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ROLE AND IMPORTANCE OF MICRO FINANCE SCHEME OF NABARD

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Abstract:

The concept of micro finance is a very important topic to strengthen the economy of India, the poor and deprived people of the Indian society are getting a lot of benefits from these micro finance schemes. The development of any country depends on its financial condition.

Objective of the study

- 1) Role and importance of micro-finance scheme of NABARD.
- 2) Study of the functions and services of micro-finance funded by NABARD.
- 3) NABARD role & its function
- 4) Analyzing and evaluating the Refinance schemes

Methodology: The paper is based on secondary sources of data. Several books, magazines, newspapers and relevant websites have been refereed to make the study effective.

Keywords: NABARD, Micro Finance, Refinance

Introduction: Micro finance companies are those financial institutions that provide their financial services in the form of loans and savings in a small form, that is, those financial structures that provide finance in a small form, these institutions mainly provide credit related facilities to small businessmen. Generally it is seen that getting a loan is a complicated problem. Banks do not provide loans easily. Micro finance facility has been started to make this complicated process easy or provides loan to any business institution.

Keeping in view the basic needs of the villagers in micro finance, they are given various types of financial facilities. By which the economically backward people living away from the economic stream of the society are given loans to start their own work. To start employment for rural people, they are motivated to work by giving small amount which includes dairy, agriculture, tailoring, poultry, small shop, animal husbandry or similar work.

Micro Finance:- Loans in India which are less than Rs.1 lakh, are called micro finance loans.

Features of Micro Finance :-

- 1) The loans given in this are mainly of small amount, for example: - Micro loans.
- 2) These loans are for short term duration.
- 3) Income generation is the basic objective of micro finance.
- 4) These loans are mainly available for the backward and poor people.
- 5) It does not take care of any parallel arrangement in providing loan.
- 6) Again the challenge is at a higher level.
- 7) It has maximum development in non-bank areas.
- 8) These are non-governmental organizations, which have been registered under section 25 of the Companies Act.
- 9) Regional rural banks, cooperative banks, commercial banks and other economic / financial institutions provide credit facilities to micro finance institutions.



- 10) Micro finance also lends to loan / borrowers through Bank's Self Help Groups.
- 11) Minimum paperwork.
- 12) It is beneficial in increasing women empowerment of the country and development of women.

NABARD :- National Bank for Agriculture and Rural Development (NABARD) is an apex bank of India, headquartered in Mumbai (Maharashtra). The main function of this bank is to plan and implement matters related to agricultural credit and rural areas to recognize economic activities.

NABARD was established on 12 July 1982. Its reserve fund is 81,220 crore (2007). NABARD was established on the recommendation of V Sivaraman Committee, which was started by regulating the Agriculture and Rural Development Act, 1981. The mission of NABARD is to "promote sustainable and equitable agriculture and rural prosperity." There are total 336 district offices under NABARD. Total number of training centers is 6 and there is a special cell in Srinagar :-

- 1) Agriculture Credit Department and Rural Planning and Credit Cell of Reserve Bank of India
- 2) Agricultural Refinance and Development Corporation

Initially, the authorized capital of NABARD was 500 crores, which has been increased to a maximum by introducing a bill in the Parliament, which is 30,000 times more than today's collection i.e. 30,000 crores. Government's stake in NABARD is 100% paid-up capital share, which is 6700 crores. From the point of view of international recognition, NABARD is with World Bank related organizations and global development agencies.

Role of NABARD :-

- 1) NABARD, being the apex body, has the power to do all the work related to policies, starting of schemes, operations to give importance to agriculture and other financial activities in rural areas.
- 2) NABARD provides refinance to those institutions, which promotes various developmental programs and initiatives for rural development and also provides loans for production and investment.

Major organizations related to this:-

- 1) State Co-operative Agriculture and Rural Development Bank
- 2) State Co-operative Banks
- 3) Regional Rural Banks
- 4) Commercial Banks
- 5) Any other financial institution approved by the Reserve Bank of India

1) NABARD is improving its efficiency in lending policy in India, which includes supervision, formulation of rehabilitation plan, restructuring of credit institutions and training of work.

2) NABARD moves forward to promote the program of research and training. Its aim is mainly in rural banking and in agriculture and rural development.

3) Prepares and disseminates rural credit schemes to all the districts of the country as per the need every year.

4) NABARD, at the time of communication with the Reserve Bank of India, State Government, Central Government and other national level institutions, relates the rural credit financing scheme for developmental work at the regional level, which is related to lending and policy making.

5) Apart from this, NABARD has also run some other programs such as natural resource management programs such as: - Development of watersheds and tribal development programs.



