

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

9

FINANCIAL MANAGEMENT



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.

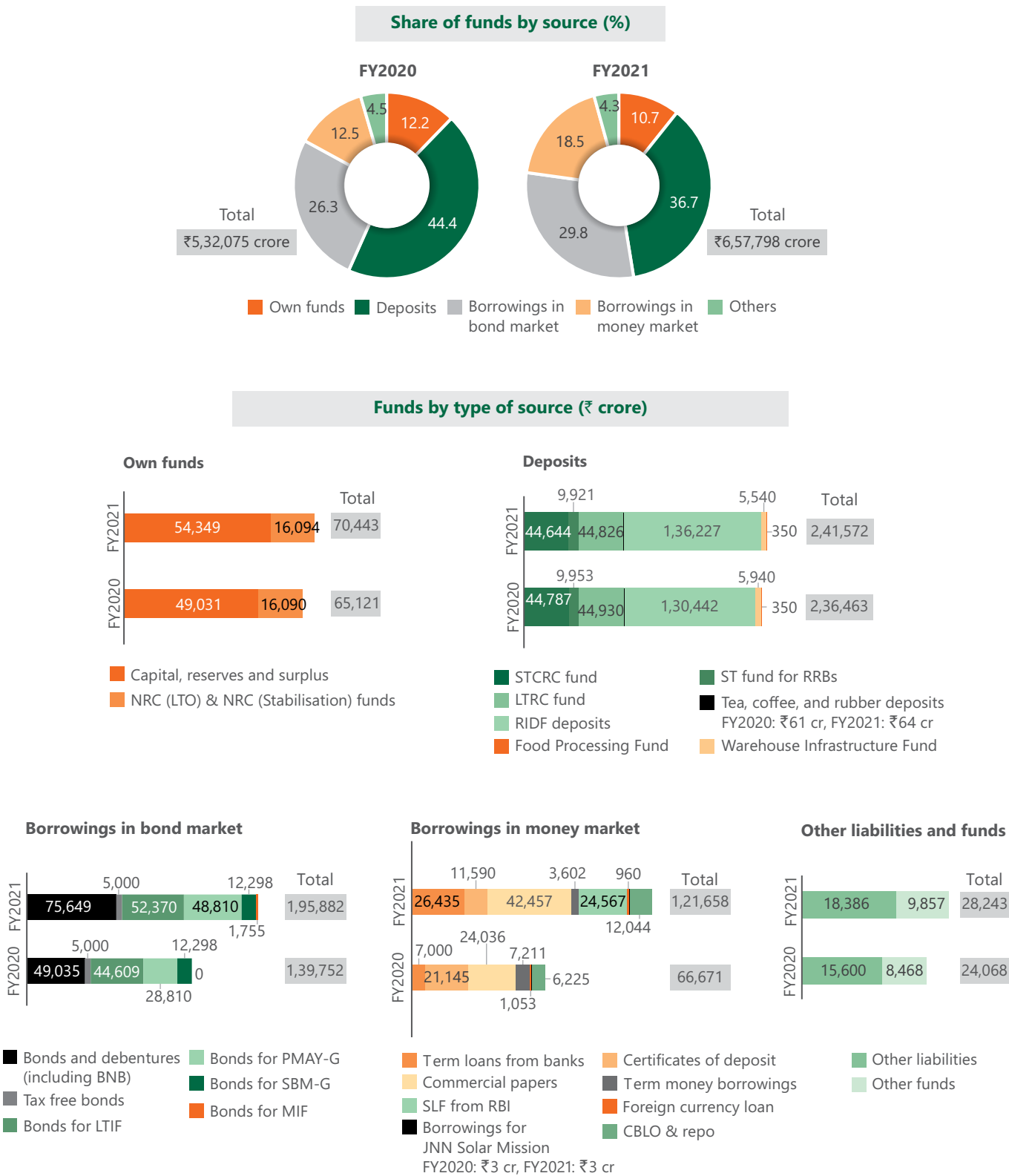
9.1 Sources of funds

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





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.

