



Agricultural finance to poor farmers: A study of role of NABARD in Haryana

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Abstract

National Bank for Agriculture & Rural Development (NABARD) serves as an apex financing agency for facilitating credit flow for development of agriculture, cottage and village industries. It provides refinance assistance to increase the value of agricultural products. NABARD has been providing refinance to Co-operative Banks, Commercial Banks, RRB's, scheduled primary urban co-operative banks and agricultural development finance companies (ADFC's) for supplementing their resources for credit flow to the agriculture. NABARD has provided finance to state government for major and minor irrigation projects. NABARD has implemented projects like watershed development, waste land development, forestry etc. NABARD has announced concept of joint liabilities groups (JLG) to provide institutional credits to small farmers. The scheme for setting up Agriclincs and Agribusiness centre has been launched by GOI with the support of NABARD.

NABARD in Haryana has been taken up two pilot projects in Jind and Ambala district under the Farmer Technology Transfer Fund (FTTF) through Farmers training centre at Sacha Khera (Jind) and Kisi Vigyan Kendra at Ambala. NABARD has released Producer Organization Development Fund (PODF). GOI has entrusted NABARD to facilitate promotion of 2000 producer organizations in next two years in the entire country.

The main objective of the study was to analyze the initiatives taken by NABARD for finance to farmers and to assess the scope of implementation of NABARD'S schemes/projects of agricultural development in Haryana. Secondary sources have been used in the study from annual reports of NABARD, e-journals etc. It has been found that NABARD is beneficial for poor farmers who have not any collateral to get finances and thus paving the way for sustainable livelihood.

Keywords: agricultural finance, poor farmers, NABARD

Introduction

NABARD has been established as a development bank for providing and regulating credit and other facilities for the promotion and development of agriculture. NABARD has played a vital role in developing and strengthening agriculture and rural areas through its refinance assistance to increase the value of agricultural products ^[1]. NABARD has been providing refinance to Co-operative Banks, Commercial Banks, RRB's, Scheduled primary urban co-operative banks and agricultural development finance companies (ADFC's) for supplementing their resources for credit flow to the agriculture and rural sector.

National Bank for Agriculture and Rural Development

The committee to review arrangements for institutional credit for agriculture and rural development (CRAFICARD) was set up by RBI under the chairmanship of Sh. B. Sivaraman. In its report submitted to the government Reserve Bank of India on November 28th, 1979 recommended the establishment of NABARD, through the Act 1981 of the Parliament ^[2]. NABARD also administers the Rural Infrastructure Development Fund (RIDF), which was set up in 1995-96. NABARD has also provided loans to state government for their infrastructure projects under rural infrastructure development fund (RIDF). RIDF projects have accelerated the rate of development in the rural areas with "downstream effects", attracting for the private investment and leading to a spent in economic activities ^[2].

The National Bank for Agriculture and Rural Development (NABARD) was set up to provide refinance for agriculture allied activities, small scale industries, cottage and village industries, rural artisans and crafts in an integrated manner. It replaced the agricultural credit department and Rural Planning and Credit Department (RPCD). NABARD in 1992-1993 introduced the pilot project for linking SHG's with the banks. NABARD supports the rural credit system by way of refinance for short term/production/marketing activities, medium term and long term loans for financially viable projects, in both farm and non-farm sectors, through state co-operative banks and regional rural banks. The state co-operative agriculture and rural development banks (SCARDB) are supported for only term loans for investment credit. The commercial banks are supported for short term financing of primary weaver's societies. NABARD provide finance to state government for completion of rural

infrastructure development projects such as major and minor irrigation projects. NABARD works in coordination with various central/state government agencies, and NGO's to implement projects like watershed development, waste land development, forestry etc. NABARD has raised a cadre of volunteers under its programmes of Vikas Volunteer Vahini to spread the message of "Development through credit" to farmers and non-farm rural entrepreneurs. The VVV programme was revisited and renamed as Farmers' Club Programme (FCP) in 2005. Farmers' Club is a grass root level informal forum of farmers in the village. NABARD has set up Cooperative Development Fund (CDF) to improve management system and skills in operative banks and set up soft loan assistance fund for margin money to provide support to rural entrepreneur with required skills and aptitude.

Preamble of the Act of 1981

NABARD's international associates range from World Bank affiliated organisations to global developmental agencies working in the field of agriculture and rural development. These agencies offer material and advisory help in implementing schemes that are aimed at uplifting the rural poor and in making agricultural processes effective and yielding.

