

National bank for agricultural and rural development economics essay

[Finance](#), [Banks](#)



The parliament through Act 61 of 81 set up National Bank for Agricultural and Rural Development [NABARD] after the former chairman of Reserve Bank of India Shri. B. Sivaraman submitted a report to the Governor on November 28, 1979. The committee set up by Sivaraman reviewed the arrangements for Institutional Credit for Agriculture and Rural Development CRAFTCARD.

The objectives of NABARD was to be able to provide adequate assistance to the millions of farmers in rural India who were not being given any importance in the quick and ever rising economic boom that was happening with Indian markets and industries. The committee decided on the fact that the Agricultural sector deserved as much attention as the other sectors, it being a source of economy that India largely depends on thus the committee realized that the huge credit that the sector would require to achieve any kind of development. There was a requirement for incorporation of the credit system and rural agricultural development.

NABARD'S task was to be to promote innovations and encourage initiatives in the agricultural sector and also to promote substantial and equitable agricultural and the rural development which was long due to the Indian farmers through effective credit support and other services which would be required to attain its mission and also infrastructure and institutional building through the finance it would provide. Since the Reserve Bank of India already had multiple issues to deal with regarding financing, regulating and monitoring various financial sectors the RBI was not in a position to give its

complete attentions to the sector of agriculture with the integration of credit financing.

This thus led to the formation of NABARD, it was started with the initial capital of Rs. 100 crore which later got enhanced to Rs. 2000 crore which was fully subscribed by the RBI and the Central Government. This was all due to the analysis by CRAFICARD which found that it would be more appropriate to integrate short term, medium term and long term credit structure for the agriculture sector by establishing a bank that would cater specifically to that sector which eventually became NABARD. The functions of NABARD in brief now are credit control which mainly involve credit plans for districts and issuing policy and operational guidelines and developmental functions concerning strengthening the credit functions and making credit productive along with supervisory functions over cooperative banks and regional rural banks.

1. 1 Research Methodology

The researcher has adopted the doctrinal form of research in making this project. Primary as well as secondary sources of information have been used from the NALSAR Law Library. The above category of material and its topic was largely available online and latest books on it were not up to date hence the researcher has resorted to majorly base his research from NABARD's official website.

1. 2 Research Plan

1. 2. 1 Aims and Objectives

The aim of this paper has been to analyze the extent of powers of the NABARD. The relevant concepts of law and their evolution have also been dealt with in an organized manner and the researcher aims at providing an insightful study of the same through interpretation statistic and schemes that NABARD has initiated in order to gauge its success as a rural bank.

1. 2. 2 Scope and Limitations

Within the scope of this project the researcher will discuss the topic which is the rural bank and will try to analyze through its various schemes and funds whether its legislative intent has been fulfilled.

CHAPTER I ROLE AND FUNCTION

NABARD is now the foremost and the apex institution in the field of providing credit for agriculture and other rural activities that involve financing. It is also the institution that is accredited with matters relating to policy, planning and other operations relating to agricultural economic financing.

The preamble of the NABARD Act mentions the following objectives for the rural based bank, its primary function should be to promote agriculture, provide credit aid small scale industries whether cottage or village handcrafts and other rural crafts and activities that are associated with it. The prosperity of rural areas is its most major concern.

In brief NABARD performs the following functions:

NABARD not only improves the absorptive of the credit delivery system to the rural areas while performing the task of monitoring and the formulation

of rehabilitation schemes to rescue the rural farmers but it also adds the initiatives of training personnel to further its objective so that well trained personnel are equipped with information and methods to help the rural sector majority of which is uneducated.

The rural bank also maintains its collaboration with the state and other bodies in order to maintain its objectives such as the Government of India the State Governments and the RBI itself. The development at the grassroots level is maintained through this association various state bodies. The collaboration also involves major policy formulation as well.

Being the apex agency it refines and provides investments and production credit for the promotion of rural area development.

The bank is also responsible for preparing annual credit plans for all rural districts in the country and these very plans are the ones that form the base for the credit plans for all rural financing and their institutions annually. It also monitors the projects that are refinanced by it and it evaluates them as well. NABARD not only maintains its financial and economical role but also performs social duties as well by promoting research in fields of rural banking, innovations in agriculture and rural development as well.[1]

I. II Objectives of NABARD:

NABARD being the apex bank for rural development is responsible for the following categories of rural economy such as credit for the promotion of Agriculture, small scale industries which also include cottage and village industries. It also formulates policies in matters relating to planning

operations and other allied and associated economic activities relating to rural areas. The bank also serves the function of long term and short term refinancing for institutional credit for the activities in rural agriculture. At the approval of Central Government the bank can also provide direct lending to any institution.

