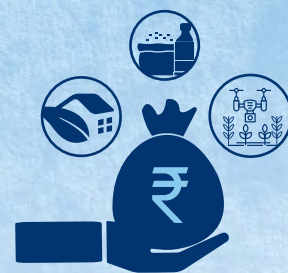


# Financing Agriculture and Rural Development

"International lending banks need to focus on areas where private investment doesn't go, such as infrastructure projects, education and poverty relief."

—Joseph Stiglitz



- 10.1 Credit for grassroots
- 10.2 Refinance in FY2022
- 10.3 Financing rural infrastructure
- 10.4 Other credit products
- 10.5 Channelling Government of India schemes
- 10.6 Making rural credit deliver value

Annexes to Chapter 10

Over the years, our loan portfolio and credit (refinance and direct credit) products have evolved to meet the diverse financial needs of the rural communities at the grassroots. Our refinance policy and other credit products have a direct bearing on the flow of ground level credit (GLC) to agriculture and other priority sectors.

The impact of the many steps taken by NABARD, the Reserve Bank of India (RBI), and the Government of India (GOI) to enhance GLC did manifest in credit uptick during FY2022, especially in agriculture, driving growth in food grains and horticulture production. Agriculture credit outstanding grew by 9.9% in FY2022 over FY2021. The priority sector credit potential (aggregated from district-wise potential-linked credit plans) estimated for FY2023, is ₹42.3 lakh crore, of which the estimate for agriculture and allied sectors is ₹18 lakh crore.

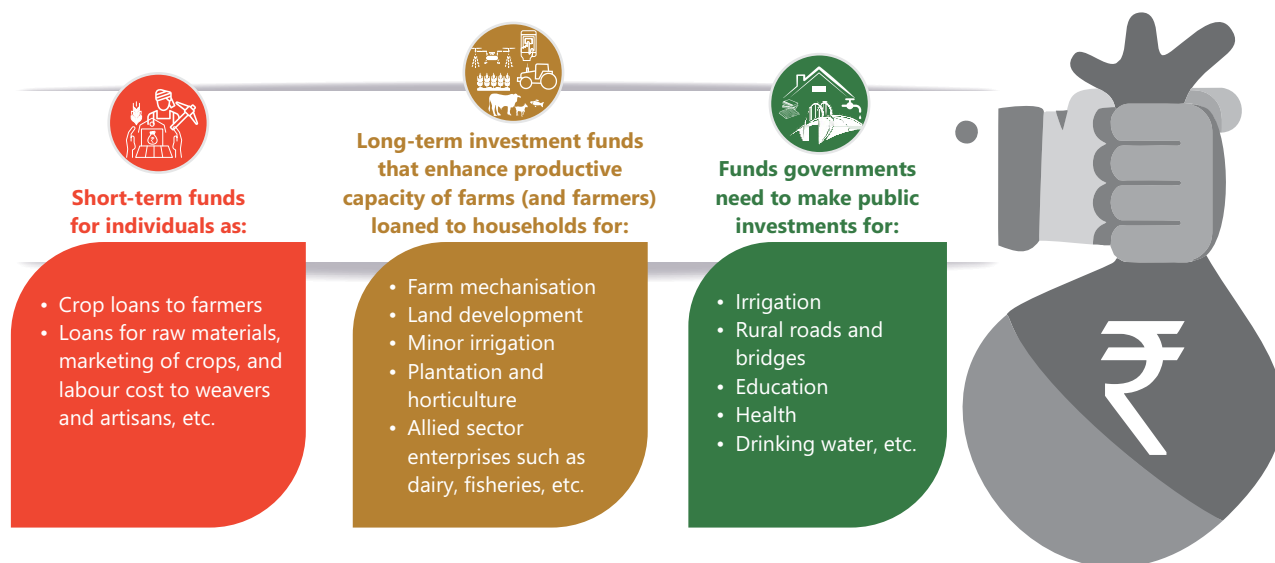
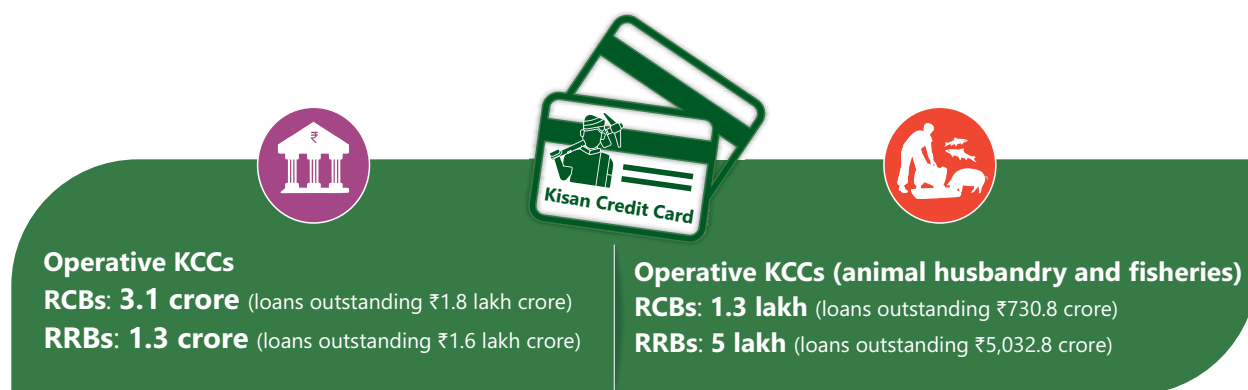
This chapter presents insights into NABARD's refinance and direct finance business with rural financial institutions (RFIs). Various products and funds of NABARD such as short- and long-term (ST and LT) refinance, Rural Infrastructure Development

Fund, Special Liquidity Facility (SLF), channelisation of government schemes, and social sector projects are also highlighted in the chapter.

## 10.1 Credit for grassroots

NABARD's refinance is routed through RFIs and non-banking financial companies (NBFCs) against their loan portfolio to cover diverse credit needs of rural clients (Figure 10.1). Loans to governments and state-owned corporations for procurement (short-term) and infrastructure projects (long-term) are extended directly. Ground-level credit to agriculture encompasses both ST (working capital) and LT funds (for capital formation) extended by RFIs and scheduled commercial banks (SCBs).

