	1,660.04
(d)	Venture Capital Funds / AIFs	284.03	222.10
(e)	Investment Earmarked towards EOL [Refer note B-19.1.3 of Schedule 18]	148.26	186.48
	Total	45,505.24	34,006.15

Schedule 11 - Advances

(Amount in ₹ crore)

Sr. No.	Particulars	As on 31.03.2021	As on 31.03.2020
1	Refinance Loans		
(a)	Production & Marketing Credit	1,06,372.45	68,692.87
(b)	Conversion Loans for Production Credit	15.15	92.00
(c)	Other Investment Credit	–	–
(i)	Medium Term and Long Term Project Loans	1,98,800.36	1,65,979.87
(ii)	Direct refinance to DCCBs	4,566.76	3,025.89
2	Direct Loans		
(a)	Loans under Rural Infrastructure Development Fund	1,32,723.87	1,25,647.06
(b)	Loans under Warehouse Infrastructure Fund	5,155.31	5,164.36
(c)	Long Term Non-Project Loans	58.73	63.33
(d)	Loans under NABARD Infrastructure Development Assistance (NIDA)	17,998.73	11,750.48
(e)	Loans to Producers' Organisation Development	37.58	82.68
(f)	Credit Facility to Federations [CFF]	20,038.21	12,123.24
(g)	Loans under Food Processing Fund	293.35	278.80
(h)	Loans under Long Term Irrigation Fund	51,712.54	44,687.28
(i)	Pradhan Mantri Aawas Yojana – Gramin	48,819.03	28,819.23
(j)	Swachh Bharat Mission Gramin	12,298.20	12,298.20
(k)	Dairy Processing and Infrastructure and Development Fund	956.33	1,009.69
(l)	Loan Under GCF	319.82	344.43
(m)	Micro Irrigation Fund	1,827.47	–
(n)	Fisheries and Aquaculture Infrastructure Development Fund	193.77	–
(o)	Other Loans:		
(i)	Micro Finance Development Equity Fund Programme Loans	0.11	0.11
(ii)	Watershed Development Fund Programme Loans	15.55	20.64
(iii)	Tribal Development Fund Programme Loans	0.34	0.97
(iv)	KfW UPNRM Loans	85.17	129.68
(v)	Off-Farm Sector Promotion Activities Programme Loans	1.47	185.65
(vi)	Direct Loan Under Sec 30 of NABARD Act [Refer Note B23.11 of Schedule 18]	–	–
	Total	6,02,290.30	4,80,396.46



Schedule 12 - Property, Plant and Equipment (Fixed Assets)

(Amount in ₹ crore)

Sr. No.	Particulars	As on 31.03.2021	As on 31.03.2020
1	LAND: Freehold & Leasehold (Refer Note B-12 of Schedule 18)		
	Opening Balance	195.27	180.03
	Additions/adjustments during the year	–	15.24
	Sub-Total	195.27	195.27
	Less: Cost of assets sold/written off	–	–
	Closing Balance (at cost)	195.27	195.27
	Less: Amortisation of Lease Premium	60.81	59.05
	Book Value	134.46	136.22
2	PREMISES (Refer Note B-12 of Schedule 18)		
	Opening Balance	579.23	420.89
	Additions / Adjustments during the year	73.00	173.45
	Sub-Total	652.23	594.34
	Less: Cost of assets sold/written off	–	15.11
	Closing Balance (at cost)	652.23	579.23
	Less: Depreciation to date	300.91	280.68
	Book Value	351.32	298.55
3	FURNITURE & FIXTURES		
	Opening Balance	66.57	68.53
	Additions/adjustments during the year	-1.80	6.05
	Sub-Total	64.77	74.58
	Less: Cost of assets sold/written off	0.29	8.01
	Closing Balance (at cost)	64.48	66.57
	Less: Depreciation to date	60.40	60.83
	Book Value	4.08	5.74
4	COMPUTER INSTALLATIONS & OFFICE EQUIPMENT		
	Opening Balance	159.28	121.70
	Additions/adjustments during the year	31.91	46.23
	Sub-Total	191.19	167.93
	Less: Cost of assets sold/written off	3.35	8.65
	Closing Balance (at cost)	187.84	159.28
	Less: Depreciation to date	133.36	113.68
	Book Value	54.48	45.60
5	VEHICLES		
	Opening Balance	8.55	10.05

<i>Sr. No.</i>	<i>Particulars</i>	<i>As on 31.03.2021</i>	<i>As on 31.03.2020</i>
	Additions/adjustments during the year	5.97	4.97
	Sub-Total	14.52	15.02
	Less: Cost of assets sold/written off	2.88	6.47
	Closing Balance (at cost)	11.64	8.55
	Less: Depreciation to date	4.54	4.38
	Book Value	7.10	4.17
6	Capital Work in Progress	14.40	40.20
	Total	565.84	530.48

Schedule 13 - Other Assets

(Amount in ₹ crore)

<i>Sr. No.</i>	<i>Particulars</i>	<i>As on 31.03.2021</i>	<i>As on 31.03.2020</i>
1	Accrued Interest	3,252.84	3,579.53
2	Discount Receivable	11.53	27.05
3	Deposits with Landlords	0.70	0.97
4	Deposits with Government Departments and Other Institutions	37.53	37.06
5	Housing loan to staff	121.15	135.42
6	Other Advances to staff	84.31	92.37
7	Sundry Advances	30.43	44.81
8	Deferred Tax Assets (Refer Note B-10 of Schedule 18)	147.01	158.46
9	Receivable from Government of India/International Agencies (Refer Note B-4 of Schedule 18)	1,340.63	1,065.38
10	Discount on issue of Bonds	3.23	3.64
	Total	5,029.36	5,144.69



Schedule 14 - Interest and Financial Charges

(Amount in ₹ crore)

Sr. No.	Particulars	2020-21	2019-20
1	Interest Paid on		
(a)	Deposits under RIDF	5,726.58	6,114.48
(b)	Short Term Cooperative Rural Credit Fund	1,809.49	1,885.81
(c)	ST RRB Credit Refinance Fund	397.46	418.83
(d)	Warehouse Infrastructure Fund	246.35	278.06
(e)	Long Term Rural Credit Fund	1,627.39	1,788.78
(f)	Fund for Food Processing Units	14.78	16.08
(g)	Tea / Coffee / Rubber Deposits	2.66	3.44
(h)	Term Money Borrowings	301.18	214.30
(i)	Bonds (Refer Note B-16 of Schedule-18)	9,955.36	8,420.70
(j)	Term Loan from Banks	510.99	611.90
(k)	Borrowings from International Agencies	28.33	30.21
(l)	Borrowing against ST Deposit	—	—
(m)	Discount on Commercial Paper	1,040.96	1,688.88
(n)	Discount on Certificate of Deposits	903.91	1,518.23
(o)	Repo Interest Expenditure	19.79	26.17
(p)	Interest paid on funds	364.81	347.46
(q)	Borrowing from RBI under SLF	846.88	—
2	Discount on CBLO / TREPS	359.31	342.52
3	Discount, Brokerage, Commission & issue exp. on Bonds and Securities	29.77	38.57
4	Swap Charges	33.55	38.56
	Total	24,219.55	23,782.98

Schedule 15 A - Establishment and Other Expenses

(Amount in ₹ crore)

Sr. No.	Particulars	2020-21	2019-20
1	Salaries and Allowances (Refer Note B-9 of Schedule 18)	872.31	955.60
2	Contribution to / Provision for Staff Superannuation Funds	690.54	797.01
3	Other Perquisites & Allowances	120.15	62.21
4	Travelling & Other allowances in connection with Directors' & Committee Members' Meetings	0.10	0.16
5	Directors' & Committee Members' Fees	0.16	0.08
6	Rent Rates, Insurance, Lighting, etc.	34.83	35.30
7	Travelling Expenses	22.51	38.88
8	Printing & Stationery	4.18	5.61
9	Postage, Telegrams & Telephones	19.22	19.14
10	Repairs	14.93	44.00
11	Auditors' Fees	0.33	0.28
12	Legal Charges	0.99	1.09
13	Miscellaneous Expenses	127.70	125.15
14	Expenditure on Miscellaneous Assets	10.03	11.61
15	Expenditure on Study & Training	61.17	74.75
	Total	1,979.15	2,170.87

Schedule 15 B - Expenditure on Promotional Activities

(Amount in ₹ crore)

Sr. No.	Particulars	2020-21	2019-20
1	Cooperative Development Fund	18.71	17.90
2	Producers' Organisation Development Fund	4.03	2.60
3	Rural Infrastructure Promotion Fund	20.00	1.20
4	Expenditure under Farm Sector Promotion Fund	17.67	17.96
5	Expenditure under Climate Change Programme	0.97	1.22
6	Gramya Vikas Nidhi	27.67	28.56
7	Catalytic Capital Fund	6.00	—
	Total	95.05	69.44



Schedule 16- Provisions

(Amount in ₹ crore)

Sr. No.	Particulars	2020-21	2019-20
	Provisions for:		
1	Standard Assets	698.00	196.00
2	Non Performing Assets	801.20	703.90
3	Non Performing Assets – staff	0.06	0.03
4	Floating Provision	750.00	500.00
	Total	2,249.26	1,399.93

Schedule 17 - Commitments and Contingent Liabilities

(Amount in ₹ crore)

Sr. No.	Particulars	As on 31.03.2021	As on 31.03.2020
1	Commitments on account of capital contracts remaining to be executed	1.08	1.81
	Sub-Total "A"	1.08	1.81
2	Contingent Liabilities		
(i)	Bank Guarantee	24.18	25.57
(ii)	Claims against the Bank not acknowledged as debt	–	–
(iii)	Pending legal cases	9.00	–
	Sub-Total "B"	33.18	25.57
	Total (A + B)	34.26	27.38

SCHEDULE 18

Significant Accounting Policies and Notes Forming Part of Accounts for the year ended March 31, 2021

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 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, including service charges thereon, 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

4. Property Plant and Equipment (Fixed Assets)

- a) Fixed assets in are stated at cost of acquisition, less accumulated depreciation and impairment losses, if any. The cost of assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Subsequent expenditure incurred on existing asset is capitalized, only when it increases the future benefit from the existing assets beyond its previously assessed level of performance.
- b) Land includes freehold and leasehold land.
- c) Premises include value of land, where segregated values are not readily available.
- d) Depreciation policy on premises situated on freehold land and leasehold land has been revised



during the FY 2017–18 and calculated on straight line basis over the period of 30 years.

- e) The upfront lease premium paid on leasehold land are amortized over the tenure of lease period @5% on opening written down value or the proportionate amount of remaining lease premium on the remaining period of lease, whichever is higher.
- f) Fixed Assets individually costing ₹1 lakh or less (except easily portable electronic assets such as laptops, mobile phones, etc.) are charged to the Profit and Loss Account in the year of acquisition. Easily portable electronic assets such as laptops, mobile phones, etc., are capitalized, if individual cost of the items is more than ₹10,000. All software costing ₹1 lakh each and less, purchased independently are charged to the Profit and Loss Account.
- g) Depreciation on other fixed assets is charged over the estimated useful life of the assets ascertained by the management at the following rates on Straight Line Method basis:

Type of Assets	Depreciation Rate
Furniture and Fixtures	20%
Computer & Software	33.33%
Office Equipment	20%
Vehicles	20%

- h) Depreciation is charged 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.
- i) Capital work in progress includes capital advances and is disclosed under Fixed Assets.

5. Investments

- a) In accordance with the RBI guidelines, Investments are classified into “Held for Trading” (HFT), “Available for Sale” (AFS) and “Held to Maturity” (HTM) categories (hereinafter called “categories”).
- b) Securities that are held principally for resale within 90 days from the date of purchase are classified as “HFT”. Investments that the Bank intends to hold till maturity are classified as “HTM”. Securities which are not to be classified in the above categories are classified as “AFS”.
- c) Investments classified under HTM 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 values of the individual scrip are not changed after such 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 such 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 Financial Statements 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.
- l) 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.

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) on Accounting for the Effects of Changes in Foreign Exchange Rates issued by the ICAI; 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/reporting date. The hedged portion of the foreign currency borrowings are stated at the contracted value and the liability of hedged borrowing as per year-end exchange rate is disclosed as a contra item in the Balance Sheet (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 / FBIL 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, for long term employee benefits 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.

10. Taxes on Income

- a) Tax on income for the current period is determined on the basis of taxable income and tax credits computed, in accordance with the provisions of Income Tax Act, 1961 and based on expected outcome of assessments/appeals.
- b) Deferred tax is recognized, on timing difference, being the difference between taxable income and accounting income for the year and quantified, using the tax rates and laws that have been enacted or substantively enacted, as on Balance Sheet date.
- c) Deferred tax assets relating to unabsorbed depreciation/business losses are recognised and carried forward to the extent that there is virtual certainty that sufficient future taxable income will be available against which, such deferred tax assets can be realized.
- d) Tax paid/provided on taxable income earned by the funds are accounted as expenditure of respective funds.

11. Segment Reporting

- a) Segment revenue includes interest and other income directly identifiable with / allocable to the segment.
- b) Income, which relates to Bank as a whole and not allocable to segments is included under "Other Unallocable Bank income".
- c) Expenses that are directly identifiable with/allocable to segments are considered for determining the segment result. The expenses, which relate to the Bank as a whole and not allocable to segments, are included under "Other Unallocable Expenditure".
- d) Segment Assets and Liabilities include those directly identifiable with the respective segments. Unallocable Assets and Liabilities include those that relate to the Bank as a whole and not allocable to any segment.

12. Impairment of Assets

- a) As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine:
 - i) the provision for impairment loss, if any, required; or
 - ii) the reversal, if any, required for impairment loss recognized in the previous periods.
- b) Impairment loss is recognized when the carrying amount of an asset exceeds recoverable amount.

13. Provisions, Contingent Liabilities and Contingent Assets

- 13.1 Provisions are recognised for liabilities that can be measured only by using substantial degree of estimation if:
 - a) the Bank has a present obligation as a result of a past event;
 - b) a probable outflow of resources is expected to settle the obligation; and
 - c) the amount of the obligation can be reliably estimated.
- 13.2 Contingent liability is disclosed in the case of:
 - a) a possible obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation,
 - b) a present obligation when no reliable estimate is possible, and
 - c) a possible obligation arising from past events where the probability of outflow of resources is remote.
- 13.3 Contingent assets are neither recognised, nor disclosed.
- 13.4 Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

14. Cash and cash equivalents

- a) Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank, cash in hand, demand deposits with banks and other short-term investments with an original maturity of three months or less.
- b) Cash Flow statement is reported using indirect method. The cash flow from operating, financing and investing activity is segregated based on the available information.

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 onwards, with comparatives for the periods ending March 31, 2018 and thereafter. The implementation of Ind AS by AIFIs has been deferred by Reserve Bank of India until further notice.

17. Impact of Covid-19

- a) The outbreak of COVID-19 across the globe and in India consequent to the restricted movements and partial lockdown has caused significant decline in the economic activity of the nation. It has created disruptions across the businesses more particularly in Banking and Financial services sector also posing severe challenges to the farm sector, especially during the peak of rabi season in the country and when crops are at harvestable stage or almost reaching maturity. This is also the time when the farm harvests reach the mandis (market yards) for assured procurement operations by designated government agencies.
- b) The management of the Bank assessed the impact of the COVID-19 considering its internal and external inputs for ascertaining the same on the financial reporting numbers, which in turn is based on its assessment of the evolving developments in the subsequent periods.
- c) As banking and financial services are categorized as essential services, all the routine activities of the bank on policy matters, disbursement of loans, Investment of surplus and other related operations are conducted smoothly during the lockdown period by allowing majority staff to work from home through online / digital mode. A limited number of staff are called to office on rotational basis for attending to emergency work.
- d) In the opinion of the management of the Bank, based on information presently available, the impact of COVID-19 on the reported numbers and impairment of the assets would not be significant.

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 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 ₹5.91 crore (₹21.06 crore), representing total expenditure of ₹17.64 crores over income of ₹11.73 crores under the fund, has been charged to Profit & Loss Account.
2. During the FY 2020-21, ₹ 33.27 crore was received from Government of India under Central Sector Scheme towards formation and promotion of 10,000 Farmer Producer Organizations.
3. Interest on unutilised balances has been credited to the following funds as per the respective agreements / as approved by the management/ Board of Directors. The details of rate of interest for respective funds are as under:

Sr No.	Name of the Fund	Rate of Interest for 2020-21	Rate of Interest for 2019-20
1.	Watershed Development Fund	4%	4%
2.	KfW- NB IGWDP (Andhra Pradesh, Gujarat, Rajasthan)	4%	4%
3.	KfW Accompanying Measures	4%	4%
4.	National Adaptation Fund for Climate Change	4%	4%
5.	Tribal Development Fund	4%	4%
6.	Financial Inclusion Fund	4%	4%
7.	Kfw NB- V Adivasi Development Programme- Gujarat	4%	4%
8.	Climate Change – (AFB) – Project Formulation Grant	4%	4%
9.	LTIF Interest Fluctuation Reserve Fund	4%	4%
10.	PODF-ID	4%	4%
11.	Green Climate Fund Project Grants	4%	–
12.	Cattle Development Fund (UP & Bihar)	7.52%	8.97%
13.	Multi Activity Approach for Poverty Alleviation (Sultanpur and Rae Bareilly)	7.52%	8.97%
14.	Center for Professional Excellence in Co-operatives	7.52%	8.97%



4. Recoverable from Government of India / International Agencies (Refer Schedule-13 of Balance Sheet) includes ₹6.92 crore (₹1.06 crore) being debit balance of various funds.

