

PROGRESS OF THE NATIONAL BANK
FOR AGRICULTURE AND
RURAL DEVELOPMENT
(A REVIEW OF LITERATURE)

DEEPAI B. PRADHAN

JUNE 1990

**PROGRESS OF THE NATIONAL BANK FOR
AGRICULTURE AND RURAL DEVELOPMENT
(A REVIEW OF LITERATURE)**

A DISSERTATION SUBMITTED TO THE
UNIVERSITY OF POONA
IN PARTIAL FULFILMENT
OF THE REQUIREMENTS
FOR THE DEGREE OF
MASTER OF PHILOSOPHY
(IN ECONOMICS)

BY

DEEPALI B. PRADHAN

GOKHALE INSTITUTE OF POLITICS AND ECONOMICS
PUNE - 411 004

JUNE 1990

ACKNOWLEDGEMENTS

At the outset, I am deeply indebted to the Gokhale Institute of Politics and Economics, Pune, for having given me an opportunity to undertake the M.Phil. (Economics) Programme and work on this dissertation.

This research thesis was undertaken under the guidance of Dr. C.S. Gajarajan of the Gokhale Institute of Politics and Economics, Pune. I take this opportunity to extend my sincere gratitude to him, for his unstinted guidance in this research; were it not for his perseverance, encouragement, and painstaking attention to the details involved, this research thesis would have been a difficult task indeed.

I am especially thankful to the staff members of the Servants of India Society Library for helping me locate the necessary reports and articles connected with the study.

I am extremely thankful to all my family members for their support, especially my mother, Mrs. Urmila B. Pradhan, whose constant encouragement and unstinting cooperation, requires special mention.

I would be failing in my duty if I were not to mention the name of Mr. V.N. Inamdar for his diligent and expert typing, which helped convert a complicated draft into a neatly typed manuscript.

Deepali B. Pradhan

Gokhale Institute of
Politics and Economics,
Pune-411 004

June 1990

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CHAPTER I

INTRODUCTION

The Importance of Agricultural Credit

The Indian Economy, as is widely known, is basically an agrarian economy, with a large number of the rural poor, who regard agriculture as a means of livelihood. The average rural farmer is trapped in a vicious circle of poverty, which begins with low income, leads to low savings and in turn this leads to low capital formation.

As a result of such pitiable circumstances, the developmental activities, which otherwise could have been undertaken by an average farmer, do not receive the stimulus and this in turn deteriorates the economic conditions of the farmer. It is in this situation, that agricultural credit acts as a potent instrument, which can bring about positive changes in the economic betterment of the farmer and contribute to his productivity.

Agricultural credit can be looked upon as that remedy which can help solve the numerous agricultural problems which afflict the rural farmer and thereby alleviate him of his distress. Thus, the importance of agricultural credit cannot be denied and its vital role in the overall agricultural development strategy cannot be under-estimated.

The problem of agricultural credit can be mitigated to

a great extent, provided there exists an apex-level institution, which can oversee all problems pertaining to agricultural credit and at the same time, evolve such a method of working, which can perpetuate the cause of development in the rural areas.

The answer to this problem has been the National Bank for Agriculture and Rural Development, popularly known by its acronym NABARD.* This bank is basically expected to look after the credit needs of the ruralites. It is also expected to evolve such policies, initiatives which can lead to the fulfilment of two kinds of goals: Firstly, it is an institution which is engaged in bringing about, what can be termed as "balanced and integrated rural development" and secondly, it is interested in improving the productivity of the poor and thereby facilitate the economic upliftment of the poor, namely the small and marginal farmers, landless labourers and other peasants. The NABARD hopes to fulfil the latter goal of economic betterment, by devising all those strategies which promote the traditional occupations of the ruralites, among which feature occupations like animal husbandry, handicrafts, cottage and village industries and fisheries.

The first goal is one which NABARD hopes to achieve by formulating certain policy measures. It is plainly clear that the National Bank has been formed to take due cognizance of rural credit interests and that its efforts are directed at the fulfilment of the same.

* Hereinafter, NABARD and National Bank will be used synonymously.

But this may convey the wrong impression that the NABARD is only interested in ensuring credit supply to the promotion of developmental agricultural activities. In addition to credit supply, it is also interested in taking a review of all its activities in the agricultural realm.

It is amply clear in the pages of the following dissertation that the NABARD has made its presence felt in different fields of the agricultural sector. It has participated most vigorously in each field, looking for loopholes and correcting them wherever necessary as per its best efforts and also creating an overall environment of hope and confidence in the years to come.

The above introduction is meant to acquaint the reader with the subject in general. Chapter II deals with the formation of the NABARD, its management, staff personnel and the resources of the institution. Chapter III is aimed at unveiling the important functions which the NABARD has to perform. Chapter IV is engaged with the aim of finding out the progress of the NABARD since 1982 and this progress has been tried to be understood through the various policy initiatives which the NABARD has taken in each year. Chapter V considers the critical review of the NABARD's progress. Chapter VI takes a look at the highlights of the NABARD's performance in each annual year. Finally, concluding statements have been made about the NABARD's performance on the whole.

CHAPTER II

ESTABLISHMENT OF THE NABARD

Genesis of NABARD

The Committee to Review Arrangements for Institutional credit for Agriculture and Rural Development (CRAFICARD) had been set up by the Reserve Bank of India (RBI). It was set up under the chairmanship of Mr. B. Sivaraman and this Committee conceived and recommended the establishment of the National Bank for Agriculture and Rural Development (NABARD). It was chiefly the Interim Report of the CRAFICARD, submitted in November 1979, which recommended the establishment of the NABARD and the Parliament through the Act 61 of 1981, approved its setting up. The National Bank for Agriculture and Rural Development came into existence on 12 July 1982 and it was dedicated to the service of the Nation by the then Prime Minister, on 5 November 1982.

The National Bank for Agriculture and Rural Development (NABARD) was established in terms of the Preamble of the Act, "for providing credit for promotion of agriculture, small scale industries, cottage and village industries, handicrafts and other rural crafts, and other allied economic activities in rural areas with a view to promoting integrated rural development and securing the prosperity of rural areas and for matters

connected therewith or incidental thereto".¹ Thus, the establishment of the National Bank has been described in the above manner by the Preamble of the Act.

The National Bank took over the functions of the erstwhile Agricultural Refinance and Development Corporation (ARDC) and Agricultural Credit Department (ACD) and Rural Planning and Credit Cell (RPCC) of the Reserve Bank of India. The Agricultural Refinance and Development Corporation had been established by an Act of Parliament in 1963, and started functioning from 1 July 1963.

The ARDC had evolved a number of objectives over the last few years of its working such as:

- (i) Emphasis on the observance of technical considerations in the formulation of projects.
- (ii) Provision of assistance to government agencies for formulation of viable projects.
- (iii) Translation of Development Programmes into bankable propositions.
- (iv) Refinance facilities were to be provided by the Corporation for specific purposes to eligible institutions.

The Agricultural Credit Department (ACD) had been established in 1935, and its role had been confined mainly to undertaking studies and maintaining an expert staff to study all questions pertaining to agricultural credit. It was also responsible for coordinating the operations of the Bank in

¹ NABARD Annual Report, 1982-83, p. 74.

connection with agricultural credit and its relations with the organizations which are engaged in the business of agricultural credit. Thus, the above functions had been the responsibility of the Agricultural Credit Department, before the NABARD took over the functions of both the institutions.

The NABARD is to be understood as an apex-level institution accredited with all matters concerning policy, planning and operations in the field of credit for agricultural and other economic activities in rural areas. The National Bank has been entrusted with the following responsibilities:

- (i) It is to serve mainly as an apex refinancing agency for the institutions providing investment and production credit for promoting various developmental activities in rural areas.
- (ii) It is also to take measures towards institution building with a view of improving the absorptive capacity of the credit delivery system as well as it is to pay special attention to the aspect of monitoring, formulation of rehabilitation schemes, restructuring of credit institutions, training of personnel, etc.
- (iii) The NABARD is also to coordinate the rural financing activities of all institutions engaged in developmental work at the field level and maintain liaison with Government of India, State Governments, Reserve Bank of India and other national level institutions concerned with

matters pertaining to policy formulation.

- (iv) The NABARD is also entrusted the responsibility of undertaking monitoring and evaluation of projects refinanced by it.

The NABARD's refinance is available to State Land Development Banks (SLDBs), State Cooperative Banks (SCBs), Scheduled Commercial Banks (CBs) and Regional Rural Banks. While the ultimate beneficiaries of investment credit can be individuals, partnership concerns, companies, State-owned corporations or cooperative societies, production credit is generally given to individuals.

Further, the NABARD operates through the country through its 16 Regional Offices located in the capitals of all major States and the three sub-offices.

Management of the NABARD

The general superintendence, direction and management of the affairs of the National Bank mainly vests in a Board of Directors.¹ The Board of Directors of the NABARD comprises mainly of the Deputy Governor of the Reserve Bank of India who also is the Chairman of the Board, directors who are common in the Boards of both Reserve Bank of India and NABARD, experts in rural economics, rural development, men of experience in the working of cooperative and commercial banks and Central and State Governments officials. The establishment of an Advisory

1 CRAFTICARD Report, Appendix II, p. 402.

Board to advise the Board of National Bank on matters of policy in the field of agriculture and rural development had also been recommended, at the time of establishment of the NABARD. The Advisory Board comprises men with special knowledge in agricultural credit, agricultural practice, cooperation and rural economics. The Chief Executive of the NABARD (its Managing Director) is supposed to function under the overall guidance and direction of the Chairman of the NABARD. This is stipulated clearly according to the NABARD Act. The chief executive of the NABARD requires no delegation of exercising his functions, except in certain areas where by regulations or decisions of the Board, it is otherwise indicated.

Staff of the NABARD

The new bank is expected to provide proper leadership for the banks to play a proper role in integrated rural development. This necessitates the need to have personnel of diverse disciplines. Thus, it is considered desirable to empower the new institution to recruit directly the banking and technical staff which it may require. The staff with the ARDC which was concerned with functions of the Reserve Bank of India would be transferred to the NABARD and this would form the initial complement of the staff. This was the general idea regarding the initial component of the staff. Further, the NABARD was also privileged to receive useful advice and guidance of other staff members of the Reserve Bank of India, whose experience and expertise, NABARD may consider as useful in its functioning.¹

1 CRAFTICARD Report, pp. 268-269.

The Resources of the NABARD

Funds are raised through borrowings of the Reserve Bank of India and the Government of India and through the floatation of bonds by the new Bank. The NABARD has to depend largely on the borrowings from the Reserve Bank of India, for funds which are required for providing short-term working capital loans to rural production, marketing and distribution. It has been suggested that the RBI should fix aggregate credit limits in favour of the new Bank, at the time of finalizing the targeted goals to be achieved in each sector.

Funds are also made available from the RBI out of the National Agricultural Credit (Stabilization) Fund for relief in times of natural calamity and from out of the National Agricultural Credit (Long-term Operations) Fund, for granting medium-term loans to State Cooperative Banks. Funds are also available through the National Industrial Credit (Long-term operations) Fund for facilitating block or composite loans to rural industries.

CHAPTER III

ROLE OF THE NABARD

Agricultural credit is believed to be a significant tool of the National policy of a nation. It is deemed important because it is instrumental in bringing about desired changes in the productivity and income levels of farmers. It is a matter of wide recognition that farmers are often trapped in a vicious circle of poverty, which begins with low incomes, leading to low savings, which in turn perpetuates the problem of scarcity of capital.

It is also too evident that the problems of agricultural credit have grown not in complexity and size alone, but that they have merged in the larger tasks of rural development. The National Bank for Agriculture and Rural Development (NABARD) was established in July 1982, and it is expected to mainly provide undivided attention, forceful direction and pointed focus to the credit problems, arising out of integrated rural development.

The NABARD is conceived as an exercise in decentralization of the Central Bank's function of providing all kinds of production and investment credit to agriculture, small scale industries, artisans, cottage and village industries, handicrafts and other allied economic activities in an integrated manner.¹

1 CRAFTICARD Report, Appendix II, p. 401.

The NABARD is charged with the responsibility of promoting integrated rural development and matters concerned therewith and incidental thereto. It is also conceived that the National Bank, in all its efforts to secure rural development and participate in the economic upliftment of the rural population, will be working in close unison with the Reserve Bank.

As regards the purveying of credit, the NABARD is to function as a principal financial institution providing short-term, medium-term and long-term credit to the institutional agencies purveying rural credit. Further, the National Bank has an important role to play in catering to the credit requirements of the industrial units in the small-scale, cottage, tiny and decentralized sectors, handicrafts as also to artisans. It is also a matter of popular opinion that the NABARD will be an instrument of social change, which will strive for integrated rural development.

With reference to the NABARD, the Reserve Bank of India is believed to be encumbered with the responsibility of spawning, fostering and nurturing the new industries. In its new role pertaining to matters of agriculture and rural development, the Reserve Bank of India will assist and guide the NABARD.

NABARD, as it is known, is an apex-level institution, accredited with policy matters regarding agricultural credit. It has to play an important role as an apex refinancing agency to the institutions such as the State Land Development Banks, scheduled Commercial Banks, and the State Cooperative Banks.

These Banks are supposed to in turn provide investment and production credit for production and development purposes in the rural areas. In addition to these above functions, the NABARD is also expected to take steps towards developing the above banks, so that the credit delivery system is improved. The State Cooperative Banks, State Land Development Banks, scheduled Commercial Banks, finance projects refinanced by the NABARD and the projects refinanced by the NABARD are monitored and evaluated by it. Thus, it is possible for the NABARD to improve its refinancing function by obtaining a feedback from these projects.

The Functions of the NABARD¹

The main functions can be detailed in the following manner:

(1) NABARD is an apex-level agency which engages itself in refinance activity and is to undertake the responsibility regarding developmental policy, planning and operational matters relating to credit for agriculture, allied activities, rural artisans and industries and other rural development activities.

(2) NABARD is also to engage itself in the training, research and consultancy relating to credit for agriculture and rural development.

(3) NABARD is expected to play an important role in

1 CRAFTICARD Report, pp. 262-263.

the short-term, medium-term and long-term refinance to co-operatives and Regional Rural Banks, including cooperative marketing and distribution.

(4) Refinance to commercial banks against term lending (medium-term and long-term), short-term accommodation, for special purposes is to be lent by it.

(5) NABARD plays an important role in direct lending in single manner or through consortium arrangements in special cases.

(6) NABARD is also to coordinate and monitor all agricultural and rural lending activities with a view to tying them up with extension and planned development activities in the rural sector.

(7) NABARD is to participate in the inspection of co-operative banks and Regional Rural Banks.

(8) NABARD is to participate in the active guidance and advice to State Governments, Federations of Cooperatives, in regard to the cooperative movement, in close collaboration with the Reserve Bank of India and the Central Government.

CHAPTER IV

PROGRESS OF THE NABARD SINCE ITS INCEPTION IN 1982

The NABARD is concerned with the dynamics of rural development and in this respect, formulation of new policies and adaptation of the existing ones becomes important in tune with the demands of the changing milieu. The progress of the NABARD is evident by the several important policy decisions which it has taken in the first year of its operation.

4.1 The Annual Report of the NABARD (1982-83)¹

This report considers the progress of the NABARD with respect to the following important policy decisions.

1. Agricultural Term Lending (Schematic)

(i) Refinance Facility to the New Activities

(a) Farm Forestry: Farm forestry development projects are according to the report, to be considered if tree planting is one on: (i) Bunds and Boundaries of cultivated lands (ii) Whole stretches of uncultivated lands (iii) Lands giving poor yields. Planting of trees on degraded lands belonging to the government and obtained on long lease by farmers would also be covered.

1 Annual Report of NABARD, 1982-83, p. 90.

(b) Loan for effecting improvements in pumpsets installations: Decision was taken to extend refinance facilities for providing loan to farmers for replacement of defective piping system and for correcting installation and other defects in existing pumpsets (both electric and diesel) installed on irrigation wells, so that efficiency of pumpsets is improved.

(c) Stand-by oil engines: Financial assistance has been offered to farmers who had previously obtained loan for installation of electric pumpset of 5 H.P. or less, as a stand-by arrangement.

(d) Export-oriented agricultural projects: Financial support to the extent of 50 crores will be available from the NABARD for export-oriented agricultural projects. Projects prepared must cover export performance as well as export linked production.

(e) Portable charcoal metal kilns: In order to help secure employment opportunities to weaker sections of the society and provide an alternative source of energy, refinance was extended to the weaker sections of the society for purchase of portable metal kilns (a modern device for production of charcoal).

(11) Simplified procedure for release of refinance under IRDP

To reduce the time lag between disbursement of loans to the ultimate beneficiaries and drawal of refinance by banks from NABARD, the banks were allowed to claim refinance by mere submission of prescribed statements, at monthly intervals.

(iii) Issue of loans by SLDBs to SEBs for energization of pumpsets

In order to ameliorate distress caused by frequent droughts to farmers, decision was taken to allow State Land Development Banks (SLDBs) to issue loans within their overall approved annual lending programme to State Electricity Boards (SEBs) effective from 1st April 1983.¹

(iv) Relaxation in down payment for tractor loans

In order to ensure sale of tractors was not adversely affected by paucity of resources, it was decided to reduce down payment from 25 per cent to 15 per cent.

(v) Provision of refinance by way of loans to State Cooperative Banks (SCBs)

Due to the existence of peculiar tenancy laws SCBs find it difficult to float debentures. It was decided that the SCBs should get a raise from the NABARD resources and provide 100 per cent refinance both under special and normal lending.

Technical guidance and help would be extended by NABARD to the SCBs for preparing schemes with large outlays.

(vi) Maintenance of demand collection and balance (DCB) register by bank branches

NABARD accepted the recommendation of the Committee on Agricultural Loans through Commercial Banks (CALCOB) and advised commercial banks to indicate position regarding the maintenance

¹ Such loans would be in addition to the existing ceiling of 25 per cent of the lending programme of a bank for issue of loans to corporate bodies.

of the DCB Register by branches while submitting the schemes to NABARD.

(vii) Revised interest rates in the cooperative credit structure

NABARD revised the rates of interest to be charged by the financing banks to the beneficiaries. The following data indicate the revised interest rates from 1st April 1983.

