

ROLE OF NABARD IN RURAL AND AGRICULTURE DEVELOPMENT

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ABSTRACT

Financial institutions are an important component of an efficient financial system which is a prerequisite for the economic development of any country. As the Indian economy comprises a significant part of rural population, the development of our economy mainly depends upon rural & agricultural progress, which in turn is subject to many factors like entrepreneurship, transportation & communication facility, efficient production techniques, skillful management methods and above all timely & adequate financial resources. In this context, the importance of financial institutions can hardly be exaggerated. By encouraging the entrepreneurship and by supplementing the available financial resources of the small and cottage industries and by meeting the long & medium term financial requirements of the agriculture as well as industrial sectors, these financial institutions play a significant role in the agriculture and rural development of the country.

Among the financial institutions meant for the agriculture finance & agriculture development, **NABARD (National Bank For Agriculture And Rural Development)** occupies an apex place. It came into existence on July .12.1982, by an act of Parliament. It has been assigned the task of providing credit flow for promotion & development of agriculture, small scale industries, cottage & village industries, handicrafts and other rural crafts and other allied economic activities in rural areas with the objective to promote integrated & sustainable rural development and to bring prosperity to rural areas. It's mandate touches practically every aspect of real life.

This paper will focus on the various schemes and assistance which are provided by the Nabard and how these schemes are benefited for society as well as rural people, farmers and entrepreneurs. These schemes are related to various fields or areas.

A glimpse of key areas are ::

- Automatic Refinance Scheme (ARF)
- Rural Housing
- Renewable Energy
- Investment Credit
- Production Credit
- Farm sector
- Non farm sector
- Institutional Development
- Financial Inclusion
- Micro credit Innovations
- Research & development
- Banking Assistance to Cooperative banks
- Infrastructure Development assistance

Objectives:

1. To find out the contribution of NABARD in Rural development through various schemes and policies.
2. To find out the financial assistance provided by NABARD for the rural development in these schemes.
3. How the rural people ,farmers and entrepreneurs, are benefited by these schemes of NABARD

Research Methodology –

Research Design: A Descriptive research method will be used in this paper.

Sources of data: : Secondary sources will be used for data collection through websites, newspaper, journals, papers, magazines etc.

Keywords; NABARD Financial Institution, Rural development

Introduction

Economic growth implies a long term rise in per capita national output. Such an increase in output is associated with radical changes in socio-eco environment and attitudes of people. The required economic environment, to a great extent, depends upon the financial system of the country which plays a significant role in the development of agriculture and industrial sector. The financial system consists of :

- (a) financial and non-financial institutions
- (b) organized and unorganized financial markets
- (c) financial instruments and services

Procedures and practices adopted in the market and financial inter-relationships also constitute an important part of the financial system.

The need of financial institutions, an important part of financial system, was felt very strongly just immediately after the attainment of independence to fill the gaps in the capital market. The Indian Capital Market at that time was ill-equipped for catering the needs of long-term agriculture as well as industrial finance. Although the country had a strong net work of commercial banks, yet these banks, working on British banking model, confined themselves to short-term financing activities only.

It is in this context the need of specialized financial institutions were realized. As a result, just after the independence many specialized financial institutions were set up in our country to provide long and medium term financial assistance to the agriculture and industrial sector. Some of these institutions are:

- Industrial Finance Corporation Of India (IFCI),
- State Financial Corporations (SFCs),
- Industrial credit and Investment Corporation of India (ICICI),
- Industrial Development Bank of India (IDBI),
- Small Industries Development Bank Of India (SIDBI),
- Risk and Technology Finance Corporation ,
- National Bank for Agriculture and Rural Development (NABARD).
- Infrastructure Development Finance Corporation, etc.

Efforts of Government of India & RBI constituted a committee to monitor the credit arrangements for agriculture and rural development on 30 March 1979 under the chairmanship of Shri B.Sivaraman. The Committee submitted its report on 28 November 1979 and pointed emphasis to the credit problems in rural development and recommend the establishment of National Bank for Agriculture & Rural

Development. The Parliament approved the establishment of NABARD. The bank came into existence on 12 July 1982 by transferring the agricultural credit functions of RBI and refinance functions of the then Agricultural Refinance and Development Corporation (ARDC). NABARD was dedicated to the service of the nation by the late Prime Minister Smt. Indira Gandhi. NABARD was set up with an initial capital of ₹ 100 crore. Consequent to the revision in the composition of share capital between Government of India and RBI, the paid up capital as on 31 March 2015, stood at ₹ 5000 crore with Government of India holding ₹ 4,980 crore (99.60%) and Reserve Bank of India 20.00 crore (0.40%).

