

Research Papers



NABARD: A PERSPECTIVE OF RURAL DEVELOPMENT

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Abstract

"Growth with Social Justice" has been the basic objective of the Development Planning in India since independence. Since the beginning of planned development, the Government through Five Years Plans made significant strides in developing rural India.(1)

The rural development there is many aspects like social economic and cultural development. About economic development problems, Dr. Girdhari has opined that "Rural Credit" is primarily an agricultural finance and distinguished from processing and marketing of agricultural produce. (2) Initially the rural development was treated as a Government sponsored efforts, but since last decades NGO's

i.e. social service organizations are also engaged in the systematic rural development. The resource planning, manpower development as well as idea generations are 3 important areas, in which the concept of rural development as undergone fast changes. Rural development schemes in developing countries.(3)

The National Bank for Agriculture and Rural development Bill was passed by Parliament in December 1981 and the National Bank for Agriculture and Rural Development (NABARD) came into existence in July, 1982. The objective of NABARD is to give undivided attention to the problem of providing all types of production and investment credit to various rural sectors like agriculture, small scale and cottage industries, and also to handicrafts, to artisans and to other allied activities in an integrated manner. The basic idea was that there should be a "National Bank" to pay undivided attention to all districts of the country in the matter of rural credit and other needs related to agricultural and rural development, and secondly, the problem of agricultural and rural development should be viewed in an integrated and comprehensive way instead of in a fragmented way by several financial institutions in an uncoordinated way as was happening till then. It

was felt that if there is a banking institution at the national level, the above objective would be achieved. (4)

Objective of the Study:-

The main objective of the study is to Review the refinance assistance rendered by NABARD and its impact on rural development of Aurangabad District during 2005 to 2010.

Methodology:-

The study covers the refinancing performance of NABARD for Rural Development of Aurangabad District. The study is based on the secondary data that has been collected from the annual reports of NABARD & its Publications. The refinancing performance of NABARD has been studied by number of projects achieved & the amount of refinance assisted under this scheme during the study period from 2005-2010.

A Brief Sketch of Aurangabad district:

Aurangabad district, comprising 9 blocks and 1300 villages is the divisional head quarters of the Marathwada Region of Maharashtra. Aurangabad became an educational centre for backward Marathwada region after establishment

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of Marathwada University in 1958, which later re-named as Dr. Babasaheb Ambedkar University. During 1971-81 decade High Court was established in Aurangabad. As a result of which MIDC Estate of Chikalthana was established in 1961-1971. City has two industrial estates within Municipal Corporation area and third large industrial estate Waluj MIDC Area, 7 Km away from City in Aurangabad Urban Agglomeration. Another Industrial Estate is up coming at Shendra MIDC Area, few Km away from Aurangabad. These Industrial areas played an important role in development of the Aurangabad district. Beside these industries, tourism is a major economic activity of the district as places of significant historical importance.

The district has a predominant agrarian economy and about 40% of the rural work-force is engaged in pursuing agriculture and activities allied to Agriculture. As far as rural non-farm sector is concerned, agro-processing i.e. cotton ginning & pressing, dal mills, oil mills, forest based industries, stone and lime industry etc. have potential for development. The district is known for traditional art crafts like 'paithani' sarees, himroo/ mashroo febric products, agate ware, bidri ware etc. (5)

Profile of NABARD

This part deals with origin and growth, function, capital and Resource, management of NABARD.

National Bank for Agriculture and Rural Development (NABARD) was established as an apex development bank of the country, on 12 July 1982, by an act of Parliament, with its Head office at Mumbai and Regional Offices in each of the states. Maharashtra Regional Office is located at Pune. From around 1988, NABARD started opening its District Development Offices at District Headquarters and so far 30 offices have been opened in Maharashtra.

NABARD has been promoting sustainable and equitable agriculture and rural prosperity through effective credit support, related services, institution building and many other innovative initiatives, through a large number of inter related activities / services, which fall under following three broad categories:-

- (i) Credit Dispensation
- (ii) Developmental and Promotional and
- (iii) Supervisory.

Of these functions, DDM offices broadly undertake functions of credit planning,

developmental and promotional functions, monitoring & coordination between various agencies / institutions engaged in rural development.

