

partly due to migration from the lower categories. Thus, there was an increase in the 'sub-standard' and 'doubtful' assets categories. The recovery performance, which has remained similar to that in the previous year, needs to improve further to reduce the NPAs in future. As was the case in earlier years, StCBs more than met the provisioning requirements during 2006-07 (Table IV.31).

Regional Dimensions

4.103 At the all India level, the recoveries made by StCBs as a proportion of demand declined marginally to 86 per cent in 2006-07 from 87 per cent in 2005-06. Among the various States/Union Territories, the recovery performance improved in 12 States and two UTs (Assam, Chhattisgarh, Chandigarh, Delhi, Goa, Jammu and Kashmir, Gujarat, Manipur, Maharashtra, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura), while it declined in ten States and two UTs (Andaman and Nicobar Islands, Arunachal Pradesh, Andhra Pradesh, Bihar, Himachal Pradesh, Kerala, Orissa, Puducherry, Punjab, Uttar Pradesh,

Uttarakhand and West Bengal). For StCBs in Haryana, Karnataka and Rajasthan the recovery performance remained similar to what it was last year. StCBs in nine States and one UT (Andaman and Nicobar Islands, Chhattisgarh, Haryana, Karnataka, Madhya Pradesh, Punjab, Rajasthan, Gujarat, Uttarakhand and Tamil Nadu) achieved more than 90 per cent recovery during 2006-07.

4.104 Twenty seven StCBs earned profits, while four StCBs made losses. Ten StCBs earned higher profits during 2006-07, while 16 StCBs earned lower profits. The StCB of Chhattisgarh made a turnaround; from being a loss making StCB in 2005-06, it became a profit making one in 2006-07. StCBs in Kerala, Arunachal Pradesh, Nagaland and Tripura made losses during 2006-07 (Appendix Table IV.8).

4.105 NPAs of StCBs varied widely across the States at end-March 2007. In some States such as Haryana, Punjab and Rajasthan, NPAs were less than 3.0 per cent, while in other States (Arunachal Pradesh, Assam, Nagaland and Bihar), NPAs were more than 40 per cent. Only in eleven out of 31 States/UTs, the NPA ratio was less than 10 per cent. The recovery rate of StCBs also varied significantly across the States. StCBs operating in nine States and one UT (Haryana, Punjab, Rajasthan, Tamil Nadu, Gujarat, Uttarakhand, Madhya Pradesh, Andaman and Nicobar Islands, Karnataka, Chhattisgarh), achieved more than 90 per cent recovery during 2006-07. However, in seven States such as Jammu and Kashmir, Bihar, Arunachal Pradesh, Assam, Manipur, Meghalaya and Tripura, the recovery rate was less than 50 per cent (Appendix Table IV.8).

Table IV.31: Asset Quality of State Co-operative Banks

(Amount in Rs.crore)

Item	As at end-March		Percentage Variations	
	2006	2007*	2005-06	2006-07*
1	2	3	4	5
A. Total NPAs (i+ii+iii)	6,735	6,704	10.2	-0.5
i) Sub-standard	2,763 (39.3)	2,957 (44.1)	-6.5	7.00
ii) Doubtful	2,292 (35.1)	2,625 (39.1)	16.0	14.5
iii) Loss	1,680 (25.6)	1,122 (16.8)	42.5	-33.2
B. NPAs to Loans Ratio	17.0	14.2		
<i>Memo Item:</i>				
i) Recovery to Demand (30 June)	87	86		
ii) Provisions Required	3,354	2,820	22.6	-15.9
iii) Provisions Made	3,600	3,200	23.5	-11.1

* : Data are provisional.

Notes : 1. Figures in parentheses represent percentages to total.
 2. Data for Rajasthan not available.
 3. Data for Karnataka StCB for 2007 repeated from the previous year.

Source : NABARD.

District Central Co-operative Banks

4.106 The business operations of district central co-operative banks (DCCBs) continued to expand. Assets of DCCBs grew by 11 per cent during 2006-07 as against 7.3 per cent

growth achieved during 2005-06. The composition of the liabilities/assets of DCCBs remained broadly unchanged between end-March 2006 and end-March 2007. Deposits continued to be the principal source of funds for DCCBs, although their share declined. Borrowings, however, increased sharply, implying growing reliance by the DCCBs on outside sources for expansion. On the asset side, both the loans and advances and investment portfolio grew at higher rates as compared with the previous year (Table IV.32).

Financial Performance

4.107 Interest income of DCCBs declined marginally during 2006-07 as compared with the previous year, while interest expended increased. Other income increased marginally. Operating expenses also increased sharply. As

Table IV.32: Liabilities and Assets of District Central Co-operative Banks

(Amount in Rs.crore)

Item	As at end-March		Percentage Variations	
	2006	2007*	2005-06	2006-07*
1	2	3	4	5
Liabilities				
1. Capital	4,748 (3.3)	5,458 (3.4)	9.3	15.0
2. Reserves	18,702 (13.1)	20,722 (13.1)	15.8	10.8
3. Deposits	87,532 (61.2)	94,529 (59.5)	6.6	8.0
4. Borrowings	24,217 (16.9)	29,912 (18.8)	7.3	23.5
5. Other Liabilities	7,891 (5.5)	8,273 (5.2)	-3.5	4.8
Total Liabilities/Assets	1,43,090	1,58,894	7.3	11.0
Assets				
1. Cash and Bank balance	10,695 (7.5)	11,274 (7.1)	24.8	5.4
2. Investments	36,628 (25.6)	41,006 (25.8)	1.9	12.0
3. Loans and Advances	79,202 (55.3)	89,038 (56.0)	8.3	12.4
4. Other Assets	16,565 (11.6)	17,575 (11.1)	5.2	6.1

*: Data are provisional.

Note : 1 Figures in parentheses are percentages to total.

2. 'Reserves' include credit balance in profit and loss account shown separately by some of the banks.

Source : NABARD

a result, operating profits declined significantly. Provisions and contingencies declined significantly, which allowed DCCBs to earn a meagre net profit of Rs.31 crore during 2006-07 (Table IV.33).

Asset Quality and Recovery Performance

4.108 The NPAs to loans ratio of DCCBs improved to 18.5 per cent at end-March 2007 from 19.8 per cent at end-March 2006. This was mainly due to decline in NPAs in the 'sub-standard' category. Substantial asset slippage was noticed both in the 'doubtful' and 'loss assets' category. The recovery to demand ratio also improved. Provisions made significantly exceeded the provisions required. (Table IV.34).

Regional Dimensions

4.109 DCCBs operating in 11 States (Chhattisgarh, Madhya Pradesh,

Table IV.33: Financial Performance of District Central Co-operative Banks

(Amount in Rs.crore)

Item	As at end-March		Percentage Variations	
	2006	2007*	2005-06	2006-07*
1	2	3	4	5
A. Income (i+ii)	11,688	11,652	-8.2	-0.3
i) Interest Income	10,688 (91.4)	10,597 (90.9)	-6.4	-0.8
ii) Other Income	1,000 (8.6)	1,055 (9.1)	-23.7	5.5
B. Expenditure (i+ii+iii)	11,481	11,622	-2.4	1.2
i) Interest Expended	6,577 (57.3)	6,668 (57.4)	-11.2	1.4
ii) Provisions and Contingencies	2,563 (22.3)	2,284 (19.6)	20.6	-10.9
iii) Operating Expenses	2,341 (20.4)	2,670 (23.0)	5.0	14.0
<i>Of which: Wage Bill</i>	1,648 (14.4)	1,837 (15.8)	2.5	11.5
C. Profit				
i) Operating Profit	2,769	2,314	-10.5	-16.4
ii) Net Profit	207	31	-78.7	-85.0
D. Total Assets	1,43,090	1,58,894	7.3	11.0

*: Data are provisional.

Note: Figures in parentheses are percentages to total.

