CHAPTER-II

INTRODUCTION OF NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (NABARD)

2.1 INTRODUCTION
2.2 HISTORICAL PERSPECTIVE
2.3 DEFINATION OF NABARD
2.4 OBJECTIVES OF NABARD
2.5 ROLE AND FUNCTIONS OF NABARD
2.6 CRITERIA FOR REFINANCE
2.7 ULTIMATE BENEFICIARIES
2.8 LENDING TERM QUANTUM OF REFINANCE
2.9 SPECIAL FOCUS
2.10 RESOURCES
2.11 ORGANIZATION SET UP
2.12 PROMOTIONAL ROLE
2.13 LENDING TERMS AND CONDITION (COMMON TO ALL SCHEMES)
2.14 AUTOMATIC REFINANCE FACILITY
2.15 SCHEME WITH PRIOR SANCTION
2.16 REFINANCE SCHEME FOR MARKETING SUPPORT TO RURAL
2.17 CREDIT FACILITIES COVERED UNDER GOVERNMENT PROGRAMME
2.18 PRODUCTION CREDIT FACILITIES
2.19 MEDIUM TERM CREDIT FACILITIES
CHAPTER II
INTRODUCTION OF NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (NABARD)

2.1 INTRODUCTION

The word 'agriculture' comes from a Latin terms 'Agriculture' which has its origin in the 'ager' meaning a field and 'cultura' meaning to culture or cultivate. Weston's Longman Modern English dictionary (1976), define the word agriculture as the science or the art of the practice of large-scale soil conservation in order to produce crops.

Development necessary involves and implies rural development 'Rural Development', is a matter of anguish to all the countries, more so in case of developing countries like India. Indian planning has always been laying emphasis of 'Agriculture and Rural Development', as even today, major constituent of Indian population is in rural areas. Like any other field, 'finance', is the king pin of rural development activity. Development oriented credit necessitated an initiative on the part of financial agencies, in developing potential opportunities of under developed potential opportunities of under sections or sector through selective strategic input of credit.

The Development of country like India solely depends on the agricultural development and allied activities especially in rural areas. The development of these two important sectors depends entirely on the availability of funds and the credit facilities. In order to provide such funds and credit facilities funding agencies must play vital role, so that the country can prosper. In this regard the establishment of National Bank for Agriculture and Rural Development has been proved to be very fruitful.
Above 75% of the Indian population lives in rural areas and about 80% of the population is dependent on agriculture for its livelihood. Agriculture account is about the 37% of the National Income. The development of the rural areas and of agriculture and its allied activities thus has vital importance for the rapid development of the economy as whole.

Increase in agriculture production and productivity depends on the adoption of new farm techniques and better technology. This is turn depends heavily on the availability of larger and larger amounts of funds and credit. The structures and operations of the financial institutions in the rural areas thus become an area of critical importance.

In this regard, India has succeeded in developing one of the largest rural banking systems in the world. Various regulatory measures have been taken enabling the banking to play an important role in the economic development of the rural areas. The two most prominent measures are rural commercial bank branch expansion, thus moving from class banking to mass banking and secondly, priority sector lending and formulation of specific development programmes and action plans to facilities credit flow to the rural sectors. But as per the Debt and Investment Survey, of Government of India (1992) about 30% of the rural household is found to be outside the fold of institutional credit.

The dichotomy of an organized and un-organized segment characterizes agricultural credit markets. The cost of availability of credit in the two segments varies drastically. Generally, it is the large farmer who can avail of the facilities of the organized segment. While the smaller and marginal farmer are forced to borrow non-institutionally at much higher rates of interest.
National Bank for Agriculture and Rural Development is very much related to the Reserve Bank of India. Government of India and Reserve Bank of India both of are the master of National Bank for Agriculture and Rural Development. It is helps in the raising of funds by the Government of India, the National Agriculture Credit (Long term operations and stabilization) fund, the World Bank etc.

NABARD has adopted multi-agency system for providing loans. They are Co-operative Banks, Commercial Banks and Regional Rural Banks. Because of number of agencies having many problems in distribution of loans such as (a) giving loan on same area by different agencies, (b) it became unable in giving loans for meaningful purposes, (c) problems of overlapping, (d) duplication of banking facilities, (e) Wasteful expenditure and unhealthy competition, (f) the problems of recovery of loan.

NABARD should provide effective leadership in rural development. To overcome the problems it should develop a single agency for giving the loans, and should simplify the loan giving procedure. Setting up research and development center research is in rural area.

For the smooth running and functioning is NABARD, Reserve Bank of India sanction Rs. 1019 crores. For the purpose of regularity is the credit system, for good Agricultural Marketing and other purposes. Other that NABARD has started their programmed to develop rural area-by giving loan facilities.

The work of NABARD like other areas in Nanded District is remarkable because it has provided short term, medium term and long-term
loan facilities for various purposes in the societies as well as for the agriculture.

2.2 HISTORICAL PERSPECTIVE

For the development of the rural economy Reserve Bank of India established in 1935. Inter alias with compulsory to set up a special Agriculture Credit Department with an expert staff. Agriculture Credit Department, Reserve Bank of India inter-alias initiated different measures to develop a healthy rural credit structure and provided guidance to State Government and Co-operative Credit Structure. Agriculture Refinance Corporation was established in 1963 to support investment credit needs for agricultural development. Consequent to undertaking are development and promotional functions Agriculture Refinance and Development Corporation in 1972.

The constitution of NABARD is an apex body was first visualized by and National Commission on Agriculture in 1976. It may be recalled that the proposal to hive off agricultural credit from the Reserve Bank of India are create a National Level Agriculture Bank was rejected by the All- India Rural Credit Review Committee (1969) in the following words.

‘On all relevant considerations, such as those associated with the refinancing functions of the Reserve Bank, its role as a financier and adviser to the State Governments on matters of Co-operative Credit, the statutory responsibility of the Central Bank of the country for ensuring the safety of the depositor’s interests and regulating the credit operations in the economy and the experience and expertise which the Bank has built up over the years, we are convinced that the Reserve Bank should continue to discharge the function which it undertakes
at present in the field of agriculture credit. A new institution in this context at the all India level will only add to the cost of credit and the re-tape associated with it procedures without adding to the resources or an efficiency of the system to the system or the service to the service to the cultivator. It is therefore, our considered view that, there is no justification for having any national level institution for agricultural credit outside the Reserve Bank'.

However, various earlier committees have rejected the idea of a separate National Level Institution. Reserve Bank of India, at instance of Government of India appointed the Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development. The CRAFICARD, took note of the above points, but felt that, there has been a see change in the nature and magnitude of rural credit problems over the year from 1969, when the All India Rural Credit Review Committee put forth their view and when the strategy of integrated rural credit changed the complexion of the whole problems not only have the demands of rural development acquired new directions, but also the quantum of credit requirements has expanded. On the other hand, the field conditions have not responded adequately enough to the changing situation. The tasks ahead in this sphere are such that a satisfactory solution must be found out. The CRAFICARD reviewed the need of integrating short –term, medium term and long –term agriculture credit structure. In view of these varied aspects, the CRAFICARD set up by the Reserve Bank of India recommended in its report submitted to the Reserve Bank in November 1979, the setting up of a new National Level Bank, known as National Bank For Agriculture and Rural Development (NABARD). For provide all types of production and investment credit for agriculture and rural development. National Bank For Agriculture and Rural Development Act 1981 was passed by the Indian Parliament and
NABARD was established on 12 July 1982 with an initial capital of 100 crore. The capital is enhanced to Rs. 2000 crore subscribed by Government of India and Reserve Bank of India. The Committee to Review Arrangement for Institutional credit for Agriculture and Rural Development (CRAFICARD) set up by the Reserve Bank of India (RBI) under the Chairmanship of Shri B. Sivaraman, conceived and recommended the established of the National Bank For Agriculture and Rural Development. The Indian Parliament through the Act 61, 1981, approved the setting up of NABARD. Honorable Prime Minister, Smt. Indira Gandhi on 5 November 1982, dedicated the Bank, which came into existence on 12 July 1982, to the service of the nation.

NABARD was established, in terms of preamble of the Act ‘For providing credit for the promotion of agriculture, small scale industries, cottage and village industries, handicraft and other rural crafts and other allied economic activities in rural areas. Such as i) Irrigation, ii) Road and Bridges, iii) Watershed/Soil Conservation, iv) Rural Drinking Water, v) Flood Protection, vi) Primary/Secondary Schools, vii) Power Projects, viii) Others, with a view to promoting integrated rural development and securing prosperity of rural areas and matters connected therewith or incidental thereto’.

The National Bank for Agricultural and Rural Development was an established as an apex institution charged with looking after all matters concerning policy, planning and operation in the field of credit for agriculture and other economic activities in rural areas.
2.3 DEFINITION OF NABARD

i) The National Bank for Agriculture and Rural Development Act No. 61 of 1981

An act to establish a bank to be known as the ‘National Bank For Agriculture and Rural Development’ for providing credit for the promotion of agriculture, small scale industry, cottage and village industries, handicrafts and other rural crafts and other allied economic activities in rural areas with a view to promoting integrated rural development and securing prosperity of rural areas, and for matters connected therewith of incidental thereto’.

ii) National Bank for Agriculture and Rural Development (Amendment) Act 2000

An act to establish a development bank to be known as the ‘National Bank For Agriculture and Rural Development’ for providing and regulating credit and other facilities for the promotion of agriculture, Small Scale Industries, Cottage and Village Industries, handicrafts and other rural crafts and other allied economic activities in rural areas with a view to promoting integrated rural development and securing prosperity of rural areas and for matters connected therewith or incidental thereto’.

2.4 OBJECTIVES OF NABARD

National Bank for Agriculture and Rural Development has successfully completed more than two decades of service to the nation and in particular to the rural populace. It is an important milestone for the Bank in the journey towards achievement of its mission of promoting sustainable and equitable agriculture
development and rural prosperity. Over the years NABARD has evolved into a development financial institutions with a difference, not only in its endeavor in accelerating credit flow to the agriculture and rural sector but also encouraging change right from the grassroots level. NABARD can look back with pride at the tangible difference its initiatives made to the people in the rural areas.

**TABLE-2.1**

**Growth in Financial Support (Rs. In crore)**

<table>
<thead>
<tr>
<th>Years</th>
<th>Finance Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982-83</td>
<td>2055</td>
</tr>
<tr>
<td>1987-88</td>
<td>3704</td>
</tr>
<tr>
<td>1992-93</td>
<td>6176</td>
</tr>
<tr>
<td>1997-98</td>
<td>11359</td>
</tr>
<tr>
<td>2000-01</td>
<td>16537</td>
</tr>
</tbody>
</table>

**Chart-2.1**

NABARD started its journey by taking over the agriculture credit functions of Reserve Bank of India and the refinance functions from the then Agricultural Refinance and Development Corporation. The prime function during the period involved supplementing the resources of the Co-operative Banks, Regional Rural
Banks, and Commercial Banks by providing refinance support against their lending's at the grass roots level for agriculture and rural development. More important, the refinance was used as an instrument for expanding and diversifying the ground level credit as also for directing credit to the thrust areas prioritized in the Five Year Plans/Annual Union Budgets of Government of India from time to time.

The journey continues, and today NABARD has emerged as a vibrant and key national institution with a strong commitment to rural development. During this period the Bank has taken rapid strides in all the traditional functional areas and at the same time it has also taken up new challenges. The Bank is actively involved in planning at the gross roots level and has undertaken many experiments that have become mass movements, touching the lives of millions of people. The amendments to NABARD Act, in 2001 have further strengthened the organization by enabling it to effectively cope with the needs of the economic and financial sector reforms.

i) **Boosting Productivity and Production in Agriculture**

NABARD has acknowledged the importance of adoption of appropriate technology and package of practices in farming involving the use of quality and adequate inputs as crucial requirements to increase productivity. This, in turn, necessitates availability of credit on reasonable terms to enable the farmers to afford the usage of inputs of the right quality and quantity. In order to enable the bankers to meet such short-term credit requirements for production purposed, NABARD has been providing credit limits to cooperative banks and Regional Rural Banks at confessional interest rates for augmenting their resources. This has been possible mainly because of the resource support from Reserve Bank of India through its General Line of credit.
Recognizing is the need for increasing production of oilseeds and pulses for enhancing the availability of nutritious food to the masses as also to reduce imports. NABARD has been sanctioning a special line of credit for production of these crops. Further, in order to help farmers to overcome their vulnerability to distress sales of their produce soon after harvest and enhance their holding capacity, NABARD has, through its refinance support, been encouraging co-operatives banks to finance marketing of produce.