Facts about NABARD

- Working Funds Rs 136575 crore is increasing doubled in last 4 year.
- Loan outstanding crossed Rs1, 00,000 crore mark.
- Total loaning business during 2009-10 Rs 54,000 crore.
- It is ploughs back the entire Operating Surplus for Loaning and Development interventions.
- RIDF disbursed to state govt.Rs.18888 crore in 2009
- RIDF Loans to NRRDA (Rs 18,500 crore was sanctioned and disbursed in the last 4 year to National Rural Road Development Agency (NRRDA) under Bharat Nirman)
- Investment credit refinance to commercial banks, Co-operative banks and Regional Rural Banks Rs.12035 crore for 2009-10.
- Crop Loan-Refinance crossed Rs.24200 crore marks in 2009-10.
- In the year 2009-10 it has 47 crore SHGs linked with bank (cumulative)
- In the year 2009-10it has complete 1915 Watershed Project in 3030 villages and Cumulative disbursements for Watershed Projects of Rs.318 crore.
- Total area covered under Tribal Development is 148753 (acre) and 165280 Families are beneficial it.
- In year total 54805 Farmers' Clubs (cumulative) formed in 2009-10.
- Supervision in 2009-10:-
- 360 Banks Inspected (252 DCCBs, 61 RRBs, 30 SCBs, 16 SCARDBs, 1 Apex Society)
- Sec.11- Non compliant Banks reduced (from 113 to 90)
- New Licenses Issued (8SCBs, 97 DCCBs)
- Rural Non-Farm Sector:-
- 2627 REDPs Covering 62000 rural youth-Grants support of Rs.1048 lakh during 2009-10.
- Rural marketing :-
- 119 rural Marts supported, Rs.134 lakh grant.
- 87 rural Haats supported, Rs. 299 lakh grant.
- 221 Exhibitions / Mela supported Rs.119 lakh grant.
- Artisans' cluster:- 15 clusters formed, Rs.225 lakh grant support. (cumulative position : 107 clusters)
- Business performance 2009-10:-
- New business contracted-Rs.20.17 Cr.

- Assignments executed-Rs12.16 Cr.
- Total Income Rs.14.29 Cr. (25%)
- Strengthening Co-Operatives – Revival Package:-
- 25 States signed MOU
- 14 States Amended Co-Op. Societies Act.
- Special Audit of 79,450 PACS completed
- ReCap Assistance Released-Rs.3,098 Cr.
- Cumulative Assistance Released-Rs.7,972 Cr.

Training & Capacity Building Efforts
(71334 PACS Staff, 98941 Board Members(PACS), 61212 PACS Functionaries, 3435 Department Auditors, 1547 Board Members (DCCBs))(6)

Highlights of operations of NABARD in Aurangabad District:-

Potential Linked Credit Plans (PLPs) :- The potentials available for the rural economic activities in the district were assessed and presented in physical and financial terms, as Potential Linked Credit Plan(PLP), which is now accepted as the reference document useful for Bankers, Govt. Officials and others involved in rural development. Bankers used it as the basis for preparation of Annual Credit Plan of the district and Govt. agencies for initiating action to fulfill infrastructure gaps. Potentials assessed under priority sector, for the year 2010-11 has projected a potential of Rs.174224.66 lakhs covering agriculture, non-farm and other priority sectors in Aurangabad district. The broad sector wise potential of bank loans is given below:

Implementation of KCC Scheme

The RBI has directed the banks to cover all the eligible farmers under KCC. This should be ensured by banks. The Aurangabad DCCB, Maharashtra Gramin Bank and Commercial Banks issued cards to 277248, 12539 and 10436 borrowers respectively, upto 31 March 2006. During the year 2005-06 alone, these agencies issued cards to 77907, 298 and 9261 farmers respectively. The loans sanctioned to new KCC holders by these agencies put together aggregated Rs.5391.36 lakhs during 2005-06.