Source: NABARD

Table IV.34: Asset Quality of District Central Co-operative Banks

(Amount in Rs.crore)

Item	As at end-March		Percentage Variations	
	2006	2007*	2005-06	2006-07*
1	2	3	4	5
A. Total NPAs (i+ii+iii)	15,709	16,495	6.6	5.0
i) Sub-standard	6,905 (44.0)	6,375 (38.6)	5.7	-7.7
ii) Doubtful	6,699 (42.6)	7,648 (46.4)	6.1	14.2
iii) Loss	2,106 (13.4)	2,471 (15.0)	11.5	17.4
B. NPAs to Loans Ratio	19.8	18.5		
<i>Memo Item:</i>				
i) Recovery to Demand (30 June)	69	71*		
ii) Provisions Required	8,713	10,222	-0.6	17.3
iii) Provisions Made	10,360	12,163	-12.2	17.4
*: Data are provisional.				
Note : Figures in parentheses represent percentages to total.				
Source : NABARD.				

Uttarakhand, Himachal Pradesh, Punjab, Rajasthan, Orissa, West Bengal, Karnataka, Kerala and Tamil Nadu) out of 19 States made profits, while DCCBs in 8 States (Uttar Pradesh, Haryana, Jammu and Kashmir, Bihar, Jharkhand, Gujarat, Maharashtra and Andhra Pradesh) made losses. DCCBs in Haryana, Bihar, Jharkhand and Gujarat, which were profit making during 2005-06, made losses in 2006-07. On the other hand, DCCBs in Tamil Nadu, which was loss-making in 2005-06, turned around during 2006-07. The number of profit-earning DCCBs during 2006-07 increased in Jammu and Kashmir, Gujarat, Maharashtra, Andhra Pradesh and Tamil Nadu. In Chhattisgarh and Kerala, the number of profit-earning DCCBs declined but the amount of profit increased, while in Gujarat, Maharashtra and Andhra Pradesh, the number of profit-earning DCCBs increased but the amount of profit decreased. In Madhya Pradesh and Orissa the number of profit-earning DCCBs remained same but the amount of profit decreased, while in Uttarakhand and Himachal Pradesh the number of profit-earning DCCBs remained

the same, but the amount of profit increased. The number of loss-making DCCBs as well as overall losses incurred by them increased in 8 States (Uttar Pradesh, Haryana, Punjab, Rajasthan, Bihar, Jharkhand, West Bengal and Karnataka) (Appendix Table IV.9).

4.110 The NPA ratio in respect of DCCBs varied significantly across the States from 4.8 per cent to 76.4 per cent at end-March 2007. Only in four States (Haryana, Himachal Pradesh, Punjab and Rajasthan), the NPA ratio was less than 10 per cent, while the NPA ratio was higher than 50 per cent in Jharkhand (76.4 per cent) and Bihar (54.5 per cent). NPAs in two States, viz., Jharkhand and Tamil Nadu declined in 2006-07 as compared with the previous year. However, the NPA ratio in three States, Haryana, Himachal Pradesh and Punjab, which traditionally had relatively lower NPAs (less than 20 per cent), declined further, while in two States, Uttarakhand and Rajasthan, the NPA ratio increased. At the all-India level, the recovery performance of DCCBs improved to 71.1 per cent for the year 2006-07 from 69.2 per cent for the year 2005-06. The recovery performance in some States such as Haryana, Kerala, Madhya Pradesh, Rajasthan, Jammu and Kashmir, Tamil Nadu, Uttar Pradesh, Uttarakhand and West Bengal improved, while the recovery performance in Andhra Pradesh, Chhattisgarh, Gujarat, Himachal Pradesh, Jharkhand, Karnataka, Maharashtra and Orissa declined considerably. Himachal Pradesh, Kerala, Punjab, Rajasthan, Tamil Nadu and Uttarakhand achieved more than 80 per cent recovery rate during 2006-07.

4.111 During 2006-07, out of 368 reporting DCCBs, 271 made profits amounting to Rs.754 crore, while 97 DCCBs made losses to the tune of Rs.724 crore (Table IV.35).

Table IV.35: Region-wise Profit/Loss Making District Central Co-operative Banks
(As at end-March)

Region	2006				2007*			
	Profit		Loss		Profit		Loss	
	No.	Amount (Rs. crore)	No.	Amount (Rs. crore)	No.	Amount (Rs. crore)	No.	Amount (Rs. crore)
1	2	3	4	5	6	7	8	9
Northern Region	64	213.64	5	19.45	55	119.39	16	44.01
Eastern Region	50	96.14	14	35.43	45	42.78	19	59.39
Central Region	74	158.91	30	174.01	71	121.16	33	186.00
Western Region	34	244.23	15	245.81	37	166.99	12	241.63
Southern Region	54	406.60	26	450.00	63	304.09	17	192.91
All India	276	1,119.52	90	924.7	271	754.41	97	723.94

* : Data for 2007 are provisional.

Note : Data for three new DCCBs, viz., Baran in Rajasthan, S.S. Nagar in Punjab and Udham Singh Nagar are not available.

Source : NABARD.

Primary Agricultural Credit Societies (PACS)

4.112 Primary agricultural credit societies (PACS) lie at the lowest level of the short-term structure of the rural co-operative credit institutions and deal directly with individual borrowers, grant short to medium-term loans and undertake distribution and marketing functions. A large number of them, however, face severe financial problems primarily due to significant erosion of own funds, deposits and low recovery rates. Various policy initiatives have been taken to improve the financial health of the PACS in recent years. NABARD has been providing support for developing the infrastructure in PACS out of co-operative development fund (CDF). The number of PACs declined to 97,224 at end-March 2007 from 106,384 at end-March 2006. However, the total membership increased to 126 million at end-March 2007, from 123 million during the previous year and the number of borrowing members increased to 48 million at end-March 2007 from 46 million at end-March 2006 (Table IV.36).

Operations

4.113 Total resources of PACS increased during 2006-07 mainly on account of increase in owned funds and deposits. The working capital of PACs also registered a high growth of 9 per cent during the year. On the asset side,

the loan portfolio expanded by around 13 per cent during the year as compared with 6.1 per cent during 2005-06. The loan portfolio expanded on account of growth in both short-term and long-term loans. Both total demand made and total collections increased during 2006-07. Collections, however, grew relatively sharply, resulting in total overdues as percentage of total demand declining to 29.1 during 2006-07 from 30.4 during 2005-06 (Table IV.37).

Financial Performance

4.114 The number of both profit making and loss making PACS declined to 33,983 and

Table IV.36: Primary Agricultural Credit Societies - Membership

Item	As at end-March	
	2006	2007*
1	2	3
1. No. of Societies	106,384	97,224
2. Total Membership (in million)	122.57	125.79
of which:		
a) SC	30.58	29.46
b) ST	11.66	11.13
3. Total No. of Borrowers (in million)	46.08	47.91
of which:		
a) SC	6.98	5.67
b) ST	3.33	3.45
4. Total No. of Employees	241,609	229,007

* : Data are provisional

Source : NAFSCOB

Table IV.37: Primary Agricultural Credit Societies-Select Indicators

(Amount in Rs.crore)

Item	As at end-March		Percentage Variations	
	2006	2007P	2005-06	2006-07P
1	2	3	4	5
A. Liabilities				
1. Total Resources (2+3+4)	69,871	78,237	2.1	12.0
2. Owned Funds (a+b)	9,292	11,039	1.0	18.8
a. Paid-up Capital	5,644	6,138	1.3	8.8
<i>of which:</i>				
Government Contribution	622	648	0.2	4.2
b. Total Reserves	3,648	4,900	0.6	34.3
3. Deposits	19,561	23,484	3.1	20.1
4. Borrowings	41,018	43,714	1.9	6.6
5. Working Capital	73,387	79,959	-2.7	9.0
B. Assets				
1. Total Loans Issued (a+b)*	42,920	49,613	9.5	15.6
a) Short-Term	35,624	40,796	11.7	14.5
b) Medium-Term	7,296	8,817	-0.4	20.8
2. Total Loans Outstanding (a+b)+	51,779	58,620	6.1	13.2
a) Short-Term	34,140	37,764	5.1	10.6
b) Medium-Term	17,639	20,856	8.2	18.2
C. Overdues				
1. Total Demand	50,979	54,112	6.7	6.1
2. Total Collection	35,503	38,359	11.9	8.0
3. Total Balance (Overdues) (a+b)	15,476	15,753	-3.6	1.8
a) Short-Term	11,387	11,558	-2.3	1.5
b) Medium-Term	4,089	4,194	-7.0	2.6
4. Percentages of Overdues to Total Demand	30.4	29.1		

P : Provisional.

