



Role of NABARD in the development of agriculture sector

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ABSTRACT

More than 70% of the population resides in rural areas, making rural development a critical component of India's overall strategy of development. The vast majority of individuals who live in rural regions depend on agriculture and other associated businesses for their livelihoods. These places are sparsely inhabited in comparison to the more densely populated urban and suburban areas. Because of the absence of comforts, rural people's manner of life differs from that of city inhabitants. The length, breadth, or accessibility of various government services, such as law enforcement, schools, fire stations, and libraries, may make them difficult to access. Rural development is a top priority in India and a big source of worry for the country as a whole. People in rural areas are the focus of Rural Development's efforts. " It was created by the Indian government to serve as the primary institution in charge of allocating and monitoring funds for rural development in the country. There is just one agency responsible for agriculture and rural development in the state. NABARD's role in rural development will be examined as a result of this fact. Goals and goals were examined as were organizational and managerial structures as well as monetary funding sources. Activities were also examined.

KEYWORDS: NABARD, Rural Development, Loan, Refinance, agriculture sector

Introduction: Compared to rural regions, urban India has grown significantly during the last two decades. Unless the rural economy grows, India's economic growth would be slowed down. There are still many rural populations in the United States that lack access to basic amenities such as schools, hospitals, and other health care facilities. Because of this, many young people are leaving rural regions to find jobs in cities. Improved living conditions are necessary for inclusive development to occur in our communities. Rural India has been left penniless by this.

Since the dawn of civilisation, Indians have relied on money lenders for financial aid. Because of his lack of education, illiteracy, and dire financial circumstances, the moneylender took advantage of him. During the early years of cooperative credit unions, he was freed from the



grips of money lenders. After then, higher-level financial institutions provided a loan. Rural communities have been mostly ignored by commercial banks when it comes to lending. As a result of the nationalization, all agricultural financing became required. Fears expressed by those who thought they couldn't satisfy the financial demands of small farmers and farmworkers were right. There has been a lack of timely and adequate capital delivery from cooperative banks in India as well.

Because of the lack of rural credit institutions, regional rural banks were created to fill in the need. Finally, the National Bank for Agriculture and Rural Development (NABARD) was established as a Development Bank with a mandate to promote the development of agriculture, small-scale industries, cottage and village industries, and other allied economic activities in rural areas, with the goal of ensuring rural prosperity.

Rural development is essential since 70% of India's population lives in rural areas. Agriculture and other rural sectors provide a major amount of rural residents' income each year. This is a stark contrast to the highly populated urban areas and suburbs. Because of the absence of conveniences, rural life is quite different from city life. Government services such as law enforcement, schools, fire stations, and libraries may not be provided. Providers may not be able to access sewage and lighting, as well as trash removal. On rare occasions, public transit may be completely shut down or substantially limited. At the time of India's independence, the rural population accounted for over 83% of the country's total. This is why rural development has always been important to us and will remain so in the future. Long-term goals included addressing the economic and social challenges facing rural populations. The goal of rural development has shifted to one of spurring economic growth and promoting social justice.

As a matter of national policy, India's government prioritizes rural development. Changes in the way people live in rural regions are occurring. The major objective of rural development is to enhance the standard of living for those who live in rural areas. Government of India created NABARD, the country's top financial and other service provider and regulator, to support rural development and supply and regulate financial services. Agricultural and community development projects are funded by a single entity. NABARD's involvement in rural development is analyzed as a result of this fact.

Objectives:The following are the goals of this research.

- Investigate NABARD's involvement in rural development.
- To evaluate NABARD's performance as a refinancing agency.
- To assess the loan assistance provided to different institutions.

Data Collection and Statistical techniques

Secondary materials, such as books, magazines, annual reports, records, and websites, play a major role in the study. The percentage to total ratio was used as a method of data analysis.

Since 2011, a five-year survey has been undertaken. Preliminary fiscal year 2015-16 data have been provided.



In order to better understand NABARD's role in improving the lives of the rural poor, an investigation was done. As part of our study, we looked at several aspects of an organization, including its aims and purposes, management and organizational structure as well as sources of funds utilized, the tasks completed, and so on.