Objectives of NABARD

The main objectives of NABARD are categorized as under;

1. To serve as a refinancing institution for institutional credit such as long term, short term for the promotion of activities in rural areas.
2. To provide direct lending to any institution approve by the Central Government.
3. To have organic links with the reserve bank and maintain a close link with it ^[3].

Functions of NABARD

- Acts as a coordinator in the operations of rural credit institutions.
- Extends assistance to the government, the Reserve Bank of India and other organizations in matters relating to rural development.
- Offers training and research facilities for banks, cooperatives and organizations working in the field of rural development.
- Helps the state governments in reaching their targets of providing assistance to eligible institutions in agriculture and rural development.
- Acts as regulator for cooperative banks and RRBs.

NABARD's Financial Functions

NABARD provide financial assistance to the small farmers through Re-finance and Direct finances in the form of long term, medium and short term loans. The direct finances are as under:

a. Short term credit

1. Seasonal Agricultural Operations (SAO)

In order to ensure availability of timely credit to farmers, banks follow production-oriented system of lending for assessment of credit, crop wise scales of finance, provision of credit for purchase of inputs like fertilizers and pesticides.

2. Marketing of Crops

NABARD encourages cooperative banks and RRBs to finance marketing of crops, through its refinance facility to improve the flow of marketing credit to cultivators for augmenting their holding capacity.

3. Distribution of agricultural inputs

Financial credit is made available to cooperative banks for financing Primary Societies for stocking and distribution of agricultural inputs by way of sanction of yearly limits. Each drawl is repayable within a period of 120 days ^[4].

b. Medium Term finance

1. Refinance to State Cooperative Bank and Regional Rural Banks for providing medium-term (Non-schematic) loans for approved agricultural investment purposes.
2. Refinance support in the form of MT credit limits to SCBs on behalf of DCCBs for financing purchase of shares in cooperative processing societies by agriculturist members.

c. Long Term Finance

Long Term Loans to State Government for contribution of share capital to cooperative credit institutions in order to strengthen the share capital base and increase maximum borrowing power and enable them to undertake larger lending programmes.

Refinance against investment credit

This is a long-term refinance facility. It is intended to create income generating assets in the following:

1. Agriculture and allied activities.
2. Artisans, small scale industries, tiny sector, village and cottage industries, handicrafts, handlooms, power looms, etc.
3. Activities of voluntary agencies and self-help groups working among the rural poor ^[5].

The greatest comparative advantage of NABARD is its ability to decontaminate the effects of subsidy and making public spending more efficient.

Schemes of NABARD for Agriculture

a. Scheme for setting up of Agriclinc and Agribusiness centres: The scheme has been launched by GOI with the support of NABARD. The centres will provide a package of input facilities, consultancy and other services to strengthen transfer of technology and extension services and also provide self-employment opportunities to technically trained persons. MANAGE is the nodal agency for imparting training under the scheme.

Initiatives taken for promotion of the Scheme

- RBI has classified loans to Agri-clinics and Agribusiness centres as direct agricultural loans, even though input supply is normally classified as indirect loans to agriculture.
 - Soft loan assistance for margin money may be availed irrespective of a ailment of refinance from NABARD.
 - Rate of interest on refinance from NABARD has been fixed at 5.5% irrespective of the size of the loan.
 - District level task force has since been constituted for selection of projects and recommending the same for bank loan assistance.
 - A target of financing at least 10 units of Agriclincs & Agribusiness Centres in each district has been set.
- b. Crop Insurance:** Agriculture Insurance Company of India Ltd. (AICI) was established in 2002 with the objective to act as the implementing agency for the Government's 'National Agriculture Insurance Scheme' (NAIS). The company has obtained Certificate of Registration from Insurance Regulatory and Development Authority (IRDA). NAIS is in operation since 1999-2000 and is being implemented by 23 states and 2 UTs. The main objective of the NAIS is to protect the farmers against losses due to crop failure on account of natural calamities such as drought, flood, hailstorm, cyclone, fire, pest diseases, etc. and to restore the credit worthiness.

Apart from implementing NAIS, the Agriculture Insurance Company of India (AICI) has introduced Varsha Bima in few districts. The basic objectives of Varsha Bima are to guarantee financial compensation to the insured in the event of rainfall adversity, to facilitate ready flow of financial liquidity in rural sector through claim settlements, to enhance confidence level of the insured by insulating against weather risks and to help stabilize farm income particularly in disaster years ^[6].

