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AN ANALYSIS OF ROLE OFNABARDTO AGRICULTURAL LENDING

Dr. Pankaj Kumar Srivastava
Assistant Professor, Department of Commerce, MLK (PG) College, Balrampur.

Abstract
Indian economy is the agricultural economy and real India is in the villages. Without rural economic development, the objectives of economic planning cannot be reached out. So, banks and other financial institutions are considered a vital role in rural economic development in India. NABARD are playing a vital role in the economic development of rural India. This study is a modest attempt to make an assessment of the rural credit structure and the role of NABARD in the priorities of the credit sector. The document analyses the role of NABARD in rural development. Wise purpose of lending to the priority sector flow (agricultural loans) during the year 2013-14 is also analysed. It also sheds some light on the past of NABARD and performance and present its main results for the 2013-14 year. The study finds and concludes that NABARD in India has significantly improved rural economy. Thus, in order to evaluate the performance of NABARD as an important player in rural and collaborator transformation and identify rural development areas in which the credit provisions together with the introduction of rural systems worked, could be studied requires improvements. The study could also lead on the strengths and weaknesses of NABARD policies for rural transformation.

Introduction
Agriculture is the main sector of the Indian economy. It represents 21% of GDP and about two-thirds of the population depend on this sector. And 'therefore fair to say that agriculture is the backbone of our economy and prosperity may be largely responsible for the welfare of the whole economy. The vigorous growth of the agricultural sector requires a matching flow of funds. Agricultural finance has a special place in the development of agro-socio-economic of the country, both at micro and macro level. Its catalytic role strengthens the farm and increases the productivity of scarce resources. The application of new technological inputs obtained through the help of agricultural finance to increase agricultural productivity.[1] Agricultural finance can also help to reduce regional economic imbalances. Therefore, the role of agricultural finance in the strengthening and development of the market both input and output in agriculture is essential and important. Agricultural development has been given top priority over the past fifty years, and especially under various five-year plans. Bank credit is available to farmers under the short-term credit for the shape of agricultural products and financial programs such as the medium-term / long-term debt financing for capital investments in agriculture and related activities such as land, including land purchases, minor irrigation, farm mechanization, program development, the domestic poultry animals, fishing, plantation and horticulture. The loans are available for storing, processing and marketing of agricultural products needed now a days the long-term and short-term credit of these institutions are also achieved by the National Bank for Agriculture and Rural Development (NABARD). It is the evolution of agricultural finance.[2]

Rural Infrastructure Promotion
Fund Rural Infrastructure Promotion Fund (RIPF) was created with an initial corpus of 25 crore in 2011 to promote capacity building initiatives and efforts for creation of innovative/experimental/promotional infrastructure, especially in rural sector and rural areas. The Fund also supports activities like exposure visits, studies, and knowledge sharing workshops/conferences/publicity/documentation, creation of experimental infrastructure projects by Gram Panchayats, SHGs, SHG Federations, Farmers' Clubs, FC Federations, NGOs and villages under VDPs. The activities supported under RIPF would lead to increase in business under RIDF and promote sustainable infrastructure development in rural areas. During last year a sum of Rs. 117.05 lakhs was disbursed under RIPF.[3]

Categories of Priority Sector
Priority sector loans to the following borrowers are considered under Weaker Sections category:-

- Small and marginal farmers;
- Artisans, village and cottage industries where individual credit limits do not exceed `50,000;
- Beneficiaries of SGSY, now National Rural Livelihood Mission (NRLM);
- Scheduled Castes and Scheduled Tribes;
- Beneficiaries of Differential Rate of Interest (DRI) scheme;
- Beneficiaries under SwarnaJayantiShahariRozgarYojana (SJSRY);
- Beneficiaries under the Scheme for Rehabilitation of Manual Scavengers (SRMS);
- Loans to Self Help Groups;
- Loans to distressed farmers indebted to non-institutional lenders;
- Loans to distressed persons other than farmers not exceeding `50,000 per borrower to prepay their debt to non-institutional lenders;

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- Loans to individual women beneficiaries up to `50,000 per borrower. (L) also called or known as priority sector advancement (PSA);
- Account holders under Pradhan Mantri Jan DhanYojana (PMJDY)
- Renewable energy sector has also been added to priority sector lending in the year 2015.

