National Bank for Agriculture and Rural Development

Role Model for Commercial Banks in India

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National Bank for Agriculture and Rural Development [NABARD], starting with its function of district credit planning and monitoring since April 1989 and taking a series of initiatives as a part of its promotion & development functions, inter alia, created rural infrastructure focusing 30 areas, established several development funds to support development for providing grant support & training for capacity building & institutional development etc. This increasingly facilitated the commercial, cooperative & regional rural banks to enhance credit flow & secure more and more refinance from NABARD for the development of farm & non-farm sector, women & weaker sections. This can serve as a Role Model for commercial banks in India as also other developing countries that they too can willingly accept the added function of ‘promotion & development’ as demonstrated by NABARD and refine their grass root level credit planning & monitoring exercise and significantly increase credit flow for accelerated agricultural and rural prosperity. It is against this background an attempt is made here to highlight the genesis of establishing NABARD in India, its mandate, mission statement, objectives, functions and performance.

The Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development [CRAFICARD] set up by the Reserve Bank of India [RBI] in its report dated November 28, 1979 recommended the establishment of National Bank for Agriculture and Rural Development [NABARD], which the Parliament through the Act 61 of 81 approved its setting up. The Committee after reviewing the arrangements concluded that a new arrangement would be necessary at the national level for achieving the desired focus 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. Besides, the RBI 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 problems. The Committee 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 and the bank was set up on July 12, 1982 with an initial capital of Rs.1,000 million, which was enhanced to Rs.20,000 million, fully subscribed by the Government of India and the RBI. With the formation of NABARD the agriculture credit functions of the RBI and refinance functions of the then Agricultural Refinance and Development Corporation have been transferred to NABARD. Bank’s Mandate, Mission and Objectives are as under.

Mandate: Government of India set up NABARD 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, rural crafts and 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.
Mission Statement: Promote sustainable and equitable agriculture and rural prosperity through effective credit support, related services, institution development and other innovative initiatives.

Strategy: NABARD’s strategy to accomplish its mission has been through providing effective credit support either by lending or refinancing or providing grant to eligible institutions; institution building; helping to establish Micro-Finance Institutes [MFIs] and focusing on development and supervisory functions for cooperative banks and Regional Rural Banks [RRBs].

Objectives: Objectives of NABARD are to [i] facilitate credit flow for agriculture, rural infrastructure and rural development [ii] promote policies, practices and innovations conducive to rural development [iii] strengthen rural credit delivery system through institutional development [iv] supervise Rural Financial Institutions (Cooperative Banks and Regional Rural Banks) [v] provide consultancy services

Functions: NABARD, keeping in view its Mandate, Mission & Objectives has been carrying out its functions, which are broadly grouped into four categories as under.

Credit Planning & 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 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.

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

Promotion & 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 Government of India [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 [farmers’] Credit Card (KCC) & Swarojgar [self-employed] Credit Card [SCC] loan products; Consultancy services

Supervision: On-site inspection of Cooperative Banks and RRBs; Off-site surveillance on the financial health of Cooperative Banks and RRBs.

Board of NABARD: Board of NABARD being the highest policy making body comprises 15 professional members with [i] one Chairman [ii] 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 [iii] Three directors from out of the directors of Reserve Bank of India [iv] Three directors from amongst the officials of the Central Government [v] Four directors from amongst the officials of the State Governments, Such number of directors elected in the prescribed manner by share holders other than RBI and GoI and [vi] Managing Director

Founders & Clients: NABARD has Government of India & RBI as its founders. Its credit related clients comprise Scheduled Commercial Banks, Regional Rural Banks, State Cooperative Banks and District
Central Cooperative Banks, State Cooperative Agriculture and Rural Development Banks, Primary Urban Cooperative Banks, Non-Banking Finance Companies and State Governments, MFIs and Self-Help-Groups [SHGs], whereas development oriented clients are Regional Rural Banks, State Cooperative Banks, District, Central Cooperative Banks, State Cooperative Agriculture and Rural Development Banks, Non-Governmental Organizations and Voluntary Agencies, Rural Development and Self-Employment Training Institutes and SHG-Federations. Ultimate users of its services are farmers, women, small-scale rural entrepreneurs, rural artisans, village crafts etc.

NABARD’s culture, like the country where its activities are devoted, is diverse. The sheer magnitude of activities and regional spread alone contributes to NABARD’s dynamism and flexibility. With a Central Office in Mumbai, 28 Regional Offices in States & 391 District Development Managers’ offices in key districts, its organization encounters individuals of different region, language, socio-economic status etc.

**Funding:** GoI & RBI provided initial capital of Rs.1,000 million to start up the NABARD, which was enhanced to Rs.20,000 million. Both these entities still provide significant financial contributions to NABARD and act not only as business oriented funders but also have decision-making power through shares in the organization and by decree in NABARD’s constitution.

NABARD receives funding from National Rural Credit Long Term Operations,[NRC-LTO] Fund & the NRC [stabilization] Fund, as well as from Bonds and Debentures. NABARD borrows from commercial banks, foreign currency loans, RIDF deposits, among other funds, and liabilities. These funds are primarily meant for carrying out business with the intent of accelerating the process of agricultural and rural development in India. Factors that significantly influence the success of NABARD’s operations include continuing to receive funding from RBI, GoI, commercial banks, foreign currency loans etc. Committed financial backing the organization is critical for operations’ sustainability. The financial crisis during 2007-08 presented a precarious situation as funding worldwide was scaled back. NABARD’s ability to perceive through such crisis and continue to cover their costs is a determining factor to pursue new initiatives and programs.

**Associates:** NABARD has main eight international associates, which range from World Bank-affiliated organizations to global development agencies working in the field of agriculture and rural development. They are [i] World Bank Group & the International Development Association [ii] KfW of Germany [iii] Swiss Agency for Development & Cooperation [iv] Commission on European Community [v] Asian Pacific Agricultural Credit Association [vi] International Fund for Agricultural Development [vii] GTZ of Germany [viii] Organization of Petroleum Exporting Countries. The associates play key role in funding projects and assisting in project implementation through sustained partnership. The associates offer financial and advisory support for implementing schemes that are aimed at uplifting the rural poor and making agricultural processes effective and yielding. Financial support and advisory role of World Bank Group and continuation of Memorandum of Understanding between NABARD & its associates would be a critical factor for successful program implementation and carrying out NABARD’s mission.

**Subsidiaries:** NABARD has two subsidiary organizations, viz, the NABARD Consultancy Services [NABCONS] and the Bankers Institute of Rural Development [BIRD]. NABCONS is engaged in providing consultancy services in all spheres of agriculture, rural development and allied areas. The Consultancy leverages on the core competence of the NABARD in the area of agricultural and rural development, especially multidisciplinary projects encompassing banking, institutional development, infrastructure, training etc. BIRD primarily acts as a training facility providing information needs of rural bankers through its topical training programs & seminars.

**Company:** NABARD created a non-banking financial company [NBFC] ‘NABARD Financial Services’ [Nabfins] in 2007. As required by its networks NABARD created this institute to help address issues of ‘transparency in accounting disclosure, high transaction costs, poor diversification of products, and high rates of interests’. NABARD’s ability to market the innovative credit dispersion is strongly enhanced through use of its network.

**Performance:** NABARD, as an apex development bank, has been playing a crucial role [through its functions of credit planning, refinance support, promotion & development and supervision of cooperative & RRBs] to improve the livelihood of the second most populous nation in the world. NABARD’s determined application of proven technologies and novel approaches to development [for example, credit facilitation] has enabled it to act as an innovative institution for rural growth and progress. Though NABARD is a development bank it has also assumed a role of a social entrepreneurial organization. Since its establishment in 1982, it has been continuously developing innovative projects to enhance its social outreach.
Unlike Government sponsored poverty alleviation ‘Integrated Rural Development Program’ involving bank credit of Rs.213,366.3 million & Government’s capital subsidy of Rs.117,960.1 million implemented during 1979-1999, SHG-Bank Linkage Program [SBLP] firmly grounded by NABARD in the country is not only a credit program but also a part of an overall arrangement for providing financial services to the poor in a sustainable manner and also empowerment process for SHG members. It also experiments with other successful strategies such as replicating Grameen Bank model, providing wholesale funds through NGO-MFIs etc.

