CHAPTER - 2

DISTRICT PROFILE
AND
ORGANISATIONAL SET-UP OF NABARD
CHAPTER – II

DISTRICT PROFILE AND ORGANISATIONAL SET-UP OF NABARD

2.1 Introduction

Karnataka is one of the 27 states in the Indian Union, having an area of 1.91 lakh hectares and a population of about 450 crores as per the 1991 census. It is bounded on the North and North-west by Maharashtra, North and North-east by Andhra Pradesh, towards South by Kerala and Tamilnadu and towards east by Goa and the Arabian Sea. Figure-1 shows the map of Karnataka State and the Kolar district.

The state is divided into 27 revenue districts. However, as per the old records it was 20 districts. The Bangalore district consists of Bangalore urban and rural districts. The following are the 27 districts of Karnataka state.


The 27 districts of the State are generally classified under four geographical regions known as the Bangalore Division, Bellgaum Division, Gulbarga Division and Mysore Division. As the study is concentrated in one of the four divisions, Bangalore Division, the socio-economic setting is discussed about this division only. Bangalore
Division consists of seven districts including Bangalore Urban and Rural districts. The region is the second largest in terms of population next to Belgaum Division and its density of population is higher than any other division constituting 309 per sq.km. The density of the population is too high when compared to the state average of 235 per sq. km. This is due to the location of Bangalore which is the capital city of the state.

2.2 Profile of Kolar District

As mentioned earlier, Kolar district is one of the seven districts in Bangalore Division. It is a land of silk, milk and gold located in the south-eastern part of the Karnataka state and comes under the maidan group of districts. Geographically, Kolar is the thirteenth largest district in the state. The district is situated adjacent to Bangalore district and is bounded by Anantapur district of AP to the north, Chittor district of AP to the east, Bangalore district of Karnataka state and Dharmapuri district of TN in the south and towards west the Tumkur district of Karnataka state. The district is situated between 12°.46 and 13°.58 north latitude and 77°.21 and 78°.35 east longitude. The shape of the district is roughly rectangular and its south to north length is 136 kms and east to west width is about 85 kms, it has a total area of 8,240 sq kms. which is much lower than the state average of 9,589 sq.kms. (Table 2.2.1).

Table 2.2.1: District and State Particulars (1991 Census).

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Total Geographical area (sq kms)</th>
<th>No. of Villages</th>
<th>No. of towns and cities</th>
<th>No. of taluks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Kolar</td>
<td>8,240</td>
<td>3,325</td>
<td>13</td>
<td>11</td>
</tr>
<tr>
<td>2. Karnataka</td>
<td>191,786</td>
<td>29,184</td>
<td>254</td>
<td>175</td>
</tr>
<tr>
<td>3. State Average</td>
<td>9,589</td>
<td>1,459</td>
<td>12.7</td>
<td>8.75</td>
</tr>
</tbody>
</table>

2.3 The Administrative Structure of Kolar District

The district comprises of 11 revenue blocks/taluks and is divided into two revenue sub-divisions, viz., Kolar and Chickaballapur. There are 49 Zilla Panchayat Blocks, 11 Taluk Panchayat Blocks, Grama Panchayats have also been constituted after the 1993 Panchayat Raj Act and these Panchayat Raj Institutions have completed their term and the elections have been recently conducted. The 11 taluks of the district have been listed below:

1. Bagepally  
2. Bangarpet  
3. Chickballapur  
4. Chintamani  
5. Gowribidanur  
6. Gudibande  
7. Kolar  
8. Maluru  
9. Mulabagilu  
10. Sidlagatta  
11. Srinivasapura.

2.4 Salient Features of the District

2.4a Population and Occupational Structure of the Kolar District

The total population of the district was 22.17 lakhs which is slightly lower than the state average of 22.49 lakhs as per the 1991 census. The rural population was 17 lakhs which is higher than the state average of 15.54 lakhs while the urban population was just 5.17 lakhs which again is lower than the state average of 6.95 lakhs. The density of population of the district is 270 per sq. km. as against 235 per sq.km. for the state as a whole (Table 2.4.2). The district takes the seventh place in the state with reference to the density of population.
Table 2.4.2: Demographic Particulars of the District (1991 Census) (In Lakhs).

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
<th>Rural</th>
<th>Urban</th>
<th>SCs</th>
<th>STs</th>
<th>Working</th>
<th>Non-Working</th>
<th>Density</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kolar</td>
<td>22.17</td>
<td>11.28</td>
<td>10.88</td>
<td>17.00</td>
<td>5.17</td>
<td>5.70</td>
<td>1.53</td>
<td>9.63</td>
<td>12.54</td>
<td>270</td>
</tr>
<tr>
<td>Kamataka</td>
<td>449.77</td>
<td>229.52</td>
<td>220.25</td>
<td>310.69</td>
<td>139.08</td>
<td>73.69</td>
<td>19.16</td>
<td>188.87</td>
<td>260.9</td>
<td>0</td>
</tr>
<tr>
<td>State Average</td>
<td>22.49</td>
<td>11.48</td>
<td>11.01</td>
<td>15.54</td>
<td>6.95</td>
<td>3.69</td>
<td>0.96</td>
<td>9.44</td>
<td>13.05</td>
<td>235</td>
</tr>
</tbody>
</table>

Source: As in table 2.2.1.