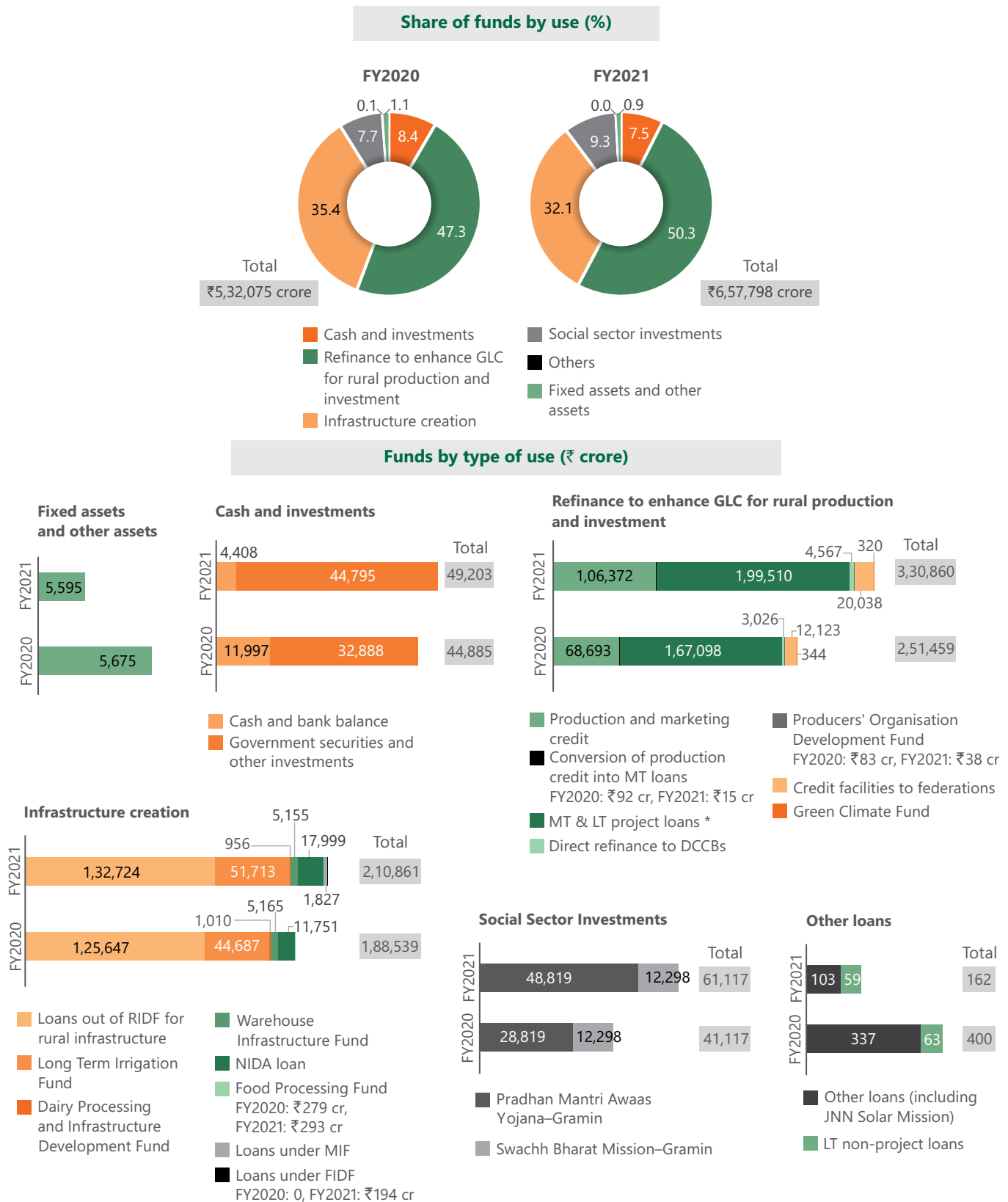
1. Total loans and advances from NABARD reached ₹6 lakh crore compared to ₹4.8 lakh crore as on 31 March 2020. They grew impressively at 25.2% despite the pandemic compared to 11.5% in FY2020.
2. Resources available for lending at the grassroots scaled up by 47.6% as short-term loans for SAO (ST-SA0) 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



* MT and LT project loans include special development debentures of state cooperative agriculture and rural development banks.

Notes: DCCB = District Central Cooperative Bank; FIDF = Fisheries and Aquaculture Infrastructure Development Fund; GLC = Ground Level Credit; JNN Solar Mission = Jawaharlal Nehru National Solar Mission; LT = Long-Term; MIF = Micro-Irrigation Fund; MT = Medium-Term; NIDA = NABARD Infrastructure Development Assistance; RIDF = Rural Infrastructure Development Fund; ST = Short-Term.

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 9.5: Capital to risk-weighted assets ratio (%)

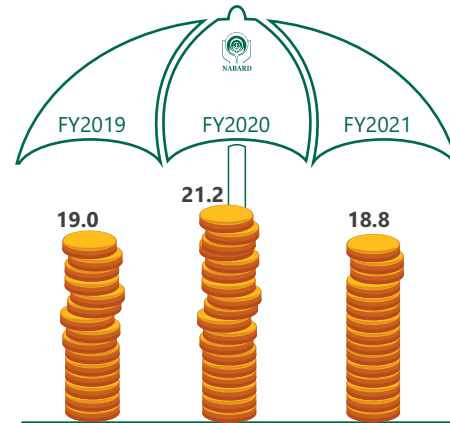


FIGURE 9.6: Business per employee (₹ crore)

