



EduTap

NABARD ANNUAL REPORT

2024-2025



EduTap

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Chapter: 1

India and the World – The Economy in 2024-25

1.1 Global Macro-Financial Conditions

Global growth in 2024 remained below its long-term average. The reasons for this low global growth are:

Geo-Economic Conflicts

Weak Productivity Growth

Halted Disinflation

High Debt Levels

Volatile Financial Markets

- In 2025, risks intensified despite softer international crude oil prices, due to the following factors:

Protectionist Tariffs

Geo-political Tensions

➤ **Global Growth:**

- In 2024: 3.3%, below long-term average of 3.7% (2000–2019).

- In 2025, as per IMF World Economic Outlook, Projected to slow to 2.8% due to protectionist tariffs and uncertainty.

➤ **Global Trade Policy:**

- Policy uncertainty index hit record high since 1960.
- Global Economic Policy Uncertainty Index neared pandemic-era highs.
- Financial markets (bond, equity, FX) saw volatility.

➤ **Inflation:**

- After sharp disinflation in 2024, pace slowed in early 2025.
- Headline inflation Q1 2025 above targets in most countries.
- Uncertainty persists until trade/geopolitical tensions ease.

➤ **Global Merchandise Trade (as per WTO):**

- Expanded steadily in 2024 and early 2025.
- Projected to contract by 0.2% in 2025 (possibly 1.5% if conditions worsen).
- Services: 26.4% of global trade in 2024, grew faster than merchandise trade. In 2024, services trade increased by 9% as compared to merchandise trade which increased by 2%
- However, in 2025, services growth expected to slow due to tariffs.

➤ **Commodity Prices:**

- Both oil and non-oil commodities remained volatile.
- Brent crude surged to above \$80/barrel (Oct 2024 & Jan 2025), then dropped to ~\$60 (May 2025).
- Rose again in June 2025 amid renewed geopolitical tensions.
- Gold prices reached new highs in 2025.

Table 1.1: Global economic indicators (year-on-year growth %)

Indicators	2023	2024	2025
World output	3.3	3.3	2.8
Advanced economies (AEs)	1.7	1.8	1.4
Emerging market and developing economies (EMDEs)	4.4	4.3	3.7
World trade volume (goods and services)	0.7	3.8	1.7
World trade volume (goods)	-1.0	2.9	-0.2
World trade volume (commercial services)	6.8	6.8	4.0
World consumer prices	6.7	5.7	4.3
AEs	4.6	2.6	2.5
EMDEs	8.1	7.7	5.5
Commodity prices(\$)			
Oil	-16.4	-1.8	-15.5
Non-fuel	-5.7	3.7	4.4

1.2 Domestic Macro-Economic Developments

Despite this challenging global scenario, the Indian economy recorded resilient growth in FY2025. This was supported by:

Declining Domestic Inflation

Sustained fiscal push on capital expenditure

Strong Corporate balance sheets

Sound External Balance

Stable Financial System

Agriculture Growth and Strong Rural Demand

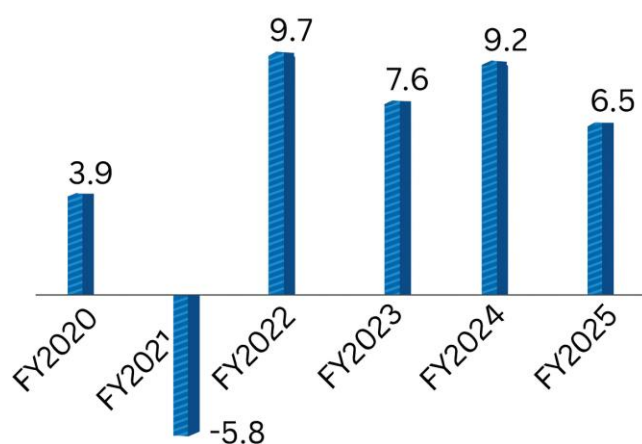
FY2026 growth may benefit from accommodative monetary policy, improved liquidity, deregulation, and fiscal measures like income tax reforms. However, unresolved tariff disputes and spillovers from weaker global growth could negatively impact the outlook.

1.2.1 Resilient Growth in a sound Macro Economic Policy Setting

➤ GDP Growth:

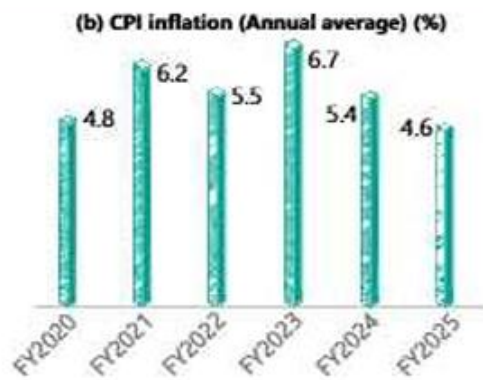
- FY2025: **6.5%**, lower than **9.2% in FY2024**.
- Despite slowdown, India remained the fastest growing major economy, supported by sound macroeconomic conditions, fiscal consolidation, healthy corporate balance sheets, and stable financial sector.

(a) GDP YoY growth (At constant prices) (%)



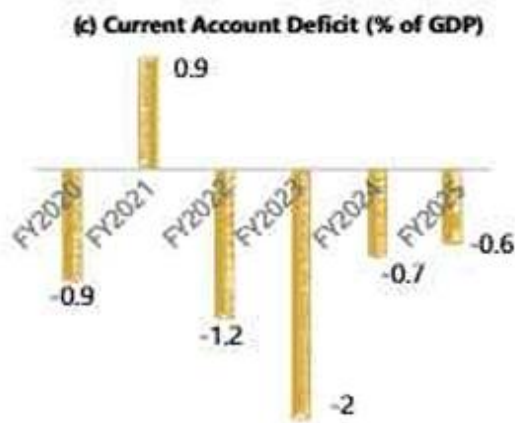
➤ Inflation:

- FY2024 average inflation: **4.6%**, lower than the five-year average.
- CPI inflation fell sharply to below **4%** in the last two months of FY2024.
- Core CPI remained subdued throughout the year.
- RBI cut policy rate by **100 basis points in Q4 FY2025**, injecting liquidity and easing interest rates.



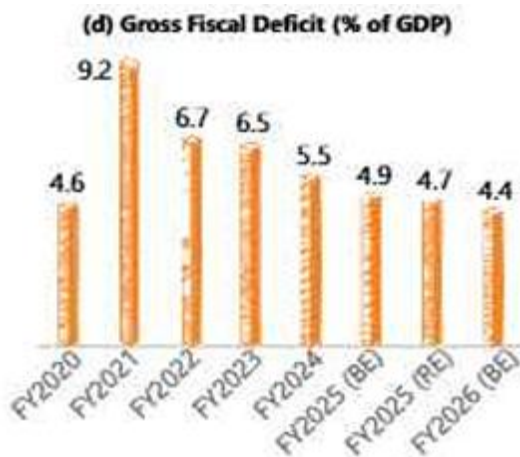
➤ **External Sector:**

- Current account deficit in FY2025: **\$23.3 billion (0.6% of GDP)**, lower than **\$26.0 billion (0.7% of GDP)** in FY2024.
- Q4 FY2025: Surplus of **\$13.5 billion** in current account balance.
- Services exports and remittances played a key role in containing the deficit amid an unfavourable global environment.



➤ **Fiscal Policy:**

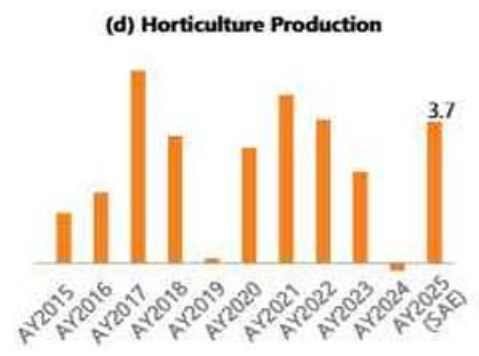
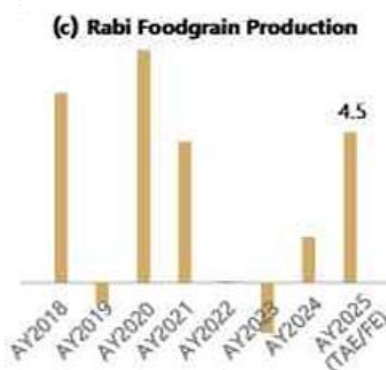
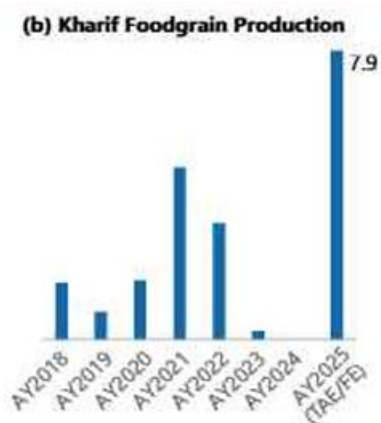
- Fiscal policy balanced consolidation with growth support via targeted public expenditure.
- **Fiscal deficit:** Budgeted to decline to **4.4% of GDP**.
- **Capital expenditure:** Central government allocation at **₹11.2 lakh crore**, **10% higher** than revised estimates of the previous year (**₹10.2 lakh crore**).
- **Tax reforms:** Personal income tax changes, focused on the middle class, expected to transfer about **₹1 lakh crore** as lower tax burden, boosting consumption.
- Robust GDP growth reflects that fiscal consolidation combined with higher quality expenditure has supported growth.



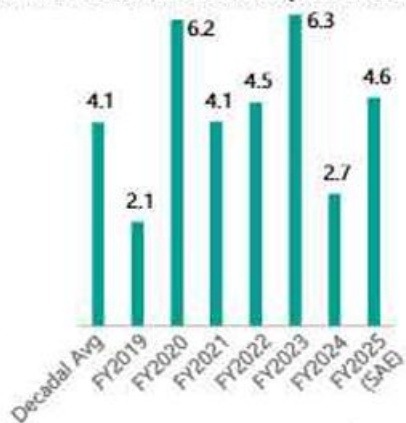
1.3 Robust Growth in Agriculture Boosted Rural Demand

- **Agriculture GVA Growth:** Strong **4.6% in FY2025**, driven by foodgrains and horticulture output.
- **Production Trends:**
 - Rebound in kharif foodgrains, horticulture, and rabi foodgrains in AY2025 after subdued growth in AY2024 and previous three years.
- **Rural Incomes:**
 - About **20%** of average rural household income from cultivation and **7%** from livestock rearing (NAFIS Survey 2021–22).
- **Output Data:**
 - Total Horticulture production of **3,677.2 lakh MT** (second advance estimates) exceeded total foodgrains production of **3,539.6 lakh MT** (third advance estimates), as in previous years.

foodgrains, and horticulture production: YoY Growth (%)



(a) Agriculture and Allied Activities (Real GVA at 2011–12 prices)

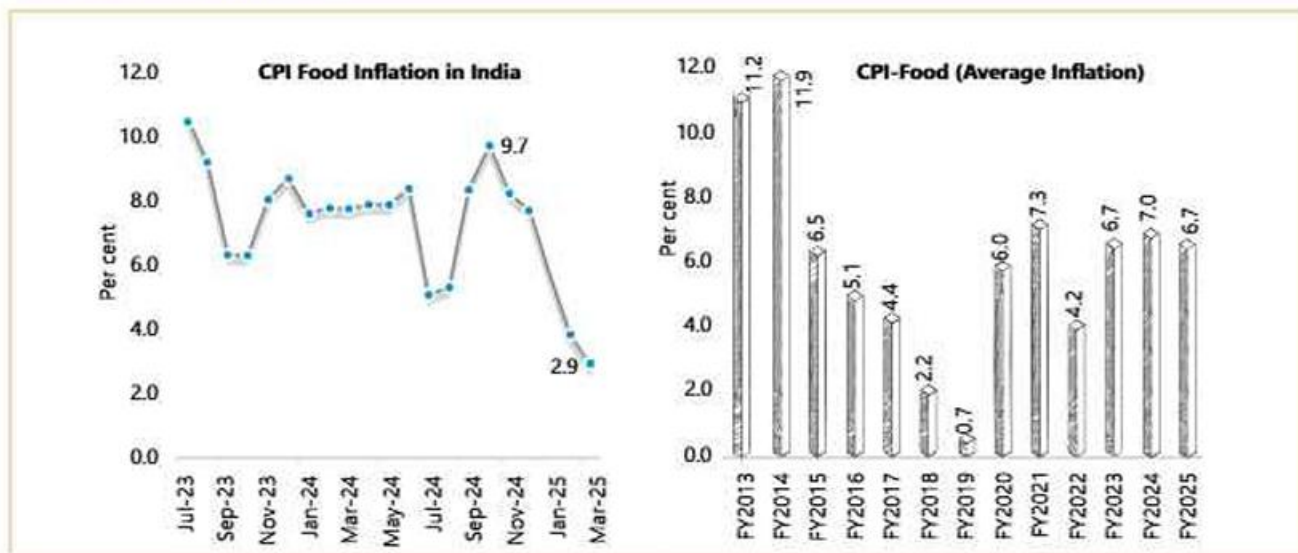


- **Impact:** Healthy agricultural growth provided a major boost to **rural demand**.

