

Role of NABARD in Promoting, Supporting and Regulating Agriculture Finance



**NATIONAL BANK FOR AGRICULTURE
AND RURAL DEVELOPMENT**

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Genesis

- **NABARD the Apex Institution for Agriculture and Rural Development, was set up on 12 July 1982**

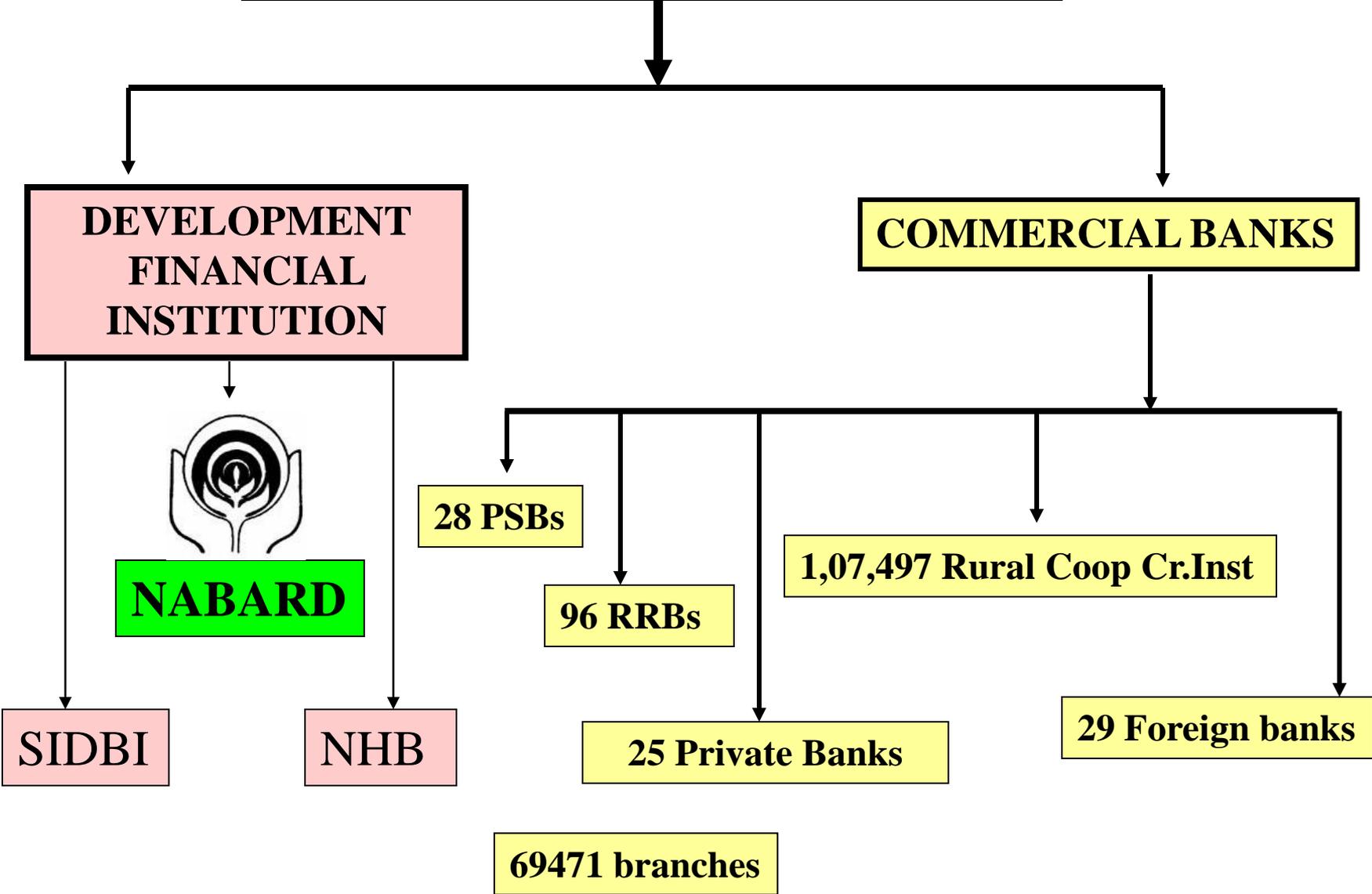
Mission

“Promoting sustainable and equitable agriculture and rural prosperity through effective credit support, related services, institution development and other innovative initiatives”

- **It ensures integrated development of rural areas through single window approach**



RESERVE BANK OF INDIA





Indian Agriculture

- **Agriculture is the backbone of Indian Economy**
- **It accounts for about 19 per cent of GDP**
- **Nearly two third of the population is dependent on the sector**
- **Farm credit an essence for boosting agriculture**
- **Government and the Reserve Bank of India (RBI) have been key facilitators in increasing credit flow to the sector**



Indian Agriculture contd...

