



An overview of NABARD

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Abstract

Rural development is a national necessity and has considerable importance in India. It is a process of bringing change among rural community from the traditional way of living to progressive way of living. The main objective of the rural development programme is to raise the economic and social level of the rural people. NABARD is set up as an apex institution by the Government of India with the main objective of providing and regulating credit and other facilities for the promotion of rural development. It is a single integrated organisation which looks after the credit requirements of all types of agricultural and rural development activities. Hence, an attempt is made to present an overview of profile, objectives, functions and role of the NABARD.

Keywords: Agricultural and rural development, economic and social upliftment, NABARD, refinancing facilities, rural economy

Introduction

With the increasing role of institutional credit in the integrated rural development of the country, a need was felt for a single broad-based organization which would not only extend adequate financial assistance to the various credit institutions of the rural areas but also provide guidance in all the matters concerning the formulation and implementation of rural development programmes. The 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 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). It is one of the premier agencies providing developmental credit in rural areas. It is India's specialised bank for Agriculture and Rural Development in India.

The NABARD has played an important role in empowering the women in rural areas. Proper assistance and training have been provided to women and formation of SHGs has been done with the help of NABARD. The study concludes that NABARD has played a vital role in developing the entrepreneurial talent among rural women and creating employment opportunities (Kamalakkannan, 2005)

Singh (2009) observed that there have been lots of reforms in the credit system in last five years. But, there is lack of proper flow of credit in India. The establishment of NABARD was done to overcome such situation in 1982. He further concludes that

improvement in the microfinance is required for the proper rural development.

Anoop and Anupam (2015) found that NABARD has number of functions and have launched number of schemes to undertake the state and institutional projects for the rural development. The study further aimed at analyzing the major schemes like RIDF, NIDA, WIF and RIPF to acknowledge the contribution of NABARD in rural development. The study concluded that there is need of scientific mechanism for the proper integration of inter village development.

Objectives of NABARD

NABARD has been established with the following objectives:

- To give undivided attention and purposeful direction to integrated rural development.
- To act as a centre piece for the entire rural credit system at the national level.
- To act as a provider of supplemental funding to rural credit institutions.
- To arrange for investment Credit to small industries, village and cottage industries, handicrafts and other rural Crafts, artisans and farmers.
- To improve the credit distribution system by institution building, rehabilitation of credit institutions and training of bank personnel.
- To provide refinance facilities to State Land Development Banks (SLDBs), State Co-operative Banks, (SCBs), Regional Rural Banks (RRBs) and Commercial Banks (CBs) for development purposes in rural areas.
- To Co-ordinate the working of different agencies engaged in development work in rural areas at the regional level, and to have liaison with Government of India, RBI, State Government and other policy making institutions at the national level and
- To inspect, monitor and evaluate various projects.

Functions of NABARD

1. Credit functions

This function includes the credit schemes of the NABARD that are provided it for the rural development. The credit policy is been formulated which ensures the sound flow of credit and some guidelines for lending institutional credit and finance. The credit functions of the NABARD include:

- It frames credit policies and schemes for the financial institutions.
- It frames guidelines for the financial instructions for rural credit lending and development.
- NABARD provides the funds to the authorities that further lend the money for rural credit.
- It also analyses and assesses the flow of the credit at ground level.

2. Supervisory functions

As per the Banking Regulations Act, 1949, u/s 35(6) NABARD has the power to inspect the various institutions like State Cooperative and Central Cooperative Banks. It can also inspect the Regional Rural Banks. They can also make periodic inspections of the corporative institutions at the level of states e.g. State Cooperative Agriculture and Rural Development Banks and Market Federations. However, inspection of these institutions is optional at the part of NABARD.

The supervisory functions are performed in order to attain the under mentioned objectives:

- Protection of the interest of the depositors.
- Ensuring the business done by included institutions as per the rules and regulations of the act.
- To supervise the sound implementation of the policies of the NABARD, RBI and Govt.