Agri Clinics & Agri Business Centres (ACABCs)

As the government machinery may not be able to meet the growing needs for various agriculture related extension services, there is need for professionalizing them through use of agriculture graduates and others who may be

encouraged to set up agri-clinics and agro-service centers [ACABCs]. As per the guidelines for doubling of agriculture credit, it is expected that, in each district, at least 10 ACABCs would be financed by banks. In Aurangabad district, this has not picked up momentum so far. The model schemes prepared by NABARD and available with banks may be made use of for financing ACABCs. With AEZ in operation, need for the services of ACABCs will increase and the banks should take steps for financing of ACABCs, as envisaged under the programme of doubling of agriculture credit.

Minor Irrigation:

With cropping intensity just at 119% in the district, there is need to increase investments in various irrigation systems such as dug wells, deepening of wells, laying of pipelines etc. Banks and district authorities should work together in financing farmers for these investments. Considering that an amount of Rs.837.20 lakhs was disbursed by banks during 2005-06, and bank loan at Rs.1348.79 lakhs was during 2007-08. The potential envisaged for disbursement of bank loan at Rs.2022.32 lakhs during 2010-11 may be achieved.

Water harvesting structures for SC/ST farmers:

Water harvesting structures for irrigation by SC/ST farmers would have to be encouraged. This would help in efficient conservation of rain water and increased productivity of crops by farmers. The banks in the district should finance SC/ST farmers for developing water harvesting structures and support them under the centrally sponsored scheme.

Lift irrigation schemes:

One of the major constraints in implementation of LIS was inadequate availability of water at the source. This can be overcome by efficient management of available water through drip/sprinkler irrigation systems in the command areas of LIS.

The irrigation projects completed during the recent past like Narangi-Sarangi, Bramhagavan, Bor-Dahegaon, Puma-Neopur etc., and the ongoing irrigation projects on the verge of completion at various places in the district, offer good scope for small LISs, underground pipelines etc., in their command areas.

Land Development:

There is need for better co-ordination among various agencies like CADA, Bankers, irrigation deptt. etc., However, as CADA is implementing land development programmes from out of the budgetary resources, the demand for bank credit for this sector may not increase considerably. Potential for disbursement of bank loan has been estimated to be at Rs.337.14 lakhs for this sector during 2010-11

Organic Farming:

Deptt of Agri, GoM may need to popularise among farmers the advantages of organic farming covering usage of bio-fertiliser, bio-pesticide, vermi-compost etc. The capital investment subsidy scheme is also available for farmers. NABARD has prepared model bankable schemes for vermi-composting and activities covered under land development.

Watershed Development:

The Indo German Watershed Development Programme (IGWDP) is one of the important projects being implemented through NGOs in Aurangabad by NABARD, with emphasis on direct participatory role of village community. Land levelling, farm bunding, dry land horticulture activities etc., could be financed in the treated watershed areas.

Plantation and Horticulture:

The scheme of National Horticulture Mission has been launched in Maharashtra during 2005-06. The Directorate of Horticulture, GoM is the nodal agency for implementing various programmes broadly covered under four Mini-Missions. NABARD is a member of the State level and District level Committees set up for the purpose. With Kesar Mango identified as an eligible fruit crop under Agri-Export Zone [AEZ] in Aurangabad district, there is a need to popularise NHM components among the farmers, entrepreneurs and bankers by the district authorities. AEZ for Kesar Mango offers scope for investment with ban..I(loans in activities such as cold storage, refrigerated vans etc. Bank loans disbursed for various Plantation / Horticulture activities during 2005-06 aggregated Rs.381.14 lakhs. 2007-08 was disbrsed at Rs.933.92 lakhs .Potential for 2010-11 estimated at Rs.876.95 lakhs could be achieved with proper coordination among bank and government departments.

Seeds Production

Aurangabad and neighboring Jalna are emerging as the seed capital of the country. Adequate Scope exists for setting up of new seeds manufacturing units, with credit support from banks. Potential of Rs.530.00 lakhs has been estimated for the sector during 2010-11.

Forestry Development:

The cumbersome procedures laid down by the Government quiring the farmers to obtain permission from the concerned authorities at the district level for felling of trees on private lands and transportation of timber and fuel wood need to be relaxed so lat the farmers/agri-entrepreneurs may come forward for taking up this activity as commercial ventures with bank finance. Potential of Rs.27.09 lakhs has been estimated for the sector during 2010-11.