The total main workforce of the district is 8.82 lakhs which is slightly higher than the state average. Even the marginal workers are little higher than the state average. However the non-workers are marginally lower than the state average (Table 2.4.3). The same table reveals that the marginal farmers in Kolar district is much higher, (1.63 lakhs) than the stage average, (1.13 lakhs). This clearly reveals that in Kolar district the farming community is dominated by the marginal and small farmers. Therefore, for the development of these small poor farmers the RRBs have to play the crucial role by providing credit facilities.
2.4b Land Use Pattern of the District

The total geographical area of the district is 7.80 lakh hectares which is lower than the state average of 9.53 lakh hectares. The rainfall is much lower in Kolar district as the forest cover is minimum which is just 0.70 lakh hectares whereas the state average is 1.53 lakh hectares. The net area sown is 3.84 lakh hectares which is much lower than the state average of 5.30 lakh hectares. The availability of irrigation facilities is much lower and therefore, the area cultivated more than once is much low, 0.32 lakh hectares, compared to the state average of 0.87 hectares (Table 2.4.4). Therefore, credit is imminent in Kolar district for the overall development of the economy.

Table 2.4.4: Land Use Pattern of the District (in lakh hectares) (1997-98).

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Total geographical area</th>
<th>Forest area</th>
<th>Land not available for cultivation</th>
<th>Other uncultivable land</th>
<th>Fallow land</th>
<th>Net area sown</th>
<th>Area sown more than once</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Kolar</td>
<td>7.8</td>
<td>0.7</td>
<td>1.37</td>
<td>1.39</td>
<td>0.49</td>
<td>3.84</td>
<td>0.32</td>
</tr>
<tr>
<td>2. Karnataka</td>
<td>190.5</td>
<td>30.63</td>
<td>20.69</td>
<td>17.75</td>
<td>15.35</td>
<td>106.09</td>
<td>17.45</td>
</tr>
<tr>
<td>3. State Average</td>
<td>9.53</td>
<td>1.53</td>
<td>1.03</td>
<td>0.89</td>
<td>0.77</td>
<td>5.3</td>
<td>0.87</td>
</tr>
</tbody>
</table>

Source: As in table 2.2.1.

2.4c Cropping Pattern

The major crops grown in the district are paddy, ragi, maize, tur dal and horse gram. Oil seeds such as groundnut, sunflower, mulberry oil seeds and gram are predominant. Commercial crops like sugarcane, mulberry and horticultural crops like tomato, cabbage, cauliflower, carrot and beans are also grown in the district.
In Kolar district, except for the groundnut and mulberry crops, all other crops are below the state average (Table 2.4.5). Therefore, it is advisable to invest on the improvement of groundnut and mulberry crop in this district. There is a great scope for the establishment of groundnut processing industry in the district. For these, the financial flow is essential so that the industry grows in the region. And secondly, the area under mulberry in this district is much higher compared to the state average. Therefore, the investment on this crop has to be enhanced for the development of sericulture sector.

Table 2.4.5: Cropping Pattern (Area in Lakh Hectares) (1997-98).

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Cereals</th>
<th>Pulses</th>
<th>Groundnut</th>
<th>Sugarcane</th>
<th>Cotton</th>
<th>Mulberry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Kolar</td>
<td>1.59</td>
<td>0.39</td>
<td>0.98</td>
<td>0.4</td>
<td>Neg.</td>
<td>0.29</td>
</tr>
<tr>
<td>2. Karnataka</td>
<td>55 35</td>
<td>17.52</td>
<td>12.73</td>
<td>2.82</td>
<td>6.49</td>
<td>1.67</td>
</tr>
<tr>
<td>3. State Average</td>
<td>2.77</td>
<td>0.88</td>
<td>0.64</td>
<td>14.09</td>
<td>0.32</td>
<td>0.08</td>
</tr>
</tbody>
</table>

Source: As in table 2.2.1

2.4d Livestock

The livestock wealth of the district is considerably rich. The total livestock population of the district as per 1997 census is estimated at 27.35 lakh nos. of which poultry is 10.23 lakh nos. which form about 37 per cent of the total livestock population of the state (Table 2.4.6). There is some decline in the bullock population and this may be because of the domination of mulberry cultivation and silk-worm rearing which do not require bullock labour. However, the farmers have been trying to concentrate on the milch animals. In addition to these, the rearing waste acts as a substitute of the fodder and moreover, the milk yield is also high after feeding rearing waste to the milch cows and buffaloes and hence, farmers have been changing over.

