



ANALYSIS OF REFINANCE OPERATIONS OF NABARD

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Abstract

Adequate and Cheap Credit is One of the Perennial Problems of Indian Agriculture. Institutional Credit for the Development of Agriculture has made Rapid Strides over the Years. India probably has one of the Largest Networks of Co-Operative Credit Institutions Supporting Agriculture. The Important Causes for Failure of the Movement were the Lack of Spontaneity of the Movement. The Gap between the Demand for Credit and Supply of Credit is Not Optimum Ratio and Hence Farmers Have to Approach the Sources of Finance to Meet their Demands. This is much Against the Basic Objective of the NABARD. The Entire Movement is at the Cross Roads. The Movement has to be made more Viable with Least Governmental and Political Intervention. So there is Need of Evaluation of Operational Activities.

Key Words: NABARD, Refinance.

Introduction

National Bank for Agriculture and Rural Development (NABARD) Though, the RBI has played a significant role for the improvement and availability of institutional credit for the promotion of agricultural and rural activities but being a Central bank of the country. It has to perform a more crucial role regulation and control of credit and monetary system of the country. So, due to the burden of Central banking functions the RBI cannot pay its full attention towards the flow of credit for agricultural and rural sector. So, a separate institution National Bank for Agricultural and Rural Development was established 1982.

The national bank of agricultural and rural development (NABARD) has emerged as an apex financing institution for agricultural and rural credit in the country since July, 1982. It has taken over the refinancing functions from the RBI in respect of the State co-operative banks and regional rural banks. It has also taken over the ARDC and now it provides all types of production and investment credit to agriculture. Small-scale industries, artisans, cottage and village industries, handicrafts, and other allied economic activities. It has organic links with RBI by virtue of the latter holding 50 per cent of its share capital and the three members of the RBI's central board being appointed as directed of NABARD.

The government of India and the RBI approved the proposal of CRAFTCARD. The parliament through the Act, 61 of 1981, approved 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.

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, interest, privileges and obligations of whatever nature, have been transferred to and vested in the National Bank.

Objectives and Functions

The main objectives of NABARD are to provide refinance to eligible institutions, SLDB's, SCB's, Schedule CBs and RRBs for supporting production and investment credit for development activities in rural areas and to improve the absorptive capacity of the credit delivery system through institution building by monitoring, formulation of rehabilitation schemes, restructuring of credit institution, training of personnel etc. As an apex institution the main functions of NABARD are providing finance and also refinance for production and marketing in the rural areas, coordinating and advising the operations of institutions engaged in rural credit, promoting research in agriculture and rural development, conduct inspections of the RRBs and the co-operative societies, without any prejudice to the authority of the RBI, all the applications for opening a branch by RRBs or co-operative societies should be forwarded to the RBI through the NABARD.

Refinance from NABARD

NABARD provides two types of refinance. The first is extended to RRBs and apex institutions namely SICBs and State governments. The other type of refinance is extended to augment resources for ground level deployment of rural credit.

NABARD refinance policy on short-term SAO (Seasonal Agricultural Operations) for co-operative banks and RRBs lays emphasis on augmentation of the ground-level credit flow through adoption of region-specific strategies and rationalization of lending policies and procedures.



Forms of Refinance

Automatic Refinance Facility (ARF)

The refinance assistance for standardization schemes or schemes up to certain limits or specified programs is available under the “Automatic Refinance Facility” by a mere submission of declaration of disbursement under the eligible purposes by the Rural Financial Institutions. Under this scheme, refinance is available to all banks (Coop., CBs and RRBs) up to Rs. 15 lakh on an automatic basis without prior approval of the schemes by NABARD.

Schematic Refinance Facility (SRF)

Under this, refinance assistance is made available beyond Automatic Refinance Facility (ARF) limit and up to the Small Scale Industries (SSI) limit (currently only units wherein investment in plant and machinery does not exceed Rs. 60 lakh or Rs. 75 lakh in the case of ancillary/export units are eligible) for setting up of new units or for modernization/renovation/expansion/diversification of existing units.

Region-Wise Analysis of Disbursements

Region-wise data regarding disbursements under schematic lending have been presented in table below for the period of 1995-96 to 2004-05. For the sake of brevity, we have derived Table -1 to indicate precise and clear picture of the region-wise lending by the NABARD.