The details of such funds are as under:

(Amount in ₹ crore)

Sr. No.	Name of the Fund	31.03.2021	31.03.2020
1.	KfW- UPNRM – Accompanying Measures	0.07	0.59
2.	KfW- Soil Project	6.70	0.00
3.	KfW UPNRM – Technical collaboration	0.00	0.47
4.	Poultry Venture Capital Fund	0.15	0.00

5. Sundry creditors includes ₹30.48 crore (₹30.48 crore) being amounts outstanding to contributors in respect of Micro Finance Development and Equity Fund (MFDEF).
6. 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 (FPF), placed by the Commercial Banks is credited to Watershed Development Fund, Tribal Development Fund, Financial Inclusion Fund and PODF.
7. Interest Subvention received / receivable from Government of India (GOI) under various schemes has been adjusted from Interest and financial charges under Schedule 14. The amount of Interest subvention adjusted under different schemes is given below:

(Amount in ₹ crore)

Sr. No.	Scheme	2020-21	2019-20
1.	Long Term Irrigation Fund	454.71	332.74
2.	Seasonal Agricultural Operations (SAO)	-672.18	-296.60
3.	Dairy Processing and Infrastructure Development Fund (DIDF)	20.25	15.18
4.	National Rural Livelihood Mission (NRLM)	15.56	20.54
5.	Micro Irrigation Fund (MIF)	34.60	0.00
6.	Fisheries and Aquaculture Infrastructure Development Fund (FIDF)	1.64	0.00

8. Interest Margin 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 has been accounted as interest income. The amount received / receivable from GOI under the scheme stood at ₹90.10 crore (₹100.02 crore).

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 ₹180 crore (₹200 crore) has been provided, during the year under report, 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 asset of (-) ₹11.45 crore (₹ (-) 45.09 crore). The details of the deferred tax are as under:

(Amount in ₹ crore)

Sr. No.	Deferred Tax Assets	31.03.2021	31.03.2020
1.	Provision allowable on payment basis	128.38	126.99
2.	Depreciation on Fixed Assets	18.63	31.47
	Total	147.01	158.46

Provision for Deferred Tax on account of Special Reserve created u/s 36(1)(viii) of the Income Tax Act, 1961, is not considered necessary, as the Bank has decided not to withdraw the said reserve.

11. The details of pending Income Tax Appeals with various authorities is given below:

Sr. No.	Assessment Year	Authority where Appeal is pending	Appeal preferred by	Amount in dispute 31.03.2021 (₹ crore)	Amount in dispute 31.03.2020 (₹ crore)
1.	2006-07	High Court – Mumbai	IT Dept.	115.52	115.52
2.	2007-08	Income Tax Appellate Tribunal (ITAT)	IT Dept.	89.56	89.56
3.	2008-09	Income Tax Appellate Tribunal (ITAT)	IT Dept.	–	118.77
4.	2009-10	Income Tax Appellate Tribunal (ITAT)	IT Dept.	–	194.82
5.	2010-11	Income Tax Appellate Tribunal (ITAT)	NABARD	28.20	28.20

Sr. No.	Assessment Year	Authority where Appeal is pending	Appeal preferred by	Amount in dispute 31.03. 2021 (₹ crore)	Amount in dispute 31.03. 2020 (₹ crore)
6.	2010-11	Income Tax Appellate Tribunal (ITAT)	IT Dept.	215.31	215.31
7.	2011-12	Income Tax Appellate Tribunal (ITAT)	NABARD	51.07	51.07
8.	2011-12	Income Tax Appellate Tribunal (ITAT)	IT Dept.	287.62	287.62
9.	2012-13	Income Tax Appellate Tribunal (ITAT)	NABARD	45.63	45.63
10.	2012-13	Commissioner of Income Tax (Appeals)	NABARD	25.55	25.55
11.	2012-13	Income Tax Appellate Tribunal (ITAT)	IT Dept.	327.03	327.03
12.	2013-14	Income Tax Appellate Tribunal (ITAT)	NABARD	1.70	1.70
13.	2013-14	Income Tax Appellate Tribunal (ITAT)	IT Dept.	380.05	380.05
14.	2014-15	Income Tax Appellate Tribunal (ITAT)	IT Dept.	450.61	450.61
15.	2015-16	Income Tax Appellate Tribunal (ITAT)	IT Dept.	448.87	448.87
16.	2016-17	Commissioner of Income Tax (Appeals)	NABARD	407.23	407.23
17.	2017-18	Commissioner of Income Tax (Appeals)	NABARD	360.69	360.69

12. Free hold land and Lease Land and Premises include ₹14.00 crore (₹14.00 crore) paid towards Office Premises and Staff Quarters for which conveyance is yet to be completed.
13. 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.
14. Pursuant to the directives of RBI, the project loans provided to State Co-operative Agriculture and Rural Development Banks (SCARDBs) by

way of subscription to the Special Development Debentures (SDDs) floated by these agencies, are treated as under:

- a) Classified as Investments and shown in Schedule – 10 under the head 'Debenture and Bonds'.
 - b) Interest earned on the same is shown as a part of 'Interest received on Loans and Advances' in the Profit and Loss Account, treating them as 'Deemed Advances'.
 - c) 'Deemed Advances' for the purpose of IRAC norms, capital adequacy and computation of ratios, etc.
15. As on the date of the financial statements, out of the disbursement extended to various State Governments under RIDF, ₹483.17crore (₹438.65 crore) pertains to non-starter projects under ongoing Tranches (XX to XXV). 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.
 16. 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 section 10(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 ₹365.41 crore (₹365.94 crore).

The details of the debenture Trustee is as under:

Axis Trustee Services Limited,
The Ruby, 2nd Floor, SW,
29, Senapati Bapat Marg,
Dadar West, Mumbai - 400028
Telephone: +91 22 6230 0451

17. 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 ₹19.45 crore



(₹42.38 crore) made in the units of VCF was shifted from HTM category, on completion of 3 years, to AFS category.

18. 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)	760.00 (750.00)	798.77 (783.15)
Pledged for Business Segment (CBLO / Tri Party Repo)	23111.05 (13252.00)	24895.54 (14091.46)
Pledged for Business Segment (Securities) Default Fund	50.00 (50.00)	52.21 (52.21)
Pledged for Business Segment (CBLO / Tri Party Repo) – Default Fund	50.00 (50.00)	52.21 (52.21)

19. Disclosure required under AS 15 (Revised) on “Employee Benefits”

19.1 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, by an independent Actuary, 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.

19.1.1 Pension

- a) Reconciliation of opening and closing balances of defined benefit obligations:

(Amount in ₹ crore)

Particulars	2020–21	2019–20
Present value of defined benefit obligation at the beginning of year	5749.70	4976.36
Current Service Cost	69.47	82.74
Interest Cost	388.10	365.76
Actuarial gain/loss	604.22	557.23
Benefits paid	-268.41	-232.38
Present value of defined benefits obligations at the year end	6543.10	5749.70

- b) Amount recognised in Balance Sheet as on 31 March 2021 and 31 March 2020:

(Amount in ₹ crore)

Particulars	2020–21	2019–20
Present value of defined benefits obligations as at the year end	6543.10	5749.70
Fair value of plan assets as at the year end	-6546.03	-5609.19
Add: Outstanding claim in respect of benefit payable	21.46	19.83
Total Liability to be recognised in Balance Sheet	18.53	160.34
Liability recognised in the Balance sheet as at the year end	39.27	160.34

- c) Expenses recognised in the Profit and Loss Account during the year:

(Amount in ₹ crore)

Particulars	2020–21	2019–20
Current Service Cost	69.47	82.74
Interest Cost	388.10	365.76
Net Actuarial gain/loss	726.01	563.64
Expected return on Plan Assets	-554.19	-266.33
Expense recognised in the statement of Profit and Loss	629.41	745.81

- d) Actuarial assumptions:

Particulars	2020–21	2019–20
Mortality Table (LIC)	2012–14 (Ultimate)	2012–14 (Ultimate)
Discount rate (per annum)	6.75%	6.75%
Salary growth (per annum)	6.00%	6.00%
Withdrawal rate	1.00%	1.00%

19.1.2 Gratuity

- a) Reconciliation of opening and closing balances of defined benefit obligations:

(Amount in ₹ crore)

Particulars	2020–21	2019–20
Present value of defined benefit obligation at the beginning of year	501.34	508.90
Current Service Cost	20.42	26.27
Interest Cost	33.84	37.40
Actuarial gain/ loss	-1.80	7.02
Benefits paid	-98.89	-78.25
Present value of defined benefits obligations at the year end	454.92	501.34

b) Amount recognised in Balance Sheet as on 31 March 2021 and 31 March 2020:

(Amount in ₹ crore)

Particulars	2020-21	2019-20
Present value of defined benefits obligations as at the year end	454.92	501.34
Fair value of plan assets as at the year end	-458.89	-490.13
Add: Outstanding claim in respect of benefit payable	3.55	9.18
Total Liability to be recognised in Balance Sheet	-0.43	20.40
Liability recognised in the Balance Sheet as at the year end	5.21	20.40

c) Expenses recognised in the Profit and Loss Account during the year:

(Amount in ₹ crore)

Particulars	2020-21	2019-20
Current Service Cost	20.42	26.27
Interest Cost	33.84	37.40
Net Actuarial gain/loss	-3.43	7.98
Expected return on Plan Assets	-34.80	-31.63
Expense recognised in the statement of Profit and Loss	16.03	40.02

d) Actuarial assumptions:

Particulars	2020-21	2019-20
Mortality Table (LIC)	2012-14 (Ultimate)	2012-14 (Ultimate)
Discount rate (per annum)	6.75%	6.75%
Salary growth (per annum)	7.00%	7.00%
Withdrawal rate	1.00%	1.00%

19.1.3 Encashment of Ordinary Leave

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

(Amount in ₹ crore)

Particulars	2020-21	2019-20
Present value of defined benefit obligation at the beginning of year	357.68	343.76
Current Service Cost	11.44	9.37
Interest Cost	24.14	25.27
Actuarial gain/loss	1.05	23.65
Benefits paid	-47.14	-44.37
Present value of defined benefits obligations at the year end	347.18	357.68

b. Amount recognised in Balance Sheet as on 31 March 2021 and 31 March 2020:

(Amount in ₹ crore)

Particulars	2020-21	2019-20
Present value of defined benefits obligations as at the year end	347.18	357.68
Fair value of funds earmarked by the Bank	-226.91	-238.81
Add: Outstanding claim in respect of benefit payable	18.44	20.30
Total Liability to be recognised in Balance Sheet	138.71	139.18
Net Liability recognised in the Balance Sheet as at the year end*	148.09	171.19

* After adjusting fair value of the funds earmarked by the Bank

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

(Amount in ₹ crore)

Particulars	2020-21	2019-20
Current Service Cost	11.44	9.37
Interest Cost	24.14	25.27
Net Actuarial gain/loss	-17.23	24.66
Expected return on Plan Assets	-16.96	-10.22
Expense recognised in the statement of Profit and Loss	1.40	49.07

d. Actuarial assumptions:

Particulars	2020-21	2019-20
Mortality Table (LIC)	2012-14 (Ultimate)	2012-14 (Ultimate)
Discount rate (per annum)	6.75%	6.75%
Salary growth (per annum)	7.00%	7.00%
Withdrawal Rate	1.00%	1.00%

19.1.4 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 ₹0.00 crore (₹0.00 crore).

19.1.5 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.

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



19.1.7 Amortisation of Post-retirement benefits

The entire liability towards post-retirement benefits are charged to Profit and Loss account and are not amortised.

19.1.8 Investment under Plan Assets of Pension, Gratuity & Leave Encashment Fund as on 31 March 2021

Particulars	Pension	Gratuity	Encashment of OL
	% of Plan Assets	% of Plan Assets	% of Plan Assets
Central Govt. Securities	7.24	—	—
State Govt. Securities	42.91	—	—
Insurer Managed Funds	0.00	100.00	100.00
Others	49.85	—	—
Total	100.00	100.00	100.00

19.2 Defined Contribution Plan:

- The bank contributes its share to Provident Fund with RBI. As per the terms the contribution is a defined contribution plan. During the year the bank has contributed ₹24.91 crore (₹27.49) with RBI.
- The employees' recruited on or after 01 January 2012 are covered under New Pension Scheme, which is a defined contribution plan. During the year the bank has contributed ₹7.50 crore (₹4.57 crore) to the said scheme.

20. Capital

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

The authorised capital of the bank stood at ₹30,000 crore as on 31 March 2020 and as on 31 March 2021. The entire paid up capital of the bank has been subscribed by Government of India. The details are given below:

Contributor	31 March 2021		31 March 2020	
	(₹ crore)	%	(₹ crore)	%
Government of India	15,080.00	100.00%	14,080.00	100.00%
Total	15,080.00	100.00%	14,080.00	100.00%

During the year an amount of ₹1,000 crore was infused by Government of India towards Capital of NABARD.

20.2 Capital Adequacy

20.2.1 Capital adequacy ratio of the Bank as on 31 March 2021 was 18.80% (21.20%) as against a minimum of 9% as stipulated by RBI.

20.2.2 In accordance with RBI Instructions, assets financed from National Rural Credit – Long Term Operations (NRC LTO) Fund amounting to ₹14,497 crore (₹14,495 crore) are excluded for the purpose of computing the CRAR.

20.2.3 The details of various parameters of Capital to Risk weighted Assets Ratio is given below:

(Amount in ₹ crore)

Sr. No.	Particulars	2020-21	2019-20
(i)	Common Equity	51547.69	46884.98
(ii)	Additional Tier 1 capital	0.00	0.00
(iii)	Total Tier 1 capital (i+ii)	51547.69	46884.98
(iv)	Tier 2 capital	5344.24	3471.90
(v)	Total Capital (Tier 1+Tier 2)	56891.93	50356.88
(vi)	Total Risk Weighted Assets (RWAs)	302607.64	237571.73
(vii)	Common Equity Ratio (Common Equity as a percentage of RWAs)	17.03	19.74
(viii)	Tier 1 Ratio (Tier 1 capital as a percentage of RWAs)	17.03	19.74
(ix)	Capital to Risk Weighted Assets Ratio (CRAR)	18.80	21.20
(x)	Percentage of the shareholding of the Government of India in the AIFI	100.00	100.00
(xi)	Amount of equity capital raised #	1000.00	1500.00
(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

Subscription received from Government of India towards Share Capital during the year is ₹1,000 crore.

21. Provisions on Standard Assets

(Amount in ₹ crore)

Particulars	2020-21	2019-20
Provisions towards Standard Assets	698.00	196.00

22. Floating Provisions and Counter Cyclical Provision

(Amount in ₹ crore)

Sr. No.	Particulars	2020-21	2019-20
(a)	Opening balance in floating provision account (counter cyclical provisioning buffer)	514.44	14.44
(b)	The quantum of floating provisions made during the accounting year #	750.00	500.00
(c)	Amount of drawdown made during the accounting year	0.00	0.00
(d)	Closing balance in the floating provision account	1264.44	514.44

The Board of Directors of the Bank decided to create floating provisions, in accordance with RBI guidelines, to be utilised for any unexpected or exceptional circumstances.

23. Asset Quality and specific provisions

23.1 Non-Performing Advances

(Amount in ₹ crore)

S. No.	Particulars	31.03.2021	31.03.2020
(i)	Net NPA to Net Advances (%)	0.00	0.15
(ii)	Movement of NPAs (Gross)		
(a)	Opening Balance	1236.99	168.06
(b)	Additions during the year	4.01	1107.64
(c)	Reductions during the year	0.12	38.71
(d)	Closing Balance	1240.88	1236.99
(iii)	Movement of Net NPAs		
(a)	Opening Balance	719.88	0.00
(b)	Additions during the year	0.00	719.88
(c)	Reductions during the year	719.88	0.00
(d)	Closing Balance	0.00	719.88
(iv)	Movement of provisions for NPAs (excluding provision on standard assets)		
(a)	Opening balance	517.11	168.06
(b)	Provision made during the year	723.89	388.28
(c)	Write off / write back of excess provision	0.12	39.23
(d)	Closing balance	1240.88	517.11

During the year, an outstanding loan amount of ₹820 crore from one of the clients has become Non-Performing Asset (NPA) as per IRAC norms of RBI. However, the client approached the Kolkata NCLT for an arrangement with the creditors and the Kolkata NCLT had passed an order directing the lenders to maintain the classification of the loan as Standard Asset until the scheme is considered by the creditors/orders passed by NCLT. Hence, pending orders from NCLT, the loan is classified as Standard Asset.



23.2 Non-Performing Investments

(Amount in ₹ crore)

Sr. No.	Particulars	31.03.2021	31.03.2020
(i)	Net NPI to Net Investments (%)	0.00	0.26
(ii)	Movement of NPIs (Gross)		
(a)	Opening Balance	650.34	226.05
(b)	Additions during the year	0.00	440.29
(c)	Reductions during the year	0.00	16.00
(d)	Closing Balance	650.34	650.34
(iii)	Movement of Net NPIs		
(a)	Opening Balance	85.48	0.00
(b)	Additions during the year	0.00	85.48
(c)	Reductions during the year	85.48	0.00
(d)	Closing Balance	0.00	85.48
(iv)	Movement of provisions for NPIs		
(a)	Opening balance	564.86	226.05
(b)	Provision made during the year	85.48	354.81
(c)	Write off / write back of excess provision	0.00	16.00
(d)	Closing balance	650.34	564.86

23.3 Non-Performing Assets (23.1+23.2)

(Amount in ₹ crore)

Sr. No.	Particulars	31.03.2021	31.03.2020
(i)	Net NPA to Net Assets (Advances + Investments) (%)	0.00	0.16
(ii)	Movement of NPAs (Gross Advances + Gross Investments)		
(a)	Opening Balance	1887.33	394.11
(b)	Additions during the year	4.01	1547.93
(c)	Reductions during the year	0.12	54.71
(d)	Closing Balance	1891.22	1887.33
(iii)	Movement of Net NPAs		
(a)	Opening Balance	805.36	0.00
(b)	Additions during the year	0.00	805.36
(c)	Reductions during the year	805.36	0.00
(d)	Closing Balance	0.00	805.36
(iv)	Movement of provisions for NPAs (excluding provision on standard assets)		
(a)	Opening balance	1081.97	394.11
(b)	Provision made during the year	809.37	743.09
(c)	Write off / write back of excess provision	0.12	55.23
(d)	Closing balance	1891.22	1081.97

23.4 Particulars of Accounts Restructured

During the current financial year, two loan accounts were restructured.

