

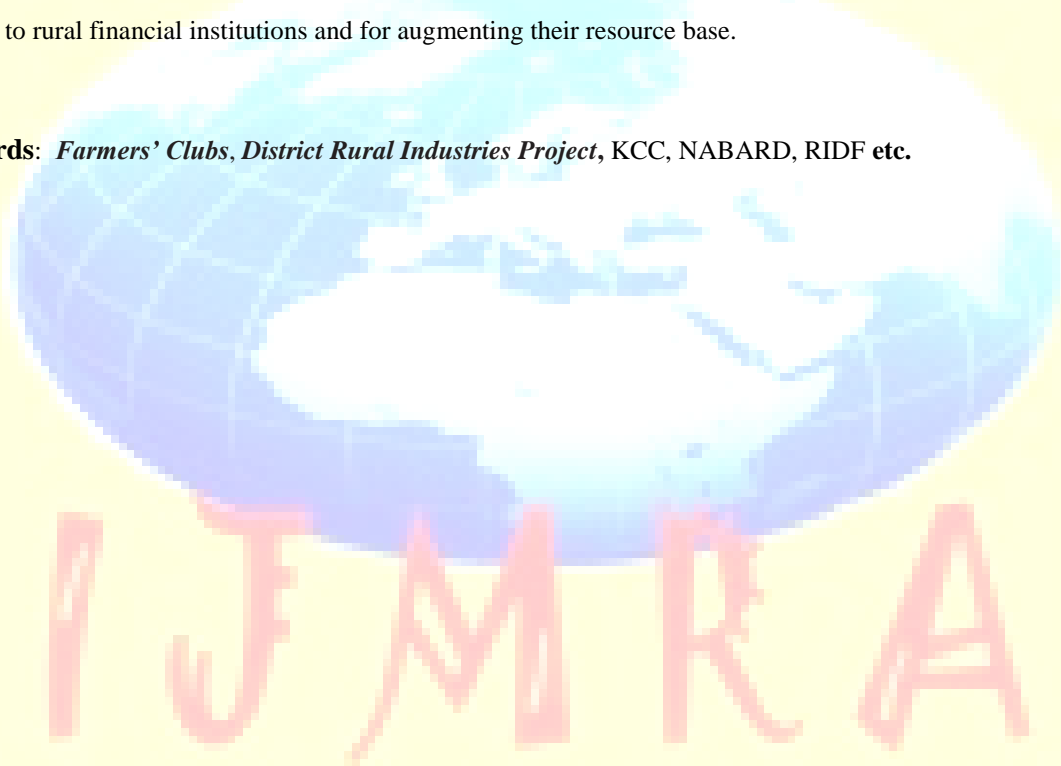
## NABARD AND RURAL CREDIT

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### *Abstract*

"Growth with Social Justice" has been the basic objective of the Development Planning in India since independence. Since the beginning of planned development, the Government through Five Years Plans made significant strides in developing rural India. The National Bank for Agriculture and Rural Development (NABARD) was set up in July 1982. It became the apex institution to play a pivotal role in the sphere of policy planning and providing refinance facilities to rural financial institutions and for augmenting their resource base.

**Keywords:** *Farmers' Clubs, District Rural Industries Project, KCC, NABARD, RIDF etc.*



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## Introduction

National Bank for Agriculture and Rural Development (NABARD) was set up as an apex Development Bank on July 12, 1982 with a mandate for facilitating investment and production credit to promote and develop agriculture, small-scale industries, cottage and village industries, handicrafts and other rural crafts. In discharging its role to promote integrated and sustainable rural development and secure prosperity of rural areas, NABARD is entrusted with the task of (i) providing refinance to lending institutions in rural areas; (ii) promoting institution building; (iii) coordinating the operations of rural credit institutions; and (iv) evaluating, monitoring and inspecting the rural credit institutions. Besides, NABARD also maintains liaison with the Government of India, State Governments, the Reserve Bank and other national level institutions concerned with regard to policy formulation relating to rural development.

