



Role of Nabard in Agricultural Finance

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Abstract

Progress of any nation depends on the Co-Ordinated development of its two sectors 1. Industrial Sector 2. Agricultural Sector. Different Economists have different views about the independence of these two sectors, but the two sectors are complimentary and interdependent and not alternatives. In the words of Ugeenstalle-"Without an increase in agricultural productivity industrialization is not possible and in absence of industrialization agricultural development is a false truth". Agriculture in Indian economy plays an important role both as a producer and as a consumer. More than 55% of country's population depends on agriculture, a sector producing 22% of G.D.P. the share of Agriculture in gross capital formation is 1.3% in 2002-03. The prosperity of industrial sector depends upon prosperity of agriculture as it provides raw material and market to industrial goods. The development of transport system is highly influenced by the growth of agriculture. With liberalization and globalization of Indian Economy, rationale of agriculture in foreign trade has increased. In 2002-03 it accounts for 38% of total exports which help the country to pay for increased market for industrial goods. Rural poverty can be reduced by development of agriculture as it generates both income and employment which creates more demand for industrial goods.

The capital output ratio is not very high in agriculture and it also depends on monsoon, so there is high risk inherent in traditional farming as a result of this rate of investment is very low in Indian agriculture.

Introduction

Agricultural finance has to play significant and crucial role in the growth of agriculture So far the problems of agriculture are concerned they might be put into two categories

1. Institutional problem, 2. Technological problems

Institutional problems of agriculture are related to the size of holdings, and tenure system, fragmentation as well as sub-division of holdings. Technological problems are related with the modern and latest techniques of production, irrigational facilities , use of high yielding variety seeds , adequate and sufficient ploughing of agricultural lands and the mechanization of farms.

The technological improvements in the sphere of agriculture incurs costs. But the majority of farmers are poor, so financial assistance by Government is needed.

Mainly speaking , there are 3 types of financial requirements of farmers. They are 1. Short term 2. Medium Term and 3.Long term. Short term loans are provided for a period of less than 15 months to meet out expenses of routine farming and domestic consumptions. This type of loans is demanded by farmers for purchasing seeds, fertilizers and for meeting out family requirements. Medium term loans are provided for a period of 15 months to 5 years to purchase agricultural equipments , animals and for land improvements . Long term loans are provided for a period of more than 5 years. This type of loan is taken by the farmers to purchase land and expensive agricultural equipments and for repayment of old loans.

Indian farmers acquire above type of loans from two sources.

1. Non Institutional sources like money lenders , landlords, big businessman etc.
2. Institutional Sources like commercial banks co-operative banks, Govt sources like NABARD and Regional rural banks.

Objectives

Following are the objectives of this research work:

1. To discuss about the role of agricultural finance in agricultural development of India
2. To study the contribution of various Institutional and non-institutional agencies of finance in agriculture.
3. To discuss the genesis, objectives management and organizational set-up of NABARD.
4. To critically asses the various refinance operation of NABARD in agricultural finance.
5. To analyse the various problems and obstacles in agricultural finance with special refinance to NABARD.
6. To draw conclusions, give suggestions and discuss various prospects.

Importance of the Study

In this research work an attempt will be made to study the present situation of agricultural finance in India. The contribution of various institutional and non institutional institutions in agricultural finance will also be highlighted special emphases will be given to NABARD, its management and its refinance operations, in agricultural finance as NABARD is the apex institution which has been interested with the pivotal role in the sphere of policy planning and providing refinance facilities to rural financial institutions to augment their resource base.

Since its inception, the NABARD has played a central role in providing financial assistance, facilitating institutional development and encouraging promotional efforts in the area of rural credit. NABARD also administers the "Rural Infrastructure Development Fund" (RIDF), which was set up in 1995-96 NABARD has been playing a catalytic role in micro-credit through the conduit of self-help groups (SHGs).

As the apex institution it is concerned with policy, planning and operations in the field of agriculture credit and other economic activities in rural areas. The main objectives which guide for functioning of National Bank are:

1. To provide refinance to eligible institutions viz. SLDBS, SCBS, Scheduled CBS and RRBs for supporting production and investment credit for development activities in rural areas.
2. To improve the absorptive capacity of the credit delivery system through institution building by monitoring, credit institutions, training of personal etc.
3. To co-ordinate the activities of different agencies engaged in development work at the field level and to keep liaison with GOI, State Governments and RBI and other national level institutions connected with policy formulation.
4. To undertake monitoring and evaluation of projects refinanced by it.

The significance of the financial requirements of agriculture is a great necessity of agricultural finance with a view to satisfying the various operational needs of the farmers. Irrigation is said to have been a pre-condition for the purpose of bringing about improvements of technology in so far as the operation of agriculture is concerned. Technological improvements include good quality of seeds, sufficient fertilizers, use of pesticides as well as insecticides. These apart, mechanization of farms is also included in technology. Modern technological improvements are said to have been necessary conditions for the purpose of stepping up yield rates. All these technological improvements in the field of agriculture does have the relevance of agricultural finance.

Review of the Literature

Significance of finance in agricultural development is unquestionable. Various researches had been conducted on the importance of agricultural finance and agricultural development before this research. Studies on various banks and their contribution in agricultural finance have also been conducted. Like "Role of Financial Institutions in agricultural development" by "AnandDhawan". But till now no one has highlighted the "Role of NABARD in agricultural finance". In this research an attempt will be made to focus on the above mentioned topic. Research Methodology: In this research mainly secondary data will be used. Secondary data will be collected from various published and unpublished research papers, various Govt. and Non-Governmental publications and internet websites. Primary data will also be used if needed. It will be collected from various local agricultural financial institutions, regional offices of NABARD etc. Primary data will be collected by sampling method. Questionnaire and schedules will be made and will be given to farmers for their opinion. By classification and tabulation of data results will be analyzed and conclusions will be drawn.

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