Chapter V
Profile of NABARD

V.1 Introduction

NABARD is set up as an apex Development Bank with a mandate for facilitating credit flow for promotion and development of agriculture, small-scale industries, cottage and village industries, handicrafts and other rural crafts. It also has the mandate to support all other allied economic activities in rural areas, promote integrated and sustainable rural development and secure prosperity of rural areas. In discharging its role as a facilitator for rural prosperity NABARD is entrusted with

- Providing refinance to lending institutions in rural areas
- Bringing about or promoting institutional development and
- Evaluating, monitoring and inspecting the client banks

Besides this pivotal role, NABARD also:

- Acts as a coordinator in the operations of rural credit institutions
- Extends assistance to the government, the Reserve Bank of India and other organizations in matters relating to rural development
- Offers training and research facilities for banks, cooperatives and organizations working in the field of rural development
- Helps the state governments in reaching their targets of providing assistance to eligible institutions in agriculture and rural development
- Acts as regulator for cooperative banks and RRBs

This chapter is divided into three parts. The first will discuss the Origin, Historical Background and Organisational structure of NABARD. The second will discuss the Theoretical aspects of various functions & operations of NABARD through various institutions for different purposes. The third part will throw light on review of the performance of the NABARD.

V.2. Part-1

1.1 Origin and Historical Background

The Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) set up by the RBI under the Chairmanship of Shri B
Sivaraman in its report submitted to Governor, Reserve Bank of India on November 28, 1979 recommended the establishment of NABARD. The Parliament through the Act 61 of 81 approved its setting up.

The Committee after reviewing the arrangements came to the conclusion that a new arrangement would be necessary at the national level for achieving the desired focuses and thrust towards integration of credit activities in the context of the strategy for Integrated Rural Development. Against the backdrop of the massive credit needs of rural development and the need to uplift the weaker sections in the rural areas within a given time horizon the arrangement called for a separate institutional set-up. Similarly, The Reserve Bank had onerous responsibilities to discharge in respect of its many basic functions of central banking in monetary and credit regulations and was not therefore in a position to devote undivided attention to the operational details of the emerging complex credit problems. This paved the way for the establishment of NABARD.

CRAFICARD also found it prudent to integrate short term, medium term and long-term credit structure for the agriculture sector by establishing a new bank. NABARD is the result of this recommendation. It was set up with an initial capital of Rs 100 crore, which was enhanced to Rs 2,000 crore, fully subscribed by the Government of India and the RBI.

National Bank for Agriculture and Rural Development (NABARD) was established by an Act of the Parliament on 12 July 1982. The agriculture credit functions of the Reserve Bank of India (RBI) and refinance functions of the then Agricultural Refinance and Development Corporation (ARDC) were transferred to NABARD on its formation.

1.2. a. Milestones of NABARD

- Establishment of NABARD (1982)
- Propagation of principles of Development through Credit-VVV (1982)
- Setting up of bankers institute of rural development at Lucknow (1983)
- Launching of Pilot project for Strengthening the credit delivery system (1983-84)
- Establishment of RTC at Bolpur and Mangalore (1984)
- Introduction of Automatic Refinance Facility Scheme (ARF) (1985-86)
- Refinance facility extended under Non Farm Sector (1986-87)
- Introduction of Potential Linked Credit Plans (PLPs) (1988-89)
- Change in Accounting year from June to March (1988-89)
- Opening of District Level offices (1989-90)
- Facilitating implementation of Agricultural & Rural Debt Relief Scheme (1990-91)
- Launching of KfW assisted Watershed Development Programme (1990-91)
- Pilot project on SHG Bank Linkage (1991-92)
- Indo-German Watershed Development Programme (IGWDP) (1992)
- Establishment of Co-operative Development Fund (CDF) (1992-93)
- Launching of District Rural Industries Project (DRIP) (1993-94)
- Restructuring of Regional Rural Banks (RRBs) (1994-95)
- Launching of ‘Wadi’ programme (1994-95)
- Setting up of Rural Infrastructure Development Fund (RIDF) (1995-96)
- Operationalization of Kisan Credit Card (KCC) Scheme (1998-99)
- The Board of Supervision (BoS) (1999)
- Launching of Capital Gains Bonds (2000-01)
- Extending of refinance to Rural Housing (2001-02)
- Establishment of NABCONS (2003-04)
- Partnering with Commercial Banks for Co-financing (2003-04)
- Formulation of Swarozgar Credit Card (SCC) scheme (2003-04)
- Created Tribal Development Fund (TDF) (2004)
- Monitoring of implementation of ‘Farm Credit Package’ (2004-05)
- Designated as nodal agency for implementation of the recommendations of the Task Force on Revival of Short Term Rural Cooperative Credit institutions (Vaidanathan Committee) (2004-05)
- Pilot project on Joint Liability Groups (JLGs) (2004-05)
- NABARD-Swiss Agency for Development and Cooperation (SDC) Rural Innovation Fund (RIF) set up in (2005)
• Created Farm Innovation and Promotion Fund (FIPE) (2005)
• Micro Enterprise Development Programme (MEDP) (2005-06)
• Launching of Zero Coupon Bonds (2006)
• The Scheme of Agri-clinics and Agri-business Centres (ACABC) started in (2006-07)
• Launching of Village Development Programme (VDP) (2007)
• Launching a joint Umbrella Programme on Natural Resource Management (UPNRM) with the German Development Cooperation (2007-08)
• Established the Centre for Microfinance Research (CMR) in (2008) at BIRD, Lucknow and four sub-centres at Guwahati, Patna, Chennai and Jaipur.
• Created Farmers Technology Transfer Fund (FITF) (2008)
• The Centre for Professional Excellence in Co-operatives (C-PEC) set up at BIRD, Lucknow(2008) in collaboration with GTZ,
• Scheme for Supporting Small- Scale Activity based Groups (ABG) (2008)
• Since 2000-01, NABARD is the nodal agency for, various Capital Investment Subsidy Schemes (CISS) of GoI. During 2009-10, four Schemes were implemented, viz., 
  (i) Construction of cold storages and onion godowns,
  (ii) Construction of rural godowns,
  (iii) Development/strengthening of agriculture marketing infrastructure, grading and standardization, and
  (iv) Establishment of Agri-clinics and Agri-business Centers (ACABC) by agriculture graduates.

1.2 Mission of NABARD
Promote sustainable and equitable agriculture and rural prosperity through effective credit support, related services, institution development and other innovative initiatives.
In pursuing this mission, NABARD focuses its activities on: Credit functions, involving preparation of potential-linked credit plans annually for all districts of the country for identification of credit potential, monitoring the flow of ground level rural credit, issuing policy and operational guidelines to rural financing institutions and providing credit facilities to eligible institutions under various programmes
1.3 Mandate
NABARD was set up by Government of India (GoI) as a development bank with a mandate for providing and regulating credit and other facilities for the promotion and development of agriculture, small scale industries, cottage and village industries, handicrafts and other rural crafts and other allied economic activities in rural areas with a view to promoting integrated rural development and securing prosperity of rural areas, and for matters connected therewith or incidental thereto.

1.4 Objectives

- Facilitate credit flow for agriculture, rural infrastructure and rural development,
- Promote policies, practices and innovations conducive to rural development,
- Strengthen rural credit delivery system through institutional development,
- Supervise Rural Financial Institutions (Cooperative Banks and Regional Rural Banks),
- Consultancy services.

1.5 Capital structure
The paid up capital of NABARD is Rs.2, 000 crore, subscribed by the GoI and RBI at Rs.550 crore and Rs.1, 450 crore respectively.\(^{(1)}\)

1.6 Organizational Structure:
Accepting the proposal of the committee in Review Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) Government of India and RBI decided to set up the NABARD. It came into existence through an act passed by the parliament and started functioning with effect from July 1982. NABARD is set-up as an apex institution to meet the growing and diverse credit requirements of Indian agricultural and rural sector.\(^{(2)}\)

It is a harsh fact that organizational set-up, administration and management form the basis of operational efficiency of any financing or refinancing institution. Realizing the importance of good organization Peter F. Drucker has very rightly remarked" a poor organization structure makes good performance impossible, no matter how good the individual may be."\(^{(3)}\)
According to Peter F. Drucker the organizational structure may be defined as "relationship among position and job which is built up for realization of common objectives." Similarly v.v. Chari says a key to the successful performance of any institution and maintenance of a healthy portfolio is the existence of an efficient and adequate organizational set-up. 

"The success of management of a development bank depends to a great extent on its organisational set-up the degree of delegation of authority that exists and the extent of independence it enjoys in its day-to-day functioning." Thus it becomes quite clear from the above views and remarks that if there is efficient organisation it will result in difficulties and many problems hampering the growth of business and overall performance.

The term 'organisation' is used in structural sense as well as in functional sense. In the former sense, an organisation is a structural device in which inputs are transferred into output and as a function it refers to the structure as relationship among positions and jobs which is built up for realisation of the common objects.

1.7 Management Structure

The term management has been defined in different ways by various authors. Generally, all the definitions are relevant and true as they lay stress on different aspects of the management. We may use it to forecast and to plan to organise to command, to coordinate and to control.

In other words, management of any institution or organisation is concerned with "Seeing that the job gets done. It is taken all centres on planning and guiding the operations that are going on in the enterprises."

By administration it is meant the duly constituted authority representing the owners of an institution. According to this general sense of administrative the board of directors, the Chairman and managing director all are included.

Direction, management and general supervision of the affairs d business of the NABARD is vested in a Board of Directors. le Board exercise all its powers and do all acts and things which may be exercised or done by the NABARD. Public interest is sufficiently cared by the Board during functioning on business policy. The M.D. of the Bank has also the power for general superintendence, direction and management of the affairs and
business of the Bank. The Director may, also exercise all powers and do all acts and things which the Bank may exercise.

The sub-section (3) of Section 6 of the NABARD Act provides the appointment of any whole time director to assist the Managing Director for discharging of his functions under sub-section (3). Such director is authorised to perform such duties entrusted or delegated to him by the Board of Directors. In such a position when the Managing Director is discharged of his powers and functions under sub-section (3) of NABARD Act, 1981, he has to follow such directions as given by the Chairman. While discharging of its functions under the NABARD Act, the Bank shall be guided by such directions in matter of policy involving public interest as the Central Government, in consultation with Reserve Bank may give in writing.\(^{(9)}\)

The management of NABARD is vested with a Board of Directors comprising the Chairman, Managing Director, representatives of RBI, GoI, State Governments, and Directors appointed by the GoI.

**Figure: V.1**
1.8 Composition of Board of Directors

1. Chairman
2. Three Directors from amongst experts in rural economics, rural development, village and cottage industries, small scale industries or persons having experience in the working of cooperative banks, regional rural banks or commercial banks or any other matter the special knowledge or professional experience which is considered useful to NABARD
3. Three directors from out of the directors of Reserve Bank of India
4. Three directors from amongst the officials of the Central Government
5. Four directors from amongst the officials of the State Government
6. Such number of directors elected in the prescribed manner by share holders other than RBI and GoI
7. Managing Director

1.9 Organizational setup

NABARD has its Head Office at Mumbai, 30 Regional Offices located in the states, a Cell at Srinagar, Training Establishments at Bolpur, Hyderabad, Mangalore and Lucknow and 395 District Development Managers functioning at district level. NABARD has 2887 officers supported by other staff. **Maharashtra Regional Office is located at Pune.** From around 1988, NABARD started opening its District Development Offices at District Headquarters and so far 30 offices have been opened in Maharashtra. **Aurangabad District Development Office** in Maharashtra is located in Aurangabad city.\(^{(10)}\)

1.10 Client Institutions:
V.3. Part 2

2.1 NABARD’s functions at a glance

A. Credit Planning and Monitoring

- Preparation of district-wise annual Potential Linked Credit Plans (PLPs), mapping the exploitable potential in agriculture and allied sectors, rural non-farm sector, etc., available for development through bank credit,
- Preparation of State Focus Paper (SFP) based on the Potential Linked Credit Plans (PLPs),
- Formulation of policies and operational guidelines for Rural Financial Institutions (RFIs),
- Monitoring the flow of ground level credit to agriculture and allied sectors,
- Coordination with various Government agencies and departments at district, state and national level.

B. Financial Services

- Refinance by way of loans and advances to RFIs for financing investment and production purposes in rural areas,
- Loans to State Governments for developing critical infrastructure including social infrastructure in rural areas and strengthening cooperatives,
- Support for micro credit innovations of Non Governmental Organizations (NGOs) and other formal and non-formal agencies,
- Monitoring and evaluation of projects financed,
- Co-financing with financial institutions.

C. Promotion and Development

1. Institutional Development:

- Capacity building of partner institutions,
- Support to innovation and experimentation of new models and practices in rural development and credit delivery system,
- Dissemination of innovative products and ideas,
- Support Research and Development (R & D),
- Institutional development of client organizations including revitalization,
- Assisting RBI and GoI in formulation of policies relating to rural credit,
• Promotion of micro credit innovations,
• Promotion of Farmers’ Clubs, Joint Liability Groups and Tenant Farmers,
• Promotion of Rural Non-Farm Sector (RNFS),
• Promotion of Kisan Credit Card (KCC) scheme,
• Consultancy services.

2. Supervision of Banks:
• On-site inspection of Cooperative Banks and Regional Rural Banks (RRBs),
• Off-site surveillance on the financial health of Cooperative Banks and RRBs.

2.2 NABARD’s operations in brief

A. Credit Planning Mechanism

A.1. Background of PLPs: & State Level Credit Plans (SLCPs)

(i) As an Apex Development Bank, National Bank for Agriculture and Rural Development endeavors to facilitate sustainable and equitable agricultural and rural development through institutional finance for farm and non-farm sectors besides rural infrastructure. This calls for identification of credit potential under various activities that offer self-employment opportunities in rural areas. NABARD has been preparing Potential Linked Credit Plans (PLPs) since 1988-89 which project potentials for credit deployment, besides identifying non-credit linkages and infrastructural gaps. The basic objective of PLPs is to map the existing potentials for development through credit and evolve an appropriate mechanism through which such potentials could be exploited over a specified time-frame. It is a user-friendly document aimed at improving capital efficiency and guiding directional flow of ground level credit.

(ii) Accordingly, base PLPs for a 5-year period co-terminus with Eighth and Ninth Five Year Plans were prepared for all the districts in the country which were updated annually to bring out the required revisions in tune with the changing policies, plans and priorities. A similar exercise was undertaken in 2001-02 to prepare base PLPs for the Tenth Plan Period (2002-2007). The PLPs for 2006-07 have been updated based on the field level studies, interaction and discussions with banks, district development departments and other agencies both at district and state levels as also in the light of the recent Govt. of India guidelines regarding doubling of agricultural credit in the next three years. As per RBI guidelines, from the year 2006-07 onwards, branches will prepare Branch Credit
Plan based on PLPs prepared by NABARD which will be aggregated at district level into the Annual Credit Plan/District Credit Plan. The DCP would eventually be aggregated into State Level Credit Plans (SLCPs). The State Focus Paper has been prepared which covers the core sectors of agriculture and rural development besides sector-wise infrastructure gaps and non-credit support required to tap the potentials projected in the PLPs. The State Credit Seminar will have the opportunity to deliberate upon the various issues and problems confronting agriculture and rural development sectors.

A.2 District Level Planning
Potential Linked Credit Plans (PLPs) are prepared by NABARD annually for all the districts in the country. It maps the potential available for development in agriculture and rural sectors in the districts and projects the credit requirements, taking into account the long term physical potential, infrastructure available and planned, extension services, marketing support, credit absorption capacity and the strength and capabilities of the Rural Financial Institutions (RFIs). The PLPs now form the basis for preparation of Annual Credit Plan at the district level by banks.

A.3 State Level Planning
State Focus Paper which presents, inter alia, a comprehensive picture of the potential available in each state for development of agriculture, allied and other rural sectors which could be exploited with institutional credit and also critical gaps in infrastructure and support services which need to be filled in, is prepared. State Credit Seminars are convened annually by the Regional Offices of NABARD, where the State Government Departments and agencies, banks, voluntary agencies NGOs, etc., participate and discuss policies and operational measures required for addressing the constraints in development of the potential available in agriculture, allied and other rural sectors in the state and channelizing credit. These seminars are aimed at action planning by all concerned to promote development of rural areas through credit and non-credit support services. Banks, State Governments and other agencies refer to this document in their planning process.

A.4 National Level Planning
NABARD facilitates GoI, RBI and State Governments to evolve policy decisions on credit flow to agriculture and rural development.
A.5 Credit functions and Clients

i. Short Term (ST) Credit for Seasonal Agricultural Operations (SAO)
To ensure timely availability of credit to farmers for taking up seasonal agricultural operations, banks follow production-oriented system of lending. The assessment of credit requirement is based on area under different crops and crop wise scales of finance. NABARD provides refinance by way of credit limits for financing seasonal agricultural operations at concessional rate of interest to State Cooperative Banks (SCBs) and Regional Rural Banks (RRBs). A pilot scheme to provide short term refinance to State Cooperative Agriculture and Rural Development Banks (SCARDBs) introduced in 3 states was extended to cover all SCARDBs in the country.

ii. Short Term (ST) - Others
Refinance support is extended for various other activities, other than SAO, to:

a. Cooperative Banks for financing:
   • Agriculture, allied and marketing activities,
   • Marketing of crops,
   • Pisciculture,
   • Industrial cooperative societies (other than weavers),
   • Labour contract and forest labour cooperative societies including collection of minor forest produce,
   • Rural artisans including weaver members of functional societies, viz., PACS/LAMPS/ FSS,
   • Procurement of agricultural inputs (fertilizers, seeds, etc.).

b. Regional Rural Banks for financing:
   • Marketing of crops,
   • Pisciculture,
   • Production and marketing of activities of artisans (including handloom weavers) and village/cottage/tiny sector industries,
   • Persons belonging to weaker sections of the society engaged in trade/ business/ service activities including distribution of inputs for agriculture and allied activities.
c. Liquidity Support to SCBs and RRBs
In order to enable Cooperative Banks and RRBs to tide over the temporary liquidity crunch due to implementation of the ADWDR Scheme 2008, NABARD has provided liquidity Support to SCBs and RRBs.

d. Weavers’ Finance
Refinance is extended to State Cooperative Banks/DCCBs for financing the working capital requirements of Primary Weavers Cooperative Societies, individual Weavers, Handloom Weaver groups and Master Weavers for their production and marketing activities. NABARD also provides refinance assistance to State Cooperative Banks for financing the Apex/Regional Weavers Cooperatives for procurement and marketing of products of primary weavers cooperatives and for trading in yarn. The State Handloom Development Corporations engaged in procuring and marketing of products from decentralized weavers units outside cooperative fold are also extended refinance through State Cooperative Banks and Commercial Banks.

Figure: V.3
Refinance Support for Short Term Credit

(Source: www.NABARD.org/databank/2009/NABARD Profile Eng.pdf)

e. Weavers’ finance – Outside Cooperative fold
The weavers outside the cooperative fold organized into Handloom weavers groups on the lines of joint liability groups are supported through Cooperative Banks, Regional Rural Banks and Commercial Banks. Recognizing the role of Master Weavers, a scheme
has been formulated to support marketing and input infrastructure of handloom weavers through master weavers.

iii. Medium Term Credit

a. Medium Term (Conversion) Loan

On the State Governments declaring substantial crop loss on account of natural calamities affecting the farmers’ ability to repay their production credit dues to banks, refinance by way of medium term loan is granted to State Cooperative Banks and Regional Rural Banks to enable them to convert their short term loans of farmers into medium term loans. This facilitates the farmers to become eligible for fresh loans. The repayment period of the converted loan is 3 years, which may be extended to a maximum of 7 years in case of recurring calamities.

b. Medium Term (non schematic) Loans

Refinance is provided to SCBs and RRBs for financing farmers to acquire productive assets for certain approved agricultural investment purposes.

iv. Investment Credit

Investment credit leads to capital formation through asset creation. It induces technological upgradation resulting in increased production, productivity and incremental income to farmers and entrepreneurs.

a. Eligible Institutions

NABARD provides refinance support to SCARDBs, SCBs, RRBs, CBs, Scheduled Primary Urban Cooperative Banks, North East Development Finance Corporation Ltd., (NEDFI), Non Banking Financial Companies (NBFCs), etc., in respect of their term loans extended in the rural areas.
b. Eligible purposes for refinance
Minor and Micro irrigation, land development, waste land development, dry land farming, farm mechanization, plantation and horticulture, animal husbandry, fisheries, storage godowns and market yards, renewable sources of energy, post harvest management, agro and food processing, hi-tech projects, Agri export zones, non-farm sector including rural industries, micro finance, joint liability groups, contract farming, Agri clinic and Agri business centers, purchase of land by small/marginal farmers, share croppers, etc., rural housing and disbursements under poverty alleviation programmes like SGSY, SC/ST action plan, etc., are eligible for refinance.
NABARD also assists client institutions in techno-economic appraisal of projects in addition to providing refinance.

c. Criteria for refinance and repayment period
Technical feasibility, financial viability and bankability of the projects which ensure incremental income generation to the ultimate borrowers, thereby enabling them to have a reasonable surplus after repayment of the loan installments are necessary conditions to be satisfied to sanction refinance for investment credit. The period of refinance ranges between 3 to 15 years, depending on the purpose of which it is provided.
Box V.1

Capital Investment Subsidy Schemes

As a nodal agency, NABARD oversee the operationalisation of the following capital investment subsidy schemes of Government of India.

- Construction of cold storages, onion godowns and rural godowns
- Development / strengthening of agriculture marketing infrastructure, grading and standardization
- Establishing Agri-Clinic and Agri-Business centers by agriculture graduates
- Supporting bankable projects for commercial production of organic inputs like bio-fertilizer, vermiculture hatchery and composting units of fruit and vegetable wastes, etc.

Central Sector Plan Scheme

- Venture capital for dairy and poultry sectors

V. Direct Credit - Loans to State Governments

a. Contribution to the share capital of cooperatives

To strengthen the owned funds position of cooperative credit institutions and thereby increasing their capacity to leverage larger resources, NABARD provides loans to State Governments to contribute to the share capital of these institutions. This support is now extended subject to compliance of Vaidyanathan Committee recommendations.

b. Rural Infrastructure Development

For creating effective demand for agricultural and rural credit, it was found necessary to augment rural infrastructure which was being traditionally supported by State Governments out of budgetary support but was insufficient to meet the growing need and demand.

With the objective of assisting the State Governments in completing ongoing rural infrastructure projects and also to take up new infrastructure projects, Rural Infrastructure Development Fund (RIDF) was set up with NABARD in 1995-96 for providing term loans at concessional rates to State Governments with contributions from Commercial Banks by way of deposits. Presently, 31 activities covering almost all aspects of rural infrastructure are being funded under RIDF as mentioned below:
### Box V.2

**Eligible activities under Rural Infrastructure Development Fund**

Agriculture and allied sectors (RIDF loans @95% of projects Cost : All States)

- All irrigation projects
- Soil Conservation, Flood Protection, Watershed, Drainage, Reclamation of water logged area
- Market Yard, Godown, Marketing Infrastructure, Cold Storage
- Plantation and Horticulture, Forest Development
- Grading/certifying mechanisms, testing laboratories Fishing harbor/jetties, Riverine Fisheries
- Animal Husbandry, Modern Abattoir
- Mini Hydel Projects/Small Hydel Projects Village Knowledge Centres, Infrastructure for IT Technology
- Desalination plants in coastal areas
- Social Sectors (RIDF loan @ 85% of projects cost (90% of projects cost for Hill States of Himachal Pradesh, Jammu & Kashmir, Uttarakhand and North Eastern States including Sikkim))
- Drinking Waters, Public Health Institutions Infrastructure for Rural Education Institutions
- Construction of toilet blocks in existing schools ‘Pay & use’ toilets in rural areas
- Construction of Anganwadi centers
- Setting up of KVIC industrial estates/centres Rural connectivity (RIDF loan @ 80% of projects cost (90% of projects cost for Hill States of Himachal Pradesh, Jammu & Kashmir, Uttarakhand and North Eastern States including Sikkim))
- Rural Roads
- Rural Bridges

The phasing for implementation of projects is determined as per the requirements and ranges from 3 to 4 years, with an extra year provided for projects in Hill States. The maximum phasing was five years in case of major and medium irrigation projects and other stand-alone projects involving RIDF loan of Rs.50 crore and above.