Table 4.1 : Revision of Interest Rates by NABARD from 1st April 1983

Purpose	Rate of interest to beneficiaries (per cent)	NABARD refinance rate with effect from 1-4-1983 (per cent)
1) Minor Irrigation and Land Development	10.00	6.5
2) Diversified purposes:		
a) IRDP	10.00	6.5
b) Small farmers	10.00	6.5
c) Others	12.50	8.0

Source : Annual Report of NABARD, 1982-83, p. 91.

II. Non-Agricultural Term Lending (Schematic)

(i) Refinance for loans for non-farm activities under IRDP: Refinance facilities were extended effective from 1st January 1983 in respect of loans given by the Bank for Industries. The maximum amount of loan eligible for refinance under the facility would be restricted to Rs.10,000 per beneficiary.

III. Institutional Development

(i) Management, organization and financial improvement measures for SLDBs: The Deliberations of the Committee on Term Lending through Cooperatives' (COTELCOOP) at the meeting held in June 1982 resulted in follow-up measures in order to improve the organizational and management capabilities of the SLDBs. Improvement measures included staff incentive scheme to facilitate recovery, performance evaluation of primary units, communication of terms and conditions in local language and so on.

(ii) Functional coordination: NABARD formulated a scheme, for providing refinance facilities for composite loans through the Land Development Banks. This scheme would be confined to the areas of Primary Agricultural Credit Societies and would be in operation till such a time the Primary Agricultural Credit Societies (PACS) were reorganized and sufficiently strengthened.

IV. Short-Term Agricultural Loans

(i) Financing of new and non-defaulting members of the PACS and defaulting small farmers.

(a) New and non-defaulting members of PACS : In order to enable the PACS to meet the credit needs of the new and non-defaulting members, it was agreed to sanction to the State Cooperative Banks additional short-term credit limits for seasonal agricultural operations.

(b) Small or marginal farmers defaulting for small

amount: PACS were allowed to provide fresh finance to small or marginal farmers, if the default arose from circumstances beyond the borrower's control. The District Central Cooperative Banks (DCCBs) can provide finance to Primary Agricultural Credit Societies which do not have their own resources to finance such defaulted members.

(ii) Interest Rates : The lending rates on advances to be charged by the cooperative societies for agricultural lendings.

Table 4.2 : Lending Rates to be Charged by Cooperative Societies

	Existing Rates (%)	Revised Rates (%)
<u>Short-term Agricultural Loans</u>		
a) Small farmers (Loans upto Rs.5,000)	12.50	11.50
b) Others	15.00	14.00
<u>Medium-term Agricultural Loans</u>		
a) Minor Irrigation and Land Development purposes	10.50	10.25
b) Other purposes:		
i) Small farmers	11.50	10.25
ii) Others	11.50 to 12.50	12.50

Source : Annual Report of NABARD, 1982-83, p. 92.

V. Short-Term Non-Agricultural Loans

(1) Relaxation of norms for assessing working capital

requirements of industrial cooperative societies: The norms for assessing working capital requirements at 25 per cent to 50 per cent were raised to $33\frac{1}{3}$ to 75 per cent, depending on the nature of activity.¹

(ii) Advances to individuals by CCBs against gold/silver ornaments: CCBs were allowed to give loans directly to individuals against the pledge of gold or silver ornaments, for amounts not exceeding Rs. 3,000 per borrower.

4.2 The Annual Report (1983-84)

This report considers the progress of the NABARD with respect to the following policy decisions.

I. Refinance Assistance

Refinance disbursed under schematic lending aggregated Rs. 892 crores² and recorded a growth rate of 27 per cent compared with the 17 per cent in the previous year. Credit limits sanctioned to the Regional Rural Banks rose to Rs. 271 crores. The National Bank attached high priority to the implementation of the new 20-Point programme, under which the IRDP absorbed a high refinance amounting to Rs. 233 crores. It is mainly due to the several new policy initiatives, that an

1 The per loom scale of finance for polyester cloth on handloom in the case of the newly organized or dormant weavers societies to be activated were raised from Rs. 8,000 to Rs. 10,000.

2 The share of underbanked States in total refinance of Rs. 892 crores, moved upto Rs. 357 crores as against Rs. 297 crores last year.

increase in credit flow in desired directions and to preferred target groups has been possible.¹

II. Policy Initiatives

(a) Investment Credit - Agriculture

(i) Refinance for schemes encouraging Minor Irrigation: Development of new irrigation works are considered as important as conservation of scarce irrigation water and energy for pumping water. The National Bank has widened scope of refinance by investments in sprinklers, drip system, solar pumps, windmill pumps, hydrams, water turbines, man and animal-operated pumps.

(ii) Massive National Programme of Assistance to small and marginal farmers: Credit is one of the key inputs for successful implementation of the above programmes, the National Bank has simplified the procedure of release of refinance to banks by dispensing with submission of scheme proposals.

(iii) Pre-investment expenditure eligible for Refinance: The facility of loan assistance for the pre-investment expenditure which was hitherto only available to the beneficiaries of credit from Land Development Banks, was extended to the borrowers of the commercial banks, Regional Rural Bank and State Cooperative Banks. Pre-investment expenditure is mainly done in the registration of documents, payment of evaluation fees and encumbrance certificates.

¹ The flow of refinance to small farmers under term lending accounted for 78.9 per cent of total lending as compared to 74.8 per cent in 1982-83.

(iv) Command Area Development Programme: On-farm development work including land levelling, land shaping, construction of canals is responsible for the utilization of irrigation potential created in the command area projects. Since the objective of securing full utilization of irrigation potential, the National Bank has liberalized the conditions relating to overdues. It has been decided that beneficiaries in command areas with overdues upto Rs. 1,500 in respect of their short-term borrowings would be eligible for obtaining financial assistance for their investment and crop production requirement, after rescheduling of their earlier outstanding loans for a period of five to seven years.

(b) Investment Credit - Allied Agricultural Activities

(i) Refinance for Feed and Concentrates under Dairy Schemes: After the acquisition of the first milch animal, the small and marginal farmers experience difficulties in purchasing concentrated cattle feed. Therefore, it has been decided to include in the unit cost, the feed cost at the rate of 4 kgs concentrate per day for a period of one month.

(ii) Refinance for Purchase of Bullocks: Purchase of bullocks is considered as a single purpose investment by small or marginal farmers, who were in possession of adequate land holding that would meet the dry fodder requirement of bullocks.

(iii) Schemes for Rearing of Female Buffalo Calves : Often good quality female buffalo calves are raised by the dairy owners in cities and are neglected due to paucity of

space, inadequacy of funds with stable owners and the high cost of stall feeding. The National Bank, therefore, has decided to provide refinance assistance to banks for schemes involving the rearing of city-born good quality female buffalo calves.

III. New 20-Point Programme

With respect to the implementation of this programme, special attention is being implemented with respect to (a) creation of irrigation potential and development of dry land agriculture, (b) programmes for development of scheduled castes and scheduled tribes, (c) provision of refinance assistance for the IRDP, (d) implementation of programmes for afforestation, social and farm forestry, (e) development of handicrafts, handlooms, small and village industries. Specific steps have been taken by the National Bank towards implementation of the programmes:-

(i) The National Bank organized jointly with International Crop Research Institute for Semi-Arid Tropics (ICRISAT) and the Indian Council for Agricultural Research (ICAR), a workshop on Dry Land Farming in October 1983 at Patancheru in Andhra Pradesh.

(ii) Credit requirements of cooperatives and Regional Rural Banks for the production of pulses and vegetable oilseeds were taken care of while sanctioning short term credit limits to them.

(iii) Special attention was given to formulation of schemes for farm forestry, bio-gas and alternative sources of

energy. Under forestry schemes, cumulative disbursements aggregated Rs. 14 crores.

(iv) Refinance disbursed under minor irrigation schemes aggregated Rs. 2,203 crores as on 30 June 1984.¹

IV. Investment Credit - Non-Farm Rural Activities

National Bank after its establishment, constituted seven task forces, one each on Handlooms, Coir, Sericulture, Handicrafts, Khadi and Village Industries, Organization of Marketing Essentials and Tiny Industries in the Rural Areas. Based on the recommendations contained in the reports of these Task Forces, National Bank has introduced several new lines of credit as well as initiated certain policy measures aimed at accelerating the process and the pace of development of such activities in rural areas. Highlights of policy measures are enumerated as follows:

(1) Handlooms: Assessment of credit requirements of weavers' cooperative societies in order to ensure smooth credit flow led to a larger flow of credit from Rs.97 crores in 1981-82 to Rs. 145 crores in 1982-83 to Rs. 189 crores in 1983-84. Facilities provided to the weavers' cooperative societies are acquisition, modernization of looms and construction of sheds and the National Bank provides block capital assistance for the above purposes. Refinance facilities have been extended

¹ The ground level investment supported by the above refinance resulted in creation of assets like the tubewells with pumps (6,09,000), dugwells with pumps (5,86,000), pump-sets on existing wells (33,000).

by the National Bank to State Cooperative Banks in respect of the advances to apex-regional handloom weavers' societies for setting up new emporia or renovation of existing emporia to facilitate marketing of handloom cloth.

(ii) Sericulture: The National Bank is enlarging the scope of refinance for purposes such as minor irrigation, development of mulberry cultivation, rearing houses, rearing appliances, cottage basins, etc.

(iii) Coir: Based on the recommendations of the Task Force on Coir, National Bank has decided to encourage domestic consumption of coir products. The aggregate limits sanctioned on behalf of coir cooperatives increased from Rs.2.98 crores in 1981-82 to Rs. 4.05 crores in 1983-84.

(iv) Cottage and Village Industries : Based on the recommendations of the Task Force on Village Industries, it was decided that refinance facilities to industrial cooperative societies and rural artisan members for equipment and tools upto Rs.10,000 each in respect of individuals and upto Rs. 5 lakhs each in respect of industrial cooperative societies.

(v) Tiny Industries in Rural Areas: National Bank has set up a Task Force on 'Tiny Industries in Rural Areas' for identifying specific problems of tiny sector units and suggesting suitable organization arrangements and infrastructure needed.

(vi) Non-Conventional Sources of Energy: The National Bank has laid emphasis on the development of non-conventional

sources of energy and has been providing refinance assistance for schemes for bio-gas development which apart from providing energy for cooking and motive power for operating agricultural pumpsets, threshers, etc., provide valuable organic manure rich in nitrogen content. The Government of India launched the National Project for Bio-gas Development in 1981 envisaging a target for installation of 4 lakh bio-gas plants in the Sixth Five Year Plan period.

(vii) Inter-Institutional Committee : With a view to ensuring functional coordination between Industrial Development Bank of India (IDBI) and National Bank in regard to financing of small scale, cottage and village industries, National Bank has constituted an inter-institutional committee comprising representatives of National Bank, Reserve Bank of India, IDBI, and Union Ministries of Banking, Industry and Rural Development.

V. Strengthening of Credit Delivery System

(i) Pilot Project: The proposed pilot project is designed to upgrade and strengthen credit delivery system in the three districts of Aurangabad (Maharashtra), Hoshangabad (Madhya Pradesh) and Sabarkantha (Gujarat). The stress is on providing adequate staff to the credit institutions, in order to limit number of borrowers to be supervised by each official to a manageable level and impart intensive training to the field staff. Besides aiming at timely and efficient supply of credit, the end-use of credit is also sought to be monitored to facilitate its optimum impact on output and income.

(ii) Recovery of Institutional Credit : In order to maintain the financial strength of credit institutions, importance must be given to the recovery and recycling of funds. Many steps are being taken such as regulation of lending programmes of banks to their recovery performance, launching of the Vikas Volunteer Vahini (VVV) for propagating repayment ethic and mounting of study teams comprising senior officers of Government of India, Reserve Bank of India and National Bank to hold discussions with bank managements and draw up an agreed time-bound programme for recoveries and lending.

(iii) Reorganization/Rehabilitation Programmes: The National Bank has taken measures towards reorganization of Primary Agricultural Credit Societies and much emphasis has been laid on transforming them into multi-purpose operationally efficient units. The National Bank has been reviewing the impact of rehabilitation programme and studies were recently conducted to identify their problems and evolve remedial measures.

(iv) Regional Rural Banks: The National Bank has been actively involved in the organization of new Regional Rural Banks and has been monitoring the working of the Banks.

(v) Research and Development (R & D) Fund: The National Bank provides grants from its R & D Fund for strengthening the Technical, Monitoring and Evaluation Cells (TME) of the State Land Development Banks, State Cooperative Banks and Regional Rural Banks. The National Bank has, during the year approved

21 proposals, involving financial assistance of Rs.64.02 lakhs to various research institutions, universities and individuals.

VI. Organization and Personnel Development

The National Bank has initiated several measures to upgrade human resource and professionalize its cadre of staff. The National Bank has reorganized and strengthened its three departments, viz. Planning and Development Department, Institutional Development Department and Project and Operations Department. In order to ensure effective coordination between different departments, the National Bank has set up three Management Committees, one each for institutional development, farm sector and non-farm sector for deliberating on important policy issues. Technical Committees have been set up for improving quality of scheme appraisal. The National Bank has set up the Agricultural Projects Courses (APCs) conducted at the College of Agricultural Banking (CAB), Pune and Regional APCs conducted at Regional Centres, for upgrading the managerial competence of its cadre of staff. The National Bank has set up a training complex viz. Bankers Institute for Rural Development (BIRD) at Lucknow in order to cater for training of RRB personnel. A Training Advisory Committee, headed by Chairman of the National Bank is to decide policy pertaining to implementation of training programmes.

4.3 Annual Report of NABARD (1984-85)

The National Bank continued to place emphasis on adequate flow of production and investment credit for promoting various developmental activities in the rural areas.

I. Refinance Assistance

Refinance under schematic lending increased from Rs.892 crores in 1983-84 to Rs. 1,061 crores, registering a growth of 19 per cent over the last year. The total of credit limits sanctioned to the State Cooperative Banks for financing agricultural operations was lower at Rs.1,233 crores compared with Rs. 1,245 crores a year ago.

The Regional Rural Banks were sanctioned limits aggregating Rs.202 crores (short-term and composite). Limits for financing of non-farm activities particularly those sanctioned on behalf of handloom weavers' cooperative societies, increased from Rs.189 crores in 1983-84 to Rs.224 crores in 1984-85. Top priority was assigned to provision of refinance assistance for activities within the purview of the New 20-Point Programme. IRDP accounted for the highest amount of disbursements (Rs.354 crores) constituting 33 per cent of the disbursements under schematic lending during the year. The share of less developed or the underbanked States increased from Rs. 357 crores last year to Rs. 445 crores during the year.

The National Bank's efforts to constantly review its refinance policies and priorities and develop new initiatives had not only helped to increase credit flow to different sub-sectors of the rural economy, particularly the small and marginal farmers and other weaker sections,¹ but also enabled

¹ The proportion of refinance disbursed to small farmers under schemes relevant to them increased to 80.7 per cent in 1984-85 from 78.9 per cent in 1983-84.

the financial institutions to improve their operational efficiency and maintain financial discipline.

II. Policy Initiatives - Farm Sector

(a) Production Credit

(i) Crop Loans to include Insurance Premium: The Government of India decided to introduce a country-wide crop insurance scheme from Kharif 1985. This scheme is intended to provide a measure of financial support in the event of crop failure as a result of drought, flood, etc., it is also supposed to support and stimulate production of cereals, pulses and oilseeds. The scheme would cover rice, wheat, millets, oilseeds and pulses and farmers raising these crops in identified areas with loan assistance from cooperatives, commercial banks and regional rural banks, will be covered under the scheme.

(ii) Minimum Involvement of Resources by State Cooperative Banks and Central Cooperative Banks in short-term Agricultural Loans: The National Bank decided to fix the minimum level of involvement of State Cooperative Banks and Central Cooperative Banks in short-term agricultural lending at 25 per cent and 40 per cent respectively of their average internal lendable resources.

(iii) Linking Borrowings from National Bank with efforts at Deposit Mobilization by Central Cooperative Banks: The scheme which envisages availability of concessional refinance from the National Bank to the full extent of short-term credit limit sanctioned for seasonal agricultural operations or the aggregate levels was continued during the year.

(B) Investment Credit

(i) Refinance for Farm Mechanization: On a review of the extent of farm mechanization that had taken place in different States, the National Bank effected certain changes in the percentage of refinance available to participating banks for the purpose. To encourage farm mechanization in the context of massive rice cultivation programme in Madhya Pradesh, the percentage of refinance was increased from 75 to 90 in the case of Commercial Banks and from 75 to 95 in the case of State Land Development Banks as applicable to schemes in the Eastern and North-Eastern Regions.

(ii) Dryland Farming: Considering the potential for dryland farming, the National Bank has entrusted the responsibility of preparing two fully integrated projects for dryland development. The National Bank has also requested the banks to prepare on their own, dryland development projects for compact areas of 500-1000 hectares. The Bank has issued detailed guidelines for preparing these projects involving (a) soil and moisture conservation, (b) purchase of small agricultural implements, (c) farm forestry programmes, (d) appropriate cropping pattern and modern technology.

(iii) Rejuvenation of Darjeeling Tea Gardens: The Tea Board had formulated an Interest Subsidy Scheme that would cost Rs.43 crores, envisaging extension of area, replantation of the old and uneconomic area and rejuvenation over a period of 10 years along with the provision of irrigation and other inputs to improve productivity in these gardens. The tea

gardens were facing a financial crisis and as they were an important source of foreign exchange, the National Bank decided to treat the development schemes sponsored by the Tea Board on a special basis such allowing a longer repayment period was allowed. Under the programme, the National Bank sanctioned upto 30 June 1985, 28 schemes with a financial assistance of Rs. 733 lakhs.

(iv) Farm Forestry Projects: Keeping in mind the end-use of poplar trees as a source of raw material for pulp, chemicals, etc., National Bank approved a scheme for planting of such species by farmers in Haryana, Punjab, and Uttar Pradesh. The scheme has been designed to be implemented in two phases involving a total refinance assistance of Rs.10,722 lakhs. Refinance assistance of Rs. 2,733 lakhs for Phase I has been sanctioned.

Another major farm forestry project approved by the National Bank related to planting of eucalyptus on farm bunds, being selected on the basis of guidelines issued by State Government.¹ The project involved a financial outlay of Rs.534 lakhs and the Bank's refinance assistance of Rs. 363 lakhs would ensure a supply of eucalyptus wood for manufacture of rayon and pulp-wood used for manufacturing cheap cloth by the textile industry.

