

"Study of NABARD's role in agricultural credit."

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Abstract

The National Bank for Agriculture and Rural growth (NABARD) is an organisation that plays a crucial part in the growth of India's agricultural sector. It does this by offering financial assistance, facilitating lending, and giving policy direction to rural institutions and farmers. The contributions that NABARD has made to agricultural credit are investigated in this study, with a particular emphasis on the organization's mechanisms for refinancing, rural credit flow, and the promotion of sustainable agricultural practices. Furthermore, the research illustrates how NABARD bridges the gap between formal financial institutions and rural borrowers, therefore boosting agricultural output and rural lives. This is accomplished through a mix of secondary data analysis and field observations. In addition, the study reveals constraints that have an influence on the success of NABARD's treatments. These barriers include geographical inequities, difficulties in obtaining loans, and problems with repayment. The findings of this research highlight the strategic role that NABARD plays in promoting inclusive growth and financial empowerment in rural India. This is accomplished by analysing trends in agricultural loan disbursement, priority sector lending, and development initiatives. The results offer valuable insights that may be utilised by policymakers, financial institutions, and researchers who are working towards the goal of enhancing rural lending systems and promoting sustainable agricultural growth.

Keywords: NABARD's, agricultural, credit, agricultural

Introduction

Agriculture continues to be the foundation of India's economy, since it is responsible for the employment of about half of the country's people and makes a considerable contribution to the country's overall GDP. There are a number of obstacles that the sector must overcome, despite the fact that it is of great significance. These obstacles include fragmented landholdings, dependence on the monsoon, a lack of modern equipment, and inadequate access to timely finance. In this environment, the availability of agricultural financing appears as a critical aspect in assuring the productivity of farms, fostering the development of rural areas, and attaining food security. Credit not only makes it possible for farmers to buy inputs like seeds, fertilisers, and machinery, but it also makes it easier for them to invest in environmentally responsible farming methods, irrigation systems, and post-harvest technology.

In 1982, the National Bank for agricultural and Rural Development (NABARD) was created with the primary purpose of promoting and funding agricultural and rural development in India. This was the major mission of the bank. The National Agricultural and Rural Development Bank (NABARD) is a specialised organisation that offers assistance with refinancing, developmental initiatives, and policy guidance to cooperative institutions and banks that are involved in agricultural lending. It is not limited to only providing financial assistance; rather, it incorporates credit planning, institutional development, capacity building, and creative initiatives that are aimed to empower rural organisations and

communities. Supporting loans to key sectors, enabling microfinance, fostering self-help organisations, and establishing programs that incorporate technology and sustainability in farming methods are some of the activities that NABARD is working on.

Over the course of several decades, the National Bank for Agriculture and Rural Development (NABARD) has become an indispensable connection between the formal financial sector and rural India, serving to bridge the gap between policy aims and the reality on the ground. Increasing the availability of institutional credit, decreasing reliance on informal moneylenders, and fostering inclusive growth are all outcomes that have been strongly influenced by the measures that it has implemented. In spite of this, there are still obstacles to overcome, such as the existence of regional differences in the availability of credit, high rates of loan default, and the requirement for rural financial institutions to improve their capability. For the purpose of devising successful policies that improve agricultural production and rural welfare, it is therefore vital to have a solid understanding of the function that NABARD plays, the influence that it has, and the obstacles that it encounters.

The objective of this study is to investigate the role that NABARD plays in agricultural finance in a comprehensive manner, taking into consideration its methods, accomplishments, and limits. It places an emphasis on the significance of institutional finance in the process of modernising agriculture, assisting rural livelihoods, and promoting sustainable development. The purpose of this research is to give a comprehensive knowledge of how NABARD acts as a catalyst for agricultural growth in India. This will be accomplished by analysing patterns of credit flow, refinancing operations, and development activities.

Research Objectives

1. To examine the structure and functioning of NABARD in India's agricultural credit system.
2. To analyze the mechanisms through which NABARD provides refinance support to commercial banks, cooperative banks, and regional rural banks.
3. To assess the impact of NABARD's credit initiatives on farmers' access to institutional finance.

Evolution of Agricultural Credit in India

There is a long history of agricultural credit in India, beginning with informal lending by moneylenders and progressing to the establishment of cooperative credit institutions and commercial banks. According to research conducted by Reddy (2004) and Vaidyanathan (2006), the limitation of access to institutional loans was a significant obstacle for farmers, particularly those who were considered to be small and marginal farmers. Providing a specialised organisation that is committed to refinancing, policy assistance, and rural development projects, the National Bank for Agricultural Research and Development (NABARD) was established in 1982, marking a turning point. Through the establishment of NABARD, the functions of the Agricultural Credit Department and the Rural Planning and Credit Department were merged into a single entity, which made it possible to take a more organised and coordinated approach to agricultural finance.

