Chapter 5

Role of NABARD in Rural Financing

This chapter is dealt with the role of NABARD in rural financing for different refinance operations through various institutions for a number of purposes and assorted terms. NABARD provides refinance facility for purposes covering both investment and production Credit, Farm and non-farm activities both included in these credit facilities by the bank. The major objectives are given below which guide refinance support for various activities through different institutions by the bank. These are following:-

- To support national policies for increasing agricultural production and rural employment through efficient use of national resources.
- Reduction of regional imbalance,
- Equitable distribution of growth, ensuring credit support to the weaker sections of the society through special programmes, like Integrated Rural Development Programme (IRDP),
- Increasing the credit absorptive capacity of the credit involved in disbursement of credit and improving quality of credit through proper control of technical and financial parameters and propagation of the repayment ethics.¹

Terms and conditions for Refinance by NABARD

NABARD has prescribed detailed terms and conditions on the basis of which credit facilities are provided by it. The terms and conditions for short-term and medium-term loans on non-schematic basis depend on both, the type of facility and the institution to which the refinance is given. The
important terms and conditions of the NABARD's refinance facility on schematic basis, are as follows:-

**Unit Cost**

Unit cost is related to technical parameters. For different types of investment has been prescribed realistic average unit cost. However, unit cost in the individual cases, is to be determined on the basis of technical plans, quotations etc. Financing banks can take care of any marginal increase in the unit costs. In such cases, where the unit cost increases or any abnormal escalation takes place in the cost during the implementation of the scheme, the financing banks can approach the NABARD with suitable details. For this purpose, in each of the Regional offices of the National Bank, a Standing Committee has been constituted. This Committee reviews the norms of unit costs of various investments on half-yearly basis. The committee may revise the same, if feels necessary. Thus, we find that the realistic costs are adopted under the system of refinance.

**Contribution of Beneficiaries**

As stipulated by the NABARD the borrowers have to contribute a sum of money to the total investment cost. The limit of contribution depends upon the status of the borrower, such as, small, medium or large farmers and the nature of investment. In the cases of small farmers, the beneficiary's contribution (including obligatory purchase of shares, own labour and other contribution in cash or kind) is a minimum of 5 percent of investment cost for all purposes. In the cases of medium farmer, it is a minimum of 10 percent (7 percent for two or more farmers in a group loan) of investment cost. For other beneficiaries this limit is 15 percent (10 for two or more farmers in a group loan). But for the purpose of pumpsets under minor irrigation the
beneficiary’s contribution is 10 per cent. In the cases of corporate bodies, a still higher down payment is stipulated which is not less than 20 per cent. It depends on the type of project, viability etc. In the case of schemes with capital subsidy, particularly, for small and marginal farmers and landless labourers, the subsidy is treated as down payment of the borrower, thus, providing relief to the weaker sections. Similarly, in the case of all such schemes financed by LDBs the down payment by the ultimate beneficiary is included in the mandatory share capital contributions.

Refinance Amount

The financing banks/State Governments are required to make certain stipulated level of contribution for financing the project. The amount of refinance sanctioned by the NABARD ranges between 50 per cent and 95 per cent of the bank loans. For priority sectors, like minor irrigation, land development. Integrated Rural Development Programme (IRDP) and other programmes for the benefit of weaker sections, the higher amount of refinance is available. NABARD has also fixed the higher rate of refinance in the cases where the SLBs. Backward Entire North Eastern makes advances and eastern regions will also be benefited through this type of arrangement.

Refinance Security

State Government or the financing bank should guarantee the refinancing of the bank and at the same time furnish other security to the satisfaction of the National Bank. There is a provision of waivement of the security or Government guarantee for any eligible institution or any class of eligible institution on the merits of each case. Generally the National Bank waives security in the cases of CBs including RRBs because of the operational problems in creating sub-mortgage or hypothecation of security.
In the case of SCBs, the State Government should guarantee the refinance. This guarantee can be waived by the National Bank if the SCBs fulfils certain conditions. In the case of LDBs, the concerned State Government should guarantee the special development debentures. Under the provisions of the NABARD Act, 1981, this is also provided that all the securities obtained by the borrowing institution from the ultimate borrowers should be held in trust on behalf of the National Bank according to section 29(2), provided therein.

Security from the Side of Ultimate Beneficiaries

The financing banks prescribe the security from ultimate borrowers. For this, the RBI and the National Bank issue guidelines from time to time, for example, generally the SLDBs obtain the security in the form of mortgage of lands. Thus, these institutions can float debentures under such cover. Therefore, some of the SLDBs have amended their byelaws for sanctioning loans against the hypothecation of movable assets, group guarantee, etc.

Rationalisation of Interest Rate on Refinance

The rates of interest charged by the NABARD on its refinance and the rates of interest charged by the financing institutions are subject to be determined from time to time keeping in the view the general interest rates structure and the policy of the GOI and the RBI in this regard. At the time of establishment of the NABARD the rate of interest on its refinance to banks and the rates of interest for loans by banks to the ultimate borrowers are given below.
Table 1

<table>
<thead>
<tr>
<th>Loan</th>
<th>N.E. Region including Sikkim &amp; A &amp; N Islands (for all purposes)</th>
<th>Other Regions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MI, DLF, LD, WLD, SGSY, SHG, SC-ST action plan</td>
<td>FM/agri-clinics, Cold storages, Rural godowns</td>
</tr>
<tr>
<td>Upto Rs. 25,000</td>
<td>6.75</td>
<td>6.75</td>
</tr>
<tr>
<td>Over Rs. 25,000 upto Rs. 2 lakh</td>
<td>6.75</td>
<td>6.75</td>
</tr>
<tr>
<td>Over Rs. 2 lakh</td>
<td>6.75</td>
<td>6.75</td>
</tr>
</tbody>
</table>

Sources: Annual Report of NABARD, 2003

Evaluation Fee and Period Loan

The banks are allowed to charge 0.5 per cent evaluation fee of the cost of investment for processing charges of loan applications under the provisions of the NABARD Act, 1981. NABARD is authorized to fix the maximum period of loan upto 25 years. This maximum period of loan fixed by the National Bank depends upon the nature of development and economics of the investment. Under the IRDP advances the minimum period of loans and the grace period required for each type of investment has been specified to ensure that too short maturity periods are not fixed. The maturities of loans are fixed on the basis of repaying capacity but does not exceed the useful life of the assets financed. Generally such loan maturities do not exceed 15 years.

In the cases of financing to small farmers the maximum repayment period fixed is 9 years for the pump sets and 15 years for all other minor irrigation loans. In the cases of other farmers this period is fixed 9 years for the same purposes mentioned above. Lending for diversified purposes, repayment periods are based on repaying capacity of the beneficiaries but in any case it will exceed 15 years.
In some cases the gestation or grace period is allowed before repayment starts. In the case of minor irrigation and land development purposes, generally, the grace period is provided which is based on type of investment, keeping the fact in the view that the beneficiary is not called upon to repay till the plantations reach economic bearing state. In such cases the provision to defer the interest is allowed during gestation period in the general interest of farmers.

**Repayment of Loans**

The repayment from different banks to the NABARD is drawn up at the time of each drawl of refinance, if the refinance from above mentioned banks more or less coincide with the agreed dates for collection from ultimate borrowers as per schedule given below:

<table>
<thead>
<tr>
<th>All repayments of loan eligible for refinance and due from borrowers</th>
<th>Repayment of refinance on or before</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. From January to 30th June of each year</td>
<td>31st July each year</td>
</tr>
<tr>
<td>2. From 15th July to 31st December of each year.</td>
<td>31st January of subsequent year</td>
</tr>
</tbody>
</table>

Moreover, the SLDBs, have faced difficulty in obtaining full recovery of their loans from individual borrowers to redeem the special development debentures on annual basis. Under such circumstances the NABARD has permitted SLDBs to float special development debentures with a maturity period of not more than two years in excess of the period of the corresponding loans granted to the ultimate borrowers provided the maximum period of debentured does not exceed 15 years. But this facility is
not applicable for such special development debentures to corporate bodies, such as, Electricity Board, Lift Irrigation Corporations etc. according to the Bank’s provisions.

**Eligibility Criteria**

NABARD has adopted the policy to regulate the lending of Cooperative and Commercial Bank including RRBs on the basis of their recovery performance, with a view to bringing about awareness on their part for taking appropriate measures for ensuring full recovery and thereby facilitating recycling of scarce capital resources. The National Bank has imposed a discipline according to which these financing banks are eligible to obtain more quantum of refinance when their recovery performance improves. These banks can participate in project lending with NABARD’s assistance only when they achieve a recovery level of not less than 60 per cent of demand.

**Sanctions of Schemes - Documentation**

NABARD examines the technical feasibility and financial viability of scheme proposals/projects made by the eligible institutions for different purposes. After proper examination, the NABARD sanctions the schemes and releases the refinance against drawl applications.²

**Purposes of Refinance**

Purposes, for which the NABARD provides refinance support, are given below:

**Short-Term**

a. Seasonal agricultural operations and marketing of crops,

b. Stocking and distribution of chemical fertilizers, and
c. Financing cooperative sugar factories.

**Medium/Long-Term**

a. Approved agricultural purposes,

b. Conversion loans,

c. Purchase of shares in the cooperative sugar factories and other proceeding societies,

d. Various minor irrigation investments, such as, construction of dugwells, dug-cum-bore wells, filter points, shallow/medium/deep tube-wells, lift irrigation units, agricultural pump-sets, sprinkler irrigation, living of water courses, etc.,

e. Farm mechanization, including tractors, power tillers, threshers, etc.,

f. Land development soil conservation, shaping of land for irrigated or dry land farming,

g. Plantation and horticulture crops, such as, coffee, tea, rubber, cashew, coconut, grapes, spices, etc.,

h. Animal husbandry programmes covering diary, poultry, sheep, goat, piggery, etc.,

i. Inland and marine fisheries,

j. Storage godowns and market yards,

k. Forestry including growing specified varieties of timber for paper, pulp and fiber,

l. Activities under IRDP,

m. Work animals, animal driven carts, etc., and

n. Other purposes, like, dryland farming, command area development projects, export oriented agricultural project etc.\(^3\)

**Non-Farm Activities**

**Short-Term/Working Capital**

a. Production and marketing activities of powerloom/handloom weavers' societies primary coir cooperatives other cottage and small scale industrial cooperatives and village artisans through primary societies,
Role of NABARD in Rural Financing

b. Procurement and marketing activities of apex/regional weaver's societies and central coir marketing societies.

c. Silk reeling and twisting activity of cooperatives, and

d. Collection and marketing of minor forest produce.