* : During the year.

+ : As at the beginning of the year.

Source : NAFSCOB

48,078 during 2006-07 from 44,321 and 53,050, respectively, during 2005-06 mainly on account of reduction in the total number of PACS during the year. The share of profit-making PACS in total PACS declined to 35.0 per cent at end-March 2007 from 41.7 per cent at end-March 2006. While the total profits earned by profit-making PACS increased, the losses made by loss making PACS also increased. In the aggregate, 33,983 PACS earned profits amounting to Rs.749 crore, while 48,078 PACS incurred losses of Rs.2,402 crore. Thus, PACS as a group incurred higher net losses of Rs.1,653 crore during 2006-07

compared with Rs.1,201 crore during 2005-06 (Table IV.38).

Regional Dimensions

4.115 For the country as a whole as at end-March 2007, one PACS on an average covered seven villages. While penetration of PACS (number of villages served by a PACS) was the highest in the western region, it was the lowest in the central region. At the State/UT level, only seven States, viz., Chandigarh, Nagaland, Sikkim, Andaman and Nicobar Islands, Kerala, Maharashtra and Gujarat have achieved high penetration of up to two villages. Haryana, Arunachal Pradesh, Assam, Meghalaya, Jharkhand, Orissa, Chhattisgarh, Madhya Pradesh, Uttarakhand and Uttar Pradesh are States with low penetration of more than ten villages (Table IV.38 and Appendix Table IV.10).

4.116 The average size of deposits mobilised by PACS was Rs.120.82 lakh. The average size of deposits of PACS in Kerala at Rs.767.57 lakh far exceeded that of other States. In Puducherry, Orissa, Tamil Nadu, Jammu and Kashmir and Haryana, the average size of deposits mobilised by PACS was Rs.90.92 lakh, Rs.59.27 lakh, Rs.55.37 lakh, Rs.54.11 lakh and Rs.52.27 lakh, respectively.

4.117 In eight States (Himachal Pradesh, Punjab, Rajasthan, Arunachal Pradesh, Mizoram, Sikkim, Uttar Pradesh and Goa), the number of profit-making PACS as well as profits earned by them exceeded the number of loss making PACS and the amount of losses incurred by them. Puducherry has equal number of profit-making and loss making PACS. In ten States (Haryana, Assam, Meghalaya, Orissa, West Bengal, Madhya Pradesh, Maharashtra, Andhra Pradesh, Karnataka and Tamil Nadu), the number of loss making PACS as well as the amount of losses incurred by them exceeded the number of profit-making PACS and the amount of

Table IV.38: Select Indicators of Primary Agricultural Credit Societies - State-wise - 2006-07

Sr.	State	No. of PACS	No. of Villages Covered	No. of Villages Per PACS	Average Deposits (Rs.Lakh)	Working Capital (Rs. Lakh)	Societies in Profit		Societies in Loss	
							No.	Amount (Rs. Lakh)	No.	Amount (Rs. Lakh)
1		2	3	4	5	6	7	8	9	10
Northern Region		12,720	83,547	7	19.21	16,09,183	7,013	13,080	3,538	10,740
1.	Chandigarh	16	22	1	0.19	23	14	5	1	12
2.	Delhi	-	-	-	-	-	-	-	-	-
3.	Haryana	571	7,053	12	52.27	5,33,774	189	1,824	382	5,308
4.	Himachal Pradesh	2,086	19,388	9	31.37	93,743	442	937	318	84
5.	Jammu and Kashmir	937	7,396	8	54.11	1,91,537	444	1,609	403	1,781
6.	Punjab	3,981	12,329	3	19.17	4,66,489	2,330	4,562	1,183	1,458
7.	Rajasthan	5,129	37,359	7	4.3	3,23,617	3,594	4,143	1,251	2,097
North-Eastern Region		3,540	33,527	9	3.83	77,407	615	7,871	850	10,703
8.	Arunachal Pradesh	31	3,649	118	-	1,636	20	25	6	8
9.	Assam	809	23,422	29	0.63	7,533	309	7,639	419	9,909
10.	Manipur	186	-	-	34.95	45,904	-	-	108	201
11.	Meghalaya	184	3,761	20	0.45	1,797	51	47	128	512
12.	Mizoram	175	660	4	0.09	175	59	70	4	10
13.	Nagaland	1,719	969	1	3.73	11,246	-	-	-	-
14.	Sikkim	166	166	1	-	146	56	6	37	4
15.	Tripura	270	900	3	0.12	8,970	120	84	148	59
Eastern Region		22,160	196,754	9	161.76	9,16,286	4,992	3,084	12,379	7,189
16.	Andaman and Nicobar Island	46	109	2	1.89	281	34	0.02	-	-
17.	Bihar	5,969	45,098	8	1.02	46,186	1,180	604	3,962	64
18.	Jharkhand	208	5,185	25	6.1	1,523	60	91	-	-
19.	Orissa	3,860	43,303	11	59.27	5,09,046	1,380	1,134	2,387	5,062
20.	West Bengal	12,077	103,059	9	8.35	3,59,250	2,338	1,255	6,030	2,063
Central Region		15,265	192,554	13	208.54	5,98,873	7,125	9,841	4,998	18,177
21.	Chhattisgarh	1,257	19,899	16	16.59	98,165	779	1,848	474	3,873
22.	Madhya Pradesh	4,633	53,951	12	9.35	3,62,951	1,786	6,112	2,456	14,114
23.	Uttarakhand	446	5,900	13	6.56	11,830	24	107	100	37
24.	Uttar Pradesh	8,929	112,804	13	0.76	1,25,927	4,536	1,774	1,968	153
Western Region		29,086	53,958	2	105.75	15,18,445	10,481	21,175	16,599	75,529
25.	Goa	77	206	3	25.94	4,476	41	17	35	13
26.	Gujarat	7,956	16,289	2	2.37	4,90,635	3,339	9,565	2,675	36,680
27.	Maharashtra	21,045	37,462	2	0.65	10,23,270	7,095	11,593	13,889	38,836
28.	Dadra and Nagar Haveli	8	1	-	-	64	6	0.01	-	-
Southern Region		14,453	76,762	5	113.82	32,75,675	3,757	19,844	9,714	1,17,836
28.	Andhra Pradesh	4,064	29,207	7	7.88	5,64,084	867	1,612	3,036	24,398
29.	Karnataka	4,205	27,242	6	26.68	5,08,361	1,384	5,482	2,447	9,719
30.	Kerala	1,624	1,464	1	767.57	13,82,666	811	6,213	754	14,879
31.	Puducherry	52	320	6	90.92	8,177	26	0.9	26	3
32.	Tamil Nadu	4,508	18,529	4	55.37	8,12,387	669	6,536	3,451	68,837
All-India Total		97,224	637,102	7	120.82	79,95,869	33,983	74,895	48,078	2,40,174

- : Nil/Negligible.

Note : Average Deposit implies average deposit per PACS.**Source** : NAFSCOB.

profits earned by them. In five States/UTs (Chandigarh, Jammu and Kashmir, Chhattisgarh, Gujarat and Kerala), PACS incurred overall loss even as the number of profit-making PACS were more than the number of loss making PACS. In three States (Tripura, Bihar and Uttarakhand), PACS earned overall profits even as the number of loss making PACS were more than the number of profit-making PACS.

4.118 Out of total number of 97,224 PACS as on March 31, 2007, 57,427 PACS (59.1 per cent) were viable, 27,047 PACS (27.8 per cent) were potentially viable, 4,717 PACS (4.9 per cent) were dormant, 2,485 PACS (2.6 per cent) were defunct and 1,548 PACS (1.6 per cent) were 'others'. The aggregate number of dormant and defunct PACS was the highest in West Bengal (1,383), followed

by Bihar (1,292) and Nagaland (1,034) (Appendix Table IV.10).