It becomes very important to maintain a relation and a constant link to the Reserve Bank of India in order to perform its functions fluidly[2].

I. II Organizational Structure of NABARD:

The bank consists of a Board of Directors at the very top to maintain affairs and policy decisions who maintain control below them is an elected Chairman who is assisted by a Managing Director. There are two Executive Directors below the Managing Director who handles affairs.

There are 26 Head Office Departments across the country which is then paired with 28 Regional Offices and 6 Training Establishments.

There is also a Special Cell Sub-office at Srinagar in Jammu and Kashmir and 391 District Development Offices.[3]

CHAPTER II MAJOR ACTIVITIES

The apex rural bank is thus responsible for recognizing Potential Linked Credit Plans and thus realizing the identification of exploitable potentials under agriculture and other activities that may be allied with it and that may promote agricultural development through the credit it may provide. The bank impressively also has the ability to provide loan in matters relating to

rural infrastructure and institutional building to the State Government, Nongovernmental organizations and also Panchayati Raj Institutions [PRIs]. [4]

The rural poor in the past found it very difficult to gather funds or loans to finance their activities what NABARD does it makes the usual non- credit worthy farmer worthy enough to receive funds from it, the apex rural bank provides formal banking services to the rural poor who find these kind of funds un reachable in the past. The bank does this by creating a supplementary credit delivery strategy which is cost effective in its operation which is promotes Self Help Groups [SHGs].[5]

There are areas that may receive higher percentage of rainfall than other regions which depend on the rain for agriculture. The bank promotes participatory watershed development which in turn enhances the productivity and the profitability of rain fed agriculture which becomes sustainable. In this way the rain water harvested is never gone to waste and can be also used during dry spells.

The apex bank also conducts through its officials on site inspection of cooperative banks to keep a check on them and also on the Regional Rural Banks or RRBs as well and off site surveillance over the health and functioning of the cooperatives and the RRBs. This check keeps a mandatory check on these organization in order to keep them functioning efficiently in order to perform the functions they were created for and not let them have

the notion that them being established in the rural area will not be an excuse for non performance.[6]

II. I Refinancing Activities by NABARD:

The apex rural bank provides credit facilities to the following agencies:

I. Commercial Banks: The bank provides long term credit for investment purposes and also the financing of the working capital requirements for the Weavers Co-operative Societies [WCS] and State Handloom Development Corporations.[7]

II. Short term Co-operative Structure (State Co- Operative Banks, District Central Co-operative Banks and Primary Agricultural Credit Societies):

The bank provides for short term loans which can either be crop related or any other loan, there is also the option of medium term loans which are also known as conversion loans. Term loans for investment purposes are also provided by NABARD. The bank also finances WCS for the production and marketing purposes it does and also to the State Handloom development corporations for their working capital by the State Co-operative Banks. It also provides term loans for investment purposes to Long-term Co-operative Structure (State Co-operative Agriculture and Rural Development Banks, Primary Co-operative Agriculture and Rural Development Banks).[8]

III. State Governments: The apex rural bank provides for long term loans in sectors of equity participation on co-operatives and also loans in Rural Infrastructure Development Fund (RIDF) for the development of

infrastructure projects. NABARD also provides short term loans in categories of crop or other loans and term loans for investment purposes in Regional Rural Banks [RRBs].[9]

IV. Non-Governmental Organizations (NGOs) – Informal Credit Delivery System:

The positive side of this rural bank is that it provides assistance to NGOs as well which are in way more connected to the rural population than most governmental agencies. The rural bank provides for credit assistance to these NGOs in activities revolving Fund Assistance for various micro-credit delivery innovations and promotional projects under 'Credit and Financial Services Fund' (CFSF) and 'Rural Promotion Corpus Fund' (RPCF) respectively. This assistance only enhances and encourages innovations and better developments in the agricultural areas with modern techniques and inventions.[10]

V. Refinance for Rural Housing Facilities scheme: This scheme provides Credit to the Individuals, Co-operative Housing Societies, Public Bodies, Housing Boards/ Housing Development Authorities/ Improvement, Trusts, Local Bodies, Voluntary agencies and NGOs, Housing Finance Companies registered, with NHB for finance extended by them to housing projects in the 'rural' areas only. The finance is provided for Construction of New Houses as well as Repairs/Renovation of existing houses in rural areas/ Rainwater Harvesting Structures/ Sanitary Latrines, etc.[11]