It has initiated a number of innovations through investment for rural prosperity, which among others include, [i] Introduction of Processor/Memory Cards, Application of IT in SHG-Bank Linkage Program [ii] Scheme to finance Joint Liability Groups of tenant farmers [iii] Project on ‘Computer Munshi’, a self-sustaining mechanism to manage SHG accounts & MIS [iv] Grain banks & SHGs [v] Rural volunteers as book writers [vi] Project on e-‘Grama’ [vii] Financing Rythu Mithra Groups [viii] Social security system for SHG members. Each of these pilot projects represents ways in which NABARD is constantly adapting to new circumstances and scaling deep to make a greater impact on the rural community. Role of pilot projects as geographic testers helped NABARD cater to the diverse needs of each agricultural community. The pilot projects involve the creation of new networks of clients and organizations that yield opportunities for expanding its resource base by sparking interest in other funding organizations.

NABARD uses economic concepts to help fulfill its mission of rural prosperity. It works to address the economic challenges posed and develops methods & mechanism to alleviate cyclical poverty in rural areas. NABARD has been making best use of NGOs since they possess management flexibility, a greater response to local needs and committed leadership.

NABARD is a unique for-profit organization. Development work is not often in the for-profit world, for fear of individual profiteering trumping the social mission. However, NABARD originated as for-profit institution and continues to serve its social mission helping rural communities.

Though the formality in partner application process is a bit onerous, overall NABARD acts as a bridge between the informal and formalized institutional banking. NABARD helps train its partnering affiliates in formalized banking operations and in turn these organizations can slowly merge the process to their rural communities.

Women constitute almost half of the population & make up one third of the labor force. However, considering women as non-viable borrowers none of the formal credit institutions in past on its own offered loans to women. For NABARD gender equality and women’s empowerment has been a fundamental goal of development. NABARD evolved several projects directed towards women, such as Gender Sensitization, Women Development Cell [WDC], Assistance to Rural Women in Rural Non-Farm Development [ARWIND], Assistance for Marketing of Non-Farm Products of Rural Women [MAHIMA] & Development of Women through Area Program [DEWTA].

NABARD has brought out the ‘Best Practice’ booklet, which describes a plan & methodology linking NABARD’s partners [bankers, NGOs, Government agencies, Self-Help-Groups [SHGs] & other partners that fall under the SBLP] to remain connected with each other and maintain the highest quality standards, exploit all available resources and use the most updated policies, initiatives & techniques for success

1. Planning:

1.1 Credit Planning: Since April 1989 District Development Managers of NABARD in consultation with concerned departments of the Government, banks, other institutions & agencies formulate Potential Linked Credit Plans (PLPs) annually for all the districts in the country. The PLP identifies the potential available for development of primary, secondary & tertiary sectors of the rural economy [agriculture, industries, business & service segments] in each district 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 [commercial, cooperative & regional rural banks in particular]. The PLP serves as the resource document & provides sufficient insight to the Lead District Manager to formulate Annual Action Plan [AAP] at the district level for all banks operating in the
district, indicating quarterly physical & financial targets, bank-wise, block-wise & activity-wise under farm & non-farm sector. This ground level planning exercise facilitates each branch of the bank in the district to prepare a village level credit plan, develop strategy to implement the plan to achieve physical & financial targets, which are monitored by individual bank for all its branches and reviewed by the District Level Coordination Committee (DLCC) quarterly block-wise, bank-wise & activity-wise. Now PLP & AAP also focus the action plan for inclusion of rural households who have been hitherto financially excluded. NABARD has included a new chapter on ‘Financial Inclusion’ in the district PLP to make it more contemporary.

For each State, NABARD prepares annually State Focus Paper which provides among others a comprehensive picture of the potential available in each state for development of farm & rural non-farm sector that could be exploited with institutional credit and bridging the critical gaps in infrastructure and support services. NABARD convenes State Credit Seminars annually where the State Government Departments, banks, NGOs & other agencies participate and discuss policies and consider measures to address the factors inhibiting the flow of institutional credit & non-credit support required to exploit the available potential for targeted level of farm & non-farm sector development in the State. At national level NABARD facilitates GoI, RBI and State Governments to evolve policy that can accelerate credit flow for integrated rural development.

2. Agriculture:

2.1 Financial Services: NABARD [i] provides refinance by way of loans and advances to RFIIs for financing seasonal agricultural operations and investment activities in rural areas [ii] grants loans to State Governments for developing critical infrastructure including social infrastructure in rural areas and strengthening cooperatives [iii] provides financial support for micro credit innovations of Non-Governmental Organizations (NGOs) and other formal and non-formal agencies [iv] Co-finances with financial institutions and [v] monitors & evaluates projects financed.

2.2 Seasonal Agricultural Operation: RFIs based on the production-oriented system of lending provide short-term credit to farmers to raise seasonal crops, which NABARD refinances at concessional rate of interest to State Cooperative Banks (SCBs) and RRBs. During the year 2008-09 GoI provided 3% interest subvention to banks to ensure availability of crop loans upto Rs.300,000 to farmers at 7% interest. NABARD coordinated the interest subvention scheme in respect of cooperatives and RRBs.

2.3 Refinance Support: NABARD extends refinance support for various activities [other than SAO] to [i] Cooperative Banks for financing agriculture; allied and marketing activities including marketing of crops; pisciculture; industrial cooperative societies (other than weavers); labor contract and forest labor cooperative societies including collection of minor forest produce; rural artisans including weaver members of functional societies, viz., Primary Agricultural Credit Societies (PACS), Large Size Adivasis[ tribal] Multiple Societies (LAMPS), Farmers’ Service Societies (FSS); procurement of agricultural inputs [seeds, fertilizers, pesticides etc.], and [ii] 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.

During 2008-09, NABARD disbursed refinance of Rs.105,350 million to commercial banks, SCBs, State Cooperative Agriculture & Rural Development Banks [SCARDBs] and RRBs as
against Rs. 90,460 million in the previous year. Under the scheme for financing small, marginal & tenant farmers for purchase of land for agriculture purposes bank loan of Rs. 200 million & refinance support of Rs. 170 million was made available to 607 & 549 borrowers respectively in eight States during 2008-09.

During 2008-09, interest rates on refinance for investment credit were revised six times depending on the money market conditions and cost of incremental market borrowings of NABARD. The rate of interest on refinance for commercial banks was fixed at 9% and for cooperative banks, RRBs, Primary Urban Cooperative Banks [PUCBs], Agricultural Development Finance Corporations [ADFC] & North Eastern Development Finance Corporation [NEDFC] was fixed at 8.5%. For North Eastern region, Sikkim, hilly States & Andaman & Nicobar Islands it was 8.5% for all banks.

NABARD continued its policy to facilitate larger credit flow to the NER & Sikkim by granting relaxations to cooperative banks & RRBs operating in these areas in respect of eligibility criteria for refinance, rate of refinance etc. The interest rate on refinance to commercial banks and RRBs on loans to MFIs was 3 percentage points lesser than that charged by banks subject to a minimum of 8.5%.

2.4 Investment Credit Support: Investment credit leads to capital formation through asset creation. It stimulates technological upgradation resulting into increased production, productivity and incremental income to farmers and entrepreneurs. NABARD, therefore, provides refinance support to its clients, such as SCARDBs, SCBs, RRBs, CBs, Scheduled PUCBs, NEDFC, Non-Banking Financial Companies (NBFCs), etc. to enable them to provide investment credit to farmers & entrepreneurs in rural areas for purposes, such as 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 agri-projects; agri-export zones; non-farm sector including rural industries; micro finance; joint liability groups; contract farming; agri-clinic and agribusiness centers; purchase of land by small & marginal farmers, share croppers; rural housing; and disbursements under poverty alleviation programs like Swarozgar Grameen Self-employment Yojana [SGSY], Scheduled Castes [SC] & Scheduled Tribes [ST] action plan. During 2008-09, NABARD disbursed by way of refinance Rs.105,350 million, of which commercial banks continued to be the single largest group availing refinance [56%], while the share of RRBs [18%] and that of co-operative banks [26%] declined considerably during the year.