The GOI has announced annual GLC targets for agriculture in the Union Budget since FY2004. The GLC target for FY2023 is ₹18 lakh crore. In FY2022, India achieved ₹17.1 lakh crore<sup>1</sup> in GLC, exceeding the ₹16.5 lakh crore target by 3%. Even so, the present level of formal credit dispensation hardly touches one-fourth of rural households indicating the yawning gap in credit outreach (exclusion) which needs to be bridged.<sup>2</sup>

**FIGURE 10.1:** Diversity of credit needs at grassroots level**FIGURE 10.2:** Kisan Credit Cards (as on 31 March 2022)

Note: KCC = Kisan Credit Card; RCB = Rural Cooperative Bank; RRB = Regional Rural Bank.

The Kisan Credit Card (KCC) has been the preferred mode for delivering GLC to agriculture because it has several advantages for users—it remains valid for 5 years and without frequent documentation; it offers flexibility of use, easy access to funds, low interest burden, reduced transaction costs, etc. Since it was introduced in FY1999, KCC has undergone several modifications to become more flexible and beneficial. Recently, KCC facility was extended to farmers engaged in animal husbandry and fisheries (Figure 10.2). Under GOI's district-level special KCC campaign launched on 8 November 2021, ST loans at a maximum interest of 4% (on timely repayment) are being offered to animal husbandry and fishery farmers through weekly camps.

## 10.2 Refinance in FY2022

### 10.2.1 Initiatives to improve rural credit flow (FY2022)

1. Special refinance scheme for regional rural banks (RRBs), rural cooperative banks (RCBs), and NABARD subsidiaries was introduced in FY2022 to encourage RFIs to fund post-harvest management infrastructure and community farming assets projects under Agriculture Infrastructure Fund.
2. Enhancing ethanol distillation capacity or setting up distilleries for producing 1st Generation (1G) ethanol from feed stocks (rice, wheat, barley, corn,



sorghum, sugarcane, sugar beet, etc.) is an area of focus for the GOI. The GOI's scheme extends financial assistance to manage interest subvention for the purpose. As the nodal bank, NABARD issued operational guidelines to RCBs, RRBs, National Cooperative Development Corporation, and SCBs.

3. In FY2022, ST credit for seasonal agricultural operations (ST–SAO) disbursement touched an all-time high owing to the steps taken during the year, wherein NABARD
  - a. allocated 25% of the corpus of the Short Term RRB Fund and Long Term Rural Credit Fund (LTRCF) to RRBs in credit-starved districts following RBI's instructions aimed at improving priority sector lending;
  - b. waived primary eligibility criteria of CRAR,<sup>3</sup> net NPAs,<sup>4</sup> and net profit for RRBs, and extended both ST and LT refinance to all RRBs with internal risk rating category of NBD1 to NBD7;
4. In addition to the 2% subvention offered to banks, NABARD issued guidelines to RCBs and RRBs to extend 3% prompt repayment incentive to farmers for the extended period of repayment till 30 June

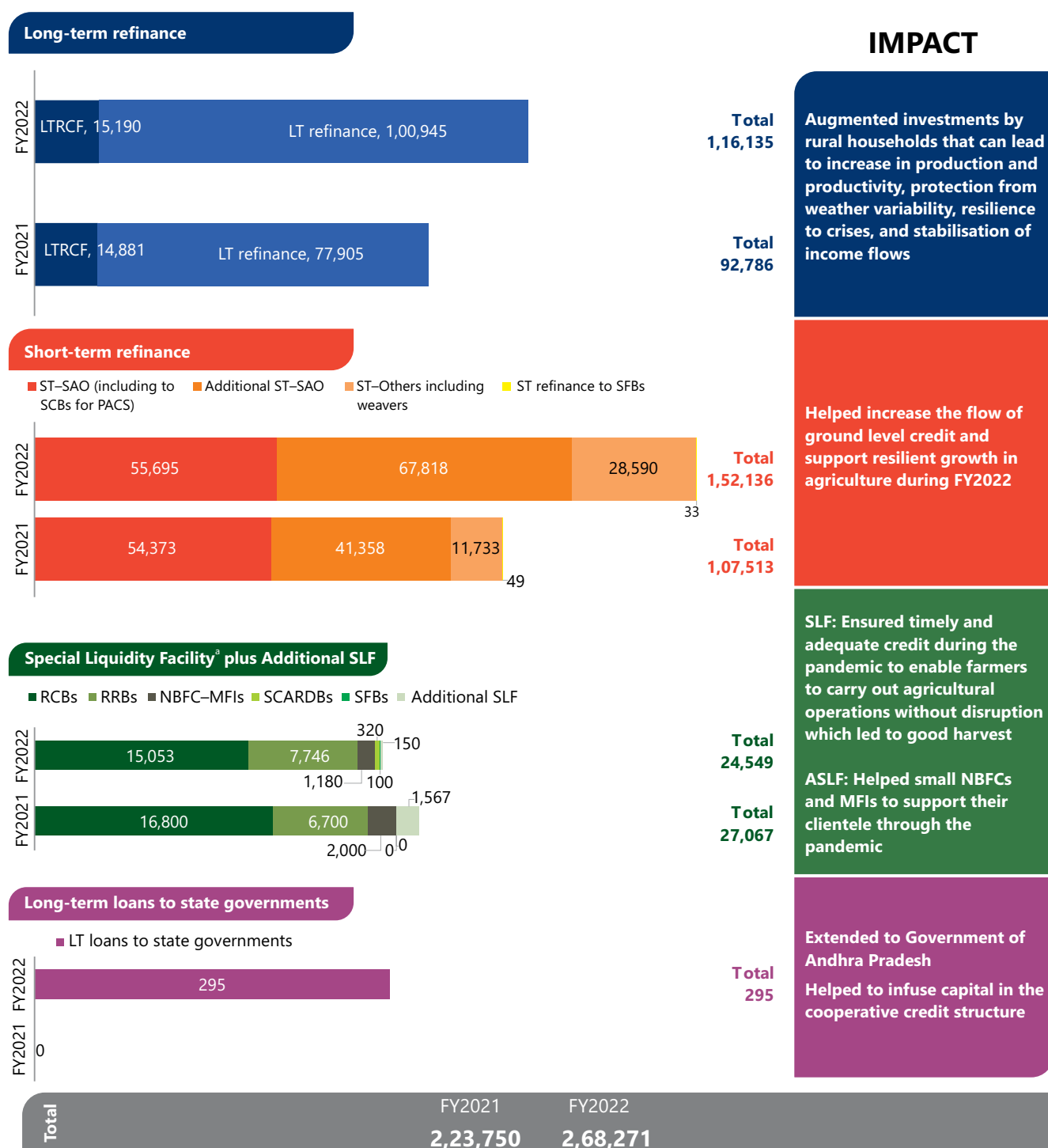
2021.<sup>5</sup> This ensured that farmers availed ST crop loans at 4% per annum as opposed to the usual 7% without attracting penal interest.<sup>6</sup>

5. NABARD has advised on a new scheme for providing repayable financial assistance to state governments under Section 38 read with Section 39 of NABARD Act 1981 for contribution of share capital of RRBs in order to make them viable and enable them to serve banking needs of the rural population.

