

Nabard's Contribution on Socio-Economic Development In Rural Areas

Pritimoy Mazumder
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EDITORS

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in Rural Areas — a collection of Seminar papers edited by
Pritimoy Majumder, Basudeb Chakrabarti & Krishnendu
Palchoudhury of Jangipur College, Murshidabad.**

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PREFACE

The Jangipur College, Jangipur, Murshidabad organized a UGC Sponsored National Seminar, the first of its kind, on "NABARD's Contribution on Socio-Economic Development in Rural Areas" on April 12, 2008. The Departments of Commerce and Economics provided the initial impetus to this seminar which had its fruition on the D-day drawing scholarly deliberations from all over the country. The objective of this seminar was to explore the plethora of ways in which NABARD operates to enhance the socio-economic status of the rural segment of the country. Sharing of information coupled with sensitization formed the focal centre of the seminar. The contributors included Sri Dilip Kumar Mukherjee, Secretary, All India Regional Rural Bank, Prof. Debesh Mukherjee, Teacher-in-Charge (Retired), St. Paul's C.M. College and Guest Faculty, Presidency College, Kolkata, Smt. Banani Roychoudhury, Manager, Micro Credit and Innovations Department, NABARD, Smt. Samapti Guha, Assistant Professor and Coordinator, Centre for Social Entrepreneurship, Tata Institute of Social Sciences, Mumbai, Sri Utpal Bhattacharya, Registrar, University of Kalyani, Nadia, Dr. Kishore Kumar Roy Choudhury, Associate Professor, D. N. College, Murshidabad, Sri Bilwadal Chakrabarti, Associate Professor and H.O.D., Department of Commerce, Jangipur College and the like.

Shortly after the seminar was over, the Seminar Sub-Committee of Jangipur College under the convenership of Sri Swapan Chakrabarti, Associate Professor and H.O. D., Department of Botany, in its review meeting, floated the idea to come up with an edited volume of the papers which were contributed on April 12, 2008. The idea was lapped up by the college and the decision to publish the present book was immediately crystallized. In order to accommodate a still wider perspective the Seminar Sub-Committee decided to invite views of some experts on the field who could not reach to the seminar. The response was stupendous to say the least. Consequently, this volume includes papers from Dr. Sonal Dubey, Department of Economics, Beneras Hindu University, Varanasi, Smt. Arundhati Mukherjee, Assistant Professor, Berhampore Girls's College, Murshidabad, Sri Balak Mukherjee, Advocate, Jangipur Sub-Divisional Court and the like.

It is noteworthy in this regard that two students of the college, namely Aditi Singha Roy of the Department of Commerce and Nayana Das of the Department

of English, came up with a joint paper responding to our clarion call. Their efforts deserve a special mention here. Their paper has been an eye-catcher for all and sundry and we take special pride in publishing the same in this edited volume.

This book contains 18 well-researched articles and we have endeavoured to preserve them with minimum editorial inputs. The opinions expressed in the articles are those of the contributors and we have debarred ourselves from interpolating into them, unless absolutely necessary.

Though all the articles that reached us do manifest enormous erudition and deserve publication, yet we had to bear with the agony of not being able to include all the contributors in this modest volume. We extend our most sincere apologies to all those scholars whom we could not accommodate here.

In organizing the seminar and publishing this volume the entire college came up with peerless enthusiasm and active support. Yet mention must be made of Dr. Abu El Sokerana Mondal, Principal, Jangipur College, the U.G.C., The Governing Body of Jangipur College and the students in making our arduous task an experience of sheer delight. We hope that this volume would be of immense interest to students, teachers, researchers and even to the uninitiated.

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Assistant Professor and H.O.D., Department of English

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ACKNOWLEDGEMENTS

This edited volume is chiefly a product of the U.G.C. Sponsored National Seminar titled "NABARD's Contribution on Socio-Economic Development in Rural Areas" organized by the Jangipur College on April 12, 2008. It goes without saying that without this sponsorship the seminar would have been an impossibility. We thank the U.G.C. for extending its support to us.

The seminar brought together eminent speakers from all over the country. Despite their pre-occupations and prior commitments they came up with extremely well-researched papers, all of which have been included in this volume. To merely acknowledge their expertise and cordiality is to belittle them. Yet special mention must be made of Prof. Debesh Mukherjee, Teacher-in-Charge (Retired), St. Paul's C.M. College and Guest Faculty, Presidency College, Kolkata and Dr. Kishore Kumar Roy Choudhury, Associate Professor, D. N. College, Murshidabad for always lending a kind ear to our entreaties and for guiding us ceaselessly.

This book has also been enriched by some articles from invited authors. We are extremely grateful to them for responding to our need notwithstanding the time constraints that we imposed upon their esteemed selves unreservedly.

The seminar was the brain-child of the Departments of Commerce and Economics. The faculties of these two departments deserve our gratitude for not only formulating the basic outlines of the seminar but also for carrying them out with a matchless zest. Special mention must also be made of the faculty of the Department of English in this connection, for providing invaluable suggestions and sweating out to ensure the success of the seminar and the publication of this book. It goes without saying that an endeavour of this magnitude cannot be undertaken without the active cooperation of all the other academic and non-academic staff of the college. We take up this opportunity to convey our most sincere gratitude to each and all for contributing in diverser ways to make this venture laudable.

We are grateful to our Principal, Dr. Abu El Sokerana Mondal who has been spear-heading this project despite his industrious schedule. Mention must also be made of the Governing Body, Jangipur College for supporting us in this endeavour.

Finally, this book is primarily meant for the students. To say that we are overwhelmed by their enthusiasm and sincerity is to say the least. Our students have always stood by us and let this book be a miniscule of a gesture on our part to convey to our dearest students that we are with them and for them, always.

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“NABARD’S Contribution on Socio-Economic Development in Rural Areas”

Shri Dilip Kumar Mukherjee
Secretary, All India Regional Rural Banks

The very name “National Bank for Rural and Agricultural Development” indicates that it’s a National Bank mainly, if not exclusively for “Agricultural” & “Rural Development”. The preamble of the Nabard Act declares the National Mandate for Nabard at the time of its establishment in July 1982 and stated that the duty of Nabard will be “Providing and regulating credit and other facilities for the promotion and development of agriculture, small-scale industries, cottage and village industries, handicrafts and other rural craft and other allied economic activities in rural areas with a view to promoting integrated rural development and securing prosperity of rural areas, and for matters connected therewith or incidental thereto”.

In the strict sense of the term as defined by Banking Regulation Act, Nabard is not a bank but it is “Development Financial Institution” at the Apex level. Like RBI, Nabard is not the “Central Bank for Bankers” as a Regulatory Bank but Nabard is definitely a National Bank for the entire Rural Banking Institution particularly in the matter of refinance, subsidy, interest relief, loan waiver, supervision etc. Nabard does not take any deposit directly from any depositor or does not finance directly to any borrower. In fact Nabard has no bank branch in any village of the country for banking transaction but Nabard has its long shadow over almost all the rural branches of the entire banking institution. Nabard finances mainly through Regional Rural Bank and Cooperative Banks, NGO and extends support to Self Help Group and Farmers club. Nabard finances directly to the State Govts. from RIDF fund for the Rural Infrastructure e.g. Watershed projects, Land reclamation, Roads & Bridges, Irrigation projects etc.

In fact Nabard was created on the recommendation of the committee for “Institutional Credit for agril and rural development” appointed by RBI in March

1979, taking away some functions / departments of RBI mainly for three broad functions.

1. Development Function – This cover the name and large area of institutional network for rural credit, human resource development in rural finance institutions in the safe of training and research, ensure easy and cheaper credit particularly for agricultural purpose, innovating several rural friendly and viable banking products, improvement of agriculture activity and employment generation in both farm & non farm activities, gender development, enhance credit absorption capacity, minimize regional imbalances etc.

2. Credit Function - Refinance for production, processing storage and marketing of agricultural products to Cooperative Bank and RRB, provision for refinance to all types of banks and State Govts. for rural infrastructure relating to rural development and higher agril production.

3. Supervision function - To supervise the function of RRBs and Cooperative for strengthening internal control system and to organize Training Centre / Seminars / Workshops for the rural bankers and State Govt. Officers.

The functioning of Nabard has subsequently been reviewed by “Agricultural Credit Review Committee 1989”, “Expert Committee on Rural Credit 2001” and Committee on “Flow of Credit Agriculture and related activities (Prof. Vyas Committee) – 2004”.

In the area of Rural Development Activities, both farm and non-farm as stated above Nabard has initiated lot of innovative schemes at its own or at the recommendation of different committees or at the direction of RBI / GOI. Some such projects are given below as on 31st March 2007.

Rural Farm Sector:-

1. Watershed Projects - Nabard has sanctioned so far 437 such projects in 124 districts of 14 states with a financial involvement(both loan and grant) of Rs.262 crore. Nabard has its target to develop 15000 Hector area under this programme in each of the district.

2. Integrated Development of Backward Blocks(2003)– extended to 50 Blocks.

3. Capacity building for adoption of technology – To enthuse the farmers in adapting new technologies for agriculture in collaboration with different Agricultural Universities.

4. Tribal Development Fund(2004)

5. Farmers Club – So far 22, 957 clubs covering 48,763 villages in 534 districts have been formed through Gramin Banks (40%),

Commercial Banks (30%), Cooperative Banks(22%) and other agencies(8%).

Rural Non-Farm Sector

6. District Rural Industry Project (1993) – So far 1.58 lakh units had been set up generating employment for 3.55 lakh persons covering 106 Districts.

7. Scheme for strengthening of Rural Haat (1999) – Under this scheme “grant assistance” is extended by Nabard to Panchayat and Primary agricultural cooperative societies for providing minimum infrastructure to new / existing Rural Haat.

8. Rural Entrepreneurship Development Programme – This scheme is mainly to support rural unemployed person to enable them to set up their own enterprises.

9. Swarozgar Credit Card – 43 Commercial Banks, 98 Regional Rural Banks and 138 Cooperatives Banks have so far issued 6.79 lakh Swarozgar Credit Card involving credit limit of Rs.2700 crore.

10. Assistance to Rural Women in Non-Farm Development (ARWIND), Marketing of Non-Farm Products of Rural Women (MAHIMA) and Development of Women Through Area (DEWTA) programmer.

Micro Finance :-

Formation of Self Help Group

Nabard has created, nurtured and developed the Indian concept of Self Help Group specially for Women. The term “Self Help Group”, is now internationally popular. Such initiative has reduced gender inequality, developed the rural women group in the process of economic empowerment and reduced the social disorder to a great extent. Enough of success stories are there.

Since inception for the micro finance programme, Nabard has developed about 30 lakh credit linked SHG covering about 4 crore poor households to ensure easy access to credit from the formal banking system.

To accommodate such a good number of SHG working in all parts of the country, Nabard has taken many capacity building programmes(training) for the NGO, SHG and Bank staff working in the rural branches. Nabard has also started a new line of refinance for Commercial Banks, Regional Rural Bank and Cooperative Bank, so that they may meet the entire credit requirement of production and investment in agricultural activities as well as income generating activity. Moreover Nabard extends “revolving fund assistance” for on lending to SHG. Nabard provided refinance of nearly 1300 crores to about 3 lakh SHG during 2006-07.

Kisan Credit Card

To achieve the target of flow of credit in agricultural sector, Nabard has been given the key role by the Govt. of India. The Kisan Credit Card scheme has been introduced by Nabard in August 1998. So far about 7 crore Kisan Credit Cards have been issued by the banks mainly for crop loan. Nabard refines a sizeable part facilitating the banking sector in rural areas to augment easy and cheaper credit support for production and investment purposes in agriculture and rural sector.

Interest Relief

GOI declared 2% interest relief on farm loan upto Rs. 1 lakh Nabard has sanctioned more than Rs.500.00 crore to Cooperative Banks and RRBs for extending interest relief to farmers.

Rural Infrastructural Development:-

Upto 31.03.2007 an amount of Rs.61540.00 crore has been sanctioned for implementation of 2.44 lakhs Rural Development Projects including rural road and bridge, irrigation, and social sector. About 72% of such projects for rural developments have so far been achieved with the financial assistance of Rs.37560.00 crore from RIDF Fund.

In addition to all the above noted key functions Nabard has been playing the role of rural development institutions with many innovative programmes for extending credit support to the rural mass through State Govt., Cooperative Banks, Regional Rural Banks and Rural Branches of Commercial Banks according to mandate for Nabard.

Hurdles being faced by NABARD

No doubt Nabard has made a significant progress towards the goal but Nabard is facing financial resource crunch and operational hurdles to face the challenge in the changed scenario due to withdrawal of fund support facilities by RBI at a lower rate of interest, imposition of income tax on Nabard, lack of autonomy etc.

NABARD's easy access to the low-cost resources is under serious threat arising out of Govt of India and RBI's growing and consistent refusal to part with such funds even at the cost of ignoring statutory obligations both under NABARD Act, 1981 and RBI Act, 1934. Refinancing is a central banking function and the RBI has to continue to exercise that role through NABARD by resuming the GLC. The Vyas Committee said that "in view of Reserve Bank's decision to phase out GLC there is need to provide a contingent line of credit at a reasonable rate of interest so that NABARD can draw funds for providing short-term refinance to RRBs and Cooperative Banks".

In the interest of GDP growth in Agriculture which is declining year by year,

RBI should start again for funding out of its NRC (LTO) fund to Nabard through the monetary route or through the fiscal route.

Govt. of India should exempt Nabard, RRBs and Cooperative Bank from Income Tax as recommended by different committees so that these institutions can plough back larger amount into agricultural growth.

“NABARD as an institution is left to battle out a fundamental contradiction between its goal and mandate to serve rural underprivileged and the reorientation of economic policy at the national level that gently pushes NABARD to juxtapose itself with the changing structure of Indian Banking and Agriculture encompassing further elitism and doctrine of exclusion”. (Rana Mitra-2007)

The role of Nabard as Development Finance Institution for rural areas:

This role is being frequently challenged and revisited by the policy makers when “DFI” status is a must for Nabard facing the new challenge for “Financial Inclusion”.

Prof. Vyas Committee strongly recommended that –

“The Committee endorses the need and rationale for an organization such as NABARD as a development finance institution. All three functions of NABARD, i.e. credit, development and supervision continue to be of high relevance to the rural economy. Building a stronger rural credit system and converting credit needs into effective demand are the two most important expectations from NABARD”.

59th round NSSO survey indicated that:-

- 51.4% of farmer households are financially excluded from both formal/informal sources.
- Of the total farmer households, only 27% access formal sources of credit; one third of this group also borrow from non-formal sources.
- Overall, 73% of farmer households have no access to formal sources of credit.
- Marginal farmer households constitute 66% of total farm households. Only 45% of these households are indebted to either formal or non formal sources of finance.
- Only 36% of ST Farmer households are indebted (SCs and Other Backward Classes – OBC-51%) mostly to informal sources.

Closure of Rural Branches

The rural branch network saw a tremendous growth after the nationalization of banks in 1969 and the establishment of Regional Rural Banks (RRBs) in 1975. This percentage of rural branches of commercial banks which was 17.6 per cent in 1969 steadily increased to 58.2 per cent in 1990. Thereafter, it is a story of progressive decline, as the RBI liberalized the policy for the closure of

rural branches on grounds of unviability and lack of profitability. The number of rural branches has been reduced from 35,396(1993-94) to 30,750(2005-06).

Role of Nabard to ensure "Financial Inclusion"

The committee on "Financial Inclusion" under the Chairmanship of C. Rangarajan has strongly recommended for strengthening Nabard in all the areas of "National Rural Financial Inclusion Plan" and this committee recommended for allowing the key role to Nabard in all strategic microfinance plan for the rural area. Infact this committee recommended that "Financial inclusion promotion and development fund" and "Financial inclusion technology fund" to be operated by Nabard through RRB and Cooperative Banks.

In the main area of Self Help Group, this Rangarajan Committee recommended that: -

"While greater emphasis is needed for growth and spread of SHGs across the country, the quality in terms of outreach of financial services, capacity building, sustainability etc., needs to be reemphasized. NABARD shall play a pro-active role and identify new initiatives that will contribute to effectively improving outreach to the poor thru' SHGs, MFIs, etc".

Ultimate desired role for Nabard and its Empowerment

1. Nabard must be given the autonomy for supervising the entire rural banking institutions and other financial services for agriculture and rural development.
2. Nabard should work for immediate implementation of the recommendation of Vadyanathan Committee on short term and long term cooperatives.
3. The RRBs to be brought under an Apex Body after total de-linking from Sponsor Banks. "In principle no business should be owned (or managed) by its competitor; if it happens so, the result is either cannibalization or stunted growth" (P.Satish-EPW, June 2007). The RRBs must be fully guided only by Nabard. RBI will have its regulatory functions.
4. Govt. and RBI should restore Nabard's efficiency to raise low cost fund by resuming instruments like SLR Bonds, Tax free bonds, Priority sector bonds, capital gain bonds.

NABARD's Involvement in the Socio Economic Development of Rural Areas of the Country

Debes Mukhopadhyay

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As finance is the mother of all solutions, finance is deemed to be an effective tool in spreading economic opportunity and fighting poverty. The link between the reduction of poverty and availability and accessibility of rural finance had long been recognized in India, say more than a century ago when the co-operative credit institutions were set up. It is rather a highly regrettable fact that the present rural credit delivery system is far from ideal than what its promoters had dreamt of. This led to the mushrooming of informal money lending institutions overtaking the growth of the formal one. The roadmap to improve financial access was built up by Mrs. Indira Gandhi, although she was not a believer of theoretical mumbo-jumbo like her father. She adopted pro-poor and anti-monopoly economic policies and measures simultaneously that, however, brought conflicts in various forms. This is, in fact, politics *per se*. She nationalized 14 commercial banks in 1969 and 6 more in 1980 as a pro-poor measure, with the emphasis on 'directed credit' to the priority sectors and on distributing credit to the poorest strata of the society. In addition, Regional Rural Banks at the district level in 1975 and the National Bank for Agriculture and Rural Development (NABARD) at the national level as an apex institution were set up in 1982 to improve greater financial access for rural poor.

The 1990s saw a turnaround in economic policies hitherto pursued in the country since 1950-51. Reforms in the banking sector – privatization of banks, interest rate deregulation consequent upon embracing the market philosophy, neglect of priority sectors and circumventing the needs of the economically disadvantaged rural persons to improve competitive efficiency of banks, and so on, so forth - were to make the move in the 1990s. It is because of the declining share of public sector banks in the provisioning of direct finance to small farmers the usurious moneylenders has reappeared in rural areas. As a source of credit, the informal sector provided as much as 69% of the total agricultural loans in

1951. After bank nationalization and setting up of the RRBs, the contribution of moneylenders as a source of credit declined to 16% in 1981. However, it rose to 17.5% in 1991. This is suggestive of the fact that the rural poor are still shy of availing formal financial assistance, though the rate of interest charged by these people may even go up to 2-10% per day, and such astronomical interest rate has dragged approximately 15,000 Indian farmers of the states of AP, Karnataka, Maharashtra, Kerala, etc., to commit suicides between 2001-06. The wheel has turned full cycle over the last 100 years.

Multi-faceted Role of NABARD:

Against this backdrop, we like to address on the NABARD's involvement towards the socio-economic development of the country's rural areas. NABARD strongly believes that the village economy is the strength of character of the Indian economy. Indeed, 'real India lies in villages', as was said by Gandhiji.

NABARD – a national bank for the entire rural banking institution - was set up in 1982. Under its financial services, NABARD refinances commercial, co-operative and regional rural banks (RRBs) for farm and non-farm activities. It finances directly to the State Governments from its Rural Infrastructure and Development Fund (RIDF). Its innovative functions in the rural credit schemes comprise: (i) watershed development, (ii) integrated development of backward and underdeveloped areas, (iii) improving the outreach of the rural credit delivery system through microfinance initiatives, (i.e., Self-help groups (SHGs)–Bank Linkage Programmes), (iv) promoting farmers' club programme, (v) Kisan Credit Card, etc.

The year 1992 is an important landmark in the history of NABARD as it evolved a new approach in meeting the financial needs of rural Indian people. This approach aims at building a link between commercial banks, RRBs, NGOs and SHGs (i.e., informal local people constituting a group, better known as SHG-Bank Linkage). The SHG-Bank Linkage Programme is the major microfinance (henceforth MF) programme. SHG is an 'informal' credit system (having the virtues of greater flexibility as well as absence of bureaucracy in the sanctioning and disbursing loans and above all low default rate) evolved with the assistance from 'formal' financial institutions (having the qualities of both safety and reliability). Being an admixture of both formal and informal finance, SHG-Bank Linkage Programme of the Indian variety may rightly be called the 'semi-formal' institution. A banking relationship with the poor through the SHG-Bank Linkage is promoted. NABARD is helping SHGs to graduate from production and consumption loan takers to micro enterprises through long-term credit. It now offers a 'doorstep-banking' or 'mass banking' concept in the reform era.

With the gradual rationalization of their rural branch licensing policy, (number of RRBs reduced from 196 to 91) and some sort of backward steps by disregarding rural lending by the public sector banks, rural people are again trapped in the grip of so-called informal sector. Now, non-institutional agencies

like moneylenders and mahajans provide two-fifths of the rural credit needs across the country.

The employment potential of various schemes introduced by NABARD deserves compliments. It provides training facilities to its SHG members so that their micro enterprises become viable in the end.

It is because of the initiatives taken by the NABARD and ERDS (an NGO), Ananda Mridha of Malda, West Bengal has now become an employment provider from an employment seeker. He got necessary training programme on preparation of vermin-compost from household wastes and its application. With an investment of Rs. 10,000/- financed by (NABARD and ERDS), he set up one vermin-compost unit. At present, the number of such chambers has increased to 20 with seven employees working there. He generates a surplus income ranging between Rs. 7,000/- and Rs. 10,000/-. He also provides moral and input support to other new trainees.

The 1980s saw the launching of the SHG model on an experimental basis by two main NGOs – MYRDA in Karnataka and PRADAN in Rajasthan. From a small experiment, it has now become a 'movement'. Because of this movement, the SHG-Bank Linkage Programme has reduced the vulnerability of poor households through: (i) improvement in asset, (ii) increase in savings, (iii) reduction in the incidence of rural poverty, (iv) increased spending on education, (v) empowerment of women, and last but not the least (vi) the reduced dependence on informal credit institutions. However, so far, no major studies have been conducted that can throw light on achievements of these regions. We have very little idea about the improvement in the living standards of the rural poor people as well as the number of people that have been lifted from the BPL category to the APL category through the SHG-Bank Linkage Programme and MFIs. On the contrary, one finds preponderance of the rural money-lending business all over India. Manipur has the highest share of moneylenders in rural credit (81.9%), followed by Andhra Pradesh (63.8%), Punjab (52.1%), and West Bengal (42%).

It is transpired from the activities of the SHGs that rural poor people, particularly women are efficient managers of credit and finance. NABARD has designed special products for supporting entrepreneurial and marketing initiatives by women. Women's participation in carrying out various economic activities through this SHG-Bank Linkage Programme has made them to some extent economically independent. The scheme has the potential of improving the well-being of women and transforming the character of the male-dominated society at least in those areas where these programmes are in operation. Reign of terror, such as physical victimization and domestic violence instituted by the male members of the family, a social malaise, can be minimized through these banking movements. It has the lasting influence on the society as it empowers poor women. This is one of the important Millennium development goals –

improvement in the status of women. Gender equality reduces poverty and increases economic security – an important facet of social progress.

Areas of Concern :

The outreach of the SHG-BL Programme is rather narrow as so far just 3-6 million women have taken loans and roughly 16 million women maintain bank accounts all over India. The Programme has the largest concentration in the southern part of the country (52% in 2007) as contrasted to non-southern regions (increased from 29% in 2001 to 48% in 2007) where poor people also live in large numbers.

Total demand for micro credit in India is estimated to be close to Rs. 200,000 crore. It is clear from the data supplied by the NABARD that more than 1.6 million SHGs beneficiaries have received loans of just Rs. 600 crore and the average loan amount per beneficiary is estimated to be Rs. 2,000. Thus, the macro impact of this Programme to combat poverty with such a meager amount of Rs 2,000 is limited, in view of the large number of population living below the poverty line (22% as against 27% in 2004 pointed out by experts)

SHG loans are basically high-cost products in view of the time-intensive nature of the group formation, capacity building and appraisal processes necessary to substitute for the collateral required for obtaining loans from banks. Although NABARD provides finances to banks, co-operative banks and RRBs at 5%, poor farmers pay 12-15% + 3% recovery charges. On the contrary, SBI and Andhra Bank are contemplating to charge 9% interest rate viewing SHG lending as a profitable business. Recent studies confirm that the total operating costs on SHG lending are expected to be in the range of 19% for an efficient RRB bank branch. On an average, such operating costs may vary between 15% and 28%. A study of five RRB branches by the Micro-credit Ratings International Limited (M-CRIL Review, 2004) shows that all-inclusive costs of lending to SHGs should range between 22% and 28%, instead of actual interest rate of 12.5%-13%. Interestingly enough, if RRB is located in a low population density as well as forest areas where mainly poorest tribals live, the rate of interest might zoom up to 48% to have breakeven level of income. The interest rate of privately owned MFIs is as high as 20-30%, compared to Bank-supported SHGs, but reasonably lower than the rates charged by the moneylenders or modern day Shylocks. The very recent report of the UN's Economic and Social Commission for Asia and the Pacific (ESCAP) also corroborates the same: banks and MFIs charge interest rate between 18-24% on farm loans – much higher than house-building loans and car loans.

Despite strong historical preference for the co-operative banking sector to reach out to farmers, NABARD's concern has been the rising NPAs of the co-operative banks and RRBs. Gross and net NPAs of rural co-operative banks as a percentage of total advances were 23.8% and 12.3% respectively in 2005-06. However, these two kinds of NPAs declined to 17% and 7.7% in 2007.

NPAs of RRBs amounted to 16% of total advances. NPAs of RRBs and co-operative banks now stand at Rs. 31,000 crore. This will adversely affect the lending potentiality of these banks.

There is the political economy of favoritism of supporting the rich farmers in the distribution of credit. The Rural Finance Access Survey (RFAS) of the World Bank and the NCAER in 2003 makes some worrying observations. The Survey indicates the targeting of rich and large category clients relating to bank account (66% households) as well as accessibility to credit (44% of the households) over the poor farmers. More than 70% small and marginal farmers do not have any savings bank account while only 13% have availed bank credit. As usual, poor farmers are 'financially excluded', though the concept of 'financial inclusion' has become the fad of the politicians. Kisan Credit Cards – a favourite hobbyhorse of the Government as well as the banking industry – and crop insurance against the failure of crops are yet to make any significant impacts on both the rich and the poor farmers.

The Survey adds further that the transaction costs are rather heavy: First, the median distance to the nearest formal banking institutions range from 2 kms to 5 kms, (doorstep banking?), the median time taken to travel to the various banks of the formal category and RRBs is 30 minutes. Loan sanctioning procedure is not only cumbersome (instead of having the virtues of informal finance) but also expensive and time-consuming. It is revealed from the RFAS survey that 27% of the household (48% of the state of UP) surveyed who borrowed from the RRB, slightly less than 27% from the commercial banks and 10% from the co-operative banks reported that they had to pay bribe to get their loans sanctioned. Time taken for loan processing on an average was 33 weeks for commercial banks, 28.5 weeks for RRBs and 24% for co-operative banks. Often coercive methods for loan recovery are adopted forcing loanees to suicide. Naresh Nonoba Fartade, a farmer from Rohankhed, ended his life in front of Wardha District Central Co-operative Bank's branch on August 21, 2006 after a quarrel with bank staffers over delayed payment of a loan sanctioned by a co-operative society. Maharashtra has seen a record 105 farmer deaths in August 2006 with no immediate solution in sight.

It is said that "Sunlight is the best disinfectant." But the story is something different. Lack of transparency in respect of sanctioning loans or informational asymmetries is another area of concern, as often emphasized by the loanee members. One of the victims once remarked, "These people i.e., bank managers tell you something while write different thing."

In recent times, there has been a mushrooming of NGOs since MFI services are provided by the (i) SHG-Bank Linkage Programme, and (ii) MFIs. Quality of SHGs is under stress since in many cases NGOs are found to start this type of organization for their self-help and not the poor rural household groups. Many of the MFIs and NGOs do not have adequate skills, expertise and management

to run the show; and on the contrary, they are driven by monetary incentives in the form of governmental and non-governmental subsidies. Some of the SHGs have been formed on an ad hoc basis and some of them are not even registered. A very recent CAG Report (of the Jharkhand State tabled in the State Assembly – news appeared in The Telegraph, Jharkhand on 29.3.2008) talked about misusing of crores of rupees by the NGOs meant for tribal welfare of the State. The CAG findings say about defalcation of Rs. 2.19 crore by three NGOs who even did not bother to follow basic accounting norms and did not submit vouchers. Out of these three NGOs, two are unregistered. Quality of SHGs is thus reflected in the maintenance of books and accounts. We are apprehensive of 'fly-by-night' NGOs.

In recent time, a move that is very much perceptible is that the nationalized banks are now taking backward steps by ignoring the policy of priority sector lending and rationalizing their rural branch licensing policy. The gain that we experienced after nationalization is now being diluted under the impact neo-liberal economic regime. Further, banks are now being encouraged to perk their resources in safer assets like Government securities. Again, banks are also being advised to subscribe or invest in bonds issued by NABARD and SIDBI, rather than using their resources to poor rural people. Too much interference in the affairs of RRBs and co-operative banks by the Government is another irritating issue that bothers these institutions. However, just as for all these problems, NABARD is not to be blamed as the MFI approach is not the panacea for all the problems of rural finance and poverty.

NABARD is thus 'Not At all Bothered for Agricultural Rural Development' but a National Bank exclusively for "Agricultural and Rural Development". Let me reiterate the corporate mission of the NABARD: "Promote sustainable and equitable agriculture and rural prosperity through effective credit support, related services, institution development and other innovative initiatives." NABARD is, in fact, unique, not found anywhere else in the world. To make it a more effective in the realm of refinance, subsidy, interest relief, loan waiver, supervision, etc. some of the measures suggested by Dilip Kr. Mukherjee, General Secretary, All-India Rural Bank Employees Association, need to be implemented without any prejudice.

Possibility of opening SHGs among college students to go for vocational training of different types in rural and semi-urban areas like Jangipur is rather bright. The number of first generation learners in this small town is coming in good number, most of them being economically too poor to continue further studies. In addition, higher education is not meant for all. In fact, a large number of students opt for college education since for them higher education is an alternative to employment. They make a trade off between employment and higher education. Lack of employment opportunities rather compels them to have a preference for more education.

An overview of SHG Bank Linkage Programme and role of NABARD

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I: Introduction

Formal financial sector and Government of India have been taken several steps to eradicate poverty through financial inclusion. Important steps are priority sector lending, Setting up Regional Rural banks, Local Area Banks and IRDP etc. However, no single project has been able to see the face of success. There are two types of problems of financial inclusion faced by the formal financial sector: - supply side problem and demand side problem. In the supply side, Stiglitz (1990) has found that formal financial sector has faced screening problem¹, Incentive problem² and Enforcement Problem³ in reaching the poor due to 'Asymmetric Information'. In the demand side, poor people cannot approach banks as they do not have enough assets to offer collateral against the loan products. Moreover, banks cannot satisfy their micro credit needs through individual lending. To address the issue of lending to the poor, the Noble Laureate Dr. Md. Yunus in Bangladesh had initiated micro-credit movement in 70s through Bangladesh Grameen Bank. The model of Grameen Bank has been replicated in different countries in the world. In India the similar initiative had been taken by SEWA Bank in 1974. Later, National Bank for Agriculture and Rural Development (NABARD) has fueled the micro-credit movement in India through its SHG-Bank Linkage Programme (SBLP).

Presently NABARD promoted SBLP is the largest microfinance programme in the world. Now the important question is why did NABARD start this programme?

In India National Bank for Agriculture and Rural Development (NABARD) was set up by RBI as an apex development bank to provide financial support in terms of credit to agriculture and allied economic activities and to promote sustainable rural development in 1982. This bank also refinances those institutions

which have provided production and investment credit for rural development. NABARD conducted a study in mid eighties on the credit needs of the poor households in India (Harper, 2002). The research team found that poor people did not have place to keep their tiny savings; they needed consumption loans and they needed micro loans for micro-enterprises. On the other hand, formal banks have also found that the transaction cost of tiny savings and micro lending are very high. NABARD has found that principle of Joint Liability Lending and Peer monitoring can be a possible solution to overcome the problem of high transaction cost as well as problem of information asymmetry from the experience of Bangladesh Grameen Bank, Bancosol in Bolivia and Bank de Rakyat in Indonesia etc. As a result NABARD has taken up a pilot project on SBLP to examine whether this initiative would meet the credit need of the poor. Earlier NGOs and Community Based Organisations nurtured SHGs, helped them manage savings and provided micro-credit. With the help of these organizations NABARD had started the pilot project in 1996 in three southern states. After experiencing immense success of this project NABARD has taken up SBLP all over India in a full fledged manner in 1998.

We can divide the whole microfinance movement into two phases. First phase was from 1974 to 1992 (before NABARD took the initiative of SBLP) and second phase is from 1992 to the present. In the first phase the objective of the MFIs was poverty lending and NGOs and Community Based organizations were dominating the sector. However, in the second phase formal financial institutions like Commercial Banks, RRBs, and Cooperative Banks started to dominate the microfinance sector. This transition occurred due to the great success achieved by NABARD during the implementation of the pilot project on SBLP. Presently, Microfinance is a profitable business for the formal financial Sector.

In this context, this paper has made an attempt to study the achievements of SBLP in India and try to find out the limitations of this programme. Section II discusses the policy intervention of NABARD regarding SBLP. In the section III, we discuss the outreach of SBLP according to different delivery models. Section IV discusses the Region-wise and Agency-wise overall performances of SBLP. Section V concludes the paper.

II: Policy intervention by NABARD in promoting SBLP

In mid eighties, NABARD conducted a study on the banking needs of the poor. It was found that poor needed to

- 1) keep their tiny savings in a safe place;
- 2) receive consumption loans to smoothen their consumption expenditure during the lean season;

3) access hassle free financial services (Wilson 2002).