The cumulative allocation covering RIDF I (1995-96) to XIV (2008-09) is Rs.86,000 crore. The cumulative sanctions under all the tranches of RIDF on 31 March 2009 stood at Rs.88,359.09 crore for 365003 projects. As per the phasing of projects, all the State Governments were expected to draw a loan of Rs.73,733.64 crore upto 31 March 2009.
However, the actual disbursements to States stood at Rs.56,052.20 crore. The allocation to RIDF XV has been Rs.18000 crore including Rs.4000 crore to NRRDA for funding Rural Roads component of Bharat Nirman during 2009-10.

**Figure: V.5**

Sanction & Disbursement under RIDF- Tranche-wise

![Sanction and Disbursement under RIDF - Tranche-wise](Source: www.NABARD.org/databank/2009/NABARD Profile Eng.pdf)

### VI. Thrust Areas

a. **Ground Level Credit flow to agriculture and allied sector**

Government of India continued its efforts to enhance the flow of credit to agriculture and allied sectors. NABARD is closely involved in monitoring the ground level credit flow and coordinating with banks and Government of India.

b. **Kisan Credit Card (KCC)**

**Performance and Achievement:** The Kisan Credit Card (KCC) scheme introduced in August 1998 has facilitated in augmenting the GLC flow for crop loans by providing adequate, timely, and cost effective and hassle free short-term (ST) loans for Seasonal Agricultural Operation (SAO) to farmers. The scheme is implemented across the country by all Public Sector Commercial Banks, RRBs and Cooperative Banks. The scope of KCC was broadened by NABARD to cater to various term credit needs under a single window. In addition to ST credit and term loans for agriculture and allied activities, a certain component of loan through KCC also covers consumption needs. Keeping in view the Government’s emphasis on increasing credit flow to agriculture sector, oral lessees, tenant farmers, sharecroppers, etc., are also covered under the scheme. The KCC holders
are covered under a Personal Accident Insurance Scheme (PAIS) against accidental death and permanent disability.

c. Watershed Development
Watershed development has proved to be a comprehensive approach to enhance productivity of dry land through conserving soil, rainwater and vegetation. NABARD has been actively supporting Watershed Development which covered 1.7 million ha under various Programmes. NABARD’s Participatory Watershed Development Programme has been considered as a pioneering model in community based Natural Resources Management.

i. Indo-German Watershed Development Programme (IGWDP)
Development of micro watersheds in an integrated and comprehensive manner, for achieving sustainable production system, through people’s participation. Indo German Watershed Development Programme (IGWDP) is being implemented since 1992 in Maharashtra through NGOs and village level community based organisations. IGWDP has also been extended to Andhra Pradesh, Gujarat and Rajasthan.

Watershed Development Programme has two phases:

a. Capacity Building Phase (CBP) implemented through identified NGOs, where a small portion of the watershed is taken up for treatment to develop the capacity and conviction among the farmers to undertake the project activities.

b. Full Implementation Phase (FIP) is taken up only after successful completion of CBP.

ii. Impact of the Watershed Programme

- Improvement in drinking water availability
- In-situ water conservation and rise in ground water table leading to increase in agricultural production, productivity, etc.
- Crop diversification
- Increase in fodder availability leading to increased milk production
- Improved local employment reducing distress migration
- Improvement in the condition of women and landless
- Continuous wage employment during project implementation and on account of increased agricultural activity in the post project period
• Significant increase in demand for credit and dependence on money lenders reduced due to Self Help Group activity
• Loan repayments improved with strong community involvement.
• Improved quality of life, housing, health and school attendance visible

iii. Watershed Development Fund
Watershed Development Fund (WDF) was set up in NABARD during 1999-2000 with a corpus of Rs.200 Crore contributed equally by GoI (Ministry of Agriculture) and NABARD for creating replicable Watershed Development Models.

a. Non-Farm Sector
Rural Non Farm Sector (RNFS) holds the key to faster economic development of the country. It has potential and promise for generating employment and increased income in the rural areas, while arresting the migration of rural population to urban areas in search of livelihood opportunities. Hence, NABARD has identified financing, development and promotion of RNFS as one of its thrust areas.

i. Credit Support
The refinance products of NABARD cover the entire gamut of manufacturing, processing and service activities in the small and micro enterprises sector with focus on cottage, village and tiny industries, rural artisans and rural crafts as also rural housing sector. Refinance is also extended to Industries, Service and Business (ISB) components of Government sponsored programmes.

ii. Rural Housing/ Rural Habitat and refinance support to banks
Recognizing the importance and housing needs in rural areas, NABARD extends refinance support to eligible banks to augment credit flow to housing sector. The individual loan ceiling for a new housing unit is Rs.15 lakh and Rs.5 lakh for renovation/repairs.

iii. Promotional Support
Promotion of rural non farm sector is recognized as an important and necessary adjunct to NABARD’s refinancing function. The objective of the promotional programmes is to create replicable models to generate and enhance opportunities for employment and income generation in rural areas in a sustainable, demonstrative and cost effective manner. NABARD provides grant, grant cum loan assistance to Rural Development and
Self Employment Training Institutes (RUDSETI), NGOs, voluntary associations, trusts and other promotional organisations, etc.

e. **Rural Entrepreneurship Development Programme (REDP)**

Rural Entrepreneurship Development Programme (REDP), introduced on an experimental basis in the early nineties, as a means to support capacity building of rural unemployed youth to enable them to set up their own enterprises, has proved itself as a successful model for employment generation in rural areas. The Rural Entrepreneurship Development Programme has been institutionalised by associating Rural Development and Self Employment Training Institutes (RUDSETI), banks and voluntary agencies in the conduct of training programmes.

f. **District Rural Industries Project (DRIP)**

District Rural Industries Project was launched in 1993-94 in 5 select districts (Gwalior in MP, Kurnool in AP, Ganjam in Orissa, Sawai Madhopur in Rajasthan and Sabarkantha in Gujarat) with the objective of generating sustainable employment opportunities through promotional measures together with enhanced credit flow to Rural Non-Farm Sector in a coordinated manner. Under the project, a common action plan is prepared and implemented in coordination with the Government and non governmental agencies involved in the promotion of rural industrialization in the selected districts. The success of the pilot resulted in adding more districts under the project from 2001-02 over a period of 5 years. This resulted in coverage of 106 districts as at the end of March 2007 and facilitated setting up of more than 34.17 lakh units and created employment opportunities for over 43.29 lakh persons with a ground level credit flow of Rs.25,206.05 crore as on 31 March 2009.

g. **Scheme for constructing / Strengthening Rural Haats**

Rural Haat scheme was introduced in 1999 to boost marketing of rural farm and non farm products extended to all the Districts and in addition to PRIs/ PACS, VDBs, NGOs, SHGs Federation and VBBs made eligible for assistance under the scheme during the year. The grant assistance at 90% of the project cost or Rs.5 lakh, whichever is lower, is extended to implementing agencies for providing minimum infrastructure facilities like raised platforms with shed, drinking water facilities, cycle stand, toilets, etc., in the new or existing haats.
h. Rural Mart

A scheme for setting up of marketing outlet known as ‘Rural Mart’ at district and sub-division level by producers’ groups, self help groups and their federations, activity groups, farmers’ clubs, etc., was introduced in September 2005. Financial assistance in the nature of grant assistance is extended to support marketing of farm and non-farm products including products of rural artisans/ handicrafts sector. The support is intended to cover the risks involved in the initial stages of rural retail marketing outlets. Grant assistance up to a maximum of Rs.1.45 lakh and Rs.0.90 lakh at district and sub-district level respectively is extended to meet the cost of establishment of rural marts, i.e., for hiring of premises, remuneration for one sales person, publicity, market promotion interventions, etc., for an initial period of 15 months. In addition, the nongovernmental organization facilitating the setting up of rural mart at district and sub-district level is paid a maximum of Rs.15,000/- and Rs.10,000/- respectively as lump sum grant.

i. Cluster Development Programme

Considering the potential of cluster approach for rural industrialization, during 2005-06, NABARD decided to take up a Cluster Development Programme on its own, and set a corporate target of 50 clusters on participatory model, partnering with other agencies, and 5 clusters for intensive development exclusively by NABARD, to be achieved during a period of 3 to 5 years beginning 2005-06. Under participatory mode of Cluster Development, the intervention budget under grant support would be limited to Rs.15 lakh per cluster over a period of 3 years and under Intensive mode, the implementation period would be a maximum of 5 years with our grant support not exceeding Rs.1.00 crore. The following broad sectors have been identified for development on priority basis under Cluster Development Programme:

- Agri & Allied Activities
- Food Processing
- Small & Micro Enterprises in rural areas
- Traditional arts, such as, handicrafts and handlooms

List of possible interventions in our Cluster Development Approach include Social, Technological, Infrastructure related, Financial and Marketing interventions.
j. **Skill Up gradation and Design Development for Handloom Weavers (SUDHA)**

The scheme aims at supporting development of new designs for handloom products and upgrading the skills of traditional handloom weavers for improving their marketability, both within and outside the country. Grant assistance is provided to apex handloom cooperative societies and voluntary organisations involved in the promotion of handloom sector for conducting market surveys, design development, engaging design consultants, skill upgradation, training, and improving marketing efforts.

k. **Marketing and other Initiatives**

Promotional and financial support for marketing products of rural artisans and rural entrepreneurs is extended by sponsoring/co-sponsoring of exhibition cum sales events, melas, etc., such as SARAS-Mahalaxmi fair at Mumbai and similar melas in other cities. This helps the artisans, SHG members to get exposure to urban markets and fine tune their product range, marketing strategies according to the emerging market preferences.

**VII. Training Programmes for client institutions**

To enable the client financial institutions, viz., RRBs and Cooperative Banks, to diversify their loan portfolio and accelerate the credit flow to rural non-farm sector, training programmes are supported and funded by NABARD.

**VIII. Micro Finance**

a. **SHG-Bank linkage programme**

The SHG-Bank linkage programme, conceptualised and launched by NABARD in 1992, attempts to link the poor in large numbers to the formal banking sector in a sustainable and cost effective manner. The programme rekindled the basic human trait of self worth of every member in a group. By handling savings and internal lending, the groups mature to acquire credit worthiness for themselves and earn confidence of banks for loans by providing trust as collateral. This has emerged as the predominant micro finance model in the country and is now a proven method of financial inclusion, providing unbanked rural clientele access to formal financial services from the existing banking system. This SHG- Bank linkage model has emerged as the largest and fastest micro finance outreach programme in a cost effective manner in the world.
The social intermediation in forming and nurturing the self help groups is handled by a large number of nongovernmental organizations, voluntary agencies, community based organizations like farmers’ club, local bodies, field level functionaries of government agencies, socially committed individuals and bodies and banks themselves. Commercial banks followed by RRBs and cooperative banks also play an important role in credit linking the SHGs. NABARD provides grant assistance to various partner agencies in promoting and nurturing of SHGs, and extends refinance support to banks against their loans to SHGs. NABARD also takes lead in providing financial and other support for capacity building, sensitizing and training the personnel of all the partner agencies including banks.
With the success of the SHG-Bank linkage programme, linkage of Micro Finance Institutions (MFIs) with the banking sector was promoted by NABARD to enable on-lending by MFIs to SHGs and individuals.

b. Support to Partner Agencies
NABARD as in the past, extended grant support to NGOs, RRBs, DCCBs, Farmer Clubs (FCs) and Individual Rural Volunteers (IRVs) for promoting and nurturing quality SHGs. Efforts continued towards roping in new Self-Help Promoting Institutions (SHPIs) and supporting the existing ones.

c. Capacity building of partner agencies
Capacity building of stakeholders is crucial for up-scaling the SHG movement and maintaining the quality & sustainability of SHGs. With a view to fine tuning the strategies for up-scaling support to the MF sector, three zonal workshops covering NABARD’s own staff were also conducted at Hyderabad, Lucknow and Patna. Besides during the year, NABARD supported conduct of number of capacity building programmes for SHG members, officers of commercial banks/cooperative banks/RRBs, PRI, IAS Officers and government officials.

d. Micro-Enterprise Promotion by SHGs
   1. Support to Activity Based Groups (ABG)
A scheme for supporting small-scale activity based groups was introduced during 2008-09 under which capacity building, production and investment credit and market related support would be extended by NABARD. The scheme focuses on forming and nurturing groups engaged in similar economic activities i.e. farmers, handloom weavers, fishermen craftsmen. NABARD support will be in the form of grant for group formation, training extension services, market linkage. Loan from banks would cover investment activities and working capital needs. NABARD refinance is available to banks against their financing to such activity based groups on similar line as in SHGs.

   2. Micro-Enterprise Development Programme
NABARD had launched the Micro-Enterprise Development Programme (MEDP) during 2005-06 for skill up gradation and development of sustainable livelihoods/ venturing into micro-enterprises by matured SHG members. During the year, 564 MEDPs were conducted covering 14,030 SHG members on
location specific farm, non-farm and service sector activities, viz., beekeeping, soya-bean cultivation, mushroom cultivation, organic farming, horticulture and floriculture, agarbatti-making, readymade garments, tailoring, beauty parlour, plate-making from areca-nut, jute crafts, screen printing, crotia and chicken work, mandap decoration, motor coil rewinding, lantana basket weaving, etc.

3. **Pilot Project for Promotion of Micro-Enterprises**

Launched in 2005-06 in 9 districts viz., Ajmer (Rajasthan), Chandrapur (Maharashtra), Kangra (Himachal Pradesh), Madurai (Tamil Nadu), Mysore (Karnataka), Panchmahals (Gujarat), North 24 Parganas (West Bengal), Puri (Orissa) and Rae Bareli (Uttar Pradesh).

4. **Support to SHG Federations**

Recognizing the emerging role of the SHG Federations in nurturing of SHGs, enhancing the bargaining powers of group members and livelihood promotion, NABARD introduced during 2007-08, a flexible scheme to support such Federations, on a model neutral basis. The broad norms identified for supporting SHG Federations stipulate that the federations should be need based, member-owned/driven, democratically managed with members at liberty to join, become self-managed over three years, etc. Support to the Federation is extended by way of grant for training, capacity building, exposure visits of SHG members, etc., as also under all of NABARD’s existing promotional schemes.

5. **Support to Joint Liability Groups**

With successful pilot project on financing JLGs through select RRBs and PCARDB by NABARD and based on the joint study by NABARD and GTZ on the impact and potential of JLGs, NABARD decided to upscale the programme and continued supportive / promotional interventions, with a view to augmenting credit flow to small, marginal and tenant farmers for facilitating agriculture production and productivity.

6. **Support to Micro-Finance Institutions**

Recognizing the role of MFI in supplementing the efforts of the formal banking network in providing credit support to unreached clients for inclusive growth, NABARD
supports them through grant and loan-based assistance from the Micro-Finance Development and Equity Fund (MFDEF).

7. **Revolving Fund Assistance (RFA)**

NABARD has been selectively supporting MFIs for on-lending to the unreached poor as also experimenting with various MF models to innovate alternative, sustainable and replicable credit delivery systems. During the year, RFA amounting Rs.6.35 crore was sanctioned to four agencies taking the cumulative credit sanctioned to Rs.42.73 crore covering 37 agencies.

8. **Support for rating of MFIs**

NABARD provides assistance to commercial banks and RRBs to avail the services of rating agencies (CRISIL, M-CRIL, ICRA, CARE and Planet Finance) for rating of MFIs. Under the scheme, NABARD meets the cost of rating to the extent of cent per cent of the professional fees subject to a maximum of Rs.1 lakh. The assistance is available for the first rating of MFIs with loan outstanding exceeding Rs.50 lakh but less than Rs.500 lakh. Cumulatively, as at the end of year, rating support of Rs. 3.40 lakh has been extended to banks in respect of four agencies. During 2008-09, the Bank introduced a new scheme to provide grant assistance directly to MFIs for availing the services of credit rating agencies for their rating. The scheme is operational across the country for one year, w.e.f. November 2008.

9. **Capital / Equity Support**

Under the scheme, financial assistance is provided to MFIs to leverage capital/equity for accessing commercial and other funds from banks for providing financial services at an affordable cost to the poor, and achieve sustainability in credit operations over 3 to 5 years.

10. **Salient Features of scheme of Capital Support to Start-up MFIs**

- The scheme is operational throughout the country for a period of one year.
- MFI (i) with a minimum loan outstanding of Rs.50 lakh, (ii) seeking capital/equity support and/RFA from MFDEF and (iii) not possessing a current rating/grading report from any of the approved credit rating agencies, are eligible for support.
• MFI not eligible for rating under the present scheme if rated earlier under scheme for financial assistance to banks for rating of MFI.
• Grant assistance for rating/grading available only once for any MFI.
• NABARD will reimburse 100% of the total professional fees paid by the MFI subject to a ceiling of Rs.3 lakh.
• Any other incidental expenses will not be supported.

e. Pilot Projects
To assess the suitability of various innovative initiatives and also enhance the sustainability of MF activities, NABARD continued to extend support for various pilot projects.

1. SHG-Post Office Programme-The project aimed at utilizing the vast network of Post Offices in rural areas in disbursement of credit to rural poor, on agency basis. An RFA of Rs.5 lakh for on-lending to 50 SHGs in East Khomi Hills in Mizoram was sanctioned. The group formation is under way.

2. Financial assistance for developing software-MYRADA
NABARD had sanctioned Rs.10.29 lakh to MYRADA for developing software for NGOs to help them understand the functioning/performance of SHGs. The software, NABYUKTI can generate report relating to loans repayment performance and training-related activities and has been made available without charges to all NGO partners involved in the promotion and linkage of SHGs.

3. Other Developments
The NABARD-KfW programme titled ‘Financial Cooperation with India-Capitalization Program SEWA Bank’ being implemented in Gujarat is aimed at improving access of poor women to micro-credit on a sustainable basis, both in rural and urban areas. The project is being implemented by SEWA bank and NABARD will act as the intermediary agency responsible for providing technical support and undertaking periodic review, monitoring and supervision of the project.

IX. Empowerment of rural women
Ninety four percent of women workers are engaged in the unorganized sector, of which, majority is in agriculture and allied activities. To bring advancement, development and
empowerment of women, NABARD is implementing a number of women specific programmes.

a. Women Development Cell (WDC)

To mainstream gender development and to strengthen institutional capabilities in addressing gender related issues in credit and support services, grant assistance is extended to RRBs and cooperative banks to set up Women Development Cells (WDCs). The WDCs, which are intended to take up activities for promoting increased credit flow to women, organise gender sensitization meets and awareness programmes. The support to set up WDCs has been liberalised to encourage banks to set up such cells. 102 WDCs (56 in RRBs, 43 in DCCBs and 3 in SCARDB) have been supported by NABARD as at the end of March 2009.

b. Assistance to Rural Women for Rural Non Farm Development (ARWIND)

This is a single window scheme containing credit as well as promotional components of assistance for conducting skill or EDP type of training for women, establishment of production units at the sponsoring agencies level or to set up household units with loan assistance from banks. NABARD provides 100% refinance to banks for credit extended under the scheme.

c. Assistance for Marketing of Non Farm Products of Rural Women (MAHIMA)

To support initiatives in marketing of products made by rural women, assistance is provided to various aspects related to marketing like survey, capacity building, branding, packaging, publicity, setting up of outlets, technology upgradation, etc. NABARD provides 100% refinance to banks for credit extended under the scheme.

X. Support to Weaker Sections

NABARD has introduced special programmes for the upliftment of weaker sections in the society like the small and marginal farmers, scheduled castes and scheduled tribes, etc.

a. Support to Small and Marginal Farmers (SF & MF)

NABARD’s refinance policy on production credit (short term loan) stipulates that banks earmark 30% of their total lending to small and marginal farmers.

b. Special line of credit for tribal’s - Development of Tribal Population
A separate line of credit on liberal terms, known as “Development of Tribal Population” is extended by NABARD in predominantly tribal areas. Short term credit limits are also sanctioned to cooperatives for financing collection and marketing of various types of minor forest produce by scheduled tribes.

c. **SC / ST action Plan**
NABARD provides 100% refinance to the banks for making available investment credit to the SC/ST population.

d. **Adivasi Development Programme (Wadi Project)**
‘Wadi’ (small orchard) project is implemented for upliftment of tribals in Gujarat and Maharashtra with grant support from KfW, Germany since 1994-95 and 2000-01 respectively. Two NGOs, viz., DHRUVA & MITTRA, promoted by BAIF Development Research Foundation, Pune act as the Programme Implementing Agency in Gujarat and Maharashtra respectively. In Gujarat, 13,663 tribal families have been covered under this project against the target of 10,000 families through sustainable horticulture production and other supportive interventions like development of water resources, women development, health and sanitation, etc.

**Impact of Wadi Project**
- Rise in employment opportunities,
- Reduction in migration,
- Increased production of fruits and cashew nuts,
- New avenues for processing activities,
- Enhanced entrepreneurial skill, and
- Empowerment of women.

e. **Special Project under Swaranjayanti Gram Swarojgar Yojna (SGSY) on Livelihood Based Development in Sultanpur and Rae Bareli Districts, Uttar Pradesh**
Govt of India, Ministry of Rural Development sanctioned Special Projects under Swaranjayanti Gram Swarojgar Yojna (SGSY) on Livelihood Based Development for 11,500 Below Poverty Line (BPL) families each in Sultanpur and Rae Bareli districts of Uttar Pradesh. The total approved cost of the project in Sultanpur is Rs.14.97 crore (with beneficiaries’ contribution at Rs. 2.07 crore and GoI share at
Rs.12.91 crore). The total approved cost of Rae Bareli project is Rs.14.90 crore (with beneficiaries’ contribution at Rs. 2.17 crore and GoI share Rs.12.73 crore). Both the projects consist of two sub-projects viz. (i) Demand Driven Skill Development through Livelihood Business advancement School (LABS) of Dr. Reddy’s Foundation and (ii) Multi Activity Approach for Poverty Alleviation (MAAPA) in cluster of villages through BAIF.

XI. Swarozgar Credit Card (SCC) Scheme:
The Swarozgar Credit Card scheme envisages adequate and timely credit, working and block capital, to small artisans, handloom weavers, service providers, fishermen, self-employed persons, rickshaw owners, other micro entrepreneurs in rural and urban areas, in a flexible, hassle free and cost effective manner from the banking system. This facility also includes a reasonable component for meeting consumption needs.

C. Promotion and Developmental Initiatives.

1. Institutional Developmental - Creation of various Funds

I. Tribal Development Fund (TDF)
NABARD has created a Tribal Development Fund, on 1 April 2004, with a corpus of Rs.50 crore out of its profits to support developmental models for integrated tribal development. The fund is being augmented from time to time and as on 31 March 2009, the outstanding balances in the Fund is Rs 574 crore. Assistance from the Fund is available for a range of interventions such as raising of suitable species of horticultural crops, soil and water conservation measures through people’s participation and various social sector interventions such as women development, health and sanitation, capacity building etc., for achieving sustainable development of tribal families.

II. Financial Inclusion
A significantly large section of the population still remains excluded from the basic banking services despite varied developments in the sector. Financial Inclusion is the process of ensuring access to financial services and timely and adequate credit, when needed by vulnerable groups such as weaker sections and low income groups, at an affordable cost.

The Committee on Financial Inclusion set up by GoI under the Chairmanship of Dr. C. Rangarajan, had in its report, recommended for establishment of two funds namely,
Financial Inclusion Fund (FIF) and Financial Inclusion Technology Fund (FITF). The corpus of the fund is Rs.500 crore each have been set up with NABARD, to be contributed by GoI and RBI (40% each) and NABARD (20%) in a phased manner, over a maximum period of 5 years, depending on the utilisation of funds. FIF is intended to support the developmental and promotional activities to secure greater financial inclusion, particularly among weaker sections, low-income groups in backward regions and unbanked areas. FITF is to enhance the information communication technology, stimulate the transfer of research and technology, increase the technological absorption capacity of financial service providers and encourage an environment of innovation among stakeholders aimed at promoting financial inclusion. During 2007-08, NABARD contributed Rs.5 crore each to these Funds.

Two Advisory Boards, one for each Fund, was constituted by GOI for guiding and tendering policy advice on various aspects.