1.3.1. Food Inflation moderated sharply during the year

- **Food** accounts for **45.86%** of average household consumption in India (used in CPI measurement).
- **Inflation Trend:**
 - Food inflation fell from **9.7% (Oct 2024)** to **2.9% (Mar 2025)**.
 - Average food inflation in **FY2025** remained high at **6.7%**.
 - In **5 of the last 6 years**, average annual food inflation was **6% or more**, suggesting the need for sustained measures required to improve crop yields, strengthen supply chains, reduce mark-ups, and cut food waste.
- **Consumption Patterns (Household Consumption Expenditure Survey 2022–23 & 2023–24):**
 - Share of food declined significantly compared to 2011–12 but rose marginally in **2023–24 over 2022–23**.
 - Indicates when food inflation is high, households devote a larger proportion of income to food.
 - Share of food in consumption basket still high in **2023–24**, reinforcing the need for supply-side measures to ensure non-inflationary growth.

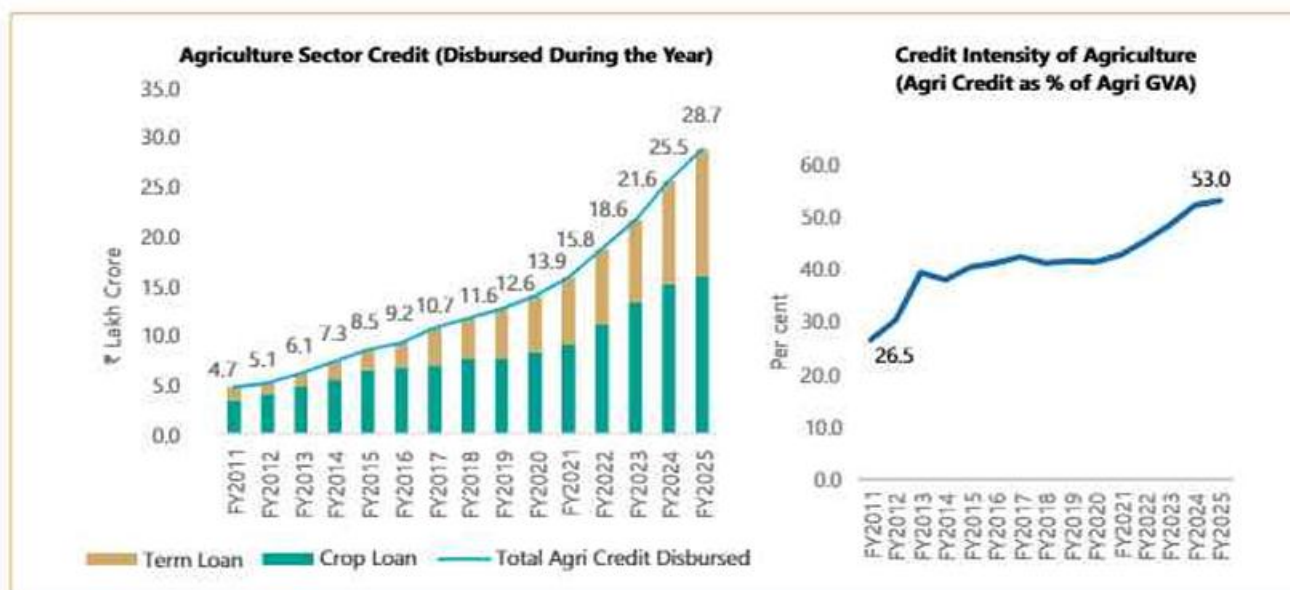
Figure 1.3: CPI Food Inflation



1.3.2 Farm Sector Buoyancy Spurred by Sustained High Growth in Credit Flows to Agriculture

- Targeted flow of credit to agriculture under priority sector norms and expanded **Kisan Credit Card (KCC)** coverage boosted credit intensity.
 - Annual targets have been consistently overachieved; **investment credit (term loans)** now accounts for over **40%** of total credit, supporting crop yields and value addition.
- **FY2025 Data:**
- Credit target: **₹27.5 lakh crore.**
 - Actual disbursement: **₹28.7 lakh crore.**
- **Credit Intensity:** Share of agricultural credit as % of GVA rose from **~10% (early 2000s)** to **50% now.**
- **Policy Announcements (FY2026 Budget):**
- KCC limit raised from **₹3 lakh to ₹5 lakh** (for interest subvention).
 - Collateral-free lending limit raised from **₹1.6 lakh to ₹2 lakh.**
- **Impact:** Sustained uptrend in agricultural credit intensity expected to continue.

Figure 1.4: Credit Flows to Agriculture



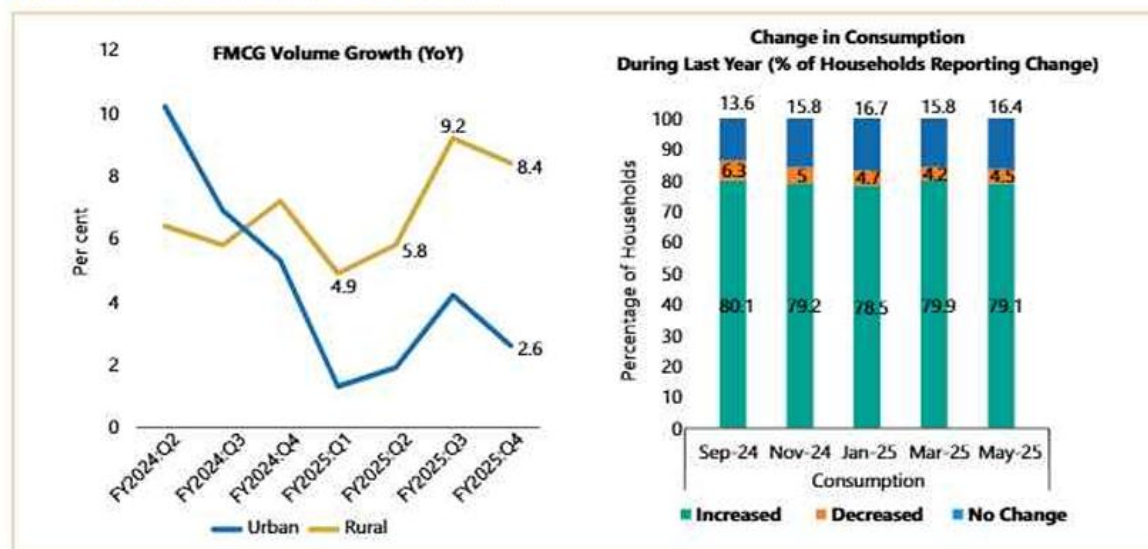
Source: NABARD

1.4 Rural Economic Activity Remained Buoyant

➤ Rural Consumption Trends:

- Stronger consumption-led growth momentum in rural areas during FY2025.
- FMCG volume growth exceeded urban pace, showing acceleration over successive quarters before moderating in the last quarter.
- NABARD's Rural Economic Conditions & Sentiments Survey (5 rounds: Sep 2024, Nov 2024, Jan 2025, Mar 2025, May 2025):
 - **79.1% (May 2025)** households reported higher consumption expenditure over the past year.
 - Only **4.5% (May 2025)** reported a decline in consumption.
 - More than **50%** expected improvement in income and employment in the next quarter.

Figure 1.5: Rural Consumption Demand in 2024–25



Source: NIELSEN IQ and NABARD

➤ **High-Frequency Indicators of Rural Economy:**

- Indicators include scooter, fertilizer, and tractor sales; agricultural and non-agricultural employment; agricultural exports; bank credit to agriculture; MGNREGA demand; rural wages; terms of trade; reservoir water levels; rural sentiment.
- Agricultural indicators deflated by CPI-rural inflation for comparability.
- Most indicators showed robust growth in **FY2025 over FY2024**.
- Decline noted in MGNREGA employment and agricultural employment, but offset by gains in non-agricultural jobs, signaling improvement in the rural economy.

➤ **Composite Indicator of Rural Economy:**

- Constructed using **Principal Component Analysis (PCA)**.
- Showed buoyant rural economic activity in **FY2025**, with moderation in the second half.

1.4.1 Policy Initiatives Drive Transformative Changes in the Rural Economy

- The government adopted a **multipronged policy approach** to address challenges in the rural economy and agriculture sector.
- Recent policy initiatives aim at:
 - Reducing poverty and raising farmer incomes.
 - Enhancing resilience to climate shocks.
 - Promoting technology adoption and modern cropping practices.
 - Strengthening marketing infrastructure and rural supply chains.
 - Harnessing digital infrastructure.
 - Deepening financial inclusion.
- **Union Budget FY2026:** Announced several measures to raise farm sector productivity and enhance rural prosperity.

APPENDIX TO CHAPTER 1

Table A1.1: Transformative Policy Changes in the Farm Sector

Sr. No.	Name of the Scheme	Objectives
01.	Market Intervention Scheme and Price Support Scheme (MIS-PSS)	<ul style="list-style-type: none"> ➤ A Price Differential Payment component was introduced under the Market Intervention Scheme (MIS) from AY2025. ➤ Provides direct payment of the price difference between: <ul style="list-style-type: none"> • Market Intervention Price (MIP) and • Selling price to farmers of perishable crops. ➤ States/UTs can choose between: <ul style="list-style-type: none"> • Physical procurement of crops, or

Sr. No.	Name of the Scheme	Objectives
		<ul style="list-style-type: none"> • Differential payment between MIP and Sale Price. ➤ Aims to protect farmers of perishable crops from distress sales during: <ul style="list-style-type: none"> • Bumper crop arrivals • Price fall below cost of production. ➤ New feature: MIS will also reimburse central nodal agencies for: <ul style="list-style-type: none"> • Storage and transport costs of Tomato, Onion, and Potato (TOP) crops. ➤ Ensures farmer welfare and market stability by moving crops from surplus states to consumer markets.
02.	Modified Interest Subvention Scheme (MISS)	<ul style="list-style-type: none"> ➤ Modified Interest Subvention Scheme (MISS): <ul style="list-style-type: none"> • KCC loan limit increased from ₹3 lakh → ₹5 lakh. • Collateral-free agricultural loan limit raised from ₹1.6 lakh → ₹2 lakh per borrower. ➤ Objectives: <ul style="list-style-type: none"> • Strengthen financial inclusion. • Support the agricultural sector. • Promote credit-driven economic growth. • Align with government's long-term vision for sustainable agriculture.
03.	Namo Drone Didi	<p>Namo Drone Didi – Central Sector Scheme</p> <ul style="list-style-type: none"> • Provides drones to Women Self-Help Groups (SHGs). • Central Financial Assistance (CFA): <ul style="list-style-type: none"> ○ Covers 80% of drone + accessories/ancillary cost. ○ Maximum subsidy: ₹8 lakh. • Cluster Level Federations (CLFs) of SHGs can raise the remaining amount as loan under National Agriculture Infra Financing Facility (AIF). • Interest subvention: 3% on the AIF loan will be provided to CLFs.
04.	Digital Agriculture Mission	<p>Digital Agriculture Mission</p> <ul style="list-style-type: none"> • Approved with a total allocation of ₹2,817 crore. • Objective: Build a robust digital ecosystem for Indian agriculture. • Benefits:

Sr. No.	Name of the Scheme	Objectives
		<ul style="list-style-type: none"> ○ Timely access to accurate crop-related information. ○ Foster farmer-centric digital innovations. • Key Components (Digital Public Infrastructure – DPI for Agriculture): <ul style="list-style-type: none"> ○ AgriStack ○ Krishi Decision Support System ○ Soil Fertility & Profile Map • AgriStack DPI built on 3 core registries: <ul style="list-style-type: none"> ○ Geo-referenced Village Maps ○ Crop Sown Registry ○ Farmers Registry • Mission Goals: <ul style="list-style-type: none"> ○ Generate Farmer IDs for 11 crore farmers by FY2027. ○ Implement Digital Crop Survey across all States & UTs starting Kharif 2025.
05.	Agri Fund for Start-ups & Rural Enterprises (AgriSURE)	<p>Agri Fund for Start-ups & Rural Enterprises (AgriSURE)</p> <ul style="list-style-type: none"> • Established as a ₹750 crore Category-II Alternative Investment Fund (AIF). • Purpose: Boost rural innovation & entrepreneurship. • Fund composition: <ul style="list-style-type: none"> ○ ₹250 crore – Department of Agriculture & Farmers Welfare. ○ ₹250 crore – NABARD. ○ ₹250 crore – Mobilized from financial institutions. • Managed by NABVENTURES (a NABARD subsidiary). • Aim: Support scalable agri-based start-ups & rural enterprises across the agricultural value chain.
06.	Credit Guarantee Scheme for e-NWR Based Pledge Financing (CGS-NPF)	<p>Credit Guarantee Scheme for e-NWR Based Pledge Financing (CGS-NPF)</p> <ul style="list-style-type: none"> • Objective: Reduce distress sales of farm produce. • Launched by: Government of India. • Corpus: ₹1,000 crore to support post-harvest financing. • Mechanism: <ul style="list-style-type: none"> ○ Farmers pledge produce stored in WDRA-accredited warehouses.

Sr. No.	Name of the Scheme	Objectives
		<ul style="list-style-type: none"> ○ Pledging is backed by electronic Negotiable Warehouse Receipts (e-NWRs). ● Benefit: Provides farmers with access to credit after harvest, avoiding forced sales at low prices.