Functions of NABARD :-

- 1) NABARD mainly provides refinance services. In which it gives importance to Central Co-operative Banks, Commercial Banks, State Co-operative Banks and Regional Rural Banks.
- 2) Provides loans to commercial banks and cooperative banks to promote small scale industries, cottage industries and rural industries with small areas.
- 3) NABARD also refines agriculture, small scale industries and other village and cottage industries through loans to commercial banks.
- 4) For agricultural inputs, cooperative banks and commercial banks are also given exemption to earn finance for their bills and cheques.
- 5) NABARD provides special help to banks under the service sector method to promote small scale industries, cottage industries and rural industries.
- 6) The bank gives credit financing for agriculture and rural industries for research and development work.
- 7) The bank prepares the policy of the Central Government and Reserve Bank of India regarding agricultural credit.
- 8) Banks are provided by accepting loans for the institutions covered under long term agricultural loans cooperating with the guarantee of the state government, this happens only in the case of long term loans.
- 9) The bank also gives money to the state government so that it can conduct developmental and promotional activities in rural areas. Regional Rural Banks have been specially established to enhance rural development and help the weaker and vulnerable sections. These banks have been started especially in the backward areas in most of the states.
- 10) The bank provides finance to increase non-farm activities and employment in non-farm sectors so that the unemployment rate in rural areas can be reduced.
- 11) Inspection work has also been regulated by NABARD, which includes cooperative banks and regional rural banks.
- 12) The bank has coordinated the district development programs along with the district employees, for this they have started branch regional offices in all the district headquarters.
- 13) NABARD has done many initiatives to strengthen the functioning of regional banks. At present, the bank is giving importance to long run, medium term for agriculture business and to upgrade the country. Initially, in the establishment of NABARD, commercial There has been a significant increase in both horticulture loans and co-usable banks.

Refinance:-

- 1) Short-term loan (Production Credit):- Short-term loans / crop loans are given by various financial institutions to promote the production of crops. With the help of these loans, reliable related to food security of any country Information is received. In 2017-18, short-term loans of Rs 55,000 crore have been provided by NABARD to various types of financial institutions for carrying out seasonal agricultural works.

2016-17	87763
2017-18	79821
2018-19	90098
2019-20	100382
2020-21	130964



2) Long Term Loans: - The financial institution gives long-term loans for agricultural and non-agricultural purposes. The tenure of these loans is from 18 months to a maximum of 5 years. In 2017-18, NABARD gave loans of 65,240 crores to financial institutions. Along with this, 15,000 crore loans given to regional rural banks and cooperative banks are also included in this.

2016-17	53506
2017-18	65240
2018-19	90254
2019-20	78180
2020-21	92786

3) Regional Infrastructure Development Fund: - This type of fund is used for the development of well-planned and best infrastructure in the villages of India. 24,993 crores were provided by this fund in 2017-18.

4) Long Term Irrigation Fund: - This fund is used to provide funds for irrigation projects. It was started mainly to give 20,000 crores to those 99 irrigation projects. After this, 2 more projects named Polavaram National Project from Andhra Pradesh and Dakshin Koeldam Project from Bihar and Jharkhand have started.

5) Gramin Pradhan Mantri Awas Yojana: - As soon as this scheme was launched, an amount of 9000 crores was provided to the National Rural Infrastructure Development Agency, through which pucca houses have been provided to the disadvantaged families by the year 2022 keeping in mind their basic needs.

6) NABARD Infrastructure Development Assistant :- This is a useful program in NABARD for the development of basic facilities. |

7) Food Processing Fund: - Government of India has announced a loan of Rs 541 crore till 31st March 2018. In which 11 mega food projects, 3 food processing units and 1 food park are being implemented.

8) Direct Transactions to Co-operative Banks: - NABARD has given an amount of Rs.4849 crores to Co-operative Banks including Co-operative Commercial Banks and State Co-operative Banks. Number of Cooperative Commercial Banks spread in 14 states is 58 and State Co-operative Banks. number is 4

9) Loan facility to Marketing Federation: - The main objective of this federation is to carry out activities related to agriculture and to take forward the trade of agricultural products with strength. Along with this, this loan gives strength to cooperatives and business. 25,436 crore has been provided by

10) Loans to Producer Organizations and Primary Agricultural Co-operative Societies: - The Producer Organization Development Fund has been started by NABARD to help the Primary Agricultural Credit Societies and Producer Organizations. The main objective of these organizations is to act as a service center. is |

Government Sponsor Scheme:- Projects have been started by the government in certain areas to encourage rural farmers, for which only a part of their project cost is taken. The target of all these projects is capital investment, planned income flow and employment to the national to grow in areas of importance.

NABARD is a major organization operating the schemes of the government, which helps the government and the farmer through many schemes. is :-

- 1) Capital investment subsidy scheme for commercial production units for biological/biological inputs.
- 2) Agri-clinic and Agribusiness Center Scheme.
- 3) National Livestock Mission
- 4) To ensure the end use of the subsidy released.
- 5) Interest Subvention Scheme



6) New Agricultural Marketing Baseline Scheme.

7) Preparation of specific long term refinance plan.

Conclusion :

As we analyse the data it shows that NABARD is working for the 360 degree development of rural India. Every year the financial assistance received by NABARD and the disbursement made out of it are increasing. The Short-term loans and Long term loans disbursement contentiously increase.

An awareness programme should be arranged for the beneficiaries so that they can know the ins and outs of different schemes.

To improve the efficiency of NABARD; s schemes the followings measures could be taken -

1. Spreading education
2. Effective organizational and financial management
3. More participation of banks
4. Corporate governance for SHGs
5. Giving relaxation in interest rates
6. Technological intervention
7. Evaluation of NABARD;s schemes

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