The farmers harvest the mulberry plants with shoots to feed the silkworms. The silkworms take only the leaf. The tender stems and waste leaf are considered as rearing waste.
to milch animals rather than bullocks in Kolar district. Moreover, through various schemes the credit facilities are available for the purchase of the milch cows in the district.

Table 2.4.6: Livestock Population (in lakhs) (1997 Census).

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Cattle</th>
<th>Buffaloes</th>
<th>Sheep</th>
<th>Goat</th>
<th>Pigs</th>
<th>Total live stock</th>
<th>Poultry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Kolar</td>
<td>5.27</td>
<td>1.47</td>
<td>7.19</td>
<td>1.59</td>
<td>0.30</td>
<td>17.12</td>
<td>10.23</td>
</tr>
<tr>
<td>2 Karnataka</td>
<td>102.48</td>
<td>41.26</td>
<td>74.43</td>
<td>44.52</td>
<td>3.47</td>
<td>286.52</td>
<td>187.55</td>
</tr>
<tr>
<td>3. State Average</td>
<td>5.12</td>
<td>2.03</td>
<td>3.72</td>
<td>2.26</td>
<td>0.17</td>
<td>14.33</td>
<td>9.38</td>
</tr>
</tbody>
</table>

Source: As in table 2.2.1.

2.4e Climate and Rainfall

The district is situated in the eastern dry zone and the climate is essentially tropical in nature. The average rainfall is about 677 mm, which is much lower than the state average of 1,194 mms. The rainfall is mostly precipitated during the southwest monsoon. The rainfall distribution and intensity are erratic resulting in frequent droughts and scarcity conditions. Such an area demands the financial assistance to go for open wells and tube-wells for agriculture and bore-wells for drinking water purposes. The commercial banks and the RRBs have to play a major role in the agricultural development of the district by providing loans for irrigation purposes.

2.4f Soils

The types of soil found in the district are red loamy, clay loam, gravelle and laterite. Red loam soil extends from south to north comprising a major portion of Chickballapur, Sidlaghatta, Kolar, Malur and some parts of Bangarpet and Mulbagal taluks. The soil is very much known for its responsiveness to manure and is well suited for vegetable and other horticultural crops. Clay loamy soils found in the blocks of Gowribidanur, Chickballapur, parts of Sidlaghatta and Bagepalli. These
soils are most suitable for the cultivation of paddy, groundnut, chillies, sugarcane and tobacco.

The areas like Bangarpet, Chintamani, Gudibanda, Kolar and Srinivasapur taluks are covered by Gravelle soil. Gravelle soil is best suited for the cultivation of groundnut, Ragi and pulses. Laterite soil found in Sidlaghatta and some other blocks, to a little extent is suitable for growing Eucalyptus and cashew.

2.4g Rivers

Kolar district does not have perennial rivers. Rivers flowing in the district are small and carry water only during rainy season. Three important rivers flowing in the district are Palar, North Pinakini or North Pennar and South Pinakini or South Pennar. North Pennar raises in the North West of Nandi Hills and flows from the North West of Nandi Hills towards Sidlaghatta. The blocks benefitted by North Pennar are Chikballapur and Gowribidanur whereas most of the area benefitted by way of tanks in the catchment areas of South Pennar falls under Chickballapur block. The range of Palar river from the place of its birth to the place where it leaves the district is about 110 kms. There are a large number of tanks in the basin of this river and the blocks benefitted are Bangarpet and Kolar. Chitravathi, Kushavani, Nagalihol are some other small rivers flowing in the district.

2.4h Mineral Resources

Kolar district is one of the rich districts in terms of mineral resources because of gold mines. The availability of gold is declining in the district and remedial measures have been taken by the authorities. Apart from gold, one finds limestone (graphite) in the district.
4i Forest Resources

The district is not endowed with forest wealth. The name 'Forest' in Kolar district does not indicate any dense tree population with thick foliage of various pastures. The area under forests is 0.70 lakh hectares which is much lower than the state average of 1.53 lakh hectares. The main trees grown are eucalyptus, huge tamarind and other wild ones.

2.4j Sericulture

Kolar district is a pioneer in the field of sericulture development in Karnataka State. As mulberry is a drought resistant plant, it is highly preferable in Kolar District. The total area under mulberry cultivation is about 2.91 lakh hectares, cocoon production is 0.27 lakh tonnes and there are about 65 chawki-rearing centres in the district. For the improvement and the development of sericulture industry, credit plays an important role in the district.