NABARD also found the limitations of the banking sector to serve the poor. It was required high transaction cost, high cost of mobilization and moreover, banking sector had to contend with regulated interest rates. In this context, NABARD started to think how with the help of informal and formal agencies poor could be served. It is found that from the experiences of different countries in the Globe that Self Help Groups could be the best delivery model to meet the financial need of the poor. The question came to our mind why were SHGs considered to be the best delivery model? NABARD thought if SHGs were formed and encouraged to pool their tiny savings, for banking sector it would be easy to reduce the transaction cost and through SHGs formal bank would meet the greater outreach. According to Ghatak 1999 and Stiglitz 1990, Joint Liability Lending and Peer monitoring have overcome the problem of Asymmetric Information in the financial sector. If NABARD had adopted the policy of Joint Liability Lending to link the SHGs, the formal financial sector could have reduced the monitoring cost, problem of recovery and transaction cost.

For the above reasons, NABARD had taken the pilot project in 1992 with the help of MYRADA (an NGO in Bangalore) in three Southern States. The immense success of this project made NABARD to take up SBLP all over in India in 1998. To implement SBLP, NABARD has adopted the following strategies:

a) Expanding the range of formal and informal agencies which can work as Self Help Group Promoting Institutions. These institutions will nurture the SHGs, help them to manage their savings and lending activities. It would help banks to provide credit linkage to the SHGs.

b) Building up the capacities of the increasing number of stakeholders (Seibal, 2002). NABARD has conducted different Training programmes and Workshops with the help of Government and Non Government Agencies for Bankers, SHPIs and SHG members to orient them about the process of implementation. NABARD also has taken the initiatives to conduct training programmes on different income generation activities for SHG members.

c) SHGs that have regular savings and lending practices are linked to the Banks and can access financial services. These SHGs are provided formal loans without collaterals and at market rate of interest. "Banks have found that 'Cold (outside) money gets added to the own 'warm money' in the hands of the groups, which have become structures, which are able to enforce credit" (Seibal 2002).

d) To eradicate the regional imbalances of the outreach, NABARD

has adopted region specific strategies and interventions. For example, more focus has been given to the North East States and less developed areas in KBK region of Orissa through encouraging small NGOs and MFIs to increase the outreach of SBLP (Puhazhendi and Badatya, 2002).

III: Status of SBLP according to Delivery Models

In the initial years of micro-credit movement Joint Liability Microfinance products are delivered through different delivery modes such as JLG group of Grameen Bank, SHGs in India, federation and Cooperatives etc. NABARD with the help of Commercial Banks, RRBs, Cooperative Banks and NGOs has delivered the microfinance services through three delivery models:

Model I: Implementing bank facilitates the formation of SHGs, nurture the SHGs and link SHGs to the bank directly for availing the financial services.

Model II: Implementing bank takes the help of NGOs and Community Based Organisations (CBOs) to facilitate the formation of SHGs, nurture the SHGs and link SHGs to the bank.

Model III: Banks on-lends to Microfinance Institutions and NGOs to deliver the microfinance services to the SHGs. Here MFIs act as facilitators as well as intermediaries. There is no direct linkage between the SHGs and Banks.

Table 1: Model wise distribution of linked SHGs

Year	Model I	Model II	Model III
2001	34297	200507	29021
2002	73836	346109	41533
2003	143472	516499	57389
2004	215818	776946	86327
2005	339876	1165288	113292
2006	447713	1656538	134314
CAGR	67.17%	52.55%	35.86%

Source: NABARD Fact Sheet March 2001 to March 2006

From the above table it is found that model II is the popular model for linkage to banks. It is found that the annual compound growth rate under model I is greater than that of other models. Initial years of SBLP bank branches have taken help of NGOs and CBOs for implementation. However, as time goes on, bankers have gained confidence to form and nurture the SHGs. This might be the reason for higher growth rate of outreach under model I.

In recent years along with NGO-MFIs, Non Banking financial Companies (under Section 25 Companies Act) have borrowed funds from formal financial sector to lend the SHGs. This results the moderate growth rate of outreach

under model III.

Table 2: Model wise distribution of linked SHGs in different Regions as on 31st March 2006

Region	Model I	Model II	Model III
Northern	11799(8.8%)	121709 (91%)	189 (0.2%)
North Eastern	47375 (75%)	10073 (16%)	5069 (8%)
Eastern	129521(32.8%)	228769 (58%)	36061 (9.1%)
Central	52763 (20%)	210031 (78%)	5121(2%)
Western	52705 (32%)	104298 (63%)	9251 (5%)
Southern	155275 (13%)	971790 (80%)	87366 (7%)

Source: NABARD Annual Report 2006-07.

The distribution of outreach among three delivery models in different regions is noticeable. It is well known fact that the concentration of NGOs and CBOs is very high in Southern, Western and Central Regions. As a result high rate of outreach have been found under model II in these regions. North Eastern Region is an exceptional case. In this region banking sector has taken major initiative of group formation and linkage activity. Very few NGOs and CBOs are working in this region due to the geopolitical problems of this region. All of the regions have low outreach under model III.

IV: Agency wise and Region wise Performance of SBLP

Commercial Banks, Regional Rural Banks and Cooperative Banks are the providers of linking services under SBLP. In the following table it is shown that the compound annual growth rate of number of participating banks is very high among the Cooperative Banks. The growth rate for RRBs is negative. It is found that some of the RRBs are merged in recent years. It has revealed from the discussion with some of the branch managers of Cooperative Banks in Gujarat, Andhra Pradesh and Tamil Nadu that some branches of Cooperative Banks have regained profitability through SBLP. This has made other branches to take up SBLP seriously. In case of Commercial banks, SBLP constitutes only 2 percent to five percent of their total outreach. The growth rate is also very low in case of these banks.

Table 3: No. of Participating Banks under SBLP

Banks	2001	2002	2003	2004	2005	2006	CAGR
Commercial Banks	43	44	48	48	47	47	1.79%
RRBs	177	191	192	196	196	158	-2.25%
Coop Banks	94	209	265	316	330	342	29.47%

Source: NABARD Fact Sheet March 2001 to March 2006

We need to look at the outreach of each and every type of formal banks. Due to the larger networks of Commercial Banks in India, the outreach of Commercial Banks is higher than the other banks. Moreover the average loan size per SHG linked to Commercial Banks is higher than the average loan size of all banks.

The average loan size is less in case of Cooperative Banks. It might be due to the fact that Cooperative Banks have targeted poor section. This section has need of small or micro loans for their daily activities.

Table 4: Agency wise Cumulative Distribution of Outreach and Loan

Agency	Cumulative Outreach	Cumulative Loan (in Rs. million)	Loan per SHG (in Rs.)
Commercial Banks	1,188,040 (53%)	69,874.49 (61%)	58814.93
Regional Rural Banks	740,024 (33%)	33,221.47 (29%)	44892.42
Cooperative Banks	307,543 (14%)	10,797.80 (10%)	35109.89
Total	2,235,607	113,894	50945.45

Source: NABARD, 2005 and 2006

From the inception period regional imbalances in loan distribution and outreach have been found in India. It is found that Southern Region accounts for 54 percent of total outreach and 75 percent loans are distributed in this region. It is well known fact that NABARD had implemented the pilot project of SBLP in three Southern States and there was larger representation of NGOs or other Developmental Organizations in these States. It has helped this region to reach this higher outreach. This region is also proactive in setting up micro-enterprises by availing microfinance services. State Governments have extended supports to this programme from the nascent stage in this region.

Table 5: Region wise Cumulative Distribution of Outreach and Loan

Agency	Cumulative Outreach (in Rs. million)	Cumulative Loan (in Rs.)	Loan per SHG
Northern	133,097	3985.85	29946.95
North-Eastern	62,517	1,657.01	26504.95
Eastern	394,351	9,354.19	23720.46
Central	267,915	8,050.07	30047.10
Western	166,254	5,251.39	31586.54
Southern	1,214,431	85,676.92	70549.02
Total	2,238,565	113,975.43	50914.50

Source: NABARD, 2005 and 2006

In Northern and North-Eastern region the outreach is comparatively low. Due to political instability in some States in these regions, the growth of outreach

under SBLP has been disrupted. As a result, it is rare to see the microfinance intervention taken by NGOs and other developmental Agencies.

Eastern region accounts for 18 percent of SHGs and only eight percent of total loan is distributed in this region. Underdeveloped States like Orissa and Bihar belongs to this region. In these States there is a greater loan requirement for consumption. It might be the cause of low percentage of loan disbursement.

Apart from Southern Region, in all other regions, the average loan size per SHG is less than that of all India. After ten years of implementation of SBLP regional imbalances still exist in India. It is found that drastic reduction in funds or grants for development has restricted the pioneer NGO-MFIs in reaching high outreach in backward States in India. Even Central Government has not adopted policy towards the elimination of regional imbalances yet.

V: Conclusion

NABARD and RBI have adopted SBLP to promote Relationship Banking⁴ (Bansal 2005). Through this programme poor people are able to access the financial resources as well as some banks have gained profitability. Banks have also been able to increase outreach. This paper attempts to provide fresh insights into the performance of SBLP in terms of outreach under different delivery models; agency wise performance and region wise performance.

1) Though most of the banking institutions have preferred model II for delivering microfinance, it is clear that preference towards model I is increasing over a period of time. It shows bankers' interest in involving themselves in direct implementation of SBLP is increasing. If bankers take lot of interest in group formation and monitoring these groups, SBLP could be implemented in a better way.

2) Despite of various operational and managerial problems existing in Cooperative banks⁵, the outreach and linkage made by these banks are quite impressive. Data shows that Commercial Banks are dominating other banks in terms of outreach and Loan disbursement. However, RRBs and Cooperative Banks have targeted more poor people than Commercial Banks as these banks are operating in the interior parts. Apart from Nationalized Commercial banks, Foreign Banks and Private Commercial Banks have shown interest in SBLP. It is one of the reasons for high outreach of the commercial banks.

3) Regional imbalances in SBLP outreach still exists. It is not because of the fact that some State Governments are proactive towards the implementation of SBLP. Historical facts are also responsible for this unequal distribution of outreach. In Southern States rotating savings and credit associations like Nidhi, Chit funds were prominent. So, people in these States were accustomed with the concept of group savings and group credit. Members of SHGs in these States

picked up group activities very well.

Moreover NABARD had initiated its pilot project in three States in Southern region with the help of NGOs like Myrada, Basix and SHARE. Strong presence of these developmental organisations in Southern region has resulted high outreach of these States. Government organizations had implemented some projects in which SHGs were used as a delivery channel. For Example, in Andhra Pradesh DRDA implemented DWACRA, Velegu project before pilot project of SBLP taken by NABARD. It had positive impact on implementation of pilot project in these States. It reflected in the huge success of pilot project.

SBLP has potential of reaching the poor with the modern financial services. In the phase of global financial crisis when mainstream finance has faced lots of problems, Microfinance sector has not faced any severe problems. In the present era formal sector should be serious about microfinance clients. In India only five percent of unmet demand is met by the microfinance services. Formal sector Banks are gradually increasing services to small and micro borrowers. However, no significant changes have been noticed. NABARD and RBI are continuously supporting banks in implementing SBLP project. But new technological innovation and product innovation are required. So policy makers should form policies regarding Microfinance which are innovation friendly.

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A Glimpse into the Developmental Initiatives of NABARD

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NABARD – A BRIEF PROFILE

1. The National Bank for Agriculture and Rural Development (NABARD) is an Apex Development Financial Institution, set up under NABARD Act, 1981. It came into existence on 12 July 1982. The DFI is jointly owned by Government of India & Reserve Bank of India. It has its Head Office in Mumbai, Regional Offices in all States and is represented in the Districts through the District Development Managers (DDMs / DDOs)

MANDATE

Shall be the Apex organization with respect to all matters relating to policy, planning and operational aspects in the field of credit for the promotion of agriculture, SSI, Cottage and village industries, handicrafts and other rural crafts and other allied economic activities in rural areas.

CORPORATE MISSION

PROMOTE SUSTAINABLE AND EQUITABLE AGRICULTURE AND RURAL PROSPERITY THROUGH EFFECTIVE CREDIT SUPPORT, RELATED SERVICES, INSTITUTION DEVELOPMENT AND OTHER INNOVATIVE INITIATIVES

HOW THE MISSION IS BEING ACHIEVED

Through:-

- 1. Credit*
 - 1. I. Credit Planning – Potential Linked Plans at district level and & State Focus Paper at the State level*
 - 2. II. Credit disbursement to*
 - 3. a. Banks – Commercial Banks, Cooperative Banks and Regional Rural Banks*
 - b. State Govt.*

1. 2. *Promotional & Developmental Initiatives*
2. 3. *Institution Development*
3. 4. *Supervisory role*

The **Developmental** roles of NABARD encompass Institutional development, Developmental initiatives, Participatory development programmes with focus on economic upliftment, the social impact being a fall out of the former. The participatory development programmes and developmental initiatives are discussed in brief in this paper.

1. Participatory Developmental Programmes have the following essential features:

- 1 *People's participation*
- 2 *Long-term impact*
- 3 *Community based*
- 4 *Bottoms-up approach*
- 5 *Focus on inclusion*
- 6 *Mainly women-centric*

1.1. SHG Bank Linkage Programme

The SHG Bank Linkage Programme is the flagship programme of NABARD, which has emerged as the largest microfinance programme anywhere in the World today. The programme was piloted by NABARD in 5 States in 1992 and mainstreamed in 1996.

1.1.1 A Self Help Group(SHG) comprises a small informal group of poor people, mainly women, coming from a homogeneous background and having mutual trust and faith. They pool their savings and inter lend the amount among themselves. A savings account is opened in the name of the group which is operated by the group leaders with due authorisation from the group. The group leaders are provided capacity building inputs on holding of meetings, fund management, book-keeping, etc. After 6 months, the group is rated by bank and bank loan provided if rating is found satisfactory on the basis of set criteria such as regularity of meetings, regularity of savings and inter lending, group dynamics, book-keeping, among others. The bank loan is purpose-neutral and there is no tangible collateral. The mutual guarantee provided by the group members based on peer pressure serves as a social collateral.

1.1.2 There are 3 models of SHG-Bank Linkage as illustrated below:

Model - I - The bank promotes, nurtures and provides credit directly to SHGs

Model - II - The NGO promotes SHGs and acts as facilitator and bank provides credit directly to SHGs

Model - III - The NGO promotes and nurtures the SHGs gets a

bulk loan from banks and on-lends to the SHGs

1.1.3 NABARD provides capacity building support to Self-Help Promoting Institutions and to SHGs through Awareness programmes, Leadership programmes, NGO field workers training programmes and bankers training programmes. Exposure visits are arranged for SHGs and NGOs both within and outside the State as well as abroad. Grant assistance for promotion and linkage of SHGs on a project basis is also extended to NGOs, Banks, Individual Rural Volunteers and Farmers Clubs for a duration of 2 to 3 years as **Self Help promoting Institutions (SHPI)**.

1.1.4 Besides, matured SHG members are provided skill development and marketing inputs through **Micro-Enterprise Development Programmes (MEDPs)** which are essentially short duration training programmes in any Farm or Non-farm skills conducted through NGOs, Banks and other partners. The programme envisages imparting of skill sets alongwith inputs on marketing and rural enterprise management and is expected to cover 30 matured SHG members (SHGs which have availed and repaid at least 2 consecutive loans from Banks/FIs) over a period of 3 to 13 days.

1.1.5 Matured SHGs are provided grant support upto Rs.1.15 lakh for setting up **Rural Marts** for marketing of their products. The support is for 15 months after which the Mart is expected to sustain on its own. Besides, marketing support is extended to SHGs for their products through sponsorship of Melas, exhibitions both within and outside the State and even abroad.

1.2. Joint Liability Group Scheme

A Joint Liability Group (JLG) is an informal group of 4-10 Individuals pursuing similar economic activity, who avail bank loan either singly or through group mechanism against mutual guarantee. The scheme is targeted at tenant farmers and oral lessees who are otherwise unable to avail bank finance due to absence of proper documents of title to land. The scheme is to be promoted mainly by banks. Savings is an optional component for a JLG and the bank loan is purpose-neutral. The loan can be a cash credit limit, short term loan or long term loan, however the maximum amount of loan is restricted to Rs.50,000/- per borrower.

1.3. Farmers Clubs programme

The Farmers Clubs Programme was launched by NABARD in 1982 - the year of its birth, as a measure to propagate the principle of development through Credit. It was originally named Vikas Volunteer Vahini (VVV) programme but was subsequently re-christened as FCP. Farmers Clubs are village level organisations working as facilitator of developmental initiatives of Government departments, Banks, NABARD and other agencies. They serve as a Platform

to bridge villagers with bankers. The Four pillars of FCP are credit discipline, technology transfer, capacity building and awareness creation. Registration of clubs is optional and the programme is implemented through the bank branch. The clubs play an active role in credit dispensation, recovery, credit counseling, technology adoption, bulk input sourcing and marketing of produce, SHG/JLG promotion and promotion of Farmers' Federation/Farmers Interest Groups.

1.4. Watershed Programme

A watershed is an area with common drainage point, taken up for water treatment (Harvesting + recharge). A Ridge to valley approach is adopted to avoid run-off. The objective of watershed development is 'Catch the water where it falls' through various structures. This is a community based intervention including Sramdaan by the community and is managed by the Village Watershed Committees, 50 % of which comprise women members. Watershed development also covers afforestation and livelihood supports through SHGs. The Project Implementation Agency can be the Panchayat Samity or an NGO.

1.5 WADI project

The Wadi project is meant for predominantly tribal areas to avoid distress migration. The Core livelihood component is the "Orchard", based on core competency of tribals, with soil and water management. It is an Individual based- economics model worked out on 1 acre own land. The project Implementation Agency is an NGO with expertise in tribal development and/or Natural Resource Management, NRM. The other interventions in Wadi include Women development, Capacity building, socio-economic upliftment.

2. Other than participative development programmes, NABARD's other development Initiatives in the Farm Sector include the Scheme for Capacity Building for Adoption of Technology by farmers (CAT), and FIPF projects while those in the Non-Farm sector include REDP, SDI and RIF projects, among others.

2.1 The Scheme for Capacity Building for Adoption of Technology by farmers (CAT) envisages exposure visit of farmers to learn innovative and replicable technology/models. 100 % grant based support is provided to Eligible agencies including NGOs, KVKs, State Agricultural Universities, SHGs, Farmers Clubs, Banks, PACS, research organisations. The Criteria for selection of the technology is that it should be suitable for adoption in the State

2.2 The Farm Innovation Promotion Fund provides soft loan/grant support for promotion of Any innovative project in farm sector for a Duration of 2 years. Project should lead to increase in livelihood, income, bank loan,

productivity, etc. Eligible agencies are NGOs, KVKs, State Agricultural Universities, SHGs, Farmers Clubs, Research organisations.

2.3 In the non-farm sector, **Rural Entrepreneurship Development Programme (REDP)** is supported for imparting Skills training in non-farm activities for entrepreneurship development. Duration of the programme is 6-8 weeks covering 25-30 trainees in a batch. Escort services has to be provided to trainees for at least two years for credit linkages for setting up their units. Eligible Agencies for conducting the programme are NGOs, specialised training institutions, ITIs, Poly Technic colleges(if authorised to draw grant), RRBs and Coop. Banks. NABARD grant support is available upto Rs.75,000/-

2.4 Skill Development Programme (SDP) is supported by NABARD to develop or upgrade skill with Wage Employment as the objective. The trainer Agency should monitor the progress. Budget is restricted to Rs. 1 lakh depending on activity. Duration is upto 14 weeks with minimum 15 trainees. Agency has to contribute at least 10% of the project cost

2.5 Under **Rural Innovations Fund,(RIF)**,soft loan/grant support is provided to ground any rural project preferably in the rural non-farm sector, which is development oriented, Innovative, experimental, has replicability and commercial viability. The project should lead to increase in livelihood, income, bank loan, etc.

2.6 Besides, there are specific programmes for **women development** including Assistance to Rural Women in Non-Farm Development (**ARWIND**), Assistance for Marketing of Non-Farm Products of Rural Women (**MAHIMA**) under which grant assistance is provided to women entrepreneurs in the Non-farm sector. NABARD helps to set up Women Development Cells (WDC) in RRBs and cooperative banks and provides performance grant support to these cells.

2.7 NABARD supports development of handloom, handicrafts and rural tourism clusters through its **Cluster Development Programme** under which grant support is extended to an activity based cluster towards remuneration of facilitator, purchase of common facility and equipment, capacity building, etc. NABARD supports both participatory as well as Intensive clusters.

2.8 Panchayat Samities, PACS, NGOs and Farmers clubs are extended grant support to the extent of Rs.5.00 lakh for setting up/renovation of new/existing **Rural Haats** for providing a boost to rural marketing.

The focus of the developmental schemes and programmes of NABARD, as discussed above, is on achieving sustainable livelihood promotion in rural areas. The emphasis is on enterprise promotion, wage employment, participatory development through capacity building, start-up funding and creation of linkages.

(Disclaimer: "The views expressed by the writer in the paper are her own and not that of the institution i.e. NABARD")

Nabard And Socio-Economic Development In Rural Areas With Special Reference To West Bengal

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INTRODUCTION

The purpose of the present paper is to show that the National Bank for Agriculture and Rural Development (NABARD) established in 1982 has been doing a marvelous job for the furtherance of the rural areas of India. It may be recalled that the Indian economy is still now basically rural in nature. Even today about 72 per cent of our total population live in rural areas spread over about six lakh of villages and even now about 62 per cent of the labor force of India are engaged in agriculture and allied services. Development of agriculture, prosperity in small scale and cottage industries, elimination of poverty, bringing good health, elimination of illiteracy and above all, bringing overall development in rural areas have been one of the avowed principles of our country since the initiation of the plan implemented about six decades ago. It may be recalled that in some fields we have got some successes, though in many fields our successes have been over passed by our failures. The NABARD has been initiating some strong and bold steps for bringing an overall development in the rural areas and in doing so this bank has, highly, become successful. This bank, in its silver Jubilee Year, has got a great fillip to serve the rural people in the true sense of the term. In this paper a modest attempt has been made to highlight these aspects of this bank.

THE ESTABLISHMENT OF THE NABARD

The most noteworthy development in the field of rural credit in recent years is the setting up of the National Bank for Agriculture and Rural Development (NABARD) which was established by an Act of Parliament on 12th July, 1982. Nabard has now been operating throughout the country through its 28 Regional Offices. It took over from the Reserve Bank of India all the functions that the latter used to perform in the sphere of rural credit. Designed specially as an "organizational device for providing undivided attention, forceful direction and pointed focus, to the credit problems of the rural sector", the NABARD is

now the apex Institution, accredited with all matters concerning policy, planning and operations in the field of credit for the development of agriculture and other economic activities in the rural areas of India. It may be mentioned that the Agricultural Refinance and Development Corporation (ARDC) set up in 1963 for meeting the long term credit needs of the rural areas, has also been merged with the NABARD.

FUNCTIONS OF THE NABARD

Since its inception, the NABARD has been playing a dual role: (a) role as an apex institution and (b) role as a refinance institution.

There can be no denying the fact that credit is a critical factor towards the development of agriculture and rural areas since it enables investment in capital formation and technological upgradation. Therefore, strengthening of rural financial institutions which intend to deliver credit to the sector, has been identified by the NABARD as a thrust area. To fulfill this thrust area various initiatives have been taken to strengthen the co-operative credit structure and the Regional Rural Banks (RRBs) so that adequate and timely credit becomes available to the needy. In order to reinforce the credit functions and to make credit more productive, this NABARD has been undertaking a number of developmental and promotional activities, some of which have been mentioned below.

1. To help co-operative banks and RRBs to prepare development action plans.
2. To enter into Memorandum of Understanding (MOU) with the State Governments and co-operative banks to improve the affairs of the banks in a stipulated time frame.
3. To help regional rural banks and the sponsor banks to enter into MOUs specifying their respective obligations to improve the affairs of the RRBs in a stipulated time frame.
4. To monitor implementation of development action plan of banks and fulfillment of obligations under MOUs.
5. To provide financial assistance to co-operatives and RRBs for the establishment of technical monitoring and evaluation of cells.
6. To provide Organization Development Intervention (ODI) through reputed Training Institutes like Bankers Institute of Rural Development (BIRD) at Lucknow, National Bank Staff College at Lucknow and College of Agriculture Banking at Pune etc.
7. To provide financial support for the training institutes of Co-operative Banks.
8. To provide training for senior and middle level executives of commercial banks, RRBs and Co-operative banks.
9. To create awareness among the borrowers on ethics of repayments through Vikas Volunteer Vahini and Farmers' Club.
10. To provide financial assistance to co-operative banks for building

improved management information system, computerization of operations and development of human resources.

11. To maintain a Research and Development Fund to promote research in agriculture and rural development, to formulate and design projects and programs to suit the requirements of different areas and to cover special activities.

THE RURAL NATURE OF THE INDIAN ECONOMY AND A PERPLEXING PICTURE

Indian economy is basically rural in nature. As per the census of 1991, 74.28 per cent of our population lived in rural areas and they contributed about 33.7 per cent of the total Net Domestic Product (NDP) in 1987-88 at 1980-81 prices. In contrast, 25.72 per cent of our total population lived in urban areas, contributing about 66.3 per cent of the total NDP. In 1960-61 the percentage of total population living in rural areas was 82.03 and they used to contribute 56.6 per cent of the NDP while about 18 per cent of our total population living in urban areas used to contribute 43.4 per cent of our NDP. Just think of the contrast! Within the course of thirty years from 1961 to 1991 the population of rural India decreased only by about 8 per cent, though in the same period the contribution coming to the NDP from rural India fell by about 23 per cent. According to the census of 2001, 72.2 per cent of our total population lives in rural areas and they contributed only about 27.9 per cent of the total NDP in 2000-01 at 1993-94 prices while 27.8 per cent of our total population living in urban areas has been contributing 71.1 per cent of the total NDP. Thus between 1991 and 2001 population of rural India decreased by 2.1 per cent while the contribution coming to the NDP from the rural areas fell by about 7.2 per cent (from 35.1 per cent in 1993-94 to 27.9 per cent in 2000-01) (vide Statistical Outline of India, 2002-03, Tata Services Limited).

Another perplexing picture of the Indian Economy as revealed between 1960 and 2002 has been presented in the following Table

Table: Sector-wise Contribution to National Income and Employment in India in 1960 and 2002 (in per cent)

Sector	1990		2002	
	National Income	Employment	National Income	Employment
Agriculture	55	75	24	60
Industry	16	11	25	18
Service	29	14	51	22
Total	100	100	100	100

Source: Computed from relevant issues of Economic Survey, Government of India
We see from the Table that between 1960 and 2002 the percentage

contribution of agriculture to the national income has been reduced from 55 to 24 while the percentage of people employed in agriculture declined by just 15 per cent (from 75 per cent in 1960 to 60 per cent in 2002). In another extreme situation the contribution of the service sector to the national income during the same period significantly improved from 29 per cent in 1960 to 51 per cent in 2002 while the percentage of people employed in this sector during this period itself increased only by 8 per cent (from 14 per cent in 1960 to 22 per cent in 2002). In case of industry the contribution to national income increased from 16 per cent in 1960 to 25 per cent in 2002 while the percentage of people employed in it increased from 11 per cent in 1960 to 18 per cent in 2002.

Further, in 1960 the ratio of income between agricultural laborers and non-agricultural laborers was 1: 3 which got deteriorated and became 1:6 in 2002. In 2002 the ratio of income between agricultural laborers and those employed in service sector became 1: 7 while in case of industries these ratios became 1: 4. Now we are talking much about the attainment of and annual rate of growth to the extent of double digit figure instead of the *Hindu rate of growth* as proclaimed by late professor *Rajkrishna*, a famous economist. However, the reality is that the more growth in national income has given rise to more inequality in the distribution of wealth, the inevitable consequence, once again, being massive poverty.

PICTURE OF RURAL AREAS IN WEST BENGAL

The State of West Bengal coming into existence with the attainment of independence by India in August 1947 epitomizes through its districts and regions an unequal pattern of development, which is also visible all over India. The economy of West Bengal is basically rural-based. The fact that in 1991 and in 2001 respectively 72.52 and 71.97 per cent of population of our country used to live in rural areas is the testimony to this fact. Still now about 26 per cent of West Bengal's Net Domestic Product is reaped through agriculture and allied services. However, historical and political factors have influenced the levels of industrialization and urbanization in this state. As a consequence, some areas have grown at a rapid pace and have become more developed while some other areas have progressed at a snail's pace and have remained virtually backward for years together. Even in the rural scenario which is more traditional and less modernized, there are vast divergences from one district to another.

On a number of indicators it has been seen that the six most advanced districts in West Bengal are: Hooghly, Kolkata, Midnapore (combined), Howrah, North-24 Parganas and Burdwan. These are the districts, basically in the vicinity of Kolkata, the nerve-centre of West Bengal, like Colombo, the nerve-centre of Sri Lanka. Darjeeling, a district of North Bengal and one of the most attractive districts to the tourists, just lies on the border line. The most depressed districts of the State are: North Dinajpur, Nadia, Cooch Behar and South 24-Parganas, Jalpaiguri, South Dinajpur, Maldah, Murshidabad, Birbhum, Bankura and

Purulia.

It is to be remembered that all the nineteen districts of the State are parts and parcels of West Bengal. Naturally, no district or part of it should remain neglected. We should give priority to the advancement of these districts and in this respect the NABARD has been doing a wonderful job.

NABARD'S INITIATIVE FOR RURAL DEVELOPEMNT IN WEST BENGAL

The initiatives that NABARD has taken for the overall development of rural areas of West Bengal can, broadly, be divided under the following category:

- (a) Credit initiatives,
- (b) Thrust areas
- (c) Microfinance programme
- (d) Farmers' club programme
- (e) Developmental initiatives
- (f) Institutional development
- (g) NABCONS

Let us, now, briefly, touch upon these initiatives taken by NABARD for the furtherance of rural areas of West Bengal.

CREDIT INITIATIVES

In this category there are a number of steps, viz,

- (a) Credit planning
- (b) Investment credit refinance
- (c) Production credit refinance
- (d) Rural infrastructure development Fund
- (e) Capital investment subsidy Scheme of the Govt. of India
- (f) Co- financing

Credit Planning

This bank prepares Potential-linked Credit Plan (PLCP) on yearly basis for each and every district of India. The PLCPs form the basis for the preparation of credit plan at the district level by banks. Based on the PLCP projections, the NABARD prepares the State Focused Paper for every State which presents a comprehensive picture of the potentiality available in the State for development of agriculture and allied areas. The PLCP projection for West Bengal in 2007-08 has been estimated at Rs.9629 crore as against a projection of Rs. 8273 crore in the previous year. The major projections are in the spheres of: (a) Crop loan, (b) Non-farm Sector (c) Other Priority Sector (d) Storage godowns / Market yards, (e) Plantation and Horticulture (f) Dairy development (g) Fisheries development.

Under the second step of credit initiatives, it may be mentioned that the cumulative refinance disbursement by NABARD under investment credit in West Bengal during the last twenty five years was more than Rs.4800 crores. The

refinance was disbursed for non-farm activities, farm mechanizations, storage godowns / market yards, minor irrigation and allied activities, viz. dairy, poultry and fisheries etc.

Besides, NABARD provides refinance by way of credit limits for seasonal agricultural operations at concessional rates of interest to State Co-operative Banks and Regional Rural Banks. It also encourages co-operative banks and RRBs to finance marketing of crops. Refinance is also extended to meet the working capital requirements of primary weavers' societies, procurement, stocking distribution and marketing activities of Apex Weavers' Societies and State Handloom Development Corporations.

The Government of India in 1995-96 set up the Rural Infrastructure Development Fund (RIDF) in NABARD. Under this fund this bank has sanctioned 21536 projects with RIDF assistance of Rs.4002.87 crores and has disbursed Rs. 2353.67 crores to the Govt. of West Bengal. The major projects which received support in the state included 1221 roads, 150 bridges, 13590 minor irrigation projects, 3039 primary schools and 329 power projects. Support from RIDF in the state has been extended to the social sector projects benefiting the poor at the grass roots level.

In the fifth step under credit initiatives the bank has sanctioned advance subsidy for 1419 rural godowns in West Bengal, with the total capacity of 5.23 lakh MT. Besides, 35 cold storages having a capacity of 1.50 lakh MT have got significant subsidy from this bank.

The contribution of this bank towards co-financing is also praiseworthy. To ensure substantial credit flow to agriculture and rural sector this bank has entered into agreements for co-financing with some commercial banks in W.B. Thus three projects have been sanctioned in W.B. on co-financing basis: (a) Modern Cold storage with the S.B.I., (b) Potato Processing and (c) Edible oil refining Process each with the UBI during 2006-07.

Under the scheme of Thrust Areas the NABARD has taken various measures, some of which are: (a) Doubling of Agricultural Credit, (b) Kisan Credit Card, (c) District Rural Industries Project (DRIP), (d) Rural Entrepreneurship Program (REDP)/Skill Development Initiative (SDI), (e) Cluster Approach For Rural Industrialization, (f) Marketing of RNFS Products, (g) Swarojgar Credit Card Scheme, (h) Credit Linked Capital Subsidy Scheme (CLCSS), (i) Women Development.

The bank has not been lagging behind micro finance program also. It has been spearheading the concept of SHG-Bank Linkage Program since the Pilot Project launched in 1992. In West Bengal, SHG-Bank Linkage Program has taken root since 1999-2000. Since then during the last seven years or so many initiatives have been taken by this bank. Efforts are on to promote SHGs in the areas under Joint Forest Management (JFM) and Tea Gardens. This is being successfully implemented in the forest and tea garden areas of Jalpaiguri

in North Bengal.

FARMERS' CLUB PROGRAM (FCP)

A very significant contribution of the NABARD is to form FCP since the days of initiation of this bank. This program is a bridge between the rural branches of the banks and the villages. It plays a catalytic role to increase quality advance of the bank, to bring more and more borrowers to the bank and is also instrumental in transfer of technology from lab to land. The role of the Farmers' Club is to bring the ethics of loan repayment; use of scientific methods in the use of loan availed etc. There is 1460 Farmers' Club in West Bengal on 31.03.2007.

