

Role of NABARD in Rural Infrastructure Development

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ABSTRACT

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 developed areas. Rural infrastructure is two way associated. On one side it is positively associated with rural economic development and on the other 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.

The researcher has selected this topic out of inquisitiveness to understand the need of rural development and increasing role of agriculture and allied activities along with MSME sector in the economic development of the nation. The study aims at assessing the working and progress of NABARD with respect to rural infrastructure development initiatives.

Introduction

Since the attainment of independence, "Growth with Social Justice" has been the basic objective of the Development Planning in India. With the beginning of planned economic development, the Government through Five Years Plans made significant measures in developing rural and remote parts of the country. Keeping this as the motive, the National Bank for Agriculture and Rural Development (NABARD) was set up in July, 1982 by the *National Bank for Agriculture and Rural Development Act 1981*. The Act was passed on the recommendations of the "Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development" (Shivaraman Committee).

It replaced the Agricultural Credit Department (ACD) and Rural Planning and Credit Cell (RPCC) of Reserve Bank of India, and Agricultural Refinance and Development Corporation (ARDC). NABARD has been accredited with "matters concerning policy, planning and operations in the field of credit for agriculture and other economic activities in rural areas in India".

Traditionally, public sector investment is considered as the major provider of rural infrastructure. It has encouraged private investment in agriculture. Lack of public investment in infrastructure influences the viability and effectiveness of private investment in a negative manner. However, it has not been possible to step up public investment in a big way. For this purpose, Government of India, instituted Rural Infrastructure Development Fund (RIDF) in 1995 in NABARD, entrusting it with the responsibility of channelizing financial resources to the State Governments for rural infrastructure development.

Objectives

The present study aims at examining need of the development of rural infrastructure and various efforts made by NABARD in these lines. The main objectives of the present study are:

1. To understand the overall policy and major functions performed by NABARD
2. To examine the developmental initiatives, creation of various funds and schemes in respect to rural development undertaken by NABARD.
3. To assess the improvement and development discernible in different form of rural infrastructure.

Research Methodology

The main focus of the present study is on comprehending the current scenario of rural infrastructure development efforts made by NABARD. The study is descriptive as well as analytical in nature and is being carried out with the help of secondary data availed from library books, journals, newspapers, magazines, government publications and websites. However an actual position at the root level could have been portrayed if first hand information had been collected from the fields where developmental works have taken place. But because of time, manpower and financial constraints it was not feasible for the researcher.

Developmental and Supervisory Role of NABARD

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 which are as under:

Credit functions

It is the most important function of the bank. It involves preparation of potential-linked credit plans annually for all districts of the country for identification of credit potential, monitoring the flow of ground level rural credit, issuing policy and operational guidelines to rural financing institutions and providing credit facilities to eligible institutions under various programs. The credit functions include the following:

- Framing policy and guidelines for rural financial institutions.
- Providing credit facilities to issuing organizations.
- Preparation of potential-linked credit plans annually for all districts for identification of credit potential.
- Monitoring the flow of ground level rural credit.

Development and promotional functions

The bank has also a focus on overall development and income generating interventions aimed at supplementing the credit functions as well as making credit more productive. These functions include the following:

- Help cooperative banks and Regional Rural Banks to prepare development actions plans for themselves.
- Enter into MOU with state governments and cooperative banks specifying their respective obligations to improve the affairs of the banks in a stipulated timeframe.
- Help Regional Rural Banks and the sponsor banks to enter into MoUs specifying their respective obligations to improve the affairs of the Regional Rural Banks in a stipulated timeframe.
- Monitor implementation of development action plans of banks and fulfillment of obligations under MOUs.
- Provide financial assistance to cooperatives and Regional Rural Banks for establishment of technical, monitoring and evaluations cells.
- Provide organization development intervention (ODI) through reputed training institutes like Bankers Institute of Rural Development (BIRD), Lucknow, National Bank Staff College, Lucknow and College of Agriculture Banking, Pune, etc.
- Provide financial support for the training institutes of cooperative banks.
- Provide training for senior and middle level executives of commercial banks, Regional Rural Banks and cooperative banks.
- Create awareness among the borrowers on ethics of repayment through Vikas Volunteer Vahini and Farmer's clubs.
- Provide financial assistance to cooperative banks for building improved management information system, computerization of operations and development of human resources.

Supervisory functions

NABARD also plays a significant role in proper functioning of cooperative banks and regional rural banks in the country.

- Undertakes inspection of Regional Rural Banks (RRBs) and cooperative banks (other than urban/primary cooperative banks) under the provisions of Banking Regulation Act, 1949.
- Undertakes inspection of State Cooperative Agriculture and Rural Development Banks (SCARDBs) and apex non-credit cooperative societies on a voluntary basis

- Undertakes portfolio inspections, systems study, besides off-site surveillance of cooperative banks and Regional Rural Banks (RRBs)
- Provides recommendations to Reserve Bank of India on opening of new branches by State Cooperative Banks and Regional Rural Banks (RRBs)
- Administering the Credit Monitoring Arrangements in SCBs and CCBs.

