

# ROLE OF NABARD IN RURAL DEVELOPMENT





Presentation by Mr. Subodh  
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## NABARD : A BRIEF PROFILE

- Set up in 1982, committed to Rural Prosperity through intervention of credit and developmental activities
- Paid-up Capital Rs.3000 crore against the Authorised Capital of Rs.5000 crore
- Operates through HO at Mumbai, 30 ROs in State Capitals & 391 District Offices
- As on 31-03-2013, total assets worth Rs.210000 crore (Provisional Figure)

# RBI- NABARD CAMARADERIE



Today is also an occasion to express our gratitude and to say a big "thank you" to our parent organization, the Reserve Bank. Sir, 34 years ago, when I was selected by the RBI Services Board and posted to ARDC, a learned person had told me, "what distinguishes the RBI from any other Central Bank around the world is its ability to spawn and nurture development institutions that encompass financing, research and training." Today, as team leader of NABARD that was spawned by RBI 30 years ago, I am proud and fortunate to be part of this inherited legacy – functionally and intellectually !

# Mission and Functions

- **Mission**

Promoting sustainable and equitable agriculture and rural development through effective credit support, related services, institution building and other innovative initiatives. In pursuing this mission, NABARD focuses its activities on:

- **Credit functions**, involving 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 programmes
- **Development functions**, focusing on overall development by way of capacity building and income generating interventions aimed at supplementing the credit functions as well as making credit more productive
- **Supervisory functions**, ensuring the proper functioning of cooperative banks and regional rural banks

## Birth of NABARD- Craficard

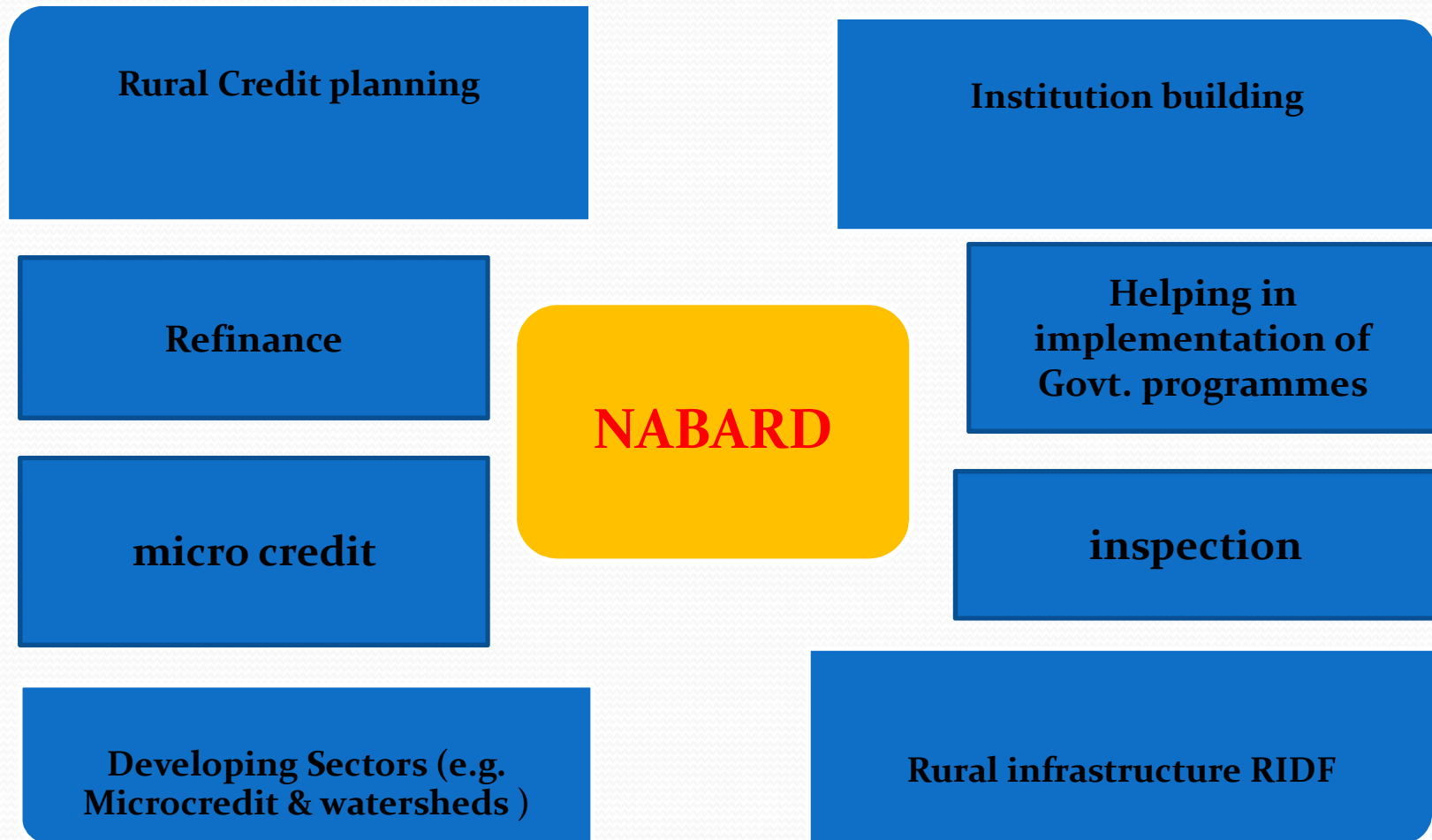
- NABARD is **conceived as an exercise in decentralisation of the Central Bank's function of**
- **providing all kinds of production and investment credit** to agriculture, small scale industries, artisans, cottage and village industries, handicrafts and other allied economic activities in an integrated manner with undivided attention, pointed focus and forceful direction,
- NABARD is also charged with the **responsibility of promoting integrated rural development/ and matters concerned therewith and incidental thereto**. It is also conceived that NABARD will work in close unison with the Reserve Bank.
- As regards purveying of credit, NABARD will be the principal financial institution ' , providing short-term, medium-term and long-term credit to the institutional agencies *purveying* rural credit.
- NABARD also would cater to the credit requirements of the industrial units in the small-scale, cottage, tiny and decentralised sectors, handicrafts, as also to artisans. It is envisaged that **NABARD will be the instrument of social change, which will strive for integrated rural development**.
- With reference to NABARD, **RBI will have the responsibility of spawning, fostering and nurturing the new institution**. In its new role pertaining to matters of agriculture and rural development, RBI will guide and assist NABARD.