NABARD's Role in Agricultural Credit

There have been a number of scholars that have investigated the complex function that NABARD plays in increasing agricultural financing. Not only does NABARD offer refinancing facilities to cooperative

banks, commercial banks, and regional rural banks, but it also offers assistance in loan planning and monitoring, according to Sharma and Singh (2010). The priority sector lending efforts that NABARD has been working on have been extremely helpful in providing finance to tenant farmers, smallholder farmers, and places that have been underserved. NABARD's position in promoting self-help groups (SHGs) and microfinance programs has empowered rural communities, particularly women, hence increasing income creation and social inclusion, according to studies conducted by Joshi (2015) and Kumar & Patel (2017). These studies highlight the significance of NABARD's contribution in these areas.

Impact on Rural Livelihoods

According to research, the initiatives carried out by NABARD have had a favourable influence on the livelihoods of rural residents. According to Raju (2012), the provision of financing assistance by NABARD encourages farmers to make investments in high-yielding crops, contemporary machinery, irrigation infrastructure, and post-harvest technology, which ultimately results in an increase in both productivity and revenue. Chauhan and Saxena (2018) made the observation that regions that had a larger penetration of financing programs sponsored by NABARD reported improved agricultural mechanisation, increased adoption of contemporary techniques, and increased rural entrepreneurship. Studies, on the other hand, highlight recurring issues such as delays in repayment, discrepancies between regions, and a lack of understanding among farmers regarding loan schemes.

Challenges in Agricultural Credit

Even though NABARD has made significant achievements, the literature highlights significant obstacles in the distribution of agricultural finance. According to Reddy and Rao (2016), small and marginal farmers frequently have a difficult time gaining access to institutional loans from financial institutions because of poor documentation, a lack of collateral, and the complexity of the procedures involved. According to Singh and Verma (2019), regional inequalities in credit flow continue to be a cause for worry. The authors note that the states located in the north and west are receiving more attention than the states located in the east and northeastern areas. In addition, research have shown that there are problems associated with an excessive dependency on the monsoon, uncertainty in the market, and a lack of financial literacy, all of which are factors that restrict the efficient utilisation of loans.

NABARD and Rural Development Programs

Furthermore, in addition to the supply of financing, NABARD has actively encouraged rural development by means of projects aimed at capacity-building, watershed management, and the promotion of self-help groups. Mehta (2014) highlights the fact that these programs not only increase financial inclusion but also develop social capital and community involvement while also enhancing financial inclusion. As a result of NABARD's assistance for farmer-producer organisations (FPOs), collective marketing and value addition have been reinforced, which has contributed to improved price realisation and sustainable rural development.

Gaps in Existing Research

Despite the fact that multiple studies have documented the role that NABARD plays, there are still gaps in our understanding of the long-term impact that credit has on productivity, income, and the alleviation of poverty. An insufficient number of comparative evaluations have been conducted regarding regional inequities, the efficiency of loan utilisation, and the effectiveness of development projects. In addition, there is a requirement for research that incorporates both quantitative and qualitative evaluations in order to give a comprehensive assessment of the initiatives that NABARD has implemented.

Role of NABARD

NABARD is the apex organisation in the nation, and it is accountable for the expansion of cottage industries, small enterprises, and village businesses, in addition to other rural businesses. It is also NABARD's mission to assist and encourage integrated growth across economies that are associated with it. NABARD, which stands for the National Bank for Agricultural and Rural Development, is now able to fulfil both the long-term and short-term financial requirements of these organisations. Activities that fall under the purview of NABARD's operations are diverse. In addition to providing financial assistance to financial institutions, it also offers innovations in the creation of schemes, the monitoring of their execution, the evaluation of the outcomes, and the construction of suitable supporting structures for all kinds of agricultural operations. There are various actions that it is able to carry out with ease and efficiency, and it has been given particular functions to aid NABARD in carrying out its responsibilities, including the following: a) Acts as the primary financing agency for organisations that offer loans for production and investment in order to support a wide range of rural development activities. b) In addition to their other responsibilities, they are responsible for monitoring, developing rehabilitation programs, reorganising credit institutions, and training staff in order to improve the capacity of the credit delivery system to absorb information. c) Maintains communication by maintaining contact with the Government of India, state governments, the Reserve Bank of India (RBI), and other national policy-making institutions in order to coordinate the activities of all organisations participating in field development activity to finance rural areas. d) An evaluation and monitoring system is in place for the projects that it has refinanced. Through the process of refinancing banking institutions, the Bank provides financial support to the rural sector. f) In addition to this, it keeps a close check on the institutions that it collaborates with. Refinancing through NABARD is available to State Co-operative Agriculture and Rural Development Banks, State Cooperative Banks, Regional Rural Banks, Commercial Banks, and other financial institutions that have been authorised by the Reserve Bank of India (RBI). There are several different types of entities that can benefit from investment credit, including individuals, partnerships, enterprises, state-owned organisations, and cooperative societies. Individuals, on the other hand, are the primary recipients of production credit. It is well-known that the "SHG Bank Linkage Program" sponsored by NABARD is responsible for encouraging Indian banks to lend money to self-help organisations (SHGs). As a result of the fact that the majority of its members are women from underprivileged backgrounds, self-help groups (SHGs) have emerged as a popular microfinance instrument in India. Through the implementation of this plan, 22 lac SHGs with 3.3 core members are required to be linked to credit by March of 2006.