Rural Co-operative Banks - Long-Term Structure

Structure, Spread and Growth

4.119 As at end-March 2007, the long-term co-operative credit structure, consisted of 20 state co-operative agriculture and rural development banks (SCARDBs) and 697 primary co-operative agriculture and rural development banks (PCARDBs). In those States which do not have the long-term structure, separate sections of the state co-operative banks look after the long-term credit requirements as well. In the North-Eastern region, only three States (Assam, Manipur and Tripura) had long-term structure.

State Co-operative Agriculture and Rural Development Banks

Operations

4.120 The assets/liabilities of the SCARDBs declined (1.1 per cent) during 2006-07. Borrowings, the main source of funds, as well as deposits declined by 2.4 per cent and 4.9 per cent, respectively. Net owned funds also witnessed a decline. On the asset side, loans and advances grew by 5.3 per cent, while investments recorded a moderate growth of 1.6 per cent. Cash and bank balances and 'other assets', however, witnessed a sharp decline (Table IV.39).

Financial Performance

4.121 Net interest income of SCARDBs declined sharply (Rs.529 crore during 2006-07 as compared with Rs.934 crore during 2005-06). However, a sharp rise in other income may be noted. As a result, operating profits of SCARDBs declined, *albeit* marginally. However, large increase in provisions and contingencies resulted in sharp decline in the net profit during 2006-07 (Table IV.40). Eight

Table IV.39: Liabilities and Assets of State Co-operative Agriculture and Rural Development Banks

(Amount in Rs.crore)

Item	As at end-March		Percentage Variations	
	2006	2007*	2005-06	2006-07*
1	2	3	4	5
Liabilities				
1. Capital	801 (3.2)	794 (3.3)	1.3	-0.9
2. Reserves	2,354 (9.6)	2,137 (8.8)	8.7	-9.2
3. Deposits	636 (2.6)	605 (2.5)	4.6	-4.9
4. Borrowings	17,075 (69.4)	16,662 (68.5)	-0.6	-2.4
5. Other Liabilities	3,739 (15.2)	4,138 (17.0)	6.0	10.7
Total Liabilities/Assets	24,604 (100.0)	24,336 (100.0)	1.4	-1.1
Assets				
1. Cash and Bank Balances	365 (1.5)	279 (1.1)	1.4	-23.6
2. Investments	1885 (7.6)	1,916 (7.9)	1.0	1.6
3. Loans and Advances	17,713 (72.0)	18,644 (76.6)	1.8	5.3
4. Other Assets	4,641 (18.9)	3,497 (14.4)	0.0	-24.6
* : Data are provisional				
Note : 1. Figures in parentheses are percentages to total				
2. For both the years data for Manipur SCARDB is repeated from 2004.				
Source : NABARD.				

out of 20 SCARDBs registered losses. The profit-making SCARDBs in Uttar Pradesh and Tamil Nadu which had profits last year, incurred losses during the year (Appendix Table IV.11).

Asset Quality and Recovery Performance

4.122 NPA levels of SCARDBs declined in 2006-07, both in absolute terms and in relation to total loans. This was due mainly to decline in NPAs in the 'doubtful' and the 'loss' categories. Their recovery performance (recovery to demand) deteriorated during the year. However, all the institutions were able to meet the necessary provisioning requirements (Table IV.41).

Table IV.40: Financial Performance of SCARDBs

(Amount in Rs.crore)

Item	As at end-March		Percentage Variations	
	2006	2007*	2005-06	2006-07*
1	2	3	4	5
A. Income (i+ii)	2,369	2,293	10.5	-3.2
	(100.0)	(100.0)		
i) Interest Income	2,269 (95.8)	1,809 (78.9)	8.0	-20.3
ii) Other Income	101 (4.2)	484 (21.1)	124.4	380.4
B. Expenditure (i+ii+iii)	2,107	2,204	-8.7	4.6
	(100.0)	(100.0)		
i) Interest Expended	1,335 (63.4)	1,280 (58.1)	-2.6	-4.1
ii) Provisions and Contingencies	531 (25.2)	667 (30.3)	-27.0	25.7
iii) Other Expenses	241 (11.4)	256 (11.6)	15.3	6.2
of which: Wage Bill	181 (8.6)	185 (8.4)	9.7	2.3
C. Profit				
i) Operating Profit	793	757	40.6	-4.6
ii) Net Profit	262.1	89.4	-261.2	-65.9
D. Total Assets	24,604	24,336	1.4	-1.1

* : Data are provisional.
Note : 1. Figures in parentheses are percentage to respective totals.
2. For both the years data for Manipur SCARDB is repeated from 2004.
Source : NABARD.

Regional Dimensions

4.123 SCARDBs operating in 10 States earned profits, while in eight States they incurred losses². Profits earned by SCARDBs in seven States (Madhya Pradesh, West Bengal, Assam, Rajasthan, Kerala, Gujarat and Maharashtra) improved during the year, while they declined in two States (Punjab and Karnataka). Two SCARDBs registered losses during the year as against net profits earned by them during 2005-06 (Uttar Pradesh and Tamil Nadu). SCARDB of Himachal Pradesh turned around during the year as it earned profit during 2006-07 as against losses incurred during 2005-06. Losses incurred by SCARDB in Orissa increased further, while losses by SCARDBs in Chhattisgarh, Tripura, Haryana, Jammu and Kashmir and Puducherry declined (Appendix Table IV.11).

² SCARDB in Manipur is under the process of liquidation as per inspection report 2003-04. Data in respect of profit/loss of SCARDB, Bihar are not available.

Table IV.41: Asset Quality of State Co-operative Agriculture and Rural Development Banks

(Amount in Rs.crore)

Item	As at end-March		Percentage Variations	
	2006**	2007*	2006**	2007*
1	2	3	4	5
A. Total NPAs (i+ii+iii)	5,779	5,643	6.3	-2.4
i) Sub-standard	3,753 (64.9)	4,316 (76.5)	14.1	15.0
ii) Doubtful	2,008 (34.7)	1,310 (23.2)	-5.7	-34.8
iii) Loss	18 (0.3)	17 (0.3)	-10.0	-5.6
B. NPAs to Loans Ratio	32.7	30.3		
<i>Memo Item:</i>				
i) Recovery to Demand (%) (30 June)	46.4	43.9		
ii) Provisions Required	1,578	1,287	54.1	-18.4
iii) Provisions Made	1,578	1,287	43.8	-18.4

* : Data for 2007 are provisional
** : Data for 2006 are updated
Note : Figures in parentheses are percentages to total
Source : NABARD

4.124 NPAs, as percentage of advances made by SCARDBs, varied widely across States at end-March 2007 from 100 per cent in Manipur to 0.03 per cent in Punjab. In as many as seven States (Assam, Manipur, Orissa, Jammu and Kashmir, Bihar, Gujarat and Uttar Pradesh), the NPA ratio was more than 50 per cent. In all, the NPA ratio in only four States (Punjab, Kerala, Madhya Pradesh and West Bengal) was less than 20 per cent. The recovery ratio also varied widely between 3.5 per cent (Orissa) and 96.8 per cent (Haryana). The average recovery of SCARDBs declined to 43.9 per cent during 2006-07 of total demand from 46.4 per cent during 2005-06. In 11 States, the recovery rate was less than 50 per cent (Appendix Table IV.11).

Primary Co-operative Agriculture and Rural Development Banks

Operations

4.125 The balance sheets of PCARDBs continued to expand during 2006-07 but at a

lower rate (1.9 per cent) as compared with the previous year (4.7 per cent). This could be attributed to the substantial decline in both deposits and borrowings. The share of borrowings, the most important source of funds in the overall liabilities also declined. Reserves of PCARDBs, after showing a substantial increase during 2005-06, remained almost at the same level during the year. On the asset side, investments recorded a sharp growth, reversing the trend of the last year, while loans and advances declined by 4.9 per cent during 2006-07 (Table IV.42).