Indian agriculture suffers from

- **Poor productivity**
- **Falling water levels**
- **Expensive credit**
- **Distorted market**
- **Several intermediaries**
- **Laws that stifle private investment**
- **Regulated prices**
- **Poor infrastructure**
- **Lack of need based research**



Steps to Increase Institutional Finance to Agriculture

The evolution of institutional credit to agriculture could be broadly classified into four distinct phases

- **1904-1969 - Predominance of co-operatives and setting up of RBI**
- **1969-1975 - Nationalization of commercial banks and setting up of Regional Rural Banks (RRBs)**
- **1975-1990- Setting up of NABARD**
- **1991 onwards - Financial sector reforms**



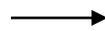
Steps to Increase Institutional Finance to Agriculture contd...

- **1935 - Reserve Bank of India (RBI) started operations**
- **1949 - RBI Nationalized; Banking Regulation Act enacted**
- **1966 - Cooperative banks come under RBI regulation**
- **1969 - Nationalization of 14 major commercial banks**
- **1974 - Introduction of priority sector lending targets**
- **1982 - NABARD set up**



Functions of NABARD

POLICY
ADVOCACY



- Advisor to GOI, RBI, State Govts.
- Evolving of alternative credit delivery models
- Part of committees constituted by GoI, RBI

PLANNING &
CREDIT



- Monitoring rural credit
- Preparation of potential linked credit plans
- Financial assistance to RFIs – Production and Investment Credit
- Financing of Rural Infrastructure

DEVELOPMENT
&
PROMOTIONAL



- Institutional development – Coops & RRBs
- Capacity building of stakeholders
- Research, studies, dissemination
- WDF, TDF, RIF ...

SUPERVISION



Statutory inspection of RRBs and Coop. Banks

CONSULTANCY



- Preparation of DPRs, TEFRs, Evaluation of projects, IVPs, CDRs, etc.



NABARD- Unique Features

- **Facilitates credit flow for agriculture and rural development**
- **Strengthens rural credit delivery system through institutional development measures**
- **Supervises rural financial institutions (rural co-operative banks and RRBs)**
- **Promotes and supports policies, practices and innovations conducive to agriculture and rural development**



NABARD- Unique Features Contd...

- **Mobilizes resources from urban areas to facilitate credit flow for rural development**
- **Promotes financial inclusion through the largest microfinance movement of the world**
- **Providing consultancy services to banks, government and private enterprise.**
- **Laying special emphasis on development of tribal people**



NABARD- Unique Features Contd...

- **Piloting Natural Resource Management through programs for soil and water conservation**
- **Facilitating credit planning on assessed developmental potential and monitoring ground level credit flow – PLP**
- **Providing financial support to State Governments for developing appropriate rural infrastructure- RIDF**
- **Capacity building of RFIS and rural entrepreneurs**



Promotion and Development Farm Sector Initiatives

Natural Resources Management

Watershed Development Program

- Initiated in 1992 to develop micro watersheds in an integrated and comprehensive manner
- Helps in regeneration of natural resources involving village communities through participatory approach
- Village Communities along with NGOs and NABARD are involved in designing, planning, implementing and monitoring of the watershed programs



Promotional Initiatives for Cooperatives & RRBs

For Cooperatives

- **DAP/MoU**
- **Revival package for ST Cooperative Credit Structure**
- **Recapitalization**
- **Computerization**
- **Institutional Reforms**
- **HR development**

For RRBs

DAP/MoU, Recapitalization, Regulation

Microfinance-SHG is a...



Group of 15 to 20 people from economically homogeneous class of rural poor, voluntarily come together to save and use the pooled resources for making small interest bearing loans to their members



The Beginning of SHG..

