

ROLE OF NABARD IN RURAL DEVELOPMENT

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ABSTRACT

National Bank for Agriculture and Rural Development (NABARD) is an apex development finance institution fully owned by Government of India. The bank has been entrusted with "matters concerning policy, planning, and operations in the field of credit for agriculture and other economic activities in rural areas in India". NABARD is active in developing Financial Inclusion policy. "Growth with Social Justice" has been the basic objective of the Development Planning in India since independence. Since the beginning of planned development, the Government through Five Years Plans made significant strides in developing rural India. The National Bank for Agriculture and Rural Development (NABARD) was setup in July 1982. It became the apex institution to play a pivotal role in the sphere of policy planning and providing refinance facilities to rural financial institutions and for augmenting their resource base. The paper analyses the role and function of NABARD in rural development. Purpose wise disbursement of funds under Investment Credit and RIDF during the year 2007-08 is also analyzed. It also throws a light on NABARD's past and present performance and its major achievements for the year 2007-08.

INTRODUCTION

National Bank for Agriculture and Rural Development

National Bank for Agriculture and Rural Development (NABARD) is an apex development finance institution fully owned by Government of India.[5] The bank has been entrusted with "matters concerning policy, planning, and operations in the field of credit for agriculture and other economic activities in rural areas in India". NABARD is active in developing Financial Inclusion policy. NABARD was established on the recommendations of B.Sivaramman Committee (by Act 61, 1981 of Parliament) on 12 July 1982 to implement the National Bank for Agriculture and Rural Development Act 1981. It replaced the Agricultural Credit Department (ACD) and Rural Planning and Credit Cell (RPCC) of Reserve Bank of India, and Agricultural Refinance and Development Corporation (ARDC). It is one of the premier agencies providing developmental credit in rural areas. NABARD is India's specialized bank for Agriculture and Rural Development in India. The

National Bank for Agriculture and Rural Development (NABARD) was set up in July, 1982 following after the recommendations of the “Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development”. All major issues related to rural credit until then dealt with by the RBI and the Agricultural Refinance and Development Corporation moved under the control of NABARD. NABARD thus emerged as the apex institution to play a pivotal role in the sphere of policy planning and providing refinance facilities to rural financial institutions. NABARD has also been playing a catalytic role in micro-credit through the channel of Self-Help Groups (SHGs).

FUNCTIONS OF NABARD :

NABARD was set up essentially as a development bank for promoting agriculture and rural development. Its main function is to provide refinance for rural credit disbursed by the State Co-operative Banks, the Regional Rural Banks and other financial institutions as may be approved by the RBI.

THE IMPORTANT FUNCTIONS OF NABARD ARE AS FOLLOWS :

- Providing finance and also refinance for production and marketing in the rural areas.
- Coordinating and advising the operations of institutions engaged in rural credit.
- Promoting research in agriculture and rural development.

OTHER MISCELLANEOUS FUNCTIONS OF NABARD ARE AS FOLLOWS :

- Conduct inspections of the RRBs and the co-operative societies, without any prejudice to the authority of the RBI.
- All the applications for opening a branch by RRBs or co-operative societies should be forwarded to the RBI through the NABARD.

- Copies of all returns submitted by the RRBs and co-operative societies to the RBIN should also be furnished to the NABARD.
- NABARD is also empowered to obtain any information or statement from the RRBs and the co-operative societies.
- NABARD should undertake research and training programs. These comprehensive training programs should be targeted towards NABARD's own staff and the staff of SCBs and RRBs as well. The R&D department of NABARD should take the lead in promoting research concerning problems associated with India's agriculture and rural development and also other allied aspects. For this purpose the NABARD has been authorized to maintain and R&D fund out of profits earned by it every year.
- NABARD is responsible for coordinating with the Government of India, the Planning Commission, is also responsible for ensuring the implementation of various policies and programs meant for providing finance to the rural industries.

NABARD'S PAST PERFORMANCE (PRIOR TO 2005)

- During 1983-84 NABARD mobilized net resources amounting to Rs. 774 crores, which however fell to Rs. 541 crores during the year 1984-85. During this year NABARD sanctioned Rs. 1233 crores to SCBs for financial seasonal agricultural operations. It also provided medium-term and long term credit facilities for the benefit of the agricultural sector. During 1984-85 its total outstanding amounted to Rs. 1018 crores and limits sanctioned amounted to Rs. 1688 crores.
- NABARD also assisted the development and promotion of agricultural investments in the less developed and /or underbanked states. For this purpose, during the year 1984-85, it disbursed Rs. 455 crores.
- For the year 1986-87 NABARD could mobilize Rs. 887 crores towards its aggregate net resources for providing rural credit.
- During 1986-87, NABARD completed the inspection of 178 CCBs, 86 RRBs, 7 SLOBs and 30 other institutions. It also approved and assisted during the year, 5 research proposals, 17 seminars and several conferences from its R&D fund, and incurred and expenditure of Rs. 3.41 lakhs on this account.

