

# A Study on the Role of NABARD for the Development of Rural Agricultural Areas

S. Rosaline Jayanthi<sup>1</sup>, S. V. Shailaja<sup>2</sup>

<sup>1,2</sup>Assistant Professor, Department of Commerce, MGR Arts and Science College, Hosur, India

**Abstract:** National agricultural and rural development (NABARD) is set up by the Government of India as a development bank with the mandate of facilitating credit flow for promotion and development of agriculture and integrated rural development. The mandate also covers supporting all other allied economic activities in rural areas, promoting sustainable rural development and ushering in prosperity in the rural areas. NABARD Maintain the research and development fund in order to promote research in agricultural and rural development and the finance for form sector's promotion. It provides finance for rural and agricultural development because it helps to improving the standard of living of the people in rural areas.

**Keywords:** Finance, Financial institutions, NABARD, Refinance, Research and Development

## 1. Introduction

Agriculture development means providing assistance to the crop producers with the help of various agricultural resources. Agricultural development improving the quality of life in rural areas, ensuring enough food for present and future generations and generating sufficient income for farmers. Rural development is the process of improving the quality of life and economic well-being of people living in rural areas, often relatively isolated and sparsely populated areas. The concept of rural development must therefore be considered with particular reference to agriculture, since agriculture is the basis of the livelihood of most rural families. In the past two decades there has been increasing emphasis on rural development programmes and projects, and recognition that the development of rural areas is just as important as the building up of urban, industrial complexes.

NABARD is responsible for the development of the small industries, cottage industries, and any other such village or rural projects. NABARD has been pushing for development in the credit schemes for rural populations to meet their new credit requirements. Other than meeting credit requirements of the rural sector NABARD is also instrumental in social innovations and projects. NABARD is the most important institution in the country which looks after the development of the cottage industry, small scale industry and village industry, and other rural industries. NABARD also reaches out to allied economies, supports and promotes integrated development. NABARD discharge its duty by undertaking the following roles:

- Serves as an apex financing agency for the institutions

providing investment and production credit for promoting the various developmental activities in rural areas.

- Takes measures towards institution building for improving absorptive capacity of the credit delivery system, including monitoring, formulation of rehabilitation schemes, restructuring of credit institutions, training of personnel, etc.
- Co-ordinates the rural financing activities of all institutions engaged in developmental work at the field level and maintains liaison with Government of India, state governments, Reserve Bank of India (RBI) and other national level institutions concerned with policy formulation
- NABARD refinances the financial institutions which finances the rural sector.
- NABARD partakes in development of institutions which help the rural economy.
- NABARD also keeps a check on its client institutes.
- It regulates the institutions which provide financial help to the rural economy.
- It provides training facilities to the institutions working in the field of rural upliftment.
- It regulates and supervise the cooperative banks and the RRB's, throughout India.

## 2. Objective of the study

The following are the important objectives of the study

- To analyze the credit provided for the development of production and marketing.
- To study the finance for refinance and direct loans.
- To examine the maintenance of research and development fund in order to promote research in agricultural and rural development.

## 3. Development of Production and Marketing credit

The NABARD provides refinance, loans and advances, repayable on demand or on the expiry of fixed period not exceeding eighteen months, to State co-operative banks, central co-operative banks, regional rural banks, or to any financial institution or to any class of financial institutions, which are approved by the Reserve Bank in this behalf, for financing

agricultural operations or the marketing of crops, or the marketing and distribution of inputs necessary for agriculture and rural development. The production and marketing activities of artisans or of small-scale industries, industries in the tiny and decentralized sector, village and cottage industries or of those engaged in the field of handicrafts and other rural crafts. Producer organization in India can get the financial assistance from NABARD, Producer Organization (PO) is a legal entity formed by primary producers, viz. farmers, milk producers, fishermen, weavers, rural artisans, craftsmen, etc. Producer Organizations have been considered to be one of the effective means of linking small producers with the agricultural value chain for the purpose of enhancing net income of producers.

the past five years. The year 2013-2014 is taken as base year; hence its percentage is 100. In the next year 2014-2015 the credit provided by NABARD is increased by 11.15%, after that it started to fall down in the subsequent years (2015-2016, 2016-2017, 2017-2018) the credit provided by NABARD does not reach even the base year value. In 2017-2018 it can be found that an increase in credit by 9.3%. The negative value of AAGR (-7.85) shows that, there is a decreasing trend in credit provided by NABARD for production and marketing. The CAGR shows that the overall growth of credit during these 5 years and it is very lesser percentage of 0.05 only.

Table 1

Trend analysis on credit provided by NABARD for the development of Production and Marketing

S. No.	Year	Amount (Rs. in Crore)	Trend Percentage (Base year 2013-2014)	Annual growth rate (AGR)
1	2013-2014	79,806	100	-
2	2014-2015	88,711	111.15	11.15
3	2015-2016	69,719	87.36	-23.8
4	2016-2017	66,128	82.86	-4.5
5	2017-2018	73,553	92.16	9.3
<b>Mean</b>		<b>75,583</b>	<b>-</b>	<b>-</b>
<b>Average annual growth rate (AAGR)</b>				<b>-7.85</b>
<b>Compound annual growth rate (CAGR)</b>				<b>0.05</b>