Financial Performance

4.126 The financial performance of PCARDBs witnessed a turnaround with operating profit registering a sharp growth of 47.2 per cent as against a decline in the previous year. This was driven mostly by the sharp increase in net interest income. Non-interest income also

Table IV.42: Liabilities and Assets of PCARDBs

Item	(Amount in Rs.crore)			
	As at end-March		Percentage Variations	
	2006	2007*	2005-06	2006-07*
1	2	3	4	5
Liabilities				
1. Capital	922 (4.3)	918 (4.2)	0.2	(-0.4)
2. Reserves	2,665 (12.5)	2,678 (12.3)	21.4	0.5
3. Deposits	382 (1.8)	341 (1.6)	(4.9)	-10.7
4. Borrowings	13,066 (61.1)	12,751 (58.6)	2.5	-2.4
5. Other Liabilities	4,331 (20.3)	5,085 (23.3)	3.5	17.4
Total Liabilities/Assets	21,365 (100.0)	21,774 (100.0)	4.7	1.9
Assets				
1. Cash and Bank Balances	224 (1.1)	223 (1.0)	7.3	-0.4
2. Investments	778 (3.6)	824 (3.8)	-3.2	5.9
3. Loans and Advances	12,740 (59.6)	12,114 (55.6)	0.9	-4.9
4. Other Assets	7,623 (35.7)	8,612 (39.6)	12.5	13.0

* : Data are provisional.
Note : Figures in parentheses are percentages to total.
Source : NABARD.

increased significantly. However, a sharp increase in provisions and contingencies resulted in a net loss of Rs.147 crore, which was higher as compared with the net loss of Rs.109 crore during 2005-06 (Table IV.43).

Asset Quality and Recovery Performance

4.127 The overall NPAs of the PCARDBs, both in absolute terms and as percentage of total loans and advances, declined marginally during 2006-07. The reduction in NPAs was observed in all the three categories, i.e., 'substantial', 'doubtful' and 'loss'. The recovery performance also showed improvement during the year. The provisioning requirements declined during 2007-08, which were all met by PCARDBs (Table IV.44).

Regional Dimensions

4.128 Out of 697 PCARDBs operating in 12 States, information was available for only 692

Table IV.43: Financial Performance of PCARDBs

Item	(Amount in Rs.crore)			
	As at end-March		Percentage Variations	
	2006	2007*	2005-06	2006-07*
1	2	3	4	5
A. Income (i+ii)	2,123 (100.0)	2,447 (100.0)	-9.5	15.3
i) Interest Income	1,690 (79.6)	1,923 (78.6)	15.4	13.8
ii) Other Income	434 (20.4)	524 (21.4)	-50.7	20.7
B. Expenditure (i+ii+iii)	2,232 (100.0)	2,594 (100.0)	12.4	16.2
i) Interest Expended	1,239 (55.5)	1,259 (48.5)	9.6	1.6
ii) Provisions and Contingencies	698 (31.3)	1,014 (39.1)	28.1	45.3
iii) Operating Expenses	295 (13.2)	321 (12.4)	-5.1	8.8
<i>of which:</i>				
Wage Bill	205 (9.2)	221 (8.5)	0.5	7.8
C. Profit				
i) Operating Profit	589	867	-34.8	47.2
ii) Net Profit	-109	-147	-130.4	-34.9
D. Total Assets	21,365	21,774	4.7	1.9

* : Data are provisional.
Note : Figures in parentheses are percentages to respective total.
Source : NABARD.

Table IV.44: Asset Quality of PCARDBs

(Amount in Rs. crore)

Item	As at end-March		Percentage Variations	
	2006**	2007*	2005-06**	2006-07*
1	2	3	4	5
A. Asset Classification	4,586	4,316	13.1	-5.9
Total NPAs (i+ii+iii)	(100.0)	(100.0)		
i) Sub-standard	2,664 (58.1)	2,511 (58.2)	23.3	-5.7
ii) Doubtful	1,873 (40.8)	1,783 (41.3)	1.5	-4.8
iii) Loss	49 (1.1)	22 (0.5)	-2.0	-55.1
B. NPAs to Loans Ratio	35.64	35.44		
<i>Memo Item:</i>				
i) Recovery to Demand (June 30)	48	52		
ii) Provisions Required	1,081	799	24.0	-26.1
iii) Provisions Made	1,081	799	18.8	-26.1
* : Data for 2006-07 are provisional.				
** : Data for 2005-06 are updated.				
Note : Figures in parentheses are percentages to total.				
Source : NABARD.				

banks. While 350 PCARDBs made profits, 342 incurred losses (Appendix Table IV.12).

4.129 Asset quality continued to be poor with the NPA to outstanding loans ratio of PCARDBs in all the States except Maharashtra being higher than 20 per cent at end-March 2007. PCARDBs operating in Maharashtra had the lowest NPA ratio (10.04 per cent), while those in Karnataka had the highest (63.41 per cent). Total NPAs of PCARDBs operating in Orissa were highest, while those in Karnataka were lowest (Appendix Table IV.12). The average recovery of PCARDBs in three States (Haryana, Kerala and Himachal Pradesh) was more than 60 per cent of total demand. The recovery rate of PCARDBs in six other States (Madhya Pradesh, Karnataka, Punjab, West Bengal, Chhattisgarh and Rajasthan) ranged between 40 per cent and 60 per cent. In the remaining three States (Orissa, Tamil Nadu and Maharashtra), recovery rates were below 40 per cent (Appendix Table IV.12).

4. NABARD and the Co-operative Sector

4.130 National Bank for Agriculture and Rural Development (NABARD) was set up as

an apex Development Bank on July 12, 1982 with a mandate for facilitating investment and production credit to promote and develop agriculture, small-scale industries, cottage and village industries, handicrafts and other rural crafts. In discharging its role to promote integrated and sustainable rural development and secure prosperity of rural areas, NABARD is entrusted with the task of: (i) providing refinance to lending institutions in rural areas; (ii) promoting institution building; (iii) co-ordinating the operations of rural credit institutions; and (iv) evaluating, monitoring and inspecting the rural credit institutions. Besides, NABARD also maintains liaison with the Government of India, State Governments, the Reserve Bank and other national level institutions concerned with regard to policy formulation relating to rural development.

4.131 NABARD acts as a regulator for co-operative banks and RRBs. It also provides refinance to SCARDBs, StCBs, RRBs, commercial banks and other financial institutions approved by the Reserve Bank. While the ultimate beneficiaries of investment credit can be individuals, partnership concerns, companies, State-owned corporations or co-operative societies, production credit is generally extended to individuals.

Resources of NABARD

4.132 Since December 31, 2006, the Reserve Bank has stopped providing funds to NABARD through general line of credit (GLC) limit and it was advised to consider accessing the market on a regular basis. Accordingly, in 2006-07 NABARD raised resources mainly by way of bonds and debentures, besides the RIDF deposits. During 2007-08, NABARD had sizable amount of resources for lending activity due to the substantial rise in the rural infrastructure development fund (RIDF) deposits and other liabilities such as corporate bonds, *Bhavishya Nirman* bonds and NABARD

rural bonds. Besides, NABARD was also permitted to raise resources during the year through a new source, viz., certificate of deposits. Also, Rs.400 crore was transferred to the NRC (LTO) fund and Rs.10 crore to the NRC (Stabilisation) fund. On the whole, the resources of NABARD increased by 28.4 per cent to Rs.17,486 crore during 2007-08 on top of 99.5 per cent increase during last year (Table IV.45).

Rural Infrastructure Development Fund (RIDF)

4.133 Rural infrastructure development fund (RIDF) was set up with NABARD by the Government of India and the Reserve Bank in 1995-96 to provide loans to the State Governments for financing rural infrastructure projects. Commercial banks make contributions to the fund to the extent of the shortfalls in their agriculture and/or priority sector lending. Since 1999-2000, the scope of RIDF has been widened to enable utilisation of loan by *panchayati raj* institutions (PRIs), self-help groups (SHGs)

and non-government organisations (NGOs), among others. The fund has so far completed thirteen years of operation. The terms and conditions for the projects under RIDF XIII were the same as applicable under RIDF XII. The lending rate on loans continued to be 0.5 per cent above the bank rate prevailing at the time of loan sanction. Loans are secured by means of irrevocable letters of authority (mandate) executed by the State Governments and registered with the Reserve Bank and their time promissory notes.