**a. Projects under FIF**

i. Trainers’ training programme on financial literacy at Kolkata.

ii. Pilot project to establish farmers’ service/village knowledge/ mobile credit counseling centers, promote financial literacy and farmer education through mass media in South Malabar district of Kerala through South Malabar Gramin Bank.

iii. Pilot project for capacity building of 25 Farmers’ Clubs of West Tripura, South Tripura and North Tripura Districts to function as business facilitators, generating new accounts and business for Tripura Gramin Bank.

iv. R&D project for ICT solution in 15 select RRBs with support from World Bank and Technology provider.

**b. Projects under FITF**

i. Smart card based pilot project in Tirunelveli District of Tamil Nadu covering 500 SHGs (6,000 customers) to help Pandyan Gramin Bank and NGOs in registering, lending and micro-financing SHGs.

ii. Project on smart cards in Medak, Mahbubnagar and Warangal districts of Andhra Pradesh to facilitate payments to the beneficiaries of NREGS and Social Security Pensioners, opening of ‘No Frill Accounts’ of other rural households by Andhra Pradesh Gramin Vikas Bank (APGVB). Services are being extended through Business
Correspondent Model with the help of a biometric card and mobile device and will cover 12,88,396 beneficiaries in 1,115 villages.

iii. Pilot project to establish Financial Inclusion Hubs aiming at ‘e-branch’ facility offering multiple financial products & services in 10 PACS in Andhra Pradesh.

iv. Pilot for installing four ATMs, one in each district of Tripura by the Tripura Gramin Bank for technology upgradation to reach out to the large segment of excluded population.

v. Impact study of 100% achievement under Financial Inclusion in Kanyakumari district.

III. Micro Finance Development and Equity Fund (MFDEF)

The Micro Finance Development and Equity Fund (MFDEF) set up by NABARD is used for promoting micro finance through scaling up the SHG-Bank linkage programme, extending Revolving Fund Assistance and Capital Support to MFIs and supporting various promotional initiatives/activities. During the year, a sum of Rs.34.66 crore was utilized from the Fund towards micro finance related activities. The Advisory Board of MFDEF comprising of representatives from RBI, Commercial Bank, Professional with domain knowledge and NABARD provides guidance in formulation and refinement of policy initiatives.

IV. NABARD-SDC Rural Innovation Fund

NABARD-Swiss Agency for Development and Cooperation (SDC) Rural Innovation Fund (RIF) was set up in October 2005 with an initial corpus of Rs.139.90 core. The fund is to be utilized over a period of 5 years, extendable by another 2 years. Assistance is extended from Rural Innovation Fund for identifying and supporting innovative, risky, unconventional experiments in farm, non-farm and micro finance sectors which have the potential to generate employment opportunities in rural areas. The focus of the Fund is on the rural poor and innovations which may cover processes, technology and products. During 2008-09, 65 innovative projects were sanctioned taking the cumulative number of projects sanctioned to 97, spread across 22 states. An amount of Rs.12.48 crore was sanctioned during the year, taking the cumulative sanctions made till end-March 2009 to Rs.20.67 crore.\(^{(11)}\)
...a glimpse of some projects supported under RIF RURAL INNOVATION FUND (Some Case Studies)

1. **Lights on! Action … electricity from biomass**
   The innovation envisages setting up a bio-mass gasifier for production of electricity from Sarpat Grass (Sarakanda) wastes to be used for domestic lighting, street lighting, pumping drinking water, etc, in Jokehara, Azamgarh, UP. While conventional bio-mas gasifiers are either based on sugarcane bagasse or rice husk, ‘Sarpat Grass’ or ‘Sarakanda’, a non-fodder grass, is being used for the first time. An amount of Rs. 6.705 lakh has been sanctioned to Ramanand Saraswathi Pustakalaya for implementing this innovation.

2. **...from the South, now in the North-East, thanks to RIF**
   The project envisages use of Arecanut leaves (sheaths), otherwise wasted, for manufacture of arecanut leaf plates and bowls which are eco-friendly, biodegradable, microwave friendly and can even hold liquids for a few hours. Even though the activity is flourishing in the South, RIF support amounting to Rs. 10.24 lakh is intended to ground a ‘space replicative’ effort being attempted in Barpeta district of Assam by DHRIITI, an NGO.

3. **Neem does ‘taste sweet’**
   Though multiform uses of neem are well established, neem is still grown mostly on public wasteland and collection of neem kernels is a low income generating activity among the landless labourers in villages. Agency for Social Action (ASA), an NGO in Bolangir district of Orissa has been sanctioned RIF grant assistance of Rs.23.22 lakh for an integrated neem development plan which envisages maintenance of existing neem plantations, raising of new plantations, setting up of a nursery, scientific collection of neem seeds, processing at two levels, product formulation, marketing and profit sharing with a participatory model involving SHGs and neem development communities.

4. **Tea….naturally sweetened**
   Stevia is a plant which is used as a natural sweetener. The innovation is in blending stevia with tea leaves to manufacture stevia tea by small tea growers, thereby putting in place decentralized processing units. The proposal, to be implemented in Lower
Dibang Valley of Arunachal Pradesh by the Essomi Foundation Trust, has been supported under RIF with assistance of Rs. 17.641 lakh. The project is expected to transform the socio-economic fabric of the area.

5. Coir pith to ‘smoking sticks’ – a magical transformation

‘Smoking’ of rubber sheets is a very important process in the rubber industry. At present, firewood and coconut husk are being used, which have alternative, and more economically beneficial, uses. Further, these are basically ‘firing’ mediums and burn quickly, with less smoke. Krishi Vigyan Kendra (KVK), Panniyur has come up with a novel idea – of using coir pith compressed into sticks as a medium to ‘smoke’ rubber sheets. Coir pith - a necessary by-product of the coir industry - is an environmentally hazardous waste material. KVK has evolved a technology for the same and RIF’s support of Rs. 5.50 lakh is being extended to proof-test the same in Kannur district of Kerala State.

6. Plucking prosperity……

Imagine an innovation that improves productivity 15x, reduces costs by a third and increases income levels of the farmer – the cotton plucking machine developed by Shri Bilonikar of Aurangabad does precisely this. A first of its kind, the machine enables plucking 150 kg. of cotton per day (up from 10 kg., if done manually), resulting in savings of Rs. 1800/- to Rs. 2400/- for a small/marginal farmer cultivating cotton on 3 acres of land. Based on the results of operational field trials, Shri Bilonikar is supported under RIF with a loan of Rs. 15 lakh.

7. Building wealth….from waste

Most thermal power projects generate fly ash, which is an environment pollutant. Technology & Action for Rural Advancement (TARA) is implementing a project, which utilizes fly ash, to produce bricks used by the construction industry. A community-centric SHG-based business model has been envisaged thru’ 40 Community Based Enterprises (CBEs) which will undertake this activity in Chandrapur, Nagpur and Beed districts of Maharashtra, with RIF assistance of Rs. 43.74 lakh. Being part of the Clean Development Mechanism, the project may earn Carbon Credits too. Talk of turning a –ve into a +ve.
8. Cooperation must succeed, eventually Ever wonder what an enterprising cooperative society can do! Here is one which has simply re-designed process, product and service delivery. **Charaka Women’s Multipurpose Industrial Co-operative Society in Shimoga District of Karnataka** has evolved a hub-and-spoke mode for and marketing of cloth – right from developing the perfect mix of Training, outsourcing work to primary weavers’ societies under buy-back to quality-control and centralized marketing under the umbrella brand ‘DESI’. Multiple stakeholders in the project is proof of its wider ‘natural’ dyes in their own R&D lab, Design Development and acceptability. RIF support of Rs 6 lakh will go a long way in realizing the dreams ‘woven’ by the enterprising women.

9. Towards a clean and green kitchen

Imagine a stove that runs on kerosene – yet uses 50% less fuel, gives 10% more heat thereby reducing cooking time, provides a soot-free environment and is eco-friendly. This is what the **Bio-Activated Energy Mission (BAE), Bangalore** seeks to achieve thru’ their unique kerosene and steam-operated stoves for rural households. The innovation attracted RIF support of Rs. 4.25 lakh towards meeting the cost of ‘go-to-the-market’ efforts and popularizing the new concept amongst the user community.

10. ‘Mushrooming’ business

Mushroom cultivation demanded good quality spawns, production of which was very complicated - requiring a sterile, aseptic environment. The tedious pasteurization process kept many people away from this activity. **The Social Welfare Society (SWS), Chikamagalur dist.** Came across an innovative way to produce spawns – using Hydrogen Peroxide to keep out the contaminants. It not only simplified the process, but also did not require costly equipments like autoclave, laminar flow hood, glove box, etc. To ground this low-cost innovation, SWS envisaged setting up a spawn production lab and engage SHGs in cultivating mushrooms. A marketing tie-up is also envisaged. The project has taken off with RIF support of Rs. 3.40 lakh.

11. Active cooling thru’ “passive evaporation”

Availability of electricity in rural areas is erratic and uncertain. The rural folk had all along been using traditional methods of ‘refrigeration’ like earthern pots, etc. Building on this, **Shri Arvindbhai Patel**, a ‘serial innovator’ from Ahmedabad, came up with
the idea of a Zero Energy Cooling Chamber to keep fruits and vegetables cool, even in warm conditions. These units run on the principle of passive evaporation to lower the temperature of the chamber, keeping the vegetables stored inside fresher for longer periods, without loss to its natural taste, aroma and flavour. This innovative ‘spark’ is supported under RIF with assistance of Rs. 5.91 lakh to build prototype for field-testing of the concept.

12. Towards cleaner cotton

Ahmedabad Textile Industry’s Research Association (ATIRA), Ahmedabad was sanctioned a grant assistance of Rs.4.80 lakh for a product innovation involving modifications in the mechanism/design of the conventional cotton depodding machine. This is expected to improve the quality of the desi variety of kapas (cotton) by reduction of trash content and separation of fragments of the pod, thereby ensuring better colour, productivity and purity.


Conventionally, burning biomass initially produces smoke when ‘volatiles’ are burnt and finally leaves ash as residue after combustion of ‘carbon.’ Nishant Bio Energy Consultancy of Mohali, Chandigarh, run by Shri Ramesh Kumar Nibhoria, winner of the Ashden Award (a.k.a. the Green Oscar), has devised the Sanjha Chulha, which uses an innovative combustion technology – by providing air where the fuel is, to facilitate faster and cleaner combustion. Process innovation is in delivering the product to small business units, thru’ a deferred payment model. RIF supports this innovation in a very ‘innovative’ way – apart from grant assistance, a venture-like support is also envisaged, aggregating Rs. 23.83 lakh.

14. Finer fibres in no time - Innovative Jute Retting

Retting is a process to soften the jute fibres by soaking them in water or by exposure to moisture to facilitate partial rotting. The innovative process, initially propagated by the National Institute of Research on Jute and Allied Fibre Technology (NIRJAFT), Kolkata, involves less drudgery, requires less water, cuts process time by two-thirds, increases productivity and improves quality of output. Manosri Tarun Bani Mandir has been sanctioned grant of Rs. 6.098 lakh for this project, to be implemented in Howrah district of West Bengal.
15. Worms do like mango peels
Hosur in Krishnagiri district of Tamil Nadu, a mango-producing belt, faced the problem of accumulation of mango fruit waste. **SHARAZ Farm Academy** spotted a business opportunity here of treating mango peel, which is acidic in nature, with egg shells which are alkaline, for producing vermi compost, which could then be sold to the mango growers’ themselves. With RIF support of Rs. 8.91 lakh, the project, being implemented in Krishnagiri district, is well on its way to realizing its objectives.

16. Storing water, where it falls – Jalkunds
The North East Region of the country has uneven topography and associated with it is the problem of heavy surface water run-off. **ICAR Research Centre, Ummiam, Meghalaya** came up with the idea of setting up low cost rain water harvesting structures or “Jalkunds” using locally available material like grass, bamboo, etc. 40 such structures are planned in the 4 NE States of Meghalaya, Tripura, Nagaland and Manipur, with RIF assistance of Rs. 10 lakh.\(^{(12)}\)

V. Farmers’ Technology Transfer Fund (FTTF)
The ‘Farmers’ Technology Transfer Fund’ (FTTF) was set up by NABARD, with a corpus of Rs. 25 crore on 01 April, 2008 with the objective of promoting transfer of technology for production enhancement and productivity in agriculture and farm related activities like Animal Husbandry, Fisheries, information dissemination linkages with market. The Fund became operational from 01 April 2008. Operational Guidelines on FTTF were issued to CMD’s of major Commercial banks, Co-operative Banks and Regional Rural Banks in June 2008. Assistance from the fund is extended for promotion & transfer of technology, information dissemination linkages with market, production enhancement and productivity in agriculture and farm related activities like Animal Husbandry, Fisheries, through area based project proposals, workshops, seminars and capacity building programmes by organizing farmers informal association, producers groups, joint liability groups. These interventions are expected to result in perceptible impact at ground level.
During 2008-09, 12 proposals were sanctioned in 6 states involving financial assistance of Rs.233.31 lakh (Rs.161.31 lakh as grant and Rs. 72 lakh as soft loan) for
implementation of developmental projects envisaging technology transfer and capacity building of farming community. Key steps for identification of appropriate projects for funding support under FTTF were advised to concerned ROs highlighting areas such as (i) Identification of one compact block in each state (ii) Synergy with PPID/VDP Programmes (iii) Centre staging of Farmers’ Clubs under the programme (iv) Prioritisation of technological interventions to 3 or 4 areas such as like Soil and water conservation, improved productivity measures, organic farming, vermi composting, system of Rice Intensification Technique (SRI), energy saving devices like solar technology, setting up of nurseries, production of hybrid seed varieties, Bio-fertilizers, Bio-pesticides and replacement of old and obsolete pump sets etc,. A project Advisory Committee has been constituted at H.O level to recommend the proposals received under FTTF.

VI. Farm Innovation and Promotion Fund (FIPF)

The Farm Innovation and Promotion Fund (FIPF) with a corpus of Rs.5 crore was set up by NABARD in 2005 to promote innovative and feasible concepts/ projects in Agriculture and allied activities, development of marketable prototypes, technology, patenting, extension support, marketing etc. During 2008-09 15 proposals were sanctioned in 7 states involving financial assistance of Rs.181.97 lakh of which Rs. 100.33 lakh was grant and Rs. 81.64 lakh was soft loan assistance covering developmental areas such as Training cum awareness program for Farmers on Commodity Exchange, Village Farm Development, Rainfed Rabi Cropping, Ultra High density Orcharding in Guava, Protected vegetable cultivation in Villages, Leveraging skills & resources of Rural Communities for creation of Livelihoods, Efficient management of Carbon and Plant Nutrients under dry land agriculture etc.,

VII. Financial Package for Sugar Factories

a. Package for Restructuring of Term Loans to Cooperative Sugar mills

Govt of India, Ministry of Consumer Affairs, Food & Public Distribution had announced the revised Package on Restructuring of Term Loans of Cooperative Sugar Mills. All operational Cooperative Sugar Mills in the country which had term loans outstanding as on 31 March 2005 and were commercially viable with adequate operational surplus to repay the rescheduled term loans are covered under the package.
The term loans were restructured /rescheduled with repayment within five years for Category A and 15 years for Category B, including a moratorium of two years for payment of interest and principal. The rate of interest on the restructured loans has been reduced to 10% per annum, with effect from 1st April 2005. The Govt of India has agreed to provide interest subvention to the maximum extent of 3%. Term loans provided by SCBs, DCCBs, Commercial Banks, Primary Urban Cooperative Banks & other financial Institutions like IDBI, IFCI, NCDC, SDF etc are eligible for coverage under the package.

The restructuring of Term Loans aggregating Rs. 1884.43 crore in respect of total 89 Sugar Mills, Maharashtra (88), and Orissa (1) have since been done.

GoI had placed funds with NABARD for settlement of Interest Subvention claims of financing banks under above scheme. NABARD has settled claims of Cooperative Banks/Commercial Banks amounting to Rs. 116.18 cr. till 31.03.2009.

b. Scheme for Conversion of Harvesting & Transport Charges and Short-margins to Term Loan

Govt of India, Ministry of Consumer Affairs, Food & Public Distribution had further announced conversion of outstanding loan on account of Harvesting & Transport Charges and Short-margins on sugar stocks as appearing in the books of the sugar mills as on 01.04.2007 in to term loans upto a maximum period of 5 years without any reduction in the existing rate of interest. No interest subvention is available under the scheme. The scheme has been circulated among the Co-operative Banks by NABARD. The harvesting & transportation charges aggregating to Rs 56.10 cr in respect of 7 CSMs in Karnataka & 2 CSms in Orissa have been converted into term loan by SCBs.

c. Scheme for Providing Financial Assistance to Sugar Undertakings -2007

GoI have notified the Scheme for Providing Financial Assistance to Sugar Undertakings-2007 for enabling sugar mills to obtain loans for a period of four years with moratorium of two years to pay their sugarcane dues at SMP fixed / to be fixed by GoI for the year 2006-07 and 2007-08 sugar seasons.

The loans to the extent of notional excise duty payable for 2006-07 and 2007-08 sugar seasons on the total sugar production will be sanctioned to the sugar mills by banks which are providing them working capital and interest subvention to the maximum extent of 12% pa available from GoI.
VIII. Village Development Programme (VDP)
The Village Development Programme (VDP) introduced in 2007 aims to develop identified villages in a holistic and integrated manner by involving the local populace, governmental agencies, banks, NGOs, etc. The programme envisages developing one village in each DDM district and five villages in each of the PPID blocks. The programme involves, (i) identifying of a village and its socio-economic and infrastructure needs, (ii) awareness creation among stakeholders, (iii) engaging the services of the implementing agency, (iv) conducting base line survey / PRA, and (v) preparing and implementing Village Development Plan, by pooling together various available resources. A Village Development Committee comprising mainly of progressive villagers will take care of plan preparation, implementation, monitoring, etc.

IX. Pilot Project for Integrated Development of Backward Blocks (PPID)
The objective of PPID is to bring about integrated development of backward blocks through credit and convergence of development programmes of various agencies. This would include economic development, infrastructure development and other aspects of human development i.e., education, health, drinking water supply, etc. This would naturally require the involvement of State Government agencies (including Panchayats), banks, NGOs, people’s organisations and other development agencies. The programme is conceived to be implemented primarily by Regional Offices of NABARD through DDMs.

The Project, which was initially implemented in 5 states covering 10 blocks was expanded over the years to cover a total of 139 blocks across 16 states. However, keeping in view the similarities of interventions under PPID and VDP and based on the feed back received from ROs, it was decided that duration of PPID will normally be restricted to 3 years only, unless otherwise in specific cases and wherever ROs deem fit to merge PPID and VDP, they may do so under advice to HO and concentrate more on VDP. Following these developments, PPID has been closed down in 29 blocks where it has completed three years and merged with VDP in 70 blocks.

X. Scheme for Capacity Building for Adoption of Technology (CAT)
NABARD has been implementing the ‘Scheme for Capacity Building for Adoption of Technology’ (CAT) through exposure visits and training to facilitate farmers
to adopt new/innovative methods of farming. Farmers, preferably marginal and small are taken on exposure-cum-training visits to innovative agriculture and allied sector projects where proven technologies are developed by research institutes, corporate houses, NGOs and progressive farmers/entrepreneurs. Support is extended under Farmers’ Technology Transfer Fund (FTTF). During 2008-09, 116 exposure visits involving 3048 farmers were arranged in collaboration with select research institutes, KVKs, and Agriculture Universities on bio-globules, vermi-culture, bio-manures, organic farming, polyhouse technology, medicinal and aromatic plant cultivation, etc.

XI. Farmers’ Club Programme

NABARD launched Vikas Volunteer Vahine in November, 1982 to promote the five principles of “Development through Credit” and later in 2005 rechristened it as Farmers’ Club Programme by redesigning its mission as “Development of rural areas through credit, technology transfer, awareness and capacity building.” The five principles of Development through Credit aimed to instill a better understanding of credit discipline and adopt the most suitable methods of science and technology.

The basic objective of the programme is to organise farmers in an informal organisation to have a smooth access to credit and generate a bargaining power to deal with agriculture input suppliers and bulk produce buyers. Emphasis has been to expose farmers through the forum of Farmers’ Club to new technologies and agriculture practices and motivate them to adopt methods and technologies which are most suitable to their soil and geographical situation.

A. Farmers’ Club — Mission: Development of rural areas through credit, technology transfer, awareness and capacity building.

B. Five Principles of “Development through Credit”

- Credit must be used in accordance with the most suitable methods of science and technology,
- The terms and conditions of credit must be fully respected,
- Work must be done with skill so as to increase production and productivity,
- A part of the additional income created by credit, must be saved,
- Loan installments must be repaid in time and regularly so as to recycle credit.
XII. NABARD-GTZ Rural Finance Programme
The Gramin Tatkal Scheme (GTS) formulated in coordination with GTZ, working on ‘family as a unit’ concept, to provide financial assistance for multiple activities of rural families, is being implemented since 2006-07 on a pilot basis in eight States. The implementing banks have covered 7127 families involving loan amount of Rs.40.17 crore. The implementation and impact of the scheme are under review, following closure of the pilot project on 31 December 2008.

XIII. Rural Tourism
The tourism industry is one of the largest sources of employment (with an estimated 7.8 million workers employed directly and over 18 million indirectly) with gross total receipt of more than Rs.10000 crore per annum. NABARD had decided to give a focused attention to rural tourism especially home based rural tourism and agri-tourism through cluster approach jointly with tourism department of the State Governments, Tourism Development Corporations, Private Tourist Operators and the Rural Community. As at the end of March 2009, four rural tourism proposals have been approved of which two are in Sikkim, one in Chattisgarh and one integrated tourism cum handicrafts cluster in and around Santiniketan of West Bengal.

XIV. Umbrella Programme on Natural Resources Management (UPNRM):
With a view to restructuring the bilateral cooperation in the field of Natural Resource Management (NRM), NABARD and the German Development Cooperation has launched a joint Umbrella Programme on Natural Resource Management (UPNRM) during 2007-08. The programme aims at improving livelihood situation in rural areas through promoting and funding sustainable use, management and conservation of natural resources. The programme integrates NABARD’s existing and future Indo-German NRM efforts into a stream-lined approach of participatory NRM-related interventions. The cooperation under the UPNRM envisages a shift from a project based approach to program based approach with growing emphasis on achieving strategic impact on development policies. It also envisages a gradual shift from grant to loan based funding modalities in bilateral collaboration.

The total estimated cost of the programme is Euro 22.4 million out of which KfW will finance upto Euro 19.4 million and NABARD will contribute Rs. 16.5 crore (Appx. Euro
3.0 million). In addition, under Technical Cooperation (GTZ) will finance Euro 3.0 million for capacity building, Information knowledge management (IKM), product development, etc. Technical cooperation of Euro 3.0 million has already been commissioned by BMZ (Federal Ministry for Economic Cooperation and Development, Federal Republic of Germany) through GTZ.

NABARD has since sanctioned six community managed NRM based livelihood projects with financial assistance of Rs. 557.39 lakh (Rs.516.34 lakh as loan and Rs.41.05 lakh as grant) in Bihar, Gujarat, Maharashtra, Orissa and Tamil Nadu as on 31 March 2009, to be implemented by NGOs and Producers’ Companies.

XV. Climate Change and Clean Development Mechanism

Keeping in view the operationalization of the Kyoto Protocol of United Nations Framework Convention on Climate Change (UNFCCC) in February 2005, Clean Development Mechanism (CDM) has emerged as the significant innovative tool for mitigating climate change and sustainable development in Indian context. CDM has the potential to increase the financial viability of the projects and incentivize the project promoters as well as financers in going ahead with such projects. NABARD, in accordance of its Mission, can play a proactive role in the complete process of the Kyoto Protocol Mechanism and collaborate with national and international partners to have synergy of efforts to promote sustainable development. In order to achieve this, capacity building of human resources is the prerequisite. Keeping this in view, NABARD in collaboration with GTZ-New Delhi has conducted series of sensitization and training programmes for its staff, Bankers and NGOs on climate change and clean development mechanism. Some of other initiatives taken in this regard include:

- Conducted a study on the opportunities for CDM in Agriculture sector in India.
- NABARD is in the process of establishing a Bio-carbon Fund in close collaboration with GTZ for taking up green projects for climate change mitigation and adaptations. A feasibility study on setting up Bio Carbon Fund has been assigned to Zenith Energy and First Climate with financial support from GTZ under UPNRM. The first phase of the study has already been completed wherein the feasibility of the Bio-carbon fund has been established. The study has recommended that fund should cater to LULUCF
NABARD has taken up initiatives to fund climate change adaptation projects in Maharashtra in collaboration with NGO.