## 10.2.2 Refinancing trends FY2022

Refinance support of NABARD grew impressively by about 20% over FY2021 (Figures 10.3–10.5) from ₹2.2 lakh crore to ₹2.7 lakh crore, largely attributable to the above initiatives, with substantial growth registered for ST-Others (143.7%), Additional ST-SAO (64%), and LT refinance (25.1%). Spatial mapping of refinance indicates that distribution during FY2022 has intensified and is more equitable in comparison to FY2021. Under ST refinance, states like Madhya Pradesh, Rajasthan, Punjab, Haryana, and Uttar Pradesh gained momentum, while LT refinance has intensified in West Bengal, Assam, Uttar Pradesh, Gujarat, and Kerala.



**FIGURE 10.3:** Long- and short-term refinance support (₹ crore)

<sup>a</sup> For FY2022, SLF is referred as SLF 2 and included under ST & LT refinance. SLF subcomponents in FY2021: RCBs, RRBs, and NBFC-MFIs.  
SLF subcomponents in FY2022 (SLF 2): RCBs, RRBs, SCARDBs, NBFC-MFIs, and SFBs.

Notes:

- ASLF = Additional Special Liquidity Facility; LT = Long-Term; LTRCF = Long Term Rural Credit Fund; MFI = Micro-Finance Institutions; NBFC = Non-Banking Financial Company; PACS = Primary Agricultural Credit Societies; RCB = Rural Cooperative Bank; RRB = Regional Rural Bank; SCARDB = State Cooperative Agriculture and Rural Development Bank; SCB = Scheduled Commercial Bank; SFB = Small Finance Bank; SLF = Special Liquidity Facility; ST = Short Term; ST-SAO = Short-Term Credit for Seasonal Agricultural Operations.
- SLF achievement is included under Additional ST-SAO, ST-SAO, and LT-NBFCs.

FIGURE 10.4: State-wise long-term refinance

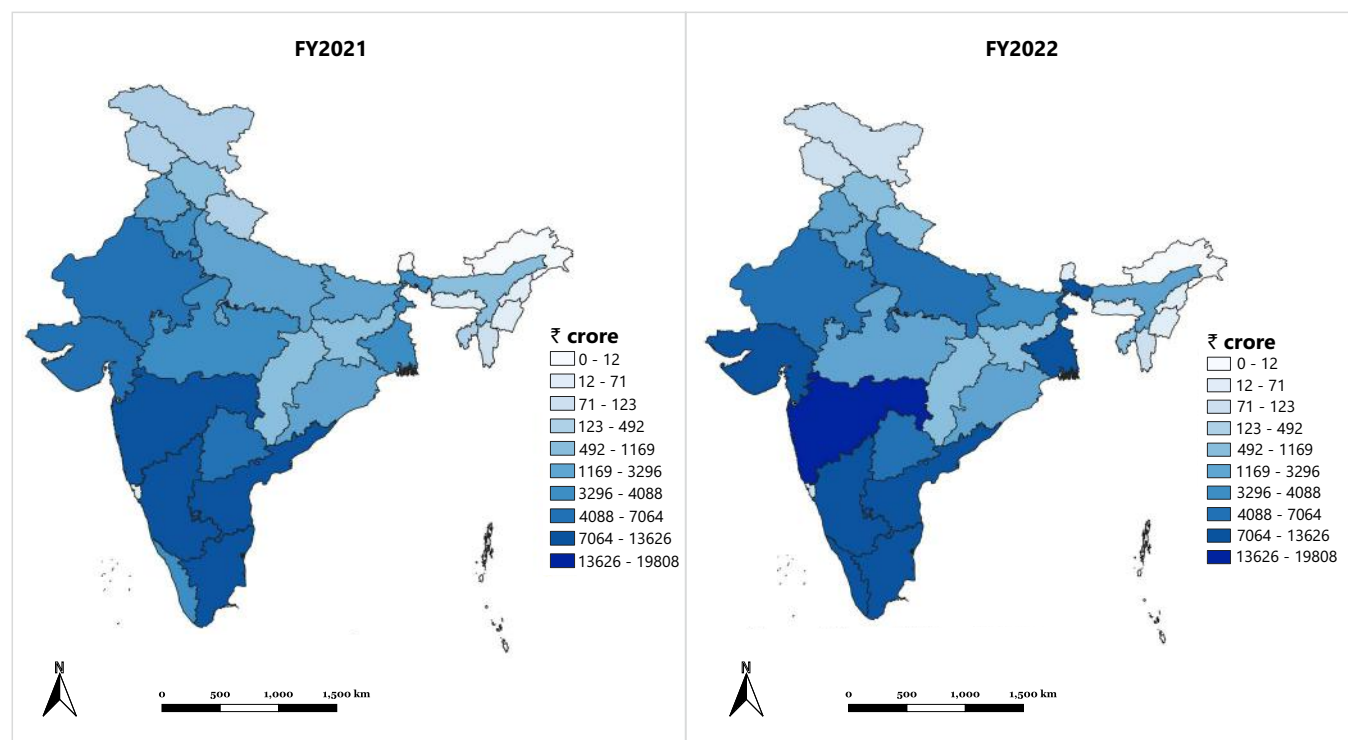
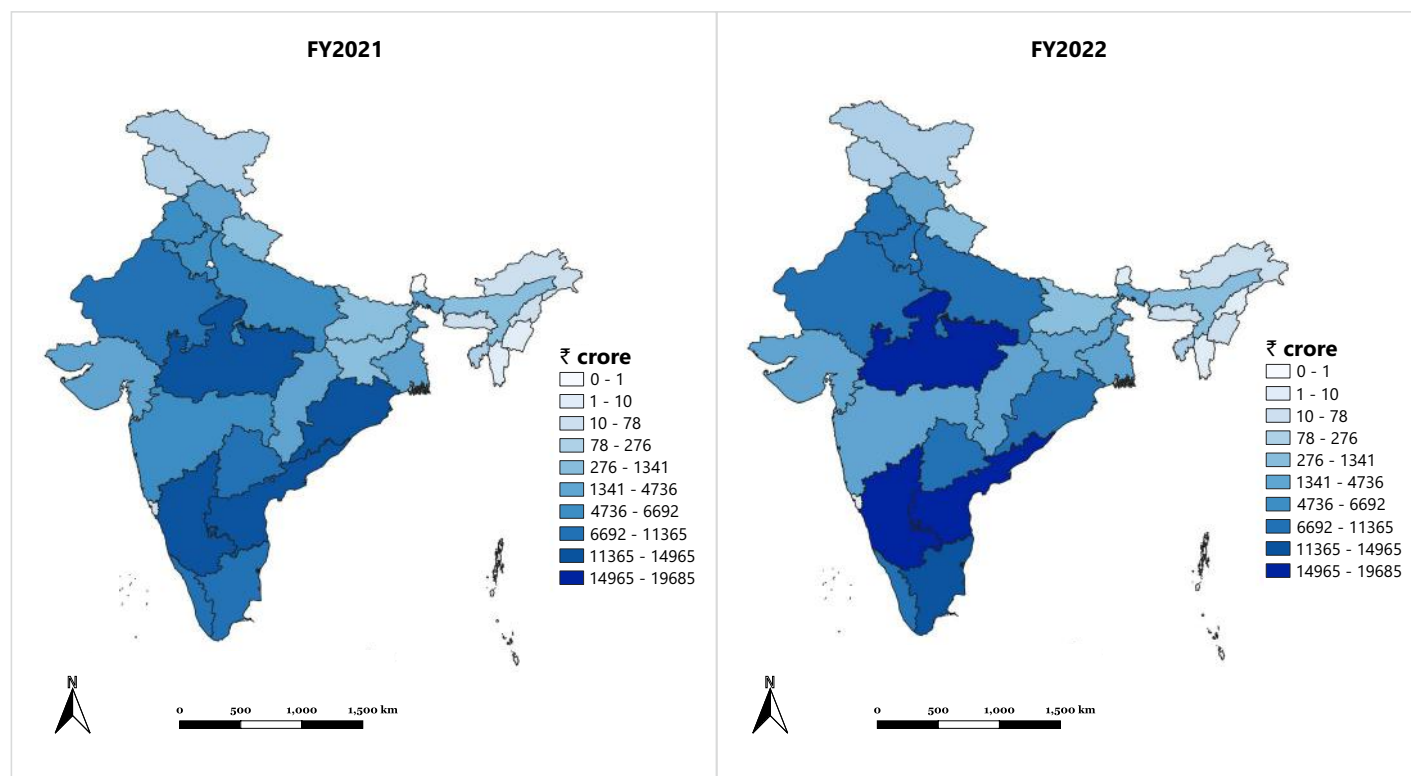