1 Planting of eucalyptus on farm bunds and other waste lands, were being selected on the basis of guidelines of State Government, by farmers in Chittradura, Bellary, Dharwar districts of Karnataka.

(C) Allied Agricultural Activities

(i) Organization and Financing of Functional Societies:

These functional societies are supposed to undertake credit functions for non-crop based purposes like financing members to purchase animals, feed, etc.

(ii) Refinance for Tyre Carts : Under the existing policy, refinance assistance from the National Bank was available only to small farmers for the purchase of work animals or animal driven carts. The policy was reviewed and it has been decided that during the year, the other farmers such as small, marginal farmers, agricultural labourers in the sugarcane growing areas would also be eligible for refinance assistance from the National Bank.

(iii) Development of Deep Sea Fishing : To promote exports by developing deep sea fishing, the National Bank sanctioned two schemes in Karnataka for financing purchase of deep sea fishing vessels and accessories from Japan, involving a refinance assistance of Rs. 151.65 lakhs, of which Rs. 68.12 lakhs have been released.

III. Policy Initiatives - Non-Farm Sector

The National Bank has attached importance to the development of non-farm activities in rural areas, the National Bank has initiated policy measures to step up refinance support to handloom, coir, sericulture and village industries sector. The important policy decisions taken during the year for extending increased support to the development of non-farm sector are as follows:-

(A) Production Credit

(i) Handloom: The National Bank has revised the per loom scales of finance in the cotton, woollen handlooms. The per loom scale of finance was Rs.2,000, the revised figure is Rs.3,000. In the case of woollen handlooms, the per loom scale of finance has increased from Rs.3,000 to Rs.4,000.

(ii) Sericulture: The silk reeler's cooperative societies in Karnataka and Tamil Nadu were unable to avail of refinance from the National Bank as they were not strictly functioning as production-cum-sale units, so the Bank decided to extend refinance to these societies for their working capital requirements, without insisting on such a condition.

(B) Investment Credit

(i) Sericulture: The National Bank has decided to extend term loan refinance facilities for reeling and twisting activities, so that the entire range of activities related to sericulture, from mulberry plantation and reeling to the production of raw silk, is covered.

(ii) Coir: On the recommendations of the Task Force, the National Bank decided to provide refinance assistance to State Cooperative Banks by way of term loans for financing the primary cooperative societies engaged in the spinning of yarn from brown fibre in the States of Andhra Pradesh, Karnataka and Tamil Nadu.

(iii) Non-Conventional Sources of Energy—Bio-gas: The National Bank continued its efforts in financing bio-gas units

under the National Project for Bio-gas Development. The National Bank has extended refinance facility to finance repairs of defunct plants to the extent of Rs. 500 per plant.

(iv) Establishment or Renovation of Handloom Emporia:

The National Bank decided to extend refinance facility for term loans advanced for the setting up of new emporia or renovation of existing ones. A proposal submitted by the Tamil Nadu Handloom Weavers' Cooperative Society (Co-optex) regarding setting up of five new emporia and renovation of 30 existing ones, involving refinance assistance of Rs. 61 lakhs, has been approved by the National Bank.

IV. New 20-Point Programme

The National Bank has been giving special attention to provision of refinance facilities to institutional agencies for different activities covered under the programme. The refinance disbursed for different items under IRDP has been occupying a larger share of the total refinance disbursed over the years.

The National Bank's involvement by way of refinance support is indicated by the following steps it took during the year. The National Bank has laid emphasis on improving the agricultural production under dryland farming by issuing detailed guidelines to banks in the preparation of projects for dryland farming. The Bank has so far sanctioned 52 schemes involving refinance assistance of Rs. 6 crores.

Minor irrigation continued to receive the Bank's

special attention. The total refinance disbursed under minor irrigation schemes amounted to Rs. 335 crores as against Rs. 312 crores last year.¹

The National Bank was actively involved in the implementation of Government of India's National Project for Bio-gas Development. During the year, the Bank sanctioned schemes involving refinance assistance of Rs. 10 crores for construction of bio-gas plants.² The National Bank continued to give special attention to the formulation of farm forestry schemes. Under forestry, the Bank's cumulative commitments and disbursements aggregated Rs.101 crores and Rs.17 crores respectively.

V. Research and Development Fund

The National Bank approved eight proposals during the year for research on different topics involving a financial assistance of Rs.161.25 lakhs. Financial assistance was disbursed during the year to State Land Development Banks and Regional Rural Banks for setting up Technical, Monitoring and Evaluation (TME) Cells.

A notable achievement during the year, resulting from the National Bank's Research and Development Fund support, was the development of a prototype ferrocement catamaran (fishing

1 The refinance released in respect of minor irrigation schemes resulted in financing assets like tubewells with pumps (651,000), pumpsets on existing wells (42,000).

2 The cumulative disbursements upto the end of 30 June 1985 amounted to Rs.18 crores. Bank's refinance assistance resulted in the installation of 35,000 bio-gas plants.

craft) by M/s. Matsya Consultancy Services (P) Ltd., Madras. Catamaran, traditionally made of timber, is an ideal fish landing craft with good surf-riding capability and trials of the prototype were successfully carried out in September 1984.

Another project for which assistance from the Fund was approved, during the year in favour of National Chemical Laboratory, Pune, is "technology transfer, Bio-Technical Evaluation and Clonal Multiplication of Eucalyptus, Bamboo and Salvadora".

VI. Strengthening the Credit Delivery System

(A) Pilot Project for Strengthening the Credit Delivery System: A mention was made in the last report about the launching of the Pilot Project for strengthening the credit delivery system in three district - Aurangabad (Maharashtra), Hoshangabad (Madhya Pradesh) and Sabarkantha (Gujarat). The objective was to achieve qualitative improvement in lending, effective supervision and monitoring of loans, diversification of loan portfolio and assisting borrowers in the pre- and post-sanction of credit. Under the project, all the participating banks in the pilot districts have taken steps to sharpen the skills and upgrade the capabilities of the field staff. For this purpose, a series of training programmes were conducted for the field functionaries giving them exposure to the various aspects of schematic lending.

These inputs were supplemented by monthly training meetings to review and sort out operational problems. The National

Bank reviews the progress in implementation at regular intervals and takes suitable follow-up action based on the review.

(B) Recovery of Institutional Credit: The Union Finance Minister had discussions with the Governor, Reserve Bank of India, Finance Secretary, Chairman of the National Bank in July 1984 to review the overdue position of all financial institutions including the Land Development Banks. As a follow-up of the decisions taken at the meeting, study teams of officers consisting of representatives of the Ministries of Finance and Agriculture, the National Bank and RBI visited several States, viz. Assam, Karnataka, Madhya Pradesh, Orissa, Tamil Nadu, West Bengal and Maharashtra. The objectives were to discuss the overdue position of the LDBs/SCBs/RRBs with the concerned State Governments, lay down targets for recovery and review the progress in rehabilitation of weak cooperative credit institutions, particularly LDBs.

Guidelines were issued for case by case analysis of loan portfolios of State Land Development Banks and to provide relief measures in deserving cases. The State Land Development Banks were advised to provide supplementary loans for completion of unfinished works.

During the year, guidelines were issued to Regional Rural Banks for a case by case analysis of defaulter borrowers and for taking corrective steps and providing relief in deserving cases.

(C) Interim Finance to State Land Development Banks:

The National Bank decided during the year to provide interim finance to SLDBs to cover their loaning both under the normal and special programme.¹

(D) Reorganization/Rehabilitation Programme: The National Bank continued its efforts in transforming Primary Agricultural Credit Societies into operationally efficient multi-purpose units and rehabilitating weak Central Cooperative Banks and State Land Development Banks. The progress in the implementation of rehabilitation programmes for Central Co-operative Banks is being closely monitored and remedial measures to improve their operational efficiency were communicated.

Organization and Methods (O & M) studies were completed by Expert Groups. Based on the recommendations of these Study Groups, suitable improvement measures were communicated. The National Bank also monitors the progress in the implementation of rehabilitation programmes in respect of weak SLDBs.

VII. Organization and Personnel Development

The National Bank has given emphasis on the improvement of organizational efficiency by strengthening its Head Office Departments and Regional Offices, introducing new systems and procedures and opening new offices. During the year, the Project and Operations Department was reorganized to deal with

¹ The National Bank will charge interest at 8.5 per cent p.a. to such of the SLDBs whose recovery performance at the primary level is not less than 75 per cent of the demand at the end of the previous year, against the normal rate of interest at 9 per cent per annum.

short term and schematic operations more efficiently. The Planning and Development Department, the Administration Departments and the Technical Services Department (TSD) were strengthened by posting an additional General Manager in each of these departments.

The strengthening of the Management Information System (MIS) is under active consideration. An intensive MIS study has been undertaken by the Tata Consultancy Services to cover an analysis of the existing information system in different operational, functional and administrative departments of the Head Office and Regional Offices of the Bank.

A Chief General Manager has been appointed to oversee the functioning of the Economic Analysis and Publication Department, the Institutional Development Department, the External Aid Division and the Perspective Planning Division of the Planning and Development Division.

The computer installed at the Head Office is being used to accelerate the processing of operational data. Maintenance of accounts with respect to refinance disbursements to commercial banks had been computerized. The computer is also being used for the compilation of statistical information on the progress of the cooperative credit institutions and regional rural banks.

To strengthen the technical capabilities of the Bank, Advisory Committees on Technical Schemes (ACOTS) were constituted and these committees provide assistance and advice on various

technical parameters, appraisal of financial details and cash flows.¹

With a similar objective, the Regional Advisory Committees on Technical Schemes (RACOTS) were constituted at each of the Regional offices to consider schemes which are within the sanctioning powers of Regional Offices. Meetings of RACOTS are held at the Regional Offices regularly to consider the technical schemes referred to them.

The National Bank has been giving priority to improving the professional competence of its staff. It has been consistently deputing its staff to different training courses which include Rural Development Projects (RDPCs) Courses, Regional RDPCs, seminars and workshops on different disciplines.

In view of the large number of personnel that have to be trained, particularly in respect to the RRBs, the Bank has enlarged the training facilities by opening training centres. The Bankers Institute for Rural Development (BIRD), set up in Lucknow in 1983, two Regional Training Centres (RTCs) one at Mangalore (Karnataka) and the other at Bolpur (West Bengal) were opened. The RTCs and BIRD at Lucknow catered to the training needs of RRB personnel by conducting regular RDPCs.

1 These Committees have expeditiously cleared schemes on the basis of professional and competent advice. ACOTS held 16 meetings in which 73 schemes were scrutinized.

4.4 Annual Report of the NABARD (1985-86)

The NABARD has been mainly concerned with the dynamics of rural development and its policies have aimed at promoting growth in the rural economy with particular emphasis on the upliftment of the weaker sections. The main policy initiatives taken during the year are as follows:

I. Policy Initiatives - Farm Sector

(A) Production Credit

(i) Credit Support for National Oilseeds Development Project: This project was launched by the Government of India in 180 districts and it was supposed to increase the production of oilseeds. The National Bank decided to sanction short-term credit to State Cooperative Banks to finance oilseeds' cultivators in project districts.

(ii) Special Rice Production Programme: The Government of India has sponsored a special programme for rice production in the Eastern States of India namely, Assam, West Bengal, Bihar, Orissa where the new technology for rice cultivation had not percolated. The National Bank has advised the cooperatives to ensure the fulfilment of credit needs of especially the new and non-defaulting members of the societies.

(iii) Marketing of Crops: Refinance facilities have been provided to small and marginal farmers to market their produce on better terms. This facility is provided only if the outstanding production loan dues are recovered out of the sale proceeds and remitted to Primary Cooperative Societies.

(iv) Distribution of Fertilizers: The marginal requirements in respect of credit facilities provided for purchase and distribution of chemical to the primary societies by State Cooperative Banks have been reduced to 10 per cent for pledge and 15 per cent for hypothecation loans, from the usual margin of 25 and 40 per cent respectively. This has been done to facilitate the smooth and increased flow of credit for the retail distribution of chemical fertilizers.

(B) Investment Credit

(i) Refinance for Wasteland Development: Many important steps have been taken by the National Bank to develop wastelands. The National Bank has decided that assistance will be provided to farmers through the banks to raise pilot nurseries in order to raise quality seedlings, to be sold to beneficiaries for planting in wastelands. Guidelines covering technical and financial parameters, instructions to prepare pilot projects for nurseries, were issued.¹

(ii) Refinance for Farm Mechanization: In order to ensure credit support for farm mechanization, the National Bank has taken certain measures. These included revision of the repayment period for tractor loan which was increased from 7 years to 9 years, reduction in the repayment loan amount from 50 per cent to 40 per cent in case of the Eastern States where the size of land holdings is small.

¹ To serve as models to State Governments, the National Bank has taken initiative in preparing two projects, one in the Nalgonda district in Andhra Pradesh and one in Balasore district in Orissa.

(iii) Refinance for Stand-by Pumpsets : The National Bank has decided to provide refinance assistance to the Minor Irrigation Development Corporations for the purchase of stand-by pumpsets. This decision was taken to ensure uninterrupted irrigation to the farmers' fields.

(iv) Study of Select Command Area Development Projects: In order to facilitate easier flow of credit to farmers and speedy execution of on-farm development works, the Government of India suggested the provision of bulk finance to Command Area Development Project authorities by banks, with refinance assistance from the National Bank. The Agricultural Finance Corporation was requested to conduct an in-depth study of relevant aspects in three selected projects viz. the Mahikadana (Gujarat), the Chambal (Rajasthan) and Malaprabha (Karnataka) CAD projects. The Report submitted by AFC is under consideration of National Bank.

(v) Task Force on Financing Plantation Crops: A Task Force was constituted by the Government of India on financing of plantation crops. The Task Force has been given the duty to assess availability of the amount of bank loan, review interest rates and repayment method, formulate proposals for catering to the needs of weaker sections in the industry, and mobilize resources to step up research and development.

II. Policy Initiatives - Non-Farm Sector

(A) Production Credit

(i) Handlooms: The National Bank has decided to provide

refinance assistance to State Cooperative Banks to enable them to finance primary weavers' societies for their working capital requirements as also for the acquisition or modernization of handlooms, construction of worksheds, etc.¹

(ii) Jewel Loans: The National Bank has decided to enhance the limit for issue of jewel loans to individuals by Central Cooperative Banks from Rs. 3,000 to Rs. 5,000 per borrower.

(B) Investment Credit

(i) Tiny/Cottage and Village Industries: A new package of credit comprising the General Refinance Scheme and Infra-structural and Promotional Support Schemes has been devised in order to promote tiny/cottage industries. The General Refinance Assistance envisages a financial assistance to partnership concerns upto a maximum of Rs.2 lakhs and to groups of individuals upto a maximum of Rs.5 lakhs. The infrastructural and promotional support schemes offer term loan assistance to voluntary agencies to augment their activities related to supply of raw materials, marketing facilities and so on.

(ii) Margin Money Assistance: A separate "Soft Loan Assistance Fund for Margin Money" was constituted with an initial contribution of Rs. 2 crores from the profits of the Bank.

¹ The per loom scale finance of Rs. 5,000 for cotton and polyester varieties of cloth has been revised to be reactivated to Rs. 8,000 and Rs. 12,000 respectively.

(iii) Financing of Registered Institutions: The National Bank has decided to extend term loan refinance facilities to Commercial Banks to enable them to meet the block capital requirements of institutions registered under Societies Registration Act, 1860.

(iv) Renovation of Emporia: Refinance facilities were extended for financing establishment of show rooms/emporia by handicrafts marketing societies and State handicrafts development corporations through State Cooperative Banks and commercial banks respectively.

(v) Involvement of Voluntary Organizations in Rural Development: The National Bank has extended a package of credit facilities to Voluntary Organizations, to augment their activities relating to cottage and village industries. The National Bank has devised two schemes, in which under the first scheme, financial support will be provided to voluntary agencies to organize suitable training programmes and under the second scheme, services of one or two qualified and experienced technical personnel are engaged.

(vi) Other Measures: The Advisory Committee on non-farm sector activities reviewed the policy initiatives taken by the National Bank for the development of the non-farm sector. The National Bank also advised the State Governments to constitute a State and District level Committee of Direction and Coordination to promote a broad spectrum of non-farm activities and for the purpose of planning, designing of strategies, and co-

ordinate, control the progress of programmes for rural industrialization.

III. Support to Special Programmes

The National Bank has taken special steps in the implementation of programmes such as:

(A) IRDP: The refinance assistance for this programme aggregated Rs. 376 crores during the year as against Rs. 354 crores during the previous year. A Task Force on the IRDP has been set up by the National Bank and it would also devote its attention to resolving operational problems in the implementation of the IRDP and improving the quality of lending under the programme.

(B) Farm Sector Activities: The National Bank approved a separate line of short-term credit to the State Cooperative Banks, in order to ensure adequate credit support for the National Oilseeds Development Project. In order to oversee the operational problems of the project, the Government has set up the Standing Committee of Technology Mission in which the National Bank has actively participated. Minor Irrigation continued to get high priority and the total refinance disbursed for minor irrigation amounted to Rs. 385 crores as against Rs. 335 crores in the previous year.

(C) Non-Farm Sector Activities: In order to promote development of tiny, cottage and village industries, a comprehensive package of credit measures has been extended to commercial Banks. Disbursements for non-farm rural activities

aggregated Rs. 2.76 crores.

(D) Alternative Sources of Energy: The National Bank is actively involved in the implementation of the National Project for Bio-gas Development. Cumulative disbursements reached Rs. 37 crores upto 30 June 1986.

IV. Reduction of Regional Imbalances

One of the major objectives of national policy is the reduction of regional imbalances.¹ The National Bank, accordingly, has been paying special attention to agricultural and rural development activities in the less developed States of Jammu and Kashmir, Rajasthan, Madhya Pradesh, the Eastern and Northern States. The total disbursement under schematic lending in the less developed States amounted to Rs. 502 crores during the year as against Rs. 445 crores in the previous year. The Eastern Region is sought to be developed by the National Bank. On account of low agricultural productivity, as the benefits of HYV technology have not spread out sufficiently in the region, steps were taken for the development of the Eastern Region, in particular, detailed instructions to co-operative banks and the Regional Rural Banks were issued to extend adequate credit support to Special Rice Production Programme in the Eastern States.

