

## An Overview on Financial Initiatives taken by NABARD for Agriculture and Rural Development in India

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### Abstract

Indian economy is based on agriculture as a large population of India dependent on agriculture sector. Rural infrastructure in raising the socio economic status of rural people through increased level of income and quality of life. Without development of rural sector, the objective of economic planning cannot be achieved. In such context, government of India established an apex institution named as NABARD on 12th July 1982. It was established to pay its full attention towards development of rural sector by providing refinance and other supervisory function to various institution like RRBs, cooperative banks, commercial bank and other financial institutions. The present study throw light on various financial initiatives taken by NABARD for agriculture and rural development for the year 2020-21.

**Keywords:** Economy, Refinance, Development, Financial Infrastructure.

### Introduction

National Bank for Agriculture and Rural Development (NABARD) is a bank that mainly serves the rural sector in our country. It is the apex institution for providing financing facilities for agriculture and rural development. Its headquarter is in Mumbai, India's finance capital. This is fully responsible and in charge of developing small scale industries, cottage industries and other rural developmental projects. It is statutory body founded in 1982 under the NABARD Act, 1981 with initial capital of ₹ 100 crores.

### Function of NABARD

NABARD primarily perform following function categorized as financial, developmental and supervisory to empower rural infrastructure in rural areas-

- Provides refinance credit to rural financial institution for the purposes of production and marketing and investment credit for farm and off farm operations in rural areas.
- To provides fund to state government for the construction of rural infrastructure and bolstering the cooperative credit framework. Also to provide fund for warehousing infrastructure.
- Direct lending to individual, cooperatives, NGOs, farmer's collectives.
- Credit planning, monitoring and coordination with various institutions and agencies.
- Facilitates assistance in policy formulation to RBI, Central and State government on issues related to agriculture credit and rural development.
- Developmental and statutory inspection of RRBs, state cooperative bank, district central cooperative bank and others institution to strengthen the better rural credit delivery.
- Also assist to research and development in the field of innovation.

### **Objectives of the study**

1. To discuss the role and function of National Bank for Agriculture and Rural Development (NABARD) for agriculture and rural development.
2. To study the financial initiatives taken by NABARD for agriculture and rural development in India.

### **Research Methodology**

The present study is descriptive in nature based on secondary data collected from Annual reports and state focus paper of NABARD, journals, books and various websites.

### **Financial Initiatives taken by NABARD**

#### **Long term Refinance**

The Cooperative Banks and RRBs received refinancing from NABARD's Long Term Rural Credit Fund at a fair interest rate in order to increase and maintain the flow of credit to farmers

and to encourage capital development in the agricultural sector. For the 2020–21 fiscal year, a sum of 14,481.50 crores were allocated.

### **Short Term Refinance**

In 2008–09, NABARD established the Short Term Cooperative Rural Credit (Refinance) Fund to offer cooperatives short-term refinancing for outstanding crop loans. The budget for 2020–21 was ₹44,644.50 crore rupees. In order to help RRBs with short-term refinancing for their agricultural loans, NABARD established the Short Term RRB (Refinance) Fund in 2012–13. There would be ₹9,921 crore allocated for the 2020–21 fiscal year.

### **Special Refinance Schemes**

NABARD established the following special refinance plans at preferential rates to qualified financial institutions in order to solve the issue of reverse migration, enhance the agriculture and rural sector and income-generating activities, and place an emphasis on health and hygiene like PACs as multi service Centre's, Scheme for beneficiaries of Watershed and Wadi project areas, Scheme for promoting Micro Food Processing Activities, Special refinance scheme on Water, Sanitation and Hygiene (WASH), KCC Saturation Drive to cover PM Kisan Samman Scheme beneficiaries who do not possess Kisan Credit Cards etc.

### **Rural Infrastructure Development Fund**

As stated in the Union Budget for 2021–22, the RIDF corpus was enhanced from ₹30,000 crores to ₹40,000 crores. Throughout the year, several State/UT Governments received a total of ₹29,193 crores in disbursements and ₹34,830 crores in sanctions. Rural poverty and per capita priority sector credit flow were included to the normative allocation factors for state-wise sanctions under the RIDF. Wherever an external agency is engaged by the State Government, the costs on account of Quality Control/PMC/Supervisory Charges/Third Party Monitoring are considered under RIDF up to a maximum of 2% of eligible project cost. This is done to ensure better quality control and supervision through specialized agencies. The launch of a special mobile app and web portal for digitizing RIDF activities and real-time project monitoring.

### **Micro Irrigation Fund**

MIF was operationalized in NABARD in 2019–20 with a capital of ₹5000 crores, and the Ministry of Agriculture and Farmers Welfare, GoI, served as the Nodal Ministry. The government of India announced an extra allocation of ₹5,000 crores in the Union Budget for 2021–2022 after the fund had been fully utilized. In order to encourage its implementation beyond the guidelines of the Pradhan Mantri Krishi Sinchayee Yojana - Per Drop More Crop, MIF assisted State Governments in raising extra resources. During 2020–21, a loan sum of ₹1128.60 crores was sanctioned and ₹1827.47 crore was issued. As of March 31, 2021, a total of ₹3970.17 crore and ₹1827.47 crore in loans had been approved and issued under the MIF.

### **Long Term Irrigation Fund**

LTIF was operationalized in NABARD in 2016-17 for fast tracking completion of 99 identified Medium and Major Irrigation projects. Under LTIF, NABARD provides loan towards Central Share as well as State Share. During 2020-21, loan amount of ₹2461.84 crore was sanctioned and ₹7761.20 crore was released. As on 31 March 2021, the cumulative loan sanctioned and released stood at ₹84326.60 crore and ₹52479.71 crore, respectively.

