

Role of NABARD in Rural Development

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Abstract

At the instance of Government of India Reserve Bank of India (RBI), constituted a committee to review the arrangements for institutional credit for agriculture and rural development (CRAFICARD) on 30 March 1979, under the Chairmanship of Shri B.Sivaraman, former member of Planning Commission, Government of India to review the arrangements for institutional credit for agriculture and rural development. The Committee, in its interim report, submitted on 28 November 1979, felt the need for a new organisational device for providing undivided attention, forceful direction and pointed focus to the credit problems arising out of integrated rural development and recommended the formation of National Bank for Agriculture and Rural Development(NABARD). The Parliament, through Act,61 of 1981, approved the setting up of NABARD. The bank came into existence on 12 July 1982 by transferring the agricultural credit functions of RBI and refinance functions of the then Agricultural Refinance and Development Corporation (ARDC). NABARD was dedicated to the service of the nation by the late Prime Minister Smt. Indira Gandhi on 05 November 1982. NABARD was set up with an initial capital of ₹ 100 crore. Consequent to the revision in the composition of share capital between Government of India and RBI, the paid up capital as on 31 March 2015, stood at ₹ 5000 crore with Government of India holding ₹ 4,980 crore and Reserve Bank of India 20.00 crore

KEYWORDS: Activities of NABARD, Rural Innovation.

1. INTRODUCTION

(NABARD) is an apex development bank in India, having headquarters in Mumbai(Maharashtra) and other branches are all over the country. The committee to review arrangements for institutional credit for agriculture and rural development (CRAFICARD), set up by the Reserve Bank of India (RBI) under the chairmanship of Shri B. Sivaraman, conceived and recommended the establishment of National Bank for Agriculture and Rural Development (NABARD). It was established on 12 July 1982 by a special Act of parliament and its main focus was on upliftment of rural India by increasing the credit flow for elevation of agriculture & rural non farm sector and completed its 25 years on 12 July 2007.[4] It 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". RBI sold its stake in NABARD to the Government of India, which now holds 99% stake. NABARD is active in developing financial inclusion policy and is a member of the Alliance for Financial Inclusion.

2. HISTORICAL BACKGROOUND

NABARD was established on the recommendations of Shivaraman 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 specialised bank for Agriculture and Rural Development in India.

The initial corpus of NABARD was Rs.100 crores. Consequent to the revision in the composition of share capital between Government of India and RBI, the paid up capital as on 31 March 2015, stood at Rs.5000 crore with Government of India holding 4,980 crore (99.60%) and Reserve Bank of India Rs.20.00 crore (0.40%).

International associates of NABARD include World Bank-affiliated organizations and global developmental agencies working in the field of agriculture and rural development. These organizations help NABARD by advising and giving monetary aid for the upliftment of the people in the rural areas and optimizing the agricultural process.

3. MAIN OBJECTIVES OF NABARD

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 :

- ❖ The National Bank will be an apex organisation 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.
- ❖ 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.
- ❖ The Bank will also provide direct lending to any institution as may approved by the Central Government.
- ❖ The Bank will have organic links with the Reserve Bank and maintain a close link with in.

4. MAJOR ACTIVITIES OF NABARD

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

- Refinancing banks for extending loans for investment and production purpose in rural areas.
- Providing loans to State Government/Non Government Organizations (NGOs)/Panchayati Raj Institutions (PRIs) for developing rural infrastructure. Supporting credit innovations of Non Government Organizations (NGOs) and other non-formal agencies.
- 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)
- Promoting participatory watershed development for enhancing productivity and profitability of rainfed agriculture in a sustainable manner.
- On-site inspection of cooperative banks and Regional Rural Banks (RRBs) and off-site surveillance over health of cooperatives and RRBs.

