



NEW MANAGEMENT OF NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT IN INDIA

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ABSTRACT

This paper is research purpose only. There are financial institutions which help the agriculture, irrigation and rural development of the nation. In this paper, we will try to understand the role of National Bank for Agriculture and Rural Development (NABARD), Small Farmers Agri Business Consortium (SFAC), Irrigation & Water Resources Finance Corporation (IWRF) and Micro Financial Institutions (MFIs). 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. With a capital base of 2,000 crores provided by the Government of India and Reserve Bank of India, it operates through its head office at Mumbai, 28 regional offices which is situated in all state capitals in India and 391 district offices at all Districts in India. It is an apex institution handling matters concerning policy, planning and operations in the field of credit for agriculture and for other economic and developmental activities in rural areas. Essentially, it is a refinancing agency for financial institutions offering production credit and investment credit for promoting agriculture and developmental activities in rural areas. In discharging its role as a facilitator for rural prosperity NABARD is entrusted with a) providing refinance to lending institutions in rural areas; b) bringing about or promoting institutional development; and c) evaluating, monitoring and inspecting the client banks. Besides this pivotal role, NABARD also acts as a coordinator in the operations of rural credit institutions; extends assistance to the government, the Reserve Bank of India and other organizations in matters relating to rural development; offers training and research facilities for banks, cooperatives and organizations working in the field of rural development; helps the state governments in reaching their targets of providing assistance to eligible institutions in agriculture and rural development; and acts as regulator for cooperative banks and RRBs.

KEYWORDS : New management of banking system

NABARD's Roles and Functions:

1. Credit Functions
2. Developmental and Promotional Functions
3. Supervisory Functions
4. Institutional and Capacity building
5. Role in Training

Credit Functions:

1. NABARD's credit functions cover planning, dispensation and monitoring of credit. This activity involves:
2. Framing policy and guidelines for rural financial institutions
3. Providing credit facilities to issuing organizations
4. Preparation of potential-linked credit plans annually for all districts for identification of credit potential
5. Monitoring the flow of ground level rural credits.

Development and Promotional Functions:

Credit is a critical factor in development of agriculture and rural sector as it enables investment in capital formation and technological up gradation. Hence, strengthening of rural financial institutions, which deliver credit to the sector, has been identified by NABARD as a thrust area

In order to reinforce the credit functions and to make credit more productive, NABARD has been undertaking a number of developmental and promotional activities such as:-

1. Help cooperative banks and Regional Rural Banks to prepare development actions plans for themselves.
2. Enter into MoU with state governments and cooperative banks specifying their respective obligations to improve the affairs of the banks in a stipulated timeframe.
3. Help Regional Rural Banks and the sponsor banks to enter into MoUs specifying their respective obligations to improve the affairs of the Regional Rural Banks in a stipulated timeframe

obligation to improve the affairs of the banks in a stipulated timeframe.

4. Monitor implementation of development action plans of banks and fulfilment of obligations under MoUs.
5. Provide financial assistance to cooperatives and Regional Rural Banks.
6. Banks for establishment of technical, monitoring and evaluation cells.
7. Provide Organization Development Intervention (ODI) through reputed training institutes like Bankers Institute of Rural Development (BIRD), Lucknow, National Bank Staff College, Lucknow and College of Agriculture Banking, Pune, etc.
8. Provide financial support for the training institutes of cooperative Banks.
9. Provide trainings for senior and middle level executives of commercial banks, Regional Rural Banks and cooperative banks.
10. Create awareness among the borrowers on ethics of repayment through Vikas Volunteer Vahini and Farmer's clubs.
11. Provide financial assistance to cooperative banks for building improved management information system, computerization of operations and development of human resources.

Supervisory Functions:

As an apex bank involved in refinancing credit needs of major financial institutions in the country engaged in offering financial assistance to agriculture and rural development operations and programmes, NABARD has been sharing with the Reserve Bank of India certain supervisory functions in respect of cooperative banks and Regional Rural Banks (RRBs).

As part of these functions, it

1. Undertakes inspection of Regional Rural Banks (RRBs) and Cooperative Banks (other than urban/primary cooperative banks)

2. Under the provisions of Banking Regulation Act, 1949.
3. Undertakes inspection of State Cooperative Agriculture and Rural Development Banks (SCARDBs) and apex non-credit cooperative societies on a voluntary basis.
4. Undertakes portfolio inspections, systems study, besides off-site surveillance of Cooperative Banks and Regional Rural Banks (RRBs)
5. Provides recommendations to Reserve Bank of India on issue of licenses to Cooperative Banks, opening of new branches by State Cooperative Banks and Regional Rural Banks (RRBs).
6. Administering Credit Monitoring Arrangements (CMA) in State Cooperative Banks (SCBs) and Central Cooperative Banks (CCBs).