XVI. Relief Package for distressed districts
The Prime Minister announced a special package for 31 distressed districts in 4 states viz., Maharashtra, Andhra Pradesh, Karnataka and Kerala, in 2007. The implementation of the package is coordinated by NABARD. A massive watershed project, covering an area of 15,000 ha annually, over a period of three years in each of the distressed districts is under implementation on a full grant basis from Watershed Development Fund.

XVII. Agricultural Debt Waiver and Debt Relief Scheme, 2008
The Union Budget for 2008-09 announced a scheme to address the indebtedness of farmers and the difficulties of the farming community, especially small and marginal farmers. The scheme covers direct agricultural loans to marginal, small and other farmers. In the case of small and marginal farmers, short term production loans (subject to a ceiling in respect of plantation and horticulture) and installments of investment loans overdue are covered, while in the case of the other farmers, they are extended one time settlement under which a rebate of 25% of the eligible amount is given on the condition that the farmer pays the balance 75% in three installments. The implementation of the scheme is monitored and coordinated by NABARD in respect of Cooperative Banks and Regional Rural Banks.

The scheme would benefit 192.59 lakh farmers (SF and MF -160.77 lakh and other farmers-31.82 lakh) who had availed loans amounting Rs.35368.31 crore from Cooperative Banks and RRBs, of which, GOI would reimburse Rs.30999.14 crore. As against the claims of Rs.29724 crore received from SCB, SCARDB and RRB, an amount of Rs.16615 crore was disbursed to banks as at end-March 2009.

XVIII. Generation of rural employment and sustainable livelihood through cattle development project in Eastern Uttar Pradesh and Bihar
The Cattle Development Projects of GoI aim at providing gainful employment to rural poor through animal husbandry and livestock development. It is being implemented by BAIF, Pune, in 13 districts of Bihar and 17 districts of Uttar Pradesh since 2004-05 for a
period of five years. NABARD is the co-ordinating agency and facilitator for channelising funds, ensuring its utilisation, project supervision and monitoring.

**XIX. National Project on Organic Farming**

Organic farming, in the context of sustainable agriculture, economic and ecological stability, is fast gaining momentum. To encourage organic farming, capacity building for adoption of appropriate technology and also organic ventures, subsidy based National Project on Organic Farming in operation since 2005 was extended upto 2008-09. An amount of Rs.40.25 crore was earmarked as subsidy for the purpose. Both NABARD and National Cooperative Development Corporation are the implementing agency. Since inception, 416 units have been sanctioned with subsidy of Rs.11.94 crore as on 31.3.2009.

**XX. Financing purchase of land for agricultural purposes**

The scheme for ‘Financing Purchase of Land for Agricultural Purposes’ under implementation since August 2001 aimed to provide credit facility to SF/MF, share croppers/tenant farmers for purchase of agriculture land.

**XXI. Agricultural Insurance**

Agriculture Insurance Company of India Ltd. (AICI) was established in December 2002 with an authorized capital of Rs.1500 crore. Thirty per cent of the paid up capital of Rs.200 crore has been subscribed by NABARD and the remaining by five public sector general insurance companies. The “National Agricultural Insurance Scheme” (NAIS) is implemented by AICI. The objective of NAIS is to protect both the loanee and non-loanee farmers, without any ceiling on the land holdings, against losses suffered on account of crop failure due to natural calamities, etc., and restore credit worthiness for the ensuing cropping season. All food crops (cereals, millets and pulses) oilseeds and eleven annual horticultural / commercial crops, viz., sugarcane, potato, cotton, ginger, onion, turmeric, chilli, jute, tapioca, banana and pineapple are covered under the scheme, at present. National Agricultural Insurance Scheme (NAIS) is implemented in 23 states and 2 Union Territories.

As per the recommendations of the Expert Group of the World Bank to introduce a weather based crop insurance scheme, GoI has launched ‘Weather Based Crop Insurance Scheme (WBCIS)’ on pilot basis in selected states covering Rabi 2007-08 and Kharif
2008 for the purpose of having a balanced view of the impact of this scheme. The scheme aims to mitigate the hardships of the insured farmers against the likelihood of financial loss on account of anticipated loss in crop yield resulting from adverse incidence of high/low temperature, frost, injury, unseasonal rainfall, etc. The scheme is applicable to major cereals, millets, pulses, oilseeds and annual commercial/horticultural crops grown during Rabi season.

**XXII. National level commodity exchanges - NABARD’s participation**

Commodity market offers a market based instrument to the farming community for managing risks and uncertainty in a liberalized environment. To strengthen the marketing infrastructure in the country, NABARD has been an equity partner in the major national level commodity exchanges, viz., Multi-Commodity Exchange (MCX) and National Commodities and Derivatives Exchange (NCDEX), which accounts for ninety-five per cent of the trading volume.

An important development during the year was that the Forward Market Commission has permitted NCDEX to accredit the warehouses of producers/processors and similar participants, within 50 km. of the municipal limits of the delivery centres, to enable such participants to deliver their goods on the exchange platform.

**XXIII. Development of North Eastern Region (NER) – Initiatives**

To facilitate larger flow of credit and for the development of North Eastern Region and Sikkim, NABARD has initiated various measures in the following areas:

To enable State Cooperative Banks and RRBs avail refinance for ST-SAO purposes, NABARD relaxed its NPA norms by 5% points. An additional 5 to 15 percentage points relaxation for assessing eligible quantum limits was extended to both SCB and RRB.

The eligibility criteria for drawal of refinance under investment credit was relaxed by 5 and 3 percentage points for SCBs and RRBs respectively in respect of NPAs. The rate of interest on refinance for commercial banks in NER and Sikkim was fixed at 50 basis points lower than in other part of the country. In the case of Cooperative Banks and RRBs, the interest rate on refinance continued to be 8.5% as in other parts of the country.
In pursuance with the MoU between NABARD and Tata Tea Ltd., Tata Tea has established a training-cum-production centre with 11 looms with 3 jacquards and 1 dobby and residential building for trainees for development of “boro design” by imparting training to boro women. Four looms in the training centre are earmarked exclusively for imparting training to the identified weavers. The training centre has started production of cloth and is in the process of providing marketing tie-up for its products.

All the eight states in the North Eastern Region have accepted the reforms package announced by GoI based on Vaidyanathan Committee recommendations and executed MoU to strengthen the short term cooperative credit structure. Out of eight states, only Sikkim and Tripura have amended the Act. In other states the process of amendment of Act is underway. To facilitate creation of infrastructure facilities under RIDF, NABARD extended 90% of the eligible project cost for roads and social sector projects as against 80 and 85 percent respectively in rest of country. Mobilisation advance was also extended at 30% of the RIDF loan. The loan is phased over a period of five years for major/medium irrigation projects and for four years for other projects compared to three years given to other states.

XXIV. Institutional Development

Rural Financial Institutions (RFIs) have a critical role in dispensing credit to agriculture and allied sector. A strong and viable rural institutional credit framework is vital for the growth of rural economy. Strengthening these institutions, especially in the Cooperative Credit Structure and the Regional Rural Banks, has been an area of focused attention for NABARD. To improve the health of these RFIs, various developmental, promotional and capacity building measures in the managerial and financial areas have been initiated by NABARD.

a. Cooperative Credit Structure- Cooperative Development Fund (CDF)

Cooperative Development Fund was constituted in 1992-93 for supporting various developmental activities like infrastructure development of Primary Agriculture Credit Societies (PACS), computerization, vehicles for loan recovery works, human resource development, publicity to Kisan Credit Card (KCC) scheme, etc. The fund is replenished out of its profits every year by NABARD.
b. Organization Development Initiatives (ODI)

Organization Development Initiatives is a re-engineering process which facilitates to achieve the mission of the organization. ODI is being conducted by NABARD since 1994-95 in RRBs and Cooperative Banks as a tool to improve their financial health by involving the human resources of the organisation. The recent developments, viz., amalgamation of RRBs and adoption of revival package of GoI for short-term cooperative credit structure necessitated revising the design, methodology and objective of ODIs focusing on sustainable viability. The revised initiative in respect of cooperative banks is now known as “Business Revitalization and Managing Human Aspirations” (BRAMHA). During 2008-09, 10 ODIs for RRBs and 5 BRAMHAs for Cooperative Banks were conducted.

c. Development Action Plan and Memorandum of Understanding (DAP-MoU)

NABARD has been preparing institution specific Development Action Plans (DAP) and executing Memorandum of Understanding (MoU) to enable cooperative banks and RRBs function as viable and sustainable entities since 1994-05. The process was executed in three phases from 1994-95 to 1999-2000 (Phase I), 2000-01 to 2003-04 (Phase II) and 2004-05 to 2006-07 (Phase III). In order to make it more focused and effective, PACS were included into the process during Phase III. PACS were advised to prepare viability action plans under the guidance of respective DCCB and enter into MoU with it. The revised/ modified Phase IV of DAP/ MoU for both ST and LT structure covers the period 2007-08 to 2011-2012. Considering the need for a common and more effective forum, it was decided to have a single high powered ‘State Level Task Force’ (SLTF) for effective monitoring of performance of cooperative banks on quarterly basis. This was effective from 1 April 2008. As on 31.3.2009, 22 ROs have formed SLTF in their states. According to the data available from 13 States, 28915 PACS have signed MoU with their respective DCCB.

d. Other Initiatives- Capacity Building of STCCS

The Boards of Directors of Cooperative Banks have the responsibility of overseeing the performance of the bank’s operations and ensuring that they function in accordance with the guidelines issued by the RBI/NABARD/ GoI/State Government and achieve the objectives set before them. The various Cooperative Societies Acts, the Bye-laws framed
there under and model Bye-laws spell out the duties, functions and obligations of directors of these banks. To familiarise them with the recent developments in banking in general and cooperative banking in particular and also to make them understand their roles and responsibilities in view of implementation of Vaidyanathan Committee I and Government of India ADWDR scheme 2008, NABARD has taken initiative for capacity building of the Board of Directors of DCCBs/SCBs through training interventions. To provide qualitative input to the participants, reading material covering subjects such as good governance in Cooperative Banks, role and responsibilities of Directors, risk management, business diversification, Financial Inclusion, Loan policies and documentation, understanding the health of Cooperative Banks etc. was prepared in English, Hindi and other languages. Faculty Members of RICMs/ICMs/ACSTIs were trained at BIRD, Lucknow to handle the massive training programme. The programme was launched on 16 February 2009. So far 196 members of Board of 39 DCCBs and one SCB have been trained in 12 programmes (upto 31 March 2009). Similar training programmes for the senior officers and branch managers of SCBs and DCCBs and also CEOs of SCBs/DCCBs are being designed in consultation with BIRD, Lucknow.

e. Human Resource Policy for Cooperative Credit Structure – Constitution of Working Group

With the implementation of recommendations of Vaidyanathan Committee (VC - I) for the STCCS, Agriculture Debt Waiver and Debt Relief Scheme 2008 of Government of India, and the likely acceptance of VC - II for LTCCS by the States in the near future, the Cooperative Credit Structure will face new tasks and challenges. In this context, it was observed that there was no uniformity in the recruitment, promotion, deployment, skill upgradation, capacity building of the various categories of staff employed in the Cooperative Credit Structure. The level of automation / computerization, the systems and procedures etc. also vary from State to State. Against this background, NABARD constituted a Working Group under the Chairmanship of Shri S.K. Mitra, ED, NABARD to address among other things, the norms for requirement / promotion / training / level of computerization in cooperative banks and suggest a rationalized policy. During the year 2008-09, two meetings of the Working Group were organized.

f. Amalgamation of Regional Rural Banks (RRBs)
Government of India initiated the process of structural consolidation, in consultation with State Governments and Sponsor Banks, by amalgamating RRBs of the same sponsor bank in the State in September 2005. As a result, the number of RRBs, as at the end of March 2009, stands at 86 including 41 stand-alone RRBs.

g. Capital Infusion of RRBs
As part of financial strengthening of RRBs, the Finance Minister, in the Union Budget 2007-08, had announced recapitalization by providing capital support, to 27 RRBs, which had negative net worth as on 31 March 2007. Of the 27 RRBs, 11 were amalgamated and 16 were stand-alone. The funding requirement was Rs.1,795.97 crore to be contributed by GoI, the concerned State Governments and Sponsor Banks in the ratio of 50:15:35. As on 31 March 2009, 26 RRBs have been fully recapitalized and one RRB has been recapitalized partially, with total funding support of Rs.1,783.41 crore.

h. Branch Expansion Programme of RRBs
Since announcement in the Union Budget for 2007-08, the RRBs had planned to open 758 branches. Against this, 241 branches were opened during 2007-08 and 474 branches in 2008-09 totalling 715 during the last 2 years period. In view of requests made by the RRBs for relaxing the norms for branch licensing, RBI had reviewed the policy vide Circular No. RPCD.CO.RRB.BC.No. 61/03.05.90-A/2008-09 dated 17 November 2008, allowing the RRBs greater flexibility in opening new branches as long as they are making profits and their financials are improving. Now, to become eligible for opening new branch/es, RRB should fulfill the following conditions:

- It should not have defaulted in maintenance of SLR and CRR during the last two years.
- It should be making operational profit; its net worth should show improvement and its net NPA should not exceed 8 per cent.

i. R & D Project on Financial Inclusion with ICT solution
The Committee on Financial Inclusion (FI) headed by Dr. C Rangarajan had identified 256 districts as the most excluded in the country. 58 RRBs are operating in these districts. The Committee had recommended for taking up 10 pilot projects by RRBs with ICT solutions. Accordingly, 15 RRBs were identified from 14 States for an R & D project on Financial Inclusion with ICT based solutions through use of smart cards, POS devices
and mobile technology in different regions and client groups in the country. The project, a Public-Private Partnership model, is supported by funds from World Bank, and back end incentive from NABARD under its Financial Inclusion Fund.

j. Working Group on Capacity Building Requirements of RRB Personnel

The Working Group on Capacity Building Requirements of RRB personnel, constituted under the Chairmanship of Shri Amaresh Kumar, Executive Director, submitted its report to GoI. Action is being initiated for implementing the recommendations involving various agencies viz. NABARD, Sponsor Banks, RRBs, BIRD, etc.

2. Supervision of banks:

The statutory inspections of SCBs, DCCBs and RRBs and voluntary inspection of SCARDBs and apex non-credit cooperatives are undertaken by NABARD. The objectives of NABARD’s inspection are to assess the financial and operational soundness, managerial efficiency and compliance to various statutory provisions so as to protect the interest of the depositors and stakeholders. The concerns brought out through inspections are communicated to the banks concerned, RCS, State Governments and sponsor banks in respect of RRBs.

Off-site surveillance of the cooperative banks and RRBs is also undertaken through various returns submitted by these banks and appropriate warning signals are issued so as to enable the banks to take corrective measures.

NABARD has constituted a Board of Supervision as an Advisory Committee to the Board of Directors of NABARD, which provides guidance/suggestions in respect of policies and on matters relating to supervision.

I. Banks under NABARD’s supervision

Table: V.1

<table>
<thead>
<tr>
<th>Banks</th>
<th>2008-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>State co-operative banks</td>
<td>31 (Scheduled 16)</td>
</tr>
<tr>
<td>District central cooperative banks</td>
<td>370 (Licenced-75)</td>
</tr>
<tr>
<td>RRBs (as at August 2009)</td>
<td>86</td>
</tr>
<tr>
<td>State co-operative Agri. and rural Dev. banks</td>
<td>18</td>
</tr>
<tr>
<td>Total</td>
<td>505</td>
</tr>
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</table>

II. Research and Development

NABARD has constituted a Research and Development Fund for supporting activities like research projects, studies, training, conduct of seminars and other related activities on matters of importance to agriculture, agricultural operations and rural development.

Twelve research projects/studies on different subjects like economic reform and tribal poverty, agro processing and value addition, yield gap analysis of select crops, micro credit, rural poverty and vermi-technologies were sanctioned with a total grant assistance of Rs.87.01 lakh during 2008-09. Grant assistance of Rs.77.60 lakh was sanctioned to Universities, Research Institutes, NGO’s and other agencies across the country for organizing seminar, conference, workshop and symposia covering subjects like farm business economics, agri-extension, agri-marketing, rural infrastructure, commodities futures, micro-credit, bio-technology, fisheries, plantation and horticulture, etc. For increased dissemination of research findings in the areas of agriculture and rural development, publication of Occassional Papers is also supported by NABARD. During the year, two papers titled “Financial inclusion – An Overview” authored by in-house staff and “Hi-Tech Floriculture in Karnataka” by Shri M.V. Srinivasa Gowda were completed.

III. NABARD Consultancy Services (NABCONS)

It is imperative in the changing context that a great deal of professional advice is needed to make Indian agriculture efficient and competitive. Various Government and developmental agencies would also like to evaluate/modify their programmes based on critical studies by credible agencies. To meet such felt needs, for professional advice from a competent and cost effective consultancy service provider, NABARD started a consultancy wing in July 2002. To give further impetus and focus, this wing has been registered on 17 November 2003 as a separate company called “NABARD Consultancy Services (NABCONS)”. In delivering its services and advice, the vast experience and data pool of NABARD is being made use of. Its services are utilized by various agencies including Government of India, State Governments, Banks, International Bodies, Corporate entities and individuals in a wide range of fields and purposes like agriculture and rural development, especially multidisciplinary projects, banking, institutional
development, infrastructure, training, monitoring & evaluation, etc. NABARD Consultancy Services Pvt. Ltd (NABCONS) was registered as a wholly owned subsidiary of NABARD in November 2003. It is now an established professional consultancy service provider in the field of agriculture and rural development and allied activities. The affairs of NABCONS are professionally managed and its board has the Managing Director of NABARD as Chairman.

The services of NABCONS are contracted by various agencies including Government of India, State Governments, banks, international bodies, corporate entities and individuals in a wide range of fields and purposes. NABCONS has so far contracted 907 assignments worth Rs.51.64 crore. *(13)*

**V.4. Part 3 Review of the Performance of the NABARD**

In this part review the overall sector-wise performance of NABARD operations till 2010

**A. Rural Economic Environment**

1. **Agriculture Credit:** As against the target of Rs.3,25,000 crore of credit flow to agriculture for 2009-10, the banking system disbursed Rs.3,66,919 crore (provisional) as on 31 March 2010, achieving 12.9 per cent more than the target. Commercial banks, Co-operative banks and Regional Rural Banks disbursed Rs.2,74,963 crore, Rs.57,500 crore and Rs.34,456 crore, respectively. Their corresponding shares in credit flow were 84.6 per cent, 17.7 per cent and 10.6 per cent, respectively (Table: v.2).

<table>
<thead>
<tr>
<th>Agency</th>
<th>2005-06</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>@ Growth Rate (%)</th>
<th>2005-10*</th>
<th>2008-09</th>
<th>2009-10*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-operative Banks</td>
<td>39404</td>
<td>42480</td>
<td>48258</td>
<td>45966</td>
<td>57500</td>
<td>8.7 (-)4.7</td>
<td>25.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional Rural Banks</td>
<td>152023</td>
<td>20435</td>
<td>25312</td>
<td>26765</td>
<td>34456</td>
<td>21.0 5.7</td>
<td>28.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>125477</td>
<td>166485</td>
<td>1811088</td>
<td>228951</td>
<td>274963</td>
<td>20.8 26.4</td>
<td>20.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>382</td>
<td>0</td>
<td>0</td>
<td>226</td>
<td>0</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>180486</td>
<td>229400</td>
<td>254658</td>
<td>301908</td>
<td>366919</td>
<td>18.5 18.6</td>
<td>21.5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(© Provisional, # Compound Annual Growth Rate, *Percentage change over previous year.) (Source: NABARD Annual Report, 2010)
During the period 2005-10, the GLC flow for agriculture and allied activities registered a Compound Annual Growth Rate (CAGR) of 18.5 per cent. The growth rate in short term credit flow fell to 16.0 per cent during 2008-09, compared to an annual growth rate of 26.4 per cent over the five year period ending 2008-09. However, the growth rate in long term credit flow during 2008-09 at 24.8 per cent was higher than the growth rate of 3.8 per cent over the five year period ending 2008-09. Sub sector-wise; hi-tech agriculture witnessed the highest annual growth rate of 25.1 per cent, followed by Animal Husbandry (15.1 per cent), Land Development (13.1 per cent) and Minor Irrigation (12.0 per cent) in GLC flow during 2008-09 (Table:v.3)

Table: V.3

Sub-Sector-wise Ground level Credit Flow For Agriculture & Allied Activities
(Rs. Crore)

<table>
<thead>
<tr>
<th>Sectors /Sub Sector</th>
<th>2005-06</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2005-09</td>
<td>2008-09</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crop Loan (ST- Production Credit)</td>
<td>105350</td>
<td>138455</td>
<td>181393</td>
<td>210461</td>
<td>26.4</td>
</tr>
<tr>
<td>Term Loans (MT &amp;LT Investment Credit)</td>
<td>75136</td>
<td>90945</td>
<td>73265</td>
<td>91447</td>
<td>3.8</td>
</tr>
<tr>
<td>I Minor Irrigation</td>
<td>8663</td>
<td>8566</td>
<td>2840</td>
<td>3180</td>
<td>(-)33.7</td>
</tr>
<tr>
<td>II Land Development</td>
<td>1749</td>
<td>2285</td>
<td>2553</td>
<td>2887</td>
<td>17.5</td>
</tr>
<tr>
<td>III Farm Mechanization</td>
<td>9695</td>
<td>10113</td>
<td>8303</td>
<td>8334</td>
<td>(-)6.3</td>
</tr>
<tr>
<td>IV Plantation &amp; Horticulture</td>
<td>4481</td>
<td>5266</td>
<td>5910</td>
<td>6045</td>
<td>10.7</td>
</tr>
<tr>
<td>V Animal Husbandry *</td>
<td>7341</td>
<td>8045</td>
<td>9034</td>
<td>10398</td>
<td>12.3</td>
</tr>
<tr>
<td>VI Fisheries</td>
<td>1019</td>
<td>1424</td>
<td>1248</td>
<td>1281</td>
<td>5.7</td>
</tr>
<tr>
<td>VII Hi-tech Agriculture</td>
<td>9737</td>
<td>21498</td>
<td>33325</td>
<td>41694</td>
<td>61.6</td>
</tr>
<tr>
<td>VIII Others $</td>
<td>32451</td>
<td>33748</td>
<td>10052</td>
<td>17628</td>
<td>(-)26.2</td>
</tr>
<tr>
<td>Total</td>
<td>180486</td>
<td>229400</td>
<td>254658</td>
<td>301908</td>
<td>17.9</td>
</tr>
</tbody>
</table>

(* Compound Annual Growth Rate, # Animal Husbandry includes Dairy Development, Poultry Farming & Sheep, $ 'others' include storage/ market yards, forestry/waste land Development, RIDF etc.) (Source: NABARD Annual Report, 2010)

The Gross Capital Formation in agriculture and allied sectors in real terms increased from Rs.78,848 crore in 2004-05 to Rs.1,38,597 crore in 2008-09 - an increase of 76 per cent in four years. The GCF in agriculture and allied
sectors as a proportion of total GDP stood at 2.7 per cent in 2004-05 and improved to 3.3 per cent in 2008-09.

2. Kisan Credit Card Scheme: During 2009-10, 5.97 million Kisan Credit Cards were issued by banks with credit limits of Rs.17,411 crore. Of the total 90.64 million credit cards issued by February 2010, 39.80 million cards (43.9 per cent) were issued by commercial banks, followed by 37.76 million cards (41.7 per cent) by co-operative banks and 13.08 million cards (14.4 per cent) by regional rural banks.

