Role of NABARD in Rural Development

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Abstract

NABARD is set up by the Government of India as a development bank with the mandate of facilitating credit flow for promotion and development of agriculture and integrated rural development. The mandate also covers supporting all other allied economic activities in rural areas, promoting sustainable rural development and ushering in prosperity in the rural areas. With a capital base of Rs 2,000 crore provided by the Government of India and Reserve Bank of India, it operates through its head office at Mumbai, 28 regional offices situated in state capitals and 391 district offices at districts. The various functions of NABARD are Credit Functions, Developmental and Promotional Functions, Supervisory Functions, Institutional and Capacity building, Role in Training etc. The paper attempts to analyse the role of NABARD and its functioning in development of rural India.

Introduction

It is an apex institution handling matters concerning policy, planning and operations in the field of credit for agriculture and for other economic and developmental activities in rural areas. Essentially, it is a refinancing agency for financial institutions offering production credit and investment credit for promoting agriculture and developmental activities in rural areas.

NABARD is set up by the government of India as a development bank with the objective of facilitating credit flow for promotion and development of agriculture and rural development. With the capital base of Rs.2000 crore provided by the government of India and Reserve Bank of India, it operates through its head office at Mumbai, 28 regional offices situated in state capitals and 391 district offices at districts.
Activities of NABARD

- Credit Functions
- Developmental and Promotional Functions
- Supervisory Functions
- Institutional and Capacity building
- Role in Training

1. Credit functions
Credit functions, involving preparation of potential-linked credit plans annually for all districts of the country for identification of credit potential, monitoring the flow of ground level rural credit, issuing policy and operational guidelines to rural financing institutions and providing credit facilities to eligible institutions under various programmes.

NABARD's credit functions cover planning, dispensation and monitoring of credit. This activity involves:
- Framing policy and guidelines for rural financial institutions
- Providing credit facilities to issuing organizations
- Preparation of potential-linked credit plans annually for all districts for identification of credit potential
- Monitoring the flow of ground level rural credit

Farm Sector Schemes
- Village Adoption/Village development Plan
- Backward Blocks
- Bamboo Farming
- MACs
- Bio Fuels
- Crop Insurance
- Agriculture Commodities
- SGSY
Rural Non-Farm Sector Schemes

Refinance Schemes
Rural Non Farm Sector (RNFS) holds the key to faster economic development of the country. It has potential and promise for generating employment and increased income in the rural areas. Hence, NABARD has identified financing, development and promotion of RNFS as one of its thrust areas. NABARD has evolved several refinance and promotional schemes over the years and has been making constant efforts to liberalize, broad base and refine/rationalize the schemes in response to the field level needs. The focus has been on greater credit flow and provision of linkages for small, cottage and village industries, handicrafts and other rural crafts and service sector in the decentralized sector in the rural areas. The refinance facilities available from NABARD for RNFS are as under:

Investment Credit
NABARD provides refinance under Investment Credit to eligible banks for a wide spectrum of manufacturing, processing and service sector activities under Rural Non-Farm Sector. The various refinance schemes of NABARD, inter-alia, cover the entire manufacturing, processing and approved service activities in the SSI sector with emphasis on Cottage, Village, Tiny Industries, Rural Artisans and Rural Crafts.

Refinance Schemes for banks under Non-Farm Sector
Refinance to banks will be provided under:
Automatic Refinance Facility (ARF), i.e. without submission of schemes/projects for prior sanction by NABARD upto a prescribed level, and
Pre-sanction procedure i.e., the banks will have to submit scheme/project proposals to NABARD and get them sanctioned before disbursement of loans to their borrower clients.

(i) Refinance under Automatic Refinance Facility (ARF)
The following three schemes are available under ARF:

• Enterprise Loan Scheme (ELS).
• Small Road and Water Transport Operators (SRWTO) Scheme.
• Scheme for Soft Loan Assistance for Margin Money (SLAMM).

**Eligible institutions**

**Commercial Banks (CBs)**

• Regional Rural Banks (RRBs)
• State Co-operative Banks (SCBs) / District Central Cooperative Banks (DCCBs)
• State Co-operative Agriculture and Rural Development Banks (SCARDBs)/ Primary Co-operative Agriculture and Rural Development Banks (PCARDBs)
• Scheduled Primary (Urban) Co-operative Banks (PUCBs)

2. **Development and Promotional Functions**

Credit is a critical factor in development of agriculture and rural sector as it enables investment in capital formation and technological upgradation. Hence strengthening of rural financial institutions, which deliver credit to the sector, has been identified by NABARD as a thrust area. Various initiatives have been taken to strengthen the cooperative credit structure and the regional rural banks, so that adequate and timely credit is made available to the needy.

**Developmental Functions**

- Overview
- Developmental Initiatives
- Credit Planning
- Watershed Development Fund
- Special Projects
- North Eastern Region
- Environmental Protection
- Gender Development
- Wadi Based Livelihood Development
Promotional functions

- Micro Credit Innovations
- Kisan Credit Card
- R & D Fund
- Swarojgar Credit Card
- Farmer's Club Programme
- Government Sponsored Schemes

3. Supervisory Functions

Supervisory functions, ensuring the proper functioning of cooperative banks and regional rural banks

Overview

As an apex bank involved in refinancing credit needs of major financial institutions in the country engaged in offering financial assistance to agriculture and rural development operations and programmes, NABARD has been sharing with the Reserve Bank of India certain supervisory functions in respect of cooperative banks and Regional Rural Banks (RRBs).

