



## Assessing the impact of the special refinance scheme in NABARD watershed and wadi project areas: A case study

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### Abstract

This research paper explores the impact of the Special Refinance Scheme implemented by the National Bank for Agriculture and Rural Development (NABARD) in the Watershed and Wadi project areas. The study primarily focuses on the commerce perspective, analyzing the role of this scheme in promoting financial inclusion, supporting agricultural development, and fostering sustainable livelihoods in rural communities. Through an extensive literature review, case studies, and data analysis, this paper provides insights into the effectiveness and challenges of the scheme. The research findings suggest that the Special Refinance Scheme has played a crucial role in empowering small and marginal farmers, encouraging entrepreneurship, and fostering economic growth in the project areas. Additionally, it addresses potential areas of improvement and recommends policy measures for enhancing the scheme's impact.

**Keywords:** Special refinance scheme, NABARD, watershed and wadi projects, financial inclusion, rural development, sustainable livelihoods

### Introduction

#### 1. Background

The National Bank for Agriculture and Rural Development (NABARD) is an apex development bank in India that focuses on agricultural and rural development. Recognizing the need to address financial inclusion and promote sustainable livelihoods in rural areas, NABARD introduced the Special Refinance Scheme in the Watershed and Wadi project areas. These projects aim to enhance agricultural productivity, promote rural entrepreneurship, and improve the overall socio-economic conditions of rural communities.

#### 2. Objectives of the Research

The primary objective of this research is to examine the impact of the Special Refinance Scheme implemented by NABARD in the Watershed and Wadi project areas, with a particular focus on its implications from a commerce perspective. The study aims to evaluate the effectiveness of the scheme in promoting financial inclusion, supporting agricultural development, and fostering sustainable livelihoods in rural communities. Furthermore, it aims to identify the challenges faced during the implementation of the scheme and provide policy recommendations for enhancing its impact.

#### 3. Significance of the Research

This research holds significant importance for several stakeholders, including policymakers, researchers, financial institutions, and rural communities. Understanding the effectiveness of the Special Refinance Scheme in NABARD Watershed and Wadi project areas will contribute to the existing knowledge on rural development and financial inclusion. The findings of this research will aid policymakers in designing more robust and targeted initiatives to address the financial needs of rural communities, improve agricultural productivity, and uplift

livelihoods. Additionally, financial institutions can gain insights into the best practices and challenges associated with providing financial services in rural areas.

#### 4. Methodology

To achieve the objectives of this research, a mixed-methods approach will be employed. The study will begin with an extensive literature review to gain a comprehensive understanding of the Special Refinance Scheme, NABARD's role, and related concepts of financial inclusion, rural development, and sustainable livelihoods. Primary data will be collected through surveys, interviews, and case studies in select Watershed and Wadi project areas. The collected data will be analyzed quantitatively and qualitatively to assess the impact of the scheme and draw meaningful conclusions.

### Special Refinance Scheme in NABARD

#### 1. Overview of NABARD

NABARD was established in 1982 with the primary objective of promoting sustainable and equitable agriculture and rural development. As a development financial institution, NABARD operates various refinancing schemes to provide financial assistance to commercial banks, regional rural banks, and other financial institutions for channeling credit to the agriculture and rural sectors. The Special Refinance Scheme, launched specifically for Watershed and Wadi projects, is a vital component of NABARD's efforts to promote rural development.

#### 2. Need for Special Refinance Scheme

Rural areas in India often face challenges such as limited access to formal financial services, inadequate infrastructure, and poor agricultural productivity. Recognizing these issues, NABARD designed the Special Refinance Scheme to address the specific financial needs of

farmers, landless laborers, and rural entrepreneurs in Watershed and Wadi project areas. By providing refinance support to financial institutions, the scheme aims to enhance credit availability and create an enabling environment for sustainable rural development.

### 3. Features and Components of the Scheme

The Special Refinance Scheme offers several features and components to support rural development. It provides refinancing facilities to financial institutions at a concessional rate of interest, encouraging them to extend affordable credit to farmers and rural entrepreneurs. The scheme also emphasizes the importance of capacity building and skill development through training programs, promoting entrepreneurial activities and improving livelihood options. Furthermore, it incorporates measures to ensure transparency, accountability, and effective monitoring of the scheme's implementation (Nabard Report 2020).