Medium/Long-Term

a. Purchase of shares by powerloom owners/powerloom weaver's societies and handloom weavers in consumer type of cooperative spinning mills.

b. Handloom acquisition, modernization, etc. of looms, construction of workshed, acquisition of shares in consumer type cooperative spinning mills by weavers, opening/renovation of handloom emporia etc.

c. Powerlooms - acquisition of powerlooms.

d. Coir-Establishment of coir delivering units, setting up of showrooms/sales depots in hired premises, etc.

e. Sericulture-including irrigation facilities for mulberry cultivation, new planting, replanting, acquisition of rearing equipments, setting up of grainage units by individuals, etc.

f. Cottage and Village Industries -Activities of industrial cooperatives engaged in the production and marketing activities of 22 broad groups of cottage and small scale industries, industrial activities of rural artisan members of primary multi purposes societies (LAMPS) and farmers service societies (FSS) for purchase of equipment and tools, etc.

g. Tiny/Cottage and Village Industries-Package of credit measures involving automatic refinance to CBs and RRBs comprising General Refinance Scheme and infrastructural and promotional support schemes, Refinance to Registered Societies for investment in Plant/Machinery and Tools.

h. Automatic refinance facility to SCBs and SLDBs for financing tiny, cottage and village industries.

i. Diversified non-farm purposes falling under industries, services and business (ISB) component of IRDP and Scheduled Caste (SC)/Scheduled Tribes (ST) Action Plan outside IRDP.

k. Purchase of dual fuel engine and installation of bio-gas plants of the respective size.

l. Other non-conventional energy sources, such as, wind mills etc.; and

m. Term loan assistance to meet the margin money requirement of cottage, thing and village industries units.4

**Eligible Refinancing Institutions**

The eligible institutions for the purpose of obtaining refinance facilities from NABARD are SLDBs, SCBs CBs and RRBs (Gramin Banks). Various types of refinance accommodations are provided by the NABARD.5

The short-term (ST) refinance is provided to SCBs on behalf of CCBs in states with three-tier cooperative credit structure. In such states where three-tier structure does not exist, refinance is provided to SCBs. The purposes for which ST refinance facility is provided are - crop loans, marketing of crops, inputs distribution, working capital requirements of cooperative sugar factories, procurement of raw materials, production and marketing activities of weavers’ and other industries, societies and production and marketing activities of rural artisans. But the period of such type of refinance does not exceed 18 months.

The medium-term (MT) refinance facility for the purpose of approved agricultural purposes’ and ‘conversion of ST crop loans into MT loans due to natural calamities and enemy action’ is provided by the NABARD to SCBs and RRBs. But for the ‘purpose of purchase of shares of processing societies’ refinance is available to SCBs only. This type of MT refinance accommodation is provided for the period from 18th months to 7 years. Some other medium and long-term (not exceeding 25 years) accommodations are provided to SCBs, LDBs, RRBs and CBs for the purpose of fixed investments in agricultural and non-farm rural activities under schematic lending.
NABARD provides refinance support to states for the contribution to share capital of cooperative Government credit institutions. Such type of refinance is sanctioned for a period not exceeding 20 years. Composite credit is also sanctioned by NABARD to RRBs for all the purposes as discussed earlier other than working capital requirements of cooperative sugar factories and purchase of shares of processing societies.

The details of the refinance facility provided to eligible institution are as follows:

**State Cooperative Banks (SCBs)**

**Farm Activities**

**Short-Term Facilities**

**Seasonal, Agricultural Operations (Crop Loans)**

Such types of refinance is provided by the National Bank at 3 per cent below the bank rate, i.e. NABARD sanctions ST credit limits to SCBs on behalf of Central Cooperative Banks (CCBs) to supplement their resources for providing financial support for seasonal agricultural operations of the farmers. While sanctioning, the ST credit limits, the NABARD has prescribed some criteria, such as, financial soundness, of the CCBs, realistic landing programme. Own resources, submission of satisfactory compliance on inspection reports, capacity to provide non overdue cover for borrowings, owned fund of the bank and the audit clarification. The sanctions of credit limits and permission for drawals are subject to certain disciplines (as noted below) to ensure that the utilization of availed credit limit is need-based and the CBs are capable of handling and recycling the funds.

i. The sanction for the current year’s limit is linked with the recovery performance of the bank during the preceding year, i.e., level of
Role of NABARD in Rural Financing

overdues. But for such banks situated in North-Eastern Region, the recovery performance is not considered while sanctioning the credit limits.

ii. The drawals of the credit limit is restricted upto the non-overdues cover is available.

iii. The SCBs/CCBs are provided concessional credit when they make efforts towards deposit mobilization and the banks own involvement of funds in ST agricultural loans by prescribing a certain minimum portion of their total internal lendable resources are to be involved in ST agricultural lending.

iv. A specified percentage of refinance assistance is to be prescribed for small and marginal farmers.

v. Observance of the seasonality discipline, which prescribes minimum level of recovery performance at the end of Kharif and Rabi seasons every year.

vi. For Kharif and Rabi seasons separate credit limits are sanction and the total credit limits reduced to the normal level after the Rabi financing season.

vii. The separate credit limit is sanctioned to support the oil seed production.

viii. Insisting on the observance of all the essential features of production-oriented system of lending for agriculture.

NABARD also provides credit limits to SCRs against Government pledge and other approved securities, from time to time, to finance seasonal agricultural operations.

In the area of operation of such CCBs which are not eligible to avail credit limits from NABARD, the SCBs/CCBs are required to ensure that the credit needs of all new and non-defaulting members of PACS and the small and marginal farmers having small accounts in default, are met in full. NABARD provides assistance to SCBs by sanctioning additional limits on behalf of eligible CCBs for approved purposes in such states where number
of ineligible CCBs is large and thereby causing resource constraints for the SCBs to finance such CCBs.

**Advances against Approved Securities under Agricultural Credit Stabilisation Fund**

Such type of credit limits are sanctioned to SCBs at the Bank Rate against pledge to Government and over trustee securities representing investments in their Agricultural Credit (Stabilisation) Fund to meet their share in MT conversion loans. The draw of actual limits sanctioned under this category are restricted upto the extent of the actual utilization of fund for conversion of ST crop loans in such areas which are affected by natural calamities.

**Marketing of Crops**

The ST credit limits for marketing of crops are provided by NABARD at the Bank Rate to SCBs to help the farmers in marketing of their produce at more remunerative prices and to enable them to repay their dues to PACS so as to be eligible for fresh production loans subject to certain stipulations. The SCBs are provided such type of credit limits to assist the cooperative marketing societies, production loan and other dues of PACS which are recovered out of the produce pledge loans and sale proceeds of crop marketed and remitted to PACS. This credit facility is also available to those marketing societies, which combine processing activities with their regular functions, to improve market ability of the produce.

In the case of marketing of cotton and 'kapas' separate credit limits are sanctioned. The selective credit control directives of the RBI govern the operations of these limits.
Role of NABARD in Rural Financing

Procurement, Stocking and Distribution of Fertilisers

Such types of credit limits are sanctioned at 1 per cent above the bank rate. Generally, a consortium of the SBI GROUP, CBs, fulfills the credit needs for procuring, stocking and wholesale distribution of chemical fertilizers. However, the SCBs are sanctioned short-term credit limits by NABARD to cover the credit gap, which cannot be met by the other banks.

SCBs/CCBs should, normally meet the credit requirements of retail distribution of fertilizers by primary cooperative marketing societies and PACS on cash and PACS on cash and carry basis, from their own resources. But where the SCBs/CCBs are unable to meet these requirements, the NABARD provides refinance to the extent of the credit gap.

Financing Cooperatives Sugar Factories

To meet the credit needs of cooperative sugar factories relating to their working capital, the NABARD provides ST credit limits to SCBs on a very selective basis against their sugar stocks at 5 per cent above the bank rate. In such cases the period of operation on the credit limit is fixed on the basis of credit needs during the crushing season.

Medium-Term (MT) Purposes (Non-Schematic)

Approved Agricultural Purposes

The NABARD sanctions MT credits limits to SCBs on behalf of CCBs to enable them for financing investment in approved agricultural purposes at 3 per cent below the bank rate. As far as possible, the cooperative banks are required to formulate schemes and seek refinance under schematic lending. Where the formulation of schemes is not possible, the cooperative banks may claim refinance under sporadic lending. As per NABARD Act, the MT loans can be granted for a maximum period of 7 years, but at present the MT
Role of NABARD in Rural Financing

Loans are granted for 3 to 5 years. To avail this facility, SCBs are required to ensure that the credit needs for investment purposes of new and non-defaulting members of the PACS and the small and marginal farmers with small amount of defaults are met in full, especially in the area of operation of ineligible CCBs. The SCBs will also have to ensure that 50 per cent of the MT loans issued by CCBs during a calendar year are utilized to finance small and marginal farmers.

Conversion Loans

The NABARD provides MT conversion loans at 3 per cent below the bank rate from the NRC (Stabilisation) Fund. The loans are granted to SCBs on behalf of CCBs during the time of natural calamities which affect the crop yield, and to enable them to repay ST agricultural loans borrowed by them from NABARD earlier on behalf of affiliated CCBs. This facility is available in those areas where the crop yield due to natural calamities in low and the Government has allowed suspension/remission of revenue dues. In such conditions where crop insurance scheme is in force, loans eligibility for conversion will be based on net of insurance claims. These loans are generally granted for 3 years, which are shared between CCB, SCB, State Government and NABARD.

If the recurrence of natural calamities affects the crop yield, NABARD provides the facility of rephasing of MT conversion loans or rescheduling of the loans installments of SCBs. In such cases the period of loans is extended to 5 years and the due installment is deferred that particular year. The outstanding conversion loan amount is also rephased to 5 years.
Role of NABARD in Rural Financing

Purchase of Shares in the Cooperative Sugar Factories and Other Processing Societies

Under this category NABARD sanctions credit limits to SCBs on behalf of CCBs to enable them to provide MT loans to cultivators for purchase of shares in cooperatives sugar factories and other approved processing societies, such as, cooperative spinning mills, cotton ginning and pressing units, ground-nut oil mills and rice mills and also in cooperative marketing societies/federations for the purpose of setting up such units. Each loan is granted for a period not exceeding 5 years at the bank rate.