- During the year 1987, NABARD also introduced a 10 Point action programme for rehabilitation of weak primary land development banks and branches of state land developing banks. The action program was with regard to: (i) Investigation of overdues; (ii) strengthening of organization and management; (iii) review of loan policies and procedures; and (iv) strengthening of the resources of the LOBs.
- For the year 1989-90, the short term credit limits sanctioned by NABARD for financing seasonal agricultural operations aggregated to Rs. 2807 crores. During this period NABARD provided refinance assistance to the tune of Rs. 549 crores.
- During 1995-96, the total amount of refinance disbursements by NABARD increased by less than 2% to Rs. 3064 crores from that of the previous year. During this period a Rural Infrastructural Development Fund (RIDF) was created within NABARD for facilitating rural infrastructure projects.
- During 1996-97 NABARD's resources increased to Rs. 2963 crores against Rs. 1617 crore in the previous year.

NABARD CURRENT PERFORMANCE (AFTER 2005) :

NABARD saw its refinance to commercial banks increase by over 50% year on year, for the fiscal ended March 31, 2006. For 2005-06, the refinance was Rs. 4028 crores against Rs. 2569 crore in 2004-05. As on February 2006, commercial banks, regional banks and co-operatives disbursed an aggregate of Rs. 1,46,668 crores by way of farm credit. This is against Rs. 1,25,000 crores in 2004.05.

Purpose wise Disbursements under investment Credit During 2007-08		
Sector/Purpose/Activity	Amount (Rs. In Lakh)	% to Total Disb.
Agriculture		
Minor Irrigation	40368	4.46%
Land Development	46214	5.11%
Farm Mechanisation	174765	19.32%
Plantation & Horticulture	34182	3.78%
SGSY Farm Sector	13242	1.46%
SC/ST-AP-Farm Sector	1648	0.18%

Other Agriculture	45717	5.05%
	356136	39.37%
Allied to Agriculture		
Fishries	2545	0.28%
Dairy Development	60587	6.70%
Poultry	21629	2.39%
Storage/Market Yard	13628	1.51%
Wasteland Development	639	0.07%
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	99028	10.95%
NFS		
SGSY Non Farm Sector	12616	1.39%
SC/ST-AP-Non Farm Sector	404	0.04%
Non Farm Sector	274795	30.38%
	287815	31.82%
Others		
Non conventional energy	98	0.01%
Self Help Group	161550	17.86%
	161648	17.87%
TOTAL DISBURSEMENT	904627	100.00%

The purpose wise disbursement for the year 2007-08 shows that total of Rs. 9,04,627 was disbursed for various purposes like agriculture and allied activities, non farm sector etc, and maximum 32% is allotted to agriculture sector.

Purpose wise Disbursements under RIDF during 2007-08		
Purpose	Amount (Rs. In Lakh)	% Share
Irrigation	286955	35.71%
Rural Roads	257338	32.03%
Drinking Water Supply	64688	8.05%
Bridges	58159	7.24%
Primary/Secondary School	49227	6.13%
Power Sector	19294	2.40%
Watershed Development	17980	2.24%
Flood Protection	13225	1.65%
Soil Conservation	8827	1.10%
Forest Management	8030	1.00%
Drainage Improvements	5931	0.74%
Storage/ Market Yard	3467	0.43%
Others	10371	1.29%
TOTAL DISBURSEMENT	803492	100.00%

The data shows that under Rural Infrastructural Development Fund (RIDF) maximum disbursement is provided to irrigation i.e. 35.71%, 32.03 % to Riral roads and rest approximate 32% to all the other activities like drinking water, drainage improvements etc.

MAJOR ACHIEVEMENTS 2007-08

Business Operations

Financial Results

Balance sheet size increased from Rs. 81220 crore to Rs. 98706 crore & profit after tax from Rs. 856 crore to Rs. 1226 crore.

Loans and advances outstanding

- Refinance for investment credit operations increased from Rs. 31682 crore to Rs. 32401 crore.
- Loans out of RIDF increased from Rs. 20005 crore to Rs. 30649 crore.
- Confidence loans increased from Rs. 42 crore to Rs. 66 crore.

