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INTRODUCTION

NABARD is a development bank focussing primarily on the rural sector of the country. It is the apex banking institution to provide finance for Agriculture and rural development.

- Its headquarter is located in Mumbai, the country's financial capital.
- It is responsible for the development of the small industries, cottage industries, and any other such village or rural projects.
- It is a **statutory body** established in 1982 under Parliamentary act-**National Bank for Agriculture and Rural Development Act, 1981**.

HISTORY OF NABARD

- The importance of institutional credit in boosting rural economy has been clear to the Government right from its early stages of planning.
- The Reserve Bank of India (RBI) at the insistence of the Government of India, constituted a **Committee to Review the Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD)** in 1979, under the Chairmanship of **Shri B. Sivaraman**, former member of Planning Commission.
 - The Committee's report (1979) outlined the need for a **new organisational device** for providing **undivided attention, forceful direction and pointed focus to credit** related issues linked with **rural development**.

- It resulted in foundation of NABARD (National Bank for Agriculture and Rural Development) in **1982** as a statutory body under Parliamentary act-**National Bank for Agriculture and Rural Development Act, 1981**.
- Its initial **paid up capital** was Rs. 100 cr. contributed with 50: 50 by government of India and Reserve bank of India. It stood at Rs. 10,580 cr. as on 31 March 2018.
- To support Indian Rural economy with credit facility, RBI was apex body before formation of NABARD.
 - It resulted in making NABARD as **an apex development financial institution in India**.
 - The NABARD's role is basically **a continuation of the RBI role** in the sphere of Agriculture and Rural Development.
- The functions of the 3 institutes of RBI (1) the **Agricultural Credit Department (ACD)**, (2) **Rural Planning and Credit Cell (RPCC)**, (3) and Agricultural Refinance and Development Corporation (ARDC) were transferred to NABARD.
 - **ACD:** RBI provided through its ACD short term refinance to **cooperatives**.
 - **RPCC:** It was dealing with the **Regional Rural Banks (RRBs)** since 1979
 - **ARDC:** RBI set up the Agricultural Refinance Corporation (ARC) in 1963 to work as a refinancing agency in providing medium term and long term **agricultural credit** to support investment credit needs for agricultural development.
 - In 1975, ARC was **renamed** as Agriculture Refinance and Development Corporation (ARDC) to give focussed attention to credit off-take, development and promotion of the agricultural sector.

NABARD AND RBI

- Reserve Bank of India is the central bank of the country with sole right to regulate the banking industry and supervise the various institutions/banks that also include NABARD defined under **Banking Regulation Act of 1949**.
- **NABARD 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)**.
- Many developmental and regulatory works are done by RBI and NABARD in co-operation.
- RBI provides 3 directors to NABARD's Board of Directors.