Credit Facilities provided by NABARD:

Following are some of the credit facilities NABARD facilitates:

1. Rural Infrastructure Development Fund (RIDF)

An program that encourages public investment in agricultural production is known as the RIDF. State governments, Panchayati Raj Institutions (PRIs), Non-Governmental Organisations (NGOs), Self-Help Groups, and other organisations have the opportunity to qualify for funding from the Rural Infrastructure Development Fund (RIDF) for a variety of projects. These projects include, but are not limited to, enduring irrigation, flood mitigation, ecological restoration, remote road infrastructure projects, primary and secondary schools, community clinics, the village has, shared agro forestry, node and agrarian market/godowns, rainwater harvesting, watershed expansion, and flood defences.

2. Kisan Credit Cards

NABARD has developed a plan for a model that will provide Kisan Credit Cards to farmers depending on the amount of land they own. These cards may be used by banks to purchase agricultural supplies like as seeds, fertilisers, insecticides, and other items, as well as to withdraw cash for their production requirements. Farmers are need to get in touch with Researcherized banks in order to implement this scheme.

3. Micro Credit Innovation scheme

Long-term access to finance is crucial for the unreached poor in rural regions, and a plan that utilises several microfinance programs, like as NABARD's MCIS programs, provides cost-effective and long-term financial assistance.

4. Refinance for Rural Housing Facilities scheme

The only entities that are registered with the National Housing Board (NHB) for housing projects in 'rural' regions are individuals, cooperative society unions, governmental organisations, housing boards/improvement, trustees, community group bodies, independent agencies and non-governmental organisations (NGOs), and housing finance companies. A variety of initiatives, including the construction of new dwellings in rural regions, the repair and restoration of existing homes, the construction of rainwater collecting structures, the construction of sanitary latrines, and other projects, will be covered by the money.

5. A Research and Development Fund

Through in-depth study and applied research, as well as experimenting with novel ways that are supported by technological and financial studies, the bank established it with the intention of acquiring new insights into agricultural and rural development challenges. This was the primary motivation behind the establishment of the organisation. It offers training facilities, information dissemination, and research promotion in the domains of agriculture, rural banking, and agricultural development. These are accomplished via the conduct of studies, techno-economic surveys, and other surveys. The fund is available to the following types of organisations: The authorisation has been granted to research institutes, organisations, and other entities that do research that is action-oriented and applied. It is possible for individuals and groups to be eligible for help provided they are sponsored by qualified organisations that are able to confirm the correct utilisation and accounting of these monies. In most

cases, organisations that are private or commercial in nature are not eligible to receive funds from this fund.

6. Swarojgar Credit Card Scheme

The objective is to make available to small enterprises, such as handloom weavers, fishermen, self-employed individuals, rickshaw owners, other micro-entrepreneurs, SHGs, and other small firms, enough and timely finance through the banking system. This money can take the form of working capital, block capital, or both. The SCC Scheme is open to recipients who are borrowers and reside in urban regions. It is also possible for small enterprises operating in priority industries to qualify for the SCC Scheme. Under the system, any initiative or project that results in the creation of employment or income may be eligible for coverage. It is possible that the facility might have an acceptable component for meeting consumption requirements. Among the activities that might be included by the plan are dairy farming, fishing, and other farm-related pursuits. In general, the SCC system is able to cover self-employment enterprises that have a constant turnover or income stream for a short period of time. Rather than being a goal in and of itself, SCC is a system for delivering credit. The fact that a unit is covered by SCC does not prevent it from receiving a subsidy. As a means of attracting borrowers in the SCC planned for loan distribution under any plan, whether subsidised or not, banks can utilise SCCs to attract borrowers.