3. Development functions

The Cooperative Banks and Regional Rural Banks are responsible and monitored by NABARD for the sound flow of credit at the ground level. However, these institutions needed to be developed too. So, with the same view, Development Department of NABARD frames initiatives for the improvement and development of the health of these financial institutions:

- NABARD provide financial assistance for the training programs for development by Cooperative Banks and RRBs.
- Framing MOU with the cooperative banks and state Govt. to frame obligations for the improvements of the operations.
- Helping rural banks to prepare the action plans for development program under the MOU.
- Continuous monitoring of the action plans run for the development under the MOU.
- It also creates the awareness among the borrowers about ethically paying back the debts by creating Vikas Volunteer Vahini.

4. Training functions

Some of the other functions of the NABARD include providing training to the banks associated with it for the rural and remote area development programs. For the banks, it is necessary to have skills to implement the plans and schemes of the NABARD. They require technical and financial management trainings for the perfect implementation of the program and training of the

marketing the plan is also required to create awareness among the people. Hence, NABARD

- Provides the services of consultancy to the cooperative and state banks regarding the agricultural and rural development plans and credit lending.
- Training of the legal and technical aspects is provided to the staff indulged in developments programs.
- It also provides assistance to cooperative and state banks to have training programs at their own level.
- It tries to have the expert staff to analyze the various problems and make the proper plans to overcome those problems.

Role of NABARD

Credit functions is the most important function of the bank. It involves 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 programs. The credit functions include the following:

- 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.

Rural Infrastructure Development Fund (RIDF), has emerged as NABARD's major partnership with the State Governments over the years. The Fund has continued with yearly allocations in the successive Union Budgets. It has become a major source of finance which channelizes the shortfall in the mandatory involvement of commercial banks in the priority sector lending to the State Governments in the form of loans. With the experience gained, in addition to its role of managing the RIDF, NABARD has made efforts in looking at rural infrastructure as an independent discipline for financing and facilitating creation of rural infrastructure through various other initiatives.

NABARD Infrastructure Development Assistance (NIDA) is a line of credit support for funding rural infrastructure projects. NIDA is designed to fund State owned institutions/corporations on both on-budget as well as off-budget for creation of rural infrastructure outside the ambit of RIDF borrowing. The assistance under NIDA is available on flexible interest terms with longer repayment period. Since inception, 27 projects have been sanctioned under NIDA for various purpose such as warehousing, power restoration, roads, irrigation, etc.

Role of NABARD is pivotal especially in the context of rural base of economy as

- It is an apex institution which has power to deal with all matters concerning policy, planning as well as operations in giving credit for agriculture and other economic activities in the rural areas.
- It is a refinancing agency for those institutions that provide investment and production credit for promoting the several developmental programs for rural development.
- It is improving the absorptive capacity of the credit delivery system in India, including monitoring, formulation of rehabilitation schemes, restructuring of credit institutions, and training of personnel.

- It co-ordinates the rural credit financing activities of all sorts of institutions engaged in developmental work at the field level while maintaining liaison with Government of India, and State Governments, and also RBI and other national level institutions that are concerned with policy formulation.
 - It prepares rural credit plans, annually, for all districts in the country.
 - It also promotes research in rural banking, and the field of agriculture and rural development.
 - It also inspects and supervises the cooperative banks and RRBs to periodically ensure the development of the rural financing and farmers' welfare.
 - NABARD also recommends about licensing for RRBs and Cooperative banks to RBI.
 - NABARD gives assistance for the training and development of the staff of various other credit institutions which are engaged in credit distributions.
 - It also runs programs for agriculture and rural development in the whole country.
 - It is engaged in regulations of the cooperative banks and the RRB's, and manages their talent acquisition through IBPS CWE conducted across the country.
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Conclusion

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 building critical rural infrastructure, agriculture development improving rural connecting, and social sector development.

References

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