CONCLUSION

Since its inception in 1982, this National Bank's endeavors and honest and sincere attempts have ushered in an integrated rural development. This has led to equitable growth, generated employment, enhanced income of the rural poor and above all, has roused great faith in the mind of the rural people. This bank has been in the service of the Nation for the last twenty five years or so. Its Silver Jubilee Year has just been over. In this year the bank has renewed its pledge to serve the Nation with its professional expertise, integrity and commitment to the cause of rural development. What are needed at present are the all round co-operation, honesty, sincerity and hard endeavor of all concerned for which this National Bank is meant. If this is done, there will no hungry belly, no illiteracy, no ill-health, and no discrimination between man and woman. Every person will have at least the minimum shelter to put his head in. There will be no craze for leaving the rural areas for the urban ones for service, living and health: an all round development in the rural areas is not far to attain; peace, happiness and tranquility will, again, prevail in rural Bengal.

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NABARD and Regional Disparities In West Bengal

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Historical Background:

Historically sources of agricultural credit can be broadly classified into institutional and non- institutional sources. Table 1 shows the contribution of different sources in India since 1951-52 to 1981. It reveals that the contribution of money lenders was highest (69.7%) in 1951-52. But its contribution gradually came down to 16.1 percent in 1981. ⁽¹⁾ The total agricultural credit from institutional sources has steady increased from Rs. 6,230 crores in 1984-85 to Rs.46,610 crores in 2000-2001.

Working of NABARD:

NABARD is playing an important role in augmenting the flow of the promotion of agriculture, small-scale and cottage industries, handicrafts and other rural crafts and various other allied activities in rural areas of the country. NABARD does not help farmers and rural people directly rather it flows the credit of these people through co-operative banks, commercial and other operational aspects. Table 2 shows that during 1990-91, NABARD sanctioned all total 10,663 schemes which involved its commitment Rs. 2120 crores. Moreover, NABARD has introduced a rehabilitation programme for weak central co-operative banks (CCRs) and state co-operative Banks (SCBs) of the country. Again from its research and development fund, NABARD is sanctioning financial assistances to different regional rural banks.

Recently micro-finance is a new approach to "banking with poor" as they attempt to combine lower transaction cost and high degree of repayments. The major thrust of these micro-finance initiatives is through the setting up of Self Help Group (SHGs), non-governmental organization (NGOs), Credit Union etc. NABARD has actively promoted these initiatives through SHG Bank linkage programme and training and also through providing refinance revolving fund

assistance and grants. ⁽³⁾ It is accepted that micro-credit, which includes micro-savings is gradually emerging as one the most effective strategies to alleviate poverty. It can effectively generate employment and sustain the income of the households by given them opportunities of work. ⁽⁴⁾ Through Micro-credit Institution can not neutralize non-physical of poverty which deprives the poor in their social existence. But it can be said that SHGs have credited awareness of the poor.

NABARD and West Bengal Economy:

To make up the gap between the fund available and the actual requirement of institutional finance was found to be the most suitable in W.B. economy. In the first five years of 21st century, road stretch about 3000 kms has been improved and construction of 85 bridges undertaken of which 33 has been commissioned. Loan came from different organizations like the National Banks for agricultural and Rural Development (NABARD), Housing And Urban Development Corporation (HUDCO), and West Bengal Industrial Development Finance Corporation (WBIDFC) etc. ⁽⁵⁾

In West Bengal Agriculture and Rural Development Bank (ARDB) is playing an important role as a rural financial instruction. This bank her 24 branches all over West Bengal. This bank is supplying the rural people both agricultural and non- agricultural credit. ⁽⁶⁾ As per NABARD's objectives, they are offering loans to small and marginal farmers for various commodities like two wheelers for communication. At present the achievements of the State in the sphere of agricultural have increasingly won recognition as West Bengal has a number of geographical, socio-economic and population-explosion related problems, progress has never been easy due to especially geographical complexities. Of total geographical area of the state. One percent is mountainous terrain and Ten percent coastal saline soil. Himalayas in the north to the Bay of Bengal in the south and implementing agricultural projects matching the different agro-climatic zones is not easy even at the best times. Extending Agricultural operations and infra-structure services to the remote areas is difficult and time consuming. In Murshidabad the river system is composed of the Ganges and its distributaries, of which the most important are Bhagirathi and Padma. These large rivers with an active current are now merely spill channels of the great river, which during the rains carry off a portion of flood water. ⁽⁷⁾ Almost every year the Ganges and Padma are forming and cutting away land causing erosion of soil.

The demographic characteristic of West Bengal are not satisfactory rather these are associated with high density of population in some district. As per census report 2001, the rate of growth of population in West Bengal is 17.84% (all India 21.34%) an the density of population per Sq. Km. is 904 (All India

324). It is also seen that the rate of growth of population remarkable varies from district to district in West Bengal. Density of population shows the man-land ratio that are existing in a region. The availability of natural resources and use of technology determines the density of population that can be supported in any state or region. In some districts of West Bengal Man-Land ratio is not favorable. Any agricultural dependent district cannot support a higher density of population with a general standard of living.

Various statistical records show that during last decade, West Bengal has made remarkable growth in several sectors. NSS data shows that rural poverty in W.B. has come down from a level of 73.16% in 1973-74 to 31.85% in 1999-2000. The purchasing power of rural people has also gone up. ⁽⁸⁾ According to World Bank, West Bengal, and a few other states are at percent the leaders in the field of poverty alleviation.

It can be said that NABARD is playing a significant role in the process of growth in West Bengal particularly in rural areas. In West Bengal the performance of nine Regional Rural Banks (RRBs) has been shown in Table-3. Out of nine RRBS, only two- banks are performing better. In the year 1999-2000, seven banks are profit-making. ⁽⁹⁾

Once, due to extreme poverty in rural areas in West Bengal, the rural people were borrowing a heavy amount of loan regularly for meeting their requirements needed for production, consumption and meeting social commitments. At that time debt passes from generation to generation. But now that situation is changing. Recently a number of self half group (SHGs) has been created for proving credit facilities to the poor, specially women. NABARD and small Industries Development Bank of India (SIDIB) are supplying lending to SHGs in different parts of India. From a survey, it seen that in W.B. the cumulative number of SHGs loan was 92,698 million, cumulative number bank loan was 1,262.77 million and per capita credit per SHG was 13,622.4 million up to 31 March 2005. Micro credit has worked largely through SHGs in general and women groups in particular. ⁽¹⁰⁾

NABARD has also providing loans to state Governments for Infrastructure project under Rural Infrastructure Development Found (RIDF). But from our survey it reveals that there exists district-wise disparity in West Bengal from Table-4 we can observed that there exist inter district disparity in terms of Human Development Index. This table reveals that Kolkata occupies rank 1 and Malda, Purulia and Murshidabad are ranked 17, 16 and 15. Table 5 shows The inter district disparity in terms of Gender Developments Index ⁽¹¹⁾ In West Bengal rate of growth of rural employment is not satisfactory. From 1983 to 1983-94 the rate of growth of rural male employment is 2.69 and in the

same year the rate of growth of female employment in rural areas in 1.53 from 1993-94 to 1999-2000 these figure declines to 0.82 and -0.8.

Over last twenty five years the achievements of the state in the sphere of economic growth have increasingly won national recognition. But the fruits of the economic growth mostly benefit the few district leaving lacks of people struggling in the ever deepening poverty. Experience reveals that the structure and quality of growth demand more attention to human developments and employments generation in rural areas. Recently some information have been expressed from Konar's survey. ⁽¹²⁾ According to the survey, there exist mutually re-enforcing growth and human developments in Panjab, Gujrat, Tamil nadu, Andhar Pradesh, West Bengal and Karnatake. But their exist higher human developments with relatively lower income in kerala. This study expresses a striking contrasts and wide variation among the states in India.

The prosperity of a state depends directly upon the growth of agriculture and industry. Agriculture production requires power, credit, transport facilities. Industrial production requires machinery and skilled man-power, banking, transport facilities etc. In many district in West Bengal these facilities are very negligible. After 1981-82 the agriculture production has remarkable increased in all district but other condition for developments are not adequate. At present the transport facilities in some district of West Bengal are suffering due to lack of modernization and diversification women's education is of much importance. It is not possible yet to state with any certainty what the result of the rural investment measures will be, for the new policy should be more stabilized in political, social and economic sphere.

The idea of humanity as a single race of beings with a common life and a common general interest is among the most characteristic and significant products of modern thought, known as global thought. The idea was born of the thought of the eighteenth century till, later, allying itself with the growing forces of globalization. A frame may have been made, but the soul will have still to grow into our mechanical body.

It is sure that we now running some what ahead in terms of historical developments. Right from the mid-sixties a major preoccupation was the production of heavy water along with the fertilizer plant. Another crucial input of the Departments of Atomic Energy is new clear fuel. An integrated complex for production of nuclear fuel i.e. Nuclear Fuel Complex (NFC) was set up by the departments of Atomic Energy at Hyderabad. These besides other technological achievements are:

- (1) Launching Satellites;
- (2) The atomic energy and space programmed to encourage young talent;

- (3) In credible revolution in the sphere of information technology
- (4) Advancement in Bio-technology;
- (5) Different Programmed to strengthen R and D
- (6) Establishment of electronics industry;
- (7) Application of nuclear techniques in agriculture.

But there different dark- side after there economic achievements. Uptil the first half if 21st century the policy makers are not able to provide safe drinking water; sufficient electricity facility, proper sanitation, proper primary education, useable roods for all seasons in different rural areas.⁽¹⁴⁾

In West Bengal the quantitative expansion of educational institutions have been massive after 1976-77 the Government of West Bengal launched the non formal education system since 1978 with the objective of bringing the drop outs and such other boys and girls in the age group of 9 to 14 years into the formal education system through non formal set up. At present the state government runs 68 units of non formal education projects through 50 NGOs who run 3400 centers at which 62500 student are being taught but still we are to go ahead.

We are to create wealth. Here wealth is not measured in terms of fixed assets such as buildings land, bank account etc, it is measured in terms of those knowledge based system which add value. We should follow this path which would help us to add value in the rural areas of West Bengal.

Table-1
Borrowing of Cultivators from the different sources
(Percentages1)

Sources	1951-52	1961-62	1971	1981
A. Non Institutional				
i) Money lenders	66.7	49.2	36.1	16.1
ii) Traders	5.5	8.8	8.4	3.2
iii) Relatives and Friends	14.2	8.8	13.1	8.7
iv) Landlords and other	3.3	14.5	10.7	8.8
Sub- total (I to iv)	92.7	81.3	68.3	36.8
B. Institutional				
v) Government	3.1	15.5	7.1	3.9
vi) Co- operatives	3.3	2.6	22.0	29.9
vii) Commercial banks	0.9	0.6	2.6	29.4
Sub-total(v to vii)	7.3	18.7	31.7	63.2
Total (A+B)	100.00	100.00	100.00	100.00

Source: All India Debt and Investment survey 1961-62

Table-2
Purpose- wise refinance Assistances by the National Bank
(NABARD)

Heads	1990-91		Cumulative position As on March 1991	
	No. of Schemes Sanctioned	NABARD (Commitments Rs. Crores)	No. of Schemes Sanctioned	NABARD (Commitments Rs. Crores)
1. Minor Irrigation	6,570	530	36,320	6,940
2. Land Developments	100	30	2,220	510
3. Farm Mechanization	-	340	11,250	2,500
4. Plantation Horticulture	1,090	90	9,120	140
5. Poultry, Sheep Breeding/ Piggery	1,030	90	7,530	560

Table-3
Profits/Losses of the Regional Rural Banks of West Bengal
(Rs. In Lakhs)

Name of the Bank	1996-97	1997-98	1998-99	1999-2000
Gour Gramin Bank	-1866.78	958.15	1563.88	-831.99
Mallabhum Gramin Bank	-1594.30	-807.61	-290.21	44.33
Mayurakshi Gramin Bank	-723.89	-321.04	-350.77	493.67
Uttar Banga Gramin Bank	-2103.66	-595.76	-538.97	-331.38
Nadia Gramin Bank	-410.58	-137.95	60.83	179.50
Sagar Gramin Bank	-1675.87	16.39	13.15	149.72
Bardhaman Gramin Bank	103.82	107.07	20.87	100.20
Howrah Gramin Bank	132.46	104.06	109.06	29.59
Murshidabad Gramin Bank	6.15	10.93	-135.96	27.78

Sources : Amit Kundu : West Bengal Today- 25 Years of economic Developments

Table-4
Human Developments Index for the district of
West Bengal 2001-02

District	Health Index	Per Capita Income Index	Education Index	Human Development Index	Rank in Human Developments
(1)	(2)	(3)	(4)	(5)	(6)
Darjeeling	0.73	0.49	0.72	0.65	4
Jalpaiguri	0.61	0.38	0.60	0.53	10
Coochbeher	0.50	0.41	0.65	0.52	11
West Dinajpur (Original Combined)	0.62	0.39	0.53	0.51	13
Malda	0.49	0.36	0.48	0.44	17
Murshidabad	0.57	0.29	0.52	0.46	15
Nadia	0.65	0.41	0.66	0.57	9
Kolkata	0.82	0.73	0.80	0.78	1
North 24 Parganas	0.72	0.49	0.76	0.66	3
South 24 Parganas	0.71	0.40	0.68	0.60	8
Howrah	0.77	0.53	0.75	0.68	2
Hooghly	0.77	0.53	0.75	0.68	2
Midnapore (Original Combined)	0.68	0.45	0.74	0.62	7
Burdwan	0.74	0.47	0.71	0.64	5
Birbhum	0.53	0.27	0.61	0.47	14
Bankura	0.67	0.26	0.62	0.52	11
Purulia	0.61	0.18	0.55	0.45	16
Total of West Bengal	0.70	0.43	0.69	0.61	-

*Sources: West Bengal Human Developments report 2004,
Govt. of West Bengal (P.13)*

Table-5
Gender Developments and Disparity in the district of
West Bengal, 2001-02

District	Equally distributed Index for			Gender Developments Index	Rank in Gender Developments
	Health	Income	Education		
(1)	(2)	(3)	(4)	(5)	(6)
Darjeeling	0.731	0.356	0.714	0.600	2
Jalpaiguri	0.614	0.281	0.581	0.492	11
Coochbeher	0.497	0.287	0.628	0.471	13
West Dinajpur (OriginalCombined)	0.616	0.291	0.527	0.478	12
Malda	0.491	0.291	0.465	0.416	17
Murshidabad	0.566	0.176	0.527	0.423	16
Nadia	0.649	0.215	0.653	0.506	9
Kolkata	0.824	0.320	0.783	0.642	1
North 24 Parganas	0.721	0.219	0.752	0.564	6
South 24 Parganas	0.705	0.192	0.666	0.521	8
Howrah	0.773	0.194	0.742	0.570	5
Hooghly	0.74	0.259	0.720	0.581	3
Midnapore (OriganalCombined)	0.683	0.323	0.728	0.578	4
Burdwan	0.740	0.270	0.669	0.560	7
Birbhum	0.533	0.178	0.595	0.435	14
Bankura	0.662	0.215	0.605	0.494	10
Purulia	0.606	0.161	0.506	0.424	15
Total of West Bengal	0.697	0.270	0.681	0.549	-

*Source: West Bengal Human Developments Report, 2004, P.14,
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NABARD's Contribution Towards Rural Infrastructural Development

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Agricultural credit is considered as one of the most basic input for conducting all agricultural development programmes. For a long time, the major source of agricultural credit in India was the private money-lenders traders, commission agents, relatives, landlords (*non-institutional sources*) such non-institutional sources accounted for 93% of the total credit requirements in 1951-52. But this source of credit was inadequate and highly expensive as well as exploitative. After independence the government adopted the institutional credit approach through various agencies like co-operatives, commercial banks, regional rural banks etc. to provide adequate credit to farmers at a cheaper rate of interest. The objective was to reduce financial dualism (i.e., co-existence of institutional and non-institutional sources of rural credit) in rural India. Although the share of non-institutional sources in the rural credit decreases but still remained very important (38.9% in 2002) in supplying credit to the farmers.

The most important development in the field of rural credit is the setting up of NABARD in July, 1982. This is an apex bank which co-ordinates the functioning of different financial institutions working for the expansion of the rural credit. It is run by a Board of Directors headed by a chairman. So far as the supply of credit to agriculture and to rural industries are concerned, this bank performs all the functions including short, medium and long – term refinancing that were previously performed by the Reserve Bank of India. The paid up capital of NABARD is wholly subscribed by the Central Government and the RBI. The NABARD played an important role in solving the problem of rural indebtedness in India. This aspect would be clear if we study the functions of NABARD, and the overall impact of all activities on Indian agriculture. Analysis of this paper is based on secondary data.

Purpose of NABARD

This bank was established for the purposes of (1) supplying necessary refinance to the co-operative banks for extending rural credit, (2) co-ordinating the activities of different financial institutions who were engaged in supplying rural credit, and (3) extending long and medium term credit for agricultural development through co-operatives and commercial banks.

Functions of NABARD

NABARD has a dual role to play- as an apex institution and as a refinance institution. It has inherited its apex role from RBI i.e. it is performing all the functions performed by RBI with regard to agricultural credit. At the same time, NABARD has taken over the functions of Agricultural Refinance Development Corporation (ARDC) and thus provides refinancing facilities to all banks and financial institutions leading to agriculture and rural development. Functions of NABARD can be categorized into the following three groups:

1. Creating Livelihoods through
 - Promoting the doctrine of Development through credit.
 - Financing assistance/refinance to banks.
 - Skill/Technical upgradation programmes.
 - Special Area Schemes.
 - Preparation of district Potential linked Credit Plan (PLP).
 - Monitoring Priority sector lending.
2. Sustaining Livelihoods through
 - Rural Connectivity (Rural Roads, Rural Bridge).
 - Electrification.
 - Irrigation Facilities.
 - Seed Farms.
 - Marketing Complex/Rural Haat.
 - Flood Protection.
 - Water Supply.
 - Health Centres
 - Sishu Sikha Kendra (SSK).
 - Rural Libraries.
3. Awareness Generation/ Sensitisation through
 - Self Help Groups(SHG)
 - Farmers' Club
 - Non Governmental Organisations(NGOs)
 - Capacity building for Adoption of Technology(CAT)
 - Rural Innovation Fund

- Farm Innovation and Promotion Fund
- Training/sensitisation of bankers/Govt. Officials
- Awareness Creation amongst entrepreneurs.

During the last twenty five years NABARD played an important role in developing the rural economy and performed all its various functions smoothly and efficiently.

NABARD and Rural Infrastructural Development Fund (RIDF)

The government has established a Rural Infrastructural Development Fund within NABARD from April 1995. The fund will provide loans to state Governments and state owned Corporations for completing on going projects, relating to rural infrastructure. This Rural Infrastructural Development Fund (RIDF I) has been set up with the corpus of Rs.2000 crores. The Fund has since been strengthened with allocation being announced every year in the Union Budget. The XII tranche for RIDF was announced in the Union Budget 2006-07 with an allocation of Rs.10,000 crore raising the aggregate allocation to Rs.60,000 crore. Thirty-one broad sectors/activities approved by GoI for financing under RIDF XII were for projects relating to rural roads and bridges, micro/minor/medium/major irrigation, community irrigation wells, mini/small hydel projects, drinking water, soil conservation, watershed development, reclamation of waterlogged areas, drainage, flood protection, forest development, market yards, godowns, apna mandi, rural haats and other marketing infrastructure, cold storages (public or joint sectors) at various exit points, seed/agriculture/horticulture farms, plantation and horticulture, grading and testing/certifying laboratories, fishing harbour/jetties, riverine fisheries, animal husbandry, modern abattoirs, infrastructure for rural education and public health institutions (including mobile health clinics), construction of toilet blocks in existing schools, 'Pay and Use' toilets in rural areas, rural knowledge centres, desalination plants in coastal areas, infrastructure for Information Technology in rural areas and construction of Anganwadi Centres. Table-1 shows the amount sanction and disbursement of loans under RIDF by NABARD.

Table-1:
Cumulative sanctions and Disbursements under different Tranches
(as on 31 March, 2007)

Year	RIDF Tranche	Corpus	No. of projects	Amount (Rs. in Crore)			% of Disbursement@
				Sanctioned	Phased	Disbursed	
1995-96	I	2,000	4,168	1,906.21	1,906.21	1,760.87	92.4
1996-97	II	2,500	8,193	2,636.08	2,636.08	2,397.95	91.0
1997-98	III	2,500	14,345	2,732.69	2,732.69	2,453.50	89.8
1998-99	IV	3,000	6,171	2,902.55	2,902.55	2,482.00	85.5
1999-00	V	3,500	12,234*	3,472.40	3,472.40	3,054.96	88.0
2000-01	VI	4,500	43,295	4,503.53	4,503.53	3,956.95	87.9
2001-02	VII	5,000	24,781	4,624.72	4,624.72	3,947.28	85.4
2002-03	VIII	5,500	20,968	5,987.26	5,987.26	4,770.28	79.7
2003-04	IX	5,500	19,595	5,592.96	5,592.96	4,007.75	71.7
2004-05	X	8000	17,524**	8,117.03	8,117.03	4,732.10	58.3
2005-06	XI	8,000	30,434	8,509.08	6,820.92	2,455.59	28.9
2006-07	XII	10,000	42,317	10,555.36	3,282.84	1,540.69	14.6
Total		60,000	2,44,025	61,539.87	52,579.19	37,559.92	61.0

* One lakh STWs sanctioned to Government of Assam treated as single project @: with sanctioned amount.

** 42,616 Construction of primary school structures sanctioned to Madhya Pradesh Government Convented to 213 projects.

Source: NABARD's Annual Report (2006-2007).

An allocation of Rs.10,000 crore was made under XII tranche of RIDF for 2006-07. During the year 42,317 projects involving a loan amount of Rs.10,555.36 crore were sanctioned under RIDF XII, taking the cumulative number of projects to 2,44,025 and amount sanctioned to Rs.61,539.87 crore as on 31 March 2007. The progress of completion of projects was satisfactory only under RIDF-I to RIDF-IX when the disbursement was as high as 71 to 92%. The fund was extremely underutilized and, infact, during the year 2006-07, disbursement was a pathetic 14.6% of the loans sanctioned. Under-utilisation of funds under RIDF was essentially due to delay in administrative and technical approval by the State Governments, land acquisition problems, delay in obtaining statutory clearances and tendering process, inadequate budgetary support at

State level, lack of at State Coordination among implementing departments, etc.

Purpose-wise, the funds of RIDF are being used for the construction completion of irrigation and projects related to rural connectivity, viz., rural roads and bridges. The following table shows purpose wise sanctions of RIDF funds since the inception of the fund.

Table-2
Sector wise Project and Amount (Rs. in Crore) Sanctioned
(As on 31 March, 2007)

Sector	RIDF XII 2006-07	Share (%)	RIDF I to XI (Total)	Share (%)
Irrigation	26,589	62.8	92,3421	45.8
No. Amount	3,179.35	30.1	7,252.59	33.8
Rural bridges	711	1.7	9,982	4.9
No. Amount	731.52	7.0	5,575.33	10.9
Rural Roads	6,477	15.3	49,143	24.4
No. Amount	3,295.49	31.2	17,537.35	34.5
Social Sector*	6,714	15.9	31,946	15.8
No. Amount	1,972.96	18.7	5,014.64	9.8
Power Sector**	2	0.0	725	0.4
No. Amount	13.26	0.1	1,420.34	2.8
Others***	1,824	4.3	17,570	8.7
No. Amount	1,362.78	12.9	4,184.26	8.2
Total	42.317	100.0	2,01.708	100.0
No. Amount	10,555.36	100.0	50,984.51	100.0

* Includes projects relating to Rural Drinking Water Supply, Primary/ Secondary School, Public Health Institutions, Pay and Use Toilets and Anganwadi Centres.

** Power includes projects relating to System Improvement in Power Sector and Mini/ Small Hydel projects.

*** Includes Soil Conservation, Watershed Development, Rain Water Harvesting, Flood Protection, CADA, Drainage, Cold Storages, Fishing Harbour/Jetties, Riverine Fisheries, Animal Husbandry, Forest Development, Inland Waterways, Rubber Plantations, Seed/Agri./Horti Farms, Citizen Information Centres, Food park, Rural Libraries, Rural Markets/ Market Yard/Rural Godown, Meat Processing, Rural Knowledge Centres.

Source: NABARD's Annual Report (2006-2007).

Between 1995 and 2007, over Rs. 61539.87 crores were sanctioned out of RIDF funds. Purpose-wise rural roads and bridges – they relate to rural connectivity- account for 45.4% of all the sanctioned amounts under RIDF I to XI. If we include irrigation also, as much as 79.2% of all sanctions out of RIDF funds went to three major purposes, viz., irrigation, rural roads and bridges upto RIDF I to XI. If we look at RIDF XII, then we observe that 68.3% of all sanctions out of RIDF funds went to three major purposes viz. irrigation, rural roads and bridges. Out of the total amount sanctioned during the year, the share of irrigation, road and bridge projects declined as compared to their share in cumulative sanctions under RIDF I to XI. But the share of social sector and other projects increased for the period 2006-07.

Socio-Economic Impacts (Some examples from India)

NABARD continued its efforts in obtaining feedback on performance of various investment activities through evaluation studies. These studies are undertaken to assess the impact of investments on income, employment generation and also their viability. It is expected that the projects sanctioned under RIDF on implementation will facilitate expansion of the production base in rural areas and creation of additional employment opportunities.

(A) A study on rural bridges in Nandurbar district of Maharashtra revealed the following benefits:

1. Improvement in all weather connectivity,
2. Quicker and assured transportation from farms to marketing centres.
3. Improvement in self-employment due to maxi cabs and similar cabs for transport from main road to nearby villages.
4. Saving in time and operational cost of vehicles have accrued from the construction of rural bridges.
5. Helped the students/unemployed youths and job seekers in accessing nearby townships for higher studies/ remunerative jobs.
6. Increase in demand for labour and consequent increase in wages resulting in reduction of poverty.

(B) The study on rural godowns supported under the scheme of Government of India (GoI) in Malda and Nadia districts of West Bengal, revealed

1. Increase in net income of farmers on account of better price realisation after the storage rather than selling the crop output immediately after the harvest.
2. The improvement in the income varied from 20 per cent for pulses to 50 per cent for paddy in Malda and 94 per cent for boro paddy in Nadia.

(C) The evaluation of rural road and bridge projects supported under RIDF in Haryana revealed

1. Improved connectivity resulted in a change in the cropping pattern in favour of vegetables
2. Reduction in transport costs for farmers in the benefited areas.
3. Net incremental income.
4. Accrual of intangible benefits such as improved access to education and health facilities was also observed in the sample villages.

(D) The completion of minor irrigation projects in Haryana led to

1. Changes in the cropping pattern towards high value crops and increased cropping intensity (18 to 21%).
2. Increase in the water level of tubewells in the benefited area was also observed.

(E) Evaluation of two flood protection projects supported under RIDF in Gorakhpur district of Uttar Pradesh, revealed that the investment yielded high ERR (36%) as it helped in reducing the fallow land from two-third to one-third of the operational area during kharif season.

RIDF and Murshidabad District of West Bengal- A Case Study

Murshidabad district is one of the districts of West Bengal. It is bounded by Malda district in the North and Birbhum in the West, Burdwan and Nadia in the South and Bangladesh in the East. The administrative structure of West Bengal consists of 19 districts and Murshidabad is one of the districts. Each district of West Bengal has several blocks. In Murshidabad, there are 26 blocks. Each block has several Gram Panchayets (GP, cluster of villages) and each GP contains several villages. There are 1925 inhabited villages in Murshidabad district. There are 262 GP's including Municipal areas (known as Wards) in Murshidabad district. Extending over an area of 5324 sq.km., the district has 58,66,569 inhabitants (30,05,000 are Males and 28,61,569 Females). The district has oppressively hot summer, short winters, high humidity and good rainfall during the monsoon period. The annual rainfall of the district is 1400 mm. The district is affected by flood almost every year. Agriculture is the major economic activity followed by animal husbandry and fishery. The district is industrially backward and lacking of basic infrastructures. The district is served by 156 branches of commercial banks, 67 branches of 2 Regional Rural Banks (RRBs), 13 branches of the DCCB and 6 branches of 2 Primary Co-operative Agriculture and Rural Development Bank Ltd (PCARDBs).

Like other districts in West Bengal NABARD has also sanctioned amounts through RIDF for the Murshidabad district. Financial assistance by NABARD

under different tranches is shown in table-3.No amount was sanctioned during RIDF-I and RIDF-IV for Murshidabad district. Recently the utilisations of funds are very pathetic (e.g in RIDF-XII & RIDF-XIII). During the year 61 projects involving a loan amount of Rs.2117.95 lakhs were sanctioned under RIDF XIII. As per the phasing of projects under various tranches (RIDF II to XIII), the total amount sanctioned was Rs.19968.27 lakh against which disbursements aggregated Rs.13173.46 lakh (Table 3).

TABLE-3
FINANCIAL ASSISTANCE UNDER RIDF BY
NABARD IN MURSHIDABAD DISTRICT

Tranches	Amount Sanctioned (Rs in Lakhs)	Amount Disbursed (Rs in Lakhs)	Disbursement on percentage of sanction
RIDF-II	1103.1	1058.29	96
RIDF-III	378.34	374.83	99
RIDF-V	2667.69	2511.3	94
RIDF-VI	2553.71	2379.91	93
RIDF-VII	1051.86	909.87	87
RIDF-VIII	1817.69	1117.87	62
RIDF-IX	248.32	238.38	96
RIDF-X	5037.66	2839.98	56
RIDF-XI	1304.03	1098.91	84
RIDF-XII	1687.92	220.52	13
RIDF-XIII	2117.95	423.6	20
TOTAL	19968.27	13173.46	66

Source: Regional Office of NABARD, Kolkata.

The cumulative position of sector-wise sanctions and disbursements is given in Table- 4(Cumulative as on 28th February, 2008). The cumulative number of projects is 590. Of the total amount sanctioned during the year, rural road and bridge projects accounted for 79% and 57% respectively. Irrigation projects 62%, system improvement in power projects 97%, seed farm 87%, public health centre 97%, marketing complex 20%, libraries 91% and water supply 12%. Due to such activities there is accretion in rural infrastructure as well as employment generation in the economy. In Murshidabad district a total of 62.13 lakh mandays (data is available upto VI tranche of RIDF) were created through different activities under RIDF (Table-5). Such activities also lead to some socio-

economic effects. For example, (a) Berhampur Hariharpara Amtala Road project connects two block head quarters (viz. Amtala and Hariharpara) to Berhampur head quarters of Murshidabad district through Kumradaha Ghat bridge,(b) Bridge over Bhairab project connects Murshidabad district and Nadia district of West Bengal, (c) Dhulian-Pakur Road project connects Murshidabad district(west Bengal) and Pakur(Jharkhand). Such regional, intra-district and inter-state connectivity leads to increase in income, Saving in time, Reduction in cost, Helped the students in accessing nearby townships for higher studies, Unemployed youths and job seekers in accessing nearby townships for remunerative jobs, Increase in demand for labour, Change in the cropping pattern, improved access to health facilities, reduction in poverty.

TABLE-4:
PURPOSE WISE AMOUNT SANCTIONED UNDER RIDF
(CUMULATIVE AS ON 28TH FEBRUARY, 2008)

Heads	No. of projects	Project cost (Rs in Lakhs)	NABARD sanction (Rs in Lakhs)	Disbursement (Rs in Lakhs)	Disbursement on percentage of sanction
Minor irrigation scheme (MIS)	299	2515.01	2254.03	1397.51	62
Rural Roads (RR)	44	11944.18	10158.43	7984.28	79
Rural Bridge (RB)	10	3071.05	2646.56	1505.93	57
System improvement in power (Power)	6	1968.51	1564.1	1513.42	97
Primary Schools (PS)	187	693.68	624.31	-	-
Flood Protection (FP)	12	244	225.27	127.19	57
Seed Farm	8	171.13	162.58	141.82	87
Public Health Centre (PHC)	5	238.31	202.56	196.63	97
Marketing Complex (Mkt)	6	194.39	184.67	36.93	20
Libraries(LIB)	12	53.84	45.76	41.75	91
Water Supply(WS)	1	4810.98	1900	228	12
Total	590	25905.08	19168.27	13173.46	66

Source: Regional Office of NABARD, Kolkata.

TABLE-5
ACCRETION OF RURAL INFRASTRUCTURE
AND EMPLOYMENT GENERATION

Sector (units)	Potentiality	Non-Recurring Employment Generation (Lakh Mandays) (Data is available upto 6th tranche)
M I S (Ha)	6124	5.86
R R (Km)	380.66	38.34
R B (M)	1156.93	5.42
F P (Ha)	18795.4	NA
Seed (Ha)	92.66	NA
Power	0	12.51
Total		62.13

Source : Regional Office of NABARD, Kolkata.

As per the phasing of projects under various tranches (cumulative upto 28th February, 2008), the total amount sanctioned was Rs.435432.64 lakh against which disbursements aggregated Rs.260847.38 lakh (Table 6). Eight districts (North 24 Pgs, South 24-Pgs, Burdwan, West Midnapur, East Midnapur, Bankura, Darjeeling, Nadia) accounted for 61 per cent of total disbursements and 56 per cent of total sanctions as on 28th February, 2008. The districtwise analysis of ratio of disbursements to the approved phasing of sanctions reveals that Howrah topped with 72 per cent, followed by Bankura (70%), Hooghly(67%) , Murshidabad and Birbhum(66%), East Midnapur(64%), Malda (63%), Cooch Behar (62%), Dakshin Dinajpur (60%), Burdwan, Darjeeling and Uttar Dinajpur (59%), South 24-Parganas and West Midnapur(57%),North 24-Parganas(55%), Purulia(51%) and Nadia(50%). Slow pace of utilisation of loans under RIDF when compared to the sanctions was mainly due to delay in administrative and technical approval by the State Governments, land acquisition problems, delay in obtaining statutory clearances and tendering process, inadequate budgetary support at state level, lack of coordination among implementing departments, etc.