V. Research and Development Fund

A financial assistance of Rs. 16.01 lakhs was disbursed

¹ This objective has been recently recognized by NABARD and has not been mentioned as a major objective earlier.

during 1985-86, to Land Development Banks and Regional Rural Banks for strengthening the Technical Monitoring and Evaluation (TME) Cells. During the year, 40 proposals were approved, involving a financial assistance of Rs. 2.31 crores.

The development of a prototype ferrocement catamaran was possible because of the assistance of the National Bank's Research and Development Fund. Suggestions on the technical improvements to the catamaran are being considered for further development. The research project of the National Chemical Laboratory (NCL), Pune, on Technology transfer, Bio-technological Evaluation and Clonal Multiplication of Eucalyptus, Bamboo and Salvadora approved by the National Bank in 1984-85, became operational in January 1986 and an amount of Rs. 46 lakhs under the project was released by National Bank to the National Chemical Laboratory.

VI. Strengthening the Credit Delivery System

(A) Pilot Project for Strengthening the Credit Delivery System: The pilot project launched during 1983-84, in the three districts of Aurangabad, Sabarkantha and Hoshangabad for strengthening the credit delivery system, has the objective of achieving a qualitative improvement in lending and strengthening the human resource base. The project led to a general improvement in the lending environment, creating an awareness among the borrowers about the bank as a partner in development.

(B) Recovery of Institutional Credit: High level of

overdues is believed to be a major factor inhibiting the flow of credit in the rural areas. The studies conducted by the National Bank attributed the causes for emergence of high overdues to:

- (i) prescribing shorter loan maturities
- (ii) absence of penal action against wilful defaulters and propaganda by vested interests, etc.

To effectively counter this problem, the National Bank introduced action plans and training programmes. Steps taken in the direction of recovery of credit include facilities for ensuring proper recycling of funds, detailed guidelines to the State Land Development Banks to take up case-by-case analysis of overdues and relief to deserving borrowers.

(C) Reorganization/Rehabilitation Programmes: In order to strengthen the functioning of the Primary Agricultural Credit Societies, National Bank announced a 15-Point Programme for development of 30 selected Primary Agricultural Credit Societies in the 20 Pilot Project districts.

(D) Relaxation in Overdue Norms: The National Bank has decided to sanction credit limits for seasonal agricultural operations, in order to help Central Cooperative Banks which have been classified as weak and are under rehabilitation.

The National Bank decided to do so even if the overdues as on 30 June 1985 exceeded 60 per cent of the total demand but were not more than 65 per cent for the year 1984-85.

VII. Organization and Personnel Development

Strengthening the human resource base to improve operational efficiency is a continuing goal with National Bank. In order to streamline and codify schematic lending operations, the Management Services Department has compiled a manual for the purpose.

The Advisory Committee on Technical Schemes (ACOTS) at the Head Office and the Regional Advisory Committees on Technical Schemes (RACOTS) at the Regional Offices of National Bank, tendered useful advice on the schemes referred to them.¹ During the year, a new sub-office of National Bank was opened in Meghalaya. In addition to the Regional Office at Gauhati, the less developed States have a sub-office each, mainly the States of Sikkim, Manipur and Tripura.

VIII. MIS and Computerization

The Tata Consultancy Services study recommended the installation of a large computer system at the Head Office and appropriate computer systems at each of the Regional Offices. Computerization of the Management Information System (MIS) to monitor the progress of operations of Regional Rural Banks was also completed. Building up of a computerized scheme Information system is under progress and is being tested in two States on a pilot basis.

¹ During the year ACOTS discussed 86 schemes in 36 different meetings. More than two-thirds of the schemes discussed related to plantation, horticulture, etc.

4.5 The Annual Report of the NABARD (1986-87)

The National Bank has been continuously reviewing its policies and procedures with a view to introducing new measures designed to increase credit support for various rural development activities. The following account deals with the policy measures introduced by the National Bank during the year.

I. Policy Initiatives - Farm Sector

(A) Investment Credit

(1) Irrigation Pumpsets: Conservation of energy.
Installation of a complete pumping system with properly matched components can considerably increase the efficiency of the irrigation pumpsets thereby conserving energy. The National Bank has approved of the proposal to entrust the installation of such complete pumping systems conforming to the Indian Standards Institution standards to a select manufacturer of pumpsets in the States of Andhra Pradesh, Gujarat, Karnataka and West Bengal.

(B) Production Credit

(1) Collection and Marketing of Minor Forest Produce:
The scope of refinancing facility available from the National Bank for financing collection and marketing of minor forest produce was enlarged to cover all types of minor forest produce like gum, tamarind, medicinal herbs and roots. Financial assistance for production activities undertaken by the adivasis for raising crops on their land would be eligible for refinance from the National Bank.

(ii) Assessment of Loss of Crop Yields for Conversion Loans: The Government of India accepted the recommendations of the Working Group for evolving a scientific methodology for conversion of short-term production loans into medium-term loans. The National Bank decided that the requests of the State Cooperative Banks for conversion of short-term production loans into medium term loans on account of damage to crops due to natural calamities would be entertained, only if the following recommendations of the Working Group were accepted by the concerned State Governments, viz.:

- (1) doubling the crop cutting experiments
- (2) constitution of the crop weather watch groups.

(iii) Stabilization Arrangements for Regional Rural Banks: The National Bank decided to provide refinance to Regional Rural Banks in respect of short term agricultural loans converted into medium term loans necessitated by natural calamities. This decision was based on the recommendations of the Study Group on Stabilization Arrangements at various levels of the Rural Credit Structure.

(iv) Relaxation in Overdues Criteria: The National Bank decided to provide relaxation in overdues criteria especially to the weak Central Cooperative Banks, to the State Cooperative Banks in the North-Eastern region and the Central Cooperative Banks in the districts covered under the Pilot Project for Strengthening the Credit Delivery System.

II. Policy Initiatives - Non-Farm Sector

The National Bank decided to extend cent per cent refinance facility under its schemes to all banks against their advances to non-farm activities, with a view to promote a larger credit flow for non-farm activities.

(A) Production Credit

(i) **Production and Marketing Activities of Primary Weavers' Societies:** The National Bank decided to delink the sanction of credit limits from the owned funds requirement as was applicable to the Central Cooperative Banks. Earlier, the credit limits sanctioned to the State Cooperative Banks on behalf of the Central Cooperative Banks were restricted to an amount equal to the Central Cooperative Bank's owned funds. This delinking of credit funds from the owned funds requirement was with a view to step up the flow of credit for production and marketing activities of primary weavers' societies.

(ii) **Refinance Facilities for Development of Sericulture: Mulberry Sector:** The National Bank has decided to provide working capital requirements for one operating cycle of production as well as the cost of connected equipments, installation expenses along with the term loan refinance facilities extended to all eligible institutions for providing block capital loans for acquisition of improved charkas, cottage basins, twisting machines, etc.

(iii) **Norms for Assessment of Working Capital Requirements of the COIRFED:** The norms for assessment of the Working

Capital Requirements of the Kerala State Cooperative Coir Marketing Federation Ltd. (COIRFED) have been revised from 40 per cent to 50 per cent of the anticipated sales of the Federation.

(iv) Revision of Scale of Finance for Production of Silk on Handlooms: The per loom scale of finance for production of silk on handlooms by newly organized societies was revised by the National Bank from Rs.6,000 to Rs.10,000.

(B) Investment Credit

(i) Tiny, Cottage and Village Industries: The National Bank extended a comprehensive package of credit facilities on an automatic basis to State Cooperative Banks to finance individual artisans, handicraftsmen subject to certain conditions. The package of refinance facilities comprised:

- (1) Composite loan scheme to finance individual rural artisans or Farmers Service Societies (FSS).
- (2) Integrated Loan Scheme for entrepreneurs for setting up small, tiny, cottage and village industries (upto Rs. 5 lakhs).

(ii) Margin Money Assistance: Soft Loan Assistance for Margin Money hitherto available to proprietary or partnership concerns was extended during the year to groups of individuals, promotional agencies, development corporations, availing themselves of refinance assistance for establishment of raw material supply centres, common facility units, etc.

(iii) Dual-fuel Engines and Bio-gas Plants: The National

Bank has decided to extend refinance facilities to State Co-operative Banks and State Land Development Banks to enable them to provide composite loans for setting up of bio-gas plants mainly for minor irrigation purposes.

III. Implementation of Special Development Programmes

(A) Afforestation and Wasteland Development: The National Bank has given considerable amount of emphasis on the continuance of refinance facility for afforestation programmes comprising farm forestry, setting up of commercial nurseries, etc. The State Governments have been asked to take action regarding provision of technical assistance for the expansion of nurseries, integration of the nursery programmes with wasteland development programmes, etc.

(B) IRDP: To improve the quality of lending under IRDP, the National Bank has set up Planning and Review Groups in its Regional Offices and these groups are supposed to closely supervise the various operational aspects of IRDP lendings and help improve the planning, implementation and monitoring aspects of IRDP operations.

In order to improve further quality of lending under IRDP, the National Bank has initiated the following steps namely, in the following manner. Regional Rural Banks, State Land Development Banks were asked to organize crash training programmes for their branch-level officers and it was decided to introduce a regular clearance system through the District Level Coordination Committee (DLCC), to obviate delays under the IRDP.

IV. External Aid

The National Bank took the initiative to utilize the first tranche US \$100 million during the year under the NABARD CP-I. The National Bank used nearly 96 per cent of the first tranche US \$100 million. The National Bank actively engaged itself in the implementation of various special development projects with the assistance not only from the World Bank group but also from the Kreditanstalt fur Wiederaufbau (KfW) and International Fund for Agricultural Development (IFAD).

V. Research and Development Fund

During the year, five new project proposals involving a financial assistance of Rs. 13.92 lakhs from the Research and Development Fund were approved by the National Bank. Nine Regional Rural Banks and two State Land Development Banks during the year were permitted to set up or strengthen the Technical, Monitoring and Evaluation (TME) Cells. The total amount of finance sanctioned for the purpose to the Regional Rural Banks and State Land Development Banks amounted to Rs. 9.69 lakhs and Rs. 3.55 lakhs. The Directorate of Fisheries, Tamil Nadu placed an order for five ferrocement prototype catamarans and the National Bank sanctioned an assistance of Rs. 95 thousand for the purpose.

The research project on Technology Transfer, Bio-technological Evaluation and Clonal Multiplication of Eucalyptus, Bamboo and Salvadora sanctioned to the National Chemical Laboratory (NCL), Pune claims to be in progress and significant

strides to standardize the technology, bringing down the cost per seedling, were reported to have been made.

VI. Advisory Committees on Technical Schemes

Advisory Committee on Technical Schemes (ACOTS) at the Head Office and Regional Advisory Committees on Technical Schemes (RACOTS) at the Regional Offices of National Bank continued to provide useful advice on the schemes referred to them.¹ New and innovative schemes like biological control of pests in Karnataka, modern nursery development schemes in Maharashtra and other areas were also sanctioned by the National Bank.

VII. Institutional Development

(A) Pilot Project for Strengthening the Credit Delivery System: The Pilot Project was initially launched in 1983-84 in three districts but was extended to 12 more districts from 1 July 1986. The new districts are Buldhana (Maharashtra), Medak (Andhra Pradesh), Durg (Madhya Pradesh), Ranchi and Nalanda (Bihar), Purulia (West Bengal), Mandi (Himachal Pradesh), Ajmer (Rajasthan), Hassan (Karnataka), Sultanpur (Uttar Pradesh), Kalahandi (Orissa) and Chingleput (Tamil Nadu). A mid-term evaluation of the project in the original three districts of Aurangabad (Maharashtra), Hoshangabad (Madhya Pradesh), and Sabarkantha was undertaken during the year and the evaluation revealed strengths and weaknesses of the project. The positive

¹ During the year, ACOTS discussed 64 schemes in 30 meetings on various disciplines.

aspects related to areas of recovery performance, creation of physical assets and flow of credit. The inadequacies related to the inability of the Regional Rural Banks to position adequate field staff and acquisition of vehicles by field level functionaries.

(B) Regional Rural Banks: National Bank had advised the Regional Rural Banks to conduct case-by-case analysis of overdue loan accounts and permitted to allow rephasing in deserving cases. In accordance with the current policy, more emphasis has been given on the consolidation of regional rural banks than expansion of network. The Government of India appointed a Working Group to review various aspects of the working of the Regional Rural Banks. The important recommendations of the Working Group were, mainly directed towards enhancement of the authorized and issued share capital of the Regional Rural Banks, bearing the losses incurred by the Regional Rural Banks, by the Government of India, State Governments and sponsor banks in the same ratio as their shareholding, etc.

(C) Human Resources Development in Credit Institutions: The National Bank increased its existing training facilities and introduced new programmes with improved course contents. Regional Training Cells were set up at 15 Regional Offices of the Bank, which were supposed to conduct programmes for the State Government officials and the National Bank's own staff. The Bank launched a specially designed training course, 'The

Rural Branch Management and Credit Delivery Programme' for Rural Branch Managers. The programme aims at improving quality of lending, loan recovery efforts, etc.

Besides, organizing and funding training programmes, the National Bank assisted other organizations to develop their training courses in agricultural and rural banking by providing them with faculty support.

(D) Vikas Volunteer Vahini: The Vikas Volunteer Vahini (VVV) Programme dealt with the reactivization of the clubs which were not showing good performance, encouragement to well-performing clubs in the fields of deposit mobilization, acting as information centres, etc. The maintenance of 330 clubs was entrusted to concerned branches of Commercial Banks, Cooperative Banks and Regional Rural Banks. Training component under the programme was enlarged to cover several new inputs for a larger number of functionaries. One of the important activities pertaining to the clubs was preparation of Village Development Plans, where the credit needs of an entire village for its economic upliftment were estimated.

(E) Strengthening the Cooperative Credit Institutions: The programme of intensive development of Primary Agricultural Societies and the intention of converting them into multi-purpose organizations continued to register progress. The failure of many societies to attain viability despite re-organization had prompted National Bank to take a fresh look at the viability norms. An urgent need for revision of

viability norms was apparent, but it is difficult to fix any uniform norms because of variations in the expected viability levels between States. A State-specific viability norm is engaging the attention of the National Bank. Regarding rehabilitation of Central Cooperative Banks, the Regional Offices of the National Bank are supposed to play an important role in rehabilitation efforts. Six Central Cooperative Banks could come out of the category of weak Central Cooperative Bank. However, the number of weak Central Cooperative Banks stood at 173 due to 13 new banks sliding into the 'weak' category as on 30 June 1986. Other measures directed towards strengthening the Cooperative Credit Institutions included the implementation of the recommendations of the organization and management studies. Suggestions towards improvement in the operations of the weak State Land Development Banks were put forth. With a view to improving the financial health and operational efficiency of the 'weak' primary units in the long-term cooperative credit structure, the National Bank had formulated in 1986, a 10-Point Action Programme for the rehabilitation of the 'weak' units, whose overdues exceeded 60 per cent of the demand in 1984-85.

(F) Inspection of Banks: The major thrust during the year was towards improvement of quality of inspection reports and ensuring proper follow-up measures. The National Bank kept in view the need for training the Inspecting Officers before they were assigned the job of inspections, the Bank had introduced a system of on-the-job training of the officers.

4.6 The Annual Report of the NABARD (1987-88)

The National Bank formulated such policy initiatives which were oriented towards lessening the burden of farmers who suffered due to drought or floods. The National Bank was committed in this direction because the year 1987-88 was a period of unprecedented natural calamities. The policy decisions taken by the National Bank in 1987-88 were as follows:

I. Specific Policy Initiatives - Measures to Combat Effects of Natural Calamities

(A) Production Credit

(i) Relaxations in Sanctioning Credit Limits: The National Bank decided to sanction additional short-term credit limits to Central Cooperative Banks and Regional Rural Banks for financing farmers affected by natural calamities if farmers were desirous of taking up repeat operations and if the credit limits already sanctioned for the year 1987-88 were found inadequate by the agency.

(ii) Massive Rabi Production Programme in Bihar: The Government of Bihar drew up a Massive Rabi 1987 Production Programme in the wake of floods and droughts in Bihar. The National Bank constituted teams to monitor the Programme and identify deficiencies in its implementation for immediate rectification.

(iii) Working Capital Requirements of Weavers' and Coir Societies: The National Bank decided to sanction additional credit limits to State Cooperative Banks for financing working capital requirements of primary, regional, apex weavers' co-

operative societies for periods ranging 6 to 9 months as a relief measure to tide over difficulties caused by piling up of stocks, in areas affected by drought or floods.

(iv) **Supplementary Credit Limits for Rabi Programme:**

With a view to strengthening the production capacity for expanding the rabi output substantially in order to compensate the heavy loss in crop production, the National Bank decided to extend the following concessions for 1987-88 only. Loans issued for cultivation of fodder were considered as part of crop loan advances and such loans were allowed to be recovered along with rabi dues. In all areas affected by drought or floods during 1987-88, small farmers having defaults upto 20 per cent of their eligibility for Seasonal Agricultural Operations (SAO) loans were allowed to be considered eligible for fresh finance for rabi 1987-88 provided such defaults were for reasons beyond the control of farmers.

(B) Conversion/Reschedulement of Short Term Loans

The National Bank extended the following concessions to lessen the impact of erosion in repaying capacity and accumulated debt burden of the farmers affected by natural calamities. In respect of short term loans issued for each of the three or more years affected by drought or floods, the bank shall grant during the current year, a reschedulement facility for a period of seven years. The short-term loans borrowed during the three consecutive years of drought may be repayable for a period of 10 years.

(C) Investment Credit

(i) Relaxation for Financing Institutions: The National Bank extended several relaxations in its policy of providing persistence. These relaxations were in the context of providing loans to State Governments for providing share capital assistance and removal of the condition of limiting medium term (non-schematic) credit limits to Regional Rural Banks upto Rs. 1 crore per district.

(ii) Concessions to Borrowers : The National Bank extended the following concessions to the farmers who had availed of term loans for investment purposes in areas affected by drought or floods.

II. Policy Initiatives - General

(A) Rate of Interest on Refinance Assistance to State Cooperative Banks for Financing Short-term Agricultural Loans: The National Bank decided to prescribe a new interest rate for short-term agricultural loans to be charged by Primary Agricultural Credit Societies (PACS) with effect from 1 March 1988. The revised rate of interest to be charged by PACS resulted in reduction in the interest margin to the extent of 1 per cent to 2.5 per cent on loans upto Rs. 15,000 depending upon the size of loans issued by PACS. Recognizing the fact that cooperatives would not be in a position to absorb such a loss of income, the National Bank decided to suitably compensate the above loss.

