Abstract

Economic development and progress of India really means reconstruction and resurgence of rural communities in the country. The Indian economy is dependent on agriculture. There are links between agriculture and rest of the economy in the product and factor markets. Agriculture supplies the major wage good (food) and raw materials for the economy. Agriculture has potentials for exports and it has been contributing to foreign exchange earnings. On the demand side, agriculture provides a market for non-agricultural products and services. At present (i) 70 per cent of the population is dependent on agriculture (ii) it engages 60 per cent of workforce, and (iii) it contributes around 20 per cent of exports, 80 per cent of farmers are small and marginal and 75 per cent of the poor are in rural areas. The need for stepping up the growth of the agriculture sector from the present level of 2.73 per cent (during the period 1990-91 to 2000-01, at 1993-94 prices) to more than 4 per cent by the year 2005 has been recognized in the National Agricultural Policy. The agricultural growth of this order is expected to put the other sectors also on a higher growth trajectory by stimulating demand for the goods and services of these sectors through improvement in rural income.
levels. The first-generation economic reforms initiated in the
country from 1991-92 do not have significant impact on
agricultural sector. Agriculture is a way of life, a tradition,
which for centuries has shaped the thought, the outlook, the
culture and the economic life of the people of India. Agriculture
therefore, is and will continue to be central focal point to all
strategies for planned socio-economic development of the
country. Rapid growth of agriculture is essential not only to
achieve self-reliance at national level but also for household
food and in avoiding food shortage in the country. The pattern
of growth of agriculture has, however, brought in its wake
uneven development across regions and crops as also across
different sections of farming community and is characterized by
low level productivity and degradation of natural resources in
some areas. Capital inadequacy, lack of infrastructural support
and demand side constraints such as controls movement,
storage and control of agricultural products, etc., have
continued to affect the economic viability of agriculture sector.
Consequently, the growth of agriculture tended to slacken
during the nineties.

In the olden days, the major source of rural credit was
moneylenders and this source of credit was inadequate,
expansive and exploitative. To meet the credit requirements a
multi-agency approach was adopted after independence to
provide adequate credit to agriculture. The major policy in the field of agricultural credit has been towards the progressive increase with adequate and timely flow of credit to assist the vulnerable sections of the society. The main objectives of the lending policy have been: (i) to ensure timely and increased flow of credit to the agricultural sector (ii) to reduce and gradually eliminate the money lenders from the field of rural finance (iii) to provide larger credit support to areas covered by special programmes; and (iv) to make credit facilities available to all the regions of the country and reduce regional imbalances. There are two sources of credit available for the farmers. They are institutional agencies and non-institutional agencies. Non-institutional sources include money lenders, traders and commission agents, relatives and landlords, whereas the institutional sources include the cooperative, commercial banks, RRBs, SBI and the Government.

However, gradual change started following the recommendations of the All-India Rural Credit survey committee in 1954. The conversion of Imperial Bank of India into the State Bank of India in 1955, introduction of social control over banks in 1967, and the subsequent nationalization of the major banks played an important role in the development process of rural and backward areas and for the upliftment of the poor sections of society.
The committee on cooperative credit (V.L. Mehta Committee 1960) did not favour any separate corporation for agricultural development. But, in the third five plan a suitable legislative action was taken to set-up a Development Finance Corporation for Agriculture. The Functions of the corporation are elaborated in the following terms:

"Corporation will purchase debentures floated by Central Land Mortgage Banks in the normal course and will also provide funds for schemes for increasing agricultural production which are remunerative in character but involve considerable investment or long period of waiting, such as, rubber, coffee, cashewnut and arecanut plantations, irrigation, contoured bunding and soil-conservation and development of orchards and fruit gardens. The loans advanced by the cooperation will be channelised through the Central Land Mortgage Banks".