NABARD assists client institutions in conducting techno-economic appraisal of projects in addition to providing refinance.

2.5 Kisan Credit Card (KCC) scheme: NABARD introduced Kisan Credit Card [KCC], a loan product in August 1998 to facilitate banks in augmenting the ground level credit flow for crop loans by providing adequate, timely, cost effective and hassle free short-term (ST) loans for Seasonal Agricultural Operation (SAO) to farmers. Subsequently, NABARD broadened the scope of KCC to cater to various term credit needs of farmers under a single window. In addition to short-term and term loans for agriculture and allied activities, KCC now also covers a certain component of loan for consumption needs as well as oral lessees, tenant farmers, sharecroppers. The KCC holders are covered under a Personal Accident Insurance Scheme (PAIS) against accidental death and permanent disability. During 2008-09, 6.795 million cards were issued with a credit limit of Rs.382.45 million, taking the cumulative KCCs to 828.70 million as on 31 March 2009.
2.6 Watershed development: NABARD has been actively supporting Watershed development as a comprehensive approach to enhance productivity of dry land through conserving soil, rainwater and vegetation. Watershed Development Fund (WDF) was set up in NABARD during 1999–2000 with a corpus of Rs.2,000 million contributed equally by Government of India and NABARD for creating replicable Watershed Development Models. During 2008–09, the corpus amount of the Watershed Development Fund [WDF] provided for was Rs.5610 million taking the cumulative amount to Rs.11,250 million as on 31 March 2009. During 2008–09, 38 watershed projects were sanctioned taking the cumulative number to 454 spread over 94 districts in 14 States. With a total commitment [loan & grant] of Rs.2,570 million under these projects, an area of 454,000 hectares would be covered. Participatory Watershed Development, which covered 1.7 million ha under various schemes, is considered a pioneering model in community based Natural Resources Management. NABARD is implementing the participatory watershed development program under the special plan for Bihar component of Rashtriya Sam Vikas Yojana to develop 80,000 ha/teras of watershed in eight districts of south Bihar with an allocation of Rs.600 million. During 2008–09, 18 watershed projects with grant assistance of Rs.216 million were sanctioned and Rs.36.1 million disbursed.

2.7 Relief Package for Distressed Districts: NABARD is coordinating the implementation of watershed development project for which the Prime Minister had announced a special financial package for 31 distressed districts in four states viz., Maharashtra, Andhra Pradesh, Karnataka and Kerala, in 2007. The special package envisages a massive watershed development covering annually an area of 15,000 ha for a period of three years in each of the distressed districts being financed out of a full grant from Watershed Development Fund. During the year 2008–09, an area of 190,000 hectares was taken up for implementation taking the cumulative area to 588,000 hectares with total commitment of Rs.7,060 million.

2.8 Capacity Building for Adoption of Technology: NABARD has been implementing the Scheme for "Capacity Building for Adoption of Technology" [CAT] through exposure visits and training of farmers to facilitate them to adopt innovative methods of farming. Marginal and small farmers are taken on exposure-cum-training visits to innovative agriculture and allied sector projects where proven technologies as developed by research institutes, corporate houses, NGOs, progressive farmers & entrepreneurs are demonstrated. The Farmers’ Technology Transfer Fund supports the scheme. During 2008–09, 116 exposure visits involving 3048 farmers were arranged in collaboration with select research institutes, Krishi Vigyan Kendras [Agricultural Science Centers] [KVKs], and Agriculture Universities on bio-globules, vermiculture, bio-manures, organic farming, poly-house technology, medicinal and aromatic plant cultivation, etc.

2.9 Farmers’ Clubs: NABARD launched Vikas Volunteer Vahinee in November 1982 to promote voluntary adoption of five principles of “Development through Credit”, viz. [i] Credit must be used in accordance with the most suitable methods of science and technology [ii] The terms and conditions of credit must be fully respected [iii] Work must be done with skill so as to increase production and productivity [iv] A part of the additional income generated by credit, must be saved and [v] Loan installments must be repaid in time and regularly so as to recycle credit. Later in 2005 it was renamed as Farmers’ Club Program by redesigning its mission as “Development of rural areas through credit, technology transfer, awareness and capacity building.” While 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 Farmers' Club program is to organize farmers in an informal organization to have easy & uninterrupted access to institutional credit and generate adequate bargaining power to deal with agencies, more importantly agriculture input suppliers and bulk produce buyers. Forum of Farmers’ Club envisages farmers’ exposure to agricultural technologies and practices, which are most appropriate to their agro-climate & motivate them to adopt them to enhance productivity, output & profitability. During 2008-09, 9,989 Farmers’ Clubs were launched, taking the total number of Farmers’ Clubs to 38,215 covering 87,724 villages in 581 districts as on 31 March 2009. NABARD reviewed its policy for supporting FC through various agencies and decided to extend uniform support of Rs.10,000 for three years to all commercial banks, RRBs and cooperative banks and grass root level institutions, such as NGOs, Panchayati Raj Institutions [Local bodies]PRIs, KVKs, Post Offices etc.

2.10 NABARD-GTZ Rural Finance: NABARD in collaboration with GTZ, Germany formulated "Rural Finance Scheme", under which financial assistance is provided to a “family” as a unit for pursuing a multiple economic activities with the ultimate aim of generating employment and enhancing income through optimum utilization of family’s assets & resources. The banks have been implementing the scheme since 2006-07 on a pilot basis in eight States & have covered 7127 families involving loan amount of Rs.401.7 million.

2.11 Agricultural Insurance: Agriculture Insurance Company of India Ltd. (AICI) was established in December 2002 with an authorized capital of Rs.15,000 million. NABARD has subscribed the paid up capital of Rs.2,000 million and the remaining by five public sector general insurance companies

2.12 National Level Commodity Exchanges: 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.

2.13 Co-Financing: Commercial banks in particular are wary of taking credit risk while financing high tech, large scale, export oriented agricultural projects or those involving sunrise technologies, though they have expertise of financing industrial units having these characteristics. To instill confidence in banks and ensure credit flow to such projects, NABARD has entered into agreements for co-financing with 14 commercial banks. During 2006-07, seven projects were sanctioned with bank loan of Rs.1,450.3 million and NABARD’s share of Rs.724.2 million. Floriculture, organic farming, milk processing, ethanol production and agro processing are among the projects sanctioned so far. During 2008-09, NABARD executed Memorandum of Understanding with three RRBs and West Bengal State Cooperative Bank. Twelve new projects were sanctioned with total financial outlay of Rs.949.6 million, [bank loan of Rs.645.6 million and NABARD’ s share of Rs.315.5 million] during the year 2008-09. Of these projects, ten have been sanctioned in association with RRBs and two with Commercial Banks, covering activities such as button mushroom production, cultivation of herbs, setting-up of Individual Quick Freezing Plant, modern rice mill, dairy, agriculture infrastructure, fodder processing and veterinary college. Cumulatively, 40 projects involving total financial outlay of Rs.7361.1 million [bank loan of Rs.4862.8 million and NABARD’ s share of Rs.2141.1 million] have been sanctioned as on 31 March
2009. An amount of Rs.369.5 million was disbursed during the year under co-financing arrangement showing an increase of 35% over the previous year.

3 Rural Non Farm Sector

3.1 Rural Non Farm Sector: Farm & Non-Farm Sectors [RNFS] in rural areas are complementary to each other to improve rural economy & development of both together holds the key to the faster economic prosperity of rural households in India. RNFS has significant untapped 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. NABARD has identified RNFS as one of its thrust areas for financing, development and promotion.

3.2 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. NABARD also provides refinance to Industries, Service and Business (ISB) components of Government sponsored programs. During 2008–09, NABARD provided refinance under RNFS to the tune of Rs.27,067.9 million including Rs.2,684.7 million for rural housing. As on 31 March 2009, the cumulative refinance support under RNFS stood at Rs.240,610 million.