Loans and advance Activities

- Refinance for ST-SAO-Rs. 16443 crore (SCBs-Rs. 13748 crore & RRBs-Rs. 2695 crore)
- Refinance for ST-Others-Rs. 183 crore (SCBs-Rs. 109 crore & RRBs- Rs. 74 crore)
- Refinance for MT Liquidity Support Scheme – Rs. 326 crore SCBs- Rs. 165 crore & RRBs- Rs. 161 crore)
- Refinance for Investment Credit –Rs. 9046 crore [NFS (30%), FM (19%), SHG(18%) & Dairy (7%)]
- Loans out of RIDF-Rs. 8035 crore [Roads & Bridges(39%), Irrigation (36%), Drinking water supply (8%) & Schools (6%)]

Developmental Activities

Cooperative Revival & Reforms

- MoUs signed in 20 States covering 95% of PACs and 93% of CCBs in the country.
- Special Audit completed-59294 PACS of 12 states and the CCBs in 3 states.
- Release of Capitalisation Funds to PACS-Rs. 3325 crore as GOI share in seven states.

Rural Non-Farm Sector

- Assistance out of Rural Innovation Fund –Total sanctions Rs. 26.14 crore & Disbursements –Rs. 21.69 crore Rural.
- Entrepreneurship Dev. Program – No. of progs-787 Sanctions – Rs. 5.03 crore Releases- Rs. 2.66 crore.
- Skill Development Programs & TPCs- No. progs -685; Sanctions –Rs. 2.69 crore; Releases – Rs. 1.96 crore.
- Innovative Projects – No. of projects -29; sanctions – Rs. 7.78 crore ; Releases –Rs. 2.56 crore
- Capacity Building of Partner Agencies-No. of Progs-13; Sanctions –Rs. 1.30 crore; Releases –Rs. 1.35 crore.
- Women development Programs – No. of progs-169; Sanctions – Rs. 1.45 crore ; Releases – Rs. 0.31 crore.
- Marketing & Technology support –No. of progs -349 ; Sanctions – Rs. 1.97 crore; Releases – Rs. 1.40 crore.

Promotion of Farmer's Clubs

- Launching of 5277 new clubs (cumulative 28226 clubs)
- Financial support –New & existing clubs-5386; Sanctions – Rs. 3.14 crore; Release- Rs. 3.39 crore (out of RIF)
- Future support to be provided from Farmers Technology Transfer Fund set up in NABARD with corpus of Rs. 25 crore.

KCCs : Fresh cards issued during the year-Cooperative Banks -21 lacs and RRBs-18 lakh (CB data not available)

Cooperative Development Fund :- Amount of grant released during the year –Rs. 6.34 crore.

Research and Development Fund – Amount of grant released during the year- Rs. 6.34 crore

Micro-Finance and SHG Bank –Linkage Programme :

- SHGs provided with bank loan-New groups -3.03 Lakh, Repeat groups -1.61 lakh
- Amount of Bank Loan disbursed –New groups –Rs. 1550 crore, Repeat groups –Rs. 1608 crore
- Grant assistance to SHPIs for promotion & linkage of SHGs –Amount sanctioned Rs. 13.70 crore & released Rs. 25.41 crore.
- Grant released for other promotional activities for awareness building, training programs & exposure visits – Rs. 13.32 crore.
- Capital and equity support out of MFDEF –Rs. 9.25 crore sanctioned to 11 agencies.

Disbursements under WDF

- Grant released under PM's Relief Package to distressed districts-Karnataka –Rs. 4 crore, Kerla- Rs. 0.23 crore, Maharashtra- Rs. 9.7 crores & Andhra Pradesh –Rs. 10.75 crore.
- Financial assistance released in non-distressed districts –Grant of Rs. 7.51 crore covering 128 projects in 13 States &
- Loan of Rs. 3.80 crore covering 100 projects in 2 States.

Tribal Development Fund – Amount of grant released –Rs. 15.52 crore covering 47 projects in 17 States.

CONCLUSION

As we analyses the data is shows that NABARD is working for the 360-degree development of rural India. Every year the financial assistance received by NABARD and the disbursement made out of it are increasing. The balance sheet size also increased from Rs. 81220 crores to Rs. 98706 crore & profit after tax assistance and proved to be an institution where “Growth with Social Justice” exists.

REFERENCE

- Business Standard
- The Financial Express
- www.nabard.org
- NAFSCOB (Analytical and graphical presentational are made by CSID, NABARD)