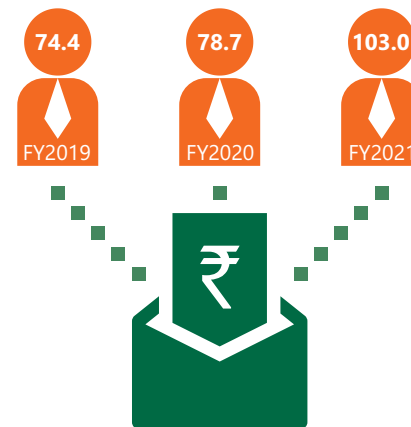


FIGURE 9.7: Net profit per employee (₹ crore)

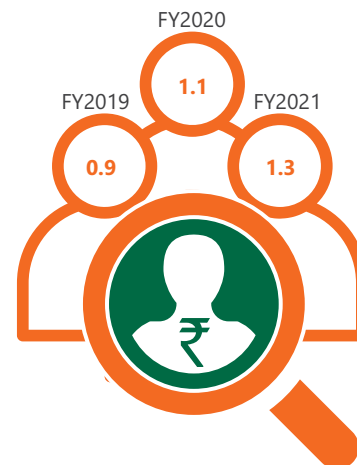


FIGURE 9.3: Gross income (₹ crore)

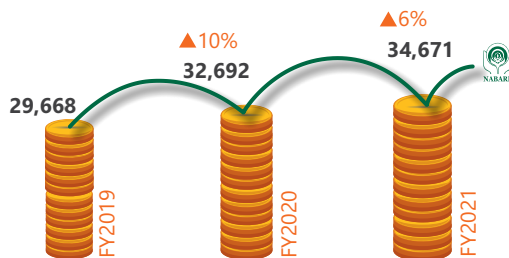
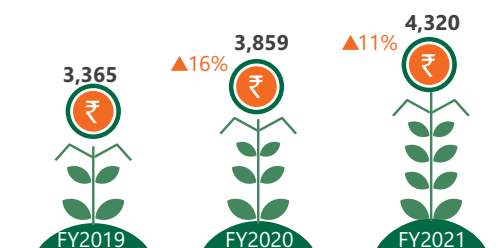


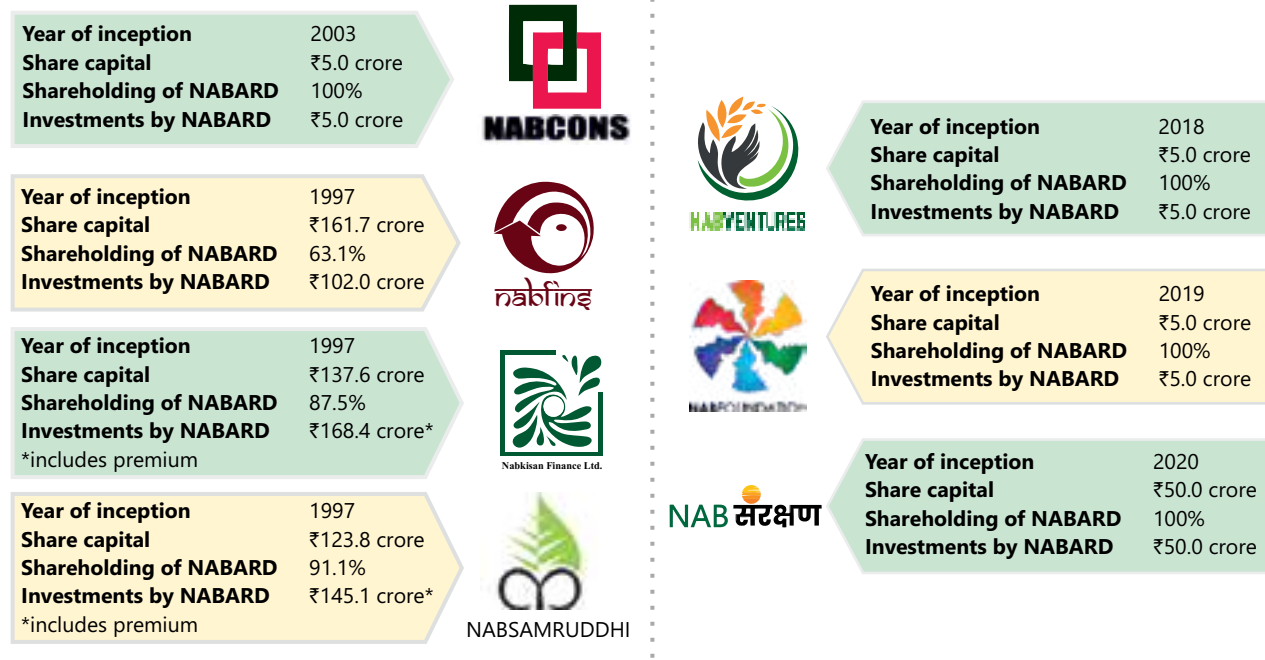
FIGURE 9.4: Profit after tax (₹ crore)



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

Name of Fund	Committed	Disbursed	Outstanding
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.