Growth in Production and Marketing Credit Limits Sanctioned to Co-operative Banks and Regional Rural Banks

**TABLE-2.2**

(Rs. Crore)

<table>
<thead>
<tr>
<th>Year</th>
<th>Regional Rural Banks</th>
<th>Co-operative Bank</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982-83</td>
<td>227</td>
<td>1431</td>
<td>1658</td>
</tr>
<tr>
<td>1987-88</td>
<td>308</td>
<td>2391</td>
<td>2699</td>
</tr>
<tr>
<td>1992-93</td>
<td>502</td>
<td>3945</td>
<td>4447</td>
</tr>
<tr>
<td>1997-98</td>
<td>1073</td>
<td>6067</td>
<td>7140</td>
</tr>
<tr>
<td></td>
<td>1314</td>
<td>7276</td>
<td>8590</td>
</tr>
</tbody>
</table>

**Chart-2.2**

Growth in Production and Marketing Credit Limits Sanctioned to RRBs and Co-operative Banks

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>RRB</td>
<td></td>
<td>1431</td>
<td>1658</td>
<td>2699</td>
<td>4447</td>
<td>8590</td>
</tr>
<tr>
<td>Co-operative Bank</td>
<td></td>
<td>227</td>
<td>308</td>
<td>502</td>
<td>1073</td>
<td>1314</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>1658</td>
<td>2699</td>
<td>4447</td>
<td>7140</td>
<td>8590</td>
</tr>
</tbody>
</table>
During the year 1998-99, NABARD introduced the Kisan Credit Card Scheme in conjunction with co-operative banks, schedule commercial banks and Regional Reserve Banks to smoothen and strengthen the credit delivery system and more particularly, to make available timely and hassle-free crop loans to the farmers. The scheme has now started making inroads and as on 31 March 2001, 319.58 lakh farmers were issued Kisan Credit Cards by various banks, Co-operative banks have the largest share (61 %), followed by Commercial Banks (31 %) and Regional Rural Banks (8%). Implementation of the scheme helped in augmenting the Ground Level Credit flow of short-term credit as revealed from the annual growth rate of 18 percent in the post implementation period (1999-2001) as compared to 16 percent in 1998-99. A personal accident insurance scheme has also been introduced from the year 2001 for all Kisan Credit Card holders against accidental death/permanent disability. The scheme has become popular both amongst farmers and bankers and it is envisaged that all eligible farmers would be covered under the Kisan Credit Card scheme by 31 March 2004.

Crop loss due to natural calamities is quite common in the country as 65 percent of the total cropped area is under rain fed conditions and frequent floods occur in areas. Consequently, farmers' ability to repay their loans gets severely eroded. NABARD, in such situations, grants medium-term loans to the co-operative banks and Regional Rural Banks to enable them to give relief to the affected farmers by converting their short-term loans into medium-term loans or allowing reschedulement of loan by postponing the repayment of loan installments falling due.

A well-designed institutional arrangement for insurance has to be put in place to avoid risks within agriculture. The 'Agriculture Insurance Company of India
Limited' has been set up with equity participation from General Insurance Company, four Public-Sector General Insurance Companies and NABARD to cover all farmers and crops against the risks of crop failure. NABARD would also be able to make meaningful participation for greater efficiency in market risk management with the setting-up of the National Commodity and Derivatives Exchange with equity participation in association with other national level institutions, viz., ICICI Bank, Life Insurance Company and National Savings Certificate.

NABARD has also taken the initiative in supporting weavers and rural artisans by providing refinance support to co-operative banks and Regional Rural Banks to finance the working capital requirements of the handlooms and handicraft sectors. Wherever co-operative banks were found to be weak in meeting the working capital requirements of these sectors, the commercial banks have been provided necessary refinance support.

Capital formation is a prerequisite for upgrading the technology and production process, which in turn boost the productivity and production of agriculture. The role of private sector in capital formation is very important in this context. NABARD has been facilitating the financing of farmers by the banks to acquire productive assets. The investment credit (long-term refinance) is being provided by NABARD for a variety of purposes. As an important strategy for augmenting and stabilizing agricultural production in the country, the Bank for financing projects that create assets to improve productivity and production gave special thrust. NABARD has successfully built on the earlier work done by Agriculture Refinance and Development Corporation in bringing the agricultural term loans given by banks at the grassroots level under the project lending discipline. The Bank has also been giving thrust to investment in minor irrigation structures in order to reduce the adverse impact of vagaries of rainfall enables the farmers to
harness groundwater. Further, to optimize the use of precious water especially in the dry land areas of the country, the Bank has encouraged the adoption of water management devices like drip irrigation, sprinkler irrigation as well as programmed like watershed development. Special thrust has also been given to investments in farm mechanization, which has a direct impact on productivity and efficiency of production of various crops. Accordingly, the development of minor irrigation structures and farm mechanization had a larger share of 19 and 22 per cent, respectively, in the cumulative refinance disbursed by NABARD. With a focus on diversification of lending, the banks were encouraged to finance investments in plantation and horticulture etc., through refinance support investments in allied activities such as dairy, poultry, fisheries etc., were also encouraged which supplemented the farmers income as also enabled the landless families to have a livelihood.

**TABLE-2.3**

**Purpose-wise Disbursement of Investment Refinance**
(As on 31 March 2001)

<table>
<thead>
<tr>
<th>Purpose</th>
<th>(Rs. In Crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Rs. 64,984 Crore</td>
<td>(Rs. In Crore)</td>
</tr>
<tr>
<td>Minor Irrigation</td>
<td>12,543</td>
</tr>
<tr>
<td>Farm mechanization</td>
<td>14,539</td>
</tr>
<tr>
<td>Plantation and Horticulture</td>
<td>2,817</td>
</tr>
<tr>
<td>Animal Husbandry</td>
<td>7,879</td>
</tr>
<tr>
<td>IRDP/SGSY</td>
<td>10,726</td>
</tr>
<tr>
<td>Non Farm Sector</td>
<td>9,146</td>
</tr>
<tr>
<td>Micro Finance (SHG)</td>
<td>1,413</td>
</tr>
<tr>
<td>Others</td>
<td>5,921</td>
</tr>
</tbody>
</table>
Chart-2.3

Purpose-wise Disbursement of Investment Refinance (As on 31 March 2001)

Agency-wise share in Disbursement of Refinance

<table>
<thead>
<tr>
<th>Agency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADFC/PUCBs</td>
<td>0.3</td>
</tr>
<tr>
<td>SCARDBs</td>
<td>41.1</td>
</tr>
<tr>
<td>State Co-operative Banks</td>
<td>10.9</td>
</tr>
<tr>
<td>Regional Rural Banks</td>
<td>15.4</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>32.3</td>
</tr>
</tbody>
</table>

Chart-2.4

Agency-wise share in Disbursement of Refinance (As on 31 March 2001)
TABLE 2.
Region-wise share in Investment Credit Refinance

Total Rs. 64,984 crore (As on 31 March 2001)

<table>
<thead>
<tr>
<th>Agency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Region</td>
<td>15.5</td>
</tr>
<tr>
<td>North Eastern Region</td>
<td>2.0</td>
</tr>
<tr>
<td>Northern Region</td>
<td>20.7</td>
</tr>
<tr>
<td>Eastern Region</td>
<td>11.2</td>
</tr>
<tr>
<td>Southern Region</td>
<td>29.4</td>
</tr>
<tr>
<td>Central Region</td>
<td>21.2</td>
</tr>
</tbody>
</table>

Chart 2.5

Region-wise share in Investment Credit Refinance
(As on 31 March 2001)

- Southern region: 29%
- Central region: 21%
- Western region: 16%
- Northern region: 21%
- North Eastern region: 11%
<table>
<thead>
<tr>
<th>Activity</th>
<th>Assets Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Minor irrigation (Number in lakhs)</strong></td>
<td></td>
</tr>
<tr>
<td>Wells</td>
<td>50.15</td>
</tr>
<tr>
<td>Pump sets</td>
<td>22.23</td>
</tr>
<tr>
<td>Land Development (lakh hectares)</td>
<td>30.40</td>
</tr>
<tr>
<td><strong>Farm Mechanization (Number In lakh)</strong></td>
<td></td>
</tr>
<tr>
<td>Tractors</td>
<td>11.94</td>
</tr>
<tr>
<td>Power Tillers</td>
<td>4.72</td>
</tr>
<tr>
<td>Other Farm Equipments</td>
<td>1.49</td>
</tr>
<tr>
<td>Plantation &amp; Horticulture (lakh hectares)</td>
<td>18.99</td>
</tr>
<tr>
<td>Forestry (ETPs in lakh)</td>
<td>23.15</td>
</tr>
<tr>
<td><strong>Animal Husbandry</strong></td>
<td></td>
</tr>
<tr>
<td>Milch Animals (Number in lakhs)</td>
<td>137.02</td>
</tr>
<tr>
<td>Poultry Farming (lakh birds)</td>
<td>16.93</td>
</tr>
<tr>
<td>Sheep &amp; Goat (lakh animals)</td>
<td>363.10</td>
</tr>
<tr>
<td>Piggery (lakh animals)</td>
<td>16.20</td>
</tr>
<tr>
<td><strong>Fisheries</strong></td>
<td></td>
</tr>
<tr>
<td>Mechanized Boats (Numbers)</td>
<td>21,565</td>
</tr>
<tr>
<td>Other boats (Numbers)</td>
<td>72,543</td>
</tr>
<tr>
<td>Brackish Water Aquaculture (lakh hectares)</td>
<td>5,055</td>
</tr>
<tr>
<td>Fresh Water Aquaculture (lakh hectares)</td>
<td>351</td>
</tr>
<tr>
<td>Storage (lakh tones)</td>
<td>163.75</td>
</tr>
<tr>
<td>Market Yards (Numbers)</td>
<td>1,999</td>
</tr>
<tr>
<td>NFS Units (Number in lakh)</td>
<td>47.35</td>
</tr>
<tr>
<td>Micro Credit Linkage (Cumulative Numbers of S lakh)</td>
<td>7.17</td>
</tr>
</tbody>
</table>

ETPs  Entire Tree Plantations
NABARD refinance accounted for 22 percent of the private sector investments in capital formation in agriculture during the VI plan, which increased to 27 percent during the VII plan. Between 1990-91 and 1996-97 it averaged at 17 percent and increased to 23 percent during the period 1997-98 to 2000-01. The Bank has formulated Model Bankable Projects for innovative activities.

Model Bankable Projects for New/Innovative Activities Sector

**Plantation & Horticulture:** Oil palm cultivation, Orchids for export, Cactus nursery, Production of mushroom spawn. Be keeping for honesty/crop production. Tissue culture, Mango pulps processing, Medicinal/Aromatic plants, Bio-pesticides application. Carnation, kiwi fruit, Guggul, Saffron & Neem cultivation.

**Animal Husbandry:** Milk processing Veterinary clinics, Milk collection station Bulk milk-cooling units, Private AI, Rabbit fanning & Feed plants.

**Fisheries:** Composite fish culture, Boo hatchery carp breeding, Oyster culture, Surimi Production, processing plant, Brackish water shrimp Fresh water prawn, Fish diagnostic lab, culture & Chitosan preparation.

**Agricultural Engineering:** Cold storage, Power fencing, FM with processing~ Onion storage & Grain gowns

**Land Development:** Teak, Tiny vermicompost unit, Kadam, Casuarinas cultivation, Agri soil/plant vermicompost

**IQF: Individual Quick Freezing**

Over the period, the share of some of the sectors like animal husbandry, non-farm activities, etc., in the total refinance disbursement has increased significantly. Animal husbandry accounted for 15 and non-farm sector 27 percent during 2000-01 as compared to 8 and 5 percent, respectively during 1991-92 In Keeping with the developments taking place in the rural economy, particularly in the financial sector in recent years, NABARD has extended the scope of its refinance to cover several new areas such as cold storage, rural housing, home-stead farming, contract
farming, etc. The refinance support to rural housing and Self Help Groups accounted for 10 and 8 percent of the total refinance during 2000-01 as against 8 and 6 percent, respectively, in the previous year.

Recognizing inadequate storage capacity, as one of the major infrastructure bottlenecks of agricultural reforms, NABARD in collaboration with Government of India has been encouraging investment in construction, modernization and expansion of cold storages and rural godowns. NABARD has also been encouraging private investment in other infrastructure like setting-up of market yards. The gap between lab and land in transfer of technology has been found to be a hurdle in the adoption of better farming practices. To bridge this gap, the Bank has designed a scheme in consultation with Union Ministry of Agriculture for setting-up of Agro-clinics and business-business centers by agricultural graduates as a step towards privatization of agricultural extension system for enhancing technology dissemination.

A beginning has been made in direct lending through co-financing with financial institutions. With a view to operationalising the arrangement for co-financing in respect of hi-tech, export-oriented agricultural Projects and projects involving larger financial outlays, Monitoring of Developments were signed with five public sector banks, viz., Union Bank of India, Dena Bank, Central Bank of India, Corporation Bank and Punjab National Bank.

Gross capital formation in Indian agriculture in general and public sector in particular showed a declining trend in the nineties. Stepping up plan outlays for creation and maintenance of irrigation and other infrastructure as well as quick completion of hitherto incomplete irrigation projects therefore became essential for accelerating the pace of capital formation in agriculture. However, inadequate resources of State Governments for development and maintenance of rural infrastructure was a cause for concern, and many maintained infrastructure
projects were found languishing for want of funds. This apart, it was observed that commercial banks, which were assigned the task of channeling at least 18 per cent of their commitment. It was therefore considered desirable to create a fund—Rural Infrastructure Development Fund—out of the shortfall in commercial banks' lending for agriculture, to be managed and operated by NABARD. The fund was set up with an initial corpus of Rs. 2,000 crore in 1995-96 for providing loans to State Governments and State owned Corporations for completion of on-going Projects relating to minor and medium irrigation, soil conservation, watershed management and rural infrastructure, which were nearing completion, but were languishing for, want of funds.