	Type of restructuring		Under CDR Mechanism					Under SME Debt Restructuring		
	Asset Classification		Std	SS	Dful	Loss	Total	Std	SS	Dful
	Details									
1	Restructured Accounts as on 01 April 2020	No. of Borrowers								
		Amount outstanding								
		Provision thereof								
2	Fresh restructures during the year	No. of Borrowers								
		Amount outstanding								
		Provision thereof								
3	Upgradation to restructured standard category during the FY	No. of Borrowers								
		Amount outstanding								
		Provision thereof								
4	Restructured Standard advances which cease to attract higher provisioning and/ or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of Borrowers								
		Amount outstanding								
		Provision thereof								
5	Downgradation of restructured accounts during the FY	No. of Borrowers								
		Amount outstanding								
		Provision thereof								
6	Write offs of Restructured accounts during the FY	No. of Borrowers								
		Amount outstanding								
		Provision thereof								
7	Restructured accounts as on 31 March 2021	No. of Borrowers								
		Amount outstanding								
		Provision thereof								



(Amount in ₹ crore)

Insurance Mechanism		Others					Total				
Loss	Total	Std	SS	Dful	Loss	Total	Std	SS	Dful	Loss	Total
		1	0	3	0	4	1	0	3	0	4
		1.65	0.00	14.60	0.00	16.25	1.65	0.00	14.60	0.00	16.25
		1.65	0.00	14.60	0.00	16.25	1.65	0.00	14.60	0.00	16.25
		2	0	0	0	2	2	0	0	0	2
		80.08	0.00	0.00	0.00	80.08	80.08	0.00	0.00	0.00	80.08
		8.01	0.00	0.00	0.00	8.01	8.01	0.00	0.00	0.00	8.01
		0	0	0	0	0	0	0	0	0	0
		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	0.00	0.00
		1	0	0	0	1	1	0	0	0	1
		1.65	0.00	0.00	0.00	1.65	1.65	0.00	0.00	0.00	1.65
		1.65	0.00	0.00	0.00	1.65	1.65	0.00	0.00	0.00	1.65
		2	0	3	0	5	2	0	3	0	5
		80.08	0.00	14.60	0.00	94.68	80.08	0.00	14.60	0.00	94.68
		8.01	0.00	14.60	0.00	22.61	8.01	0.00	14.60	0.00	22.61

23.5 Movement of Non-Performing Advances

(Amount in ₹ crore)

Sr. No.	Particulars	2020-21	2019-20
(i)	Gross NPAs as on 01 April	1236.99	168.06
(ii)	Additions during the year	4.01	1107.64
	Sub-total (A)	1241.00	1275.70
Less:			
(i)	Upgradations	0.00	16.15
(ii)	Recoveries (excluding recoveries made from upgraded accounts)	0.12	22.56
(iii)	Technical / Prudential Write offs	0.00	0.00
(iv)	Write offs other than those under (iii) above	0.00	0.00
	Sub-total (B)	0.12	38.71
	Gross NPAs as on 31 March (A-B)	1240.88	1236.99

23.6 Write-offs and recoveries

(Amount in ₹ crore)

Particulars	2020-21	2019-20
Opening balance of Technical / Prudential written off accounts as at 01 April	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 31 March (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.

23.7 Overseas Assets, NPAs and Revenue

(Amount in ₹ crore)

Particulars	2020-21	2019-20
Total Assets	0.00	0.00
Total NPAs	0.00	0.00
Total Revenue	0.00	0.00

23.8 Depreciation and provisions on investments

(Amount in ₹ crore)

Sr. No.	Particulars	2020-21	2019-20
(1)	Investments		
(i)	Gross Investments*		
	(a) In India	44795.43	32887.81
	(b) Outside India	—	—
(ii)	Provision for Depreciation*		
	(a) In India	650.34	564.86
	(b) Outside India	—	—
(iii)	Net Investments *		
	(a) In India	44145.09	32322.95
	(b) Outside India	—	—
(2)	Movement of provisions held towards depreciation on investments		
(i)	Opening balance	564.86	240.39
(ii)	Add: Provisions made during the year	85.48	354.81
(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	0.00	30.34
(v)	Less: Transfer, if any, to Investment Fluctuation Reserve Account	0.00	0.00
(vi)	Closing balance	650.34	564.86

* the figures are excluding investments in Special Dev Debentures of SCARDBs

23.9 Provisions and Contingencies

(Amount in ₹ crore)

Sr. No.	Provisions and Contingencies shown under the head Expenditure in Profit and Loss Account	2020-21	2019-20
1	Provisions for depreciation on Investment	85.48	354.81
2	Provision towards NPA (Advances + Investments)	801.26	703.93
3	Provision made towards Income tax (Net)	1761.45	1375.09

23.10 Provisioning Coverage Ratio (PCR)

PCR [ratio of provisioning (including counter cyclical/ floating provisions) to gross non-



performing assets] as at close of business for the current year stood at 166.86% (84.58%).

23.11 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 are given below:

Particulars	Amount (₹ in crore)
Part – A	
(i) Loan outstanding	13.68
Part – B	
Equity Shares	8.06
Optionally Convertible Debentures	14.22
Total	35.96

The net outstanding of the above loan account stood at ₹35.96 crore as on 31 March 2021. The account is continued as NPA and 100% provision held against the outstanding balance as per S4A guidelines. The amount received under S4A arrangement and kept in Debt Servicing Reserve account had been fully utilised.

23.12 Moratorium under Covid-19 package

- In terms of “COVID-19 Regulatory Package – Review of Resolution Timelines under the Prudential Framework on Resolution of Stressed Assets” announced by RBI on 27 March 2020 and 17 April 2020, the bank has allowed three /six months’ moratorium for thirty-two clients on the principal and interest due between 01 March to 31 August 2020 amounting to ₹383.85 crore. Out of the thirty-two clients, twenty-nine are classified as standard and there was no overdue on any of these accounts as on 31.03.2021. Three loan accounts amounting to ₹0.75 crore have turned into NPA for which applicable provisions have been made.
- The Honourable Supreme Court in Writ petition (CIVIL) No 825 of 2020 by Gajendra Sharma Vs Union of India & Anr vide its interim order dated 03.09.2020 has directed that the accounts which were not declared NPA till 31.08.2020 shall not be declared NPA till further orders, pending disposal of the case by the Supreme Court. The interim order

granted to not declare accounts as NPA stood vacated on March 23, 2021 vide the judgement of the Hon’ble SC in the matter of Small Scale Industrial Manufacturers Association vs. Union of India Ors, and other connected matters. However, the Bank has continued with the asset classification of borrower accounts as per the extant RBI instructions / IRAC norms as applicable for the quarter and year ended 31 March 2021.

- In accordance with the RBI notification dated April 7, 2021, the Bank is required to refund/ adjust ‘interest on interest’ charged to the borrowers during the moratorium period, i.e. March 1, 2020 to August 31, 2020. The bank had not charged “interest on interest” to any of its borrowers during the said period and hence it does not necessitate any interest refund / adjustment.
- Disclosure in respect of RBI circular on “COVID19 Regulatory Package - Asset Classification and Provisioning” dated April 17, 2020 having reference number RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20 as per para 10.

Particulars	As at March 31, 2021*#	As at March 31, 2020
Respective amounts in SMA/overdue categories, where the moratorium/ deferment was extended, in terms of paragraph 2 and 3 of the RBI Circular;	–	–
Respective amount where asset classification benefits is extended as at March 31, 2020	–	–
Provisions made during the Q4 FY2020 and Q1 FY2021 in terms of paragraph 5 of the RBI Circular	–	–
Provisions adjusted during the respective accounting periods against slippages and the residual provisions in terms of paragraph 6	–	–

*As of March 31, 2021 in respect of such accounts

No asset classification benefit and no moratorium are provided as of March 31, 2021

- The disclosure as per format prescribed under notification no RBI/2020-2021/16 DOR No BP BC/3/21.04.048/2020-21 for the year ended March 31, 2021 is not applicable for NABARD for the year under report.

24. Investment portfolio: constitution and operations

24.1 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 2021
Securities sold under repo				
i. Government securities	220.22 (158.53)	5119.43 (4379.80)	601.55 (479.77)	0.00 (0.00)
ii. Corporate debt securities	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Securities purchased under reverse repo				
i. Government securities	56.23 (105.76)	259.43 (2762.36)	0.86 (68.43)	0.00 (0.00)
ii. Corporate debt securities	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)

24.2 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	552.31 (581.42)	552.31 (581.42)	—	—	0.00 (0.00)
(ii)	Govt	38435.11 (23248.24)	38435.11 (23248.24)	—	—	0.00 (0.00)
(ii)	FIs	0.00 (0.00)	0.00 (0.00)	—	—	0.00 (0.00)
(iii)	Banks	243.44 (1660.04)	243.44 (1660.04)	—	—	0.00 (0.00)
(iv)	Private Corporates	1540.43 (1941.70)	1540.43 (1941.70)	—	—	0.00 (0.00)
(v)	Subsidiaries / Joint Ventures	—	—	—	—	—
(vi)	Others	0.00 (0.00)	0.00 (0.00)	—	—	—
(vii)	Provision held towards depreciation	650.34 (564.86)	650.34 (564.86)	—	—	—
	Total	40120.95 (26866.56)	40120.95 (26866.56)	0.00 (0.00)	0.00 (0.00)	—

24.3 Sale and Transfers to/from HTM Category

During the year, SDL Securities were transferred from HTM to AFS category of the book value of ₹328.03 crore (face value ₹329.65 crore) and Govt Securities were transferred from HTM to AFS category of the book value ₹1,183.61 crore (face value ₹1,150 crore). The market value of

all investments held by NABARD under Held to Maturity (HTM) category was ₹12,407.78 crore against the book value of ₹10,859.10 crore

25. Details of Financial Assets purchased/sold

25.1 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

25.2 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

25.3 Operating Results

Sr. No.	Particulars	2020-21	2019-20
(i)	Interest income as a percentage to working funds	6.06	6.66
(ii)	Non-Interest Income as a percentage to working funds	0.02	0.02
(iii)	Operating Profit as a percentage to working funds	1.46	1.35
(iv)	Return on Assets (%)	0.76	0.79
(v)	Net Profit per employee (₹ crore)	1.27	1.08

26. Credit Concentration risk

26.1 Capital market exposure

(Amount in ₹ crore)

Sr. No.	Particulars	2020-21	2019-20
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; \$\$	1590.38	1528.64
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

Sr. No.	Particulars	2020-21	2019-20
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)	284.03	222.10
Total Exposure to Capital Markets		1874.41	1750.74

\$\$ Equity shares, subsidiaries and other strategic investments

26.2 Exposure to Country risk: NIL

26.3 Prudential Exposure Limits—Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the AIFI

26.3.1 The number and amount of exposures in excess of the prudential exposure limits during the year: NIL

26.3.2 Credit exposure as percentage to Capital Funds and as percentage to Total Assets

(Amount in ₹ crore)

	Category	2020-21		2019-20	
		Credit Exposure as % to		Credit Exposure as % to	
		Capital Funds	Total Assets	Capital Funds	Total Assets
I	Largest Single Borrower	85.81	7.42	57.20	5.42
II	Largest Borrower Group	Not Applicable		Not Applicable	
III	Twenty Largest Single Borrowers for the year	552.81	47.81	500.03	47.35
IV	Twenty Largest Borrower Groups	Not Applicable		Not Applicable	

26.3.3 Credit exposure to the five largest industrial sectors as percentage to total loan assets: Not Applicable

26.3.4 Factoring exposures: Not Applicable

26.3.5 Exposure where the FI had exceeded that Prudential Exposure Limits during the year: NIL

26.4 Concentration of borrowings / lines of credit, credit exposures and NPAs

a) Concentration of borrowings and lines of credit

(Amount in ₹ crore)

Sr. No.	Particulars	2020-21	2019-20
(i)	Total borrowings from twenty largest lenders	363557.52	293624.33
(ii)	Percentage of borrowings from twenty largest lenders to total borrowings	65.02	66.52

b) Concentration of credit exposures

(Amount in ₹ crore)

Sr. No.	Particulars	2020-21	2019-20
(i)	Total exposures to twenty largest borrowers	314501.61	251925.57
(ii)	Percentage of exposures to twenty largest borrowers to Total Advances of the AIFI	52.05	52.26

c) Sector-wise concentration of exposures and NPAs

The sector wise concentration of exposure and NPAs is given below:

(Amount in ₹ crore)

Sr. 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 2020-21			FY 2019-20		
I.	Agricultural sector including allied agricultural activities	604227.16	1227.06	0.20	481996.33	1223.65	0.25
1	Central Government	0.00	0.00	0.00	0.00	0.00	0.00
2	Central PSUs	16.91	0.00	0.00	39.31	0.00	0.00
3	State Governments	168660.47	0.00	0.00	154633.28	0.00	0.00
4	State PSUs	19960.33	0.00	0.00	10833.04	0.00	0.00
5	Scheduled Commercial Banks	114189.82	0.00	0.00	88637.85	0.00	0.00
6	Regional Rural Banks	61587.56	0.00	0.00	46095.58	0.00	0.00
7	Co-operative banks	104629.33	0.00	0.00	78952.81	0.00	0.00
8	Private sector (excluding banks)	106241.96	119.56	0.11	76775.21	116.15	0.15
9	Others SCRADB/LDB/NBFC-MFI/ ADFC	28940.78	1107.50	3.83	26029.25	1107.50	4.25
II.	Others	219.28	13.82	6.30	241.13	13.34	5.53
1	Construction Sector	13.68	13.68	100.00	13.25	13.25	100.00
2	Staff Loans	205.60	0.14	0.07	227.88	0.09	0.04
	Total (I+II)	604446.44	1240.88	0.21	482237.46	1236.99	0.26



27. Derivatives

27.1 Forward Rate Agreement / Interest Rate Swap: NIL

27.2 Exchange Traded Interest Rate derivatives: NIL

27.3 Disclosure on Risk exposure in derivatives:

- i) The Bank does not trade in derivatives. However, it has hedged its International Borrowings to the extent of 62.59 million Euro (73.01 million Euro) and 46.63 million USD (50 million USD). Consequent upon hedging

of foreign currency borrowings the same is shown at contracted value as per the Swap agreement / forward contract. The bank has open exposure of 16.31 million (14.33 million) in Euro as on 31 March 2021.

- ii) The value of outstanding principal amount of hedge contract at the year-end exchange rate stood at ₹880.20 crore (₹983.32 crore). The value of outstanding principal liability in the books of account stood at ₹959.98 crore (₹1052.60 crore). The quantitative disclosure in this regard is as under:

(Amount in ₹ crore)

Sr. No.	Particular	Current Year		Previous Year	
		Currency Derivatives	Interest rate derivatives	Currency Derivatives	Interest rate derivatives
(i)	Derivatives (Notional Principal Amount)				
	a) For hedging	880.20		983.32	
	b) For trading	—		—	
(ii)	Marked to Market Positions				
	a) Asset (+)	20.39		24.53	
	b) Liability (-)				
(iii)	Credit Exposure	30.84		27.64	
(iv)	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	14.02		18.35	
	b) on trading derivatives	—		—	
(v)	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging	—		—	
	b) on trading	—		—	

28. Letters of Comfort (LoCs) issued by AIFIs: NIL

29. Asset Liability Management

The maturity pattern of assets and liabilities are prepared in terms of the ALCO policy of the bank as under:

(Amount in ₹ crore)

Particulars	1-14 d	15-28d	29d-3m	>3m-6m	>6m-1y	>1y-3y	>3y-5y	>5y	Total
Deposits	0	7,434	0	22,471	64,986	74,134	51,047	21,500	2,41,572
Advances	6,189	6,847	51,257	60,672	1,00,831	1,53,684	87,352	1,36,168	6,03,000
Investments	10,508	9,332	11,849	770	1,829	704	491	12,258	47,741
Borrowings	14,110	5,208	45,632	21,763	20,599	52,689	32,137	1,24,442	3,16,580
Foreign Currency Assets	0	0	0	0	0	0	0	0	0
Foreign Currency liabilities	0	0	0	36	60	195	148	521	960

30. Draw Down from Reserves: NIL**31. Business Ratios**

Particulars	2020-21	2019-20
Return on Equity (%)	8.46	8.41
Return on Assets (%)	0.76	0.79
Net Profit Per Employee (₹ crore)	1.27	1.08

32. Disclosure of Penalties imposed by RBI: NIL**33. Disclosure of Complaints****a) Customer Complaints**

Sr. No.	Particulars	2020-21	2019-20
(a)	No. of complaints pending at the beginning of the year	9	2
(b)	No. of complaints received during the year	229	211
(c)	No. of complaints redressed during the year	233	204
(d)	No. of complaints pending at the end of the year	5	9

34. Off-Balance Sheet SPVs Sponsored (which are required to be consolidated as per accounting norms)

There are no SPVs sponsored by NABARD.

35. The movement in Contingent Liability as required in AS 29 “Provisions, Contingent Liabilities and Contingent Assets” is as under:

(Amount in ₹ crore)

Particulars	2020-21	2019-20
Opening Balance	25.57	25.02
Addition during the year	33.18	25.57
Deletion during the year	25.57	25.02
Closing Balance	33.18	25.57

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

(Amount in ₹ crore)

Sr. No.	Particulars	2020-21	2019-20
1.	Income	0.00	0.00
2.	Revenue Expenditure	0.00	0.00
	Total	0.00	0.00

37. 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	Relationship
1.	NABARD Financial Services Ltd.	Subsidiary
2.	NABSAMRUDDHI Finance Limited	Subsidiary
3.	NABKISAN Finance Ltd.	Subsidiary
4.	NABARD Consultancy Services Pvt. Ltd.	Wholly owned Subsidiary
5.	NABVENTURES Ltd.	Wholly owned Subsidiary
6.	NABFOUNDATION	Wholly owned Subsidiary
7.	NABSanrakshan Trustee Private Limited*	Wholly owned Subsidiary

* Incorporated on 13 November 2020 and an amount of ₹50 crore was contributed towards share capital of the company on 11 January 2021

b) Key Management Personnel:

Name of the party	Designation
Dr. Harsh Kumar Bhanwala*	Chairman
Dr. G R Chintala (with effect from May 2020)	Chairman
Shri Shaji K V (with effect from May 2020)	Deputy Managing Director
Shri P V S Suryakumar (with effect from May 2020)	Deputy Managing Director
Shri Harishkumar Rasiklal Dave**	Deputy Managing Director
Shri R Amalorpavanathan**	Deputy Managing Director

* Dr. Harsh Kumar Bhanwala's transactions are from April 2020 to May 2020.