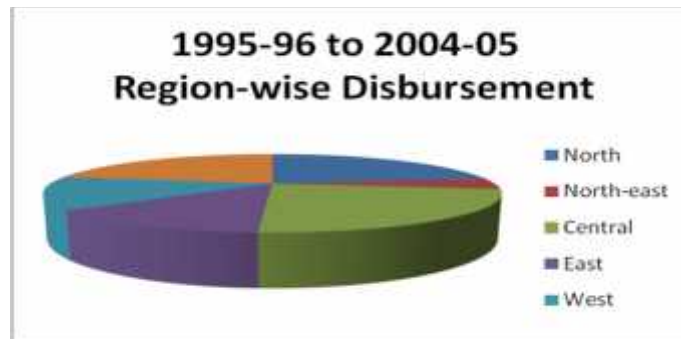
**Table 1: Total Region-wise Disbursement (From 1995-96 to 2004-05)
 (Amount in crores of Rupees)**

S. No	Region	1995-96 to 2004-05	
		Disbursement	% to total
A.	North	15384	23.0
B.	North-east	2901	4.3
C.	Central	15690	23.4
D.	East	9070	13.6
E.	West	9167	13.7
F.	South	14698	22.0
	Grand Total	66910	100.0

Sources: Annual Reports of NABARD

Table-1 reveals the total disbursement from 1995-96 to 2004-05 accordingly the region wise. With regard to region-wise distribution of disbursement of NABARD refinance upto the March 2005 the highest amount of disbursement was in favour of Central Region (23.4%) followed by Northern Region (23.0%), Southern Region (22.0%). Western Region (13.7%), Eastern Region (13.6%) and North Eastern Region (4.3%).

The whole analysis of the regional pattern indicate that Central Region has ranked first in all the parameters, followed by Northern Region. Western Region and Southern Region have been competing for the third position. It can be also represent by the help of the following diagram.



During the study period from 1995-96 to 2004-05 we have used ranking technique to find out that in which region NABARD had been much focused in total all India disbursement.



Table 2: Range Co-Efficient of Disbursement

Region	Largest Value	Smallest Value	Range Co-efficient
North	38.0	21.2	0.28
North-East	3.0	1.0	0.50
East	12.0	6.7	0.28
Central	22.7	8.4	0.46
West	19.8	9.2	0.36
South	29.6	18.1	0.24

$$\text{Range of co-efficient} = \frac{L - S}{L + S}$$

The table 2 represents the range co-efficient of disbursements region-wise. The table reveals that the highest range co-efficient is 0.50 of North-East region and it is followed by Central region 0.46, West Region is 0.36, East Region is 0.28, West Region is 0.28 and the range co-efficient of South Region is 0.24.

On the basis of the whole analysis of region-wise disbursement, it is noticed that the North, East, Central and West is the region, those refinanced more compare to all other region. The trend of the disbursement is growing among the region as whole country. Range co-efficient has been calculated by taking largest and smallest share of each year.

Conclusion

The NABARD is a refinancing institution. It has to play the role of a development financial institution. Under this role the National Bank has a direct bearing to show its ability by performing some of its basic functions and in fact, its success as a developmental financial institution. Being institutions of public sector NABARD has to follow the “Governments” policy that public sector undertaking should not be financially self sufficient but should also generate its own surpluses to, finance the activities of economic development. NABARD is a nonprofit gaining organisation. The basic object of its establishment was refinance for agriculture and allied activities. Like other development Bank engaged in lending business, NABARD also needs sufficient resources for its efficient operations. The availability of resources greatly influence the success of a financial institution, as such the management of institution has to take decision on the quantum and pattern of fund requirements. By making precise estimates of current and forthcoming resources requirements the management can prepare an appropriate and sound structure of its resources.

Needless to mention that management of resources structure plays a very important role in success of a financial institution. The absence of a sound resources structure can create the problem of inadequacy of funds, which may adversely affect the operational efficiency of the financial institutions. NABARD needs to large amount of various types of funds provide refinance facilities to different agencies engaged in Rural financing.

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