- **Pilot project launched in 1992**
- **Action research project -MYRADA**
- **Combined the flexibility, sensitivity and responsiveness of the informal credit system with the financial strength of the formal banking system**
- **Encouraged thrift and credit among poor**



The Beginning of SHG..Contd..

Why Group Approach

- **Tasks are better carried out by small groups**
- **Active participation, interactions, understanding of individual members**
- **Peer pressure**
- **Collective action for mutual benefit**
- **Identification, follow-up and supervision of end use of credit becomes easier**
- **Externalizing credit supervision**



SHG- A simple concept built on..

HOMOGENEITY

GROUP MEETINGS

Fixed date, fixed time, rotation
of Leadership

SAVINGS FIRST

Credit Later

INTERNAL LENDING

Decision making within the group

BOOK KEEPING



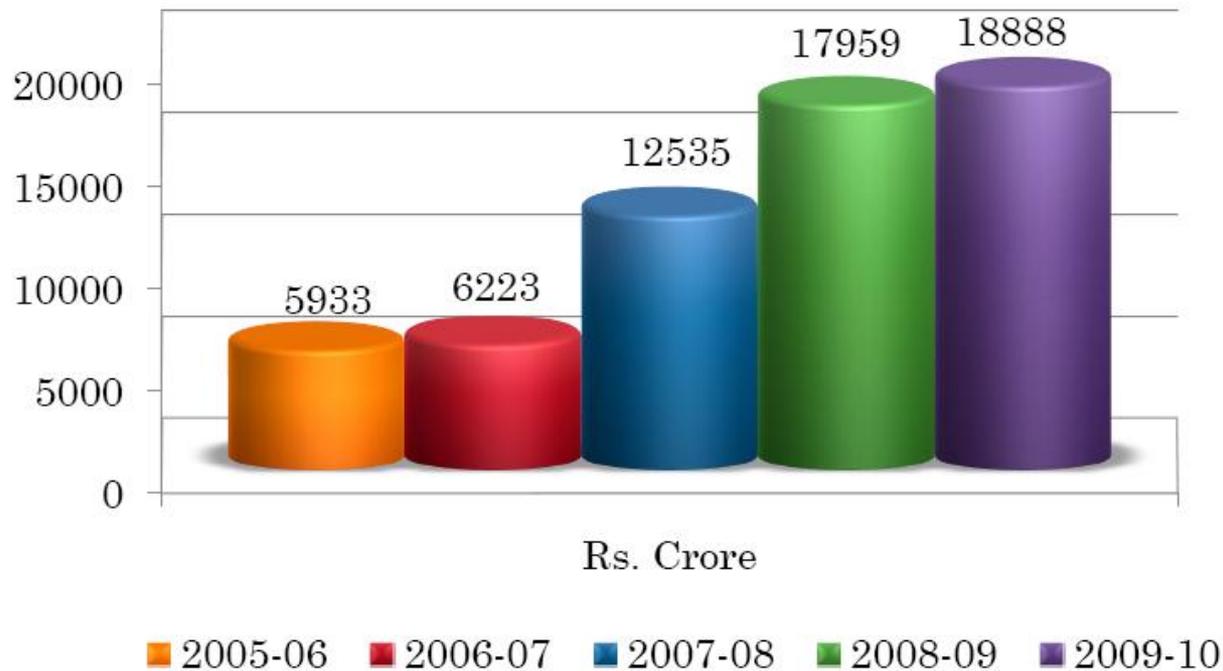
Farmers' Clubs

- **Program designed to meet existing and emerging challenges in agriculture**
- **Better banker borrower relationship**
- **Technology transfer**
- **Post Harvest Technology and value addition**
- **Better bargaining power in procuring inputs and selling the produce**