FIGURE 10.5: State-wise short-term refinance



### 10.3 Financing rural infrastructure

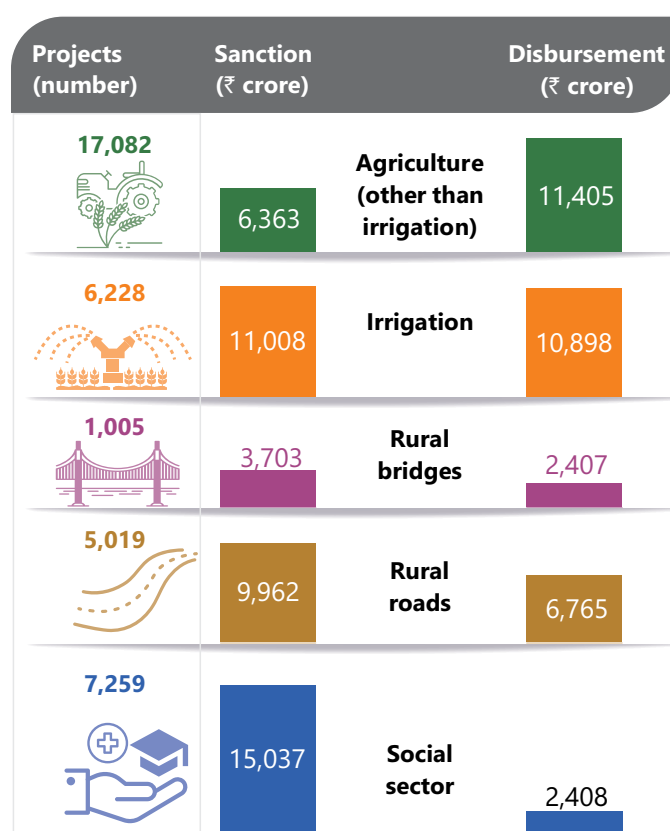
Government of India's vision of modernising the rural economy, ramping up its pace of growth and thus unlocking opportunities for its people, has been manifested on ground by NABARD's relentless work for decades in managing and channelling massive rural infrastructure funds and deploying them judiciously while keeping a sharp eye on how they are used. While the impact of infrastructure development on rural lives is discussed in Chapter 6, we focus on the shifts in size, flow, emphasis, and composition of the operations of these funds during FY2022 (Table 10.1, Figures 10.6–10.12).<sup>7</sup>

**TABLE 10.1:** Sanction and disbursement of key infrastructure funds (₹ crore)

Purpose	FY2022	
	Sanction	Disbursement
RIDF	46,073	33,883
LTIF	801	3,197
MIF	-	256
NIDA	8,125	7,136
DIDF	364	119
FIDF	912	172

Note: DIDF = Dairy Processing and Infrastructure Development Fund; FIDF = Fisheries and Aquaculture Infrastructure Development Fund; LTIF = Long Term Irrigation Fund; MIF = Micro-Irrigation Fund; NIDA = NABARD Infrastructure Development Assistance; RIDF = Rural Infrastructure Development Fund.