**TABLE -2.7**

Sanctions and Disbursement under RIDF

(As on 31 March 2001) (Rs. crore)

<table>
<thead>
<tr>
<th></th>
<th>Sanctions</th>
<th>Disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td>RIDF I</td>
<td>1910</td>
<td>1761</td>
</tr>
<tr>
<td>RIDF II</td>
<td>2628</td>
<td>2374</td>
</tr>
<tr>
<td>RIDF III</td>
<td>2708</td>
<td>2377</td>
</tr>
<tr>
<td>RIDF IV</td>
<td>2977</td>
<td>2161</td>
</tr>
<tr>
<td>RIDF V</td>
<td>3532</td>
<td>2502</td>
</tr>
<tr>
<td>RIDF VI</td>
<td>4579</td>
<td>2788</td>
</tr>
<tr>
<td>RIDF VII</td>
<td>5057</td>
<td>2056</td>
</tr>
<tr>
<td>RIDF VIII</td>
<td>6084</td>
<td>1126</td>
</tr>
<tr>
<td>Total</td>
<td>29475</td>
<td>17145</td>
</tr>
</tbody>
</table>

RIDF = Rural Infrastructure Development Fund
Coverage of projects was extended for purposes like rural roads and bridges, integrated market yards, cold chains, etc., under Rural Infrastructure Development Fund II & III. Total allocations under all the trenches, i.e., Rural Infrastructure Development Fund I to VIII are of the order of Rs.28, 500 crore. As per the arrangements, Indian commercial banks deposit funds (up to 1.5% of net bank credit) against their shortfall in priority sector (agriculture) lending’s towards Rural Infrastructure Development Fund. Apart from State Governments, village level projects implemented by Non Governmental Organizations and Panchayati Raj Institutions are also eligible for financial assistance under Rural Infrastructure Development Fund for taking up infrastructure development works. The corpus under Rural Infrastructure Development Fund is being utilized for accelerating the process of infrastructure development by funding projects on irrigation, watershed management, flood protection, soil conservation etc., for increasing productivity and production of crops, rural roads and bridges for improving connectivity, rural market yards/god owns for value addition, investments in social infrastructure like construction of primary health centers/schools, providing drinking water etc.
Investments in these infrastructure projects, besides positively impacting the productivity and production of agriculture, also help in improving the overall standard of rural life. Financing from the fund has an inbuilt system to focus on project approach with added emphasis on financial discipline and timely completions of the infrastructure projects unlike many other State Government projects, which are programme, based and often suffer from inadequate budgetary allocations. The sanction of loans under RIDF for various rural infrastructure projects amounted to Rs. 29,475 crore as on 31 March 2001, of which Rs. 17,145 crore have been disbursed. As at the end of March 2001, out of 2,54,974 projects sanctioned, 163,970 were completed. NABARD's intervention in the field of supporting rural infrastructure development projects of the State Governments has had a positive impact on project implementation by sensitizing the State Governments to the project appraisal methodology and strict monitoring of its implementation in order to avoid cost and time oven. The sanctioned projects when completed will not only result in creation of additional irrigation potential and add to the rural network of roads and bridges but also generate employment opportunities, both recurring and non-recurring.

**RIDF- Accretion to Rural Infrastructure and Employment**

- Additional irrigation potential: 76.05 lakh hectare
- Rural road network: 1,41,279 kilo meter.
- Rural bridges: 2,64,411 meter.

**Generation of Employment**

Due to increased irrigation

- Recurring (jobs): 39,84 lakh
- Non-recurring (person days): 10,758 lakh

From non-irrigation projects
. Non-recurring (person days)              13,099 lakh

Diversification under:

**TABLE-2.8**

(As on 31 March 2001) (Rs. Crore)

<table>
<thead>
<tr>
<th>Project</th>
<th>Number</th>
<th>Amount Sanctioned</th>
<th>Amount Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Irrigation</td>
<td>1,78,840</td>
<td>10,010.5</td>
<td>6,102.0</td>
</tr>
<tr>
<td>Rural Roads and Bridges</td>
<td>45,446</td>
<td>14,603.0</td>
<td>8,805.6</td>
</tr>
<tr>
<td>Watershed Management</td>
<td>2,055</td>
<td>494.7</td>
<td>335.7</td>
</tr>
<tr>
<td>Soil Conservation</td>
<td>1,637</td>
<td>513</td>
<td>213.9</td>
</tr>
<tr>
<td>Forest Management</td>
<td>2,162</td>
<td>100.5</td>
<td>69.1</td>
</tr>
<tr>
<td>Mini Hydel/Power</td>
<td>645</td>
<td>1,053</td>
<td>304.6</td>
</tr>
<tr>
<td>Flood Protection</td>
<td>674</td>
<td>543</td>
<td>325.7</td>
</tr>
<tr>
<td>Rural Drinking Water</td>
<td>2,315</td>
<td>1,147.9</td>
<td>582.1</td>
</tr>
<tr>
<td>Drainage</td>
<td>163</td>
<td>325.6</td>
<td>122.5</td>
</tr>
<tr>
<td>Primary /Secondary School</td>
<td>16,028</td>
<td>392.9</td>
<td>132.6</td>
</tr>
</tbody>
</table>

**Buildings**

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Health Centers</td>
<td>3,433</td>
<td>131.9</td>
<td>132.6</td>
</tr>
<tr>
<td>Others</td>
<td>1,576</td>
<td>152.3</td>
<td>114.5</td>
</tr>
<tr>
<td>Total</td>
<td>2,54,974</td>
<td>29,475.3</td>
<td>17,145.1</td>
</tr>
</tbody>
</table>

Other includes Command Area Development Authority, Animal, Husbandry, Fisheries, Rubber Plantation, Seed / Agriculture / Horticultural Farms, Market Yard, Cold storage, and Inland Waterways etc.
Starting with a modest refinance disbursement of Rs. 2.8 crore in 1985-86, refinance support to non-farm sector increased to Rs. 2,007 crore during 2000-01. **Impact**

Cumulative refinance support for the sector resulted in setting-up over 47 lakh Non Farm Sectors units

1.20 lakh rural youths supported in acquiring entrepreneurial skills

**ii) Employment Generation**

Acknowledging the felt need for sustainable and holistic development of the rural sector to usher rural prosperity, NABARD has been focusing on generating employment and creating other avenues for income generating employment and creating other avenues for income generation in the rural areas. Accordingly, in 1985-86, NABARD started providing support to the non-farm sector through refinance coupled with promotional activities. Refinance facility is provided with a view to enthuse and augment the resources of banks to provide credit to the cottage, tiny and small-scale sectors in rural areas. The scope has since been expanded to include financing for service sector activities like rural health clinics, rural tourism, cyber-cafes, computer training institutes, etc. Recognizing the need for augmenting the availability of resources for housing in rural areas, NABARD has started providing refinance support for rural housing from the year 2001.

On the promotional front, one of the initiatives taken by NABARD was to launch on, a pilot basis, District Rural Industries Project during 1993-94 in five identified districts to strengthen rural industries. Encouraged by the results, the project has been extended to 61 districts on March 2003. Recognizing the lack of entrepreneurial skills as one of the major bottlenecks in the promotion of non-farm activities in rural areas, NABARD has designed a special programme, viz. Rural Entrepreneurship Development programme. The Rural Entrepreneurship Development programme
Development Programmes are being conducted through professional agencies. **NABARD** has, so far, supported 4200 Rural Entrepreneurship Development Programmes covering 1.20 lakh unemployed rural youths since the commencement of the programme in 1990. The Bank has also set up a Rural Promotion Corpus Fund for supporting developmental and promotional activities of tiny, cottage and village industries for creating employment opportunities in rural areas. An amount of Rs. 41.36 crore was utilized from the fund to promote viable enterprises, sustainable employment opportunities, etc., up to 31 March 2001.

### iii) Cluster Development

NABARD has been participating in the National Programme for Rural Industrialization (NPRI) launched by the Government of India for development of select rural cluster and proposes to develop 50 such clusters in a phased manner during 1999-04. The Bank has, far, identified 51 cluster spread over 18 states and has launched the programme in 35 clusters.

#### a) Succor for Rain fed and Dry Lands

Watershed Development, an integrated approach for enhancing productivity under rain fed agriculture and a programme, which helps in re-generation of degraded natural sources, has been a priority area for NABARD. An integrated programme for watershed development with participatory approach through Non Government Organizing and village level community based organization like Village Watershed Committees has been under implementation in Maharashtra since 1992 with the support of German Development Bank, Germany. The impact of the programme has been felt in terms of community empowerment and regeneration of natural resources. The demand for credit has gone up significantly. Recovery of loans also improved due to strong community links developed during programme implementation. The Government of India, impressed by this model, set up a Watershed Development Fund with NABARD in 1992-2000 with a corpus
of Rs. 200 crore, equally contributed by Government of India and NABARD. As on March 2001, 97 districts spanning 9 states have been identified for implementation of the programme under the find up to 31 March 2001, 222 projects involving grant assistance of Rs.10.48 crore have been sanctioned.

Watershed is defined as any surface area from which rainfall is collected and drained through a common point. Development of such watersheds under the Watershed Development Programme implemented in Maharashtra has helped in:

* Improvement in drinking water availability.

* Rise in ground water recharge leading to increased irrigation and in turn increase in agricultural productivity, production and crop diversification including dairy farming.

* Reduction in distress migration owing to improved local employment.

  • Improved quality of life, housing, health, school attendance, etc.

b) Focus on the Marginalized and the Underdeveloped

While providing refinance facilities to the banks, NABARD has made special efforts to ensure adequate Credit flow to the poorest of the poor. Policy interventions like 'Minimum Involvement' norms have ensured the involvement of co-operative banks and Regional Rural Banks in provision of production credit to the farmers while the norms of earmarking a certain proportion of their lending’s to small and marginal farmers has assured credit to them. A separate line of credit on liberal terms for financing tribal has also been operationalized by NABARD for banks operating in predominantly tribal areas for production credit as also for acquiring production assets under the Scheduled Caster/Scheduled Tribe Action Plans of all the State Governments. The Poverty alleviation Programmes of Government of India are fully supported by NABARD and about 18 per cent of its refinance under investment credit has been provided for Government of India programmes like Swarnjayanri Gram Swarozgar Yojana and SC/ST Action Plans.
NABARD has also formulated and implemented externally aided projects for poverty alleviation like the German Development Bank assisted Tribal Development Project (Wadi) in Maharashtra and Gujarat and European Community assisted project on 'Transfer of Technologies for Sustainable Development' in Gujarat, Karnataka, Maharashtra, Rajasthan and Uttar Pradesh.

A comprehensive Tribal Development Programme called the 'Wadi Project' is being implemented in Gujarat and Maharashtra with the support of German Development Bank, a German Development Bank; the programme implemented through Non Government Organizations is expected to rehabilitate 22,700 families and 3,000 landless Women through sustainable horticulture production and social sector interventions. So, far 15,200 families have been disbursed under the project. More importantly the project has resulted in an increase in employment opportunities, reduction in migration, enhancement in entrepreneurial skills and empowerment of women.

c) Banking with 100 Millions Poor

NABARD recognizes the important role being played by women in shaping the destiny of rural India and setting the pace of growth. This realization has led to the designing of special products for women and their development. One of the major programmes that has made a difference to millions of poor, especially women, and contributed to the process of economic growth in the rural areas is the Self Help Group- Bank Linkage Programme. This programme of micro Finance made its beginning with the initiative of NABARD through a small pilot project in 1992, aimed at financing 500 Self Help Groups of poor people through the banking system and facilitating relationship banking for the poor. NABARD's initiative in micro finance has now turned into a sustainable social movement. The design and content of these innovations have remained dynamic and in tandem with the
changing needs of the micro finance sector in the country. These initiatives have attracted the attention of a wide range of stakeholders.

A large number of formal and informal agencies have partnered with NABARD in this unique process of socio-economic engineering. The relevance of the micro finance programme was greatly enhanced for all the partners through the core strategy of Self Help Group-bank linkage, which was built around a simple but basic aspect of human nature-the feeling of self-worth. A modest pilot project of linking around 500 Self Help Group with half a dozen banks across the country started in 1992, has as on 31 March 2001 involved over 31000 rural outlets of more than 500 banks with a loan portfolio of more than Rs.2000 crore. The formal banking system has reached the doorsteps of 116 lakh very poor households, providing micro credit to them through 7.17 lakh Self Help Groups, hand-held by over 2800 Partners. Today, the informal credit delivery strategy developed for the banking system by NABARD in collaboration with non-formal developmental agencies has expanded to become the largest micro finance programme in the world in terms of its outreach, extending banking system services to people hitherto unserved by the banking system. This programme has become a main line activity for banks with almost all of them participating in the programme. Banks have availed Rs.1419 crore as refinance from NABARD for financing Self Help Group up to 31 March 2001. It is no longer a mere programme, but has become a movement with various banks and government bodies joining hands to make it a success.

An Self Help Group is a registered or unregistered group of micro entrepreneurs with a homogeneous social and economics background, voluntarily coming together to save small amounts regularly and mutually agreeing to contribute to a common fund to meet their emergency needs on mutual help basis. The group members use their collective wisdom and peer pressure to ensure proper end-use of
credit and timely repayment thereof. Peer pressure has been recognized as an effective substitute for collaterals.