### Financial Inclusion in Rural Areas

#### 1. Importance of Financial Inclusion

Financial inclusion is crucial for rural development as it enables individuals and communities to access financial services such as savings, credit, insurance, and remittance facilities. In rural areas, where the majority of the population depends on agriculture and allied activities, access to formal financial services plays a vital role in overcoming poverty, increasing agricultural productivity, and fostering economic growth.

#### 2. Challenges in Rural Financial Inclusion

Rural financial inclusion faces various challenges, including limited banking infrastructure, low financial literacy, inadequate collateral options, and the high cost of delivering financial services in remote areas. These challenges create barriers for rural individuals and enterprises in accessing formal credit, hindering their potential for growth and development.

#### 3. Role of Special Refinance Scheme in Promoting Financial Inclusion

The Special Refinance Scheme addresses the challenges of rural financial inclusion by incentivizing financial institutions to extend credit to marginalized rural populations. By providing refinance support at a concessional rate of interest, the scheme reduces the cost of credit for borrowers, making it more affordable and accessible. Moreover, the emphasis on capacity building and training programs equips individuals with the necessary skills and knowledge to effectively utilize financial services, thereby promoting financial literacy and inclusion in rural areas.

### Agriculture Development and Rural Livelihoods

#### 1. Role of Agriculture in Rural Economy

Agriculture forms the backbone of the rural economy in India, providing livelihoods to a significant portion of the population. However, agriculture faces challenges such as low productivity, climate change, and limited market access, leading to income instability and rural distress. Enhancing agricultural development is crucial for ensuring food security, reducing poverty, and fostering rural prosperity.

### 2. Challenges in Agricultural Development

The challenges in agricultural development include inadequate access to credit, lack of modern agricultural practices, limited irrigation facilities, and fragmented landholdings. These challenges often restrict farmers' ability to invest in modern technologies, purchase quality inputs, and adopt sustainable farming practices, affecting agricultural productivity and income levels.

### 3. Impact of Special Refinance Scheme on Agricultural Development

The Special Refinance Scheme plays a significant role in promoting agricultural development by providing financial support to farmers. The scheme enables farmers to access affordable credit for investments in farm machinery, irrigation systems, improved seeds, and other agricultural inputs. This financial assistance enhances agricultural productivity, improves crop yields, and boosts farmers' income levels, thereby contributing to overall rural development.

### 4. Enhancing Livelihoods through the Scheme

Apart from agricultural development, the Special Refinance Scheme also focuses on diversifying rural livelihoods and promoting entrepreneurship. By extending credit to rural entrepreneurs for non-farm activities such as small-scale industries, rural artisans, and service-oriented enterprises, the scheme creates opportunities for income generation beyond traditional agriculture. This diversification of livelihood options contributes to poverty reduction, job creation, and overall rural development.

### Case Studies

#### 1. Successful Implementations of Special Refinance Scheme

Several case studies showcase successful implementations of the Special Refinance Scheme in the Watershed and Wadi project areas. These studies highlight the positive impact of the scheme on rural communities, including increased agricultural productivity, improved access to credit, and enhanced livelihood opportunities. For example, in a particular village, farmers utilized the refinance support to invest in drip irrigation systems, resulting in water conservation and higher crop yields. Such case studies provide valuable insights into the effective utilization of the scheme and its contribution to rural development.

#### 2. Impact on Entrepreneurship and Self-Employment

The Special Refinance Scheme has also played a significant role in promoting entrepreneurship and self-employment in rural areas. Case studies of successful rural entrepreneurs who received credit through the scheme demonstrate how the financial support facilitated the establishment of micro-enterprises, such as dairy farms, poultry units, and handicraft businesses. These enterprises not only provide sustainable livelihood options but also contribute to the overall economic development of the region.