# Transfer of business from RBI to NB

- While the Agricultural Refinance and Development Corporation will be totally assimilated by NABARD, NABARD will also be vested with the assets and liabilities pertaining to the Reserve Bank's National Agricultural Credit (Long Term Operations) Fund and the National Agricultural Credit (Stabilisation) Fund. The National Bank would correspondingly create and maintain The National Rural Credit (Long-Term Operations) Fund and the National Rural Credit (Stabilisation) Fund, respectively.
- Further, NABARD will take over the liability of SCBs and RRBs in respect of loans and advances already extended by RBI at the time of establishment of NABARD under Section 17 (excluding sub-section (4)) of the RBI Act, 1934 with all rights to recover the said dues.

# NABARD & Rural Development





# Functions of NABARD-Refinance

## Prod. credit (ST)



Mainly for RRBs and Cooperatives

Purpose-

- i. agricultural operations or the marketing of crops, or
- ii. the marketing and distribution of inputs necessary for agriculture or rural development , or
- iii. any other activity for the promotion of or in the field of agriculture or rural development, or
- iv. the production or marketing activities of artisans or of small-scale industries, industries in the tiny and decentralised sector, village and cottage industries or of those engaged in the field of handicrafts and other rural crafts.



## Investment credit



1. medium term conversion loans for production credit,
2. MT and LT project lending
3. Loan to State Govt. for share capital contribution
4. Direct financing
- 4a. Rediscounting bills of exchange and promissory note



# Functions of NABARD II

1. For Rural Banks and Co-operative Banks, NABARD is the inspecting authority, which would combine in itself the responsibilities envisaged both for developmental and statutory inspections.
2. *NABARD will receive such returns and other data concerning regional rural banks and State Co-operative banks as would facilitate NABARD keeping a close watch over the performance, health and viability of the institutions.*