Core Functions:

NABARD has been entrusted with the statutory responsibility of conducting inspections of State Cooperative Banks (SCBs), District Central Cooperative Banks (DCCBs) and Regional Rural Banks (RRBs) under the provisions of Section 35(6) of the Banking Regulation Act (BR Act), 1949. In addition, NABARD has also been conducting periodic inspections of state level cooperative institutions such as State Cooperative Agriculture and Rural Development Banks (SCARDBs), Apex Weavers Societies, Marketing Federations, etc., on a voluntary basis.

Objectives:

The rural financial system in the country calls for a strong and efficient credit delivery system, capable of taking care of the expanding and diverse credit needs of agriculture and rural development. More than 50% of the rural credit is disbursed by the Co-operative Banks and Regional Rural Banks. NABARD is responsible for regulating and supervising the functions of Co-operative banks and RRBs. In this direction NABARD has been taking various initiatives in association with Government of India.

Development Action Plan (DAP)/Memorandum of Understanding (MoU):

In order to strengthen Co-operative Credit Institutions both in Short Term and Long Term Structures as viable units on a sustainable basis, NABARD has introduced a mechanism of DAP/MoU aiming at institution specific measures in 1994-95. The performance obligations arising out of DAP formed the basis of the Memorandum of Understanding (MoU) between stake holders. The mechanism of DAP/MoU has helped in building appreciation and awareness for strategic planning facilitating, in turn, sustainable viability at all levels. The feedback received indicates that there was positive impact on the performance of banks as a result of introduction of DAP/MoU through reduction of CoM and cost of resources

Subsidiaries of NABARD:

NABARD Consultancy Services (NABCONS) is a wholly owned subsidiary promoted by National Bank for Agriculture and Rural Development (NABARD) and is engaged in providing consultancy in all spheres of agriculture, rural development and allied areas. Nabcons leverages on the core competence of the NABARD in the areas of agricultural and rural development, especially multidisciplinary projects, banking, institutional development, infrastructure, training, etc., internalized for more than two decades. The Company is registered under the Company's Act, 1956, with an authorized capital of 250 million (US \$5.75 million) and paid up capital of 50 million (US \$1.15 million). In tune with NABARD's mission to bring about rural prosperity, Nabcons has more than just commercial interest in the assignments it undertakes.

NABARD Financial Services Limited:

NABFINS is a subsidiary of National Bank for Agriculture and Rural Development (NABARD) with equity participation from NABARD, Government of Karnataka, Canara Bank, Union Bank of India, Dhanalakshmi Bank and Federal Bank. It is a non-deposit taking NBFC registered with the Reserve Bank of India and shall operate throughout India. The main objectives of the Company are to

provide financial services in two broad areas of agriculture and microfinance. NABFINS provides credit and other facilities for promotion, expansion, commercialization and modernization of agriculture and allied activities.

NABFINS shall engage in the business of providing micro finance services (with or without thrift) and other facilities to needy and disadvantaged sections of the society for securing their prosperity in both rural and urban areas. NABARD, which is the world renowned apex development bank of our country and pioneered the world's largest microfinance movement, while promoting NABFINS has envisaged that NABFINS shall evolve into a Model Microfinance Institution to set standards of governance among the MFIs, operate with exemplary levels of transparency and operate at reasonable / moderate rates of interest.

Associates:

NABARD's international associates range from World Bank-affiliated organizations to global developmental agencies working in the field of agriculture and rural development. These agencies offer material and advisory help in implementing schemes that are aimed at uplifting the rural poor and in making agricultural processes effective and yielding.

a) Business Operations

Production Credit: Production Credit (or Crop Loans) to Cooperative Banks and Regional Rural Banks (RRBs) stood at 48,981 crore during 2011-12, registering a growth of 45 per cent over the previous year.

Investment Credit: Investment Credit for capital formation in agriculture & allied sectors, non-farm sector activities and services sector to commercial banks, RRBs and co-operative banks reached a level of 15,421 crore as on 31 March 2012 registering an increase of 14 per cent, over the previous year.

Rural Infrastructure Development Fund (RIDF): Through the Rural Infrastructure Development Fund (RIDF) 14927 crore was disbursed during 2011-12. A cumulative amount of 142470.65 crore has been sanctioned for 462229 projects as on 31 March 2012 covering irrigation, rural roads and bridges, health and education, soil conservation, drinking water schemes, flood protection, forest management etc.

b) New Business Initiatives

NABARD Infrastructure Development Assistance (NIDA):

NABARD has set up NIDA, a new line of credit support for funding of rural infrastructure projects. The cumulative sanctions under NIDA during the year 2011-12 was 890.85 crore and disbursement was 422.90 crore.

Producers Organizations Development Fund (PODF): In order to support and finance Producers' Organizations, NABARD set up PODF. During the year, 13 projects were sanctioned to Producers Organizations and 70 projects to PACS, with an assistance of 32.29 crore and 7.75 crore, respectively. The cumulative sanction under the fund was 40.04 crore.

Direct Lending to CCBs: Under Direct lending to CCBs, 937.74 crore was disbursed during the year 2011-12.

In this Data 2011-12 was mentioned, we have to update the data as mush as we can. (latest years) and also there is no conclusion of the paper.

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