Mission

Promote sustainable and equitable agriculture and rural prosperity through effective credit support, related services, institution development and other innovative initiatives.

ROLE OF NABARD

NABARD is an apex institution accredited with all matters concerning policy, planning and operations in the credit for agriculture and other economic activities in rural areas.

It is an apex refinancing agency for the institutions providing investment and production credit for promoting the developmental activities in rural areas

It takes measures towards institution building for improving absorptive capacity of the credit delivery system, including, formulation of rehabilitation schemes, restructuring of credit institutions, training of personnel, etc.

It co-ordinates the rural financing activities of all the institutions engaged in developmental work at the field level. It maintains liaison with Government of India, State Governments, Reserve Bank of India and other national level institutions concerning policy formulation.

It prepares, on annual basis, rural credit plans for all districts in the country; these plans form the base for annual credit plans of rural financial institutions

FUNCTIONS OF NABARD

Functions of NABARD are categorized into three parts

Financial Functions:- In financial activity, NABARD provides refinance and Direct finance for the various purposes shown below. Short term loans, long term loans to various institutions, entrepreneurs under various schemes and programmes. Short term loans are granted for a period of up to 12 months & long term loan is granted for 3 to 15 years...It also provides Direct finance facility to food processing, cold storage, marketing federation, rural infrastructure development fund (RIDF) etc.

Developmental Functions:- It includes institutional development, farm sector & Non farm sector development, Financial Innovation, Micro credit Innovations Research & development, Core Banking Solution to Cooperative Banks and Climate Change Adaptation. It helps to help the small institutions and entrepreneur more effectively..

Supervisory: It also monitors on various credit schemes.

OBJECTIVES OF NABARD

NABARD was established in terms of the Preamble to the Act, "for providing credit for the promotion

of agriculture, small scale industries, cottage and village industries, handicrafts and other rural crafts and other allied economic activities in rural areas with a view to promoting IRDP and securing prosperity of rural areas and for matters connected therewith in incidental thereto".

The main objectives of the NABARD as stated in the statement of objectives while placing the bill before the Lok Sabha were categorized as under :

1. The National Bank will be an apex organisation in respect of all matters relating to policy, planning operational aspects in the field of credit for promotion of Agriculture, Small Scale Industries, Cottage and Village Industries, Handicrafts and other rural crafts and other allied economic activities in rural areas.
2. The Bank will serve as a refinancing institution for institutional credit such as long-term, short-term for the promotion of activities in the rural areas.
3. The Bank will also provide direct lending to any institution as may approved by the Central Government.
4. The Bank will have organic links with the Reserve Bank and maintain a close link with in.