Box A1.1: Highlights of Measures Announced in the Union Budget FY2026 for Agriculture and Rural Economy

1. **Prime Minister Dhan-Dhaanya Krishi Yojana** – Through the convergence of existing schemes and specialized measures, the programme will cover 100 districts with low productivity, moderate crop intensity and below-average credit parameters, and aim to
 - (1) enhance agricultural productivity,
 - (2) adopt crop diversification and sustainable agriculture practices,
 - (3) augment post-harvest storage at the panchayat and block level,
 - (4) improve irrigation facilities, and
 - (5) facilitate availability of long-term and short-term credit. This programme is likely to help 1.7 crore farmers.
2. **Aatmanirbharta in Pulses** – Government will launch a 6-year “Mission for Aatmanirbharta in Pulses” with a special focus on Tur, Urad and Masoor.
3. **Comprehensive Programme for Vegetables & Fruits** – A comprehensive programme to promote production, efficient supplies, processing, and remunerative prices for farmers will be launched in partnership with states.
4. **National Mission on High Yielding Seeds** – A National Mission on High Yielding Seeds will be launched, aimed at (1) strengthening the research ecosystem, (2) targeted development and propagation of seeds with high yield, pest resistance and climate resilience, and (3) commercial availability of more than 100 seed varieties released since July 2024.
5. **Mission for Cotton Productivity** – This 5-year mission will facilitate significant improvements in productivity and sustainability of cotton farming and promote extra-long staple cotton varieties. The best of science & technology support will be provided to farmers.
6. **Building Rural Prosperity and Resilience** – A comprehensive multi-sectoral ‘Rural Prosperity and Resilience’ programme will be launched in partnership with states, to address under-employment in agriculture through skilling, investment, technology, and invigorating the rural economy.
7. **Grameen Credit Score** – The Grameen Credit Score, a framework will be developed by public-sector banks for the credit needs of members of Self-Help Groups (SHGs) and people in rural areas.
8. **Development of Fisheries in India’s EEZ** – Government will bring a framework for sustainable harnessing of fisheries from Indian Exclusive Economic Zone (EEZ) and High Seas, with a special focus on the Andaman & Nicobar and Lakshadweep Islands.

9. **Jal Jeevan Mission** – Since 2019, 15 crore households representing 80% of India's rural population have been provided access to potable water. With the Mission achieving 100% coverage, the Mission is extended until 2028 with a new focus on water quality.
10. **Gene Bank for Crops Germplasm** – The 2nd Gene Bank with 10 lakh germplasm lines will be set up for future food and nutritional security. This will provide conventional varieties to both public and private sectors for genetic resources.



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Chapter – 2

India's Rural MSME Sector: An Engine of Inclusive Growth

2.1 Definition of MSMEs in India

MSMEs vary widely in **size, capital base, and operations**. Classification framework was required to distinguish them from large industries.

MSME Development Act, 2006 included **services sector** under MSME definition and it also extended coverage to **medium-sized enterprises**. It introduced **composite classification norm** based on **investment + turnover**.

Union Budget 2025–26 (effective 1 April 2025) revised **investment and turnover thresholds** to align with changing economy and improve MSMEs' access to **capital, technology, and scale**.

➤ **New MSME Classification (Table 2.1):**

- **Micro:** Investment up to ₹2.5 crore; Turnover up to ₹10 crore.
- **Small:** Investment up to ₹25 crore; Turnover up to ₹100 crore.
- **Medium:** Investment up to ₹125 crore; Turnover up to ₹500 crore.

It is applicable uniformly across **manufacturing and services sectors**.

Objectives of Revision:

- Help MSMEs **scale operations**.
- Promote **advanced technology adoption**.
- Enhance **access to capital**.
- Boost **growth potential** and generate **youth employment**.

2.2 Rural MSMEs of India

2.2.1 Rural-Urban distribution of MSMEs

- MSMEs are spread across India, but there is a **clear rural–urban distinction**.
- About **54% of 734 lakh MSMEs** operate in **rural areas**.
- Rural MSMEs are concentrated in **agriculture-linked sectors**:
 - Agro processing
 - Dairy
 - Handlooms
 - Crafts
- Rural enterprises are more likely to be:
 - **Micro in scale**
 - **Informal in structure**
 - Owned by **women or Self-Help Group (SHG) members**

Table 2.2: Distribution of MSMEs by category in rural and urban areas (number in lakh)

Sector	Micro	Small	Medium	Total	Share (%)
Rural	397.2	0.3	0.01	397.5	54.2
Urban	335.5	1.0	0.03	336.5	45.8
All	732.6	1.3	0.04	734.0	100.0

2.2.2 Characteristics of Rural MSMEs

Sectoral Profile of Rural MSMEs

Rural MSMEs operate across a range of sectors. Some the dominant sectors include:

- **Agro processing:**
 - Processing of grains, pulses, dairy, spices, pickles, and forest produce.
 - Prominent in Maharashtra, Punjab, Madhya Pradesh, and Tamil Nadu.
- **Handlooms and handicrafts:**
 - Production of textiles, bamboo products, pottery, leather goods, and metal crafts.
 - Common in Odisha, Assam, West Bengal, and Uttar Pradesh.
- **Food and beverages:**
 - Household-level production of pickles, snacks, jams, jaggery, sweets, and packaged foods with local branding.
- **Animal husbandry and allied activities:**
 - Dairy, poultry, goat rearing, and fisheries enterprises.
 - Often supported by Self-Help Groups (SHGs) and cooperatives.
- **Rural services:**
 - Services like mobile repair, tailoring, hairdressing, transportation, and hospitality in small towns and growth centres.

Size, Scale and ownership

- **Size and Informality**
 - Most rural MSMEs are **micro in size**, usually with fewer than 5 workers.
 - Many operate informally, without Udyam registration or GST numbers.
 - As per the Udyam Portal:
 - Micro enterprises = **over 99%** of registered enterprises.
 - Small & medium enterprises = **less than 1%** combined.
- **Ownership Structure**
 - **Proprietary & family-owned:** Dominant form, especially in food processing, local services, and retail trade.
 - **Self-help groups (SHGs):** Women-led groups often engaged in activities like food processing, tailoring, soap making, often under NABARD schemes.
 - **Cooperatives:** Particularly active in dairy (Gujarat, Karnataka), handlooms (Tamil Nadu, Kerala), and tribal forest produce (Chhattisgarh, Jharkhand).
 - **Farmer Producer Organisations (FPOs):** Emerging form of collective enterprises for agri-processing, storage, and marketing.

Unique Operational Characteristics

- **Resource-based enterprises:**
 - MSMEs depend heavily on local agricultural cycles or forest produce availability.
- **Seasonality:**
 - enterprises are seasonal, often linked to harvest cycles or festive demand.
- **Low technological intensity:**
 - Despite increased smartphone use and digital payments, most rural MSMEs still rely on basic tools and have low mechanisation.
- **Proximity to markets:**
 - Primarily cater to local or nearby markets due to transport and distribution challenges.
 - Wider market reach possible only where NABARD or state schemes support it.

2.3.3 Economic and Social Importance of rural MSMEs

Rural employment, livelihood diversification, poverty alleviation, and economic resilience

- **Role in Employment**
 - Rural MSMEs absorb surplus labour from agriculture, especially in low-productivity and small landholding regions.
 - Provide diversified livelihood opportunities in dairy, poultry, aquaculture, grain milling, tailoring, woodworking, food processing, and textiles.
 - Rural worker-population ratio: **61.4%** vs urban **49.6%**, showing importance in retaining labour in rural economy.
- **Women and SHG-led Enterprises**
 - Many MSMEs are SHG-led, operating as home-based, seasonal, or part-time ventures.
 - Provide economic opportunities for women and disadvantaged groups.
 - About **22% of rural MSMEs** are women-owned; **26.2% of unincorporated establishments** are headed by women, with an even higher share (**58.4%**) in manufacturing sector.
 - Women actively participate in dairy, weaving, tailoring, and food-based enterprises.
- **Youth Engagement**
 - singly involved in digital services, electronics repair, and transportation.
- **Government & Institutional Support**
 - NABARD's Micro Enterprise Development Programme and GOI's NRLM build SHG members' enterprise skills.
 - These schemes have transformed SHGs into vibrant economic units across states (Tamil Nadu, Kerala, Chhattisgarh).
- **Impact on Welfare & Migration**
 - Earnings reinvested in health, education, and nutrition.
 - MSMEs reduce distress migration by offering local, year-round jobs (e.g., handloom clusters in Assam, food-processing in Maharashtra).
- **Contribution to Poverty Reduction**
 - Even with thin margins, rural MSMEs generate income supporting health, education, and social mobility.
 - Play a key role in **multi-dimensional poverty alleviation**.

Retention of traditional skills and local identity

➤ **Cultural & Traditional Role**

- Rural MSMEs preserve traditional skills and cultural identity.
- Artisanal clusters (bamboo craft, handloom weaving, pottery, tribal artwork) act as both **income-generating enterprises** and **custodians of heritage**.

➤ **Institutional Support & Revitalisation**

- NABARD and other agencies support rural clusters through:
 - Branding
 - Geographical Indication (GI) tagging
 - Market exposure via trade fairs

➤ **Impact**

- Enhances rural incomes.
- Strengthens India's cultural economy and soft power.

2.3.4. Challenges faced by Rural MSMEs

Limited access to finance

➤ **Access to finance is the biggest challenge** for rural MSMEs.

➤ **Credit gap:**

- Overall rural MSMEs: **32%**
- Women-led MSMEs: **35%**
- Male-led MSMEs: **20%**
- Women rely more on informal credit due to higher gap.

➤ **Barriers to formal credit:** Lack of collateral, credit history, or registration documents.

➤ **Issues with available credit:** Often short-term, underfinanced, or linked to consumption rather than productive investments.

➤ **Result:** Heavy dependence on informal lenders → high interest burdens → restricted growth potential.

Technological gaps and low productivity

➤ **Technology & Machinery Constraints**

- Rural MSMEs lack access to modern machinery, production processes, and digital tools.
- Most operate with **low mechanisation**, affecting quality, productivity, and consistency.

➤ **Digital & Technological Gaps**

- Many enterprises are unaware of or untrained in using **e-commerce platforms, inventory software, and digital accounting apps**.
- Barriers: poor internet access, high cost of devices, and low digital literacy.

➤ **Resulting Challenges**

- Wide **productivity gap** between rural and urban MSMEs.
- Sectors most affected: **food processing, apparel, and handicrafts**.

Infrastructure Deficit

- Lack of essential infrastructure (power, roads, communication services) hinders efficiency and growth.
- **Poor roads & logistics** → higher transport costs, limited market access.
- **Unreliable electricity** → disrupts production, causes wastage (especially in perishable goods).
- **Limited workspaces, storage & cold chains** → restricts business expansion.
- **Broadband & mobile network gaps** → block access to digital tools and government e-services.

Market Access and Linkages

- Rural MSMEs struggle to access profitable markets.
- Lack of aggregation mechanisms → weaker economies of scale and bargaining power.
- Poor packaging, branding, and standardization reduce market appeal and shelf-life.
- Limited marketing skills and digital platforms → reliance on word-of-mouth or low-margin local channels.
- Complex procedures and lack of support hinder participation in exhibitions and public procurement.

Skills Deficit and Capacity Constraints

- Rural entrepreneurs lack exposure to formal business practices (bookkeeping, quality control, pricing, legal compliance).
- Technical skills (e.g., food processing, tailoring, carpentry) remain confined to traditional methods.
- Low participation in formal skilling programmes due to:
 - Lack of awareness.
 - Mobility issues (especially for women).
 - Irrelevant curricula.

Gender-Specific Challenges

- Women-led MSMEs face unique barriers:
 - Limited mobility and time due to domestic responsibilities.
 - Difficulty accessing finance (lack of male guarantors or property titles).
 - Low participation in digital platforms and marketing networks.
 - Underrepresentation in formal skilling programmes.

2.3 Government Support for MSMEs (Overview)

- Comprehensive initiatives to strengthen MSMEs, recognizing their role in inclusive economic growth.
- Focus on competitiveness, access to finance, technology, and integration into domestic & global value chains.
- Key national initiatives:
 - **Digital India & Skill India** → Digital capabilities & infrastructure.
 - **Districts as Export Hubs** → Promote e-commerce exports and MSME ecosystem growth.

- Core functional areas: Employment generation, finance, infrastructure, market integration, technology adoption, sector-specific support.

1. Employment Generation and Skill Development

- **PMEGP:** Subsidy-based scheme for non-farm sector micro enterprises (loans up to ₹50 lakh for manufacturing, ₹20 lakh for services).
- **Entrepreneurship Skill Development Programme (ESDP):** Awareness, 6-week skill development, and advanced training.
- **Assistance to Training Institutions Scheme:** Grants for entrepreneurship institutes (up to ₹3 crore).
- **Coir Vikas Yojana:** Umbrella scheme with sub-schemes:
 - R&D, Skill Upgradation, Mahila Coir Yojana, Export/Market Promotion, Industry Support Services.
- **Innovation, Rural Industries & Entrepreneurship Scheme:** Supports rural businesses with funding and infrastructure (₹1 crore for govt, ₹75 lakh private).

2. Financial Assistance and Credit Support

- **Credit Guarantee Scheme for MSEs:** Collateral-free & third-party guarantee-free loans.
- Additional schemes:
 - Mutual Credit Guarantee, Start-ups, Micro Units, Stand-Up India, Factoring.
- **Self-Reliant India Fund:** Equity, quasi-equity, and debt support for MSMEs.
- **Raising & Accelerating MSME Performance:** World Bank-supported scheme to improve outreach and institutional support.
- **PM MUDRA Yojana:** Collateral-free institutional credit for non-farm enterprises:
 - Shishu (up to ₹50,000), Kishore (₹50,000–₹5 lakh), Tarun (₹5–10 lakh), Tarun Plus (₹10–20 lakh).
- **Second Loan for PMEGP/MUDRA units:** Up to 15% subsidy for technology upgrade (20% in NER & hilly states).