Table: V.4
Agency-wise, Year-Wise Kisan Credit Cards issued (million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Co-operative Banks</th>
<th>Regional Banks</th>
<th>Rural Banks</th>
<th>Commercial Banks</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>2.60</td>
<td>1.25</td>
<td></td>
<td>4.16</td>
<td>8.01</td>
</tr>
<tr>
<td>2006-07</td>
<td>2.30</td>
<td>1.41</td>
<td></td>
<td>4.81</td>
<td>8.51</td>
</tr>
<tr>
<td>2007-08</td>
<td>2.09</td>
<td>1.77</td>
<td></td>
<td>4.61</td>
<td>8.47</td>
</tr>
<tr>
<td>2008-09</td>
<td>1.34</td>
<td>1.41</td>
<td></td>
<td>5.83</td>
<td>8.59</td>
</tr>
<tr>
<td>2009-10*</td>
<td>1.61</td>
<td>1.61</td>
<td></td>
<td>2.75</td>
<td>5.97</td>
</tr>
<tr>
<td>Cumulative*</td>
<td>37.76</td>
<td>13.08</td>
<td></td>
<td>39.80</td>
<td>90.64</td>
</tr>
</tbody>
</table>

(Source: NABARD Annual Report, 2010)

3. Agricultural Debt Waiver and Debt Relief Scheme, 2008: NABARD disbursed Rs.25,485 crore against the claims of Rs.25,858 crore under the Agricultural Debt Waiver and Debt Relief Scheme, 2008. The share of SCB, SCARDB and RRB stood at Rs.15,681 crore, Rs.3,513 crore and Rs.6,291 crore, respectively.

B. Development Initiatives

1. Farm sector

During the year, 59 watershed projects were sanctioned taking the cumulative number to 513, spread over 94 districts in 14 States. Under the Prime Minister’s Relief Package for 31 districts in four States, 2.83 lakh ha. was taken up for implementation during the year, taking the cumulative area to 8.71 lakh ha. and aggregate financial commitment to Rs.958 crore. During 2009-10, Rs.89.41
crore and Rs.14.79 crore were disbursed as grant and loan, respectively, taking such cumulative disbursements to Rs.197.77 crore and Rs.30.00 crore, respectively. Under the Special Plan for Bihar component of Rashtriya Sam Vikas Yojana, the number of watershed projects sanctioned rose to 79 by the end of the year, covering an area of 83,593 ha.in eight districts in South Bihar. The amount disbursed during the year was Rs.8.37 crore while the cumulative figure was Rs.13.99 crore.

The Village Development Programme had been implemented in 953 villages of 437 districts across 25 States, as on 31 March 2010. Under the Tribal Development Fund, financial assistance of Rs.236.19 crore was sanctioned during the year for 79 projects, benefiting 63,113 tribal families. As on 31 March 2010, Rs.543.62 crore had been sanctioned for 191 projects benefiting 1,56,330 families.

The corpus of the Farm Innovation and Promotion Fund was enhanced from Rs.5 crore to Rs.50 crore and 17 proposals in 11 states with financial assistance of Rs.155.37 lakh were sanctioned during the year. Cumulatively, 78 projects with financial support of Rs.618 lakh have been sanctioned, of which 25 projects with financial assistance of Rs.104 lakh have been completed. The corpus of Farmers’ Technology Transfer Fund was also enhanced during the year from Rs.25 crore to Rs.50 crore and 151 diverse and innovative proposals for transfer of technologies were sanctioned a grant assistance of Rs.488 lakh in 22 states. During the year, 16,590 Farmers’ clubs were launched taking the total number of clubs to 54,805 covering 1,04,648 villages in 587 districts. Under the scheme of ‘Capacity Building for Adoption of Technology’, during the year, 6,516 farmers were taken on 261 exposure visits by NABARD, in collaboration with select research institutes, KVKs and SAUs.

During the year, a “Pilot project for augmenting productivity of lead crops/activities through adoption of sustainable agricultural practices” was launched in 900 villages at the national level with the aim of augmenting income of the farmers through enhanced production and productivity of lead crops/activities.
2. Rural Non-Farm Sector

During 2009-10, 155 innovative projects were sanctioned under the Rural Innovation Fund, taking the cumulative number to 252. An amount of Rs.17.70 crore was sanctioned taking the cumulative commitment to Rs.38.37 crore, as on 31 March 2010. An amount of Rs.10.69 crore was disbursed during the year for 252 projects taking the cumulative disbursements to Rs.17.99 crore.

The District Rural Industries Project was extended to 106 districts by March 2007 and 43 of them phased out by 2007-08, on successful implementation. During 2009-10, GLC flow in 42 districts covered under various phases reached Rs.675.99 crore and refinance availed of was Rs.11.11 crore. In all, 45,701 units were set up generating employment for 1.42 lakh persons. Since inception, GLC flow aggregated Rs.24,295.11 crore, facilitating establishment of 19.50 lakh units and generating employment opportunities for 44.48 lakh persons. The cumulative refinance availed amounted to Rs.3,658.46 crore as on 31 March 2010.

The ‘Scheme for Strengthening of Rural Haats’ introduced in 1999 in DRIP districts was extended to all districts, village bazaar boards, SHGs, NGOs and to PRIs/PACS, during the year. The quantum of assistance was increased to Rs.5 lakh from Rs.3 lakh and coverage extended to include permanent structure/s as per local requirements. During 2009-10, grant support of Rs.298.72 lakh was sanctioned to 87 rural haats.

During 2009-10, 15 participatory clusters, including two rural tourism, were sanctioned with a total grant support of Rs.225 lakh and five on-location cluster workshops were conducted, taking the total number of such programmes to 25.

As on 31 March 2010, 116 Women Development Cells were supported in 58 RRBs, 55 Co-operative banks and three SCARDBs, with disbursement of Rs.40.39 lakh to address gender issues in credit and support services. Under Marketing of Non-Farm Products of Rural Women and Assistance to Rural Women in Non-Farm Development schemes, grant support of Rs.6.92 lakh and Rs.17.56 lakh, respectively, were released as on 31 March 2010.
During 2009-10, 263 marketing events/exhibitions, were supported with grant assistance of Rs.146.13 lakh. To enable rural artisans/craftsmen realise remunerative prices and to establish marketing linkages, 119 rural marts in 22 States were sanctioned grant assistance of Rs.133.91 lakh, during 2009-10. Cumulative grant support of Rs.332.52 lakh had been provided to 321 rural marts across 22 States. 

During the year, 1.02 lakh Swarojgar Credit Cards (SCC) with credit limits of Rs.411.05 crore were issued for facilitating hassle-free availability of credit for investment and working capital requirements of small/micro-entrepreneurs. The cumulative number of SCC was 10.86 lakh involving credit limit of Rs.4,418.38 crore.

3. Financial Inclusion

The total contribution under Financial Inclusion Fund (FIF) and Financial Inclusion Technology Fund (FITF) stood at Rs.50 crore each as on 31 March 2010. As on 31 March 2010, 50,225 villages have been covered under Financial Inclusion through FIF & FITF with a sanction amount of Rs.19.47 and Rs.21.83 crore, respectively. NABARD and UNDP have entered into collaboration for financial inclusion in seven states with focus on SCs/STs/minorities. NABARD has also collaborated with Indian Institute of Banking & Finance (IIBF), Post Offices & Farmers’ Clubs in providing financial support for SCs/STs and Women.

4. Microfinance

The Microfinance programme in India has emerged as not only the largest in the world having covered about 8.6 crore poor households as on 31 March 2009, but also the main contributor towards financial inclusion in the country. As on 31 March 2009, 61.21 lakh SHGs maintained bank savings of Rs.5,545.62 crore and 42.24 lakh SHGs had loan outstanding of Rs.22,679.84 crore. During the year 2009-10, while 16.09 lakh groups availed of bank credit of Rs.12,253.51 crore, 581 Micro Finance Institutions (MFIs) availed of Rs.3,732.33 crore of bank credit. As on 31 March 2010, 1,915 MFIs had loan outstanding of Rs.5,009.09 crore. The share of SHG loan to GLC increased to 4.07
per cent in 2008-09 from 3.8 per cent in 2007-08. The overall progress of the microfinance programme is given in Table: V.5.

Table: V.5

Progress of the Micro-Finance Programme (As on 31 March 2009) Rs. Crore

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Self-Help Groups</th>
<th>Micro-Finance Institutions (MFIs)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2009</td>
</tr>
<tr>
<td></td>
<td>Number</td>
<td>Amount</td>
</tr>
<tr>
<td>Loans disbursed During the year</td>
<td>12,27,770</td>
<td>(2,46,649)</td>
</tr>
<tr>
<td>Loans Outstanding</td>
<td>36,25,941</td>
<td>(9,16,978)</td>
</tr>
<tr>
<td>Savings Accounts with Banks</td>
<td>50,09,794</td>
<td>(12,03,070)</td>
</tr>
</tbody>
</table>

(Figures in Parentheses indicate the share of SHGs covered under SGSY, ) (Source: NABARD Annual Report, 2010)

During 2009-10, an amount of Rs.20.49 crore was released as grant support for SHG promotional activities and Rs.60.42 crore to MFIs for capital support/Revolving Fund Assistance (RFA) as against Rs.18.73 crore and Rs.15.93 crore in the previous year, respectively. During 2009-10, grant assistance of Rs.28.78 crore was sanctioned to various agencies for promoting 71,268 SHGs, taking the cumulative assistance sanctioned to Rs.107.66 crore for 4,92,746 groups as on 31 March 2010. The cumulative disbursement was Rs.40.38 crore for 2,36,683 SHGs. An expenditure of Rs.9.93 crore was incurred for capacity building initiatives for all stakeholders in the SHG segment.

During the year, grant support of Rs.6.76 lakh was given for the rating of five MFIs. During the year, capital support of Rs.6.87 crore was sanctioned to 10 agencies taking the cumulative support to Rs.27.87 crore for 33 agencies and RFA amounting to Rs.23 crore was sanctioned to 13 agencies, taking the cumulative credit sanctioned to Rs.74.02 crore to 42 agencies.
Support to Partner Agencies

NABARD continued to extend grant support to NGOs, RRBs, DCCBs, FCs and Individual Rural Volunteers (IRVs) for promoting and nurturing quality SHGs. New SHPIs were identified even while supporting the existing ones. During 2009-10, grant assistance of Rs.2,878.17 lakh was sanctioned to various agencies for promoting 71,268 groups, taking the cumulative assistance sanctioned to Rs.10,766.07 lakh for 4,92,746 groups (Table V.6). As on 31 March 2010, Rs.4,037.74 lakh was released and 2,36,683 SHGs credit linked to banks.

Table: V.6
Grant Assistance Extended to various Partners in SHG-Bank Linkage Programme
(As on 31 March 2010) (Rs. lakh)

<table>
<thead>
<tr>
<th>Agency</th>
<th>Sanctions During the year</th>
<th>Cumulative Sanctions</th>
<th>Cumulative Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>Amount</td>
<td>No. of SHGs</td>
</tr>
<tr>
<td>Co-operative Banks</td>
<td>7</td>
<td>63.23</td>
<td>5230</td>
</tr>
<tr>
<td>RRBs</td>
<td>4</td>
<td>40.14</td>
<td>3395</td>
</tr>
<tr>
<td>NGOs</td>
<td>306</td>
<td>2620.10</td>
<td>53393</td>
</tr>
<tr>
<td>Farmers’ Clubs</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>IRVs</td>
<td>2</td>
<td>154.70</td>
<td>9250</td>
</tr>
<tr>
<td>Total</td>
<td>319</td>
<td>2878.17</td>
<td>71268</td>
</tr>
</tbody>
</table>

(Source: NABARD Annual Report, 2010)

Under the Rajiv Gandhi Mahila Vikas Pariyojana (RGMVP), 21,868 SHGs were promoted in select districts of Uttar Pradesh, of which 12,749 were credit linked as on 31 March 2010. In addition, 676 Cluster Level Federations and 15 Block Level Federations were also formed.

During the year, 1530 Micro-Enterprise Development Programmes (MEDPs) were conducted for 38,313 SHG members on location-specific farm, non-farm and service sector activities. Cumulatively, 2,843 MEDPs were conducted for 71,518 participants as on 31 March 2010.

NABARD continued to extend support for SHG-Post Office Linkage Programme in Tamil Nadu. NABARD sanctioned additional Rs.200 lakh RFA to
India Post for onward lending to SHGs. Cumulatively, 2828 SHGs have opened zero-interest savings accounts, of which 1,195 SHGs have been credit linked by Post Offices, with loans amounting to Rs.321.25 lakh as on 31 March 2010. RFA of Rs.5 lakh for on-lending to 50 SHGs in East Khasi Hills in Meghalaya was also sanctioned to India Post.

A survey conducted by NABARD-GTZ Rural Finance Institutions Programme (RFIP) revealed that 786 MFOs were in existence in 13 priority states, with a high geographical concentration (75%) in two states (Andhra Pradesh and Tamil Nadu) and the remaining scattered over 11 states.

Under the NABARD-KfW SEWA Bank project under implementation in Gujarat, KfW released a grant assistance of Rs.2.94 crore to SEWA Bank during 2009-10, taking the cumulative release under the project to Rs.6.87 crore.

5. NABARD Consultancy Services

During the year, Nabcons opened a liaison office in Nairobi, Kenya to garner potential rural development consultancies in the African continent. Nabcons undertook assignments for APRACA in Mongolia and Uzbekistan. Nabcons was approved as a pass-through agency by Ministry of Rural Development (MoRD), GoI for assisting skill development and training programme under SGSY package. Nabcons contracted 83 assignments with a fee of Rs.1,711 lakh during the year as against 122 assignments for Rs.1,666 lakh last year. During the year 2009-10, the company earned an income of Rs.1,278 lakh consisting of Rs.997 lakh from assignments, Rs.110 lakh from mutual fund distribution and Rs.171 lakh from income on investments/other miscellaneous activities.

6. Research and Development Fund Activities

During the year, Rs.982.98 lakh was utilised from the R&D Fund for activities like research projects/studies (Rs.100.03 lakh), seminars (Rs.61.16 lakh), training/summer placement (Rs.802.84 lakh), and other activities (18.97 lakh). As on 31 March 2010, the cumulative disbursement stood at Rs.118.52 crore. During 2009-10, nine research projects and 112 seminars involving grant assistance of Rs.137.10 lakh and Rs.88.71 lakh were sanctioned respectively. An amount of Rs.787.32 lakh was utilised from the R&D Fund.
during the year for capacity building of the staff of Rural Financial Institutes (RFIs). During 2009-10, under the Summer Placement Scheme, projects on agriculture and rural development, allied sector, agri-business and social development were assigned to 57 students by 21 ROs, TE and HO, entailing an expenditure of Rs.15.52 lakh.

7. Other Development Initiatives
The Centre for Microfinance Research (CMR) in BIRD brought out the first issue of its half-yearly journal, ‘The Microfinance Review’. During the year, grant assistance of Rs.70 lakh was released by NABARD to CMR taking the cumulative assistance to Rs.194.18 lakh. An APRACA Centre of Excellence (ACE) in Linkage Banking was set up in CMR, as a Leading Centre of Knowledge in Linkage Banking.

During the year, NABARD sanctioned grant assistance of Rs.7.53 lakh to National Institute of Rural Banking (NIRB), Bangalore for conducting 21 programmes. Further, an amount of Rs.4.24 lakh and Rs.24.92 lakh were released to NIRB, Bangalore and Indian Institute of Bank Management (IIBM), Guwahati, respectively. Financial support of Rs.390.20 lakh from the Co-operative Development Fund (CDF) was disbursed to the Junior Level Training Centres (JLTCs), Agricultural Co-operative Staff Training Institutes (ACSTIs) and Integrated Training Institutes (ITIs) for conducting 1019 programmes covering 12,088 participants during 2009-10.

C. Business Operations
The total financial support extended by NABARD in 2009-10 was Rs.57,069 crore, registering a growth of 13 per cent over 2008-09. (Figure v.7).
1. **Production Credit**

As an incentive to co-operative banks that covered the maximum number of new farmers during 2008-09 in the wake of implementation of ADWDR Scheme, 2008, additional credit limits were provided. Again, credit limit applications were exempt from being routed through RCS, in states, which had executed MoU for implementing the GoI package for revival of Short Term Co-operative Credit Societies (STCCS) and amended their Co-operative Societies Acts. Relaxations were also granted to co-operative banks not complying with Section 11(1) of Banking Regulation Act, 1949 (AACS).

The short-term refinance assistance to co-operative banks and RRBs indicating credit limits and maximum outstanding for the last five years are given in Table: v.7.

**Table: V.7**

<table>
<thead>
<tr>
<th>Year</th>
<th>Limit Sanctioned</th>
<th>Maximum Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>12080</td>
<td>10769</td>
</tr>
<tr>
<td>2006-07</td>
<td>16089</td>
<td>14168</td>
</tr>
<tr>
<td>2007-08</td>
<td>18291</td>
<td>16352</td>
</tr>
<tr>
<td>2008-09</td>
<td>19627</td>
<td>17212</td>
</tr>
<tr>
<td>2009-10</td>
<td>25661</td>
<td>24715</td>
</tr>
</tbody>
</table>

(Source: NABARD Annual Report, 2010)
During 2009-10, ST-SA0 limits were sanctioned to 20 SCBs aggregating Rs.18,109 crore as against Rs.15,448 crore sanctioned during 2008-09. The credit limits included Rs.1,809.95 crore for the Oilseeds Production Programme (OPP), Rs.155.62 crore for National Pulses Development Programme (NPDP) and Rs.592.99 crore for credit requirements of tribals under the Development of Tribal Population (DTP). The SCBs reached a maximum outstanding credit of Rs.17,436.66 crore during 2009-10, with an utilisation of 96 per cent.

During 2009-10, ST (weavers) credit limits aggregating Rs.177.32 crore were sanctioned to five State Co-operative Bank (SCBs) (Andhra Pradesh, Karnataka, Puducherry, TamilNadu and West Bengal) for production/procurement/marketing activities, as against Rs.265.63 crore during 2008-09. The maximum outstanding was Rs.180.78 crore, as against Rs.166.66 crore last year.

During the last three years, 4,172 Handloom Weavers’ Groups (HWGs) were formed by banks in 12 States [viz., Orissa (1366), Andhra Pradesh (1220), Jharkhand (500), Karnataka (498), Assam (272), Madhya Pradesh (103), West Bengal (88), Bihar (82) and other States (43)]. Of these, 1,781 Groups have been credit linked.

ST refinance to State Co-operative Agriculture and Rural Development Bank (SCARDB) for Seasonal Agricultural Operations (SAO) was continued during the year, with a refinance of Rs.95.92 crore extended to Kerala (Rs.74.87 crore) and Rajasthan (Rs.21.05 crore) SCARDBs at 4.5 per cent, for lending to the ultimate borrowers at 7 per cent.

During 2009-10, limits of Rs.6,832.13 crore were sanctioned to 80 RRBs under ST-SA0 as against Rs.3,546.81 crore sanctioned to 76 RRBs in 2008-09. The limits included Rs.577.85 crore for OPP, Rs.143.86 crore for DTP and Rs.4 crore for NPDP. The maximum outstanding was Rs.6,779.79 crore, forming 99 per cent of the limit sanctioned during 2009-10.

The aggregate limit for ST-OSAO sanctioned to RRBs during 2009-10 was Rs.542 crore, as against Rs.190.80 crore last years. The maximum utilisation was Rs.318.24 crore (59%).
c. Interest Rates on Refinance Assistance

The rates of interest on ST/MT refinance to co-operative banks, RRBs and scheduled commercial banks and long-term (LT) loans to state governments for contribution to share capital of co-operative credit institutions during 2009-10 are indicated in Table V.8.

Table: V.8

Rates of Interest on Refinance (per cent)

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Purpose</th>
<th>Agency</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>SAO</td>
<td>SCB/RRB</td>
<td>4.0/4.5</td>
</tr>
<tr>
<td>2</td>
<td>SAO against Pledge of Securities</td>
<td>SCB</td>
<td>8.0</td>
</tr>
<tr>
<td>3</td>
<td>ST (Other- other than weavers)</td>
<td>SCB</td>
<td>8.0</td>
</tr>
<tr>
<td>4</td>
<td>ST (Weavers- Primary &amp; Apex/Regional Weavers’ Co-operative Societies)</td>
<td>SCB</td>
<td>7.5</td>
</tr>
<tr>
<td>5</td>
<td>ST (Weavers- financing of Primary Weavers’ Co-operative Societies)</td>
<td>Scheduled Commercial Banks</td>
<td>7.5</td>
</tr>
<tr>
<td>6</td>
<td>ST- Other than SAO loans (ST-OSAO)</td>
<td>SCB/RRB &amp; Scheduled Commercial Banks</td>
<td>8.0</td>
</tr>
<tr>
<td>7</td>
<td>ST- Working Capital requirements of SHDC</td>
<td>-</td>
<td>7.5</td>
</tr>
<tr>
<td>8</td>
<td>MT (Conversion) Loan</td>
<td>SCB/RRB</td>
<td>5.5</td>
</tr>
<tr>
<td>9</td>
<td>LT Loans to State Governments</td>
<td>State Governments</td>
<td>8.5</td>
</tr>
</tbody>
</table>

(Source: NABARD Annual Report, 2010)

Aggregate interest subvention of Rs.1,284.56 crore was provided by GoI to NABARD, co-operative banks and RRBs for the year 2007-08. An amount of Rs.1,205.17 crore has been disbursed for 2008-09. Interest subvention for 2009-10 was estimated at Rs.2,600 crore.

NABARD continued to act as the nodal agency for the package announced by GoI for assisting co-operative sugar mills for loans availed of from co-operative banks. Out of Rs.138.54 crore received from GoI as interest subvention, Rs.131.22 crore pertaining to 76 co-operative sugar mills, was released to the co-operative banks. An additional sum of Rs.113.07 crore was estimated as claims from
banks for 2008-09, 2009-10 and 2010-11. Under the Scheme for ‘Providing Financial Assistance to Sugar Undertakings–2007’ for payment of cane dues for 2006-07 and 2007-08 sugar seasons, GoI placed Rs.125.71 crore with NABARD, for release against interest subvention claims. An amount of Rs.60.97 crore was sanctioned to 59 sugar mills operating in Goa, Gujarat, Karnataka, Maharashtra, Orissa and Uttar Pradesh.

The rates of interest on refinance under ST(SAO) and ST(Others) to co-operative banks, RRBs and scheduled commercial banks during 2009-10 varied between a minimum of 4 per cent and a maximum of 8.5 per cent for different purposes.

2. Investment Credit

NABARD continued granting relaxation to commercial banks, co-operative banks and RRBs in NER and Sikkim, for enhancing the flow of bank credit. The initiatives taken during 2009-10 were: (i) NPA norms for ST(SAO) refinance to State Cooperative Banks and Regional Rural Banks were relaxed by 5 and 3 per cent, respectively, (ii) cent per cent refinance support was extended to all agencies for all purposes. The rate of interest on refinance to commercial banks was reduced by 50 basis points.

The release of refinance to SCARDBs as also SCBs/DCCBs for farm and non-farm sector activities was against Govt guarantee. However, SCBs that were in profit during 2007-08 with no accumulated losses, net NPA less than 5 per cent as on 31 March 2008 and having ‘A’ Audit classification were exempted from Govt. guarantee. Refinance to other SCB, including Section 11(1) of BR Act (AACS), non-compliant SCBs/ DCCBs and to non-scheduled SCBs was only against Government Guarantee. In the event of Government guarantee not forthcoming, alternatives like pledge of government securities or fixed deposit receipts issued by scheduled banks were considered.
a) Agency-wise Disbursements of Refinance

Table: V.9

<table>
<thead>
<tr>
<th>Agency</th>
<th>Disb. 2007-08</th>
<th>Share (%)</th>
<th>Disb.2008-09</th>
<th>Share (%)</th>
<th>Disb.2009-10</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCARDB</td>
<td>1,950.58</td>
<td>21.56</td>
<td>1,986.54</td>
<td>18.86</td>
<td>2221.30</td>
<td>18.50</td>
</tr>
<tr>
<td>SCB</td>
<td>826.55</td>
<td>9.14</td>
<td>801.51</td>
<td>7.61</td>
<td>1251.95</td>
<td>10.43</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>3,951.73</td>
<td>43.68</td>
<td>5,867.19</td>
<td>55.69</td>
<td>6057.19</td>
<td>50.44</td>
</tr>
<tr>
<td>RRB</td>
<td>2,313.99</td>
<td>25.58</td>
<td>1,879.04</td>
<td>17.83</td>
<td>2457.46</td>
<td>20.46</td>
</tr>
<tr>
<td>PUCB/ADFC</td>
<td>3.42</td>
<td>0.04</td>
<td>1.01</td>
<td>0.01</td>
<td>21.18</td>
<td>0.17</td>
</tr>
<tr>
<td>TOTAL</td>
<td>9,046.27</td>
<td>100.00</td>
<td>10,535.29</td>
<td>100.00</td>
<td>12,009.08</td>
<td>100.00</td>
</tr>
</tbody>
</table>

(Source: NABARD Annual Report, 2010)

During 2009-10, though commercial banks availed of the highest refinance at 50.44 per cent, their share showed a decline from the previous year (55.7%). The shares of RRBs, SCBs and PUCB/ADFCs increased, while those of SCARDBs decreased. In absolute terms, however, all the agencies recorded increases in availment of refinance (Table V.9/figure V.8).