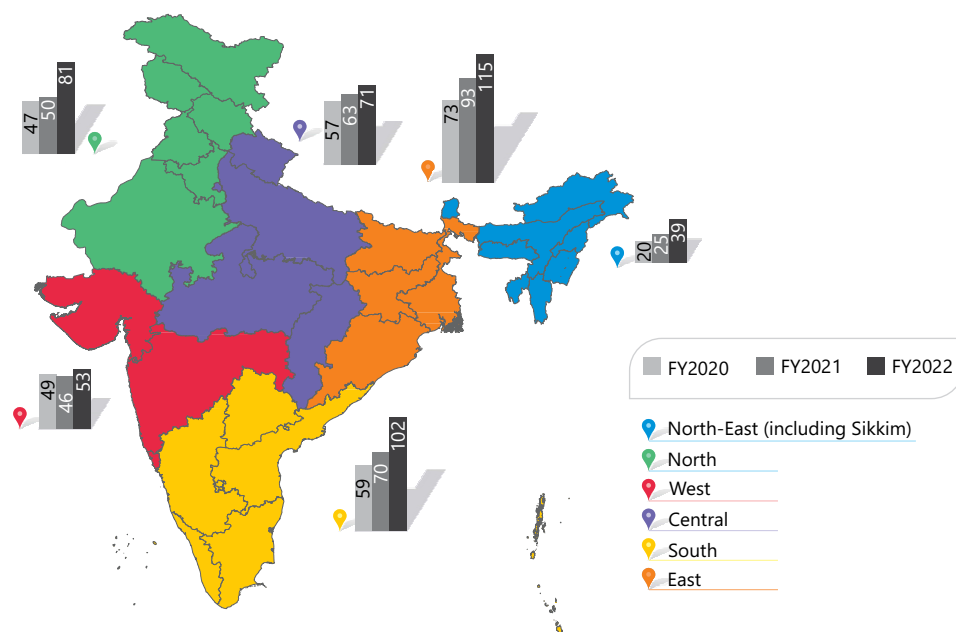
**FIGURE 10.6:** Rural Infrastructure Development Fund use during FY2022









Notes:

1. Disbursements may pertain to phasing of projects from previous FYs.

**FIGURE 10.7:** Rural Infrastructure Development Fund sanctions by region (₹ crore)



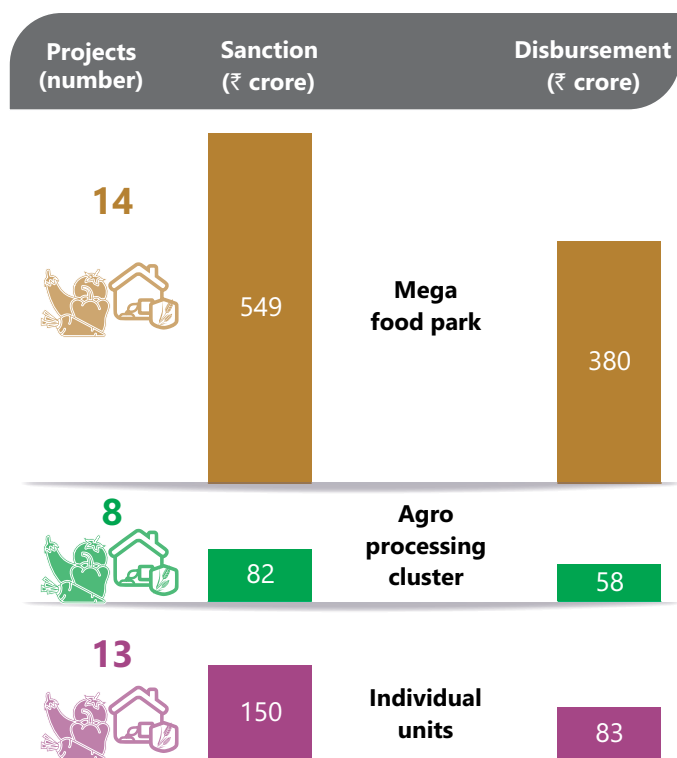
**FIGURE 10.8:** NABARD Infrastructure Development Assistance during FY2022

Projects (number)	Sanction (₹ crore)	Disbursement (₹ crore)
		<b>Communication</b>
		800
		<b>Drinking water</b>
		790
<b>8</b> 	<b>Education</b>	
	4,363	238
<b>1</b> 	<b>Irrigation</b>	
	2,051	4,724
<b>3</b> 	<b>Road</b>	
	1,167	260
<b>1</b> 	<b>Transmission</b>	
	544	324

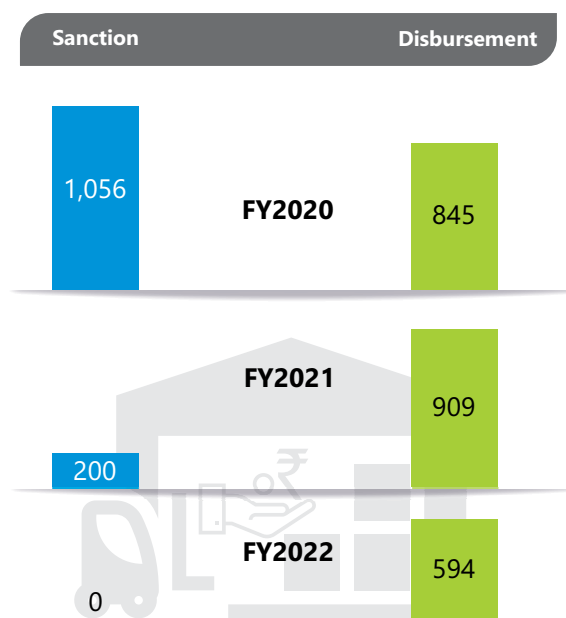
Notes:

1. No sanctions or projects in FY2022 for communication or drinking water under NIDA.
2. Disbursements may pertain to phasing of projects from previous FYs.