RIDF – Disbursements

RIDF



RIDF Disbursements to State Governments

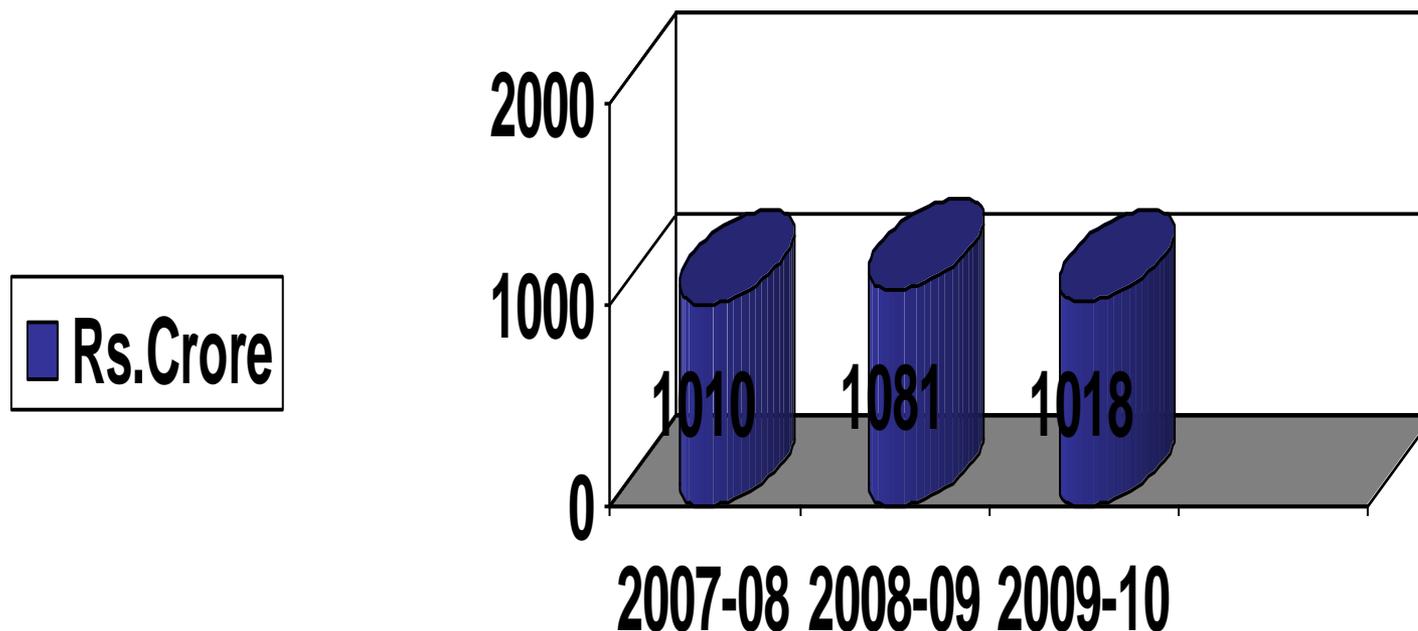


1 Crore = 10 millions, 1 USD = 45 Rs.



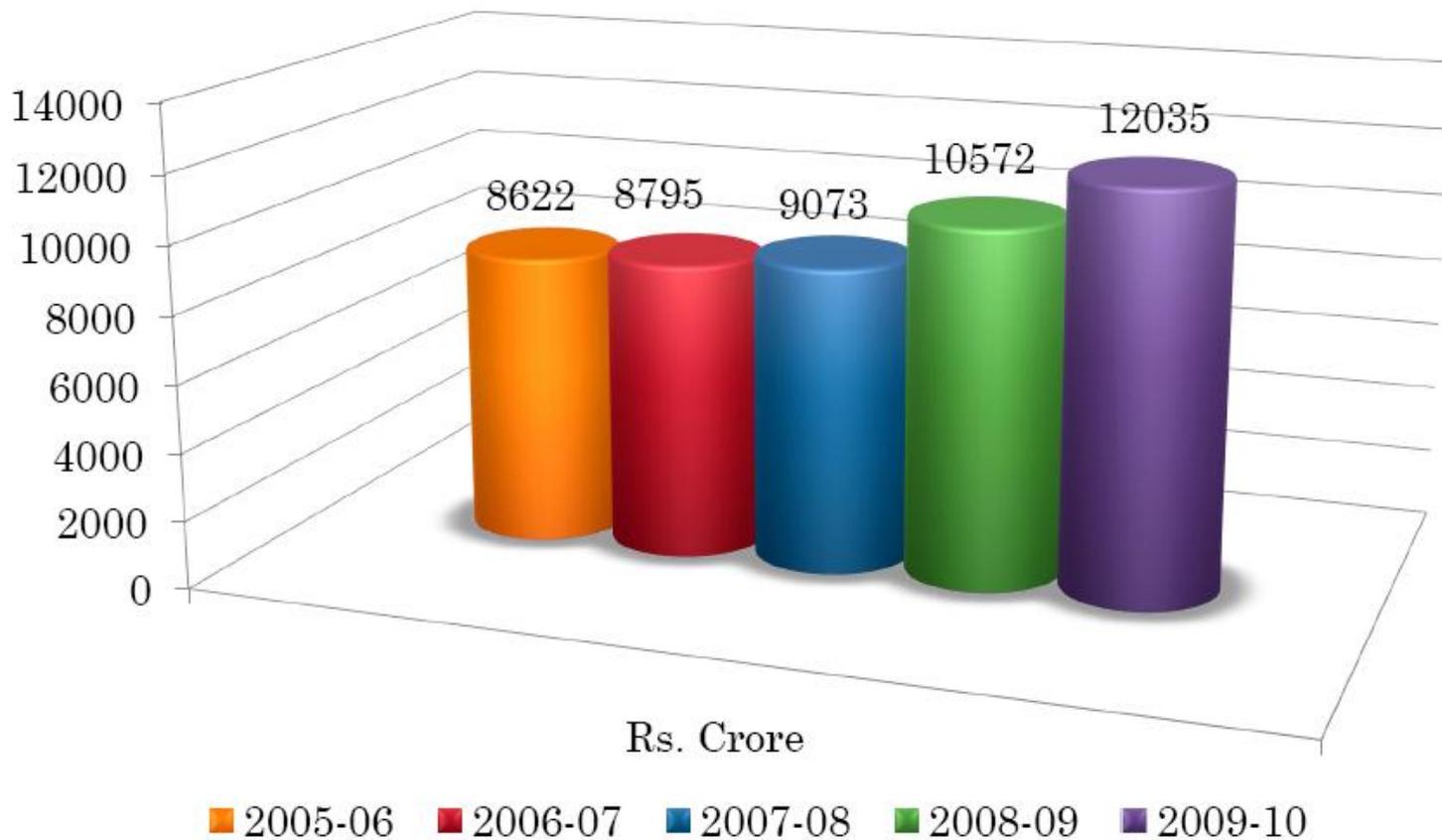


RIDF – Disbursements in AP



1 Crore = 10 millions, 1 USD = 45 Rs.

INVESTMENT CREDIT - REFINANCE



Investment Credit Refinance to Commercial Banks, Co-operative Banks and Regional Rural Banks