Medium/Long-term (Schematic)

The NABARD provides MT/LT loans to CCBs, who issue these loans for development of agriculture and allied activities. The CCBs are eligible to avail this facility from NABARD on a schematic basis by satisfying the eligibility criteria of minimum 60 per cent recovery in the preceding cooperative year.

Non-farm Activities

Short-Term/Working Capital

Production and Marketing Activities of Primary Weavers Societies

It is provided at 2.5 per cent below the bank rate. Under this category NABARD sanctions ST credit limits to SCBs on behalf of CCBs to assist production and marketing of handloom products of primary weavers' societies. This type of credit limit is also sanctioned on behalf of those CCBs which are ineligible to obtain refinance from NABARD for seasonal agricultural operations, on account of their level of overdues, etc. subject to certain safeguards.
Role of NABARD in Rural Financing

The drawal or credit is allowed only to those primary weavers societies which are working as production-cum-sale units. The amount of such credit is a subject to be determined on the basis of anticipated production programme, capacity to provide the prescribed margin, adequate supervision arrangements, sale of handloom products and operations on the previous year's limit, etc. The new established societies or societies to be activised can avail the finance on the basis of their anticipated production of per loom scale of finance for the first two years of their working.

Procurement and Marketing of Handloom Cloth and Trading in Yarn by Apex/Regional Societies

NABARD sanctions separate credit limits to SCBs for procurement and marketing of handloom cloth and trading in yarn undertaken by the apex/regional weavers' societies at 2.5 per cent below the bank rate in case of limits for dealing in cloth and at the bank rate in the case of limits for trading in yarn. There are some aspects which are considered before sanctioning credit limits for above purposes, such as, financial soundness and operational efficiency of the units, the credit requirements of the society which is determined on the basis of anticipated sale in case of marketing of handloom cloth and is restricted to a multiple of its net disposable resources in case of trading in yarn and the ability of the society to maintain a margin of 10 per cent as cover for all borrowings in the form of stock in trade.

Financing of Individual Weavers

NABARD provides refinance for such individual weavers scattered in village and are unable to form a weaver's cooperative society. Such weavers can obtain refinance from PACS/LAMPS/FSS of which they are members. For these purposes the refinance is provided to SCBs at 3 per cent below the bank rate.
Role of NABARD in Rural Financing

Procurement and Marketing Activities of Central Coir Marketing Societies

Such ST credit limits are sanctioned at 2.5 per cent below the bank rate to SCBs to finance central coir marketing societies for their procurement and marketing activities. The credit limits are sanctioned on the basis of anticipated sales during the year subject to fulfilment of certain conditions.

Production and Marketing Activities of Primary Coir Cooperative and Coir Mats and Matting Societies

The refinance is provided by NABARD to SCBs on behalf of CCBs for granting loans to primary coir and mats and matting societies for their production and marketing activities at 2.5 per cent below the bank rate. The credit limits are sanctioned on the basis of anticipated production of husk and coir yarn and on the basis of anticipated production of mats, respectively.

Reelers'/Twisters' Cooperative Societies

The refinance is available from NABARD to SCBs on behalf of CCBs at 2.5 per cent below the bank rate to support the activities of reelers' cooperative societies without insisting that the societies should be functioning purely on production-cum-sale basis. The refinance is also available to twisters' cooperative societies without insisting that twisting societies work is done on the societies' own account subject to certain conditions/safeguards.

Production and Marketing of other Cottage and Small Scale Industries

Such ST credit limits are extended at 2.5 per cent below the bank rate to SCBs on behalf of CCBs to enable them in assisting the production and marketing activities of approved cottage and small-scale industrial
cooperative societies. The working capital requirements of industrial cooperatives/societies are determined on the basis of their anticipated production levels for the forthcoming year.

Financing of Rural Artisans

This ST credit limit is sanctioned at 3 per cent below the bank rate to SCBs on behalf of CCBs to finance the production and marketing activities of weavers and other rural artisans engaged in any of the 22 broad groups of cottage and small scale industries. This is channelised through village level cooperatives, viz; PACS, FSS and LAMPS.

Collection and Marketing of Minor Forest Produce

The refinance facilities are sanctioned to SCBs on behalf of CCBs to assist the collection and marketing of minor forest produce by the adivasi and tribal people at the bank rate.

Pisciculture-Production and Marketing Credit

The NABARD provides refinance to SCBs on behalf of CCBs to finance primary fisheries societies of both types-marine and inland, functioning as either credit societies or production-cum-marketing societies at 3 per cent below the bank rate. The limits sanctioned can be utilized for repairs and maintenance of country boats, costs of feeds, fertilizer, fingerlings etc. in the case of inland fisheries and also of season credit issued to members.

Medium-Term

Purchase of Shares by Powerloom Owners in Consumer Type of Cooperative Spinning Mills

The refinance accumulation is available from NABARD to SCBs on behalf of CCBs to provide MT loans to powerloom weavers societies and powerloom owners for purchase of shares in consumer type of cooperative
spinning mills at the bank rate. The period of loan is not exceeding 5 years including 2 years moratorium period.

Purchase of Shares by Handloom Weavers in Consumer Type of Cooperative Spinning Mills

The NABARD sanctions refinance to SCBs for granting MT loans through CCBs/Societies to the members of handloom weaver’s cooperative societies to purchase the shares of consumer type of cooperative spinning mills organized or to be organized in the country. The loan is granted for a period not exceeding 7 years including 2 years moratorium period at 2.5 per cent below the bank rate.

Investment Credit

The SCBs on behalf of CCBs are provided refinance from NABARD in respect of loan advanced to members of handloom weaver’s cooperative societies and also to weaver members of PACS, LAMPS and FSS. The refinance is provided for modernisation and acquisition of loans and for construction of work-shed. The individual members of primary handloom or powerloom weaver’s societies and the powerloom societies themselves can avail this refinance facility for acquisition of powerlooms. The apex/regional weaver’s societies are financed through SCBs for opening or renovation of handloom emporia.

Coir

For this purpose refinance is sanctioned to such SCBs situated in Kerala in respect of the term loans issued to Kerala State Cooperative Coir Marketing Federation and CBs of their loans to Kerala Coir Cooperative for setting up showrooms/sales depots in hired premises. The refinance is
Role of NABARD in Rural Financing

available to SCBs for financing primary cooperative societies engaged in spinning of yarn from brown fiber for installation of delivering unit.

Sericulture

The NABARD provides refinance through SCBs/CCBs/SLDBs for advancing loans to sericulturists societies and individual sericulturists, members of PACS/LAMPS and FSS. The purposes for which this assistance is provided are - minor irrigation development for cultivation of mulberry, new planting planning/replanting of mulberry, acquisition of rearing equipments, construction of rearing houses, setting up of grainage units and rearing and reeling activities in non-mulberry sector for production of Muga, Tasar and Eri Silk ad acquisition of equipments for reeling and twisting activities.

Industrial Cooperatives

The SCBs on behalf CCBs can avail refinance of NABARD for financing the industrial societies for providing term loans to industrial cooperatives for acquisition of equipments/tools, construction of workshed/showroom/godown, purchase of delivery van and for financing apex handcraft societies for establishment/renovation of handicrafts emporia.

Margin Money Assistance

The scheme of providing margin money loan assistance has been introduced by NABARD. This scheme is launched for such industrial cooperative societies, which are unable to meet the required margin for availing of term loan refinance for acquisition of equipments and tools, construction of workshed/showroom/godown and purchase of delivery van. This assistance is provided through SCBs and CCBs.
Role of NABARD in Rural Financing

Individual Rural Artisan Members of PACS/LAMPS/FSS

The NABARD sanctions refinance to SCBs on behalf of CCBs and primary cooperative societies for financing identified beneficiaries for ISB activities under IRDP for composite loans on automatic basis upto Rs. 10,000 and beyond that with prior sanctions from NABARD.

Refinance Assistance for ISB Activities to under the Beneficiaries under SC/ST Action Plan Outside IRDP (Composite Loan)

The NABARD sanctions refinance to the banks for composite loans on automatic basis upon Rs. 10,000 granted by them to such SC/ST beneficiaries who are covered under the SC/ST Action Plan of State Governments, Scheduled Caste Development Corporations and who are identified by the concerned agencies even if they are not covered under IRDP for ISB activities.

Financial Assistance for Installation of Bio-gas Plants under National Project for Bio-gas Development (NPBD)

NABARD provides refinance to SCBs on behalf of CCBs on automatic basis in respect of such loans issued for installation of bio-gas plants under the NPBD at a uniform rate of interest of 10 per cent per annum to the ultimate beneficiaries. The NABARD also provides refinance upto Rs. 5,000 per plant for repairing of defunct and defective bio-gas plants. This assistance is also provided in such cases where bio-gas plants were originally installed without any loan assistance.

Purchase of Dual Fuel Engine and Installation of Bio-gas Plants of the Respective Size

The refinance is provided to eligible banks by the NABARD for loan granted by them to purchase dual fuel engine (run on diesel and bio-gas) and installation of bio-gas plants of the respective size or for the purchaser of
dual fuel engine alone if the beneficiary already has plant of the requisite size.

**Other Non-conventional Energy Sources**

NABARD considers proposals and provides refinance to the eligible banks for individual projects which generate power by using non-conventional energy sources like, solar cookers, wind mills, etc.