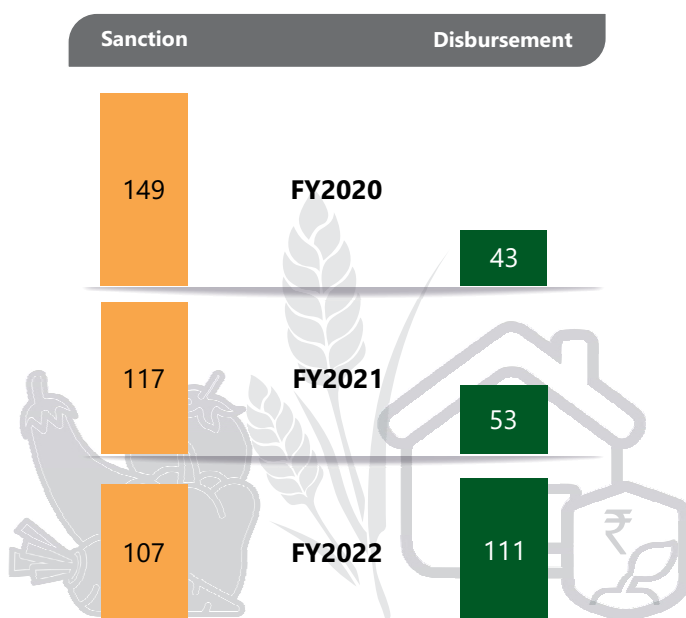
**FIGURE 10.9: Food Processing Fund**  
(as on 31 March 2022)


Note: Disbursements may pertain to phasing of projects from previous FYs.

**FIGURE 10.11: Sanction and disbursement of Warehouse Infrastructure Fund, FY2020–FY2022**  
(₹ crore)


Notes:

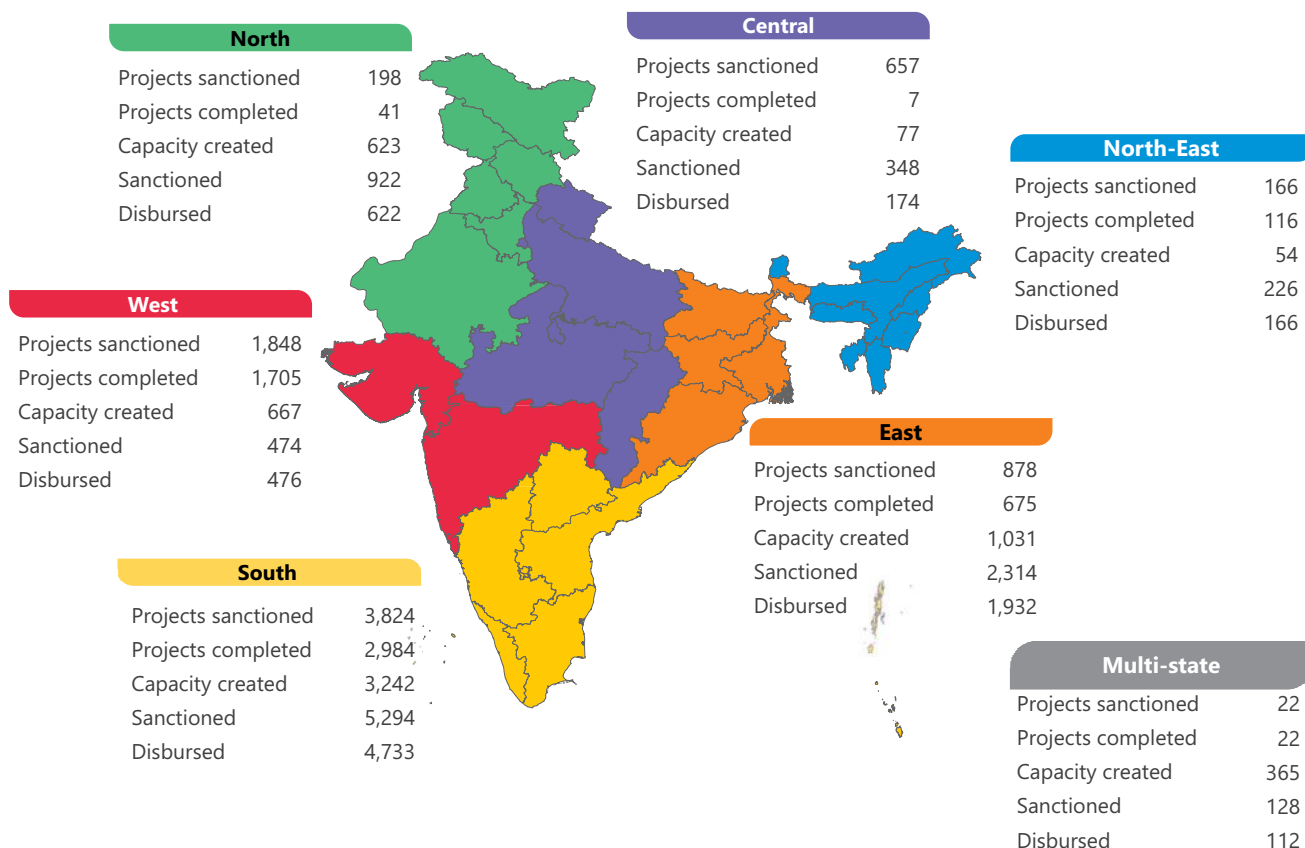
1. In FY2022, the corpus was exhausted.
2. Disbursements may pertain to phasing of projects from previous FYs.

**FIGURE 10.10: Sanction and disbursement of Food Processing Fund, FY2020–FY2022 (₹ crore)**


Note: Disbursements may pertain to phasing of projects from previous FYs.



**FIGURE 10.12:** Region-wise performance of Warehouse Infrastructure Fund as on 31 March 2022  
(projects in no., capacity in '000 tonne, sanctioned and disbursed in ₹ crore)



## 10.4 Other credit products

### 10.4.1 Credit facility to federations

Credit facility to federations (CFF) provides 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. This credit line benefitted farmers in several states. Total sanction under CFF during FY2022 was ₹36,435.8 crore and a disbursement of ₹46,434.3 crore.

To illustrate, Chhattisgarh State Co-operative Marketing Federation Ltd has been sanctioned ₹5,500 crore and disbursed ₹8,300 crore during FY2022 and has availed such facility since 2013 for its paddy procurement at MSP;<sup>8</sup> CFF accounts for 28% of the annual fund requirement. Around 21 lakh paddy

farmers have benefitted from this facility and received online transfers in 72 hours.

### 10.4.2 Direct refinance assistance to DCCBs

Direct refinance assistance (DRA) is available to 'A' or 'B' rated district central cooperative banks (DCCBs) for supporting farm and non-farm activities. Working capital loans to state cooperative banks and DCCBs against pledge limits to cooperative and private sugar factories are also allowed under DRA. In FY2022, ₹18,521 crore was sanctioned under DRA.

