

A Study on Financial Initiatives Taken By Nabard To Empower Rural Economy

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Abstract:

National Bank for Agriculture and Rural Development (NABARD) primary function is to touch all aspects of rural economy. Apart from providing financial support to the underserved population of the country, the institution also monitors the functioning and regulation of banks. NABARD have been a boon to millions of rural families across the country. This Paper aims to understand the financial initiatives taken by the NABARD in the rural area.

Keywords: NABARD, financial initiatives, functioning, support.

Introduction

NABARD gives services like financial, supervisory, and developmental schemes for the empowerment of rural India and for bringing about financial inclusion. Apart from this, financial offerings, direct finance products and refinance schemes are also provided to eligible borrowers. Regulation and supervision of the functions of Regional Rural Banks and Cooperative Banks are the developmental activities are done by NABARD and it also conducts periodic inspections of state level cooperative units like Marketing Federations, Apex Weavers Societies, and State Cooperative Agriculture and Rural Development Banks. NABARD is a channel partner with the Government in schemes such as National Livestock Mission, Dairy Entrepreneurship Development Scheme, and Interest Subvention Scheme.

Financial Initiatives of NABARD

The financial initiatives from the National Bank for Agriculture and Rural Development are

- **Designated Food Parks (DFP)**

Special funds like provision of term loans at attractive interest rates to Designated Food Parks (DFP) and food processing units at food parks are offered by the government. An amount of Rs.2, 000 crore was set aside through NABARD for the same. The purpose is Development of the food processing sector, Reduction in wastage of agricultural goods and Creation of employment opportunities in rural India. The eligible entities for the loan are State Governments, Institutions promoted by the government, Joint ventures, Cooperatives, Federations of Cooperatives, Special Purpose Vehicles, Farmers' Producer Organizations, Companies, Corporates and Entrepreneurs.

- **Warehouses, cold chain infrastructure and cold storage**

This initiative supports the creation of infrastructure that can help in the storage of agricultural produce. Loans are provided for the funding of projects that create storage infrastructure (with minimum aggregate capacity of 5,000 metric tonnes) for agricultural goods storage. This includes the following activities like Construction of silos, warehouses, cold storage, bulk coolers, controlled atmosphere stores, reefer vans, quick freezing units, etc. and the up gradation or construction of Marketing Infrastructure Facilities of the APMC (Agricultural Produce Marketing Committee). The improvement of existing storage infrastructure facilities will be considered based on the merits of the case. The eligible entities for the loan are State Governments, Government owned/assisted institutions, Cooperatives, Farmers' Producers' Organisations (FPOs), Federation of Cooperatives, Federation of Farmers' Collectives, SPVs that are created under PPP mode, Cooperative Marketing Societies (CMS), Primary Agricultural Credit Societies (PACS), Companies, corporates, or individual entrepreneurs and Agricultural Produce Marketing Committees (APMCs).

- **Marketing Federations**

Activities like Procurement of agricultural products, including milk, Collection, storage, and value addition in select commodities and Marketing of these commodities. NABARD also provides short-term loans to marketing federations to support their daily operations. Short-term credit facility (for less than 12 months) is offered to meet the working capital requirements of marketing federations. The activities eligible for this loan are Marketing and procurement of agricultural commodities, Marketing and processing of agricultural produce, Collection, processing, and marketing of milk and Supply of agricultural inputs, such as animal feed. The eligible entities are State or Central Government Agricultural Marketing Federations and Corporations, Dairy Federations and Cooperatives, Agriculture Federations and Cooperatives and Registered Companies.

Rural Infrastructure Development Fund (RIDF)

The eligible categories under RIDF include Agriculture and related industries, Social sectors and Rural connectivity. The eligible entities are State governments or union territories, State-owned corporations, Government supported organisations, Panchayat Raj institutions, NGOs and Self-Help Groups. The projects should be submitted for approval through the nodal department of the government. The interest rates are connected to the Bank Rate at the time of loan disbursement. All loans availed can be repaid in equal annual installments within 7 years from the disbursement date. This is inclusive of a 2-year grace period. The interest amount is paid at the end of each quarter. Loans are secured by mandates registered with the RBI or any other Scheduled Commercial Bank, TPN, unconditional guarantee from state governments, and acceptance of terms and conditions in the sanction letter.