(Source: NABARD Annual Report, 2010)

With effect from 01 March 2010, the interest rates charged were, 8 per cent for commercial banks, 7.5 for RRB/co-operative banks and 6.5 for ADFC/NEDFi. The rates on interim finance to SCARDBs and ADFCs were 9.75 and 6.5 per cent respectively. A special reduction of 50 basis points was provided to commercial banks in NER, hilly states, Eastern States and a few other states and Union Territories for all eligible purposes.
Sector-wise disbursements

During the year 2009-10, non-farm sector (NFS) (28.9%) and Self-Help Groups (SHG) (26.4%) were the major purposes for which banks availed of refinance, followed by farm mechanization (14.3%) and dairy Development (6%) (Table V.9). An analysis of the data for the latest three years revealed that farm mechanization, dairy development, poultry/SGP/AH-others, storage/market yard, NFS and SHG have recorded substantial growth in refinance, while minor irrigation, land development and fisheries showed declining trends.

**Table: V.10**

<table>
<thead>
<tr>
<th>Sector</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minor Irrigation</td>
<td>403.68</td>
<td>4.46</td>
<td>545.85</td>
</tr>
<tr>
<td>Land Development</td>
<td>462.14</td>
<td>5.11</td>
<td>949.94</td>
</tr>
<tr>
<td>Farm Mechanisation</td>
<td>1747.65</td>
<td>19.32</td>
<td>1514.03</td>
</tr>
<tr>
<td>Plantation &amp; Horticulture</td>
<td>341.82</td>
<td>3.78</td>
<td>374.54</td>
</tr>
<tr>
<td>Poultry Farming/Sheep/Animal Husbandry-others'</td>
<td>216.29</td>
<td>2.39</td>
<td>298.70</td>
</tr>
<tr>
<td>Fisheries</td>
<td>25.45</td>
<td>0.28</td>
<td>77.15</td>
</tr>
<tr>
<td>Dairy Development</td>
<td>605.87</td>
<td>6.70</td>
<td>489.41</td>
</tr>
<tr>
<td>Forestry</td>
<td>6.39</td>
<td>0.07</td>
<td>6.56</td>
</tr>
<tr>
<td>Storage &amp; Market Yards</td>
<td>136.28</td>
<td>1.51</td>
<td>141.01</td>
</tr>
<tr>
<td>SGSY</td>
<td>258.58</td>
<td>2.86</td>
<td>201.12</td>
</tr>
<tr>
<td>NFS</td>
<td>2747.95</td>
<td>30.38</td>
<td>2706.79</td>
</tr>
<tr>
<td>SC/ST-Action Plan</td>
<td>20.52</td>
<td>0.23</td>
<td>28.94</td>
</tr>
<tr>
<td>SHG</td>
<td>1615.50</td>
<td>17.86</td>
<td>2620.03</td>
</tr>
<tr>
<td>Others</td>
<td>458.15</td>
<td>5.05</td>
<td>581.22</td>
</tr>
<tr>
<td>Total</td>
<td>9,046.27</td>
<td>100.00</td>
<td>10,535.29</td>
</tr>
</tbody>
</table>

(Source: NABARD Annual Report, 2010)

The refinance disbursed (including ST-SA0 to SCARDBs) during the year touched Rs.12,009.08 crore as against Rs.10,535.29 crore last year, recording an increase
of 14 per cent. Commercial banks had the major share at 50.4 per cent. Across the regions, refinance disbursement varied widely with the major share going to the South (50%) followed by North (20%), Central (12%) and others (18%). Eight new co-finance projects were sanctioned during the year with total financial outlay (TFO) of Rs.62.13 crore taking the cumulative number of projects sanctioned to 48 with cumulative TFO of Rs.807.52 crore. An amount of Rs.11.99 crore was sanctioned during the year. NABARD’s cumulative sanction and disbursement were Rs.229.44 crore and Rs.136.35 crore, respectively. As on 31 March 2010, there were 38 on-going co finance projects.

a. Promotion Scheme for Cold Storages, Onion Godowns and Rural Godowns

The scheme, launched in 1999-2000, aimed at promoting creation of cold storage and scientific storage facilities to prevent heavy post-harvest losses, wastage, product deterioration and distress sales. It was to act as a hedge against wide price fluctuations of horticultural produce. The number of projects sanctioned under Cold Storages, Onion Godowns and Rural Godowns Scheme are detailed in Table V.11

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Facility</th>
<th>2009-10</th>
<th>Cumulative as on 31.03.2010</th>
<th>Cumulative Capacity (lakh Metric Tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of projects</td>
<td>TFO</td>
<td>Bank Loan</td>
<td>subsidy</td>
</tr>
<tr>
<td>1</td>
<td>Cold Storages, Onion Godowns</td>
<td>60</td>
<td>129.81</td>
<td>77.77</td>
</tr>
<tr>
<td>2</td>
<td>Rural Godowns</td>
<td>963</td>
<td>281.92</td>
<td>196.82</td>
</tr>
</tbody>
</table>

(Source: NABARD Annual Report, 2010)

During the year, 60 projects were sanctioned under cold storages/onion godowns with TFO of Rs.129.81 crore, bank loan of Rs.77.77 crore and subsidy of Rs.30.28 crore. As on 31 March 2010, 1,851 projects had been sanctioned involving TFO of Rs.2, 900.59 crore, bank loan of Rs.1, 634.67 crore and subsidy of Rs.443.58 crore, respectively. The cumulative capacity created under cold storages and storage facilities for onion as on 31 March 2010 stood at 76.74 lakh MT.
During the year, 963 rural godown projects were sanctioned with TFO of Rs.281.92 crore, bank loan of Rs.196.82 crore and subsidy of Rs.65.44 crore, respectively. Cumulatively, as at end March 2010, 17,556 rural godown projects were sanctioned, involving TFO of Rs.3,798.58 crore, bank loan of Rs.2,504.08 crore and subsidy of Rs.578.97 crore. The cumulative capacity created under rural godown scheme as on 31 March 2010 stood at 221.45 lakh MT.

The scheme of Agricultural Marketing Infrastructure, Grading and Standardisation has been in operation since 2004. During the year, 573 projects with TFO of Rs.637.90 crore and bank loan of Rs.419.54 crore were sanctioned and subsidy of Rs.49.89 crore was released to 21 States and 5 UT. Cumulatively, 3,838 units with TFO and bank loan of Rs.1,933.56 crore and Rs.1,283.13 crore, respectively, were sanctioned and subsidy of Rs.190.89 crore was released.

The scheme of Agri-Clinics and Agri-Business Centres (ACABC) was started in 2006-07. A subsidy of Rs.1.61 crore was disbursed for 76 projects involving TFO of Rs.5.99 crore and bank loan of Rs.4.66 crore during the year. Till 31 March 2010, 280 projects with TFO of Rs.20.87 crore, bank loan of Rs.15.98 crore and subsidy of Rs.3.09 crore were sanctioned.

Under the Capital Investment Subsidy Scheme for Commercial Production of Organic Inputs, net subsidy of Rs.1,042.33 lakh had been released to 612 units as on 31 March 2010.

Potential Linked Plan (PLP) for 623 districts were prepared during the year, to serve as a guide in credit planning exercise and infrastructure development for 2010-11. Three new District Development Managers offices were opened, taking the total number of DDM offices to 395. In addition, 100 districts were tagged to specific DDM districts.

3. Rural Infrastructure Development

The RIDF, started in 1995-96, had an aggregate corpus of Rs.1,00,000 crore till RIDF XV (2009-10). Additionally, a separate window was introduced in 2006-07 for funding rural roads component of Bharat Nirman Programme, with allocation of Rs.18,500 crore, till 2009-10. The total allocation for RIDF, thus, stood at Rs.1,18,500 crore, as on 31 March 2010.
i. Sanctions
During the year 2009-10 (RIDF-XV), 39,015 projects were sanctioned involving aggregate loan amount of Rs.15,629.82 crore. The cumulative number of projects rose to 4,02,806 involving loan amount of Rs.1,03,718 crore. The tranche-wise position of sanctions is given in figure V.9. Of the total amount sanctioned during the year, rural roads accounted for 29 per cent, irrigation projects 27 per cent; social sector projects 16 per cent, bridges 15 per cent and agri-related 12 per cent. Cumulative sanctions according to sectors are indicated in figure V.10.

Figure V.9: Tranche-wise Sanction-RIDF I to XV

(Source: NABARD Annual Report, 2010)

Disbursement during 2009-10, under the ongoing tranches amounted to Rs.12,387.54 crore taking the cumulative disbursements to Rs.68,439.74 crore, forming utilisation of 80 per cent. Additionally, an amount of Rs.6,500 crore was disbursed to the National Rural Roads Development Agency (NRRDA) under Bharat Nirman Programme (BNP), taking the total disbursements during the year to Rs.18,887.54 crore. The cumulative disbursement, as on 31 March 2010, touched Rs.86,939.74 crore, including Rs.18,500 crore under BNP. Disbursements under RIDF I to IX have been closed, while disbursements continued under RIDF X to XV.

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ii. Disbursements
Disbursements during 2009-10 under the ongoing tranches amounted to Rs.12,387.54 crore. Additionally, an amount of Rs.6,500 crore was disbursed to the National Rural Roads Development Agency (NRRDA), taking the total disbursements during the year to Rs.18,887.54 crore. The cumulative disbursement as on 31 March 2010 stood at Rs.68,439.74 crore, (excluding Rs.18,500 crore under Bharat Nirman). Cumulative sanctions and disbursements are given in Table 3.9. The position of year-wise disbursements under RIDF excluding NRRDA under Bharat Nirman is given in figure V.11.

![Year-wise Disbursement under RIDF I to XV](https://example.com/image.png)

(Source: NABARD Annual Report, 2010)

With the receipt of Rs.16,395.95 crore as deposits from commercial banks in 2009-10, the cumulative deposits received under RIDF stood at Rs.82,725.38 crore. The rate of interest payable by NABARD on these deposits continued to be at Bank rate (at present 6%). An amount of Rs.4,248.07 crore was received from State Governments towards repayment of RIDF loans during 2009-10. The total RIDF loan outstanding was Rs.60,255.45 crore as at end March 2010.

iii. State wise utilization
As per phasing of the projects, under various tranches (RIDF I to XV), state governments had a total pool of projects of Rs.1,03,718 crore as on 31 March 2010.

iv. Tranche-wise
Disbursement under tranches RIDF I to IX have been closed. The details of disbursements under the ongoing tranches RIDF X to XV are given in Table V.12
### Table: V.12

**Tranche-wise sanction Disbursements-Ongoing Tranches- RIDF X to XV (as on 31 March 2010) (Rs. crore)**

<table>
<thead>
<tr>
<th>Tranches No.</th>
<th>Allocation</th>
<th>Sanctioned</th>
<th>Phased</th>
<th>Disbursed</th>
<th>Disbursement(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td>8,000</td>
<td>7,671.71</td>
<td>7,671.71</td>
<td>6,489.35</td>
<td>84.59</td>
</tr>
<tr>
<td>XI</td>
<td>8,000</td>
<td>8,320.33</td>
<td>8,320.33</td>
<td>6,604.80</td>
<td>79.38</td>
</tr>
<tr>
<td>XII</td>
<td>10,000</td>
<td>10,411.15</td>
<td>10,411.15</td>
<td>7,280.43</td>
<td>69.93</td>
</tr>
<tr>
<td>XIII</td>
<td>12000</td>
<td>12,705.64</td>
<td>12,705.64</td>
<td>7,600.60</td>
<td>59.82</td>
</tr>
<tr>
<td>XIV</td>
<td>14000</td>
<td>14,708.02</td>
<td>8,935.26</td>
<td>6,652.51</td>
<td>74.45</td>
</tr>
<tr>
<td>XV</td>
<td>14000</td>
<td>15,629.82</td>
<td>3,281.96</td>
<td>3,474.35</td>
<td>105.86</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>66000</strong></td>
<td><strong>69,446.67</strong></td>
<td><strong>51,326.05</strong></td>
<td><strong>38,102.04</strong></td>
<td><strong>74.24</strong></td>
</tr>
</tbody>
</table>

(Source: NABARD Annual Report, 2010)

### v. Deposits/Repayments

3.56 With the receipt of Rs.16,399.96 crore as deposits from commercial banks in 2009-10, the cumulative deposits received under RIDF stood at Rs.82,725.38 crore. The details of year/Tranche wise disbursements against deposits received are given in Table V.13. An amount of Rs.3,553 crore was received from state governments towards repayment of RIDF loans during 2009-10. The total RIDF loan outstanding, as on 31 March 2010, was Rs.59,869 crore.

### Table: V.13

**Year/Tranche wise disbursements and deposits received under RIDF (as on 31 March 2010) (Rs. crore)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Deposits</th>
<th>Disbursements</th>
<th>Tranche</th>
<th>Deposits</th>
<th>Disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995-96</td>
<td>350.00</td>
<td>387.34</td>
<td>I</td>
<td>1586.56</td>
<td>1760.87</td>
</tr>
<tr>
<td>1996-97</td>
<td>1042.30</td>
<td>1087.08</td>
<td>II</td>
<td>2225.00</td>
<td>2397.95</td>
</tr>
<tr>
<td>1997-98</td>
<td>1007.04</td>
<td>1009.03</td>
<td>III</td>
<td>2308.02</td>
<td>2453.50</td>
</tr>
<tr>
<td>1998-99</td>
<td>1337.95</td>
<td>1313.12</td>
<td>IV</td>
<td>1412.53</td>
<td>2482.00</td>
</tr>
<tr>
<td>1999-00</td>
<td>2306.64</td>
<td>2277.87</td>
<td>V</td>
<td>3051.88</td>
<td>3054.96</td>
</tr>
<tr>
<td>2000-01</td>
<td>2653.64</td>
<td>3176.85</td>
<td>VI</td>
<td>4080.54</td>
<td>4070.85</td>
</tr>
<tr>
<td>2001-02</td>
<td>3590.72</td>
<td>3790.37</td>
<td>VII</td>
<td>4073.77</td>
<td>4052.59</td>
</tr>
<tr>
<td>2002-03</td>
<td>3857.09</td>
<td>4103.42</td>
<td>VIII</td>
<td>5188.08</td>
<td>5148.50</td>
</tr>
<tr>
<td>2003-04</td>
<td>2158.69</td>
<td>3922.09</td>
<td>IX</td>
<td>4873.08</td>
<td>4916.48</td>
</tr>
<tr>
<td>2004-05</td>
<td>4353.47</td>
<td>4316.85</td>
<td>X</td>
<td>6420.15</td>
<td>6489.35</td>
</tr>
<tr>
<td>2005-06</td>
<td>6692.37</td>
<td>5953.32</td>
<td>XI</td>
<td>6421.23</td>
<td>6604.80</td>
</tr>
<tr>
<td>2006-07</td>
<td>6966.43</td>
<td>6222.58</td>
<td>XII</td>
<td>7714.50</td>
<td>7280.43</td>
</tr>
<tr>
<td>2007-08</td>
<td>7369.46</td>
<td>8033.64</td>
<td>XIII</td>
<td>7834.61</td>
<td>7600.60</td>
</tr>
<tr>
<td>2008-09</td>
<td>12157.78</td>
<td>10458.64</td>
<td>XIV</td>
<td>6442.49</td>
<td>6652.51</td>
</tr>
<tr>
<td>2009-10</td>
<td>12677.01</td>
<td>12387.54</td>
<td>XV</td>
<td>4228.15</td>
<td>3474.35</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>82725.38</strong></td>
<td><strong>86939.74</strong></td>
<td>Total</td>
<td><strong>82725.38</strong></td>
<td><strong>86939.74</strong></td>
</tr>
</tbody>
</table>

(Figure in parentheses indicate deposits under Bharat Nirman Programme) (Source: NABARD Annual Report, 2010)
VI. Impact of RIDF

The RIDF projects, besides creating critical infrastructure, facilitated expansion of the production base in rural areas, increased credit-off take and created additional employment opportunities - recurring and non-recurring (Table v.14).

Table: V.14

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Particulars</th>
<th>Additional Benefits Created</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Irrigation Potential</td>
<td>156.53 lakh hectares</td>
</tr>
<tr>
<td>2</td>
<td>Rural Bridges</td>
<td>5,83,637 Mtr.</td>
</tr>
<tr>
<td>3</td>
<td>Rural Roads</td>
<td>3, 04,337 kms.</td>
</tr>
<tr>
<td>4</td>
<td>Recurring Employment</td>
<td>81,16,613 Jobs</td>
</tr>
<tr>
<td>5</td>
<td>Non – recurring employment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Irrigation</td>
<td>24,643.94 lakh Man Days</td>
</tr>
<tr>
<td></td>
<td>Rural Roads &amp; Bridges</td>
<td>32,210.25 lakh Man Days</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>16,022.49 lakh Man Days</td>
</tr>
<tr>
<td>6</td>
<td>Power Sector (Hydel Power &amp; System Improvement)</td>
<td>180.45MW Hydel Power Generation &amp; Saving of T &amp; D Losses-22315 lakh units per year</td>
</tr>
<tr>
<td>7</td>
<td>Social Sector</td>
<td></td>
</tr>
<tr>
<td></td>
<td>A. Health Centers</td>
<td>390.77 lakh person</td>
</tr>
<tr>
<td></td>
<td>B. Primary &amp; Secondary Schools</td>
<td>92.04 lakh Students</td>
</tr>
<tr>
<td></td>
<td>C. Rural Drinking Water Supply</td>
<td>907.35 lakh person</td>
</tr>
</tbody>
</table>

(Source: NABARD Annual Report, 2010)

During the year, NABARD carried out monitoring of 6,670 projects through field visits. As on 31 March 2010, the RIDF projects had created additional irrigation potential of 156.53 lakh ha, 3.04 lakh km length of rural roads and 5.84 lakh metre length of rural bridges and generated recurring employment of 81.17 lakh jobs and non-recurring employment of 57,853 lakh person days.
4. Evaluation and Commodity Specific Studies

Six DRIP studies conducted during the last two years revealed that the RNFS units in the study districts were profitable with a rate of return of above 15 per cent in most cases.

Two studies on Cluster Development Programme (CDP) covering Sisal Fibre and Woodcraft clusters recommended ensuring fibre availability, highlighting the environmental benefits of sisal fibre products compared to cheaper plastic substitutes and encouraging individual initiatives to establish sisal-based micro-enterprises. The study on woodcraft cluster revealed that the number of artisans in the cluster increased about six times after the intervention. On an average, the sample artisans produced 192 idols per annum getting an income of Rs.1,153 per idol, which yielded a return of 44 per cent of the fixed costs.

Seven studies conducted on Rural Entrepreneurship Development Programme (REDP) revealed that the overall success rate in setting up new enterprises worked out to 34 per cent only in terms of new enterprises and 58 per cent when wage employment too was considered. The average annual net gain in income worked out to Rs.18,663 per trainee. The programme yielded more than 50 per cent returns to the investment in all the states studied. Banks and SHGs emerged as the major sources of credit. The studies suggested enrichment of the course material with success stories.

A study covering 14 states, viz., Andhra Pradesh, Assam, Gujarat, Haryana, Himachal Pradesh, Karnataka, Kerala, Maharashtra, Madhya Pradesh, Orissa, Punjab, Rajasthan, Uttar Pradesh & West Bengal, was conducted covering 1,876 KCC holders from 178 bank branches from Co-operative banks, RRBs and CBs. The study suggested that KCC penetration could be further improved in terms of extending loan such as crop loan, working capital for allied & NFS activities and consumption loan in the ratio of 4:2:1. The study further suggested that there is a need to adopt “mission mode” approach to make KCC into a farmers’ friendly efficient instrument for effective credit delivery system accompanied by appropriate institutional mechanism.
Under the scheme of rural godowns, 20,393 godowns with capacity of 238.37 metric tonnes were sanctioned all over the country, and for the same, a subsidy of Rs.543.02 crore was released. An in-house study on “Rural Godowns in Gujarat: An Evaluation Study” had been conducted during 2009-10. The study showed that major crops stored in these godowns were cotton, castor, mustard, cumin, tobacco, paddy and bajra. Although the state of Gujarat tops the list with the maximum number of rural godowns, the average capacity of godowns in the state at 217.7 metric tonnes was one of the lowest in the country. The average bank loan sanctioned by commercial banks, regional rural banks and cooperative banks was Rs.6 lakh, Rs.2.89 lakh and Rs.2.59 lakh, respectively. The utilisation of capacity created was 67.2 per cent in society-owned godowns and 68.8 per cent in individual-owned godowns. While the society-owned godowns attained break-even level at 25.6 per cent of the available storage space, the individual-owned godowns attained it at 53.3 per cent. The repayment performance of all the godowns selected for the study was regular. The scheme of rural godown had injected Rs.1,270.7 lakh of private investment in the selected districts viz., Patan and Kheda, which generated 3.4 lakh non-recurring and 1.5 lakh recurring employment.

Five studies on pulses were conducted in five states. The studies revealed low productivity at 622 kg per hectare. Total processing cost and sales proceeds for milling one MT of pulses was Rs.24,698 and Rs.26,400, respectively. The net value addition per one MT of raw pulses was Rs.1,702, at 7 per cent of the operating cost. The input-output ratio was 1:1.06.

A study on Mentha, an aromatic herb, was taken up in the state of Uttar Pradesh which accounts for 80 per cent of the crop area under mentha. The per acre cost of cultivation of mentha varied between Rs.14,765 and Rs.18,625. The average yield of oil per acre varied between 37.6 kg and 56.50 kg. The net income per acre varied between Rs.5,099 and Rs.11,207. The gross value of production from the sale of menthol crystals/flakes worked out to Rs.25,87,800 and the net income realised from processing plant per month worked out to Rs.77,662.
D. Capacity Building of Client Institutions

The financial and managerial soundness of rural credit institutions are critical to a robust rural financial delivery system. The Regional Rural Banks (RRB) and co-operative banks, which play a very crucial role in financial intermediation in agriculture and rural development, are under increasing pressure from competition from other agencies. NABARD endeavours to strengthen the capacity of these institutions through various developmental and supervisory initiatives to effectively face such competition.

I. Institutional Development

1. Rural Co-operative Credit Institutions

a. Performance:

The total membership of Primary Agricultural Credit Societies (PACS) during 2008-09 stood at 13.23 crore, of which borrowing members were 7.66 crore constituting 58 per cent of total. While there was only a marginal increase in membership of PACS over the previous year, the borrowing members decreased by 3.5 per cent during the period. Both deposits and loans issued (as on 31 March 2009) also showed marginal increase of only 3.1 and 1.8 per cent, respectively, over the previous year. Similarly borrowings of PACS also registered only a marginal increase of 2.2 per cent over the previous year (Table V.15).