(B) Self Employment Scheme for Ex-Servicemen (SEMEX)-II: The National Bank introduced a scheme in February 1988 styled

as SEMFEX II. This scheme envisages the provision of a comprehensive package of credit facilities to the said army personnel for undertaking agriculture and allied activities or setting up village, cottage and tiny industries under various on-going refinance schemes.

(C) Quantum of Refinance Facility to Commercial Banks:

The National Bank has decided to rationalize the extent of refinance support to be provided to commercial banks, in view of the increasing demand on resources of the National Bank not only for traditional purposes, but also for new thrust areas and priority sectors like rainfed farming, wastelands development, oilseeds production, special Foodgrains Production Programme, etc.

III. Policy Initiatives - Farm Sector

(A) Production Credit

(1) Conversion of Short-term Production Loans into Medium-term Loans: The National Bank had been providing conversion facilities under section 22(1) of the National Bank for Agriculture and Rural Development Act, 1981. It was decided that conversion facilities would be granted to Central Cooperative Banks as had granted conversion loans to the Primary Agricultural Credit Societies.

(B) Investment Credit

(1) Assistance for Vegetable Cultivation and Fodder Development: The National Bank has decided to provide term loan refinance facilities to farmers taking up cultivation

of varieties of vegetable crops. Refinance support will also be provided for cultivation of perennial fodder crops like lucerne, hybrid napier, etc., under irrigated conditions.

The fodder supply situation is getting increasingly difficult with a continuous increase in livestock population. Chronic fodder shortage is being faced by States like Maharashtra, Karnataka, Gujarat, etc. The National Bank has engaged itself with fodder development programme and has set up a Working Group to recommend remedial measures. The Working Group suggested development of a national fodder and fodder seed system, motivation of farmers to take up cultivation of high yielding variety of fodder crops, formulation of an integrated scheme for fodder production along with dairy development, strengthening of existing schemes for provision of medium and long-term loans for green fodder production and extending institutional credit support for production of high quality fodder seeds.

(ii) Concessions Under Medium-Term Credit: The National Bank decided to sanction medium-term loans for agricultural purposes for periods upto seven years to Central Cooperative Banks in respect of long gestation investments requiring longer repayment periods. While the Central Cooperative Banks have to continue to show preference to small and marginal farmers, the National Bank decided not to stipulate as a condition that at least 50 per cent of the medium-term loans should be provided for small and marginal farmers.

(iii) Size of the Tractors - Farmer's Preference: Several services on the use of tractors revealed that when farmers purchased tractors with institutional finance support, they generally preferred tractors with a power much higher than that actually required for their farm operations. The National Bank has decided to prepare tractor density maps annually for each district and circulate the same among banks.

(iv) Minor Irrigation and Land Development: With regard to financing of pumpsets, it has been decided that refinance assistance would be available from the National Bank to banks only if loans are advanced for purchase of pumpsets having Bureau of Indian Standards (BIS) Certification. Banks are required to provide appropriate orientation training to their field staff for this purpose so that they will be able to enforce the discipline effectively. Necessary emphasis has been laid for training of staff for installation of pumpsets in conformity with the above code.

Regarding the use of water conservation devices, the participating banks have been advised to finance more and more of sprinkler and drip irrigation systems on a schematic basis. Regarding the need to protect the interest of borrower farmers who are exposed to the risk of failure of wells, the National Bank had formulated a model failed wells compensation scheme in June 1983.

IV. Policy Initiatives - Non-Farm Sector

(A) Production Credit

(i) Rural Artisans Including Weaver Members of Primary

Agricultural Credit Societies and Farmers Service Societies:

With a view to ensuring adequate credit flow to the rural artisans, it was decided to delink the overdue norms for determining the eligibility for the purpose of refinance.

(ii) Production and Marketing Activities of New Weavers' Societies or Dormant Societies to be Reactivized: The National Bank modified the norms for assessing the working capital requirements for new weavers societies or dormant societies to be reactivizd. Under the revised norms, the working capital requirements of such societies will be assessed on the basis of per loom scale of finance for the first four years as against two years as hitherto.

(B) Investment Credit

(i) Establishment/Renovation of Handloom Emporia : Refinance facilities from the National Bank are available to commercial banks, State Cooperative Banks against term loans to State Handloom Development Corporations (SHDC) and apex or regional Weavers' Cooperative Societies, respectively for establishment or renovation of handloom emporia. The norms for provision of these facilities were revised.¹

(ii) Training-cum-Production Centres (TPCs) for Non-Farm Activities: The National Bank approved a scheme to provide financial assistance to a number of voluntary agencies

¹ As per the revised norms, the involvement of the Apex or Regional Weavers' Societies and SHDC in the cost of investment has been reduced to 10 per cent and 15 per cent.

for setting up training-cum-production centres (TPCs) for development of non-farm activities. The TPC concept incorporates a unique blend of entrepreneurial development, technology upgradation, thereby assisting the setting up of viable rural industrial units. The National Bank has sanctioned a grant of Rs. 29.63 lakhs to a voluntary agency for setting up of a TPC for development of non-farm sector activities in Gonda district which is one of the most backward and economically under-developed district of Uttar Pradesh.

V. Special Development Programmes

(A) IRDP: The National Bank took several measures to provide the necessary succour to the beneficiaries under IRDP who had suffered on account of drought or flood. These measures included reschedulement facilities for beneficiaries under ISB sector of IRDP, supplementary financial assistance for fodder procurement for milch animals, etc. The National Bank set up the Planning and Review Groups at the Regional Offices with the main objective of improving the quality of lending under IRDP. The Task Force constituted under NABARD CP-I, with the objective of assisting and guiding the participating banks in maintaining appropriate standards of lending quality and strengthening the supervision of implementation of IRDP, made a number of recommendations. Firstly, it was suggested that to improve the quality control of IRDP, the beneficiaries identified should be given an orientation training to help them appreciate their obligations and responsibilities. Secondly,

while suggesting a package of activities to an identified IRDP family, a minimum of two activities be sponsored.

One of the objectives under IRDP was to consolidate the gains achieved under the Programme. It is envisaged that those beneficiaries who could not cross the poverty line even after being given support under the programme once, due to reasons beyond their control, should be given a supplementary dose of assistance. Suitable instructions to this effect were issued to the banks by RBI and the National Bank.

(B) Development of Eastern and North-Eastern States:

Various special efforts were aimed at achieving a higher level of agricultural production and productivity in the Eastern Region through the implementation of the recommendations of Dr. Sen Committee. The National Bank has taken the following steps. In view of the urgent need to improve the recovery position of the financing institutions, particularly the co-operatives, it was suggested to the State Governments, that services of local voluntary organizations might be mobilized and operational costs incurred in this regard borne by the banks.

The National Bank decided to sanction Medium-term Agricultural Credit limits to the State Cooperative Banks in the North-Eastern Region even if the overdues of such banks exceeded 60 per cent of the total demand.

(C) Afforestation and Wasteland Development: There are a number of constraints which come in the way of promoting

wasteland development programmes. Problems relate to namely identification of compact blocks of wasteland to facilitate project formulation. There is a need for identifying an appropriate mix of species of trees suitable for different agro-climatic regions.

(D) Oilseeds Production: The Government of India have taken several steps to make the country self-reliant in edible oil and to stop imports totally by 1990. The National Bank has continued to draw and implement action plans in selected blocks to demonstrate the practicability and effective means of increasing oilseeds production through proper functional coordination of efforts of various agencies. The oilseeds production thrust project covers 246 districts and the government is expanding the scope of this project and the total outlay fixed for the project is Rs. 35 crores. Out of the 246 districts, 151 are common under the NODP (National Oilseeds Development Project) and OTP (Oilseeds Production Thrust Project) and 95 districts have been identified for intensive cultivation of oilseeds under the above project.

The National Bank also identified 62 districts in the States of Karnataka, Maharashtra, Orissa, Tamil Nadu and Uttar Pradesh, which have comparative advantage for production of oilseeds over other crops based on net return per unit area and the Government has also requested the State Governments to encourage oilseeds cultivation instead of other less remunerative crops in these identified districts. In order to increase

the credit flow in National Oilseeds Development Project (NODP) districts, the State Governments of Tamil Nadu, Uttar Pradesh and Maharashtra, were advised to prepare proposals for increasing the credit flow for oilseeds by 50 per cent over the existing flow.

(E) Special Foodgrains Production Programme (SFPP):

The task force set up to assess the foodgrains situation in India, envisaged a foodgrains target of 166 million tonnes for 1988-89 and 175 million tonnes in 1989-90. For achieving these targets, 169 districts in 14 States have been identified as thrust districts for immediate and concerted action covering 5 major crops namely rice, wheat, maize, gram and arhar. The bulk of the crop loans is expected to be provided by Central Cooperative Banks and Regional Rural Banks, the National Bank decided to provide adequate refinance support. In the case of Central Cooperative Banks, which are not eligible for credit limits for 1989-90 or are likely to face difficulties in operating the credit limits sanctioned, suitable relaxations would be granted.

(F) Special Rice Production Programme: This programme was launched by the Government in 409 blocks of six States namely, Assam, Bihar, Madhya Pradesh, Orissa, West Bengal, parts of Uttar Pradesh has been in operation for the last three years. The Central Cooperative Banks have been advised to indicate the estimated credit requirements so as to enable the National Bank to take into account the credit requirements while sanctioning credit limits to these Banks.

(G) Alternative Sources of Energy: In keeping with the declared policy of the Government of India to accelerate the development and use of technologies based on new and renewal sources of energy in the rural areas, the National Bank has decided to involve itself in the implementation of the Integrated Rural Energy Programme (IREP). The National Bank has also requested Regional Rural Banks, State Cooperative Banks and State Land Development Banks to extend adequate credit facilities for the various activities coming under Programme. Refinance facility from the National Bank is available against loans granted for the purpose of installation of bio-gas plants, dual fuel energies, windmills and solar cookers. Refinance Assistance to Banks for financing individuals for purchase of solar cookers is an important objective. The refinance interest rate on solar cooker purchase was 11.5 per cent and the lending rate would be 15 per cent to the ultimate beneficiaries.

Among other developmental initiatives, the National Bank took up an exercise to develop a methodology which envisaged a step-by-step approach to bring perceived long term potential of each rural development sector to manageable and realistic proportions through appraisal of constraints including prospects of infrastructure upgradation and refinance absorption capacity of the banks. In order to minimize the time lag in sanction and disbursement of refinance, the National Bank has emphasized the need to delegate powers to the Regional Offices. The Regional Offices were authorized

to sanction refinance upto Rs. 150 lakhs for Minor Irrigation and Rs. 100 lakhs for other schemes in respect of State Government or area based schemes.

4.7 Annual Report of the NABARD (1988-89)

The National Bank has been refashioning its policies to the banks for various development schemes and projects. A number of important policy initiatives were taken during 1988-89.

I. Strategy for Credit Planning

The National Bank has always aimed at improving the productive capacity of the nation, with due consideration to differences in resource endowments and technological opportunities of different regions. It is recognized that different models of rural development may be appropriate for different regions. The Planning Commission has initiated a new approach to planning for agricultural development on the basis of agro-climatic regions. The country has been divided into fifteen agro-climatic regions based on quality of soil, rainfall, climate and water availability. Based on the findings of planning teams on each of the agro-climatic regions, the Planning group at the National level is expected to recommend policies in different regions. The National Bank deals primarily with the State Governments and their planning and implementation agencies in formulating credit plans, as they are inextricably bound, with the infrastructure and extension services provided by State Governments. The Bank has begun

preparing Potential Linked Credit Plans (PLPs) with the objective of developing realistic micro-plans for helping to build up block or district or State credit plans. The Reserve Bank of India (RBI) has initiated a new strategy called the Service Area Approach from April 1989, under which the responsibility of looking after the credit needs of the rural population in a group of villages, say 15 to 20, is assigned to an individual bank. Under this approach, annual credit plans of bank branches will be prepared on the basis of the potentials available for development in the villages. The National Bank has been actively associated at various stages of implementation of this programme. Steps are being taken to ensure that Service Area Plans (SAPs) truly reflect the long-term potentials identified by the National Bank.

II. Policy Initiatives

(A) Policy Directives Issued by the National Bank

Non-compliance by Cooperative Banks: The National Bank provides refinance facilities to State Cooperative Banks and State Land Development Banks for various purposes at concessional rates of interest. It was, however, observed that the instructions, guidelines issued by the National Bank were not being followed invariably by the Banks. The National Bank stopped providing refinance to State Cooperative Banks and State Land Development Banks. The refinance facilities were restored on the basis of the undertaking furnished by the banks to the effect that they would comply with the guidelines issued by the National Bank.

(B) Refinance Assistance from National Bank -
Financial Discipline

In order to inculcate a greater sense of financial discipline among banks, it has been decided that if in future the State Cooperative Bank defaults in the repayment of refinance to the National Bank, no further refinance facility would be released and that penal interest will not be charged on the early repayment of refinance by the banks.

(C) Production Credit

(i) Refinance for Providing Cyclical Credit in Rainfed Farming Pilot Project Areas: The National Bank has introduced in the three Rainfed Farming Pilot Projects in Karnataka, Tamil Nadu and Andhra Pradesh, an innovative scheme for providing short-term credit to the beneficiaries in the watersheds on a cyclical basis. Under this arrangement, the amount of production loan to be repaid every year by the farmers is determined on the basis of crop yields obtained by them in that year. In the year, when actual yields of crop are below the normal yield, farmers are required to repay only a portion of the crop loans taken for that year to be eligible for crop loans in the next year.

(ii) Interest Rates on Agricultural Advances: The National Bank issued instructions to the cooperatives to change the rates of interest to be charged to ultimate borrowers on short term Agricultural Operations with effect from 1 March 1989 as under:

Table 4.3 : Revision of Interest Rates in the Cooperative Credit Structure by NABARD from 1st March 1989

Range of advances	Rate of Interest (per cent per annum)
1. Upto Rs. 7,500	11.00
2. Over Rs. 7,500 and upto Rs.15,000	11.50
3. Over Rs.15,000 and upto Rs.25,000	12.00
4. Over Rs. 25,000	14.00 to 15.50

Source: Annual Report of NABARD, 1988-89, p. 41.

(iii) Credit for Oilseeds Production : Under the Oilseeds Production Thrust Project (OPTP) which covers 246 districts in 17 States, the National Bank decided to sanction separate short term credit limits to Central Cooperative Banks and Regional Rural Banks. The Central Cooperative Banks in 151 districts, where both National Oilseeds Development Project (NODP) and OPTP are being implemented, will be sanctioned a separate short term (Agricultural) credit limit covering both the projects.

(D) Investment Credit

(i) Financing of Agricultural Pumpsets: To ensure that institutional credit is available only for complete pumping systems (CPS), banks have been advised by the Reserve Bank of India that they should finance only complete pumping systems even if loans granted for agricultural pumpsets are without refinance support from the National Bank.

(ii) Million Wells Scheme: It has been decided that lifting devices like pumpsets to be provided to the target beneficiaries under the Million Wells Scheme formulated by the Government of India may be covered under the Integrated Rural Development Programme (IRDP) which would be eligible for re-finance from the National Bank in the usual manner.

(iii) Farm Mechanization: In order to ensure optimum utilization of tractor capacity, guidelines for selection of economic size (HP) of tractors have been circulated among the financing banks. Apart from the existing appraisal norms like land holding, tractor usage, etc., banks have been advised to give due consideration to tractor density in the area based on tractor density maps prepared for each district.

(iv) Pilot Project for Financing Salvage of Good Quality Milch Animals: The National Bank has formulated a pilot project to provide financial assistance to farmers who will purchase such animals and rear them in villages. This scheme will enable the prospective beneficiaries of loans to purchase milch cattle to obtain good quality animals and offer good scope for increasing milk production.

(v) Assistance to Farmers in Areas Affected by Natural Calamities: The National Bank formulated and implemented a special scheme for flood relief package in 1988. The package envisaged providing refinance support to the banks against loans to be issued for restoration of farm machinery, pumpsets, tractors, etc. The refinance commitment made by the National

Bank amounted to Rs. 99 crores in Punjab and Rs. 12 crores in Haryana, especially after considering the extensive floods in Punjab and Haryana.

III. Special Development Programmes¹

(A) IRDP: The findings of the concurrent evaluation studies of IRDP had revealed certain deficiencies like delays in disposal of loan applications, inadequacy of assistance, non-provision of working capital where required, etc. The task force on IRDP constituted under NABARD Credit Project-I (NABARD CP-I) made the following recommendations: (i) Suitable orientation programmes should be organized by District Rural Development Agencies (DRDAs) for the benefit of IRDP beneficiaries. (ii) The Government of India is also supposed to take the necessary steps for strengthening the district level organizations such as the district supply and marketing societies. (iii) A small group should be set up at the district level for preparation of location-specific project profiles for major activities under Industries, Services and Business (ISB) sector of IRDP.

(B) Special Foodgrains Production Programme: The National Bank took the following initiatives to ensure successful implementation of the SFPP formulated and implemented by the Government of India in selected States for optimizing the production of five major crops (rice, wheat, maize, gram and arhar). In order to provide irrigation facilities to very

1 The NABARD Annual Report, 1988-89, p. 53.

small land holdings, where issuing individual term loans may not be a viable proposition, banks and State Governments were advised that efforts should be made to provide group loans for wells and agricultural pumpsets.

It was decided to permit the State Cooperative Banks to provide adequate credit support, from out of their own resources, to State-level Seeds Corporations or other institutions for the purpose of buffer stocking of seeds, to ensure timely availability of these inputs to farmers.

Special monitoring squads comprising mainly the officers of the National Bank and State Cooperative Banks have been set up in each State to monitor the implementation of the Programme. However, certain deficiencies have been observed by squads which periodically visited the Special Foodgrains Production Programme, such as lack of awareness among farmers regarding the package of practices envisaged under SFPP, and input supply agencies were not well equipped to arrange inputs on time due to the late launching of the Programme.

IV. Other Developmental Initiatives

(A) Working Group for Eighth Five Year Plan: The Planning Commission had constituted a Working Group on Agricultural Credit and Cooperation (including crop insurance) to make realistic estimates of the credit needs of this sector. The Working Group, set up four Task Forces to undertake in-depth studies and formulate suitable proposals on agricultural

credit and crop insurance, cooperatives for women, youth and weaker sections, Cooperative Marketing, Processing and Storage of Agricultural Produce and Cooperative Training and Education Programmes. The Report of the Working Group based on the in-depth analysis made by the Task Forces has been submitted to the Planning Commission.