Watershed Development Programme

NABARD has been involved in implementation of watershed projects as a project holder under the Indo German Watershed Development Programme (IGWDP) in Maharashtra since 1992 for the Villages with noticeable soil erosion, land degradation, resource depletion or water scarcity problems. The Implementation is on the basis of well-defined expected outcome ^[7].

a. Component of NABARD WDP

- Soil and land management
- Watershed management
- Aforestation
- Agriculture Development
- Rural Energy management
- Landless and Women Development
- Innovative initiatives

b. Impact of WDP

- Increase in area under cultivation.
- Increase in crop productivity of various crop.
- Significant increase in ground water recharge in watershed areas.
- Increased in cropping intensity and crop diversification.
- Reduction in migration due to creation of employment opportunities in the watershed project areas ^[8].

NABARD'S Joint Liability Group's

Rural development agency NABARD implemented Joint Liability Group (JLG) to provide institutional credit to small farmers like share croppers, oral lessees and agricultural labourers. A Joint Liability Group (JLG) is an informal group comprising preferably of 4 to10 individuals but can be up to 20 members, coming together for

the purposes of availing bank loan either singly or through the group mechanism against mutual guarantee. The members would offer a joint undertaking to the bank that enables them to avail loans.

Conceived on the pattern of Self Help Groups (SHG), Nabard will provide refinance facility to banks for providing lending to small and marginal farmers who are normally deprived of finance. JLG scheme will be highly beneficial for states like Punjab and Haryana where average land holdings are shrinking and strength of such farmers is large in these states.

Objectives of JLG

- To augment flow of credit to farmers, especially small, marginal, tenant farmers, oral lessees, share croppers / individuals taking up farm activities.
- To serve as collateral substitute for loans to be provided to the target group.
- To build mutual trust and confidence between bank and the target group.
- To minimize the risks in the loan portfolio for the banks through group approach, cluster approach, peer education and credit discipline.
- To provide food security to vulnerable section by enhanced agriculture production, productivity and livelihood promotion through JLG mechanism ^[10].

NABARD'S highlights of 2019-20

NABARD's total refinance operations grew to Rs.1,02,089 crore during the year 2019-20, an effective growth rate of 24% over the previous year. The long-term refinance given against medium and long term loans, which is an indicator of capital formation in the agricultural sector, stood at Rs. 21,482 crore, displaying a growth rate of 21.50% over the previous year.

- 242 projects aimed towards productivity enhancement and technology transfer involving grant assistance of Rs.9.13 crore were sanctioned under the Farm Technology Transfer Fund (FTTF).
- Around 16,279 new Farmers' Clubs were formed taking the total number of Farmers' Clubs to 1.43 lakh as on 31 March 2019.
- NABARD' watershed programs covered 43.98 lakh acres in 18 states directly benefitting about 18 lakh families.

Role of NABARD in Haryana

The National Bank for Agriculture and Rural Development (NABARD) has sanctioned a loan of Rs 134.64 crore to the Haryana government under Rural Infrastructure Development Fund for 2019-20. The funds have been sanctioned for 'Rehabilitation of Jawahar Lal Nehru feeder system' in three districts of Jhajjar, Rewari and Mahendergarh. The objective of the project is overall growth of southern districts of the state and a higher per capita income for farmers. The south-western part of Haryana adjoining Rajasthan was buffeted by the issue of gravity channels and suffered due to lack of irrigation. Under the present project, it is proposed to replace aging motors, pumps and switching panels to restore the existing lifting capacity of the pumps. It would not just bring vast tracts of south-western Haryana under irrigation, but provide drinking water facilities and provide assured water to farmers. RIDF assistance sanctioned by NABARD to Haryana has reached Rs 5,038.40 crore involving 3,633 projects in various sectors and an amount of Rs 3,544.35 crore has been disbursed till date ^[11].

In order to increase productivity and incomes of farmers through adoption of new technologies and establishment of linkages with markets (both domestic and global) and banks, Haryana Regional Office of National Bank for Agriculture and Rural Development (Nabard) is taking up two pilot projects in Jind and Ambala districts under the Farmers Technology Transfer Fund (FTTF). Initially, farmers in these two districts would be trained about the latest technology in farming and non-farming activities, marketing and linking themselves with banks.