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>97,224</td>
<td>94,950</td>
<td>95,626</td>
</tr>
<tr>
<td>Membership (lakh)</td>
<td>1,258</td>
<td>1,315</td>
<td>1,323</td>
</tr>
<tr>
<td>Borrowing Members (lakh)</td>
<td>479</td>
<td>794</td>
<td>766</td>
</tr>
<tr>
<td>Owned Funds</td>
<td>11,039</td>
<td>10,984</td>
<td>11,906</td>
</tr>
<tr>
<td>Deposits</td>
<td>23,484</td>
<td>25,449</td>
<td>26,243</td>
</tr>
<tr>
<td>Borrowings</td>
<td>43,714</td>
<td>47,848</td>
<td>48,919</td>
</tr>
<tr>
<td>Loans</td>
<td>49,613</td>
<td>57,642</td>
<td>58,686</td>
</tr>
</tbody>
</table>

(Source: Nabard Annual Report, 2010)

An analysis of the financial positions of the SCBs and DCCBs (Table V.16) as on 31 March 2008 and
### Table: V.16
**Growth of Short-Term Co-Operative Banks**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>31</td>
<td>31</td>
<td>370</td>
<td>370</td>
</tr>
<tr>
<td>Share Capital</td>
<td>1497</td>
<td>1570</td>
<td>6030</td>
<td>6409</td>
</tr>
<tr>
<td>Reserves</td>
<td>9898</td>
<td>10104</td>
<td>22575</td>
<td>23255</td>
</tr>
<tr>
<td>Deposits</td>
<td>57404</td>
<td>71272</td>
<td>110178</td>
<td>127779</td>
</tr>
<tr>
<td>Borrowing</td>
<td>22513</td>
<td>20970</td>
<td>31724</td>
<td>29858</td>
</tr>
<tr>
<td>Loans Issued</td>
<td>59205</td>
<td>93833</td>
<td>93270</td>
<td>90105</td>
</tr>
<tr>
<td>Loans Outstanding</td>
<td>50208</td>
<td>48471</td>
<td>101458</td>
<td>100198</td>
</tr>
</tbody>
</table>

(Source: Nabard Annual Report, 2010)

31 March 2009 indicate that while their deposits increased by 24 per cent and 16 per cent, respectively, over the year, the borrowings of SCBs and DCCBs decreased by 7 per cent and 6 per cent, respectively. Loans issued by SCBs increased significantly by 58 per cent and those of DCCBs decreased by 3.4 per cent. Loans outstanding of SCBs and DCCBs decreased marginally by 3.5 per cent and 1.2 per cent, respectively.

In the Long-Term Co-operative Credit Structure (LTCCS), borrowings of State Co-operative Agriculture and Rural Development Banks (SCARDBs) and Primary Co-operative Agriculture and Rural Development Banks (PCARDBs) as on 31 March 2009, decreased marginally by 3.3 per cent and 0.25 per cent, respectively, over the previous year. While loans issued by SCARDB and PCARDB increased by 17 and 16 per cent, respectively, their loans outstanding decreased by 11 and 5 per cent, respectively, over the previous year (Table V.17).

### Table: V.17
**Growth of long –Term Co-operative Banks**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>20</td>
<td>20</td>
<td>697</td>
<td>697</td>
</tr>
<tr>
<td>Share Capital</td>
<td>1254</td>
<td>814</td>
<td>1025</td>
<td>1514</td>
</tr>
<tr>
<td>Reserves</td>
<td>2810</td>
<td>3158</td>
<td>3409</td>
<td>3444</td>
</tr>
<tr>
<td>Deposits</td>
<td>670</td>
<td>710</td>
<td>350</td>
<td>419</td>
</tr>
<tr>
<td>Borrowing</td>
<td>16293</td>
<td>15751</td>
<td>12406</td>
<td>12375</td>
</tr>
<tr>
<td>Loans Issued</td>
<td>2208</td>
<td>2585</td>
<td>1768</td>
<td>2045</td>
</tr>
<tr>
<td>Loans Outstanding</td>
<td>18392</td>
<td>16279</td>
<td>11770</td>
<td>11229</td>
</tr>
</tbody>
</table>

(Source: Nabard Annual Report, 2010)
b. Working Results

i. Profitability

During 2008-09, 26 out of 31 SCBs were in profit aggregating Rs.395 crore and the remaining 5 SCBs were in loss (Rs.71 crore), resulting in an aggregate profit of Rs.324 crore. While 320 out of 370 DCCBs earned overall profit of Rs.1,611 crore, 50 DCCBs incurred losses to the extent of Rs.337 crore. Eleven SCARDBs earned an aggregate of profit of Rs.405 crore, while eight incurred an aggregate loss of Rs.150 crore. Out of 697 PCARDBs, 326 earned an aggregate profit of Rs.206 crore, while 365 incurred an aggregate loss of Rs.360 crore (Table V.18)

Table: V.18
Working Results of Co-operative Banks (Rs. Crore)

<table>
<thead>
<tr>
<th>Agency</th>
<th>SCB</th>
<th>DCCB</th>
<th>SCARDB</th>
<th>PCARDB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total (No.)</td>
<td>31</td>
<td>31</td>
<td>370</td>
<td>370</td>
</tr>
<tr>
<td>In Profit (No.)</td>
<td>26</td>
<td>26</td>
<td>261</td>
<td>320</td>
</tr>
<tr>
<td>Profit Amount</td>
<td>286</td>
<td>396</td>
<td>868</td>
<td>1611</td>
</tr>
<tr>
<td>In Loss (No)</td>
<td>5</td>
<td>5</td>
<td>108</td>
<td>50</td>
</tr>
<tr>
<td>Loss Amount</td>
<td>49</td>
<td>71</td>
<td>926</td>
<td>337</td>
</tr>
</tbody>
</table>

(Source: Nabard Annual Report, 2010)

ii. Costs and Margins

During 2008-09, SCBs as a group earned an overall return of 7.40 per cent on funds, with the cost of funds at 5.17 per cent, resulting in a financial margin of 2.23 per cent (excluding miscellaneous income of 0.58 per cent). The average transaction cost and risk cost of SCBs during the year worked out to be 1.36 per cent and 0.88 per cent respectively. SCBs as a group earned a positive net margin of 0.57 per cent (including miscellaneous income) during 2008-09 compared to a net margin of 0.95 per cent during the previous year.

In the case of DCCBs, the overall return on working funds was 7.85 per cent while the cost of funds was 5.09 per cent, yielding a financial margin of 2.76 per cent (excluding miscellaneous income of 1.68 per cent). The average transaction and risk cost as percentages to working funds were 2.15 and 1.33 per cent, respectively.
during 2008-09. The DCCBs as a group earned gross and net margins of 2.29 per cent and 0.96 per cent (including miscellaneous income), respectively. During the year 2008-09, out of 19 SCARDBs, 13 had positive net margins while the remaining six had negative net margins. Out of reporting PCARDB in 12 states, only four states had positive net margins.

iii. Non-Performing Assets (Gross) and Recovery Performance

At the aggregate level, the percentage of gross NPA to total loans and advances outstanding in respect of both SCBs and DCCBs decreased to 11.9 and 17.9 per cent, as on 31 March 2009, from 12.3 and 18.5 per cent as on 31 March 2008, respectively (Tables 4.6 and 4.7). In absolute terms, NPAs were estimated to be Rs.5,736.50 crore and Rs.17,929.15 crore for SCBs and DCCBs as on 31 March 2009, registering a decline of 7 and 4 per cent, respectively. The percentage of NPAs to total loans and advances outstanding in the case of SCARDBs and PCARDBs decreased to 30.3 and 39.1 per cent as on 31 March 2009, from 35.0 and 43.5 per cent, respectively, during the previous year. The total NPAs of SCARDBs and PCARDBs were estimated to be Rs.4,937.73 crore and Rs.4,392.95 crore, showing a decline of 23 and 14 per cent, respectively (Tables V.19).

<table>
<thead>
<tr>
<th>Assets Classification</th>
<th>SCB</th>
<th>DCCB</th>
<th>SCARDB</th>
<th>PCARDB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Standard</td>
<td>1678.39</td>
<td>8029.83</td>
<td>2937.45</td>
<td>2574.16</td>
</tr>
<tr>
<td>Doubtful</td>
<td>3843.06</td>
<td>7221.29</td>
<td>1965.28</td>
<td>1793.13</td>
</tr>
<tr>
<td>Loss Assets</td>
<td>242.05</td>
<td>2678.03</td>
<td>35.00</td>
<td>25.67</td>
</tr>
<tr>
<td>Total NPA</td>
<td>5763.50</td>
<td>17929.15</td>
<td>4937.73</td>
<td>4392.96</td>
</tr>
<tr>
<td>Provisions Required</td>
<td>2882.87</td>
<td>10225.06</td>
<td>1217.68</td>
<td>790.13</td>
</tr>
<tr>
<td>Provisions Made</td>
<td>3308.85</td>
<td>11462.72</td>
<td>1536.02</td>
<td>892.45</td>
</tr>
</tbody>
</table>

(Source: Nabard Annual Report, 2010)
c. Supersession of Elected Boards

NABARD, as a matter of policy, continues to emphasise the need for co-operative banks to be managed by duly elected Boards of Management. One of the covenants of MoU executed by the state governments under the GoI revival package for STCCS stipulates that the co-operative banks should be managed by duly elected Boards of Directors. Despite this, the practice of superseding elected Boards continued in some states. As on 31 March 2009, duly elected Boards were superseded in 9 SCBs and 127 DCCBs in the ST Structure, and in 9 SCARDBs and 265 PCARDBs in the LT Structure (Table V.20).

Table: V.20

<table>
<thead>
<tr>
<th>Particulars</th>
<th>SCB</th>
<th>DCCB</th>
<th>SCARDB</th>
<th>PCARDB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Institutions (No.)</td>
<td>31</td>
<td>370</td>
<td>20</td>
<td>697</td>
</tr>
<tr>
<td>Boards under Supersession (No)</td>
<td>9</td>
<td>127</td>
<td>9</td>
<td>265</td>
</tr>
<tr>
<td>Boards under Supersession (%)</td>
<td>29</td>
<td>34</td>
<td>45</td>
<td>38</td>
</tr>
</tbody>
</table>

(Source: Nabard Annual Report, 2010)

d. Development Action Plans / Memorandum of Understanding

The process of preparing institution specific Development Action Plans (DAP) and execution of Memorandum of Understanding (MoU) began in 1994-95. It was implemented in three phases, 1994-95 to 1999-2000 (Phase I), 2000-01 to 2003-04 (Phase II) and 2004-05 to 2006-07 (Phase III). PACS were advised for the first time to prepare viability action plans under the guidance of DCCBs and to enter into MoUs with the respective DCCBs in the third phase. The fourth phase of DAP/MoU for both ST and LT structures is for the period April 2007 to March 2012. The policy changes in Phase IV aim at repositioning NABARD, RBI and RCS as external facilitators in planning, implementing and monitoring of DAP. As on 31 March 2009, 21 SCBs and 9 SCARDBs had executed “DAP/MoU” (Phase IV) with state governments and NABARD. The DAP are regularly monitored and reviewed during State Level Task Force (SLTF)/DLMRC meetings.
e. Co-operative Development Fund
The Co-operative Development Fund (CDF) was broad based during the year after a comprehensive review of various existing schemes of assistance. At present, 11 schemes have been put into operation for strengthening the co-operatives. During 2009-10, Rs.3.76 crore was sanctioned and Rs.3.78 crore disbursed (including sanctions of previous years). As on 31 March 2010, cumulative sanctions and disbursements under CDF were Rs.91.74 crore and Rs.81.51 crore, respectively. The CDF is replenished annually through appropriations from NABARD’s surplus. The balance in the Fund as on 31 March 2010, stood at Rs.125 crore.

f. Organisation Development Initiatives (ODIs)
The design, methodology and objective of ODIs are now more focused towards enabling financial inclusion and sustainable viability. Business Revitalisation and Managing Human Aspirations (BRAMHA), a recast of Organisation Development Initiative (ODI) for co-operatives, was launched in 2007-08 to facilitate changes in the organisational structure, staff composition, skills, strategic planning and shared values vis-à-vis the wider external environment to enable an organisation to fulfil its mission. During the year, ten BRAMHA (Phase I-9, Phase II-1) and 2 ODI (Phase I & II) were conducted.

g. Other Developments
(i) Human Resource Policy for Short-Term Co-operative Credit Structure
A Working Group (Chairman: Shri S.K. Mitra, Executive Director, NABARD) was constituted to formulate a comprehensive human resource policy for the STCCS. Based on the recommendations of the Working Group, NABARD issued guidelines on staffing, recruitment, transfer and promotion policy to all SCBs and DCCBs for consideration and adoption by them. Separate guidelines were issued to SCBs in NER. The SCBs would constitute a separate State Level Steering Group in each State, comprising HR professionals, representatives of NABARD, NAFSCOB, Co-operation Department of State Governments, BIRD and other Training Establishments of NABARD and select CCBs, for preparation of road map for implementation, monitoring and review of the recommendations of the Working Group. The ROs of NABARD would conduct a one-day workshop for the benefit of officials of SCBs, CCBs, RCS,
Department of Co-operation of respective State Governments for familiarising with the Working Group’s recommendations and facilitating implementation.

(ii) Working Group for Computerisation in SCBs/ DCCBs

In the wake of Revival Package for strengthening co-operative credit structure at grassroots level and growing competitive banking environment, it has become imperative to introduce advanced technology to stimulate the working and functions of co-operatives. With this in view, a Working Group has been constituted under the chairmanship of Dr. Prakash Bakshi, Executive Director, NABARD. The first meeting of the Working Group was held during the year. The Working Group, apart from giving a comprehensive solution to the co-operatives, will focus on the following areas:

(a) Assess the status of front and back-office computerisation requirements in CCBs and SCBs to remain competitive by 2012 and beyond based on their business growth, (b) assess the gap in computerisation vis-à-vis the above expectation, (c) suggest a road map for different categories of co-operative banks with reference to available infrastructure and operational costs and (d) to design an implementable plan for bank specific computerisation and operationalisation aspects such as funding, training, maintenance of hardware/software upgradation, etc. The report of the Working Group is expected to be finalised shortly.

h. Package for Short-Term Rural Co-operative Credit Structure

The Government of India (GoI) announced a Revival Package in 2006 for the STCCS, based on recommendations of the Task Force appointed by it for making the STCCS a well-managed and vibrant medium to serve the credit needs of rural India. The integrated package envisages (a) provision of liberal financial assistance to bring the system to an acceptable level of health, through cleansing of balance sheet, (b) introduction of legal and institutional reforms essential for their democratic, self-reliant and efficient functioning and (c) initiating measures to improve the quality of management. Keeping in view the financial health of the institutions in the NER, the GoI in November 2008, announced a special dispensation for the STCCS in NER, including Sikkim. So far, twenty-five States (covering 96 per cent of the STCCS in the country), have executed the MoU with GoI and NABARD for implementing the revival package.
i. **Special Audit and Release of Funds**

Financial assistance is provided both for cleansing of balance sheets of STCCS (as on 31 March 2004) and capital infusion to ensure a minimum Capital to Risk-Weighted Assets Ratio (CRAR) of 7 per cent, subject to legal and institutional reforms. Bottom up approach is adopted with financial assistance provided to PACS first, followed by CCBs and then SCBs. Eligibility of PACS is determined on their recovery position as on 30 June 2004. Capitalisation of ineligible PACS would take place by settling their dues to the higher tier, with the State Government having to decide the future set-up of ineligible PACS. The funding of the package is shared by the GoI, State Governments and the STCCS, based on origin of losses and existing commitments. The special audits of STCCS, as on 31 March 2004, to arrive at the precise amount of losses after factoring in prudential provisioning norms and the sharing pattern, is complete in 79,530 PACS out of 95,626 PACS across 25 States. The special audit of CCB has been completed in twelve states and is in progress in the remaining States. An amount of Rs.7,972.22 crore has been released till 31 March 2010 by NABARD as GoI share for recapitalisation of 49,764 PACS in fourteen states, while the State Governments have released Rs.755.80 crore as their share.

ii. **Legal Reforms**

The participating states are required to amend their Co-operative Societies Acts (CSAs) for securing the democratic character and autonomy of co-operatives and for their regulatory control by RBI. So far, fourteen States have amended their CSAs. The draft amendments proposed by the remaining eleven States have been vetted by NABARD, even as previous amendments in three of these States are awaiting Presidential assent. Based on the amendments, the rules and bye-laws of the societies are being revised by the states.

iii. **Common Accounting System and Management Information System**

The Common Accounting System (CAS) and Management Information System (MIS) formulated for PACS are being put in place to standardise accounting systems and decision-making process. Books of accounts, as per the CAS, have been printed and distributed in 11 States. Training on CAS/MIS has also been initiated. Once
operationalisation of CAS/MIS is complete and strengthening of capacities to manually maintain the new system is achieved, computerisation of CAS/MIS would commence.

iv. HRD Initiatives

The Package lays emphasis on training and capacity building of Board Members and functionaries of STCCS. Training modules along with training material in vernacular, elaborate Trainers’ Manual and Guide have been developed for Secretaries of PACS, Departmental Auditors and Supervisors of co-operative banks and Board of Directors of PACS, CCB and SCB and branch managers and CEOs of CCBs. The thrust of training is on resource mobilisation, loan products, housekeeping and accounting (CAS and MIS), business diversification, best practices in governance and management and changes in the post reforms scenario. Till date, training has been imparted to 226 master trainers from sixteen States, who in turn have trained 1,896 district level trainers. As on 31 March 2010, training has been imparted to 72,127 Secretaries of PACS from fourteen States, 99,219 elected Board Members of PACS from eleven States, 369 CEOs of CCBs and 1,671 Directors of CCBs/SCBs. In addition, training on CAS/MIS has been provided to 61,619 PACS functionaries and 3,471 bank supervisors/departmental auditors. A five-day module for branch managers of CCBs for providing hand-holding support to PACS on a continuous basis and a Business Development programme for PACS in North Eastern States, keeping in view the special conditions in the region, are proposed to be launched in the next financial year.

v. Impact of the Revival Package

Implementation of the Revival Package has brought about many positive changes in the functioning of the STCCS institutions. With the amendment of the CSAs, the STCCS has been enabled to become member driven and autonomous, affording them freedom in all financial and internal administrative matters. The statutory audits of CCBs and SCBs are being conducted by Chartered Accountants, from a panel supplied by NABARD, as opposed to departmental auditors earlier. The appointment of CEOs and Professional Directors on Boards of CCBs as per ‘fit and proper’ criteria specified by the Reserve Bank of India (RBI) will ensure that the STCCS is run in a professional manner. PACS have started preparing Business Development Plans for prudent funds utilisation.
and for diversification of business activities. The preparation of balance sheets of PACS as per Common Accounting System (CAS), generation of information as per prescribed MIS formats and computerisation will ensure uniform accounting procedure, minimise misappropriation/frauds and bring in transparency. As on 31 March 2010, 49,764 PACS have been fully recapitalised, substantially improving their net worth and financial position.

vi. **Revival of Long-Term Rural Co-operative Credit Structure**

Based on the report of the Task Force (II) under the Chairmanship of Prof. A. Vaidyanathan, GoI had earlier considered a separate Revival Package for the Long-Term Co-operative Credit Structure (LTCCS). However, it has now constituted a Task Force under the Chairmanship of Shri G. C. Chaturvedi, IAS, Addl. Secretary (FS), Ministry of Finance, Government of India to review the need for a separate package for Revival of LTCCS. The Task Force submitted its report to the Government of India on 25 February 2010.

2. **Regional Rural Banks**

a. **Development Initiatives**

i. **Amalgamation**

The structural consolidation of RRBs initiated by GoI in September 2005 through amalgamation of Sponsor Bank-wise RRBs in a State, continued and four new amalgamated entities were formed in 2009-10, by amalgamating five stand-alone and three previously amalgamated RRBs. With this, the total number of RRBs as on 31 March 2010 stood at 82 (46 amalgamated and 36 stand alone).

ii. **Capital Infusion**

As part of financial strengthening of RRBs, the Hon’ble Union Finance Minister, in the Budget 2007-08, had announced recapitalisation support to 27 RRBs having negative net worth, as on 31 March 2007. The entire amount of recapitalisation support of Rs.1,795.97 crore stand released to the RRBs by GoI, the State Governments and Sponsor Banks concerned, in the ratio of 50:15:35, respectively.

iii. **Village Adoption and Debt Swap**

RRBs were given the target of adopting at least one village per branch, for financing the indebted farmers to swap the debt taken from money lenders. Against the target, RRBs had adopted 17,490 and 24,341 villages as on 31 March 2008 and 31 March
2009, respectively. As on 31 December 2009, 24,531 villages had been adopted by the RRBs of which 13,221 villages had been freed of debt from money lenders.

iv. Branch Expansion Programme
As announced in the Union Budget 2007-08, RRBs had opened 474 branches during 2008-09, taking the cumulative number of branches of all RRBs to 15,181, as on 31 March 2009. Further, GoI has fixed a target of opening of 2,000 branches of RRBs in the next two years, for facilitating financial inclusion. During the year 2009-10, RRBs opened 263 branches as per information available, which would take the total number of RRB branches to 15,444.

v. ICT solution for Financial Inclusion
The Committee on Financial Inclusion (Dr. C. Rangarajan) had identified 256 districts in the country as ‘most excluded’ and had recommended RRBs taking up ten pilot projects with ICT (Information and Communication Technologies) solutions. Accordingly, fifteen RRBs were identified from fourteen States for an R and D project on Financial Inclusion, with ICT based solutions, through use of smart cards, Point of Service (PoS) devices and mobile technology, in different regions and client groups in the country. The project, a PPP model, is partly funded by the World Bank, with back-ended incentive provided by NABARD from its Financial Inclusion Fund (FIF).

vi. Financial Inclusion
As envisaged by GoI, RRBs, as a group, have become a strong intermediary for Financial Inclusion in rural areas by opening a large number of “No Frills” accounts and by financing under General Credit Card (GCC), as per RBI guidelines. The total number of accounts covered under both deposits and loans was 1,106.20 lakh, as on 31 March 2009 (Table V.21).

Table: V.21
Status of Financial Inclusion – RRB

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Deposit Accounts</th>
<th>Of which ‘No-Frills’ Accounts</th>
<th>No. of Loan Accounts</th>
<th>Of Total Loan Accounts, Major areas of Financial Inclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>GCC</td>
</tr>
<tr>
<td>2006-07</td>
<td>669.88</td>
<td>34.54</td>
<td>164.97</td>
<td>1.083</td>
</tr>
<tr>
<td>2007-08</td>
<td>758.02</td>
<td>81.17</td>
<td>171.20</td>
<td>2.35</td>
</tr>
<tr>
<td>2008-09</td>
<td>935.54</td>
<td>153.81</td>
<td>170.66</td>
<td>3.22</td>
</tr>
</tbody>
</table>

(Source: Nabard Annual Report, 2010)
b. Performance Review

The performance of RRBs is being reviewed by GoI under the Chairmanship of Union Finance Minister, since January 2007, and the decisions taken in the meeting are in turn being reviewed by Finance Secretary, GoI on half-yearly basis or as and when needed. During the year, two such review meetings were held, one chaired by Finance Minister and the other by Finance Secretary, GoI.

Financial Performance

Post amalgamation, the number of RRB in the country, as on 31 March 2010, stood at 82, with a network of 15,444 branches covering 618 notified districts in twenty-six States and one UT (Puducherry). Over a period of three years (2008-10), aggregate reserves of RRB increased significantly (38.7%), while deposits and investments increased by 44.3 and 56.9 per cent, respectively. Borrowings also increased by 61.4 per cent, while loans and advances (outstanding) increased by 39.40 per cent in 2009-10 (Table V.22).