CHAPTER III NABARD INNOVATIONS

NABARD since its creation has come up with multiple innovations that have made rural banking more approachable and efficient it has developed the Micro Credit Innovation Scheme, under the Micro Credit Innovation scheme, NABARD has facilitated sustainable access to financial services for the unreached poor in rural areas, the reason primarily being that these areas are neglected by the default of both farmer's lack of education and awareness and neglect of the Government. But through various micro finance innovations NABARD has provided much needed finances to these neglected and unreached farmers in a cost effective and sustainable manner.[12]

NABARD constituted The Department for Cooperative Revival and Reforms (DCRR) solely for providing dedicated manpower at the national, state and district levels as NABARD is the Implementing Agency for implementing the Revival Package in all the states as it has been designated that task.[13]

NABARD not only creates options for the farmers but also creates solutions for them in the form of innovations, the bank helps in creating a scientific set up for the farmers and anyone interested in enhancing the field of agriculture. The apex rural bank as established a fund that helps in such causes known as the Research and Development Fund, the main objective of this fund is to acquire new insights into the problems of agricultural and rural development through in-depth studies and applied research and trying out innovative approaches backed up by technical and economic studies. It includes facilities for training, dissemination of information and promotion of

research by undertaking studies techno-economic and other surveys in the fields of agriculture, rural banking and rural development.

The bank recognizes eligible institutions that would aid in carrying out its research oriented objectives, the bank provides funding for such organizations and research institutions and other agencies which are engaged in action-oriented, applied research,

Individuals or groups of individuals would also be extended assistance provided they are sponsored by suitable organizations which would certify the proper use and accounting of funds however Private and commercial organizations are not normally eligible for assistance under this fund.[14]

The biggest problem that small scale artisans, entrepreneurs and other such small business men feel is the lack of capital funding. However the bank creates capital obtaining opportunities under the scheme it has created called the SWAROJGAR CREDIT CARD SCHEME which aims at providing adequate and timely credit or in other words working capital or block capital or both to small artisans, handloom weavers, service sector, fishermen, self employed persons, rickshaw owners, other micro-entrepreneurs, self help groups, etc from the banking system in a flexible, hassle free and cost effective manner. Borrowers in urban areas can be covered under SCC Scheme.

Not only individual but even small business is given priority sector status under the scheme. The bank covers any scheme/project that is income generating/ employment generating may be covered under the scheme. The

facility may also include a reasonable component for consumption needs. Farm sector activities like fisheries, dairy, etc. can also be covered under the scheme. Generally such of the self-employment activities which have regular turn over/income stream on short-interval basis can be covered under SCC scheme.

However it must be noted that the scheme is a credit delivery mode and not a purpose in its absolute sense, the positives being coverage of a unit under SCC will not make a unit ineligible for subsidy. Banks can issue SCCs to target borrowers of SCC scheme for disbursing credit under any schemes whether they are covered under subsidy or not.[15]

In order to ensure that the rural community is not backwards in farming knowledge or any other knowledge they might be concerned with NABARD has created the NABARD Consultancy Services (NABCONS). These consultancy services are engaged in providing consultancy in all spheres of agriculture, rural development and allied areas.

It has to be noted that NABCONS is not some ordinary service provider but a very important as the core competence of the NABARD is leveraged by NABCONS in the areas of agricultural and rural development, especially multidisciplinary projects, banking, institutional development, infrastructure, training, etc., internalized for more than two decades.[16]

NABARD helps in aiding the farmers to stay ahead with the times and foster a scientific spirit through the creation of the Rural Innovation Fund (RIF) this particular fund was designed to help the farmers to support their support

innovative, risk friendly, unconventional experiments in Farm, Non-Farm and micro-Finance sectors that would have the potential to promote livelihood opportunities and employment in rural areas.

The following areas/sectors are as regarded as thrust areas for support from the Fund. Dry land / Rain fed farming, Rainwater harvesting, Energy from biomass, Crop residues and non-crop bio mass, Distribution and use of water and energy, Storage devices for agricultural and rural products, Managing common property resources, Roads, Sanitation and Waste disposal, micro-Finance, Entrepreneurship/Skill development, micro-Enterprises, Marketing, Housing, Service sector, Health care and Hygiene.

The apex rural bank is also concerned about queries and questions the rural population may have about the options and facilities available to them, hence the led to the creations of a forum at the most basic grassroots level which is informal and accessible to the rural population. The programme is known as the Farmers' Club Programme. The clubs are organized by rural branches of banks with the support and financial assistance of NABARD for the mutual benefit of the banks concerned and rural people. In order to forge a better bank borrower relationship, interface with subject matter specialists in the various fields of agriculture and allied activities etc., extension personnel of Agriculture Universities, Development Departments and other related agencies for technical knowhow up gradation and to coordinate with banks to ensure credit flow among its members.