## Other functions

- (a) NABARD is charged with the responsibility of coordinating its operations with those of other institutions engaged in the field of rural development.
- (b) NABARD to provide facilities for training, dissemination of information and promotion of research in the field of rural banking, agriculture and rural development.
- (c) In the discharge of these functions, NABARD may also collect such credit information as it may require and share the same with the Central Government and RBI.

**Objectives:** Objectives of NABARD are to [i] facilitate credit flow for agriculture, rural infrastructure and rural development [ii] promote policies, practices and innovations conducive to rural development [iii] strengthen rural credit delivery system through institutional development [iv] supervise Rural Financial Institutions (Cooperative Banks and Regional Rural Banks) [v] provide consultancy services

## Credit extended by NABARD

NABARD provides short-term credit facilities to StCBs for financing seasonal agricultural operations (SAO), marketing of crops, pisciculture activities, production/ procurement and marketing activities of cooperative weavers societies, purchase and sale of yarn by apex/regional societies, production and marketing activities of industrial co-operatives, financing of individual rural artisans through PACS, purchase and distribution of fertilisers and allied activities, and marketing activities. Medium-term facilities were provided to StCBs and RRBs for converting short-term loans for financing SAO to medium-term (conversion) loans and for approved agricultural purposes. Long-term loans are provided to the State Governments for contributing to share capital of co-operative credit institutions. During 2007-08, NABARD sanctioned higher total credit limits of Rs.18,689 crore as against Rs.16,338 crore during 2006-07 for various short and medium-term purposes to StCBs and RRBs, and long-term loans to the State Governments. Amounts drawn by both StCBs and RRBs also increased during the year. During 2007-08, repayments were lower for the StCBs, while those for the RRBs were higher than the previous year. On the aggregate, however, repayments were also significantly lower during 2007-08, resulting in an increase in outstanding amount as on March 31, 2008.

## Development Initiatives by NABARD

The following initiatives were taken by NABARD during 2007-08, which focussed on the overall development of the rural areas, including people living therein.

1. **Watershed Development Fund (WDF):** The corpus of this fund was augmented by Rs.34.7 crore during 2007-08. During the year, 63 watershed projects were sanctioned and 31 projects entered the full implementation phase. An amount of Rs.23.8 crore and Rs.3.8 crore were disbursed as grant and loan, respectively.
2. **Participatory Watershed Development Programme:** During 2007-08, 18 watershed projects with grant assistance of Rs.13.5 crore were sanctioned and Rs.1.5 crore were disbursed.
3. **Village Development Programme (VDP):** As on March 31, 2008, 913 villages across 24 States were identified for implementation of the programme.
4. **Pilot Project for Integrated Development (PPID) of Backward Blocks:** It was extended to cover 139 blocks across 16 States at end-March 2008. During the year, 136 exposure programmes were conducted on vermiculture, organic farming, polyhouse

