

ROLE OF NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT  
(NABARD) & REGIONAL RURAL BANK (RRBS) CONTRIBUTION IN INDIAN  
ECONOMY DEVELOPMENT

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**ABSTRACT**

Indian economy is agricultural economy and real India lies in villages. Without the development of the rural economy, the objectives of economic planning cannot be achieved. Hence, banks and other financial institutions are considered to be a vital role for the development of the rural economy in India. NABARD are playing a pivotal role in the economy development of the rural India. In the Indian context rural development assumes greater significance as nearly 70% of its population lives in rural areas. Most of the people living in rural area draw their livelihood from agriculture and allied sectors. Such areas are distinct from more intensively settled urban and suburban areas. Life styles in rural area are different than those in urban areas, mainly because limited services are available. Governmental services like law enforcement, schools, fire departments may be distant, limited in scope, or unavailable. Rural development is a national necessity and has considerable importance in India. The main objective of the rural development programme is to raise the economic and social level of the rural people. National Bank for Agriculture and Rural Development (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. The present study is a modest attempt to the credit potential for agriculture during the year 2021-22. The study covered aspects such as functions, objectives, management and organizational structure, sources of funds, activities achieved, loan assistance to various institutions, Methodology for preparation of potential linked credit plans (PLPs) and Development Projects in Andaman and Nicobar Islands.

Keywords-NABARD,RuralDevelopment,RBIand RRB.

## INDRODUCTION



NABARD is a development bank focussing primarily on the rural sector of the country. It is, in fact, India's apex development bank. It is one of the most important institutions in the country. NABARD is responsible for the development of the small industries, cottage industries, and any other such village or rural projects.

Established on 12th July 1982, it had an initial capital of 100 crores. The bank is under the supervision of a Board of Directors which the Government of India will appoint. The headquarters of NABARD is in Mumbai but it has many branches and regional divisions.

NABARD is instrumental in the development and efficiency of the current rural credit system. Over half the credit in the rural region comes from Co-operative banks and Regional Rural Banks. NABARD is responsible for regulating and supervising the functioning of such banks. Over the years NABARD has been pushing for development in the credit schemes for rural population to meet their new credit requirements. Other than meeting credit requirements of the rural sector NABARD is also instrumental in social innovations and projects. It partners with various organizations for many innovative projects such as SHG-Bank linking, innovative schemes for water and soil conservation. Over the last three decades, the institution has gained goodwill and trust in the farmers and rural communities.

## REVIEW OF LITERATURE

- 1) Sharma et al (1977) are convinced that Rural Development as a concept and a reality has suffered intellectual importations, heavily biased by philosophical- methodological assumptions quite unrelated to the actual configuration of problem-situation. Over the

years, it has created ambivalence and equivocation among those who regard rural reconstruction as a faith and a mission to the soil. It would be neither charitable nor compatible to blame wholly the lack of policy emphasis or even its clear articulation to account for the inadequate pace of rural development but the very nature of the process is extremely complex, requiring multidimensional approach and interdisciplinary knowledge. The effort also suffered owing both to paucity of resources and lack of commitment, not altogether unexpected in nation-building activities of developing countries having traditional societies.

- 2) Reddy et al (1985) in their study of Andhra Pradesh come to the finding that the policy for small farmers' development could not create a significant impact on the target groups. The schemes proved to be too ill-organized to be viable. In fact some of the schemes proved to be counterproductive. The agricultural labourers are not only bypassed but are put to great misery. The administrative machinery is not properly oriented, nor is it vigorous to help the poor. The middlemen, as a result, have been appropriating the benefits. The poor as a class are yet to develop participative culture to overcome the serious limitations of a public policy and an inequitarian socio-economic system. Thus, the Small Farmers Development Agency, another important public policy like green revolution failed to make a positive impact on the rural poor. Regarding loopholes of Rural Development Programme,
- 3) Meheshwari (1985) comments that Rural Development Programmes in India suffer from a high degree of centralization as illustrated by the IRDP. This programme has been formulated in great detail at the central level with little flexibility permitted at the implementation level; so much so that it may not be very inappropriate to say that this programme is for the people but certainly not by the people and of the people. India is an example of a country which is seeking to promote rural development purely through its regular bureaucracy with little involvement of participation by the people.

### **NABARD VISION & MISSION**

*Vision:* To work as a development bank of the nation for fostering rural prosperity . *Mission:* To promote sustainable and equitable agriculture and rural development through participative

financial and non-financial interventions, technology, institutional development, and innovations for securing prosperity.