Collaborations are formed by the Bank with Corporate input suppliers to purchase bulk inputs on behalf of members, organize/facilitate joint activities like value addition, processing, collective farm produce marketing, etc.; for the benefit of members. The Bank's Club not only performs the above functions but can also sponsor / organize SHGs, undertake socio-economic developmental activities like community works, education, health, environment and natural resource management etc[17].

NABARD has also realized the plea of the minority section farmers and has created a special scheme for them in order to aid them in their activities. Broadly termed as the Water Harvesting Scheme, this scheme is especially available to the Scheduled Caste and Scheduled Tribe farmers.

The scheme's main objective is to provide the minority farmers with facilities such as irrigations facilities to their homesteads and their farmlands. The bank has realized the income generating capacity of these farmers and in its aim to encourage it provides these farmers with suitable local water-harvesting structures which are provided along with small lifting devices on a nationwide scale.

The scheme also provides at the option of the farmer is he may so intend to diversify his activities with the business opportunity of Freshwater Aquaculture which the farmer may practice along with other activities to boost his income.[18]

CHAPTER IV RECENT DEVELOPMENTS

In India the biggest risk factors are comprised of weather and climate's unpredictability which impacts farm performance and management. Extreme weather and climate events such as severe droughts, floods or temperatures often lead to decline in agricultural production, particularly in arid and semi-arid zones

In Maharashtra NABARD has decided to use technological advancements in order to aid farmers in their activities which is to be financed under the Farmers' Technology Transfer Fund (FTTF) which will be launched jointly by the National Bank for Agricultural and Rural Development (NABARD) and India Meteorological Department (IMD). This is to aid about 50,000 farmers in ten districts of Maharashtra are expected to benefit from a pilot project which will disseminate weather-related inputs using Information and Communication Technology (ICT) to improve land productivity and boost crop output.

The aim of the project is to create awareness increasing farmers' knowhow and capacity building for enhanced income through adoption of new technologies, reduction of costs, getting better price for produce and securing technical inputs for crop management.

The information will be accessible to the farmers in SMS form in the pilot initiative and the 50,000 farmers from 500 farmers' clubs promoted by NABARD will be provided weather-related information and crop advisories through SMS. This initiative is to promote a two-way communication between

agriculture experts and grassroots level communities which will be envisaged in a three year plan using ICT tools for providing need-based agro-meteorological advisory services to ryots in the context of local farming and culture.

The project will mainly focus on ICT initiative for improving productivity of land and production of crop to augment income of farmers, the IMD's Agri-Met field units will provide weather and crop-related advisories right from sowing to harvesting operations with technical expertise.[19]

In the district of Tiruchirapalli in Tamil Nadu NABARD has sanctioned over Rs. 4 crore for developing rural infrastructure in the district. the Rural Infrastructure Development Fund (RIDF) tranche XVIII it has sanctioned Rs. 1. 71 crore for strengthening and laying black-topped roads at Kattuputhur, Lalgudi, Mettupalayam, Musiri, Pullambadi, Thathaiangarpet, Thottiam, and Uppiliapuram town panchayats. Added to that it has sanctioned Rs. 51 lakh for construction of sanitary complexes at various districts . The objective is to strengthen the market infrastructure and prevent post-harvest losses of farmers, it has supported construction of rural warehouses of 100 metric tonnes (MT) each at 12 Primary Agricultural Cooperative Societies, 2, 000-MT warehouse at Thuvankurichi regulated market, and 25-MT cold storage facility at Ariyalur regulated market at a cost of Rs. 1. 25 crore, Rs. 1. 14 crore and Rs. 30. 21 lakh respectively.[20]

Spokespersons from NABARD strongly believe that India's decision not allowing Bt technology in crops other than cotton despite certification

from leading international bodies regarding the safety of genetically modified (GM) plant technology is a huge progress opportunity that is being missed out by India.

Bt Technology has been adopted by over 30 countries and has also have increased productivity of key crops like wheat, corn and cotton to great extents.

The main reason being for Bt crops not being approved in India is the opposition by certain states such as Bihar, Kerala, Chhattisgarh, Madhya Pradesh, West Bengal and Karnataka where as high productivity states such as Gujrat and Punjab.