3.3 Promotional Support: NABARD has acknowledged the promotion of RNFS as an important and necessary adjunct to its refinancing function. The objective of the promotional programs is to develop replicable models that can generate employment opportunities and income in rural areas in a sustainable, demonstrative and cost effective manner. NABARD, considering the key role of Rural Development and Self Employment Training Institutes (RUDSETI), NGOs, Voluntary Associations, Trusts and other promotional organizations, etc., provides them grant and/or grant cum loan assistance.

3.4 Rural Entrepreneurship Development Program: NABARD introduced Rural Entrepreneurship Development Program [REDP] & Skill Development Program [SDP] on an experimental basis in early nineties, as a means to support capacity building of rural unemployed youth to enable them to establish their own enterprises. This proved to be a successful model for employment generation in rural areas. During 2008–09, NABARD sanctioned a grant assistance of Rs.130.36 million for conducting 2083 REDPs/SDPs benefiting 50,264 rural youth, taking cumulative grant assistance of Rs.603.953 million for conducting 11,905 REDPs/SDPs that benefited 300,000 persons. With the association of the RUDSETI, banks and voluntary agencies in conducting regular training programs the REDP has now been institutionalized. An amount of Rs.8.8 million was sanctioned to RUDSETI for capital expenditure.

3.5 District Rural Industries Project: NABARD launched District Rural Industries Project[DRIP] in 1993–94 in five potential districts, viz Gwalior in Madhya Pradesh, Kurnool in Andhra Pradesh, Ganjam in Orissa, SawaiMadhopur in Rajasthan and Sabarkantha in Gujarat, with the objective of generating sustainable employment opportunities through promotional measures combined with enhanced credit flow to RNFS & coordinating with other agencies in the district. Under the project, NABARD formulated & implemented a common action plan in coordination with the Government and NGOs involved in the promotion of rural industrialization in these districts. The success of the pilot led to expand the project from 2001–02 over a period of 5 years, which resulted in coverage of 106 districts as at the end of March 2007 and facilitated establishment of more than 3.417 million units and creating employment opportunities for over 4.329 million persons with a ground level credit flow of Rs.252,060.5 million as on 31 March 2009. During 2006–09, the project was phased out.
in 43 districts. NABARD would, however, continue to support various deserving development interventions in these districts. During 2008-09, ground level credit flow in 63 DRIP districts covered under various phases reached Rs.13,780 million and refinance availed was Rs.1,330 million. In all, 105,000 units were set up generating employment for 200,000 persons.

3.6 Rural Haat: NABARD launched the 'Rural Haat' scheme in 1999 in DRIP districts to enable rural households to market farm and non-farm products, which was extended in 2008-09 to all districts to be implemented by Village Bazaar Boards [VBBs], Self-Help-Group [SHGs], NGOs, and to Panchayati Raj Institutions & Primary Agricultural Credit Societies. The grant assistance at 90% of the project cost or Rs.500,000, whichever is lower, was provided to implementing agencies for providing minimum infrastructure facilities, which inter alia include raised platforms with shed, drinking water facilities, cycle stand, toilets, in the new or existing haats. Under the Scheme, the ceiling was raised from Rs.300,000 to Rs.500,000 and coverage extended to include permanent structure. During 2008-09, grant support of Rs.1,860 million was sanctioned for infrastructure in 46 haats in 14 States.

3.7 Rural Mart: NABARD introduced in September 2005 a pilot scheme 'Rural Mart' for establishing marketing outlet at district and sub division level by producers’ groups, Self-Help-Groups and their federations, activity groups, farmers’ clubs, etc. 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. The scheme is now extended to all States and during 2008-09 73 rural marts were sanctioned involving grant support of Rs.7.3 million. The provision of 'Product Gallery' in Post Offices for displaying SHG products was extended to all States. NABARD supported 213 marketing events & exhibitions across the country involving grant assistance of Rs.11.1 million.

3.8 Cluster Development: Considering the potential of cluster approach for rural industrialization NABARD in 2005-06 resolved to launch a Cluster Development Program on its own, and set a corporate target of 50 clusters on participatory model, partnering with other agencies. Besides, NABARD decided to intensively develop five clusters exclusively by its own involvement during a period of 3 to 5 years beginning 2005-06. Under participatory mode of Cluster Development, the intervention budget under grant support was limited to Rs.1.5 million per cluster over a period of 3 years, whereas under Intensive development model the implementation period was maximum of 5 years with grant support not exceeding Rs.10 million. The broad sectors identified for development on priority basis are Agri & Allied Activities, Food Processing, Small & Micro Enterprises in rural areas; Traditional arts, such as, handicrafts and Handlooms. Cluster Development Approach included interventions related to Social, Technological, Infrastructure, Financial and Marketing.

During 2008-09, 37 participatory, one intensive and one eco-tourism clusters were sanctioned involving grant assistance of Rs.31.1 million. In view of Government’s special emphasis on developing the handloom sector, NABARD decided to develop 50 clusters in partnership with other development agencies. As on 31 March 2009, 101 clusters (90 participatory, 6 intensive, 3 rural/agri-tourism, one NPRI, one rural tourism-cum-handicrafts) across 81 districts in 25 States, including 59 handloom clusters in 16 States were approved.

3.9 Design Development & Skill Upgradation for Handloom Weavers: NABARD formulated a scheme to provide financial support for [i] developing new designs for handloom products and [ii] upgrading the skills of traditional handloom weavers that can significantly improve products marketability, both within and outside the country.
Grant assistance is provided to apex handloom cooperative societies and voluntary organizations involved in the promotion of handloom sector for conducting market surveys, design development, engaging design consultants, skill upgradation, training, and improving marketing efforts.

With a view to reviving the handloom sector, NABARD has attempted to finance weavers’ outside the cooperative fold by forming Handloom Weavers’ Groups [HWGs] and financing Master Weavers. As on 31 March 2009, 1781 HWGs out of the 2968 HWGs formed were credit linked.

3.10 The Swarovgar Credit Card Scheme: On lines of Kisan Credit Card for farmers, NABARD designed the Swarovgar Credit Card [SCC], which facilitates small artisans, handloom weavers, service providers, fishermen, self-employed persons, rickshaw owners, other micro entrepreneurs in rural and urban areas, to access adequate and timely credit, both working and block capital, in a flexible, hassle free and cost effective manner from the banking system. This facility also includes a reasonable component for meeting consumption needs. During 2008–09, 150,000 SCCs involving credit limits of Rs.6,280 million were issued. As on 31 March 2009, banks have issued 984,000 SCCs involving a credit limit of Rs.40,073.3 million.

3.11 Training Programs for Client Institutions: NABARD supports & funds training programs to enable the client financial institutions, particularly RRBs and Cooperative Banks, to diversify their loan portfolio and accelerate the credit flow to rural non-farm sector. During 2008–09, 45 training programs were conducted through training centers of NABARD and RBI for 1,050 officers of rural financial institutions.

4 Women & Weaker Sections:

4.1 Empowerment of Rural Women: NABARD, recognizing the fact that around 94% of women workers are engaged in the unorganized sector, of which, majority is in agriculture and allied activities, has been implementing a number of women specific programs in order to bring advancement, development and empowerment of women, which among others include [i] Marketing of Non-Farm Products of Rural Women [MHIMA] and Assistance to Rural Women in Non-farm Development [ARVIND] program, Gender Sensitization & setting up Women Development Cell.

4.2 Women Development Cell: NABARD, in order to mainstream gender development and strengthen institutional capabilities in addressing gender related issues in credit and support services, provides grant assistance to RRBs and cooperative banks to set up Women Development Cells (WDCs). The WDCs, are intended to organize gender sensitization meetings and awareness programs and implement on most priority basis activities that can increase the credit flow to women. During 2008–09, the scheme for setting up WDC was modified. As on 31 March 2009, 102 WDCs in 56 RRBs, 43 DCCBs and 3 SCARDBs were sanctioned.

4.3 Assistance to Rural Women for Rural Non-farm Development: NABARD has formulated a single window scheme 'Assistance to Rural Women for Rural Non-farm Development' [ARVIND] that includes provision of credit as well as promotional components of assistance for conducting skill improvement [business, finance, marketing etc] and Entrepreneurial Development training programs for women as well as for establishing production units at the level of sponsoring agencies or setting up household units with loan assistance from banks. NABARD provides 100% refinance to banks for credit extended under the scheme to women. During 2008–09, grant assistance of Rs.700,000 was released under the scheme.