Table-6
Districtwise comparison in West Bengal state
(cumulative upto 28th February, 2008)

District	Total no. of projects	Amount Sanctioned	Amount Disbursed	Percentage Share in the total sanctioned amount	Percentage Share in the total disbursed amount	Disbursement on on percentage of sanction
Bankura	820	22514.19	15699.57	5.17	6.00	70
Birbhum	1007	19449.98	12745.71	4.47	4.89	66
Burdwan	1194	34566.91	20371.52	7.94	7.81	59
Cooch Behar	3506	16689.55	10376.29	3.83	3.98	62
Dakshin Dinajpur	2559	13213.42	7909.00	3.03	3.03	60
Darjeeling	858	22154.41	13086.6	5.09	5.01	59
East Midnapur	554	22949.17	14753.63	5.27	5.66	64
Hooghly	472	20634.20	13868.06	4.74	5.32	67
Howrah	591	18634.17	13415.85	4.28	5.14	72
Jalpaiguri	2364	21015.27	11453.13	4.38	4.39	55
Malda	1862	15418.63	9810.91	3.54	3.76	63
Murshidabad	590	19968.27	13173.46	4.59	5.05	66
Nadia	872	29464.4	14616.96	6.77	5.60	50
North24 Pgs	1138	49885.75	27691.03	11.46	10.62	55
Purulia	209	14338.69	7390.67	3.29	2.83	51
South 24-Pgs	959	52190.44	30001.87	11.99	11.50	57
Uttar Dinajpur	2792	11695.12	6954.65	2.69	2.67	59
West Midnapur	1885	30650.07	17528.46	7.04	6.72	57
Total	24232	435432.64	260847.38			

To conclude NABARD has thus been playing a pivotal role in the channalisation of bank credit to the rural sector. It provides refinance and improves the resource base of institutions providing credit to the rural sector. Due to such activities there is some spill over effects in the economy which leads

to a reduction in the poverty particularly in the rural sector. To reduce the slow pace of utilisation of loans under RIDF we have to overcome the lack of coordination among implementing departments and other related obstacles also.

Acknowledgement

I am grateful to the Assistant General Manager of NABARD of West Bengal Regional Office at Kolkata and Mr. Partho Saha, DDM (NABARD) of Murshidabad district for their kind cooperation.

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NABARD and Its Potential

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National Bank for Agricultural and Rural Development is set up as an apex Development Bank with a mandate for facilitating credit flow for promotion and development of agriculture, small-scale industries, cottage and village industries, handicrafts and other rural crafts. It also has the mandate to support all other allied economic activities in rural areas, promote integrated and sustainable rural development and secure prosperity of rural areas. In discharging its role as a facilitator for rural prosperity NABARD is entrusted with:

- Providing refinance to lending institutions in rural areas
- Bringing about or promoting institutional development and
- Evaluating, monitoring and inspecting the client banks. Besides this pivotal role, NABARD also:
 - ✧ Acts as a coordinator in the operations of rural credit institutions
 - ✧ Extends assistance to the government, the Reserve Bank of India and other organizations in matters relating to rural development
 - ✧ Offers training and research facilities for banks, cooperatives and organizations working in the field of rural development
 - ✧ Helps the state governments in reaching their targets of providing assistance to eligible institutions in agriculture and rural development
 - ✧ Acts as regulator for cooperative banks and RRBs

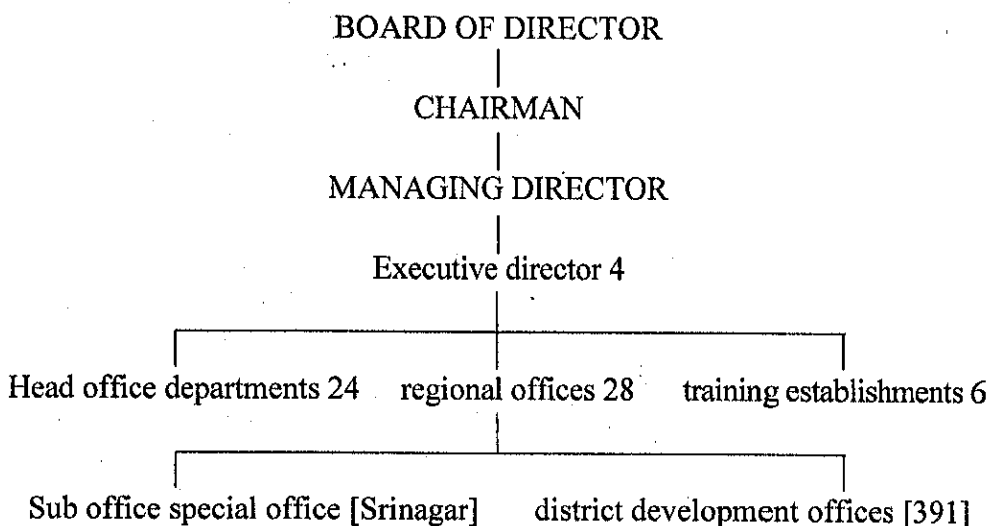
Objectives of NABARD

NABARD was established for providing credit for the promotion of agriculture, small scale industries, cottage and village industries, handicrafts and other rural crafts and other allied economic activities in rural areas with a view

to promoting IRDP and securing prosperity of rural areas and for matters connected therewith in incidental thereto: The main objectives of the NABARD as stated in the statement of objectives while placing the bill before the Lok Sabha were categorized as under:

- The National Bank will be an apex organisation in respect of all matters relating to policy, planning operational aspects in the field of credit for promotion of Agriculture, Small Scale Industries, Cottage and Village Industries, Handicrafts and other rural crafts and other allied economic activities in rural areas.
- The Bank will serve as a refinancing institution for institutional credit such as long-term, short-term for the promotion of activities in the rural areas.
- The Bank will also provide direct lending to any institution as may approve by the Central Government.
- The Bank will have organic links with the Reserve Bank and maintain a close link with in.

Organizational Structure :



Major Activities of NABARD :

- Preparing of Potential Linked Credit Plans for identification of exploitable potentials under agriculture and other activities available for development through bank credit.
- Refinancing banks for extending loans for investment and production purpose in rural areas.

- Providing loans to State Government/Non Government Organizations (NGOs)/Panchayati Raj Institutions (PRIs) for developing rural infrastructure.
- Supporting credit innovations of Non Government Organizations (NGOs) and other non-formal agencies.
- Extending formal banking services to the unreached rural poor by evolving a supplementary credit delivery strategy in a cost effective manner by promoting Self Help Groups (SHGs)
- Promoting participatory watershed development for enhancing productivity and profitability of rainfed agriculture in a sustainable manner.
- On-site inspection of cooperative banks and Regional Rural Banks (RRBs) and off-site surveillance over health of cooperatives and RRBs.

Role and Functions of NABARD :

- NABARD is an apex institution accredited with all matters concerning policy, planning and operations in the field of credit for agriculture and other economic activities in rural areas.
- It is an apex refinancing agency for the institutions providing investment and production credit for promoting the various developmental activities in rural areas
- It takes measures towards institution building for improving absorptive capacity of the credit delivery system, including monitoring, formulation of rehabilitation schemes, restructuring of credit institutions, training of personnel, etc.
- It co-ordinates the rural financing activities of all the institutions engaged in developmental work at the field level and maintains liaison with Government of India, State Governments, Reserve Bank of India and other national level institutions concerned with policy formulation.
- It prepares, on annual basis, rural credit plans for all districts in the country; these plans form the base for annual credit plans of all rural financial institutions
- It undertakes monitoring and evaluation of projects refinanced by it.
- It promotes research in the fields of rural banking, agriculture and rural development

As I think NABARD should be a facilitator of credit and ensure an efficient credit delivery system for rural India. We have to ensure that the various

institutions of regional rural banks, commercial banks, cooperative banks, state cooperative banks, district cooperative banks and others are more efficient. For instance, regional rural banks (RRBs) need to improve their performance. Even though most of them do make net profits, RRBs with their branch network of over 14,500 disburse only 8-9 per cent of the total rural bank credit in India. This should be scaled up to at least 24 per cent, considering that commercial banks with 32,000 rural branches deliver as much as 55 per cent of the total rural credit. NABARD should bring efficiency in this since agricultural credit is of great concern to the country.

NABARD needs more authority, more teeth to ensure compliance. There are various branches of RRBs, state co-operative banks and district co-operative banks, but Nabard has no power over these entities.

As far as co-financing of projects is concerned, Nabard needs to take a more pro-active role and market itself to get projects and then rope in a commercial bank to share the exposure.

The NABARD has plenty of expertise but there is a need to market it. It has the advantage of a compact workforce of 5,000 employees. But a little bit of re-organization, re-focus and marketing are required.

NABARD and Revival of short term cooperative credit structure [STCCS] with refrence to the special Audit of PACs : A case study

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Introduction

The rural financial system in the country calls for a strong and efficient credit delivery system, capable of taking care of the expanding and diverse credit needs of agriculture and rural development. More than 50% of the rural credit is disbursed by the Co-operative Banks and Regional Rural Banks (RRB). NABARD is responsible for regulating and supervising the functions of Co-operative banks and RRBs. In this direction NABARD has been taking various initiatives in association with Government of India and RBI to improve the health of Co-operative banks and RRBs.

Rural cooperative credit institutions have played a large role in providing institutional credit to the agricultural and rural sectors in the past. Typically, these credit institutions have been part of two distinct structures, commonly known as the short term cooperative credit structure (ST CCS) and the long term cooperative credit structure (LT CCS) in each state. The ST CCS, comprising primary agricultural credit societies (PACS) at the village level, district central cooperative banks (DCCBs) at the intermediate level, and the state cooperative bank (SCB) at the apex level, primarily provides short term crop loans and other working capital loans to farmers and rural artisans, although over the last few years, it has also been providing longer duration loans for investments in the rural sector. The LT CCS, comprising state cooperative agriculture and rural development bank (SCARDB) at the state level and primary (P) CARDs or

branches of SCARDB at the decentralised district or block level, has been providing typically medium and long term loans for making investments in agriculture, rural industries, and lately housing.

But over the past 10 years, however, not only has the share of the CCS in agricultural credit fallen from 62% in 1992-93 to 34% in 2002-03, its financial health has also seen a downturn. Accumulated losses in the ST CCS have been estimated at almost Rs. 10,000 crore, and those in the LT CCS at about Rs. 4,000 crore. An initiative has been taken by GoI to implement a revival package for strengthening the ST CCS in different states. The revival packages is aimed at reviving the short-term rural cooperative credit structure (CCS) and make it a well-managed and vibrant medium to serve the credit needs of rural India, especially the small and marginal farmers. It seeks to (a) provide financial assistance to bring the system to an acceptable level of health; (b) introduce legal and institutional reforms necessary for their democratic, self-reliant and efficient functioning; and (c) take measures to improve the quality of management. It is emphasised that all three components are equally important and should be treated and implemented as an *integrated* package.

This integrated Revival Package for Short Term Rural Cooperative Credit Structure (STCCS) includes Special Audit of PACS, Special Audit of CCBs, Release of Capitalisation Funds to PACS, Amendments to Cooperative Societies Act, HRD- Training, Common Accounting System (CAS) and MIS for PACS, Computerization, Monitoring, Expenditure incurred under the Revival Package, status regarding Task Force Report on LTCCS, Special Package for North Eastern Region (NER) States.

Twenty-five State Governments viz. Andhra Pradesh, Arunachal Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Jammu & Kashmir, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Manipur, Meghalaya, Mizoram, Nagaland, Rajasthan, Orissa, Punjab, Sikkim, Tamil Nadu, Tripura, Uttarakhand, Uttar Pradesh, and West Bengal have signed the MoU with GoI and NABARD in this respect. This covers more than 96% of the STCCS units in the country.

In this paper an attempt has been made to review the up to date progress on **special audit of PACs** as one of the components of the integrated revival package. It is noted from the available data that the special Audit has been taken up in 76,646 PACS and completed in 74,230 PACS through out the country. The Special Audit process is fully completed, including approval by **District Level Implementing Committees (DLIC)** and **State Level Implementing Committee (SLIC)** in Andhra Pradesh, Chhattisgarh, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Uttar Pradesh and West Bengal. Five State Governments viz. West Bengal (W.B.), Gujarat, Haryana,

Andhra Pradesh (A.P), Madhya Pradesh (M.P) amongst ten State Government mentioned above, who have approached significantly on the issue and completed their special audit of PACs are taken up for the study.

Revival of short term cooperative credit structure [STCCS] :

In order to strengthen Co-operative Credit Institutions both in Short Term and Long Term Structures as viable units on a sustainable basis and to improve the financial health of the same, NABARD and GOI had taken up different ventures from time to time. Various committees had been set up in the past to enquire into the problems faced by the CCS institutions, and to make recommendations for their revival. In recent past (2004) the Government of India (GoI) appointed a Task Force under the Chairmanship of Prof. A. Vaidyanathan to analyse the problems faced by the CCS institutions and to suggest an action plan for their revival. The final Report of Task Force on Revival of Rural Cooperative Credit Institutions (in the ST CCS) was submitted to the GoI in February 2005.

During 2005, the GoI had extensive discussions with the state governments on the recommendations of the Task Force on ST CCS, and a consensus was achieved on the Revival Package that could be implemented across the country. This Revival Package for STCCS was communicated to the state governments in January 2006.

This Revival Package for STCCS focuses on introducing **legal and institutional reforms**, which will enable the cooperatives to function as autonomous member centric and member governed institutions. These reforms will enable wider access to financial resources and investment opportunities, remove geographical restrictions in operations as well as mandated affiliations to federal structures, and provide administrative autonomy to cooperatives at all levels. Suitable amendments in certain provisions in the NABARD Act are also contemplated in this respect.

In addition to providing resources for covering the accumulated losses in the ST CCS as on 31 March, 2004 , the Package also provides for taking cooperatives to a minimum level of CRAR of 7%, and meet the costs of computerization of the accounting and monitoring system and specific **human resource development initiatives** at all the levels of the ST CCS. The sharing of the accumulated losses between GoI, State Government and the CCS is based on the concept of origin of losses rather than any arbitrary proportions.

As PACS across the country were using different accounting systems which did not present a true and fair picture of their financial status, a Common Accounting System (CAS) has been designed which will ensure transparency and application of prudent accounting methods and is also emendable to both

manual and computerized environments. The system would generate necessary outputs for internal control and management decisions as well as meeting the supervisory and regulatory requirements and needs of other associated agencies. To the extent possible, this will be computerized even at PACS levels.

Training modules for training of the elected directors and staff of PACS have been designed by a dedicated working group set up by NABARD. The group is now designing programmes for the higher tiers of the CCS. Training on CAS and MIS is also being imparted simultaneously. So far, 34,477 PACS functionaries have been provided training on CAS/MIS while 2,679 auditors/supervisors have been trained who shall provide handholding support to the PACS in grounding of CAS. Around 1.42 lakh PACS functionaries (Secretaries and elected members) have been trained in eleven States. They constitute around 44% of the total trainable in the implementing States.

Certain provisions are also being made within the NABARD Act to enable availability of NABARD refinance to a cooperative in any tier either directly or through any regulated FI.

The RBI has prescribed **fit and proper criteria** for election to the Boards of the rural cooperative banks along with criterion for professionalisation of the boards of these banks and CEOs of these banks.

The **Department for Cooperative Revival and Reforms (DCRR)** has been constituted in NABARD, the Implementing Agency, for implementing the Revival Package in all the states. NABARD is providing dedicated manpower at the national, state and district levels for implementing the Package. A National Implementing and Monitoring Committee (NIMC) not only monitor the implementation of the Package regularly, but also take necessary decisions on policy and operational matters. The programmed implementation is guided and monitored within each state by the State Level Implementing and Monitoring Committee (SLIC) and by the DCCB Level Implementing and Monitoring Committee (DLIC). The SLIC is supported by the concerned regional Office of the NABARD while DCCB level support team (DLST) supports each DLIC. A **State Level Task Force** is being set up in each State to periodically review issues of supervisory and regulatory concerns in respect of CCBs and SCB.

The process of implementing the Revival Package in any state begins with the signing of the **Memorandum of Understanding (MoU)** among the GoI, the participating state government and NABARD. The common draft of the MoU was finalised by the NIMC, and decisions taken in the NIMC on policy or operational issues could either be incorporated in the MoU while executing it or could be incorporated suitably while making amendments to the various Acts, rules, byelaws etc. without making any change in the MoU. State specific issues

which are not common to other states and are not against the spirit of the MoU and the Revival Package may be incorporated in the MoU.

The Government of India is committed to increasing the flow of credit to agriculture, especially to small and marginal farmers. The short term rural cooperative credit structure (CCS), which should play a central role in this respect, is unable to do so. This structure is severely impaired financially and institutionally. Its share in total credit flow to agriculture has been declining. Concerned at this state of affairs, the Central Government had set up a special Task Force in August 2004 to suggest an implementable action plan for reviving the CCS.

Special Audit of PACs: A Study :

Under the revival package, a special audit of all PACS, DCCBs and SCB in every participating state has been undertaken to arrive at a true and fair assessment of the amount of accumulated losses as on 31 March 2004 as also a fair and acceptable proportion of such losses on the basis of the origin of such losses, i.e., losses due to credit business, Public Distribution (PDS) business, or other trading business etc. These special audits are conducted either by the personnel from the cooperative audit department of the state or by selected outsourced auditors after being suitably trained on the guidelines for the conduct of special audits. Guidelines and formats for conduct of Special Audit were circulated to all participating States. Further, master-trainers from 23 States were trained by NABARD on these guidelines, which in turn trained/ are training field level departmental auditors and Central Cooperative Bank (CCB) officials.

Financial restructuring starts by bringing the Primary Agricultural Cooperative Societies (PACS) to an acceptable level of financial health through cleansing of their balance sheets and strengthening their capital base, and then move on to the upper tiers. This step enables PACS to clear their dues (Loan) to the upper tiers and thereby reduce the accumulated losses of District Central Cooperative Banks (DCCBs). For financial restructuring, the PACs are categorized in to three major sections determined on the basis of recovery of loan up to 30.06.2004.

Category I- Recovery equal to or more than 50%;

Category II- Recovery equal to or more than 30% but less than 50%;

Category III- Recovery below 30%

On the basis of this categorization SLIC assess and recommend for recapitalization assistance to the PACs by means of GoI share, State Government shares, PACs shares on the basis of a Memorandum of Understanding (MoU) signed between GoI, participating government and NABARD.

An amount of Rs.4,544.38 crore has been released by NABARD as GoI share for recapitalisation of PACS in seven states (of which four states have

been taken up for study), while the State Government had released Rs.429.20 crore as their share.

An attempt has been made in the followings lines to throw some light on the status of special audit of PACs, assessment of and recommendation for recapitalization assistance and release of fund for the same on the basis of the available data of the five states under study as on 31.03.2008

Table-1
Status of Special Audit of PACs and CCBs

Issues/states	W.B.	Gujarat	Haryana	A.P.	M.P.	Total	Country Total
MoU executed on	21.06.07	21.12.06	20.02.07	29.08.06	07.11.06		
SLIC/DLIC constituted on	17.07.07	15.03.07	23.03.07	02.03.07	29.11.06		
No. of PACs affiliated to CCBs	5740 100%	7699 100%	2441 100%	2738 100%	4523 100%	23141 100%	81347 100%
Special Audit started in no. of PACs	5289 92%	7176 93%	2390 98%	2705 99%	4519 99%	22079 95%	76646 94%
No. of PACs where special audit not conducted	451 8%	523 7%	51 2%	33 1%	4 1%	1335 5%	4701 6%
No. of PACs where special audit completed	5289 92%	7176 93%	586* 98%	2705 99%	4519 99%	22079 95%	76646 94%
No. of CCBs in the state	17 100%	18 100%	19 100%	22 100%	38 100%	114 100%	344 100%
No. of CCBs have completed special audit	17 100%	18 100%	19 100%	22 100%	38 100%	114 100%	278 81%
Vetted by DLIC (no. of DLIC)	17 100%	18 100%	19 100%	22 100%	38 100%	114 100%	278 81%
DLIC's proposal approved by SLIC(No. of DLIC)	10 59%	18 100%	19 100%	22 100%	38 100%	107 100%	261 76%

* The 2,441 PACS in 2004 were re-organised into 586 in 2006

Table 1 shows the detailed status of special audit of PACS and CCBs in the States under study which represents more than 25% (28%) of the PACs of the country (23141 PACs out of 81347 PACs) and that represents more than 33% of the CCBs of the country (114 CCBs out of 344 CCBs). From the data available it is revealed that special audit started and completed in 92% of the PACs in W.B. which is lower than that of other states under study and also lower than the % of PACs of the country (94%). 99% of PACs in A.P. and M.P. have started and completed special audit during the period which are significantly higher than scenario of W.B.

This study shows that only 59% of the DLICs proposal is approved by SLIC in W.B. which is too lower than the % of approval over the country (76%), whereas it covers 100% in case of other states under study. It is also noted that all the CCBs of all the states under study have completed their special audit within the stipulated time.

Table-2
Assessment of and recommendation for recapitalization
assistance to the PACs by SLIC:

Issues/ states		W.B.	Gujarat	Haryana	A.P.	M.P.	Total
No. of PACs where special audit completed		5289	7176	586*	2705	4519	22079
No. of PACs assessed and recommended by the SLIC for recapitalization assistance (categorization is based on recovery as on 30.06.2004)	Category-1	3537	4869	464	1506	2359	12735
	Category-2	185	892	98	844	1203	3222
	Category-3	108	1386	24	235	928	2681
	Total	3830	7147	586	2585	4490	18638
% of total no. of PACS recommended for recapitalisation		72%	100%	100%	96%	99%	84%
Financial package assessed of and recommended for PACs: (recapitalization assistance)							
GoI share (Rs. In crore)	Category-1	166.82	142.49	377.58	423.64	649.87	1760.40
	Category-2	13.12	113.45	193.45	808.04	463.67	1591.73
	Category-3	5.67	306.19	62.78	353.62	374.91	1103.17
	Total [A]	185.61	562.13	633.81	1585.3	1488.45	4455.3

State Govt. Share (Rs. In crore)	Category-1	18.28	10.82	17.60	78.64	47.89	173.23
	Category-2	1.02	7.52	8.82	97.08	32.41	146.85
	Category-3	.81	20.16	2.59	36.53	31.57	91.66
	Total [B]	20.11	38.50	29.01	212.25	111.87	411.74
PAC/CCSs share (Rs. In crore)	Category-1	14.03	13.40	22.59	65.80	71.52	187.34
	Category-2	.93	6.82	11.46	91.93	57.82	168.96
	Category-3	.25	11.96	4.86	24.87	68.02	109.96
	Total [C]	15.21	32.18	38.91	182.6	197.36	466.26
TOTAL A+B+C		220.93	632.81	701.7	1980.15	1797.68	5331.28
Ratio of A:B:C*		12:133:1	18:122:1	16:74:1	9:116:1	8:57:1	10:88:1
% of GoI Share to total		84%	89%	90%	80%	83%	84%
% of state Govt Sh. To total		9%	6%	4%	11%	6%	8%
% of PAC/CCB sh. To total		7%	5%	6%	9%	11%	8%
% Category-1 PACs to total no. of PACs recommended for recapitalisation		92%	68%	79%	54%	53%	68%
% Category-2 PACs to total no. of PACs recommended for recapitalisation		5%	12%	17%	33%	27%	17%
% Category-3 PACs to total no. of PACs recommended for recapitalisation		3%	20%	4%	13%	20%	15%

Approximation made wherever necessary.

In Table 2, it is experienced that % of PACs recommended by the SLIC in W.B. for recapitalization assistance is lower (72%) than the other states under study such as Gujarat (100%), Haryana (100%), A.P. (96%), and M.P. (99%). % of GoI share to the financial package recommended for PACs is lowest in A.P. (80%) and highest in Haryana (90%). % of state government share to the financial package recommended for PACs is lowest for Haryana (4%) and

highest in A.P. (11%). % PACs/CCBs share to the financial package recommended for PACs is lowest for Gujarat (5%) and highest in M.P. (11%).

Percentage of Category 1 PACs to total no. of PACs recommended for recapitalization is highest for West Bengal (92%) as compared to M.P. (53%) which is lowest in the run. % of Category 2 PACs to total no. of PACs recommended for recapitalization is highest in A.P. (27%) and lowest in West Bengal (5%). % of Category 3 PACs to total no. of PACs recommended for recapitalization is highest in Gujarat and M.P. (20%) and lowest in West Bengal (3%). So from the analysis it is found that the no. of PACs which have been able to recover more than 50% of their loan given is proportionately higher in West Bengal indicating a positive picture for the state.

Table- 3
Release of recapitalization funds to PACs

Issues/states	W.B.	Gujarat	Haryana	A.P.	M.P.	Total	Country Total
No. of PACs to whom assistance released	0	4890	512	2461	2359	10222	29458
Gol share released (Rs. In crore)	0	142.31	432.04	1565.55	649.87	2789.77	4544.38
State govt. share released (Rs. In crore)	0	10.53	20.32	210.85	47.88	289.58	429.20
CCS share (Rs. In crore)	0	13.36	30.59	161.10	71.52	276.57	735.73
Total recapitalization assistance (Rs. In crore)	0	166.20	482.95	1937.50	769.27	3355.92	5709.31
No. of PACs recommended for recapitalization assistance	3830	7147	586	2585	4490	18638	
% of PACs to whom assistance released	0%	68%	87%	95%	53%	55%	

% of GoI share released to total recapitalization assistance	0%	86%	89%	81%	84%	83%	
% of state government share released to total recapitalization assistance	0%	6%	4%	11%	6%	9%	
% of CCS share released to total recapitalization assistance	0%	8%	7%	8%	10%	8%	

So far release of repaitalisation assistance is concerned no fund is yet disbursed to any of the PACs of W.B. as compared to other states under study where repitalisation assistance to the no. of PACs ranges from 53%(A.P.) to 95%(M.P.) of the total no. of PACs recommended for the same.

In order to determine the proportion of GoI share, state government share and CCS share-in the total recapitalization assistance released we'll not consider W.B. in analyzing the proportion of GoI share, state government share and CCS share to total recapitalization assistance released as funds are yet to disbursed to the PACs of W.B. % of GoI share released to total recapitalization assistance released is lowest in A.P.(81%) and highest in Haryana (89%). % of state government share released to total recapitalization assistance released is lowest in Haryana (4%) and highest in A.P. (11%). % of CCS share released to total recapitalization assistance released is lowest in Haryana (7%) and highest in M.P. (10%).

Conclusion :

So far as the **status of special audit of PACs** is concerned in the states under study it is noted that, the A.P. and M.P. have reached to the 99% level of performance whereas W.B. is ranked at the bottom with 92% achievement level. The same performance is also noted in the issue of approval of proposal by SLIC where all the states under study achieved 100% level of performance except W.B. The W.B. has attended only 59% level of achievement. Again on the different issues of **assessment of and recommendation for recapitalization to the PACs by SLIC**, the performance of W.B. is not satisfactory. Here also 72% of PACs has been recommended for recapitalization assistance whereas 100% of the PACs has been recommended for the same in Gujarat and Haryana. Here proportion of category-1 PACs to total number of

PACs recommended for recapitalization within this time period is higher in W.B (92%) than other states as an exception.

In case of **release of recapitalization funds to PACs**, no fund is yet disbursed to any of the PACs of W.B. as compared to other states in the study e.g., 95% of the PACs in A.P. has received the assistance. It is remarkably a good performance.

From the above study it is evident that A.P., M.P., Gujarat and Haryana have achieved remarkable performance in relation to status of special audit of PACs, assessment of and recommendation for recapitalization and release of funds against the status of W.B. Again the MoU was also executed latter (on 21.06.07) in W.B. against other states under study. From this it can be said that the execution of plan of NABARD in this respect has not got due attention in W.B.

The Government of W.B. and NABARD have to come forward seriously in this issue for better performance and to make the project grand success. The help of NGOs is also solicited to build up awareness of the people in this direction.

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Agricultural Finance and Role of Nabard

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World's one of the oldest agrarian economy is Indian economy. The agrarian sector occupies a major part of our economic activity both in terms of contribution to National Income and share of employment. Agriculture is a large sector of the economic activity of our country and thus has a crucial role to play in the country's economic development. In the post independence period the Government has taken several steps for far reaching development in agriculture. One of the most important steps is the formation of National Bank for Agricultural and Rural Development, i. e, NABARD as an apex level bank. NABARD, since its inception on 12th July 1982 cater the demand of agricultural as well as rural credit. In short NABARD was formed with a motive of providing and regulating credit and other facilities for those economic activities in rural areas which helps in rural development and prosperity in rural areas. NABARD is a National bank for the entire Rural Banking institution. It intervenes into the matters related to refinance, subsidy, interest relief, supervision, etc. In fact, providing access to finance is a form of empowerment of the vulnerable groups. The mission of NABARD is to promote sustainable and equitable agricultural and rural development through effective credit support, related services, institution building and other innovative initiatives. NABARD is responsible for the development, policy planning, operational matters, coordination, monitoring, research, training and consultancy etc related to rural credit.

Sources of Agricultural Finance:

The various sources from which peasantry procures loans are classified into two groups, viz, (i) Non-institutional agencies, i.e, local village moneylenders and their agents and landlords etc. (ii) Institutional agencies like co-operative societies, commercial banks, farmers' service societies, NABARD etc.

The non-institutional or the informal sector is outside the orbit of officially

regulated financial intermediaries. Here the caterer of credit may not always be the money lenders or landlords. A farmer could be a borrower from a trader but himself a lender to agricultural labour. These types of arrangements are common phenomenon in villages. Studies shown that in some parts of the country these agencies accounts for 70 to 80 percent of debt transaction. Many poor people have no access to institutional credit as the arrangements in the informal sector are flexible. These credit arrangements provide for smoothening of consumption and production requirements. But the informal sector suffers from some serious shortcomings. In spite of the fact that the non-institutional sources of credit indulge in malpractices, these sources do and are being allowed to thrive. Rather we need to evolve a positive attitude towards these informal sectors. The idea of promotion of Self Help Groups (SHG) and Micro Financing (MF) is an indirect admission of necessity of informal finance. What is required is that the activities of this sector be regulated and formalized. As in face of acute resource crunch that our economy is faced with, it is neither feasible nor desirable to replace this informal sector by the formal sector.

Table1: Changing share of institutional agencies

Year	Share in total rural credit	
	Institutional	Non-institutional
1971	29	71
1981	61	39
1991	64	36
2002	57	43

The institutional financing system for agriculture commenced with the adoption of the Co-operative Credit Societies Act in 1904. The co-operatives assumed an increasingly larger role in the agricultural both in the matter of quantitative expansion and diversity of functions, although credit continued to be their main function. The banking sector also made some pioneering efforts in this sphere. Since the nationalization of 14 banks in 1969 the commercial banks have taken a growing interest in financing agriculture. The purpose was to fill the gap between the total requirements and availability of institutional credit. Also to enable agriculture and the farmer to move on to a level of technology that would create a sustained basis for increase in agricultural output, to increase the number of man days of employment and to improve productivity of land, labour and of capital itself. Table 1 will make it clear that the Government policy have succeeded much to reach the rural credit needs through its institutional agencies

and it would be seen from Table 2 that the Cooperative societies and the commercial banks taken together have become a viable system of financing the peasants' needs.

Table 2: Institutional credit to agriculture

Year	Cooperative banks amount	%	Commercial Banks + RRB's amount	%	Total
1980-81	2,126	55.17	1,263	44.83	3,853
1984-85	3,440	55.53	2,790	44.47	6,230
1989-90	5,507	20.74	21,047	79.26	26,554
1997-98	14,090	44.09	17,870	55.91	31,960
1999-2000	20,665	46.26	24,020	53.74	44,675
2001-02	27,080	40.56	39,691	59.44	66,771
2002-03	24,300	34.32	45,510	65.68	70,810
2003-04	30,080	37.60	49,920	62.40	80,000
2005-06	39,400	21.83	1,41,080	78.17	1,80,480
2006-07*	42,480	20.90	1,60,816	79.10	2,03,296

Source: Economic Survey & NABARD

** Provisional*

Policy Developments:

The objectives of the policies taken by the Government in respect of agricultural credit are to

- (i) institutionalize credit
- (ii) enlarge its coverage
- (iii) ensure provision of timely and adequate finance at reasonable rates of interest
- (iv) assist anticipated growth rates in agricultural production and employment.

To achieve these objectives the Government's policy has undergone several changes which can be described as two distinct phases, one lasting till 1970 and other spanning the period since 1970. The period prior to 1970 can be identified as the "co-operative period". As the cooperative societies are the major source of institutional credit and the Government was committed to the exclusive developments of cooperatives. In the second half of the 1960s two major changes in the Indian economy took place which has direct bearing on agricultural finance. The first one is Green Revolution and the second one is the

process of nationalization of commercial banks.

With the advent of Green Revolution it was realized that the cooperatives alone couldn't meet the increasing requirements of rural credit. Since then India come to practice what has come to be known as the Multi – Agency Approach (MAA) in rural credit. The cooperative societies, commercial banks (CB), regional rural banks (RRB) etc operate at the grass roots level and are supported by central cooperative banks, and regional offices of commercial banks and RRBs at the district level, with RBI and NABARD at the national level to support them.

To enhance the flow of credit to rural areas the concept of priority sector was evolved to ensure directed credit. As regards cost of credit, all interest rates on bank advances including in rural areas are deregulated and there is no link between priority sector and interest rate, though there are some regulation on interest rates by size of advance.

The significant developments that have emerged in the area of agricultural credit include:

- a) periodic review and enhancement of credit
- b) special emphasis on the development of rural infrastructure on account of the implication for a long term sustainable growth through Rural Infrastructure Development Fund (RIDF) setup by the NABARD.
- c) Raising momentum towards providing access to the weakest section of the rural poor to the institutional finance via micro financing and other initiatives.

One of the most successful programmes supported by the state in the microfinance sector has been the bank linkage programme. The **SHG-bank linkage** program has been operating in India since 1992–93 but has gained momentum only since 1997–98. The SHG linkage program seems to have picked up since the Global Micro credit Summit held in Washington D.C. in 1997. Given the network of institutional structures supporting the microfinance movement, the SHG-bank linkage program has been increasing its outreach substantially. Together the commercial banks, cooperatives, and regional rural banks had succeeded in linking 114,775 SHGs by March 2000. With an average size of 20 members per group, the program had reached over 2.2 million households. A large majority (85%) of the SHGs linked to banks were essentially women's groups. The new microfinance approach has benefited women largely and has emerged prominently as a women's program in rural India. Around seven lakh groups were linked to the banks and around five lakh groups were refinanced by NABARD by 2003 (www.nabard.org). Cumulative disbursement

of loans to these SHGs stood at Rs 2,048 crore. The SHG - Bank Linkage Programme can be regarded as the most potent initiative since Independence for delivering financial services to the poor in a sustainable manner. The programme has been growing rapidly and the number of SHGs financed increased to 29.25 lakhs on 31 March 2007. Through the SHG-bank linkage program the RBI and NABARD have tried to promote relationship banking, i.e., improving the existing relationship between the poor and bankers with the social intermediation of NGOs.

