

# **Profiles and Flagship Projects of Member Institutions of National Bank for Agriculture and Rural Development (NABARD), India**

## **1. Institutional Profile**

### **1.1 Genesis**

National Bank for Agriculture and Rural Development (NABARD) was established on 12 July 1982 by an Act of Parliament. It is an apex level organisation for agriculture and rural development operating in the country.

### **1.2 Mandate**

NABARD was set up by the Govt. of India with a mandate for facilitating credit flow for promotion and development of agriculture and small scale industries, cottage and village industries, handicrafts and other rural crafts. It also has the mandate to support all other allied economic activities in rural areas, promote integrated and sustainable rural development and secure prosperity of rural areas.

### **1.3 Mission**

Promote sustainable and equitable agriculture and rural prosperity through effective credit support, related services, institutional development and other innovative initiatives.

### **1.4 Organisational profile**

NABARD operates through its Head office at Mumbai, 28 Regional Offices located in the States, a Sub Office at Port Blair, Training Establishments at Lucknow, Bolpur, Mangalore and Hyderabad and has 392 District Development Managers functioning at district level. NABARD has on its roll 4936 staff.

### **1.5 Role in rural finance and poverty reduction**

- Refinancing RFIs for financing investment and production purposes in rural areas
- Loans to State Governments for strengthening cooperatives through share capital contribution to cooperative societies and also developing critical infrastructure including social infrastructure in rural areas
- Support for micro credit innovations of Non-Governmental Organisations (NGOs) and other non-formal agencies.
- Monitoring and Evaluation of financed projects.

- Initiating concerted efforts for financial inclusion.
- In order to ensure availability of timely credit to farmers, banks follow production-oriented system of lending covering various agricultural operations based on area under different crops and crop-wise scales of finance.
- Refinance is provided by way of credit limits for financing such agricultural operations at concessional rates of interest to State Cooperative Banks (SCBs), District Central Cooperative Banks (DCCBs) and Regional Rural Banks (RRBs).
- Refinance is provided to Cooperative Banks for financing production and marketing activities of industrial cooperative societies engaged in one or more of the 22 approved broad groups of Cottage and Small Scale Industries (SSIs).
- To boost handloom sector refinance is provided to SCBs and DCCBs to meet the working capital requirement of Weavers' Societies and Handloom Development Corporations.
- Refinance is also provided on financing made to State Handicraft Development Corporations for production, procurement and marketing of handicrafts.
- Kisan Credit Card which is a Credit Card for farmers provides adequate and timely support from the banking system to the farmers for their cultivation needs.
- Providing investment credit for allied agriculture activities and non-farm sector activities on rural areas which leads to capital formation to banks.
- Providing direct credit to State Governments to contribute to the rural infrastructure development and share capital contribution to cooperative societies.
- To achieve higher growth in agriculture, a comprehensive farm credit package envisaging 30% growth in credit flow to agriculture and doubling it over three years along with debt relief measures to farmers was ensured by NABARD.

## 1.6 Major activities

### *Credit Planning and Monitoring*

- Preparation of district-wise annual Potential Linked Credit Plans (PLPs) indicating exploitable potential available for development through bank credit under farm and non-farm sector activities.
- Formulation of policies and operational guidelines for Rural Financial Institutions (RFIs).
- Monitoring the flow of ground level credit.

### Financial Services

- Refinancing RFIs for providing credit for investment and production purposes in rural areas

- Loans to State Governments for strengthening cooperatives and also developing critical infrastructure including social infrastructure in rural areas
- Support for micro credit innovations of Non-Governmental Organisations (NGOs) and other non-formal agencies.
- Monitoring and Evaluation of financed projects.

#### Promotion and Development

- Institutional development of client organisations
- Capacity building of partner institutions through extension training interventions.
- Promoting and supporting policies, practices and innovations conducive to agriculture and rural development.
- Support experimentation with new models and practices in development and credit delivery
- Dissemination of innovative products and ideas
- Supporting Research and Development (R&D) activities
- Assisting RBI/GoI in formulation of policies relating to rural credit
- Promotion of Rural Non-Farm Sector (RNFS)
- Promotion of Farmers' Clubs, Joint Liability Groups and Tenant Farmers
- Promotion of micro-credit innovations
- Consultancy Services to other organisations related to agriculture and rural development

#### Supervision

- On-site supervision of Cooperative Banks (Coops) and Regional Rural Banks (RRBs).
- Off-site surveillance of the health of Cooperative Banks and RRBs

## **2. Flagship programmes**

### **2.1 Micro credit Innovations**

#### **2.1.1 Objectives and focus**

The objective is to extend formal banking services to the unreached rural poor by evolving an alternate credit delivery mechanism. With this objective in view, NABARD introduced as a pilot project in 1992-93, credit linking Self Help Groups (SHGs) with banks.