(B) Khadi Village Industries Commission-National Bank Coordinated Projects : With a view to achieving a quick breakthrough in the level of refinance support to cooperative societies or institutions under the Khadi Village Industries Commission fold, discussions were held with the Khadi Village Industries Commission. Efforts are being made to formulate projects in consultation with the respective Khadi and Village Industries Board.

(C) Linkages Studies : The National Bank mounted in-depth studies of the backward and forward linkages in selected blocks in the States of Andhra Pradesh, Karnataka, Maharashtra, Uttar Pradesh and West Bengal, in order to ensure not only proper utilization of loans, but also the economic viability of the schemes under ISB component of the IRDP.

CHAPTER V

CRITICAL REVIEW OF THE NABARD'S PROGRESS

After taking into careful consideration NABARD's progress from the viewpoint of the policy decisions pertaining to re-finance assistance, non-farm sector, the New 20-Point Programme, Strengthening of the Credit Delivery System and Organization and Personnel Development, it is necessary to make critical comments regarding its progress since its inception in 1982.

5.1 The Annual Report of 1982-83

This report can be critically reviewed in the following manner. The conspicuous event dominating the Indian economic scene in 1981-83 was the widespread drought. The late onset of the south-west monsoon and floods in some part of the country caused extensive damage to kharif crops. The annual plan for 1982-83 provided for a significant increase in the developmental outlays for agricultural and rural development. The outlay for agriculture and allied activities was stepped up from Rs. 2,544 crores in 1981-82 to Rs. 2,857 crores in 1982-83 and that of irrigation and flood control from Rs.1,542 crores to Rs. 1,754 crores. The village and small scale industries were provided with an outlay of Rs. 338 crores in 1982-83 compared with Rs. 323 crores in the preceding year. Throughout the first annual report, it is clearly visible that schematic agricultural term lending occupied an important place

especially with reference to refinance of new activities like farm forestry projects, improvement and energization of pump-set installations and so on. Regarding institutional development, special emphasis has been laid on the improvement measures to enhance managerial and organizational capabilities of the State Land Development Banks. With regard to short term agricultural loans, it was decided that Primary Agricultural Credit Societies can provide fresh finance to small farmers, defaulting by a small amount, if the default arose out of circumstances beyond the borrower's control. The NABARD has revised the interest rates to be charged by cooperative societies on short term and medium term agricultural loans.

To raise agricultural productivity, emphasis continued to be given to utilization of irrigation potential already created, increased use of fertilizers, and high yielding varieties. The target of additional irrigation potential of 2.35 million hectares fixed for 1982-83 had nearly been achieved. Consumption of fertilizers a level of 6.42 million tonnes of nutrients and the area under high yielding varieties of seeds was nearly 48 million hectares.

A significant improvement in rural electrification and energization of pumpsets was witnessed. Till January 1983, 307 thousand villages had been electrified constituting 53.3 per cent of total villages.¹

¹ Energization of pumpsets is a new refinancing activity begun by NABARD in April 1983.

The severe drought exerted a tremendous, undue pressure on the public distribution system and in view of the mounting pressure on the public distribution system, there was a need for replenishing the buffer stock which was depleted substantially in the recent years. Contracts were, therefore, approved for the import of 4 million tonnes of wheat during 1982-83.

High priority continued to be accorded during the year to ensure adequate flow of credit to rural sector in general. Loans issued by the cooperatives during 1982-83 is placed at Rs.2,556 crores comprising Rs.1,922 crores of short term and Rs. 634 crores of medium term and long term loans.

As a poverty alleviation measure, the Integrated Rural Development Programme (IRDP) had a target of 15 million families to be covered with an outlay of Rs.1,500 crores. According to progress reports, nearly 7.5 million families have been assisted with term credit amounting to Rs.1,102 crores.

Considerable importance continued to be attached to livestock development programmes. An increase in the number of highly productive cross-bred cattle, systematic control of diseases, greater attention to scientific breeding programmes are notable developments in this field.¹

Another important achievement was regarding the opening

¹ Milk production has been estimated to have gone up to 35 million tonnes in 1982-83 and marine fish production marginally lower at 1.40 million tonnes.

of new bank branches in rural areas. Following the setting up of a large number of bank offices in the States, the average population per bank office in each of the States, namely, Assam, Bihar, Uttar Pradesh, West Bengal, has declined. The number of bank branches between June 1982 and March 1983 have increased from 20,394 to 21,932, an increase of 7.54 per cent.

As for the non-farm sector, information is available for some of the more important activities namely, Khadi and Village Industries, sericulture, handlooms, powerlooms, handicrafts and coir. The Khadi and Village Industries Commission (KVIC) has played a key role in planning, implementing programmes for development of Khadi and specific village industries. In respect of handloom, assistance with regard to raw materials, credit and marketing of products have received attention. Production of handlooms was nearly of the order of 3,300 million metres valued at Rs.1,980 crores in 1982-83. During 1982-83, raw silk production was valued at 5.7 million kgs valued at Rs.183 crores as against 5.2 million kgs valued at Rs.169 crores in 1981-82. Realizing the need for imparting improved skills to artisans, about 60 per cent of the public sector outlay has been earmarked for training artisans in crafts like carpet weaving, textile printing and so on.

As a result of several policy measures, the availability of raw materials for the small scale industries has been substantially enhanced and next to agriculture, this sector was the major beneficiary in the allocation of credit to the priority sector.

5.2 The Annual Report of 1983-84

This report can be reviewed in the following manner.

The year 1983-84 is characterized by a new peak in foodgrains harvest, favourable monsoon, recovery from the preceding year's drought and consequent buoyancy in the economy. The annual plan for 1983-84 provided for larger public sector outlay to accelerate the tempo of agricultural and rural development. The outlay for 'Agriculture' was increased to Rs.1,398 crores in 1983-84, and that for 'Rural Development' to Rs.1,279 crores. The provision for 'Irrigation and Flood Control' increased to Rs.2,464 crores in 1983-84. Throughout the second annual report, it is clearly visible that refinance assistance has been increased, policy initiatives with regard to investment credit for agriculture and allied agricultural activities have been undertaken and the National Bank has attached much importance to the 20-point programme, under which the Integrated Rural Development Programme (IRDP) absorbed a considerable amount of refinance. A pilot project has been designed to strengthen the credit delivery system. In order to upgrade the managerial competence of its staff, the National Bank has sought to set up training complexes and has introduced agricultural projects courses.

The excellent performance in 1983-84 can be attributed to the agricultural strategy geared to increasing production through expansion of irrigation, provision of high yielding variety seeds, fertilizers and provision of credit. The irrigation potential increased to 2.37 million hectares in 1983-84.

The coverage under the HYV programme was 52 million hectares in 1983-84 as against 48 million hectares in 1982-83. The fertilizer distribution network was expanded and the consumption of fertilizers was of the tune of 72 lakh tonnes as compared to 64 lakh tonnes in 1982-83.

Significant progress has been made with relation to rural electrification and energization of pumpsets. In 1983-84, nearly 3.5 lakh villages, constituting 61 per cent of the total villages would have been electrified.

Emphasis on livestock development continued to be given. Programmes were mainly aimed at enhancing the productivity of livestock through genetic improvement. As a result of the measures undertaken, milk production increased to 36.3 million tonnes in 1983-84, intensification of efforts on marine and inland fisheries development increased fish production to 27 million tonnes in 1983-84.

The Integrated Rural Development Programme covered nearly 12.58 million families involving a government subsidy of Rs. 1,189 crores. Considerable emphasis continued to be given to the timely and adequate flow of rural credit. The quantum of loans purveyed by the cooperatives in 1983-84, was Rs. 2,939 crores consisting of Rs. 2,180 crores of short-term and Rs. 759 crores of medium and long term loans, registering an increase of Rs. 383 crores over the previous year.

Another important development was with regard to the tempo of rural branch expansion programme of commercial banks,

which was maintained in 1983-84. The number of rural branches of commercial banks increased from 22,678 in June 1983 to 24,567 in February 1984 thus increasing percentage of rural branches from 53.9 to 55.4.

Production in the non-farm rural sector, also showed significant improvements in several activities. In 1983-84, the value of Khadi production is expected to reach Rs. 167 crores and that of village industries to Rs. 700 crores. The handloom industry is estimated to have produced 3,500 million metres valued at Rs. 2,100 crores. The sericulture industry produced raw silk of the order of 6,000 tonnes and exported goods worth Rs. 85 crores in 1983-84.

The performance of the coir industry has not been satisfactory. The production of coir is expected to be around 1.93 lakh tonnes in 1983-84 as opposed to 1.84 lakh tonnes in 1979-80. Exports have also shown a declining trend. As increasing the number of coir units is an important objective, the Government of India has formulated a Centrally-sponsored scheme for providing assistance for marketing and modernization.

Rural small scale industries earned nearly Rs. 1,900 crores in 1982-83 and in order to ensure adequate availability of credit to these industries, the Reserve Bank of India has advised the banks to treat all loans granted to them as priority sector advances.

5.3 The Annual Report of 1984-85

This report can be critically reviewed in the following manner. A critical review of the rural economic scene assumes a special significance in 1984-85 as it marks the terminal year of the Sixth Five Year Plan. The outlays on the public sector, too, had been increased by the government to accelerate the tempo of agricultural and rural development.

The outlay for agriculture was increased from Rs.1,435 crores in 1983-84 to Rs. 1,564 crores in 1984-85; for rural development from Rs. 1,434 crores to Rs.1,808 crores; irrigation and flood control from Rs. 2,469 crores to Rs. 2,681 crores; village and small scale industry from Rs.420 crores to Rs. 487 crores.

The most important achievements of 1984-85 as compared to 1983-84, are as follows: The Irrigation potential increased to 2.4 million hectares as compared to 2.37 million hectares in 1983-84. The area under HYV programme increased to 56 million hectares from 52.5 million hectares. Fertilizer consumption increased to 84 lakh tonnes. Regarding rural electrification and energization of irrigation pumpsets, 3.69 lakh villages constituting 64 per cent of the total villages have been electrified and about 56.34 lakh pumpsets energized.

The tempo of agricultural development achieved in 1983-84 was sustained, despite unfavourable weather conditions. Kharif foodgrains production declined to 87 million tonnes from 89 million tonnes in 1983-84. The shortfall in kharif foodgrain

production was made up partly by a million tonne increase in the rabi foodgrains output which reached a level of 63.5 million tonnes as against 62 million tonnes in the previous year. Production of most food crops was maintained close to the record levels of production of last year. Rice production was 60 million tonnes close to 59 million tonnes in 1983-84. Wheat production reached a record level of 46 million tonnes, close to the previous best of 45.1 million tonnes. Sugarcane production recorded a marginal decline as compared to the previous year. The agricultural production was maintained close to the record levels achieved in the previous year. This was possible largely because of the strong production base built over the years through the strategy of increasing supply of crucial inputs such as irrigation, high yielding variety seeds, remunerative prices for the farmers and provision of credit.

As a result of livestock development programme, production of milk increased from 37 million tonnes to 38 million tonnes in 1984-85. Efforts directed to the development of marine and inland fisheries increased fish production to 28.5 million tonnes as against 26 million tonnes in 1983-84.

The Integrated Rural Development Programme, an important measure for alleviation of rural poverty, covered nearly 16.42 million families involving a government subsidy of Rs. 1,650 crores.

Priority was accorded to ensuring timely and adequate flow of rural credit, especially to meet the credit, especially

to meet the credit requirements of small and marginal farmers and other weaker sections. The disbursement of loans by co-operatives in 1984-85 was of the tune of Rs. 3,250 crores, consisting of Rs. 2,500 crores of short term and Rs. 750 crores of medium and long term loans, registering an increase of Rs.311 crores over the previous year.

The tempo of rural branch expansion programme of commercial banks was maintained during 1984. The number of rural branches of commercial banks increased from 24,567 in February 1984 to 27,559 in January 1985. The Regional Rural Bank (RRB) network was expanded to provide greater banking facilities. There were 183 RRBs covering 322 districts and expansion in RRB network facilitated mobilization of additional deposits from rural areas.

Impetus was provided for the expansion of activities in the non-farm rural sector. In 1984-85, the value of Khadi production was nearly Rs.200 crores and that of village industries Rs. 800 crores. Production of handicrafts which was nearly Rs.3,250 crores in 1983-84 had increased to Rs. 3,500 crores in 1984-85. Production from the sericulture industry increased from 6,000 tonnes in 1983-84 to 7,000 tonnes in 1984-85. The performance of the coir industry continued to be unsatisfactory. The production of the coir industry was 1.78 lakh tonnes as compared to 1.93 lakh tonnes in 1983-84.

The small scale industries produced goods worth Rs.30,200 crores and the improved performance of this sector is due to

a number of steps taken by the Government to ensure enhanced availability of quality raw materials, availability of credit on each terms, export promotion measures and rehabilitation of sick units and reservation of industries for exclusive development in the sector.

Throughout the third annual report of the NABARD, it is visible that the National Bank has endeavoured to constantly review its refinance policies and this has helped register a 19 per cent increase over the previous year in refinance. Policies have been aimed at adequate supply of production and investment credit. The National Bank has taken several steps in the non-farm sector to increase refinance to coir, handloom, sericulture industry. The National Bank has sought to upgrade technical skills among its personnel by introducing a number of Rural Development Projects Courses.

To sum up, the production base of the rural economy had been considerably strengthened and diversified. Significant achievements with regard to rural development, both in farm and non-farm sectors have been achieved and the overall picture presented by this annual report lays the foundation for substantial growth and greater degree of equity and social justice for the next annual plan of 1985-86.

5.4 The Annual Report of 1985-86

This report can be critically examined in the following manner. The year 1985-86 marked the beginning of the Seventh Five Year Plan, and it recorded a better performance as

compared to the previous year. Despite adverse rainfall conditions in several regions in 1984-85 and in 1985-86, the performance of the agricultural sector has amply demonstrated its resilience and greater ability to withstand weather hazards. The annual plan for 1985-86, provided for a larger public sector outlay to accelerate the tempo of agricultural development. The outlay for agriculture and rural development was increased from Rs. 3,615 crores in 1984-85 to Rs. 3,649 crores in 1985-86 and for irrigation and flood control from Rs. 2,649 crores to Rs. 2,781 crores. The achievements of the agricultural sector during 1985-86 as compared to that in 1984-85 are as follows: The creation of an additional potential of 2.5 million hectares during 1985-86, as compared with 2.4 million hectares in 1984-85. Area coverage is expected to have increased to 57.4 million hectares from 56 million hectares. Fertilizer consumption increased to 90 lakh tonnes from 84 lakh tonnes. Regarding rural electrification, 3.8 lakh villages have been electrified and 59.69 lakh pumpsets energized.

Despite weather aberrations in the several regions, the increase in agricultural production during 1985-86 could be achieved largely because of a strong production base that had been built over the years through the strategy of increasing the use of crucial inputs like fertilizers, high yielding variety seeds, pesticides and related inputs. The strategy was made possible by increase in irrigated area, higher procurement prices for the farmers' produce and provision of credit.

Livestock development programmes aimed at enhancing productivity through genetic improvements and in 1985-86, the programmes ensured an increased supply of animal products. Production of milk is expected to have increased from 40.2 million tonnes in 1984-85 to 42.3 million tonnes in 1985-86. Fish production is expected to have increased to 30 million tonnes in 1985-86 as against 28.6 million tonnes in 1984-85.

Regarding the Integrated Rural Development Programme, the IRDP exceeded the targets set in 1985-86. A target of assisting 2.47 million families was set under the year 1985-86. Against this, 2.82 million families were assisted, involving institutional term credit of Rs. 606.27 crores.

The major thrust of the credit policy was to ensure timely and adequate flow of credit and the estimated disbursement of credit by the cooperatives during 1985-86 is Rs.3,757 crores, consisting of Rs. 2,900 crores of short term and Rs.857 crores of medium term and long term loans registering an increase of Rs. 507 crores over the previous year. The share of weaker sections in the total loans issued by the cooperatives is estimated to have increased to over 40 per cent.

The stress on rural branch expansion continued during 1985-86. The number of rural branches of commercial banks increased from 27,559 in January 1985 to 29,644 in March 1986. As at the end of June 1986, there were 194 Regional Rural Banks covering 342 districts.

Khadi and Village Industries have shown progress during

1985-86. Their overall production is nearly of the tune of Rs. 1,142 crores during 1985-86. Production of handicrafts is estimated to have reached Rs. 3,815 crores in 1985-86 compared with Rs. 3,500 crores in 1984-85. Production of raw silk is estimated at nearly 10,900 tonnes for the terminal year of the Seventh Plan. The production of the coir industry has been rather unsatisfactory over the last few years mainly due to drought conditions and the spread of root-wilt disease.

The small scale industries have also registered significant progress mainly because the Government of India has introduced a large range of support policies and programmes such as reservation of items for exclusive production, consultancy and training, concessions in the imports of raw materials.

Throughout the fourth annual reports, it is clearly visible that the NABARD has laid emphasis on the development of the farm sector by extending production and investment credit for financing various programmes. The non-farm sector has also received much emphasis and special attention has been provided to the implementation of programmes like the IRDP, and removal of regional imbalances has become another important objective. Strengthening the credit delivery system and strengthening the human resource base in order to improve operational efficiency is another continuing goal. One of the most important achievements has been that in spite of the vagaries of nature, agricultural production did not suffer during 1985-86 mainly because of the presence of a strong

production base through the strategy of using improved agricultural technology.

Thus, it may be said that the National Bank upto 1985-86 has played a very important role in field of agriculture and rural development and most of its policies and programmes have continuously aimed at ensuring the prosperity of the rural areas. By encouraging different non-farm rural activities it has ensured a significant increase in the production of sericulture, handicrafts, handlooms, with the exception of the coir industry, whose performance has been far from satisfactory.

5.5 The Annual Report of the NABARD (1986-87)

This report can be critically examined in the following manner. Agricultural production received a setback in 1985-86 and foodgrains production was nearly 149 million to 150 million tonnes, which fell significantly short of the targeted level of 160 million tonnes.