#### 3. Lessons Learned from Case Studies

Analyzing the case studies helps identify key lessons and best practices for the implementation of the Special Refinance Scheme. Lessons include the importance of customized financial products tailored to the needs of specific sectors, the significance of capacity building and skill development programs, and the need for effective

monitoring and evaluation mechanisms. By examining these case studies, policymakers and stakeholders can gain valuable insights to enhance the scheme's impact and replicate successful models in other regions (Nabard Annual Report 2022).

## Data Analysis and Evaluation

### 1. Quantitative Analysis of Scheme's Impact

To assess the impact of the Special Refinance Scheme, quantitative analysis is conducted on various parameters. Data related to credit disbursement, loan repayment rates, increase in agricultural productivity, and income levels are collected and analyzed. This analysis helps in quantifying the scheme's contribution to financial inclusion, agricultural development, and rural livelihoods. It provides statistical evidence of the scheme's effectiveness and helps in identifying areas where further improvements can be made.

### 2. Evaluation of Scheme's Effectiveness

In addition to quantitative analysis, the scheme's effectiveness is evaluated through qualitative measures. Surveys and interviews are conducted with beneficiaries, financial institutions, and other stakeholders to understand their perceptions and experiences regarding the scheme. Feedback on the ease of accessing credit, the adequacy of loan amounts, the responsiveness of financial institutions, and the impact on livelihoods is gathered and analyzed. This evaluation helps in identifying the strengths and weaknesses of the scheme and provides insights into areas that require attention for better outcomes (Shukla & Verma 2018) <sup>[1]</sup>

## NABARD's Work in Chhattisgarh and Other Locations

### 1. NABARD's Initiatives in Chhattisgarh

Chhattisgarh, a central Indian state with a significant rural population, has witnessed substantial efforts by NABARD to promote rural development and financial inclusion. NABARD has implemented various programs and schemes in the state to address the specific needs of rural communities. For instance, the Watershed Development Fund, a flagship scheme of NABARD, has been instrumental in implementing watershed projects in Chhattisgarh. These projects focus on sustainable land and water management, leading to enhanced agricultural productivity and improved rural livelihoods. Furthermore, NABARD has facilitated credit flow to farmers and rural entrepreneurs in Chhattisgarh through its refinance schemes, including the Special Refinance Scheme discussed earlier in this research paper (Nabard Report on Chhattisgarh 2022).

### 2. Other Locations with NABARD's Interventions

In addition to Chhattisgarh, NABARD has undertaken significant interventions in several other locations across India to promote rural development and financial inclusion.

#### 2.1 Maharashtra

In Maharashtra, NABARD has implemented various initiatives to support rural development. One notable intervention is the Wadi Development Program, which focuses on promoting horticulture-based livelihoods. Through this program, NABARD provides financial assistance and technical support to small and marginal farmers for establishing fruit orchards. The program has not only enhanced the income levels of farmers but also

contributed to environmental conservation and sustainable agricultural practices (Nabard Report on Maharashtra 2021).

#### 2.2 Tamil Nadu

NABARD's interventions in Tamil Nadu have primarily focused on improving agricultural productivity and rural livelihoods. The institution has supported the implementation of watershed development projects in the state, aiming to conserve water resources and enhance the productivity of rainfed agriculture. NABARD has also facilitated the establishment of Farmer Producer Organizations (FPOs) in Tamil Nadu, enabling small farmers to collectively market their produce and access better price realizations (Nabard Report on Tamilnadu 2021).

#### 2.3 Rajasthan

Rajasthan, a state with a predominantly arid climate, has benefitted from NABARD's initiatives to address the challenges of water scarcity and agricultural productivity. NABARD has supported the implementation of innovative water management practices, such as community-based water harvesting structures and micro-irrigation systems, to improve agricultural productivity in the state. These interventions have played a crucial role in sustainable natural resource management and livelihood enhancement in rural Rajasthan (Nabard Report on Rajasthan 2021).

## 3. Impact of NABARD's Interventions

The interventions carried out by NABARD in Chhattisgarh, Maharashtra, Tamil Nadu, Rajasthan, and various other locations have yielded significant positive outcomes. These include increased agricultural productivity, improved access to credit, enhanced income levels, and sustainable rural livelihoods. The success of these interventions can be attributed to NABARD's strategic focus on financial inclusion, capacity building, and sustainable agricultural practices (Prasad & Swain 2018) <sup>[8]</sup>.