**Composite Loans**

Under refinance facility from NABARD, SCBs on behalf of CCBs are eligible to provide composite loans upto Rs. 30,000 to the individual artisans, craftsmen and handicraftsmen. Under this facility SCB can also provide term loans or integrated loan upto Rs. 5 lakhs directly to the individual promoters entrepreneurs (Proprietary and partnership concerns) and group of individuals for establishing production units in the cottage, tiny and village industries sector. A group of individuals is liberally interpreted to include an informal group with maximum 25 members of a formal group represented by a public or private limited company, a corporate body, a registered institution, a cooperative society, a voluntary agency, a trust, etc. Such promoters and entrepreneurs who are to engage in consultants for project formulation, implementation and operation can also avail the loan assistance upto Rs. 10,000.6

**Regional Rural Banks (RRBs)**

The NABARD refinance in respect of investment credit on schematic basis is available to RRBs for financing agricultural and allied activities. The NABARD also sanctions separate credit limits to RRBs for short-term and medium-term (non-schematic) loans. The refinance facility is provided for various purposes and terms.
Role of NABARD in Rural Financing

Short-term Credit Limits – Farm and Non-Farm Activities

This facility is provided at 3 per cent below the bank rate for the purposes of:

- short-term advances for agriculture, short-term advances and working capital loans for production, marketing activities of artisans including handloom weavers, for village, cottage and tiny sector industries or the other productive purpose, short term advances and working capital requirements to persons of small means engaged in trade or commerce including marketing and distribution of inputs for agriculture and rural development.

These ST credit limits are operative like, cash credit limit. In other words, any number of drawls and repayments are allowed during the year. The outstanding limits are repayable on demand.

The NABARD has prescribed some conditions for sanctioning credit limits to RRBs, such as, minimum involvement of RRBs and concerned sponsor banks, maintenance of the prescribed level of overdues, realistic lending programme, receipt of audit reports, etc. The drawls on the limit sanction are allowed on the basis of availability of non-overdues cover.

Medium-term Limits – Farm and Non-Farm Activities

The MT limits are sanctioned at 3 per cent below the bank rate. The refinance is provided against term loans issued by RRBs. The approved purposes for which loans are issued are MT loans (Non-schematic) sanctioned for reclamation of land, bunding and other improvements which are necessary for the cultivation of crops, preparation of land for orchards and plantation, construction/maintenance and development of irrigation sources, purchase of such livestock/implements/machinery and transport equipments which are necessary for or conductive to agriculture,
Role of NABARD in Rural Financing

construction of farm houses/cattle sheds and purchase/construction development or maintenance of such equipments as may be required, carrying on animal husbandry and allied activities such as dairy, poultry, pig breeding, sheep/goat rearing, pisciculture, etc., whether or not jointly undertaken with agricultural and rural development.

The refinance is also available for non-farm activities as specified by the NABARD from time to time. The drawls against MT (Non-Schematic) limits are treated as a separate loan repayable in 5 annual installments.

The amount of the refinance is limited to 60 per cent of the RRBs eligible MT (Non-Schematic) loans. The contribution of the RRBs should not be less than 10 per cent any time of such loans. The sponsor banks are expected to meet the rest 30 per cent of loan.

Credit Limits for Conversion of Short-Term Agricultural Loans into Medium-Term Loans

ST limits sanctioned to RRBs are issued for granting agricultural and non-agricultural purposes. But during the natural calamities the conversion of ST limits into MT limits is realized for providing relief to farmers and to maintain the flow of credit. In such circumstances NABARD provides such facilities to RRBs. The medium-term (conversion) loans are sanctioned by the NABARD to the extent of 70 per cent of short-term loans converted due to natural calamities by the RRBs are expected to bear the burden of converted loans as 25 per cent and 5 per cent, respectively. The facility is also required to be availed of only to cover the gap after adjustment of the compensation available to the farmers under the crop insurance scheme.
Role of NABARD in Rural Financing

Term Loans on Schematic Basis

Farm Sector

RRBs have access to the refinance facilities from NABARD in respect of term loans issued by them on a schematic basis for various types of investments subject to other restrictions imposed on them regarding confining financing to the borrowers in the target group, non-financing of costly equipments like, tractors, etc. By submitting specific schemes in advance to NABARD, the RRBs can avail this facility. The sanction of schemes is subject to technical feasibility and economic viability. The NABARD has prescribed certain terms and conditions for the sanction of schemes. The drawls are allowed after fulfilling them.

Non-farm Sector

Sericulture Activities

For the sericulture activities, NABARD provides refinance to RRBs for minor irrigation, for cultivation of mulberry, new plantation/re-plantation of mulberry, acquisition of rearing equipments, construction of rearing houses, setting up of grainage units and rearing and reeling activities in non-mulberry sector for production of Muga, Tasar and Eri-silk and acquisition of equipments and machinery for reeling and twisting activities, such as, improved charkhas, cottage basins, semi-automatic reeling machines and twisting machines with or without shed.7

Refinance Assistance to Cottage, Tiny and Village Industries

The refinance for cottage, tiny and village industries is provided through RRBs, These activities of industries can be broadly classified into following three categories:-
Role of NABARD in Rural Financing

i. General Refinance Schemes for artisans/cottage units - Composite loans;

ii. Regional scheme for infrastructure-Construction of worksheds; and

iii. Refinance Scheme for tribals and rural artisans in the North-Eastern Region artisans in other Regions.

Under the first category, i.e., General Refinance Scheme, the assistance upto Rs. 30,000 is provided in the form of composite loans for establishing tinier amongst the tiny units like, carpentry units, blacksmiths, leather products, handicrafts, centrally decentralized engineering products, etc.

Under the second category, i.e., scheme of infrastructural development, the assistance is provided upto maximum of Rs. 3,000 for construction of worksheds to artisans under tiny entrepreneurs and for meeting the individual artisans contribution towards the construction of common worksheds by Government/Quasi-Government and voluntary organizations.

Under the third category, i.e., schemes for tribals and artisans in the North-Eastern Region, the assistance is provided in the form of composite loans to artisans of North-Eastern Region and tribals of all regions for taking up artisans/tribal activities including agro and forest based processing activities. Under the scheme individuals and group of individuals are provided upto Rs. 5,000 and Rs. 30,000, respectively.

Under these schemes, the whole procedure for releasing the refinance for banks has been simplified by dispensing the normal presentation procedures. For this, the banks have to appraise the proposal received and grant loans in conformity with the guidelines as also the terms and lending criteria relating to different schemes and then submit their refinance
applications through concerned Regional Offices of the NABARD for sanction and release of refinance.8

State Land Development Banks (SLDBs)

Long Term Agricultural Loans

For investment purposes, the SLDBs provide loans either directly through their branches or through their primary land development banks. Such loans are granted against the mortgage of land and SLDBs float debentures on the strength of such mortgaged land. There are two types of loans issued by these banks, namely, sporadic loans and schematic loans. The debentures floated in respect of sporadic lending are called Ordinary Debentures and the Special Development Debentures are floated in respect of schematic lending. The NABARD does not subscribe to the ordinary debenture but it helps the SLDBs in mobilizing the necessary support for these debentures from other investors like CBs, LIC, etc. Generally, the bulk of loans issued by SLDBs fall in the category of schematic loans and the Special Development Debentures are floated against these loans. The major portion of it is contributed by the NABARD, while the concerned State Governments and Central Government Contribute a small portion. The repayment of debenture is based on annual installments. The NABARD has undertaken a proposal for consideration to switch over from the system of floating debentures to the system of providing direct refinance.

Interim Accommodation

In order to help the SLDBs to mobilize funds for the purpose of issuing loans before flotation of debentures, the NABARD provides interim accommodation to these banks, before sanctioning the limits, the financial position of the banks the immediate need for funds and the prospects of

167
Role of NABARD in Rural Financing

issuing loans are taken into account. To avail this facility SIDBs are required to float debentures within a reasonable time and also repay the outstanding under the limit. To make the recovery position satisfactory the SLDBs are encouraged as the interest at 8.5 per cent per annum is charged in such SLDBs, where recovery performance at primary level is not less than 75 per cent of the demand at the end of previous year as against the normal rate of interest at 9 per cent per annum.

Short-term Loans for Agriculture Purposes

It is realized that only by providing seasonal production credit requirements of the farmers the optimum of the investment credit can be ensured. It has been observed that in many cases the PACS which are the normal and closer agencies are unable to provide this to the borrowers of investment credit from the SLDBs due to their own weakness, it is decided by the NABARD to provide refinance facility to SLDBs for providing short-term loans also to their borrowers who have obtained long-term loans. The facility is prescribed only for those areas where the PACS are weak.

Refinance Assistance for Financing Non-farm Activities

In a country like India, the pace of rural industrilisation needs to be accelerated. Keeping this view in mind the NABARD has decided to provide refinance to SLDBs to enable them for financing directly to individual artisans, craftsmen, handicraftsmen and small entrepreneurs. Under this facility the amount upto Rs 30,000 by way of composite loans is provided for undertaking various non-farm activities subject to certain conditions and safeguards. According to the scheme, the SLDBs are required to appraise the proposals themselves and grant loans in conformity with the guidelines prescribed and submit their refinance applications to NABARD.
Role of NABARD in Rural Financing

The NABARD's refinance is also provided to SLDBs for their loans for installation and repairs of bio-gas plants at concessional rate of interest of 10 per cent to the ultimate beneficiary.

Commercial Banks (CBs)

The commercial banks can avail refinance from NABARD only as term loans either for agricultural purposes or for non-agricultural purposes. The short-term or working capital needs of the borrowers to be covered under the NABARDs refinance, are subjects to be provided by CBs themselves out of their own resources. In a few selected cases, where a certain level of working capital requirements is allowed to be capitalized and built into the investment cost, the NABARD provides refinance for this portion also.

Agricultural Purposes

The terms conditions and purposes for which the refinance is provided by CBs for long-term investment have been discussed in earlier paragraphs. In such cases where specific schemes are required to be submitted to the NABARD for sanction, CBs are eligible to draw refinance after the sanction of the schemes and dispersal of the loans by banks as per the terms and conditions. In such cases where automatic refinance scheme has been made available, the drawls applications of CBs are treated as scheme proposals and refinance is released by the NABARD.

Non-farm Sector - Term Loans

The Handlooms

The NABARD’s refinance is available to CBs for granting loans for acquisition/modernization of handlooms and construction of worksheds by weavers registered with State Handloom Development Corporations. The
loans issued to Handloom Development Corporations for opening/renovation of handloom emporia are also eligible for refinance.

**Handicrafts**

The loans are eligible for NABARD’s refinance, which are provided to Handlooms Development Corporation for setting up/renovation of emporia.

**Coir**

The loans from CBs issued for setting up of delivering plants in the brown fiber sector by the individual entrepreneurs and for setting up of showroom/sales depots on hire basis by the Kerala State Coir Corporation are eligible for refinance.  

**Refinance Assistance for Industries, Services and Business (ISB) Component under ITDP**

Refinance facility under this head is available in the same manner as in the case of RRBs.