# Functions of NABARD-III

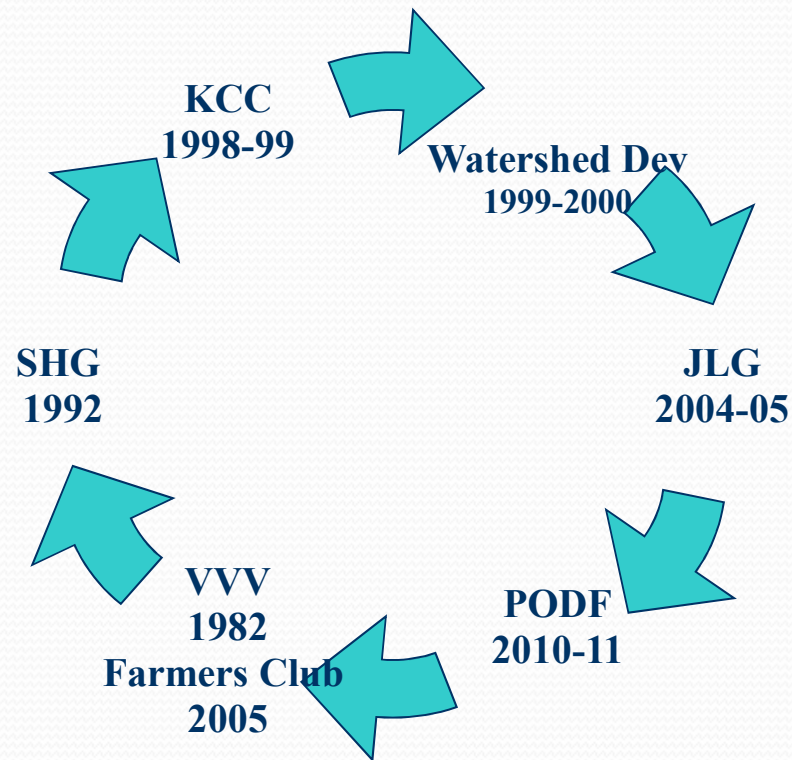
- RBI to act on a certificate of NABARD on a question whether or not a state cooperative bank or a regional rural bank satisfies the requirements as to share capital and reserves and whether their affairs are being conducted in a manner not detrimental to the interests of the depositors. Since NABARD will be inspecting state co-operative banks and regional rural banks, it would be in a position to issue such a certificate

# Other functions

- NABARD is charged with the responsibility of co-ordinating its operations with those of other institutions engaged in the field of rural development.
- NABARD to provide facilities for training, dissemination of information and promotion of research in the field of rural banking, agriculture and rural development.
- 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.

## Innovative Credit & 'Credit Plus' Products spearheaded by NABARD

- **Farmers Club**
- **Self Help Group**
- **Kisan Credit Card**
- **Watershed Dev/Wadi**
- **Joint Liability Groups**
- **Producers Org.Dev Fund (PODF)**



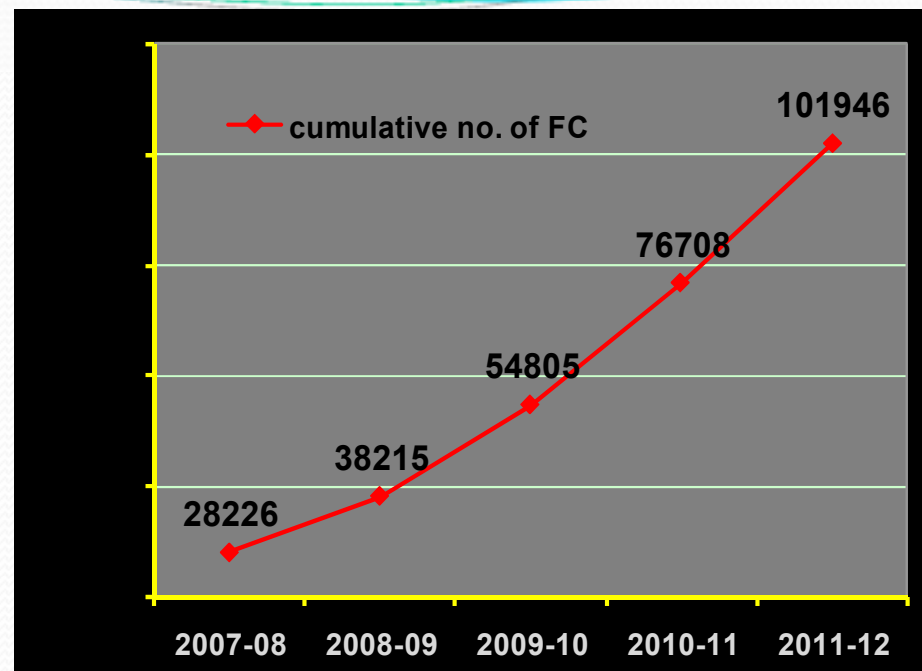
# FARMERS' CLUB PROGRAMME

Informal community based organisation of farmers focusing on :

- Access to credit by linking with banks
- Technology , knowledge and market interventions

Outcome:

- More than 450 FCs functioning as BF
- More than 800 FCs as SHPI – Formed More than 12000 SHGs & More than 150 JLGs.
- Pilot project for Technology Transfer, Credit Counseling and Market Advocacy through FCs launched.