TABLE-2.9
Progress in Self Help Group-Bank Linkage Programme (Numbers)

<table>
<thead>
<tr>
<th>Year</th>
<th>SHG linkage During the Year</th>
<th>Cumulative up to the End of the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998-1999</td>
<td>18,678</td>
<td>32,995</td>
</tr>
<tr>
<td>1999-2000</td>
<td>81,780</td>
<td>11,14,775</td>
</tr>
<tr>
<td>2000-2001</td>
<td>1,49,050</td>
<td>2,63,825</td>
</tr>
</tbody>
</table>

Chart-2.7
(Numbers)
TABLE-2.10
Progress in Self Help Group-Bank Linkage Programme
(Rs. crore)

<table>
<thead>
<tr>
<th>Year</th>
<th>Bank Loan during the Year</th>
<th>Cumulative up to the End the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998-1999</td>
<td>33.31</td>
<td>57.07</td>
</tr>
<tr>
<td>1999-2000</td>
<td>135.91</td>
<td>192.98</td>
</tr>
<tr>
<td>2000-2001</td>
<td>281.89</td>
<td>480.81</td>
</tr>
</tbody>
</table>

Chart-2.8
(Rs. Crore)

NABARD has also designed a single window scheme called 'ARWIND' (Assistan To Rural Women In Nor- Farm Development) for meeting promotional and credi needs of women and scheme named 'MAHIMA' (Assistant for Marketing of No
Farm Products of Rural Women) specifically to promote and support the marketing of product produced by women entrepreneurs. NABARD has also extended grant support for setting-up of 100 'women development cell's in Regional Rural Banks and Co-operative banks with a view strengthening institutional capabilities in addressing gender issues and accelerating credit flow to women through 'relationship banking'. In furtherance of its initiative for development of women, Bank introduced a new scheme called ‘DEWATA’ (Development of Women through Area Programme), under which the Women development cells of selected banks are expected to identify the needs of 4000 women in respect of skill upgradation, capacity building, credit and social empowerment over a period of three years.

d) Studies through National and International micro Finance Experts

Prof. Hans Dieter Seibel’s study on profitability established that the Self Help Group portfolio is profitable despite the lower rates of interest charged by some banks, mainly due to ‘nil’ Non Performance Assets. Self Help Group banking was found to be a robust financial product, performing well in healthy as well as distressed financial institutions. While appreciating the philosophy of Self Help Group-Bank Linkage Programme, Dr. Erhard W. Kropp, in his holistic review, envisaged that the ‘Vision-2007’ for reaching out to one third of the rural poor through this programmed was quite realistic. Being predominantly women–focused, Self Help Group-banking is the first step towards feminization of the (micro) banking portfolio of Indian banks. He also suggested that the scaling up strategy could focus on further innovations in loan and saving products, post linkage management of Self Help Groups, building up Money Investment Scheme (MIS) for different stakeholders and facilitating mainstreaming of the poor into the rural economy. Prof. Malcolm Harper in his study, compared strengths and weakness of different Self Help Group promoting institutions, viz., Non
Government Organizations, banks, Farmers’ Clubs and Government Agencies which are required to factored in the scaling-up strategy. The study on the economic impact of the programme by NABARD, covering 115 members from 60 Self Help Groups with more than 80 per cent of the members belonging to the SC/ST and backward classes in three backward eastern state, viz., Chattigarh, Orissa and Jharkhand, revealed that there was a significant increase in assets (30%) and income levels (23%) of the members. A study by MYRADA on the social empowerment of women Self Help Group members reconfirmed the general belief that the empowerment of women was the major outcome of the Self Help Group bank-linkage programme Dr. Kim Wilson visualized a new convergence dimension in the form of associating Self Help Groups in the prevention of rural emergencies during natural disasters, with a substantial reduction in the cost of relief measures.

iv) Building a sound Network of Rural Financial Institutions

NABARD has always believed that strong Rural Financial Institutions that can ensure adequate and timely credit is the prerequisite for accelerated development of the agriculture and rural sector. Accordingly, NABARD continued and strengthened Reserve Bank India’s efforts towards the Institutional Development process specifically for the co-operative credit structure and the Regional Rural Banks.

With the introduction of the financial sector reforms in 1991, NABARD has taken upon itself the task of institution building and strengthening of these Rural Financial Institutions to place them on par with other financial institutions.

One of the most serious problems confronting the rural financial system in India has been the mounting level of overdue, partly arising out of deficiencies in the systems and procedures. Only taking strong, deterrent action, which necessarily requires government support, could arrest the trend in case of willful defaults. As
Regarding non-willful defaults, there is a need to look into the deficiencies of the credit delivery system itself and improve the quality of lending. Recognizing this, NABARD has been making efforts in helping the intermediary refinance institutions to improve their credit absorption capacity to enable them to deliver credit in a more effective manner. A pilot project on strengthening the credit delivery system was initiated by the Bank in 1984 in consultation with the World Bank, initially in 3 districts, which was extended to 13 more districts in 1986. The project sought to increase the volume and quality of agriculture credit operations, strengthen the credit delivery system and ensure timely and adequate supply of credit and its proper utilization and repayment. This was to be achieved by limiting the workload of field staff to a reasonable level by initiation of systematic and closer infield contacts of bank branch staff with the borrowers through regular and structured visits, ensuring better staff mobility, providing regular and need-based training, reviewing and disposing overdue accounts and bringing in greater flexibility in lending operations.

An evaluation study of the project conducted by NABARD in the selected districts indicated that the performance was uneven among them. Among the institutions, the impact was found to be better on the commercial banks. The impact of the project has been generally favorable in terms of improved bank-borrower relationship, increased lending and improved recovery performance to some extent.

The efforts in institutional strengthening were further intensified during 1994 through the introduction of bank-specific Development Action Plans followed by entering into Memorandum of Understanding by co-operative credit institutions and the State Governments with NABARD and by Regional Rural Banks with their sponsor banks to ensure performance. The Development Action Plans, aimed at sensitizing co-operative banks and Regional Rural Banks for providing
commercial orientation to their business planning by introducing them to the concepts of cost effectiveness, recycling of funds, professionalisation accountability and viability, are based on Strength Weakness Opportunity Threads analysis and cover financial aspects as also organizational and Human Resource Development aspects, systems and procedures, etc., which have a bearing on their viability, Memorandum of Understandings, which are intended to facilitate effective implementation of Development Action Plans, spell out the performance obligation under various financial parameters and package of measures to be taken by banks and the concerned State Governments. To enhance the effectives of institutional development measures through Development Action Plan and Memorandum of Understandings, the Bank introduced the system of executing annual Memorandum of Understanding from 1997-98, inter alias, to facilitate refinement of financial parameters and developments on a year-to-year basis. In collaboration with Swiss Agency for Development and Cooperation, NABARD has implementation an on-site Human Resource Development Programme called Organization Development Intervention in select Regional Rural Banks and District Central Co-operative Banks. Encouraged by the result, NABARD extended the programme to cover all Regional Rural Banks and District Central Co-operative Banks in a phased manner. The recapitalisation plan of the Government of India for Regional Rural Banks was implemented by NABARD and 187 out of 196 Regional Rural Banks have received recapitalisation support. Similar efforts in revitalization of co-operative banks are being made by the Government of India through the announcement of an initial contribution of Rs. 100 crore in the Union Budget 2000-2001.

NABARD has taken a creative initiative in bringing about an attitudinal change amongst borrowers in their outlook towards the concept of credit through the launching of Vikas Volunteer Vahini programme-Borrower Education, in
1983. The programme aimed at propagating the message of “development through credit” and repayment ethics by educating the borrowers and encouraging their voluntary efforts to establish a better rapport with bankers. The main thrust of the programme has been towards involving volunteers and establishing Farmers’ Clubs comprising exemplary, non-defaulting borrowers to disseminate the philosophy of development through credit. The progressive borrower members of the Farmers’ Clubs act as “Change Agents” and bring about an increased awareness among the farmers regarding credit facilities, mode of assistance, proper use of credit, repayment of loan, etc. The Vikas Volunteer Vahini programme has evolved over the years and is a major binding factor among the banks, rural poor, Non Government Organizations, government and extension agencies, which has been revealed in the evaluation study conducted on ‘Repayment Ethics’ and ‘Vikas Volunter Vahini Club’. Various studies have also revealed that the programme has proved to be supportive and development oriented in meeting the credit needs, improving recovery and recycling of funds besides promoting developmental activities in club villages. The programme, initially launched in six districts of three states (Gujarat, Orissa and Tamil Nadu) on a pilot basis in 1983, has spread to 449 districts covering 17,475 villages and the formation of 8,472 clubs as at the end of March 2001. An initiative has been taken for setting up of Technology Transfer Clubs with the support of Krishi Vigyan Kendras and Agricultural Universities on a pilot basis in Andhara Pradesh and Maharashtra to cater to the changing agricultural scenario in the country.

One of the significant achievements of Vikas Volunter Vahini programme is the development of Farmers’ Clubs as Self Help Promoting Institutions. In all, 1,123 clubs have promoted 10,726 Self Help Groups as at the end of March 2001. Apart from its development role, NABARD has also been entrusted with certain supervisory functions in respect of co-operative banks and Regional Rural Banks
under the Banking Regulation Act, 1949. NABARD, with a view to performing these functions effectively, has set up an ‘Advisory Committee’ and the ‘Board of Supervision’, consisting of internal and external experts to provide guidance on matters of supervision and inspection, keeping in view the contemporary situation. NABARD’s supervisory function consists of both on site inspection and off-site surveillance through periodical returns to by sent by the banks to NABARD.

Grant Support Extended under various

TABLE-2.11

(As on 31 March 2001)

<table>
<thead>
<tr>
<th>Name of the Fund</th>
<th>Year of Establishment</th>
<th>Amount Disbursed (Rs. Crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research &amp; Development Fund</td>
<td>1982-1983</td>
<td>65.05</td>
</tr>
<tr>
<td>Co-operative Development Fund</td>
<td>1992-1993</td>
<td>46.49</td>
</tr>
<tr>
<td>Watershed Development Fund</td>
<td>1999-2000</td>
<td>6.41</td>
</tr>
<tr>
<td>Micro finance Development Fund</td>
<td>2000-2001</td>
<td>12.82</td>
</tr>
<tr>
<td>Credit and Financial Services Fund</td>
<td>1995</td>
<td>64.85*</td>
</tr>
<tr>
<td>Rural Promotion Corpus Fund</td>
<td>1995</td>
<td>41.36</td>
</tr>
</tbody>
</table>

* Including expenditure towards publications and loan support to some extent

Institutional Development Initiatives

- Preparations of Development Action Plans and facilitating implementation of the same by entering Memoranda of understanding with concerned partners.
- Assist in implementation of recapitalisation and revitalization plants for Rural Finance Institutions.
- Capacity building through Organization Development Interventions.
• Setting-up Co-operative Development Fund for supporting development activities of Co-operative Banks.
• Provide assistance for establishment of Technical Monitoring and Evaluation cells y Co-operative Banking and Regional Rural Banks
• Intensive development of selected District Central Co-operative Banks.
• Annual Best Performance Award to motivate co-operative institutions.

v) Facilitating optimal use of Resources through Credit Planning

Credit planning is in as essential ingredient for systemizing celebrated economic growth. However it was conventionally used for prioritizing the allocation of financial without linking it with the other resources essentially needed to make the credit optimally productive. Recognizing this gap, as also some of the deficiencies of the District Credit Plans prepared earlier by the lead Banks and taking advantage of the experience available with it in preparation of project for long-term investments in agriculture.

NABARD, as an apex institution in the field of rural credit, initiated the process of refining the technique of micro level credit planning with specific reference to the exploitation of the sector-wise potential to build a meaningful link between the development plan at the district level and the process of credit planning. This resulted in the preparation of District-wise Potential Linked Plan by NABARD on an annual basis with the objective of exploring existing potential for development and evolving an appropriate mechanism through which such potential could' be harnessed with credit support over a specified time frame.

It was the first step towards decentralized planning. NABARD has considerably strengthened the credit planning process through this document. The Potential Linked Plans have forged necessary links between credit, other important inputs and availability of infrastructure, thus reflecting in amore realistic way the local needs as well as potential for development. A separate Chapter on 'Farmers'
Response’ is being introduced to make it closed to the ground realities. Today the document is looked upon by various or organizations engaged in rural development as a source of valuable information for credit supported developments, providing direction for the optical exploitation of sectors having growth potential at macro and micro levels. At the base level, Chief Executive Officers of Zillah Panchayati are using Potential Linked Plans for base data and also for preparing background notes while presenting issues pertaining to their own district. Banks are using Potential Linked Plans for taking policy decisions in respect of branch expansion based on, banking potential indicated. Potential Linked Plans are utilized not only by the financing and government agencies, but also by a variety of used like universities, research / academic institutions, consultants engaged in preparation of project Reports, private companies like tractor/power tiller, fertilizer, pesticides manufacturers, medicinal plant extraction units, elite farmers, etc. These plans, prepared for every district in the country, afford intra-state and inter-state companies. As a corollary to decentralized planning, NABARD prepares State Focus Papers, presenting a comprehensive picture of the potential for development in the state along with the infrastructure and other support services available and the gap that needs to be bridged to exploit this potential effectively. Efforts required channels the flow of the institutional credit for balanced development of various sector of the state economy and for implementation of national and state priority programmes are other aspects covered in the State Focus Paper. To avoid value to these documents, NABARD takes initiative in convening State Level Credit Seminars every year to deliberate on the State Focus Papers with major financing institutions, State Government departments and development and development agencies for initiating appropriate action to remove the bottlenecks in the credit flow and to solicit adequate budgetary support for creation of needed infrastructure and support services. It is heartening to note that the discussions held
during these seminars have influenced policy changes; facilities accelerated credit flow at the ground level and consequent development.