2.5 Infrastructure

2.5a Minor Irrigation

With the absence of perennial rivers in the district, the major source of irrigation is groundwater exploited through wells, the exploitation of which being very high, the potential for this activity is limited. There is no potential for exploitation in Chickballapur, Kolar and Malur blocks which are classified as dark areas, and the stage of development of groundwater in Chintamani and Sidlaghatta blocks have reached a critical level. The scope for exploitation is limited in Gauribidanur, Hubbagal and Srinivasapur which are notified as grey. The scope of exploitation is nited in all the blocks in view of the water table going down. There is good scope setting up drip and sprinkler systems in the district mainly in the area of commercial crops.
5b Communication Network

There is not much of a railway network in the district. While 3 taluks are not covered by railways, 6 are covered by broad-gauge and other two by narrow gauge routes. The total length of the roads is 5345 kms, of which, the National highway consists of 2.19 per cent, state highways 5.05 per cent, district roads 19.45 per cent and 69.56 per cent of rural/village roads. The villages are connected by weatherproof roads.

2.5c Industrial Development in the District

Kolar district has been deprived of capital investment for industrial development. Table 2.5.7 reveals that except the industrial estates, the Kolar district is below the state average in terms of textile industries, chemical industries, engineering industries, owning industrial sheds and other industries. The employment generation is not even 50 per cent of the state average. Therefore, the impetus has to be given for industrial development in the district. The banking sector has to play a major role to meet the financial requirement. NABARD has to take initiative to improve the agro-processing industries like silk reeling, twisting and weaving factories, groundnut oil extracting industry and other agro-processing industries, which helps to increase employment situation and economic development.

Table 2.5.7: The Status of Industries in Kolar District (1997-98).

<table>
<thead>
<tr>
<th>Particulars</th>
<th>No.of textile industries</th>
<th>Chemical industries</th>
<th>Engineering industries</th>
<th>Other industries</th>
<th>Industrial estates</th>
<th>Industrial sheds</th>
<th>Employment generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Kolar</td>
<td>9</td>
<td>14</td>
<td>17</td>
<td>123</td>
<td>9</td>
<td>158</td>
<td>19,387</td>
</tr>
<tr>
<td>Karnataka</td>
<td>1,477</td>
<td>467</td>
<td>2,015</td>
<td>5,212</td>
<td>151</td>
<td>5,501</td>
<td>891,849</td>
</tr>
<tr>
<td>State Average</td>
<td>74</td>
<td>23</td>
<td>101</td>
<td>261</td>
<td>8</td>
<td>275</td>
<td>44,596</td>
</tr>
</tbody>
</table>

Source: As in table 2.2.1.

At present there are no narrow gauge railway lines in the district.
2.5d Education

The total literacy rate of the district is 50.5 per cent. The percentage of male literacy is 62.7 per cent and female literacy rate is one of the lowest, 37.8 per cent. The Kolar district's literacy rate is much lower than the state average literacy rate (Table 2.5.8). The district possess as 13 polytechnic centres, two engineering colleges, one medical college and one dental college in addition to the general PUC and first grade colleges.

Table 2.5.8: Literacy Rate in the District (1991 Census in percentages).

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Kolar</td>
<td>62.7</td>
<td>37.8</td>
<td>50.5</td>
</tr>
<tr>
<td>2. State Average</td>
<td>67.3</td>
<td>44.3</td>
<td>56.33</td>
</tr>
</tbody>
</table>

Source: As in Table 2.2.1

2.5e Banking Related Infrastructure

A strong banking network is imperative for the speedy harnessing of the latent potential in agricultural and rural sectors. The district is having a good network of Commercial Bank branches (120) and of Kolar Gramin Bank (65). In the long-term co-operative structure, there are 11 Primary Co-operative Agricultural and Rural Development Banks and a district office of the Karnataka State Co-operative Agricultural and Rural Development Bank. In the short-term co-operative structure, Kolar District Co-operative Central Bank Limited is functioning with 11 branches. The Karnataka State Financial Corporation (KSFC) with its 2 branches at Kolar and Chickballapur and the Karnataka Industrial Co-operative Bank Ltd. extend credit support mainly to non-farm activities.
To enhance the agricultural and rural credit, certain steps have been taken from the year 1998-99

1) Augmenting the share capital of NABARD to facilitate capital formation in rural areas.
2) Recapitalising RRBs, for which greater role has been given to sponsor banks envisaged in the ownership and management of RRBs.
3) The special thrust on agriculture has been given as it has beneficial impact on rural living standards.
4) Increase the flow of credit for irrigation, soil conservation and other rural infrastructure projects as also to cover un-reached poor families through a package of measure which includes:

a) introduction of Kisan Credit Schemes to enable the farmers to have credit sources for the purchase of fertilisers and other inputs without cumbersome documentation; and

b) the allocation for agriculture has been stepped up with the plan allocation for water shed development programme

The above factors clearly reveal that the district has strong points in some areas and also weak points in certain areas. In the given situation, it is intended to study the role of NABARD in the agricultural development of the district.