**Bio-gas Plants**

The automatic refinance to the ultimate beneficiaries is provided for installation of bio-gas plants under the National Project for Bio-gas Development at uniform rate of interest of 10 per cent per annum. Other facilities of refinance under this head are similar to that of RRB.

**Refinance Assistance for Financing of Registered Societies**

The refinance is available in respect of term loans granted to institutions registered under the Societies Registration Act, 1860 for investment in plant, machinery and tools of Khadi and those connected with village industries and the activities covered by the 22 broad groups of cottage and small scale industries.
Automatic Refinance Policy

The total procedure relating to release of funds under refinance to banks under these schemes is made simplified by dispensing with the pre-sanction procedures. For this, the banks are require to apprise the proposals received and provide loans in conformity with the guidelines as also the terms and lending criteria relating to the various schemes and submit their refinance applications to NABARD for the purpose of sanctioning it for refinance.

Margin Money/Assistance to Cottage, Tiny and Village Industrial Units

This scheme is introduced to provide margin money assistance to perspective entrepreneurs having requisite talents but lack of required monetary resources to meet the margin money requirement for availing the financial assistance. Under the scheme the promoters/entrepreneurs comprising individuals, propitious/partnership concerns, group of individuals. Government/Quasi-Government agencies, promotional agencies, development corporation registered and charitable institutions and voluntary organizations availing the assistance under General Refinance Scheme for setting-up production units as well as infrastructural and promotional support projects for establishment of raw material supply centers, marketing outlet centers, common facility units, etc. are eligible to avail margin money assistance. Under the scheme, the banks are permitted to charge the ultimate beneficiary at not more than 1 per cent in the form of service charges.
Table 2
Agency-wise Ground Level Credit flow for Agriculture and Allied Activities 1998-99 to 2002-03

(Rs. crore)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperative Banks</td>
<td>15,957</td>
<td>18260</td>
<td>20718</td>
<td>23453</td>
<td>24296</td>
</tr>
<tr>
<td>Regional Rural Banks</td>
<td>2460</td>
<td>3172</td>
<td>4220</td>
<td>4822</td>
<td>5467</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>18443</td>
<td>24733</td>
<td>27807</td>
<td>33587</td>
<td>41033</td>
</tr>
<tr>
<td>Other Agencies</td>
<td>-</td>
<td>103</td>
<td>82</td>
<td>80</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td>36860</td>
<td>46268</td>
<td>52827</td>
<td>61942</td>
<td>70810</td>
</tr>
<tr>
<td>Percentage Increases</td>
<td>15%</td>
<td>25%</td>
<td>14%</td>
<td>17%</td>
<td>14%</td>
</tr>
</tbody>
</table>

P= Provision  E= Estimates
Sources: Annual Reports of NABARD

Z - proportional test

\[
Z = \frac{p_1 - p_2}{\sqrt{pq \left( \frac{1}{n_1} + \frac{1}{n_2} \right)}}
\]

\[
p_1 = \frac{x_1}{n_1}
\]

\[
p_2 = \frac{x_2}{n_2}
\]

\[
p = \frac{x_1 + x_2}{n_1 + n_2}
\]

\[
q = 1 - p
\]

\[
x_1 = \text{Year wise amount of 1}^{\text{st}} \text{ Bank}
\]

\[
x_2 = \text{Year wise amount of 2}^{\text{nd}} \text{ Bank}
\]

\[
n_1 = \text{Total amount of 1}^{\text{st}} \text{ Bank in five years}
\]

\[
n_2 = \text{Total amount of 2}^{\text{nd}} \text{ Bank in five years}
\]
n₁ and n₂ show the application of Z-test of Five years of Cooperative Banks and Regional Rural Banks, Cooperative Banks and other agencies, Regional Rural Banks and Commercial Banks, Regional Rural Banks and other agencies and Commercial Bank and other agencies.

We applied Z-proportional test for proportion in all years. All the banks are significantly different. (p<0.05)

Graph A

Ground Level Credit for Agriculture

The total ground level credit for agriculture and allied activities, disbursed by various credit institutions, viz., cooperatives, Regional Rural Banks (RRBs) and commercial banks is estimated to have reached Rs. 46268 crore during 1999-2000 registering a growth of about 25 per cent over the total credit of Rs. 36860 crore disbursed during 1998-99. In the year 2000-01, the ground level credit was Rs. 52,827 crore resulting in growth of about 14
Role of NABARD in Rural Financing

per cent, but amount of ground level credit was Rs. 61942 crore in 2001-02, which registered growth of about 17 per cent. But after that during the year 2002-03, the aggregate amount was Rs. 70810 crore with growth rate of 14 per cent in comparison to previous 2001-02 year. Therefore, the five years of ground credit flow has shown as an increment trend in table 2 and graphs A.

Graph A-1

Graph (A-1) has shown the ground level credit for agriculture and allied activities disbursed by Cooperative Banks. It is estimated to have reached Rs. 18,260 crore with growth rate of 14.43 per cent (during the year 1999-2000) in comparison to previous year Rs. 15,957 crore with growth rate of 13.29 per cent. During the year 2000-01, the estimated amount was Rs. 20,718 crore which shows 13.46 per cent increase and during the year 2001-02 and 2002-03, the estimated amount were Rs. 23,453 crore and Rs. 24,296 crore with growth rate of 13.20 per cent and 3.59 per cent respectively.

Graph (A-2) indicates ground level credit disbursed by RRBs. During the year 1998-99 and 1999-2000, the estimated amount stood at Rs. 2,460 crore (which 20.59 per cent increment in comparison to previous year 1997-98) and Rs. 3,172 crore (8.21 percent growth rate) respectively. The amount of
disbursement by RRBs is Rs. 4,220 crore during the year 2000-01 which has shown an increased rate of 33.04 per cent. But during the year 2001-02 and 2002-03, the estimated amount were Rs. 4,822 crore and Rs. 5,467 crore with growth rate of 14.27 per cent and 13.38 per cent respectively.

Graph (A-3) has described ground level credit by Commercial Banks, disbursement amount was Rs. 18,443 crore (16.5 per cent rate of increment) in the year 1998-99. During the years 1999-2000 and 2000-01 the estimated amount were Rs. 24,733 crore and Rs. 27,807 crore respectively with 34.11 per
Role of NABARD in Rural Financing

cent and 12.43 per cent increase in comparison to previous year. For the agriculture and allied activities the amount disbursed by CBs is estimated to have reached at Rs. 33,587 crore and Rs. 41,033 crore with growth rate of 20.79 per cent and 22.17 per cent respectively in the years 2001-02 and 2002-03.

Graph A-4

Graph (A-4) shows ground level credit disbursed by other agencies. The estimated amount was Rs. 103 crore in 1999-2000 in comparison to previous year was Rs. Nil. During the years 2000-01 and 2001-02, the estimated amount were Rs. 82 crore and Rs. 80 crore respectively with decrease rate of 20.39 per cent and 2.44 per cent respectively. The ground level disbursed amount by agencies is estimated at Rs. 14 crore with 82.5 per cent decrease rate in 2002-03.

The Kisan Credit Card (KCC)\textsuperscript{11} scheme introduced during 1998-99 for short-term (ST) loans for Seasonal Agricultural Operations (SAO) has since been implemented in all the states and union territories by the public sector commercial banks, State Cooperatives Banks/District Central Cooperative Banks (SCBs/DCCBs) and RRBs. Since the inception of the scheme, these agencies have issued 313.45 lakh cards upto 31 March 2003. Cooperative
Role of NABARD in Rural Financing

banks accounted for the largest share (62%) of the total cards issued, followed by commercial banks (30%) and RRBs (8%). The implementation of the scheme has helped in augmenting GLC flow of short-term crop loans. The National Bank has taken various steps and conducted several workshops and seminars during 2002-03 for encourage the banks to issue KCCs so that all eligible farmers are covered by 31 March 2004.

In order to monitor the progress and assess the impact of the KCC scheme at ground level as also to obtain feedback on constraints, the National bank has carried out studies on the implementation of the scheme in 91 select districts across the country. These studies revealed certain positive features as also some areas of concern/bottlenecks in the implementation of the scheme such as, lack of awareness about KCC among the farmers as well as bankers. National Bank has since initiated a number of publicity measures to re-orient the bankers and farmers about the benefits of the KCC scheme.

Table 3

Agency-wise, Year-wise Kisan Credit Card issued

(Rs. Lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cooperative Banks</th>
<th>RRBs</th>
<th>Commercial Bank</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998-1999</td>
<td>1.56</td>
<td>0.06</td>
<td>4.45</td>
<td>6.07</td>
</tr>
<tr>
<td>1999-2000</td>
<td>35.95</td>
<td>1.73</td>
<td>13.66</td>
<td>51.34</td>
</tr>
<tr>
<td>2000-2001</td>
<td>56.14</td>
<td>6.48</td>
<td>23.90</td>
<td>86.52</td>
</tr>
<tr>
<td>2001-02</td>
<td>54.36</td>
<td>8.34</td>
<td>30.71</td>
<td>93.41</td>
</tr>
<tr>
<td>2002-2003</td>
<td>45.80</td>
<td>9.64</td>
<td>20.67*</td>
<td>76.11</td>
</tr>
</tbody>
</table>

Data up to 31 December 2002
Source: Annual Report 2002-03
Role of NABARD in Rural Financing

The refinance support provided by the National Bank to Cooperative Credit Institutions Regional Rural Banks and Commercial Banks during 1998-99 to 2000-03 are described below:

Short-term

State Cooperative Banks

Seasonal Agricultural Operations (SAO)

During 1982-83 (July-June) ST credit limits for SAO aggregating Rs. 1,120 crore were sanctioned and on March 1999-2000 ST credit limits for SAO were sanctioned amount Rs. 6,080.54 crore were sanctioned to 17 state cooperative Banks on behalf of 281 District Central Cooperative Banks as compared to Rs. 5,998.99 crore sanctioned during 1998-99. Therefore, year 2000-01 ST credit limits for SAO to Rs. 6,399.92 crore were sanctioned. During 2002-03 (upto March 2003) ST credit limits for SAO aggregating Rs. 6,674.52 crore were Programme (NPDP) and Rs. 194.31 crore for meeting the production credit requirements of tribals under the Development of Tribal Population (DTP).