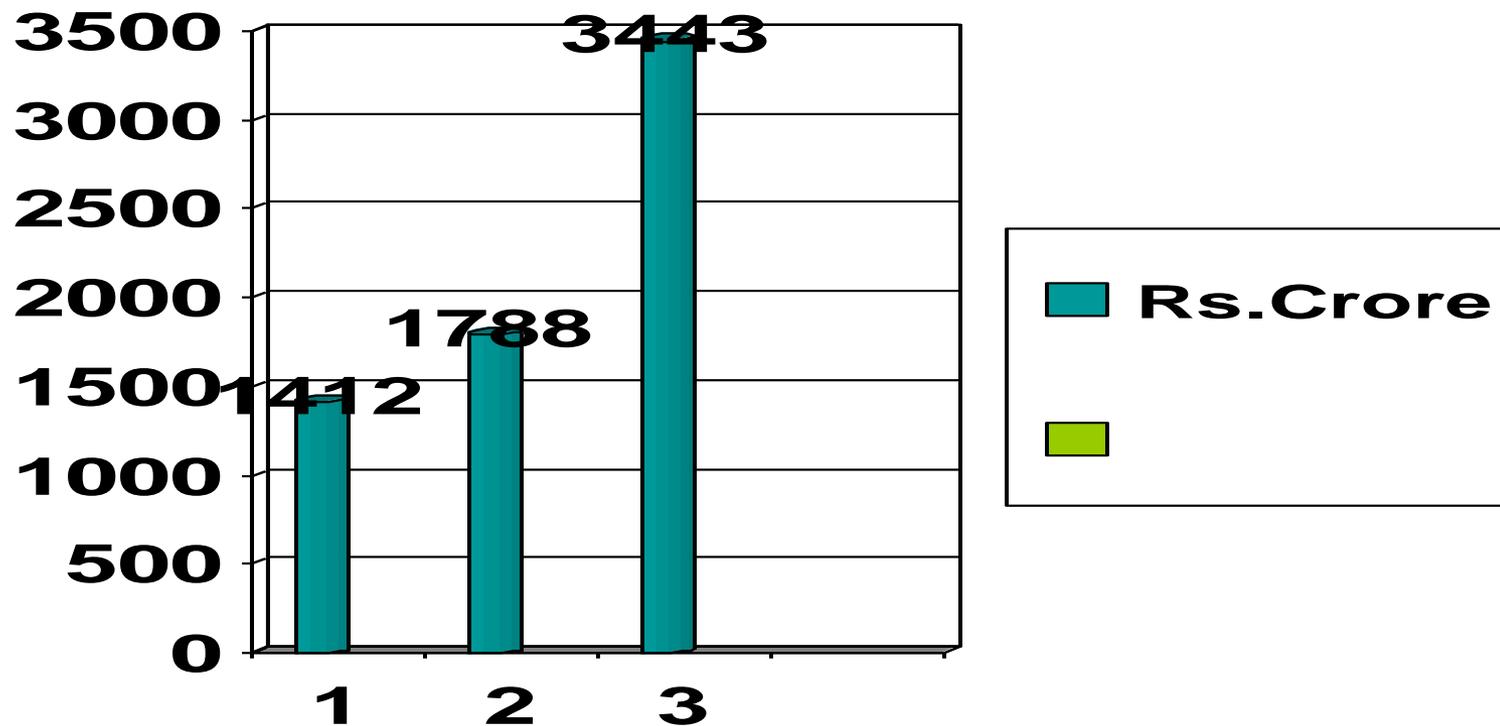


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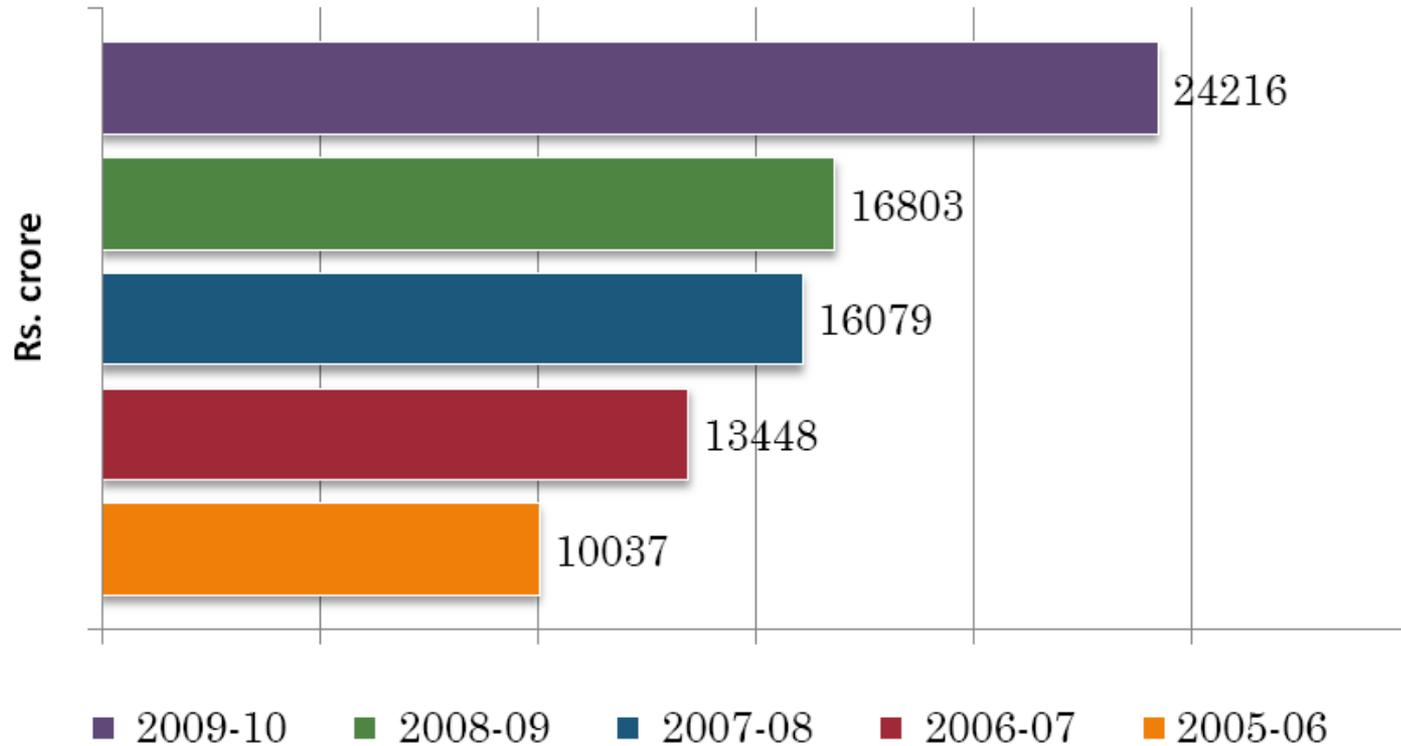
Investment Credit in AP