The basic strategy of the National Bank was aimed at increasing agricultural production through expansion of irrigation, increased use of high yielding and improved varieties of seeds. In order to realize this goal, supplies of key inputs were stepped up. The most important achievements in 1986-87 can be ascertained as follows: During 1986-87, an additional irrigation potential of 2.42 million hectares compared to 2.4 million hectares in 1985-86. The consumption of fertilizers in 1986-87 is anticipated to have reached a level of 9.2 million

tonnes which will lower than the target of 10.3 million tonnes but higher than the previous year's level of 8.7 million tonnes.

Regarding rural electrification, nearly 20,479 villages were electrified and 4.11 lakh pumpsets energized.

Livestock development programmes have been accorded importance in the plans, mainly with the aim to secure the upliftment of small, marginal and landless labourers in the rural areas. As a result of the implementation of various development programmes, the supply of animal products has significantly increased. Milk production in 1986-87 was nearly 44 million tonnes as against 42.3 million tonnes during 1985-86. Encouragement given to fisheries development resulted in fish production reaching a peak level of 30 lakh tonnes in 1986-87 as compared to the production 28.8 lakh tonnes during 1985-86.

Regarding the Integrated Rural Development Programme, the IRDP was supposed to be a poverty alleviation programme with the objective of enabling poor families to cross the poverty line through a strategy of productive asset endowment. The programme surpassed the target of assisting 35 lakh families, when it assisted 38.24 lakh families during 1986-87.

One of the important areas which engrossed the attention of the National Bank was with regard to the Special Production Programmes. These programmes were aimed at stepping up the agricultural production in the country. The Special Rice Production Programme covered 430 selected blocks in the States of Assam, Bihar, Orissa, West Bengal, Madhya Pradesh, and

Uttar Pradesh. This programme aimed at the spread of rice production technology through training of farmers. Further, in order to motivate farmers to adopt improved production technology, inputs like seeds, plant protection equipments were being provided at subsidized rates.

The National Pulses Development Project (NPDP) came into operation during 1986-87. Through the adoption of crop and area specific technology, the project aimed at increasing the production of major pulse crops. The National Oilseeds Development Project (NODP) which has been in operation since 1984-85 was reoriented from 1986-87, with a thrust on intensification of efforts at district level.

The National Watershed Development Programme has been launched from 1986-87 and is intended to develop unirrigated arable lands falling in the rainfall range of 500 mm and above and is being implemented in 99 districts in 16 States. The National Wasteland Development Programme, the major components of which are social forestry and farm forestry, seeks to bring wastelands in the country under productive uses through afforestation and tree planting.

The progress in the non-farm sector, especially in the Khadi, village industries has been significant. The overall production during 1986-87 has been valued at Rs. 1,330 crores and this has surpassed the target of Rs. 1,230 crores and registered a growth of around 16 per cent over the previous year's level. The production of handlooms was placed at 3,900

million metres of cloth in 1986-87. The sericulture industry produced nearly 8,000 tonnes of raw silk in 1986-87 as against the production of 7,695 tonnes valued at nearly Rs.360 crores in 1985-86.

The tempo of growth of small-scale industries continued in 1986-87. These units produced during 1986-87 nearly goods worth Rs. 61,130 crores. Direct assistance in terms of consultancy services, product development training, motivation of entrepreneurs, were provided through a wide network of promotional agencies such as Small Industries Services Institutes (SISIs), District Industries Centres (DICs), etc. Emphasis on modernization and technological upgradation of selected SSIs has been seen.

Throughout the fifth annual report of the NABARD, it is clearly visible that the National Bank has been continuously reviewing its policies with a view to promote rural development. It has been actively disbursing production and investment credit. The National Bank has been laying special emphasis on the implementation of special development programmes and emphasis on the institutional development and strengthening of the credit delivery system has continued.

5.6 The Annual Report of 1987-88

This report can be critically examined in the following manner. It can be said that the performance of the rural economy was largely overshadowed by the impact of droughts and floods in certain regions during 1987-88. All the developmental

efforts of the NABARD were therefore geared to mitigating the adverse consequences of these natural calamities and mobilizing resources for expanding production through contingency programmes and improving management of scarce water resources. A highly debilitated agricultural economy cast its dark shadows on the performance of the non-farm economy. In such a scenario, the redeeming feature was the timely and effective response of State and Central Governments, public sector organization, rural banking institutions and a host of non-government agencies in meeting the challenge posed by worst drought in recent history.¹

The production of foodgrains in 1987-88 was estimated to be 137 million tonnes, which would mean a shortfall of nearly 5 per cent over the last year's production level. This decline in foodgrains production is mainly due to the steep fall in rice production from 60 million tonnes in 1986-87 to about 55.8 million tonnes in 1987-88.

Regarding agricultural inputs use, the use of major agricultural inputs maintained the increasing trend in 1987-88 largely due to the additional production campaign launched in the rabi season. Additional irrigation potential created during 1987-88 would be around 2.4 million hectares as against 2.3 million hectares in the previous year. The National Bank ensured that adequate refinance support was provided to the

1 "Rural Economic Situation," Chapter 1, Annual Report of the NABARD, 1987-88, p. 8.

banks to enable them to increase their credit support for minor irrigation schemes. It is also mainly due to the concerted measures undertaken by the government like ensuring supply at subsidized and uniform prices throughout the country, promoting the use of fertilizers through various schemes, better extension support to farmers on judicious use of fertilizers, and greater credit availability through larger refinance support to the cooperative sector for financing seasonal agricultural operations, that use of fertilizers has been seen to have increased in 1987-88 to 9.2 million tonnes as compared to 8.7 million tonnes in the last year.

Regarding livestock development, it was seen that the livestock economy suffered severe stress especially in Rajasthan and Gujarat because of the acute shortage of fodder. The supply of fodder to these areas was augmented through strengthening the fodder production through special efforts and through the collection from adjoining regions. As a result of the number of measures undertaken during the year, milk production was estimated around 46 million tonnes. Fish production was estimated around 30.3 lakh tonnes.

In response to the difficult situation created by the massive drought, the Government had drawn up contingency plans for making up the loss sustained in the kharif season. A detailed rabi production strategy was evolved and implemented, the major objective of which was maximization of production of rabi crops based on the judicious use of available resources. The continuation of the National Oilseeds Development Project

(NODP), a new project called Oilseed Production Thrust Project (OPTP) was implemented during the reference year. Under this project, 100 per cent central assistance was given for providing a variety of inputs and extension support required for increasing the production of four major oilseeds, namely, groundnut, soyabean, rapeseed-mustard and sunflower. A special Jute Development Programme was launched in 1987-88. The programme lays stress on demonstrating the latest production technology to the farmers and ensures the availability of critical inputs like certified seeds and plant protection chemicals.

It has almost become imperative to accelerate the development of non-farm activities in rural areas. The Khadi and Village industries produced goods worth Rs.1,317 crores. The sericulture industry was targeted to produce 9,862 tonnes of raw silk in 1987-88. Most of the Khadi and Village Industries appear to have been affected by the drought either by way of experiencing constraints in raw material availability or through slackening of consumer demand for their outputs following decline in the income of rural population consequent on drought.

The performance of the small scale and powerloom sector industries has been remarkable in recent years. As at the end of 1986-87, there were 14.57 lakh small scale units producing goods worth Rs.64,500 crores. The powerloom industry has been annually producing around 3,900 million metres of cloth, which constitute 30 per cent of its total production in the country.

Regarding Rural credit, it may be said that NABARD's rural credit policy has always been aimed at the timely and adequate flow of credit, especially to meet the requirements of small and marginal farmers and the weaker sections. The National Bank had extended larger refinance support during 1987-87 which included Rs. 1,482 crores for schematic term lending and Rs. 2,308 crores by way of short term credit limits to State Cooperative Banks and Regional Rural Banks. Throughout the sixth annual report, it is clearly visible that the National Bank's policies were oriented towards combating the distress caused by natural calamities and that it aimed at maintaining uninterrupted credit flow to the rural artisans. Policy initiatives with regard to the farm and non-farm sector were undertaken and special development programmes like IRDP, Special Foodgrains Production Programmes received much encouragement and impetus to developing alternative sources of energy was also an important priority.

Thus, the National Bank has especially played an important role with regard to lessening the stress caused by droughts to the rural artisans and has evolved a number of programmes to encourage rural sector activities and overall, to develop the rural sector.

5.7 The Annual Report of the NABARD of 1988-89

This report can be critically examined in the following manner. Firstly, the rural economy witnessed during 1988-89 a remarkable recovery from the effects of drought, aided by

favourable monsoon and strong developmental initiatives. The foodgrains production is expected to touch a new record level of 172 million tonnes and this quantum jump in foodgrains production is likely to increase total agricultural production, thus registering a 20 per cent increase over the previous year's production level. The recovery in agricultural sector has also made a favourable impact on the agro-based industrial sector.

Regarding agricultural production in 1988-89, the production in 1988-89 of foodgrains is expected to reach a new peak level of 172 million tonnes surpassing the previous highest level of 152.4 million tonnes in 1983-84. This achievement can be largely attributed to the favourable climatic conditions and timely implementation of special programmes namely the Special Foodgrains Production Programmes¹ (SFPP).

Regarding agricultural inputs use, the level of use of major agricultural inputs maintained an increasing trend in 1988-89 partly due to the implementation of the Special Foodgrains Production Programme under which increased application of fertilizers, use of improved seeds formed the major part of the strategy to increase production. Irrigation has been accorded a high priority in the development strategy as it is believed to be a crucial input in giving a boost to agricultural production and imparting stability under unfavourable weather

1 The Annual Report of the NABARD, 1988-89, "Rural Economic Situation", p. 10.

conditions. The target of creating an additional irrigation potential of 12.9 million hectares is expected to be achieved. The consumption of fertilizers is expected to reach a record level of 11.3 million tonnes as compared to last year's level of 9 million tonnes. This achievement can be largely attributed to a series of measures like ensuring a timely supply of fertilizers, promotion of sale of fertilizers, advice by the soil testing laboratories on the judicious use of fertilizers and increased institutional credit support with the favourable monsoon acting as a catalyst.

The National Bank has particularly played an important role in boosting agricultural production by implementing a number of agricultural development programmes like the Special Rice Production Programme (SRPP), National Oilseeds Development Project (NODP), Oilseeds Production Thrust Project (OPTP), National Pulses Development Project, Special Jute Development Programme and a National Watershed Development Programme for Rainfed Agriculture, which had been launched and these are in operation. Under the Special Foodgrains Production Programme, the yield per hectare of the target crops was to be achieved with better management of critical inputs and transfer of technology through an effective extension system.

Regarding livestock development, due to the implementation of different programmes, milk production was expected to reach a level of 48.7 million tonnes in 1988-89 and with the thrust on fisheries development, the fish production is expected to be of the order of 31.3 lakh tonnes in 1988-89.

With regard to the non-farm rural sector, the Khadi and Village Industries produced goods worth nearly Rs.1,488 crores during 1987-88. The production of the handloom industry during 1987-88 was nearly 3,948 million metres of cloth as compared to 3,900 million metres of cloth during the preceding year.

The small scale industries have continued to perform well. At the end of 1987-88, goods worth nearly Rs. 85,700 crores were produced. In the powerloom sector, a central scheme of establishment of powerloom service centres aimed at providing training of powerloom weavers, testing of samples, etc., was continued during the year.

Regarding the rural credit policy, in order to lend larger credit support to the agricultural development programmes, there has been a step up in the flow of institutional credit in the recent years. The National Bank had extended refinance support during 1988-89 amounting to Rs.1,342 crores for schematic and non-schematic term lending and Rs. 2,919 crores by way of short term (ST) credit limits to State Co-operative Banks and Regional Rural Banks.

Throughout the seventh annual report of the NABARD in 1988-89, it is visible that the National Bank has tried to evolve a strategy for credit planning with due consideration to differences in the resource endowments and technological opportunities in different regions. It has laid much emphasis on different agricultural development programmes like Special Foodgrains Production Programme with a view to give a boost

to agricultural production. It has introduced a number of developmental initiatives and has launched a number of in-depth studies of backward and forward linkages in selected blocks in order to ensure the viability of the schemes under the ISB component of IRDP.

An Overview of the NABARD's Performance

An attempt is made here to provide an overview of the categorywise progress reported by NABARD, during the period under reference. Despite the few gaps in data availability for some years in respect of some items, the exercise mainly tries to recapitulate the progress of main activities across the period hitherto reported on annual basis. The relevant data as obtained from the annual reports is presented in Table 5.1.

The following overview of the NABARD's performance provides an insight into its operations and helps in recapitulating its working in various fields from 1982-83 to 1988-89. During the first four years of NABARD's operations, the increase in outlay on agriculture and allied activities and rural development has been nearly 27.72 per cent. The annual plan outlay on irrigation and flood control has increased during the above four year period, registering an increase of 58.55 per cent. The annual plan outlay on village and small scale industries has registered an increase of 44.08 per cent in the period 1982-83 to 1984-85.

Table 5.1 : Categorywise Progress of the NABARD (1982-83 to 1988-89)

Categorywise Classification	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
1) Annual plan outlay on Agriculture and allied activities (Rs.crores)	2,857	1,398	3,615	3,649	-	-	-
2) Annual plan outlay on Rural Development (in crores)	-	1,279			-	-	-
3) Irrigation and flood control (in crores)	1,754	2,464	2,681	2,781	-	-	-
4) Village and small scale industries (in crores)	338	411	487	-	-	-	-
5) Minor irrigation:							
a) Refinance disbursed (in crores)	-	312	335	385	-	-	387
b) Irrigation potential created (in million hectares)	2.35	2.37	2.4	2.5	2.42	2.4	-
6) Fertilizer consumption (in million tonnes)	6.42	7.2	8.4	9.0	9.2	9.2	11.3
7) Area coverage under H.Y.V. Programme (in million hectares)	48	52	56	57.4	54.04	-	-
8) a) Electrification of villages (in percentage terms out of total villages)	53.3	61.0	64.0	66.0	-	-	-
b) Energization of pumpsets (in millions)	4.8	4.9	5.6	5.9	-	-	-
9) Livestock Development:							
a) Milk production (in million tonnes)	35	36.3	38.7	42.3	44	46	48.7
b) Egg Production (in million)	13,000	12,200	13,000	14,500	15,900	16,500	18,200
c) Marine Fish Production (in million tonnes)	1.40	27	28.5	28.8	30	30.3	31.3
10) Integrated Rural Development Programme:							
a) Families covered (in million)	7.5	12.58	16.42	2.82	38.24	-	-
b) Government subsidy (in crores)	1,102	1,189	1,650	-	1,567	-	-
c) Term credit (in crores)	-	2,224	3,080	606	971	-	-
d) Refinance disbursed for I.R.D.P. (in crores)	-	350	354	376	378	448	-
11) Handloom (in million metres)	3,300	3,500	3,600	3,800	3,900	3,948	-
12) Coir Industry (in lakh tonnes)	1.84	1.93	1.78	1.55	-	-	-
13) Sericulture (in tonnes)	5,700	6,000	7,000	7,695	9,562	9,862	-
14) Rural Credit disbursed by cooperatives (in crores)	2,556	2,939	3,250	3,757	-	-	-
a) Short-term loans	1,922	2,180	2,500	2,900	-	-	-
b) Medium-term and Long-term	634	759	750	857	-	-	-

Minor irrigation has been accorded an important position in the refinancing activity of the NABARD. It has registered an increase of 24.03 per cent in the period 1983-84 to 1988-89. As far as creating additional irrigation potential is concerned, minor irrigation has registered an increase of 2.12 per cent in the above period.

Electrification of village has been another important activity of the NABARD. Electrification has increased from 53.3 per cent of the total villages to 66.0 per cent of the total villages between 1982-83 and 1985-86. Energization of pumpsets has registered an increase of 24.35 per cent in the period 1982-83 to 1985-86.

Consumption of fertilizers has been another important refinancing activity of the NABARD. In the period 1982-83 to 1988-89, the increase in consumption of fertilizers has been of the tune of 76.01 per cent. In 1985-86, consumption of fertilizers was lower at 9.2 million tonnes than the targeted consumption of 10.3 million tonnes, but higher than the previous year's level of 8.4 million tonnes. Consumption of fertilizers reached a record level in 1988-89 with 11.3 million tonnes against the targeted 10.2 million tonnes but was higher than the previous year's level of 9.2 million tonnes. This record level has been reached mainly due to government measures such as timely supply of fertilizers, promotion of sale of fertilizers, and advice on judicious use of fertilizers.

The area coverage under H.Y.V. Programme has shown an

increasing trend and it has registered an increase of 12.58 per cent over the period 1982-83 to 1986-87. The trend towards increasing the area under the H.Y.V. Programme has increased in the period 1982-83 to 1985-86, but in 1986-87, area under H.Y.V. Programme was of the tune of 54.04 million hectares against the target of 60.61 million hectares and anticipated achievement of 55.42 million hectares in 1985-86.

The Integrated Rural Development Programme registered an increase of 28 per cent in the period 1982-83 to 1987-88. With regard to livestock development, milk production registered an increase of 39.14 per cent in the period 1982-83 to 1988-89. Egg production registered an increase of 40 per cent in the period 1982-83 to 1988-89. Marine fish production was marginally lower at 1.40 million tonnes in 1982-83 compared to 1.44 million tonnes in 1981-82, registering a decrease of 2.77 per cent. In the period 1983-84 to 1988-89, marine fish production registered an increase of 15.92 per cent.

In the rural small-scale industries sector, the hand-loom industry has increased its production from 3,300 million metres in 1982-83 to 3,948 million metres in 1987-88, registering an increase of 19.63 per cent. The coir industry has depicted an unsatisfactory performance over the years. Its production in 1982-83 was of the tune of 1.84 lakh tonnes and was 1.55 lakh tonnes in 1985-86, indicating a decrease of 15.76 per cent.

The sericulture industry has performed satisfactorily

and has registered an increase of 73.01 per cent in the period 1982-83 to 1987-88. In the field of rural credit disbursed by cooperatives, an increase of 46.98 per cent was registered in the period 1982-83 to 1985-86. Out of the total credit disbursement by cooperatives, short-term loans registered an increase of 50.88 per cent in the period 1982-83 to 1985-86. Medium and long term loans registered an increase of 35.17 per cent in the above period.

It can be clearly stated that in the field of refinancing the sericulture industry, the non-farm sector and refinancing the fertilizer consumption requirements of the farm sector, substantial progress has been made while the other sectors have yet to register a satisfactory increase over a period of time. Livestock development has also shown significant signs of progress in the seven-year working of the NABARD. However, in the fields of area coverage under the HYV Programme, creation of additional irrigation potential, coir industry in the non-farm sector, the NABARD has yet to make considerable progress.