## 10.5 Channelling Government of India schemes

NABARD has been administering and acting as a pass-through agency for subsidy under several centrally sponsored schemes such as interest subvention schemes and credit-linked capital subsidy schemes (Table 10.2).

**TABLE 10.2:** Centrally sponsored schemes administered/channelled by NABARD

<i>Scheme</i>	<i>Purpose</i>	<i>Amount (₹ crore)</i>	<i>Remarks</i>
<i>Interest subvention schemes during FY2022</i>			
Interest subvention scheme for crop loan, animal husbandry, and fisheries	Enabling crop loans at 4% interest rate to farmers who repay their KCC loans promptly	7,181.1	Cheaper credit, incentivising timely repayment, increasing crop production and productivity
Interest subvention scheme under Deendayal Antyodaya Yojana-NRLM	Enabling loans of up to ₹3 lakh @ 7% interest to women SHGs in 250 select districts with additional incentive of 3% to those who make prompt repayment	694.5	Poverty reduction through strong and federated women SHGs and enabling access to a range of financial services and livelihoods
<i>Schemes for sugar farmers</i>			
Financial assistance to sugar mills for augmentation of ethanol production capacity for ethanol-blended petrol	Improving the liquidity of sugar mills, especially in surplus season, thereby ensuring payment of cane price arrears to farmers, and saving foreign exchange	132.4	Ethanol production has gone up substantially due to record production of sugar cane (400 million tonne). Also, Government of India has brought forward the target of 20% ethanol blending in petrol from 2030 to 2025.
Sugar Soft Loan Scheme 2018–19	Enabling loans to sugar mills for clearing the cane price arrears of farmers.	294.6	Clearance of cane dues for sugar season in FY2019 and reduction of cane price arrears of farmers

Note: KCC = Kisan Credit Card; NRLM = National Rural Livelihoods Mission; SHG = Self-Help Group.

NABARD channels subsidy to eligible banks under various credit-linked subsidy schemes of the central government, primarily for agriculture projects and priority sector activities (Table 10.3 and Showcase 10.1).

**TABLE 10.3:** Performance of capital subsidy schemes as on 31 March 2022

<i>Scheme</i>	<i>NLM EDEG</i>	<i>ACABC</i>	<i>New AMI</i>	<i>Old AMI</i>	<i>NPOF</i>
<i>During FY2022</i>					
Units (no.)	6,672	301	849	5	-
Subsidy released (₹ crore)	71.5	13.5	155.1	6.6	-
<i>Cumulative performance as on 31 March 2022</i>					
Units (no.)	1,11,793	3,190	2,073	42,259	717
Subsidy released (₹ crore)	972.8	121.3	330.8	4,465.5	28.8

Notes:

1. ACABC Scheme = Agri-Clinic and Agri-Business Centres Scheme; AMI = Agricultural Marketing Infrastructure; NLM EDEG = National Livestock Mission, Entrepreneurship Development & Employment Generation; NPOF = National Project on Organic Farming.
2. Scientific storage capacity of 608.4 lakh tonne involving 42,259 units has been created under Rural Godown Scheme, Agri Marketing Infrastructure, Grading and Standardisation Scheme, and Agri Marketing Infrastructure Scheme, involving a subsidy of ₹4,465.5 crore.
3. Scientific storage capacity of 61.1 lakh tonne involving 2,073 units has been created under New AMI scheme, involving subsidy of ₹330.8 crore.
4. Subsidy of ₹972.8 crore has been released under National Livestock Mission EDEG for 1.1 lakh units.

## Showcase 10.1: ACABC Loan for Agri-Clinic and Agri-Business Centre, Kanakpur, Gonda, Uttar Pradesh

**Enterprise:** Agri-Clinic and Agri-Business Centre, Kanakpur, Gonda

**Proprietor:** Arun Kumar Singh, B.Sc. (Agriculture), Nandani Nagar Mahavidyalaya, Gonda; training under the ACABC scheme from Nodal Training Institute, Shri Maa Guru Gramodyog Sewa Sansthan, Lucknow in December 2014; refresher training in October 2021.

### Financial assistance

- 2015: ACABC loan against project cost of ₹5 lakh with subsidy grant of ₹1.8 lakh from Prathma UP Gramin Bank
- 2021: ACABC loan against project cost of ₹17.25 lakh with subsidy grant of ₹5.4 lakh from Prathma UP Gramin Bank

**Products:** Agri-inputs and agri-implements such as seeds, pesticides, fertilisers, battery-operated and manual spray pumps, etc.

**Customer base:** 2,000 farmers from 30 villages

**Average monthly sales:** ₹4 lakh

**Future plans:** Expansion into farm machinery supply and warehousing services



## 10.6 Making rural credit deliver value

NABARD aims to make credit more easily and widely available. Focus will be on monitoring refinance flow in credit-starved districts; expanding refinance through existing and new partners; directly engaging with CEOs of SFBs, NBFCs, and NBFC-MFIs; and designing and promoting special refinance schemes.

Special efforts will be made to encourage small and marginal farmers, who represent 86% of the landholdings, to avail of more investment credit. This,

in turn, will enhance agricultural production and diversification of farming activities while ST loans take care of working capital needed to run the production cycle in the current year.

For infrastructure financing, NABARD will ramp up its support to state governments in response to their demand for timely credit that will help them fulfil their budgetary provisions. To achieve this, direct and continuous engagement with the state governments

through high-powered committees and workshops at regional- and state-levels will be pursued. On policy front, states will have to be persuaded to prioritise impactful projects benefitting the large rural population. NABARD also proposes to continue the Long Term Irrigation Fund arrangement towards state-share up to FY2026. Under Food Processing Fund, we will explore working capital loans with SFBs and RRBs. By building strong partnerships, NABARD will assist the states to increase capital investments.