** DMDs (HRD) and (RA) retired in April and May 2019 respectively.



a. 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	0.13 (0.61)	0.00
Dr. G R Chintala	Key Management Personnel–Chairman	Remuneration including perquisites	0.63 (0.00)	0.00
Shri Shaji K V	Key Management Personnel–Deputy Managing Director	Remuneration including perquisites	0.59 (0.00)	0.00
Shri P V S Suryakumar	Key Management Personnel–Deputy Managing Director	Remuneration including perquisites	0.56 (0.00)	0.00
Shri Harishkumar Rasiklal Dave	Key Management Personnel–Deputy Managing Director	Remuneration including perquisites	0.00 (0.13)	0.00
Shri R Amalorpavanathan	Key Management Personnel–Deputy Managing Director	Remuneration including perquisites	0.00 (0.17)	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.

c) Information on Business Segment

(a) Brief Background

The Bank has recognised Primary segments as under:

- i) **Direct Finance:** Includes Loans given to state governments and other agencies for rural infrastructure development, co-finance loans and loans given to voluntary agencies/non-governmental organizations for developmental activities and other direct loans to Co-operative Banks etc.

- ii) **Refinance:** Includes Loans and Advances given to State Governments, Commercial Banks, SCARDBs, StCBs Regional Rural Banks etc. as refinance against the loans disbursed by them to the ultimate borrowers.

- iii) **Treasury:** Includes investment of funds in treasury bills, short-term deposits, government securities, etc.

- iv) **Unallocated:** Includes income from staff loans and other miscellaneous receipts and expenditure incurred for the developmental role of the bank and common administrative expenses.

(b) Information on Primary Business Segment

(Amount in ₹ crore)

Particulars	Treasury		Refinance		Direct Lending		Other Business		Total	
Business Segments	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
Revenue	3372.89	3867.07	15998.01	15096.98	15204.49	13654.63	95.78	73.62	34671.17	32692.30
Result	2041.55	2248.67	4025.13	2828.64	3326.77	2811.00	-3312.04	-2653.99	6081.41	5234.32
Unallocated Expenses									0.00	0.00
Operating Profit									6081.41	5234.32
Income Taxes									1761.45	1375.09
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									4319.96	3859.23

<i>Particulars</i>	<i>Treasury</i>		<i>Refinance</i>		<i>Direct Lending</i>		<i>Other Business</i>		<i>Total</i>	
<i>Business Segments</i>	<i>2020-21</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2019-20</i>
Other Information										
Segment Assets	48484.91	44693.36	312809.76	241001.39	292931.07	243069.05	3572.56	3311.15	657798.30	532074.95
Segment Liabilities	99432.66	68543.82	278469.69	219481.93	211150.09	183334.31	68745.86	60714.89	657798.30	532074.95
Unallocated Liabilities									0	0
Total Liabilities									657798.30	532074.95

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

38. Figures in brackets pertain to previous year.

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

As per our attached report of even date

For Khimji Kunverji & Co LLP
Chartered Accountants
FRN: 105146W/ W100621

Hasmukh Dedhia
Partner
Membership No.: 033494

U S Shevde
Chief General Manager
Accounts Department

Mumbai
18 May 2021

Dr G R Chintala
Chairman

Shaji K V
Deputy Managing Director

P V S Suryakumar
Deputy Managing Director



National Bank for Agriculture and Rural Development
Cash flow for the year ended 31 March 2021

(Amount in ₹ crore)

<i>Particulars</i>	<i>2020-21</i>	<i>2019-20</i>
(a) Cash flow from Operating activities		
Net Profit as per Profit and Loss a/c before tax	6,081.41	5,234.32
Adjustment for:		
Depreciation	46.75	34.76
Provisions and Amortisations	—	—
Provision for Non-performing Assets	801.26	703.93
Provision for Standard Assets	1,448.00	696.00
Provision for sacrifice in interest element of Restructured Loan	—	—
Profit / Loss on sale of Fixed Assets	0.25	-0.29
Interest credited to various Funds (including addition/ adjustment made to Interest Differential Fund)	387.47	370.71
Income from Investment (including Discount Income)	-3,372.90	-3,866.60
Operating profit before changes in operating assets	5,392.24	3,172.83
Adjustment for changes in working capital:		
(Increase) / Decrease in Current Assets	7,981.54	-1,860.92
Increase / (Decrease) in Current Liabilities	2,799.06	2,739.56
Increase in Loans and Advances (Including Housing Loan & Other Advances to Staff)	-1,23,712.23	-50,895.62
Cash generated from operating activities	-1,07,539.39	-46,844.15
Income Tax paid - Net of refund	-1,762.44	-1,358.51
WIF/ FPF differential debited to Tribal Development / Financial Inclusion Fund / Watershed Development Fund		
Net cash flow from operating activities (A)	-1,09,301.83	-48,202.66
(b) Cash flow from Investing activities		
Income from Investment (including Discount Income)	3,372.89	3,866.60
Purchase of Fixed Asset	-83.72	-97.31
Sale of Fixed Assets	1.37	38.24
Increase / Decrease in Investment	-11,907.62	4,983.86
Net cash used / generated from investing activities (B)	-8,617.08	8,791.39
(c) Cash flow from financing activities		
Grants / contributions received	1,003.32	1,152.66
Proceeds of Bonds	56,130.14	33,949.26
Increase / (Decrease) in Borrowings	54,986.83	-11,254.86
Increase / (Decrease) in Deposits	5,109.01	12,316.42
Increase in Share capital	1,000.00	1,500.00
Net cash raised from financing activities (C)	1,18,229.30	37,663.48
Net increase in cash and cash equivalent (A)+(B)+(C)	310.39	-1,747.79
Cash and Cash equivalent at the beginning of the year	1,152.17	2,899.96
Cash and cash equivalent at the end of the year	1,462.56	1,152.17
Cash and cash equivalent at the end of the year includes	2020-21	2019-20
Cash in hand	—	—

<i>Particulars</i>	<i>2020-21</i>	<i>2019-20</i>
Balance with Reserve Bank of India	843.23	621.20
Balances with other Banks in India	619.33	530.97
Remittances in Transit	–	–
CBLO / Tri party Repo	–	–
Total	1,462.56	1,152.17

As per our attached report of even date

For Khimji Kunverji & Co LLP
Chartered Accountants
FRN: 105146W/ W100621

Hasmukh Dedhia
Partner
Membership No.: 033494

Mumbai
Date: 18 May 2021

U S Shevde
Chief General Manager
Accounts Department

Dr G R Chintala
Chairman

Shaji K V
Deputy Managing Director

P V S Suryakumar
Deputy Managing Director

2020-21

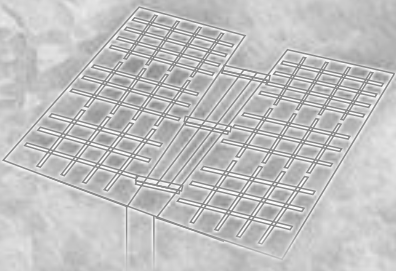
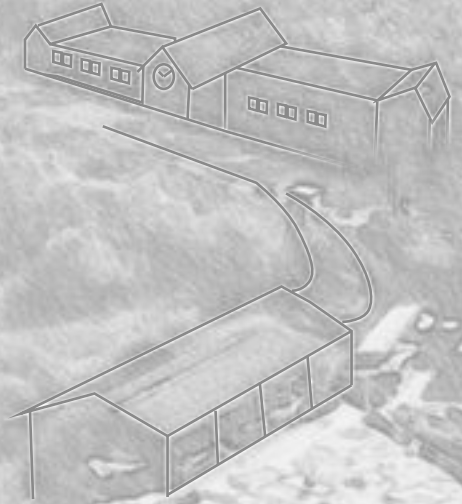
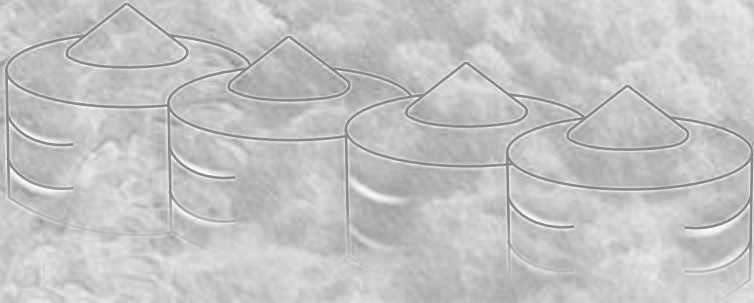
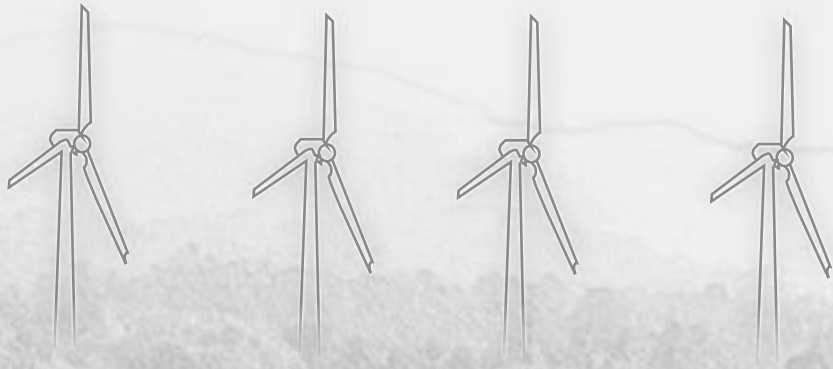


ANNUAL REPORT

NATIONAL BANK FOR AGRICULTURE
AND RURAL DEVELOPMENT

ANNUAL REPORT

2020-21





INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the accompanying Consolidated Financial Statements of National Bank for Agriculture and Rural Development ('the Holding Bank' or 'NABARD') and its 7 (seven) subsidiaries (the Holding Bank and its subsidiaries collectively referred to as the 'Group'), which comprise the Consolidated Balance Sheet as at 31 March 2021, Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended, and notes to the Consolidated Financial Statements, including a summary of significant accounting policies and other explanatory information ('Consolidated Financial Statements' or 'CFS').

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid CFS, read with the matter contained in the emphasis of matter paragraph below, exhibit a true and fair view, in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March 2021, its consolidated profits and its consolidated cash flows for the year ended on that date.

Basis of Opinion

2. We conducted our audit in accordance with the Standards on Auditing (SAs) issued by the Institute of Chartered Accountants of India ('ICAI'). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. Those Standards require that we comply with ethical requirements. We are independent of the Group in accordance with the Code of Ethics issued by the ICAI and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide the basis for our opinion.

Emphasis of Matter

3. Without modifying our opinion, the attention is drawn to Note No. B-22 to Schedule 18 of the CFS, stating that the financial statements of all the seven subsidiaries of NABARD are unaudited and consolidation thereof is prepared based on the numbers certified by the respective managements of these subsidiaries. As further stated in the said Note, the audit of these subsidiaries could not be completed by the respective statutory auditors of those entities, due to prevailing partial lockdown and restrictions on movements to prevent the spread of COVID-19. The impact on the CFS consequent to the adjustments, if any, arising from the audit of these subsidiaries is not ascertained, hence we are unable to comment thereon but as

represented to us by the management of the Bank, such impact would not be material on the CFS.

4. Attention is invited to Note No. A-19 to Schedule 18 of the CFS regarding the uncertainties arising out of the ongoing COVID-19 pandemic and the assessment made by the management of the Holding Bank on its operations and financial reporting for the year ended 31 March 2021; such an assessment and the outcome of the pandemic, as made by the management, is dependent on the circumstances as they evolve in the subsequent periods. Our report is not modified in respect of this matter.

Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the CFS for the year under audit. These matters were addressed in the context of our audit of the CFS, as a whole and in forming our opinion thereon, we do not provide a separate opinion on the key audit matters. In our professional judgement, we have decided the following to be the key audit matter to be communicated in our report.

Particulars of the Key Audit Matter in respect of the Holding Bank	Audit processes in the matter
<p>Multiple IT Systems:</p> <p>The Holding Bank is dependent on technology considering significant number of transactions that are processed daily across multiple and discrete Information Technology ("IT") systems. The audit approach relies extensively on several reports generated by interface of these IT systems and in-built automated controls therein.</p> <p>The major IT systems concerning the financial reporting process include:</p> <ul style="list-style-type: none"> • CLMAS – transactions processing and financial reporting system • TALMS – Treasury Operations • Empower HRMS – HR and payroll • Various workflows inputting data into CLMAS • FAMS – Property, Plant and Equipment • Interface/interplay of one or more of above systems in building up or generating reports <p>IT general and application controls are critical to ensure that changes to applications and underlying data are made in an appropriate manner. Adequate controls contribute to mitigating the risk of potential fraud or errors as a result of changes to applications and data.</p> <p>Management of the Holding Bank continuously endeavors several remediation activities and is in the process of bettering the implementation thereof aiming at minimization of the risks over IT applications in the financial reporting process.</p> <p>These include implementation of preventive and detective controls across critical applications and infrastructure.</p> <p>During the year under report, several errors in system interface and in accounting entries pushed by the other systems like TALMS were noted and rectified, in course of the audit.</p> <p>Due to the pervasive nature, in our preliminary risk assessment, we planned our audit by assessing the risk of a material misstatement arising from the technology as significant for the audit, hence the Key Audit Matter.</p>	<p>We performed a range of audit procedures in course of the audit of Standalone Financial Statements of the Holding Bank, which included:</p> <p>Review of the report of IS Audit carried in earlier year(s) by an independent firm of Chartered Accountants pertaining to IT systems general controls including access rights over applications, operating systems and databases relied upon for financial reporting.</p> <p>Our audit tests were designed to cover the following:</p> <ul style="list-style-type: none"> • understanding the Bank's IT control environment and key changes in the course of our audit that were considered relevant to the audit; • selectively recomputing interest calculations and maturity dates; • selectively re-evaluating masters updation, interface with resultant reports; • selective testing of the interface of CLMAS with other IT systems like TALMS, Empower and several workflows; • Having regard to the incidences of incorrect system entries getting posted in the accounting system, detailed inquiries were made into 'root cause analysis' and about lack of adequate checks and balances around such entries, to obtain suitable explanations and representations. • Testing of the system generated reports and accounting entries manually for core financial reporting matters (i.e., verification around the computer system), so as to rectify the incorrect entries noticed during the audit.



Information Other Than the Consolidated Financial Statements and Auditor's Report Thereon

6. The Management and Board of Directors of the Holding Bank are responsible for the preparation of the other information, comprising of the information such as Report of Board of Directors and such other disclosures included in the Holding Bank's annual report, excluding the Financial Statements and auditors' report thereon ('Other Information').

The other information is expected to be made available to us after the date of this auditors' report. Our opinion on the CFS does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the CFS, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the CFS or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read the other Information and if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charges with governance as required under SA 720 'The Auditor's responsibilities Relating to other Information'.

Management's Responsibility for the Consolidated Financial Statements

7. The Management of the Holding Bank is responsible for the preparation of the CFS in accordance with the National Bank for Agriculture and Rural Development (Additional) General Regulations, 1984, that give a true and fair view of the consolidated financial position, consolidated financial performance, and consolidated cash flows of the Group. This responsibility also includes maintenance of adequate accounting records for safeguarding the assets of the Group 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; 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 CFS that

give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the CFS, the respective Management and Board of Directors of the Holding Bank and of companies included in the Group are also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the holding Bank and of the companies included in the Group are also responsible for overseeing the Group's financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

8. Our objectives are to obtain reasonable assurance about whether the CFS, as a whole, are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these CFS. Our audit process in accordance with the SAs is narrated in detail in Annexure 1 to this report.

Other Matters

9. Incorporated in these financial statements are the returns of 17 Regional Offices and 2 Training Centres visited by us for the purposes of audit and the same including Head Office, account for 83.08% of advances, 100.00% of deposits, 84.95% of interest income and 100.00% of interest expenses. These Offices and Training Centre have been selected in consultation with the management of the Holding Bank. We have not visited other remaining offices of the Holding Bank, i.e., 14 Regional Offices and 1 Training Centre but have reviewed their returns sent at the Head Office.

10. Due to restricted movements and partial lockdown imposed by the Authorities to prevent the spread of COVID-19, the entire audit finalization process, for the year under report, was carried out from remote locations i.e. other than the Head Office of the Bank where books of account and other records are kept, based on data/details and financial information/records remitted by the management through digital medium. Being constrained, we resorted to alternate audit procedures to obtain sufficient and appropriate audit evidence for the significant matters.
11. As stated in paragraph 3 above, the financial statements / financial information of 7 (seven) subsidiaries, whose financial statements / financial information reflect total assets of Rs. 3,978.94 crores as at 31 March 2021, total revenues of Rs. 505.89 crores, total net profit after tax of Rs. 82.12 crores and net cash inflows amounting to Rs. 84.24 crores for the year ended on that date, as considered in the CFS, have not been subjected to audit by the respective auditors of these subsidiaries, due to prevailing lockdown situation. The same being

unaudited, our opinion on the CFS, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is solely based on our reliance placed on the management certified numbers. Our opinion on the CFS and our report on Other Legal and Regulatory Requirements, is based on management's written representation to us that the effect of the changes / adjustments, if any, required to be made to the reported numbers of these subsidiaries consequent to their audit would not be material for the Group.

Report on Other Legal and Regulatory Requirements

12. We report that the CFS have been prepared by the holding bank in accordance with the requirements of Accounting Standard (AS) 21 – 'Consolidated Financial Statements'. As per the information and explanations provided to us and in our opinion, the CFS comply with the applicable accounting standards, in all material aspects.

