



## Creation of a robust rural and agricultural ecosystem through NABARD

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### Abstract

Agriculture in India is witnessing a rapid transformation and there is a need to get the rural economy ready for the youth of tomorrow. Skilling farmers and taking technology to the fields will be the key to catalyse this transformation. Self-reliant rural economy is necessary for Aatmanirbhar Bharat. There is an urgent need to empower our close to 12 crore small farmers and help them become the driving force of rural economy. A more robust rural and agricultural ecosystem may be created through NABARD.

**Keywords:** agriculture credit, COVID-19 pandemic, NABARD, rural development, social entrepreneurial organisations.

### Introduction

Prior to independence in 1947, the Indian rural sector was laissez-faire controlled by the British, who frequently exploited the rural masses and demanded much of their production. For example, one time Gandhi led a salt protest because the British monopolized the salt industry and consumed the majority of India's salt production while neither adequately compensating nor providing alternative means of purchasing salt. After independence, the new Indian government made it clear that agrarian reform was necessary. S.S. Dharmi explains, that the new Constitution established a welfare state in India...requiring not only increased production and basic change in social philosophy and psychology of both the administration and the people.

India has tremendously progressed since independence, though there are still numerous communities and villages not able to access or enjoy this development. India's historical development is important to understand because it has established the infrastructure and groundwork in place for organizations and government programs targeting poverty problems today. Realizing India's development issues and their root causes will enable social entrepreneurial organizations, like NABARD, to grapple with the difficulties and work to provide solutions.

Agriculture plays a substantial role in production and employment in India where roughly 60 to 70 percent of households still depend on farming activities for their livelihood security. Economic theories have been created and modified to fit precisely the scenarios occurring in agriculture markets, mainly due to their unique situations. In addition, economic theory helps put social entrepreneurial ideas into action. Difficulties in rural areas are quite different from hardships faced in urban poor, thus, economists have tweaked their models in a way to address these problems more specifically. NABARD is an organization that uses economic concepts to help initiate its vision of rural prosperity.

### Agriculture Based Economy

The economy of India is agriculture based. Agriculture is the direct or indirect occupation of majority Bihari people. It is also the major source of income of the people. It also

provides employment opportunities to the large number of people in the country. These apart, it is an important foreign exchange earners through the exports of the country. The position of our foreign exchange reserve is reported to be uncomfortable. The uncomfortable foreign exchange reserve is eased out through the exports of important agricultural items. Agriculture not only provides job opportunities and employment to the people but its role is more significant in so far as the generation of employment opportunities are concerned. But unfortunately there are many uncertainties in so far as the operation of agriculture is concerned, ours is the monsoon land. Farmers have to depend largely on the monsoon rains of the country for the purpose of performing agricultural operations. Inadequate and untimely rains mar the present as well future prospect of farming. During the year of the failure of the monsoons, there is likely to be considerable loss and damage to the standing crops. During such years, there is not only shortage and scarcity of food, but also that of fodder. Food and fodder are likely to be one of the serious and the baffling problems of the day.

In traditional agriculture, credit has less important role to play because credit is used for maintenance rather than expanding agricultural activities. Generally, credit is used for storage, marketing and processing of the agricultural surplus for the purpose of ensuring a steady supply to consumers throughout the year. Besides these needs, the credit is also used to meet the case requirements of the cultivators. In a subsistence agriculture, the above needs depends on income. Due to the close links of the household with cultivation it is not too easy to make differences between his consumption and production needs. Again, at differences between his consumption and production needs. Again, at different times the credit needs may differ due to the seasonality in agricultural production. Because the most of subsistence farmers relies on maintenance credit and often they fail to repay it due to their poor capacity to save. These factors increase the poverty and indebtedness of subsistence farmers.

On the other hand, in modern agriculture, the high quantum of credit is needed, various short-term cash inputs, like, use of improved seeds, fertilizers, insecticides, etc., medium and long-term investment for irrigation, land improvements

etc., are compulsory for increasing agricultural production. Further, the modern agriculture also requires co-ordination of various activities, like, appropriate estimate of credit, timely and adequate supply of inputs, repayment arrangements favourable to farmers, efficient machinery for recovery of loans and adequate marketing accommodations. Such requirements under traditional agriculture often could not be met. So, in modern agriculture introduction of institutional channel of credit is necessary. Further, in such cases where credit is required to make a significant impact on agriculture, it is necessary that the credit machinery should be expanded fastly to meet the growing credit needs of the cultivators.