4.134 The separate window for funding rural roads component of *Bharat Nirman* Programme of the Government of India, introduced in the Union Budget 2006-07, was continued during 2007-08, with an allocation of Rs.4,000 crore, raising the aggregate allocation to Rs.8,000 crore (Rs.4,000 crore each under RIDF XII and XIII). Against this, an amount of Rs.4,500 crore (Rs.4,000 crore under RIDF XII and Rs.500 crore under RIDF XIII) was disbursed to the National Rural Roads Development Agency (NRRDA), the nodal agency to borrow from NABARD for the purpose.

4.135 With the receipt of Rs.11,808 crore deposits from commercial banks during the year, the cumulative deposits received under RIDF were Rs.47,524 crore (Table IV.46).

4.136 The total corpus of the RIDF under Tranches I to XIII (excluding for *Bharat Nirman*) aggregated Rs.72,000 crore. Financial assistance sanctioned and disbursed under RIDF I to XIII was Rs.74,073 crore and Rs.45,595 crore, respectively as on March 31, 2008 (Table IV.47). RIDF VI and RIDF VII were closed on September 30, 2007 and December 31, 2007, respectively, and the disbursements thereunder were allowed up to December 31, 2007 and March 31, 2008, respectively. The implementation period for the projects sanctioned under RIDF VIII to X were

Table IV.45: Net Accretion to the Resources of NABARD

(Amount in Rs.crore)

Type of Resource	2006-07	2007-08
1	2	3
1. Capital	-	-
2. Reserves and Surplus	828	801
3. National Rural Credit (NRC) (i+ii)	42	412
i) Long-Term Operations (LTO) Fund	31	401
ii) Stabilisation Fund	11	11
4. Deposits (i+ii)	6,185	10,462
i) Ordinary Deposits	5	24
ii) RIDF Deposits	6,180	10,438
5. Borrowings (i+ii+iii+iv+v+vi)	5,058	1,437
i) Bonds and Debentures	8,079	-192
ii) Certificates of Deposit	-	1,422
iii) Borrowings from Central Government	-18	-12
iv) Borrowings from the Reserve Bank	-2,998	0
v) Foreign Currency Loans	-5	219
vi) Borrowings from Commercial Banks	0	0
6. Other Liabilities	1,502	4,374
Total	13,615	17,486

-: Nil/Negligible.

Source : NABARD

Table IV.46: Deposits Received under RIDF (I-XIII)

(As on end-March, 2008)

(Amount in Rs. crore)

Year	RIDF I	RIDF II	RIDF III	RIDF IV	RIDF V	RIDF VI	RIDF VII	RIDF VIII	RIDF IX	RIDF X	RIDF XI	RIDF XII	RIDF XIII*	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1995-96	350	-	-	-	-	-	-	-	-	-	-	-	-	350
1996-97	842	200	-	-	-	-	-	-	-	-	-	-	-	1,042
1997-98	188	670	149	-	-	-	-	-	-	-	-	-	-	1,007
1998-99	140	500	498	200	-	-	-	-	-	-	-	-	-	1,338
1999-00	67	539	797	605	300	-	-	-	-	-	-	-	-	2,307
2000-01	-	161	412	440	851	790	-	-	-	-	-	-	-	2,654
2001-02	-	155	264	-	689	988	1,495	-	-	-	-	-	-	3,591
2002-03	-	-	188	168	541	817	731	1,413	-	-	-	-	-	3,857
2003-04	-	-	-	-	261	503	257	681	457	-	-	-	-	2,159
2004-05	-	-	-	-	125	488	752	1,213	1,354	422	-	-	-	4,353
2005-06	-	-	-	-	215	165	461	923	1,372	2,020	936	-	-	6,092
2006-07	-	-	-	-	70	161	202	561	752	2,288	1,586	1,346	-	6,966
2007-08	-	-	-	-	-	162	167	241	556	981	1,780	5,681	2,240	11,808
Total	1,587	2,225	2,308	1,413	3,052	4,074	4,065	5,032	4,491	5,711	4,302	7,027	2,240	47,524

* : Including deposits received under the Bharat Nirman Programme.

Source : NABARD.

extended up to March 31, 2008 to enable the State Governments to complete the ongoing projects and avail of reimbursement of the expenditure.

4.137 The Union Finance Minister announced in the budget speech for the year 2008-09 that RIDF XIV, with a corpus of Rs. 14,000 crore, and a separate window under

RIDF XIV for rural roads component under *Bharat Nirman*, with a corpus of Rs.4,000 crore would be set up with NABARD for the year 2008-09. The Union Finance Minister also announced the setting up of another fund with NABARD, viz., Short Term Co-operative Rural Credit (STCRC) (Refinance) Fund with a corpus of Rs.5,000 crore.

Table IV.47: Loans Sanctioned and Disbursed under RIDF

(As on March 31, 2008)

RIDF	Year	No. of Projects	Corpus (Rs crore)	Loans Sanctioned (Rs. crore)	Loans Disbursed (Rs. crore)	Loan disbursed as percentage of loans Sanctioned [^]
1	2	3	4	5	6	7
I	1995	4,168	2,000	1,906	1,761	92.4
II	1996	8,193	2,500	2,636	2,398	91.0
III	1997	14,345	2,500	2,733	2,454	89.8
IV	1998	6,171	3,000	2,903	2,482	85.5
V	1999	12,106*	3,500	3,434	3,055	88.9
VI	2000	43,168	4,500	4,489	4,072	90.7
VII	2001	24,598	5,000	4,582	4,038	88.1
VIII	2002	20,963	5,500	5,997	4,976	83.0
IX	2003	19,579	5,500	5,649	4,514	79.9
X	2004	17,368**	8,000	8,077	5,636	69.8
XI	2005	30,305	8,000	8,412	4,395	52.2
XII	2006	42,299	10,000	10,460	3,467	43.6
XIII	2007	36,964	12,000	12,795	2,349	57.6
Total		2,80,227	72,000	74,073	45,595	62.0

* : One lakh Shallow Tube Wells sanctioned to Government of Assam treated as a single project.

** : 42,616 construction of primary school structures sanctioned to Madhya Pradesh Government converted into 213 projects.

[^] : With phased amount.

Source : NABARD.

4.138 The State-wise analysis of cumulative sanctions and disbursements under RIDF scheme reveals that as on March 31, 2008, nine States (Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal) accounted for 70 per cent of total disbursements and 68 per cent of total sanctions (Appendix Table IV.13).

Credit extended by NABARD

4.139 NABARD provides short-term credit facilities to StCBs for financing seasonal agricultural operations (SAO), marketing of crops, pisciculture activities, production/procurement and marketing activities of co-operative weavers societies, purchase and sale of yarn by apex/regional societies, production and marketing activities of industrial co-operatives, financing of individual rural artisans through PACS, purchase and distribution of fertilisers and allied activities, and marketing activities. Medium-term facilities were provided to StCBs and RRBs for converting short-term loans for financing SAO to medium-term (conversion) loans and for approved agricultural purposes. Long-term loans are provided to the State Governments for contributing to share capital of co-operative

credit institutions. During 2007-08, NABARD sanctioned higher total credit limits of Rs.18,689 crore as against Rs.16,338 crore during 2006-07 for various short and medium-term purposes to StCBs and RRBs, and long-term loans to the State Governments. Amounts drawn by both StCBs and RRBs also increased during the year. During 2007-08, repayments were lower for the StCBs, while those for the RRBs were higher than the previous year. On the aggregate, however, repayments were also significantly lower during 2007-08, resulting in an increase in outstanding amount as on March 31, 2008 (Table IV.48).

Interest Rates charged by NABARD

4.140 The interest rate charged by NABARD has been uniform irrespective of the size or purpose of the loan (Table IV.49).