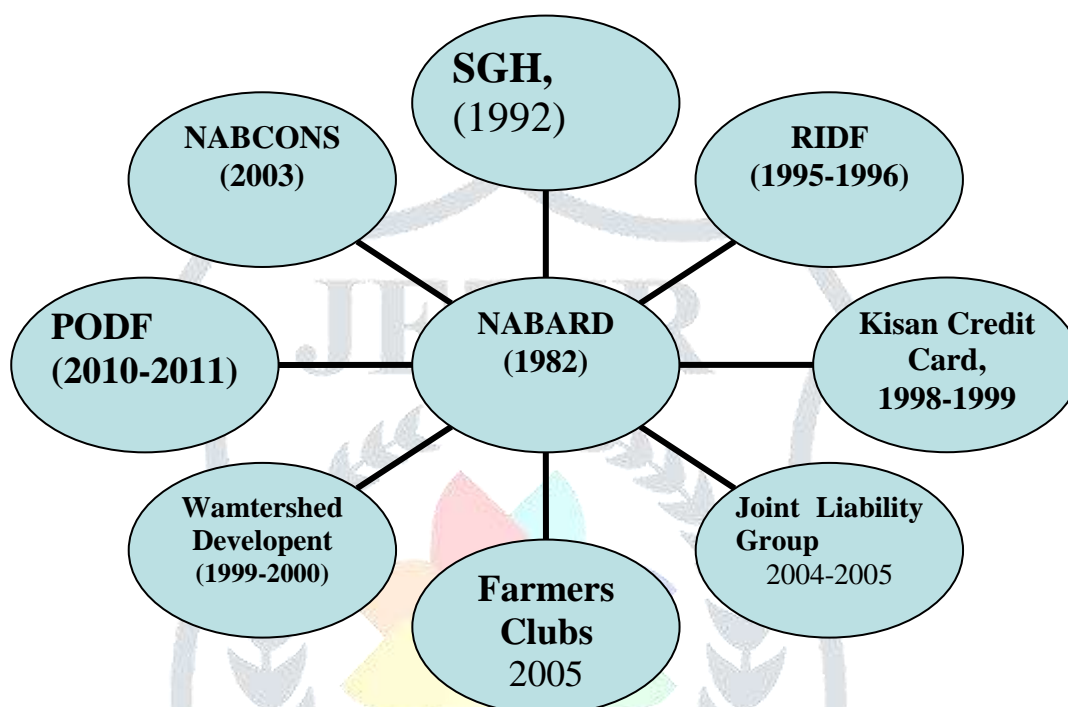
33 Years of NABARD

NABARD completed 26 years of its eventful and trailblazing existence on 12 July 2007. Established in 1982, by an Act of Parliament, NABARD's mandate was to provide focused and undivided attention to the development of rural India by facilitating credit flow for promotion of agriculture and rural non farm sector. Emphasizing this in no uncertain terms, its mission statement underscores NABARD's goal to "promote sustainable and equitable agriculture and rural prosperity through effective credit support, related services, institution development and other innovative initiatives".

NABARD's functions can be classified into 3 major categories viz., Financial Services, Development, and Supervision. Under Financial services NABARD prepares Potential Linked Credit Plan (PLP) annually for each district of the country by assessing potential available in agriculture and rural sector. This serves as a guide for banks and Government agencies to prepare their own investment and credit plans in the district and state and it refinances commercial, co-operative and regional rural banks for lending to on farm and non-farm activities. This includes farm activities like minor irrigation, animal husbandry, farm mechanization, forestry, fisheries, land development, horticulture, plantation and medicinal crops and non-farm like rural industries, artisans, handicrafts, handlooms, rural housing, rural tourism and agro processing. Refinance is provided by NABARD for both long term investment credit as well as short term production credit for crop loans and working capital for non-farm activities. A nationwide network of 31 regional offices at the state capitals, a sub-office at Port Blair ,534 district development offices are at hand to cater to this awesome task and head office location are 26. NABARD has effectively brought in a number of innovations in the rural credit domains. To quote a few:

➤ Formation and Linkage of Self Help Groups

- Rural Infrastructure Development Fund (RIDF)
- Kisan Credit Card KCC
- Joint Liability group
- Farmers Club
- Water shed Development
- Producer Organisation development fund (PODF)
- NABARD Consultancy Services (NABCONS)



1. Self Help Groups (SHGs):

One of the major success stories of NABARD, the SHG Bank linkage programme started as a pilot project in 1992 with 500 SHGs. SHGs comprise homogeneous groups of poor people who have voluntarily come together mainly with the idea of overcoming their common problems of low social and economic status. SHGs enable the poor, especially the women from the poor households, to collectively identify, prioritize and tackle the problems they face in their socio economic environment. By pooling their meager resources and using them for lending among themselves, they develop the habit of thrift and the skill of credit appraisal, before getting mature enough to access a loan from banks, which is called credit linkage. Starting with small loans for consumption they soon graduate to bigger loans for setting up of income generating micro-enterprises. As on 31 March 2012, 79.60 lakh SHGs have been SB linked and 43.54 lakh SHGs have been credit linked thus benefitting around more than 10 crores or families, mostly SF/MF families