The linkage program was predominant in the Andhra Pradesh, Tamil Nadu, Karnataka, and Uttar Pradesh states of India. Further, among these four states the program was heavily concentrated in Andhra Pradesh, where 40% of credit linkages were established.

However, the linkage programme is skewed in favour of the southern states, the northern and north-eastern region together account for only 5 per cent of the total programme. This imbalance is an issue that requires attention. It is true that some of the states, particularly in the north, east and north-eastern regions, have a chequered history of dealing with formal credit. It, therefore, calls for significant preparatory work to put an alternative credit mechanism in place that would benefit these regions. This process of capability building and social mobilization cannot be easily accelerated. It may be noted that the success of the SHG-bank linkage programme in states like Andhra Pradesh is attributed to the existence of strong institutions involved in social intermediation, which help in the formation of SHGs.

Role of NABARD:

NABARD is playing a prominent role for strengthening the agricultural financial base of our economy. Its basic functions are:

- It provides finance to co-operatives, RRBs and CBs for short, medium, and long term requirements.
- In regard to refinancing, the NABARD has recently adopted the strategy called 'minimum involvement formula'. Till recently, NABARD has been providing funds at concessional rates ranging between 6 and 6.5 %.
- It undertakes inspection of co-operative banks and RRBs and advises the Government on related matters.
- It makes loans and advances to State Governments for periods not exceeding 20 years to enable them to subscribe directly or indirectly to the share capital of co-operative credit societies.
- NABARD is maintaining a Research and Development Fund to help promote research in agriculture and rural development.

- It undertakes monitoring and evaluation of the projects financed by it.
- The NABARD maintains two funds: the National Rural Credit (long term operations) Fund and the National Rural Credit (Stabilization) Fund. The Central and State Governments contribute to the funds.

The NABARD operates throughout the country through its 16 regional offices located in the capitals of all the major states and 3 sub-offices with a paid-up share capital of Rs. 100 crore. This has since been raised through stages to Rs. 5000 crore. So far as the sources of fund are concerned, RBI has been providing to NABARD a General Line of credit. Besides this NABARD is empowered to borrow foreign currency and from other institution approved by the Board. At the same time it is empowered to issue bonds, debentures and other financial instruments.

In addition to different developmental and promotional activities taken up by NABARD it proposes to set up a small farmers' agri-business consortium as an autonomous corporate entity. NABARD is also going to extend expertise to bankers and entrepreneurs for appraisal of hi-tech, export-oriented, innovative and agro processing projects with or without refinance assistance.

The NABARD has been in existence for about two decades now. Its achievements can be measured by its extent of transformation that it has made in the rural credit system so as to shape it into an effective instrument for welfare of poorer section. The various tasks facing the NABARD can be summed up as follows:

- o To meet credit needs of millions of shareholders, tenants, oral lessees, landless labourers, rural artisans, village craftsman, schedule castes and schedule tribes;
- o To extend credit facilities to all the beneficiaries under the RIDP throughout the country on uniform terms and simplified procedure;
- o To extend institutional credit to all the villages in the country;
- o To link credit with supplies and services so that ultimately output and income increases; and
- o To solve the pernicious problem of over-dues.

Resource Crunch for NABARD:

In 1992-93 RBI stopped contributing to National Rural Credit (Long-term Operations) Fund as a part of financial sector reforms. In 2001-02 Central Budget the Government has withdrawn the tax exemption facilities on NABARD profits. Two more recent measures curtailed NABARD's capability of in the field of refinancing to a great extent. First the RBI has decided that from April 1,

2007 the bonds issued by NABARD will not be treated as priority sector bonds for the purpose of qualifying as part of targeted lendings by banks for agriculture and small scale industries. Secondly, NABARD had been hitherto allowed to operate a general line of credit (GLC) limit with the RBI, with the help of which NABARD has been providing short-term financing facilities to banks on their seasonal agricultural operations, weavers' cooperatives and other informal sector non-agricultural operations. These limits have been curtailed down to Rs. 3,000 crore for 2005-06 from Rs. 6,600 crore in 2000-01 and even this was to cease after December 31, 2006. As a result of these two factors: (i) elimination of priority sector status for its bonds, and (ii) discontinuance of the general credit line, NABARD is sure to face a severe resource crunch for promoting investment in agriculture and other informal sectors. In fact, NABARD's outstanding market borrowing reached the high level of 35.6 per cent of its total working funds in March 2006. It was 16.1 per cent in March 2002.

Conclusion:

The three main functions of NABARD are refinancing, institutional development and inspection of client banks. An evaluation of these functions showed that the refinance function has attracted relatively more attention and resource over the years. Moreover a major chunk of personnel of NABARD is stationed at the head office, regional offices sub offices. As pointed out by V. Krishnadevan, "it is somewhat strange that an agency dealing with agricultural finance and which is supposed to be in touch with ground root realities, houses a significant number of its employees in cities" ("NABARD: Promises to Keep", The Economic Times, July 30, 1992). A major problem today is the lack of healthy credit delivery motivation at the field level for sustaining rural credit on a continuous basis. Despite making efforts, NABARD has not been able to strengthen as the management control vests in the State Governments. The latter, however, have failed to discipline the errand units. Despite the significant growth and poverty reduction records that India has achieved during the past decade, the country still has a long way to go, specifically with respect to rural poverty. The state of Maharashtra is an example of the significant growth and relatively high per capita income, while around 38% of its rural people live below the poverty line.

NABARD is playing a key role in rural development in general and particularly in supporting the SHGs movement as a rural development strategy. At the same time, the finance system encompasses a huge infrastructure of financial outlets that covers most of the country, even in remote rural areas. However, previous banks performance under the politically influenced direct lending programmes was very poor. A number of decisions taken by the RBI

create an enabling legal environment for the development of a vibrant microfinance sector.

In the Silver Jubilee celebration function of NABARD on 20 July 2007, Dr. Y. S. P. Thorat, Chairman in his welcome address said that, "NABARD has effectively transformed itself from a refinancing agency into a development oriented catalytic institution, pursuing a vision for the future of rural India." NABARD has fulfilled its basic objectives substantially. But yet it has a long way to go and that journey is not going to be smooth sailing. I would like to end my paper with the words of Dr. K. G. Karmakar, M. D., NABARD; "We are all living in interesting times – farmers' suicides, floods, food security issues and 4% agricultural growth, 10% GDP growth and requirement of massive resources for the XI Five Year Plan. All these call for key interesting times. What makes it interesting for NABARD is our search for low-cost long term financial resources and the constant search for innovations for an efficient and effective rural credit delivery system. These are all the problems that we carry with us in the journey for the next 25 years."

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Role of National Bank for Agriculture and Rural Development (NABARD) towards Socio-Economic Development in Rural Areas

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Introduction:

National Bank for Agriculture and Rural Development is popularly known as NABARD and it has been a household word in rural India. NABARD plays a pivotal role in improving the lives of millions living in rural areas through providing credits for the promotion of agriculture, small scale industries, cottage and village industries, handicrafts and other rural artisans and crafts and other allied economic activities.

Objectives of the Study:

The objectives of the study are as follows:

1. To discuss about historical account of NABARD in a nutshell;
2. To throw light on its objectives;
3. To assess the role of NABARD for the social and economic development of a country like India;
4. To give concluding remarks.

Review of some earlier studies:

The study on "NABARD and Rural Transformation" by N. Lalitha and R. Dayanandan (2005) reveals that the performance of NABARD at macro level is found to be in line with its objectives but ground level realities are otherwise. The situation warrants participation of borrowers in planning of the lending activities which alone can minimize misutilization and default in repayment. The book 'Agricultural Finance in India: The Role of NABARD' by K. Prabhakar (2008) highlights the system of agricultural finance in India. It provides an in-depth analysis of the role of NABARD as the apex refinance body in promoting agriculture and rural development in India. The article on "Role of

Banks in Agriculture & Rural development” by Dr. Gourav Vallabh and Suraj Chatrath” published in the Chartered Accountant (February 2006) manifests that, to achieve the ambitious average GDP growth, it is important to revitalize and revamp not only the agriculture sector but also rural financial institutions. The article also reveals that still now small and marginal farmers continue to depend largely on indigenous money-lenders. Banks must strengthen their credit delivery systems for Rural India.

Methodology:

The entire gamut of discussion of the study is based on the secondary source. Different books, journals, periodicals, newspapers, annual reports of NABARD, web sites etc have been used for collecting information/data as secondary source for the study. The study relates to the period from 1998 to 2008. The data/information obtained from secondary sources has been tabulated and interpreted in a logical manner.

NABARD: A Brief Resume:

A Committee set up by the RBI under the Chairmanship of Shri B Sivaraman on “Review Arrangements for Institutional Credit for Agriculture and Rural Development” submitted its report on November 28, 1979 and in its report, the Committee recommended the establishment of NABARD. The Parliament through the Act 61 of 81, approved its setting up. The Committee reviewed the arrangements and came to the conclusion that a new arrangement would be necessary at the national level to achieve the desired focus and thrust towards integration of credit activities in the context of the strategy for Integrated Rural Development. It was felt necessary to set up separate institutional set-up because of massive credit needs of rural development and the need to uplift the weaker sections in the rural areas within a given time horizon. The RBI had to discharge many basic functions of central banking in monetary and credit regulations and for this it was very difficult to devote undivided attention to the operational details of the emerging complex credit problems. This paved the way for the establishment of NABARD. It was established on 12th July 1982 by an Act of Parliament. The agriculture credit functions of the RBI and refinance functions of the then Agricultural Refinance and Development Corporation (ARDC) were transferred to NABARD on its formation. NABARD started its journey with an initial capital of Rs 100 crore, which increased to Rs 2,000 crore, fully subscribed by the Government of India and the RBI. NABARD is set up as an apex Development Bank with a mandate for facilitating credit flow for promotion and development of agriculture, small-scale industries, cottage and village industries, handicrafts and other rural crafts. It also has the mandate to support all other allied economic activities in rural areas, promote integrated and

sustainable rural development and secure prosperity of rural areas.

NABARD: Its Objectives:

The main objectives of the NABARD are:

1. To provide refinance to lending institutions in rural areas for the promotion of rural based activities;
2. To act as a regulator for co-operative banks and RRBs;
3. To evaluate , monitor, and inspect the client banks;
4. To promote institutional development;
5. To act as a co-coordinator in the operations of rural credit institutions;
6. To extend assistance to the government, the RBI and other organizations in matters relating to rural development;
7. To help the state governments in reaching their targets of providing to eligible institutions in agriculture and rural development.
8. To serve as a refinancing institution for institutional credit such as long-term, short-term for the promotion of activities in the rural areas;
9. To act as an apex organization in respect of all matters relating to policy, planning operational aspects in the field of credit for promotion of Agriculture, Small Scale Industries, Cottage and Village Industries etc.

Role of NABARD for the social and economic development of a country like India:

Since the establishment of NABARD, it has been playing a predominant role for the social and economic development of the rural areas. The nation can not progress without rural development. So the development and upliftment of the people living in rural areas is a must. Here lies the importance of establishment of NABARD. Health, education, drinking water, housing and roads are important elements which need to be developed/improved for the development/improvement of rural areas. Even after 62 years of independence the provision of basic services in rural areas remains very unsatisfactory. Still now, our country is plagued with inadequacy of primary schools, insufficiency of rural health infrastructure, drinking water problems, dearth of rural dwelling units and so on. Since time immemorial, the rural economy is based on agriculture. Sustained and broad-based growth of agriculture is essential for alleviating poverty, generating incomes, and employment, assuring food security and sustaining a buoyant domestic market for industry and services.

NABARD has effectively brought in a number of innovations in the rural credit domains. Some innovations are:

- (a) Self-Help Groups;
- (b) Farmers Club;
- (c) Rural Infrastructure Development Fund;
- (d) Watershed Development;
- (e) Kishan Credit Card;
- (f) District Rural Industries Project;
- (g) Rural Entrepreneurship Development Programme (REDP) and Skill Development Programme (SDP);
- (h) Rural Marketing.

Self-Help Groups (SHGs)

Self-Help Groups (SHGs)-bank linkage mechanism was started by NABARD as a pilot project to provide access to credit for self-help groups of the poor. It was one of the major success stories of NABARD.

The progress under SHGs-bank linkage during the period from 1999-2000 to 2006-07 has been displayed in Table-1.

Table-1: Progress under SHGs-bank linkage

New SHGs financed by banks				Bank Loan		
Year	Number	Growth (%)	Cumulative Number	Amount	Growth (%)	Cumulative Amount
1999-2000	81780	148	114775	135.9	138	193
2000-01	149050	82	263825	287.9	112	480.9
2001-02	197653	33	461478	545.5	89	1026.3
2002-03	255882	29	717360	1022.34	87	2048.68
2003-04	361731	41	1079091	1855.53	81	3904.21
2004-05	539365	49	1618456	2994.25	62	6898.46
2005-06	620109	15	2238565	4499.09	50	11397.55
2006-07	686408	11	2987441	6643.19	47	18040.74

Source: Data compiled from Economic Survey, 2003-04 and 2007-08

The analysis of the above Table-1 reveals that during 1999-2000, bank loans of Rs.193 crore were availed of by 114775 SHGs. The succeeding years show the increasing trend in view of the numbers of SHGs as well as the volume of disbursement of bank loans. Commercial banks, RRBs and co-operative banks are actively participating in the SHG-bank linkage programme. This results in expanding the access of millions of people to the formal banking system.

Farmer Club

Farmer Club concept was introduced to bring the rural banker and the

borrower closer and to propagate the principles of development through credit. Farmer Club is an informal group of 15-20 farmers, one per village, which acts as a medium for accessing and disseminating awareness of modern methods of farming and technological advancements in agriculture in its area. Financial support is provided by NABARD for opening and maintenance of Clubs as well as for organizing training programmes in the respective villages.

During the year 5277 clubs were launched taking the total number of clubs to 28266 covering 61789 villages in 555 districts as on 31st March 2008. Agency-wise RRBs promoted the maximum numbers of clubs (12604) followed by commercial banks (8471), co-operative banks (5237) and other agencies (1914). The region-wise distributions of clubs indicate that the southern region has the major share (30%) followed by central (24%), eastern (18%), western (16%) and northern (9%) regions while NER accounts for only 3% share.

Rural Infrastructure Development Fund

Deficiency of rural infrastructure hinders both social and economic development. For the development of rural infrastructure, the Rural Infrastructure Development Fund (RIDF) managed by NABARD has emerged as a popular and effective scheme for financing rural infrastructure schemes. NABARD's support to State Governments through RIDF has brought about a sea change in the shape of upgraded infrastructure in rural areas. Rural roads and bridges under RIDF have brought the farmers closer to the markets. Dams and irrigation structures have been developed. Drinking water projects and health centres are being supported by the fund.

Watershed Development

Watershed Development Programme was introduced for enhancing productivity of dry land through conserving soil, rainwater and irrigation and for creating a sustainable cost effective solution to the water harvesting techniques in rural areas.

The Programme is administered and managed by the National Bank for Agriculture and Rural Development (NABARD). Watershed Development programme has two phases: (a) Capacity Building Phase (CBP) implemented through Watershed Organization Trust (WOTR) and (b) Full Implementation Phase (FIP) is taken up only after successful completion of CBP.

The programme has helped to overcome the Drinking water scarcity in the villages, improve local employment generation, increase the agricultural production due to increase in rabi and summer crop area, adoption of better varieties of crops, improvement in yield of crops, increased area under irrigation and diversification of cropping etc.

The corpus of the Watershed Development Fund (WDF) was augmented by

Rs.34.74 crore during 2007-08, taking the cumulative amount to Rs.613.71 crore as on 31st March 2008. During the year, 63 watershed projects were sanctioned taking the cumulative number to 416 spread over 94 districts across 14 States. With a total commitment (loan and grant) of Rs.236 crore under these projects, an area of 4.16 lakh ha. is expected to be covered. During the year, 31 projects entered the full implementation phase taking the cumulative number of projects to 161.

Kishan Credit Card (KCC)

Kishan Credit Card (KCC) Scheme was introduced for the provision of adequate and timely support from the banking system to the farmers for their cultivation needs including purchase of inputs such as seeds, fertilizers, pesticides etc. in a flexible and cost effective manner.

Table-2: Agency-wise Kishan Credit Card (KCC) issues (in lakh)

Year	Co-operative Banks	Regional Rural Banks	Commercial Banks	Total
1998-99	1.5	0.06	6.22	7.84
1999-2000	35.95	1.73	13.66	51.34
2000-01	56.14	6.48	23.90	86.52
2001-02	54.36	8.34	30.71	93.41
2002-03	45.79	9.64	27.00	82.43
2003-04	48.78	12.75	30.94	92.47
2004-05	35.56	17.29	43.95	96.80
2005-06	25.98	12.49	41.65	80.12
2006-07	22.97	14.06	48.08	85.11

Source: NABARD and RBI

The scan of the Table-2 manifests the fluctuating trend of issuance of Kishan credit Cards by Co-operative Banks, Regional Rural Banks, and Commercial Banks. If all the numbers of KCCs issued by the above mentioned banking institutions are taken together, the similar trend is also observed. The scope of KCC has been extended to cover term loans, working capital needs, consumption needs etc.

District Rural Industries Project (DRIP)

District Rural Industries Project was launched in 1993-94 by NABARD with the objective of creating sustainable employment opportunities through enhanced credit flow to the rural non-farm sector. During 1993-94, DRIP was introduced in 6 districts. It was extended in phases, to more districts across the

country and by end-March 2007 covered 106 districts. During 2006-07, the project, on its successful implementation, was phased out in 23 districts.

Rural Entrepreneurship Development Programmes (REDPs) and Skill Development Programmes (SDPs)

Rural Entrepreneurship Development Programme (REDP) is a promotional programme supported by NABARD. It was introduced to generate employment in rural areas, to develop the entrepreneurial skills of the rural youth, to motivate and train educated unemployed rural youth and to set up their own enterprises.

During 2007-08, grant support of Rs.767.61 lakh was provided for 1422 REDPs/SDPs covering 33148 rural youth. Cumulatively, grant support of Rs.4735.94 lakh have been sanctioned for 9822 REDPs/SDPs covering 2.49 lakh persons. NABARD also sanctioned Rs.141.99 lakh as grant for conducting 443 REDPs/SDPs by 14 RUDSETIs/RUDSETI type institutions in 15 states.

Rural Marketing

A number of marketing interventions have been made for marketing of rural non-farm products since marketing is a key factor in the sustainability of any such endeavour. With the financial support of NABARD under its promotional programmes like Rural Haats, Rural Marts, participation in fairs, exhibitions and marketing melas, rural artisans and entrepreneurs can get a larger market for their produce and showcase their talent to urban and upcountry markets.

In addition to above, NABARD has been entrusted with the responsibility of overseeing the implementation of the credit package to the agriculture and monitoring the progress.

The progress in the implementation of the credit package as on 31st march 2006 shows that the total disbursement by all agencies is at Rs.167775.27* crore forming 118.99% of the target of Rs.141000 crore and showing a growth of 33.89% over the disbursement of Rs.125309.37 crore during 2004-05 (Table-3).

Table-3: Agency wise achievement (Rs. In Crore)

Agency	Actual Disbursement (2004-05)	Target for 2005-06	Disbursement upto 31-03-2006*	% Col. 4 to Co.3
1	2	3	4	5
Commercial Bank	81481.14	87200	116447.09	133.54
Co-operative banks	31231.44	38600	37252.02	96.51
RRBs	12404	15200	14076.16	92.61
Other Agency	192.79	-	-	-
Total	125309.37	141000	167775.27	118.99

*Provisional data

The above deliberation points out that NABARD has taken various initiatives to strengthen rural economy which ultimately causes socio-economic development of rural areas.

Concluding Remarks:

It is needless to mention that NABARD has been playing an important role in strengthening Indian economy as a whole. It has pioneered the diversification of rural financing from agriculture to non-agriculture activities. In order to achieve a sizable growth in agriculture and to make available the adequate credit to the farmers, the Government of India announces Farm Credit Package for the farmers. Food grain production has increased, and credit flow to agriculture has also increased. The self-help groups of the poor have been benefited. Farmers are being aware of modern methods of farming and technological advancements in agriculture in its area. RIDF has developed the infrastructure. Watershed Development Programme has enhanced the productivity of dry land through adoption of different measures. Farmers are getting adequate and timely support from the banking system for their cultivation needs through Kishan Credit Card Scheme. NABARD has opened up the sustainable employment opportunities through enhanced credit flow to the rural non-farm sector. REDP is helping to develop the entrepreneurial skills of the rural youth. Various initiatives have been taken to strengthen the co-operative credit structure and the regional rural banks so that adequate and timely credit is made available to the needy. This all shows how NABARD is contributing to the socio-economic development of a country like India.

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Women Empowerment and Role of NABARD in Murshidabad District

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“A nation would not march forward if the women are left behind” *Swami Vivekanda.*

Women are significant contributors to the growth of an economy. To achieve inclusive and sustainable growth, society has to furnish due respect to this community and ensure well-being, development, empowerment and participation. Women should also restore themselves by raising their voices against all the misfortune created by other powerful class of the society. It is shameful to, so called saturated modernised world, that, women class is still oppressed and under-represented. Feminist theory seeks to use its theoretical knowledge to change women's social condition". While feminist theory begins with the immediate need to end women's oppression, it is also a way of viewing the world" (Charlotte Bunch in Kolmar.W.& Bartowski(Ed.), *Feminist Theory: A Reader*. Mountain View, California: Mayfair Publishing Company). But it is true that unless women transmit their history and learnt, they will remain trapped in age old patterns of enslavement and lose hard won freedom (Donavan, 1992). Following Aristotle women's subordination include remaining silent, obeying their husband at all times, and loving more than being loved. Using the Marxian model, supporter of "dual -system" theory argue that women's oppression stem from both the material base and the patriarchal base over neither of which women have control. I think it is the patriarchy which generates ideology that oppresses women significantly throughout changes in production system. This control reinforced by legal, political, cultural and economic institution. , So, class process is influenced by other process like cultural, political, and natural process and their over determined existence contains a wide range of activities, practices and social relation, Where Class is defined as process of performance,

appropriation, distribution and receipts of surplus labour. This class process is economic in nature.

The above discussion has made in order to realise how far the state is loyal to empower the women in a vigorously male dominated economy? "UNDP Report indicates that while 67% of the world's work is done by women, only 10% of global income is earning by women and a mere 1% of global property is owned by woman". "Empowerment by means of modest income-generation project is clearly insufficient to ameliorate the prospects for a high quality of life for women." This paper will evaluate the activity of NABARD as a representative of the government to empower women in rural region of an under-developed district of West Bengal, Murshidab.

Women in rural India, by and large remain bagged down with household activity, reproduction, child caring and nurturing and other support and productive work but they have almost negligible control over household property even though they contribute significantly in asset formation and accumulation.

However, constitution of India enshrined the principle of gender economy in its preamble and the National Commission for women (1990) was set up to provide safeguard to the women. Over the period of time there were different amendment took place to ensure different type of empowerment like educational empowerment, social empowerment, economic empowerment, political empowerment etc. unless we empower our mother class successfully in all ways, our national image of Shining India will be placed in nowhere. However, the Eleventh Plan, for the first time, recognizes women, not just equal citizens, but as a agent of economic and social growth. The approach to gender equality must i) provide women with basic entitlements, ii) address the reality of globalisation and its impact on women by prioritising economic empowerment, iii) ensure an environment free from all forms of violence against women-physical, economic, social, psychological etc., iv) ensure the participation and adequate representation of women at the highest policy levels, particularly in Parliament and state assemblies, and v) strengthen existing institutional mechanisms and create new ones for gender mainstreaming and effective policy implementation (Eleventh Five Year Plan, 2007-2012, Planning commission, GOI). Undoubtly, these initiatives sound well. Now the paper will analyse how far the Government is willing to do welfare for women community which is homogeneous in terms of oppression.

However, the paper will evaluate one step that was taken by Reserve bank of India and National Bank for Agriculture and Rural Development on behalf of Government of India to ensure basically economic empowerment of rural women- Self Help Group (SHG). Certainly economic empowerment is the key which opens the door to life.

Under the financial crisis regime women are basically double-burdened. In rural area they involved in unorganised sector where social security measures almost absent. A sectoral breakdown of women workers reveals that 32.9% are cultivators, 38.9% agricultural labourers (as against 20.9% men) and 6.5% workers in the household industry (Census of India). Among these, 48% of urban and 64% of rural women workers describe themselves 'self-employment' (NSSO2004-05). Another alarming fact is that despite a slight increase in employment (28.7% to 32.7% between 2000-01 and 2004-05) the average earning for rural women has declined between 1999-2000 and 2004-2005. This picture is more pronounced among poorer illiterate women. Nonetheless, the average wage for men has shown an increase, leading to a widening of the wage disparity ratio (ratio of female wage/male wage). Following table 1 will reveals the picture:

Table 1
Average Wage/Salary Earnings (Rs per Day) Received by
Regular Wage/ Salaried Employees of Age 15-59 Years for
different Education Levels

Category	<u>Rural males</u>		<u>Rural females</u>	
	1999-2000	2004-05	1999-2000	2004-05
Not literate	71.2	72.5	40.3	35.7
Literate upto primary	91.6	98.6	161.5	97.8
Sec/H.sec	148.2	158.0	126.1	100.2
Dip/Cert	-	214.4	-	200.4
Graduate and others	220.9	270.0	159.9	172.7
All	127.3	144.9	113.3	85.5

Source: NSSO 55th and 61 Round

Therefore under these poor condition of rural women ,Government should extend their helping hand in a vigorous way so that women could take away decisions and implement their limited resources in any way that is required Ownership and control over productive assets will create a sense of belonging and owning.

It is true that SHG s have been seen fundamentally as entities for savings and borrowing. But today it is not only a viable micro-credit project but an empowerment process. These are now taking responsibilities to ensure security for poor women in rural area. The main aim of the programme is to tap the potential of the SHG concept to fetch the banking services to the doorsteps of poor women who have been previously neglected by the formal financial agencies, increase the

productivity, and ensure social-development. It is a voluntarily formed group with the homogeneous member size 10-20. members come together for addressing common problem. The amount of saving is within the range 20-150 per month. They rotate this common pooled resource within the members with very small rate of interest. In India NABARD initiated SHG in 1986-87. In 1988-89 in collaboration with some of the members institutions of Asia Pacific Rural and Agricultural Credit Association (APRACA), NABARD undertook a survey of 43 NGOs in 11 states in India to study the functioning of micro-finance SHGs and their collaboration future with formal banking sector. Consequently, the real effort was made in February, 1992 from the linkage of SHG with banks. NABARD has been playing supportive role by way of refinancing banks, organising training programmes for NGOs, bank officers and SHG members for upgrading skill. Therefore so far as the activity of NABARD are concerned, it is basically providing activity in the field of supporting funds, miscellaneous interventions, rural entrepreneurship development programme (REDP), skill development programme (SDP), rural haat scheme and released fund for project sanctioned. The following table 2 shows that, through State Coop and Agri. Dev. Banks (SCARDBs) and State Cooperative Banks, NABARD furnish major part of its Refinance Disbursements (RNFS).

**Table 2 : Agency wise Refinance flow under
RNFS Investment Credit excluding SGSY**

Agency	2004-05	2005-06	2006-07	2007-08	Cumulative upto 31 March 2008
Commercial Banks	531.48 (20.91)	699.78 (30.61)	966.94 (42.69)	1454.57 (0.53)	5959.52 (27.91)
State Coop and Agri. Dev. Banks (SCARDBs)	623.63 (24.53)	589.72 (25.80)	605.06 (26.71)	594.5 (0.22)	6191.90 (29.00)
State Cooperative Banks	625.8 (24.61)	533.12 (23.32)	312.90 (13.81)	278.90 (0.10)	4376.73 (20.50)
Regional Rural Banks	756.78 (29.76)	457.41 (20.01)	380.26 (16.79)	416.56 (0.15)	4708.20 (22.05)
Scheduled PCBs	4.89 (0.19)	5.95 (0.26)	0.00 (0.00)	3.42 (0.001)	118.36 (0.55)
Total	2542.58 (100)	2285.98 (100)	2265.16 (100)	2747.95 (100)	21354.71 (100)

(Figures in bracket indicate percentage share to total)

(Source: Website of Department of NABARD)

Swarojgar Credit Card (SCC) Scheme:

One of the notable scheme is Swarojgar Credit Card (SCC) Scheme, which was introduced in September 2003 for providing adequate and timely credit, i.e., working capital including consumption needs and /or block capital requirements to the small artisans, handloom weavers and other self employed persons including micro-entrepreneurs and SHGs, etc., from the banking system in a flexible, hassle free and cost effective manner. However it can be easily seen from table 3 that performance regarding SCC is deteriorating.

Table 3: Year wise progress of implementation of SCC Scheme

Year	No. of SCCs issued	Credit limit sanctioned (Rs in crore)
2003-04	28925	64.26
2004-05	150615	468.28
2005-06	288094	1410.65
2006-07	211441	756.90
2007-08	155296	679.26
Cumulative Progress as on 31 March 2008	834371	3379.35

Source : Website of Department of NABARD

Another Promotional Programmes of this institution is NABARD-SDC Rural Innovation Fund (RIF)

The RIF is envisaged to emerge as an instrument to try out new ideas and innovations with a scaling up potential in Farm, Non-farm and Micro finance sectors, apart from supporting the ongoing promotional initiatives, with the objective of promoting livelihood opportunities and employment creation in rural areas and facilitating access to financial and business promotion services for the poor. But from table 4 it can be easily seen that percentage of total disbursements in women development and basically women-driven SHG promotion related activity are very meager

Table 4: Broad purpose wise disbursements under Component-II of RIF (position as on 31 March 2008)

(Rs in lakh)

Particulars	Disb.2007-08	% to total Disb
Developing Entrepreneurship/ Skills	485.50 (393.17)	25.40
Meets/Workshops/Seminars for NFS Promotion	109.36 (196.34)	5.72
Capacity building of partner agencies, etc.	135.91 (146.17)	7.11
Strengthening Credit Delivery System (CAT, PPID, Farmers Clubs & others)	556.36 (472.19)	29.11
Support for Tech./Marketing Initiatives	153.62 (83.86)	8.04
Women/Environment Development	37.30 (33.94)	1.95
Rural Communication	3.21 (0.39)	0.17
Area Development Programmes- Cluster Development- DRIP (included under the respective heads)	28.40110.70 (207.85)	1.495.79
SHG promotion related	0.48 (Nil)	0.02
Workshops/ Publicity of RIF	77.65 (67.24)	4.06
Admin. Expenses (Salary, TA/DA, etc..)	351.94 (120.00)	18.41
Total	1911.33	100.00

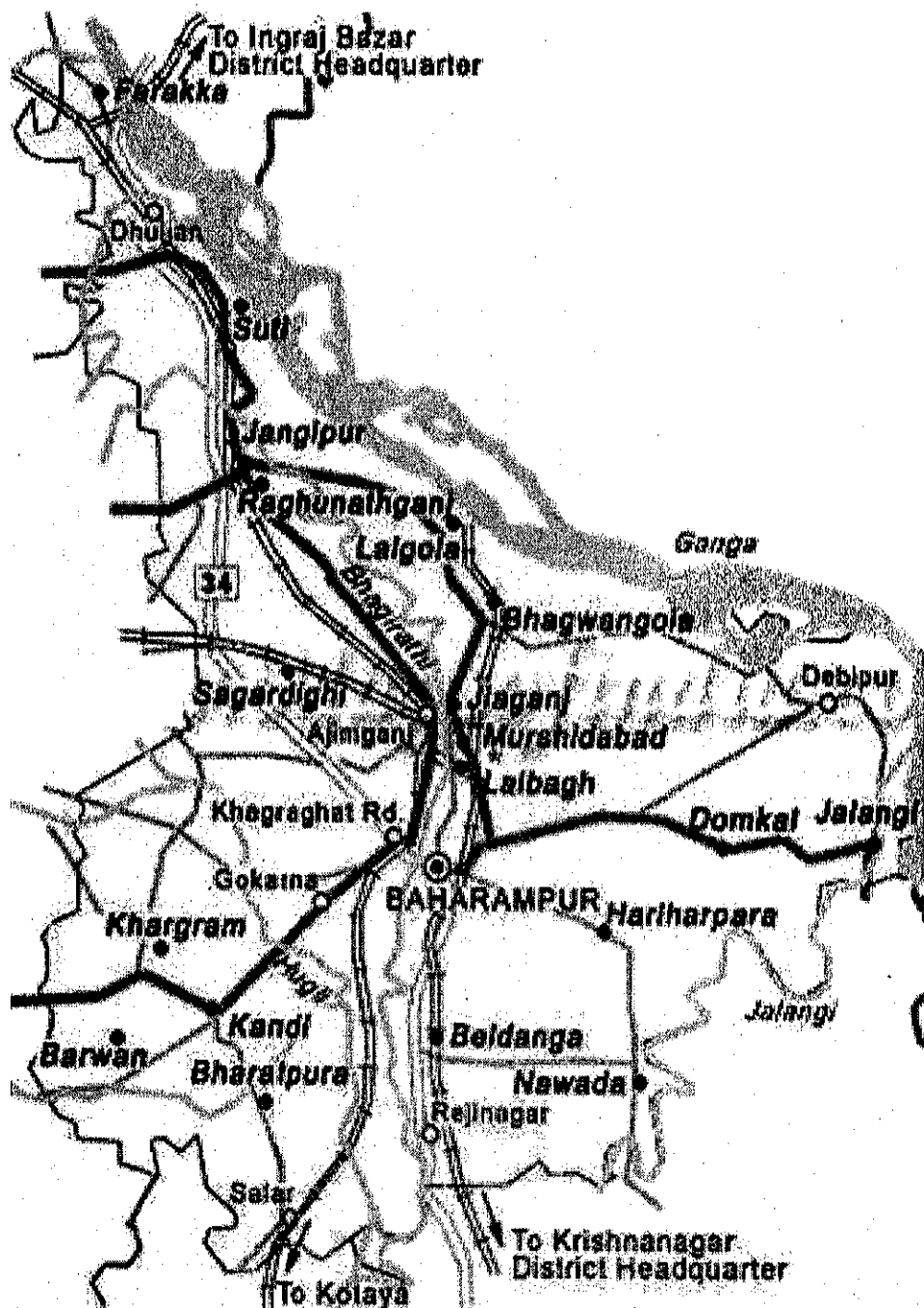
(Figures in the bracket indicate the expenditure during previous year)

(Source: Website of Department of NABARD)

However, various initiatives have taken by NABARD for development of rural women. these are; *i) Assistance* for Marketing Non Farm Products (MAHIMA), *ii) Development* of Women through of Area Programmes (DEWTA);and, *ii). Women Development Cells in Banks,*

Now the paper will evaluate the performance of NABARD in respect of women empowerment in a well-known underdeveloped district of West-Bengal-Murshidabad. Before to evaluate, an introduction of this district has to be given. Murshidabad is a District glowing in heritage and history. It was the seat of political power and prosperity in the Medieval Period.