1,01,946 FCs have been formed up to 31 March 2012 (As on 31-03-2013, the provisional figure is 126753)

**Future Strategy:** (1) Consolidation of FCs through federations so that aggregation of inputs, produce, services could be facilitated  
(2) FCs as BF for banks and Development Facilitators (DF) to State Govt. and State Agri. University.

# SELF HELP GROUPS

- Primarily intended for poorest of poor, especially women.
- However, SF/MF are the largest indirect beneficiaries.
- Mainstreaming the poorest into formal banking system by Group Formation, Savings & Bank Linkage leading to entrepreneurship

# JOINT LIABILITY GROUPS

- On the pattern of SHGs, loans to Farmers, SF/MF, Oral Lessees, Tenant Farmers, Share Croppers
- Loans under KCC Mechanism, either to individual members of JLG or to Group as a whole





## **WHO PROMOTES SHGs**

- ✓ BANK STAFF**
- ✓ FARMERS CLUBs**
- ✓ RURAL VOLUNTEERs**
- ✓ NON-GOVERNMENTAL ORGANISATIONS(NGOs)**
- ✓ GOVT. AGENCIES**
- ✓ STAFF OF DEPT.OF POSTS**



## Role of Self Help Promoting Institutions

- **IDENTIFY POOR**
- **ORGANISE POOR into SHGs**
- **CAPACITY BUILDING**
- **BOOKS MAINTENANCE**
- **SOCIAL ACTIVITIES**
- **BANK LINKAGE**
- **GUIDANCE IN ECONOMIC ACTIVITIES**
- **PLAN FOR WITHDRAWAL**

## Composition of the Group

1. Normally 10 to 20
2. LESS THAN 10-CANNOT WITHSTAND OUTSIDE PRESSURE
3. BETWEEN 15-20- IDEAL
4. MORE THAN 20- PROBLEMATIC TO HANDLE
5. HOMOGENEITY-Occupation,Culture, Gender, Income, Literacy level

## **Savings Linkage of SHGs**

- **SHGs to open SB A/C in the nearby bank branch of its choice.**
- **Bank to obtain group resolution & authorisation to open and operate the savings account**
- **SHGs are not required to deposit their entire savings in the bank**
- **Groups will become eligible to apply for loan after 6 months**
- **Six months is not from the date of opening of SB account but from the date of first meeting of the group.**



## **Credit Linkage of SHGs**

- ❖ **Bank to receive Loan application from matured group**
- ❖ **Documents- Group resolution, agreement**
- ❖ **Bank to carryout assessment of SHGs using rating tool**
- ❖ **Bank to finance only quality SHGs.**
- ❖ **QUANTUM OF LOAN (As CC Limit) – as a multiple of group's savings**

## Advantages of banking with SHGs

- Transaction costs are reduced
- Increase in deposit base
- Very little cost for appraisal and monitoring of loan
- Increase in social base in rural area
- Overall a sound business proposition

# Joint Liability Groups

## General Features

*Informal Groups*

*4 – 10 members*

*1 per family*

*Loans – Single/Group*

*Mutual Guarantee*

*Joint Undertaking*

*Similar eco activity*



## JLG Contd...

### Financing of JLGs

- Credit to Individual Members or Group as a whole
- Credit assessment of the group could be based on the available cultivable area of each member of the JLG / activity to be undertaken
- Considered as Direct Agri Advance under Priority Sector



Jl C Contd...