Animal Husbandry:**Dairy development**

It is more popular among farmers in Paithan, Aurangabad and Khultabad talukas. The per-capita availability of milk at about 141 gm/day is lower than the state average of 169 gm/ day and recommended level of 250 gm/day. So, this district offers scope for setting up of dairy farms. Dairy development has been identified as one of the important activities under the Rashtriya SamaVikas Yojana (RSVY) which will be implemented in the district during the period 2006-07 to 2008-09. Around 1000 cross bred cows are proposed to be provided to the beneficiaries belonging to the self help groups promoted by the DRDA over a period of three years. Potential of Rs.2824.56 lakhs has been estimated for the sector during 2010-11.

Poultry development

The activity is concentrated in Aurangabad, Paithan, Sillod and Gangapur talukas. Maize, the main ingredient in poultry feed manufacturing, is grown on a large scale in the district. As such, scope exists for setting up of poultry feed manufacturing plants. Potential of Rs.594.77lakhs has been estimated for the sector during 2010-11.

Sheep / Goat Development

The topographical and climatic conditions in the district offer excellent potential for rearing of sheep / goat. Thus, the potential of Rs.911.70 lakhs estimated for the sector for 2010-11 is likely

to be fully achieved.

Inland Fisheries:

1774 reservoirs in the district offer scope for inland fisheries. Establishment of fish seed farms and cold storage could be taken up in private sector, with support from banks. Potential of Rs.173.53 lakhs has been estimated for the sector during 2010-11.

Renewable source of energy

Bio-gas

Although the district has adult cattle population of around 6.62 lakhs as per the 2003 livestock Census, the flow of credit for setting up of bio-gas plants has not picked up. There was no disbursement under the sector during the years 2003-04 and 2004-05. but Potential of Rs.39.10 lakhs has been estimated for the sector during 2010-11.

Other allied activities:

Bullock and Bullock carts

Although the use of motorized vehicles in rural areas has gone up in last decade, bullock and bullock cart still occupy a prominent position in the life of small and medium farmers.

Non-farm sector:

Industries like Bajaj Auto, Lupin, Garware Polyester, Skoda Motors, Videocon, Colgate-Palmolive, Sterlite etc., are functioning in the district. Aurangabad, Paithan and Vaijapur talukas in the district are having Rural Industries Development Coop Society involved in various support services. The district has been identified for implementation of 'Auto-Cluster' project which will offer good scope for enhancement of bank credit. Paithani, Himroo, Bidriware, Handmade paper and Agateware, the traditional art crafts of Aurangabad hold promise of employment generation in rural areas. NABARD is implementing District Rural Industries Project (DRIP) in the district with the objective of creating sustainable employment opportunities in rural areas through enhanced credit flow to rural non farm sector. The disbursements under the sector have gone up by 30%, 25.9% and 29% during the years 2004-05, 2005-06 and 2007-08 respectively. The potential of Rs.43242.91 estimated for 2010-11.

Agro & Food Processing Sector

The soil texture and agro-climatic conditions in the district are suitable for growing good quality cotton, mango, fig, papaya, tamarind,

chiku, custard apple, maize and citrus fruit like Mosambi. Scope exists in the district for establishment of textile units which would ensure that the cotton produced in the district is used for manufacturing high quality fabric as also provide employment opportunities to rural youth. Similarly, scope exists for processing of maize which at present is being sold in the market in grain form. Processing of maize could result in production of good quality starch for industrial and other uses. Mosambi, one of the important fruit crops grown in the district is sold to traders in fruit form which does not give adequate returns to farmers. The returns could be improved by setting up of fruit processing plants and selling value added processed products like juice, squash etc. Similarly, processing of Kesar mango for making pulp, juice, dried cakes etc., could also be thought of. A potential for disbursement of bank loan aggregating Rs.2241.06 lakhs has been estimated for 2010-11.