Profile of NABARD: Rural finance institutions needed a united, broad-based structure in order to generate and execute integrated rural development programs. CRAFTICARD, the Reserve Bank of India's (RBI) committee to examine institutional credit for agricultural and rural development, is headed by Shri. B. Sivaraman, an ex-member of India's Planning Commission. An interim report issued by the Committee on November 28, 1979, suggested that a new organizational framework was required to deal with the credit challenges connected with integrated rural development. NABARD was proposed by the Committee. The National Bank for Agricultural and Rural Development (NABARD) was established in 1981 by an act of Congress (NABARD). Agricultural Refinance and Development Corporation took over the Reserve Bank of India's agricultural loan and refinancing business on July 12, 1982. (ARDC). It's a well-known source of funding for rural development. Agricultural and rural development are the sole areas of attention at this institution, which is unique in the nation..

NABARD was formed with the following goals in mind:

- To offer integrated rural development undivided attention and deliberate direction.
- To serve as the national focal point for the whole rural credit system.
- Act as a secondary funding source for rural credit institutions.
- To provide small businesses, village and cottage industries, handicrafts and other rural crafts, craftsmen, and farmers with investment credit.
- To strengthen the credit distribution system through institution building, credit institution rehabilitation, and bank personnel training.
- To offer state land development banks (SLDBs), state cooperative banks (SCBs), regional rural banks (RRBs), and commercial banks (CBs) with refinancing facilities for rural development.
- To coordinate the activity of various agencies involved in rural development at the regional level, as well as to maintain contact with the Government of India, the Reserve Bank of India, state governments, and other policy-making organisations at the national level.
- Inspecting, monitoring, and evaluating a variety of projects.

The following are the key functions of NABARD:

In order to improve the absorption capacity of the credit delivery system, it takes steps such as monitoring, formulating rehabilitation programs, reorganizing credit institutions, and training staff, among other things. In order to coordinate all agricultural and rural development initiatives, it acts as the apex financing agency.

- It maintains close ties with the Indian government, state governments, the Reserve Bank of India, and other national policy-making organizations.
- Oversees and evaluates projects that have been refinanced.



- State Cooperative Banks (SCBs), Land Development banks (LDBs), Regional Rural banks, and other recognized financial institutions have access to refinancing facilities for rural economic activities.
- It contributes to the development of rural economic institutions.
- Additionally, it monitors the institutions it collaborates with.
- It regulates the rural economy's financial institutions.
- In addition, it provides training to rural development-related organizations.
- Cooperation banks and RRBs are under its jurisdiction.
- It aids the government, the Reserve Bank of India, and other rural development organizations in India.
- Rural development banks, cooperatives, and organizations may use it for teaching and research purposes.
- Funding from the state government is available for agricultural and rural development institutions.
- There is a wide range of financing options for SCBs, LDBs, RRBs, and other qualified financial institutions available via this program.
- It provides state governments with long-term assistance (up to 20 years).
- Cooperative and regional reserve banks are inspected by it.

It keeps an R&D fund going to aid in agricultural research and rural development.

Management & Organisation Structure: NABARD's administration and organizational structure are as follows: The NABARD's Board of Directors is chaired by the NABARD's Chairman.

Management directors are the people in control of a company's daily operations.

It was decided that two directors would be chosen from a pool of rural economic and development professionals.

Three directors will be in place, two of whom have worked in cooperative banking and one who has worked in commercial banking.

The Reserve Bank of Australia's Board of Directors has three members.

The Central Government is led by three directors.

The State Government has two directors and other top officials. Once the government has nominated one or more full-time directors, the company may go on. Chairman and CEO periods will be limited to five years and be limited to three years each. The diagram below depicts NABARD's organizational hierarchy..

Hierarchy within an organization of NABARD



Funds Sources :Listed below are NABARD's accessible resources.

NABARD was created with a capital of Rs. 100 crores. ' There were Rs.4,980 crore in Reserve Bank of India's paid-up capital as of March 31, 2016, and Rs.20.00 crores as a consequence of a share capital composition in this regard. Indian government, World Bank, other multilateral and bilateral institutions and market will provide long-term funding for NABARD. It was recently announced that NABARD will take on responsibility for administering India's "National Rural Chit Fund," which is refilled by annual contributions and was previously within the purview of the Reserve Bank of India (RBI).

