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Nabard: It's Role And Emergence Of Agricultural Financing In India

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Abstract:

NABARD is set up by the Government of India as a development bank with the mandate of facilitating credit flow for promotion and development of agriculture and integrated rural development. The mandate also covers supporting all other allied economic activities in rural areas, promoting sustainable rural development and ushering in prosperity in the rural areas. With a capital base of Rs 2,000 crore provided by the Government of India and Reserve Bank of India, it operates through its head office at Mumbai, 28 regional offices situated in state capitals and 391 district offices at districts. Around 70 per cent of India's population of one billion lives in rural areas and depends on agriculture and other allied activities for a livelihood.

INTRODUCTION:

The task of sustainable rural development is an enormous one. It is important for the agricultural sector to lay greater emphasis on increasing productivity and profitability through conservation of natural resources. The role of universities in research and development, extension services and right application of technology assumes importance in this context. Thrust is also required on strategies to generate income potential through non-farm activities by building the entrepreneurial capacity of villagers and providing them with ideas and resources to set up their own microenterprises. They must also be imparted knowledge of the market for their products, because it is crucial for micro-enterprises in the nonfarm sector to be sustainable. Sustainability is at the core of NABARD's mission for rural development. NABARD (National Bank for Agricultural and Rural Development) itself has been formed to promote sustainable and equitable agriculture and rural development through effective credit support, related services, institutional development and other initiatives.

1. NABARD is an apex institution accredited with all matters concerning policy, planning and operations in the field of credit for agriculture and other economic activities in rural areas.
 2. It operates throughout the country through its Head Office at Mumbai, 25 Regional Offices and on Sub-Office, located in the capitals of all the states/union territories. It also has 4 training establishments.
 3. It is an apex refinancing agency for the institutions providing investment and production credit for promoting the various developmental activities in rural areas.
 4. It takes measures towards institution building for improving absorptive capacity of the credit delivery system, including monitoring, formulation of rehabilitation schemes, restructuring of credit institution, training of personnel etc.
 5. It co-ordinates the rural financing activities of all the institutions engaged in developmental work at the field level and maintains liaison with Government of India, State Governments, Reserve Bank of India and other national level institutions concerned with policy formulation.
 6. It prepares, on annual basis, rural credit plans for all districts in the country; these plans form the base for annual credit plans of all rural financial institutions.
- It undertakes monitoring and evaluation of projects refinanced by it. It promotes research in the fields of rural banking, agriculture and rural development.

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ROLE AND FUNCTIONS:

NABARD being an Apex Development Bank promotes agriculture and rural development through refinance support to all banks for investment credit and to Co-operatives and RRBs for production credit. The objective of providing refinance to eligible institutions is to supplement their resources for delivering credit for agriculture, cottage & village industries, SSIs, rural artisans, etc., thus influencing the quantum of lending in consonance with the policy of Govt. of India. It directs the policy, planning and operational aspects in the field of credit for agriculture and integrated rural development.

- 1) NABARD is an apex institution accredited with all matters concerning policy, planning and operations in the field of credit for agriculture and other economic activities in rural areas.
- 2) It is an apex refinancing agency for the institutions providing investment and production credit for promoting the various developmental activities in rural areas.
- 3) It undertakes monitoring and evaluation of projects refinanced by it.
- 4) It takes measures towards institution building for improving absorptive capacity of the credit delivery system, including monitoring, formulation of rehabilitation schemes, restructuring of credit institutions, training of personnel, etc.
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- 6) It prepares, on annual basis, rural credit plans for all districts in the country; these plans form the base for annual credit plans of all rural financial institutions
- 7) It promotes research in the fields of rural banking, agriculture and rural development.

SCHEMES OF NABARD:

A) Swarna Jayanti Gram Swarozgar Yojana (SGSY):

SGSY, formed by restructuring ongoing self-employment programmes, viz. IRDP, TRYSEM, DWCRA, etc., is under implementation from 01, April, 1999. The programme envisages formation of SGSY Groups and their linkage with the banks. Individuals as also SGSY group members, below poverty line are assisted under the programme.

B) Scheme for setting up of Agri-clinic and Agribusiness centers:

In pursuance of the announcement made by the Union Finance Minister in the budget speech for the year 2001-02, National Bank in consultation with the Ministry of Agriculture, GOI and select banks formulated a scheme for financing Agriculture Graduates for setting up Agri-clinics and Agribusiness Centers. The scheme aims at supplementing the existing Extension Network to accelerate the process of technology transfer to agriculture and supplement the efforts of State Agencies in providing inputs and other services to the farmers.