4.4 Marketing of Non-farm Products to Rural Women: NABARD under its scheme 'Marketing of Non-farm Products to Rural Women' [MAHIMA] provides assistance to support initiatives in marketing of products made by rural women, such as conducting market
survey, capacity building, branding, packaging, publicity, setting up of market outlets, technology upgradation, etc. NABARD provides 100% refinance to banks for credit extended under the scheme. During 2008-09, grant assistance of Rs.600,000 was released under the scheme.

4.5 Support to Weaker Sections: NABARD has introduced special programs for the uplifting weaker sections in the society like the small and marginal farmers, scheduled castes and scheduled tribes, etc.

4.6 Support to Small Farmers: Refinance policy of NABARD for production credit (short term loan) stipulates that banks earmark 30% of their total lending to small and marginal farmers.

4.7 Support to Tribal Development: NABARD provides a separate line of credit on liberal terms, for Development of Tribal Population in predominantly tribal areas. NABARD also sanctions Short Term credit limits to cooperative banks for financing collection and marketing of various types of minor forest produce by scheduled tribes.

4.8 SC &ST Action Plan: NABARD provides 100% refinance to the banks for making available investment credit to the SC/ST population.

4.9 Wadi Project: NABARD has been implementing Wadi (small orchard) project for the economic upliftment of tribals in Gujarat since 1994-95 and in Maharashtra since 2000-01 with the grant support from KfW, Germany. 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 in particular. In Maharashtra, 13,848 families have been covered as on 31 March 2009 as against the target of 13000 families. An area of 12293.5 hectares has been brought under Wadi [small orchards]. Impact has been the 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.

5 Micro-finance & SHG

5.1 The SHG-Bank Linkage Program: NABARD conceptualised and launched Self-Help-Group-Bank Linkage Program [SBLP] in 1992, which attempts to link the rural poor in large numbers to the formal banking sector in a sustainable and cost effective manner. A Self-Help-Group [SHG] comprises 15 to 20 members. The program 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. The SBLP model has emerged as the largest and fastest micro finance out reach program in a cost effective manner in the country. The social intermediation in forming and nurturing the Self Help Groups [SHGs] is handled by a large number of non governmental 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 play an important role in credit linking the SHGs. NABARD provides grant assistance to various partner agencies in promoting and nurturing SHGs, and extends refinance support to banks against their loans to SHGs. NABARD also provides financial and other support for capacity building, sensitizing and training the personnel of all the partner agencies including banks. With the success of the SLBP, NABARD endeavored &
streamlined linkage of Micro Finance Institutions (MFIs) with the banking sector to enable MFIs lending to SHGs and individuals.

During 2008–09, 1.081 million new SHGs were credit linked and bank loan of Rs.111.32 million disbursed. The program has covered more than 70.1 million poor households, making it the largest micro-finance program in the world. As on 31 March 2008, 5.009 SHGs maintained savings of Rs.37,850 million with the banking sector. During 2007–08, bank credit of Rs.88,490 million was disbursed to 1.227 million SHGs [including 246,000 under SGSY] and Rs.19,700 million to 518 MFIs.

During 2008–09, NABARD extended refinance of Rs.26,200 million under the SLBP. As on 31 March 2008, 3.626 million SHG accounts had outstanding loans of Rs.170,000 million from all agencies. The recovery position of banks with respect to SHG portfolios revealed that out of 329 reporting banks, 68% banks reported recovery of over 80% & 9% reported recovery less than 50%.

5.2 Supporting Grant to Agencies: NABARD continued to extend 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. During 2008–09, grant assistance of Rs.176,853 million was sanctioned to various agencies for promoting 59,359 SHGs taking the cumulative assistance sanctioned to Rs. 788.79 million for 436,000 SHGs. NABARD sanctioned Rs.3.915 million to Government of Arunachal Pradesh for implementing the project ‘Micro-finance Vision 2011’ and Rs.3.366 million to Essomi Foundation Trust for setting up Resource Center at Itanagar. The ‘State Support Project on SHG’ in Tripura aims at promoting livelihood activities, credit link 11,500 existing SHGs and form & credit link 35000 new SHGs. As on 31 March 2009 NABARD released an amount of Rs. 327.562 million to link 206,040 SHGs to banks.

5.3 Capacity Building: Capacity building of stakeholders is crucial for up-scaling the SHG movement and maintaining the quality & sustainability of SHGs. NABARD supports capacity building programs for SHG members, officers of commercial banks, cooperative banks, RRBs, PRLs, and Government departments including IAS officers. With a view to fine tuning the strategies for up-scaling support to the MF sector, NABARD conducted three zonal workshops covering its own staff at Hyderabad, Lucknow and Patna. During 2008–09, NABARD arranged 25 exposure/field visits for officials of bank & NGOs to SHGs and pioneering institutions; 324 awareness-cum-refresher programs for participants from banks & NGOs and 45 sensitization programs. NABARD also extended support for conducting 3,122 awareness creation and capacity building programs covering 1,41,984 SHG members.

5.4 Micro-enterprise Promotion: NABARD launched in 2008–09 a scheme for supporting small-scale activity based groups [ABGs] under which NABARD provides support for capacity building, production and investment credit and market related aspects. The scheme focuses on forming and nurturing ABGs engaged in homogenous economic activities to improve production efficiency and achieve better returns through economies of scale, such as farmers, handloom weavers, fishermen craftsmen. It has grant and loan components. NABARD support is in the form of grant for group formation, training, extension services, market linkage.

5.5 Micro-Enterprise Development Program: NABARD in 2005–06 had launched a pilot program ‘Micro-Enterprise Development Program’ (MEDP) to motivate and assist members of matured SHGs to take up income generating activities on a sustainable basis. MEDP is being implemented in nine districts in nine States, involving 14 NGOs, which act as ‘Micro-Enterprise Promotion Agency’ [MEPA]. During 2008–09 NABARD conducted 564 MEDPs.
covering 41030 SHG members on location specific farm, non-farm and service sector activities, viz., beekeeping, soybean cultivation, mushroom & organic farming, horticulture and floriculture, agarbattimaking, readymade garments, tailoring, beauty parlor, plate-making, jute crafts, screen printing, and chicken-embroidery work, mandap decoration, motor coil rewinding, lantana basket weaving, etc. As on 31 March 2009, 1313 MEDPs were conducted benefiting 33,205 participants and 6107 micro-enterprises were established involving bank credit of Rs.53.5 million.

5.6 Support to SHG-Federations: NABARD, recognizing the emerging role of the SHG Federations and their value addition to functioning of SHGs, enhancing the bargaining powers of group members and livelihood promotion, introduced in 2008-09, a flexible scheme to support SHG-Federations, on a model neutral basis. NABARD provides support to the Federation by way of grant for training, capacity building, exposure visits of SHG members, etc. During 2008-09, grant assistance of Rs.1.154 million was sanctioned to one federation.

5.7 Support to JIG: NABARD had launched pilot project on financing Joint Liability Groups [JLGs] through select RRBs and PCARDB, which proved success. Based on the joint study by NABARD and GTZ on the impact and potential of JLGs, NABARD decided to upscale the program and continued to support & provide promotional interventions in order to augment credit flow to small, marginal and tenant farmers & facilitate them to raise agriculture productivity and production.

5.8 Support to MFIs: Recognizing the role of MFIs 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).

5.9 Revolving Fund Assistance: NABARD has been selectively supporting MFIs by providing revolving financial assistance [RFA] for onlending to the unreached poor as also experimenting with various MF models to innovate alternative, sustainable and replicable credit delivery systems. During 2008-09, RFA amounting to Rs.63.5 million was sanctioned to four agencies taking the cumulative sanctioned RFA amount to Rs.427.3 million covering 37 agencies.

