

Apex Banking Institution For Rural Development In India

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Abstract: *“Food doesn’t grow in a supermarket, Thank a farmer. The discovery of agriculture was the first big step towards a civilized life. Money is not meant to make money. Money is meant to make the earth ready for the new creation.”*

Every single thought is like a seed, it needs to be sprouted with actions. A Dormant seed would never become a giant tree. Agriculture is the most healthful, useful and noblest employment of humankind. The ultimate aim of farming is not the growing of crops, but the cultivation and perfection of human beings. Cultivators are the most valuable citizens. Such valuable person to be well versed in their life time should be indulged in saving and be a brave investor for sustainable growth and development. Finance is the lubricant, which oils the wheels of development. All economies rely upon the intermediary function of finance to transfer resources from savers to investors. In market economies, this function is performed by commercial banks, financial institutions and capital markets. Farmer mostly reside in the rural areas where in they are not much aware of the banking and other financial services. To make them aware of development of financial needs, development of agriculture and rural areas institutions are set up known as RRBs. They provide finance to the marginal farmers and take help of Non-Government Organizations for the upliftment of poor and weaker section of the society by providing them easy credits. NABARD is an apex institution of RRBs and a Development Bank with a mandate for providing and regulating credit and other facilities for the promotion and development 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 integrated rural development and securing prosperity of rural areas, and for matters connected therewith or incidental thereto. This paper portrays the ideas of NABARD, its structure, functions and schemes. It also showcases the performance of NABARD at a glance.

Key words: *Agriculture, Rural Development, RRB,NABARD*

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I. Introduction

India is a country of village and farmers. More than 65% of the country’s population lives in rural areas. Poverty is mainly a rural problem. To eradicate poverty and develop rural economy, it is imperative to develop rural areas. Development minus rural India becomes lopsided and unsustainable. Rural development means a structural change in the socio-economic situation to achieve improved living standard of low income population residing in rural areas and making the process of their development self sustaining. Rural development implies both the economic betterment of people as well as greater social transformation. In order to provide the rural people with better prospects for economic development, increased participation of people in the rural development programmes, decentralization of planning, better enforcement of land reforms and greater access to credit are envisaged. Due to absence of proper banking avenues, people in rural India are not able to channelize their savings. Through Financial Inclusion saving habit can be developed by educating people to utilize their funds in various Financial Instruments rather than investing in building, lands and bullion etc. Secondly, Absence of formal credit channels, farmers and deprived section of society are dependent mainly upon the private money lenders who charge exorbitant interest rates. This type of money lending does not result in increase in GDP in the country. By providing easy finance through formal channels like banks, micro-finance institutions and cooperative credit societies entrepreneurial spirit of the population can be developed that will bring prosperity in the society. Different policies and programmes have been undertaken by the Government of India for developing rural economy.

OBJECTIVES:

- Throwing light on various programmes/policies adopted by the Government of India for rural development
- Discussing about National Bank for Agriculture and Rural Development (NABARD) and Regional Rural Banks (RRBs) in short;

- Studying the schemes/programmes undertaken by NABARD;
- Analyzing and evaluating the performance and its major achievements of NABARD.
- Making concluding remarks.

II. Significance/ Importance Of The Study

The research study is significant to evaluating the performance of NABARD. The results/ findings of the present study are useful to the policy planners in their efforts to improve the working of the NABARD in India.

III. Methodology Of The Study

The study is based on secondary sources of data/information. Different books, journals, newspapers and relevant websites have been consulted in order to make the study an effective one.

IV. Limitation Of The Study

1. First and important problem of the research work is analysis of financial data.
2. Information from NABARD and RBI was difficult to be obtained.