Murshidabad



1. Geographical Data:

Murshidabad is the mid North-Western district of West Bengal lying between 23°43'N and 24°52'N latitude and 87°49'E and 88°44'E longitude with HQ at

Berhampur, on the banks of the Bhagirathi River. It is an isosceles triangle shaped

district with apex pointing to north-west. It is bounded along its whole eastern frontier, from the extreme north to the south-eastern extremity, by the mighty Padma

River (the main channel of the Ganga) which separates it from the West Bengal

district of Malda in the North and Bangladesh in the East. On the south it is bounded

by the districts Burdwan and Nadia, the river Jalangi on the south-east forming the

boundary between it and Nadia for a considerable distance. To the west it is bordered

by the district Birbhum and to the North-west marginally by Santhal Parganas of Jhargram State.

2. District Essentials in a Statistical Table: As per 2001 census, total Population was 58, 63,717 among which 51, 31,374 were residing in rural area and – 7, 32,343 in urban area. Important Industries are Silk, Biri, Metal Crafts and important Crops are Rice, Wheat, Potato, Jute, Sugarcane, Pulses. Having a high population growth Rate 2.81, this district has achieved a poor literacy Rate -54.3% (Female Literacy Rate is 47.6%). Sex ratio (Females per 1000 Males) was 952.

The economy is rural agrarian and little urban development. There are 242 backward villages, the third highest in the State. The men folk mostly are farmers or masons who migrate out. The women stay behind and do petty jobs like goat-rearing, bidi (small local cigar) making. The fertility rate is high and the mother/infant mortality rate is high. In 1911 Census had an area of 2143 sq miles and 1,372,274 populations. In the 2001 Census useable land decreased by erosion/river-shift and population increased to 5,863,717 of which 5131374 are rural, causing heavy pressure on natural resources and unplanned habitation of flood plains and drainage lines.. About 40% families are below poverty line and effective adult functional literacy is actually about 45%. Above 60% of the population follow the Islamic faith. The population shows heavy seasonal variation due to migration.

Thus these lacuna caused by demographics can be compensated by

alternative employment.

In Murshidabad district, we have almost 23,000 SHGs which are formed by NABARD under Swarnajayanti Gram swarojgar Yojana (SGSY) and NABARD-Murshidabad District Central Co-operative Bank Ltd. In this district, basically NABARD motivates NGOs to form SHGs under SGSY scheme. The programme focuses on organization of the poor at the grassroots level through a process of social-mobilization for poverty eradication. However according to guideline, the SHGs are basically operated and handled by poor women. But, the initiatives that are taken by NABARD to empower poor women are not satisfactory. As, it is already mentioned here that NABARD is willing to form SHGs under SGSY scheme through NGOs, but the performances of SHGs formed by NGOs regarding reimbursement of loans, social development, etc., are very poor. Only 6000 among of nearly 23,000 SHGs are owned by NGOs in Murshidabad. Apart from that, according to guideline of SGSY, 70% of the member of SHGs should belong to BPL category. However, poor people who just lie above the income standard of BPL category, they are also poor. Therefore, if NABARD is willing to mobilise poor women socially, then it should broadening its coverage need area.

Simultaneously, NABARD should monitor the activities of NGOs on a regular basis and provide their approval for those NGOs which maintain strong attachment to the needy poor women. In this regard, we should mention here that to control the activities of NGOs, NABARD has introduced revolving fund directly to SHGs and through this measure it helps SHGs to increase their deposits volume which help them to get more loan. NABARD also should not only encourage schematic project like SGSYs. contra wise it should refinance those activities which not only support the poor people, but also ensure social development. Recently NABARD has formed a cluster for silk-weaving, but it is male dominated project. Apart from that women specific project like MAHIMA, DEWTA, etc are not operating within Murshidabad. These performance are undoubtedly, revealing half-hearted involvement of Government (via NABARD) to empower poor women in an under-developed district.

In this regard, the performances of District Central Co-operative Bank Ltd (DCCB) of Murshidabad are really courageous to empower poor women. Even though their activities regarding SHGs are refinanced by NABARD, but they are also showing much better performance regarding to reach and meet up the time-specific need of poor women community, reimbursing the financial assistance from NABARD (almost 100%), enhancing the productivity of women and consequently ensure social-development. 15,230 SHGs among more than 22000 are guided by DCCB. Authority of DCCB have claimed that they can

monitor better in comparison with NGOs as they have units in each blocks of the district. One notable feature is that, as DCCB operates not through some schematic way, so the poorer people keen to join SHGs to have an opportunity of getting need-based credit. Now, 1,01,870 poor women under this 15,230 SHGs use the credit for a variety of purposes like business, agriculture, health, education of their children, welfare of both family and society. Another notable feature is that despite the report of Sachar committee in the context of multiple discriminations and absence of adequate social and physical infrastructure faced by Muslim women, nearly 62% of the total member of SHGs under DCCB belongs to Muslim community.

Whenever the geographical location, religion, culture, historical stage of development of the society, SHG is really a stepping stone for the poor women. On the other way, performance of Government is far away from declared commitment in respect of women empowerment. So women community needs an honest involvement and strong responsibility from Government side that will match with its commitment in respect of women empowerment.

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The Self Help Group-Bank Credit Linkage Programme Of NABARD : An Overview

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National Bank for Agriculture and Rural Development (NABARD) was established in 1982, to provide focused and undivided attention to the development of rural India by facilitating credit flow for promotion of agriculture and rural non-farm sector.

NABARD's functions can be classified into four major categories viz. Credit Planning, Financial Services, Promotion and Development, and Supervision. NABARD prepares Potential Linked Credit Plan (PLP) annually for each district of the country. Under its financial services, it refinances commercial, co-operative and regional rural banks for lending to farm and non-farm activities. This includes farm activities like minor irrigation, animal husbandry, farm mechanization, forestry, fisheries, land development, horticulture, plantation and medicinal crops and non-farm activities like rural industries, handicrafts, handlooms, rural housing, rural tourism and agro processing. Refinance is provided by NABARD for both long-term investment credit as well as short-term production credit for crop loans and working capital for non-farm activities.

NABARD has effectively brought a number of innovations in the rural credit domains such as Formation and Linkage of Self Help Groups, Farmers Clubs, Rural Infrastructure Development Fund, Watershed Development, Kisan Credit Card, District Rural Industries Project, Cluster Development Programme and Rural Innovation Fund.

High levels of poverty combined with slow economic growth in the formal sector have forced a large part of the developing world's population into self-employment and informal activities. A major constraint to the participation and contribution of poor and vulnerable households in economic growth is lack of access to financial credit. More than 500 million people worldwide need access to financial services. However, formal financial intermediaries such as commercial

banks often do not serve poor households due to lack of traditional collateral, high transaction cost, high rate of illiteracy among poor, and geographic isolation. A diversified financial sector capable of meeting the full range of demand for financial services, including informal and small businesses, is needed to raise the capacity of rural poor. Development of small and medium scale enterprises depends on success of Micro Finance programme. The SHG – NABARD-Bank linkages programme is one of the important steps in this respect.

Conceptual frame work

Self Help Group is very efficient and effective method to fight against poverty in long run. SHGs are composed of homogeneous groups of poor people who have voluntarily come together to overcome their common problems of low social and economic status. NABARD is working in this direction, through innovations in micro finance. It provides the financial system in India with valuable insights for addressing the massive task of mainstreaming the very poor and the underprivileged with the formal banking system. With this method poor people can develop the habit of small savings and use it to solve their problem collectively. After sufficient period of internal lending of savings, members develop confidence to access bank credit for larger needs. Mature credit habits and peer pressure of members ensure proper use of funds and excellent repayment rates. The distinguishing feature of this approach as compared to other sponsored credit schemes is the learning the management of own money by the poor before availing bank loan. Moreover, the SHG approach does not involve any subsidy; hence, it is sustainable with its own strength. A number of studies have found that SHG approach reduces the transaction cost for banks. In financing SHGs, the requirement of collateral by banks has been replaced by peer group pressure and hence this approach is an effective method for social and economic inclusion of poor and specially women.

SHG Approach of NABARD and Extent of Financial Inclusion in India:

In India, there are evidences that the formal financial sector still excludes a large section of population despite unprecedented growth in financial services in last fifteen years led by liberalization and globalization. As on March 2006, the saving accounts per 100 adult populations were 63 and credit accounts were only 16 in all India (RBI, BSR 2006). Indirectly financial inclusion of low income people in terms of credit accounts has taken place through various government sponsored credit schemes like Small and marginal Farmers Development Agencies in early 70's, Integrated Rural Development programme (IRDP) since 1978 to 1999 and Survodya Gramin Savarojgar Yozna (SGSY) since 1999. The Kisan Credit Card (KCC) is another big success in linking farmers with banks.

Artisan Card and General Purpose Credit Card (GCC) are the latest schemes to link low-income people with rural credit. NABARD is acting as an institution to extend credit for sustainable rural development and employment generation in its 27 years of journey. It provides refinance in terms of short terms production credit as well as long-term investment credit. Under production credit the scheme for short-term refinance support to state agricultural cooperative banks was introduced on a pilot basis in December, 2004. It provides short-term refinance for seasonal agricultural operations. Credit facilities were also extended to support weavers for providing working capital production and market facilities. Parallel to institutional credit structure several micro finance services are achieving success in extending credit facilities to the rural poor. In India mainly two types of micro finance models are dominant.

i) SHG - Bank Linkage Model: This model involves the SHGs financed directly by the banking agencies viz. Commercial Banks (Public Sector and Private Sector), Regional Rural Banks (RRBs) and Co-operative Banks.

ii) MFI - Bank Linkage Model: This model covers financing of Micro Finance Institutions (MFIs) by banking agencies for on-lending to SHGs and others small borrowers covered under micro finance sector.

The SHG Bank linkage programme of NABARD represents one of the most important approaches to financial inclusion. As an innovative credit channel, the Self Help Group (SHG) approach was introduced in 1992, to link poor people with bank credit. Now it has become the world's largest Micro Finance programme which covers 5.8 crore poor household in India as on 31 March 2008. The approach combines access to low-cost financial services with a process of self-management and development in vast unbankable rural areas. Table 1 represents the number of new SHG Bank linkage developed in the period of 2004-05 to 2007-08. The average annual growth rate of credit linkage is 29.3% over this time span. Decline in the rate of growth of formation of new SHGs are observed during this period.

Table1 : Growth Rate of New SHGS

Year	No. Of New SHG	Total No	Growth rate (%)
2004-05	539365	1618447	
2005-06	620109	2238556	38.3
2006-07	686408	2924973	30.6
2007-08	552992	3477965	18.9
Average growth rate			29.3

Source : Derived from Annual Reports, NABARD

Chart1: No. of New SHG

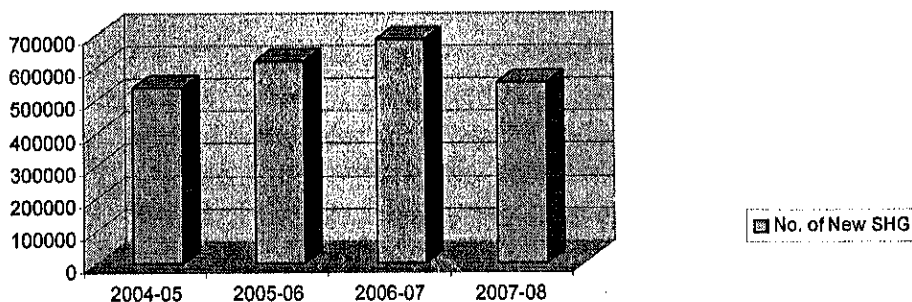


Chart 1 reflects that formation of New. SHGs were highest in 2006-07. Formation of new SHGs are seen to confer many benefits, both economic and social. SHGs enable women to grow their savings and to access the credit which banks are increasingly willing to lend. SHGs can also be community platforms from which women become active in village affairs, stand for local election or take action to address social or community issues like the abuse of women, alcohol, the dowry system, provision of schools and water supply etc.

During 2006-07, bank credit of Rs.6, 570.39 crore and Rs.1, 151.56 crore was disbursed to 11.05 lakh SHGs (including 1.88 lakh under SGSY) and 334 MFIs, respectively.

The success of credit linkage programme depends on even regional distribution of credit facilities but in India significant regional disparity has been observed in this respect. To reduce regional imbalance in spread of SHG Bank linkage programme NABARD has identified 13 states, which accounted for 70% of total rural poor household for extension of credit network.

Table2 : Cumulative growth in SHG Bank Linkage

	Year						Growth Rank	Rate
State	2002	2003	2004	2005	2006	2007		
Assam	1024	3477	10706	31234	56449	81454	0.729387	1
Bihar	3957	8161	16246	28015	46221	72339	0.4843129	2
Chattisgarh	3763	6763	9796	18569	31291	41703	0.4008928	5
Gujarat	9496	13875	15974	24712	34160	43572	0.253924	13
Himachal Pradesh	5069	8875	13228	17798	22920	27799	0.2836427	12
Jharkhand	4198	7765	12647	21531	30819	37317	0.3641401	8
Maharashtra	19619	28065	38535	71146	131470	225856	0.4072332	4
Madhya Pradesh	7981	15271	27095	45105	57125	70912	0.3640627	9
Orissa	20553	42272	77588	123256	180896	234451	0.4057066	3
Rajasthan	12564	22742	33846	60006	98171	137837	0.399206	6
Uttar Pradesh	33114	53696	79210	119648	161911	198587	0.2985452	11
Uttaranchal	3323	5853	10908	14043	17588	21527	0.3114067	10
West Bengal	17143	32667	51685	92698	136251	181863	0.3936106	7

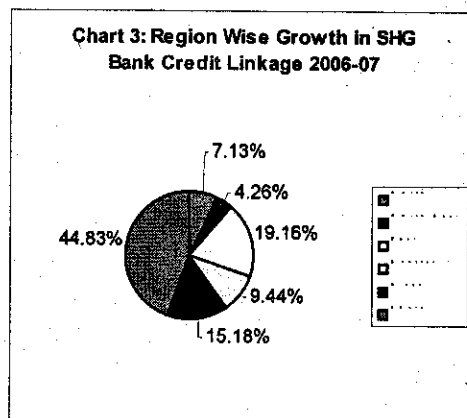
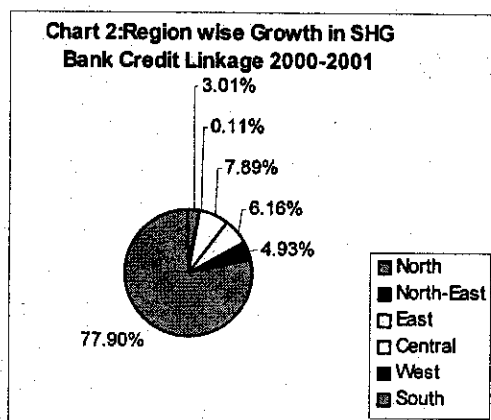
Source: Derived from Annual Reports, NABARD

Significant increase in SHG Bank Linkage is observed in the backward states like Assam, Bihar and Orissa. From the table 2, it is evident that highest growth rate (72.9%) in SHG Bank Linkage is observed in case of Assam over the period 2002-2007. Bihar and Orissa hold 2nd and 3rd rank respectively in terms of growth in SHG Bank Linkage in the same period. The growth rate of SHG Bank Linkage is lowest for Gujarat over the period 2002-07. Performance of SHG Bank Linkage Programme is not very significant in case of West Bengal.

Table3 : growth in Credit Linkage of SHGs - Regional spread

Region	2000-01	No of SHGS Total	2006-07	Total
North	4221	9012	48921	182018
North-East	160	477	29237	91754
East	11057	22252	131530	525881
Central	8631	28851	64814	332729
West	6911	15543	104193	270447
South	109218	187690	307713	1522144
Total	140198	263825	686408	2924973

Source: Annual Report, NABARD



The southern region accounted for the major share in growth of SHG-Bank credit linkage for both the periods 2000-01 and 2006-07. There was fall in share of south states in growth of SHGs from 77.9% in 2000-01 to 46% in 2006-07. Remote and backward north -eastern states accounted for the lowest share in total credit linkage though this region experienced increase in share in the later period. The east, west, central and northern regions also enjoyed larger share in total credit linkage during 2006-07. Uneven spatial distribution of rural

credit facilities are still predominant. Annual Report of NABARD (2006-07) revealed that Andhra Pradesh, Tamil Nadu, Karnataka, Orissa and Uttar Pradesh together accounted for 65% of total SHG credit linked and 79% of bank loan disbursed. This implied 8 states among 13 priority states observed only 35% growth in terms of credit linkage and received only 21% of bank loan disbursed.

NABARD extends financial support to different agencies like RRBs, NGOs DCBs, Cooperative banks Farmers' club and individual rural volunteers for promotion and development of SHGs. Special assistance are given to new SHG promoting institutions. Table 4 helps us to grasp the relative importance of each agency in terms of their performance in the SHG linkage programme.

Table 4 : Grant Assistance Extended to Various Partners in SHG Linkage Programme up to 31st March 2007

Agency	Cumulative sanction and progress as on 31 st March, 2007						
	Amount sanctioned (Rs Lakh)	Amount released (Rs lakh)	Released sanction ratio	No of SHG sanctioned	No of SHG formed	No of SHG linked	Linkage sanction ratio
Cooperative Banks	426.22	178.49	.42	44410	34381	19388	.44
RRBs	386.6	173.73	.47	43790	51061	33850	.77
NGOs	4841.41	2093.08	.43	245276	174890	111828	.45
IRVs	483.14	34.84	.07	28643	6116	2655	.09

Derived from Annual Report, NABARD, 2006-2007

Chart 4: Agencywise performance in terms of fund sanctioned and released

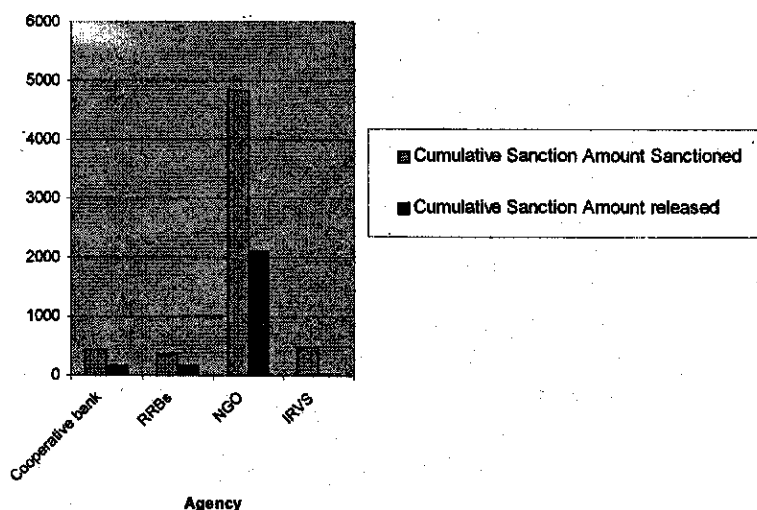


Chart 5: Cumulative Progress in terms of SHG sanctioned and credit linked

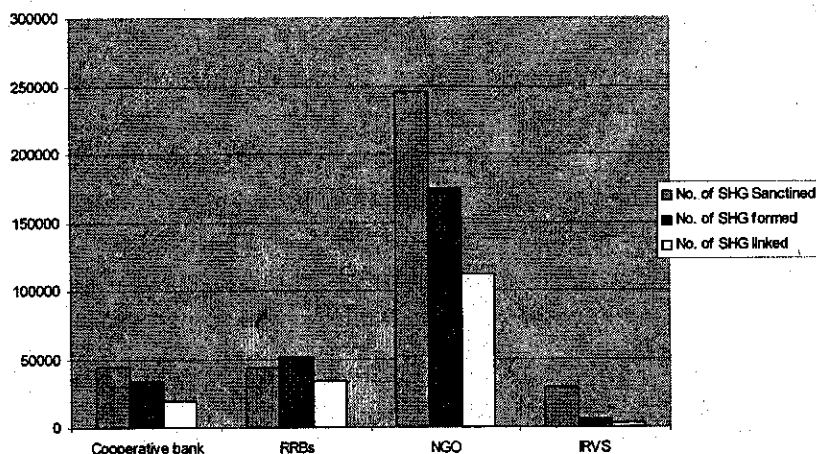


Table 4, chart 4 and chart 5 revealed that the absolute amount of assistance sanctioned and released are highest for NGOs than other agencies like cooperative banks, RRBs and rural volunteers but fund released –sanction ratio is highest (.47) for RRBs. On the basis of performance RRBs hold better position, as they were able to link larger proportion of SHGs with credit facilities. Substantial gap between fund sanctioned and released is observed in case of NGOs. Individual rural volunteers receive the lowest amount of grant assistance. Effective credit linkage programme requires more participation of NGOs and individual rural volunteers to meet their local needs and to eliminate poverty by better utilization of local resources.

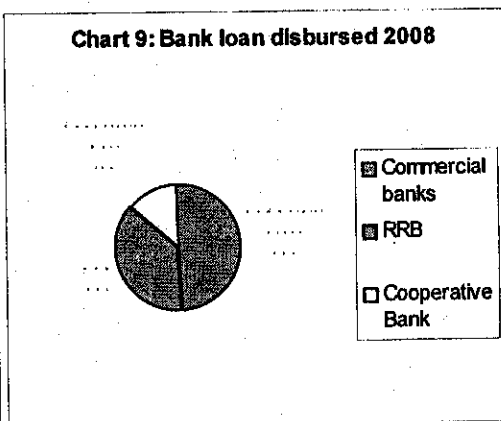
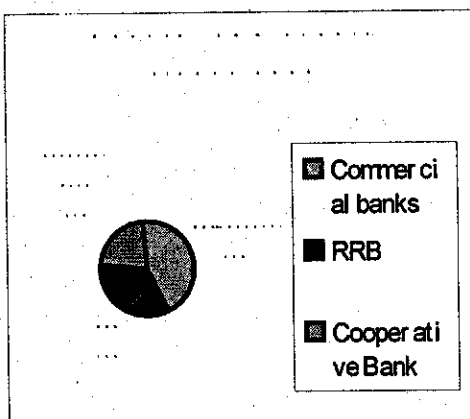
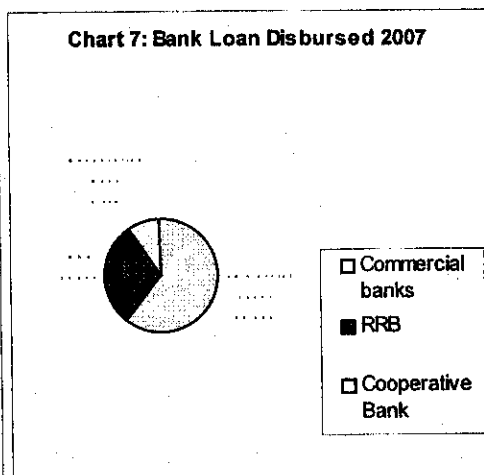
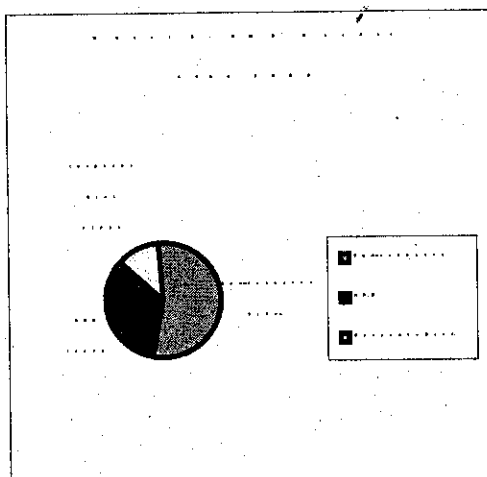
During 2007-08, grant assistance of Rs.1, 369.77 lakh was sanctioned to various agencies for promoting 52,877 groups, taking the cumulative assistance sanctioned to Rs.6, 119.37 lakh for 3.62 lakh groups as at end-March 2008. An amount of Rs.2, 541.04 lakh was released and 1.75 lakh SHGs credit linked to banks up to March 2008.

During 2007-08, bank loan of Rs.4, 227.58 crore was disbursed to 7,39,875 SHGs which includes repeat finance of Rs.1, 685.60 crore to 1,86,883 existing SHGs vis-à-vis Rs.6, 570.39 crore disbursed to 11,05,749 SHGs during 2006-07. The agency-wise disbursements reveal that, commercial banks accounted for 42 and 48 per cent of the SHGs credit linked and bank loan disbursed, respectively, followed by RRBs and co-operative banks (Table 5 and chart 6, 7, 8 & 9).

Table5 : Agency-wise SHG-Bank Linkage Programme: Cumulative Progress (Rs Crore)

Agency	2007 SHG credit linked	Bank loan disbursed	2008 SHG credit linked	Bank loan disbursed
Commercial banks	571636	3918.94	312359	2042.56
RRB	381199	2052.73	240596	1599.51
Cooperative Bank	152914	598.72	186920	585.51

Source: Status of Micro Finance in India, 2007-08



The average loan disbursed per SHG amounted to Rs.57, 139 during 2007-08 compared to Rs.59, 420 during 2006-07. During 2007-08, NABARD extended refinance of Rs.1, 615.50 crore under the programme taking the cumulative amount of RS 7068 crore.

Table6 : Cumulative progress under SHG Bank Linkage during 2003-2007

	2003-04	2004-05	2005-06	2006-07	2007-08	Growth Rate
Bank loan (Rs crore)	3904	6898	11397	18041	22233	4.69492828
Refinance (Rs crore)	2124	3092	4160	5453	7068	2.32768362
No. of SHG (in thousand)	1079	1618	2239	2925	3478	2.22335496

Source: Derived from Annual Reports, NABARD, 2005-06, 2006-07, 2007-08

Table 6 revealed that growth rate of bank loan disbursed and refinance provided by NABARD are 4.69% and 2.33% respectively over the five year span of 2003 to 2008 while the growth rate of number of SHGs credit linked is 2.23% over the same period. To meet the credit requirement of production and investment in agriculture and allied activities NABARD has introduced a new line of refinance for scheduled commercial banks, RRBs and cooperative banks and under this scheme cent per cent refinance would be provided to the banks for term loans and credit limit sanctioned to SHG for the period of 5 years.

NABARD had launched micro enterprise development programme on a pilot basis for up gradation of skill and development for sustainable livelihood for members of matured SHGs during 2005-06. The pilot project of micro enterprises is being implemented by 14 NGOs in nine districts of nine states namely Rajasthan, Maharashtra, Himachal Pradesh, Tami Nadu, Karnataka, Gujarat, West Bengal, Orissa and Uttar Pradesh. These NGOs are working as Micro Enterprise promoting Agencies and analyze the existing opportunity and supply and demand pattern for farm and non farm activities that can be taken up on a project basis for generation of sustainable income. The programme covered 16761 SHG members during 2007-08 and importance was given on diversification of activities like bee keeping, mushroom cultivation, horticulture, floriculture organic manure preparation, dairy etc. The total number of Micro Enterprises established during 2005-08 is 2759 and corpus of bank credit is Rs 237.72 crore as on 31st March, 2008.

Self help approach is an useful method for empowerment of poor women. This approach helps poor women to collectively identify, prioritize and tackle their socio economic problems. By pooling their meager resources and using them for lending among themselves, they develop the habit of thrift and the skill of credit appraisal, before getting mature enough to access a loan from banks, which is called credit linkage. Starting with small loans for consumption they soon graduate to bigger loans for setting up of income generating micro-enterprises. In India several micro finance programmes are designed for

development of rural poor women. Since last fifteen years India witnessed remarkable growth in number of exclusive women SHGs and for these groups repayment rates are also very high.

Table7 : Performance of Women SHGs during 2007-08

Region	No of SHG	Amount of saving	No. Women SHG	Amount saving	Percentage of Women SHGs	Percentage of savings of women SHGs to total
Northern	22253	1432.69	18348	1036.37	0.824518	0.72337351
North East	107951	4042.86	77663	2906.31	0.7194283	0.71887476
East	336415	39369.55	302427	35217.18	0.89897	0.89452839
Central	290852	13482.24	202377	9209.96	0.6958075	0.68311794
West	71878	4339.38	43240	2451.86	0.6015749	0.56502542
South	557489	53982.11	535047	52120.38	0.9597445	0.96551209
Overall					0.6714347	0.65006173
percentage						

Source: Derived from Status of Micro finance in India, 2007-08

Table 7 reflects that South region has the largest share of exclusive women SHGs (96%) and the percentage of the savings of women SHGs to total savings of SHGs is also largest (97%) for this region whereas the west holds the lowest shares in these respects. For India as a whole the share of women SHGs to total Number of SHGs is 67% and share of savings by women SHGs to total SHGs savings is 65%. Actual empowerment of poor women depends on sustainability and profitability of the groups formed by them. Hence, more training programmes and special assistance are needed to strengthen financial health of the exclusive women SHGs. Special programmes should be targeted to backward and underprivileged regions across the country to spread the effect of development.

In India, SHG Bank Linkage programme is the most dominant cooperation model, which falls under organizational approach of micro finance. This approach tries to extend bank credit towards rural poor especially towards women and other socially unprivileged sections. The commercial banks showed a selectivity bias towards the rich farmers in their provision of credit, presumably to minimise their transaction costs. Earlier studies by Agarwal et al (1997) and Singh and Mruthyunjaya (1992) revealed that per capita loan disbursed does not follow the 'Antyodaya' principle i.e. The loans disbursed are observed to be positively related with land holdings. The persons having low income and less geographical access to banks are likely to be excluded from the financial services. Such

persons may be mostly the families of land-less agricultural laborers, marginal farmers, oral lessees, migrant laborers and the educationally and economically deprived groups like tribal and women. On the other hand Loans from non-institutional sources appear to be biased towards small and marginal farmers. In this respect, the SHG Bank Linkage programme of NABARD became an useful tool for rural development in India.

Despite the remarkable growth in SHG- Bank linkage programme it is observed that performance and growth of SHGs are highly disperse across the Indian states. Moreover, the barriers to entry for the poor are high. The poor not only have lower incomes but their incomes are usually more variable. To reduce barriers for the poor, more flexibility should be incorporated in the system to cater varying and seasonal cash flows. The principle of varying deposit amounts and frequency with a specified annual minimum may be helpful in this respect. The same principle can be applied to access to credit and repayment, within specified minimum norms. Hence, proper planning for deposit, lending and repayment is required for strong financial base of SHGs. Similarly mere formation of SHGs is not only condition for rural development, viability and sustainability conditions are to be met and for this purpose project appraisal should be done in a comprehensive way. Some SHGs may have higher start up cost but gives higher repayment and can create larger employment opportunities but some SHGs may be cheaper at present but not very much beneficial in long run. Hence, careful selection is needed for strong financial health. The effectiveness of SHG programme depends on sustained growth of employment opportunities and for this purpose diversification of rural non-farm activities is required. Extensive training programmes and greater participation of NGOs, cooperative banks and rural individual volunteers would be helpful in this respect. Adoption of bottom up approach is required to meet local need and better utilization of local resources. The experiences of the Grameen Bank in neighboring Bangladesh and those of many such experiments carried all over the world may be helpful for identifying other possible channels of rural credit.

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Rural Infrastructure Development Fund (RIDF) & NABARD

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India, largest democratic country, is now 11-th largest economy in the world. But a large proportion of the rural poor remain here in poverty, not only they have very few assets but also because most of these assets are in the nature of consumable goods rather than such as land, farm implements, livestock that can increase their productivity. So, it is a low income developing economy. Number of population would be over and above 116 crores in this moment. High rate of growth, high density of population, unemployment problem, disguised farmers, early marriage, illiteracy, trafficking and so many are the common features of the country. The rural economy of the country is, as it were, wholly agriculture based and it is of tremendous importance because it has vital supply and demand links with other industries. Agriculture is the main stay of our economy. More than 60% people of India depend on agriculture for their livelihood. Rural economy in India has been playing an important role towards all kind of growth of the country. Agriculture was the only important source of income in ancient time and even today it remains same. When there was no currency system the Indian economy followed barter system of trading i.e., the excess of agriculture produce were exchanged against other items. The agricultural economy of India is drafted according to the needs of rural people. Majority of the population live in about 6,00,000 villages. More than 70% people in India live in rural areas. So, the development of rural economy is very much important and if India shines without much development of rural people it may become useless and such development may lose credential in future because rural economy is the backbone of Indian economy.