## Benefits to Bank

- **Reduction of transaction costs**
- **Outsourcing of bank business**
- **Ensuring proper financial inclusion**
- **Facilitating improved farm practices leading to prompt repayment**

# Milestones in SHG & JLG Programmes

- As on 31 March 2012, 79.60 lakh SHGs have been SB linked and 43.54 lakh SHGs have been credit linked  
thus benefitting around more than 10 crore poor families, mostly SF/MF families
- 3.32 lakh JLGs have been promoted and credit linked as on 31 March 2012

# Kisan Credit Cards

## Status

- 147.90 million rural households in the country
- around 89.35 million households or roughly 60% are cultivator households.
- Of the cultivator households, roughly 49% (43.40) are indebted to either formal sources or non-formal sources or to both.
- Of these only 23.3 million households (54%), are indebted to formal sources. By implication, nearly 51% of cultivator households translating into 45.6 million household are not indebted at all. (NSSO 2003)
- Outreach of the banking system show that with regard to very small land holdings of say around 25 cents, the system's outreach is hardly 23%, while with regard to farm holdings between 5 and 10 acres it is around 65%. In other words, among the households which are indebted to the banking system, there is a significant bias in favour of large farmers (NSSO 2003)

## KCC.... Contd

- The KCC scheme is being implemented by banks since 1998-99 and as on date more than 10 crore cards have been issued.
- The limit under KCC is sanctioned for a period of five years. The annual KCC limit may be fixed based on the scale of finance + insurance premium x extent of area cultivated + 10% of the limit towards post harvest / household / consumption requirement + 20% towards maintenance of farm assets
- 10% annual increase towards cost escalation
- The limit to be operated by the borrower as and when needed, **with no sub limits for *kharif* and *rabi*.**

# Interest subvention on crop loans

- On Crop loans to farmers upto Rs.3.00 lakh at 7<sup>0</sup>% interest per annum.
- 2<sup>0</sup>% to Coop/RRB and additional subvention of 3<sup>0</sup>% to farmers making prompt repayment. This additional subvention makes the effective rate of interest on short term crop loans at 4<sup>0</sup>%.



# Financial inclusion

- **Financial Inclusion – A roadmap to provide banking services through a banking outlet in every village having a population of over 2,000, by March 2012. Below 2000 by 2014.**
- **Business Correspondent (BC)/Business Facilitator(BF) and Financial Inclusion.**
- With the objective of ensuring greater Financial Inclusion and increasing outreach of the banking sector, Reserve Bank, in January 2006 permitted banks to use intermediaries as Business Facilitators (BF) or Business Correspondents (BC) for providing financial and banking services
- Use of other channels like Automated Teller Machines (ATM), credit / debit cards, internet banking, online money transfers, etc to increase its outreach



# FI-NB support

## Initiatives under FIF / FITF

1. Capacity Building of Business Correspondents
2. Financial Literacy through Audio Visual medium – such as Doordarshan
3. Support to Financial Literacy and Credit Counseling Centres (FLCCs) from FIF
4. Special thrust on Financial Inclusion in the PLP 2012-17
5. Support to RRBs for engaging Farmers' Clubs / SHGs as BF
6. To support the weak RRBs for CBS installation / CBS Implementation in Cooperatives
7. Financial Literacy through NGOs / MFIs

# Performance in 2012-13

- Production Credit disbursed: Rs. 64,981 cr. (against Rs 48,981 crore last year)
- Investment Credit refinance disbursed: Rs. 17680 crore (against Rs 15,424 cr. Last year)
- RIDF: Sanctions Rs. 18,447 cr. and Disbursements Rs.16292 crore (against Rs. 14,168 cr. Last year)
- NABARD also did a couple of new things to speed up the rural growth. These new areas include :
- Direct Lending to CCBs and SCB : Rs. 1,245 cr. (against Rs. 938 cr. Last year)



## Agricultural & Allied Activities : Challenges

- **Farmers, especially SF & MF, are cornerstone for Food Security of more than one billion people of India**
- **SF/MF constitute more than 80% of Indian farmers : The irony is that 90% of them are rain-dependent**
- **Natural calamities, threat of Climate Change, productivity being on the wane and rising cost of cultivation are hobbling agriculture.**
- **More than 50% of farmers are still deprived of formal financial services**
- **Speedy credit and entrepreneurial support to farmers is the need of the hour**



# Some Issues

- Farm Sector Growth worrisome
- Rising Food Inflation is an area of great concern
- Yield of majority of crops is not showing significant improvement. The vagaries of nature have become more perilous in the face of Climate Change.



## Issues Contd.

- Innovative Tools of Credit Delivery such as financing of JLGs, Producers Organizations, etc must be explored and expedited.
- SHG-Bank Linkage Programme, a landmark tool of empowerment and financial inclusion, to be further scaled up.
- Capacity Building of farmers and villagers to be on the forefront

THANKS TO ALL



**NABARD**

Taking rural India forward  
गाँव बढ़े तो देश बढ़े .....