The SCBs reached a maximum outstanding level of Rs. 573 crore till June 1983 indicating the level of utilization of the credit limits sanctioned at 51% and the level of utilization of the credit limits Sanctioned at 74% and the SCBs reached a maximum outstanding level of Rs. 4,398 crore till March 1999 but in 2000 maximum outstanding level of Rs. 4,848 crore constituting 85% of the credit limits sanctioned. The reached outstanding of SCBs for SAO of Rs. 4,888 crore till March 2003 (Rs. 6485 crore during 2001-02) indicating the level of utilization of the credit limits sanctioned during the previous year.
Role of NABARD in Rural Financing

Table 4

SAO - Level of Utilisation by SCBs

<table>
<thead>
<tr>
<th>Utilisation to Limits Sanctioned (%)</th>
<th>SCBs (No)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Above 90</td>
<td>6</td>
</tr>
<tr>
<td>80-90</td>
<td>4</td>
</tr>
<tr>
<td>70-80</td>
<td>1</td>
</tr>
<tr>
<td>60-70</td>
<td>1</td>
</tr>
<tr>
<td>Below 60</td>
<td>5</td>
</tr>
</tbody>
</table>

No limits were sanctioned to Jammu & Kashmir, Nagaland and Tripura SCBs

Source: Annual Report 2002-03

Weavers Finance

During the year 1999-00 (April-March) ST credit limits aggregated to Rs. 786.52 crore (Rs. 753 crore during 1998-99) sanctioned to SCBs on behalf of DCCBs for financing production/procurement and marketing activities of weavers cooperative societies, against which, the maximum outstanding reached was Rs. 574.44 crore forming 73 per cent of the limits sanctioned. But, short-term credit limits for weavers stood at Rs. 686.28 crore sanctioned to SCBs against which the maximum outstanding of Rs. 555.59 crore forming 81 per cent of the limits sanctioned. During the year 2002-03 (April-March) ST credit limit aggregating at Rs. 550.93 crore as against Rs. 683.52 crore/during 2001-02 were sanctioned to different SCBs on behalf of concerned DCCBs, against which the maximum outstanding reached was Rs. 347.85 crore forming 63 per cent (72 per cent in 2001-02) of the limits sanctioned during the year 2002-03.
Regional Rural Banks (ST SAO and OSAO)

The short-term credit limit was not sanctioned to RRBs during the year 1982-83 (July-June). The short-term credit limits sanctioned for SAO to 160 RRBs during the year 1999-2000 aggregated at Rs. 1,005.57 crore, registering a marginal decline from Rs. 1,034 crore during 1998-99. But during 2000-01, the ST credit limits sanctioned for SAO to 160 RRBs stood at Rs. 1,114.41 crore. The short-term credit limits sanctioned for ST (SAO) to 159 RRBs during the year 2002-03 (upto March 2003) stood at Rs. 1,252.36 crore (as against Rs. 1,192.14 crore on 2002) including Rs. 116.17 crore for OPP (for 27 RRBs) and Rs. 42.97 crore for DTP (for 31 RRBs). Among the states, Andhra Pradesh with Rs. 263.84 crore continued to have the largest share of credit limits sanctioned to RRBs, followed by Karnataka with Rs. 236.34 crore. The aggregate sanction of credit during the year (upto March 2003) stood at Rs. 153.42 crore.

Commercial Banks (ST-OSAO)

During 1998-99 no limit was sanctioned for ST (OSAO) but, ST credit limit aggregating Rs. 3.97 crore was sanctioned for financing state Handloom Development Corporation during the year 1999-00, against which Rs. 3.93 crore were utilized. And ST credit limit sanction was Rs. 4.49 crore during 2000-01. After that no ST credit limit was sanctioned for commercial banks.

Medium Term Credit

Approved Agricultural Purposes (Non-Schematic)

The National Bank continued the general policy of encouraging banks to formulate schemes for financing investment in agriculture. This led to a further reduction in refinance given for non-schematic purposes. Thus, as against Rs. 0.40 crore and Rs. 6.76 crore sanctioned to SCBs and RRBs
respectively, during the year 1999, but limits sanctioned in the corresponding period in 2000 aggregated at Rs. 0.10 crore and Rs. 6.75 crore only. The MT sanctioning of the credit limits for supporting their general non-schematic medium-term lending continued to be low during the year 2002-03. Credit limits sanctioned to 7 RRBs in 4 states (Bihar, Madhya Pradesh, Uttar Pradesh and West Bengal), during the year 2002 stood at Rs. 3.19 crore. The limits were utilized to the extent of 11 per cent only, i.e., Rs. 0.34 crore.

Conversion of ST (SAO) Loans

Owing to natural calamities like flood, drought, etc, limit for conversion of ST (SAO) loans into MT loans was to the extent of Rs. 430 crore which was sanctioned to 8 SCBs and Rs. 39 crore was sanctioned to 7 RRBs during the year 1998-99. During the year 1999-2000, Rs. 126.79 crore were sanctioned for conversion of ST (SAO) loans but in 2000-01 and 2001-02 sanctioned amount was Rs. 267.27 crore. Credit limits for conversion of ST (SAO) loans of borrowers on account of damage to crops owing to natural calamities like floods, drought, Rs. 493.47 crore was sanctioned to SCBs in Madhya Pradesh, Maharashtra, Punjab, Rajasthan and Uttar Pradesh during the year 2002-03.

Long Term Loans to State Governments

The National Bank provides long term loans to State Governments for contribution to the share capital of cooperative credit institutions, subject to certain norms. During the year 1998-99 Rs. 65 crore was sanctioned. During 2000-01 loans aggregating to Rs. 67.78 crore was sanctioned to 12 state governments for contribution to the share capital of various Cooperatives Credit Institutions in the states compared to Rs. 91.07 crore sanctioned to 13 states during 1999-00. During the year 2002-03 loans aggregating Rs. 60.55
crore were sanctioned to eleven state governments viz., Andhra Pradesh, Gujarat, Haryana, Jammu & Kashmir, Karnataka, Kerala, Madhya Pradesh, Manipur, Orissa, Punjab and Tamil Nadu for contribution to the share capital of various cooperatives credit institutions. The state governments have drawn Rs. 28.16 crore upto March 2003.

**Investment Credit**

The total disbursement of refinance to commercial banks, RRBs, State Cooperative Banks, State Cooperative Agriculture and Rural Development Banks, Agriculture and Rural Development Finance Companies, Scheduled Primary (Urban) Cooperative Banks and North Eastern Development Finance Corporation Ltd. for Schematic lending for the year 1999-2000, reached the programmed level of Rs. 5,215 crore registering a growth of 15 per cent compared to the disbursement of Rs. 4,521 crore disbursed during 1998-99. But in 2001, the total disbursement aggregated to Rs. 6,158.10 crore. The total refinance disbursed by the National bank during the year 2002-03 for investment purposes reached at Rs. 7,418.77 crore as compared to Rs. 6,682.91 crore during the previous year (2001-02), registering a growth of 11 per cent.

**Agency Wise Disbursement**

The agency wise refinance disbursements during the years (1998-1999 to 2002-03) are shown in table 5 and graph B.
## Role of NABARD in Rural Financing

### Table 5

Agency wise refinance disbursements  
(1998-1999 to 2002-03)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Disbursement</td>
<td>% of total</td>
<td>Disbursement</td>
<td>% of total</td>
<td>Disbursement</td>
</tr>
<tr>
<td>SCARDBs</td>
<td>2168</td>
<td>48</td>
<td>2346</td>
<td>45</td>
<td>2340</td>
</tr>
<tr>
<td>SCBs</td>
<td>430</td>
<td>9</td>
<td>540</td>
<td>10</td>
<td>723</td>
</tr>
<tr>
<td>RRBs</td>
<td>714</td>
<td>16</td>
<td>775</td>
<td>15</td>
<td>868</td>
</tr>
<tr>
<td>CBs</td>
<td>1206</td>
<td>27</td>
<td>1547</td>
<td>30</td>
<td>2201</td>
</tr>
<tr>
<td>ADFCs/PCBs</td>
<td>3</td>
<td>-</td>
<td>7</td>
<td>-</td>
<td>26</td>
</tr>
<tr>
<td>Total</td>
<td>4521</td>
<td>100</td>
<td>5215</td>
<td>100</td>
<td>6158</td>
</tr>
<tr>
<td>Percentage increases</td>
<td>15.27</td>
<td>-</td>
<td>15</td>
<td>-</td>
<td>18</td>
</tr>
</tbody>
</table>

Sources: Annual Reports of NABARD 1999-2003

### Graph - B

![Graph B](image-url)
The total refinance assistance provided by the National Bank, during the year 1998-99 and 1999-2000, aggregated to an amount of Rs. 4,521 crore (growth rate in comparison to previous year is 15.27 per cent) and Rs. 5212 crore respectively (15 per cent grow rate shown in Table 5 and graph B). Again in the year, 2000-01, the aggregate amount was Rs. 6,158 crore which shows 18 per cent increment in comparison to previous year, also in the year 2001-02, 2002-03 aggregate amounts were Rs. 6,682.91 crore and Rs. 7,418.77 crore with growth rates of 8.52 per cent and 11 per cent respectively.

Hence, the total growth rate of increment in disbursement for the following five years (1998-99 to 2002-03) is 13.56 per cent and agency-wise disbursement and growth rate in shown graphs B-1 to B-5.

Graph (B-1) shows disbursement for SCARBs. During the years 1998-99 and 1999-2000, the aggregating amounts was Rs. 2,168 crore (which 3.24 per cent increment in comparison to previous year) and Rs. 2,346 crore (8.21 percent growth rate) respectively. The aggregate amount was Rs. 2,340 crore
as disbursement during the year 2000-01 which shows a decrease rate of 0.26 per cent. But during the years 2001-02 and 2002-03, aggregate amount was Rs. 2,731.84 crore and Rs. 2,853.50 crore with growth rates of 16.71 per cent and 4.49 per cent respectively, the five graph shows fluctuation trend.