The Agriculture Refinance Corporation was set up in 1963. The Mirdha Committee 1965 recommended for taking up necessary steps to establishing a National Cooperative Bank which would act as apex of the cooperative structure of credit in the country.
In 1969 the All India Rural Credit Review Committee rejected the proposal to delink activities of agricultural credit from the RBI and place it under the National Level Agricultural Bank. The Committee favoured that agricultural credit infrastructure should be continued under RBI and a statutory Agricultural Credit Board for formulation, review and modification of agricultural policy, should be established. Accordingly, a statutory Agricultural Credit Board replaced the earlier standing Advisory Committee on Rural and Cooperative Credit.

The Administrative Reforms Commission in 1970 also disfavoured the creation of a separate bank for agriculture. The Commission observed, “While the need for greater and more pointed attention to agricultural financing was irrejectable, is suggesting to establish an agency for this purpose without a direct link with the Central Bank of the country, was open to serious objection.”

The Banking Commission (1972) favoured combining the ARDC and the AFC to form a new institution within the RBI complex but stressed that all short-term credit should be under the control of a single authority, that is the RBI to take steps in accordance with its historic role to “integrating the total

1 Craficard Report, p. 256
2 Ibid. p. 258
structure for financing agriculture and rural development from ground level upwards right upto the creation of an Agriculture Development Bank of India as the apex organization”.

The CRAFICARD appointed by the RBI under the Chairmanship of Shri B. Shivaraman in March 1979 at the instance of the Government of India in its report submitted in January 1981 examined the role of Reserve Bank of India in the rural credit system. The important among them accepted by the Government of India for its far-reaching consequence are the control, regulation and promotional responsibility of RRBs, should be transferred to the newly proposed NABARD from the Government of India and RBI concerned and recommended the establishment of the NABARD. The Parliament through act 1981, NABARD, took over the functions of the erstwhile Agriculture Credit Department. NABARD was established for providing financial support for promotion of agriculture and allied activities.

NABARD refinancing is available to Land Development Banks, Scheduled Commercial Banks, Regional Rural Bank and Cooperative Bank.

The main objectives which guide the functioning of National Bank are:
(i) To provide refinance to eligible institutions for development activities in rural areas.

(ii) To improve the absorptive capacity of the credit delivery system.

(iii) To coordinate the activities of different agencies engaged in development work at the field level, and

(iv) To keep liaison with Government of India, SG and RBI and other national level institutions connected with policy formulation.

The functions of Bank are as follows:

(i) It works as an apex body for development policy, planning and operational matters relating to credit for agriculture, allied activities, rural industries and rural artisans and other rural development activities.

(ii) Training research and consultancy relating to credit for agricultural development.

(iii) Co-ordination and monitoring of all agricultural and rural development activities with a view to typing them up with planned development activities in the rural sector.³

³ Vasant Desai, A study of Rural economic, rural credit, Himalya Publication House, New Delhi, 1990, p. 279
Because, Indian Economic development depends on agriculture, So, Government of India provides maximum facilities to the agriculture for development. The main purpose of establishment of the NABARD is development of rural areas. Therefore, the bank should provide more refinance on easy terms and conditions. Bank should take special measures particularly seeking to bring about better functional coordination between state Government, banks and other concerned agencies and prepare bank able projects and schemes and credit should be made available on easy terms and conditions. The objectives which guide the refinance support for different activities through the eligible institutions (like cooperative banks, commercial banks, regional rural banks and agencies) by the NABARD are to support the national policies for increase agricultural production and rural employment through efficient use of national resources, reduction of regional imbalances, equitable distribution of growth, ensuring credit support to the weaker sections of the society through special programmes, like, the Integrated Rural Development Programme (IRDP), increasing the credit absorptive capacity of the credit delivery system by improving the health of the agencies, involved in disbursement of credit and improving the quality of credit through proper control of technical and financial parameters and propagation of the repayment ethics.
The highlight of refinance support provided by the National Bank to nationalized institutions is given in the following table, diagram and graph.