Kisan Credit Card Scheme

4.141 The *Kisan Credit Card (KCC)* scheme introduced in August 1998 aims at providing adequate, timely, cost effective and hassle free credit support to the farmers and is being implemented across India by all public sector commercial banks, RRBs and co-operative banks. To cater to the comprehensive credit requirements of farmers under the single

Table IV.48: NABARD's Credit to StCBs, State Governments and RRBs

(Amount in Rs. crore)

Category	2006-07				2007-08			
	Limits	Drawals	Repayments	Outstanding	Limits	Drawals	Repayments	Outstanding
1	2	3	4	5	6	7	8	9
1. State Co-operative								
Banks (a+b)	13,632	13,051	10,910	11,553	15,416	13,879	9,751	15,784
a. Short-term	13,404	12,991	10,823	9,508	15,200	13,774	8,889	14,496
b. Medium-term#	228	60	86	2,045	216	105	862	1,288
2. State Governments								
Long-term	20	16	68	335	21	18	63	290
3. Regional Rural								
Banks (a+b)	2,686	2,698	2,321	3,147	3,252	2,927	2,418	3,655
a. Short-term	2,686	2,698	2,320	2,519	3,092	2,766	2,400	2,885
b. Medium-term#	0	0	1	627	161	161	18	770
Grand Total (1+2+3)	16,338	15,765	13,299	15,035	18,689	16,824	12,232	19,730

#: Including liquidity support scheme.

Notes : 1. Short Term includes Seasonal Agricultural Operations (SAO)-(July to June for 2006-07 and April to March for 2007-08) and Other than Seasonal Agricultural Operations (OSAO); (i) for StCBs the period is April to March, (ii) for RRBs the period is July to June.

2. Medium Term Includes MT Conversion (July to June) and MT (NS) period Jan to Dec

3. Loans to State Government-period is April to March

4. Repayment figures for 2006-07 now revised and includes repayments under A/C-I and A/C-II

Source : NABARD.

Table IV.49: NABARD's Interest Rates for Term Loans -2007-08

(Per cent per annum)		
Agency	Effective Date	Rate of Interest on Refinance
1	2	3
CBs, RRBs, PUCBs, ADFCs and NEDFC	14.05.2007	9.5
StCBs and SCARDBs	14.05.2007	9
For all agencies (NE region)	28.05.2007	9
RRBs	01.11.2007	9
StCBs, PUCBs, ADFCs and NEDFC	23.01.2008	9
SCBs, SCARDBs and RRBs	23.01.2008	8.5
For all agencies (NE region)	23.01.2008	8.5
Notes :		
1. CB-Commercial Banks.		
2. StCBs-State Co-operative Banks.		
3. RRB-Regional Rural Bank.		
4. PUCB-Primary Urban Co-operative Bank.		
5. ADFC-Agricultural Development Finance Company.		
6. NEDFC-North Eastern Development Finance Corporation Ltd.		
7. SCARDB-State Co-operative Agriculture and Rural Development Bank.		
Source : NABARD.		

window, the scope of KCC was broadened by NABARD from time to time. In addition to short-term credit needs and term loans for agriculture and allied activities, a certain component of loans through KCC also covers consumption needs of the farmers. Keeping in view the Government of India's emphasis on increasing credit flow to the agriculture sector, it has been the constant endeavour of NABARD to cover all the farmers under the KCC. Accordingly, NABARD had advised banks to bring into the fold of KCC all farmers, including defaulters, oral lessees, tenant farmers and share croppers, among others, who might have been left out of the KCC scheme as also to identify new farmers. Banks were also advised to issue KCCs in a hassle-free manner and extend crop loans only through KCC. To further expand the coverage of borrowers under KCC, the scheme was extended to borrowers of long-term co-operative credit structure, viz., PCARDBs and SCARDBs.

4.142 During 2007-08, co-operative banks, RRBs and public sector banks issued 2.09 million, 1.77 million and 4.6 million cards, respectively (Table IV.50). Out of this, co-operative banks accounted for the largest share (45.8 per cent), followed by commercial banks (41.0 per cent) and RRBs (13.2 per cent).

4.143 The State-wise progress in implementation of KCC scheme shows wide variations. Eight States, viz., Uttar Pradesh, Andhra Pradesh, Maharashtra, Karnataka, Madhya Pradesh, Orissa, Rajasthan and Tamil Nadu have performed comparatively well, accounting for 75 per cent of the total cards issued by banks throughout the country. (Appendix Table IV.14).

Gramin Tatkal Scheme

4.144 The *Grameen Tatkal Scheme* (GTS) formulated by NABARD is a unique loan product combining investment, production and consumption needs of rural families. The approach towards lending is 'family-centric' and the credit needs are assessed and loan decisions and repayment potential are determined on the basis of family cash flow, thus, allowing banks to decide the loan size and interest rate payable. The scheme is being implemented from 2006-07 on a pilot basis in eight States, viz., Andhra Pradesh, Haryana, Karnataka, Maharashtra, Punjab, Tamil Nadu, Uttar Pradesh and West Bengal. Tamil Nadu has emerged as the front-runner in implementing the scheme. A study conducted by NABARD and GTZ (*Gesellschaft fur Technische Zusammenarbeit*)—an international co-operation enterprise for sustainable development with worldwide operations, jointly in the operational area of *Pandyan Grama*

Table IV.50: Number of Kisan Credit Cards Issued: Agency-wise and Year-wise

(As on March 31, 2008)

(Numbers in million)				
Year	Co-operative Banks	RRBs	Commercial Banks	Total Banks
1	2	3	4	5
1998-99	0.16	0.01	0.62	0.78
1999-00	3.59	0.17	1.37	5.13
2000-01	5.61	0.65	2.39	8.65
2001-02	5.44	0.83	3.07	9.34
2002-03	4.58	0.96	2.70	8.24
2003-04	4.88	1.27	3.09	9.25
2004-05	3.56	1.73	4.40	9.68
2005-06	2.60	1.25	4.16	8.01
2006-07	2.30	1.41	4.81	8.51
2007-08	2.09	1.77	4.60	8.46
Total	34.81	10.05	31.21	76.07
Share in Total (per cent)	45.8	13.2	41.0	100.0
Note : Term loan financing under KCC introduced in August 2004.				
Source : NABARD.				

Bank, Tamil Nadu indicated that the scheme was well accepted at the ground level and rural families were benefited due to availability of finance for multiple activities and consumption purposes. Repayment was nearly 99 per cent under the scheme. As on March 31, 2008, 1,500 families were provided loan assistance to the tune of Rs.29.9 crore under this scheme.

Recent Initiatives by NABARD

4.145 Several initiatives taken by NABARD during 2007-08 are expected to increase the flow of credit to the rural sector. In order to reinforce the credit functions and make credit more productive, NABARD has been undertaking a number of developmental and promotional activities (Box IV.6)

Box IV.6: Development Initiatives by NABARD

The following initiatives were taken by NABARD during 2007-08, which focussed on the overall development of the rural areas, including people living therein.