For **Khimji Kunverji & Co LLP**
Chartered Accountants
Firm's Registration No: 105146W/W100621

Hasmukh B. Dedhia
Partner
Membership No.: 033494
ICAI UDIN: 21033494AAAAGS4359

Place: Mumbai
Date: 18 May 2021



ANNEXURE 1 TO THE INDEPENDENT AUDITORS' REPORT

**(referred to in para 8 titled “Auditor’s Responsibilities for the
Audit of the Consolidated Financial Statements”)**

As part of our audit in accordance with SAs we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, to design and perform audit procedures responsive to those risks and obtain audit evidence for material items that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management of the Group.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the CFS or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the CFS, including the disclosures, and whether the CFS represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance of the Holding Bank regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- In course of our review of the management certified unaudited financial statements of all the seven subsidiaries, we communicate with the respective statutory auditors of such subsidiaries as per the framework of provisions of SA 600, “Using the Work of Another Auditor”.
- From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our Auditor’s Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2021

(Amount in ₹ crore)

<i>Sr. No.</i>	<i>Funds and Liabilities</i>	<i>Schedule</i>	<i>As on 31.03.2021</i>	<i>As on 31.03.2020</i>
1	Capital		15,080.00	14,080.00
	(Under Section 4 of the NABARD Act, 1981)			
2	Reserve Fund and Other Reserves	1	39,639.51	35,247.94
3	Minority Interest	1A	183.18	168.53
4	National Rural Credit Funds	2	16,094.00	16,090.00
5	Gifts, Grants, Donations and Benefactions	3	6,371.61	6,020.77
6	Government Schemes	4	3,485.35	2,446.92
7	Deposits	5	2,41,572.10	2,36,463.09
8	Bonds and Debentures	6	1,95,882.39	1,39,752.25
9	Borrowings	7	1,21,658.87	66,710.34
10	Current Liabilities and Provisions	8	18,690.81	15,650.85
	Total		6,58,657.82	5,32,630.69
	Forward Foreign Exchange Contracts (Hedging) as per contra		1,020.66	1,102.35
	Commitment and Contingent Liabilities	17		
	Significant Accounting Policies and Notes on Accounts	18		



NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2021

(Amount in ₹ crore)

<i>Sr. No.</i>	<i>Property and Assets</i>	<i>Schedule</i>	<i>As on 31.03.2021</i>	<i>As on 31.03.2020</i>
1	Cash and Bank Balances	9	4,751.09	12,227.85
2	Investments	10	45,052.34	33,591.06
3	Advances	11	6,03,117.88	4,81,034.31
4	Fixed Assets	12	580.89	550.24
5	Other Assets	13	5,155.62	5,227.23
	Total		6,58,657.82	5,32,630.69
	Forward Foreign Exchange Contracts (Hedging) as per contra		1,020.66	1,102.35
	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

For Khimji Kunverji & Co LLP
Chartered Accountants
FRN: 105146W/ W100621

Hasmukh Dedhia
Partner
Membership No.: 033494

Mumbai
18 May 2021

U S Shevde
Chief General Manager
Accounts Department

Dr G R Chintala
Chairman

Shaji K V
Deputy Managing Director

P V S Suryakumar
Deputy Managing Director

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2021

(Amount in ₹ crore)

<i>Sr. No.</i>	<i>Income</i>	<i>Schedule</i>	<i>2020-21</i>	<i>2019-20</i>
1	Interest Received on Loans and Advances (Refer Note B-8 of Schedule 18)		31,441.51	28,983.76
2	Income from Investment operations / Deposits		3,372.89	3,866.60
3	Other Income		193.78	153.92
	Total (A)		35,008.18	33,004.28

<i>Sr. No.</i>	<i>EXPENDITURE</i>	<i>Schedule</i>	<i>2020-21</i>	<i>2019-20</i>
1	Interest and Financial Charges (Refer Note B-7 of Schedule 18)	14	24,235.65	23,784.07
2	Establishment and other expenses	15 A	2,102.77	2,305.58
3	Expenditure on Promotional Activities	15 B	95.05	69.43
4	Provisions	16	2,328.01	1,434.80
5	Depreciation		50.67	37.21
	Total (B)		28,812.15	27,631.09
6	Profit before Income Tax (A-B)		6,196.03	5,373.18
7	Prior period items		—	—
8	Provision for Income Tax		1,794.13	1,369.05
9	Deferred Tax Asset Adjustment (Refer Note B-10 of Schedule 18)		0.81	46.40
10	Profit after Tax		4,401.09	3,957.73
11	Minority Interest		14.51	20.06
12	Profit available for Appropriation		4,386.58	3,937.66



NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2021

(Amount in ₹ crore)

Sr. No.	Appropriations/Withdrawals	2020-21	2019-20
1	Profit for the year brought down	4,386.58	3,937.66
2	Add: Withdrawals from various funds against expenditure debited to Profit & Loss Account*	125.00	99.77
3	Total Profit Available for Appropriation	4,511.58	4,037.43
	Less : Transferred to*		
1	Special Reserve u/s 36(l)(viii) of the Income Tax Act, 1961	1,100.00	850.00
2	National Rural Credit (Long Term Operations) Fund	1.00	1.00
3	National Rural Credit (Stabilisation) Fund	1.00	1.00
4	Co-operative Development Fund	58.71	17.90
5	Research & Development Fund	29.95	30.33
6	Investment Fluctuation Reserve	457.00	42.50
7	Producers' Organisation Development Fund	104.03	102.61
8	Rural Infrastructure Promotion Fund	20.00	26.20
9	Farm Sector Promotion Fund	17.67	17.95
10	Gramya Vikas Nidhi	47.67	28.55
11	Climate Change Fund	0.97	1.22
12	Catalytic Fund & Forex Fluctuation Reserve Fund	23.03	10.00
13	Reserve Fund	2650.55	2,908.17
	Total	4,511.58	4,037.43

* Refer Schedule 1

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

Schedules referred to above form an integral part of accounts

As per our attached report of even date

For Khimji Kunverji & Co LLP
Chartered Accountants
FRN: 105146W/ W100621

Hasmukh Dedhia
Partner
Membership No.: 033494

Mumbai
18 May 2021

U S Shevde
Chief General Manager
Accounts Department

Dr G R Chintala
Chairman

Shaji K V
Deputy Managing Director

P V S Suryakumar
Deputy Managing Director

SCHEDULE TO CONSOLIDATED BALANCE SHEET
Consolidated Schedule 1 - Reserve Fund and Other Reserves

(Amount in ₹ crore)

Sr. No.	Particulars	Opening Balance as on 01.04.2020	Additions/ Adjustments during the year	Transferred from P&L Appropriation	Transferred to P&L Appropriation	Balance as on 31.03.2021
1	Reserve Fund	23,944.13	12.67	2650.55	0.25	26,607.10
2	Research and Development Fund	52.87	0.75	29.95	30.00	53.57
3	Capital Reserve	85.94	-11.13	—	—	74.81
4	Investment Fluctuation Reserve	1,240.00	—	457.00	—	1,697.00
5	Co-operative Development Fund	60.00	—	58.71	18.71	100.00
6	Special Reserves Created & Maintained u/s 36(1)(viii) of Income Tax Act, 1961	9,435.00	—	1,100.00	—	10,535.00
7	Producers' Organisations Development Fund	200.00	—	104.03	4.03	300.00
8	Rural Infrastructure Promotion Fund	50.00	—	20.00	20.00	50.00
9	Farm Sector Promotion Fund	60.00	—	17.67	17.67	60.00
10	Gramya Vikas Nidhi	90.00	—	47.67	27.67	110.00
11	Climate Change Fund	20.00	—	0.97	0.97	20.00
12	Catalytic Fund	10.00	—	16.00	6.00	20.00
13	Development Corpus Fund	—	5.00	—	—	5.00
14	Foreign Exchange Fluctuation Reserve Fund	—	—	7.03	—	7.03
	Total	35,247.94	7.29	4509.58	125.30	39,639.51
	Previous year	31,322.43	(10.16)	4,035.44	99.77	35,247.94

SCHEDULE TO CONSOLIDATED BALANCE SHEET
Consolidated Schedule 1A - Minority Interest

(Amount in ₹ crore)

Sr. No.	Particulars	Opening Balance as on 01.04.2020	Addition during the year	Adjustments during the year	Closing balance as on 31.03.2021
1	Share capital	87.70	0.22	—	87.92
2	Reserves and Surplus	80.83	14.43	—	95.26
	Total	168.53	14.65	—	183.18
	Previous year	146.01	22.52	—	168.53



SCHEDULE TO CONSOLIDATED BALANCE SHEET
Consolidated Schedule 2 - National Rural Credit Funds

(Amount in ₹ crore)

Sr. No.	Particulars	Opening Balance as on 01.04.2020	Contribution by RBI	Transferred from P&L Appropriation	Balance as on 31.03.2021
1	National Rural Credit (Long Term Operations) Fund	14,495.00	1.00	1.00	14,497.00
2	National Rural Credit (Stabilisation) Fund	1,595.00	1.00	1.00	1,597.00
	Total	16,090.00	2.00	2.00	16,094.00
	Previous Year	16,086.00	2.00	2.00	16,090.00

SCHEDULE TO CONSOLIDATED BALANCE SHEET
Consolidated Schedule 3 - Gifts, Grants, Donations and Benefactions

(Amount in ₹ crore)

Sr. No.	Particulars	Opening Balance as on 01.04.2020	Addition during the year	Interest Credited *	Expenditure / Adjustments during the year	Balance as on 31.03.2021
A.	Grants from International Agencies					
1	KfW – NABARD V Fund for Adivasi Programme	0.61	0.03	0.02	0.13	0.53
2	KfW NB UPNRM – Accompanying Measures	–	1.11	–	1.11	–
3	KfW NB UPNRM – Financial Contribution	0.15	–	–	–	0.15
4	KfW UPNRM Fund (Refer Note B-1 of Schedule 18)	–	–	–	–	–
5	KfW Risk Mitigation Fund	7.99	–	–	7.99	–
6	Indo German Watershed Development Programme – Andhra Pradesh	0.64	–	0.03	–	0.67
7	Indo German Watershed Development Programme – Gujarat	1.04	–	0.03	1.04	0.03
8	Indo German Watershed Development Programme – Rajasthan	0.60	–	0.02	0.56	0.06
9	GIZ UPNRM Technical Collaboration	–	0.50	–	0.47	0.03
10	Climate Change – (AFB) – Project Formulation Grant	14.36	10.52	0.58	6.28	19.18
11	GIZ Soil Project	1.41	–	–	–	1.41
12	KfW Soil Project	2.43	8.46	–	8.42	2.47
13	GCF Project Grants	–	11.16	0.04	10.10	1.10
B.	Other Funds					
1	Watershed Development Fund (i)	1,384.09	88.97	86.00	107.84	1,451.22
2	Interest Differential Fund – (Forex Risk)	237.80	–	16.96	19.05	235.71

Sr. No.	Particulars	Opening Balance as on 01.04.2020	Addition during the year	Interest Credited *	Expenditure / Adjustments during the year	Balance as on 31.03.2021
3	Interest Differential Fund – TAWA	0.10	–	–	–	0.10
4	Adivasi Development Fund	5.77	–	–	–	5.77
5	Tribal Development Fund (ii)	1,261.91	88.97	101.03	115.47	1,336.44
6	Financial Inclusion Fund (iii)	2,573.39	296.58	162.18	300.68	2,731.47
7	Financial Inclusion Fund – Digital	18.21	19.04	–	25.28	11.97
8	PODF-ID (iv)	252.01	118.63	11.94	68.43	314.15
9	National Bank – Swiss Development Coop. Project	64.43	0.84	–	–	65.27
10	RPF & RIF – Off-Farm Sector Promotion Fund	21.21	–	1.11	1.77	20.55
11	Centre for Professional Excellence in Co-operatives – (C-PEC)	2.74	–	0.21	–	2.95
12	LTIF Interest Fluctuation Reserve Fund	27.84	25.03	3.26	-53.69	109.82
13	National Adaptation Fund for Climate Change a/c	142.04	39.94	4.05	125.47	60.56
	Total	6,020.77	709.78	387.46	746.40	6,371.61
	Previous year	5,701.47	715.01	370.68	766.39	6,020.77

*Refer note no B-3 of Schedule 18

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 unutilised balances, wherever applicable.

Includes income tax paid of:

- (i) ₹24.41 crore
- (ii) ₹24.41 crore
- (iii) ₹81.37 crore
- (iv) ₹32.55 crore



SCHEDULE TO CONSOLIDATED BALANCE SHEET
Consolidated Schedule 4 - Government Schemes

(Amount in ₹ crore)

Sr. No.	Particulars	Opening Balance as on 01.04.2020	Additions during the year	Interest Credited *	Expenditure / Adjustments during the year	Balance as on 31.03.2021
A	Government Subsidy Schemes					
1	Capital Investment Subsidy for Cold Storage Projects – NHB	0.89	–	–	–	0.89
2	Capital Subsidy for Cold Storage TM North East	0.08	–	–	–	0.08
3	Credit Linked Capital Subsidy for Technology Upgradation of SSIs	0.02	14.65	–	13.96	0.71
4	On-farm Water Management for Crop Production	0.07	–	–	–	0.07
5	Bihar Ground Water Irrigation Scheme (BIGWIS)	78.98	–	–	–	78.98
6	Cattle Development Programme – Uttar Pradesh	0.03	–	–	–	0.03
7	Cattle Development Programme – Bihar	0.08	–	0.01	–	0.09
8	National Project on Organic Farming	1.64	–	–	0.17	1.47
9	Integrated Watershed Development Programme – Rashtriya Sam Vikas Yojana	4.29	–	–	–	4.29
10	Dairy and Poultry Venture Capital Fund	1.14	–	–	1.00	0.14
11	Poultry Venture Capital Fund	4.51	–	–	4.51	0.00
12	ISAM – Agricultural Marketing Infrastructure	49.95	143.94	–	162.88	31.01
13	ISAM - Grant Recd for Promotional Expenditure a/c	0.01	–	–	0.01	–
14	NATIONAL LIVESTOCK MISSION – PVCF EDEG	146.30	112.60	–	183.18	75.72
15	Centrally Sponsored Scheme for establishing Poultry Estate	–	–	–	-0.08	0.08
16	Multi Activity Approach for Poverty Alleviation – Sultanpur, Uttar Pradesh	0.07	–	0.01	–	0.08
17	Multi Activity Approach for Poverty Alleviation – BAIF – Rae Bareli, Uttar Pradesh	0.02	–	–	–	0.02
18	Dairy Entrepreneurship Development Scheme	217.35	–	–	132.85	84.50
19	CSS for Solar Mission	0.03	–	–	–	0.03
20	CSS – JNNM – Solar Lighting a/c	0.02	–	–	–	0.02
21	CSS – Solar Photovoltaic Water Pumping	0.02	–	–	-0.01	0.03
22	Capital Subsidy Scheme – Agri Clinic Agri Business Centres	7.12	10.73	–	10.47	7.38
23	CSS MNRE Lighting Scheme 2016 a/c	0.08	–	–	-0.03	0.11
24	Artificial Recharge of Groundwater in Hard Rock Area	4.62	–	–	–	4.62
25	CSS on Formation And Promotion of FPO	–	33.27	–	–	33.27

Sr. No.	Particulars	Opening Balance as on 01.04.2020	Additions during the year	Interest Credited *	Expenditure / Adjustments during the year	Balance as on 31.03.2021
B	Other Government Schemes					
1	Agriculture Debt Waiver and Debt Relief Scheme (ADWDR) 2008	284.65	–	–	2.53	282.12
2	Women's Self Help Groups [SHGs] Development Fund	44.75	–	–	7.60	37.15
3	PRODUCE FUND	34.87	–	–	11.30	23.57
4	Revival of 23 unlicensed DCCBs	111.22	–	–	–	111.22
5	Interest Subvention (Sugar Term Loan)	104.41	568.04	–	240.42	432.03
6	AMI – Workshop Assistance Fund	0.04	–	–	0.02	0.02
7	Kutch Drought Proofing Project	0.22	–	–	–	0.22
8	Revival Package for Long Term Cooperative Credit Structure (LTCCS)	20.00	–	–	–	20.00
9	Revival Reform and Restructure of Handloom Sector	8.47	15.56	–	17.20	6.83
10	Comprehensive Handloom Package	0.23	14.93	–	13.11	2.05
11	Interest Subvention (SAO, NRLM, NWR)	1,320.74	5,385.14	–	4,459.86	2,246.02
12	Arunachal Agri Start Up Scheme	0.50	–	–	–	0.50
	Total	2,447.42	6,298.86	0.02	5,260.95	3,485.35
	Previous year	1,244.84	8,351.74	0.02	7,149.18	2,447.42

*Refer note no B-3 of Schedule 18

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 unutilised balances, wherever applicable.

