

# 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, Supervisory Functions, Institutional and Capacity building, Role in Training etc. The paper attempts to analyze the role of NABARD and its functioning in development of rural India.

**Key words:** NABARD, RIDF, RRB, Social Transformation and Sustainable Economic Growth.

## INTRODUCTION

Since the attainment of independence, "Growth with Social Justice" has been the basic objective of the Development Planning in India. With the beginning of planned economic development, the Government through Five Years Plans made significant measures in developing rural and remote parts of the country. Keeping this as the motive, the National Bank for Agriculture and Rural Development (NABARD) was set up in July, 1982 by the National Bank for Agriculture and Rural Development Act 1981. The Act was passed on the recommendations of the "Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development" (Shivaraman Committee).

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). NABARD has been

accredited with "matters concerning policy, planning and operations in the field of credit for agriculture and other economic activities in rural areas in India".

Traditionally, public sector investment is considered as the major provider of rural infrastructure. It has encouraged private investment in agriculture. Lack of public investment in infrastructure influences the viability and effectiveness of private investment in a negative manner. However, it has not been possible to step up public investment in a big way. For this purpose, Government of India instituted Rural Infrastructure Development Fund (RIDF) in 1995 in NABARD, entrusting it with the responsibility of channelizing financial resources to the State Governments for rural infrastructure development.

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.

## OBJECTIVES OF THE STUDY

The study aims at:

- 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)
- Studying the schemes/programmes undertaken by NABARD;
- Analyzing and evaluating the schemes/programmes that contribute to rural development of our country and
- Making concluding remarks.

## METHODOLOGY

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.

## RURAL DEVELOPMENT: GOVERNMENT'S INITIATIVES

### Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)

National Rural Employment Guarantee Act was enacted on 5th September, 2005 and came into force w.e.f. 2<sup>nd</sup> February, 2006. On 31st December, 2009, the Act was renamed by an Amendment as the Mahatma Gandhi National Rural Employment Guarantee Act. This programme directly touches lives of the poor and promotes inclusive growth. The Act aims at enhancing livelihood security of households in rural areas of the country by providing at least 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work.

### Bharat Nirman

Government's initiatives towards the development of rural economy need no description. Our government has taken a number of initiatives for the development of rural people living in rural areas. Bharat Nirman is one of such initiatives, which aims at upgrading rural infrastructure in a time-bound manner. The Government of India launched it in 2005-06. It is an important initiative for reducing the gap between rural and urban areas and improving the quality of life of people in rural areas. Bharat Nirman programme launched by the Government of India identified six core infrastructure sectors in rural areas. This has been shown in a tabular form.

Components	Scheme	Goals
Roads	Pradhan Mantri Gram Sadak Yojana (PMGSY)	Every habitation over 1000 population and above (500 in hilly and tribal areas) to be provided an all-weather road
Electricity	Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)	Every village to be provided electricity
Drinking water	Accelerated Rural Water Supply Programme (ARWSP)	Every habitation to have a safe source of drinking water
Telecommunication	Village Public Telephones (VPT)	Every village to be connected by telephone
Irrigation	Accelerated Irrigation Benefit Programme (AIBP)	Irrigation facilities to be extended
Housing	Indira Awaas Yojana (IAI)	Houses to be constructed for the rural poor

It is expected that the investments in rural infrastructure will unlock the growth potential of rural India. The schemes mentioned above are discussed hereunder.

#### **A. Pradhan Mantri Gram Sadak Yojana (PMGSY)**

The primary objective of the PMGSY is to provide allweather road connectivity to all eligible unconnected habitations in the rural areas having population of 500 persons and above. A habitation which was earlier provided all-weather road connectivity would not be eligible even if the present condition of the road is bad. It shall cover only the rural areas. Urban roads are excluded from the purview of this programme. An all-weather road is one which is negotiable in all seasons of the year.

#### **B. Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)**

Ministry of Power launched Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) as one of its flagship programme in March 2005 with the objective of electrifying over 1 lakh un-electrified villages and to provide free electricity connections to 2.34 crore rural BPL households.

#### **C. Accelerated Rural Water Supply Programme (ARWSP)**

Providing rural areas with safe drinking water facilities was one of the key objectives of the plan.