### **OBJECTIVES OF NABARD & RRBs**

1. NABARD will be an apex organization 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
2. 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.
3. The bank will provide direct lending to any institution as may be approved by the Central Government.
4. The bank will co-ordinates the rural financing activities of all institutions engaged in developmental work at the field level and maintain link with Government of India, State governments, RBI and other institutions concerned with policy formulation.
5. Undertakes monitoring and evaluation of projects refinanced by it.

### **ROLE OF NABARD & RRBs**

- Providing refinancing to lending institutions in rural areas. >
- Bringing about or promoting institutional development.
- Evaluating, monitoring and inspecting the client banks.
- Acts as a coordinator in the operations of rural credit institutions.
- Extends assistance to the Government, Reserve Bank and other organizations in matters relating to rural development. >
- Offers training and research facilities for banks, cooperatives and organizations working in the field of rural development. >
- Helps the State Governments in reaching their targets of providing assistance to eligible institutions in agriculture and rural development. >
- Acts as a regulator for cooperative banks and RRBs

**REGIONAL RURAL BANKS (RRB)**

Established under Regional Rural Banks Act 1976, the objectives of RRBs are:

1. Development of rural economy .
2. Development of agriculture, trade, commerce industry & other productive activities in the rural areas .
3. Credit & other facilities to small and marginal farmers, agricultural laborers, artisans & small entrepreneurs

The idea behind the creation of this new set of regionally oriented rural banks was to combine the local feel & familiarity of rural problems characteristics of co- operatives with the professionalism & large resource base of commercial banks. Its authorized capital is 5 crores (5 lakh fully paid-up shares of Rs. 100) .

**FUNCTIONS OF NABARD & RRBS:-**

NABARD was established as a development bank to perform the following functions:

1. To serve as an apex financing agency for the institutions providing investment and production credit for promoting various developmental activities in rural areas.
2. To take measures towards institution building for improving absorptive capacity of the credit delivery system, including monitoring, formulation of rehabilitation schemes, restructuring of credit institutions and training of personnel;
3. To coordinate the rural financing activities of all institutions engaged in developmental work at the field level and liaison with the Government of India, the State Governments, the Reserve Bank and other national level institutions concerned with policy formulation .
4. To undertake monitoring and evaluation of projects refinanced by it.
5. NABARD gives high priority to projects formed under Integrated Rural Development Programme (IRDP).
6. It arranges refinance for IRDP accounts in order to give highest share for the support for poverty alleviation programs run by Integrated Rural Development Programme.
7. NABARD also gives guidelines for promotion of group activities under its programs and provides 100% refinance support for them.
8. It is setting linkages between Self-help Group (SHG) which are organized by

voluntary agencies for poor and needy in rural areas.

9. It refinances to the complete extent for those projects which are operated under the 'National Watershed Development Programme' and the 'National Mission of Wasteland Development'.

### **HISTORY-HOW NABARD CAME INTO BEING?**

- The importance of institutional credit in boosting rural economy has been clear to the Government right from its early stages of planning.
- The Reserve Bank of India (RBI) at the insistence of the Government of India, constituted a Committee to Review the Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) in 1979, under the Chairmanship of Shri B. Sivaraman, former member of Planning Commission.
- The Committee's report (1979) outlined the need for a new organisational device for providing undivided attention, forceful direction and pointed focus to credit related issues linked with rural development.
- It resulted in foundation of NABARD (National Bank for Agriculture and Rural Development) in 1982 as a statutory body under Parliamentary act-National Bank for Agriculture and Rural Development Act, 1981.
- Its initial paid up capital was Rs. 100 cr. contributed with 50: 50 by government of India and Reserve bank of India. It stood at Rs. 10,580 cr. as on 31 March 2018.
- To support Indian Rural economy with credit facility, RBI was apex body before formation of NABARD.
- It resulted in making NABARD as an apex development financial institution in India.
- The NABARD's role is basically a continuation of the RBI role in the sphere of Agriculture and Rural Development.

The functions of the 3 institutes of RBI

1. The Agricultural Credit Department (ACD),
2. Rural Planning and Credit Cell (RPCC),
3. Agricultural Refinance and Development Corporation (ARDC) were transferred to NABARD.

- i. ACD:RBI provided through its ACD short term refinance to cooperatives.
- ii. RPCC: It was dealing with the Regional Rural Banks (RRBs) since 1979
- iii. ARDC: RBI set up the Agricultural Refinance Corporation (ARC) in 1963 to work as a refinancing agency in providing medium term and long term
4. Agricultural credit to support investment credit needs for agricultural development.
5. In 1975, ARC was renamed as Agriculture Refinance and Development Corporation (ARDC) to give focused attention to credit off-take, development and promotion of the agricultural sector.