1:2007-08, 2:2008-09, 3:2009-10

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CROP LOANS - REFINANCE



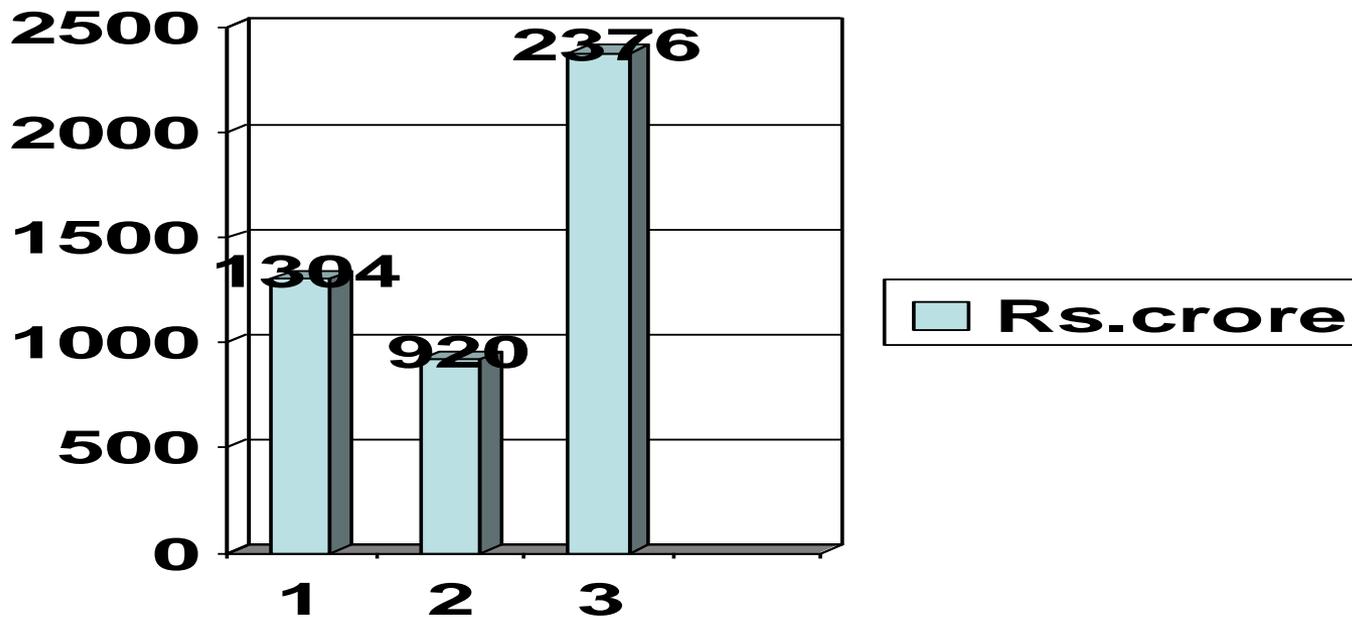
Crop Loans crossed Rs. 24,200 crore mark