A portion of each year's contributions to the Rural Credit (stabilization) Fund will be transferred to the Reserve Bank of India's National Agricultural Credit (stabilization) Fund for inclusion in the NACSF. The Reserve Bank will provide the bulk of the country's short-term financial needs. In order to establish a "Research and Development Fund," the corporation will collect yearly income payments.

Activities of NABARD: NABARD, a single, integrated agency, manages all agricultural and rural development loans. NABARD's activities in 2011-12 and 2015-16 are listed below.

NABARD Infrastructure Development Assistance (NIDA):

Infrastructure projects in rural areas are now eligible for funding from the National Infrastructure Development Authority (NIDA) (NIDA). Using a risk assessment of a specific rural infrastructure development project, state-owned institutions and enterprises will be granted direct finance. The NIDA program provides flexible interest rates and a payback period of up to 15 years..



Financing and supporting Producer Organisations :

NABARD has taken the lead in helping producer groups by implementing a flexible approach to fulfill their needs.. The Producers Organization Development Fund was established in 2011 with the sole purpose of assisting producers groups to flourish. Financing, capacity development, and market ties are all ways in which producers benefit from the money. Producer Organizations' long-term profitability and sustainability are the key goals of the fund, which also takes care of their end-user needs...

Shortterm loans: NABARD offers state cooperative banks short-term loans of up to 18 months for seasonal agricultural operations, crop sales, fertilizer distribution and cooperative sugar mill working capital requirements.

Medium term loans:NABARD aids farmers whose crops have been ravaged by natural disasters by converting short-term agricultural loans into medium-term loans for a period of 8 months to 7 years to State cooperative banks and Regional rural banks.

The repayment of long-term loans Three to fifteen years is the typical duration of long-term financing. Farm mechanization and land development, as well as dairy and sheep/goats/poultry and piggyery farming, poultry farming, piggyery farming and plantation/horticulture in addition to forestry, fisheries and storage/marketyards, biogas and other alternative energy sources and sericulture and apiary farming, agro-processing and agroservice centers, are all aimed at bringing in more money for the farmers....

Financing and developing Primary Agriculture Cooperatives (PACs) into multi-service centers:Members of PACS have received loans and other services from the cooperative since it was established. Most of the time, PACS has been found to meet the credit standards of its members in most cases. Farmer's demands need that PACS be erected as a single unit. NABARD has pushed for multi-service centers in order to give more services to members while also making money. Furthermore, PACS may now provide additional services to its subscribers and expand the company's business model because of this. It's possible that PACS will provide a range of benefits for farmers such as the ability to store grain and provide other agro-related services such as grain processing and transportation..

Umbrella Programme for Natural Resource Management:

Over time, NABARD has always sought to assist the agriculture sector flourish. Watershed development and livelihood-based initiatives, as well as environmental conservation efforts and a broad spectrum of agricultural technology transfer, have helped accomplish this objective. There is no replacement for water in the agricultural production process. Water is a must. The Umbrella Program for Natural Resource Management focuses on community-led, long-term natural resource management projects. NABARD has taken a few steps to promote ecologically sustainable development in view of the problems posed by climate change.

Dairy entrepreneurship development scheme: The Dairy Entrepreneurship Establishment Scheme was introduced in 2010–11 to promote the development of modern dairy farms that produce clean milk and heifer-rearing farms that preserve good breeding stock. Because of

structural changes in the unorganized sector, it is possible that the village's milk processing equipment, which currently handles commercial amounts of milk, might be improved.

Loan assistance to various institutions :

Institution-wise assistance to agricultural sector: NABARD provides financial assistance to agriculture via a variety of institutions, including cooperative banks, community development financial institutions (CDFIs), and conventional commercial banks. From 71.21 percent to 72.25 percent of overall loan assistance, commercial banks received, as shown in Table 1..