5.10 Support for Rating of MFIs: NABARD provides financial assistance to commercial banks and RRBs to avail the services of credit rating agencies (such as CRISIL, M-CRIL, ICRA, CARE and Planet Finance) for the purpose of rating of MFIs and empowering them to intermediate between the lending banks and the clients. Under the scheme, NABARD meets the cost of rating to the extent of 100% of the professional fees subject to a maximum of Rs.100,000. During 2008-09, support of Rs.340,000 was extended to four agencies for availing credit rating services.

5.11 Capital/Equity Support: NABARD, under its Capital/Equity Support scheme, provides financial assistance to MFIs to leverage capital/equity for accessing funds from banks, providing financial services at an affordable cost to the poor, and achieve sustainability in credit operations over 3 to 5 years. During 2008-09, capital/equity support of Rs.117.5 million was sanctioned to 13 agencies.

5.12 Rajiv Gandhi Mahila Vikas Pariyojana: NABARD in collaboration with the Rajiv Gandhi Cheritable Trust [RGCT] has designed the Rajiv Gandhi Mahila Vikas Pariyojana to promote, credit link and form SHG Federations in selected districts of Uttar Pradesh. As on 31 March 2009, 7808 SHGs were promoted and 3972 credit linked in three districts of Uttar Pradesh.

5.13 SHG-Post Office Program: The project aimed at utilizing the vast network of Post Offices in rural areas in disbursement of credit to rural poor, on an agency basis.
NABARD sanctioned Revolving Financial Assistance of Rs.500,000 for onlending to 50 SHGs in East Khasi Hills in Mizoram where SHGs are being formed. Cumulatively 2,835 (13 accounts have been closed) SHGs have opened savings accounts, of which 889 SHGs have been credit linked by the participating Post Offices with loan amounting to Rs.21.311 million as on 31 March 2009.

5.14 Financial Assistance for Developing Software: NABARD had sanctioned Rs.10.29 lakh to MYRADA for developing software for NGOs to help them understand the functioning and performance of SHGs. The software, NABYUKTI can generate reports relating to loan 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.

5.15 NABARD-KfW program: The NABARD-KfW program 'Financial Cooperation with India-Capitalization Program Self-Employed Women Association [SEWA] Bank' being implemented in Gujarat aims 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 acts as the intermediary agency responsible for providing technical support and undertaking periodic review, monitoring and supervision of the project. During 2008-09 kfw released grant assistance of Rs.30 million to SEWA bank under the project.

5.16 NABARD-GTZ Rural Finance Program: Under the 'NABARD-GTZ Rural Finance Program' training modules were developed to sensitize bank branch managers and SHG members for minimizing risks in lending through early warning system and provided to training institutes involved in MF. A 'High Level Policy Conference on MF in India' was organized with GTZ support for MF practitioners from India & abroad to share their best practices. A study was undertaken to assess the transaction cost of various agencies and MFIs in purveying MF through SHGs and other types of groups.

6 Rural Infrastructure:

6.1 Rural Infrastructure: 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.

The allocation under XIV tranche of RIDF was raised to Rs.140,000 million for 2008-09 and Rs.40,000 million allocated under a separate window for funding rural roads component of Bharat Nirman Program. During 2008-09, 85,527 projects involving a loan amount of Rs.147,190 million were sanctioned under RIDF XIV, taking the cumulative number of projects to 365,003 and amount sanctioned to Rs.883,590 million. An amount of Rs.75,000 million was disbursed under the Bharat Nirman Component during 2008-09. The share of irrigation sector in the amount sanctioned during 2008-09 as also the cumulative sanction [RIDF Ito XIII] declined, while that of rural roads & bridges and social sector projects improved. Disbursements of Rs.560,520 million against the total amount phased [RIDF Ito XIV] of Rs.737,340 million accounted for 76%.

To strengthen the implementing apparatus of infrastructure deficient States, NABARD organized awareness workshops for stakeholders to address mutual concerns. Further, to leverage private resources and implementing capacity for rural infrastructure
development, NABARD entered into Memorandum of Agreement with IL&FS to develop products & services and fine-tune the design of innovative delivery mechanism.

6.2 Eligible Activities under RIDF: Eligible activities under RIDF include,[i] Agriculture and allied sectors (RIDF loans @95% of projects Cost: All States), projects relating to irrigation; soil conservation; flood protection; 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; village knowledge centers; infrastructure for IT; desalination plants in coastal areas; [ii] Social sector (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, [iii] Center’s 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

7 Development Funds:
7.1 Tribal Development Fund: NABARD has created Tribal Development Fund [TDF], on 1 April 2004, with a corpus of Rs.500 million 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 stood at 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, training & capacity building & building people's organizations etc., for achieving sustainable development of tribal families. As on 31 March 2009, 112 projects with NABARD commitment of Rs. 3073.9 million were sanctioned in 19 states (including 7 in NE states) and UT of D&NH benefiting more than 93,000 poor tribal families. 71 NGOs act as PIAs for these TDF projects

7.2 Financial Inclusion Fund: A significantly large section of the population still remains excluded from the basic banking services, despite significant developments in the banking sector. Financial Inclusion, as defined by the Committee on 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. Based on the recommendations of the Committee on Financial Inclusion GoI entrusted NABARD to establish two types of Funds, viz. Financial Inclusion Fund (FIF) and Financial Inclusion Technology Fund (FITF). While 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. Two Funds with corpus of Rs.5,000 million each, 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 utilization of funds, have been set up with NABARD. During 2007-08, NABARD
contributed Rs.50 million each to these Funds. During 2008-09 four and five projects were sanctioned under FIF & FITF, respectively.

7.3 MF Development & Equity Fund: NABARD has set up the Micro Finance Development and Equity Fund (MFDEF) for promoting micro finance through scaling up the SHG-Bank linkage program, extending Revolving Fund Assistance and Capital Support to MFIs and supporting various promotional initiatives & activities. The Advisory Board of MFDEF comprising representatives from RBI, Commercial Bank, professional with domain knowledge and NABARD provides guidance in the formulation and refinement of policy initiatives. During 2008-09, a sum of Rs.346.6 million was utilized from the Fund towards micro finance related activities. The North-Eastern Council [NEC] Shillong parked a fund of Rs.8.0 million with NABARD during 2008-09 for facilitating miscellaneous training interventions of Government & bank officials, NGOs, SHGs from States in NER and Sikkim. As on 31 March 2009, the fund was to the extent of Rs.7.2 million.

7.4 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.1399 million. The fund to be utilized over a period of 5 years is 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 sector areas, 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 projects with financial support of Rs.123.7 million were sanctioned.

7.5 Farmers' Technology Transfer Fund: NABARD has established Farmers' Technology Transfer Fund [FTTF] with a corpus of Rs.250 million on 01 April, 2008 with the objective of promoting & transferring technology; information dissemination; establishing linkages with market; enhancing productivity and production in agriculture, animal husbandry & fisheries through area based projects; conducting workshops, seminars and capacity building programs by organizing farmers' informal association, producer groups, joint liability groups. The Fund became operational from 01 April 2008 & operational guidelines on FTTF were issued to major Commercial banks, Co-operative Banks and Regional Rural Banks in June 2008. During 2008-09, proposals involving a grant assistance of Rs.23.3 million in six States were sanctioned for activities, such as oil-production, turmeric processing, information & commodity trading center, technology transfer for seed production, establishment of Outreach Center for North & Middle Andamans districts etc. Further, grant assistance of Rs.8.02 million was sanctioned for 22 Farmers' Training & Rural Development Centers.

Farm Innovation & Promotion Fund: NABARD established the Farm Innovation and Promotion Fund (FIPF) with a corpus of Rs.50 million in 2005 to promote innovative concepts and feasible projects in agriculture and allied activities, development of marketable prototypes, technology, patenting, extension support, marketing etc. During 2008-09, 14 projects involving grant assistance of Rs.18.1 million in six States were sanctioned from the FIPF, which included commodity exchange, rainfed rabi cropping, ultra high density orchard of guava, village farm development, protected vegetable cultivation in villages and efficient use of carbon & plant nutrients under dry land agriculture.