Institutional and capacity building functions

To ensure smooth functioning and strengthening of cooperative banks and RRBs, NABARD has always been instrumental and helping all those financial institutions working in the field of rural and agriculture credit. Following are the points providing evidence in this support.

- Help cooperative banks and RRBs to prepare development actions plans for themselves.
- Help RRBs and the sponsor banks to enter into MOUs specifying their respective obligations to improve the affairs of the RRBs in a stipulated timeframe.
- Provide financial assistance to cooperatives and RRBs for establishment of technical, monitoring and evaluations cells.
- Provide organization development intervention (ODI) through reputed training institutes like Bankers Institute of Rural Development (BIRD), Lucknow, National Bank Staff College, Lucknow, College of Agriculture Banking, Pune, etc.
- Provide training for senior and middle level executives of commercial banks, RRBs and cooperative banks.

Training functions

Another important area of functions performed well by this bank is to impart with different kinds of training such as legal, technical, financial and marketing training and consultancy which is well written in the NABARD Act itself. This can be summarized under the following points:

- Maintain expert staff to study all problems relating to agriculture and rural development and be available for consultation to the Central Government, the Reserve Bank, the State Governments and the other institutions engaged in the field of rural development.
- Provide facilities for training, for dissemination of information and the promotion of research including the undertaking of studies, researches, techno-economic and other surveys in the field of rural banking, agriculture and rural development.
- Provide technical, legal, financial, marketing and administrative assistance to any person engaged in agriculture and rural development activities.
- May provide consultancy services in the field of agriculture and rural development and other related matters in or outside India, on such terms and against such remuneration, as may be agreed upon.

Miscellaneous other functions are as follows:

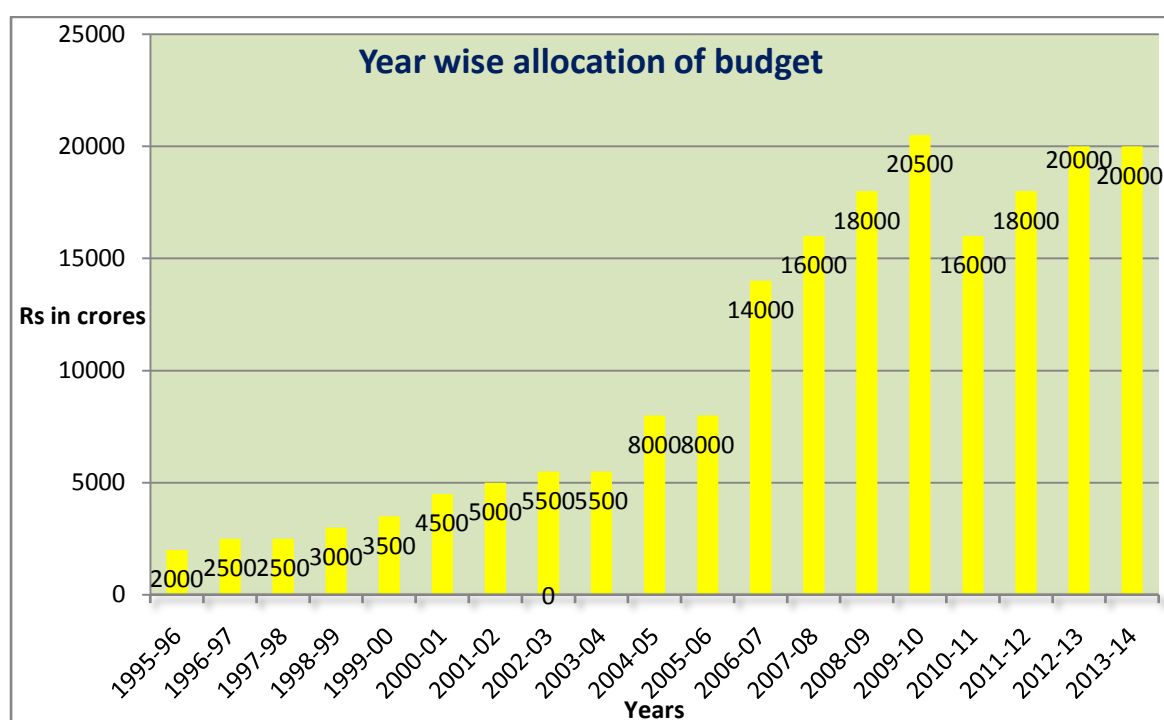
- Conduct inspections of the RRBs and the co-operative societies, without any prejudice to the authority of the RBI.
- All the applications for opening a branch by RRBs or co-operative societies should be forwarded to the RBI through the NABARD.
- Copies of all returns submitted by the RRBs and co-operative societies to the RBI should also be furnished to the NABARD.
- NABARD is also empowered to obtain any information or statement from the RRBs and the co-operative societies.
- NABARD should undertake research and training programs. These comprehensive training programs should be targeted towards NABARD's own staff and the staff of SCBs and RRBs as well. The R&D department of NABARD should take the lead in promoting research concerning problems associated with India's agriculture and rural development and also other allied aspects. For this purpose the NABARD has been authorized to maintain and R&D fund out of profits earned by it every year.
- 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.