SCHEDULE TO CONSOLIDATED BALANCE SHEET Consolidated Schedule 5 - Deposits

(Amount in ₹ crore)

Sr. No.	Particulars	As on 31.03.2021	As on 31.03.2020
1	From Central Government	–	–
2	From State Governments	–	–
3	From Others		
	a) Tea/Rubber/Coffee Deposits	64.10	61.47
	b) Commercial Banks (Deposits Under RIDF)	1,36,226.93	1,30,442.23
	c) Short Term Cooperative Rural Credit Fund	44,644.51	44,786.94
	d) ST RRB Credit Refinance Fund	9,921.00	9,952.65
	e) Warehouse Infrastructure Fund	5,540.00	5,940.00
	f) Long Term Rural Credit Fund	44,825.56	44,929.80
	g) Fund for Food Processing Units	350.00	350.00
	Total	2,41,572.10	2,36,463.09



SCHEDULE TO CONSOLIDATED BALANCE SHEET
Consolidated Schedule 6 - Bonds and Debentures

(Amount in ₹ crore)

<i>Sr. No.</i>	<i>Particulars</i>	<i>As on 31.03.2021</i>	<i>As on 31.03.2020</i>
1	Tax Free Bonds (Refer Note B-16 of Sch 18)	5,000.00	5,000.00
2	Non Priority Sector Bonds	75,648.30	48,628.30
3	Capital Gains Bonds	1.29	1.29
4	Bhavishya Nirman Bonds	—	405.46
5	PMAY-G-GOI Fully Serviced Bonds	48,809.60	28,809.80
6	LTIF Bonds	33,615.40	30,010.50
7	LTIF-GOI Fully Serviced Bonds	18,755.00	14,598.70
8	SBM-G-GOI Fully Serviced Bonds	12,298.20	12,298.20
9	Micro irrigation Fund (MIF) Bonds	1,754.60	—
	Total	1,95,882.39	1,39,752.25

SCHEDULE TO CONSOLIDATED BALANCE SHEET
Consolidated Schedule 7 - Borrowings

(Amount in ₹ crore)

<i>Sr. No.</i>	<i>Particulars</i>	<i>As on 31.03.2021</i>	<i>As on 31.03.2020</i>
(A)	In India		
1	Central Government	—	—
2	JNN Solar Mission	2.81	2.81
3	Reserve Bank of India	24,567.00	—
4	Others:		
	i) Certificate of Deposits	11,590.27	21,144.63
	ii) Commercial Paper	42,457.06	24,035.75
	iii) Borrowing under Collateralised Borrowing Lending Obligation (CBLO) / Tri-Party Repo *	12,044.39	6,224.71
	iv) Term Money Borrowings	3,601.82	7,210.51
	v) Repo a/c - Borrowings	—	—
	vi) Borrowings from Commercial Banks, FI, Others	26,435.54	7,039.33
	vii) Facility from Commercial Banks	—	—
(B)	Outside India		
1	International Agencies	959.98	1,052.60
	Total	1,21,658.87	66,710.34

* borrowings under CBLO/ Tri-party Repo are secured against Government Securities including Treasury Bills

SCHEDULE TO CONSOLIDATED BALANCE SHEET
Consolidated Schedule 8 - Current Liabilities and Provisions

(Amount in ₹ crore)

<i>Sr. No.</i>	<i>Particulars</i>	<i>As on 31.03.2021</i>	<i>As on 31.03.2020</i>
1	Interest / Discount Accrued	7,356.92	7,293.11
2	Sundry Creditors [Refer note B-5 of Schedule-18]	1,422.52	785.68
3	Subsidy Reserve (Co-finance, Cold Storage, CSAMI)	87.74	106.36
4	Provision for Gratuity	5.84	20.81
5	Provision for Pension	40.51	162.13
6	Provision for Encashment of Ordinary Leave	376.53	362.62
7	Provision for Post-Retirement Medical Benefit	135.10	135.10
8	Provision for Salary revision [Refer note B-9 of Schedule-18]	680.00	500.00
9	Unclaimed Interest on Bonds	3.22	4.00
10	Unclaimed Interest on Term Deposits	–	0.12
11	Term Deposits matured but not claimed	–	0.05
12	Bonds matured but not claimed	31.75	39.14
13	Bond Premium	225.22	88.29
14	Debt Servicing Reserve	–	–
15	Provisions and Contingencies		
	a) Provision for Depreciation in value of Investment – G. Sec	355.70	–
	b) Provision for Amortisation of G. Sec – HTM	103.92	81.30
	c) Provision for Standard Assets	2,637.17	1,937.78
	d) Provision for Non-performing Investments	650.35	564.86
	e) Counter Cyclical Provisioning Buffer	1,264.45	514.44
	f) Provision for Other Assets & Receivables	141.24	4.64
	g) Provision for Income Tax [Net of Advance Tax]	3,052.47	3,050.08
16	Other Liabilities	120.16	0.34
	Total	18,690.81	15,650.85

SCHEDULE TO CONSOLIDATED BALANCE SHEET
Consolidated Schedule 9 - Cash and Bank Balances

(Amount in ₹ crore)

<i>Sr. No.</i>	<i>Particulars</i>	<i>As on 31.03.2021</i>	<i>As on 31.03.2020</i>
1	Cash in hand	–	–
2	Balances with:		
	a) Reserve Bank of India	843.23	621.20
	b) Others:	–	–
	(1) In India	–	–
	(i) Other Banks in India	–	–
	a) In Current Account	637.18	540.85
	b) Deposit with Banks	3,270.68	11,065.80
	(ii) Remittance in Transit	–	–
	(iii) Collateralised Borrowing and Lending Obligations /Tri-Party Repo	–	–
	(2) Outside India	–	–
	Total	4,751.09	12,227.85



SCHEDULE TO CONSOLIDATED BALANCE SHEET

Consolidated Schedule 10 - Investments

(Amount in ₹ crore)

Sr. No.	Particulars	As on 31.03.2021	As on 31.03.2020
1	Government Securities (Refer Note B-18 of Sch 18)		
	a) Securities of Central Government & State Govt [Face Value ₹35,624.49 crores (₹22,413.09 crores)] [Market Value ₹37,610.53 crores (₹23,708.09 crores)]	37,878.80	23,248.25
	b) Treasury Bills [Face Value ₹565.00 crores (₹0.00)] [Market Value ₹556.31 crores (₹0.00)]	556.31	—
2	Other Approved Securities		
3	Equity Shares in:		
(a)	Agricultural Finance Corporation Ltd. [1,000 (1,000) – Equity shares of ₹10,000 each]	1.00	1.00
(b)	Small Industries Development Bank of India [5,31,92,203 (5,31,92,203) – Equity shares of ₹10 each]	966.28	966.28
(c)	Agriculture Insurance Company of India Ltd. [6,00,00,000 (6,00,00,000) – Equity shares of ₹10 each]	60.00	60.00
(d)	Multi Commodity Exchange of India Ltd. [3,77,758 (3,77,758) – Equity shares of ₹10 each]	0.30	0.30
(e)	National Commodity and Derivatives Exchange Ltd. [56,25,000 (56,25,000) – Equity shares of ₹10 each]	16.88	16.88
(f)	CSC e-Governance Services India Ltd Equity [55,000 (55,000) Shares of ₹1000 each]	9.75	9.75
(g)	Agriculture Skill Council of India [4,000 (4,000) Shares of ₹10 each]	0.00	0.00
(h)	National E-Governance Services India Ltd [Equity] [15,00,000 (15,00,000) Shares of ₹10 each]	1.50	1.50
(i)	National e-Repository Ltd. [105,30,000 (105,30,000) Shares of ₹10 each]	10.53	10.53
(j)	Other Equity Investments [Market Value ₹84.88 crores (₹82.44 crores)]	43.73	47.31
4	Debentures and Bonds		
(i)	Special Dev Debentures of SCARDBs (Refer Note B-14 of Schedule 18)	709.80	1,118.34
(ii)	Non-Convertible Debentures	1,482.96	2,246.26
5	Others		
(a)	Mutual Fund	2,019.58	3,519.17
(b)	Commercial Paper [Face Value ₹650.00 crore (₹300.00 crore)]	618.08	276.87
(c)	Certificate of Deposit [Face Value ₹250.00 crore (₹1725.00 crore)]	243.44	1,660.04
(d)	Venture Capital Funds / AIFs	285.14	222.10
(e)	Investment Earmarked towards EOL	148.26	186.49
	Total	45,052.34	33,591.06

@ All the above investments are made in India

SCHEDULE TO CONSOLIDATED BALANCE SHEET
Consolidated Schedule 11 - Advances

(Amount in ₹ crore)

Sr. No.	Particulars	As on 31.03.2021	As on 31.03.2020
1	Refinance Loans		
(a)	Production & Marketing Credit	1,06,372.45	68,692.87
(b)	Medium Term – Conversion Loans	15.15	92.00
(c)	Other Investment Credit:		
(i)	Medium Term and Long Term Project Loans (Refer Note B -14 of Schedule 18)	1,96,221.72	1,63,519.32
(ii)	Direct refinance to DCCBs	4,566.76	3,025.89
(iii)	Other Refinance Loans – JNN Solar Mission	–	–
2	Direct Loans		
(a)	Loans under Rural Infrastructure Development Fund	1,32,723.87	1,25,647.06
(b)	Loans under Warehouse Infrastructure Fund	5,155.31	5,164.37
(c)	Long Term Non-Project Loans (net of provision)	3,464.94	3,161.74
(d)	Loans under NABARD Infrastructure Development Assistance (NIDA)	17,998.73	11,750.48
(e)	Loans under Producers' Organisation Development Fund (PODF) (net of provision)	37.58	82.68
(f)	Credit Facility to Federations [CFF]	20,038.21	12,123.24
(g)	Loans under Food Processing Fund	293.35	278.80
(h)	Loans under Long Term Irrigation Fund	51,712.54	44,687.28
(i)	PMAY-G	48,819.03	28,819.23
(j)	Swachh Bharat Mission-Gramin (SBMG)	12,298.20	12,298.20
(k)	Loans under Dairy Processing and Infrastructure Development Fund (DIDF)	956.33	1,009.69
(l)	Loans under Green Climate Fund (GCF)	319.82	344.43
(m)	Micro Irrigation Fund	1,827.47	–
(n)	Fisheries and Aquaculture Infrastructure Development Fund	193.77	–
(o)	Other Loans:		
(i)	Loans out of Watershed Development Fund	0.11	20.64
(ii)	Loans under KfW UPNRM (net of provision)	15.55	129.68
(iii)	Loans out of Tribal Development Fund (net of provision)	0.34	0.96
(iv)	Loans under off-farm sector promotion activities (net of provision)	85.17	185.65
(v)	Loans out of Micro Finance Development Equity Fund (net of provision)	1.48	0.10
(vi)	Loans out of Farm Sector Promotion Activities Programme (net of provision)	–	–
(p)	Co-Finance Loans (net of provision)	–	–
(q)	Direct Loans Under Sec 30 (net of provision)	–	–
	Total	6,03,117.88	4,81,034.31



SCHEDULE TO CONSOLIDATED BALANCE SHEET
Consolidated Schedule 12 – Property, Plant & Equipment (Fixed Assets)

(Amount in ₹ crore)

Sr. No.	Particulars	As on 31.03.2021	As on 31.03.2020
1	LAND: Freehold & Leasehold*		
	Opening Balance	201.08	185.84
	Additions/adjustments during the year	–	15.24
	Sub-Total	201.08	201.08
	Less: Cost of assets sold/written off	–	0.00
	Closing Balance (at cost)	201.08	201.08
	Less: Amortisation of Lease Premia	60.80	59.04
	Book Value	140.28	142.04
2	PREMISES*		
	Opening Balance	582.73	424.39
	Additions/adjustments during the year	73.00	173.45
	Sub-Total	655.73	597.84
	Less: Cost of assets sold/written off	–	15.11
	Closing Balance (at cost)	655.73	582.73
	Less: Depreciation to date	301.39	280.90
	Book Value	354.34	301.83
3	FURNITURE & FIXTURES		
	Opening Balance	69.72	70.39
	Additions/adjustments during the year	-1.64	7.39
	Sub-Total	68.08	77.78
	Less: Cost of assets sold/written off	0.30	8.06
	Closing Balance (at cost)	67.78	69.72
	Less: Depreciation to date	62.13	61.64
	Book Value	5.65	8.08
4	COMPUTER INSTALLATIONS & OFFICE EQUIPMENT		
	Opening Balance	174.86	134.80
	Additions/adjustments during the year	33.08	48.78
	Sub-Total	207.94	183.58
	Less: Cost of assets sold/written off	3.79	8.72
	Closing Balance (at cost)	204.15	174.86
	Less: Depreciation to date	145.14	121.08
	Book Value	59.01	53.78
5	VEHICLES		
	Opening Balance	8.60	10.10
	Additions/adjustments during the year	5.97	4.97
	Sub-Total	14.57	15.07
	Less: Cost of assets sold/written off	2.88	6.47
	Closing Balance (at cost)	11.69	8.60
	Less: Depreciation to date	4.60	4.43
	Book Value	7.09	4.17
6	Capital Work in Progress [Purchase of Staff Quarters & Office Premises]	14.52	40.33
	Total	580.89	550.24

* Refer note B-12 & B-13 of Schedule 18

SCHEDULE TO CONSOLIDATED BALANCE SHEET
Consolidated Schedule 13 - Other Assets

(Amount in ₹ crore)

<i>Sr. No.</i>	<i>Particulars</i>	<i>As on 31.03.2021</i>	<i>As on 31.03.2020</i>
1	Accrued Interest	3,238.85	3,573.31
2	Deposits with Landlords	1.56	1.77
3	Deposits with Government Departments and Other Institutions	37.55	38.48
4	Housing loan to staff	121.15	135.42
5	Other Advances to staff	85.17	93.28
6	Sundry Advances	107.38	112.00
7	Deferred Tax Assets (Refer Note B-10 of Schedule 18)	160.80	159.28
8	Expenditure recoverable from Government of India / International Agencies (Refer Note B-4 of Schedule 18)	1,340.66	1,065.38
9	Discount Receivable	11.53	27.05
10	Discount on Issue of Bonds	3.23	3.64
11	Securitisation PTC	47.74	17.62
12	Advances to Landlords	—	—
	Total	5,155.62	5,227.23

SCHEDULE TO CONSOLIDATED BALANCE SHEET
Consolidated Schedule 14 - Interest and Financial Charges

(Amount in ₹ crore)

<i>Sr. No.</i>	<i>Particulars</i>	<i>2020-21</i>	<i>2019-20</i>
1	Interest Paid on		
(a)	Deposits under RIDF	5,726.58	6,114.48
(b)	Short Term Cooperative Rural Credit Fund*	1,809.50	1,885.81
(c)	ST RRB Credit Refinance Fund*	397.46	418.83
(d)	Warehouse Infrastructure Fund	246.35	278.06
(e)	Long Term Rural Credit Fund	1,627.40	1,788.78
(f)	Fund for Food Processing Units	14.78	16.08
(g)	Tea / Coffee / Rubber Deposits	2.66	3.44
(h)	CBS Deposits	—	—
(i)	Term Money Borrowings	301.18	214.30
(j)	Bonds*	9,955.36	8,420.70
(k)	Corporate Loans	512.14	612.99
(l)	Borrowings from International Agencies	28.33	30.21
(m)	Borrowing against ST Deposit	—	—
(n)	Discount on Commercial Paper	1,040.96	1,688.88
(o)	Discount on Certificate of Deposits	903.91	1,518.23
(p)	Repo Interest Expenditure	19.79	26.17
(q)	Interest on funds	364.81	347.46
(r)	Borrowing from RBI under SLF	846.88	
2	Discount on CBLO / Tri-Party Repo	359.30	342.52
3	Discount, Brokerage, Commission & issue exp. on Bonds and Securities	44.71	38.57
4	Swap Charges	33.55	38.56
	Total	24,235.65	23,784.07

* Refer note B-7 of Schedule 18



SCHEDULE TO CONSOLIDATED BALANCE SHEET
Consolidated Schedule 15 A - Establishment and Other Expenses

(Amount in ₹ crore)

<i>Sr. No.</i>	<i>Particulars</i>	<i>2020-21</i>	<i>2019-20</i>
1	Salaries and Allowances (Refer Note B-9 of Schedule 18)	943.38	1,015.76
2	Contribution to / Provision for Staff Superannuation Funds	694.73	801.34
3	Other Perquisites & Allowances	120.15	65.33
4	Travelling & Other allowances in connection with Directors' & Committee Members' Meetings	0.14	0.36
5	Directors' & Committee Members' Fees	0.56	0.31
6	Rent, Rates, Insurance, Lighting, etc.	27.73	39.44
7	Travelling Expenses	26.51	46.70
8	Printing & Stationery	5.08	7.17
9	Postage, Telegrams & Telephones	20.02	20.36
10	Repairs	15.44	44.57
11	Auditors' Fees	0.50	0.46
12	Legal Charges	2.03	1.63
13	Miscellaneous Expenses	175.31	169.78
14	Expenditure on Miscellaneous Assets	10.03	16.79
15	Expenditure on Study & Training	61.17	75.59
	Total	2,102.77	2,305.58

Consolidated Schedule 15 B - Expenditure on Promotional Activities

(Amount in ₹ crore)

<i>Sr. No.</i>	<i>Particulars</i>	<i>2020-21</i>	<i>2019-20</i>
1	Cooperative Development Fund	18.71	17.90
2	Producers Organisation Development Fund	4.03	2.61
3	Rural Infrastructure Promotion Fund	20.00	1.20
4	Farm Sector Promotion Fund	17.67	17.95
5	Climate Change Fund	0.97	1.22
6	Gramya Vikas Nidhi	27.67	28.55
7	Catalytic Capital Fund	6.00	—
	Total	95.05	69.43

SCHEDULE TO CONSOLIDATED BALANCE SHEET
Consolidated Schedule 16 - Provisions

(Amount in ₹ crore)

<i>Sr. No.</i>	<i>Particulars</i>	<i>2020-21</i>	<i>2019-20</i>
	Provisions for:		
1	Standard Assets	699.40	198.18
2	Non Performing Asset	878.55	736.59
3	Non Performing Asset - Staff Loans	0.06	0.03
4	Floating provisions (Refer Note B-19 of Schedule 18)	750.00	500.00
	Total	2,328.01	1,434.80

Consolidated Schedule 17 - Commitments and Contingent Liabilities

(Amount in ₹ crore)

<i>Sr. No.</i>	<i>Particulars</i>	<i>As on 31.03.2021</i>	<i>As on 31.03.2020</i>
1	Commitments on account of capital contracts remaining to be executed	1.08	1.81
	Sub Total "A"	1.08	1.81
2	Contingent Liabilities		
(i)	Claims against the Bank not acknowledged as debt	–	–
(ii)	Bank Guarantee	24.18	25.57
(iii)	Pending Legal Cases	9.00	–
	Sub Total "B"	33.18	25.57
	Total (A + B)	34.26	27.38



SCHEDULE 18

Significant Accounting Policies and Notes forming Part of Accounts for the year ended 31 March 2021

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 recognised 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 (%)	
		2020-21	2019-20
NABKISAN Finance Limited (NABKISAN)	India	87.48	87.48
NABSAMRUDDHI Finance Limited (NABSAMRUDDHI)	India	91.09	90.68
NABFINS Limited (NABFINS)	India	63.10	63.10
NABARD Consultancy Services Private Limited (NABCONS)	India	100	100
NABVENTURES Limited (NABVENTURES)	India	100	100
NABFOUNDATION	India	100	100
NABSANRAKSHAN Trustee Private Limited (NABSANRAKSHAN)	India	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 recognised 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:
- Interest on non-performing assets identified as per RBI guidelines.
 - Income by way of penal interest charged due to delayed receipt of loan dues or non-compliance with terms of loan.
 - Service Charges on loans given out of various Funds.
 - Expenses not exceeding ₹10,000 at each accounting unit, under a single head of expenditure.
 - Upfront processing fees collected from customers for processing loans.
 - Monitoring cost received by NABCONS under DDU-GKY scheme.