3. Cluster Development and Infrastructure

- **MSE Cluster Development Programme:**
 - 80% govt. assistance for common facility centres (up to ₹30 crore).
 - 70% assistance for infrastructure projects (up to ₹15 crore).
- **Fund for Regeneration of Traditional Industries:**
 - Support for collectives, value addition, sustainable employment.
 - Govt. support: ₹2.5 crore (<500 artisans), ₹5 crore (>500 artisans).
- **Promotion of MSMEs in NER & Sikkim:**
 - 90% assistance for:
 - Mini technology centres (₹13.5 crore).
 - Industrial estates (₹13.5 crore/₹9 crore).
 - Tourism projects (₹4.5 crore).
 - Building costs (₹1 crore, excluding land).

4. Marketing and Export Promotion

- **Procurement & Marketing Support Scheme:**
 - Participation in fairs/exhibitions, e-Marketplace, packaging, export procedures.
 - Capacity building & retail outlet expansion for GI products.
- **International Cooperation Scheme:**
 - Market development assistance, exporter capacity building, market intelligence.
- **National SC-ST Hub Scheme:**
 - 25% capital subsidy (up to ₹25 lakh).
 - Mentoring, marketing, procurement support under Public Procurement Policy.

5. Innovation and Technology Upgrade

- **MSME Champions Scheme** (three components):
 - **ZED (Sustainable):** High-quality, eco-friendly manufacturing.
 - **MSME-Innovative:** Incubation, IP rights, design.
 - **MSME-Competitive (Lean):** Lean manufacturing for efficiency.

6. Sector-Specific Schemes

- **Khadi Gramodyog Vikas Yojana:**
 - Productivity & income boost for Khadi artisans via modern infrastructure, skill revival, marketing, exports.
- **PM Vishwakarma Scheme:** Empowers traditional artisans through:
 - Skill development, modern tools.
 - Collateral-free credit up to ₹3 lakh (in 2 tranches).
 - Interest subvention, incentives, market linkages.

7. MSME Portals

- **Udyam Registration Portal:** Paperless MSME registration via PAN & GSTIN.
- **Udyam Assist Platform:** For informal micro enterprises to register & formalize.
- Other portals:
 - My MSME Portal, MSME Samadhan, MSME Sambandh, MSME Champions, MSME Sampark.

8. Policy Framework

- **Public Procurement Policy for MSEs (2018):**
 - 25% of all central procurement from MSEs.
 - Within this: 4% reserved for SC/ST-owned, 3% for women-owned MSEs.

2.4 NABARD's Role in Supporting Rural MSMEs

- NABARD supports rural non-farm sector including MSMEs to promote sustainable and inclusive rural development.
- It focuses on:

- Employment generation.
- Income diversification.
- Strengthening the rural MSME ecosystem through finance, capacity building, and institution building.

➤ **Amendments to NABARD Act (1981, updated in 2018)**

- Original Act: NABARD could provide credit facilities to industries with investment up to ₹20 lakh in plant & machinery.
- Amendment (2018):
 - Increased ceiling → ₹10 crore (manufacturing) and ₹5 crore (services).
 - Replaced “small-scale industries...” with “village & cottage industries, micro, small, and medium enterprises.”
 - Introduced official definitions for **micro, small, and medium enterprises** as per MSME Development Act, 2006.
- Expanded financial assistance coverage to MSMEs.

➤ **NABARD's Support Mechanisms**

- Provides **financial assistance to banks** and **developmental support** to:
 - Promote credit flow.
 - Catalyse investments.
 - Generate rural employment.
 - Support collectivisation and enhance livelihoods.
 - Foster sustainable growth of MSMEs.
- Expanded scope of refinance support → improved capacity for inclusive rural industrial development.

➤ **Alignment with Government Policies**

- NABARD's interventions align with central government's agenda to:
 - Promote enterprise-led rural development.
 - Enhance incomes and diversify workforce from agriculture to MSMEs.
 - Reduce distress migration.
- Works through **strategic partnerships, MoUs, and targeted capacity building**.
- Provides a mix of:
 - Financial assistance.
 - Developmental programmes.
 - Institutional strengthening for rural MSMEs.

NABARD's interventions to support MSMEs (Table 2.3):

1. Financial Support

- **Access to capital & refinancing:** Refinancing to financial institutions for MSME capital access and investment.
- **Credit planning:** District-level credit projections prepared with stakeholders.
- **SFS for MSME activities:** Targeted refinance schemes for:

- Micro food processing enterprises.
- Watershed & wadi project areas.
- PACS transformation into MSCs.
- Infrastructure under AIF.
- Aspirational districts & low PSL regions.
- **Subsidy disbursement:** Nodal agency for SC/ST subsidies (SCLCSS).
- **Support via subsidiaries:**
 - NABSAMRUDDHI → finances green energy, wellness, textiles, handicrafts.
 - NABKISAN → provides finance to FPOs.
 - NABVENTURES → supports start-ups.
- **MSME lending through RRBs:** Mapping branches to MSME clusters & tailored loans → RRBs' MSME loan portfolio grew 17.6% (₹57,890 crore in FY2024).

2. Developmental Support

- **Entrepreneurship & skill development:** Promotes rural entrepreneurship, especially women & marginalized groups. (MEDP, LEDP).
- **Technical & cluster support:** Supports technology upgrade, quality improvement, marketing (FPO/OFPO, DPR-based projects, tourism-linked).
- **Marketing support:** Market access via haats, exhibitions, fairs, showcasing 16 GI products & 22 OFPOs at Grameen Bharat Mahotsav 2025.
- **Cultural heritage & IPR:** Supports GI-related pre/post-registration & establishment of GI facilitation centres.
- **Start-up & innovation ecosystem:** Supports RBICs (10 established) + Catalytic Capital Fund for prototypes & viable products.
- **Scheme convergence:** Training district managers to align/ integrate central & state MSME schemes.

3. Collaborations & Strategic Partnerships

- **MoUs & partnerships:**
 - With **NRLM** → SHG graduation to entrepreneurship.
 - With **NSCFDC, NBCFDC, NSKFDC** → Skilling & finance for marginalized communities.
- **Sectoral promotion activities:** Sponsorship of seminars, conferences, Startup Mahakumbh (PHDCCI, ASSOCHAM, Startup Missions).
- **FPO capacity development:** Accelerator programmes to bridge skill & capacity gaps in producer organisations.

2.5 Conclusion

Strengthening rural MSMEs through NABARD's holistic support is key to achieving Viksit Bharat 2047—an inclusive, prosperous, and globally competitive India.

Chapter: 3

Investing In A Sustainable Tomorrow

Short forms used in the chapter:

1. AF – Adaptation Fund
2. NAFCC – National Adaptation Fund for climate change
3. TFO – Total Financial Outlay

3.1 Climate Action

NABARD supports climate-vulnerable rural communities by channelling climate finance into sustainable livelihood solutions that build resilience to climate change. Through a mix of national and international funds like AF, NAFCC, and GCF, along with a collaborative approach, NABARD promotes inclusive rural development and addresses diverse challenges across India's rural landscape.

3.1.1 Overview

- As of **31 March 2025**, NABARD has supported **40 climate change projects** across India with a total commitment of **₹1,971.6 crore**.
- **Funding sources:**
 - **AF & NAFCC** → Focus on adaptation, disaster risk reduction, and ecosystem restoration.
 - **GCF** → Focuses on mitigation initiatives such as clean energy and sustainable infrastructure.
- **Field-level experience** highlights that:
 - Locally driven, nature-based solutions are **low-risk, cost-effective, and sustainable**.
 - Community involvement as co-owners strengthens **implementation, monitoring, and long-term ownership**.

Aspect	Details
No. of projects	AF: 8, NAFCC: 30, GCF: 2 (Total: 40)
Amount sanctioned	AF: ₹60.9 cr, NAFCC: ₹839.0 cr, GCF: ₹1,071.7 cr (Total: ₹1,971.6 cr)
Amount released (FY2025)	AF: 1.9 cr, NAFCC: 26.3 cr, GCF: 0

Aspect	Details
	(Total: 28.2 cr)
Cumulative amount released	AF: ₹45.6 cr, NAFCC: ₹542.1 cr, GCF: ₹804.7 cr (Total: ₹1,392.4 cr)
Projects completed under Adaptation Fund(AF)	Total Number: 6 Sectors: water, coastal management, agriculture, forestry - with \$9.9M assistance
Projects completed & ongoing under NAFCCC	18 completed, 12 ongoing (Total active: 30) Sectors: Climate-resilient agriculture (45%), water management (26%), forest & ecosystems (13%), livestock (9%), coastal ecosystems (7%) Geographic coverage: 25 States, 2 Union Territories
Risk mitigation projects under GCF	TFO: \$285M (including \$100M loan) sanctioned to Tata Capital
Adaptation projects under GCF	TFO: \$166.3M (including \$34.4M grant) implemented in Odisha tribal areas

3.1.2 Initiatives in 2025 for better project implementation

1. NABARD@2030 Climate Strategy was launched, built on four strategic pillars:

- i. Accelerating green lending
- ii. Market development
- iii. Internal green transformation
- iv. Strategic resource mobilisation

2. The NABARD Green Lending Facility (NGLF), a flexible green credit product, was launched on 28 January 2025. Two projects were sanctioned under this facility, with a combined loan assistance of ₹845 crore. The facility is accessible to a wide range of stakeholders, from state governments to start-ups engaged in rural green initiatives.

3. A refinance product titled “Rural Home Loans Bundled with Rooftop Solar” was introduced to encourage the adoption of solar energy in rural households. The scheme offers an interest rate rebate on refinance for rural financial institutions.

4. The Climate Change Fund–Interest Differential was operationalised using interest differential generated in FY2024. During FY2025, 11 projects received grant assistance totalling ₹4.5 crore.

3.2 LREDP, LANDSCAPE-BASED REGENERATIVE RESILIENT RAINFED ECOSYSTEM DEVELOPMENT PROGRAMME

➤ Background and Evolution

- NABARD has promoted **participatory watershed development** in India since 1992.
- In 1999–2000, the **Watershed Development Fund** was created with an initial corpus of ₹200 crore, contributed equally by GoI and NABARD.
- The watershed programme has now evolved into **LREDP**, a climate-resilient, agroecological initiative focusing on rainfed agriculture.

➤ Objectives of LREDP

- Prioritises:
 - Water conservation.
 - Soil health.
 - Livelihood security.
- Aligns with:
 - Sustainable Development Goals (SDGs).
 - India's Nationally Determined Contributions (NDCs).
 - Land Degradation Neutrality targets.
- Moves beyond conventional engineering and integrates **bioengineering, climate adaptation, and regenerative practices**.

Box 3.1: Key features of the Landscape-based Regenerative Resilient Rainfed Ecosystem Development Programme

- Climate-adaptation measures: Integration of interventions based on climate vulnerability assessments.
- Water-efficient cropping: Promotion of water budgeting and crop diversification practices to optimise resource use.
- Soil health improvement: Transition from mono-cropping to poly-cropping systems to enhance soil vitality.
- Sustainable farming: Emphasis on natural farming and agroecological methods to reduce dependency on chemical inputs.
- Environmental safeguards: Application of NABARD's green taxonomy and environmental screening to ensure sustainability compliance.
- Bio-engineering focus: Replacement of conventional engineering with bio-engineering solutions to promote long-term ecological stability.
- Integrated planning: Preparation of comprehensive banking plans to support convergence with financial institutions.
- Technology integration: Use of geospatial tools and geotagging for real-time asset tracking and project transparency.
- Carbon revenue potential: Monitoring of carbon sequestration for possible participation in carbon markets.
- Result-oriented framework: Implementation of clearly defined outcomes, linked to specific output indicators, for performance measurement.

➤ Achievements and Progress

- Interventions enhance soil & water conservation, boost productivity, and support climate-resilient livelihoods (esp. for smallholders & tenant farmers in rainfed, degraded areas).
- As of **31 March 2025**:
 - **3,761 watershed projects sanctioned** across India.

- **Cumulative disbursement:** ₹2,355.2 crore.
- Coverage: **27.2 lakh hectares** of land.
- In **FY2025:**
 - **14 new projects** sanctioned.
 - Extended coverage to **6,384 hectares**.
 - Disbursements: **₹109.9 crore**.

3.2.1 Restoration and rehabilitation of degraded soils for food security

NABARD, in collaboration with KfW and GIZ, is implementing multiple soil-focused programmes that combine rehabilitation, conservation, and agroecological transformation to improve rural productivity and food security.

1. KfW Soil Programme (SEWOH Initiative)

- Implemented by NABARD with **KfW Development Bank** under the “One World – No Hunger” initiative since **August 2017**.
- Focus: Rehabilitation and regeneration of degraded soils to mitigate climate risks.
- Objectives:
 - Enhance agricultural productivity.
 - Improve community incomes in watershed areas.
- Coverage: **226 projects across 10 states**, implemented in **three phases**.

2. ProSoil Project (with GIZ)

- Implemented under a **technical cooperation agreement with GIZ**.
- Coverage: **5 districts in Maharashtra + 2 districts in Madhya Pradesh**.
- Support: **€18.9 million grant from GIZ**.
- Objective: Promote **soil conservation practices** to enhance crop productivity in vulnerable rural areas.

3. NAB-SuATI Project (with GIZ)

- Initiative: **Support to Agroecological Transformation Processes in India (NAB-SuATI)**.
- Focus: Embedding **agroecological approaches** within NABARD’s natural resource management portfolio.
- Financial outlay: **€3 million**.

3.2.2 Springshed development programme for climate change adaptation

➤ Overview

- Formerly known as the **Springshed-based Watershed Development Programme**.
- Renamed to focus on **climate change adaptation**.
- Aim: Rejuvenate **drying springs** in Himalayan areas, Northeast Region (NER), and other hilly regions of India.
- Purpose: Improve **access to drinking water and irrigation water**.

