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Role of Nabard in rural development of Bihar

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Abstract

The National Bank for Agriculture and Rural Development (NABARD) was set up in July, 1982 following after the recommendations of the Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development. All major issues related to rural credit until then dealt with by the RBI and the Agricultural Refinance and Development Corporation moved under the control of NABARD. NABARD thus emerged as the apex institution to play a pivotal role in the sphere of policy planning and providing refinance facilities to rural financial institutions. NABARD has also been playing a catalytic role in micro-credit through the channel of Self-Help Groups (SHGs). In order to attain sustainable development in Bihar, the vicious circle of poverty should be overpowered by economic drivers. Although Bihar accounts for 8.6 percent of India's population, its share in the poverty-stricker population is much higher at 13.3 percent. This landscape may get changed with the contribution being initiated and nurtured by the NABARD.

Keywords: development initiatives, micro-credit, NABARD, rural development, self-help groups

Introduction

The agenda of rural development is very important for the Indian economy, since nearly 70 percent of its population live in rural areas, earning their livelihood mainly from agriculture. For Bihar, this agenda is even more important. No less than 90 percent of Bihar's population live in rural areas. The challenge of development of the rural economy assumes greater significance in Bihar, as the density of population in the state is very high, putting enormous pressure on its land resources. The rural Bihar also sends a large number of migrants, either within or outside the state, underlining the limited scope of employment in the rural economy.

For rural development, the state government has several programmes like extending irrigation network, improving road connectivity of the rural areas, increasing the availability of power, and a number of schemes to help the farmers to improve the technological base of agriculture. Some of these programmes to strengthen the rural economy are also supported by the central government. In addition, the state government has also made several interventions in the field of health and education to promote social development in the rural areas. All these programmes are aimed at strengthening the rural economy at one hand and promoting human development in the rural area.

NABARD: The Facilitator of Credit Flow

The NABARD has a mandate for facilitating credit flow for development of agriculture, agro-industries, village and cottage industries, handicrafts and other rural crafts by providing refinance to lending institutions in rural areas. It also coordinates the operation of rural credit institutions and offers training and research facilities. In addition, it manages the Rural Infrastructure Development Fund (RIDF), created to

compensate for the shortfall in lending by commercial banks to agriculture. NABARD also provides loans to state governments for projects relating to irrigation, soil conservation, watershed management, drinking water supply, cold storage chains, and other rural infrastructure projects.

The details of sector-wise refinancing by NABARD till March 2017 are shown in Table 1. Total financial support provided during 2016-17 was Rs. 5449 crore, less than the amount of Rs. 6778 crore in 2015-16. There was substantial decrease in crop loan refinance, which was partly compensated by increase in investment credit refinancing. During the year, the shares of different components were-crop loan refinancing (31.6 percent), investment credit refinancing (40.3 percent) and RIDF loans (28.1 percent).

Table 1: Sector-wise Refinancing by NABARD (Rs crore)

Year	Crop Loan Refinance	Investment Credit Refinancing	RIDF Loan (Sanctioned)	Total Financial Support
2010-11	409.7	285.9	640.0	1335.6
2011-12	700.0	376.5	638.0	1714.5
2012-13	1077.0	521.4	903.0	2501.4
2013-14	2338.0	370.6	1325.0	4033.6
2014-15	4370.0	2157.4	1128.0	7655.4
2015-16	2377.6	3219.7	1181.0	6778.3
2016-17	1720.7	2194.7	1535.5	5448.9

Source: Website of NABARD-www.nabard.org

Under the Investment Credit Refinancing, NABARD covers a number of activities during the last seven years. It emerges from the table that the shares of five listed activities in total refinancing of Rs.2194.7 crore were-minor irrigation (1.6 percent), farm mechanization (31.7 percent), Self-Help

Groups (3.6 percent), dairy (3.2 percent) and non-farm sector (4.5 percent). The level of refinancing in 2016-17 was

decreased by nearly one third of that of the previous year.

Table 2: Details of Sector-wise Investment Credit Refinance in Bihar by NABARD (Rs. Crore)

Sectors	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Minor Irrigation	39.38	32.72	46.57	17.89	25.25	43.44	34.99
Farm Mechanization	81.92	97.76	250.84	67.27	295.60	164.77	815.07
Dairy	92.56	70.62	-	31.11	104.59	333.68	69.95
Self Help Groups	40.57	43.66	-	63.38	114.24	92.15	80.00
Non-Farm Sector	22.84	97.80	53.56	21.26	298.06	67.88	99.51
Others	8.72	33.98	170.46	169.73	1319.30	2517.75	1095.16
Total	285.99	376.54	521.43	370.64	2157.36	3219.66	2194.68

Source: Website of NABARD-www.nabard.org

The Rural Infrastructure Development Fund

The RIDF was set up by the central government in 1995-96 for financing ongoing rural infrastructure projects by providing low cost fund support to the state governments and state-owned corporations. The fund is managed by NABARD. The Scheduled commercial banks contribute to the fund to the extent of their shortfall in stipulated priority sector lending to agriculture. The RIDF was created to provide the following benefits:

1. Unlocking of sunk investment already made by the state governments,
2. Creation of additional irrigation potential,
3. Generation of additional employment for the rural people,
4. Contribution to the economic wealth of the state,
5. Improved connectivity between villages and marketing centres, and
6. Improvements in quality of life through facilities in education, health and drinking water supply.