Graph – B 2

Graph B-2 indicates disbursement of SCBs during the years 1998-99 and 1999-2000, it explains that aggregate amount were Rs. 430 crore and Rs. 540 crore respectively with growth rate of 23 per cent and 25.58 per cent. The aggregate amount was Rs. 723 crore, with 33.89 per cent growth rate in 2000-01. In the years 2001-02 and 2002-03, aggregate amount stood at Rs. 1,089.06 crore (50.63 per cent rate of increment) and Rs. 1,783.73 crore (63.79 per cent growth rate in comparison to previous year) respectively. The 5 years graphs shows increasing trend.
Graph (B-3) has described refinance assistance provided by the Bank to RRBs and aggregated amount was Rs. 714 crore (6.89 per cent rate of increment) in the year 1998-99. During the years 1999-2000, 2000-01, the aggregate amount were Rs. 775 crore and Rs. 868 crore (which 8.54 per cent and 12.2 per cent increment in comparison to previous year) respectively. The disbursement for RRBs, provided by the Bank was to the time of Rs. 1,178.21 crore and 1538.63 crore with the growth rates of 35.74 per cent and 30.59 per cent respectively in the year 2001-02 and 2002-03. The five years graph shows an upward trend.

Graph – B 4
An analysis of Graph (B-4) shows that the refinance assistance for CBs provided by the National Bank during the years 1998-99 and 1999-2000, were Rs. 1,206 crore and 1,547 crore with growth rates of 6.34 per cent and 28.28 per cent respectively. Therefore, disbursement amount was Rs. 2,201 crore in 2000-01, but in 2001-02 and 2002-03 the aggregated amount stood at Rs. 1,608.05 crore (which 26.94 per cent decreases) and Rs. 1241.54 crore (which 22.78 per cent decreases in comparison of previous year) respectively. The graph shows fluctuation trend.

Graph – B 5

Table (B-5) reveals refinance for ADFCs/PCBs. The aggregate amounted to Rs. 3 crore and Rs. 7 crore (with growth rates of 3 per cent and 133.33 per cent) respectively during the years 1998-99 and 1999-2000. But during the year 2000-01, the aggregate amount was Rs. 26 crore with increment rate of 271.45 per cent. During 2001-02 the aggregated amount was Rs. 75.75 crore (191.35 per cent heavy growth rate in 2001-02, but in 2002-03 the aggregated amount was Rs. 1.37 crore (decreases 98.18 per cent)

The agency-wise growth rates of disbursement for the previous 5 years viz., 1998-99 to 2002-03 respectively are 2.48 per cent for SCARB, 31.46 per cent for SCBs, 18.75 for RRBs, 1744 for CBs, and 100.20 for ADFCs/PCBs.
Role of NABARD in Rural Financing

National Bank has taken a conscious decision to encourage lending by DCCBs which are financially weak, so that gap in meeting the credit needs of the members of cooperatives are contained in respect of investment credit. As a result, the flow of refinance to SCBs increased significantly, i.e., by 64 per cent during 2002-03 over 2001-02.

Spatial Disbursement of Refinance

During the year 1998-99 and 1999-2000, the flow of refinance varied widely across different stages with Uttar Pradesh absorbing the largest amount of Rs. 684.26 crore and 773.34 crore respectively. In 2000-01, the spatial distribution of refinance to different states with Uttar Pradesh absorbing the largest share of Rs. 925.98 crore.

The flow of refinance varied widely across different states. The largest amount of Rs. 1,175.64 crore was availed of by various agencies in Uttar Pradesh, followed by Andhra Pradesh (Rs. 761.34 crore), Tamil Nadu (Rs. 682.86 crore), Maharashtra (Rs. 589.60 crore), Punjab (Rs. 573.31 crore). The states in the southern region accounted for 29.8 per cent of refinance followed by the states. The aggregate disbursement to the states in the central region 22.7 per cent and northern region 21.8 per cent. The aggregate disbursements to the states in the NER, including Sikkim, stood at Rs. 123.36 crore compared to Rs. 83.04 crore during the previous year, registering a growth of 48.6 per cent.

State Cooperative Banks in Gujarat, Karnataka, Maharashtra, Punjab and Tamil Nadu claimed 60.9 per cent of the refinance disbursed to all the SCBs in the country. As much as 65.8 per cent of the refinance disbursed to SCARDBs was absorbed in the states of Haryana, kerala, Madhya Pradesh, Punjab and Uttar Pradesh, RRBs in the states of Andhra Pradesh, Karnataka,
Role of NABARD in Rural Financing

Orissa, Uttar Pradesh and West Bengal availed 70.2 per cent of the total refinance disbursed to them.

Purpose Wise Disbursement

Comparative position of disbursement (purpose wise) during the year 1998-99 to 2002-03 is furnished in table 6.

Table 6

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Share (%)</td>
<td>Amount</td>
<td>Share (%)</td>
<td>Amount</td>
</tr>
<tr>
<td>Minor Irrigation</td>
<td>544</td>
<td>12</td>
<td>618</td>
<td>11.9</td>
<td>626</td>
</tr>
<tr>
<td>Land Development</td>
<td>64</td>
<td>1</td>
<td>75</td>
<td>1.4</td>
<td>106</td>
</tr>
<tr>
<td>Farm Mechanisation</td>
<td>1345</td>
<td>30</td>
<td>1705</td>
<td>32.7</td>
<td>1900</td>
</tr>
<tr>
<td>Plantation/Horticulture</td>
<td>182</td>
<td>4</td>
<td>195</td>
<td>3.7</td>
<td>247</td>
</tr>
<tr>
<td>Dairy Development</td>
<td>457</td>
<td>10</td>
<td>581</td>
<td>11.1</td>
<td>769</td>
</tr>
<tr>
<td>Poultry</td>
<td>118</td>
<td>3</td>
<td>111</td>
<td>2.1</td>
<td>71</td>
</tr>
<tr>
<td>Sheep/Goat/Piggery</td>
<td>109</td>
<td>2</td>
<td>107</td>
<td>2.1</td>
<td>117</td>
</tr>
<tr>
<td>Fisheries</td>
<td>30</td>
<td>1</td>
<td>27</td>
<td>0.5</td>
<td>34</td>
</tr>
<tr>
<td>Forestry</td>
<td>12</td>
<td>0.2</td>
<td>13</td>
<td>0.2</td>
<td>16.09</td>
</tr>
<tr>
<td>Storage &amp; Market Yard</td>
<td>15</td>
<td>0.3</td>
<td>101</td>
<td>1.6</td>
<td>221.4</td>
</tr>
<tr>
<td>SCSY</td>
<td>735</td>
<td>16</td>
<td>590</td>
<td>11.3</td>
<td>642</td>
</tr>
<tr>
<td>Non-Farm Sector</td>
<td>654</td>
<td>15</td>
<td>837</td>
<td>16.1</td>
<td>1022</td>
</tr>
<tr>
<td>Rural Housing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SC/ST Action Plan</td>
<td>106</td>
<td>2</td>
<td>109</td>
<td>2.1</td>
<td>100</td>
</tr>
<tr>
<td>Self-Help Group</td>
<td>98</td>
<td>1.9</td>
<td>251</td>
<td>4.1</td>
<td>395.26</td>
</tr>
<tr>
<td>Other*</td>
<td>177</td>
<td>4</td>
<td>135</td>
<td>2.6</td>
<td>159</td>
</tr>
<tr>
<td>Total</td>
<td>4512</td>
<td>100</td>
<td>5215</td>
<td>100</td>
<td>6158</td>
</tr>
</tbody>
</table>

In 1998-99 others include forestry, storage and market yards etc.

In 2001-02 and 2002-03 others include rural godowns and cold storage, two wheelers, home-stead farming, contract farming, bullock-carts, etc.

Sources: Annual Reports of NABARD 1999-2003
Minor Irrigation

The disbursement under minor irrigation (excluding disbursement under SGSY) amounted to Rs. 618 crore (against Rs. 544 crore in 1998-99) during the year 1999-2000 accounting for 12 per cent of the total disbursement. In 2000-01 the total disbursement is Rs. 626 crore, accounting for 10.17 per cent of the total disbursements. The disbursements for minor irrigation stood at Rs. 691.06 crore (10.3% of total disbursement) and Rs. 854.97 crore (11.5% of total disbursement) respectively during the years 2001-02 and 2002-03.

Farm Mechanisation

The share of farm mechanization was Rs. 1,705 crore (against Rs. 1,345 crore in previous year 1998-99) which constituted about 33 per cent of the total disbursement during the year 1999-2000. The disbursement under farm mechanization amounted to Rs. 1,900 and 1,358.89 crore respectively during the calendar years 2000-01 and 2001-02 but during the year 2002-03, the total amount of disbursement for farm mechanization stood at Rs. 992.60 crore accounting for 13.4 per cent of the total disbursement.
Plantation and Horticulture

The SCARDBs have been promoting investments in plantation and horticulture activities on a significant scale. Out of the total, disbursement is Rs. 182 crore and 195 crore respectively in 1998-99 and 1999-2000. The share of plantation and horticulture constituted 4 per cent in each year 1998-99 and 1999-2000. The refinance disbursement for plantation and horticulture amounts to Rs. 247 crore during the year 2000-01. The years 2001-02 and 2002-03 the share of plantation and horticulture was Rs. 280.34 crore and 292.03 crore respectively which is 4.2 per cent and 3.9 per cent of the total disbursement.

Dairy Development

The disbursement under dairy development increased appreciably to Rs. 581 crore (Rs. 457 crore during 1998-99) accounting for 11 per cent of the total disbursement during 1999-2000. In 2000-01, the refinance of disbursement for dairy development was Rs. 769 crore constituting 12.5 per cent of the total disbursement. During the years 2001-02 and 2002-03, the share of dairy development is Rs. 821.18 crore and Rs. 909.19 crore respectively. The share of dairy development was 12.3 per cent of the total disbursement in each year 2001-02 and 2002-03.
Non-farm Sector

The disbursement for non-farm sector stood at Rs. 837 crore (Rs. 654 crore during 1998-99) constituted 16 per cent of the total disbursement during 1999-2000. The share of non-farm sector is Rs. 1,022 crore in 2000-01. But in 2001-02 and 2002-03 amount Rs. 1,115.65 crore and 1,237.87 crore respectively constituting 16.7 per cent in each year.

SGSY (Swarnjayanthi Gram Swarozgar Yojana)

The disbursement under IRDP at 735 crore registered increase of 20 per cent over previous year amount was Rs. 611 crore constituting 16 per cent of the total disbursement during 1998-99.