➤ **Progress (as of 31 March 2025)**

- **160 projects sanctioned** across NER and hilly regions.
- **Cumulative disbursement: ₹33.2 crore.**
- In **FY2025**: 3 new projects sanctioned with disbursement of **₹8.3 crore.**

3.2.3 Geospatial technology-based monitoring

➤ **NABARD Bhuvan Portal**

- Developed by NABARD with **National Remote Sensing Centre (ISRO), Hyderabad.**
- A dedicated **geospatial platform** for watershed and allied projects.
- Features: Repository of geotagged assets, efficient mapping, monitoring, project tracking, and evidence-based assessments.
- As of **31 March 2025**:
 - **1,179 projects onboarded.**
 - **2 lakh assets geotagged.**

➤ **Geospatial technology-based Planning for Watershed Projects**

- Geospatial technology enhances **precision, transparency, and outcome-driven planning.**
- Tools used: **QGIS, Google Earth, Bhuvan, Water Resources Information System.**
- Applications: Assess groundwater potential, classify land, strengthen climate-resilient watershed planning.
- In **FY2025**:
 - **9 on-site training programmes** conducted in 7 states (Tamil Nadu, Telangana, Karnataka, Bihar, Rajasthan, West Bengal, J&K).
 - Supported by **GIZ** for technical expertise.
 - Complemented with **virtual trainings** for preparing DPRs (Detailed Project Reports).
- By 31 March 2025: **13 DPRs** developed using geospatial applications for rainfed areas.

3.2.4 JIVA – Agroecology Programme

➤ **JIVA** is an agroecology programme based on **agroecological principles.**

➤ **Initial phase:**

- Piloted through **24 projects** across **11 states.**
- Covered **5 agroecological zones.**

➤ **Scale-up phase:**

- Expanded to **25 additional projects** in **12 states.**
- Focus on **northeastern, eastern, and central regions.**
- Coverage expanded to **8 agro-climatic zones.**

➤ **Geographical Coverage**

- States: Andhra Pradesh, Chhattisgarh, Himachal Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Odisha, Telangana, Uttarakhand, Jharkhand, Tamil Nadu.

➤ **Key Interventions**

- Natural farming practices adopted by 1,349 farmers across 607 ha of land.
- 30 external farmer resource persons engaged with technical support from GIZ.

- Capacity building of ~720 farmers, including 230 women as lead/resource farmers.
- Pre-monsoon dry sowing on 217 ha of land.
- Established:
 - 32 bio-resource centres.
 - 24 custom hiring centres.
 - 21 seed banks to support field operations.

➤ **Outcomes and Impact**

- **1,500 kitchen gardens** established → improved dietary diversity & nutrition security.
- Farmers shifted from **mono-cropping to diversified systems** (8–20 crops: millets, pulses, vegetables, fruits, livestock, agroforestry).
- **Surplus produce marketed** via local outlets & haats → strengthening local food systems.
- Improved **household consumption & nutrition intake**.
- Farmers' seasonal income increased by **₹10,000–₹15,000**.
- Enhanced **soil health indicators**: better moisture retention, soil structure, microbial activity.
- Effective **pest & disease management** using bio-pesticides.
- Expansion of natural farming practices encouraged by observed benefits and growing farmer interest.

3.3 TRIBES, TRIBAL RESILIENCE INITIATIVE FOR BUILDING ENVIRONMENTALLY SUSTAINABLE LIVELIHOODS

➤ **Background & Purpose**

- **Tribal Development Fund (TDF)** established in **FY2004** with an initial corpus of **₹50 crore**.
- Initially focused on horticulture; later expanded to livestock, sericulture, and non-timber forest products.
- NABARD's Tribal Development Programme rebranded as **TRIBES** for inclusivity, empowerment, and upliftment of tribal communities.
- Targets: **Particularly Vulnerable Tribal Groups (PVTGs)**, aspirational districts, and regions with credit deficits.
- Supports **land-based and non-land-based livelihood activities** for resilience and sustainability.
- **TDF** acts as the financial backbone, providing concessional refinance and grant support.

➤ **Key Focus Areas of TRIBES**

- Utilises TDF funding for:
 - Specific tribal segments.
 - Agroecological practices.
 - Structured project implementation.
 - Enhancing resilience and promoting sustainable livelihoods.

➤ **Achievements in FY2025**

1. **Bodi-based integrated farming projects** (3 projects in Gadchiroli, Maharashtra) → rainwater harvesting, irrigation, aquaculture.

2. **Study on Van Dhan Vikas Kendras** in Rajasthan & Jharkhand → identified collaboration opportunities with Ministry of Tribal Affairs.
3. **Seb Mahotsav 1.0** (Uttarkashi, Uttarakhand) → tribal produce festival, apple & kiwi sales worth ₹2 lakh in 6 hours.
4. **Gaon ki Pathshala** (Chittorgarh, Rajasthan) → village-level initiative providing free education to 130 children via local graduates.
5. **Compendium “Chasing Dreams – Inspiring Stories”** released on NABARD’s **43rd Foundation Day (12 July 2024)** → highlighted success stories from tribal development projects.

3.4 Way Forward

NABARD, in FY2026, aims to scale up climate-smart agriculture by promoting ecosystem-based adaptation and low-carbon technologies in rural programmes. Its priorities include strengthening institutions, improving access to climate finance, and fostering public–private–community partnerships. To address rising climate risks, NABARD will adopt proactive measures using tools like satellite-based early warning systems and climate risk modelling, ensuring a more inclusive, sustainable, and resilient development path.



Chapter - 4

Inclusive Development Through Sustainable Livelihoods

4.1 Microfinance As A Catalyst For Rural Development

4.1.1 Towards seamless Self-Help Group – bank collaboration

➤ Impact of SHG–BLP

- Facilitates **timely and affordable credit** for rural households.
- Encourages **savings, strengthens social capital, and promotes entrepreneurship**.
- Enhances **income generation** and reduces reliance on private moneylenders.
- Strong focus on **empowering rural women**.

➤ NABARD's Role

- Reinforces SHG–bank interface by supporting **Village Level Programmes (VLPs)**.
- Collaboration with banks and **DAY–NRLM (Deendayal Antyodaya Yojana – National Rural Livelihoods Mission)** under Ministry of Rural Development.
- VLPs provide support for:
 - SHG account opening.
 - Access to banking services.
 - Credit linkage.
 - Repayment discipline.
 - Financial inclusion.

➤ Performance (as on 31 March 2025)

- **Loans disbursed during FY2025:**
 - 55.6 lakh SHGs (+1%).
- **Loans outstanding:**
 - 84.9 lakh SHGs (+10%).
- **Savings with banks:**
 - 143.3 lakh SHGs (–1%).
- **Non-performing assets (NPAs):** 1.7% (–15%).
- **Average loan per SHG (FY2025):** ₹3.7 lakh (–2%).

4.1.2 Deepening the Impact of Joint Liability Groups

- NABARD promotes **collateral-free credit** through banks to JLGs.
- Helps poor and marginalised members take up **farm and non-farm activities**, strengthening livelihoods and reducing risks.
- In **FY2025:**
 - Banks supported **49.8 lakh JLGs**.
 - Cumulative total reached **380.7 lakh JLGs** (as on 31 March 2025).

4.1.3 Skill Development for Efficient Programme Implementation

- NABARD launched training and capacity-building programmes for:
 - Bankers, NGOs, government officials, SHGs, SHG federations, trainers.
- In **FY2025**:
 - **0.4 lakh participants** trained through various programmes.
- **Cumulative training**:
 - Around **50 lakh participants** trained under the **Financial Inclusion Fund**.
 - **5.4 lakh participants** trained under the **Women SHG (WSHG) programme**.

4.1.4 Pilot on Money Purse Application (MP App)

- **Objective**: Provide efficient, real-time financial services to SHG members at their doorstep.
- **Benefits**:
 - Reduce turnaround time and transaction costs for banks and SHGs.
 - Capture **member-wise financial data** for dynamic, real-time grading of SHGs.
- **Implementation**:
 - Sanctioned in **FY2024**.
 - Piloted with **Odisha Gramya Bank** and **Kerala State Cooperative Bank**.
- **Features**:
 - Digitises SHG transactions.
 - Provides **seamless member-level data** to credit information companies.
 - Builds **credit histories** to improve access to individual credit for livelihood activities.

4.2 Initiatives for Sustainable Livelihoods

4.2.1 Skill and entrepreneurship development programmes

- NABARD adopts a **demand-driven, outcome-focused approach** to promote both wage and self-employment in rural India.
- Implements three key programmes:
 - **Micro Enterprise Development Programmes (MEDPs)**.
 - **Livelihood and Enterprise Development Programmes (LEDPs)**.
 - **Skill Development Programmes (SDPs)**.
- Focus areas:
 - Promoting sustainable rural livelihoods.
 - Skilling, entrepreneurship, and enterprise development.
- Provides **targeted support** in:
 - Capacity building.
 - Market linkages.
 - Financial access.
- Goal: Empower individuals and communities for inclusive development.

4.2.2 M-Suvidha: Empowering women with skills to set up micro enterprises

- Designed as an **end-to-end intervention** for women.
- Provides **need-based, location-specific skill development projects**.
- Focus: **Sustainable rural livelihood solutions** in both farm and off-farm sectors.
- Implemented in **Detailed Project Report (DPR) mode**.
- **Pilot project:**
 - ₹40.5 lakh sanctioned to *Women Organization for Mass Action*.
 - Beneficiaries: **500 SHG members** in Virudhunagar district, Tamil Nadu.
 - Expected outcome: **Credit flow of ₹1 crore** after project completion.

4.2.3. Lakhpati didi Initiative

- Launched in alignment with the **Government of India's Lakhpati Didi initiative**.
- A **model scheme for Regional Rural Banks (RRBs)** was formulated.
- Purpose: To extend **finance to individual members of mature Women SHGs (WSHGs)**.
- Target: Support **income-generating activities** across both farm and non-farm sectors.
- RRBs were advised to **adopt the scheme with suitable modifications**.

4.2.4 Activities under Social Stock Exchange and CBF-SSE

- **Capacity Building Fund – Social Stock Exchange (CBF–SSE)**
 - Established in **FY2023** with a **₹100 crore corpus**, housed within NABARD.
 - Supports **awareness and capacity-building** activities for:
 - Non-profit organisations (NPOs).
 - For-profit enterprises.
 - Social impact assessors.
 - Investors and other SSE stakeholders.
 - NABARD plays an active role in developing a **sustainable SSE ecosystem**.
- **Key Activities**
 - NABARD subscribed to **₹65 lakh worth of Zero Coupon Zero Principal (ZCZP) instruments** for 3 SSE listings.
 - Contributions also came from **GVN and Tribal Development Fund**.
 - Coordinated with **NSE, BSE, and other stakeholders**.
 - **11 NPOs** listed on the SSE initially.
 - To facilitate onboarding: NABARD offered a **₹5 lakh one-time incentive** to the first 20 listed NPOs.
- **Progress (as on 31 March 2025)**
 - **142 NPOs registered** on both BSE–SSE and NSE–SSE platforms.

4.2 Farmer Producer Organizations

Farmer Producer Organisations (FPOs) are

- Collectives of farmers formed to:
 - Enhance **market access**.
 - Strengthen **collective bargaining power**.
 - Improve **incomes** through aggregation and value addition.
- **NABARD's role:**
 - Promotes FPOs via the **Producer Organisation Development Fund**.
 - Supports through the **Producers' Organisation Development and Upliftment Corpus Fund**.
- Acts as an **implementing agency** for the **Central Sector Scheme (CSS)**, which has a target of **formation and promotion of 10,000 FPOs** across India.

4.2.1 FPO Promotion and Development Initiatives in FY2025

➤ Financial & Market Support

- **₹25 crore sanctioned** to NCDEX for a one-year **Price Protection Programme for FPOs**; premium subsidies of ₹4.8 crore given for hedging 6,604 MT of cumin, coriander, turmeric (81 FPOs, 1.22 lakh farmers).
- **FPO Melas – “TARANG”** organised with SFAC & ONDC at 50 locations (24 states + UTs) to showcase products, branding, and marketing; in FY2025, **26 melas** held in 14 states/UTs.
- **₹388.2 lakh sanctioned** for FPO Accelerator Project under SMART project (Govt. of Maharashtra), covering 40 FPOs.

➤ Credit & Insurance Support

- Under **CSS scheme for 10,000 FPOs**, a **Credit Guarantee Fund of ₹1,000 crore** (Ministry of Agriculture & NABARD) created under NABSanrakshan Trustee Pvt. Ltd.
- By March 2025:
 - **97 lending institutions** onboarded with NABSanrakshan.
 - Credit guarantee cover of **₹558.9 crore** sanctioned for 2,259 FPOs (3,054 guarantees).

➤ Licensing & ONDC Integration

- Saturation drive for FPO licensing (under CSS for 10,000 FPOs):
 - Licenses issued: 1,198 (seeds), 1,090 (fertilisers), 914 (pesticides), 815 (mandi operations), 1,061 (Food Safety & Standards), 350 (GST).
 - **1,130 FPOs onboarded on ONDC platform**.

➤ Capacity Building & Networking

- **Roundtable on women FPOs** at BIRD, Lucknow → showcased success stories & supported women-led FPO ecosystem.
- **Task force chaired by NABARD DMD** with SBI, NABKISAN, NABSanrakshan, Axis Bank, and Madhya Bharat FPO Consortium → preparing strategic action plan, financial guidelines, and a Lendability Assessment Tool for FPO financing.

➤ Digital Initiatives

- NABARD launched an **FPO product catalogue**, promoted via social media.
- Aim: Help farmers secure **better prices through digital marketing**, while promoting farm sector development.

