Sustainable Development Financing

R Amalorpavanathan, Deputy Managing Director, NABARD
Financing of Agriculture & MSME

Multi Agency approach

<table>
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<th>Banking institutions, Coop. Societies...</th>
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<td>Alternate Investment Funds</td>
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<td>Disclosure standards of Marginal Cost of Lending Rates</td>
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<td>Mandated lending to Priority Sector</td>
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<td>Few problems of banks in lending to agriculture and MSME</td>
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<td>Shortfall to be deposited in specified funds with DFIs</td>
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21 Public Sector Banks

26 Private Sector Banks

56 Regional Rural Banks

11 Small Finance Bank

Multi Agency Approach

1574 Urban Coop. Banks

93500 Rural Coop. Societies

11682 Non-Banking Cos.

403 Rural Coop. Banks
### Making institutions sustainable

<table>
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<tr>
<th>Institutions</th>
<th>Increasing number &amp; supply</th>
<th>Quality/ Capacity</th>
<th>Regulation</th>
<th>Monitoring &amp; supporting</th>
<th>Finance</th>
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<tr>
<td><strong>Major banks</strong></td>
<td>Commercial Banks</td>
<td>Own/ RBI/ NABARD Trg establishments</td>
<td>RBI</td>
<td>RBI/GOI/ NABARD</td>
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<td>Govt equity</td>
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<td>Refinance</td>
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<td>Borrowings</td>
</tr>
<tr>
<td><strong>Institutions closer to people</strong></td>
<td>Coop. Banks</td>
<td>NABARD Trg establishments/ Grant support from NABARD</td>
<td>RBI/NABARD</td>
<td>NABARD/ State Governments</td>
<td>Public Deposits</td>
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<td>RRBs</td>
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<td>Govt equity</td>
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<td>SFBs/ PBs</td>
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<td>Refinance</td>
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<td>Borrowings</td>
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<tr>
<td><strong>Non-banking entities</strong></td>
<td>NBFCs</td>
<td>Mostly own</td>
<td>RBI</td>
<td>RBI</td>
<td>Private equity</td>
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<tr>
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<td>MFIs</td>
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<td>Public deposits</td>
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<td>Refinance</td>
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<tr>
<td><strong>Peoples Organisations</strong></td>
<td>NGOs</td>
<td>Grant support from NABARD</td>
<td>Self-regulation within broad rules</td>
<td>NABARD and other organisations</td>
<td>Thrift/Savings/Credit from banks</td>
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<td>SHGs</td>
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*NBFCs*: Non-Banking Financial Companies
*MFIs*: Microfinance Institutions
*NABARD*: National Bank for Agriculture and Rural Development
*RBI*: Reserve Bank of India
*Govt*: Government
*GOI*: Government of India
*RBI/NABARD*: Reserve Bank of India/National Bank for Agriculture and Rural Development
*NABARD*: National Bank for Agriculture and Rural Development
*RBI/GOI/NABARD*: Reserve Bank of India/ Government of India/ National Bank for Agriculture and Rural Development
*Public Deposits*: Public Deposits
*Govt equity*: Government equity
*Refinance*: Refinance
*Borrowings*: Borrowings
*NGOs*: Non-Governmental Organisations
*SHGs*: Self-Help Groups
*Grant support*: Grant support
*Self-regulation*: Self-regulation within broad rules
*NABARD and other organisations*: NABARD and other organisations
*Thrift/Savings/Credit from banks*: Thrift/Savings/Credit from banks
*Own*: Own
*Self-regulation*: Self-regulation within broad rules
*NABARD*: National Bank for Agriculture and Rural Development
*Finance*: Finance
*Public Deposits*: Public Deposits
*Govt equity*: Government equity
*Refinance*: Refinance
*Borrowings*: Borrowings
NABARD’s initiatives

- Innovative Product and delivery channel – Kisan Credit Card (KCC) and Swarojgar Credit Card (SCC)
- Facilitating World’s largest MF prog
- Promoting of FPOs
- Promotion of subsidiaries
- NABARD
- Enhanced credit productivity
- Implementing Climate Change Projects
- Financing of Rural Infrastructure

Financial inclusion Fund – USD 3.5 Million – Banking correspondents, financial literacy, issue of electronic cards, etc.

Subsidiaries – NABARD Financial Services, NABARD Kisan Finance Ltd., NABARD Samriddhi, NABARD Consultancy Organisation

Climate Smart Agriculture – Watershed Development, Tribal Development, UPNRM, etc. & Climate change – 28 projects - Adaptation Fund, Green Climate Fund

Enhancing Credit Productivity – Farm Sector Promotion Fund – Farmers’ Clubs/Farmers’ Producer Organisations

Nurturing Innovations – 693 projects involving USD 11.56 million

Promotion of 2157 FPOs covering 0.7 million farmers

SHG – Bank Linkage Programme - 8.5 million SHGs with outstanding loan of about USD 9 billion
Conclusions

Many challenges in financing to MSME and agriculture sector

Sectors with limited risk bearing capacity

Potential transmission of risk from sector participant to financing institution high

Key role for facilitating organisations and financing institutions

Multi agency approach and focused regulatory market environment evolved by Stock Exchanges – a good role complementarity

NABARD shoulders a unique role – actively involved

Able support from Government and regulators
Thank you