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## ROLE OF REFINANCE POLICY OF NABARD IN AGRICULTURE SECTOR AN ANALYTICAL STUDY WITH SPECIAL REFERENCE TO RAJASTHAN.

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**Abstract:-** Indian Economy is a developing economy where most of the people live in rural area and depend on agriculture and other related activity. Rajasthan is the largest state in country with a geographical area of 3.42 lakh sq. km after the partition of Madhya Pradesh. The objective of this analytical study is to evaluate the performance and impact of refinance policy of NABARD in priority sector in special consideration of Agricultural sector. The study of this paper is conducted by collecting the secondary data. NABARD provides the refinance facility to various state cooperative bank, regional rural bank and commercial bank to supplement the resource for providing financial support to seasonal agricultural operation of the farmer.

**Keywords:** NABARD, SCB, RRB, Refinance.

### 1. INTRODUCTION:

Indian Economy is a developing economy where majority of the population live in rural areas. Most of the people depend on agriculture and other related activities for their livelihood. There are many problems of poverty, unemployment and socio-economic inequalities. So The necessity of an apex institution of rural finance was felt to provide protection & reliance to rural people. So National Bank for Agriculture and Rural Development has been established by an act of parliament in July 12th, 1982 for sustainable development of rural area.

Rajasthan state situated in the north-western part of the country with a geographical area of 3.42 lakh sq. km. After the partition of Madhya Pradesh Rajasthan became the largest State in the country. It is situated and is surrounded by the States of Punjab, Haryana and Uttar Pradesh in the north-east, Madhya Pradesh in the south-east and Gujarat in the south-west. NABARD provides repayable by way of refinance with the purpose of agricultural operations, marketing of crops and rural development. The State Co-operative Banks, Regional Rural Banks or any other financial institutions approved by RBI may avail this refinance from NABARD.

The short-term refinance provided by NABARD at 3 % below the bank rate. NABARD sanctions the credit limit to the SCBs to supplement the resource for providing financial support to seasonal agricultural operation of the farmer. To sanction short term credit limit, the NABARD prescribes some criteria which are financial soundness of the Central Co-operative Banks, realistic lending programme, own resources, submission of satisfactory compliance or inspection report, capacity to provide non-overdue cover for borrowings and the sanction and disbursement of refinance of crop loan constitutes the bulk of short term credit.

### 2. REVIEW OF LITERATURE.

Banerjee Amalesh, (2002) conducted a study on refinance credit institution for agricultural growth which say that Agriculture is the backbone of the Indian economy and development of this sector deserves to be accorded a very high priority in any schemes of resource utilisation for the general economic development. But after liberalization Indian agriculture has made much headway. Production declined and a number of institutional hurdles

persist.

According to Kewal Kumar, (1987) Agricultural credit is a nucleus of the system of farm operation. Adequate and timely credit to the farmers is, therefore, vital and indispensable for the rehabilitation and progress of agriculture. Credit of the right quantity and of the right kind immensely contributes to agricultural development—once the match-stick of credit ignites the flame better managerial skill sustain it and a holy process of one inducing the other and covering all comes into effect. Thus, the role of credit consist in laying foundation stone of farm revolution and maintaining structure built upon it.

As per Ansari, A.A., & Amir Ullah Khan, (2004), India has 6 percent of the world's human population, 15 percent of world's livestock, 2 percent of the geographical area, 1 percent of rain water, 1 percent of forest and 0.5 percent of pasture land. The country has over 7500 kilometer of coastline and about 2.1 million square kilometer of exclusive economic zone in the ocean

Lalthia N./Dayanandan R. (Jan 2005): stressed in his study on “NABARD and rural transformation” that the mission of NABARD is to promote sustainable and equitable agriculture and rural development through effective credit support, related services institutions building and other innovative initiative.

According to Agrawal A.Nv. (1986) agriculture is the most vital sector of the Indian economy. The agriculture sector forms the backbone of the national economy. Though, in the last four decades the industrialization has received the pace but even today agriculture occupies the place of pride. It I the largest industry in country and is the source of livelihood for over 70 percent of the population.

Patel R.H. stressed in his study on utilization of Farm Credit that Utilisation of farm credit for which it is provided is an important element in agricultural development. Proper utilization of agricultural credit is an essential condition for the healthy functioning of an agricultural economy.

### 3. OBJECTIVES OF STUDY.

The objectives of research paper are

- (I) To present an overview of role of NABARD in context of Rajasthan Economy.
- (ii) To explore the relationship between refinance provided by NABARD through various agencies and Agriculture Indices.
- (iii) To analyze the various factor of economic development.
- (iv) To know reason for deviation and give the suggestion.
- (v) To study of status of agricultural production of principle crops in Rajasthan.
- (vi) To analyze refinancing disbursement in agricultural sector through State Cooperative Banks and Regional Rural Banks.

### 4. RESEARCH METHODOLOGY.

The aspects related with research methodology adopted in the paper are as follows:

#### A. Data collection:

In order to present an overview of Refinance Policy of NABARD and various aspects related with its implementation, relevant websites and publications have been gone through. Data compiled by various source of secondary data like as Statistical Statements of various years of NABARD, Agriculture statistics of Rajasthan, Economic Review.

#### B. Analysis:

To analyze the role of Refinance policy of NABARD on agricultural sector in Rajasthan state the trend of composition of loan disbursed or utilised through SCB and RRB is shown in this research paper. The statistical technique like T-test and ANOVA test used to know the impact of loan utilised through SCB and RRB on the production of principle crops.