#### **D. Village Public Telephones (VPT)**

Telephone connectivity constitutes an important part of the effort to upgrade the rural infrastructure. It aims at increasing the rural telecommunication facilities by 40%. It also aims to supply broadband and Bharat Nirman Seva Kendras in 2.5 lakh panchayats. According to this plan, the government of India will connect each and every village by telecommunication facilities.

#### **E. Accelerated Irrigation Benefit Programme (AIBP)**

The irrigation component of Bharat Nirman aimed at creation of irrigation potential of 10 million hectare during 4 years i.e. from 2005-06 to 2008-09. The target for creation of irrigation potential was proposed to be met through completion of on-going major and medium irrigation projects, extension, renovation and modernization of major and medium irrigation projects etc. Emphasis was also laid on repair, renovation and restoration of water bodies.

#### **F. Indira Awaas Yojana**

IAY is one of the very popular schemes of the Ministry of Rural Development and has caught the attention of the rural people. It is a rural housing project for the poor. It has been in operation since 1985-86. The objective of the IAY is to provide financial assistance for construction/ upgradation of houses to BPL rural households

belonging to SCs, STs, freed bonded labourers, non-SC/ST rural households, widows and physically handicapped persons living in rural areas.

### **Provision of Urban Amenities in Rural Areas (PURA)**

The primary objective of the scheme is the provision of livelihood opportunities and urban amenities in rural areas to bridge the rural-urban divide.

### **National Bank for Agriculture and Rural Development (NABARD) and Regional Rural Banks (RRBs): A Look**

NABARD is set up as an apex Development Bank with a mandate for facilitating credit flow for promotion and development of agriculture, small scale industries, cottage and village industries, handicrafts and other rural crafts. It also has the mandate to support all other allied economic activities in rural areas, promote integrated and sustainable rural development and secure prosperity of rural areas. In discharging its role as a facilitator for rural prosperity, NABARD is entrusted with providing refinance to lending institutions in rural areas, bringing about or promoting institutional development and evaluating, monitoring and inspecting the client banks. NABARD has effectively brought in a number of innovations in the rural credit domains. Some of these innovation are: Formation and linkage of SHGs, Farmers Club, Rural Infrastructure Development Fund, Watershed Development, Kisan Credit Card, District Rural Industries Project.

RRBs in India are an integral part of the rural credit structure of the country. The Government of India set up Regional Rural Banks (RRBs) on October 2, 1975. Initially, 5 RRBs were set up on October 2, 1975, which were sponsored by Syndicate Bank, SBI, Punjab National Bank, United Commercial Bank, and United Bank of India. Capital sharing being 50% by the central government, 15% by the state government and 35% by the sponsored bank i.e. NABARD. The objective of the bank is to develop rural economy by providing credit and deposit facilities for agriculture and other productive activities of all kinds in rural areas. It also provides facilities to small and marginal farmers, agricultural labourers, rural artisans and other small entrepreneurs in rural areas. So the RRBs have been playing a catalyst role in the development of rural areas. They have been playing a significant role in financing the weaker section of the community in the rural areas and also in inculcating banking habits among the rural masses.

### **SCHEMES/PROGRAMMES OF NABARD: AT A GLANCE**

**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 area based 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.

**e) Rural Infrastructure Development Fund (RIDF):** RIDF is a major source of fund for the development of infrastructure in the rural areas of the State.

**f) Watershed Development:** The objective of developing watersheds is to significantly mitigate the drought induced distress of farmers in the area. NABARD anchors 4 types of watershed development programmes in the country. These programmes are: Indo-German Watershed Development Programmes, Participatory Watershed Development Programme, Prime Minister's Package in 4 states and Integrated Watershed Development programme.

## **SCHEMES/PROGRAMMES OF NABARD: AN ANALYSIS AND EVALUATION**

**A.) SHG-Bank Linkage Programme:** The SHG-bank linkage programme continued to be the main micro-finance model by which the formal banking system reaches the micro entrepreneurs (including farmers). To

provide the rural poor accessibility to credit from the banking system and for alleviating poverty, NABARD in 1992 had started a programme of linking SHGs of the rural poor with banks. The SHG-Bank linkage programme implemented by commercial banks, RRBs and cooperative banks has emerged as the major micro-finance programme in the country. There are 3 models of credit linkage of SHGs with banks – (a) SHGs formed and financed by banks, (b) SHGs formed by formal agencies other than banks but financed by banks and (c) SHGs financed by banks using NGOs and other agencies as financial intermediaries.