4.2.2 Promoting the Farm Sector

➤ Farm Sector Promotion Fund (FSPF)

- NABARD supports farm innovations, technology transfer, and capacity building through the FSPF.
- Corpus of **₹60 crore**, replenished annually from NABARD's profits.
- As of **31 March 2025**, cumulative disbursements stood at **₹281.83 crore**.

➤ FSPF projects under DPR mode

- Support extended to agriculture and allied sector projects promoting:
 - Innovation
 - Productivity enhancement
 - Market access improvement
 - Stronger value chains
- Focus areas:
 - Climate-resilient agriculture in vulnerable districts
 - Farmer collectives
 - Hi-tech interventions using IoT, ICT, AI, and ML
- Projects usually sanctioned for **2–3 years**.

➤ Fund utilization

- Since inception: **2,070 projects sanctioned** under DPR mode.
- Total grant assistance disbursed: **₹156.2 crore**.
- In **FY2025**: **101 projects sanctioned**, grant assistance of **₹29.04 crore**.

4.3 Strengthening the Rural MSME Sector

Role of Rural MSMEs

- Help reduce rural India's dependence on agriculture by providing alternative livelihood options.
- Offer supplementary sources of income.
- Reduce rural unemployment.
- Enhance livelihoods and contribute to economic growth.
- Complement agricultural activities.

NABARD's Strategic Approach

- Focused on promoting rural MSMEs through comprehensive interventions.
- Key sectors: **handloom, handicrafts, and agro-processing**.
- Initiatives include:
 - Skilling and product diversification.
 - Marketing initiatives and branding.
 - Packaging and geographical indication (GI) registration.

- Value addition and design innovation.
- Enterprise development.
- Aim: Generate local employment and support rural economic growth.

4.3.1 Performance under Gramya Vikas Nidhi

➤ Gramya Vikas Nidhi (GVN)

- Established in **FY2016** to support **MSME off-farm activities** in rural areas.
- Objectives:
 - Foster entrepreneurship.
 - Promote skill development.
 - Enable livelihood diversification beyond traditional agriculture.
- Supports and strengthens grassroots institutions like **Self-Help Groups (SHGs)** and **Off-farm Producer Organisations (OFPOs)**.

➤ As on 31 March 2025

- NABARD sanctioned **₹40.9 crore** for promotion and development of **79 OFPOs** across **27 states**.
- Coverage: **26,810 beneficiaries**.
- Of these, **18 are all-women organisations** with a total of **6,890 members**.

Figure 4.3: Interventions under GVN



GVN = Gramya Vikas Nidhi.

4.4 Supporting Rural Entrepreneurs, Start-Ups, Marketing and Branding

4.4.1 Rural Business Incubation Centres

➤ Rural Business Incubation Centres (RBICs)

- Early-stage support institutions, part of the start-up ecosystem.
- Assist entrepreneurs by providing infrastructure and high-quality incubation services.
- NABARD offers end-to-end assistance for establishing RBICs at agricultural universities and similar institutions.

➤ Performance in FY2025

- Three new RBICs sanctioned at:
 - **Rajiv Gandhi University, Arunachal Pradesh**
 - **Sher-e-Kashmir University of Agricultural Sciences and Technology, Srinagar, Jammu & Kashmir**
 - **Kerala Agricultural University, Thiruvananthapuram, Kerala**
- Total sanctioned RBICs: **10**.
- Of these, **9 were functional** as on 31 March 2025.

4.4.2 Catalytic Capital Fund (CCF)

- Established in **March 2020** to support rural and agri start-ups during the “valley of death” phase.
- Provides assistance to start-ups with at least a prototype or MVP, mainly via **RBICs and NABARD subsidiaries**.
- In **FY2025**, **₹4.02 crore** disbursed to support **17 start-ups**.

4.4.3 Skill and Entrepreneurship Development

- Focus on promoting skill development and entrepreneurship among rural youth, including disadvantaged groups.
- In **FY2025**, **₹5.8 crore** sanctioned for **46 skill development programmes**.
- As on 31 March 2025:
 - **36,547 skill development programmes** sanctioned.
 - Grant assistance of **₹223.7 crore**.
 - Objective: enhance employability of rural youth via vocational and enterprise training.

4.4.4 Marketing Initiatives

- Support to improve market access and price realization for rural producers.
- NABARD promotes **rural haats and marts**, and enables artisans/craftspersons to participate in **national/regional exhibitions and melas**.
- Support extended to **Pradhan Mantri Vishwakarma Scheme** by providing space in rural haats/marts for certified Vishwakarmas.
- New activity in FY2025: SHG women encouraged to run **food cafés/dhabas** under Rural Mart scheme, enhancing livelihood opportunities and market visibility.

- **Grameen Bharat Mahotsav 2025:**
 - National-level sales-cum-exhibition event.
 - Showcased rural innovation, enterprise, and cultural heritage.
 - Inaugurated by the Hon'ble **Prime Minister of India**.
 - Brought together stakeholders from across the country.

4.4.5 Gram Vihar (Rural Tourism)

- New scheme introduced by NABARD to promote **rural and eco-tourism**.
- Focus areas: homestays, day tours, rural transport, artefacts, folk music & dance, local arts, crafts, culture, and traditions.
- Enables tourists to experience **authentic rural lifestyles** in rustic settings.
- In **FY2025**, **4 projects** were identified and considered for DPR preparation.

4.4.6 Promotion of GI Products

- As of **31 March 2025**, NABARD supported **464 GI products**, of which **138 secured GI tags**.
- In **FY2025**, **7 products** from Andaman & Nicobar Islands received GI registration with NABARD support.
- During FY2025, **181 new products** were approved for support, covering all states & UTs.
- Additional support for:
 - **1,600 authorised users** for **13 GI products** of Arunachal Pradesh.
 - **4,500 authorised users** for **6 GI products** of Maharashtra.
- At **Grameen Bharat Mahotsav 2025**, **116 GI products** from **16 states & UTs** were showcased and sold, highlighting India's rich artisanal heritage.

4.5 Way Forward

Grassroots institutions such as SHGs, JLGs, FPOs, and OFPOs play a vital role in inclusive rural development. While SHGs and JLGs primarily contribute to financial inclusion and social cohesion, FPOs and OFPOs focus on enhancing income generation through aggregation, value addition, and improved price realization. These institutions also serve as important channels for the delivery of government schemes and development programmes. Looking ahead, NABARD aims to strategically scale up FPOs, OFPOs, and rural MSMEs with the objective of creating more rural employment opportunities, improving livelihoods, and promoting sustainable economic growth. At the same time, the emphasis will remain on building a resilient, robust, and diversified farm sector.

Appendix to Chapter 4

- **Event:** Grameen Bharat Mahotsav 2025
- **Dates:** 4–9 January 2025
- **Organised by:** NABARD (under aegis of Department of Financial Services, Ministry of Finance, Government of India)
- **Theme:** *Building a Resilient Rural India for a Viksit Bharat 2047*

➤ Initiatives

- Featured **panel discussions** on:
 - Leveraging GI products for economic prosperity
 - Scaling up organic agriculture
 - Building scalable rural women-led enterprises
 - Promoting inclusive development, especially in NER
- Provided a **national platform** for rural artisans, entrepreneurs, and SHGs to exhibit products and innovations.
- Emphasised **financial inclusion, capacity building, and digital commerce**, particularly for women entrepreneurs and cooperatives.
- Created opportunities for **market linkages** and visibility for rural businesses.
- NABARD was **lead sponsor of AgriTech Pavilion** at *Startup MahaKumbh 2025* (New Delhi), where **30 start-ups** incubated by RBICs showcased products and technologies.

➤ Impact

- Strengthened **rural entrepreneurship** and enhanced **self-reliance** across villages.
- Fostered **sustainable livelihoods** through organic farming, digital marketing, and cooperative empowerment.
- Catalysed **rural–urban market integration**, enabling long-term rural economic growth.
- Promoted **inclusive development** by amplifying women's economic participation and focusing on underrepresented regions like NER.

Chapter: 5

Financing Rural Infrastructure Development

Overview

➤ Importance of Rural Infrastructure

- Critical driver of **inclusive and sustainable growth** in rural areas.
- Involves mobilising and allocating funds for creating and maintaining essential infrastructure:
 - Roads, irrigation systems, bridges
 - Drinking water supply and sanitation
 - Power supply, health facilities, and digital connectivity
- Adequate and timely investment improves **market access and services**, stimulates economic activity, and helps **narrow the urban–rural divide**.

➤ NABARD's Role

- Provides **low-cost loans** to state governments and local bodies.
- Facilitates creation of durable assets to:

- Improve agricultural productivity
- Enhance connectivity
- Expand market access
- Aims to bridge the **rural infrastructure gap** and strengthen resilience and long-term development of rural communities.

➤ **Financial Performance (as on FY2025)**

- **Cumulative sanctions** under infrastructure financing: **₹8.9 lakh crore.**
- **Disbursements** amounted to **₹6.8 lakh crore.**

5.1 Rural Infrastructure Development Fund

➤ **Rural Infrastructure Development Fund (RIDF)**

- Established by NABARD in **1996**.
- Provides **financing to state governments and state-owned corporations** for infrastructure development.

➤ **Sectors Covered**

- Irrigation
- Rural roads and bridges
- Health and education
- Agriculture-related infrastructure

➤ **Role and Impact**

- Strengthens **rural resilience**.
- Promotes **inclusive growth**.
- Advances **rural development**.
- Improves **quality of life** in underserved areas.

➤ **RIDF Tranche XXX (FY2025)**

- NABARD received an allocation of **₹35,000 crore** under the Rural Infrastructure Development Fund (RIDF).
- Sanctioned **₹43,643.1 crore** for financing rural projects.

➤ **NABARD's Support in FY2025**

- Supported the **state share component** of key Government of India flagship schemes.
- **Projects sanctioned:**
 - **₹3,608.9 crore** under **Jal Jeevan Mission**.
 - **₹784.2 crore** under **Pradhan Mantri Kisan Urja Suraksha evam Utthaan Mahabhiyan (PM-KUSUM)**.

5.2 Rural Infrastructure Promotion Fund (RIPF)

- Dedicated fund operated by **NABARD**.

- Supports **promotion, capacity building, and development** of rural infrastructure initiatives across India.
- Plays a key role in:
 - Identifying and scaling up good practices.
 - Enhancing stakeholder engagement.
 - Fostering **sustainable, technology-driven solutions** for rural development.

➤ **Financials (as on 31 March 2025)**

- **Cumulative sanctions:** ₹82 crore.
- **Disbursements:** ₹55.7 crore.

5.3 Long Term Irrigation Fund (LTIF)

- Introduced in **Union Budget FY2017**.
- Supports **state governments** in expediting irrigation projects via **concessional financing**.
- Extended up to **FY2026**.
- Covers:
 - **60 ongoing projects** under Accelerated Irrigation Benefit Programme (AIBP).
 - **85 projects** under Command Area Development and Water Management (CADWM).
- Provides up to **2% interest subvention** from Government of India.

➤ **Impact (2016–2025)**

- **99 irrigation projects** supported.
- Created irrigation potential of **26.8 lakh hectares** (against target of **34.6 lakh hectares**).
- **22.2 lakh hectares** of culturable cultivated area developed under CADWM programme.

5.4 Micro Irrigation Fund (MIF)

- Set up in **FY2020** with an initial corpus of **₹5,000 crore**.
- Established in **NABARD** to support state governments in expanding **micro irrigation coverage** beyond the Pradhan Mantri Krishi Sinchayee Yojana (PMKSY).
- **Administered by:** Ministry of Agriculture & Farmers Welfare.
- Augmented by another **₹5,000 crore** during the **15th Finance Commission period**.
- Loans to states extended at **2% interest subvention** from Government of India.

5.5 NABARD Infrastructure Development Assistance (NIDA)

- Provides **flexible, long-term financing**.
- Eligible beneficiaries:
 - **State governments**
 - **State-owned agencies**
 - Other eligible entities
- Supports a **diverse portfolio of projects**, including:
 - Social and commercial infrastructure

- Renewable energy
- Power transmission
- Drinking water and sanitation
- Rural connectivity

5.6 Post-Harvest Infrastructure

- NABARD provides **loans and subsidies** for post-harvest infrastructure such as:
 - Warehouses, cold storage facilities, processing units, packaging centres, etc.

5.6.1 Warehouse Infrastructure Fund (WIF)

- Extends loans to public and private sector entities for developing:
 - Warehouses, silos, cold storages, and other cold chain infrastructure.
- Objectives:
 - Minimise post-harvest losses.
 - Improve market access for farmers.
 - Enhance efficiency of the agricultural supply chain.
- **Digital Support under WIF:**
 - A **dedicated web portal** developed for hosting data on geo-tagged infrastructure.
 - **Kisan Bhandar App** (Android & iOS): helps farmers, traders, producers locate nearby geo-tagged assets.
 - Enhanced version: **Dynamic Kisan Bhandar App** to be launched soon.

5.6.2 Food Processing Fund (FPF)

- Established with an **initial corpus of ₹2,000 crore.**
- Provides **affordable credit** to agro-processing units located within designated **food parks.**
- Aims to:
 - Strengthen the food processing sector.
 - Reduce post-harvest losses.
 - Promote value addition.
 - Generate employment, particularly in rural areas.
- **Financial assistance (as of FY2025):**
 - NABARD committed **₹1,179.7 crore.**
 - Projects span **16 states**, including North East Region (NER) states like Assam, Manipur, and Meghalaya.

5.7 Other Infrastructure Initiatives

5.7.1 Dairy Processing and Infrastructure Development Fund (DIDF)

- Announced in **Union Budget 2017–18.**
- Objective:
 - Modernise **milk processing plants and machinery.**
 - Create infrastructure to process higher volumes of milk.
 - Enhance value addition, especially in the cooperative sector.
- **Corpus:** ₹8,004 crore.