The process initiated by NABARD in credit planning by way of preparing Potential Linked Plans for each district has been stabilized. Over the last fifteen years, NABARD has been preparing base Potential Linked Plans for each district, co-terminating with Five Year Plan periods of Government of India and updating them on an annual basis after taking into account the availability fresh / updated information, latest development and insights gained during implementation.

**Impact of Potential Linked Plans / State Credit Seminars**

A few highlights

- State Planning Board in Karnataka recommends the use of Potential Linked Plans projections by the Government Agencies.
- Decision like reduction of sales tax on poultry feed taken by the State Government of Assam based on the constraints identified in Potential Linked Plan.
- Incorporation of requisite technical inputs enabled State Governments provide funds in State Budget for creation of necessary infrastructure.
- Decision to diversify 10 per cent of the area from paddy to other kharif crops-Haryana.
- Village ponds given on long lease- Punjab.
- Water lifting permission period extended from 6to15 years- Karnataka.
- Amendment to Co-operative Societies’ Act to enable co-operative banks to enroll Self Help Groups as nominal members and get credit facilities- Kerala

In the year 1989, NABARD, this had its offices only at state headquarters, decided to set up one-man offices of District Development Managers in select Districts. The main focus of District Development Mangers has been enhancing
organizational learning's with reference to the field realities, establishing a two
way communication process between NABARD and the field functionaries with a
view to enhancing their involvement in credit planning, its implementation and
intensified monitoring, besides ensuring effective, co-ordination among various
agencies involved at the district level. District Development Mangers play a
variety of roles and functions in the core areas of credit planning, preparation of
Potentials Linked Plans and background papers (inputs for preparing Service Area
Plans by back branches) monitoring, and co-ordination and development related
activities of Rural Financial Institutions. They have, over the years, become an
important link between governmental agencies, Rural Financial Institutions, Non
Government Organizations / Voluntary Agencies and other agencies involved in
agriculture and rural development. District Development Manager guide and
provide assistance to Regional Rural Banks and co-operative banks in preparation
of Development Action Plans and their implementation so as to make them strong
and sustainable District Development Mangers are also taking initiatives in
promotional activities bringing Non Government Organizations /Voluntary
Agencies bank and branches together for strengthening micro finance activities of
the rural poor, promoting farmers club, etc.

In line with the changing development role of NABARD, the role of the
District Development Manager has been enlarged to cover various other areas such
as monitoring the progress of projects sanctioned under Rural Infrastructure
Development Fund, District Action Plans / Memorandum of Understandings of
Co-operative Banks and Regional Rural Banks coordinating with the nodal officers
of Agricultural food products Export Development Authority for promotion of
Agricultural Export Zones, etc. District Development Managers are laying the vital
role of bringing a convergence between the perceptions of different institutions
related to credit and development at the district level, thus becoming facilities for
accelerated credit flow to agriculture. As on 30 March 2001, there were 330 District Development Manager offices spread all over the country.

NABARD had recognized the importance of Research and Development rights from its inception and has accordingly set up a Research and Development Fund which supports research studies, surveys, seminars, conferences, symposia, workshops, etc., in the area of agriculture and rural development. It also supports 'NABARD Chairs' in select universities/research institutions and publication of 'Occasional Papers' on topical issues authored by in house and external experts. The findings of research studies, outcomes of seminars and conferences and recommendations thereof are being interlined for modifying the development policies and programmes of NABARD from time to time. The fund is also utilized to support the setting-up to Technical, Monitoring and Evaluation cells co-operative banks / Regional Rural Banks for business development/diversification and appointment of Tribal Credit Specialists to facilities the financing of tribal.

Research and Development Activities

185 Research Projects/studies supported so far, the projects supported from Research and Development Fund are mostly related to promotion of applied research and technology based innovations, commercialization as well as transfer of technology, dissemination of information and for conducting in-depth studies in socio-economic aspects. A few Major project include, micro propagation of forest trees species, citrus and litchi, standardization of technology-clonally propagate production, root grubs in cardamom; management of pests with bio-control agents; development of flow through system for industrial aquaculture; cage culture for rearing fish-seed, commercial feasibility of giant fresh water prawns; conversion of bio degradable aquatic animal waster for livestock feed egg drop syndrome investigation; production of edible oyster culture; manorial value of coir-dust compost; development of agro-forestry models; operation research project for
ecology restoration; vermin-compost production; re-use of industrial waste water, bio-conversion technology to augment nutrient utilization of agro-industrial by-products; management of salt affected soils; creating awareness on precision farming population of water conservation measures; etc.

546 Seminars/Conferences on various themes of interest to NABARD supported so far.

29 ‘occasional/Working Papers’ published on relevant topics authored by eminent experts in an effort to generate and disseminate information on policy issues relating to agriculture and rural credit. NABARD consultancy Services (Nabcons) Cell was set up in the Bank in July 2000. Nabcons leverages are the core competencies of the organization. During 2000 -01, Nabcons provided consultancy services to various clients in the areas of micro financing, private infrastructure and investment projects, preparation of plans for integrated development of farms, business planning for organizations, integrated area development schemes for horticulture and sericulture technology and management of cold storages, commercial livestock, project evaluation, economic and commodity related research, making and value addition, organic farming non-farm enterprises, etc. The clientele included International Agencies, Banks, Planning Commission, and Ministries of Government of India, State Governments and Private Entrepreneurs.

2.5 ROLE AND FUNCTIONS OF NABARD

Promoting sustainable and equitable agriculture and rural prosperity through effective credit support, related services, institution building and other innovative initiatives NABARD primarily has the following functions:

A) Credit desperation
B) Development and
C) Regulatory functions.
A) Credit Functions:

NABARD provides different types of refinance to the following eligible institutions.

A (1) Short Term Credit

Eligible Institutions:

a) State Co-operative Banks, b) Regional Rural Banks, c) Commercial Banks,
   d) other financial Institutions approved by Reserve Bank of India and
   National Bank for Agriculture and Rural development.

b) Purposes:

a) Seasonal agricultural operations and marketing of crops.
b) Marketing and distribution of inputs like fertilizers, Pesticides etc.
c) Any other activities connected with rural /agricultural sector.
d) Bonafide commercial trade transactions.
e) Productions and marketing activities of (i) Artisans (ii) Small scale
   industries (iii) Village and cottage industries (iv) Handicrafts (v) Sericulture
   (vi) Handlooms etc.
f) Periods: Up to 15 months.

A (2) Medium Term Credit

Eligible Institutions for Refinance

i) State Co-operative Agriculture and Rural Development Banks
ii) State co-operative Banks
iii) Regional Rural Banks

57
iv) Commercial Banks
v) Other Financial Institutions approved Reserve Bank of India.

Purposes:

Any investment connected with agriculture and rural sector requiring Money Transfer Credit assistance.

Periods: Between 18 months to 7 years.

A (3) Long Term Credit

Institutions Eligible for Refinance: -

i) State Co-operative Agriculture and Rural Development Banks
ii) Regional Rural Banks
iii) State Co-operative Banks
iv) Commercial Banks
v) State Agriculture Development Finance Companies
vi) Other Financial Institutions approved by Reserve Bank of India

Purposes:

a) Farm Sectors:

Refinance for investment in agriculture and allied activities such as minor irrigation, farm mechanization, land development, soil conservation, dairy, sheep rearing, poultry, piggery, plantation, horticulture, forestry, fishery, storage and market yards, bio-gas, and other alternative sources of energy, sericulture, apiculture, animals and animal driven carts, agro-processing, agro-services centers, compost plans modern abattoirs, pump -sets, energisation etc.
a) **Non-Farm Sectors**

Refinance for investment artisans, Small Scale Industries, tinny Sector, Village and Cottage industries, handicrafts, handlooms, power looms etc.

c) Loans to State Government for share capital contribution to co-operative institutions.

d) Investment in share capital securities of institutions concerned with agriculture and rural development.

**Loan period:** Up to a maximum of 25 Years.

**Refinance Windows:**

a) Automatic Refinance facility (ARF): Release of refinance without prior sanction for refinance limit up to Rs. 15 lakhs.

b) Project based lending.

A (4) **Conversion and Rescheduling Facilities:**

NABARD provides refinance to eligible institutions normally state co-operative Banks, Regional Rural Banks or any such financial institution as may be approved by the Reserve Bank of India for conversion and rescheduling of loans under conditions of drought famine or other natural calamities, military operations, and enemy action etc. Similarly this facility is also available in respect of loans made to artisans, small-scale industries, agricultural operations and marketing of crops.

**Loan Periods:** Generally not exceeding a period of 7 years.
A (5) Financing Cottage/ Village/ Small Scale Industries

All such industries located in rural areas will be eligible for refinance from National Bank for Agriculture and Rural Development.

B) Developmental Functions:

National Bank for Agriculture and Rural Development provides following developmental functions.

- Co-ordinates operations of credit institutions.
- Ensures institution-building to improve absorptive capacity of the credit delivery system.
- Development expertise to deal with agriculture and rural problems.
- Assists Government, RBI and other institutions in rural development efforts.
- Acts as agent to Government and RBI in transaction of business in relevant areas.
- Provides facilities for training and Research and dissemination of information in rural banking and development.
- Assists State Government to enable to contribute to the share capital of eligible institutions.
- Provide direct loans are cases approved by Central Government.
c) **Regulatory Functions:**

i) The Banking Regulation Act 1949, empowers NABARD to undertake inspections of Regional Rural Banks and Co-operative Banks (other than primary Co-operative Banks)

ii) Any Regional Rural Banks or Co-operative Banks seeking permission of Reserve Bank of India for opening branches etc will have to obtain the recommendation of NABARD

2.6 **Criteria for Refinance:**

- Important Criteria followed by National Bank for Agriculture and Rural Development in judging whether it can provide refinance to any scheme submitted by financing institution are.
- Technical feasibility of the project and adequate response from the prospective beneficiaries.
- Financial viability and adequate incremental income to the ultimate borrowers to repay the loan within a reasonable period.
- Organizational arrangements to ensure close supervision by the financing banks.

2.7 **Ultimate beneficiaries:**

While all funds are routed through the State Co-operative Agricultural Rural and Development Banks / State Co-operative Banks / Commercial Banks / Regional Rural Banks / Agricultural Development Finance Companies by National Bank for Agriculture and Rural Development. The ultimate beneficiaries of investment finance may be individuals, partnership concerns,
companies, state owned corporations or co-operative societies. The ultimate beneficiaries of production credit are generally individuals who are members of primary credit institutions.

2.8 Lending Term Quantum of Refinance

National Bank for Agricultural and Rural Development refinance forms a major portion of the on lending made by the ultimate beneficiaries, regarding from 75% to 95% the balance being met by the banks or by the concern State Government, Government of India in case of State Co-operative Agriculture and Rural Development Banks.

In order to stimulate the credit flow to the rural Non-form sector in the context of the importance attached to the development of non-form activities in the seventh plan, National Bank for Agriculture and Rural Development has set up a quantum of refinance up to 100% of the bank loans from the present levels of 90% this sector covering cottage, tiny and village industries and rural artisans etc

Security:

The financial bank obtained such security, as is prescribe which normally is in the form of:

i) Hypothecation of assets created,

ii) Mortgage of loan,

iii) Personal surety in government guarantee etc.
Margin Money:

National Bank for Agriculture and Rural Development stipulates beneficiary’s contribution to the project cost in order to ensure his/her state in the investment. Such margin money various generally various from 5% to 25% according to “type of investment and the class of borrowers”. It is normal 55 in the case of small farmers. Thus can by way of contribution in cash or by way of own or family labours corporate borrower; such as irrigation corporations etc provide higher contribution up to 25% of the investment cost.

9 Special Focus:

Removal of regional/ sect oral imbalance, National Bank for Agricultural and Rural Development considers removal of regional and sect oral imbalance as one of the thrust areas and gives preference to the needs of less developed areas in terms of allocation of resources, quality of refinance etc.

High-tech and Export Oriented projects:

National Bank for Agriculture and Rural Development issues guidelines for formulation of high-tech and export-oriented projects in farm and non-farm sectors; besides, it undertakes consultancy work for projects including appraisal of projects even in case where refinance is not availed from National Bank for Agriculture and Rural Development.

Agricultural Development Finance Companies:

Agricultural Development Finance Companies for financing hi-tech/commercial ventures, with National Bank for Agriculture and Rural Development as Chief
promoter, holding 26% equality, have been set up in Andhra Pradesh, Tamil Nadu and Karnataka States.

2.10 Resources:

Capital:

The paid up capital of National Bank for Agricultural and Rural Development is Rs. 100 crores, subscribed by the central Government and the Reserve Bank of India in equal proportions.