technology, cultivation of medicinal and aromatic crops, in collaboration with research institutes, *Krishi Vikas Kendras* (KVKs) and Agriculture Universities. **5 Tribal Development Fund (TDF):** The Fund was augmented during 2007-08 by means of RIDF interest differential of Rs.348.9 crore, taking the total amount to Rs.603 crore. During 2007-08, an assistance of Rs.48.7 crore was sanctioned for 16 projects benefiting 14,538 tribal families in seven States. **6 Farm Innovation and Promotion Fund:** During 2007-08, 29 projects involving grant assistance of Rs.1.66 crore in 15 States on areas like System of rice intensification techniques, introduction of hybrid khaki campbell duck farming, implementation of village farm development plan in distress districts, implementation of pilot projects for farmers' participation in commodity futures trading involving NCDEX/MCX, etc. were taken up. **7 Farmers' Clubs:** During 2007-08, 5,277 farmers' clubs (FCs) were launched taking the total number of clubs to 28,226 covering 61,789 villages in 555 districts as on March 31, 2008. During the year, NABARD reviewed its policy for supporting FCs through various agencies and decided to extend cent per cent financial support to specified activities of RRBs and co-operative banks while the support for commercial banks would continue to be 50 per cent on a cost sharing basis. **8 Rural Innovation Fund (RIF):** During the year, 29 projects with financial support of Rs.7.8 crore were sanctioned. **9 District Rural Industries Project (DRIP):** During 2007-08, ground level credit flow in 83 DRIP districts covered under various phases reached Rs.1,177.9 crore and refinance availed of was Rs.275.4 crore. **10 Scheme for Strengthening of Rural Haats:** During 2007- 08, support in the form of grant of Rs.53.4 lakh was sanctioned for infrastructure in 18 haats (a place where people meet periodically for buying and selling of goods and services) three each in Chhattisgarh and Uttar Pradesh, two haats each in Andhra Pradesh, Tamil Nadu and West Bengal and one haat each in Bihar, Kerala, Madhya Pradesh, Maharashtra, Orissa and Rajasthan. **11 Cluster Development Programme:** During 2007-08, rural industrialisation through the cluster approach was extended to 19 clusters, taking the total number of clusters under this programme to 61 at end-March 2008. With a view to extending the cluster approach for developing rural tourism, NABARD approved two rural tourism clusters in Sikkim and one in Tamil Nadu and one tourism-cum-handicrafts cluster in West Bengal. **12 Rural Entrepreneurship Development Programme (REDPs) and the Skill Development Programme (SDPs):** During 2007-08, grant of Rs.767.6 lakh was provided for 1,422 REDPs/SDPs covering 33,148 rural youth. In addition, grant of Rs.142 lakh was sanctioned for conducting 443 REDPs/SDPs by 14 rural development and self employment training institutes (RUDSETI) in 15 States, as also, grant of Rs.3.2 lakh extended to IL&FS for conducting four IT related SDPs for the rural youth of Jharkhand under the common service centre scheme of the Government of India. **13 Swarozgar Credit Cards (SCCs):** During 2007-08, 1.55 lakh SCCs involving credit limits of Rs.679.3 crore were issued. As on March 31, 2008, the banking sector issued 0.8 million SCCs involving an aggregate credit limit of Rs.3,379.4 crore. **14 Gender Development Programmes:** During the year, grant of Rs.4.5 lakh was released under marketing of non-farm products of rural women (MAHIMA). Moreover, during 2007-08, the scheme for setting-up women development cells (WDCs) was modified and 69 WDCs in 37 RRBs, 31 DCCBs and 1 SCARDB were sanctioned as on March 31, 2008. **15 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 (PSCB) during the period from 1998-99 to 2009- 10 . **16 Rural Marts:** During the year, 50 rural marts were sanctioned involving grant of Rs.51.84 lakh. NABARD supported 206 marketing events/exhibitions across the country involving grant assistance of Rs.94.13 lakh. The pilot scheme for setting-up rural marts was extended to all States. **17 Training-cum-Production Centre (TPC):** During 2007-08, Rs.5.43 lakh was released as grant to Tata Tea Ltd. For establishing a training-cum-production centre (TPC) at Rowta, Assam for imparting training on design development, manufacturing of special products, marketing intervention and supporting Bodo women weavers.

### Other Ongoing Initiatives

**Financing of Joint Liability Groups:** Besides, the SHG-BLP, NABARD has been supporting formation of informal groups like Joint Liability Groups (JLGs) with 4-10 members. These are basically livelihood groups who come together on the strength of the mutual guarantee to seek livelihood finance for pursuing an economic activity. This was basically targeted at mid-segments clients engaged in similar economic activities like crop production and who are willing to jointly undertake to repay the loans taken by the Groups. Unlike in the case of SHGs, JLGs are intended basically as credit groups for tenant farmers and small farmers who do not have proper title of their farmland or security to offer, but needed longer term credit or seasonal credit for pursuing their economic activities. Thus, regular savings by JLG is purely voluntary in nature and there was no intermediation of credit by its members.