**Agency wise refinance disbursements**

(1998-1999 to 2002-03) (Rs. in Crore)

<table>
<thead>
<tr>
<th>Agency</th>
<th>1998-99</th>
<th>% of total</th>
<th>1999-00</th>
<th>% of total</th>
<th>2000-01</th>
<th>% of total</th>
<th>2001-02</th>
<th>% of total</th>
<th>2002-03</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCARDBs</td>
<td>2168</td>
<td>48</td>
<td>2346</td>
<td>45</td>
<td>2340</td>
<td>38</td>
<td>2731.84</td>
<td>40.9</td>
<td>2853.50</td>
<td>38.5</td>
</tr>
<tr>
<td>SCBs</td>
<td>430</td>
<td>9</td>
<td>540</td>
<td>10</td>
<td>723</td>
<td>12</td>
<td>1089.06</td>
<td>16.3</td>
<td>1783.73</td>
<td>24.1</td>
</tr>
<tr>
<td>RRBs</td>
<td>714</td>
<td>16</td>
<td>775</td>
<td>15</td>
<td>868</td>
<td>14</td>
<td>1178.21</td>
<td>17.6</td>
<td>1538.63</td>
<td>20.7</td>
</tr>
<tr>
<td>CBs</td>
<td>1206</td>
<td>27</td>
<td>1547</td>
<td>30</td>
<td>2201</td>
<td>36</td>
<td>1608.05</td>
<td>24.1</td>
<td>1241.54</td>
<td>16.7</td>
</tr>
<tr>
<td>ADFCs/PCBs</td>
<td>3</td>
<td>-</td>
<td>7</td>
<td>-</td>
<td>26</td>
<td>-</td>
<td>75.75</td>
<td>1.1</td>
<td>1.37</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>4521</td>
<td>100</td>
<td>5215</td>
<td>100</td>
<td>6158</td>
<td>100</td>
<td>6682.91</td>
<td>100</td>
<td>7418.77</td>
<td>100</td>
</tr>
<tr>
<td>Percentage increases</td>
<td>15.27</td>
<td>-</td>
<td>15</td>
<td>-</td>
<td>18</td>
<td>-</td>
<td>8.52</td>
<td>-</td>
<td>11</td>
<td>-</td>
</tr>
</tbody>
</table>

Sources: Annual Reports of NABARD 1999-2003
The total refinance assistance provided by the National Bank, during the year 1998-99 and 1999-2000, aggregated to an amount of Rs. 4521 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 and graphs). Again in the year, 2000-01, the aggregate amount was Rs. 6158 crore which shows 18 per cent increment in comparison to previous year, also in the year 2001-02, 2002-03 aggregate amounts were Rs. 6682.92 crore and Rs. 7418.77 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 percent and agency-wise disbursement and growth rate is shown in graphs.

National Bank provides loan to state government. The total ground level credit flow by state cooperative banks was Rs. 24,296 crore, regional rural banks Rs. 5467 crore, commercial banks Rs. 41033 crore and other agencies Rs. 14 crore and loan to the state government was over Rs. 18000 crore in 2003. Further, the National Bank provides facilities to nationalized institutions like cooperative banks, Regional Rural Banks, commercial banks for issuing of Kisan Credit Card on its own KCC Scheme aims at provision of adequate and timely support from the banking system to the farmers for their cultivation needs including purchase of inputs in flexible and cost effective manner. As on 31st March 2003 cumulatively 313.44 lakh cards involving bank loan fo Rs. 76498.80 crore were issued to the farmers. Personal Accident insurance scheme is formulated for KCC holders to cover them against accidental death/permanent disability.

NABARD began an experiment for looking at innovative ways of taking the banking system to these (SHGs) people and trying to link them to the banking system. The SHGs NABARD ensured that very poor people come together, start saving, start
lending to each other, and once they are able to reach a stage that they can enforce the will of the group on the individual, the banks can start giving funds. Today the SHG concept is a resounding source in India and is one of the most successful programme run by NABARD. "There are about 71400 SHGs that are linked to the banking system and one crore women are benefited by this programme."