Other Funds:

a) Internal

- Short term General line of credit from Reserve Bank of India
- National Rural Credit (Long Term Operations) funds.
- National Rural Credit (stabilization) fund
- Issue and sale of bonds and debentures, Guaranteed by Central Government.
- Direct borrowing acceptance of deposits, and receipt of gift, grant etc.
- Borrowing from central Government and any other organization as approved by Central Government.

b) External borrowing through Government of India.

i) World Bank

ii) International Fund for Agricultural Development

ii) Other country like Unite Kingdom, West Germany, European Eastern Country, Switzerland, Nether land, Canada, Co-financing with World Bank Group
2.11 Organization Set Up

In terms of the Act, the Board of Directors will consist of fifteen members to be appointed by the Central Government in consultation with the Reserve Bank and will comprise beside the chairman and managing director, three directors from Central board of the Reserve Bank, three officials of the Central Government, two officials of the State Governments and five directors from among experts in rural economics, rural development, handicrafts and village and Cottage Industries and persons with experience in the working of Cooperative Banks and Commercial Banks. The Act provides for constitution by the Board of Advisory Council consisting of the directors of the National Bank and other persons having special knowledge of subject, which considered useful to the bank.

National Bank for Agriculture and Rural Development Offices:

The Head office of National Bank for Agriculture and Rural Development is situated at sterling Center, 1st floor, Dr. Annies Besant Road, Worli Mumbai-400018. It has Regional Offices in a State Capitals, Maharashtra Regional Office at Pune, Sub Offices at Agartala, Gangtok, and imphal, Jammu, Panaji, Simla and Shilong.

2.12 Promotional Role

National Bank for Agriculture and Rural Development plays a vital role in the reduction of regional imbalances and providing assistance to small farmers, marginal farmers, and other weakness section. It plays special attention to exploring new and innovative investment opportunities in agriculture and rural development.
a) Research and Development fund

National Bank for Agriculture and Rural Development maintained a Research and Development Fund for research cum-action oriented projects in the field of rural development. The fund will also be assisting the State Co-operative Agriculture and Rural Development Banks/ Regional Rural Banks to build up their technical capabilities. Apart from annual contributions to the fund out of National Bank for Agriculture and Rural Development profit, the fund will be further supplemented by gifts, grants, donations etc that National Bank for Agriculture and Rural Development get for the purpose from various sources.

b) Soft loan assistance fund for margin money

NABARD has constituted soft loan assistance fund for margin money out of its profits to facilitate grant of margin money assistance to the promoters/entrepreneurs to be assisted under the refinance schemes for cottage, tiny and village industries. The assistance is provided free of interest to be recovered in suitable annual installments after the repayment of term loans.

c) Training:

As part of its institution building efforts, NABARD provides comprehensive training to officers of other banks viz. commercial banks, Regional Rural Banks, State Co-operative Agriculture and Rural Development Banks as also its own officers. The facilities for training in the field of rural banking agriculture, and rural development are provided at its own colleges, at Banker Institute of Rural Development and Academy for Agriculture and Rural Development Banking (CAB), Pune and the training establishments of various other banks.
d) **Institution building:**

One of NABARD main functions will be institution building, besides undertaking inspection of Co-operative Banks and Regional Rural Banks it also helps in their reorganization, restructure or rehabilitation according to needs, with a view to ensuring sound lending by banks NABARD links its refinance support to the recovery performance of banks.

The bank has also launched a scheme of borrower’s education in repayment ethics through its ‘Vikas Volunteer Vahini’, operative in select areas. In this programmes farmers and artisans who have successfully put into practice the principles of development through credit, are drafted to disseminate financial discipline among the beneficiaries of the rural banking system.

NABARD has launched pilot projections (20) districts for improving the credit delivery system is strengthening its organizational structure and its capabilities.

e) **Monitoring and Evaluation**

NABARD plays special attention to monitoring the various projects in order to ensure their proper implementation and to evaluate them so that, in the light of findings the quality of the projects and their implementation can be improved. NABARD also review the performance of the on-going agricultural development scheme sanctioned by it through its District oriented monitoring studies.

2.13 **Lending Terms and conditions (Common to all schemes)**

**Location** ;The National Banks refinance is available to the Commercial Banks, and Regional Rural Banks in respect of production units located in ‘rural areas’ cover
All the villages irrespective of their population and the towns with population not exceeding 10,000 or such other figure as the Reserve Bank may specify from time to time refinance to State Co-operative Banks and State Co-operative Agriculture and Rural Development Banks is available irrespective of the location of the units financed by them. For the purpose of refinance location of the production units is taken into account and not is registered office or the location of the location of the financing Branch / Bank.

**Rate of Interest:**

The rate of interest charged by the National Bank on its refinance as well as the rate of interest charged by the financing institutions to ultimate borrowers in determined from time to time taking into account the general interest rate structure prescribed by the Reserve Bank of India. The present rate of interest for the National Banks refinance and those for loans by the banks to ultimate borrowers in respect of term loans for non-farm sector lending including the SSI units are as under

**TABLE –2.12**

National Bank Rate of Interest (in % P.a.)

<table>
<thead>
<tr>
<th>Quantum of loan</th>
<th>On Refinance</th>
<th>Rate of Interest for Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>I) Up to and inclusive Rs.7500</td>
<td>6.5</td>
<td>11.5</td>
</tr>
<tr>
<td>ii) Over Rs.7500 and up to Rs.25000</td>
<td>6.5</td>
<td>13.5</td>
</tr>
<tr>
<td>iii) Over Rs. 25000 and up to Rs.2 lakh</td>
<td>10.5</td>
<td>15.0</td>
</tr>
<tr>
<td>iv) Over Rs. 2 lakhs and up to Rs.7 lakhs</td>
<td>12.0</td>
<td>16.5</td>
</tr>
<tr>
<td>v) Over Rs. 7 Lakhs</td>
<td>13.5</td>
<td>18.0</td>
</tr>
</tbody>
</table>


**TABLE –13**

**Extent of Refinance**

<table>
<thead>
<tr>
<th>Nature of Scheme</th>
<th>Extent of refinance available as % of bank loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>i) Integrated Rural Development Programme (ISB) SC/ST action plan National Project for Biogas development</td>
<td></td>
</tr>
<tr>
<td>a) Commercial Banks</td>
<td>70%</td>
</tr>
<tr>
<td>b) State Co-operative Agriculture and Rural Development Banks</td>
<td>95%</td>
</tr>
<tr>
<td>ii) Agro industries</td>
<td>75%</td>
</tr>
<tr>
<td>iii) Financing of SSI units for non-agro industrial activities</td>
<td>75%</td>
</tr>
<tr>
<td>iv) All other Non Farm Sector Schemes</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Eligibility Criteria:**

The National bank has prescribed certain eligibility criteria (based on recovery performance) to be complied with by banks for availing of refinance for farm sector activities. No such conditions are applicable for refinance in respect of non-farm sector activities except in the case of installation of bio-gas plants in the case of lending by co-operative banks for ISB component of IRDP, the question of dispensation of eligibility criteria is subject to review every year.

**Government Guarantee:**

The refinance in respect of loans for investment purposes is provided to all the banks, other than State Co-operative Agriculture Rural Development Banks, without insisting on government guarantee. However, refinance to State Co-operative Agriculture Rural Development Banks / Primary Land Development Banks in respect of loans for investment purposes and to State Co-operative Banks/
District Central Co-operative Banks in respect of limits for working capitals provided against government guarantee.

**Mode of Refinance:**

Refinance from the National Banks is mode available to banks on either automatic basis without recourse to pre sanction procedure or systematic basis with prior approval. Automatic Refinance facility under a very simplified procedure has been extended to ensure speedy dispensation of credit by the banks to rural artisans/entrepreneurs for setting up cottage/ village, tiny and small industries as also the rural industrial activities covered by various sponsored programmes of the Central / State Governments, the National Bank, refinance to bank would be available to banks for financing any industrial activity in small, tiny cottage and village industries sector except those specifically, place in the negative list issued by the ministry of finance Government of India, from time to time. In the case of schemes not covered by Automatic Refinance Facility (ARF), prior approved of the National Bank is required. The schemes are approved subject to various terms and conditions depending on merits of each case Regional Offices of the National Bank have been delegated adequate powers to sanction Schemes and release funds there against in a majority of cases to ensure expenditure dispensation of credit to the banks.

**Types of units eligible for assistance:**

Under the National Banks’ refinance schemes assistance is available for setting up of new units as well as modernization of units that are in existence at least for five years.
Modernization would cover:

i) Replacement of old and obsolete machinery,

ii) Acquisition of banking equipment for fuller and more effective utilization of the installed capacity,

iii) Change over to new process of manufacturing/ introduction of new technology, computerization etc. The board of features of each of the refinance schemes is set out in the following paragraphs.

2.14 Automatic Refinance Facility

Credit facilities for setting up small, cottage, tiny, village industries in rural areas under the Automatic Refinance Facility (ARF) can be classified into three broad categories as under:

i) General Refinance Schemes,

ii) Refinance scheme for infrastructure and promotional support;

iii) Refinance Scheme for financing Small Road Transport Operators

14(1) General Refinance Schemes (GRS):

Under GRS, the following types of loans are given:

14-(1) (i) Composite Loans

Beneficiaries:

Rural artisans, handicrafts, small entrepreneurs (groups of individuals’ and partnership firms etc) The composite loan scheme is basically intended for small
entrepreneurs and individual artisans/ craftsmen, handicraftsmen and other small entrepreneurs. All the banks are eligible for this refinance facility

**Nature of Assistance:**

Composite loan consists of consists of block capital or working capital or both. The refinance is provided for a wide range of industrial activities except those specially placed in the negative list issued by ministry of finance, Government of India, further, service oriented industries which support rural industrialization and household service activities are also covered under this line of credit. However, purely trading and business activities are not eligible for assistance.

**Amount of loans:** up to Rs. 50,000

**Margin:** Nil

**Repayment of period:** 3 to 10 years

**Moratorium:** 12 months, this can be increased to 18 months in deserving cases

**14(1) (ii) Integrated loans:**

**Beneficiaries:**

Individual artisans, ‘group of individuals’, proprietary and partnership concerns as also industrial Co-operative societies. Groups of individuals broadly cover formal or informal associations or body of individual persons represented by co-operative society registered institutions/ trusts, voluntary agencies, partnership firms, corporate entities like private and public limited companies and associations broadly covered under informal groups. The facility is available to Commercial Banks, State Co-operative Banks, District Central Co-operative Banks and State Co-operative Agriculture and Rural Development Banks.
**Nature of Assistance:**

Block Capital with working capital for one operating cycle. The activities covered by the composite loan scheme are eligible for refinance under the integrated loan schemes.

**Maximum loan:**

Rs 7.50 lakhs. If total loan exceeds Rs. 5 lakhs the working capital component will be restricted to 50 percent of the total loan.

**Project Components:**

Land and Site development (including cost of land to the extent of borrowers' down payment) cost up work sheets, plant and machinery equipment and tools, techniques up gradation project formulation and consultancy charges, preliminary and pre cooperative expenses, working capital for one operating cycle.

**Margin:** 5% of loan up to Rs. One lakh, 10 percent for loans above Rs. One lakh.

**Repayment Period:** 3 to 10 years.

**Moratorium:** 12 month, which can be increased to 18 months in deserving cases.

**Project outlay:**

Activity having the project outlay up to Rs. 8.50 lakhs only is eligible under the scheme the refinance being restricted to Rs. 7.50 lakhs
14(1)(iii) Project Formation and Consultancy Services

Beneficiaries:

Promoters/ entrepreneurs/ units availing assistance under integrated loan Schemes. The facility is available through Commercial Banks, State Co-operative Banks, District Central Co-operative Banks, and State Co-operative Agriculture and Rural Development Banks.

Purpose: Consultancy/ project formulation charge Amount of loan up to Rs. 10,000.

Margin: - 10% (Percentage)

Repayment period: Up to 7 years.

14(2) Infrastructures and Promotional Support

14(2)(i) Financing of work sheds (through all agencies)

Beneficiaries:

Individuals, Promotional organizations of Government; Semi-Government Organizations, Voluntary agencies etc

Amount of loan: Rs 3000 to Rs. 12500.

The beneficiaries availing of composite loans will be eligible for additional assistance for work shed up to 25 percent of the composite loan availed of in the case of promotional organization etc.
Quantum of assistance:

May be decided at the rate of Rs.12500 per individual covered (only for construction of work shed excluding land cost)

Margin: Nil in case of individuals, percent in case of promotional agencies.

Repayment period: up to 10 years with one-year moratorium.

14(2)(ii) Promotional organizations in the decentralized sector (through CBs only)

Beneficiaries: Promotional organizations.

Purpose: Setting infrastructure facilities for supply for supply of raw materials, Marketing and delivery van etc

Loan Assistance: Raw material supply centers: Rs one lakh marketing support.

Show –Rooms Go down etc: Rs 2 to Rs. 5 lakhs.

Delivery Van: prevailing cost.

Margin: 10 percent

Repayment period: 7 years with one-year moratorium

14(3) Small Road Transport Operators

Beneficiaries: -

Individual groups of individuals include partnership/ Proprietary firms and co-operative enterprises. The facility is available through Commercial Banks, State Co-operative Banks, District Central Co-operative Banks and State Co-operative Agriculture Rural Development Banks / PLDBS and Regional Rural Banks.
Purpose:

Purchase of 1-2 vehicles (new) (only in case of Regional Rural Banks) with payload not exceeding three tones to be used for transport of only rural farm/Individual produce

Eligibility:

The borrowers should possess experience in the transport line as a driver or alternatively should employ or associate an experienced driver such borrowers or employee should have a valid license and a permit to operate the vehicles.