- 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 recognised as expenditure in the year of issue of Bonds.
- Dividend on investments is accounted for, when the right to receive the dividend is established.
- 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.
- Income from Venture Capital Funds are accounted on realization basis.
- Recovery in non-performing assets (NPA) is appropriated in the following order:
 - Penal Interest
 - Cost & charges
 - Overdue interest and interest
 - Principal
- Interest from the term loan disbursed and interest from banks are recognised 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 recognised 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 recognised in proportion to period completed.
- 5.8.2 In case of foreign assignments, the income has been recognised 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 instalment towards professional fees. The income has been recognised at the time of release of each instalment amount.

6. Property, Plant and Equipment (Fixed Assets) and Depreciation

- 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 capitalised, 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.
- Depreciation policy on premises situated on freehold land and leasehold land has been revised during the FY 2017-18 and calculated on straight line basis over the period of 30 years.
- The upfront lease premium paid on leasehold land are amortized over the tenure of lease period @5% on opening written down value or the proportionate amount of remaining lease premium on the remaining period of lease, whichever is higher.
- Fixed Assets individually costing ₹1 lakh or 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 capitalised, if individual cost of the items is more than ₹10,000. All software costing ₹1 lakh each and less, purchased independently are charged to the Profit and Loss Account.
- 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 is charged from the month the asset is capitalised in the year of purchase and till the month the asset is sold in the year of sale.
- Capital work in progress includes capital advances and is disclosed under Fixed Assets.
- In case of subsidiaries the depreciation on fixed assets is provided on following basis:

Name of the Subsidiary	Method of Depreciation
NABKISAN	WDV as per Schedule II
NABSAMRUDDHI	WDV as per Schedule II
NABFINS	SLM as per Schedule II
NABCONS	SLM as per Schedule II
NABVENTURES	SLM as per Schedule II
NABFOUNDATION	SLM as per Schedule II
NABSANRAKSHAN	WDV 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”.
- Investments classified under HTM 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 recognised 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 such 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 Private Limited. Depreciation / appreciation is recognised in the category for investments classified as “HFT”. The book value of the individual scrip is changed after such 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 Financial Statements 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 capitalised.
- l) 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) on Accounting for the Effects of Changes in Foreign Exchange Rates issued by the ICAI; 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/reporting date. The hedged portion of the foreign currency borrowings are stated at the contracted value and the liability of hedged borrowing as per year-end exchange rate is disclosed as a contra item in the Balance Sheet (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 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’.



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, for long term employee benefits 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

- a) 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 recognised on accrual basis.
- b) 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 recognised, 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 recognised in the previous periods.
- b) Impairment loss is recognised when the carrying amount of an asset exceeds recoverable amount.

15. Provisions, Contingent Liabilities and Contingent Assets

15.1 Provisions are recognised for liabilities that can be measured only by using substantial degree of estimation if:

- a) the Bank has a present obligation as a result of a past event;
- b) a probable outflow of resources is expected to settle the obligation; and
- c) the amount of the obligation can be reliably estimated.

15.2 Contingent liability is disclosed in the case of:

- a) a possible obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation;
- b) a present obligation when no reliable estimate is possible; and
- c) a possible obligation arising from past events where the probability of outflow of resources is remote.

15.3 Contingent assets are neither recognised, nor disclosed.

15.4 Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

16. Cash and cash equivalents

- a) Cash and cash equivalents for the purpose of cash flow statement comprises cash at bank, cash in hand, demand deposits with banks and other short-term investments with an original maturity of three months or less.
- b) Cash Flow statement is reported using Indirect method. The cash flow from operating, financing and investing activity is segregated based on the available information.

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 31 March 2018 and thereafter. The implementation of Ind AS by AIFIs has been deferred by Reserve Bank of India until further notice.

19. Impact of Covid-19

- a) The outbreak of COVID-19 across the globe and in India consequent to the restricted movements and partial lockdown has caused significant decline in the economic activity of the nation. It has created disruptions across the businesses more particularly in Banking and Financial services sector also posing severe challenges to the farm sector, especially during the peak of *rabi* season in the country and when crops are at harvestable stage or almost reaching maturity. This is also the time when the farm harvests reach the *mandis* (market yards) for assured procurement operations by designated government agencies.
- b) The management of the Holding Bank assessed the impact of the COVID19 considering its internal and external inputs for ascertaining the same on the financial reporting numbers, which in turn is based on its assessment of the evolving developments in the subsequent periods.
- c) As banking and financial services are categorized as essential services, all the routine activities of the bank on policy matters, disbursement of loans, Investment of surplus and other related operations are conducted smoothly during the lockdown period by allowing majority staff to work from home through online / digital mode. A limited number of staff are called to office on rotational basis for attending to emergency work.

In the opinion of the management of the Holding Bank, based on information presently available, the impact of COVID-19 on the reported numbers and impairment of the assets would not be significant.

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 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 ₹5.91 crore (₹21.06 crore), representing total expenditure of ₹17.64 crores over income of ₹11.73 crores under the fund, has been charged to Profit & Loss Account.

2. During the FY 2020-21, ₹33.27 crore was received from Government of India under Central Sector Scheme towards formation and promotion of 10,000 Farmer Producer Organisations.
3. Interest on unutilised balances has been credited to the following funds as per the respective agreements / as approved by the management/ Board of Directors. The details of rate of interest for respective funds are as under:

Sr. No.	Name of the Fund	Rate of Interest for 2020-21	Rate of Interest for 2019-20
1.	Watershed Development Fund	4%	4%
2.	KfW- NB IGWDP (Andhra Pradesh, Gujarat, Rajasthan)	4%	4%
3.	KfW Accompanying Measures	4%	4%
4.	National Adaptation Fund for Climate change	4%	4%
5.	Tribal Development Fund	4%	4%
6.	Financial Inclusion Fund	4%	4%
7.	KfW NB- V Adivasi Development Programme – Gujarat	4%	4%
8.	Climate Change – (AFB) – Project Formulation Grant	4%	4%
9.	LTIF Interest Fluctuation Reserve Fund	4%	4%
10.	PODF-ID	4%	4%
11.	GCF Project Grants	4%	–
12.	Cattle Development Fund (UP & Bihar)	7.52%	8.97%
13.	Multi Activity Approach for Poverty Alleviation (Sultanpur and Rae Bareilly)	7.52%	8.97%
14.	Center for Professional Excellence in Co-operatives	7.52%	8.97%

4. Recoverable from Government of India / International Agencies (Refer Schedule-13 of Balance Sheet) includes ₹6.92 crore (₹1.06 crore) being debit balance of various funds. The details of such funds are as under:

(Amount in ₹ crore)

Sr. No.	Name of the Fund	31.03.2021	31.03.2020
1	KfW- UPNRM – Accompanying Measures	0.07	0.59
2	KfW- Soil Project	6.70	0.00
3	KfW UPNRM – Technical collaboration	0.00	0.47
4	Poultry Venture Capital Fund	0.15	0.00

5. Sundry creditors includes ₹30.48 crore (₹30.48 crore) being amounts outstanding to contributors in respect of Micro Finance Development and Equity Fund (MFDEF).
6. Pursuant to the directions of RBI, the relative margin available to the Bank in excess of 0.5% in respect of Rural Infrastructure Development Fund (RIDF) deposits, Warehousing Infrastructure Fund (WIF) deposits and Food Processing Fund (FPF), placed by the Commercial Banks is credited to Watershed Development Fund, Tribal Development Fund, Financial Inclusion Fund and PODF.
7. Interest Subvention received / receivable from Government of India (GOI) under various schemes has been adjusted from Interest and financial charges under Schedule 14. The amount of Interest subvention adjusted under different schemes is given below:

(Amount in ₹ crore)

Sr. No.	Scheme	2020-21	2019-20
1.	Long Term Irrigation Fund	454.71	332.74
2.	Seasonal Agricultural Operations (SAO)	-672.18	-296.60
3.	Dairy Processing and Infrastructure Development Fund (DIDF)	20.25	15.18
4.	National Rural Livelihood Mission (NRLM)	15.56	20.54
5.	Micro Irrigation Fund (MIF)	34.60	0.00
6.	Fisheries and Aquaculture Infrastructure Development Fund (FIDF)	1.64	0.00

8. Interest Margin 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 has been accounted as interest income. The amount received/ receivable from GOI under the scheme stood at ₹90.10 crore (₹100.02 crore).

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 ₹180 crore (₹200 crore) has been provided, during the year under report, 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”, recognised in the Profit and Loss Account the deferred tax asset of (-) ₹11.45 crore ((-) ₹45.09 crore). Details of deferred tax are as under:

(Amount in ₹ crore)

Sr. No.	Deferred Tax Assets	31.03.2021	31.03.2020
1	Provision allowable on payment basis	128.38	126.99
2	Depreciation on Fixed Assets	18.63	31.47
3	Others	13.79	0.82
	Total	160.80	159.28

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 details of pending Income Tax Appeals with various authorities as at the end of FY 2020-21 is given below:

Sr. No.	Assessment Year	Authority where Appeal is pending	Appeal preferred by	Amount in dispute 31.03.2021 (₹ crore)	Amount in dispute 31.03.2020 (₹ crore)
1.	2006-07	High Court – Mumbai	IT Dept.	115.52	115.52
2.	2007-08	Income Tax Appellate Tribunal (ITAT)	IT Dept.	89.56	89.56
3.	2008-09	Income Tax Appellate Tribunal (ITAT)	IT Dept.	–	118.77
4.	2009-10	Income Tax Appellate Tribunal (ITAT)	IT Dept.	–	194.82
5.	2010-11	Income Tax Appellate Tribunal (ITAT)	NABARD	28.20	28.20
6.	2010-11	Income Tax Appellate Tribunal (ITAT)	IT Dept.	215.31	215.31

Sr. No.	Assessment Year	Authority where Appeal is pending	Appeal preferred by	Amount in dispute 31.03.2021 (₹ crore)	Amount in dispute 31.03.2020 (₹ crore)
7.	2011-12	Income Tax Appellate Tribunal (ITAT)	NABARD	51.07	51.07
8.	2011-12	Income Tax Appellate Tribunal (ITAT)	IT Dept.	287.62	287.62
9.	2012-13	Income Tax Appellate Tribunal (ITAT)	NABARD	45.63	45.63
10.	2012-13	Commissioner of Income Tax (Appeals)	NABARD	25.55	25.55
11.	2012-13	Income Tax Appellate Tribunal (ITAT)	IT Dept.	327.03	327.03
12.	2013-14	Income Tax Appellate Tribunal (ITAT)	NABARD	1.70	1.70
13.	2013-14	Income Tax Appellate Tribunal (ITAT)	IT Dept.	380.05	380.05
14.	2014-15	Income Tax Appellate Tribunal (ITAT)	IT Dept.	450.61	450.61
15.	2015-16	Income Tax Appellate Tribunal (ITAT)	IT Dept.	448.87	448.87
16.	2016-17	Commissioner of Income Tax (Appeals)	NABARD	407.23	407.23
17.	2017-18	Commissioner of Income Tax (Appeals)	NABARD	360.69	360.69

12. Free hold land and Lease Land and Premises include ₹14.00 crore (₹14.00 crore) paid towards Office Premises and Staff Quarters for which conveyance is yet to be completed.
13. 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.
14. Pursuant to the directives of RBI, the project loans provided to State Co-operative Agriculture and Rural Development Banks (SCARDBs) by way of subscription to the Special Development Debentures (SDDs) floated by these agencies, are treated as under:



- a) Classified as Investments and shown in Schedule – 10 under the head ‘Debenture and Bonds’.
 - b) Interest earned on the same is shown as a part of ‘Interest received on Loans and Advances’ in the Profit and Loss Account, treating them as ‘Deemed Advances’.
 - c) ‘Deemed Advances’ for the purpose of IRAC norms, capital adequacy and computation of ratios etc.
15. As on the date of the financial statements, out of the disbursement extended to various State Governments under RIDF, ₹483.17 crore (₹438.65 crore) pertains to non-starter projects under ongoing Tranches (XX to XXV). 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.
16. 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 section 10(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 ₹365.41 crore (₹365.94 crore).

The details of the debenture Trustee is as under:

Axis Trustee Services Limited,
The Ruby, 2nd Floor, SW,
29, Senapati Bapat Marg,
Dadar West, Mumbai - 400028
Telephone: +91 22 6230 0451

17. 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 ₹19.45 crore (₹42.38 crore) made in the units of VCF was shifted from HTM category, on completion of 3 years, to AFS category.

18. 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)	760.00 (750.00)	798.77 (783.15)
Pledged for Business Segment (CBLO / Tri Party Repo)	23111.05 (13252.00)	24895.54 (14091.46)
Pledged for Business Segment (Securities) Default Fund	50.00 (50.00)	52.21 (52.21)
Pledged for Business Segment (CBLO / Tri Party Repo) – Default Fund	50.00 (50.00)	52.21 (52.21)

19. Floating Provisions and Counter Cyclical Provision

(Amount in ₹ crore)

Sr. No.	Particulars	2020-21	2019-20
(a)	Opening balance in floating provision account (counter cyclical provisioning buffer)	514.44	14.44
(b)	The quantum of floating provisions made during the accounting year #	750.00	500.00
(c)	Amount of drawdown made during the accounting year	0.00	0.00
(d)	Closing balance in the floating provision account	1,264.44	514.44

The Board of Directors of the Bank decided to create floating provisions, in accordance with RBI guidelines, to be utilised for any unexpected or exceptional circumstances.

20. The disclosures required to be given by financial institutions pursuant to RBI Master Direction- Reserve Bank of India (Financial Statements of All India Financial Institutions – Presentation, Disclosure and Reporting Directions 2016) dated 23 June 2016 not being considered relevant for consolidated financial statements of the group and hence the same are not contained in the notes.
21. During the year, a new subsidiary viz. NABSanrakshan Trustee Private Limited, was formed under the Companies Act, 2013, which is fully owned by NABARD.
22. The financial statements of all the seven subsidiaries of NABARD are unaudited and consolidation thereof is prepared based on the numbers certified by the respective managements of these

subsidiaries. The audit of financial statements of all the seven subsidiaries were not complete till the date of signing of the consolidated financials due to the prevailing lockdown for Covid-19 pandemic.

Further, the difference between the unaudited numbers of subsidiaries considered in preparing consolidated financial statements of the group for FY 2019-20 and based on their audited financial statements for FY 2019-20 amounting to ₹168.12 crores is adjusted in Schedule 1 under the head “Reserve Fund”.

23. In accordance with the RBI notification dated 7 April 2021, the Group is required to refund/adjust ‘interest on interest’ charged to the borrowers during the moratorium period, i.e. 1 March 2020 to 31 August 2020. During the year, the group has created a provision of ₹1.86 crores for refund/adjustment of Interest on Interest charged on loans during moratorium period.
24. In case of 3 subsidiaries, depreciation has been provided using Written Down Value method and is not adjusted in Consolidated Financial Statements as per Straight Line method. The impact of this on the consolidated financial statements is not material.
25. NABFINS extends loans to Self Help Groups under business & development correspondent model. A business and development correspondent based at Chittoor through which the company extended loans to groups committed a fraud against the company for an amount of ₹12.10 crores during the financial year 2015-2016. The company has initiated legal proceedings including filing FIR with police authorities, Chittoor District of Andhra Pradesh. The company has also lodged the insurance claim with insurance company. As on date the case is pending with the court of law.
26. During the year under review there was an embezzlement of cash by employees of NABFINS and certain business and development correspondents aggregating to ₹0.18 crore, of which ₹0.02 crore has been recovered and necessary provision has been made for the unrecovered amount as on 31 March 2021.
27. The movement in Contingent Liability as required in AS 29 “Provisions, Contingent Liabilities and Contingent Assets” is as under:

(Amount in ₹ crore)

Particulars	2020-21	2019-20
Opening Balance	25.57	25.02
Addition during the year	33.18	25.57
Deletion during the year	25.57	25.02
Closing Balance	33.18	25.57

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

(Amount in ₹ crore)

Sr. No.	Particulars	2020-21	2019-20
1.	Income	0.00	0.00
2.	Revenue Expenditure	0.00	0.00
	Total	0.00	0.00

29. 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) Key Management Personnel:

Name of the party	Designation
Dr. Harsh Kumar Bhanwala*	Chairman
Dr. G R Chintala (with effect from May 2020)	Chairman
Shri Shaji K V (with effect from May 2020)	Deputy Managing Director
Shri P V S Suryakumar (with effect from May 2020)	Deputy Managing Director
Shri Harishkumar Rasiklal Dave**	Deputy Managing Director
Shri R Amalorpavanathan**	Deputy Managing Director

* Dr. Harsh Kumar Bhanwala’s transactions are from April 2020 to May 2020.

** DMDs (HRD) and (RA) retired in April and May 2019 respectively.



b) 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	0.13 (0.61)	0.00
Dr. G R Chintala	Key Management Personnel–Chairman	Remuneration including perquisites	0.63 (0.00)	0.00
Shri Shaji K V	Key Management Personnel–Deputy Managing Director	Remuneration including perquisites	0.59 (0.00)	0.00
Shri P V S Suryakumar	Key Management Personnel–Deputy Managing Director	Remuneration including perquisites	0.56 (0.00)	0.00
Shri Harishkumar Rasiklal Dave	Key Management Personnel–Deputy Managing Director	Remuneration including perquisites	0.00 (0.13)	0.00
Shri R Amalorpavanathan	Key Management Personnel–Deputy Managing Director	Remuneration including perquisites	0.00 (0.17)	0.00

*Dr. Harsh Kumar Bhanwala's transactions are from April 2020 to May 2020.

**DMDs (HRD) and (RA) retired in April and May 2019 respectively.

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.

30. Information on Business Segment

a) Brief Background

The Bank has recognised Primary segments as under:

- 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 organisations 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.

- Treasury:** Includes investment of funds in treasury bills, short-term deposits, government securities, etc.