- *Watershed Development Fund (WDF)*: The corpus of this fund was augmented by Rs.34.7 crore during 2007-08. During the year, 63 watershed projects were sanctioned and 31 projects entered the full implementation phase. An amount of Rs.23.8 crore and Rs.3.8 crore were disbursed as grant and loan, respectively.
- *Participatory Watershed Development Programme*: During 2007-08, 18 watershed projects with grant assistance of Rs.13.5 crore were sanctioned and Rs.1.5 crore were disbursed.
- *Village Development Programme (VDP)*: As on March 31, 2008, 913 villages across 24 States were identified for implementation of the programme.
- *Pilot Project for Integrated Development (PPID) of Backward Blocks*: It was extended to cover 139 blocks across 16 States at end-March 2008. During the year, 136 exposure programmes were conducted on vermiculture, organic farming, polyhouse technology, cultivation of medicinal and aromatic crops, in collaboration with research institutes, *Krishi Vikas Kendras* (KVKs) and Agriculture Universities.
- *Tribal Development Fund (TDF)*: The Fund was augmented during 2007-08 by means of RIDF interest differential of Rs.348.9 crore, taking the total amount to Rs.603 crore. During 2007-08, an assistance of Rs.48.7 crore was sanctioned for 16 projects benefiting 14,538 tribal families in seven States.
- *Farm Innovation and Promotion Fund*: During 2007-08, 29 projects involving grant assistance of Rs.1.66 crore in 15 States on areas like System of rice intensification techniques, introduction of hybrid khaki campbell duck farming, implementation of village farm development plan in distress districts, implementation of pilot projects for farmers' participation in commodity futures trading involving NCDEX/MCX, etc. were taken up.
- *Farmers' Clubs*: During 2007-08, 5,277 farmers' clubs (FCs) were launched taking the total number of clubs to 28,226 covering 61,789 villages in 555 districts as on March 31, 2008. During the year, NABARD reviewed its policy for supporting FCs through various agencies and decided to extend cent per cent financial support to specified activities of RRBs and co-operative banks while the support for commercial banks would continue to be 50 per cent on a cost sharing basis.
- *Rural Innovation Fund (RIF)*: During the year, 29 projects with financial support of Rs.7.8 crore were sanctioned.
- *District Rural Industries Project (DRIP)*: During 2007-08, ground level credit flow in 83 DRIP districts covered under various phases reached Rs.1,177.9 crore and refinance availed of was Rs.275.4 crore.
- *Scheme for Strengthening of Rural Haats*: During 2007-08, support in the form of grant of Rs.53.4 lakh was sanctioned for infrastructure in 18 haats (a place where people meet periodically for buying and selling of goods and services) three each in Chhattisgarh and Uttar Pradesh, two haats each in Andhra Pradesh, Tamil Nadu and West Bengal and one haat each in Bihar, Kerala, Madhya Pradesh, Maharashtra, Orissa and Rajasthan.
- *Cluster Development Programme*: During 2007-08, rural industrialisation through the cluster approach was extended to 19 clusters, taking the total number of clusters under this programme to 61 at end-March 2008. With a view to extending the cluster approach for developing rural tourism, NABARD approved two rural tourism clusters in Sikkim and one in Tamil Nadu and one tourism-cum-handicrafts cluster in West Bengal.
- *Rural Entrepreneurship Development Programme (REDPs) and the Skill Development Programme (SDPs)*: During 2007-08, grant of Rs.767.6 lakh was provided for 1,422 REDPs/SDPs covering 33,148 rural youth. In addition, grant of Rs.142 lakh was sanctioned for conducting 443 REDPs/SDPs by 14 rural development and self employment training institutes (RUDSETI) in 15 States, as also, grant of Rs.3.2 lakh extended to IL&FS for conducting four IT related SDPs for the rural youth of Jharkhand under the common service centre scheme of the Government of India.
- *Swarozgar Credit Cards (SCCs)*: During 2007-08, 1.55 lakh SCCs involving credit limits of Rs.679.3 crore were issued. As on March 31, 2008, the banking sector issued 0.8 million SCCs involving an aggregate credit limit of Rs.3,379.4 crore.
- *Gender Development Programmes*: During the year, grant of Rs.4.5 lakh was released under marketing of non-farm products of rural women (MAHIMA). Moreover, during 2007-08, the scheme for setting-up women development cells (WDCs) was modified and 69 WDCs in 37 RRBs, 31 DCCBs and 1 SCARDB were sanctioned as on March 31, 2008.
- *Rural Marts*: During the year, 50 rural marts were sanctioned involving grant of Rs.51.84 lakh. NABARD supported 206 marketing events/exhibitions across the country involving grant assistance of Rs.94.13 lakh. The pilot scheme for setting-up rural marts was extended to all States.
- *Training-cum-Production Centre (TPC)*: During 2007-08, Rs.5.43 lakh was released as grant to Tata Tea Ltd. for establishing a training-cum-production centre (TPC) at Rowta, Assam for imparting training on design development, manufacturing of special products, marketing intervention and supporting Bodo women weavers.

5. Revival of the Rural Co-operative Banking Sector

Short-term Rural Co-operative Credit Sector

4.146 The main focus of the recommendations of the Task Force on Revival of Rural Co-operative Credit Institutions (Chairman: Prof. A. Vaidyanathan) was to restore autonomy of the credit co-operatives by scaling down the control and interference by the State Governments through amendments to the State Co-operative Societies Acts. Amendment to the Banking Regulation Act, 1949 was also recommended. Further, the recommendations of the Task Force included provision of financial assistance for recapitalisation to fund the accumulated losses of the short-term co-operative credit structure, evolving a common accounting system, management information system (MIS) and computerisation and HRD initiatives. The proposed financial assistance was made contingent upon the introduction of institutional, legal and regulatory reforms.

4.147 In January, 2006 the Central Government announced a revival package with an estimated outlay of Rs.13,596 crore, based on the recommendations of the Task Force. The package covers financial assistance for cleansing of balance sheets of short-term co-operative credit structure (as on March 31, 2004), capital infusion for ensuring CRAR of 7 per cent, technical support for capacity building for training, introduction of common accounting and MIS and their computerisation. Release of financial assistance was made conditional to certain legal and institutional reforms, viz., amendments to Co-operative Societies Acts (CSAs), introduction of professionals on boards of co-operatives, introduction of common accounting system (CAS) and management information system (MIS), among others.

4.148 At end-September 2008, 25 States (Andhra Pradesh, Arunachal Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Jammu and Kashmir, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Punjab, Rajasthan, Sikkim, Tamil Nadu, Tripura, Uttarakhand, Uttar Pradesh and West Bengal) executed MoUs with the Government of India and NABARD. A national level implementing and monitoring committee, chaired by Secretary, Ministry of Finance, Government of India was constituted to guide and monitor the implementation of the revival package. State level and DCCB level implementing and monitoring committees (SLICs and DLICs) were also set up for the purpose in all implementing States. NABARD also arranged for placing a three member dedicated team in each DCCB as supporting arm to DLICs.

4.149 As on March 31, 2008, special audit of PACS was completed in 59,294 PACS affiliated to 279 DCCBs. State-level task forces were constituted in the implementing States to review regulatory issues relating to co-operative banks. By end-September 2008, Governments of nine States passed bills to amend their Co-operative Societies Acts (CSAs). The purpose for the amendment of CSA is: (i) removing State intervention in financial and administrative matters; (ii) full operational freedom; (iii) timely elections; and (iv) regulatory control by the Reserve Bank.

4.150 NABARD has developed and circulated CAS and MIS to PACS for adoption. These were to be operationalised in all implementing States with effect from April 1, 2008. The standardised set is intended to aid decision making at PACS, higher financing agencies, regulators and other agencies. NABARD has prepared two

separate training modules, designed training material and trainers' guides for secretaries and staff of PACS and the elected board. These were made available in local languages as well. Training was imparted to 250 master trainers from 15 implementing States who, in turn, trained 1,121 district level trainers for conducting actual field level programmes. Training of secretaries and elected members of PACS has been initiated in 11 States. So far, 58,212 secretaries/staff and 75,108 elected members of PACS have been trained along with 491 DCCB personnel. A Technical Committee under the chairmanship of Managing Director, NABARD has finalised guidelines on computerisation of CAS and MIS of PACS.

4.151 In a move towards recapitalising eligible PACS, NABARD released Rs.3,980 crore as the Government of India's share in recapitalisation. The release of funds has been made conditional on the concerned state Governments promulgating an ordinance or passing a bill for amending their CSAs and releasing their share. The Governments of seven States have released their shares to the

tune of Rs.380 crore for recapitalisation assistance of PACS.

Long-Term Rural Co-operative Credit Structure

4.152 The Task Force appointed by the Government of India for the revival of Long-Term Co-operative Credit Structure (LTCCS) (Chairman: Prof. A. Vaidyanathan) submitted its report in August 2006. The report was circulated to all States and Union Territories inviting their observations and suggestions. After discussions and consultations with all concerned, a draft package was formulated by the Government of India and sent to all the State Governments for their concurrence. At the time of the presentation of the budget for 2008-09, Hon'ble Union Finance Minister announced that the Government of India and the State Governments have reached an agreement on the contents of the package to implement Vaidyanathan Committee Report on revival of LTCCS. The cost of the package is estimated at Rs.3,074 crore, of which the Central Government's share would be Rs.2,642 crore.