### **How NABARD & RRBs Contributes to the Development of Rural Economy?**

The NABARD has touched almost every aspect of rural economy in terms of Financial, Developmental and Supervision functions.

### **FINANCIAL CONTRIBUTION**

1. Refinance - Short Term Loans: Crop loans are extended to farmers for crop production by financial institutions, which support in ensuring food security in the country.
2. Long Term Loans: NABARD's long-term refinance provides credit to financial institutions for a wide gamut of activities encompassing farm and non-farm activities with tenors of 18 months to more than 5 years.
3. Rural Infrastructure Development Fund (RIDF): It was set up with NABARD in 1995-96 by the RBI out of the shortfall in lending to priority sector by scheduled commercial banks for supporting rural infrastructure projects.
4. Long-Term Irrigation Fund (LTIF): The LTIF in NABARD was set up with an initial corpus of Rs 20,000 crore for funding 99 irrigation projects during 2016-17 following announcement in the Union Budget.
5. Pradhan Mantri Awas Yojana - Grameen (PMAY-G).
6. NABARD Infrastructure Development Assistance (NIDA): NIDA has been designed to complement RIDF.
7. Warehouse Infrastructure Fund (WIF): Union government created WIF in the year 2013-14 with NABARD with a corpus of Rs 5,000 crore for providing loans
8. To meet the requirements for scientific warehousing infrastructure for agricultural

commodities in the country.

9. Food Processing Fund
10. Direct Lending to Cooperative Banks
11. Credit Facility to Marketing Federations (CFF):

### **PRODUCER ORGANIZATIONS DEVELOPMENT FUND (PODF) FOR POS&PACS:**

NABARD set up Producer Organizations Development Fund (PODF) with an initial corpus of Rs 50 crore to support and finance Producer Organizations (POs) and Primary Agriculture Credit Societies (PACS) to operate as Multi Service Centres.

1. Producer Organisation (PO): it is a legal entity formed by primary producers, viz. farmers, milk producers, fishermen, weavers, rural artisans, craftsmen. APO can be a producer company, a cooperative society or any other legal form which provides for sharing of profits/benefits among the members.
2. Primary Agricultural Credit Society (PACS) is a basic unit and smallest co- operative credit institution in India. It works on the grassroots level (gram panchayat and village level). It provides credit to farmers in the form of term loans and recovers the amount after harvesting of crop from the cultivator.

### **DEVELOPMENTAL CONTRIBUTION**

1. Kisan Credit Card Scheme for Farmers:- The Kisan Credit Card (KCC) scheme was designed by NABARD in association with the RBI in August 1998 for providing crop loans.
2. RuPay Kisan Cards (RKC): NABARD has been at the forefront of technology revolution by helping rural financial institutions in providing RuPay Kisan Cards (RKC) to all their farmer clients.
3. Tribal Development: the Tribal Development Programme
4. Climate Resilient Agriculture
5. Umbrella Programme on Natural Resource Management (UPNRM): The UPNRM started in 2007, works at enhancing investments in rural areas, creating business opportunities and enabling rural communities to sustainably utilise their natural resources.
6. Microfinance Sector: NABARD had launched the Self Help Group-Bank Linkage



Programme (SHG-BLP) in 1992. Over 23 lakh SHGs were credit-linked during 2017-18 financial year.

7. EShakti: In a bid to digitise SHGs, project EShakti was launched on 15 March 2015.
8. Skill Development: Promoting an entrepreneurial culture among the rural youth and encouraging them to start enterprises in the rural off-farm sector has been NABARD's strategy for over three decades.
9. Marketing Initiatives: For providing marketing opportunities to rural artisans and producers, NABARD has traditionally facilitated their participation in exhibitions across the country.

Incubation Centres To commercialise innovations and to shape agricultural entrepreneurship in the country, NABARD extended support to Chaudhary Charan Singh Haryana Agricultural University, Hisar and Tamil Nadu Agricultural University, Madurai for establishing Agri Incubation Centres with a total financial commitment of Rs 23.99 crore.

## CONCLUSIONS

As seen from the above discussion, NABARD and RRBS is working to promote rural India from all angles. The amount of financial support received by NABARD and RRBs the amount of money disbursed from it grow every year. In summary, we can state that NABARD provides all-around aid to rural India and has proven to be an institution that promotes "Growth with Social Justice." In a nutshell, it's a refinancing institution with the added responsibility of coordinating, inspecting, and regulating loan flows for agricultural and rural development.

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