[Table 1 : Institution-wise Loan Assistance to Agricultural Sector during 2011-12 and 2015-16

(Rs.Crores)

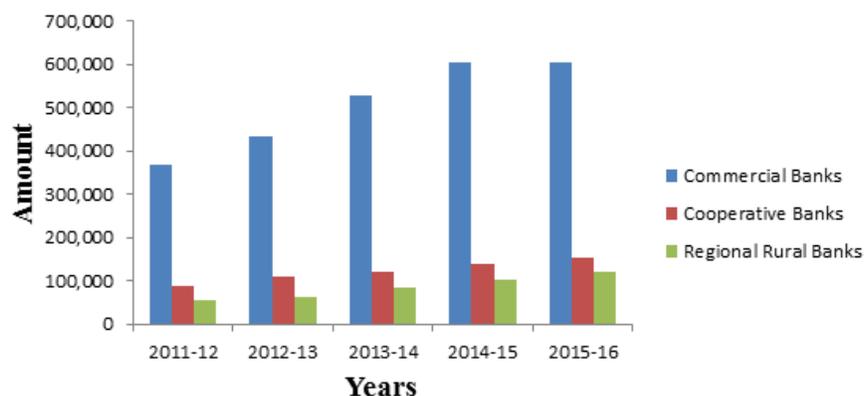
Institution	2011-12	2012-13	2013-14	2014-15	2015-16
Commercial Banks	3,68,616 (72.13)	4,32,491 (71.21)	5,27,506 (72.25)	6,04,376 (71.50)	6,04,668 (68.92)
Cooperative Banks	87,963 (17.21)	1,11,203 (18.31)	1,19,964 (16.43)	1,38,469 (16.38)	1,53,295 (17.48)
Regional Rural Banks	54,450 (10.66)	63,681 (10.48)	82,653 (11.32)	1,02,483 (12.12)	1,19,261 (13.60)
Total	5,11,029 (100.00)	6,07,375 (100.00)	7,30,123 (100.00)	8,45,328 (100.00)	8,77,224 (100.00)

Source: Annual Report of NABARD 2015-16

Note: During 2011-12 and 2015-16, figures in parentheses represent the proportion of total.

Between 16.38 and 18.31 percent of the time, this percentage was observed. There were between 10.48 percent and 12.12 percent of total loans held by Regional Rural Banks at any one moment. According to the study results, cooperative banks and regional rural banking institutions were ranked second and third, respectively...

Chart 1 : Institution-wise Agricultural loan Assistance (Rs.Crores)



Scheme-wise loan disbursement to agricultural sector:

Loans for crops and term loans are available from the NABARD. 80% of agricultural financial assistance is provided via crop loans, according to Table 2...

Table 2 : Scheme-wise Agricultural Loan Disbursement during 2011-12 and 2015-16
 (Rs.Crores)

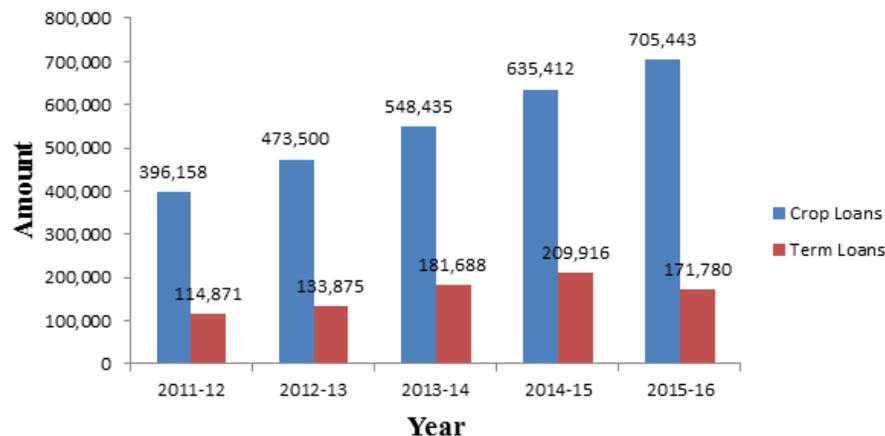
Scheme	2011-12	2012-13	2013-14	2014-15	2015-16
Crop Loans	3,96,158 (77.52)	4,73,500 (77.96)	5,48,435 (75.12)	6,35,412 (75.17)	7,05,443 (80.42)
Term Loans	1,14,871 (22.48)	1,33,875 (22.04)	1,81,688 (24.88)	2,09,916 (24.83)	1,71,780 (19.58)
Total	5,11,029 (100.00)	6,07,375 (100.00)	7,30,123 (100.00)	8,45,328 (100.00)	8,77,224 (100.00)

Source: Annual Report of NABARD 2015-16

Note: The percentages in parentheses refer to the total.