The reason for opposition could be the health hazards it may cause but GM plant technology has been approved by European Union (EU) as well UN's Food and Agricultural Organisation (FAO).[21]

NABARD chose Polaris Financial Technology Company and Intellect TM Lending Solution comprising Loan Management and Accounting modules to be the bank's new Centralized Loan Management and Accounting System (CLMAS). This management system will allow NABARD to tap into the Polaris's Intellect Loan Origination, Intellect Loan Management, Intellect GL (Accounting, Budgeting, MIS), Training, Handholding and Helpdesk services to centralize decision making and attain access to centralized accounting across the bank's head office and regional offices.

CLMAS is an important part of the agenda which the Re-positioning Department of NABARD initiated to propagate several innovative measures. The objective was automation of financial transactions online and accounting at enterprise level, generation of Trial Balance on daily basis and avoidance of reconciliation of various accounts, centralized repository of data and an efficient Management Information System (MIS).[22]

CHAPTER V NABARD ACHIEVEMENTS

NABARD has been performing in the positive side since its inception in the end of the financial year on March 2011 the total production credit disbursed was Rs. 34196 crore. For the year of 2010-2011 the refinance disbursement under the Investment Credit to commercial banks, state cooperative banks, state cooperative agriculture and rural development banks, RRBs and other eligible financial institution was Rs. 13485. 87 crore

The Rural Infrastructure Development Fund (RIDF) Rs. 12060. 04 crores was disbursed during 2010-11. A cumulative amount of Rs. 121488. 40 crore has been sanctioned for 444162 projects as on 31 March 2011 covering irrigation, rural roads and bridges, health and education, soil conservation, drinking water schemes, flood protection, forest management etc and as of 31 March 2011, 579 projects in various districts of 14 states benefited under the Watershed Development Fund which had a balance of Rs. 1847. 69 crore.

Due to the Bank's efficient functioning farmers can now enjoy hassle free access to credit and security through 1009. 30 lakh Kisan Credit Cards that

have been issued through a vast rural banking network. During 2010-11, 72.6 lakh KCC were issued by banks with a sanctioned limit of Rs. 43370 crore.

Under various funds and programmes such as the Tribal Development Fund, cumulative sanction amounted to Rs. 917.60 crore for 317 projects covering 2.5 lakh families. During 2010-11 financial assistance of Rs. 373.97 crore was sanctioned for 126 projects benefiting 94,163 tribal families, the Farmers' Club Programme, during the year 21903 clubs were launched, taking the total to 76708 clubs as on 31 March 2011 helping farmers get access to credit, technology and extension services and across 25 states

The Village Development Programme was implemented in 801 villages. The other very successful funding was under the Farm Innovation and Promotion Fund (FIPF), which cumulatively has 123 projects in various states, involving financial support of Rs. 11.65 crore which was sanctioned on 31 March 2011.

There 512 innovative projects across 27 states with grant assistance of Rs. 44.97 crore which were sanctioned during 2010-11 under Farmers Technology Transfer Fund (FTTF). The micro finance programme sanctioned more than 69.53 lakh savings linked SHGs and more than 48.51 lakh credit linked SHGs covering 9.7 crore poor households as on 31 March 2011.[23]

CONCLUSION

The parliament created the NABARD act and the Apex bank in order to aid the rural farmers that had long been neglected by the Government. There was such an initiative to uplift industries and capital market that these agricultural sectors were being grossly neglected. Even the apex bank of the

country the Reserve Bank of India was so knee deep in other responsibilities and duties that it could not give adequate assistance to the rural farmer and their population which mostly comprised of artisans, small business owners and small other small enterprises.

There was a need of adequate funding to these sectors in order for them to develop and flourish like the other sectors that the Indian Government was giving undivided attention to. Thus this led to the formation of the Rural Apex bank now known as NABARD. The apex rural bank was able to form the relation between credit deliverance and the agricultural sector.

The rural bank has been successful in creating multiple funds and schemes in order to aid the rural farmer. The essential point to note here is that the bank not only facilitates the funding to the farmer but also makes them self sufficient by training personnel in order to better understand modern techniques of farming which only propagates the growth and development relating to rural economies. With the help of the RBI the apex rural bank is also responsible for formulating policies to further benefit the agricultural farmers and the rural poor.

The bank realizes the potential of the agricultural sector and terms non credit worthy farmers as credit worthy ones, these farmers were long rejected by other financial institutions due to the lack of guarantee on their credit. But recent statistics will show that the farmers have lived up to the confidence instilled in them and are actually creating profit and are now operating hassle free when it comes to financing their activities.

Various schemes and funds allow farmers to innovate and create new methods and inventions that help them in their field and this is solely because of the investments done by the rural bank.

The bank not only h