2.6 Genesis, Objectives, Functions and Organisational Set-up of NABARD

2.6.1 Introduction

An all-India organisation for agricultural development was mooted by the Agricultural Finance Committee in 1945. The committee found that the co-operatives were not able to meet the demand for credit and therefore, the committee strongly felt that an autonomous public corporation should be established for agricultural credit. The All-India Rural Credit Survey Committee (1951-54) also examined the question of setting-up an all-India organisation. The Committee disfavoured the idea of such
corporation because there were co-operatives and other banking institutions already available to provide agricultural finance. In their view, the RBI had appropriate resources, the personnel and experience along with statutory powers to look after the agricultural credit structure in the country. This paved the way for the establishment of the Agricultural Refinance Corporation in 1963.

Again, during 1965, the Committee on Co-operation (Mirdha Committee) favoured the establishment of a National Agricultural Bank. However, during 1969, the All-India Rural Credit Review Committee rejected the proposal to de-link the 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 Co-operative credit. The Administrative Committee Reforms Commission in 1970 also disfavoured an establishment of a separate bank for agricultural credit. However, The National Commission on Agriculture in 1976 exhorted the RBI to take steps, in accordance with its historic role in integrating the total structure for financing agriculture and rural development from ground level upwards right up to the creation of an Agricultural Development Bank of India as the apex organisation.

The Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) was appointed by the RBI in March 1979, at the instance of the Government of India, under the Chairmanship of Shri B. Shivaraman. The Committee reviewed the existing institutional arrangements for agriculture and rural development. It submitted the Report in January 1981. The CRAFICARD felt that certain inherent handicaps inhabited the effectiveness of the
national level institutions in meeting the gigantic task of integrated rural development which aimed at the upliftment of the weaker sections in the rural areas within a given time frame.

The CRAFICARD examined, in detail, the arguments in favour and against the establishment of a National Bank for Agriculture. The Committee found a number of gaps and deficiencies in the existing arrangements from top to bottom. They also did not agree with the view that the establishment of a separate all-India organisation will make credit costlier for the ultimate borrower. The committee also felt that the new institution being equally responsible as the RBI will manage the entire credit operation in such a manner as would help maintaining proper financial discipline ensuring the health of the system as a whole.

Therefore, the members of the CRAFICARD were convinced that the balance of advantage in the present context lies in setting up a national level bank with close links with the RBI. However, they envisaged the role of RBI as one of spawning, fostering and nurturing the new bank, somewhat in the same manner as the ARDC. They cast a special responsibility on the RBI to develop the new institution which, in their view was logical in the organisational evolution of the RBI itself.

Three names were suggested by the CRAFICARD for the proposed bank to be established, namely, Agricultural Development Bank of India, Rural Development Bank of India and National Bank for Agriculture and Rural Development. The Committee approved the third name and the decision was taken that the National Bank should be known as National Bank for Agriculture and Rural Development (NABARD). NABARD has been conceived by CRAFICARD as an exercise in decentralisation of Central Bank's function of providing all types of production and investment credit to agriculture, small-scale industries, artisans, khadi and village
industries, handicrafts and other crafts and other allied economic activities in an integrated manner, with undivided attention, pointed focus and forceful direction.

The Government of India and the RBI approved the proposal of CRAFICARD. The Parliament through the ACT 61 of 1981 approved its setting up. The NABARD Act was passed by the Parliament on 1st December 1981. It came into existence on July 12, 1982 and started functioning with effect from July 15, 1982. The Bank was dedicated to the service of the Nation by the Hon'ble Prime Minister, Smt. Indira Gandhi, on November 5, 1982.

After the NABARD came into existence, it has taken over all the functions of the erstwhile Agricultural Credit Department (ACD) and Rural Planning and Credit Cell (RPCC) of the RBI and ARDC. The entire undertaking of the ARDC including all business, property, assets and liabilities, rights, interest, privileges and obligations of whatever nature, have been transferred to and vested in the National Bank.

2.6.2 Objectives and Functions of NABARD

The NABARD was set up to meet the growing and diverse credit needs of the agricultural and rural sector. The Bank is a specialised institution in the field of agricultural credit and is able to tackle the problems arising from integrated rural development. It is supposed that the institution will successfully undertake the functions of an apex refinance institution in the country for short, medium and long-term financing of agriculture and allied activities. The NABARD would also include marketing, processing, storage and rural enterprises for financing. For this, the bank will combine in itself the developmental and financial roles.
As an apex institution it is concerned with policy, planning and operations in the field of agricultural credit and other economic activities in rural areas. The main objectives which guide the functioning of the National Bank are:

1. to provide refinance to eligible institutions, viz., SLDBs, SCBS, Scheduled CBs and RRBs for supporting production and investment credit for developmental activities in rural areas;

2. to improve the absorptive capacity of the credit delivery system through institution building by monitoring, formulation of rehabilitation schemes, restructuring of credit institutions and training of personnel;

3. to coordinate the activities of different agencies engaged in developmental work at the field level and to keep liaison with GOI, State Governments and RBI and other national level institutions connected with policy formulation; and

4. to undertake monitoring and evaluation of projects refinanced by the NABARD. And to take necessary actions against the banks which are dependent on the refinance of the NABARD.