The emergence of green revolution during late sixties and introduction of new agricultural technology in India, has converted the nature of agriculture. Due to these, the farmers tended towards the replacement of traditional methods of farming with scientific and developed methods. For instance, use of High Yield Variety (HYV) of seeds, fertilizers, pesticides, irrigation, machinery and equipment, etc. require huge amount of capital which is beyond the capacity of most of farmers. It is stated true that, "the farmers in the underdeveloped countries cannot expect their income from farm operations is barely sufficient to provide to minimum necessities of life. Due to this the farmers compulsorily depend upon borrowed funds. This cause the increasing demand for disbursing credit to most of the farmers. So, in respect of transformation of traditional or subsistence farming into commercial farming, the importance of agricultural credit has increased comparatively more.

#### **NABARD for Promoting Integrated Rural Development**

The Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) was appointed by the RBI in March 1979, at the instance of the Government of India under the chairmanship of Shri B. Shirmamen. The committee reviewed the existing institutional arrangements for agriculture and rural development. It submitted the report in January, 1981.

The CRAFICARD considered various names for the National Bank, Namely, Agricultural Development Bank of India, Rural Development Bank of India and National Bank for Agriculture and Rural Development. The Committee approved the third name and decision was taken that the National Bank should be known as National Bank for Agriculture and Rural Development (NABARD). NABARD has been conceived by CRAFICARD as an exercise in decentralisation of Central Bank's function of providing all types of production and investment credit to agriculture, small-scale industries, artisans, Khadi and Village industries, handicrafts and other crafts and other allied economic activities in an integrated manner, with undivided attention, pointed focus and forceful direction, NABARD is also charged by the Committee with the responsibility of promoting Integrated Rural Development and matters concerned therewith incidental thereto. The new organisation was expected to work in close unison with the RBI. The proposed bank should have organic links with the RBI. It is the intention that the RBI's close links with rural credit should be retained and credit accretion should not be diluted in any manner. For the sake of convenience of work and avoidance of duplication of inspections on the

borrowing system, the RBI should follow the agency system through the institution for its statutory functions whereas the new institution should carry out its normal function of inspection as a lender.

The Government of India (GOI) and the RBI approved the proposal of CRAFICARD. The Parliament through the Act 61 of 1981, approved its setting up. The NABARD Act was passed by the Parliament on 1st December 1981. It came into existence on July 12, 1982 and started functioning with effect from July 15, 1982. The Bank was dedicated to the service of the Nation by the Hon'ble Prime Minister, Smt. Indira Gandhi on November 5, 1982.

NABARD was established, in terms of the preamble to the Act "for providing credit for the promotion of agriculture, small- scale industries, handicrafts and other allied economic activities in rural areas with a view to promoting integrated rural development and securing prosperity of rural areas, and for matters connected therewith or incidental thereto.

NABARD took over the functions of the erstwhile Agricultural Credit Department (ACD) and Rural Planning and Credit Cell (RPCC) of the RBI and ARDC. After the establishment of NABARD, the entire undertaking of the ARDC including all business, property, assets and liabilities, rights, interests, privileges and obligations of whatever nature, have been transferred to and vested in the National Bank.

NABARD is set-up as an apex institution to meet the growing and diverse credit needs of the agricultural and rural sector. The bank is a specialised institution in the field of agricultural credit and is able to tackle the problems arising from integrated rural development. It is supposed that the institution will successfully undertake the functions of apex refinance institution in the country for short, medium and long-term financing of agriculture and allied activities, which would also include marketing, processing, storage and rural enterprises. For this, the bank will combine in itself the developmental and financial role.

As the apex institution it is concerned with policy, planning and operations in the field of agriculture credit and other economic activities in rural areas. The main objectives which guide for functioning of National Bank are:

1. To provide refinance to eligible institutions, viz., SLDBs, SCBS, Scheduled CBS and RRBs for supporting production and investment credit for developmental activities in rural areas.
2. To improve the absorptive capacity of the credit delivery system through institution building by monitoring, formulation of rehabilitation schemes, restructuring of credit institutions, training of personnel, etc.
3. To co-ordinate the activities of different agencies engaged in developmental work at the field level and to keep liaison with GOI, State Governments and RBI and other national level institutions connected with policy formulation.
4. To undertake monitoring and evaluation of projects refinanced by it

The significance of the financial requirements of agriculture is a great necessity of agricultural finance with a view to satisfying the various operational needs of the farmers. Irrigation is said to have been a pre-condition for the purpose of bringing about improvements of technology in so

far as the operation of agriculture is concerned. Technological improvements include good quality of seeds, sufficient doses of fertilizers, use of pesticides as well as insecticides. These apart, mechanisation of farms is also included in technology. Modern technological improvements are said to have been necessary conditions for the purpose of stepping up yield rates. All these technological improvements in the field of agriculture do have the relevance of agricultural finance.

