



NEW BUSINESS MODEL OF NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT IN INDIA

Commerce

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ABSTRACT

This paper is research purpose only. NABARD has been instrumental in grounding rural, social innovations and social enterprises in the rural hinterlands. It has in the process partnered with about 4000 partner organisations in grounding many of the interventions be it, SHG-Bank Linkage programme, tree-based tribal communities' livelihoods initiative, watershed approach in soil and water conservation, increasing crop productivity initiatives through lead crop initiative or dissemination of information flow to agrarian communities through Farmer clubs. Despite all this, it pays huge taxes too, to the exchequer figuring in the top 50 tax payers consistently. NABARD virtually ploughs back all the profits for development spending, in their unending search for solutions and answers.

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 were ₹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.

PACS as Multi Service Centres: A total of 2,335 PACS have been developed as Multi-service Centres through various interventions from NABARD.

Core Banking Solutions (CBS): Through Core Banking Solution (CBS), Co-operatives are being brought to a higher technology platform so as to compete with other banks for business and growth.

KEYWORDS

Irrigation & Water Resources Finance Corporation

Development

Watershed Development Fund (WDF): During 2011-12, NABARD provided assistance of ₹239.99 crore for watershed development covering an area of 5.29 lakh ha, as against ₹152 crore during 2010-11. The cumulative support stood at ₹598 crore in respect of 620 projects as on 31 March 2012

Farm Innovation and Promotion Fund (FIPF): During 2011-12, 41 projects were sanctioned under FIPF in 14 States with financial assistance of ₹56.53 crore under the Fund. The Fund also supported the pilot testing of the unique mobile-enabled Kisan Credit Project (m-KCC) project.

Farmers' Technology Transfer Fund (FTTF): During the year 2011-12, 395 proposals were sanctioned in 29 States with grant assistance of ₹20.59 crore. The cumulative disbursement as at the end of March 2012 was ₹44.59 crore.

Farmers' Clubs: With the launching of 25,243 new Farmers' Clubs during the year, the number of clubs reached 1,01,951 as on 31 March 2012.

Umbrella Programme on Natural Resource Management : (UPNRM): UPNRM aims to boost rural livelihoods by supporting community-managed sustainable natural resource management projects and supported 104 projects in 16 States with disbursements to the tune of ₹131.89 crore.

Tribal Development Fund (TDF): During the year 2011-12, financial assistance of ₹290.63 crore was sanctioned for 98 projects benefiting 72,419 tribal families in 16 States. The cumulative sanction as on 31 March 2012 was ₹1,208.23 crore, covering 3.23 lakh families in 415 projects across 26 States/UTs.

Financial Inclusion Fund (FIF) and the Financial Inclusion Technology Fund (FITF): As on 31 March 2012, the cumulative sanctions under FIF and FITF were ₹114.62 crore and ₹343.48 crore, respectively and disbursements were ₹36.46 crore and ₹184.16 crore,

respectively.

SHG-Bank Linkage Programme: As on 31 March 2011, there were more than 74.62 lakh savings linked Self Help Groups (SHG) and more than 47.87 lakh credit-linked SHGs covering 9.7 crore poor households under the micro-finance programme. The SHG - Bank Linkage Programme was given a renewed thrust with the launch of SHG-2.

Small Farmers' Agri-Business Consortium

Indian agriculture today is essentially smallholder agriculture; as much as 83% of all cultivators are either marginal or small (which means that they till less than 2 hectares, or 5 acres, of land). The average landholding size has shrunk to 1.2 hectares. Yet across a range of parameters, from intensity of cultivation to per capita use of irrigation and fertilizer, small and marginal farmers are more productive and efficient than large landholders. The challenges that these small producers face can be summed up in three words, viz., Investments, Technology and Markets.

Establishment of SFAC

Realizing that the prevailing need for creating a conducive environment for generating rural employment and enhancing farmers income, the then Hon'ble Finance Minister announced the decision of Government of India's new innovative for setting up of Small Farmer's Agri-Business Consortium in his budget speech for the year 1992-93 in the following words: "Special attention needs to be paid to supporting innovative ideas for generating income and employment in rural areas through support to various types of agri-business".

The setting up of the Small Farmers' Agri-Business Consortium (SFAC) in 1994 was a sequel to the above announcement for bringing about and facilitating a farm-focus growth through new ventures in agro-based industries.

Objectives

1. To catalyze agro-industrial growth in the country based on the principles of Ecological sustainability, Economic efficiency and Social equity.

2. To undertake or assist in undertaking programs for employment generation, growth and diversification of agriculture & agro-based industries to increase food production and export of agriculture products, in both primary and processed forms. To identify and promote post-harvest processing/manufactures units in the public, private and cooperative sector.