2.6.3 Functions of NABARD

The major functions of NABARD can be classified into two, viz., credit functions and miscellaneous functions. The credit functions are most important for the institution. The NABARD extends the production and marketing credit. NABARD may provide loans and advances repayable on demand or on expiry of the fixed period (maximum eighteen months) by way of refinance under this category. The SCBs, RRBs or any other financial institutions or any class of financial institutions approved by the RBI may avail this refinance from NABARD. The purposes for which
the refinance may be provided are agricultural operations or marketing of crops, the marketing and distribution of inputs necessary for agricultural development and any other activity for the promotion of agricultural and rural development. The bonafide commercial-trade transactions and production and marketing activities of rural artisans/small scale industries in the tiny and decentralised area/village and cottage industries or those engaged in the field of handicrafts and other crafts are also eligible purposes for providing refinance.

2.6.3a Conversion Loan for Production Credit

Loans and advances may be made under this category only for the purpose of enabling the borrowing bank or institution to pay any dues to NABARD for credit extended for financing agricultural operations or the marketing of crops. This type of loans and advances may also be made to enable the borrowing bank/institution to make loans and advances to central co-operative banks or primary rural credit societies for agricultural operations or for reimbursement of such loans or advances which have been converted into medium-term loans or advances. But no loans or advances shall be made under this category to a state co-operative bank unless such loans or advances are fully guaranteed as to the repayment of principal and payment of interest, by the state government.

2.6.3b Reschedule of Loans to Artisans and Small-Scale Industries

NABARD may provide its refinance by way of loans and advances where it is satisfied that owing to unforeseen circumstances, the rescheduling of loans and advances made to artisans, small-scale industries, industries in the tiny and decentralised sector, village and cottage industries and those engaged in the field of handicrafts and other rural crafts by any SCB, RRB or any other financial institution and any financial institution approved by the RBI in this behalf is necessary. Such
assistance is repayable on the expiry of fixed periods not being less than eighteen months and not exceeding seven years against such securities as may be specified by the NABARD in this behalf.

In addition to the above, NABARD has other functions like finances for investment credit medium-term, other investment credit, purchase and sale of shares, loans to state governments for share capital contribution, direct loans, security for credit, amounts and securities to be held in trust, commission, issue of guarantees, power to impose conditions for accommodations, power to call for repayment before the agreed period under this function. In the absence of any contrary arrangements in any agreement, the NABARD may (by notice or writing) require any borrowing institution to which it has granted any loan or advance to discharge forthwith in full its liabilities to the NABARD:

if it appears to the Board that total false or misleading information in any material particular was given in the application for the loan or advance, or

if the borrowing institution had failed to comply with any of the terms of its contract with NABARD in the matter of loan or advance, or

if there is a reasonable apprehension that the borrowing liquidation may be commenced in respect thereof, or

if for any reason, it is necessary to do so protect the interest of the NABARD.

National bank has the power to access the records, validity of loans or advance not to be questioned, and the national bank not to grant loans or advances against its basis of the security of its own bonds and debentures. No loans or advances may be granted by the NABARD on the basis of the security of its own bonds and debentures.
In addition to the credit functions, NABARD undertakes general functions like co-ordination, study and consultation. It can act as an agent, training facilities and promotion of research, incidental powers, credit information, deposits and investments. NABARD may invest its funds in promissory notes, stocks of the securities of the central government. It may keep its money deposits with the RBI or with any agency of the RBI or in consultation with the RBI with a state co-operative bank or a scheduled bank.

2.6.4 Management and Organisational Set-Up

The organisational set-up, administration and management are the most important aspects of any financing and refinancing institution. Experts opine that a poor organisational structure makes good performance impossible, no matter how good the individual may be. In the same way, a good management is necessary to guide and direct people who constitute an important part of an organisation. The organisational structure may be defined as "relationship among position and job which is built up for the realisation of common objectives". For the successful performance of any institution and maintenance of a healthy portfolio mainly due to the existence of an efficient and adequate organisational set-up. Thus, the success of the management of a development bank depends, to a great extent, on its organisational set-up, the degree of delegation of authority that exits and the extent of independence it enjoys in its day-to-day functioning.

The general superintendence, direction and management of the affairs and business of the NABARD are vested in a Board of Directors. The Board exercises have all powers, and do all acts and things which may be exercised or done by the NABARD. The Board while discharging its functions, acts on business principles with due regard to public interest. The Managing Director of the Bank is also empowered for general superintendence, direction and management of the affairs
and business of the Bank. The Managing Director may also exercise all powers and
do all acts and things which may be exercised or done by the NABARD.

The sub-section (3) of section 6 of the NABARD Act provides for the
appointment of any whole time director to assist the Managing Director for
discharging of his functions under sub-section (3). Such director is authorised to
perform such duties entrusted or delegated to him by the Board of Directors.