V. Overview Of The Study

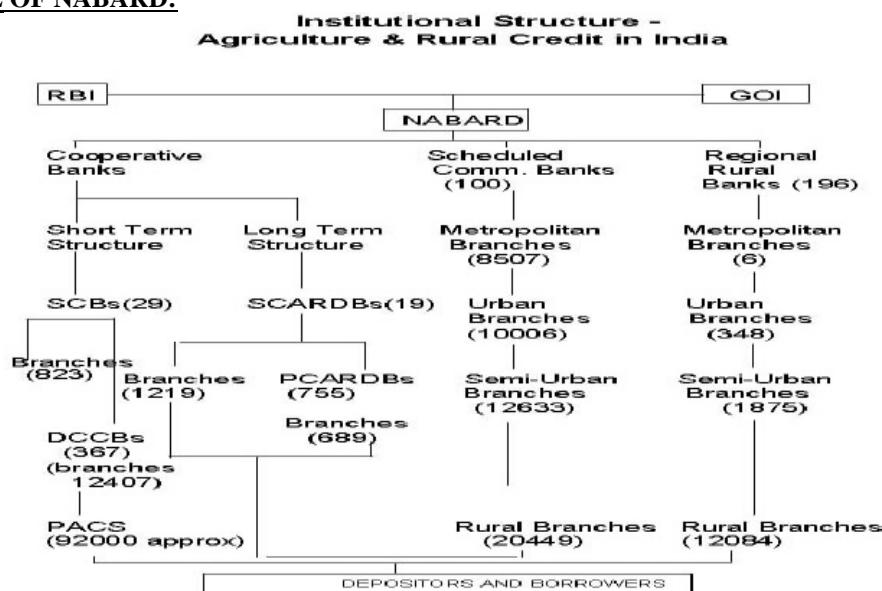
NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT:



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 also administers the Rural Infrastructure Development Fund (RIDF), which was set up in 1995-96. NABARD has also been playing a catalytic role in micro-credit through the channel of Self-Help Groups (SHGs).

STRUCTURE OF NABARD:



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.

SCHEMES/ PROGRAMMES OF NABARD:

a) Self-help Group (SHG) Bank Linkage Programme:

The SHG-Bank Linkage Programme is a major plank of the strategy for delivering financial services to the poor in a sustainable manner. It was started as an Action Research Project in 1989, which was the offshoot of a NABARD initiative during 1987 through sanctioning Rs.10 lakh to MYRADA as seed money assistance for experimenting Credit Management Groups. The experiences of these early efforts led to the approval of a pilot project by NABARD in 1992. The pilot project was designed as a partnership model between 3 agencies viz., the SHGs, banks and NGOs.

b) Kishan Credit Card (KCC):

KCC Scheme was introduced in 1998-99. It was launched to provide timely and adequate supply of Short Term (ST) credit from the banking system to the farmers to meet their crop production requirements in a flexible, hassle free and cost effective manner. The objective was to provide an instrument, which would allow farmers to purchase agricultural inputs such as seeds, fertilizers, and pesticides and also withdraw some cash for meeting their production-related requirements.

c) Farmers' Club:

The programme aims to organize farmers to facilitate accessing credit, extension services, technology and markets. NABARD encourages banks to promote Farmers' Club in rural areas under the Farmers' Club Programme, earlier known as "Vikas Volunteer Vahini (VVV) Programme". Farmers' Club are grass root level informal forums of farmers. Such 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 the village farming community/rural people.

d) District Rural Industries Project:

NABARD on a pilot basis had launched an integrated areabased credit intensification programme in collaboration with Government, Banks and other development strategies with focus on district known as District Rural Industries Project during 1993-94 with a view to evolving a role model for rural industrialization.

PERFORMANCE OF NABARD:

GROWTH RATE IN GROSS VALUE ADDED AT BASIC PRICE AT CONSTANT (2011-12) PRICES (%)

Sector	2012-13 (2 nd RE)	2013-14 (1 st RE)	2014-15 (PE)
GVA at basic price (at 2011-12 prices)	4.9	6.6	7.2
I. Agriculture	1.2	3.7	0.2
II. Industry	2.4	4.5	5.6
III. Services	8.0	9.1	9.8
Overall GDP growth	5.1	6.9	7.3

INTERPRETATION: The above chart shows the overall increase in GDP growth. The growth of agriculture is less when compared to the industry and service sector which outlines that much of concentration must be laid in the development of agriculture.