7.6 Research & Development Fund: NABARD has constituted a Research and Development[R&D] Fund for supporting activities, such as research projects, studies, training, conduct of seminars and other related activities on matters of importance to agriculture, agricultural operations and rural development. During 2008-09, an amount of Rs.87.6 million was utilized from the R&D Fund as grant assistance for research
projects, studies, training and other activities like conduct of seminars, preparation of occasional papers etc., taking the cumulative disbursement to Rs.1090 million. Twelve research projects/studies on different subjects, such as economic reforms and tribal poverty, agro processing and value addition, yield gap analysis of select crops, micro credit, rural poverty and vermiculture technologies were sanctioned with a total grant assistance of Rs.8.701 million. Ten projects & studies sanctioned earlier were completed during 2008-09. Grant assistance of Rs.7.76 million was sanctioned to Universities, Research Institutes, NGO’s and other agencies across the country for organizing 103 seminars, conferences, workshops and symposia covering subjects like farm business economics, agricultural extension, agricultural 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 Occasional Papers is also supported by NABARD. Two Occasional Papers were brought out during 2008-09. In addition, Rs.72.7 million were utilized from the Fund for capacity building of the staff of Rural Financial Institutions in the NER.

8 Other Development Initiatives

8.1 Pilot Project for Integrated Development of Backward Blocks: NABARD has launched Pilot Project for Integrated Development [PPID] of Backward Blocks in 2003 with the objective to bring about integrated development of backward blocks through credit and convergence of development programs of various agencies. This included economic development, infrastructure development and other aspects of human development i.e., education, health, drinking water supply, etc. This required the active involvement of State Government agencies (including Panchayats), banks, NGOs, people’s organizations and other development agencies. Primarily the District Development Managers & Regional offices of NABARD were actively involved in implementing the program. Later on the PPID of backward blocks was expanded to 139 blocks across 16 States. As on 31 March 2009, it was being implemented in 40 blocks across six States. Keeping in view the identical nature of interventions under PPID & Village Development Program [VDP], NABARD decided to restrict the duration of PPID for three years only, except wherever it was felt necessary to merge with VDP.

The Government introduced Integrated Development Plan [IDP] process for the 250 poorer districts under the Backward Regions Grants Fund [BRGF] to embed the participatory planning process and provide funds to local Governments for filling gaps in flagship programs. NABARD in association with the Planning Commission prepared the Manual of Guidelines and conducted regional workshops to orient State & district level officials for preparing IDP. The NABARD is also involved as a Technical Support Institution [TSI] in IDP preparation in 17 districts of Andhra Pradesh, Jharkhand, Maharashtra, Tripura & Uttar Pradesh.

8.2 Village Development Program: NABARD launched Village Development Program [VDP] in 2007 that aims at developing identified villages in a holistic and integrated manner by involving the local populace, Governmental agencies, banks, NGOs, etc. The program envisages developing one village in each district of DDM of NABARD and five villages in each of the PPID of tribal blocks. The program requires (i) identification 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. As on 31 March 2009, the program is being implemented in 916 villages spread over 421 districts across 25 States. Implementation of 608 Village Development Plans (VDPs) is in progress out of 690 VDPs prepared.

8.3 Rural Housing: 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.1.5 million and for renovation & repairs is Rs. 500,000. NABARD provided refinance under rural non-farm sector during 2008–09 to the tune of Rs.27,067.9 million, of which Rs.2,684.7 million [10%] were for rural housing. Agency-wise, commercial banks accounted for major share [57%] followed by cooperative banks [33%] & RRBs [10%].

8.4 Institutional Development: The financial health and growth of Cooperative Banks & RRBs continue to be the area of concern to NABARD. In view of their role in credit dispensation and the changing economic environment, NABARD has been striving towards improving these institutions. In view of the persisting weaknesses in the cooperative credit structure, the revised/modified Phase IV of preparing institution specific Development Action Plan [DAP] by cooperative banks and entering into Memorandum of Understanding [MoU] for ST & LT structures is operational for period 2007-12. Further, to enable effective monitoring of performance of cooperative banks, ‘State Level Task Force’ has been set up from 1 April 2008. Considering the changes in the environment of RRBs & cooperative banks, Organizational Development Initiative [ODI] for cooperative banks is now referred to as ‘Business Revitalization and Managing Human Aspirations’ [BRAMHA]. During 2008-09, ten ODI for RRBs & five BRAMHA for cooperative banks were conducted. The Revival Package for Short-Term Rural Cooperative Credit Structure [STCCS] with an outlay of Rs.135,960 million aims at redeveloping the STCCS into a well managed and vibrant channel of credit delivery through integrated measures of financial management, legal/institutional reforms and capacity building. During 2008-09, seven States executed [MoU] with GoI & NABARD, taking the total number of States to 25, covering 96% of the units under STCCS as on 31 March 2009.

Emphasizing on training of PACS’ functionaries, training modules, trainers’ manual & guide etc. have been developed. Training was imparted to 227 Master Trainers from 16 States who in turn trained 1,687 district level trainers. As on 31 March 2009, training was imparted to 63,789 secretaries/staff from 13 States & 89,242 elected members of PACS from 10 States. In addition, training was provided on CAS/MIS to 47,302 PACS functionaries from 14 States.

8.5 HRD Policy for Cooperatives: With the implementation of recommendations of the 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 task 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 to address among other things, the norms for recruitment, promotion, training, level of computerization in cooperative banks and suggest a rationalized policy.

8.6 Financial Inclusion & Debt Swapping: As recommended by the Committee on Financial Inclusion, 15 RRBs from 14 States operating in the most financially excluded districts in the country were identified for a R&D project with ICT based solutions under the PPP model. As part of the Village Adoption & Debt Swap Program, RRBs have adopted 20,981 villages as on 31 March 2009, of which 7,811 villages have been freed from debt to moneylenders.

8.7 Studies by NABARD: During 2008-09, 37 investment and five scheme specific studies under farm sector, housing & cold storage projects were conducted in association with banks and nodal departments of State Governments to identify factors adversely affecting schemes and ensuring prompt corrective measures. Major findings and recommendations of 28 investment specific studies were published as a booklet for wider dissemination. During 2008-09, one ex-post evaluation study on projects supported under
RIDF, two studies on micro-entrepreneurship among SHG members and three commodity-specific studies on groundnut, mango & sugarcane were completed.

8.8 Training Institutes & Centers: NABRD has established training institutes & Centers at strategic places, such as BIRD Lucknow, Regional Training Centers at Mangalore & Bolpur, National Institute of Rural Banking, Bangalore, MDMI Shillong and IIBM Guwahati for imparting training to participants in various aspects of rural credit. During 2008-09, 45 programs to train 1,050 officers of client banks were conducted involving expenditure of Rs.11.8 million. During 2008-09 NABARD conducted 434 training programs through its establishments for the benefit of 10,949 personnel of Rural Financial Institutions in this area by providing technical and financial support. A Center for Micro-Finance Research (CMR) was set up at BIRD, Lucknow and four sub-centers of CMR were established in Guwahati, Chennai, Patna & Jaipur to provide focused attention on MF related issues. Financial support of Rs.33.1 million from Cooperative Development Fund was extended to JLTC, ACSTI & ITI for conducting 303 programs covering 6146 participants. NIRB, Bangalore was provided Rs.582,000 for conducting 25 training programs. BIRD conducted specifically designed training programs for the newly constituted RRB on subjects like Core Banking Solutions (CBS), CRAR norms etc. BIRD has been identified for setting up a ‘National Training Certification Center for CCS’ to address the training requirements of the staff of cooperative credit institutions after the implementation of the Revival Package.

8.8 Umbrella Program of Natural Resource Management: With a view to restructuring the bilateral cooperation in the field of Natural Resource Management (NRM), NABARD and the German Development Cooperation (GTZ) have launched a joint Umbrella Program on Natural Resource Management (UPNRM) during 2007-08. The program aims at improving livelihood situation in rural areas through promoting and funding sustainable use, management and conservation of natural resources. The program integrates NABARD’s existing and future Indo-German NRM efforts into a streamlined 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 program is Euro 22.4 million out of which KfW will finance upto Euro 19.4 million and NABARD will contribute Rs.165 million (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.