Direct refinance assistance to cooperative banks

In this scheme financial assistance is offered to cooperative banks to help in the expansion of their lendable resources. The loans under this category can be classified into two types:

(a) Short Term Multipurpose Credit Product

This includes the fulfillment of working capital requirements, repair, and maintenance of farm equipment. Activities like storage, packaging, and grading of goods and associated marketing are covered under this product.

(b) Assistance to Cooperative Banks to Lend to Sugar Factories

Refinance assistance is offered to cooperative banks so that the funds can be utilised by farmers for the procurement of sugarcane. To meet other agricultural expenses the fund is used. Interest is paid with quarterly rests on the outstanding balance. The security will be determined based on the risk rating of the bank. This is usually unencumbered fixed deposit receipts issued by Scheduled Banks and for State Cooperative Banks, government guarantee or promissory notes can act as security.

Support of producer organisations

Under this scheme initiatives are undertaken by NABARD under the Producers Organization Development Fund. The credit support such as loans and grants for building capacity and linkages to markets and credit support towards share capital are given. The key objective of PODF is to meet the continued requirements of Producers Organisations (PO) and to ensure that they are completely sustainable. Loans are offered to Registered Producers Organisations, Grant components are given government non-organisations, registered Community Based Organisations (CBOs), the registered POs or the implementing agency, or both, and also to other institutions that are approved by NABARD can also receive grants. The maximum loan amount can be 90% of the total outlay of the project.

NABARD Infrastructure Development Assistance (NIDA)

This credit support is to finance rural infrastructure projects. It also offers additional products such as annuity-based offerings, PPP, mezzanine capital, etc. based on the borrower's needs. The interest rate for the loan is variable as it is dependent on the risk profile of the borrower and the specifics of the project. Moratorium period of 2-4 years is available, based on project details. The repayment tenure and schedule of the loan varies based on the borrower's risk profile and the nature of the project.

Financing and development of PACS

Primary Agricultural Credit Societies (PACS) offers credit and other types of services to its members. Assistance is available for activities related to the upgradation of agro-storage centres, agro-service centres, agro-processing centres, agri marketing and transportation

facilities, and agri-information centres. The interest rate is fixed by Asset Liability Committee (ALCO).

Umbrella Programme for Natural Resource Management (UPNRM)

This programme is launched by NABARD to fund community-managed, sustainable rural livelihood initiatives that are NRM-based. These projects will have to pass an assessment at the Guiding Principles level. The interest rates will be based on the type of project, target groups, and channel partners.

Alternative Investment Funds (AIFs)

NABARD makes contributions for the achievement of complementing the current refinance and co-finance products of NABARD and other developmental activities like encouraging entrepreneurship in agricultural and rural development activities, facilitating the development of model units so that the rural poor can emulate it, encouraging investment in innovative activities in the rural development and agricultural sectors, to help units that cannot upscale their operations due to lack of funds and to assist units that are engaged in infrastructure development or employment generation activities.

Long Term Irrigation Fund (LTIF)

This is an initiative of NABARD aimed at funding and fast tracking the completion of major and medium irrigation projects that have pending work. The eligible entities are State governments can borrow funds from NABARD under LTIF and National Water Development Agency (NWDA) that functions under the Ministry of Water Resources can borrow from LTIF.

PradhanMantriAawasYojana

Grameen (PMAY-G) - By the year 2022, the PMAY-G programme aims at setting up pucca houses for all families that are currently staying in kutchha houses. This is an undertaking of the Ministry of Rural Development (MoRD). The complete financial requirement for the construction of these houses is expected to be met from budgetary sources. The remaining amount will be funded by NABARD.

Conclusion

As rural development becoming more and more vital, NABARD touches all aspects of rural economy. NABARD creates new employment opportunities and provides financial support to the underserved population of the country and also monitors the institution functioning and regulation of banks. NABARD have been a boon to millions of rural families across the country. NABARD is the backbone for the existing and future growth of rural economy. The financial initiatives taken by the NABARD in the rural area is expected to play a significant role in the emergence of the Indian economy. NABARD develops in all areas of agriculture, manufacturing and services sectors because each of these sectors will continue to be very relevant to the overall GDP growth as well as employment generation. At a minimum, any hindrances and hurdles in rural development are to be removed and to be utilized at their best.

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