Two pilot projects in the two districts, through Punjab National Bank and Krishi Vigyan Kendra, in Haryana under the FTTF scheme. Punjab National Bank, implement the programme in Jind district through its Farmers training centre at Sacha Khera (Jind). While the other proposal by Krishi Vigyan Kendra at Ambala being run by Hissar Agricultural University is under process. Under the FTTF scheme, these two executing agencies will initially train 20-25 farmers each from their districts in the field of technology transfer including farm and non-farm activities, marketing skills and about linking farmers with banks. After undergoing training, these farmers will become master trainers. Each master trainers in turn will impart training and knowledge through farmers club to 20 farmers in their respective district. Thus, according to the scheme, around 400 farmers would be trained in the first phase in each district ^[12].

Schemes Provided by NABARD in Haryana for agricultural finance

▪ Scheme for promotion of cotton cultivation

The objective of the scheme is to increase area, production, productivity and quality of fiber. It also helps to increase farm income and reduce the cost of cultivation of cotton. The total funds earmarked under the scheme would be Rs.350.00 lac. Under the scheme component namely Promotion of drip irrigation system, supply of improved farm implements. Distribution of Plant Protection equipment, distribution of certified seeds on subsidy, training of farmers, farmers exposure units etc.

- **Scheme for weather based crop insurance (50:50)**
In the scheme only a part of premium equal to the premium paid by farmers under NAIS is payable by the insured cultivator and the balance is to be borne by the Central Govt. and State Govt. on 50:50 basis. It is proposed that this scheme would be implemented in 27 blocks of 17 District of Haryana State. This scheme is implement in Wheat, Paddy, Cotton and Bajra. Only Rs.3450.00 lac is proposed under the scheme.
- **Scheme for modified national agriculture insurance**
This scheme is implemented on wheat and paddy crop in Karnal, Kaithal, Rohtak and Jind district. An amount of Rs.8.00lac has been earmarked as State Share for providing subsidy on premium to the farmers.
- **Scheme for providing loan from NABARD for the construction of godown**
In order to ensure proper storage of foodgrains, State has planned to increase the food grain capacity of the State. The objective of availing this loan by HAIC to NABARD is to enhance the storage capacity of the State. A token provision of Rs.1.00 lac has been earmarked.
- **National food security mission (NFSM)**
Two crops namely wheat and pulses have been covered under the Mission. It has been envisaged to focus on districts having high potential but relatively low level of productivity. Seven districts of the state namely Ambala, Yamunanagar, Bhiwani, Mahendergarh, Gurgaon, Rohtak and Jhajjar have been covered under NFSM-Wheat. In case of pulses, five districts i.e. Bhiwani, Hisar, Sirsa, Rohtak and Sonapat were covered during 2007-08 to 2009-10. From the year 2010-11, all the districts have been covered under NFSM-Pulses. Main objective of the Mission is to increase production of Wheat and Pulses through area expansion and productivity enhancement in a sustainable manner in the identified districts of the State.
- **Scheme for development of waterlogged soils in Haryana**
Under the scheme sub surface drainage system are laid to allow toxic saline water to leach down out of the root zone of crop. The saline water is collected in the sump and pumped out in drain. At present the work is being taken up in Sonapat, Jhajjar, and Rohtak. The expenditure on works component is allocated under RKVY scheme shared by central and State Govt. on 70:30 ratio. The expenditure on salary component is 100% borne by State Govt. An outlay of Rs.500.00 (Consisting of Rs. 300.00 lac as CS and Rs. 200.00lac as SS) has been earmarked for the year 2019-20.
- **Scheme for integrated watershed development and management project in the state objectives**
Watershed development and management attains significance in the sustainable development of rain-fed areas and degraded lands due to water erosion. Number of Centrally Sponsored Schemes was implemented since last three decades in very selected areas confined to Ambala, Panchkula, Yamuna Nagar, Bhiwani, Hisar &Mahendergarh districts. Watershed development is continuous 20 process to obtain tangible results. Watershed development program has brought significant all round development in the watershed areas and has changed socioeconomic conducting of the poor farmers ^[13].

Issues and challenges

Financial inclusion is important for improving the living conditions of poor farmers, rural non-farm enterprises and other vulnerable groups.

The role of microfinance institutions is important to improve financial inclusion. This requires new regulatory procedures of the financial system.