**B.) Kishan Credit Card (KCC):** The KCC scheme, introduced in 1998-99, has been very popular among the farmers. The implementation of KCC scheme has been taken up by 27 commercial banks, 378 District Central Cooperative Banks/ State Cooperative Banks and 196 Regional Rural Banks (RRB) throughout the country. Kishan Credit Cards issued and amount sanctioned by the Cooperative Banks (CB), Regional Rural Banks (RRB) and Public Sector Commercial banks.

**C. Farmers' Club:** During 2010-11, 21,903 Farmers' Club were launched, taking the total number of clubs to 76,708 as on 31<sup>st</sup> March 2011. Agency-wise, NGO promoted maximum number of clubs (13,599), followed by cooperative banks (2,922), commercial banks (2,733), and RRB (2,215). During the year (2011-12), 25,238 Farmers' Clubs were launched by different agencies with NABARD support, taking the total number of such clubs to around 1,01, 946.

**D. District Rural Industries Project (DRIP):** NABARD launched DRIP in collaboration with government, banks and other development agencies with district specific focus. It was introduced with the objective of creating sustainable employment opportunities in 106 districts all over the country.

**E. Rural Infrastructure Development Fund (RIDF):** Another all-time high was achieved by NABARD under Rural Infrastructure Development Fund (RIDF) by disbursing Rs.14,970 crore during 2011-12, which was Rs.2,900 crore or 24% more than the disbursements made to state governments during 2010-11. Sanctions given by NABARD under the RIDF also increased to Rs.21,460 crore , which was over Rs.3,000 crore more than the sanctions during the previous year (growth of 17%). These loans are used by State Governments to create infrastructure in agriculture and allied sectors including irrigation and power, rural connectivity through rural roads and bridges, health, education, rural drinking water supply etc.

**F. Watershed Development:** NABARD's total commitment under watershed development programme rose to Rs.1600 crore, covering an area of about 1.78 million ha. Disbursement of Rs.272 crore under Watershed Development programmes anchored by NABARD was made during 2011-12, registering a positive growth of 19% over the previous year. NABARD has facilitated 100% Core Banking Solution in 80 RRBs to integrate

them with NEFT and RTGS and improve better customer service and operational efficiency. Refinance assistance provided by NABARD to cooperative banks and RRBs during 2011-12 to disburse crop loans to farmers touched an all-time high of Rs.48,000 crore, registering an increase of Rs.14,000 crore or 41% growth over the previous year.

## CONCLUSION

The information so far gathered evidently proves that NABARD is actively working in the field of rural infrastructure development. It plays a constructive role in ensuring that the co-ordination between states and the institutions involved in rural development is smooth and result oriented. There is huge potential for development of micro infrastructure in rural areas but there is no existing mechanism for integrated development of intra village infrastructure. NABARD backed by its experience in RIDF is in a position to take a lead in this direction. The potential infrastructure in this segment include minor irrigation, drinking water supply, sanitation, agricultural and allied sector, warehouse and storage, rural connectivity, education, rural health, etc. Investments in this direction can be increased by focusing on tapping low-cost funding sources with appropriate financial instruments, setting-up an appropriate delivery model, through triangulation of the State Governments, financial institutions and private sector infrastructure agencies.

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. The Prime Minister, Dr. Manmohan Singh, launched the ambitious Bharat Nirman initiative, which aimed at strengthening the country's rural infrastructure. The initiatives taken by the Government of India for rural housing deserve appreciation. The homeless people are reaping the benefits from this scheme. NABARD's role with regard to rural development needs no description. Farmers' Club, RIDF, KCC and SHG Bank Linkage Programme etc. have helped a lot for the development of economy. The introduction of KCC scheme is a bold step taken by the GOI to mitigate the problems of the farmers. The said scheme has eased the flow of credit to farmers. So, effective implementation of the schemes may result in overall development of rural areas that may improve the quality of life of rural people.

The Government needs to pay strict vigil on the proper implementation of the programmes. An awareness programme should be arranged for the beneficiaries so that they can know the ins and outs of different schemes. If they are in dark, the ultimate goal will be defeated.

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