Although the Indian economy has grown steadily over the last two decades but its growth has been uneven when comparing different geographic regions and rural and urban areas. If we compare facilities available to the people of rural

areas the scenery is very much miserable. Facilities available for transportation, communication, education, hospital, job are in very poor condition since 62 years of independence. Overall rural infrastructure of India is still now in very bad patch. Development of India generally reflects the development of urban areas. But apart from the development of rural areas of the country, the meaning of development of the country is totally ineffective. Therefore, infrastructural development of the rural area is very much required. But finance is still the biggest problem for development of rural economy despite it being innovative. Actually, most of the people in the rural areas of India have no money and often tend to go for high cost borrowings. Venture capitalists or funders are not interested to come forward to help them. Nobody understood that development of India's rural economy is vital for growth than urban economy. Unless rural economy develops there will never be a growth. In many villages, villagers are treated as bonded labourers to big money launderers due to high cost borrowings which has never been easy task to repay. Economic growth is now the most talked about issue in India but most importantly to the rural population the impacts of the recent spectacular growth have not been able to percolate down. Rural infrastructures in India have remained still far from satisfactory. Lack of funds is, obviously, one basic and critical reason behind of it. In order to ensure smooth flow of funds for the development of infrastructure in rural economy of India, Rural Infrastructure Development Fund (RIDF) was introduced in the budget 1995 – 96. the RBI governs this fund through NABARD with corpus from the commercial banks.

The RIDF was set up by Government of India during the year for implementation and timely completion of various rural oriented schemes/projects in the states which were languishing for shortage of funds. The fund is maintained by NABARD. The main objective of the fund is to provide loans to State Governments and State-owned corporations to enable them to complete ongoing rural infrastructure projects. The State Governments make the budget provision for each project in accordance with the sanction of NABARD. Expenditure on different projects is made within the limit of the budget provision which is reimbursed from NABARD as per norms of the sanction. So far Water Resource Department, Research & Development Department, Works Department and Agriculture Department have availed loan assistance under various tranches of RIDF for execution of various projects like minor/medium/major irrigation projects, roads and bridges, installation of wells, restoration of cyclone damaged horticulture and agriculture farm etc. NABARD has also been playing the role of rural development institutions with many innovative programmes and is extending credit support to the rural mass through State Government,

Cooperative Banks, Regional Rural Banks and Rural Branches of Commercial Banks according to mandate NABARD.

Procedure follows by RIDF to provide loans :

(i) The infrastructure projects pertaining to eligible activities under each Tranche of RIDF are submitted by the State Governments through their Nodal Department to NABARD's Regional Offices.

(ii) The project proposals are submitted and appraised by the Regional Offices with the help of consultants by conducting desk and field appraisal.

(iii) Appraisal reports submitted by the Regional Offices are then scrutinized by the State Projects Department at Head Office and draft MoS are approved by the concerned department. The MoS are placed before the Scrutiny Committee for consideration and sanction.

(iv) Normally, seven to eight meetings of Scrutiny Committee are held in a year to sanction loans to State Governments and National Rural Development Agency (NRRDA) from the RIDF corpus.

(v) Sanction of projects is communicated to the State Governments through the respective Regional Offices of NABARD.

Sanctioned process under RIDF XIII (2007 – 08) has been completed. Following process of sanctions under RIDF – XIV is going on :

Tranche-wise size of corpus

RIDF Tranchee/ Year	Year	Corpus (Rs. Crore)
RIDF I	1995-1996	2,000
RIDF II	1996-1997	2,500
RIDF III	1997-1998	2,500
RIDF IV	1998-1999	3,000
RIDF V	1999-2000	3,500
RIDF VI	2000-2001	4,500
RIDF VII	2001-2002	5,000
RIDF VIII	2002-2003	5,500
RIDF IX	2003-2004	5,500
RIDF X	2004-2005	8,000
RIDF XI	2005-2006	8,000
RIDF XII	2006-2007	10,000
RIDF XIII	2007-2008	12,000
RIDF XIV	2008-2009	14,000
Total		86,000

Borrowing Parties out of RIDF :

Only State Governments were eligible borrow out of RIDF on project basis. But with effect from 1.4.1999, Panchayat Raj Institutions, Self-help Groups, Non-Governmental Organizations etc. are also eligible to borrow out of RIDF. RIDF loans are valued to the State Governments by Regional Offices of NABARD.

Financing Sectors of RIDF :

Initially only ongoing irrigation, flood protection, watershed management projects were financed by RIDF as a last minute approach on account of financial hurdles. During the time of RIDF -II, financing of rural Road & Bridge Projects was started. Subsequently, in each tranche coverage of RIDF was broad-based.

At present there are 31 activities where RIDF is financing such as Primary Health Centres, Primary and Secondary Schools, Watershed Department, Flood Protection, Cold Storage, Rural Drinking Water Supply Schemes, Village Knowledge Centres, Seed / Agriculture / Horticulture Farms, Rural Industrial Estates (KVIC) / Centres etc., Drainage, Rain Water Harvesting, Village Hats etc.

There are sectoral priorities for RIDF. First point is to be mentioned for **Irrigation Sector** where preference will be given for completion of incomplete projects, construction of the delivery system where main works have already been completed, improvement, modernization of canals, etc. construction of small dams, weirs, barrages, restoration and modernization of old irrigation tanks are the thrust areas of this sector. Projects regarding rain water harvesting and ground water recharge will get preference so as to increase the availability of water for irrigation and to enhance the productivity of rainfed farm lands.

Second, **Flood Control** is very much essential to get escape from loss of crops, loss of fertile agricultural land, cattle and damage to houses etc. flood protection projects are also proposed to be covered under RIDF on selective basis.

Third, **Agriculture and Allied Activities** is another thrust area. The projects of watershed development programmed like multiple uses of drinking water for people, livestock, domestic uses, life saving and preserving irrigation crops under RIDF will be encouraged. Projects of reclaiming water-logged areas, drainage projects, etc. will also be encouraged. On selective basis projects under RIDF relating conversion of organic farm waste to compost/ manure for generating energy and making manure for the development of testing and certifying organically produced food will also be supported. Post harvest management infrastructure like market complexes, food processing parks and cold chains including development work of infrastructure such as rural roads/ bridges, etc. would also be given priority. RIDF loan will also available for the

State Government's projects of fishing infrastructure development such as development of riverine fisheries, habitat restoration and fisheries development in upland waters, development of reservoir fisheries and management of coastal fisheries. The initiative of fishing harbours development will also be supported.

Fourth, RIDF loan will cover the **System Improvement in Power Sector** like rural electrification, distributive generation covering small hydel projects and distribution of power in remote villages, using locally available renewable energy resources like water, bio-mass, solar, and wind etc., and decentralized technology.

Fifth, RIDF loan will also be available for **Social Sectors** like sustainable supply of drinking water in rural areas, infrastructure for primary health care, infrastructure for education in rural areas and E- governance [i.e., application of information technology to Government processes to bring about Smart, Moral, Accountable, Responsive and Transparent (SMART) Governance] in rural areas.

Sixth, **Rural Connectivity** will also get priority. Routine maintenance expenses of road projects will also form part of eligible project cost.

Loan Recoupment Period :

Under RIDF – I to RIDF – V, the loan repayment period was of five years including a two year grace period. But since RIDF – VI, it has been extended to seven years including the same grace period i.e., grace period of two years.

Quantum of Loan :

Under RIDF – XIV, loans will be available as per the following norms :

Sl. No.	Sector / Activity	RIDF loan admissible as percentage of eligible project cost for projects from hill states of Himachal Pradesh, Jammu & Kashmir, Uttarakhand and North Eastern States including Sikkim	RIDF loan admissible as percentage of eligible project cost for projects from other states.
(1)	(2)	(3)	(4)
1	Activities related to agriculture such as irrigation, soil conservation, flood protection etc.	95 %	95 %
2	Social sector projects	90 %	85 %
3	Rural connectivity	90 %	80 %

Project Implementation Period :

1. Projects for some hill states like Himachal Pradesh, Jammu & Kashmir, Uttarakhand and North Eastern states including Sikkim :

The project implementation period was three years up to tranchee RIDF –XIII. But it has been changed since tranchee RIDF – XIV and the following revision has been made so far :

(i) Maximum implementation period is of five years for projects related with major and medium irrigation and other stand alone projects involving RIDF loan of Rs. 50 crore and more.

(ii) Maximum phasing period is of four years for other projects.

2. Projects for Other States :

(i) Maximum phasing period related with medium and major irrigation and other stand alone projects involving RIDF loan Rs. 50 crore and more is of five years.

(ii) For other projects such period is of three years.

Rate of Interest under RIDF Loan :

The rate of interest on outstanding under various tranches is stated in below :

Tranchee	Rate of Interest (p.a.)	
RIDF –I	13.00	
RIDF –II	12.00	
RIDF –III	12.00	
RIDF –IV	8.50 *	7.00 **
RIDF –V	8.50 *	7.00 **
RIDF –VI	8.50 *	7.00 **
RIDF –VII	8.00 *	7.00 **
RIDF –VIII	6.50	
RIDF –IX	6.50	
RIDF –X	6.50	
RIDF –XI	6.50	
RIDF –XII	6.50	

* w.e.f. 16.4.2005 for loans disbursed on or before 31.10.2003

** on loans disbursed w.e.f. 1.11.2003.

Shortfall in disbursements of RIDF funds as compared to sanctions continues to remain a matter of concern in the implementation of RIDF. The

Government has taken number of steps for this problem. The rate of interest for the deposits made by the contributing banks in RIDF has been lowered. Keeping in view the declining interest rates scenario the lending and deposits rates in respect of the undistributed amounts under RIDF have been restructured with effect from 1.11.2003. the rate of interest on deposits will continue to be linked to the shortfall in lending to agriculture. Rate of interest on RIDF deposits is as under :

Shortfall in lending to agriculture in terms of % age to net bank credit	Rate of interest (on %age basis) on the entire deposits to be made in RIDF –VIII & IX from 1-11-2003 and for RIDF – X, XI, XII.
Less than 2 percentage points	6 (present Bank Rate)
2 and above, but less than 5 percentage points	5 (present Bank Rate minus 1%)
5 and above, but less than 9 percentage points	4 (present Bank Rate minus 2%)
9 percentage points and above.	3 (present Bank Rate minus 3%)

According to the guidelines of Reserve Bank of India / Government of India, NABARD retains a margin of 0.5% on cost basis for administering RIDF. However, the differential interest is credited to the Tribal Development Fund maintained by NABARD.

Release of Funds :

Regional Offices release the RIDF Loans to the State Governments. Loan sanctioned is always released to the State Governments after the acceptance of the terms and conditions of sanction by the State Government. Loans are released to the State Governments on reimbursement basis against the actual expenditure incurred in execution of sanctioned projects. Mobilization advance or Start up advance is 20% for incurring expenditure on the projects for procurement and supply of materials and others except for the North-Eastern and Hill States where the Mobilization or start up advance is 30%.

Escalation Clause :

Generally all works of a project would be completed within the stipulated time and approved cost, it is always expected. But a proposal for cost escalation is also considered.

Monitoring System :

The State Governments are basically responsible to monitor the RIDF projects. Yet an effective monitoring mechanism has been developed by Reserve Bank of India which constitutes about 9% on the running projects are annually field monitored by the Districts Development Managers, other officers of Regional Offices and Consultants. There is a provision also of selective sector-wise monitoring and it is generally done by Head Office and through external agencies.

Apart from it, another mechanism that can be said institutional mechanism has also been developed. It reviews sectoral and project-wise works at the level of Superintending Engineers, Chief Engineers, Head of the Departments, Administrative Secretaries & Chief Secretaries to facilitate timely completion of RIDF projects. This kind of system is working very satisfactorily. Workshops for the Government staff in various departments relating to RIDF projects are organized by the NABARD on regular basis.

Declaration of RIDF by the Hon'ble Finance Minister for 2008-09 :

Generally, announcement of corpus of RIDF happens always in the Union Budget by the Hon'ble Finance Minister.

At the time of budget speech, the Hon'ble Union Finance Minister announced that the corpus of RIDF – XIV ha been increased to Rs. 14,000 crore to be implemented during 2008 – 09. the activities that will be covered under RIDF – IV are as under :

SL. No.	Particulars
1.	Rural Roads;
2.	Rural Bridges;
3.	Minor Irrigation Projects or Micro Irrigation;
4.	Soil Conservation;
5.	Flood Protection;
6.	Watershed Development or Reclamation of waterlogged areas;
7.	Drainage;
8.	Forest Development;
9.	Market Yard or Godown, Apna Mandi, Rural Haats and other marketing infrastructure;

10.	Cold storage, Public or joint sector cold storage at various exit points;
11.	Seed or Agriculture or Horticulture farms;
12.	Plantation or Horticulture;
13.	Grading and certifying mechanisms such as testing and certifying laboratories etc.;
14.	Community irrigation wells for irrigation purposes for the village as a whole;
15.	Fishing harbours or jetties;
16.	Riverine Fisheries;
17.	Animal Husbandry;
18.	Modern abattoir;
19.	Medium Irrigation Projects;
20.	Rural Drinking Water;
21.	Infrastrure for Rural Educational Institutions;
22.	Public Health Institutions (including mobile health clinics);
23.	Construction of toilet blocks in existing schools, where necessary, specially for girl students, so as to improve the amenities available in schools;
24.	“ Pay & Use” toilets in rural areas;
25.	Major irrigation project (only thos projects already sanctioned and under execution);
26.	Village Knowledge Centres;
27.	Desalination plants in coastal areas;
28.	Mini & Small Hydel Projects (upto 10 MW);
29.	Infrastructure for Information Technology in rural areas;
30.	Construction of Anganwadi Centres;
31.	Setting up of rural industrial estates(KVIC)/Centres.

Apart from it, the Hon'ble Union Finance Minister also made a statement

regarding Bharat Nirman. The separate window treated under RIDF – XII will continue under RIDF – XIV with additional allocation of Rs. 4,000 crore from funding rural road component of Bharat Nirman taking the total allocation to Rs. 12,000 crore.

At the end, India is a characterized as a dualistic economy where a modern economy exists side by side with a traditional one. This technological dualism is further exaggerated owing to globalization. The disparity between the rural and poor is widening at a greater pace than ever before. In this context RIDF under NABARD is very significant now in India. The State Governments are provided RIDF loans generally on reimbursement schemes against the actual expenditure incurred in execution of sanctioned projects. The results of these sanctioned projects are already coming but at a very lower space. The utility of RIDF loan can be mentioned from some of its success stories such as Bridge projects in Assam, Bridge projects in Madhya Pradesh, Bridge over Kharasrota assisted under RIDF – a boon of the people of Jaipur district of Orissa, Lift Irrigation Project in Mahaboobnagar district of Andhra Pradesh, Chapi Irrigation Project in Bilaspur district of Chhattisgarh, Saly Water Exclusion Dam across Seeta River in Neelavara Village in Udupi Taluk – Udupi district of Karnataka, Kavanakallu Regulator cum Bridge across Chaliyar River in Mallappuram district of Kerala, Rajeev Sagar Minor Irrigation Scheme in Guna district of Madhya Pradesh, Flood Protection Works on river Sutlej in Nawanshahr district of Punjab, Impact of Road under RIDF on Watershed Development Initiatives – Kadavakurichi Resrve Forests of Tamil Nadu and Micro Hydel Power Project – Gewalui of Tehri Garhwal district. Keeping in view the broad sectoral priorities, the State Governments may firm up priorities for availing RIDF assistance under various sectors. The execution of the projects is being delayed always after loan sanctioned. Early submission of the projects to the Regional Office and sanction thereof by Project Sanctioning Committee would provide reasonable time to the State Governments for execution of the projects. Poor districts need priority attention and allocations For backward states, there should be a team in NABARD to pro-actively design projects rather than wait for the state .

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NABAD and Rural Management Through Watershed Development – An Overview

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Introduction :

Watershed development refers to the conservation, regeneration and the judicious use of all the resources – natural (land, water, plants, animals) and human – within a particular watershed. Watershed management tries to bring about the best possible balance in the environment between natural resources on the one side, and human and other living beings on the other. Watershed development integrates and anchors rural development efforts. Watershed development enhances the ecological resource base of a rural economy and creates sustainable livelihood opportunities for the watershed community. Watershed can be defined as an independent hydrological unit. It is a drainage basin or catchments area of a particular stream or river. In simple terms, it refers to the entire upstream topography around a defined drainage channel which feeds water to the lands below. A watershed varies from a few hectares to several thousands of hectares. Man and his environment are interdependent. Any change in the surrounding environment directly affects the people living therein. A watershed is not just a naturally occurring hydrological unit. More importantly, it is the area of survival and base of sustenance of all those living within it. It, thus, becomes necessary to draw the inhabitants together, generate a common interest and foster a common purpose. Watershed development programs, which started in India basically as soil and water conservative programs, as a policy response to the increasing environmental crisis and non-sustainability of agriculture especially in the dry land/semi-arid regions, has modified substantially with the introduction of watershed guidelines in 1994 (C H Hanumantha Rao Guidelines) by the Government of India.

The guidelines specify that the Panchayati Raj Institutions (PRIs) need to be involved in the implementation of watershed development programs. However, the 73rd Constitutional Amendment, which the Panchayats to undertake the responsibility of managing the Natural Resource Management (NRM) activities and the recent Hariyali guidelines have brought Panchayats to the centre stage as a potential key player in the area of natural resource management. Watershed conservation is widely recognized as a major strategy for rural development throughout the developing world. In India, the apparent success of participatory approaches to watershed development resulted in a decentralization of project planning, implementation and management to local communities at the village scale. Watershed development is a policy approach aimed at improving livelihoods in semi-arid regions. The social impacts of watershed development are often mixed, however, and project can be difficult to evaluate. Watershed development aims to balance the conservation, regeneration and use by humans of land and water resources within a watershed. Common benefits from successful watershed development projects include improved agricultural yields and increased access to drinking water. Understanding how these projects affect local poverty is difficult; however, it is hard to separate the impacts of watershed development projects from other factors, such as employment trends, crop prices or climatic variability. It is also difficult to determine who benefits and who loses from a watershed project. For example, increasing agricultural productivity may decrease the availability of groundwater. For those uses, so farmers benefit but domestic water users may lose out. A degraded environment results in degraded quality of life for the people. Thus, a programme to reduce poverty and improve the standard of living of the people must be aimed at improving the environment they live in. environmental degradation does not recognize administrative and political boundaries (e.g., country, state, town, village, taluka, etc.). A watershed provides the best environmental unit for planning a development programme.

The components of watershed development are :

Soil and land management, Water management, Crop management, afforestation, Pasture/fodder development livestock management, Rural energy management, Other farm and non-farm activities and, development of community skills and resources. All these components are independent and interactive.

There is a close relationship between the environment and human community living within for its livelihood. As human beings and their activities are the primary cause of environmental degradation, they can restore the health of the environment they have ruined by resetting their ways and activities towards the environment around. Hence, there can be no sustainable natural resource

management including watershed development unless it involves the participation of all inhabitants of the concerned environment/area in an active manner. Environmental regeneration is possible only when the concerned people realize a need for it and are empowered to have control over the process of resource utilization, management and conservation.

Watershed Development & Role of NABARD

NABARD is set up as an apex Development Bank with a mandate for facilitating credit flow for promotion and development of agriculture, small-scale industries, cottage and village industries, handicrafts and other rural crafts. It also has the mandate to support all other allied economic activities in rural areas, promote integrated and sustainable rural development and secure prosperity of rural areas.

Considering the importance of the of watershed development and pioneering role of NABARD an attempt has been made, in this paper, to give an in depth look on Indo-German Watershed Development Project (IGWDP) amongst many adopted by the states.

Watershed Development Projects :

NABARD has implemented the following projects on watershed development:

Indo-German Watershed Development Project (IGWDP)

- Indo-German Watershed Development Project - Maharashtra (IGWDP-Maharashtra)
- Indo-German Watershed Development Project – Andhra Pradesh, Gujrat and Rajasthan (IGWDP - Andhra Pradesh, Gujrat and Rajasthan)

In this paper, Indo-German Watershed Development Project (IGWDP) is taken for discussion.

The objectives of the Indo German Watershed Development Projects are

- To develop micro-watersheds in a comprehensive manner, so as to create adequate and sustainable livelihood opportunities for the inhabitants of that area ;
- To catalyse to form village groups into mobilising their degraded environment through participatory self-help initiatives ; &
- To facilitate the arising and unfolding of a people's movement for sustainable economic development along watershed lines. Poverty can be alleviated and eradicated when people realize their creative potential, come together and organize themselves based on self-help and community objectives.

Often a catalyst either from within the community or from outside e.g. a NGO, is required for such a transformation.

A participatory approach involving all concerned, i.e. the watershed community (village), NGOs and Technical Support Organizations, is necessary, as integrated watershed development involves a variety of skills, disciplines and competencies. To make an appreciable and lasting impact both on the incidence and the extent of poverty, a large scale effort involving the government, banks, agriculture universities must be made. The coming together of people's initiative and supportive institutional and policy framework could create conditions favourable to the unfolding and establishment of a people's movement for environmental regeneration on watershed basis.

Strategies adopted under IGWDP are as follows:

- While a micro-watershed is identified by its physical characteristics, it is the peoples' commitment that decides for inclusion or otherwise in the programme. It is in effect a "self-selection" process.
- People are asked to demonstrate their willingness/eagerness to undertake the watershed project by visiting nearby watershed for experience / exposure and agreeing to contribute 4 days of shramdan (voluntary labour) initially without any support from the programme..
- Villagers agree to bring down the cattle population within the carrying capacity of the land, ban free grazing and tree felling and eschewing crops which require more amount of irrigation.
- A pilot project - 50 to 100 ha - is taken up for treatment measures where the competence and willingness of the community / villagers and the ability of the NGO to mobilise and work with the villagers are put to acid test. This project lasts for 12 - 18 months period and affords the right opportunity for learning while doing. Technical skills required in soil and water management are demonstrated, practiced and refined in the field itself.
- A peoples' organisation called "Village Watershed Committee" (VWC) with adequate representation of women is formed for planning, implementing and eventual maintenance of the treatment measures / structures. VWC is responsible to Gram Sabha or entire village community.
- Village community is asked to partner the process of watershed development through it's contribution of one-day-a-week free labour contribution (shramdan of nearly 16% of project measures). Of course, as an incentive for it's participation, the programme envisages ploughing back 50% of free labour contribution to the maintenance funds of VWC.
- The treatment measures follow a "ridge to valley approach". The "net-planning" approach adopted demands survey of each of the plots in the watershed and suggests appropriate technical measures for conservation and improvement in consultation with the farmer and his family.

- Efforts are made to encourage VWC to think of ways and means to involve the landless in project activities and design appropriate systems of benefits arising from common property resources.
- The women in the community, besides being represented in the VWC, are encouraged to form SHGs and undertake project related activities like raising a nursery, kitchen gardens, in addition to inculcating the habit of thrift and funds management / rotation of funds amongst themselves. Besides, women promotion/development activities are undertaken from a "Women's development Fund" set up by earmarking 5% of project measures.
- The village community and NGO are allowed to implement the full scale watershed project only on successful completion of Capacity Building Phase (CBP) of the project. This strategy has to a large extent eliminated the incidence of failure at a later stage.
- The village community in association with NGO manages the entire fund meant for project measures. The management costs of NGOs are funded separately.
- A maintenance fund is created out of peoples' contribution, ploughing back 50% of voluntary labour and also an end-of - the- project incentive for future repairs and maintenance of structures.

The village community is made aware of the exit requirements of NGO towards the later part of the project to allow VWC to take charge of future maintenance, development and possibilities. The Gram Sabha, The VWC, Concerned Government Departments, Agricultural Universities, NABARD and WOTR, the different partners of the project play different roles in different segments of the implementation of the programme. The German Technical Cooperation (GTZ) and German Development Bank (KfW) provide financial assistance to the Capacity Building Phase (CBP) and Full Implementation Phase (FIP) of Indo-German Watershed Development Programme through the GoI, NABARD and WOTR. The Programme Coordination Unit with representation from NABARD and WOTR coordinates the implementation of the programme.

Structure of the programme :

The Programme consists of two Phases :

Capacity Building Phase (CBP):

This phase is administered by WOTR wherein village communities and NGOs prepare, plan, implement and supervise watershed projects, but who may not have the necessary skills and capabilities. It enables village communities and NGOs to acquire the necessary skills and competency and qualify for inclusion in Full Implementation Phase.

Full Implementation Phase (FIP):

After successful completion of CBP, the project enters FIP which is the main phase administered by NABARD in association with support organizations like WOTR and other NGOs.

Impact of the programme

The feedback from regular monitoring by NABARD and the three project evaluation studies conducted, highlight the impact of IGWDP as under:

Drinking water scarcity in the villages has been overcome.

Significant improvement noticed in local employment generation. The villages which used to experience off-season migration, now report minimum migration. Even many families who have migrated earlier, returned to the villages. Increased number of wells has perennial water and a rise in the water levels of almost all wells in the watershed observed. Increase in agricultural production. Improvement is also noticed in the condition of the landless due to continuous wage availability during project implementation in their village itself and through increased agricultural activity in period of post-project.

Execution of IGWDP Maharashtra

In a comprehensive effort to enhance productivity of dry land through conserving soil, rainwater and irrigation, NABARD embarked on perfecting its experiments in creating a sustainable cost effective solution to the water harvesting techniques in rural areas. Building on its experience with the KFW funded watershed development programme in Maharashtra, NABARD established a Watershed Development Fund with an initial corpus of Rs. 200 crore in 1999-2000 which now stands at Rs.613.71 crore as on 31 March 2008, 416 projects in 94 districts of 14 states have benefited. Out of fourteen states four states viz. Gujarat, Rajasthan, Andhra Pradesh and Maharashtra are taken for study to throw some light on execution of the project.

Table1

Position of Maharashtra at a glance

Year of commencement	Year of completion	Phase	Grant sanctioned (crores)	Grant utilized (crores)	Benefit derived	No of project completed	No of project ongoing
1990-91	1999- 00	I	26.66	26.66	In 39300 ha of land	26	nil
1999- 00		II	56.84	52.72	In 72760 ha of land	60	12
2005-06		III	110			nil	28

Table 1 shows that:

IGWDP Maharashtra Phase I is (completed)

The Indo-German watershed Development Programme (IGWDP) is an open ended programme of soil and water conservation development projects for the rehabilitation of watersheds in Maharashtra. IGWDP Maharashtra Commenced in 1990-91 with the sanction of Rs. 26.66 crore (6.14 million) of assistance. It was completed in 1999-00 with the successful completion of 26 projects (5 projects were terminated under various stage of implementation). 39,300 ha of land was treated fully utilized the sanctioned grant portion of Rs. 26.66 crore.

IGWDP Maharashtra Phase II (Ongoing)

IGWDP Maharashtra Commenced in 1999-00, but was run concurrently with the IGWDP Maharashtra Phase I. A grant amount of Rs. 56.84 crore (€ 12.78 million) was sanctioned under this phase. So far 60 projects have been successfully completed in various districts of the country while 12 are ongoing (7 projects were terminated under various stage of implementation). Approximately 72,760 ha have been treated so far under this phase. As on 31 March 2006, a grant amount of Rs. 52.72 crore has been utilized for various purposes under the programme against a receipt of Rs. 56.84 crore.

IGWDP Maharashtra Phase III (Ongoing)

The Separate agreement for IGWDP Maharashtra Phase III was signed by KfW and NABARD on 25 January, 2005. The total commitment under this phase is for approximately Rs. 110 crore (€ 19.94 million). 28 projects have already been committed under Phase III. Of which 9 projects were ongoing and 19 projects were in the preparatory stage. Separate accounting of expenditure under Phase III commenced from 01 January 2006.

Summary

Accordingly, 86 projects have been successfully completed under IGWDP Maharashtra while 21 are ongoing. 19 projects are in the preparatory stage while 12 have been terminated under various stages of implementation. A summary of projects under various stages of implementation in various phase are given in Table 2 :

Table 2

Phase	Total	Completed	Ongoing	FR stage	Terminated
Phase I	31	26	0	0	5
Phase II	79	60	12	0	7
Phase III	28	0	9	19	0
Total	138	86	21	19	12

About 1,05,000 ha has so far been treated (in the completed and ongoing projects). The projects fall in 25 districts of Maharashtra. Approximately, 26,000 families were benefited from the projects.

Position in other States

Table 3
State wise Execution of the project

State	Phase I	Phase II	Phase III
Gujrat	Yet to be started	nil	nil
Rajasthan	Yet to be started	nil	Nil
Andhrapradesh	Ongoing	Nil	nil

Table4
Progress in other states

	Andhra	Rajasthan	Gujrat
Grant sanctioned	Rs.486.6 million	Rs.616 million	Awaiting
Programme sanctioned	09	30-40	32
coverage	10000 ha of land	4 districts	4 districts
Expenses incurred	Rs.6.67 million		
Expenditure for capacity building	Rs.18.235 million		

Table 3 & 4 reveal that Kfw has committed to provide grant assistance of Rs.486.6 million (Euro 8.69 million) for the first phase of rehabilitation of watersheds in four districts of Andhra Pradesh viz. Adilabad, Karimnagar, Medak and Warangal. A Programme Support Unit has been set up at Andhra Pradesh RO for smooth implementation of the project and MoU has been signed with the Forest Department of the State for treating forest area falling in the watershed. Nine projects have been sanctioned under the programme envisaging coverage of approximately 10,000 ha with the help of 7 NGOs. The cumulative expenditure incurred for project measures and management expenses so far was Rs.6.67 million. The total expenditure under IGWDP including expenditure for capacity building, PSU was Rs.18.235 million.

Implementation of the project in Gujrat is in at embryo stage. Report envisages that rehabilitation programme have been selected in about 32

watersheds in Dahod, Panchmagal, Sabarkantha and Vadodhara districts of Gujarat. Separate agreement signed on 07 February 2006. Five watersheds have been selected and the shramadan / CBP will commence shortly.

Kfw, Germany has committed to provide grant assistance of Rs.616 million (Euro 11 million) for Watershed Development Programme in Rajathan. The Project will be implemented in 4 districts viz., Banswara, Chittorgarh, Dungarpur & Udaipur to establish 30-40 watershed projects.

Conclusion

People's participation is an essential component of watershed development. With commitment and conviction, people can discipline themselves for their betterment.

Villagers need to contribute their stake/share (voluntary labour etc.) and feel the ownership of the project. Creating people's organisations like VWC for planning, implementing and maintenance is a must for success and sustainability. Having a pilot phase for proof testing the abilities and motivation of community and NGO during the CBP phase insures against most of future chances of failure. Women and landless need to be integrated into the project design appropriately. Technical considerations and skills for soil and water management, based on "ridge-to-valley" principle can be understood by villagers through learning-by-doing, demonstration/ exposure visits, etc. The village community should manage the funds for project measures through the VWC for total transparency and cost effectiveness. However, timely availability of funds in adequate measure in advance is a critical requirement for watershed projects.

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NABARD : Fulfillment of Mission

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NABARD is an organization which started in 1982 with an aim to develop rural India facilitating credit flow for promotion of agriculture and rural non farm sectors. The mission and object of NABARD is to promote sustainable and equitable agriculture and rural prosperity through effective support related to services for institutional development etc.

Now it is the time to assess some points relatd to NABARD's reaching the target and to explore the nature of work done in different sectors of the country. The total investment of the organization throughout the country since its inception amounts to Rs. 1, 21,000 crore. But it remains to be seen if this huge amount has reached the really needy people of the rural India. The planning and system for distribution of the amount is supposedly not easy enough to comprehend for the illiterate people of the rural areas. Moreover the procedural hazards and redtapism are creating barriers to avail the various opportunities that NABARD offers. Sections of people, those who are able to avail the opportunity through various schemes, are more often than not, financially able; but the motto for inception of the NABARD is to reach out to all those people who are poor and lacks fund for any kind of sustainable development! The crux of the fallacy lies precisely here.

If the procedures for aiding the poor are made simpler it would encourage the vast section of rural people to avail of the benefits of NABARD. All the more so when this organization is running for about 25 years with crores of money to invest for the poor.

In the present day, it appears from the different reports that NABARD was supposed to uplift the standard of living of about 20 lakhs of people in the year 2001-'02, but it is very surprising that apart from making financial gains, job opportunities are reduced to 15 lakhs in the year 2007-'08. The numbers of the

C.P.S.U. are 242.

Most of the people of this country are living in the rural area. The means of their livelihood depend upon agriculture sector but most of the land of this country bears one crop in a year due to scarcity of irrigation and other infrastructures. Moreover the productive goods are not marketed by the producers in their own terms as because most of them are small farmers who are compelled to sell their crops at a price which is fixed by the big hoaders.

In this context if a pondering look is given to the programmes as described by the NABARD, it becomes clear that there are no such programmes for the development of agricultural larids though crores of rupees have been spent by the organization for the development of rural infrastructure works.

If NABARD could think of collaboration with the respective departments and wings of agriculture sector, it's programmes could focus on irrigation system which could transform the non irrigated lands into irrigated lands. Two or more crops could be cultivated and there could be guranteed creation of more job opportunities. There could be a flow of money to a large number of people and in this way, their financial capacity could be raised and they could spend the money to meet up their essential needs. And if that happened there would have been the need for more production of essential commodities and also to meet up with the subsequent needs more industries and shops and markets would have cropped up providing job opportunities to many more.

Due to lack of coordination between government agencies, even after the passing of 61 years after independence of our country, and creation of the planning commission spending thousand of crores money with the intention to get rid of poverty, illiteracy, etc., the objectives as desired by the plan makers are hardly ever fulfilled. What is the cause of this failure? In fact, none of the policy makers are willing to investigate the root cause of such failures. New plans are initiated with an inexplicable abandonment of the old ones.

The plan makers are reluctant to sort out the problems as to why the targets of planned programmes are not properly implemented. Neither had they chalked out the way nor taken proper steps with realistic views for the implementation of the plans.

NABARD, a result of such a plan, was to give all kinds of assistances to the rural people of the country but due to deficiency and clarity of outlook about the nature and character of the lands, the intention of the plan makers are not fulfilled. The required need to develop and uphold the standard of life of the rural people remains in the abyss of darkness year after year.

The country, with the 110 crore of population of which 80% of the population comprise people of rural areas, is facing extreme hazards in utilizing

the immense man power it has at its disposal.

The number of unemployed is increasing day by day and funnily enough budgetary fund is also increasing day by day to provide employment to them but the results are far from being satisfactory. In this context, it is better to properly review the weakness of the planning itself. There is every opportunity to utilize the total manpower of the country if plan makers and implementing agencies like NABARD changed its outlook. It is a well established theory that when one gets an opportunity to give his labour in full against proper remuneration or wages, one wants to spend one's earnings to meet up with one's daily needs. So creation of jobs among the people should be held as the first target and for this the socio-economic condition and geographic situation of the districts and blocks need to be charted out and as per situation the required help and planning are to be done so as the population of that area can get proper opportunity to deliver their labour power.