### The Way Ahead

NABARD has been a major player in the infrastructure space with 7.1 lakh projects (including Bharat Nirman) sanctioned since inception of RIDF under agriculture, irrigation, connectivity, and social infrastructure categories. It designed a new line of credit to partake in the \$5 trillion economy drive, viz., Rural Infrastructure Assistance to the State Governments (RIAS). The RIAS aims to create infrastructure to support livelihoods in Eastern India, which not only lagged behind in physical and social infrastructure, but also bore the brunt of post-pandemic reverse migration. It continued to support post-harvest infrastructure creation—the process of geo tagging of agri-storage infrastructure across the country was completed by its subsidiary NABCONS, which surely, will pave way for a storage-on-call revolution.

To address the issue of reverse migration and boost agricultural and rural growth in the post-pandemic era, special refinance schemes for NABARD-supported watershed and wadi areas, a scheme for promoting micro-food processing units, and a special refinance scheme on water, sanitation, and hygiene (WASH) projects were introduced.

Under its Rural Infrastructure Development Fund (RIDF), NABARD has, over time, expanded and broad-based the activities eligible for assistance. At present it considers 37 activities under (i) irrigation; (ii) agriculture and related sector; (iii) rural connectivity (roads and bridges); and (iv) social sector (projects related to drinking water provisioning, rural education institutions, public health institutions, construction of toilets in schools, public toilets, construction of anganwadi centres, sanitation infrastructure and rural industrial estates).

Only healthy and strong institutions can survive and serve well during crises that often leave economic and financial agents in disarray. In such times when rural financial institutions (RFIs) have to be at their strongest to meet the crucial credit needs of their clientele, they remain most vulnerable, struggling to keep afloat. The RFIs of India form a robust multi-agency system that includes rural cooperative banks (RCBs), regional rural banks (RRBs), scheduled commercial banks, small finance banks, non-banking financial companies—micro-finance institutions, and local area banks. The system serves rural India through six lakh banking outlets, including branches and banking correspondents. Credit delivery models, refined and mainstreamed over time, aim to ensure adequate, timely, and affordable credit to borrowers. Institutional and process innovations such as the Self-Help Group–Bank Linkage Programme, joint liability groups, network of banking correspondents and business facilitators, introduction of micro-ATMs, and other financial inclusion interventions are constantly implemented to maximise outreach.

The RFIs, however, face a few challenges—exclusion of many geographies and people from the formal financial

system; increasing diversity of financial needs; and heavy compliance norms mandated under the emerging regulatory framework like Basel III.

To help institutions cope better with the pandemic and its aftermath, the cooperative banking system has been mainstreamed under core banking solutions. Bad assets in banks have been pared down through a series of measures, and commercial banks and RRBs recapitalised to strengthen their portfolio.

Going forward, institutional development may have to look beyond the existing institutions (RCBs and RRBs) and existing credit delivery models. Now that farmer producers' organisations are taking centre stage, once their numbers reach a threshold, they may be thought of as credit intermediaries or wholesalers. Then inter-institutional dynamics would redefine institutional development.

NABARD has directed its efforts towards ensuring equitable credit flow across geographies and social groups. Importantly, it has relaxed LT refinance eligibility norms of RRBs and cooperative banks in the East and North East India which have poor off-take. While measures such as these have produced positive outcomes, the inequities in credit access persisted. In this context, digital drive with innovative delivery models and methods such as dispensing credit through mobile payment systems needs to be explored.

### Conclusion

The non-store buying is becoming popular because working women and others have less time to shop. They can see more items on T.V. than a single store can display. By this method speciality products are easy to get. Non store innovations are becoming popular e.g. Mail order catalogues, pay by phone etc.

The country has just battled one of the worst tragedies of human history due to the COVID-19 pandemic. Entire families have been wiped out, millions of livelihoods lost and the economy ravaged. But, during these gloomy and desperate times, the courage and unassailable spirit of the masses shone through, and with the steadfast and unflinching support of the government, the country rallied together and remained resilient throughout.

NABARD, amidst all this, stood tall and delivered. It strove to fulfil its objectives and mission of promoting and supporting agriculture and rural development through various interventions and initiatives, and succeeded enormously.

The loans and advances grew faster at 25.2% in FY2021 compared to 11.5% in previous year. Notably, half of the total loans outstanding of Rs. 6 lakh crore was for credit support of production activities at the grassroots and a third for infrastructure development. The Rs. 25,500 crore Special Liquidity Facility (SLF) and Rs. 1,567 crore additional SLF given upfront to cooperative banks, regional rural banks, and micro-finance institutions enabled unhindered flow of credit to farmers for seasonal agricultural operations while the Long Term Rural Credit Fund helped enhance on-farm capital formation.

NABARD's remarkable performance was achieved by reorienting its products and policies to suit the emerging situation. It took care of the needs of its ultimate client, the farmer; constantly interacted with highest policy level functionaries; dovetailed its projects to the Government of India's (GOI's) economic revival packages; and adopted information and communication technology to deal with the challenges of the changed work scenario during lockdown.

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