- Loans extended by NABARD (FY2019–FY2023) to NDDB and NCDC for further lending.
- Subsumed under **Animal Husbandry Infrastructure Development Fund (AHIDF)** with an outlay of **₹29,110.2 crore up to FY2026**.
- NABARD included as a **loaning entity**, institutionalising lending to dairy cooperatives.

5.7.2 Fisheries and Aquaculture Infrastructure Development Fund (FIDF)

- Launched in **Union Budget FY2019**.
- **Corpus:** ₹7,522.48 crore for five years (FY2019–FY2023), extended till **31 March 2026**.
- Provides **concessional loans** through nodal loaning entities to:
 - States, UTs, cooperatives, private entrepreneurs.
 - Interest rates not below **5% per annum**, supported by a **3% interest subvention**.
 - Repayment up to **12 years**, including 2-year moratorium.
- **Credit Guarantee Facility:**
 - Available via NABSanrakshan.
 - Provides **25% guarantee cover** up to **₹12.5 crore** under the Credit Guarantee Fund of Infrastructure Development Fund (Dept. of Animal Husbandry & Dairying).

5.7.3 Rural Infrastructure Assistance to State Governments (RIAS)

- Introduced by NABARD in **FY2021**.
- Provides **financial assistance** to state governments for critical rural infrastructure.
- Objectives: promote **rural livelihoods** and strengthen the **local economy**.
- **Focus areas:**
 - States in East Zone (Bihar, Chhattisgarh, Jharkhand, Odisha, Eastern UP, West Bengal).
 - North East Region (NER), aspirational districts, border districts.
 - All infrastructure projects eligible, with **differential approach** in loan quantum, margin requirements, and pricing.
- **Revamp in FY2025:**
 - Expanded geographical coverage.
 - Programme-mode funding and “credit-plus” approach (includes project management, technical assistance, capacity building, training, environmental & social impact assessments).
- **Financials (FY2025):**
 - Loans sanctioned: **₹3,187.5 crore** (states: Chhattisgarh, Kerala, Rajasthan – Baran district).
 - Sectors: irrigation, affordable housing, agriculture, climate sustainability.
 - Cumulative disbursement as on 31 March 2025: **₹65.2 crore**.

5.8 Way Forward

NABARD envisions rural infrastructure financing evolving to meet the dynamic needs of rural India with a focus on sustainability, inclusivity, and resilience. Going forward, it aims to strengthen climate-resilient and green infrastructure projects by embedding sustainability across planning and financing.

Greater emphasis will be placed on public–private partnerships, blended finance, and impact bonds to attract private and institutional investments, alongside stronger collaboration with state governments, local bodies, and cooperatives for decentralised growth. Expanding access to credit for community-based infrastructure, especially in remote and tribal regions, will be pivotal for inclusive transformation. With a strategic, innovative, and coordinated approach, rural infrastructure development can become a catalyst for equitable economic growth and improved quality of life in rural India.



Chapter: 6

Credit Planning and Delivery for Financial Inclusion

Overview

NABARD's core objective: Foster rural development through improved access to credit. For over four decades, it has addressed diverse financial needs of grassroots communities. Its refinance policy and credit products have significantly boosted credit uptake, especially in the agricultural sector. This has driven growth in foodgrain and horticulture production.

Three-pronged approach of NABARD for advancing development through credit:

- Plays a pivotal role in credit planning and monitoring.
- Ensures last-mile credit delivery through refinance and direct finance products.
- Deepens financial inclusion to stimulate rural credit demand.

6.1 Credit Planning

➤ Importance of Institutional Credit

- Timely and adequate supply of institutional credit to agriculture and rural sector is crucial for food security and rural prosperity.
- Effective credit planning requires assessment of demand-side requirements.

➤ Government's Role

- Annual **Ground-Level Credit (GLC)** targets are set for agriculture, to be met by SCBs, RRBs, and RCBs.

➤ NABARD's Role in Credit Planning

- Prepares district-wise **Potential Linked Credit Plans (PLPs)** annually.
- PLPs assess credit potential under the priority sector, identify opportunities at the district level, and highlight infrastructural gaps and support services needed.

➤ FY2025 Highlights

- ₹28.7 lakh crore of agriculture credit disbursed (provisional) against a target of ₹27.5 lakh crore (achievement of 105%).
- 761 PLPs prepared projecting credit flows for FY2026, covering 782 districts and Union Territories.
- PLPs serve as inputs for banks in credit planning from a supply-side perspective.

➤ State-Level Planning

- District-level PLPs consolidated into **State Focus Papers (SFPs)**.
- SFPs outline credit potential, identify sectoral/infrastructural gaps, propose interventions, and indicate required government support.

➤ Monitoring & Implementation

- NABARD has positioned **507 District Development Managers (DDMs)** nationwide.
- DDMs oversee credit planning, monitor credit flow, and coordinate among district-level development stakeholders and agencies

6.1.1 Digitalisation of PLP-SFP Process architecture

- In **FY2025**, the preparation of **PLPs (Potential Linked Credit Plans)** and **SFPs (State Focus Papers)** was fully digitalised.
- Objective: Enhance document quality by reducing manual interventions and improving readability.
- **Data sourcing for PLPs** is automated through the **ENSURE portal**.
- **SFPs for FY2026** have been prepared digitally by collating inputs submitted by **DDMs** via ENSURE during the PLP preparation process.

6.2 Credit Refinance Snapshot

6.2.1 Performance of Short-Term (ST) Refinance

- Provided to meet production and working capital needs of farmers, weavers, and rural artisans.
- **FY2025 disbursement:** ₹1.9 lakh crore.
 - **72%** disbursed to State Cooperative Banks (StCBs).
- Registered a **year-on-year increase of 3.1%** over FY2024.
- **Regional distribution:**
 - South: 45.7% (highest)
 - North: 17.7%
 - Central: 15.9%
 - East: 12.1%
 - West: 8.3% (lowest share)

6.2.2 Performance of Long-Term (LT) Refinance

- **FY2025 disbursement:** ₹99,399 crore.
- **Share of institutions:**
 - Scheduled Commercial Banks (SCBs, including Small Finance Banks): 59%
 - State Cooperative Banks (StCBs): 12%
 - NBFCs: 11%
- **Regional distribution:**
 - South: 41.8% (highest)
 - West: 25.9%
 - North: 11.1%
 - East: 9.9%
 - Central: 9.5%
 - North-east: 1.7% (lowest share)

6.3 New Initiatives in Credit Refinance in FY2025

6.3.1 Special Refinance Schemes

- **Installation of Solar Rooftop Systems in the Residential Sector**
 - Promotes solar adoption in rural areas and small towns.
 - Provides concessional refinance for rooftop solar systems (200 W to 10 kW).
 - Refinance sanctioned under the **Automatic Refinance Facility (ARF)** for easier access to finance.
- **Rural Housing with Solar Rooftop**
 - Encourages solar power integration in rural housing by bundling home loans with rooftop solar systems.
 - Implemented by NABARD with a ₹200 crore corpus.
 - Offers **0.5% interest rebate** on reimbursement basis.

- Refinance sanctioned under ARF.

➤ **Aspirational Districts**

- Supports sustainable economic activities, livelihoods, and employment in aspirational districts.
- Provides concessional refinance for areas with low coverage under **Priority Sector Lending (PSL)**.
- Aims to boost credit offtake and improve socio-economic conditions.

➤ **Animal Husbandry Infrastructure Development**

- Focused on addressing infrastructure gaps and attracting investment in the animal husbandry sector.
- Provides concessional refinance for eligible activities.
- Supported under the **Animal Husbandry Infrastructure Development Fund (GOI)**.

6.3.2 Launch of ENSURE 2.0 and Integration with AIF portal

- NABARD has been implementing the **Agriculture Marketing Infrastructure (AMI) Scheme** with claims submitted online via **ENSURE 1.0**.
- To improve functionality and ease of operations, NABARD launched **ENSURE 2.0** with advanced features.
- The Government of India approved the convergence of the **AMI Scheme** with the **Agriculture Infrastructure Fund (AIF) Scheme**.
- **ENSURE 2.0** has been integrated with the **AIF portal**.
- This integration enables seamless transfer of eligible claims to ENSURE for:
 - **Processing** and
 - **Disbursement of subsidies** under the AMI Scheme.

6.4 Other Credit Expansion Instruments

- Apart from **Short-Term (ST)** and **Long-Term (LT)** refinance support, NABARD channels funds into **special schemes** and **new refinance products**.
- Key areas of support include:
 - **Interest subvention**.
 - **Assistance to sugar mills** for ethanol production.
 - **Kisan Credit Card (KCC) saturation**.
 - **Credit-linked subsidies**.
- NABARD manages these schemes effectively on behalf of the **Government of India (GOI)**.

6.5 Improving Credit Delivery Ecosystem Efficiency

- **Core Banking & Modernisation**

- **Core Banking Solutions (CBS) in RCBs:**
 - NABARD enabled **216 banks** to adopt cloud-based CBS platforms.
 - In FY2025, support was given for upgrading to advanced versions in line with industry standards.

➤ **Digital Platforms & Data Security**

- **Centralised Account Aggregator (AA) Platform** for RCBs and RRBs:
 - Developed as per DFS & MOF directions, with RBI's in-principle approval.
 - Hosts Financial Information Provider (FIP) and Financial Information User (FIU) modules.
 - Promotes financial inclusion, secure data-sharing, and cost efficiency.
- **Shared Aadhaar Data Vault (ADV) for RCBs:**
 - Proposed shared model for rural financial institutions (RFIs).
 - Strengthens Aadhaar data security, reduces costs, and improves compliance.

➤ **Direct Benefit Transfers (DBT)**

- **BASE Platform:**
 - Enables RCBs to adopt Aadhaar Seeding Enabler.
 - Facilitates seeding, deseeding, or transfer of Aadhaar online.
 - To be rolled out in ~200 RCBs initially with phased expansion.
 - NABARD is working with UIDAI for Aadhaar verification infrastructure.

➤ **Digital Technology for Credit Delivery & Interest Subvention**

- **eKCC Portal:**
 - Developed with 24x7 Moneyworks Consulting Pvt. Ltd., integrated with RBI's ULI.
 - Enables farmers to apply for Kisan Credit Card (KCC) loans online with quick approvals.
 - By FY2025, **125 banks** joined; over **300,000 live loan cases** tested.
 - Future expansion to include personal, micro, small, and medium enterprise loans.
- **AIF Interest Subvention Portal:**
 - Launched on 28 June 2024.
 - Processes interest subvention and guarantee claims under Agriculture Infrastructure Fund (AIF).
 - By March 2025: **27 banks** submitted ~14,000 claims worth ₹41 crore.
- **NRLM Interest Subvention (NRLM-IS) Portal:**
 - Processes claims under Deendayal Antyodaya Yojana–NRLM for RRBs and RCBs financing SHGs.
 - Since Jan 2024: **202 banks** registered, claims worth **₹1,376 crore** processed for 22.7 lakh SHGs.
 - Saved ~₹9.6 crore in processing costs.

➤ **Innovative Finance & Tech Initiatives**

- **Digitalising Agri-Value Chain Finance (AVCF):**
 - Pilot in Bihar, Karnataka, Maharashtra for crop input, production, and post-harvest procurement.

- Loans worth **₹5.1 crore** disbursed via SBI & Bol.
- Linked to CBDC pilot under **UNNATI initiative** for traceability and future use.
- **Technology Facilitation Fund (TFF):**
 - Launched on 14 Sep 2023 with **₹50 crore corpus** to support agri-tech startups.
 - Example: QR-coded apple supply chain in J&K mapped **622 farmers & 887 farms**.
 - Improved product traceability and consumer confidence.
 - Equity investment of **₹3.8 crore** made in 24x7 Moneyworks Consulting Pvt. Ltd.

➤ Risk Mitigation

- **Cyber Insurance for RCBs:**
 - Secured cyber insurance for RCBs and RRBs for second year.
 - Achieved industry-low premium rates saving ~₹9 crore.
 - Provides **₹2,000 crore liability cover**, with **0.54% premium** (lower than industry average 0.75–1.25%).
 - Ensures broader coverage while reducing cost burden.

6.6 Deepening Financial Inclusion

- NABARD's renewed strategy aims to:
 - Bridge regional disparities in financial access.
 - Ensure equitable access to formal financial services nationwide.
- **Priority areas (Special Focus Districts - SFDs):**
 - Aspirational districts.
 - Left-Wing Extremism (LWE)-affected areas.
 - Credit-deficient regions.
 - Districts in hilly states, North East Region, Andaman & Nicobar Islands.
- **Support from Financial Inclusion Fund (FIF):**
 - Strengthened last-mile connectivity through:
 - Infrastructure creation.
 - Digital enablement.
 - Policy advocacy.
 - Financial literacy initiatives for underserved communities.

6.6.1 Financial Literacy and Capacity Building

- Financial literacy is central to NABARD's inclusion strategy.
- Focus on enhancing understanding of financial products & digital services, especially in unbanked areas.
- Key initiatives include:
 - Organising financial and digital literacy camps.
 - Reimbursing examination fees for banking correspondents.
 - Deploying demonstration vans and kiosks.
 - Conducting **nukkad nataks (street plays)** to drive behavioural change.

6.6.2 Technology adoption and infrastructure support

- NABARD strengthened the financial ecosystem by facilitating banks' onboarding to **digital platforms**.
- Key activities included:
 - Deployment of **micro-ATMs** and **point-of-sale devices**.
 - Introduction of **dual-authentication facilities** at banking correspondent points.
 - Provision of **connectivity and power infrastructure** in Special Focus Districts (SFDs).