#### **2.1.2 Implementation details**

NABARD facilitates formation and linkage of SHGs to banks by following methods :

#### Financial support

- i. Extending refinance on loan provided by banks to SHGs.
- ii. Providing grant assistance to various agencies for promotion and linkage of SHGs. The agencies forming SHGs may be Non-Government Organisations (NGOs), cooperative banks or Regional Rural Banks(RRBs) and Farmers' Clubs which will act as SHPIs.
- iii. Individual rural volunteers are also supported for formation and linkage of SHGs.
- iv. As on 31 March 2007, about 3 million SHGs have been credit-linked.

### 2.1.3 Partners in the programme

The partners in the programme are Non Governmental Organisations ( NGOs ) for forming and nurturing the SHGs. Several community based organisations like farmers' clubs, local bodies, field level workers of government agencies, bank staff and social service oriented individuals are involved in the formation and nurturing of SHGs. Almost the entire banking network is playing a role in linkage of SHGs.

### 2.1.4 Success factors

More than 3 million SHGs have been linked to banks and approximately 90% SHGs are exclusively women SHGs. Another success factor is that over 95% on-time repayment of loans has been observed under loans given to SHGs.

### 2.1.5 Unique innovations

- Joint Liability Groups

NABARD is supporting the concept of Joint Liability Groups (JLGs ) which is an informal group formed for the purpose of availing bank loan. It is formed by small and marginal farmers, tenant farmers and agricultural labourers.

- SHG- Post Office linkage

NABARD designed a project for collaboration with Post Offices for financing SHGs as post offices have a vast network all over the country.

- Social security system for SHG members

NABARD is supporting a community based social security system for SHG members in rural areas. Under the system a package of health/ life insurance by paying premium generated through discounts offered by service providers like grocery shops, cloth merchants, etc. in the project area is being provided.

- Micro enterprise promotion among SHGs

NABARD is focussing on micro enterprise development through skill upgradation and development for sustainable livelihoods for members of matured SHGs. The micro enterprises for which training was imparted to

the SHG members included activities like goatary, mushroom cultivation, farm production, etc.

- Computer Munshi for book keeping and accounting in SHGs

To facilitate the task of maintenance of book keeping by SHG members simpler, NABARD has entrusted the task of maintaining SHG accounts and preparation of relevant reports for use by the SHGs and banker to skilled youth. NABARD supports training of the youth in computer operations and maintain the software designed for maintaining the accounts of SHGs.

#### 2.1.6 Impact to the nation

The major achievement of the programme is that it has helped in women empowerment and reaching out to the unreached. The programme has helped in assistance of approximately 40 million poor households i.e. approximately 205 million people are estimated to have been assisted through bank credit. Thus it is a major programme for financial inclusion.

## **2.2 Watershed Development**

#### 2.2.1 Objectives and focus

Watershed development is a comprehensive approach to enhance productivity of dry land through conserving soil, rain water and vegetation. NABARD is actively supporting Watershed Development Programmes. The objectives of the programme are:

- To develop micro-watersheds in a comprehensive manner, so as to create adequate and sustainable livelihood opportunities for the inhabitants of that area.
- To catalyze the formation of village groups for regeneration of their degraded environment through participatory self-help initiatives.
- To strengthen people's movement for sustainable economic development.

#### 2.2.2 Implementation details

The unique features of the project are as under:

*a) Self Selection* - The peoples' commitment decides inclusion or otherwise of a watershed in the programme..

*b) Shramdan* (voluntary labour)- Four days of qualifying shramdan and 16% commitment by way of labour.

*c) Ban on Free Grazing, Tree felling*- communities undertake to ban free grazing of animals in treated areas and felling of trees.

*d) Capacity Building Phase (CBP)* – A part of watershed project is implemented to build up their confidence to take up the project and testing cohesion among villagers. It is learning by doing.

*e) Net Planning (Survey number wise) & Land Use Planning* – Each and every farmer plans for treatment based on land capability / landuse.

*f) Women's Participation* – for drudgery reduction, capacity building and undertaking income generating activities, besides empowerment in decision-making.

*g) Maintenance Fund* - for future repairs and maintenance of structures. 50% of the fund could be utilized for onlending to farmers/group of farmers for undertaking economic activities.

### 2.2.3 Partners in the programme

The partners in the implementation of the programme are the NGOs, Government Departments, Panchayati Raj Institutions and the community i.e. people as it is the community based programme.

### 2.2.4 Success factors and Impact to the nation

The Overall impact due to implementation of watershed development projects is furnished below:

- There are no distress situations reported in watershed project areas.
  - Drinking water scarcity in the villages has been overcome.
  - Villages which used to see off-season migration, now report no or minimum migration.
  - Increase in agricultural production: increase in area under cultivation under rabi, increase in kharif output, diversification of cropping (e.g. to horticulture) and reduction in yield fluctuations.
  - Improvement in the condition of the landless due to continuous wage availability during project implementation.
  - Improvement in the green cover, grass production and dairy.
  - With strong community involvement, loan repayment has improved.
- Increase in fodder availability leading to increased milk production
- Improvement in the condition of women and landless
- The demand for credit had gone up significantly and dependence on money lenders reduced due to Self Help Group activity
- Secondary impact such as improved quality of life, housing, health and school attendance was visible.