The bank provides refinance to farm sector and non-farm sector. Non-farm sector (including rural housing) claimed the highest share in the total refinance at 27.1 per cent followed by animal husbandry (14.7 %), Farm mechanization (13.4%) and minor irrigation (11.5%). The Bank has been implementing a externally aided projects. The amount of Rs. 367.27 million (as against the amount disbursed at Rs. 357.41million) has been actually received as grant assistance towards various projects.

After all structure of organization and management is an important part of any institution. "A poor organization structure makes good performance impossible, no matter how good the individual may be" in the same way, "management is the organ, the life giving acting dynamic organ of the institutions management". (As expressed by Peter F. Driuker)

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4 Business India-Cooperate Reports, June, 9-22, 2003, p. 63
"A key to the successful performance of any institution and maintenance of a healthy portfolio is the existence of an efficient and adequate organizational set-up".  

Thus, "the success of management of a development bank depends to a great extent on its organizational set-up, the degree of delegation of authority that exists and the extent of independence it enjoys in its day-to-day functioning". 

In the organization, there are four common aspects namely (i) a set of objectives (ii) a set of individuals (iii) clearly differentiated led responsibilities for its members and (iv) structure or system of coordinative relationship in rural development programmes.

The management of the NABARD vests in a Board of Directions. The Directors of the NABARD are comprised of Chairman, Managing Directors, representatives from Reserve Bank of India, Government of India and State Governments.

For better management of the Bank, a provision is made for the constitution of an executive committee consisting of some members of the board to discharge such functions as may be prescribed by the Board. There is also a committee to guide

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6 Chari V.V., Performance & Problems of SPC, edited by Dalgi, V. "Financial Institute of India" 1976, p. 281
7 Sinha, S.L.N., Development Banking in India, 1976, p. 18
the all activities of various departments. The committee is named as management committee. The aim of this committee is to assist the Board to take major policy decisions and to monitor the process of implementation of the decisions made by the board. The members of the committee may invite other members accordingly to the agenda of the meeting which be held once in every week.

NABARD operates through its head offices at Mumbai, 28 Regional offices situated in the state capitals, a sub-office at Port Blair and 330 district offices, NABARD has on its rolls around 2853 professionals who are supported by adequate number of other staff. The head office operates through different departments. All head office departments mostly headed by Chief General manager who reports directly through EDs to the MD. The regional offices are headed by General Manager/Deputy General Manager/Regional Office in-charge and managers depending upon the coverage of the region and demand of the refinance from the respective area. Managers and Deputy General Managers head these sub-office and division and discharge duties assigned to them. However, NABARD looks forward to redesigning its strategies for satisfactory accomplishment of future tasks. This largely

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9 NABARD - A Profile, 2003, p. 1
10 NABARD-Training Centre Lucknow, 1996, p. 66
depends on factors like, mobilization of required resources, expanding prospective avenues of business, acquiring necessary skills, quality lending, etc. various legal, structural and governance issues have rendered many of the RFIs, particularly cooperative banks financially weak. Against the background of the estimated rural credit flow of Rs. 7,36,570 crore during the tenth five year plan period and the adoption of improved technologies, a greater infusion of capital resources would be necessary. These investments must be induced to make the agriculture enterprise profitable through a multi-pronged strategy by providing incentives to the producers for adoption of new technologies. RFIs would need greater financial and technical support for investing in irrigation structure, land development, farm mechanization, animal husbandry, plantation and horticulture, bio-technology, cold storage, value adding enterprises and marketing to improve the productivity and profitability in agriculture. Major policy initiatives may be needed to fully exploit the emerging opportunities.¹¹ The bank administration is expected to come up to the mark in discharging its duties.

¹¹ Annual Report of NABARD, 2002-03, P. 243