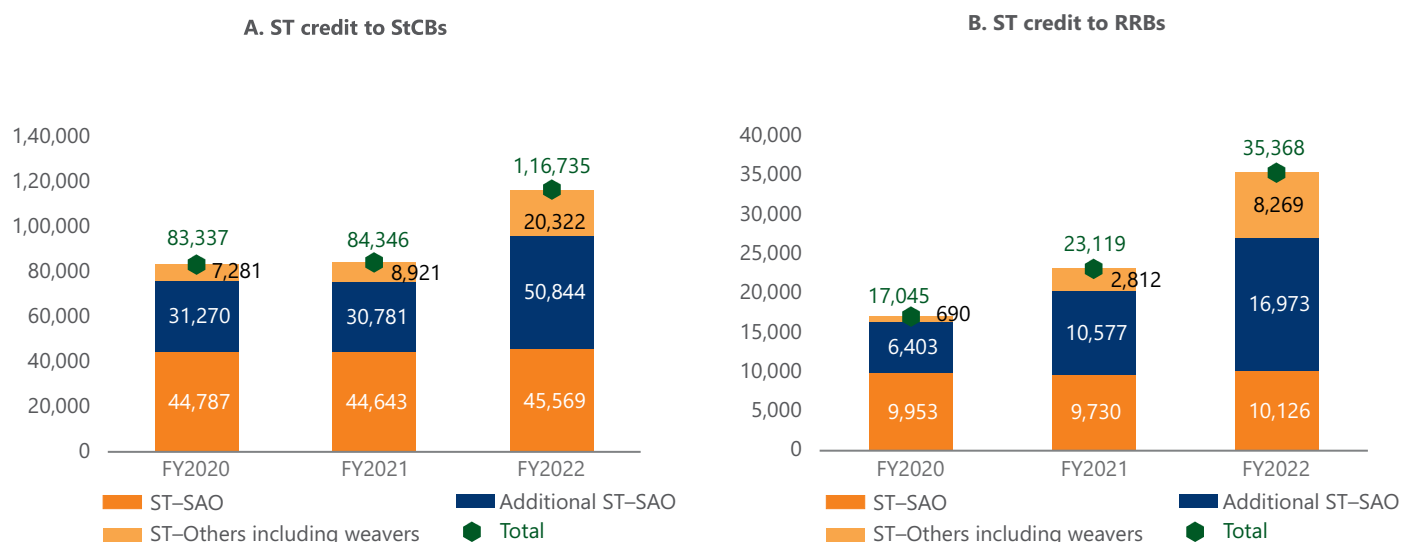
We shall relentlessly strive to deliver greater value to rural India.

## Notes

1. GLC data for FY2022 is provisional.
2. GOI (2021), *All-India Debt & Investment Survey*, 2019, NSS, 77th Round, January to December 2019, National Statistical Office, Ministry of Statistics and Programme Implementation, Government of India. <https://www.mospi.gov.in/documents/213904/301563//Report%20no.%20588-AIDIS-77Rm-Sept1631266545010.pdf/112ee4b2-b859-4618-a7a2-8e42f6foabad>.
3. CRAR = Capital to Risk-Weighted Asset Ratio.
4. NPA = Non-Performing Asset.
5. 30 June 2021 or date of actual repayment, whichever was earlier.
6. The 3% prompt repayment incentive is for farmers, and 2% subvention is for banks. The interest rate under crop loan is 7%. With the 3% prompt repayment incentive, the effective rate for farmers is 4%.
7. For details regarding NABARD infrastructure funds, please see Figure 6.1.
8. MSP = Minimum Support Price.

# Annexes to Chapter 10

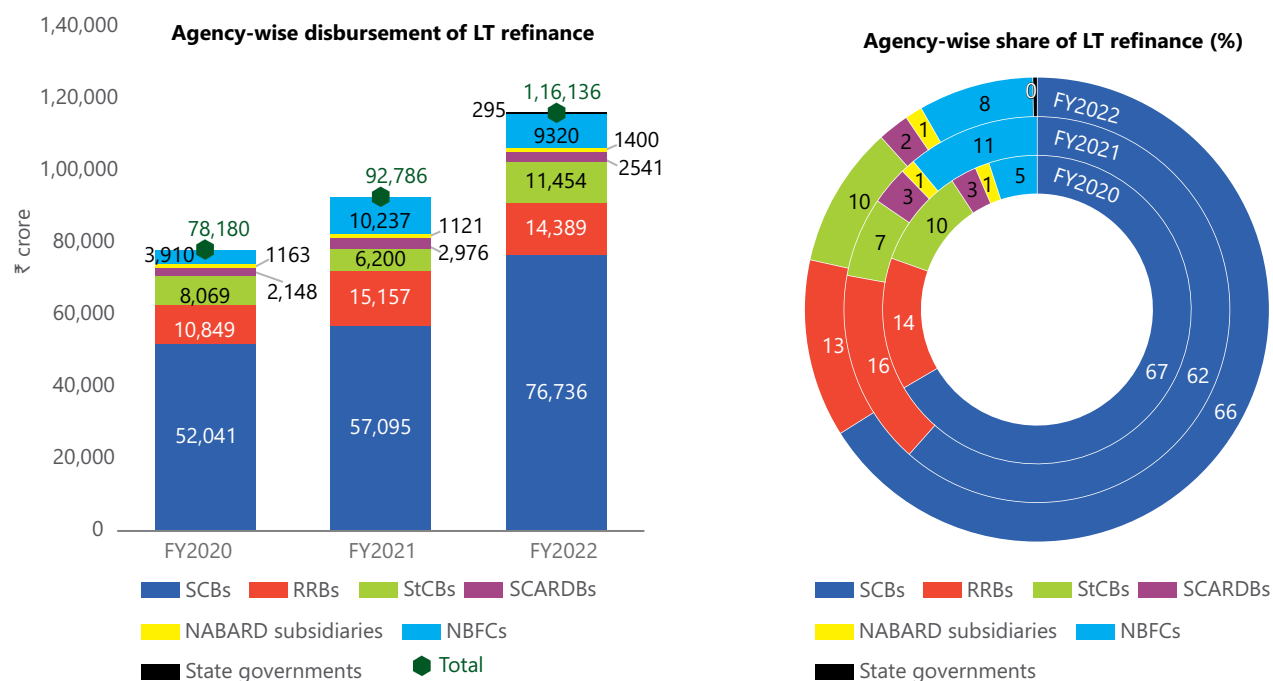
**FIGURE A10.1:** Disbursement of short-term credit to StCBs and RRBs (₹ crore)



Notes:

1. 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 and RRBs through Short-Term Cooperative Rural Credit Fund and Short-Term RRB Refinance Fund of the Government of India.

**FIGURE A10.2:** Agency-wise disbursement and share of long term refinance



Notes:

1. LT = Long-Term; 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. SCBs include small finance banks.



**FIGURE A10.3:** Region-wise disbursement and share of long-term refinance