Government of India has launched the SGSY programme with effect from 1, April 1999 by restructuring the on going self employment programmes, viz., IRDP TRYSEM, DWCRA, etc. The disbursement under SGSY during the year 1999-2000 was Rs. 590 crore. On 2000-01 and 2001-02
Role of NABARD in Rural Financing

disbursement of refinance for SGSY was Rs. 642.34 crore and 558.98 crore respectively, constituting 10.43 per cent and 8.4 per cent of the total refinance and during the year 2002-03 was Rs. 401.29 crore. The RRBs and commercial banks accounted for 87.2 per cent of the total disbursement under SHSY. Disbursement was largely concentrated in the states of Bihar, Jammu & Kashmir, Maharashtra and Uttar Pradesh.

SC/ST Action Plan

The National Bank continued to make special efforts to increase the flow of refinance to the weaker section of the population. The disbursement under SC/ST Action Plans was Rs. 109 crore (Rs. 106 crore during 1998-99) in 1999-2000. In 2000-01, the disbursement of refinance for SC/ST Action Plan was Rs. 100 crore. During the year 2002-03 the disbursement stood at Rs. 112.08 crore (Rs. 130.54 crore last year 2001-02). Among the states, West Bengal availed the maximum amount of refinance followed by Uttar Pradesh, Maharashtra and Himachal Pradesh.

Self Help Groups

The SHGs was established in 1992. The SHG which is a group of about 20 people from a homogeneous class are initially brought together to address their common problems and are later encouraged to make voluntary thrift on regular basis and use the pooled resources to make small interest bearing
loans to their members. Once the group learns to handle resources and mature in financial behaviour, the banks are encouraged to make loans to the SHGs in multiples of their accumulated savings at market rates. The groups continue to decide the terms of loan to their own members and the peer pressure ensures timely repayments which replace the "collateral" security for the bank loan.12

The NGO's which act as SHPIs were provided with supplementary financial assistance for capacity enhancing in the form of promotional grant and infrastructural support. During the year 2002-03, promotional grant amounting to Rs. 3.65 crore was sanctioned to Rs. 24,332 SHGs as against Rs. 2.64 crore sanctioned to 17,966 SHGs, during the previous year 2001-02.

Coverage of Small Farmers

The National Banks have been emphasizing on wider coverage of small farmers under its refinance programmes. But, 71 per cent of the refinance provided (excluding refinance in respect of loans for farm mechanization and to institutions) by the National bank was again on loan disbursement to small farmers during 1998-99. During 1999-2000 and 2000-01, 68 per cent of the refinance provided by the National Bank was against loan disbursement to small farmers in each year. The National Bank provides
Role of NABARD in Rural Financing

41% of refinance (excluding refinance in respect of loans for farm mechanization, institution, etc.) against loans disbursed to small farmers, which decreased to 17 per cent in 2002-03 from the previous year 2001-02.

Investment Specific Studies

The National Bank monitors the projects/schemes and programmes supported by refinance assistance through a system called District Oriented monitoring (DOM) Studies, wherein, all the major ongoing schemes including government sponsored programmes in a district are studied and reviewed on a rational basis. The concerned agencies (participating bankers and government functionaries in the district) are advised to take remedial/corrective action, wherever warranted. During the year 1999-2003 34 district oriented monitoring studies (DOM) were conducted.

In order to obtain feedback on the emerging ground level trends in the financing of various investments and the end-use of the financial assistance extended to the ultimate beneficiaries, 23 investment specific studies and 22 scheme specific studies were conducted during 1999-2000. But during the year 2002-03, the bank conducted 26 investment specific studies and 14 scheme specific studies. These studies covered the utilization of financial assistance, systems and procedures, adequacy and effectiveness of the forward/backward linkages, income generation, problems and constraints in implementation etc.

Physical Achievement under investment credit

With the refinance support of Rs. 4,521 crore disbursed under the investment credit during the year 1999 the cumulative refinance support extended by the National Bank for investment purposes aggregated Rs. 39,509 crore.
## Table 7

**Physical Units Financed and Completed (Rs. Crore)**

<table>
<thead>
<tr>
<th>S.No</th>
<th>Investments</th>
<th>Units</th>
<th>Units Financed upto 31 March 2002</th>
<th>Units Completed upto 31 March 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>31 March 2002</td>
<td>31 March 2003</td>
</tr>
<tr>
<td>1.</td>
<td>Minor Irrigation*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>i. Tubewells with pumpsets</td>
<td>'000</td>
<td>1,426</td>
<td>1,448</td>
</tr>
<tr>
<td></td>
<td>ii. Dugwells with pumpsets</td>
<td>'000</td>
<td>2,037</td>
<td>2,041</td>
</tr>
<tr>
<td></td>
<td>iii. Dugwells with conventional lifts</td>
<td>'000</td>
<td>1,274</td>
<td>1,526</td>
</tr>
<tr>
<td></td>
<td>iv. Pumpsets on existing wells</td>
<td>'000</td>
<td>2,131</td>
<td>2,223</td>
</tr>
<tr>
<td>2.</td>
<td>Land Development</td>
<td>'000 ha</td>
<td>2,945</td>
<td>3,048</td>
</tr>
<tr>
<td>3.</td>
<td>Farm Mechanisation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>i. Tractors</td>
<td>'000</td>
<td>1,159</td>
<td>1,194</td>
</tr>
<tr>
<td></td>
<td>ii. Power tillers</td>
<td>'000</td>
<td>144</td>
<td>149</td>
</tr>
<tr>
<td></td>
<td>iii. Other farm equipments</td>
<td>'000</td>
<td>393</td>
<td>472</td>
</tr>
<tr>
<td>4.</td>
<td>Plantation &amp; Horticulture</td>
<td>'000 ha.</td>
<td>1,792</td>
<td>1,899</td>
</tr>
<tr>
<td>5.</td>
<td>Forestry*</td>
<td>Lakh ETPs</td>
<td>2,306</td>
<td>2,315</td>
</tr>
<tr>
<td>6.</td>
<td>Storage</td>
<td>'000 tonnes</td>
<td>15,111</td>
<td>16,375</td>
</tr>
<tr>
<td>7.</td>
<td>Market Yards</td>
<td>No</td>
<td>1,978</td>
<td>1,999</td>
</tr>
<tr>
<td>8.</td>
<td>Poultry</td>
<td>Lakh birds</td>
<td>1,639</td>
<td>1,693</td>
</tr>
<tr>
<td>9.</td>
<td>Sheep/Goat Rearing</td>
<td>'000 animals</td>
<td>36,162</td>
<td>36,310</td>
</tr>
<tr>
<td>10.</td>
<td>Dairy Development</td>
<td>'000 animals</td>
<td>13,407</td>
<td>13,702</td>
</tr>
<tr>
<td>11.</td>
<td>Piggery</td>
<td>'000 animals</td>
<td>1,612</td>
<td>1,620</td>
</tr>
<tr>
<td>12.</td>
<td>Fishery</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>i. Mechanised boats</td>
<td>No</td>
<td>21,147</td>
<td>21,565</td>
</tr>
<tr>
<td></td>
<td>ii. Other boats</td>
<td>No</td>
<td>72,126</td>
<td>72,543</td>
</tr>
<tr>
<td></td>
<td>iii. Brackish water aquaculture</td>
<td>ha.</td>
<td>4,780</td>
<td>5,055</td>
</tr>
<tr>
<td></td>
<td>iv. Fresh water aquaculture</td>
<td>'000 ha.</td>
<td>340</td>
<td>351</td>
</tr>
<tr>
<td>13.</td>
<td>Non-Farm Sector</td>
<td>'000</td>
<td>3,762</td>
<td>4,735</td>
</tr>
<tr>
<td>14.</td>
<td>Miscellaneous $</td>
<td>'000</td>
<td>11,076</td>
<td>11,551</td>
</tr>
</tbody>
</table>

Sources: Annual Report of NABARD, 2002-03

The refinance of Rs. 6,158 crore (5,215 crore disbursed in March 31, 2000) was disbursed under investment credit during March 31, 2001. The cumulative refinance support extended by the National Bank for investment purposes aggregated Rs. 50,882 crore (44,724 crore in 2000). As a result of the National Bank's refinance support the cumulative ground level investment...
up to March 2001 was estimated at about Rs. 93,965 crore (83,652 crore in 2000).

With the refinance of Rs. 7,418.77 crore disbursed under investment credit during the year, the cumulative refinance support extended by the National Bank for investment purposes aggregated to Rs. 64,984 crore as on 31 March 2003. Sector wise details on the estimates of Physical units created through refinance support from the National Bank under various activities have been presented in table 7.

Externally Aided Projects

a. On-going Projects

In all, nine externally aided projects are at various stages of implementation. Project wise financial details indicating the National Bank’s disbursement during the year in cumulative up to 31 March 2003 an amount of Rs. 367.27 million has been actually received as grant assistance towards different projects.
b. **Project in pipeline**

The following projects were at various stages of negotiation and progress:

i. KfW, Germany has committed to provide grant assistance of Euro 9.20 million to selected projects executing NGOs exclusively towards partial financing of the investment costs for the rehabilitation of watersheds in Gujarat as well as consulting costs for the project.

ii. Indo-German Watershed Development Programme in Maharashtra (Phase III) involving Euro 19.94 million is in the stage of finalisation of agreement.

iii. KfW, Germany has, in principle, agreed to provide a grant assistance of Euro 15.83 million for Watershed Development Programme in Rajasthan and Euro 7.16 million for extension of Adivasi Development Programme in Gujarat (Phase II).

In short the NABARD has made a dent on rural financing through its financial help to Regional Rural Banks, Cooperative Organisation and Self Help Groups. In next chapter contains suggestions to its effective role in future.
Role of NABARD in Rural Financing

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4. SHANDILYA, Tapan Kumar, & Prasad, Umesh, Agricultural Credit & NABARD, 2003, pp. 93-94


7. Ibid. p. 137

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9 SHANDILYA, Tapan Kumar, & Prasad, Umesh, Agricultural Credit & NABARD, 2003.

10 Major Schemes of financial Assistance extended by National Bank for Agricultural and Rural Development (NABARD), published by National Resource Centre National Cooperative Union of India, New Delhi. p. 11


12 Annual Report 2000-01,

13 Annual Report of NABARD, 2002-03, p. 169

14 Ibid. pp. 175,179