2. Rural Infrastructure Development Fund (RIDF):

Rural infrastructure hinders both social and economic development. Economists have explicitly emphasized on the direct correlation between the index of infrastructure development and rural development. NABARD's support to State Governments through RIDF since 1995-96 has brought about a sea change in the shape of upgraded

infrastructure in rural areas. Rural roads and bridges under RIDF have improved market access to farmers; check dams and irrigation structures have augmented their water resources. Even drinking water projects and health centres have been supported under the Fund. NABARD so far has sanctioned Rs. 61539 crore for 2,44,025 projects under the Fund. A cumulative position of sector-wise sanctions as on 31 st March 2007 : Irrigation: Rs. 20637 crore, Rural connectivity: Rs. 26935 crore for rural road network and bridges, Power: Rs. 1434 crore Social Sector: Rs. 6988 crore Others: Rs. 5547 crore. A separate window has been created for rural connectivity with villages of population less than 500, with a corpus of Rs. 4,000 crore to support the Bharat Nirman project

3.Kisan Credi Card:

The Kisan Credit Card (KCC) scheme introduced in August 1998 has emerged as an innovative credit delivery mechanism to meet the production credit requirements of the farmers in a timely and hassle-free manner. The scheme is under implementation in the entire country by the vast institutional credit framework involving Commercial Banks, RRBs and Cooperatives and has received wide acceptability amongst bankers and farmers. However, during the last 15 years of implementation, many impediments were encountered by policy makers, implementing banks and the farmers in the implementation of the scheme.

Improvements in the guidelines over the earlier KCC scheme are as under:

- a) Paper card (pass book) to Plastic card - KCC in the form of ATM enabled Debit card
- b) Wider delivery channels : Operations through Branch/Cheque facility/BCs/ATM (debit card)/POS/Mobile handsets
- c) More clarity in assessing credit needs (inclusion of post harvest / household/consumption needs up to 10% + maintenance expenses up to 20%)
- d) Cost escalation built in for assessing the limit – Notional hike of 10% for fixing credit limit from second year onwards

4.Joint Liability Group

Besides, the SHG-BLP, NABARD has been supporting formation of informal groups like Joint Liability Groups with 4-10 members. These are basically livelihood groups who come together on the strength of the mutual guarantee to seek livelihood finance for pursuing an economic activity. This was basically targeted at mid-segments clients engaged in similar economic activities like crop production and who are willing to jointly undertake to repay the loans taken by the Groups. Unlike in the case of SHGs, JLGs are intended basically as credit groups for tenant farmers and small farmers who do not have proper title of their farmland or security to offer, but needed longer term credit or seasonal credit for pursuing their economic activities

NABARD besides extending financial support for awareness creation / capacity building of all stakeholders also extends 100% refinance support to Banks on their lending to JLGs. About, 1,96,500 JLGs were promoted and credit linked during 2012-13, as against 1,91,500 JLGs promoted during the previous year. There has been expansion in credit flow to JLGs to the extent of ₹ 1,837 crore as against ₹ 1,700 crore (8% increase over the previous year), taking the cumulative number of JLGs to

5,29,246 and the cumulative loan disbursed to JLGs to ₹4,683 crore. The growth of JLGs in the country is less skewed than the SHGs. Although the Southern States top the list with over 2 lakh JLGs credit linked so far, Eastern Region closely follows with 1.81 lakh JLGs. In terms of actual loans disbursed, however, Southern States account for over 60% of the total loans disbursed.

5. Farmers Club:

While dedicating NABARD to the nation, on 5th November 1982, the then Hon'ble Prime Minister of India launched "Vikas Volunteer Vahini (VVV)" programme to propagate the five principles of "Development through Credit". The VVV programme was revisited and renamed as Farmers' Club Programme (FCP) in 2005. Farmers' Club is a grassroot level informal forum. Such Clubs are organised by rural branches of banks, NGOs and KVKs etc. with support and financial assistance from NABARD for mutual benefit of banks and the farmers. A popular intervention among both farmers and Bankers, the farmers Club concept was envisaged as an experiment in social engineering, a forum to bring the rural banker and the borrower closer and to propagate the principles of development through credit. Farmers Club is an informal group of 15-20 farmers, one per village, which acts as a medium for accessing and disseminating awareness of modern methods of farming and technological advancements in agriculture in its area. Financial support is provided by NABARD for opening and maintenance of Clubs as well as for organizing training programmes in the respective villages.