To promote organization of marketing chain both for domestic and export marketing.

To influence Government policies for agriculture, thereby increasing the flow of resources and augmenting the rate of capital formation in agriculture sector. To pave the way for establishment of integrated producers' organizations with forward and backward linkages.

To prepare, print and publish papers, periodicals, monographs in furtherance of the objectives of the society.

Work Scope

SFAC in addition to the endeavours complying with its core objectives, also takes up implementation of the schemes and programs of various Government of India (GOI) Ministries and Departments and other Financial Institutions and Banks on a service charge basis. The SFAC society is currently implementing the following schemes and programs viz.

The Schematic Pattern of Assistance from SFAC, out of GOI grants-in-aid for promotion of value addition in the hands of farmers, through setting up part-processing, Semi-processing and full-processing facilities, through the setting up of Agri-Business ventures all over the country mostly in collaboration with the private sector. and active corporation of commercial banks.

SFAC also provides to agri-business projects involving value addition in the hands of the farmers. Most of these projects involve agri-partner and post harvest management, marketing etc.

Horticulture Mission For North East And Himalayan States (HMNEH) on Behalf of the Department of Agriculture & Cooperation, which seeks to create a viable alternative livelihood option for the people of NER, taking into account the entire gamut of horticulture development, with all backward and forward linkages in a holistic manner.

Irrigation & Water Resources Finance Corporation (IWRFC)

In the Budget Speech for 2008-09, the Finance Minister made an announcement that keeping in view the massive investments required to be made in irrigation projects, Government proposes to establish the Irrigation and Water Resources Finance Corporation (IWRFC) with an initial capital of ` .100 crore contributed by the Central Government to mobilize the very large resources that will be required to fund major and medium irrigation projects. In compliance with the above Announcement, Irrigation and Water Resources Finance Corporation Limited (IWRFC) has been set up as a Company under the Companies Act, 1956 on March 29, 2008 with an initial paid up capital of `100 crore contributed by Central Govt. In the Budget speech of 2012-13, Hon'ble FM has announced that 'To mobilize large resources to fund irrigation projects, a Government owned Irrigation and Water Resource Finance Company is being operationalized. The Company would start its operations in 2012-13 by focusing on financing sub-sectors like micro-irrigation, contract farming, waste water management and sanitation'. In pursuance of the Budget Announcement IWRFC has been operationalized and Shri S.K. Goel, Chairman & Managing Director, India Infrastructure Finance Company Limited (IIFCL) has been appointed as CMD, IWRFC (Additional Charge).

Micro Finance Institutions (MFIs)

MFIs could play a significant role in facilitating inclusion, as they are uniquely positioned in reaching out to the rural poor. Many of them operate in a limited geographical area, have a greater understanding of the issues specific to the rural poor, enjoy greater acceptability amongst the rural poor and have flexibility in operations providing a level of comfort to their clientele. There are several legal forms of MFIs. However, firm data regarding the number of MFIs operating under different forms is not available. It is roughly estimated that there are about 1,000 NGO-MFIs and more than 20 Company MFIs. Further, in Andhra Pradesh, nearly 30,000 cooperative organizations are

engaged in MF activities. However, the company MFIs are major players accounting for over 80% of the microfinance loan portfolio.

Definition of Microfinance and MFIs

The proposed Microfinance Services Regulation Bill defines microfinance services as "providing financial assistance to an individual or an eligible client, either directly or through a group mechanism for:

1. an amount, not exceeding rupees fifty thousand in aggregate per individual, for small and tiny enterprise, agriculture, allied activities (including for consumption purposes of such individual) or
2. an amount not exceeding rupees one lakh fifty thousand in aggregate per individual for housing purposes, or
3. such other amounts, for any of the purposes mentioned at items (i) and (ii) above or other purposes, as may be prescribed."
4. The proposed regulations further define an MFI as "an organization or association of individuals including the following if it is established for the purpose of carrying on the business of extending microfinance services:
5. a society registered under the Societies Registration Act, 1860,
6. a trust created under the Indian Trust Act, 1880 or public trust registered under any State enactment governing trust or public, religious or charitable purposes,
7. a cooperative society / mutual benefit society / mutually aided society registered under any State enactment relating to such societies or any multistate cooperative society registered under the Multi State Cooperative Societies Act, 2002 but not including:
8. a cooperative bank as defined in clause (cci) of section 5 of the Banking Regulation Act, 1949 or
9. A cooperative society engaged in agricultural operations or industrial activity or purchase or sale of any goods and services."

MF-NBFCs as Bcs

MF-NBFCs operate in a limited geographic area and have local feel. To enable the poor to have access to savings services, MF-NBFCs may be recognized as Business Correspondents of banks for only providing savings and remittance services.

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