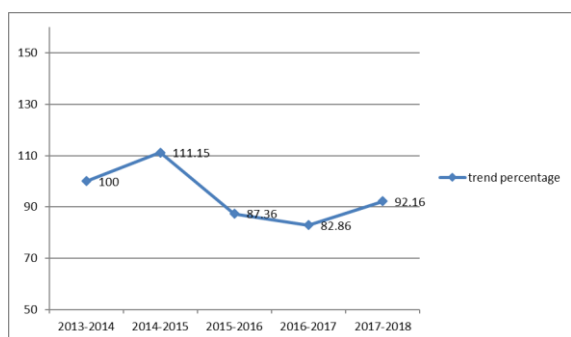


Fig. 1. Trend analysis on credit provided by NABARD for the development of production and marketing

NABARD provide credit for the development of production and marketing. In the above chart shows the credit provided by NABARD for the development of production and marketing in

#### 4. Refinance and Direct loans

NABARD provides by way of refinance, loans and advances repayable on demand or on the expiry of fixed periods not exceeding 18 months, to Cooperative Banks and Regional Rural Banks for production, marketing and procurement activities. The basic objective of short-term refinance provision is to supplement the resources of banks and to improve credit flow at the ground level. The Department of Refinance (DOR) deals with the short term and long term refinance functions of NABARD. Short-term refinance for production credit activities contributing to food security, Medium-term and long-term refinance for investment credit activities for giving a boost to private capital formation in agriculture. NABARD provides long-term and medium-term refinance to Scheduled Commercial Banks, Regional Rural Banks, State Cooperative Banks, and District Central Cooperative Banks. NABARD provides direct loans for rural infrastructure & ware house infrastructure development. Non-project loans, credit facility to federations and loans to farm sector promotion activities provided by NABARD.

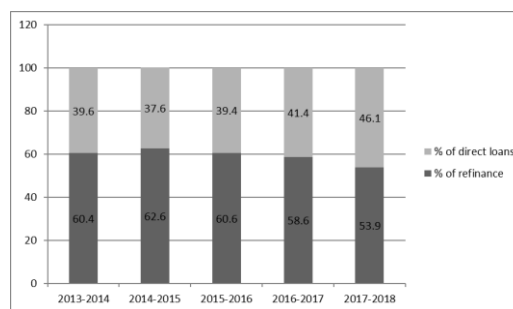


Fig. 2. Refinance and Direct loans

#### 5. Research and Development

Research and development fund Established by the

Table 2  
 Refinance and Direct loans

S. No.	Year	Refinance		Direct loans		Total
		(Rs. in crores)	Percentage to total	(Rs. in crores)	Percentage to total	
1	2013-2014	1285222061	60.4	843721589	39.6	2128943650
2	2014-2015	1534595010	62.4	924399924	37.6	2458994933
3	2015-2016	1578916568	60.6	1026017877	39.4	2604934445
4	2016-2017	1787164300	58.6	1262386269	41.4	3049550569
5	2017-2018	1898055593	53.9	1623049907	46.1	3521105500

Table 3  
 Percentage of profit used for Research and Development

S. No.	Year	Amount utilised for research and development	Profit after tax	% of profit used for research and development
1	2013-2014	1,55,952	186,02,514	0.84
2	2014-2015	2,02,232	240,32,617	0.84
3	2015-2016	2,02,232	252,38,072	0.80
4	2016-2017	1,59,128	264,55,046	0.60
5	2017-2018	2,89,347	296,19,451	0.98
<b>Mean</b>		<b>201,778.2</b>	<b>24789540</b>	<b>0.812</b>

NABARD, in accordance with the provisions of the NABARD Act 1981, the Research and Development (R&D) Fund aims at acquiring new insights into the problems of agricultural and rural development through in-depth studies and applied research and trying out innovative approaches backed up by technical and economic studies. The fund support to select agencies for promoting applied research projects or studies, organizing seminars/conferences/work Shops, training and upgrading skills of personnel of client institutions. The R&D Fund is utilized for formulating policies on matters of importance to agricultural operations and rural development, including facilities for training, dissemination of information and promotion of research by undertaking techno-economic studies and other surveys in the fields of agriculture, rural banking and rural development.

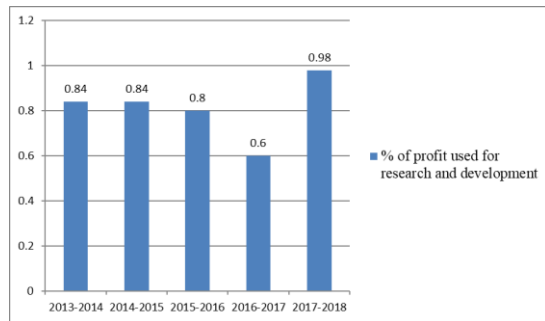


Fig. 3. Percentage of profit used for research and development

Table 3 shows that, in the years 2013-2014 and 2014-2015 NABARD utilized 0.84% of profits for research and development in the next year it was slightly reduced to 0.8%. During the year 2016-2017 NABARD utilized only 0.6% of profits for research and development. It is very lesser

percentage in these 5 years. But in 2017-2018 0.98% of profit was used for research and development. It was very highest percentage in these 5 years.

### 6. Conclusion

From the above it can be concluded that NABARD provides financial assistance for the development of rural agricultural areas. NABARD increases credit for production and marketing in the year 2014-2015. After that it reduced to provide credit for production and marketing. NABARD utilized maximum 0.98% of profit in the year 2017-2018 for research and development. NABARD increased its financial assistance in the last five years for off form sector and simultaneously decreased its financial assistance for farm sector promotion. In short we can say that NABARD is providing rural India all around assistance and proved to be an institution where “growth with social justice” exists.

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