In such a position, when the Managing Director is discharged of his powers
and functions under sub-section (3) of NABARD Act, 1981, he has to follow such
directions as given by the Chairman. While discharging its functions under the
NABARD Act, the Bank shall be guided by such directions in matters of policy
involving public interest as the central government in consultation with RBI may give
in writing.

2.6.4a Board of Directors

Under the provision of sub-section (1) of the section 6 of the NABARD Act,
1981, the Board of Directors of the NABARD comprises the following;

a. a Chairman,

b. two Directors from amongst experts in rural economics, rural development,
handicrafts and other rural craft, village and cottage industries and small-scale
industries or in any other matter, the special knowledge or professional
experience which is considered by the central government as useful to the
NABARD,

c. three Directors out of whom two directors with experience in the working of co-
operative banks and one with experience in the working of commercial banks,
d. three Directors from out of the directors of the RBI,

e. three Directors from amongst the officials of the central government,

f. two Directors from amongst the officials of the state governments, and

g. a Managing Director who is assisted in his day-to-day working by Chief General Manager, General Managers, Deputy General Managers and other staff who are assigned specific roles in the Head Office and the Regional Offices.

2.6.4b Term of Office of Chairman and Other Directors, Retirement and Payment of Fees

According to the section 7(i) of NABARD Act, 1981, the Chairman of the NABARD shall hold the office for a term not exceeding five years. He shall receive such salary and allowances specified by the Central Government at the time of appointment. Under the provision of section 7(1-A), the central government have the right to terminate the term of office of the Chairman at any time before the expiry of the term specified under that sub-section by giving him a notice of not less than three months in writing of three months' salary and allowance in lieu of such notice. The directors of the NABARD shall hold office for a term of three years. At the time of expiration of his term such director shall hold the office until the joining of his successor.

The central government, in consultation with the RBI, is authorised to remove the Chairman or any other director at any time before the expiry of his term of office after giving him a reasonable opportunity or showing cause against the proposed removal. The Chairman and directors of the NABARD shall be paid such fee and allowances as may be prescribed for attending the meetings of the Board or of any of its committees and for attending to any other work of the NABARD. But in such a position where the Chairman or any of the directors, who is an officer of Government or RBI, these allowances are not permissible.
2.6.4c Term of Office of Managing Director and Whole-Time Directors

Section 8 makes the provision for the Managing Director (MD) and any whole-time director to hold the office for a period not exceeding five years as may be specified by the central government at the time of appointment. The MD and whole-time directors shall receive such salary and be governed by such terms and conditions of service as the Board may determine with the prior approval of the central government in consultation with the RBI. The central government can remove the MD or whole-time director after consulting the RBI after giving an opportunity to him for showing cause against the proposed removal. In such a situation the government is bound to give three months notice or salary and allowance in lieu of such notice.

2.6.4d Meetings of the Board

Section 12 of the NABARD Act, 1981, empowers the Board to meet such times and places and shall observe such rules of procedure in regard to the transaction of business at its meeting as may be prescribed. The Chairman of the Board, or if, for any reason he is unable to attend any meeting, any other director nominated by the Chairman in this behalf, and in the absence of such nomination, any other director elected by the directors present at the meeting, shall preside at the meeting of the Board. All questions which come up before any meeting of the Board shall be decided by a majority of votes of the directors present and voting. In the event of an equality of votes, the Chairman, or, in his absence, the person presiding, shall have a second or casting vote. The Board shall ordinarily meet once a quarter in each year. Meetings of the Board shall be convened by the Chairman and in his absence by the managing Director. The meetings shall be ordinarily held at Bombay but if so directed by the Board, may be held at any other place in India.
No business other than that for which the meeting was convened shall be discussed at a meeting of the Board, except with the consent of the Chairman of the meeting and a majority of the directors present, unless one clear week's notice has been given of the same in writing to the Chairman. The Board of Directors should comprise fourteen members excluding the Chairman according to the NABARD Act. Our analysis of the composition of Board has revealed that there were only 12 directors appointed in each of the year. In 1987-88, there were 13 directors in the Board. As on 31 March 1990, there were no directors nominated under section 6(1)(c) of the NABARD Act, 1981. As per the provisions of the ACT, the directors from all the disciplines should be nominated to provide a balanced shape to the Board and also to represent appropriately various sectors.

2.6.4e Committees of NABARD

There are three committees working in NABARD. Firstly, the Executive Committee (EC). The Board may constitute an EC consisting of such number of directors as may be prescribed. This committee shall discharge such functions as may be prescribed or may be delegated to it by the Board. The EC of the NABARD shall meet at such times and places and shall observe such rules or procedures in regard to the transaction of business at its meetings, as may be prescribed. The EC shall consist of the Chairman, the MD and other directors nominated by the Chairman. These directors should be from amongst the directors appointed under clauses (b), (c), (d) and (e) of the Section 6(1) and one of the whole-time directors.