Loans were given based on mutual guarantee to individuals in a group or as group loans. NABARD besides extending financial support for awareness creation / capacity building of all stakeholders also extends 100% refinance support to Banks on their lending to JLGs. About 1,96,500 JLGs were promoted and credit linked during 2012-13, as against 1,91,500 JLGs promoted during the previous year. There has been expansion in credit flow to JLGs to the extent of `1,837 crore as against `1,700 crore (8% increase over the previous year), taking the cumulative number of JLGs to 5,29,246 and the cumulative loan disbursed to JLGs to `4,683 crore. The growth of JLGs in the country is less skewed than the SHGs. Although the Southern States top the list with over 2 lakh JLGs credit linked so far, Eastern region closely follows with 1.81 lakh JLGs. In terms of actual loans disbursed, however, Southern States account for over 60% of the total loans disbursed.

**Micro Enterprise Development Programme:** NABARD has been supporting need based skill development programmes for matured SHGs which already have access to finance from banks. Often the requirements for skill development or refinement of skill sets of the SHG members is a felt need which NABARD supports through appropriate resource NGOs and other support organisations locally. These are on-location skill training programmes which attempts to bridge skill deficits or facilitates optimization of production activities already pursued by the SHG members. These could interalia include optimisation of rice production through improved techniques like “System of Rice Intensification” or maintenance of milch animals, embroidery, tailoring etc. Brief inputs of enterprise related skills does promote entrepreneurial talents of members of matured SHGs to set up and run micro enterprises as a livelihood option. Grant is provided to eligible training institutions and SHPIs to provide skill development training in farm/non-farm/service sector activities leading to establishment of micro enterprises either on individual basis or on group basis. Nearly 9000 skill up gradation training programmes have been conducted under these initiatives covering about 2.41 lakh members of matured SHGs. Most of the trained SHG members have since started their journey to become promising entrepreneurs by availing loans from their SHGs.

#### NABARD's Strategic Focus on SHG-BLP (2013-17)

- (a) All eligible poor rural households in the country to be covered through SHG BLP by March 2017.
- (b) Resource poor states of Uttar Pradesh, Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Rajasthan, Maharashtra, Odisha, Assam and West Bengal to be the focus areas for promotional interventions under SHG-BLP during the next four years. Emphasis would be in 127 districts from these resource poor States where less than fifty percent of the potential for promotion of SHGs have been exploited, of which 33 districts are already covered under Women SHG Development Scheme.
- (c) Promotion of Women SHGs in 150 Left Wing Extremism affected and backward districts of the country to be speeded up to cover every rural household in the identified districts within the next two years.
- (d) In all, it is expected that about 20 lakh new SHGs are to be promoted and linked to the banks during this period.
- (e) Convergence with Government Programmes like National Rural Livelihood Mission (NRLM) to maximise benefits to the SHG members.
- (f) Strategic shift from State / District-based planning for SHG-BLP to Block-based planning, to address the issue of intra-district imbalances in promotion of SHGs.
- (g) Special schemes to revive dormant SHGs through effective capacity building and hand holding support.
- (h) Initiate additional financial literacy drive at the SHG level to eliminate overindebtedness at the member-level, especially in high SHG density States.
- (i) Focus on convergence of SHG-BLP and Financial Inclusion (FI) initiatives.
- (j) Priority to shift from promotion of SHGs to provide livelihood opportunities to the SHG members in a calibrated manner through skill building, production optimisation, value chain facilitation and market linkage.
- (k) Community based organizations to be encouraged as the nodal points for promoting livelihood activities of members of SHGs.
- (l) ICT based interventions at primary level (SHGs), promoting institutional level (SHPIs) and at National level.



## CONCLUSION

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. 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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