- 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	Treasury		Refinance		Direct Lending		Other Business (unallocated)		Total	
	2020–21	2019–20	2020–21	2019–20	2020–21	2019–20	2020–21	2019–20	2020–21	2019–20
Business Segments										
Revenue	3372.89	3867.07	15998.01	15096.98	15472.56	13906.85	164.72	133.28	35008.18	33004.28
Result	2061.34	2248.67	4005.34	2828.64	3425.10	2935.50	-3295.75	-2639.23	6196.03	5373.18
Unallocated Expenses									0.00	0.00
Operating Profit									6196.03	5373.18

<i>Particulars</i>	<i>Treasury</i>		<i>Refinance</i>		<i>Direct Lending</i>		<i>Other Business (unallocated)</i>		<i>Total</i>	
Income Taxes									-1794.94	-1415.45
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									4401.09	3957.73
Other Information										
Segment Assets	48484.91	44693.36	312809.76	241001.39	293758.64	243503.42	3604.51	3432.52	658657.82	532630.69
Segment Liabilities	99432.66	68543.82	278469.69	219481.93	211455.87	183768.67	69299.60	60836.27	658657.82	532630.69
Unallocated Liabilities									0.00	0.00
Total Liabilities									658657.82	532630.69

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

30. Figures in brackets pertain to previous year.

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

As per our attached report of even date

For Khimji Kunverji & Co LLP
Chartered Accountants
FRN: 105146W/ W100621

Hasmukh Dedhia
Partner
Membership No.: 033494

Mumbai
18 May 2021

U S Shevde
Chief General Manager
Accounts Department
Mumbai

Dr G R Chintala
Chairman

Shaji K V
Deputy Managing Director

P V S Suryakumar
Deputy Managing Director



NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
Consolidated Cash flow for the year ended 31 March 2021

(Amount in ₹ crore)

<i>Particulars</i>	<i>2020-21</i>	<i>2019-20</i>
(a) Cash flow from Operating activities		
Net Profit as per Profit and Loss a/c before tax	6,196.03	5,373.18
Adjustment for:		
Depreciation	50.67	37.21
Provisions and Amortisations	(0.36)	–
Provision for Non performing Assets	875.24	729.49
Provision for Standard Assets	1,448.42	696.89
Provision for sacrifice in interest element of Restructured Loan	–	–
(Profit) / Loss on sale of Fixed Assets	0.26	(0.28)
Interest credited to various Funds (including addition/ adjustment made to Interest Differential Fund)	387.47	370.71
Other Expenses	(8.67)	(0.02)
Income from Investment (including Discount Income)	(3,391.51)	(3,880.86)
Operating profit before changes in operating assets	5,557.55	3,326.32
Adjustment for changes in working capital:		
(Increase) / Decrease in Current Assets	7,697.95	(2,324.40)
Increase / (Decrease) in Current Liabilities	2,902.54	2,837.30
(Increase)/ Decrease in Loans and Advances (Including Housing Loan & Other Advances to Staff	(1,23,709.26)	(51,182.41)
Cash generated from operating activities	(1,07,551.22)	(47,343.19)
Income Tax paid – Net of refund	(1,808.80)	(1,396.68)
(Out of above ₹149.28 crore paid on account of taxability of RIDF/ STCRC differential debited to Watershed Development / Tribal Development / Financial Inclusion Fund)	–	–
Net cash flow from operating activities (A)	(1,09,360.02)	(48,739.87)
(b) Cash flow from Investing activities		
Income from Investment (including Discount Income)	3,391.51	3,880.84
Purchase of Fixed Asset	(85.05)	(101.33)
Sale of Fixed Assets	1.37	38.25
Increase / Decrease in Investment	(11,994.01)	4,978.99
Net cash used in investing activities (B)	(8,686.18)	8,796.76
(c) Cash flow from financing activities		
Grants / contributions received	1,003.32	1,152.66
Interest Expense	(0.00)	–
Proceeds of Bonds	56,130.14	33,949.26
Increase / (Decrease) in Borrowings	55,056.53	(11,018.71)
Increase / (Decrease) in Deposits	5,109.02	12,316.42
Dividend Paid including Tax on Dividend	(0.10)	1,487.74
Increase in Share capital	1,065.65	162.32
Net cash raised from financing activities (C)	1,18,364.56	38,049.69

<i>Particulars</i>	<i>2020-21</i>	<i>2019-20</i>
Net increase in cash and cash equivalent (A)+(B)+(C)	318.36	(1,893.43)
Cash and Cash equivalent at the beginning of the year	1,162.05	3,055.48
Cash and cash equivalent at the end of the year	1,480.41	1,162.05

1. Cash and cash equivalent at the end of the year includes:	2020-21	2019-20
Cash in hand	0.00	0.00
Balance with Reserve Bank of India	843.23	621.20
Balances with other Banks in India	637.18	540.85
Remittances in Transit	–	–
Collateralised Borrowing and Lending Obligations	–	–
Total	1,480.41	1,162.05

Demand Deposits with Banks with an original maturity of more than 3 months are disclosed under Investments.

As per our attached report of even date

Khimji Kunverji & Co LLP
Chartered Accountants
FRN: 105146W/ W100621

Hasmukh Dedhia
Partner
Membership No.: 033494

U S Shevde
Chief General Manager
Accounts Department
Mumbai

Place: Mumbai
Date: 18 May 2021

Dr G R Chintala
Chairman

Shaji K V
Deputy Managing Director

P V S Suryakumar
Deputy Managing Director



E-Mail Address of NABARD Head Office Departments and Subsidiaries at Mumbai

Chairman's Secretariat	chairmansectt@nabard.org
Secretariat of Deputy Managing Director Shaji K.V.	dmdshaji.sectt@nabard.org
Secretariat of Deputy Managing Director P.V.S. Suryakumar	dmdsurya.sectt@nabard.org
Accounts Department	ad@nabard.org
Business Initiative Department	bid@nabard.org
Central Vigilance Cell	cvc@nabard.org
Corporate Communication Department	ccd@nabard.org
Corporate Planning Department	cpd@nabard.org
Department for Data Management Analytics and Business Intelligence	ddmabi@nabard.org
Department of Economic Analysis and Research	dear@nabard.org
Department of Financial Inclusion and Banking Technology	dfibt@nabard.org
Department of Information Technology	dit@nabard.org
Department of Premises, Security & Procurement	dpsp@nabard.org
Department of Refinance	dor@nabard.org
Department of Storage and Marketing	dsm@nabard.org
Department of Subsidiaries and Strategic Investments	dssi@nabard.org
Department of Supervision	dos@nabard.org
Farm Sector Development Department	fsdd@nabard.org
Finance Department	fd@nabard.org
Human Resources Management Department	hrmd@nabard.org
Inspection Department	id@nabard.org
Institutional Development Department	idd@nabard.org
Law Department	law@nabard.org
Micro-Credit Innovation Department	mcid@nabard.org
Off Farm Development Department	ofdd@nabard.org
Rajbhasha Prabhag	rajbhasha@nabard.org
Risk Management Department	rmd@nabard.org
Secretary's Department	secy@nabard.org
State Projects Department	spd@nabard.org
Strategic Planning and Product Innovation Department	sppid@nabard.org
NABARD Consultancy Services (NABCONS)	headoffice@nabcons.in
NABFOUNDATION	nabfoundation@nabard.org
NABKISAN Finance Ltd.	nabkisan@nabard.org
NABSAMRUDDHI Finance Limited	nabsamruddhi@nabard.org
NABVENTURES Limited	nabventure@nabard.org
NABSANRAKSHAN Trustee Private Limited	ho@nabsanrakshan.org

Telephone Nos.

Reception : 022-26539895/96/99
Protocol & Security : 022 - 26539046

Regional Offices/Cells/Training Establishments/Subsidiaries

REGIONAL OFFICES

ANDAMAN & NICOBAR

NABARD Complex
Kamaraj Road (VIP Road)
Post Office Junglighat
Port Blair – 744 103
Tel No.: 03192-233308
Fax No.: 03192-237696
E-mail: portblair@nabard.org

CHHATTISGARH

‘Ananya’
Plot No. 01, Sector No 24
In front of Central Park
Atal Nagar
Naya Raipur – 492 002
Tel No.: 0771-2974047
E-mail: raipur@nabard.org

JAMMU AND KASHMIR

NABARD Towers
Rail Head Complex
Railway Road
Jammu – 180 012
Tel No.: 0191-2472355
Fax No.: 0191-2472337
E-mail: jammu@nabard.org

ANDHRA PRADESH

1-1-61, RTC X Roads, Musheerabad
Post Box No. 1863,
Hyderabad – 500 020
Tel No.: 040-27613152
Fax No.: 040-27612651
E-mail : apro@nabard.org

GOA

Nizari Bhavan, 3rd Floor
Menezes Braganza Road
Panaji – 403 001
Tel No.: 0832-2420504 / 2220490
Fax No.: 0832-2223429
E-mail: panaji@nabard.org

JHARKHAND

Near Water Tank
Bariatu-Booty Road
Ranchi – 834 009
Tel No.: 0651-2361107
Fax No: 0651-2361108
E-mail: ranchi@nabard.org

ARUNACHAL PRADESH

NABARD Tower
Bank Tinali
Itanagar – 791 111
Tel No.: 0360-2215967/2213856
Fax No.: 0360-2212675
E-mail: itanagar@nabard.org

GUJARAT

NABARD Tower
Opp. Municipal Garden
Post Box no. 8
Usmanpura
Ahmedabad – 380 013
Tel No.: 079-27554000
Fax No.: 079-27551584
E-mail: ahmedabad@nabard.org

KARNATAKA

‘NABARD TOWER’, No. 46
Kempe Gowda Road
Bengaluru – 560 009
Tel No.: 080-22130532 / 68428282
E-mail: bangalore@nabard.org

ASSAM

(Opposite Assam Secretariat)
G.S. Road, Dispur
Guwahati – 781006
Tel No.: 0361-2313228
FAX No.: 0361 -2313228
email: guwahati@nabard.org

HARYANA

Plot No. 3, Sector 34-A
Chandigarh – 160022
Tel No.: 0172-5116801, 5116803
Fax No.: 0172-2604033
E-mail: haryana@nabard.org

KERALA

Punnen Road
Statue
Thiruvananthapuram – 695 001
Tel No.: 0471-2701600/2701700
Fax No.: 0471-2324358
E-mail: trivandrum@nabard.org

BIHAR

‘B’ Block, 4th & 5th Floor
Maurya Lok Complex
Dak Bungalow Road
Patna – 800 001
Tel No.: 0612-2223985
Fax No.: 0612-2238424
E-mail: patna@nabard.org

HIMACHAL PRADESH

Block – 32
SDA Commercial Complex
Kasumpti,
Shimla – 171009
Tel No.: 0177-2622258
Fax No.: 0177-2622271
E-mail: shimla@nabard.org

MADHYA PRADESH

E-5, Arera Colony
Post Office – Ravishankar Nagar
Bhopal – 462 016
Tel No.: 0755-2464775
Fax No.: 0755-2466188
E-mail: bhopal@nabard.org

**MAHARASHTRA**

54, Wellesley road
Post Box No 5
Shivajinagar
Pune – 411005
Tel No: 020-25541439
E-mail: pune@nabard.org

MANIPUR

Leiren Mansion, 2nd Floor
Lamphelpat
Imphal – 795004
Tel No.: 0385-2416192
Fax No.: 0385-2416191
Email: imphal@nabard.org

MEGHALAYA

'U' Pheiti, Kharmihpen Building
2nd & 3rd floor, Plot No.28(2)
Dhankheti, Shillong – 793003
Tel No.: 0364-2221602/2503499
/2503507/2501518
Fax No.: 0364-2227463
Email : shillong@nabard.org

MIZORAM

Near Anti-Corruption Bureau
New Capital Complex
Khatla
Aizawl – 796 001
Tel No.: 0389-2335562/2334029
E-mail : aizawl@nabard.org

NAGALAND

NSCB Head Office
Administrative Building
4th Floor, West Wing
Circular Road, Kharmahal
Dimapur – 797112
Tel No.: 03862- 234063/235600/235601
Fax No.: 03862-227040
E-mail : dimapur@nabard.org

NEW DELHI

NABARD Tower
24, Rajendra Place
New Delhi – 110 008
Tel: 011-41539353/25818707
Fax No.: 011-41539187
E-mail: delhi@nabard.org

ODISHA

"Ankur", 2/1 Nayapalli Civic Centre
Bhubaneswar – 751015
Tel No.: 0674-2374301
Fax No.: 0674-2552019
E-mail: bhubaneswar@nabard.org

PUNJAB

Plot No 3, Sector 34-A
Chandigarh – 160022
Tel No: 0172-5046 700
Fax No.: 0172-2604 433
E-mail: chandigarh@nabard.org

RAJASTHAN

3, Nehru Place
Lalkothi, Tonk Road
Jaipur – 302015
Tel No.: 0141-2740821
Fax No.: 0141-2742161
Email: jaipur@nabard.org

SIKKIM

Om Niwas
Church Road
Gangtok – 737101
Tel No.: 03592-203015
E-mail: gangtok@nabard.org

SRINAGAR CELL

1st Floor, Hotel Ashai Annexe
Behind Presentation Convent School
Rajbagh
Srinagar – 190008
Tel No.: 0194-2311471/2310280
Fax No: 0194-2310479
E-mail: srinagar@nabard.org

TAMIL NADU

48, Mahatma Gandhi Road
Nungambakkam
Post Box No. 6074
Chennai – 600 034
Tel. No.: 044-28304444
Fax No.: 044-28275732
Email ID: chennai@nabard.org

TELANGANA

1-1-61, RTCX Roads
Musheerabad
Post Box No. 1863
Hyderabad – 500 020
Tel No.: 040-27612640/27685129/
27685126
Fax No.: 040-27611829
E-mail: hyderabad@nabard.org

TRIPURA

Shilpa Nigam Bhawan
Ground Floor
Khejur Bagan
Post Office - Kunjaban
West Tripura District
Agartala – 799 006
Tel No.: 0381-241 9633 / 241 9644
Fax No.: 0381-241 4125
E-mail: agartala@nabard.org

UTTAR PRADESH

11 Vipin Khand
Gomti Nagar
Lucknow – 226010
Tel No.: 0522-2307630/
2399231/2399234
Fax No.: 0522-2307631
E-mail: lucknow@nabard.org

UTTARAKHAND

Plot No - 42, Doon IT Park
Sahastradhara Road
Dehradun – 248013
Tel No.: 0135-2607741
Fax No.: 0135-2607743
Email: dehradun@nabard.org

WEST BENGAL

‘NABARD Bhawan’, Plot No.2
DP Block, Street No.11
Sector - V, Salt Lake
Kolkata – 700 091
Tel No.: 033-40879600
E-mail: kolkata@nabard.org

TRAINING ESTABLISHMENTS**LUCKNOW**

Bankers Institute of Rural Development
Sector H, LDA Colony
Kanpur Road
Lucknow – 226012
Tel No.: 0522-2421954
Fax No.: 0522-2421006
E-mail : bird@nabard.org

MANGALURU

Bankers Institute of Rural Development
Krishna Nagar Road
Bondel
Mangaluru – 575 008
Tel No.: 0824-2888501
Fax No.: 0824-2225835/44
E-mail: bird.mangaluru@nabard.org
birdmngnomination@nabard.org

KOLKATA

Bankers Institute of Rural Development
Abhilasha 1
6, Royd Street
Post Office Park Street
Kolkata – 700 016
E-mail : bird.kolkata@nabard.org

LUCKNOW

National Bank Staff College
Sector H, LDA Colony
Kanpur Road
Lucknow – 226 012
Tel No.: 0522-2421065
Fax No.: 0522-2422667
E-mail: nbse@nabard.org

SUBSIDIARIES**NABARD CONSULTANCY SERVICES (NABCONS)****Registered Office**

3rd Floor, ‘C’ Wing
NABARD Head Office
Plot No. C-24, ‘G’ Block
Bandra-Kurla Complex
Bandra (East)
Mumbai – 400 051
Tel No. : 022-26539419/ 26539320
Fax No.: 022-26520199
E-mail: headoffice@nabcons.in

Corporate Office

7th Floor
NABARD Tower
24 Rajendra Place
New Delhi – 110 008
Tel: 011 – 41538678/25745103
Fax No.: 011-25753410
E-mail: nabcons@nabard.org

NABKISAN FINANCE LIMITED**Registered Office**

C/o NABARD
NABARD Tamil Nadu Regional Office
48, Mahatma Gandhi Road
Chennai – 600 034
Tel No.: 044-28304658/28270138
Fax No.: 044-42138700
E-mail: finance@nabkisan.org/
adftchennai@gmail.com

Corporate Office

C/o NABARD
Ground Floor, ‘D’ Wing
NABARD Head Office
Plot No. C-24, ‘G’ Block
Bandra-Kurla Complex
Bandra (East)
Mumbai – 400 051
Tel No.: 022-26539514/26539493
Fax No.: 022-26530082
E-mail: nabkisan@nabard.org



NABSAMRUDDHI FINANCE LIMITED

Registered Office

C/o NABARD
NABARD Telangana Regional Office
1-1-61, RTCX Roads
Musheerabad
Post Box No.1863
Hyderabad - 500 020
Telangana
Tel No. : 040-23241155
nabsamruddhi@nabard.org

Corporate Office

C/o NABARD
Ground Floor, 'D' Wing
NABARD Head Office
Plot No. C-24, 'G' Block
Bandra-Kurla Complex
Bandra (East)
Mumbai – 400 051
Tel No.: 022-26539486
nabsamruddhi@nabard.org
nabsamruddhi.corp@nabard.org

NABFINS LIMITED

Registered/Corporate Office

#3072, 14th Cross
K. R. Road
Banashankari 2nd Stage
Bengaluru – 560 070
Karnataka
Telephone: +91 80-26970500
Fax: + 91 80-26970504
E-mail: ho@nabfins.org

NABVENTURES LIMITED

Registered Office

Plot No. C-24, 'G' Block
Bandra-Kurla Complex
Bandra (East)
Mumbai – 400 051
Tel No. : 022-26539149
E-mail: nabventure@nabard.org

NABFOUNDATION

Registered Office

2nd Floor, 'B' Wing
Plot No. C-24, 'G' Block
Bandra-Kurla Complex
Bandra (East)
Mumbai – 400 051
Tel No.: 022-26539371
E-mail: nabfoundation@nabard.org

NABSANRAKSHAN TRUSTEE PRIVATE LIMITED

Registered Office

4th Floor, 'D' Wing
Plot No. C-24, 'G' Block
Bandra-Kurla Complex
Bandra (East)
Mumbai – 400 051
Tel No. : 022-26539410
E-mail: ho@nabsanrakshan.org

ANNUAL REPORT 2020-21



National Bank for Agriculture and Rural Development

Plot No. C-24, 'G' Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051.

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www.nabard.org

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