From Rs.3,96,158 crores in 2011-12 to Rs.7,05,443 crores in 2015-16, crop loan repayments have increased dramatically in India. Between 19.58 percent and 24.88 percent of all loans were term loans.

Chart 2 : Scheme-wise Agricultural Loan Assistance during 2011-12 and 2015-16 (Rs.Crores)



Refinance assistance by NABARD: Rural Financial Institutions (RFIs) like as cooperative banks, regional rural banks, commercial banks, and others benefit from NABARD's refinancing to meet operational capital requirements and support agricultural investments, resulting in capital creation.

Financing short-term loans for production, marketing, and procurement is known as short-term refinance..

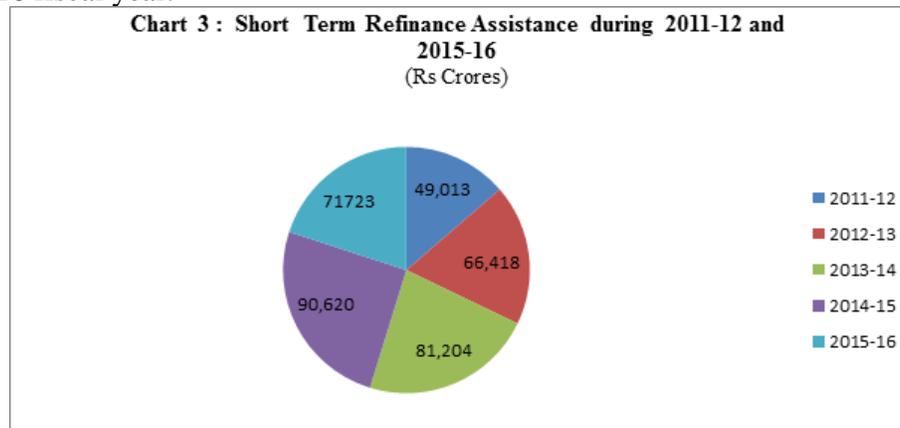
Table 3 : Short Term Refinance Assistance to Rural Financial Institutions during 2011-12 and 2015-16

(Rs. Crores)

Year	Amount	% of change over previous year
2011-12	49,013	--
2012-13	66,418	35.51
2013-14	81,204	22.26
2014-15	90,620	11.60
2015-16	71723	-20.85

Source: Annual Report of NABARD 2015-16

NABARD's short-term refinancing provided rose considerably between 2011 and 2014, as indicated in Table 3. A decline occurred between 2015 and 2016. The year-over-year change fell from 35.51 percent to 11.60 percent throughout this time period. There was a decline of 20.85% in the 2015-16 fiscal year.



Refinance aid per institution: Various RFIs may get refinancing from the NABARD. NABARD's refinancing support from 2011-12 to 2015-16 is summarized in the table below.



Table 4: Institution-wise Refinance Assistance to Rural Financial Institutions during 2011-12 and 2015-16

(Rs. Crores)