- Providing financial services in rural areas is a challenge as agriculture and other rural economic activities have unique characteristics of dependence on natural resources, long production cycles and vulnerability to multiple risks. Poorer groups need basic savings services and micro-credit to cover production costs and emergency expenses, farmers' organisations require larger amounts of credit to finance production, inputs, processing and marketing besides risk mitigation products. The new rural finance paradigm needs to be based on the premise that rural people are unbankable.
- Developing an inclusive sustainable rural financial system is extremely challenging and involves understanding issues, under broad 7Ps' framework:

- **Product strategy**

Which types of financial products have the greatest impact on reducing poverty and lifting growth rates in deprived districts and regions?

- **Processes**

What kinds of business processes can help banks to reach underserved segments? How efficient hub & spoke model overcome the hurdles in the agent led branchless banking?

- **Partnerships**

What are the constraints faced by the underserved segments in accessing financial services from different types of service providers? Are the bank– non-bank partnerships, such as, Business Correspondents, SHGs, MFIs, etc. working efficiently in easing the accessibility and availability of financial services?

- **Protection**

What measures and mechanisms are needed to protect both the providers and the receivers of rural finance from misuse of such services?

- **Profitability**

Whether the business strategies and delivery models are geared to provide affordable and acceptable services? How to tap into the customer willingness to pay through an appropriate pricing model?

- **Productivity**

How to increase the productivity of financial services provided in the rural areas?

- **People**

Are the staffs of the financial service providers well equipped to meet the needs of driving the process of financial inclusion in terms of knowledge, skill and attitude?

- There are various forward and backward linkages of agricultural sector with other sectors of the economy in which rapid decline in the share of agriculture in GDP, has been witnessed in labour force dependent on agriculture. Another sign of concern has been a deceleration in the growth of gross capital formation (GCF) in agriculture in real terms in the recent past ^[14].
- Irrigation is one of the most important inputs for agriculture. Large scale delays, huge cost escalation, implementation delays, etc. have contributed to slow down in expansion of areas under irrigation.

Findings

- It is recognised that commercial interests of small-scale producers are best bridged by producer organisations including co-operatives and their federations. Government of India has set up Equity Grant Fund for providing matching assistance and credit guarantee fund for financing Farmer Producer Companies.
- The Reserve Bank has also included financing producer companies under the ambit of priority sectors. NABARD has also constituted a Producer Organisation Development Fund with a corpus of 500 million for financing producer companies.
- The outreach of financial services to the poor has been at the centre of the poverty alleviation policy in India. The successive surveys of the National Sample Survey Organisation (NSSO) document has rise in the importance of banks as a source of rural household credit since 1951–52.
- The NABARD financial inclusion availability of financial products and services is not only for society in general, but importantly, for the vulnerable groups, such as, weaker sections, small business units and low-income groups as well. Such small customers do provide a big & stable market for retail deposits and other credit and third-party products. The dominance of banks, bank-led model for financial inclusion has been emphasized for the financial assistance to the poor farmers.
- Several initiatives have been undertaken to expand banking services to remote areas of the country. The branch authorization policy has recently been rationalized, with commercial banks directed to open not less than a quarter of their total branches in unbanked areas. Banks have been encouraged to avail of Business Correspondents (BCs)/ Business Facilitators (BFs) to further their inclusion efforts.
- The Reserve Bank has allowed the requirement of Business Correspondents (BC) within 30 km radius in the rural areas. Banks have been persuaded to switch over to Core Banking Solutions (CBS) and leverage technology to the maximum extent possible. The growing focus on mobile technology to deliver banking services is a manifestation of this initiative ^[15].

Conclusion

Poverty can be alleviated and eradicated when people realize their creative potential, come together and organize themselves based on self-help and community objectives. A catalyst either from within the community or from outside is required for such a transformation. NABARD is a unique development facilitating and financial institution which also has supervisory responsibilities over 500 rural financial institutions in India. Maintenance of rural credit flows, microfinance innovations, watershed development programmes, the creation of rural infrastructure and bringing about financial inclusion, are some of the major tasks assigned.

Watershed draw the inhabitants together, generate a common interest and foster a common purpose and enhances the ecological resource base of a rural economy and creates sustainable livelihood opportunities. To make an appreciable and lasting impact both on the incidence and the extent of poverty, a large-scale effort involving the government, banks, agriculture universities has been made. The coming together of people's initiative and supportive institutional and policy framework create conditions favourable to the unfolding and establishment of a people's movement for environmental regeneration.

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