8.9 Climate Change & Clean Development: 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 financiers in going ahead with such projects. NABARD, in accordance with 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 a series of sensitization and training programs for its staff, Bankers and NGOs on climate change and clean development mechanism. Some of other initiatives taken in this regard include [i] a study already conducted on the opportunities for CDM in Agriculture sector in India and [ii] 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 (land use land use change and Forestry), agriculture, agribusinesses and rural infrastructure sector as far as climate change is concerned.

8.10 NABARD Consultancy Services Pvt. Ltd: NABARD Consultancy Services [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. During 2008-09, NABCONS contracted 109 assignments involving a consultancy fee of Rs.170 million and completed 122 assignments for a fee of Rs.100 million. The income and profits earned by the company stood at Rs.110 million & Rs.40 million, respectively during 2008-09.

8.11 Management of Resources: The funds raised were utilized for schematic lending, ST, MT & MT [conversion] loan assistance and loans to State Governments under RIDF and non-project loans.

8.12 Organization & Management: During 2008-09, LAN was set up in 34 units [Head Office, Regional Offices, Sub-office & Training Establishment] of NABARD. The services of M/s KPMG were engaged during 2008-09 to study the activities, systems, processes and IT applications currently in vogue in the bank and also suggest a suitable IT Road Map. It has also been decided to set up a video conferencing system in the Bank.

9 Supervision over Banks: NABARD inspects SCBs & DCCBs in terms of the powers vested under section 35(6) of the B.R. Act, 1949 [AACS] and of RRBs under section 35(6) of the B.R. Act, 1949. 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, Registrar Cooperative Societies, 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 issued revised inspection guidelines for all banks keeping in view the latest development and policy environment. The revised guidelines stressed on Asset Liability Management, Codes of Standards and Fair Practices, Lenders Financial Discipline, CRAR norms etc. To improve the quality & effectiveness of inspection, NABARD conducted three Regional Supervision seminars for officers engaged in supervision, convened the 7th National Seminar on Audit, conducted workshops on implementing the ALM system/anti-money laundering & Know Your Customer, initiated dialogue with ICAI for strengthening the audit mechanism of cooperative banks.

NABARD initiated measures towards re-engineering of the supervisory tasks. Licenses for use of an IT based products, Regulator Plus were obtained for strengthening knowledge management of inspecting officers.

Challenging Task:
The relationship between the NABARD & Government of India is inherent because the Government has created the Bank & invested in it. The interconnectivity between the two should increase its transparency & ensure working against conflict of interest. Since agricultural development & rural prosperity is on the national agenda and very well documented in India’s Five Year Plans, NABARD’s professional & business acumen combined with Government’s unfathomable resources & political leadership should reflect adequate concern for the poor, through perusing following ground realities, and commit to create enabling environment for providing the critical components of Multidimensional Poverty Index as worked out by the UNDP & Oxford University in July 2010, viz 10 markers of Education [child enrolment & years of schooling]; Health [child mortality & nutrition] and Standard of living [electricity, flooring, drinking water,
sanitation, cooking fuel & assets]. The committed bureaucracy’s flexible approach and response to public needs should enhance the process of alleviation of multidimensional poverty.

- According to Multidimensional Poverty Index [MPI] worked out by UNDP & Oxford University in July 2010, about 645 million people or 55% of India’s population are poor. As compared with 410 million MPI poor in 26 of the poorest African countries there are as many as 421 million such poor in just eight of the poorest Indian States of Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh & West Bengal. The MPI is like a high-resolution lens, which reveals a vivid spectrum of challenges facing the poorest households. MPI takes into account 10 markers of Education [child enrolment & years of schooling]; Health [child mortality & nutrition] and Standard of living [electricity, flooring, drinking water, sanitation, cooking fuel & assets]

- In 1992-93, 52% of infants under the age of three years were underweight, which were 47% in 1998-99 & 46% in 2005-06, according to National Family Health Survey data. At this rate of decline, the Millennium Development Goals targets will be attained in 2043 instead 2015, according to Prof. Lawrence Haddad, Director, Institute of Development Studies, Sussex University, a specialist in poverty, food security & malnutrition who has done extensive field research in India.

- From 1993 to 2006, the GDP per capita went up by 53% while malnutrition among children declined only by 12.5%, when international comparisons suggest the decline should be closer to 30%. While India will have a long way to achieve Millennium Development Goals in combating malnutrition China, Thailand, Vietnam, Ghana & Brazil have managed to do it successfully.

- According to National Sample Survey round in 2004-05, 41.8% of rural population lived on a monthly per capita expenditure of Rs.447. In urban areas, the BPL population was 25.7% living on a monthly per capita expenditure of Rs.578.8. It was as high as 57.5% in Orissa followed by 55.7% in Bihar & 53.6% in Madhya Pradesh. The per capita expenditure norms for estimating poverty are abysmally low and some economists call it the ‘starvation line’ rather than poverty line.

- According to NCAER, the top 20% of India’s population had 53.2% share of the national income in 2009-10, up from 36.7% in 1993-94. The bottom 60% had a mere 27.9% share in total income in 2009-10, down from 38.6% at the start of the reform process.

- The financial inequality is great; urban consumption is 63% higher than rural consumption. Per capita consumption was the lowest among the agricultural laborers in rural areas.

- India’s farm sector has been in quite an appalling state for several years now. National Crime Records Bureau statistics said that more than 150,000 farmers committed suicides between 1997 & 2005, because they were terribly indebted, cyclically poor and seriously credit constrained.

- Rural poverty in India is both a development and a humanitarian concern requiring huge aid from Governments, NGOs, banks, MFIs, individuals etc.

**Widening Partnership:** NABARD can consider widening partnership with potential commercial, industrial & business houses involved in agribusiness, such as seed, fertilizer, pesticides, farm machinery manufacturing, agricultural processing & exports, agricultural technology investment, biotech industries etc to significantly improve agricultural production, procurement, processing, preservation & storage that can usher in second green revolution, substantially enhance farmers’ income on one hand & stabilize food prices on the other since these houses can bring technology, managerial skill & marketing strategy in rural areas.

**Global Vision:** With the active cooperation of the committed political leadership of the State & national Government, NABARD has the potentiality to demonstrate its ability to make significant impact of its assigned role in home country. After 28 years of NABARD’s existence it is now opportune time for it to associate actively with global organizations, such as Clinton Global Initiative, the Bill & Melinda Gates Foundation, United States Association for International Development, Inter American Development Bank etc for sharing global experiences & having greater interaction with a view to projecting NABARD’s presence & visibility at global level.

**Full Employment:** The ultimate goal under SHG-Bank Linkage Program can be to organize women for ‘full employment’ meaning individuals employed to use their optimum capacity in an occupation that provides a salary, income security, food security and social security [mostly health care and child services].
SHGs should increase the bargaining power of women making them more economically self-reliant and independent through movements and organization. NABARD in association with NGOs can attempt this since NGOs possess management flexibility, a greater response to local needs and committed leadership.

**Cultural Dimension:** NABARD can instill in the clients certain norms or social values that promote exchange, savings, and investment since economic development presupposes these social values and not just the existence of formal institutions and a rule of law under which buyers and sellers can exchange goods in markets. Thus there is a cultural dimension to economic behavior.

**Commercial Banks:** Commercial banks in India, which have significant financial & human resources can also establish R&D Fund and commit themselves to replicate in their lead districts all the promotional & developmental approaches that NABARD has conceived & implemented in close collaboration with them since 1982. Besides, commercial banks including RRBs, which have now with them the credit history of a large number of rural borrowers and fully familiarized with moral hazards & adverse selection, should now demonstrate their abilities in increasing credit flow & seek refinance from NABARD.

**MIS for Financial Inclusion:** Each rural, semi-urban & urban branch of commercial banks & RRBs, which have already been allocated specified villages as a part of its Service Area since April 1989, should now formulate a Financial Inclusion Plan for its Service Area villages & commit to provide financial services to all those hitherto financially excluded & debt swapping by 2015 & monitor its performance on a monthly basis. NABARD may need to design revised MIS for Financial Inclusion that should be monitored at DLCC level on a quarterly basis bank-wise & village-wise.