Institution	2011-12	2012-13	2013-14	2014-15	2015-16
Commercial Banks	8,433.75 (54.69)	8,708.77 (49.27)	13,254.62 (61.69)	13,675.20 (43.51)	22,823.54 (47.49)
Regional Rural Banks	3,086.19 (20.01)	4,753.66 (26.90)	4,303.67 (20.03)	10,220.91 (32.52)	12,139.68 (25.26)
State Cooperative Agriculture & Rural Development Banks	2,444.93 (15.85)	1,741.31 (9.85)	1,814.95 (8.45)	2,923.97 (9.30)	3,258.26 (6.78)
State Cooperative Banks	1,192.29 (7.73)	2,071.06 (11.72)	1,713.32 (7.97)	3,818.09 (12.16)	6,231.12 (12.96)
NABARD Subsidiaries	210.46 (1.37)	330.20 (1.87)	369.60 (1.72)	789.13 (2.51)	611.12 (1.27)
Primary Urban Co-operative Banks	54.08 (0.35)	69.29 (0.39)	30.00 (0.14)	--	--
Non-Banking Financial Companies(NBFCs)	--	--	--	--	3,000.00 (6.24)
Total	15,421.70 (100.00)	17,674.29 (100.00)	21,486.20 (100.00)	31,427.30 (100.00)	48,063.72 (100.00)

Source: Annual Report of NABARD 2015-16

Note: The percentages in parentheses refer to the total.

More than 40% of the refinancing between 2011-12 and 2015-16 came from the NABARD, which was followed by commercial banks, regional rural banks, state cooperative agricultural and rural development banks, state cooperative banks, and NABARD subsidiaries and major urban cooperative banks NABARD began providing NBFCs with refinancing support in 2015-16, accounting for 6.24 percent of total funding.

The Microfinance Assistance Program is aimed at rural households in resource-poor states, members of self-help groups (SHGs), and untapped areas (MAPP). Capacity development and hands-on support may be used to resurrect inactive SHGs and avoid their disintegration..



Table 5 :Micro Finance Assistance by NABARD during 2010-11 and 2014-15

Year	Amount	Number of SHGs (lakhs)	% of change over previous year (col 2)
(1)	(2)	(3)	(4)
2011-12	14,547	11,96,000	--
2012-13	16,534	11,48,000	13.66
2013-14	20,585	12,19,821	24.50
2014-15	24,017	13,66,421	16.67
2015-16	34,068	8,23,580	41.85

Source: Annual Report of NABARD 2015-16

The amount of microfinance assistance supplied to SHGs increased significantly from Rs 14,547 crores in 2011-12 to Rs 34,068 billion in 2015-16. On the other hand, the percentage change from the prior year is a mixed bag. The number of SHGs has peaks and dips. Over the course of the study, researchers discovered anything from 15, 86,822 to 8, 23,580 SHGs.

Conclusion: Indians have depended on money lenders for financial help since the dawn of civilization. The money lender took advantage of him because he lacked knowledge, literacy, and a pressing need for money. When cooperative credit unions were first established in rural regions in 1904, he was released from the clutches of money lenders. After then, the money was loaned out to more prestigious financial firms. Commercial banks have mostly ignored rural lending. There has been a lack of timely and adequate financing for Indian enterprises provided by cooperative banks as well. To fill up the gaps in the rural credit institution structure, regional rural banks were founded. NABARD began as a rural bank, but now it serves as an economic development institution dedicated to providing loans and other services to small businesses in rural areas in order to help them expand and prosper. Since 1982, the bank has been in operation. It acts as a go-between for investors and lenders by acting as a central finance agency for investment and production credit institutions. Cooperative banks, land development banks, and other regulated financial institutions may also apply for refinancing. Managing the NABARD is the responsibility of a Board of Directors. NABARD, a rural and agricultural development organization, has been engaged in a number of initiatives. In terms of agricultural lending assistance, cooperative banks and regional rural banks came in a close second to commercial banks. Crop loans and term loans are available from the National Agricultural Bank of the United States (NABARD). In agriculture, crop loans account for the overwhelming bulk of funding. In order to satisfy their working capital needs and fund agricultural investments, RFIs such as cooperative banks, regional rural banks, commercial banks, and others may utilize NABARD's refinancing to boost the flow of credit. National Agricultural Bank for Rural Development (NABARD) helps rural banking institutions More than 40 percent of NABARD funding went to state cooperative agriculture & rural development banks, regional rural banks, and state cooperative banks. Financing assistance for NBFCs was first provided during the 2015-



16 fiscal year. A microfinance program for resource-poor rural families and members of self-help organizations has been developed as part of the organization's efforts to reduce poverty in rural regions (SHGs).

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