Other Priority Sector:

Activities under 'Other Priority Sector' would, among others, include housing, transport operators, professionals & self-employed, retail trade / small business etc. With Communication, Information & Technology [CIT] related enterprises increasing even in rural areas; this sector will undergo a paradigm shift in the nature of enterprises requiring bank finance. Banks should encourage more CIT based Enterprises which have large employment potential and growth. Potential for disbursement of bank loan of Rs.60118.00 lakhs during 2010-11.

Micro-finance: Self Help Groups (SHGs)

In the district, the pace of providing credit linkage to SHGs by banks has picked up momentum in the last three / four years. With agencies like MAVIM, SACRED, Surabhi Gram Vikas Sanstha, Savitribai Phule Mahila Ekatma Samaj Mandal etc., functioning in the district, the promotion of good quality SHGs has got a boost. During 2006-07, it is estimated that, about 1500 SHGs would be credit linked with banks. During 2007-08, the trend is likely to be continued. However, it was observed that banks take considerable time to credit link those SHGs which have already opened SB Accounts with them. As delay in providing credit support to eligible groups would frustrate the members and adversely affect the overall performance of the programme, the banks may take suitable steps to credit link the eligible groups.

With a view to facilitating banks to

provide larger credit to this segment, NABARD has encouraged banks to form Farmers' Clubs [PCs] and also use Individual Rural Volunteers [IRVs] to function as SHPIs. With the RBI's Internal Committee having recommended utilisation of external agencies extensively for the development of micro Finance, non-financial functions relating to micro Finance can be outsourced through FCs, IRVs etc., by banks so that they can increase the flow of credit to SHGs and other micro-entrepreneurs, without any difficulty.

Although a large number of groups have been funned under SGSY, there is scope for improvement in their quality. Poor quality of groups has been observed as one of the factors for the poor recovery performance of SGSY loans vis a vis very high repayment performance under the SHG Bank linkage programme. So, there is need for a policy at the State level making only those SHGs, which were rated high, successfully run and covered under the direct linkage by banks [the first credit linkage without any support of subsidy], as eligible for subsidy / Revolving Fund Assistance under the SGSY Programme. .

Joint Liability Groups

A Pilot Project for smoothening credit flow to mid-segment clients using concept of "Joint Liability Groups" is being implemented by the Maharashtra Gramin Bank. Adopting SHG and JLG mode of financing would greatly help banks in increasing the flow of quality credit to farmers / rural people who are hitherto not covered by bank finance.

Response from farmers

Discussions with farmers revealed that, they were cultivating traditional crops like Maize, Bajra, Cotton etc., during Kharif. Most of the small farmers expressed that the credit limits sanctioned to them by Primary Agricultural Credit Societies (P ACS) were inadequate and needed to be increased further for diversification of crops. Farmers also felt the need for development of non-farm sector activities for providing employment opportunities to rural youth.

At district level, NABARD through the DDM office continues to appreciate ground level situation and expectations of rural population in a better way and through representation on various important district level forums and other initiatives, it is playing an important role in bringing about the rural prosperity in the district.(7)

Conclusion:

NABARD has been implementing many schemes with the objective of achieving integrated Rural Development .Some of the schemes designed for the benefit of Rural Household. An attempt has been made in this Paper to get feedback / collect information from the annual reports of NABARD & its Publications. One of the objectives of NABARD is to facilitate credit flow for Regional Rural Infrastructure Development. Keeping in view the native backgrounds of Rural Development, special care has been devoted to Infrastructure Development activities in the formation & implementation of Development scheme. Essentially the RIDF Scheme of NABARD is productive oriented & area specific in nature and there by they benefit all categories of rural people. It has been carefully reviewed to ascertain that maximum benefits are accrued to beneficiary.

Now the NABARD, is set to change its business model by funding infrastructure projects in the power and agricultural sectors on a commercial basis and expanding its role in financing state-government sponsored projects. It has to play more proactive role in transforming the traditional agricultural sector into a globally competitive business enterprise. It is worth considering whether the functions of the rural planning and credit department of the Reserve Bank of India could be passed on to NABARD for greater supervision of rural credit planning.

As we analyze the data it shows that NABAD is working for the 360 degree development of rural India. The 25 years of NABARD's participation in rural development have been a silver lining on the rural horizon. Let the next 25 years usher in a golden era for rural India.

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