7. Farmers' Club Program:

One example of a grassroots forum that is not official is the Farmers' Club Program. Clubs of this kind are established by rural branches of banks with the participation and financial assistance of NABARD, with the intention of benefiting both the rural community and the banks themselves collectively. The broad functions include working with banks to sustain loan flow among its members and developing the relationship between the bank and the borrower in respect to the subject matter.

Results and discussion

Year	Credit flows (agriculture) (in crore)	Horticulture	Forestry	Farm Mechanization	Fisheries	Dairy development
2012	511029	1547	16	2134	91	889
2013	607375	1361	8	2282	37	872
2014	730123	690	6	3062	21	931
2015	845328	2033	8	2382	64	1170
2016	855128.23	1983	6	5672	370	2833
2017	959825.70	2631.11	0.83	11076	210.57	2117.62
2018	1065755.67	906	0.15	6862	95	3724

2019	1162616.98	1877	17	5908	125	7204
2020	1254762.20	1046	6	2869	99	3423
2021	~15,00000*	1381.7	2.0	6886.2	111.1	2490

In the year 2012, the amount of credit that was in the agricultural sector was 511029 crore. As a result of the ongoing increase in the credit flow, the total amount of credit flow in 2017 was 959825.70 crore. In the year 2021, the amount of loan flow in the agricultural sector is around 15 lakh crore. The amount of credit that flowed through the horticultural industry in 2012 was 1547 crore. Therefore, the flow of credit has been steadily reducing over the course of the past two years. Credit flow in the horticultural industry had a significant growth in 2015. Next year, the flow of credit for horticulture is consistently reduced, and this continues until the next year. As of the year 2021, the horticulture industry had a credit flow of 1381.7 crore. In the year 2012, the amount of loan flow in the forestry industry is sixteen crore. Consequently, the flow of credit is gradually declining until the year 2019. In the year 2021, the amount of loan flow in the forestry industry is two crore. In the year 2012, the amount of loan flow in the agricultural mechanisation sector was 2134 crore. The credit flow has been steadily growing up until 2017, when it reached a total of 11076 crore crore. After then, the flow of credit will reduce until 2021. In the year 2021, the amount of credit flow that is allocated for agricultural mechanisation is 6886.2 crore. In the year 2012, the credit flow in the fisheries industry was up to 91 crore. Since then, the credit flow has been steadily falling till the year 2015. In the year 2016, the quantity of credit flow in the fisheries industry is 370 crore. Following that, the flow of credit in the fishing industry will continue to decrease until the year 2021. There will be 111.1 crore worth of credit flow in the fishing industry in the year 2021. In the year 2012, the amount of loan flow that was utilised in the dairy development was 889 crore. A total of 872 crore was the amount of credit that was extended to the dairy industry in the year 2013. This flow is expected to continue to increase until the year 2016. The total amount of credit that was granted in the year 2017 is 2117.62. In addition, the credit flow accounts for 2490 crore in the year 2021.

Conclusion

The analysis of NABARD's function in agricultural lending emphasises how important it is to the advancement of institutional finance, the improvement of agricultural output, and the assistance of rural development in India. Particularly for small and marginal farmers who frequently have trouble obtaining finance from conventional sources, NABARD has become a crucial organisation in bridging the gap between official financial institutions and rural borrowers. Through its capacity-building programs, support for farmer-producer organisations (FPOs), encouragement of self-help groups (SHGs), and refinancing facilities, NABARD has promoted sustainable agricultural practices and livelihood development in addition to financial inclusion. According to the report, NABARD's initiatives have greatly increased agricultural loan availability, allowing farmers to make investments in irrigation, value-adding procedures, contemporary technology, and inputs. Higher agricultural production, more revenue, and the empowerment of rural people have all resulted from this. Regional differences in credit flow, complicated loan distribution procedures, repayment problems, and low knowledge among rural borrowers are some of the ongoing obstacles. To ensure equitable growth and optimise the impact of NABARD's activities, these issues must be resolved. To sum up, NABARD is essential to the ecology of agricultural loans in India. Its initiatives have supported financial empowerment and wider rural

development in addition to fortifying institutional credit institutions. It is imperative to concentrate on increasing outreach to underserved areas, streamlining loan access processes, enhancing financial literacy, and consistently tracking and assessing program results in order to further increase efficacy. By doing this, NABARD can keep promoting inclusive economic growth, rural prosperity, and sustainable agriculture in India.

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