Margin: - minimum of 15%

Repayment Period: - Five years with moratorium of 6 months

2.15 Schemes with prior Sanction:

15(1) Term loan Assistance to small-scale industry units (through Commercial Banks)

Eligible Borrowers:

Individual proprietary/partnership concerns, private/public limited companies/promotional Development organizations, state level federations/corporations, Joint Sector undertakings

Purpose:

Setting up new and modernization of existing units (other than agro-industries) in case of modernization, the total investment in plant and machinery including the
cost of new machinery should not exceeding the SSI limit and the unit should have been in existence at least for a period of 5 years.

**Eligible items of Investment:**

a) Land and site development (Including cost of land up to the margin money require to be brought in by the borrower.

b) Construction of work sheds (Including civil structure, god owns for storage, market outlets and other essential amenities.

c) Plant and machinery (Including machinery equipment required for package and preservations)

d) Equipments and tools

e) Delivery van

f) Project formulation and consultancy charges

g) Preliminary and pre-operative expenses

h) Margin for working capital.

**Margin:**

25% of the project cost however, assistance will be available from the soft loan assistance fund to meet the margin requirement up to a maximum of 15 percent of the project cost.

**Repayment period:** - 3 to 10 years with moratorium of 12 months.

**Moratorium:** 2 years

**Debt Equity Ratio:** - (DER) 3:1

Central /State Government subsidy available to projects coming up in the specific backward areas may be treated as equity for the purpose of computing DER.
15(2) Term loan Assistance to Registered Institutions (Through CBs)

Eligible borrowers: - Societies registered under the Societies Registered Act 1860

Purpose: - Undertaking engaged in any activity except those specifically placed in the negative list by the ministry of finance, Government of India.

Quantum of Assistance:

There is no ceiling on the quantum of assistance but the investment in plant and machinery of the unit should not exceed the ceiling stipulated for SSI units.

Margin: - 10 percent of the project.

Repayment Period: - 3 to 10 years.

Eligibility item of Investments:

i) Acquisition of plant and machinery and equipment and tools

ii) Godowns

iii) Opening of showrooms

iv) Purchase of delivery Van/ Trucks

Margin: -10 percent of the project cost

Repayment period: - 3 to 10 years.

Moratorium: 2 years

15(3) Term loan Assistance to industrial co-operatives (Through State Co-operative Banks)
Eligible borrowers: -

Industrial co-operative societies identified as viable/potentially viable by the State Government.

Purposes: -

Undertaking engaged in any activity except those specifically placed in the negative list by ministry of finance, Government of India.

Quantum of Assistance:

There is no ceiling on the quantum of assistance but investment in plant and machinery of the unit should not exceed the ceiling stipulates for Small Scale Industry units.

Eligible items of Investments:

i) Acquisition of equipment of tools.

ii) Construction of work shed.

iii) Showroom

iv) Godown

v) Purchase of delivery van.

15(4) Project finance for Agro-Industries (Through Commercial Banks, State Co-operative Banks and State Co-operative Agriculture Rural Development Banks)

Eligible Borrowers:

i) State level corporations such as agro-industries corporations, Khadi and Village Industries Corporation /Khadi and Village Industries Board, state
j) level cooperative societies/Federations, cooperative marketing/processing and industrial societies, joint sector undertaking, registered societies in Khandi and Village Industry Corporation/Khandi and Village Industry Board fold.

ii) Public private limited companies, partnership firms and proprietary concerns.

Limit of Loans:

For beneficiaries in category (i) there is no ceiling (ii) one the units conforming to Small Scale Industries norms would be eligible for assistance. Items eligible for term loan assistance. Cost of land (up to the limit of margin to be brought in by the borrowers) site development construction of work shed/building, plant and machinery equipment and tools, cost a technical up gradation technical know how and engineering, preliminary and pre-operative expenses, project formulation and consultancy fees, acquisition of transport vehicle, pre-servation including cold storage, packing and marketing etc.

Ineligible activities/Products:

Besides tractors manufacturing units, the following units will not eligible for financial assistance

i) Cigarettes,

ii) Beer, wines and alcohol’s spirits,

iii) Toilet and cosmetic preparations,

iv) Vanaspati,

v) New Jute Mills,

vi) Transformer oils by the government,

vii) Pesticides formulation,

viii) Baby foods,
ix) Ammonium nitrate from Calcium, ammonium nitrate (fertilizer grade)
x) Mini paper plants (These Units are considered)
xi) Re-rolling Mills (not viable)
xi) Roller flour Mills.

Margin:

12.5 percent of the project i.e. bank loan not to exceed 87.5 percent of the project cost.

Repayment period: Up to 10 years inclusive of moratorium 1 to 3 years.

Debt Equity Ratio: 3:1

15(5) Scheme for the COIR Sector: Refinance facilities for installation of Defibering units.

Beneficiaries: - Entrepreneurs- (Through Commercial Banks)

Primary co-operative Societies-Through State Co-operative Banks.

Purpose: - Installation Defibering unit

Eligibilities (Societies):

Societies placed under ‘A’/ ‘B’ class of audit during proceeding two year societies classified as ‘C’ under audit would be eligible only with special recommendation of state government.

Margin: - 20 percent or cost of lands whichever is more.

Repayment or period: - 6 years are including 2 years of moratorium
15(6) Schemes for Handloom Sector

k) Modernization /acquisition of looms, construction of worksheds (Through Commercial Banks/State Co-operative Banks)

Beneficiaries:

Weavers registered as members with state handloom Development Corporation through Commercial Banks and weaver members of Weavers Credit Societies / Primary Agricultural Credit Societies / Farmers Service Societies through State Co-operative Banks.

Loan Amount: Up to Rs. 7500 (Net of subsidy if any)

Repayment Period:

a) 3-5 years for loans for looms only.

b) 10 years in respect of loans for booms and worksheds. If subsidy, the loan will be repayable in 8 years.

ii) Opening/Renovation Emporia.

Beneficiaries:

State handloom development corporations (through Commercial Banks), Apex/regional weaver’s societies (through State Co-operative Banks) State handicraft development Corporation (through Commercial Banks)

Repayment Period:

i) New emporia –7 years with 2 years moratorium.

ii) Renovation of old emporia- 5years.
Margin:

Handicraft Development Corporations 25 percent, Handloom Development Corporation 15 percent, weavers Cooperative Societies 10 percent

15(7) Term Loan for Acquisition of Power looms:

Beneficiaries:

i) Primary power looms weaver's societies,

ii) Weavers member of primary handlooms/power loom weavers societies.

Purpose: Acquisition of power looms.

Quantum of loan:

i) Societies: For acquiring power looms at the prevailing cost without any ceiling on number of looms, provided the investment in plant and machinery does not exceed the SSI limit.

ii) Individuals: The cost of four looms.

Margin:

i) Individual - Nil

ii) Societies - 10 percent

Repayment Period: 12 years with one-year moratorium.

15 (8) Scheme for sericulture (Through all agencies)

Beneficiaries:

Individual Sericulturist: (Through all agencies)
Sericulture Societies, Individual Sericulturist’s member: Through State Co-operative Banks/District Central Co-operative Banks/ and State Co-operative Agriculture Rural Development Banks / Primary Land Development Banks/Primary Agriculture Credit Societies, Loan for Agriculture and Mulberry Plantations, Farmer Service Societies.

**Project Component:**

**Mulberry Sector:**

The whole range of sericulture activities from mulberry plantation to production of raw silk e.g. minor irrigation development, new planting/ re-planting rearing equipments rearing house, seed preparations (graining units) acquisition of charkas and cottage basins for reeling, twisting units.

**Non-mulberry sector:**

Rearing and reeling equipment of non-mulberry silk e.g. meeting the cost of rearing purchase of Ambar charkas etc

**Repayment of period:**

3 to 5 years depending on the purpose and project component.

**15(9) Assistance for margin money (through Commercial Banks, State Co-operative Banks, State Co-operative Agriculture Rural Development Banks)**

**Beneficiaries and purpose:**

Entrepreneurs having necessary talent/skills, but who lack, monetary resources to meet the margin requirement stipulated under the relevant scheme

**Loan Assistance:** Up to 100 percent of the shortfall in promoter’s contribution
Rate of Interest:

Refinance is interest free banks may charge a service charge of 1 percent per annum.

Repayment of Period:

Loan will be recovered after the recovery of the term loan subject to a maximum of 10 years

2.16 Refinance Scheme for Marketing Support to Rural Non-Farm Products:

16(i) Financing of Mobile Sales Van (Through Commercial Banks and State Co-operative Banks)

Beneficiaries:

Registered intuitions, voluntary agencies, cooperative Societies/ units under Khadi and Village Industries Corporations / Khadi and Village Industries Board fold all type of corporate bodies, firms associations of producers and individuals.

Objectives:

To widen the market for rural non-farm products by taping there demand potential in a number of places and make them available near consuming centers.

Nature Assistance: Block capital with working capital for one operating cycle.

Maximum loan: Rs. 7.5 lakhs.
Project Component:
Cost of sales van (not more than 2 per borrowers) comparing cost of chassis, bodybuilding and equipment it with the necessary infrastructure like shelves, counters, furniture etc

Margin:
5 percent for loans up to Rs. one lakh and 10 percent for loans above Rs. one lakh

Security: As prescribed by Reserve Bank of India from time to time

Repayment of period: 3 to 7 years.

Moratorium: 6 to 12 months

Rate of Refinance: 100 percent.

16(ii) Financing mobile/ static Carts and Kiosks (Through Commercial Banks, State Co-operative Banks and Regional Rural Banks)

Beneficiaries:
Any person or group of persons including women identified by a promotional support agency which will provide the required non-financial services and linkages including procurement and supply of non-farm products, persons having from rural areas would get preference.

Objective:
To widen the market for rural non-farm products by tapping their demand potential in number of places and to make them available near the consuming centers.
**Nature of Assistance:** Block capital with working capital for one operating cycle.

**Maximum Loan:** Rs. 50,000

**Project Component:**
Cost of purchase, lease or construction of a mobile Static cart or Kiosk

**Margin:** Nil

**Security:** As prescribed form by Reserve Bank of India from time to time

**Rate of Interest:** As prescribed by National Bank time to time

**Repayment of Period:** 3 to 10 years.

**Moratorium:** 6 to 12 months.

**Rate of Refinance:** 100 percent.

16(iii) Promotion Linked Credit Scheme for ancillarisation and subcontracting/ support to mother units and ancillaries (through Commercial Banks and State Co-operative Banks)

Mother units are centralized support systems providing various types of infrastructure and linkages support like provision inputs, marketing of products etc. to decentralize or cluster of ancillary units.

16(iii) (a) Parties eligible for setting up or acting mother units:

Well established manufacturing units industrial exports houses, market development organizations/Voluntary Agencies / Non Government Organizations / Non-profit marketing organizations, organization of small producers, Co-operative Societies, registered societies and public undertakings.
16-iii (b) Items eligible for grant assistance to Mother Units.

Grant assistance on selective basis will be provided to meet fully or partly the following items of experimental basis.

i) Training for transfer to technology know-how, upgradation of skills etc.

ii) Salary of one or two professionals for organizing and supervising satellite units for a period of 3-5 years.

iii) Design Development, drawing and quality control testing.

iv) Compensation for a limited period not exceeding 5 years towards the expenses incurred by the mother units in connection with transportation of goods to and from the rural based satellite units.

The total amount of grant would however depend on number satellite units to be assisted, extent of expected employment generation, overall project cost (total project cost of mother unit and all individual satellite units including working capital and the types of activities as well as linkages required to provided. The amount of grant would be decided by the National Bank on a case-by-case basis.

Financial Assistance to mother units

Mother unit set up Voluntary Agencies / Non Government Organizations, Organizations of small producers, non-profit making organization co-operative societies, registered societies, public undertaking etc. will be eligible for loan assistance with 100 percent refinance support from the National Bank for the purpose of meeting the block capital requirement working requirement will have to be met by the financing banks out of their own resources.
Mother units set up by institutions other than those mentioned above will not be eligible for any loan assistance under this scheme.

**Financial Assistance to supported satellite units**

Loan assistance up to Rs.7.50 lakhs will be eligible for automatic refinance assistance up to 100 percent under the National Bank’s integrated loan scheme or the composite loan scheme as the case may be. Units with loan requirement exceeding Rs.7.50 lakh but failing within Small Scale Industry limit will also be eligible for refinance from National Bank through commercial Banks only. The unit having project cost above Small Scale Industry have are beyond the purview of the scheme.

**Eligible Projects:**

All type of manufacturing, processing and other Non Farm sectors activities are excluding socially undesirable activities like breweries producing intoxicants.

**Location and Size:**

No restriction in regard to location and size of mother units, satellite units should be located in rural areas i.e. in any village irrespective of the size of the population and in towns with population not exceeding 10000 as per 1981 census.