SHARE IN GVA AT FACTOR COST AT CURRENT PRICES (2011-12 SERIES) (%)

Sector	2012-13	2013-14	2014-15
I. Agriculture	18.70	18.60	17.60
II. Industry	31.70	30.50	29.70
III. Services	49.60	50.90	52.70
Share of agriculture and allied sectors in total GCF	7.70	7.90	
GCF in agriculture and allied sectors as per cent to GDP of the sector	15.50	14.80	
Production of foodgrains (million tonnes)	257.13	265.04	251.12

INTERPRETATION: The above chart shows that production of food grains remain stagnate.

DETAILS OF LAND HOLDINGS:

Total number of operational holdings in India (Nos. in million)	138.35
Average land holding size (ha)	1.16
Gross Cropped Area (million hectare) (2011-12)	195.25
Net Sown Area (million hectare) (2011-12)	140.80

INTERPRETATION: The above chart shows the land holding of NABARD in India. the chart shows that it has its least holding in operational areas and the maximum level of land holding in Gross Cropped Area.

AGENCY-WISE GROUND-LEVEL CREDIT FLOW

(₹ crore)

Agency	2012-13	2013-14	2014-15 (provisional)
Coop.	1,11,203.30	1,19,963.79	1,38,469.51
RRBs	63,681.39	82,652.72	1,02,482.91
CBs	4,32,490.93	5,09,004.96	5,99,690.77
Total	6,07,375.62	7,11,621.47	8,40,643.19

INTERPRETATION: The chart shows that the credit flow of various agencies have increased in the year 2014-2015 when compared to 2013-2014 and 2012-2013. This shows that credit flow of various agencies have been increased during the last financial year.

HIGHLIGHTS OF NABARD(2013-2014)

- NABARD's total refinance operations grew to Rs.1,02,089 crore during the year 2013-14, an effective growth rate of 24% over the previous year. The long term refinance given against medium and long term loans, which is an indicator of capital formation in the agricultural sector, stood at Rs. 21,482 crore, displaying a growth rate of 21.50% over the previous year.
- NABARD disbursed Rs. 17,353 crore under Rural Infrastructure Development Fund during 2013-14, a growth of 6.51% over the previous year. A total of 3706 dry warehouses, cold storages and bulk milk cooling units were sanctioned during the year under Warehousing Infrastructure Fund (WIF), fully utilizing the allocation of Rs. 5000 crore. These projects, when implemented would create an additional capacity of 10.07 million MT in the dry storage, 8260 MT in cold storage and 6.61 lakh litres of bulk milk cooling capacity

- Under NABARD Infrastructure Development Assistance (NIDA), we sanctioned six projects involving term of Rs 1149 crore taking the cumulative sanctions to Rs 4783 crore.
- NABARD sanctioned Rs. 100.02 crore under UPNRM (Umbrella Programme on Natural Resources Management) which aims to boost rural livelihoods by supporting sustainable natural resource management projects.
- NABARD took the initiative to support Producers' Organizations (POs) in a comprehensive manner and sanctioned Rs.122.57 crore to 44 POs.

Analyzing the data it 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. In short it depicts that NABARD is providing rural India all round assistance and proved to be an institution where "Growth with Social Justice" exists.

VI. Conclusion

Atleast once in a life time all are in need of a doctor, lawyer, policeman and a preacher but every day three times a day all are in need of a farmer who always shakes hands with nature. He is the only person in our economy who buys everything at retail, sells everything in wholesale and pays the freight both ways. Development of farmers can be only achieved through rural development. Banks need to look at low-cost innovative products and processes to turn this into the next big business opportunity. Collaborating with industry partners for delivering such solutions can earn great outcomes. Rural development in India is very much needed for the growth of Indian economy. Different approaches, strategies and programmes have been taken for the uplift of rural development. 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 and is being successfully met out through effective modes espousing financial literacy as a cause makes strategic sense. It is perfectly aligned to their existing expertise and competencies in the field of finance, which can be easily and purposefully leveraged to benefit the unreached and unbanked population. Recent innovation of financial inclusion gains much of progress in rural development for which initiatives are also taken up by NABARD.

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