At present, RIDF covers a wide range of 36 activities classified broadly under three categories-

1. Agriculture and Related sectors,
2. Social Sectors and
3. Rural Connectivity.

For Agriculture and Related Sectors, the loans are provided for 95 percent of the project cost; for Social Sector, the limit is 90 percent for north-eastern region and 85 percent for other states; finally, for Rural Connectivity, the limits are 90 percent for north-eastern region and 80 percent for other states.

Till the end of March 2017, 22 tranches of RIDF have been sanctioned. From the initial corpus of Rs 2000 crore under Tranche I, the cumulative resources allocated from RIDF-I to XXI were Rs 2,42,500 crore, against which sanctions and disbursements were Rs 2,60,159 crore and Rs 90,023 crore respectively. Of these, tranches up to RIDF-XIV have been closed with a funding of Rs 86,000 crore and an overall utilisation of 90 percent.

Table 3: Sanctions and Disbursements in Bihar under RIDF till March, 2017 (Rs. Crore)

RIDF Tranche	Sanction	Disbursement	Disbursement Percentage
RIDF I-X	508	351	69.1
RIDF XI	459	418	91.1
RIDF XII	305	231	75.7
RIDF XIII	578	512	88.6
RIDF XIV	752	733	97.5
RIDF XV	674	637	94.5
RIDF XVI	1089	801	73.6
RIDF XVII	1490	1124	75.4
RIDF XIX	1764	1251	70.9
RIDF XX	1085	511	47.1
RIDF XXI	2025	308	15.2
Total till March 2014	8671	5290	61.0
Total till March 2015	9756	6418	65.8
Total till March 2016	11781	7599	64.5
Total till March 2017	13596	8834	65.0

Source: Website of NABARD-www.nabard.org

The total disbursements made by NABARD to Bihar under 22 tranches of the RIDF loan are shown in Table 3. For many tranches, there is a huge gap between sanction and disbursement. Till March 2014, the total disbursement stood 61.0 percent which rose to 65.0 percent by March 2017. Such shortfall in disbursements of RIDF funds is a matter of concern for Bihar.

Micro Finance Movement through SHG-Bank Linkage Programme

NABARD's SHG-Bank Linkage Programme (SBLP) has emerged as the world's largest micro finance movement by organizing the poor into groups and linking them with banks to credit facilities. Bihar, a slow starter, is gradually matching with other states in both formation of SHGs and ensuring their

bank linkages. As of March, 2017, bank-linked SHG coverage in rural Bihar was 57.33 lakh households, up from 36.21 lakh a year before. The average savings of Rs 14,198 per SHG in Bihar was still well below the national average of Rs. 18,787 and the gap has considerably widened in 2016-17. The average credit of Rs 85 thousand per SHG was again far below the national average of Rs. 2.04 lakh. The total loans disbursed during 2016-17 to the SHGs by banks amounted to Rs 1323 crore, which was much higher than Rs 611 crore disbursed in the previous year. Their outstanding loans at the end of 2016-17 stood at Rs. 1584.86 crore, more than 1.5 times of the corresponding figure one year earlier (Rs. 1002.48 crore). The non-productive assets of SHGs in Bihar increased substantially from Rs. 71.3 crore in 2014-15 to Rs. 2020 crore in 2016-17. Such non-productive assets in 2015-16 constituted 13.25 percent of total outstanding loans, compared to a much lower 6.94 percent in the previous year. It was 13.1 percent of the total outstanding loans in 2016-17, nearly the same recorded in the previous year.

Some major handicaps that exist in linking the SHGs to banks include the absence of reputed NGOs and low awareness of the stakeholders about the benefits of SHG lending. As noted by NABARD, despite the unique characteristics of SHGs and their accomplishments so far, several issues continue to affect the programme like inadequate outreach in many regions, delays in opening of SHG accounts, delays in disbursement of loans, impounding of savings by banks as collateral, non-approval of repeat loans even when the first loans were repaid promptly, multiple membership, limited interface with bankers, and monitoring. It is expected that initiatives taken by NABARD and other implementing banks in organizing sensitization programmes shall result in a more favourable environment towards the SHG movement in the state.

Conclusion

It is a known fact that for economic development of a nation, presence of adequate infrastructure in rural and urban areas is indispensable. In Indian context, infrastructure development is essential not only in urban areas but also in remote and rural areas of the country as majority of the share of the total population is still domiciled in rural and semi develop areas. Rural Infrastructure is two way associated. On one side it is negatively associated with incidence of poverty. Investment in rural infrastructure has manifold effect which leads to create new economic opportunities, generate additional employment, enhance credit absorption and also ensure delivery of related services. The ultimate result of this will surely lead to improvement in the standard of living and also reduce the frailness of the rural people.

Mission of NABARD is to promote sustainable and equitable agriculture and rural development through effective credit support, related services, institution building and other innovative initiatives. For the attainment of this mission, NABARD performs multiple kind of functions among all the functions.

The bank has also focus on overall development and income generating interventions aimed at supplanting the credit functions as well as making credit more productive. It also plays a significant role in proper functioning of cooperative

banks and regional rural banks in the country. To ensure smooth functioning and strengthening of cooperative banks and RRBs, NABARD has always been instrumental and helping all these financial institutions working in the field of rural and agriculture credit. Another important area of functions performed well by this bank is to impart with different kinds of training such as legal, technical, financial, marketing as well as consultancy which is well written in the NABARD Act itself.

NABARD is responsible for coordinating with the Government of India, the Planning Commission, State Governments and other agencies concerned with the development of rural industrialization. It is also responsible for ensuring the implementation of various policies and programs meant for providing finance to the rural industries.

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