Objectives of the Study

1. To Know and discuss the meaning of Priority Sector Lending.
2. To discuss the National Bank for Agriculture and Rural Development (NABARD).
3. To Study the schemes/programmes undertaken by NABARD.

Research Methodology

This is a descriptive research paper based on secondary data. Data have been collected through the Books, Magazines, Journals, Research Papers and Websites. Veerpaul Kaur Maan and Amritpal Singh (2013) a study titled "Role [4] of NABARD and RBI in agricultural sector growth" analyzes NABARD has taken over refinancing functions from the Reserve Bank of India with respect of State Cooperative Banks and Regional Rural banks. This study reveals NABARD is involved in the implementation of projects assisted by World Bank and its affiliate, the International Development Association (IDA). NABARD has been associated with implementation of 42 projects with external credit out of which 38 projects are assisted by IBRD.

Meaning of Priority Sector Lending

Priority area has been correctly defined in 1972; According to the National Credit Council stressed that there is broad participation of commercial banks in the priority sector. The field was then defined by Dr. K. S. Krishaswamy Committee. The priority sectors are the sectors that cannot get adequate institutional credit for social, cultural and economic. Common priority areas include Agriculture Finance, Small Business, and Commerce, Micro credit, loans and mortgages education. After important points about the basic meaning of the priority sector lending: 1. Priority sector loans scheme is a policy to provide some portion of bank lending to important sectors of the economy. 2. It includes agriculture, small industries, the area of the house, very small area, the export sector, and other businesses (services) of small business. 3. The Reserve Bank of India (RBI) was the first to launch scheme for loans to priority sectors in India. 4. The main objective of this program was to see that the funds in a timely and sufficient time (loans) are given (provided) to the priority sector. 5. Previously, only public sector banks have been asked to give loans to this sector. However, now even private and foreign banks are to lend to this sector.[5]

National Bank for Agriculture and Rural Development

National Bank for Agriculture and Rural Development (NABARD) came into existence on 12 July, 1982. NABARD was established for providing credit for promotion of agriculture, small-scale industries, cottage and village industries, handicrafts and other allied economic activities in rural areas with a view to promoting integrated rural development and securing prosperity of rural areas. The paid-up capital of NABARD stood at Rs 2000 crore as on 31 March 2010. The profit after tax amounted to Rs 1558 crore during the year 2009-10 as against Rs 1390 crore during the year 2008-09. Since 1995-96, NABARD has been providing finance to the State Governments for rural infrastructure projects under Rural Infrastructure Development Fund (RIDF). Total sanctions by NABARD under RIDF (RIDF-I to RIDF-XV), as on 31 March 2010, aggregate to Rs 1,03,718.00crore while the cumulative disbursements stand at Rs 68,439.74 crore. This fund is meeting the financing needs of the State Governments for 31 approved activities, important among which include projects covering irrigation, rural roads and bridges, health and education, soil In 2006-07, a separate window of Bharat Nirman for construction of Rural Roads under PMGSY was started. Total sanctions by NABARD to National Rural Road Development Agency (NRRDA) under RIDF as on 31 March 2010, aggregate to Rs 18,500 crore and the entire amount has been released to NRRDA.[6]

The main areas under priority sector lending scheme are as follows: 1. Agriculture sector. 2. Small-scale industrial loans. 3. Small road and water transport operators. 4. Professional and self-employed. 5. Retail trade loan. 6. Educational loan. 7. Housing loan 8. Consumption loan 9. State-sponsored corporations for SC/ST. 10. Other recommended priority sectors.

Flow of Priority Sector Lending (Agricultural Credit -Rupees in Crore)

Year	Target	Achievement
2006-2007	175,000	229,400
2007-2008	225,000	254,658
2008-2009	280,000	301,908

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2009-2010	325,000	384,514
2010-2011	375,000	446,779
2011-2012	475,000	476,550
2012-2013	575,000	607,375
2013-2014	700,000	723,225

As on 3rd March 2014, Source: Annual Report NABARD, Annual Report RBI, Ministry of Agriculture.