6.6.3 New activities supported under FIF during FY2025

- **Overall Sanctions/Disbursements:**
 - Cumulative sanctions under FIF: ₹6,233.3 crore.
 - Disbursements: ₹3,540.5 crore.
 - FY2025 alone: ₹290.3 crore sanctioned, ₹191.6 crore disbursed.
- **Key Initiatives:**
 - **Learning Management System (LMS) for RSETIs:**
 - Collaboration with IIT Madras to develop a centralised LMS.
 - Covers 64 courses in 12 languages with 4,400 hours of curated content.
 - Budget sanctioned: ₹18.6 crore.
 - Target: benefit around 6 lakh rural trainees annually.
 - **Automation of JanSuraksha Schemes for RRBs:**
 - Digitisation of **PMJJBY** and **PMSBY** schemes.
 - NABARD facilitating onboarding of 43 RRBs; 26 already live as of March 2025.
 - Enables end-to-end digital enrolment and claim settlement.
 - **Incentive scheme for CSPs/BCs in hilly states/UTs:**
 - Launched April 2024.
 - Provides ₹1,000/month to top two CSPs/BCs per village in Tier 5 & 6 centres.
 - Implemented in Himachal Pradesh, Uttarakhand, J&K, and Ladakh.
 - Sanctioned: ₹688.8 lakh; benefitted 57,740 BC agents.
 - **Support for rural connectivity (HTS-VSAT, Dual LTE, SD-WAN):**
 - Grant-based reimbursement for connectivity devices.
 - 163 devices deployed with sanction of ₹373.1 lakh.
 - Improved reliability across 1,000 villages.
 - **Special Campaign 4.0 – Rural Financial Literacy:**
 - Conducted during 17 Sep – 31 Oct 2024.
 - Combined **swachhata (cleanliness)** with financial awareness.
 - Partnered with 43 RRBs to conduct **591 camps and street plays**.
 - Grant support: ₹96.8 lakh.
 - Outcomes:
 - 1,29,354 new **PMJDY** accounts.
 - 1,73,147 fresh **PMJJBY** enrolments.
 - 4,09,915 new **PMSBY** enrolments.
 - 66,601 new **Atal Pension Yojana** enrolments.



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Chapter: 7

Supervisory Role of NABARD

Robust supervision of financial entities is essential for:

- Maintaining institutional integrity.
- Safeguarding depositor interests.
- Ensuring smooth functioning of the financial ecosystem.

NABARD's supervisory role:

- Apex institution in agriculture and rural finance.
- Supervises rural financial institutions (RFIs) beyond routine oversight.
- Focus on deepening financial inclusion and fostering RFI development.

Advisory role:

- Supports non-compliant banks with corrective measures.
- Aims to restore financial stability.
- Ensures long-term sustainability of financial institutions.

7.1 Supervised Entities of NABARD

➤ **Supervised Entities of NABARD:**

- **Regional Rural Banks (RRBs)** and **Rural Cooperative Banks (RCBs)** play a key role in rural financial services.
- These are NABARD-supervised entities (SEs), subject to **regular inspections** to ensure regulatory compliance and financial soundness.

➤ **Regulatory Framework:**

- RRBs and RCBs are regulated by **RBI**.
- Supervised by NABARD under:
 - **Section 35(6), Banking Regulation Act, 1949** (for RRBs).
 - **BR Act, 1949 (As Applicable to Cooperative Societies)** (for RCBs).

➤ **Scope of NABARD's Supervision:**

- Statutory inspections of **State Cooperative Banks (StCBs)**, **District Central Cooperative Banks (DCCBs)**, and **RRBs**.
- Voluntary inspections of:
 - **State Cooperative Agriculture and Rural Development Banks (SCARDBs)**.
 - **Apex weavers' societies**.
 - **Marketing federations** and other refinance-availing entities.

Chapter: 8

Empowering Rural Financial Institutions

Overview

- **Role of Rural Financial Institutions (RFIs):**
 - Includes **Rural Cooperative Banks (RCBs)** and **Regional Rural Banks (RRBs)**.
 - Play a key role in delivering financial services to support **agriculture and rural development**.
 - Extensive networks and outreach help promote **banking habits among poor and remote populations**.
- **NABARD's Initiatives to Strengthen RFIs:**
 - Transform RFIs into robust, financially sustainable, and efficient entities.
 - Enhance **governance systems** and institutional culture.
 - Promote **business diversification**.
 - Upgrade **technology** for better operations.
 - Build **human resource capabilities**.
 - Expand outreach to underserved regions.
- **Overall Objective:**
 - Improve **credit delivery at the grassroots level**.
 - Strengthen the **competitiveness of RFIs** compared to other financial institutions

8.1 Short-term Rural Cooperative Credit Structure

- **Short-term Co-operative Credit Structure (STCCS)**
 - Comprises three types of institutions:
 - **State Cooperative Banks (StCBs)** – state/apex level.
 - **District Central Cooperative Banks (DCCBs)** – district level.
 - **Primary Agricultural Credit Societies (PACS)** – village level.
 - Other types of primary societies are also affiliated with DCCBs.
 - Structural variations across states:
 - **12 states:** Three-tier system.
 - **7 states:** Mixed system (both three-tier and two-tier).
 - **15 states:** Two-tier system.
- **Status as of 31 March 2025**
 - **34 StCBs** with **2,140 branches**.
 - **351 DCCBs** with **13,759 branches**.
 - Nearly **1.06 lakh PACS**.
 - Regulatory framework:
 - StCBs & DCCBs regulated by **RBI** under **Banking Regulation (BR) Act, 1949 (AACs)**.
 - NABARD authorised under **Section 35(6)** of BR Act to inspect StCBs & DCCBs.
 - PACS are outside the purview of the BR Act and cannot use terms like *bank/banker/banking*.

- **Performance:** StCBs and DCCBs recorded **improved financial performance in FY2024** compared to FY2023.

8.2 Long Term Cooperatives

➤ Long-term Cooperative Credit Structure

- Operates within a **two-tier framework**:
 - **State Cooperative Agriculture and Rural Development Banks (SCARDBs).**
 - **Primary Cooperative Agriculture and Rural Development Banks (PCARDBs).**
- **Functional presence in 13 states and Union Territories (UTs):**
 - **5 states: Unitary structure** – SCARDBs operate branches without separate PCARDBs.
 - **6 states: Federal structure** – SCARDBs operate through PCARDBs.
 - **2 states: Mixed model** – SCARDBs operate both through PCARDBs and their own branches.
- **Regulatory Aspect:**
 - Agricultural and rural development banks are **not governed by the BR Act, 1949.**
 - They cannot mobilise demand deposits from non-members.
 - Deposits are **not covered under the Deposit Insurance and Credit Guarantee Scheme.**

8.3 Important Development in the Short-term Cooperative Credit Structure

8.3.1 Formation and strengthening of new multipurpose primary cooperatives (M-PACS)

- Approved in Feb 2023: Five-year plan to form **2 lakh new M-PACS** including dairy & fishery cooperatives.
- Target: **95,327 M-PACS.**
- Launched under *Margdarshika (Action Plan)* in Sep 2024.
- By Dec 2024: **10,000 new cooperatives inaugurated.**
- As of FY2025: **18,406 new societies** formed (5,175 M-PACS, 11,900 dairy, 1,331 fisheries).

8.3.2 National Campaign on Cooperation among Cooperatives

- Pilot launched in FY2024 in Gujarat to route financial transactions of **Primary Dairy Cooperative Societies (PDCS)** via cooperative banks.
- Equipped PDCS with **micro-ATMs** through NABARD's FIF support.
- Issued **RuPay Kisan Credit Cards (KCCs)** to dairy farmers.
- Expanded nationwide in Sep 2024.
- Outcomes:
 - **19.6 lakh new deposit accounts.**
 - **₹6,284 crore increase** in deposits.
 - **1.95 lakh RuPay KCCs** issued.

8.3.3 Cooperative Governance Index (CGI) for RCBs

- Web-based CGI portal under development.
- Covers **11 categories, 19 sub-categories, 135 parameters**.
- Each parameter scored **0–100** with weightages & negative marking for non-compliance.

8.3.4 PACS Accelerator Pilot

- Implemented under *Unnati Phase II* in Rajasthan, UP, Telangana.
- 30 PACS piloted to diversify into **non-credit business activities**.
- Anchored on 4 pillars:
 1. Market-based activity selection.
 2. Financing by DCCBs.
 3. On-ground enablement & infrastructure support.
 4. Capacity building.
- Detailed reports prepared for **36 non-credit activities**.
- NABARD aims to scale up to **10,000 PACS by FY2026**.

8.3.5 Project under Cooperative Development Fund (CDF)

- CDF established FY1993, initial corpus ₹10 crore.
- As on Mar 2025: **₹381.5 crore disbursed**; balance corpus ₹200 crore.
- Key outcomes:
 1. **Training assistance** (SOFTCOB): 4,000 programmes, >4 lakh participants.
 2. **Centre for Professional Excellence in Cooperatives (C-PEC)** at BIRD, Lucknow.
 3. **BPDICs scheme (2020)**: 20 cells operational, support of ₹15.5 crore.
 4. **PACS transformation into MSCs**: ₹366.1 lakh disbursed in FY2025.
 5. **PACS Development Cells (PDCs)**: 95 StCBs/DCCBs supported; 2,556 PACS covered.
 6. **Support extended to NE states, A&N Islands, J&K**: ₹1,009 lakh sanctioned.

8.3.6 Development of an umbrella digital portal

- Under *ENGAGE initiative*, NABARD developing a **digital portal** to track performance of CDF & institutional schemes.
- Launch planned for **Sep 2025**.

8.3.7 Efforts to establish new StCBs & DCCBs

- Approach paper proposes **240 new DCCBs** + 2 new StCBs (UTs of Ladakh, Lakshadweep).
- Guidelines for formation circulated to states.
- RBI approved bifurcation of Salem DCCB → new DCCB in **Namakkal district**.

8.3.8 Preparation of turnaround plans (TAPs) for weak RCBs

- NABARD guiding weak RCBs (Category C & D) to prepare **multi-pronged TAPs**.

- TAP covers: financial, governance, HR, technology adoption, internal controls, diversification, financial inclusion.
- Standard template circulated via **BIRD**.
- Progress being monitored by **Ministry of Cooperation**.

8.3.9 Internal Grievance Redressal Portal

- NABARD developing a **white-label web portal** for RCB grievance redressal.
- Ensures timely complaint resolution & supervisory compliance.
- Development & testing completed with selected RCBs.

8.4 Regional Rural Banks

➤ Overview of RRBs

- Established in **1975** to promote rural economic development.
- Provide credit & financial services to: small/marginal farmers, agricultural labourers, artisans, small entrepreneurs.
- Support activities in agriculture, trade, commerce, industry, and rural productive sectors.
- **92% branches** located in rural/semi-urban areas → strong role in financial inclusion.

➤ 8.4.1 Financial Performance of RRBs

- **Consolidated profit (FY2025):** ₹7,148 crore.
- **Capital to Risk-Weighted Assets Ratio (CRAR):** 14.4% (all-time high).
- **Gross NPAs:** declined to **5.3%** (lowest in 13 years).
- **Credit-to-deposit ratio:** 73.8% (highest in 38 years).

➤ 8.4.2 Important Developments

- **Amalgamation of RRBs (Phase IV):**
 - Objective: *One State – One RRB*.
 - Reduce number of RRBs from 43 → 28.
 - Aim: preserve community connect while improving efficiency & cost rationalisation.
- **Recapitalisation:**
 - GOI sanctioned **₹10,890 crore** (FY2022–23).
 - Contributions: GOI 50%, State Govts 15%, Sponsor Banks 35%.
 - FY2025: ₹261 crore disbursed to 3 RRBs (Aryavart, Baroda UP, Kerala Gramin).
 - All 22 RRBs now fully recapitalised.
- **Sustainable Viability Plans (SVPs):**
 - All RRBs rolled out 3-year Board-approved plans (FY2023).
 - Focus: credit expansion, diversification, asset quality, governance, tech adoption.
 - NABARD supports monitoring via **RRB Darpan digital portal**.

➤ Other Key Initiatives

- **MSME Lending by RRBs:**
 - Branches mapped to MSME clusters.

- Introduced customised products for cluster borrowers.
- **RRBs in Focus (early warning system):**
 - Helps prevent financial deterioration & PCA framework inclusion.
 - Sept 2024: review meeting with **11 RRBs** on viability progress.
- **Bifurcation of APGVB:**
 - Following AP state reorganisation, bifurcated into **Andhra Pradesh Grameena Bank & Telangana Grameena Bank**.
 - Effective **1 Jan 2025**; involved 493 branches.

➤ **Policy & Infrastructure Initiatives**

- **Pension & Computer Increment (Supreme Court order, Aug 2024):**
 - RRBs enabled to disburse arrears; RBI allowed amortisation over ≤ 5 years.
- **Centralised Digital Credit Infrastructure (CDCI):**
 - New lending platform for automation, efficiency, transparency.
 - Rollout planned by **Sept 2025**.
- **Revised HR Policy:**
 - DFS committee reviewed recruitment, promotion, outsourcing, deputation.
 - Revised HR policy to be issued by **Sept 2025**.
- **Other Initiatives:**
 - Transfer policy guidelines (Feb 2025) for uniformity & transparency.
 - Model board agenda (Jul 2024) for governance improvements.

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Chapter: 9

People, Process and Policies

This Chapter is not important from Exam Perspective.

Chapter: 10

Leveraging Finance for Funds

This Chapter is not important from Exam Perspective.



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