Overview of major rural infrastructural development programs started by NABARD

Rural Infrastructure Development Fund

Rural Infrastructure Development Fund (RIDF), has emerged as NABARD's major partnership with the State Governments over the years. The Fund has continued with yearly allocations in the successive Union Budgets. It has become a major source of finance which channelizes the shortfall in the mandatory involvement of commercial banks in the priority sector lending to the State Governments in the form of loans. With the experience gained, in addition to its role of managing the RIDF, NABARD has made efforts in looking at rural infrastructure as an independent discipline for financing and facilitating creation of rural infrastructure through various other initiatives.

Allocations from the Union Budget toward RIDF are depicted as follows:



Sectors/activities covered under RIDF

In the initial years focus was on incomplete irrigation, flood protection and watershed management projects. Over the years, financing has become more broad based. RIDF now covers 31 activities, which can be classified under three broad categories *i.e.*, (a) Agriculture and related sectors which are eligible for loans up to 95 per cent of project cost, (b) Social sectors where loans can be up to 90 per cent of project cost in North Eastern and hilly States and 85 per cent of project cost in all other States and (c) Rural connectivity where loans are extended up to 90 per cent of project cost in North Eastern and hilly States and 80 per cent of project cost in all other States.

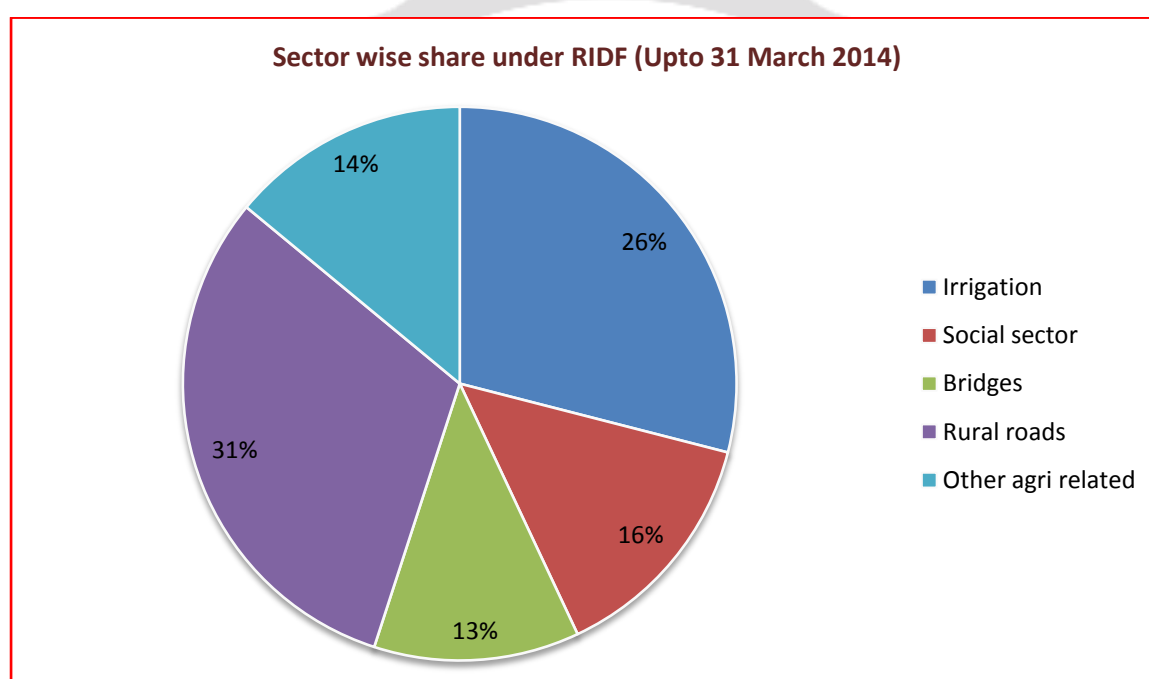
The Sector wise projects and amounts sanctioned under RIDF XIX (as on March 31, 2014)

(Rs. In Crore)