### **Pradhan Mantri Aawas Yojna - Grameen (PMAY-G)**

By 2022, all households / households living in kutchha and decaying houses would receive a pucca house with essential utilities. NABARD has provided a loan as part of the plan to partially support the central share. From 2016–17 to 2021–2022, 2.95 crore homes—1 crore in Phase-I and 1.95 crore in Phase-II—are expected to be built. In order to partially fund the Central Share under PMAY-G, a loan in the amount of ₹20,000.00 crores was approved for 2020–21 and ₹19999.80 crore was released. The total amount of loans approved and granted under PMAY-G as of March 31, 2021, was ₹61,975.00 crores and ₹48,819.03 crores, respectively.

### **Swachh Bharat Mission-Gramin (SBM-G)**

On October 2, 2014, the Indian government introduced SBM-G with the intention of providing universal sanitation in rural regions. In accordance with the plan, NABARD provided a loan from 2018–19 to 2019–20 for Central Share partial funding. As of March 31, 2020, the total

SBMG sanction and disbursement were ₹15,000 crores and ₹12,298.20 crores, respectively. A total of 3.29 crore household toilets—2.23 crore in 2018–19 and 1.06 crore in 2019–20—were built throughout those two years.

### **Rural Infrastructure Assistance to State Governments (RIAS)**

With an initial capital of ₹15,000 crores, NABARD introduced a new product called "Rural Infrastructure Assistance to State Governments (RIAS)". Using the 5-J approach—Jan (human being), Jal (water), Jameen (land), Janwar (livestock), and Jungle—NABARD will give financial assistance to State Governments in the Eastern Region for building infrastructure that supports rural livelihoods (Forest).

### **Initiatives on Micro Finance**

MY PAD MY RIGHT: NABFOUNDATION was awarded ₹1.99 crore through the LEDP channel for a sanitary pad making machine to produce/market the pads in order to provide livelihood opportunities to SHGs and improve menstrual hygiene of rural women. A total of ₹1.59 crore was spent in 2020-21, and machines were installed in 33 districts.

E-Shakti: The project was being implemented in 281 districts as of March 31, 2021. The information pertains to 12.33 lakh SHGs (140.91 lakh members in 1.67 lakh villages was onboarded to E-Shakti portal). From 2021 to 2022, the project will be implemented in 130 districts across 16 states/UTs to take a targeted approach to closing the credit gap. The SHGs were also enlisted to produce face masks, hand sanitizers, PPE kits, etc. during the pandemic in order to generate additional cash. The E-Shakti site was utilized to send 40 lakh health advice SMS to SHG members.

### **Initiatives on Financial Inclusion**

In order to activate the Ru-Pay Kisan Card, a Green PIN facility at ATMs and/or micro ATMs was established, under which the one-time application development and installation costs for activating the Green PIN facility are paid. Expanding the Reserve Bank of India's Center for Financial Literacy (CFL) Project (a Pilot Project) to 200 CFLs, with one CFL per three blocks. Support for Bharat Bill Payment System (BBPS) onboarding was started to entice banks to offer online bill payment advantages to rural clients. The Bank would be paid for its one-time

integration cost with the Bharat Bill Payment Operating Unit (BBPOU). Support was given to RCBs in addition to CBs and RRBs for the opening of Kiosk outlets through BCs in unbanked villages of North Eastern States in order to provide complete financial services in unbanked villages with a population of under 500. All districts now receive help for the elements included in connection and power infrastructure programs, such as the installation of mobile signal boosters, solar power units.

### **Farm Sector Policy – Important Initiatives**

101 new watershed projects totaling 1 lakh acres and receiving a total of ₹90.42 crore were approved. For uploading data on watershed initiatives, a separate web portal and mobile "app" were created. One World, No Hunger II and III, two of the 103 KfW Soil initiatives, were being carried out in 5 States. ₹4.06 crore have been used from the PODF. An amount of ₹68.25 crore under PODF-ID was used this year.

### **Off Farm Sector Initiatives**

NABARD worked with training facilities linked with NSDC to help rural kids develop modern skills including Mechatronics, Arc welding, and Refrigeration. NABARD funded initiatives to teach rural women in the production of face masks and PPE kits, which were crucial for observing the Covid-19 guidelines. Rural/Agri Business Incubation Centers: As of today, NABARD has provided a total of ₹63.29 crore in financial support to 7 rural/agri business incubator centers. About 22 lakh farmers will benefit directly and indirectly from these 7 centers.

### **Agri- Market Infrastructure Fund (AMIF)**

A dedicated Agri Market Infrastructure Fund (AMIF) with a corpus of ₹2,000 crores was established with NABARD to provide low-cost funding to the State Governments for the following purposes: Upgrading of Rural Haats to Gramin Agriculture Markets (GrAMs); Creation of electronic display mechanisms and linking of GrAMs with Agriculture Produce Market Committees (APMC); Upgrading of 585 e-NAM enabled APMCs.

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## Conclusion

It is concluded that NABARD had taken considerable and viable initiatives for agriculture and rural development specially by encouraging the high quality of research in gaining deep insight into issues related to rural infrastructure. NABARD's policy broadly focus on easy agriculture credit terms, capital formation, various programme on livelihood and empowerment of women, faster digital financial inclusion, more SHGs linkage and tribal developmental funds.

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