Table: V.22

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of RRBs (No)</td>
<td>91</td>
<td>86</td>
<td>82</td>
</tr>
<tr>
<td>Branch Network (No)</td>
<td>14761</td>
<td>15181</td>
<td>15444</td>
</tr>
<tr>
<td>Share Capital</td>
<td>197.00</td>
<td>197.00</td>
<td>197.00</td>
</tr>
<tr>
<td>Share Capital Deposit</td>
<td>2832.53</td>
<td>3959.30</td>
<td>3959.77</td>
</tr>
<tr>
<td>Reserve</td>
<td>5703.06</td>
<td>6753.99</td>
<td>7913.39</td>
</tr>
<tr>
<td>Deposits</td>
<td>99093.46</td>
<td>120189.90</td>
<td>142980.48</td>
</tr>
<tr>
<td>Borrowings</td>
<td>11494.00</td>
<td>12734.65</td>
<td>18555.84</td>
</tr>
<tr>
<td>Investments</td>
<td>48559.54</td>
<td>65909.92</td>
<td>76167.29</td>
</tr>
<tr>
<td>Loans &amp; Advances (out Standing)</td>
<td>58984.27</td>
<td>67802.10</td>
<td>82221.59</td>
</tr>
<tr>
<td>Loans Issued</td>
<td>38581.97</td>
<td>43367.13</td>
<td>55727.75</td>
</tr>
<tr>
<td>RRB earning Profit (No)</td>
<td>82</td>
<td>80</td>
<td>78</td>
</tr>
<tr>
<td>Amount of Profit (A)</td>
<td>1383.69</td>
<td>1823.55</td>
<td>2550.51</td>
</tr>
<tr>
<td>RRB incurring Losses (No)</td>
<td>8</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Amount of Loss (B)</td>
<td>55.58</td>
<td>35.91</td>
<td>8.44</td>
</tr>
<tr>
<td>Net Profit (A-B)</td>
<td>1328.11</td>
<td>1787.64</td>
<td>2542.07</td>
</tr>
<tr>
<td>Accumulated Losses</td>
<td>2624.23</td>
<td>2299.98</td>
<td>1813.03</td>
</tr>
<tr>
<td>RRB with Accumulated Losses (No)</td>
<td>36</td>
<td>31</td>
<td>30</td>
</tr>
<tr>
<td>Recovery (%)</td>
<td>80.84</td>
<td>77.85</td>
<td>79.12</td>
</tr>
<tr>
<td>NPA to Loans Outstanding (%)</td>
<td>6.05</td>
<td>4.14</td>
<td>3.66</td>
</tr>
<tr>
<td>Net Worth</td>
<td>6107.37</td>
<td>8610.31</td>
<td>10256.13</td>
</tr>
</tbody>
</table>

(Source: Nabard Annual Report, 2010)
Financial results of RRBs for the year 2009-10 indicate that they have improved their performance with 78 out of 82 RRBs showing pre-tax profit to the extent of Rs.2,550.51 crore as compared to Rs.1,823.55 crore in 2008-09. The remaining four RRBs incurred losses of Rs.8.44 crore as compared to Rs.35.91 crore posted by six RRBs in 2008-09. The status of RRBs that can be considered as sustainably viable (with no accumulated losses) is also expected to have improved, as on 31 March 2010 as compared to the previous year. The aggregate reserves of RRBs increased to Rs.7,912.39 crore while their networth increased to Rs.10,256.13 crore as on 31 March 2010. The accumulated losses of RRBs have decreased by 30.9 per cent over the previous year. The performance of RRBs varied widely across the regions in 2009-10. While all RRBs in the Eastern, Northern and Western region were in profit, a few in the Central, North-Eastern and Southern regions were incurring losses (Table V.23).

Table : V.23
Region –wise Results of RRBs (Rs.Crore)

<table>
<thead>
<tr>
<th>Region</th>
<th>RRBs (No)</th>
<th>Profit Earning</th>
<th>Loss Incurring</th>
<th>Net Profit</th>
<th>Accumulated Losses</th>
<th>Loans &amp; Advances O/S</th>
<th>NPAs Amt.</th>
<th>Recovery (%)</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>North-Eastern</td>
<td>8</td>
<td>7</td>
<td>1</td>
<td>103.81</td>
<td>192.68</td>
<td>3259.19</td>
<td>212.34</td>
<td>6.52</td>
<td>65.51</td>
<td>70.29</td>
</tr>
<tr>
<td>Eastern</td>
<td>14</td>
<td>14</td>
<td>0</td>
<td>439.63</td>
<td>1239.58</td>
<td>13817.77</td>
<td>932.19</td>
<td>6.75</td>
<td>68.10</td>
<td>71.72</td>
</tr>
<tr>
<td>Northern</td>
<td>15</td>
<td>15</td>
<td>0</td>
<td>379.67</td>
<td>208.11</td>
<td>13680.12</td>
<td>268.05</td>
<td>1.96</td>
<td>85.01</td>
<td>86.95</td>
</tr>
<tr>
<td>Central</td>
<td>23</td>
<td>21</td>
<td>2</td>
<td>836.62</td>
<td>99.62</td>
<td>20581.21</td>
<td>856.09</td>
<td>4.16</td>
<td>76.24</td>
<td>75.14</td>
</tr>
<tr>
<td>Western</td>
<td>6</td>
<td>6</td>
<td>0</td>
<td>92.40</td>
<td>72.75</td>
<td>3904.31</td>
<td>178.26</td>
<td>4.57</td>
<td>77.85</td>
<td>78.75</td>
</tr>
<tr>
<td>Southern</td>
<td>16</td>
<td>16</td>
<td>1</td>
<td>689.94</td>
<td>0.29</td>
<td>26978.99</td>
<td>564.42</td>
<td>2.09</td>
<td>81.61</td>
<td>81.97</td>
</tr>
<tr>
<td>All India</td>
<td>82</td>
<td>78</td>
<td>4</td>
<td>2542.07</td>
<td>1813.03</td>
<td>82221.59</td>
<td>3011.35</td>
<td>3.66</td>
<td>77.35</td>
<td>79.12</td>
</tr>
</tbody>
</table>

(Source: Nabard Annual Report, 2010)

c. Recovery Performance
The recovery performance of RRBs was estimated at 79.1 per cent as on 30 June 2009, compared to 77.9 per cent as on 30 June 2008 (Table V.22). All RRBs in the Northern, three in Western and ten in the Southern region had registered a recovery performance above the national average. Six RRBs in the country had achieved a recovery percentage of above 90, while five had a lower recovery percentage ranging between 40 and 60 per cent.
d. Non-Performing Assets
The aggregate gross NPAs of all RRBs declined from 4.1 per cent, as at 31 March 2009, to 3.7 per cent as on 31 March 2010 (provisional).

e. Other Developments
i. Committee on capitalization of RRBs for Maintaining Higher CRAR
The GoI had constituted a Committee in September 2009, under the Chairmanship of Dr. K.C. Chakrabarty, Deputy Governor, Reserve Bank of India, to examine the financials of RRBs with capital to risk-weighted assets ratio (CRAR) of less than 7 per cent and suggest measures to bring it to at least 9 per cent in a phased manner. The Committee had constituted a Sub-committee to analyze the financials of RRBs in detail for assessing capital required to attain 7 per cent CRAR by March 2011 and 9 per cent by March 2012 and for suggesting measures for maintaining sustainability in the long run. The Committee submitted its Report on 30 April 2010.

II. Supervision of Banks:
NABARD inspects SCBs and DCCBs in terms of the powers vested under Section 35(6) of the Banking Regulation Act, 1949 (AACS), and RRBs under Section35(6) of the Banking Regulation Act, 1949. NABARD also conducts voluntary inspection of SCARDBs, Apex level Co-operative Societies and Federations. Considering the unique nature of all these institutions, the supervisory role of NABARD, apart from ensuring conformity with banking regulations and prudential norms, is very comprehensive and holistic, encompassing inspections (on-site and off-site), portfolio studies, monitoring, guiding and facilitating functions. The periodicity of statutory inspections of all SCBs and those DCCBs and RRBs not complying with minimum capital requirements as stipulated under Banking Regulation Act, 1949 (AACS) / RBI Act 1934 and voluntary inspections of all SCARDBs continues to be annual. The statutory inspections of those DCCBs and RRBs with positive net worth and voluntary inspections of Apex Co-operative Societies/Federations are conducted biennially.

1. Operational Matters
a. Inspection of Banks
During 2009-10, statutory inspections of 343 banks (30 SCBs, 252 DCCBs and 61 RRBs) and voluntary inspections of 16 SCARDBs and one apex society, viz., Gujarat
Rajya Handloom, Handicraft and Audhyogic Sahakari Federation Ltd. (GUSICA), were conducted. Some of the supervisory concerns relating to these institutions, as brought out by the inspection reports are (i) non-compliance with statutory provisions; (ii) improper application of Income Recognition and Asset Classification (IRAC) norms resulting in inflated profit/reduced losses, shortfall in provisions, etc.; (iii) high level of NPAs/erosion of assets; (iv) deficiencies in sanction, appraisal of loans/advances and follow-up of post disbursements; (v) inadequate financial margin/ high cost of management/ adverse working results, (vi) ineffective funds management, (vii) inadequate risk management systems, (viii) delay in submission of statutory returns and compliance to inspection observations; (ix) lack of corporate governance; (x) weaknesses in internal checks and control system; (xi) incidence of frauds; (xii) improper valuation of securities and irregularities in investment portfolio; (xiii) violation of Credit Monitoring Arrangement (CMA)/ exposure norms and (xiv) non-compliance with KYC/AML standards, etc.

These concerns were communicated to the banks, the Registrars of Co-operative Societies (RCS), State Governments and Sponsor Banks for corrective action. NABARD also held discussions with the Boards of Directors of SCBs/ DCCBs/ RRBs, and with the CEOs for core area compliance and then rated the compliance reports. NABARD also conveyed the supervisory ratings to the top management of the concerned banks.

b. Board of Supervision

The Board of Supervision (BoS) constituted by the Board of Directors of NABARD in 1999, met four times during the year 2009-10. It reviewed: (i) the functioning of SCBs, DCCBs and SCARDBs in the previous years, (ii) functioning of co-operative credit institutions and RRBs in MP, Assam, West Bengal and Tamil Nadu, (iii) reports of frauds in the supervised banks, (iv) functioning of weak DCCBs and RRBs, (v) adherence to CMA norms by the co-operative banks for the year 2008-09, (vi) scheduling of amalgamated RRBs (vii) migratory analysis of supervisory rating of SCBs, DCCBs and RRBs (viii) compliance of the banks to various important statutory provisions, (ix) disposal of complaints against supervised banks, (x) concept paper on the action required in case of slippage in the key parameters for judging the financial
position of banks, (xi) the working of RRBs sponsored by some of the commercial banks, and (xii) major observations noticed during the investment portfolio studies taken up in some of the banks.

c. Health of Supervised Banks

i. Compliance to Minimum Share Capital Requirement

During the year 2009-10, 25 DCCBs had improved their financial position and recomplied with the provisions of Section 11(1) of Banking Regulation Act, 1949 (AACS). As on 31 March 2010, 88 banks (5 SCBs and 83 DCCBs) were not complying with the provisions of Section 11(1) of the B.R. Act, 1949 (AACS). The total erosion in the value of assets of these 88 non-compliant banks aggregated Rs.12,055.00 crore, which had affected deposits to the extent of Rs.3,780.6 crore (22.6% of their total deposits) in addition to their entire share capital. Sixty seven DCCBs and three SCBs were granted exemption from the provisions of Section 11(1) of the Act, ibid, by GoI, up to 31 March 2010, while applications for grant of exemption in respect of 17 banks (one SCB & 16 DCCBs) were under the consideration of RBI/GoI.

ii. Grant of License/Scheduling of Banks

Pursuant to the recommendations of Dr. Rakesh Mohan Committee on Financial Sector Assessment (CFSA), RBI has since revised the licensing norms for co-operative banks (Box V.3). As a one-time measure, RBI, RPCD has delegated to its Regional units the powers to grant licenses to co-operative banks. Consequent upon revision of the licensing norms, RBI has issued licenses to eight SCBs and 98 DCCBs during the year, thus increasing the number of licensed banks to 195 (22 SCBs and 173 DCCBs) as on 31 March 2010. During the year, no SCB was included in the Second Schedule to the Reserve Bank of India Act, 1934. Thus, the number of scheduled SCBs remains unchanged at 16.

<table>
<thead>
<tr>
<th>Box V.3, Revised Licensing norms for Co-operative Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The banks should have CRAR of 4% and above as per the last inspection report of NABARD;</td>
</tr>
<tr>
<td>• The banks should have complied with the CRR and SLR requirements during the last one year; and</td>
</tr>
<tr>
<td>• Stray/default in CRR/SLR requirement up to two occasions during the last one year may be ignored for the purpose.</td>
</tr>
</tbody>
</table>
All RRBs were from inception, included in the Second Schedule to the RBI Act 1934. However, amalgamated RRBs could become Scheduled Banks only with the approval of RBI, on the basis of recommendations given by NABARD, after conducting statutory inspection. Thirty nine amalgamated RRB were included by the RBI in the Second Schedule of the Reserve Bank of India Act, 1934, after they were found complying with Section 42(6)(a)(i) & (ii) of the Act, ibid. With this, the number of scheduled RRB stood at 75 as on 31 March 2010.

iii. Provision Coverage Ratio (PCR) of RRBs

In order to ascertain the PCR of RRBs an exercise was carried out by NABARD based on the available data and the position is given in Table V.24

<table>
<thead>
<tr>
<th>Provision Coverage Ratio (%)</th>
<th>Number of RRBs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 50</td>
<td>39</td>
</tr>
<tr>
<td>50-70</td>
<td>29</td>
</tr>
<tr>
<td>More than 70</td>
<td>18</td>
</tr>
<tr>
<td>Total</td>
<td>86</td>
</tr>
</tbody>
</table>

(Source: NABARD Annual Report, 2010)

iv. Compliance with various Statutory Provisions

As on 31 March 2010, 5 SCBs and 83 DCCBs did not comply with Section 22(3)(a) of the B.R. Act, 1949 (AACS), as regards their capacity to pay their depositors in full and nine SCBs and 214 DCCBs did not comply with Section 22(3)(b) of the Act, ibid, as the affairs of these banks were conducted in a manner detrimental to the interests of their depositors. Similarly, out of the 16 scheduled SCBs, two were not complying with Section 42(6)(a)(i) of RBI Act, 1934 in regard to minimum capital requirement of Rs.5 lakh, and three were not complying with Section 42(6)(a)(ii) of the Act ibid, as the affairs of these banks were conducted in a manner detrimental to the interests of their depositors. As on 31 March 2010, out of 82 RRB, 70 complied with Section 42(6)(a)(i) of the RBI Act, 1934 and 49 complied with Section 42(6)(a)(ii) of the Act ibid. The erosion in the value of assets of the eight RRBs not complying with Section 42(6)(a)(i) of the Act, ibid stood at Rs.785.38 crore as on 31 March 2010 and their deposits were eroded to the extent of Rs.111.02 crore, forming 2.27 per cent of the total deposits held by these banks.
2. Policy Decisions/ Guidelines

a. SCB/CCB

During the year, (i) detailed guidelines were issued to supervised banks on prevention/monitoring of frauds; (ii) guidelines were issued to the RCS of all States to implement prudential norms on Asset Classification, Provisioning and Income Recognition in PACS; (iii) in keeping with the decision not to grant extension of time for publication of annual accounts of co-operative banks, RCS/Director of Audit were impressed upon the need for timely completion of audit; (iv) in view of the sizeable inflow of funds into the STCCS by way of recapitalisation assistance under Vaidyanathan Committee – I (VC-I) and under the ADWDR Scheme 2008, banks were cautioned to utilise the funds judiciously; (v) as CRAR norms have been made applicable to PACS following VC-I recommendations, the RCS of all states were advised to instruct the PACS to work out CRAR and disclose it as ‘Notes on accounts’ in the balance sheet; (vi) a circular on ‘Fraud Risk Management System in banks - Role of Chairmen/Chief Executive Officers’ was issued; (vii) a circular under Section 19 of the Banking Regulation Act 1949 (AACS) - Restriction on holding of shares, was issued to all co-operative banks. (viii) guidance note on Credit Risk Management (CRM) was issued to all SCBs and CCBs, and (ix) guidelines on Business Continuity Plan (BCP) was also issued to all co-operative banks.

b. SCARDBs

In the case of SCARDBs, (i) instructions on prudential norms in respect of advances covered by ADWDR Scheme, 2008 were issued, (ii) detailed guidelines on prevention/monitoring of frauds in banks were issued and (iii) as directed by BoS, SCARDBs were advised to expeditiously complete balancing of books and reconciliation of inter-branch accounts.

c. RRBs

For RRBs, (i) detailed guidelines on prevention/monitoring of frauds, (ii) a Master circular on Disclosure norms and (iii) revised Long Form Audit Report (LFAR) guidelines, (iv) guidance note on Credit Risk and Operational Risk Management, and (v) guidelines on Business Continuity Plan (BCP), were issued.
3. **Supervisory Interventions**

(i) ROs were advised to take necessary steps in case of non-compliance with the provisions of Section 42(6)(a)(i) of the RBI Act, 1934 by RRBs; (ii) clarifications were issued to ROs in respect of compliance to Section 6 of Banking Regulation Act 1949 (AACS) by co-operative banks; (iii) inspection of SCBs, DCCBs and RRBs; and (iv) procedure for valuation of unquoted securities was advised to all ROs.

4. **Other Developments**

To improve the quality and effectiveness of inspections, three Seminars on Regional Supervision were held for officers of NABARD stationed in DoS. Regional Seminars on Internal Checks and Control Systems were conducted for the Chiefs of Audit and Inspection Departments of both RRBs and co-operative banks. At the instance of Financial Intelligence Unit-India (FIU-IND), two meetings of Chairmen of RRBs and three state-level meetings of co-operative banks and RRBs were held in MP and UP to review the status of implementations of Anti-Money Laundering (AML)/Combating Financing of Terrorism (CFT) guidelines. The Bank associated itself with NABARD-GTZ Rural Financial Institutions Programme (RFIP) review meetings and study on Audit structure in CCS. HO officials attended meetings of Mutual Evaluation Team from Financial Action Task Force (FATF) held at RBI, on the initiatives taken on AML/CF T. RO conducted sensitisation workshops on KYC (Know Your Customer)/AML, CMA (Credit Monitoring Arrangement), Statutory Audit, Frauds, Investments, Internal Checks and Controls, Corporate Governance, etc. In addition, NABARD, through its Regional Offices and Training Establishments, conducted training/sensitisation programmes and workshops on Investment Management, Asset Liability Management (ALM), AML, KYC, monitoring of frauds, prudential norms and CMA for the auditors and other personnel of SCBs, DCCBs and RRBs.

For a holistic and more effective approach towards supervision, NABARD had forged partnerships with other related agencies, especially in strengthening the internal checks and control systems in the supervised banks. In this regard, the Bank associated with the study on enhancing the audit capacity in the Co-operative Credit Structure during the year. The Bank also associated with GTZ in preparation of Training Needs Analysis (TNA) of Credit Cooperatives and Corporate Governance during the year.
NABARD, for the first time, also associated with the Conferences of Principal Officers of RRBs and the Trainers’ Training Programme (TTP) on AML convened by the FIU-IND. Inputs and feedback on many policy issues were obtained from the National Federation of State Cooperative Banks (NAFSCOB) resulting in the preparation of Operational Manual for co-operative banks.

II. Financial Performance & Management of Resources:

A. Review of Financial Performance & Management of Resources from Origin of NABARD:

Following Figure V.12 and V.13 are showing Working Fundes and Surpluse of Nabrd from its establishment (1983).

B. Sources and Uses of Funds:

During the year 2009-10, the total Working Funds increased by 15.3% from Rs.1,18,176 crore to Rs.1,36,656 crore. The increase was due to net inflow of RIDF Deposits (Rs.12,846 crore), STCRC Fund (Rs.5,000 crore), Commercial Papers (Rs.2,499 crore) and Term Money Borrowings (Rs.519 crore). The borrowings of NABARD (Rs.25,703 crore) constituted 18.48 per cent of its working funds as on 31 March 2010 (table V.25).

### Table: V.25

<table>
<thead>
<tr>
<th>Particular</th>
<th>31 March, 2009</th>
<th>31 March, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Share (%)</td>
</tr>
<tr>
<td>Capital reserves &amp; Surplus</td>
<td>11,535</td>
<td>9.8</td>
</tr>
<tr>
<td>NRC (LTO) and (Stab.) Funds</td>
<td>15,571</td>
<td>13.2</td>
</tr>
<tr>
<td>Deposits</td>
<td>482</td>
<td>0.4</td>
</tr>
<tr>
<td>Bonds &amp; Debentures</td>
<td>23,699</td>
<td>20.1</td>
</tr>
<tr>
<td>STCRC Fund</td>
<td>4,622</td>
<td>3.9</td>
</tr>
<tr>
<td>Borrowing from GOI</td>
<td>354</td>
<td>0.3</td>
</tr>
<tr>
<td>Borrowing from CBs</td>
<td>500</td>
<td>0.4</td>
</tr>
<tr>
<td>Certificate of deposits</td>
<td>1,816</td>
<td>1.5</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>181</td>
<td>0.2</td>
</tr>
<tr>
<td>Term Money Borrowings</td>
<td>244</td>
<td>0.2</td>
</tr>
<tr>
<td>RIDF Deposits</td>
<td>47,023</td>
<td>39.8</td>
</tr>
<tr>
<td>Foreign Currency Loan</td>
<td>498</td>
<td>0.4</td>
</tr>
<tr>
<td>Borrowing under CBLO</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other Liability/ Funds</td>
<td>11,651</td>
<td>9.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,18,176</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

(Source: NABARD Annual Report, 2010)
The funds utilised for ST (SAO) loans and ST(OSAO) loans advanced to SCBs and RRBs together increased by Rs.7,177 crore (42.5 per cent) to Rs.24,073 crore as on 31 March 2010 from Rs.16,896 crore as at the end of previous year. RIDF loans increased to Rs.60,255 crore as on 31 March 2010 compared to Rs.45,616 crore at the end of previous year, recording a net outflow of Rs.14,639 crore during the year (table V.26).

### Table: V.26

**Uses of Funds (Rs. Crore)**

<table>
<thead>
<tr>
<th>Particular</th>
<th>31 March, 2009</th>
<th>31 March, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Share (%)</td>
</tr>
<tr>
<td>Cash &amp; Bank Balance</td>
<td>13,975</td>
<td>11.8</td>
</tr>
<tr>
<td>Govt. Securities &amp; other Investments</td>
<td>2,996</td>
<td>2.5</td>
</tr>
<tr>
<td>Production &amp; Marketing Credit</td>
<td>16,896</td>
<td>14.3</td>
</tr>
<tr>
<td>Conversion of Production Credit into MT Loans</td>
<td>20</td>
<td>0.0</td>
</tr>
<tr>
<td>Liquidity Support</td>
<td>2,591</td>
<td>2.2</td>
</tr>
<tr>
<td>MT And LT Project Loans</td>
<td>33,335</td>
<td>28.2</td>
</tr>
<tr>
<td>LT Non Project Loans</td>
<td>252</td>
<td>0.2</td>
</tr>
<tr>
<td>Loans out of RIDF</td>
<td>45,616</td>
<td>38.6</td>
</tr>
<tr>
<td>Co-Finance Loans (net of provision)</td>
<td>96</td>
<td>0.1</td>
</tr>
<tr>
<td>Other loans (including MT Investment Credit)</td>
<td>48</td>
<td>0.1</td>
</tr>
<tr>
<td>Fixed Assets and Other Assets</td>
<td>2,353</td>
<td>2.0</td>
</tr>
<tr>
<td>Total</td>
<td>1,18,176</td>
<td>100.00</td>
</tr>
</tbody>
</table>

(Source: NABARD Annual Report, 2010)

The total income of the Bank was Rs.7,964.80 crore for the year 2009-10 (Rs.7,050.68 crore during the previous year). After meeting the expenditure of Rs.5,692.34 crore as against Rs.5,063.15 crore in the previous year towards interest/financial charges, establishment/other expenses, provisions and depreciation, the profit before tax for the year amounted to Rs.2,272.45 crore as against Rs.1,987.53 crore in 2008-09. After providing for provision/adjustment for taxes, the profit after tax during the current year amounted to Rs.1,558.26 crore as against Rs.1,390.13 crore for the previous year. Amounts of Rs.350 crore, Rs.400 crore, Rs.10 crore and Rs.679 crore were transferred to Special Reserve u/s 36(1) (viii) of IT Act 1961, NRC (LTO) Fund, NRC (Stabilisation) Fund and
Reserve Fund, respectively. Further, an aggregate amount of Rs.190 crore was transferred to various Funds maintained by the Bank for development purposes.\(^{(14)}\)

**V.5: Conclusion:**

The National Bank for Agricultural and Rural Development (NABARD) celebrated its silver jubilee in 2007 without much fanfare. It has earned for itself a place of prominence in the history of rural banking in India, considering as its own achievement the invigoration of the rural economy for 25 years. As an apex refinancing agency, it has ensured the flow of funds to the rural credit agencies. As the manager of the rural infrastructure development fund, it has helped the state governments in supplementing their investments in developing rural infrastructure all over the country. It has given a new lease of life to gramin banks through its participation in organisational development programmes and by supporting them with training facilities. Another of its significant contribution is the promotion of over 6l lakh self-help groups (SHGs), one of the largest numbers of grassroots level groups of poor people in the world. I suggested that NABARD should focus its attention on four areas in future, besides its other activities. It has to play a more proactive role in transforming the traditional agricultural sector into a globally competitive business enterprise.
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