The credit flow to agriculture during the year 2006-2007 is 175,000(in crores), corresponding achievement is 229,400.The percentage of achievement on targeted is 131%. During the year 2007-2008 agricultural credit flow achieved Rs.254,658 against the targeted amount Rs. 225,000. It shows that agricultural credit flow achieved is 113%. As compared to the year 2006-07 agricultural credit flow is less during the year 2007-08. Five years after i.e. 2011-12 the target of credit fixed Rs.4,75,000crore and the achievement Rs.476,550crore,represents 100.32% of the targets. During 2013- 14 the targeted credit flow Rs.7,00,000crore and the achievement isRs.7,23,225 crore,103 per cent of target. We can understand the percentage of credit flow is showing decreasing trend up to 2011-12 and slightly improved thereafter.[7]

Programmes of NABARD

1. **Self-help Group (SHG) Bank Linkage Programme:** The SHG-Bank Linkage Programme is a major plank of the strategy for delivering financial services to the poor in a sustainable manner. It was started as an Action Research Project in 1989, which was the offshoot of a NABARD initiative during 1987 through sanctioning Rs.10 lakh to MYRADA as seed money assistance for experimenting Credit Management Groups. The experiences of these early efforts led to the approval of a pilot project by NABARD in 1992. The pilot project was designed as a partnership model between 3 agencies viz., the SHGs, banks and NGOs.[8]

2. **Kishan Credit Card (KCC):** KCC Scheme was introduced in 1998-99. It was launched to provide timely and adequate supply of Short Term (ST) credit from the banking system to the farmers to meet their crop production requirements in a flexible, hassle free and cost effective manner. The objective was to provide an instrument, which would allow farmers to purchase agricultural inputs such as seeds, fertilizers, and pesticides and also withdraw some cash for meeting their production- related requirements.

3. **Farmers' Club:** The programme aims to organize farmers to facilitate accessing credit, extension services, technology and markets. NABARD encourages banks to promote Farmers' Club in rural areas under the Farmers' Club Programme, earlier known as "Vikas Volunteer Vahini (VVV) Programme". Farmers' Club are grass root level informal forums of farmers. Such clubs are organized by rural branches of banks with the support and financial assistance of NABARD for the mutual benefit of the banks concerned and the village farming community/rural people.

4. **District Rural Industries Project:** NABARD on a pilot basis had launched an integrated area based credit intensification programme in collaboration with Government, Banks and other development strategies with focus on district known as District Rural Industries Project during 1993-94 with a view to evolving a role model for rural industrialization. e) Rural Infrastructure Development Fund (RIDF): RIDF is a major source of fund for the development of infrastructure in the rural areas of the State.[9]

5. **Watershed Development:** The objective of developing watersheds is to significantly mitigate the drought induced distress of farmers in the area. NABARD anchors 4 types of watershed development programmes in the country. These programmes are: Indo-German Watershed Development Programmes, Participatory Watershed Development Programme, Prime Minister's Package in 4 states and Integrated Watershed Development programme.

Conclusion

India is a country of villages. According to Census of India's 2011 Provisional Population, out of 121 crore Indians, 83.3 crore live in rural areas while 37.7 crore stay in urban areas. There are about 6 lakhs villages in our country. Around 70% of the population of India lives in villages i.e. rural areas. So the rural areas need to be developed. NABARD plays a significant role in developing rural economy. NABARD, being an apex Development Bank, facilitates Priority sector lending and it also supports all other allied economic activities in rural areas. In the present study, the role of NABARD in the rural credits structure has been analyzed. The rural credit structure consists of priority sector and there has been tremendous achievement in disbursing loans to this sector. The priority sector loans constituted higher in percentage throughout the study. The target

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of agricultural credit flow was fixed at Rs.700,000crore during 2013-14 and the achievement Rs.7,23,225 crore, represents 103% of target. NABARD have lent money to the agricultural sector through the short-term and term-loans for the development of the agriculture sectors in the economy. Generally, non-agricultural sector indirectly helps the rural economy in many ways. Keeping in view, the NABARD may enhance the percentage of loan to this sector. This finding may be considerable use to rural banking institutions and policy makers in developing and shaping the appropriate credit structure as NABARD are integral part of the rural credit structure in India.

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