

# ROLE OF NABARD IN RURAL DEVELOPMENT

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## ▪ Introduction

India is a country of village and farmers. More than 65% of the country's population lives in rural areas. Poverty is mainly a rural problem. To eradicate poverty and develop rural economy, it is imperative to develop rural areas. Development minus rural India becomes lopsided and unsustainable. Rural development means a structural change in the socio-economic situation to achieve improved living standard of low income population residing in rural areas and making the process of their development self-sustaining. Rural development implies both the economic betterment of people as well as greater social transformation. In order to provide the rural people with better prospects for economic development, increased participation of people in the rural development programmes, decentralization of planning, better enforcement of land reforms and greater access to credit are envisaged. Different policies and programmes have been undertaken by the Government of India for developing rural economy.

## ▪ Objectives of the Study

The study aims at:

- a) Throwing light on various programmes/policies adopted by the Government of India for rural development;
- b) Discussing about National Bank for Agriculture and Rural Development (NABARD) and Regional Rural Banks (RRBs) in short;
- c) Studying the schemes/programmes undertaken by NABARD;
- d) Analyzing and evaluating the schemes/programmes that contribute to rural development of our country; and
- e) Making concluding remarks.

## ▪ Methodology:

The study is based on secondary sources of data/information. Different books, journals, newspapers and relevant websites have been consulted in order to make the study an effective one.

## ▪ Role

NABARD has been instrumental in grounding rural, social innovations and social enterprises in the rural hinterlands. It has in the process partnered with about 4000 partner organizations in grounding many of the interventions be it, SHG-Bank Linkage programme, tree-based tribal communities' livelihoods initiative, watershed approach in soil and water conservation, increasing crop productivity initiatives through lead crop

initiative or dissemination of information flow to agrarian communities through Farmer clubs. Despite all this, it pays huge taxes too, to the exchequer—figuring in the top 50 tax payers consistently. NABARD virtually ploughs back all the profits for development spending, in their unending search for solutions and answers. Thus the organization had developed a huge amount of trust capital in its 3 decades of work with rural communities.

- 1) NABARD is the most important institution in the country which looks after the development of the cottage industry, small scale industry and village industry, and other rural industries.
- 2) NABARD also reaches out to allied economies and supports and promotes integrated development.
- 3) NABARD discharge its duty by undertaking the following roles:
  - a) Serves as an apex financing agency for the institutions providing investment and production credit for promoting the various developmental activities in rural areas.
  - b) Takes measures towards institution building for improving absorptive capacity of the credit delivery system, including monitoring, formulation of rehabilitation schemes, restructuring of credit institutions, training of personnel, *etc.*
  - c) Co-ordinates the rural financing activities of all institutions engaged in developmental work at the field level and maintains liaison with Government of India, state governments, Reserve Bank of India (RBI) and other national level institutions concerned with policy formulation.
  - d) Undertakes monitoring and evaluation of projects refinanced by it.
  - e) NABARD refinances the financial institutions which finances the rural sector.
  - f) NABARD partakes in development of institutions which help the rural economy.
  - g) NABARD also keeps a check on its client institutes.
  - h) It regulates the institutions which provide financial help to the rural economy.
  - i) It provides training facilities to the institutions working in the field of rural upliftment.
  - j) It regulates the cooperative banks and the RRB's, and manages talent acquisition through IBPS CWE.

NABARD's refinance is available to state co-operative agriculture and rural development banks (SCARDBs), state co-operative banks (SCBs), regional rural banks (RRBs), commercial banks (CBs) and other financial institutions approved by RBI.

While the ultimate beneficiaries of investment credit can be individuals, partnership concerns, companies, State-owned corporations or co-operative societies, production credit is generally given to individuals. NABARD has its head office at Mumbai, India.

NABARD Regional Office [RO] has a Chief General Manager [CGMs] as its head, and the Head office has several top executives viz. the Executive Directors[ED], Managing Directors[MD], and the Chairperson. It has 336 District Offices across the country, one special cell at Srinagar. It also has 6 training establishments.