C) Scheme for financing farmers for purchase of land for Agricultural purposes:

In response to the Hon'ble Union Finance Minister Mr. P. Chidambaram's emphasis on the need to step up priority sector lending and to examine financing farmers for purchase of land for agricultural purposes, the Working Group constituted by Indian Banks Association formulated above scheme in consultation with the Government of India, RBI and NABARD. The objective of the Scheme is to finance the farmers to purchase, develop and cultivate agricultural as well as fallow and waste lands as also consider financing purchase of land for establishing or diversifying into other allied activities.

Eligibility:

- i. Small and marginal farmers i.e. those who would own maximum of 5 acres of non- irrigated land or 2.5 acres of irrigated land including purchase of land under the scheme and
- ii. Share croppers / Tenant farmers are eligible.

D) Central Sector Capital Subsidy scheme for Investment Promotion:

A Central Sector Capital Subsidy scheme (Investment Promotion Scheme) launched by the

Government of India in collaboration with NABARD for development of privately owned non-forest wastelands in the country is under implementation since 1998. Of the 40 schemes covering about 1500 has sanctioned till date, the coverage is mostly confined to the States of Tamil Nadu, Andhra Pradesh and Maharashtra, with Tamil Nadu accounting for more than 20 schemes. The scheme provides for subsidy upto 25% of bank loan with a ceiling of Rs. 25 lakh for taking up plantation and other on-farm developments in private wastelands. In view of the availability of substantial area under non-forest wasteland in all States and the need to develop them, a nationwide awareness and publicity campaign was launched by the Government of India in association with NABARD for popularizing the Investment Promotion Scheme (IPS). As a part of this effort, workshops are being organized by NABARD in different States/regions.

E) Refinance Scheme for financing Farmers Service Center (FSC):

NABARD has decided to extend 100% refinance facility to banks for financing Farmers Service Centers (FSC) set up in collaboration with Mahindra Shubhlabh Services Ltd (MSSL) for providing various extension services to farmers including supply of agri-inputs. FSC is intended to benefit farmers by way of higher yields and productivity through private sector participation in technology transfer and extension services.

EMERGENCE OF AGRICULTURAL FINANCING IN INDIA:

“Agricultural finance is a sub-set of rural finance dedicated to financing agriculture-related activities, such as input supply, production, distribution and wholesaling, and marketing. Finance in agriculture is as important as development of technologies. Technical inputs can be purchased and used by farmer only if he has money (funds). But his own money is always inadequate and he needs outside finance or credit”.

AGRICULTURAL BACKGROUND IN INDIA:

India is an agrarian economy and agriculture continues to be the mainstay of the Indian economy. Directly or indirectly, almost one-third population depends on agriculture sector. Agriculture remains a significant contributor, as its contribution to the national Gross Domestic Product is about 25 per cent and provides livelihood for nearly two-thirds of population. The backbone of Indian economy is considered as 'agriculture'. It has an important role in Indian economy though the share of agriculture in GDP is declining. It provides employment to about 65% of the labour force, which accounts for nearly 27% of GDP; it contributes 21% of total exports, and raw materials to several industries. The Livestock sector contribution is estimated at 8.4% of the GDP and 35.85% of the agricultural output. It also provides raw material for industrial growth like sugar, jute, cotton and agro-based industries such as food processing are gaining importance. But the growth rate particularly in the last half-decade does not portray a rose picture of the Indian agriculture sector. It provides livelihood for nearly two-thirds of our population. Agriculture provides raw material for industrial growth and use e.g. sugar, jute, cotton, agro-based industries such as food processing are gaining in importance.

AGRICULTURE GROWTH RATE IN INDIA:

Agriculture Growth Rate in India GDP had been growing earlier but in the last few years it is constantly declining. Still, the Growth Rate of Agriculture in India GDP in the share of the country's GDP remains the biggest economic sector in the country. India GDP means the total value of all the services and goods that are produced within the territory of the nation within the specified time period. The country has the GDP of around US\$ 1.09 trillion in 2007 and this makes the Indian economy the twelfth biggest in the whole world.

