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## **Functions of NABARD**

- NABARD's initiatives are aimed at building an empowered and financially inclusive rural India through **specific goal oriented departments** which can be categorized broadly into three heads: **Financial, Developmental and Supervision**.
  - It provides **refinance support** for building rural infrastructure.
  - It prepares **district level credit plans** to guiding and motivating the banking industry in achieving these targets.
- It **supervises Cooperative Banks and Regional Rural Banks (RRBs)** and helping them develop sound banking practices and integrate them to the **CBS (Core Banking Solution) platform**.
  - **Core Banking Solution (CBS)** is **networking of branches**, which enables Customers to operate their accounts, and avail banking **services from any branch of the Bank on CBS network**, regardless of where he maintains his account.
    - The customer is no more the customer of a Branch. **He becomes the Bank's Customer.**
- It is involved in designing Union government's development schemes and their implementation.
- It provides **training to handicraft artisans** and helps them in developing a **marketing platform** for selling these articles.
- NABARD has various **international partnerships** including leading global organizations and **World Bank-affiliated**

**institutions** that are breaking new ground in the fields of rural development as well as agriculture.

- These international partners play **a key consultant's role** in providing advisory services as well as **financial assistance** designed to ensure uplifting of rural peoples as well as optimization of various agricultural processes.

#### **Financial function**

- **Refinance - Short Term Loans:** Crop loans are extended to farmers for crop production by financial institutions, which support in ensuring food security in the country.
- **Long Term Loans:** NABARD's long-term refinance provides credit **to financial institutions** for a wide gamut of activities encompassing farm and non-farm activities **with tenors of 18 months to more than 5 years.**
- **Rural Infrastructure Development Fund (RIDF):** It was set up with NABARD in 1995-96 by the RBI out of **the shortfall in lending to priority sector by scheduled commercial banks** for supporting rural infrastructure projects.
- **Long-Term Irrigation Fund (LTIF):** The LTIF in NABARD was setup with an initial corpus of Rs 20,000 crore for funding **99 irrigation projects** during 2016-17 following announcement in the Union Budget.
- **Pradhan Mantri Awaas Yojana - Grameen (PMAY-G).**
- **NABARD Infrastructure Development Assistance (NIDA):** NIDA has been **designed to complement RIDF.**
- **Warehouse Infrastructure Fund (WIF):** Union government created WIF in the year 2013- 14 with NABARD with a corpus of Rs 5,000 crore for providing loans to meet the requirements for **scientific warehousing infrastructure** for **agricultural commodities** in the country.
- **Food Processing Fund**
- **Direct Lending to Cooperative Banks**
- **Credit Facility to Marketing Federations (CFF):**
- **Producer Organizations Development Fund (PODF) for POs & PACS:**

- NABARD set up Producer Organizations Development Fund (PODF) with an initial corpus of Rs 50 crore to support and finance **Producer Organizations (POs)** and **Primary Agriculture Credit Societies (PACS)** to operate as Multi Service Centres.
  - **Producer Organisation (PO):** it is a **legal entity formed by primary producers, viz. farmers, milk producers, fishermen, weavers,** rural artisans, craftsmen. A PO can be a producer company, a cooperative society or any other legal form which provides for sharing of profits/benefits among the members.
  - **Primary Agricultural Credit Society (PACS)** is a basic unit and smallest co-operative credit institution in India. It works on the grassroots level (gram panchayat and village level). It provides credit to farmers in the form of term loans and recovers the amount after harvesting of crop from the cultivator.

### **Developmental Function**

- **Kisan Credit Card Scheme for Farmers:** The **Kisan Credit Card (KCC)** scheme was designed by NABARD in association with the RBI in August **1998** for providing crop loans.
- **RuPayKisan Cards (RKC)s:** NABARD has been at the forefront of technology revolution by helping rural financial institutions in providing RuPayKisan Cards (RKC)s **to all their farmer clients.**
- **Tribal Development: the Tribal Development Programme**
- **Climate Resilient Agriculture**
- **Umbrella Programme on Natural Resource Management (UPNRM):** The UPNRM started in 2007, works at **enhancing investments in rural areas,** creating business opportunities and enabling rural communities to sustainably **utilise their natural resources.**

- **Microfinance Sector:** NABARD had launched the **Self Help Group-Bank Linkage Programme (SHG-BLP)** in 1992. Over 23 lakh SHGs were credit-linked during 2017-18 financial year.
- **EShakti:** In a bid to digitise SHGs, project EShakti was launched on 15 March 2015.
- **Skill Development: Promoting an entrepreneurial culture** among the rural youth and encouraging them to start enterprises in the **rural off-farm sector** has been NABARD's strategy for over three decades.
- **Marketing Initiatives:** For providing marketing opportunities to rural artisans and producers, NABARD has traditionally facilitated their participation in exhibitions across the country.

### Incubation Centres

- **To commercialise innovations** and to shape **agricultural entrepreneurship** in the country, NABARD extended support to **Chaudhary Charan Singh Haryana Agricultural University, Hisar** and **Tamil Nadu Agricultural University, Madurai** for establishing **Agri Incubation Centres** with a total financial commitment of **Rs 23.99 crore**.

### **Challenges**

- **As an offspring of the RBI, NABARD shares the work culture, ethos and development orientation** of its parent institution.
  - Snapping of this link (the transfers of **0.4 per cent equity of RBI** in NABARD to the Union Government under NABARD Act 2017) has led to a great disadvantage for both the RBI and NABARD.
  - This has weakened any role or participation RBI can have over its activities.
  - A strong relationship between the central bank and the development institution will help the cause of agriculture and rural development at a critical juncture when the country is faced with a serious agrarian crisis.
- **Cost of financing** has gone up since market borrowings of NABARD add up to 80 per cent of its resources.

- **Member-driven and de-bureaucratized cooperative structures** have to fill-in the **gaps** of institutional credit left open by **commercial banks**.
- **The north-eastern states** has been getting little share of the NABARD's credit funds.
  - The northeast gets 1% of the credit, leading to farmers trapping in the net of money-lenders.
- The penetration of banks in **insurgency-hit state** is less and it should be stepped up.

### **Conclusion**

NABARD is a government apex organisation regulated by the Ministry of Finance and finance by RBI. NABARD was formed to save the poor from exploitation and provide low-interest rate loans to promote business in every house for financial independence. The government believes that healthy economic development lies in the hands of the rural and urban populations. NABARD has become the backbone of the rural funding system and formed various banks across the country for unlimited support and growth.

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