NABARD is also known for its "SHG Bank Linkage Programme" which encourages India's banks to lend to self-help groups (SHGs). Largely because SHGs are composed mainly of poor women, this has evolved

into an important Indian tool for microfinance. By March, 2006, 22 lakh SHGs representing 3.3 core members had to be linked to credit through this programme.

NABARD also has a portfolio of Natural Resource Management Programmes involving diverse fields like Watershed Development, Tribal Development and Farm Innovation through dedicated funds set up for the purpose.

#### ▪ **Rural Innovation**

NABARD role in rural development in India is phenomenal. National Bank For Agriculture & Rural Development (NABARD) is set up as an apex Development Bank by the Government of India with a mandate for facilitating credit flow for promotion and development of agriculture, cottage and village industries. The credit flow to agriculture activities sanctioned by NABARD reached Rs. 1,57,480 crore in 2005–2006. The overall GDP is estimated to grow at 8.4 percent. The Indian economy as a whole is poised for higher growth in the coming years. Role of NABARD in overall development of India in general and rural & agricultural in specific is highly pivotal.

Through assistance of Swiss Agency for Development and Cooperation, NABARD set up the Rural Innovation Fund. Vrajlal Sapovadia Rural Infrastructure Development Fund (RIDF) is another noted scheme for the bank for rural development Under the RIDF scheme Rs. 51,283 crore have been sanctioned for 2,44,651 projects covering irrigation, rural roads and bridges, health and education, soil conservation, water schemes etc. Rural Innovation Fund is a fund designed to support innovative, risk friendly, unconventional experiments in these sectors that would have the potential to promote livelihood opportunities and employment in rural areas. The assistance is extended to Individuals, NGOs, Cooperatives, Self Help Group, and Panchayati Raj Institutions who have the expertise and willingness to implement innovative ideas for improving the quality of life in rural areas. Through member base of 25 crore, 600000 cooperatives are working in India at grass root level in almost every sector of economy. There are linkages between SHG and other type institutes with that of cooperatives.

The purpose of RIDF is to promote innovation in rural & agricultural sector through viable means. Effectiveness of the program depends upon many factors, but the type of organization to which the assistance is extended is crucial one in generating, executing ideas in optimum commercial way. Cooperative is member driven formal organization for socio-economic purpose, while SHG is informal one. NGO have more of social colour while that of PRI is political one. Does the legal status of an institute influences effectiveness of the program? How & to what an extent? Cooperative type of organization is better (Financial efficiency & effectiveness) in functioning (agriculture & rural sector) compared to NGO, PRIs.

Recently in 2007-08, NABARD has started a new direct lending facility under 'Umbrella Programme for Natural Resource Management' (UPNRM). Under this facility financial support for natural resource management activities can be provided as a loan at reasonable rate of interest. Already 35 projects have been sanctioned involving loan amount of about Rs 1000 crore. The sanctioned projects include honey collection by tribal in Maharashtra, tussar value chain by a women producer company ('MASUTA'), eco-tourism in Karnataka etc.

## ▪ Concluding Remarks

Rural development in India is very much needed for the growth of Indian economy. Different approaches, strategies and programmes have been taken for the uplift of rural development. The Prime Minister, Dr. Manmohan Singh, launched the ambitious Bharat Nirman initiative, which aimed at strengthening the country's rural infra-structure. The initiatives taken by the Government of India for rural housing deserve appreciation. The home-less people are reaping the benefits from this scheme.

NABARD's role with regard to rural development needs no description. Farmers' Club, RIDF, KCC and SHG-Bank Linkage Programme etc. have helped a lot for the development of economy. The introduction of KCC scheme is a bold step taken by the GOI to mitigate the problems of the farmers. The said scheme has eased the flow of credit to farmers. So effective implementation of the schemes may result in overall development of rural areas that may improve the quality of life of rural people. The Government needs to pay strict vigil on the proper implementation of the programmes.

An awareness programme should be arranged for the beneficiaries so that they can know the ins and outs of different schemes. If they are in dark, the ultimate goal will be defeated.

## References:

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