The growth rate of India GDP is 9.4% in 2006- 2007. The agricultural sector has always been an important contributor to the India GDP. This is due to the fact that the country is mainly based on the agriculture sector and employs around 60% of the total workforce in India. The agricultural sector contributed around 18.6% to India GDP in 2005. Agriculture Growth Rate in India GDP in spite of its decline in the share of the country's GDP plays a very important role in the all-round economic and social development of the country. The Growth Rate of the Agriculture Sector in India GDP grew after independence for the government of India placed special emphasis on the sector in its five-year plans. Further the Green revolution took place in India and this gave a major boost to the agricultural sector for irrigation facilities, provision of agriculture subsidies and credits, and improved technology. This in turn

helped to increase the Agriculture Growth Rate in India GDP. The agricultural yield increased in India after independence but in the last few years it has decreased. This in its turn has declined the Growth Rate of the Agricultural Sector in India GDP. The total production of food grain was 212 million tons in 2001- 2002 and the next year it declined to 174.2 million tones. Agriculture Growth Rate in India GDP declined by 5.2% in 2002- 2003. The Growth Rate of the Agriculture Sector in India GDP grew at the rate of 1.7% each year between 2001- 2002 and 2003- 2004. This shows that Agriculture Growth Rate in India GDP has grown very slowly in the last few years. Agriculture Growth Rate in India GDP has slowed down for the production in this sector has reduced over the years. The agricultural sector has had low production due to a number of factors such as illiteracy, insufficient finance, and inadequate marketing of agricultural products. Further the reasons for the decline in Agriculture Growth Rate in India GDP are that in the sector the average size of the farms is very small which in turn has resulted in low productivity. Also the Growth Rate of the Agricultural Sector in India GDP has declined due to the fact that the sector has not adopted modern technology and agricultural practices. Agriculture Growth Rate in India GDP has also decreased due to the fact that the sector has insufficient irrigation facilities. As a result of this the farmers are dependent on rainfall, which is however very unpredictable. The Indian government must take steps to boost the agricultural sector for this in its turn will lead growth of Agriculture Growth Rate in India GDP.

EMERGENCE OF AGRICULTURAL FINANCING IN INDIA:

Finance in agriculture is as important as development of technologies. Technical inputs can be purchased and used by farmer only if he has money (funds). But his own money is always inadequate and he needs outside finance or credit. Professional money lenders were the only source of credit to agriculture till 1935. They use to charge unduly high rates of interest and follow serious practices while giving loans and recovering them. As a result, farmers were heavily burdened with debts and many of them perpetuated debts. There were widespread discontents among farmers against these practices and there were instances of riots also. With the passing of Reserve Bank of India Act 1934, District Central Co-op. Banks Act and Land Development Banks Act, agricultural credit received impetus and there were improvements in agricultural credit. A powerful alternative agency came into being. Large-scale credit became available with reasonable rates of interest at easy terms, both in terms of granting loans and recovery of them. Although the co-operative banks started financing agriculture with their establishments in 1930's real impetus was received only after Independence when suitable legislation were passed and policies were formulated. Thereafter, bank credit to agriculture made phenomenal progress by opening branches in rural areas and attracting deposits. Till 14 major commercial banks were nationalized in 1969, co-operative banks were the main institutional agencies providing finance to agriculture. After nationalization, it was made mandatory for these banks to provide finance to agriculture as a priority sector. These banks undertook special programs of branch expansion and created a network of banking services throughout the country and started financing agriculture on large scale. Thus agriculture credit acquired multi-agency dimension. Development and adoption of new technologies and availability of finance go hand in hand. In bringing "Green Revolution", "White Revolution" and now "Yellow Revolution" finance has played a crucial role. Now the agriculture credit, through multi agency approach has come to stay. The procedures and amount of loans for various purposes have been standardized. Among the various purposes "Crop loans" (Short-term loan) has the major share. In addition, farmers get loans for purchase of electric motor with pump, tractor and other machinery, digging wells or boring wells, installation of pipe lines, drip irrigation, planting fruit orchards, purchase of dairy animals and fodder for them, poultry etc.

CONCLUSIONS:

- 1) To build the entrepreneurial capacity of villages farmers to stand on their own legs by providing them ideas and resources to set up their own micro enterprises .
- 2) To promote small and marginal farmers , agricultural labors , rural artisans small entrepreneurial so as to develop agricultural land , trade , commerce industry and other productive activities in rural development and itself has been formed to promote sustainable and equitable agro and rural development through effective credit
- 3) agricultural credit acquired multi-agency dimension, development and availability of finance go hand in hand in bringing "green revolution", "white revolution" and now "yellow revolution". Finance has played a crucial role.
- 4) For various purposes "crop loans" (short-term loan) has the major share. In addition, farmers get loans for purchase of electric motor with pump, tractor and other machinery, digging wells or boring walls, installation of pipe lines, drip irrigation, planting fruit orchards, purchase of dairy animals and fodder for

them, poultry etc.

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