It appears from different reports that after huge production of wheat at Haryana, Punjab and Utter Pradesh, the product was stored in the open fields due to scarcity of godowns and as a result lakhs of tons of wheat got destroyed in the year 2006-07. And for that reasons stock of food grains specially wheat fell short and consequently wheat had to be imported from the U.S.A. to meet up the need of the country! But till today no effective plan has been made by the concerned departments and agencies like NABARD and the like for construction of permanent stockyards for the purpose of hoarding the surplus product in the above states. The farmers are not willing to cultivate such products any more the next year because the agencies those who purchase the products are unable to make any purchase due to shortage of place of stocking. It is not only for wheat, it appears from the report that vegetable, mainly potato, onion etc. and fruits like apple, grapes, litchi, mango, etc. and flowers like rose, jasmine, merry gold, etc. are all destroyed due to non availability of proper storage places. So, if the plan makers of NABARD think about the aforesaid problems and take appropriate measures to sort out the problem then they can included schemes for that purpose and in that way help to construct permanent stockyards and as a consequence a large number of rural people would be denifitted. After engaging their labour against remuneration they would be able to spend money to meet up with their daily needs. So, there is open scope for absorbing the manpower, to use the earnings of the said manpower in generating larger demands of essential commodities as well as strengthening the domestic market.

For example, we may take a look into the West Bengal Government's decision to create 'Self Help Group'. The number of Self Help Group is about

22,000 and the man-power engaged is about 1,40,000. All the S.H.G. is engaged in different types of works as per their skill and ability. All the members of the Self Help Groups earn Rs. 2,000/- to Rs. 4,000/- per month, but it appears from the report of concerned ministry that the S.G.H. are facing acute capital problems. They get the financial assistance from the nationalized banks and local self government but the process laid down by N.B.Sectors is very difficult and as a result proper utilization of efforts and skills are getting disturbed.

In this area NABARD can extend its hand to facilitate the utilization of skill and manpower. These groups are also facing marketing problems. So, it is necessary to break through the problems with adequate plan and financial assistance.

It appears from the last budget for the year 2006-07 that a huge amount had been allotted for jobs to jobless people of rural India in the name of "100 Days' Job Guarantee Programme". But what is the result of that programme? Most of the blocks are unable to give jobs to the jobless people of that area as there are no scope for sufficient jobs and it is experienced that although fund is there to spend but there are hardly any avenues to spend the same. This is an exceptional experience as various projects or programmes are stalled due to want of fund. In this context, the amount as allotted in the said budget for the programme can be spent through NABARD. NABARD can take suggestions from the local Self Help Groups to construct permanent nature of works i.e., consider options of constructing crop godown, construction of houses for the poverty-stricken sections of the society, construction of metal roads to link up with the markets, construction of marketing out lets for sell of local items both agriculture and non-agriculture products, development of railways works etc. and in that way 100 days' of work can be generated. There is every opportunity to engage the maximum percentage of skilled and unskilled manpower in connection with excavation of sealed river, construction of canals for clearance of water and the like. In that way the purpose of irrigation into the non-irrigated areas can be covered up and simultaneously the scope of pisciculture can be enhanced in which a huge number of people can be engaged throughout the year and it will also control the possibility of flood which is occurring about every year in Gangetic West Bengal. NABARD can include these types of projects with financial assistance of the military and related departments.

In other fields with the help of modern science and technology an effort can be made to use the unused lands which are lying vacant due to their natural conditions in the states of Orissa, Madhya Pradesh, Chattisgarh, Gujrat, Rajasthan etc... In these states maximum percentage of lands are unused due to their natural character. At present science and technology is doing remarkable

works in order to help these areas. These lands can be used in appropriate way which would provide jobs to a large number of poor rural people. But this type of project or programme is yet to be taken up by NABARD. Similar investments can be made in the dairy and poultry sectors. This would enhance job opportunities immensely. And if NABARD takes up such programmes more demands can be generated for essential goods for which more production would be required. Therefore this is the high time to reassess the prospect and possibility for achievement as desired by the legislatures and plan makers.

In the present condition of global recessions it would be better to save the country's economy by providing and utilizing man power, creating job and producing one's own market, to cover up the national demand and after fulfillment of the same, the surplus can be exported to other countries.

In this scenario proper, reasonable and scientific views and ways can be encouraged by NABARD in consultation with eminent economists. Emancipation from poverty, starvation, joblessness can be solved by taking proper measures supported by NABARD.

So from the above discussion, it may be concluded that the present outlook of the planning commission and different government departments, needs to be changed. If all the funds of all related departments are accumulated with a proper planning to create permanent ways to provide maximum job opportunities, dependence on import of food grains, essential commodities from the others countries may decrease in the future. The surplus items can also be exported throughout the world and in this venture NABARD can play a significant role and only then the mission for creation of NABARD can be fulfilled.

RURAL INFRASTRUCTURE DEVELOPMENT FUND – AN ASSESSMENT

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INTRODUCTION

In rural India, infrastructure is very poor and in some places it is almost absent. If this infrastructure is provided in rural sector, rural population may be benefited by utilizing its services. They can raise their income and wealth and erase poverty as much as possible. A section of population may involve themselves in productive activities as the potential labour absorption capacity of the rural sector may go up with the development in the rural infrastructure. It is found that the major sector, agriculture, itself suffers from lack of adequate infrastructure. In the rural production processes, people having capital and land dominate the production decisions as they privately arrange required infrastructure. If rural infrastructure is developed and used as public properties then the inequality between the rich and the poor is lessened. The have-nots are given accesses to productive activities; the development process becomes more participatory. Thus if the shortages in infrastructures in the rural areas are removed, then poverty, inequality and unemployment, the basic three problems of economy are attacked. But, in real scenario, it was found that the rural infrastructure development projects were not being completed due to lack of financial support.

GENESIS AND OBJECTIVE OF RIDF

Under this circumstance, in 1995-96 the Rural Infrastructure Development Fund (RIDF) was set up in NABARD with a corpus of Rs. 2,000 crores. This corpus was contributed by all scheduled commercial banks to make up for their short fall in lending target (18 per cent of net bank credit) to the agricultural sector.

The main objective of the creation of this Fund (RIDF) was to extend loans to state governments to enable them to complete the existing held up rural infrastructural projects on financial ground. Initially, RIDF had a bias in providing financial assistance towards irrigation projects. It supported completion of major, medium and minor irrigation projects. The circumference of RIDF has now been extended further. It has now included rural roads, bridges, drinking water supply, primary school buildings, primary health centres, village markets (*mundis*), cold storages, fishing jetties, flood protection, forest development and management, conservation of soil, watershed development, rain water harvesting, mini-hydel projects and citizen information centres.

RIDF-AN APPRAISAL

Total corpus of RIDF from RIDF- I to RIDF-XIII (i.e; up to 31 March 2008) amounted to Rs. 72,000 crores. Total sanctions as on the same date aggregated Rs. 74,073.01 crores. The total cumulative disbursement was Rs 45594.85 crores. Since 1995-96 till 31 March 2008, there were 2,77,935 projects who received financial support under RIDF.

Now let us move towards some table and figures. First, let us see the year and tranche-wise corpus allocation.

Table-I
Tranche-wise Corpus Allotted Under RIDF

Tranche No.	Year (Rs. in Crore)	Corpus
RIDF-I	1995-96	2,000
RIDF-II	1996-97	2,500
RIDF-III	1997-98	2,500
RIDF-IV	1998-99	3,000
RIDF-V	1999-2000	3,500
RIDF-VI	2000-01	4,500
RIDF-VII	2001-02	5,000
RIDF-VIII	2002-03	5,500
RIDF-IX	2003-04	5,500
RIDF-X	2004-05	8,000
RIDF-XI	2005-06	8,000
RIDF-XII	2006-07	10,000
RIDF-XIII	2007-08	12,000
TOTAL	—	72,000

Source: NABARD

The corpus with time shows an increasing trend. Each year's Annual Union Budget announces the amount allocated for this window under NABARD. RIDF -I as a 'last mile approach' stressed upon irrigation, flood protection and watershed management. RIDF-II started funding for rural road and bridges. Again, under RIDF, a separate window has been created to support financially the rural road projects since RIDF-XII. This construction of rural roads was the jurisdiction of Bharat Nirman. Since rural roads are the most useful infrastructure of village economies, it has been incorporated in the RIDF. Since RIDF-XII an additional allocation of Rs. 4000 crores is being provided for this purpose as rural road component of Bharat Nirman. Now, under RIDF-XIV, there are thirty one varied activities are being financially supported. Figure-I depicts the fact that the tranche-wise corpus is going up with time.

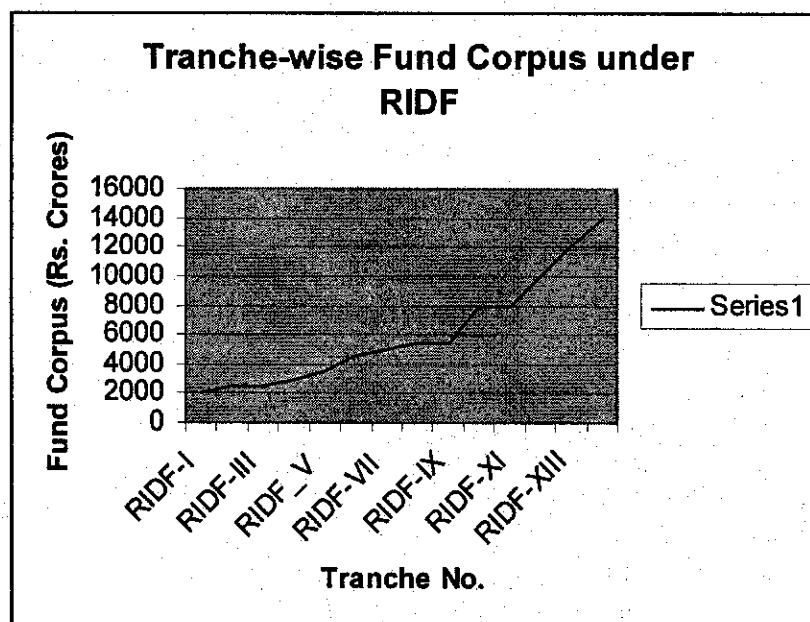
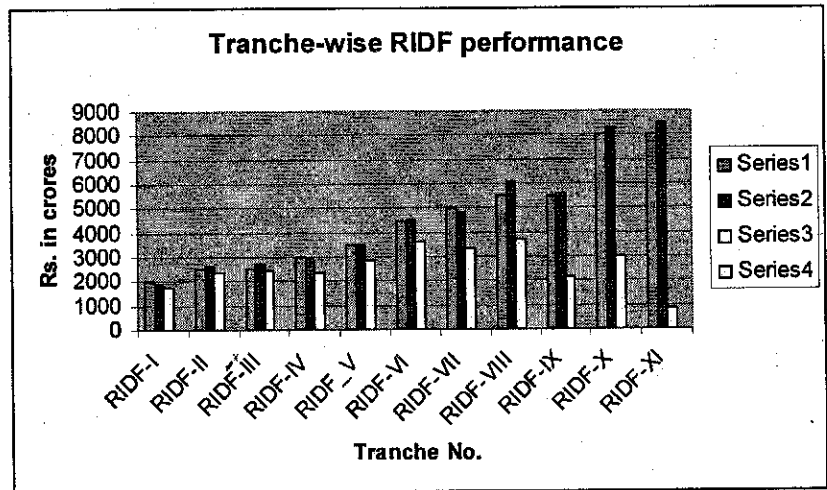


Fig-I

Series-I refers to volume of corpus created in different tranche/year. There are three series of data, presented in the bar diagram (Fig-II) depicted below. They are, namely, corpus, amount sanctioned and amount disbursed in different tranche. All are being expressed in rupees in crores.

Fig-II

The percentage of disbursement to sanctioned amount was high during first three tranches from RIDF-I to RIDF-III. Beyond that it declined and remained an average one. The state governments' incompetence in utilizing resources in



building rural infrastructure, in many occasion, accounted for this average rate of disbursement. But in Fig-III it became too low during RIDF-XII. This is because there were some constitutional-cum-legal barriers to utilize funds allocated under RIDF in the purpose of Bharat Nirman. Later, this problem has been solved by rectifying this difficulty through passing an amendment of the concerned Act in the Parliament. Thus the rate of disbursement again became normal.

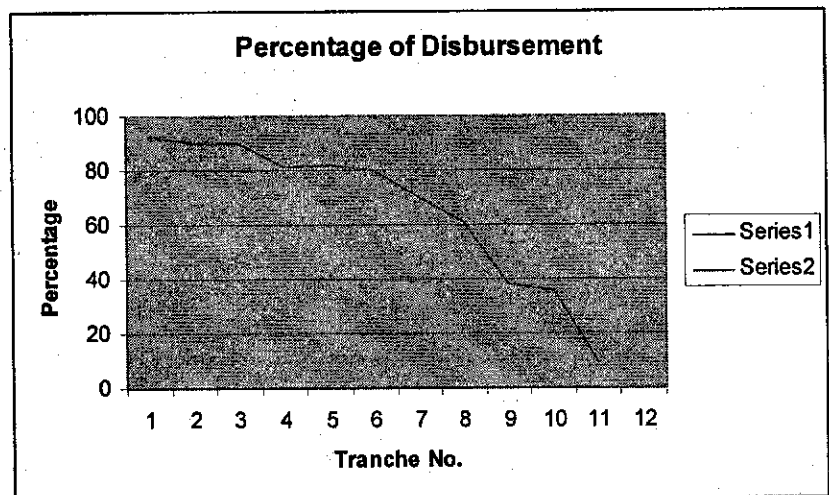
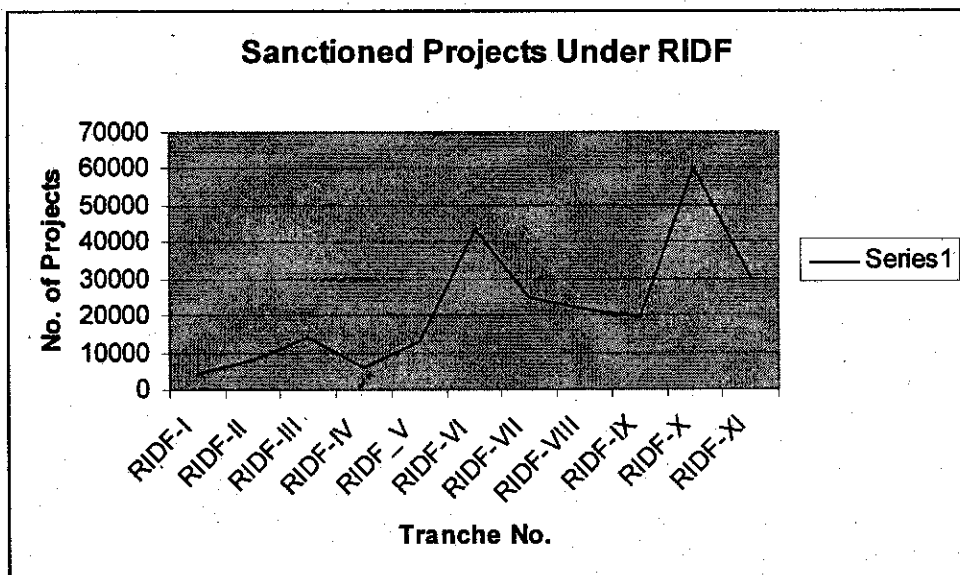


Fig-III

Fig-IV

Though not so smooth the number of projects being provided financial support from RIDF is showing an increasing trend with time. Under RIDF-I, the number of Projects received loans were only 4,168 and under RIDF-V, it was 13,272 and under RIDF-X, it became 59,979. Figure-IV depicts the gradual



increasing trend of the number of financially supported projects under different RIDF tranches.

RIDF is now supporting projects of different characters. Their activities are different. However, we can divide its total volume of credits into three sectors. First is irrigation. Second is roads and bridges and third is others. Initially, irrigation was the most important. Now the share of roads and bridges has gone up. Table-II gives the fact in numerals.

Table-II
Purpose-wise Amount Sanctioned Under RIDF

Sl. No.	Purpose/sector	Percentage share
1.	Irrigation	34.3
2.	Roads and bridges	46.4
3.	Others	19.3

Fig-V, shows a pie diagram indicating the relative share of amount sanctioned for different purposes from RIDF-XIII. The series-I refers to roads and bridges, series-2 refers to irrigation and the third series indicates other purposes. This other purposes include watershed development, drainage, flood protection, inland water ways, primary school, rural drinking water supply, construction of Anganwadi Centres, construction of Primary Health Centres, soil conservation etc.

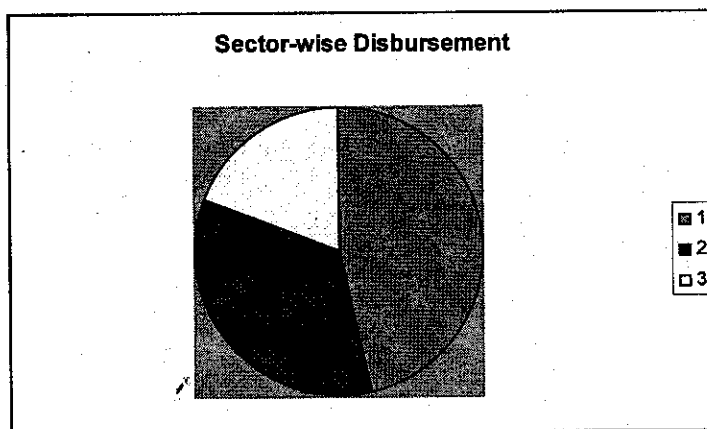


Fig-V

RIDF IN WEST BENGAL

West Bengal is a state under the federal system of Indian republic. There are several other states as well receiving credits from RIDF to run different kinds of projects. The volume of credit to a particular state depends upon some criteria. A norm is prepared for this purpose. Rural population gets twenty per cent weight. Another twenty per cent weight is given to the geographical location of the state. Inverse of infrastructural development index gets weight of twenty per cent. Inverse of rural CD ratio is given weight of fifteen per cent. Sanction received in the past tranche is given five per cent weight. The rest twenty per cent weight is given the performance of the state in disbursement of past RIDF sanctioned amount. In Figure-VI, there is a pictorial description of funds received by West Bengal in contrast to total funds sanctioned throughout India.

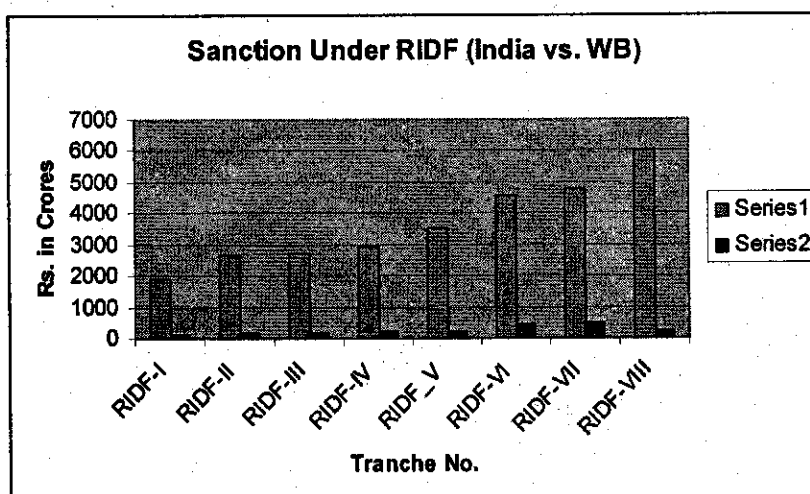


Fig-VI

Table-III describes tranche-wise sanctions and disbursement of RIDF financial support in West Bengal. Though in the field of rural infrastructure many works could be done West Bengal's sanction is not satisfactory. The volume of disbursement is not also very hopeful. The percentage of disbursement to amount sanction is satisfactory up to RIDF- IV. Afterwards, it declined sharply.

Table -III
Tranche-wise Sanctions and Disbursement in West Bengal

Tranche No.	Sanction (Rs. In crores)	Disbursement (Rs. In crores)	Percentage
RIDF-I	94.51	81.84	86.60
RIDF-II	156.94	143.4	91.37
RIDF-III	171.97	159.83	92.94
RIDF-IV	214.32	183.1	85.43
RIDF-V	222.29	129.92	58.45
RIDF-VI	413.23	149.2	36.11
RIDF-VII	474.41	101.75	21.45
RIDF-VIII	204.24	40.13	19.65
Total	1951.91	989.17	50.68

Figure-VII shows that the percentage of disbursement is lying far below the all-India level. It was comparable with all-India level up to RIDF-IV and then gradually declined.

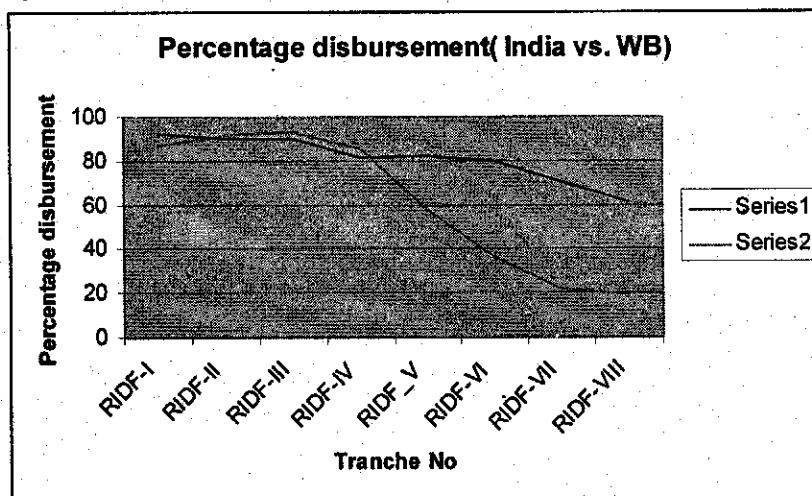


Fig-VII

However, as per available data a sum of Rs. 1961.77 crores have been

sanctioned to West Bengal as on 30th November 2002. The salient features of the projects completed are as follows: one hundred ninety-three rural road projects were completed, one thousand six hundred sixteen km roads have been improved with black top. Twenty-eight bridges with cumulative length of two thousand two hundred sixty-six metres have been completed. As much as five thousand five hundred six hundred minor and medium irrigation projects have been completed and thereby ninety-two thousand hectare land has been brought under irrigation. One hundred flood protection, water shed and drainage projects have been completed. A huge employment of 20 million man days has been created on non-recurring basis. Seventy-six thousand recurring jobs have been created.

RIDF can help an economy by unlocking of sunk investment in rural infrastructure development schemes and projects. It can generate an additional irrigational potential in the rural areas and thus can promote the major sector of the economy. The augmented productivity and efficiency of agricultural sector with this added irrigation can change whole economy. With the growth of rural farm sector, a considerable amount of employment is generated in the farm sector as well as in the rural non-farm sector. This leads to a higher contribution to the Gross Domestic product of the country from the rural sector, as a whole. The stress on rural roads and bridges as a component of Bharat Nirman through RIDF window ensures easy market access, all-weather roads and improved connectivity between the villages and urban centres. Soil conservation, forest development, 'pay and use' toilets in rural areas, construction of drainages etc. have environment impacts on the rural economies. It is for this reason, RIDF supported projects are to be encouraged. The rate of interest is also low and reasonable. The state governments should come forward from their heart to develop the rural infrastructure and to acquire the capability of enhancing productivity and efficiency of the rural sector and promoting the quality of life of rural inhabitants.

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NABARD : A Brief Introduction

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Around 70% of India's population (approximately 112 crore or more) lives in rural areas and depend on agriculture and other activities for livelihood. The task of sustainable rural development, therefore, is an enormous one. NABARD (National Bank for Agriculture and Rural Development) itself has been formed to promote sustainable and equitable agriculture and rural development through effective credit support, related services, institutional development and other activities. A committee was formed under the Chairmanship of Sri B. Sivaraman to review arrangement for institutional credit for agriculture and rural development. Chairman recommended in its report to the RBI for the establishment of NABARD and NABARD was established on 12-th July, 1982 by an Act of Parliament and the Act 61 was approved by the Parliament in 1981. The object of this type of recommendation was, obviously, to integrate short-term, medium-term and long-term credit structure for the agriculture sector by establishing a new bank and NABARD is the result of such recommendation. At the time of commencement of NABARD, the initial capital of it was Rs. 100 crore which was enhanced to Rs. 2,000 crore, fully subscribed by the Government of India (GOI) and the RBI.

The main object for establishment of this kind of organization is to provide credit in rural areas. More than 60% of our population depends upon agriculture directly or indirectly but India is called a poor country because most of its farmers are not only poor but they belong under BPL. NABARD is a top development bank in India and it replaced the Agricultural Credit Development (ACD) and Rural Planning and Credit Cell (RPCC) of the RBI and Agricultural Refinance and Development Corporation (ARDC). Its head office is in Mumbai. It has 28 regional offices and one sub-office in the capitals of all states/union territories. NABARD has 336 district offices across the country. It has one sub-

office at Port Blair and one special cell at Srinagar. There are six training centres also.

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UTTAR PRADESH (46) Agra Aligarh Allahabad Azamgarh Baghpat Bahraich Ballia Banda Barabanki Bareilly BastiBijnore Budaun Bulandshahar Deoria Etah Etawah Faizabad Farrukhabad Fatehpur Ghaziabad Ghazipur Dakshina Kannada Davangere Dharwad Gadag Gulbarga Hassan Haveri Kodagu Kolar Mandya Mysore Raichur Shimoga Tumkur Uttra Kannada

KERALA (13) Alappuzha Ernakulam Idukki Kannur Kasargod Kollam Kottayam Kozhikode Malappuram Palakkad Pathanamthitta Thrissur Wayanad

MADHYA PRADESH (27) Balaghat Betul Chhindwara Dewas Dhar Guna Gwalior Hoshangabad Indore Jabalpur Jhabua Khandwa Khargone Mandla Mandsaur Morena Narsinghpur Ratlam Rewa Sagar Satna Shahdol Shajapur Gonda Gorakhpur Har doiJalaun Jaunpur Jhansi Kanpur Lakhimpur Lalitpur Mathura Mau Meeru tMirzapur Moradabad Muzzafarnagar Pilibhit Pratapgarh Raebareli Saharanpur Shahjahanpur Sitapur Sultanpur Unnao Varanasi

UTTARAKHAND (8) Almora Haridwar Nainital Pithoragarh Tehri Garhwal Udhampur Singh Nagar Pauri Garhwal Uttarkashi

WEST BENGAL (16) Bankura Bardhaman Birbhum Coochbehar Dakshin Dinajpur Darjeeling Hooghly Jalpaiguri Malda Murshidabad Nadia North 24Parganas Paschim Medinipur Purba Medinipur Purulia Uttar Dinajpur

SIKKIM (1) South Sikkim

Being a top institution NABARD handles the matters of concerning policy, planning and operations to provide credit for agriculture and for other economic and developmental activities in rural areas of whole India. Effectively, NABARD is a refinancing agency for financial institutions who offer production credit and development activities in rural areas. The refinancing of top institution is available to State Cooperative Banks, Regional Rural Banks, State Cooperative Agriculture and Development Banks, Commercial Banks and other financial institutions approved by RBI. So, strengthening of rural financial institutions which deliver credit to the sector has been identified by top institution as a thrust area.

Structure of Management :

The management of NABARD is vested with the Board of Directors which

consists of a Chairman, two directors from amongst experts in rural economics, three directors out of whom two be persons with experience in cooperative banking and one with experience in commercial banking, three directors from among the officials of the State Governments, and a Managing Director. Directors of the Board of Management are appointed by the Central Government in consultation with the Reserve Bank of India (RBI).

Thrust Areas :

Doubling of Credit
Kisan Credit Card
Non-Farm Sector
Microfinance
Watershed Development
Women & Development
Support to Weaker Sections

Functions :

Functions of NABARD can be divided in three categories and these are – (a) Credit Functions, (b) Development and Promotional Functions and (c) Supervisory Functions.

Credit Functions :

- i) Preparation of district-wise Annual Potential Linked Credit Plans in agriculture and allied sectors, rural non-farm sector etc. available for development through bank credit.
- ii) Formulation of policies and operational guidelines for rural financial institutions.
- iii) Coordination with various government agencies and departments at district, state and national level.
- iv) Refinancing by way of loans and advances to Rural Financial Institutions for financing investment and production purposes in rural areas.
- v) Loans to state governments for the development of critical infrastructure in rural areas.
- vi) Supports for micro innovations of NGOs.
- vii) Co-financing with financial institutions.
- ix) Evaluation of credit to agriculture and allied sectors.
- x) Refinancing is extended to state cooperatives banks for financing the working capital requirements of primary weavers cooperative societies, individual weavers, handloom weaver groups and master weavers for their production and marketing activities.
- xi) Monitoring the flow of credit to agriculture and allied sectors.

Development and Promotional Functions :

- i) Serves as a top financing agency providing investment and production credit for promoting the various developmental activities in rural area of India.
- ii) Coordinates the rural financing activities of all institutions engaged in

- developmental work.
- iii) Disseminates innovative products and ideas.
- iv) Supports research and development.
- v) Assists RBI and GOI in formulation of policies relating to rural credit.
- vi) Creates awareness among the borrowers on ethics of payment.
- vii) Provides training for senior and middle level executives of repayment through Vikas Volunteer Vahini and Farmers' Clubs.
- viii) Provides organizational development intervention through reputed training institutes like National Bank Staff College, Lucknow and the like.

Supervisory Functions :

- i) Undertakes inspection of State Cooperative Agriculture and Rural Development Banks and apex non-credit cooperative societies on a voluntary basis.
 - ii) Undertakes inspection of Regional Rural Banks under the provisions of Banking Regulation Act, 1949.
 - iii) Undertakes portfolio inspection, system study apart from off-site surveillance of Cooperative banks and Regional Rural Banks.
 - iv) Administering the credit monitoring arrangements in state cooperative banks.
 - v) Monitoring RIDF projects is an important responsibility.
- NABARD encourages India's banks to lend **Self-help Group (SHG)**. SHGs are mainly composed of poor women and this has evolved into an important Indian tool for microfinance. So, it is also known for SHG Bank Linkage Programme.

Watershed Development is another noticeable scheme of NABARD. To enhance productivity of dry land through conserving soil, rainwater and vegetation Watershed development has proved to be a comprehensive approach and NABARD is actively supporting THE Watershed Development. For that purpose, Watershed Development Fund was set up in NABARD during 1999-2000 with a corpus of Rs. 200 crore and such amount is equally contributed by GOI and NABARD.

Sources and Applications of Fund :

NABARD raises funds through National Rural Credit - Long Term operations, National Rural Credit-Establishment fund, through bonds and debentures guaranteed by Central Govt, borrowing from RBI, Central Govt. or any other organisation approved by Central Govt and funds from external sources.

It credit functions include providing credit to agriculture, small and village and cottage industries through banks by way of refinance facilities to commercial banks, Regional Rural Banks, Coop Banks, Land Development Banks and other Financial Institutions like KVIC.

Sources and Applications of Fund of NABARD as at 31.03.2008
Applications

Sources of Funds	As at end March (Rs. Crore) 2008	Uses of Funds	As at end March (Rs. Crore) 2008
Capital	2000	Cash and Bank Balances	9850
Reserves and Surplus	8603	Collateralised Borrowing and Lending Obligation	464
NRC (LTO) Fund	13,615	Investments in	
NRC (Stabilisation) Fund	1544	a) GoI Securities	1422
Deposits	106	b) Treasury Bills	260
Bonds and Debentures	28,700	c) ADFC Equity	16
Certificate Deposits	1422	d) AFC Equity*	1
Commercial Paper	0	e) SIDBI Equity	48
Term Money Borrowings	0	f) AICI Ltd	60
Borrowings from GoI	370	g) NCDEX Ltd. & MCX Ltd.	6
Borrowings from Commercial Banks	2500	h) NABCONS	5
Foreign Currency Loan	508	i) Mutual Fund	760
RIDF Deposits	30,593	j) BVF APIDC V Investment	4
Short Term Coop. Rural			
Credit Fund	0	k) Commercial Paper	0
Other Liabilities	3089	Loans and Advances	
Other Funds	5656	a) Production &	
	b) marketing Credit 17,381 Credite) into MT Loans		118
	c) Liquidity Support 1940		
	d) MT Investment Credit (Non Project)* 0		
	e) MT & LT Project Loans		32,401
	f) LT Non Project Loans		290
	g) Other Loans 27		
	h) RIDF Loans 30,649		
	i) Co-finance 66		
	Fixed Assets 257		
	Other Assets 2681		
TOTAL	98,706	TOTAL	98,706

Nabard has crossed already 28 years but without much fanfare. It has earned for itself a place of importance in the history of rural banking in India. It has given

a new lease of life to gramin banks. As the manager of the rural infrastructure development fund, it has helped the state governments. Another major contribution of it is the promotion of thousands self-help groups which is to be said one of the largest number of grassroot level groups of poor in the world. The 28 years of NABARD's participation in rural development have been a silver lining on the rural horizon. Let the next 28 years usher in a golden era for rural India. Modernisation of agriculture is the need of the hour. Extending financial support, directly and indirectly, is not enough. Facilitating the growth of agri-business is one area where NABARD could play an important role.

Sources :-

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2. Economic Survey, Government of India, Relevant Issues.
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4. "Scaling-up Access to Finance for India's Rural Poor" by Pradeep Srivastava and Priya Basu
5. Business & Economy Magazine
6. Telegraph Patrika
7. NABARD website and some others.

Footnotes :-

- ¹ In the absence of information about the returns from projects of different borrowers, the cost of determining the extent of risk of default for each borrower is high.
- ² It is costly to ensure that borrowers take actions which make repayment most likely.
- ³ In the event of failure of a project, it is difficult to compel repayment.
- ⁴ 'It promotes the relationship between bankers and poor people with the social intermediation of NGOs' (Bansal 2005).
- ⁵ 'High target of Priority Sector Lending, Interest Rate Ceilings, High Arrear and Duality control by Reserve Bank of India and State Govt. have spoiled the working of Cooperative Banks'

**Nabard's
Contribution on
Socio-Economic
Development In
Rural Areas**

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