Secondly, the Board may constitute other committees, consisting wholly of directors or wholly or of other persons or partly of directors and partly of the persons as it thinks fit and for such purposes at it may decide and every committee so constituted shall discharge such functions as may be delegated to it by the Board. The rules and regulations regarding the place to meet, fees and other emoluments for the members and the proceedings of the meeting will be decided by the Bank.
Thirdly, the Board can constitute an Advisory Council consisting of such number of directors and such other persons who, in the opinion of the Board, have special knowledge of agricultural credit, co-operation and rural economics, small-scale industries, village and cottage industries and handicrafts and other rural crafts or have special knowledge and appreciation of the country’s overall developmental policies and in particular, overall monetary and credit policies, which is considered by the Board as useful to NABARD. A member of the Advisory Council may hold the office for such term not exceeding five years as the NABARD may fix. The Chairman and in his absence any other member of the Advisory Council nominated by the Chairman for the purpose shall preside at the meeting of the Council. In the absence of such nominated member, any other member of the Advisory Council elected by the members present at the meeting shall preside once the meeting of the Advisory Council. One-third of the members of the Advisory Council or five members thereof whichever is less shall form the quorum at its meetings.

2.6.4f Various Departments of the NABARD

On the basis of the recommendations made by a team of management consultants from the Indian Institute of Management (IIM), Ahmedabad, appointed by the erstwhile ARDC, the set-up at the Head Office and the Regional Offices of NABARD was reorganised. The new structure was introduced in September 1982. Before we discuss the functions performed by the various departments in detail, it would be appropriate to mention that all the departments work directly under the managing Director and the heads of the departments are directly responsible to him. The following are the various departments working in the NABARD organisation.
a. Projects and Operation Department

With a view to covering all the regions in the country, three projects and Operation Departments have been established. The departments prepare various projects for agricultural and rural development. The various operations which are performed by NABARD are also implemented by these departments. This department is responsible for the preparation of multi-state projects and monitoring and administration in the divisional offices.

b. Inspection Department

The Inspection Department of NABARD is located in Hyderabad. This department is headed by a General Manager and is divided into two divisions. The first has two parts, Policy and Programme Division and Editing and Follow-up Division. It is under the chairmanship of one Deputy General Manager. The main function of the Inspection Department is that various actions taken by the concerned banks and other authorities to remove the defects and implementation of the suggestions mentioned in the inspection reports is followed up by the department.

c. Finance and Accounts Department

This department is headed by a General Manager and supported by a DGM. A training division of the human resource management department under the charge of DGM is also attached to the department. The finance and accounts department is responsible for: i) preparation of the budget, ii) planning and mobilisation of resources, iii) preparation of reports, returns and other correspondence therewith, iv) planning for utilisation of funds, v) framing of rules relating to provident fund, medical benefits and other allowances payable to the employees of the NABARD, vi) maintenance of proper books of accounts of all receipts and payments, vii) preparation of bills and disbursements of salaries, allowances, travelling allowances, claims etc., and (viii) work related to deposits and accounts maintained by the NABARD.
In addition to the above mentioned core departments, there are other departments like, Management Services Department, Law Department, General Administration and Premises Department, Secretary's Department, Internal Audit Department, Vikas Volunteer Vahini Department, Planning and Development Department, Institutional Development Department, Economic Analysis and Publications Department and Technical Services Department. These various departments assist the NABARD to function according to the needs of the dependent banking institutions which, in turn, work for the development of agriculture, artisan and rural development in the country.

2.6.4g Regional Offices/Sub-Offices

NABARD has its head office at Bombay. In the light of the policy of decentralisation for improved efficiency, necessary powers for the sanctioning of credit limits/schemes have been delegated to the Regional Offices and Sub-Offices, which are expected to contribute to expeditious action.

NABARD has opened sixteen regional offices in different parts of the country, viz., Ahmedabad, Bangalore, Bhopal, Bhubaneshwar, Calcutta, Chandigarh, Guwahati, Hyderabad, Jaipur, Lucknow, Madras, New Delhi, Patna, Pune, Srinagar and Trivandrum. These regional offices are headed by Deputy General Manager(s) and Managers depending upon the coverage of the region and demand of the refinance from the respective areas. Besides, NABARD has opened seven sub-offices in Agartala, Gangtok, Imphal, Jammu, Panaji, Shillong and Simla. These sub-offices are headed by Deputy General Managers or Managers.

The eligible institutions which wish to avail refinance from NABARD have to put up schemes/proposals to their respective regional or sub-offices. The proposals are examined and sanction is accorded by the respective regional or sub-offices.
Refinance is granted against drawl applications submitted by the institution. The refinance is greatly helping the RRBs, Grameena banks and credit co-operative societies which are working at the grass-root level. Therefore, the NABARD has to grow little further and its regional offices have to be established in all the capital cities of the states and also sub-offices at all the district level to respond to the needs of these grass-root level financial institutions to curtail the role of money-lenders, pawnbrokers and non-formal money-lending institutions.