As part of these functions, it
- Undertakes inspection of Regional Rural Banks (RRBs) and cooperative banks (other than urban/primary cooperative banks) under the provisions of Banking Regulation Act, 1949.
- Undertakes inspection of State Cooperative Agriculture and Rural Development Banks (SCARDBs) and apex non-credit cooperative societies on a voluntary basis
- Undertakes portfolio inspections, systems study, besides off-site surveillance of cooperative banks and Regional Rural Banks (RRBs)
- Provides recommendations to Reserve Bank of India on opening of new branches by State Cooperative Banks and Regional Rural Banks (RRBs)
- Administering the Credit Monitoring Arrangements in SCBs and CCBs.

4. Institutional Building

- Help cooperative banks and RRBs to prepare development actions plans for themselves
• Enter into MoU with state governments and cooperative banks specifying their respective obligations to improve the affairs of the banks in a stipulated timeframe

• Help RRBs and the sponsor banks to enter into MoUs specifying their respective obligations to improve the affairs of the RRBs in a stipulated timeframe

• Monitor implementation of development action plans of banks and fulfillment of obligations under MoUs.

• Provide financial assistance to cooperatives and RRBs for establishment of technical, monitoring and evaluations cells.

• Provide organisation development intervention (ODI) through reputed training institutes like Bankers Institute of Rural Development (BIRD), Lucknow, National Bank Staff College, Lucknow, College of Agriculture Banking, Pune, etc.

• Provide financial support for the training institutes of cooperative banks

• Provide training for senior and middle level executives of commercial banks, RRBs and cooperative banks

• Create awareness among the borrowers on ethics of repayment through Vikas Volunteer Vahini/farmer's clubs

• Provide financial assistance to cooperative banks for building improved management information system, computerisation of operations, development of human resources, etc.

5. NABARD and its Role in Training
National Bank Staff College, Lucknow
National Bank Training Centre, Lucknow
Zonal Training Centre, Hyderabad
Regional Training Centre, Mangalore
Regional Training Centre, Bolpur
Bankers Institute of Rural Development (BIRD), Lucknow

4. OBJECTIVES

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 organization 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 approved by the central government.

4. The Bank will have organic links with the Reserve Bank and maintain a close link with in.

5. **MAJOR ACTIVITIES**

1. Preparing of Potential Linked Credit Plans for identification of exploitable potentials under agriculture and other activities available for development through bank credit.

2. Refinancing banks for extending loans for investment and production purpose in rural areas.

3. Providing loans to State Government/Non Government Organizations (NGOs)/Panchayati Raj Institutions (PRIs) for developing rural infrastructure.

4. Supporting credit innovations of Non Government Organizations (NGOs) and other non-formal agencies.

5. Extending formal banking services to the unreached rural poor by evolving a supplementary credit delivery strategy in a cost effective manner by promoting Self Help Groups (SHGs)

6. Promoting participatory watershed development for enhancing productivity and profitability of rainfed agriculture in a sustainable manner.
7. On-site inspection of cooperative banks and Regional Rural Banks (RRBs) and off-site surveillance over health of cooperatives and RRBs.

6. ROLE

NABARD is an apex institution accredited with all matters concerning policy, planning and operations in the field of 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 various developmental activities in rural areas.

- It 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.

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

- It undertakes monitoring and evaluation of projects refinanced by it.

- It promotes research in the fields of rural banking, agriculture and rural development.

7. SUBSIDIARY

Nabcons

NABARD Consultancy Services (Nabcons) is a wholly owned subsidiary promoted by National Bank for Agriculture and Rural Development (NABARD) and is engaged in providing consultancy in all spheres of agriculture, rural development and allied areas. Nabcons leverages on the core competence of the NABARD in the areas of agricultural and rural development, especially multidisciplinary projects, banking, institutional development, infrastructure, training, etc., internalized for more than two decades. The Company is registered under the Company's Act, 1956, with an authorized capital of Rs 250 million (US $5.75 million) and paid up capital of Rs 50 million (US $1.15 million).
In tune with NABARD's mission to bring about rural prosperity, Nabcons has more than just commercial interest in the assignments it undertakes. Credit functions, involving preparation of potential-linked credit plans annually for all districts of the country for identification of credit potential, monitoring the flow of ground level rural credit, issuing policy and operational guidelines to rural financing institutions and providing credit facilities to eligible institutions under various programmes.

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**Farm Sector Schemes**

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- Backward Blocks
- Bamboo Farming
- MACs
- Bio Fuels
- Crop Insurance
- Agriculture Commodities
- SGSY
- Farm Mechanisation
- Land Purchase
- Scheme for AgriClinic/ Agri-Business Centres (ACABCs)
- SEMFEX
- Capacity Building for Adoption of Technology (CAT)
- Agri Export Zone (AEZ)
Rural Non-Farm Sector Schemes

**Refinance Schemes**

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**Conclusion**

From above we see 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. In short it can be said that the
NABARD is providing rural INDIA all round assistance and proved to be an institution where “Growth with social justice exist”.

References
http://www.nabard.org
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