16(iv) **Scheme for providing promotion linked credit support to small, tiny, cottage and village industries cluster-setting up of Common Services centers**

Common Service Centers are centralized support systems providing various types of need felt common various types of need felt common facilities to the cluster of rural producing units.
Eligible agencies for setting up Common Service Centers, Voluntary Agencies, Non Government Organizations, registered institutions, other promotional organizations, a co-operative society or association of the units already formed or to be formed individual, firm or company in the private sector.

a) **Refinance Assistance top Common Services Centers and satellite units.**

Refinance assistance would be available to the common service centers as well as the satellite units supported by the Common Services Centers under the appropriate scheme i.e. composite loan scheme, integrated loan scheme or the project finance scheme for SSI units as per the related terms and conditions mentioned elsewhere.

**Grant Assistance:**

In addition limited grant assistance will be provided by the National Bank, selectively on a case-to-case basis, to the eligible agencies listed above for setting up Common Services Centers in rural areas, to cover the following items of expenditure.

i) Preliminary/preoperative expenses including market survey etc.

ii) Organizational/administrative expenses including salary of one or two Professionals for a limited period

iii) Expenses on design development and quality control.

The eligibility for grant and quantum thereof will be determined by the National Bank in individual cases depending on the types of services proposed to be provided by the Common Services Centers / the type of agency providing the same, the under of satellite units covered, the overall project cost etc.
Eligible Activities:

All types manufacturing, servicing, processing activities excluding those, which are not socially desirable such as breweries producing intoxicants etc.

Location and Size:

The Common Services Centers as well as the satellite units supported by it shall be located in rural areas.

The size of Common Services Centers shall not normally exceed Small Scale Industry level. In the case of satellite units the size should be such that the bank loan does not normally exceed Rs. 7.50 lakhs.

2.17 Credit facilities covered under Government Programmes

17(1) ISB component of Integrated Rural Development Programme (available through all agencies)

Purpose: For taking up industries, service or business activities

Nature of assistance composite loan

Maximum loan:

Rs.15000 (net of subsidy) for services and business activities and Rs. 25000 (net of subsidy) for industries available on automatic basis loans above those ceiling will required prior sanction.

Repayment period: 3 to 10 years.

Subsidy: Available as Government norms.
17(2) SC/ST Action Plan outside Integrated Rural Development Programme (through all agencies)

Same as Integrated Rural Development Programme (ISB) except that maximum loan assistance available under the scheme will be Rs. 10000 (net of subsidy)

17(3) Non Conventional Energy sources (through all agencies)

i) Bio-gas:

**Purpose:** Installation of Biogas plants (Khadi and Village Industries Corporation /Janata/any other model approved by Government of India)

**Maximum Loan:** As per the unit cost fixed by the unit cost committee in each up to Rs. 500 in the case of ‘repairs’.

**Subsidy:** As per Government of India norms

**Repayment Period:**

5 to 7 years for new plants depending on the size of plants. In the case of repairs to old plants, if the borrowers has previous outstanding, the bank may reschedule the loan together with the additional loan for a period not exceeding 5-7 years as the case may be depending upon the size of the plant. If the borrower has no previous outstanding the loan will be repayable within 3 years.

ii) Credit facility for purpose of Solar Cookers

**Beneficiaries:** Individuals

**Purpose:** Purpose of solar cookers (family size)

**Loan Available:** As per prevailing cost
Repayment period: 3 to 5 years based on the actual repayment capacity of the Borrowers.

iii) Duel fuel engine/portable Balloons:

Beneficiaries: Individuals.

Purpose:

Purchase of (i) Duel fuel engines (ii) Biogas plants and duel fuel engine and (iii) Low-pressure portable balloons up to 120 cu.ft. Capacity.

Repayment period:

9 years refinance is available to banks on an automatic basis for their advances under Integrated Rural Development Programme (ISB) Schedule Caste /Schedule Tribe Action Plan, Biogas and solar Cookers.

17(4) SEMFEX –II

Beneficiaries: Ex-servicemen/widows of servicemen, disabled servicemen etc.

Purpose: Setting up tiny/small industrial units in a rural area.

Nature/quantum of loan

a) Composite loan up to Rs. 50000 lakhs Commercial Banks, State Co-operative Banks/District Central Co-operate Bs and State Co-operative Agriculture Rural Development Banks etc.

b) Integrated loan up to Rs. 7.50 lakhs Commercial Banks, State Co-operative Banks / District Central Co-operative Banks and State Co-operative Agriculture Rural Development Banks.

c) Construction of work shed up to 25 percent of the composite loan (all agencies)
d) Agro industrial units up to Small Scale Industry limit on schematic basis.
e) Margin money assistance up to 100 person of shortfall in borrower’s contribution.
f) Project formulation and consultancy charges up to Rs. 10000.
g) Financing of small road transport operators.

2.18 Production credit facilities

The National Bank provides short-term credit limits to the State Co-operative Banks on behalf of District Central Co-operative Banks to meet working capital needs of societies for pursuing various production/marketing activities in a non-farm sector prior sanction of the National Bank is required for the purpose. The credit limits sanctioned are based on certain production/marketing parameter’s commercial banks are expected to provide production and marketing credit to the beneficiaries from their own resources State Co-operative Agriculture Rural Development Banks exception in the case of integrated loans, have to make consortium arrangements for ensuring working capital to the units assisted the facilities are available against the guarantee from the government. The brief details of various short-term credit limits available to State Cooperative Banks/Regional Rural Banks are as follows

18(1) Short Term Credit limits for State Co-operative Banks/District Central Co-operative Banks

a) Production and marketing Activities
b) Beneficiaries: Primary hand loom/power loom/weavers cooperative societies that are working as production-cum-sale units, viable potentially viable and which are not classified under ‘D’ class of audit.
c) **Purpose:**

Production and marketing activities of primary handloom/power loom/weaver’s societies

**Operative Periods:** Financial year.

**Rate of interest:** Refinance at 2.5 percent below bank rate.

**Quantum of Assistance:**

New document but revitalized societies quantum of assistance arrived at on per loom basis for 4 years. Established running primary societies on production basis (normally 40 percent of anticipated production)

Such societies are also sanctioned credit limit for addition of new looms on per loom scale basis as per the action plant approved by the State Government. Additional limit are also available to societies having goods sales record, if the normal limits are not adequate to continue the production activities.

The overall limit sanctioned however, shall not exceed 9 times of the Net Disposable Resources

**Security:**

Hypocation of raw material finished goods (to be classified agency wise) book debts, receivable from Government etc. for periods not exceeding 3/6 months.

**Margin cover for draw:** 10 percent several relaxations have been extended to weaver’s cooperative societies for computation of margin as also cover to draw/to ensure greater credit flow.
d) Production and marketing Activities:

**Beneficiaries:** Apex/regional weaver’s cooperative societies.

**Operative Period:** refinance at 2.5 percent below the bank rate.

**Quantum of Assistance:**

a) 40 percent of anticipated sales

b) 50 percent of anticipated sales (for silk and polyester) subject to 9 times of the Net Disposable Resources of the societies.

**Security:**

Hypothecation of clothe (to classified age-wise block debts Government receivables etc. Not exceeding 3/6 months.

**Margin:** 10 percent

**Anticipation Production:**

Production during last year or the average of /as three years whichever is higher +20 percent.

**Anticipated sales:**

Sales during the last of last three years whichever is higher + 20 percent.

c) Production and marketing activities.

**Beneficiaries:** Industrial co-operative societies (other than weaver’s societies)

**Purpose:** Any activity covered under than 22 board groups of cottage and Small Scale Industry for their production and marketing activities.
Rate of Interest: Refinance at 2.5 percent below the bank rate.

Quantum Assistance:

On production basis:

Anticipated production of husk and COIR at 120 percent of previous year at 120 percent of previous year production, credit requirement assessed at 75 percent of the anticipated production of husk and 1/3 of the anticipated production of COIR/yarn for mat and matting societies other industrial societies 40 percent of the anticipated production.

Security and Margin:

Pledge/hypothecation of stock in trade 25 percent for pledge is 40 percent for hypothecation. If the Central Co-operative Banks / District Industrial Co-operative Banks has joined the small loans (Small Scale Industry) Guarantee Scheme of Deposit Insurance Credit Guarantee Corporation margin will be 10 percent for both pledge hypothecation.

d) Working capital requirements of Rural Artisans including weaver members of Primary Agriculture Credit Societies / Farmer Service Societies /Loan for Agriculture and Mulberry Plantations

Beneficiaries: Artisans (including weavers) member

Eligibility: Assistance will be available through societies, which are having full time paid secretary/managing director placed under ‘A’ or ‘B’ class in audit. If
placed under ‘C’ class assistance will be provided on special recommendation from the Registrar of cooperative societies Primary Agriculture Credit Societies should be viable having attained a loan business of Rs. 10 lakhs.

**Rate of Interest:** Refinance at 3 percent below the Bank Rate.

e) Regional/State level federation of cottage and Small Scale Industries, Co-operative Societies.

**Purpose:** Procurement and marketing.

**Rate of Interest:**

Refinance at 25 percent below Bank Rate or such other rates that may be specified by National Bank

**Quantum of Assistance:**

a) Federation of industrial co-op. Societies 40% of anticipated sales or 3 times the owned funds of societies whichever is less

b) COIR Marketing Societies 40 percent anticipated sales or 3 times the owned funds of Societies whichever is less.

**Security and Margin:**

Pledge / Hypothecation of stock in trade 25 percent for pledge and 40 percent for hypothecation, If the (State Co-operative Bank) state commercial has joined the Credit Guarantee Scheme of District Industrial Credit Guarantee Committee for Small Scale Industries, margin will be to 10 percent for both pledge and hypothecation. If the State Government grants the advances, the margin requirement will be 10 percent.
f) Bonafide Commercial Trade transaction.

**Beneficiaries:** Apex and Regional Weaver’s Societies.

**Purpose:** Trading in yarn.

**Operative Period:** Financial year (April to March)

**Repayment Period:** National Bank’s repayment within 90 days.

**Rate of Interest:** National Bank’s refinance at the Bank Rate

**Security:** Stock of yarn.

**Margin:** 10 percent.

18(2) Short-term credit limit Regional Rural Banks

National Bank also provides Short Term Credit limit in the form of revolving Cash Credit accommodation to Regional Rural Banks to enable them to provide short term loan/working capital for production and marketing activities of artisans including hand loom weavers and village, cottage and tiny industries or for other productive purposes.

2.19 Medium Term Credit Facilities.

Purchase of shares is cooperative processing societies.

**Purpose and Beneficiaries:**

Purchase of shares in:

a) Co-operative Sugar Factories by sugar cane grower members of Primary Agriculture Credit Societies.

b) Co-operative Spinning Mills by cotton growing members of PACS.
c) Consumer type cooperative Spinning Mills by power looms Owner and by power looms and handloom Weaver, member of power loom and hand loom weaver's societies respectively.

d) Cotton ginning and processing units by concerned grower member of PACS.

e) Groundnut Oil Mills concerned grower members of PACS.

f) Rice Mills by concerned grower members of PACS/Federation.

g) Co-operating Marketing Societies/Federation by agriculturist member of PACS for setting up or acquiring cotton ginning and processing unit/groundnut oil unit/Rice mill by marketing society/federation.

Quantum of Assistance / Ceiling on share holding on share holding

Co-operative sugar factory (available only 40 small farmers with landholding not exceeding 3 acres)

A maximum of 6 shares of Rs. 1000 each or 3 share of Rs. 2000 each at the rate of two shares of Rs. 1000 or one share of Rs. 2000 each per acre of land under sugar cane cultivation.

Co-operative Spinning Mills:

1) Three shares of Rs. 500 each for irrigated cotton growers provided not less than 3 acres of land is under irrigated cotton.

2) Two shares of Rs. 500 each for un-irrigated cotton growers provided not less than 6 acres of land is under un-irrigated cotton.

Consumer type co-operative spinning Mills

1) Power looms owner with not more than 4 powers looms registered in their names.
2/3 of the value is three shares of Rs.1000 each. Assistance to power loom owner who are members of power loom weaver’s societies will be extended through the societies only provided the society is a working society and placed in ‘A’ or ‘B’ class under audit during previous 2 years. Assistance will also be available through societies in ‘C’ class audit provided they are viable/potentially viable and are certified as good working societies by the director of handlooms/industries.

**Cotton ginning and processing unit’s groundnut Oil Mills/Rice Mills**

The value of share subscribed in each of these processing societies should not exceed Rs. 300 at the rate of Rs.100 per acre of land under cultivation of the respective crops.

**Security:**

As per Reserve Bank of India / National Bank instructions issued from time to time

**Margin:**

a) **Co-operative Sugar Factories:** 25 percent in development area.

b) **Cooperative Spinning Mills:** 10 percent industrially underdeveloped/Backward area as noticed by Government of India.

c) **Consumer type Co-operative spinning Mills:**

i) Power looms owners: 33.33 percent

ii) Handlooms Weavers: 5 percent

iv) Cotton ginning and processing unit/groundnut oil Mills/Rice Mills: 25 Percent
Repayment Period:

5 years with 2 years moratorium in all the cases except loans to weaver’s members of handloom. Weaver’s societies, that is repayable in 7 years with 2 years moratorium.

Assistance for purchase of shares in co-operative marketing societies/federations for the purpose of setting up or acquiring the processing unit such as cotton ginning and processing groundnut oil mill and rice mill will be available to agriculturist members of the co-operative marketing societies/federations on the same terms and conditions as stipulated for assistance for purchase of shares in these type of processing units.