### 5. Data Analysis and Finding.

To discuss the significant role of SCB and RRB in agricultural sector for seasonal agricultural operation the loan sanction and outstanding amount (utilization of loan) with the level of utilization through SCB and RRB is presented in table-1

**Table-1 Level of Utilisation Through SCB & RRB**

Year	SCB			RRB		
	Loan Sanctioned	Utilised	Level of Utilisation (In %)	Loan Sanctioned	Utilised	Level of Utilisation (In %)
2006-07	117000	100000	85.5	19666	19666	100
2007-08	120458	120458	100	27726	27175	98.0
2008-09	119867	113560	94.7	38556	31958	82.9
2009-10	133107	133107	100	82300	82300	100
2010-11	246541	246541	100	117459	117459	100
2011-12	330000	330000	100	157500	157500	100

Source- Statistical Statement of NABARD.

Table-1 reveals the year-wise loans sanctioned & utilized for Seasonal Agriculture Operation through State Co-operative Banks and Regional Rural Banks in the Rajasthan. It is important to observe from the table that the loans utilized through State Co-operative Banks constitute more percentage than the loans utilized through Regional Rural Banks.

A two sample 't'-test was performed to determine whether the loans utilized through State Co-operative Banks significantly differs from the loans utilized through Regional Rural Banks.

**The Hypotheses framed are as follows:**

**H<sub>0</sub>:** There is no difference between the loans utilized through State Co-operative Banks and the loans utilized through Regional Rural Banks.

**H<sub>1</sub>:** There is difference between the loans utilized through State Co-operative Banks and the loans utilized through Regional Rural Banks.

**The test results are given in Table-2**

**Table-2 t-test**

Mean	96.7	96.8166667
Variance	34.6	47.12166667
Observation	6	6
Pooled Variance	40.8608333	
Hypothesized Mean Difference	0	
Df	10	
T stat	-0.0316121	
P(T<=t) one-tail	0.48770171	
t Critical one-tail	1.81246112	
P(T<=t) two-tail	0.97540341	
t Critical two-tail	2.22813885	

The table -2 provides the result that there t is less than 2.22813885 so H<sub>0</sub> is accepted means there is no difference between the loans utilized through State Co-operative Banks and the loans utilized through Regional Rural Banks.

**Table-3 Crop wise Agriculture Production**

(In M.T.)

Year	Food Grain			Oilseeds	Fiber	Sugarcane
	Cereal	Pulses	Total			
2006-07	13448552	1479765	14928317	5166933	127493	628963
2007-08	14531928	1552507	16084435	4229346	147127	594056
2008-09	14867594	1826257	16693851	5200635	124247	387814
2009-10	11657710	702129	12359839	4436613	154899	344559
2010-11	20322202	3251911	23574113	6641503	146089	369354
2011-12	19572336	2352828	21925164	5765045	294898	451282

Source- Agriculture Statistics. Department of Economics and Statistics, Rajasthan.

Table-3 present the year wise production of principle crop in Rajasthan. As per this table cereal stands for 1st position in production for every year. After the cereal oilseeds play the major role in production.

**Table-4 Percentage Increase in Production**

Year	Cereal	Pulses	Oilseeds	Fiber	Sugarcane
2007-08	0.08055707	0.049158	-0.18146	0.154001	-0.0555
2008-09	0.02309852	0.176328	0.229655	-0.15551	-0.34718
2009-10	-0.215898	-0.61554	-0.14691	0.246702	-0.11154
2010-11	0.74324134	3.631501	0.496976	-0.05688	0.071962
2011-12	-0.0368989	-0.27648	-0.13197	1.018619	0.221814

Table-4 reveals the percentage increase in production. As per this table it has been observed that in 2009-10 the production of various crops decreased except fiber and production of sugarcane decreasing from year 2006-07 to year 2009-10.

To analyse the performance of the different crops in production are equal or not 'ANOVA' is used.

The Hypotheses framed are as follows:

**HO:** All the crops in production are equal.

**H1:** All the crops in production are not equal.

**Table-5 ANOVA Summery**

Group	Count	Sum	Average	Variance
Cereal	5	0.5941	0.11882	0.134203
Pulses	5	2.964971	0.592994	2.979605
Oilseeds	5	0.266295	0.053259	0.089367
Fiber	5	1.206934	0.241387	0.214561
Sugarcane	5	-0.22043	-0.04409	0.045178

Table-6 ANOVA Result

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	1.217879	4	0.30447	0.439615	0.7785	2.866081
Within Groups	13.85166	20	0.692583			
Total	15.06954	24				

As per the ANOVA test result, F is 0.439615 and critical value is 2.866081. Therefore the F statistics is less than the critical value so we accept the null hypothesis that all the crops are equal in production.

#### 6. CONCLUSION-

The real growth of economy lies on the emancipation of rural masses from poverty, unemployment and other socio-economic backwardness. Keeping this end in view, National Agriculture and Rural Development Banks was established by the Government of India to develop the rural economy. In the present study, the role of NABARD in the agricultural sector has been deeply analysed. In this paper the refinance facility provided by NABARD for agriculture operation is discussed in term of loan sanctioned and utilised through SCB and RRB which show that there is no difference in level of utilisation between SCB and RRB. To know the performance in production of various crops ANOVA test used which show that all the crops are equal on the basis of production. So on the basis of above study it may analysed that nabard play the major role in agricultural sector and economic development.

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