5. ROLE OF NABARD IN RURAL DEVELOPMENT

NABARD is the apex institution in the country which looks after the development of the cottage industry, small industry and village industry, and other rural industries. NABARD also reaches out to allied economies and supports and promotes integrated development. NABARD discharge its duty by undertaking the following roles :

1. Serves as an apex financing agency for the institutions providing investment and production credit for promoting the various developmental activities in rural areas
2. 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.
3. Co-ordinates the rural financing activities of all institutions engaged in developmental work at the field level and maintains liaison with Government of India, state governments, Reserve Bank of India (RBI) and other national level institutions concerned with policy formulation Undertakes monitoring and evaluation of projects refinanced by it.
4. NABARD refinances the financial institutions which finances the rural sector.
5. NABARD partakes in development of institutions which help the rural economy.
6. NABARD also keeps a check on its client institutes.
7. It regulates the institutions which provide financial help to the rural economy.

8. It provides training facilities to the institutions working in the field of rural upliftment.
9. It regulates the cooperative banks and the RRB's, and manages talent acquisition through IBPS CWE.
10. NABARD's refinance is available to state co-operative agriculture and rural development banks (SCARDBs), state co-operative banks (SCBs), regional rural banks (RRBs), commercial banks (CBs) and other financial institutions approved by RBI. While the ultimate beneficiaries of investment credit can be individuals, partnership concerns, companies, State-owned corporations or co-operative societies, production credit is generally given to individuals. NABARD has its head office at Mumbai, India.
11. NABARD Regional Office[RO] has a Chief General Manager [CGMs] as its head, and the Head office has several top executives viz the Executive Directors[ED], Managing Directors[MD], and the Chairperson. It has 336 District Offices across the country, one special cell at Srinagar. It also has 6 training establishments.
12. NABARD is also known for its 'SHG Bank Linkage Programme' which encourages India's banks to lend to self-help groups(SHG). Largely because SHGs are composed mainly of poor women, this has evolved into an important Indian tool formicrofinance. By March 2006, 22 lakh SHGs representing 3.3 core members had to be linked to credit through this programme.
13. NABARD also has a portfolio of Natural Resource Management Programmes involving diverse fields like Watershed Development, Tribal Development and Farm Innovation through dedicated funds set up for the purpose.

6. NABARD DAIRY FARMING SUBSIDY – OBJECTIVE

- ✓ In addition to milk, the manure from animals provides a good source of organic matter for improving soil fertility and crop yields. The gobar gas from the dung is used as fuel for domestic purposes as also for running engines for drawing water from well. The surplus fodder and agricultural by-products are gainfully utilized for feeding the animals. Objectives of NABARD dairy farming subsidy include:
- ✓ First of all, to generate self-employment and provide infrastructure for dairy sector
- ✓ To set up modern dairy farms and infrastructure for production of clean milk
- ✓ In addition, to encourage heifer calf rearing for conservation and development of good breeding stock.
- ✓ To bring structural changes in the unorganized sector, so that initial processing of milk can be taken up at the village level.

- ✓ To upgrade traditional technology to handle milk on a commercial scale. Additionally, to provide value addition to milk through processing and production of milk products.

7. MICRO FINANCE SCHEMES

Micro Finance Self Help Group (SHG) is a small, economically homogeneous, voluntarily formed group of unreached rural poor, who save and mutually agree to contribute to a common fund to be lent to its members as per group decision. NABARD started the SHG-Bank Linkage Programme (SHG-BLP) in 1992 for providing the SHGs with Bank credit. NABARD sees the SHG-BLP as part of an overall arrangement for providing financial services to the poor in a sustainable manner and also as an empowerment process for the members of these SHGs.

8. HORTICULTURE: SCHEMES

1. Farm Sector Schemes

1. Village Adoption/Village development Plan
2. Backward Blocks
3. Bamboo Farming
4. Medicinal, Aromatic and Herbal Crops (MACs)
5. Bio Fuels
6. Crop Insurance
7. Agriculture Commodities
8. Swarnajayanti Gram Swarozgar Yojana (SGSY)
9. Farm Mechanisation
10. Land Purchase
11. Scheme for Agri Clinic/ Agri-Business Centres (ACABCs)
12. Self Employment Scheme For Ex-servicemen (SEMFEX)
13. Capacity Building for Adoption of Technology (CAT)
14. Agri Export Zone (AEZ)
15. Contract Farming
16. Farmer's Club

9. 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 imitative 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.

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