## 4. Replicating Successful Models

The success of NABARD's interventions in Chhattisgarh and other locations serves as a valuable model for replication in similar regions. By analyzing the key factors that contributed to the success of these interventions, policymakers and stakeholders can adapt and implement similar programs in other states and regions. This approach will facilitate the scaling up of successful initiatives and ensure the widespread impact of NABARD's interventions.

## Challenges and Limitations

### 1. Implementation Challenges

The implementation of the Special Refinance Scheme is not without its challenges. One of the primary challenges is the lack of awareness and limited outreach to remote rural areas. Many potential beneficiaries are unaware of the scheme or face difficulties in accessing information and application procedures. Additionally, bureaucratic delays, complex documentation processes, and inadequate infrastructure in some areas pose implementation challenges. Addressing these challenges requires proactive measures, including awareness campaigns, capacity building for implementing agencies, and leveraging technology for streamlined processes.

## 2. Limitations of the Scheme

While the Special Refinance Scheme has demonstrated positive outcomes, it is essential to acknowledge its limitations. The scheme may not reach all potential beneficiaries due to eligibility criteria or limited financial institution participation in certain regions. Moreover, the scheme's effectiveness may vary depending on local socio-economic factors, agricultural practices, and market conditions. Recognizing these limitations helps in refining the scheme and developing targeted interventions to overcome barriers to implementation and ensure greater impact.

## Policy Recommendations

### 1. Strengthening Awareness and Outreach

To enhance the impact of the Special Refinance Scheme, improving awareness and outreach is crucial. Policymakers should focus on creating comprehensive communication strategies that target rural communities, leveraging various mediums such as radio, television, and community-based organizations. Additionally, the establishment of dedicated help desks and mobile application-based platforms can simplify the application and approval processes, making it easier for potential beneficiaries to access the scheme's benefits.

### 2. Improving Access to Credit

Efforts should be made to improve access to credit under the Special Refinance Scheme. This can be achieved by expanding the network of participating financial institutions, especially in underserved areas. Collaboration between NABARD, commercial banks, regional rural banks, and microfinance institutions should be encouraged to ensure widespread availability of credit products. Streamlining loan approval processes, reducing collateral requirements, and providing financial literacy training can further facilitate credit access for marginalized rural populations.

### 3. Enhancing Skill Development and Training

Investing in skill development and training programs is crucial to ensure the effective utilization of credit and promote entrepreneurship. By providing training on modern farming techniques, financial management, and marketing skills, farmers and rural entrepreneurs can enhance their productivity and income levels. Collaborations with vocational training institutes, agricultural extension agencies, and industry associations can facilitate the delivery of relevant and practical training programs tailored to the specific needs of rural communities.

### 4. Strengthening Monitoring and Evaluation Mechanisms

To continuously monitor the scheme's progress and evaluate its impact, robust monitoring and evaluation mechanisms should be put in place. This involves regular data collection, analysis, and reporting to track the disbursement of credit, repayment rates, agricultural productivity improvements, and changes in livelihood patterns. Timely feedback from beneficiaries and financial institutions should be sought to identify bottlenecks, address implementation challenges, and make evidence-based policy decisions (Sharma & Singh 2021)<sup>[9]</sup>.

## Conclusion

The Special Refinance Scheme implemented by NABARD in the Watershed and Wadi project areas has emerged as a significant intervention to promote financial inclusion, agricultural development, and rural livelihoods. The scheme has facilitated access to affordable credit, enhanced agricultural productivity, and encouraged entrepreneurship in these regions. However, challenges related to awareness, implementation, and limited outreach need to be addressed to maximize the scheme's impact. Through targeted policy measures such as strengthening awareness campaigns, improving credit access, promoting skill development, and establishing robust monitoring mechanisms, the scheme's effectiveness can be further enhanced. By ensuring the sustainability of the scheme and leveraging its success, policymakers and stakeholders can contribute to the long-term economic growth and well-being of rural communities.

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