1 Crore = 10 millions, 1 USD = 45 Rs.



Crop Loans Refinance - AP

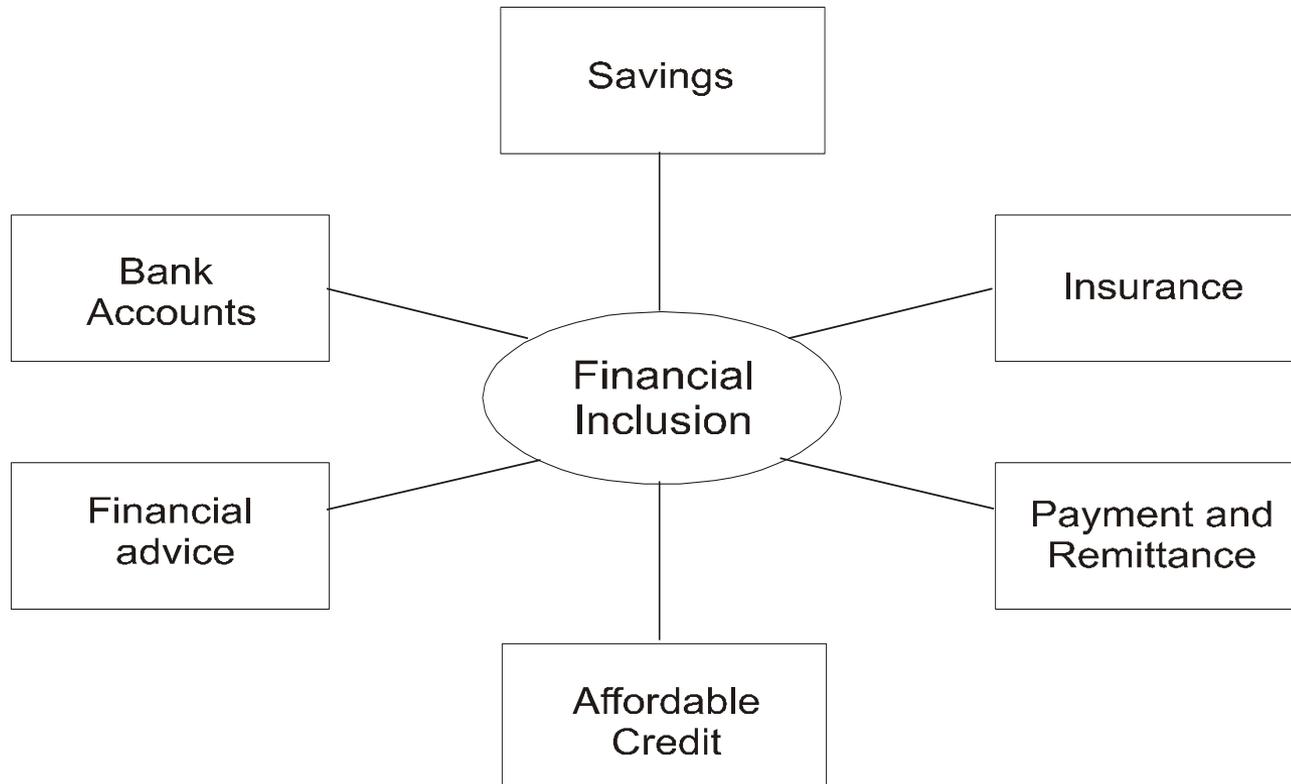


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Financial Services

FINANCIAL INCLUSION



Financial inclusion is not an option, but a compulsion



Financial Inclusion Fund (FIF)

Objectives

- **Developmental and promotional activities**
- **Securing greater financial inclusion**
- **Higher focus on weaker sections, low income groups**
- **Especially in backward regions/ hitherto unbanked areas.**

Financial inclusion is not an option, but a compulsion



Financial Inclusion Technology Fund (FITF)

Objective – To enhance investment in Information Communication Technology (ICT) aimed at

- Promoting financial inclusion**
- Stimulating the transfer of research and technology**
- Increasing the technological absorption capacity of financial service providers/users**
- Encouraging an environment of innovation and cooperation among stakeholders**

Financial inclusion is not an option, but a compulsion



Role of Central Bank in Regulating Agriculture Finance

- **Directed credit for lending to priority sector and weaker sections**
- **Lead Bank Scheme designated lead bank in each district for ensuring banking development**
- **Strengthening and supporting small local banks which includes RRBs and cooperative banks**
- **Doubling of Agriculture Credit in three years by provision of short-term credit to farmers at an interest rate of 7 per cent**



Impact

- **In 1951 Non-Institutional credit was 92.7 % of which money lenders constituted 69.7 %**
- **In 2002 the non institutional credit reduced to 38.9 % of which money lenders 26.8 %**
- **In 1951 Institutional credit was 7.3 % which increased to 61.1 % by 2002**
- **The total institutional credit to agriculture recorded a growth of around 21 per cent during 1995-96 to 2004-05 from 12 per cent during 1986-87 to 1994-95.**

Thank You