During 2013-14, 16,279 new Farmers' Clubs (FCs), were sanctioned taking the total number of Farmers' Clubs across the country to 1.43 lakh with membership in the range of 15 to 20 per club. Under the approach adopted for the year 2014-15, the focus of the programme is strengthening, capacity building & training of the stake holders and up scaling the successful Farmers' Clubs to form Farmers Producers' Organizations. As on 30.09.2014, NABARD extended financial support of ₹5.04 cr during the year 2014-15.

6. Watershed Development:

The Union Finance Minister, in his budget speech for 1999-2000 had announced the creation of a Watershed Development Fund (WDF) in National Bank for Agriculture and Rural Development (NABARD) with broad objectives of unification of multiplicity of watershed development programmes into a single national initiative through involvement of village level institutions and PFAs. In pursuance thereof, WDF has been created in NABARD with a contribution of ₹ 100 crore each by MoA, Government of India (GoI) and NABARD., which now stands at Rs. 602.76 crore. At present these states are eligible for WDF i.e Gujarat, Maharashtra, Uttar Pradesh, Uttarakhand, Karnataka, Tamil Nadu, Rajasthan, Chhattisgarh, Odisha, Jharkhand, Madhya Pradesh, Himachal Pradesh and West Bengal. Up to the end of September, 2012 Rs.607.78 crore including of Rs.573.30 crore as grant and Rs.37.48 crore as loan has been released to NGOs by NABARD. Out of Rs.573.30 crore grant component, Rs.484.18 crore has been released. Presently, a total number of 1356 watersheds have been selected including 585 in non-distressed districts of 13 States and remaining 773 watersheds under PM's package for 31 distressed districts in four states under Watershed development Fund.

7.Producer Organisation development fund (PODF):

NABARD has taken an initiative for supporting producer organizations, adopting a flexible approach to meet the needs of producers. In order to give a special focus, the "Producers Organization Development Fund"(PODF) has been set up wef 01 April 2011, with an initial corpus of ₹ 50 crore . Any registered Producers Organization viz, Producers Company(as defined under Sec 581 A in part IXA of Company's Act 1956), Producers Cooperatives, registered Farmer Federations, MACS (Mutually aided cooperative society), industrial cooperative societies, other registered federations, PACS, etc. set up by producers are eligible under the fund. Support under PODF is provided as under:

- Credit Support is provided for financial intervention. Support in the form of grant, loans, or a combination of these is also available for capacity building & market interventions.

NABARD has, therefore, decided to set up a separate fund titled "Producers Organization Development Fund" (PODF) to tackle the issues of non availability of timely credit, capacity building of producers & strengthening of the Producers Organizations and market tie-ups. The Fund has been created in NABARD with an initial corpus of ₹ 50 crores from out of its operating surplus for the year 2010-11

8.NABARD Consultancy Services (NABCONS)

NABCONS is a wholly owned subsidiary of NABARD, which has established itself as a dependable and professional consultancy services provider in agriculture and allied activities. Of NABARD As on 31 March 2007 , it has cumulatively contracted 487 national and international assignments involving consultancy fee of Rs.25.49 crores. +

Main services provided by NABCONS are:

- Techno Economic feasibility studies and potential surveys
- Detailed project formulation
- Micro development planning , investment surveys
- Turn around strategies for banks and restructuring of developmental institutions
- Conceptualization, design and implementation of developmental programmes/projects
- Monitoring and evaluation of the developmental projects and investments
- Capacity building & Human Resource Management

Conclusion:

Lastly we can say that NABARD is working according to its mission because its mission is promoting sustainable and equitable agriculture and rural development through effective credit support, related services institution building and other innovative initiatives. and it fulfill its mission by providing different types of funds for Rural & agriculture development as stated earlier. For this it has to do the following different activities

- Preparing of Potential Linked Credit Plans for identification of exploitable potentials under agriculture

and other activities available for development through bank credit.

- Refinancing banks for extending loans for investment and production purpose in rural areas.
- Providing loans to State Government/Non Government Organizations (NGOs)/Panchayati Raj Institutions (PRIs) for developing rural Infrastructure.
- Supporting credit innovations of Non Government Organizations (NGOs) and other non-formal

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