Sector	No. of Projects	Share in Total (%)	Amount Sanctioned	Share in Total (%)
Rural Roads	9,247	32	7,064.77	31
Social Sector	5,107	18	3,683.14	16
Irrigation	8,732	30	5,997.37	26
Rural Bridge	1,021	4	2,951.87	13

Agriculture related	4,625	16	3,049.52	14
Total	28,732	100	22,746.67	100

RIDF has emerged as an attractive financing option for the State Governments. Resources are getting better distributed across the States with greater share going to the less developed States in Eastern and North Eastern Region (25 per cent at present as compared to 18 per cent under closed fields). Since inception of RIDF, around 5.37 lakh projects involving an amount of 2,02,606.54 crore were sanctioned under various fields. Of the cumulative RIDF loans sanctioned as on 31 March 2014, agriculture and related sectors accounted for 40 per cent (including 26 per cent for irrigation), rural roads 31 per cent and bridges 13 per cent. The balance 16 per cent of the loans was sanctioned under social sector projects. The sector wise share in amount sanctioned is depicted as follows



NABARD Infrastructure Development Assistance

NABARD Infrastructure Development Assistance (NIDA) is a line of credit support for funding rural infrastructure projects. NIDA is designed to fund State owned institutions/ corporations on both on-budget as well as off-budget for creation of rural infrastructure outside the ambit of RIDF borrowing. The assistance under NIDA is available on flexible interest terms with longer repayment period. Since inception, 27 projects have been sanctioned under NIDA for various purposes such as warehousing, power transmission, cyclone damage power restoration, roads, irrigation, etc.

The cumulative sanctions and disbursements under NIDA since inception stood at 4,783.03 crore and 1,857.58 crore, respectively, as on 31 March 2014. During 2013-14, six projects involving an amount of 1,149 crore was sanctioned and 575 crore was disbursed. The major States covered under direct assistance through NIDA are Andhra Pradesh, Bihar, Haryana, Gujarat, Punjab, Karnataka, Rajasthan, Tamil Nadu, Uttarakhand and West Bengal.

Assistance under NIDA up to March 31, 2014 is presented as follows:

S. No.	Purpose	No. of project	Loan sanctioned	Share(%)
1	Ware housing	2	220.12	5
2	Transmission	14	2674.24	56
3	Solar power	2	59.73	1
4	Cyclone damage restoration	4	1063.24	22
5	Roads	2	375.87	8
6	Irrigation	2	244.08	5
7	Hydro power	1	145.74	3
	TOTAL	27	4783.03	100

NABARD Warehousing Scheme

Govt. for the purpose of ensuring food and nutritional security has emphasized on the creation and augmentation of adequate decentralized, modern and scientific storage infrastructure in the public as well as private sector. As a step towards attaining these objectives, govt. allocated 5,000 crore to NABARD for financing construction of warehouses, godowns, silos and cold storage units designed to store agricultural produce both in public and private sectors. RBI also in July 2013 advised about the creation of Warehouse Infrastructure Fund (WIF) with NABARD with a corpus of 5,000 crore for the year 2013-14 which would be contributed by the banks having shortfall in achievement of priority sector targets and sub-targets. Consequently, NABARD formulated NABARD Warehousing Scheme 2013-14 (NWS) for utilization of WIF with focus on Eastern and North Eastern States and all other food grains deficit States. The Scheme was approved by the govt. in August 2013.

Rural Infrastructure Promotion Fund

Rural Infrastructure Promotion Fund (RIPF) was created with an initial corpus of 25 crore in 2011 to promote capacity building initiatives and efforts for creation of innovative/ experimental/promotional infrastructure, especially in rural sector and rural areas. The Fund also supports activities like exposure visits, studies, and knowledge sharing workshops/conferences/publicity/documentation, creation of experimental infrastructure projects by Gram Panchayats, SHGs, SHG Federations, Farmers' Clubs, FC Federations, NGOs and villages under VDPs. The activities supported under RIPF would lead to increase in business under RIDF and promote sustainable infrastructure development in rural areas. During last year a sum of Rs. 117.05 lakhs was disbursed under RIPF.

Conclusion

The information so far gathered evidently proves that NABARD is actively working in the field of rural infrastructure development. It plays a constructive role in ensuring that the co-ordination between states and the institutions involved in rural development is smooth and result oriented. There is huge potential for development of micro infrastructure in rural areas but there is no existing mechanism for integrated development of intra village infrastructure. NABARD backed by its experience in RIDF is in a position to take a lead in this direction. The potential infrastructure in this segment include minor irrigation, drinking water supply, sanitation, agricultural and allied sector, warehouse and storage, rural connectivity, education, rural health, etc. Investments in this direction can be increased by focusing on tapping low-cost funding sources with appropriate financial instruments, setting-up an appropriate delivery model, through triangulation of the State Governments, financial institutions and private sector infrastructure agencies.

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