CHAPTER VI

SUMMARY AND CONCLUSIONS

6.1 Summary

During the first year of its operation, the National Bank sanctioned aggregate short term credit limits for seasonal agricultural operations to State Cooperative Banks for the year 1982-83. These aggregate short term credit limits amounted to Rs.1,120 crores as against Rs.892 crores sanctioned in the previous year by the Reserve Bank of India, registering an increase of 25.56 per cent over the previous year.

Short-term credit limits sanctioned to State Cooperative Banks for financing production and marketing activities of weavers' societies increased from Rs.97 crores in 1981-82 by Reserve Bank of India to Rs. 145 crores in 1982-83, registering an increase of 49.48 per cent.

The credit limits sanctioned to Regional Rural Banks for 1982-83 aggregated Rs.227 crores as against Rs.177 crores in the previous year by the Reserve Bank of India registered an increase of 28.24 per cent over the previous year. Refinance commitments under new schemes approved during the year amounted to Rs. 1,019 crores as against Rs. 895 crores in 1981-82, registering an increase of 13.85 per cent.

Disbursements of refinance under schematic lending

reached a new peak level of Rs. 703 crores during the year as against Rs. 600 crores last year registering an increase of 17.16 per cent. The flow of refinance under schematic lending to small farmers went up from 64.9 per cent in 1981-82 to 74.8 per cent in 1982-83.

Thus, the National Bank contributed significantly during the first year of its operation. Aggregate short-term credit limits to State Cooperative Banks increased significantly and disbursements under schematic lending and refinance to small and marginal farmers also increased. Thus, the National Bank played an important role in the provision of refinance in the rural sector in the first year of its operation.

During the second year of the NABARD's operations, the highlights of the NABARD's performance were as follows. Refinance support for the implementation of the Integrated Rural Development Programme (IRDP) at Rs. 233 crores during the year was larger by Rs. 48 crores than that provided in the preceding year, registering an increase of 25.94 per cent.

The short term credit limits sanctioned to State Cooperative Banks (SCBs) for crop loans aggregated Rs. 1,245 crores, about Rs. 125 crores more than that of the previous year, registering an increase of 11.16 per cent. Limits sanctioned to the State Cooperative Banks for financing production and marketing activities of weavers' societies aggregated Rs. 189 crores, compared with Rs. 145 crores in the previous year, registering an increase of 30.34 per cent.

Disbursal of refinance was of the order of Rs. 892 crores, registering an increase of 27 per cent over the previous year. The share of small farmers in this assistance increased to 78.9 per cent from 74.8 per cent in 1982-83.

Commitments for refinance assistance, under schematic lending, in respect of new schemes approved during the year increased to Rs. 1,170 crores, as against Rs. 1,019 crores during the previous year indicating an increase of 14.81 per cent. Larger support was provided to the Regional Rural Banks (RRBs) by sanctioning credit limits totalling Rs. 271 crores during the year.

During the third year of its operation, the NABARD's operations can be highlighted as follows. Refinance provided for the implementation of the Integrated Rural Development Programme (IRDP) reached a new peak of Rs.354 crores, registering an increase of 52 per cent over the previous year. Short-term credit limits sanctioned to State Cooperative Banks (SCBs) for seasonal agricultural operations aggregated Rs. 1,233 crores; the utilization was to the extent of Rs.868 crores, as against Rs. 803 crores last year. Disbursal of refinance crossed Rs. 1,000 crores and reached a level of Rs. 1,061 crores, registering an increase of 19 per cent over the preceding year. The share of small farmers under schemes relevant to them increased to 80.7 per cent. Limits sanctioned to State Cooperative Banks for financing production and marketing activities of weavers' societies increased to Rs.224

crores from Rs. 189 crores last year registering an increase of 18.51 per cent. Commitment in respect of new schemes approved during the year increased to Rs. 1,233 crores from Rs. 1,170 crores during the previous year, an increase of 5 per cent. Regional Rural Banks (RRBs) were provided credit support by sanctioning credit limits of the order of Rs. 243 crores during the year for short-term and medium-term agricultural purposes.

During the fourth year of the NABARD's operations, the highlights were mainly as follows. It is known that the National Bank was established to (i) serve as an apex re-financing agency for the institutions providing credit to finance various developmental activities in rural areas, (ii) take measures towards institution building for improving the capacity of the credit delivery system to provide credit and (iii) coordinate the rural financing activities of all institutions engaged in developmental work at the field level. Highlights of the efforts made by the National Bank can be summarized as follows: Refinance disbursed for investment credit during the year was Rs. 1,192 crores recording an increase of 12.3 per cent over the previous year. Special measures were introduced to improve credit flow for production of oilseeds and pulses. A separate line of short-term credit to State Cooperative Banks to finance cultivators of oilseeds has been opened. Limits sanctioned for financing marketing of crops aggregated Rs. 40 crores as against Rs. 27 crores in the previous year, registering an increase of 48.14 per cent.

Short-term credit limits sanctioned to State Cooperative Banks for seasonal agricultural operations (crop loans) increased in absolute terms to Rs. 1,309 crores from Rs. 1,233 crores last year registering an increase of 6.16 per cent. The limits were utilized to the extent of 66.7 per cent during the year as against 70.4 per cent in the previous year. A sum of Rs. 385 crores was provided for minor irrigation to increase production of crops. For development of wastelands, steps have been initiated to provide refinance for raising private nurseries and bankable forestry schemes through the efforts of individual farmers and corporate bodies. In order to meet the growing investment credit needs of the agricultural sector 'NABARD Credit Project-I' was successfully negotiated for a total financial assistance of US \$ 375 million from the World Bank. The project came into effect from 28 May 1986. To meet the credit needs of State Cooperative Banks for procurement, stocking and wholesale distribution of chemical fertilizers, credit limits aggregating Rs. 29 crores were sanctioned for the calendar year 1985. Maximum outstandings against these limits stood at Rs. 24 crores in 1985 compared with Rs. 16 crores in the previous year.

In order to diversify the rural economy and expand non-agricultural activities, refinance support was extended for working capital finance, long-term investments, and financing of infrastructural activities in the rural sector. Suitable policy measures were taken during the year to encourage the development of non-farm sector. Limits sanctioned to the

State Cooperative Banks for financing production and marketing activities of weavers' societies increased to Rs. 244 crores from Rs. 224 crores last year, registering an increase of 8.92 per cent. To promote tiny or cottage industries and for supporting the activities of village artisans in rural and semi-urban areas, a comprehensive package of credit measures involving automatic refinance assistance was extended to all scheduled commercial banks. A soft loan assistance fund for Margin Money was established for providing loans to poor entrepreneurs towards seed capital for setting up cottage, tiny and village industries. Refinance disbursed for investment credit to the tiny and village industries and other non-farm rural activities has started picking up and stood at Rs. 2.76 crores. As a promotional effort, it has been decided to take up pilot projects involving voluntary organizations to identify and develop rural artisan activities.

One of the important aims of the NABARD has been poverty alleviation in the rural areas. A sum of Rs. 376 crores was provided by way of refinance for the Integrated Rural Development Programme (IRDP). This amount was 6.2 per cent higher as compared to refinance provided in the preceding year and accounted for 32 per cent of the total refinance disbursed.

A 10-Point Programme for the rehabilitation of weak primary land development banks (PLDBs) and branches of the State Land Development Banks (SLDBs) had been launched during 1985-86. Additionally, a 15-Point Programme was initiated

for strengthening the selected primary agricultural credit societies (PACS) and large-sized adivasi multi-purpose societies (LAMPS) set up for the benefit of the tribal population. Special efforts were launched for the rehabilitation of State Cooperative Banks in the North-Eastern Region. Pilot project for strengthening the credit delivery system is being extended to additional 17 districts from July 1, 1986. Credit limits sanctioned to the regional rural banks (RRBs) for short-term and medium-term purposes aggregated Rs. 270 crores. Under the programme of intensive development of PACS, 4,595 societies were selected as on 30 June 1986.

During the fifth year of the NABARD's operations, the highlights of its operations are as follows. The National Bank, as it is known, serves as an apex institution in the organized rural credit structure, and its operations are mainly aimed at the provision of refinance facilities to various financial intermediaries. This disbursement of refinance is done with a view to support the broad spectrum of productive activities in the rural sector. Suitable policies are devised and operational arrangements introduced by the Bank, from time to time, in order to vitalize the rural credit delivery system and to augment the flow of credit for rural development. The highlights of the performance of the National Bank during the year are as follows:

Disbursement of refinance under schematic lending stood at Rs. 1,334 crores during the year recording 12 per cent

increase over the previous year. An amount of Rs.460 crores was disbursed during the year for supporting investments under minor irrigation, which accounted for 35 per cent of total refinance disbursed.

Under the Integrated Rural Development Programme (IRDP) refinance assistance to the tune of Rs. 379 crores forming 28 per cent of the total refinance, was disbursed during the year. Regarding World Bank assistance, about 96 per cent of the Staff Appraisal Report Estimates 1986-87 was utilized by the National Bank under NABARD Credit Project-I (NABARD CP-I).

Regarding the short term operations in the farm sector, short term credit limits aggregating Rs. 1,425 crores were sanctioned to State Cooperative Banks for financing seasonal agricultural operations during 1986-87 as compared to Rs.1,309 crores sanctioned during the previous year registering an increase of 8.86 per cent. Limits sanctioned for marketing of crops aggregated Rs. 42 crores as compared to Rs.40 crores in the previous year registering an increase of 5 per cent. The credit needs of State Cooperative Banks for procurement, stocking and wholesale distribution of chemical fertilizers were supported during the year by sanctioning to them credit limits aggregating Rs. 36 crores for the calendar year 1986. Limits sanctioned for production of oilseeds and pulses, Rs.41 crores were sanctioned to State Cooperative Banks. Further in view of the anticipated delay in settlement of claims by the General Insurance Corporation under the Crop Insurance

Scheme the National Bank decided to allow Central Cooperative Banks to convert eligible short-term loans outstanding in areas affected by natural calamities into medium-term loans to maintain uninterrupted credit flow to the farmers.

A significant step taken during the year 1986-87 to improve the flow of institutional credit for investment purposes in the non-farm sector was to extend 100 per cent refinance facility under the National Bank's schemes to all banks for non-farm sector advances, excepting purposes like bio-gas plants, ISB component of IRDP and SC/ST Action Plan outside IRDP. Credit limits aggregating Rs. 11 crores were sanctioned to State Cooperative Banks for supporting cottage, small scale industrial activities. Refinance assistance for investment credit to the tiny, cottage and village industries and other non-farm activities stood at Rs.16 crores as against Rs.2.76 crores disbursed during the previous year. Short term credit limits sanctioned to the State Cooperative Banks for financing production and marketing activities of weavers' societies aggregated Rs. 256 crores as against Rs.244 crores sanctioned last year registering an increase of 4.91 per cent. Further, in order to increase productive employment through the societies organized by powerloom weavers, the National Bank extended term loan refinance facilities for acquisition of powerlooms to members of both the primary, handloom and primary powerloom weavers' societies and to primary powerloom weavers' societies themselves.

Regarding Institutional Development, under the 10-Point Programme launched by the National Bank for rehabilitation of 'weak' primary land development banks (PLDBs) and branches of State land development banks (SLDBs), about 200 units in 14 States were approved for being taken up for rehabilitation during 1986-87. The Primary Agricultural Credit Societies numbering 4,826 were selected for intensive development upto end June 1987. The pilot project for strengthening the credit delivery system initially launched in three districts during 1983-84 was extended to 12 more districts in 11 States of the country from 1 July 1986. The number of Regional Rural Banks availing themselves of medium-term refinance from National Bank increased from 34 last year to 122 during 1986-87. The amount of refinance sanctioned under this head showed a significant increase from Rs. 41.23 crores last year to Rs. 80.32 crores during 1986-87, registering an increase of 94.80 per cent.

During the sixth year of the NABARD's operations (1987-88), the highlights of its performance are given below. Firstly, the NABARD undertook a number of drought relief measures to minimize the adverse effects of the severe drought on farmers. Massive additional credit limits to Central Cooperative Banks and Regional Rural Banks for financing larger scale rabi cultivation, cultivation of short duration crops and providing credit support to the contingency development programmes.

Short-term credit limits sanctioned to the State Co-operative Banks for financing seasonal agricultural operations during the year registered an increase of nearly 40 per cent as compared to the past average growth of around 8 per cent. Limits sanctioned aggregated to Rs. 2,000 crores in 1987-88 as against Rs. 1,425 crores in the previous year, registering an increase of 40.35 per cent. Credit limits amounting to Rs. 192 crores were sanctioned to State Cooperative Banks for financing the production of oilseeds during the year, which was substantially higher than the limit of Rs.41 crores sanctioned during 1986-87.

Disbursement under schematic lending during 1987-88 reached a level of Rs.1,482 crores. Minor irrigation purposes which traditionally claimed the highest share of disbursements acquired added importance because of drought and the disbursements under this sector accounted for 32 per cent of the total refinance.

The disbursement of investment credit for tiny, cottage and village industries reached a level of Rs. 45 crores during 1987-88 almost three times that disbursed during the previous year.

Regarding Rural Credit Planning, the National Bank initiated an exercise to prepare model potential linked credit plans in respect of one district in each State with the objective of bringing perceived long-term potential in each rural development sector to realistic and manageable

proportions through appraisal of a series of constraints.

Regarding Integrated Rural Development Programme, refinance assistance to the tune of Rs. 448 crores was disbursed during the year under IRDP which constituted about 30 per cent of the total refinance disbursements under schematic lending.

The National Bank has, in particular, paid much attention to increasing the productivity of rainfed farming areas. The National Bank initiated three watershed based rainfed farming pilot projects, one each in three States. These pilot projects mainly aim at the transfer of rainfed farming technology as a package from the laboratory to the field.

Further, much encouragement has been given to the participating banks, so that they get more closely associated with the formulation and appraisal of agricultural development projects. In order to involve the participating banks in different projects, an experiment of sanctioning schemes by participating banks themselves has been introduced. This experiment has been limited to commercial banks in five States and three major investments, and to one State Land Development Bank for a single purpose. Another innovation which has been introduced has been the setting up of Technical Advisory Group (TAG), for appraisal and sanction of schemes. This arrangement facilitates the pooling of technical manpower resources among participating banks and expediting technical scrutiny and clearance of schemes.

Besides institutional strengthening activities, the National Bank has launched during the year a special 12-Point time-bound action oriented rehabilitation programme for Central Cooperative Banks which were ineligible for seeking credit limits on account of a high level of overdues.

The National Bank has also sought to provide relief to the cooperative banks and Regional Rural Banks, which were required to reduce their interest margin by reducing ultimate rates of interest and to compensate the losses of these banks on agricultural loans provided out of their own resources, the National Bank decided to forgo the interest margin available to it. The National Bank has tried to suitably restructure the rates to be charged to State Co-operative Banks and Regional Rural Banks in respect of short-term credit limits sanctioned to them.

During the seventh year of the NABARD's operations, the highlights of its performance are as follows. Regarding the short-term (ST) credit limits sanctioned to State Co-operative Banks (SCBs) for financing seasonal agricultural operations (SAO) were enhanced by Rs. 553 crores, an increase of about 28 per cent over the limits sanctioned during the year 1987-88. Credit limits sanctioned in the Special Food-grains Production Programme (SFPP) districts accounted for more than 56 per cent of the total limits sanctioned. Credit limits sanctioned for financing production of oilseeds were substantially higher than last year at Rs. 242 crores. The

regional rural banks (RRBs) were also sanctioned credit limits to the extent of Rs.366 crores for financing SAO, etc.

Regarding schematic lending, refinance disbursements for supporting schematic term loaning aggregated to Rs.1,270 crores, which represented a substantial increase of the order of more than 31.6 per cent. Integrated Rural Development Programme (IRDP), as a single purpose, accounted for the highest disbursement (Rs.403 crores) followed by minor irrigation (Rs.387 crores) and farm mechanization (Rs. 158 crores). The disbursements under IRDP also included a small amount (Rs. 24 crores) for supporting minor irrigation investments.

Regarding Special Foodgrains Production Programme, refinance support to the extent of nearly Rs. 64 crores was provided for supporting long-term (LT) investments, mainly for minor irrigation. This is in addition to the credit limits to the Central Cooperative Banks and Regional Rural Banks for providing loans for seasonal agricultural operations in the SFPP districts.

The National Bank has strived to maintain necessary financial discipline and in order to obtain this objective, crop loan refinance facilities, to the cooperative banks in a few States, were stopped after due notice to the banks. The credit facilities were restored after the banks backed by State Governments agreed to adhere to the disciplines imposed by the Reserve Bank of India (RBI) and the National Bank from time to time.

Regarding refinance disbursements for non-farm sector activities, these witnessed a significant increase with refinance for tiny, cottage and village industries, and other non-farm sector activities amounting to Rs. 59 crores. The refinance support for the working capital requirements of industrial cooperatives, including weavers, continued to maintain a steady upward trend.

Regarding Cyclical Credit for Rainfed Farming, the National Bank has agreed to open a new line of credit for five years with cent per cent refinance to commercial banks, regional rural banks, operating in the project areas. This is done to encourage them to implement the innovative arrangement of extending ST production credit to farmers on a cyclical basis to enable them to persevere with the technology package.

Regarding Rural Credit Planning, efforts are being made to develop a more meaningful link between development planning and the process of credit planning at the district level. This is sought to be done through the preparation of potential linked credit plans (PLPs) for different districts.

Another innovation in the ground level structure for credit delivery is the new strategy of the Service Area Approach. In this approach, the responsibility of looking after the credit needs of group of villages, say 15 to 20, is assigned to an individual commercial bank branch, whose efforts will be supplemented by the cooperative institutions functioning in the area.

6.2 Conclusions

A dynamic agriculture, involving a movement towards higher levels of productivity and output facilitated by technological innovations calls for increasing amounts of production and investment credit, among other things. Standing at the apex of the formal agricultural credit system, the NABARD has borne the responsibility for ensuring that the flow of institutional credit to different regions and different classes of farmers is such as to facilitate the attainment of the objective of growth with equity. The NABARD has undoubtedly, realized that the key to rural prosperity lies not only in the harmonious growth and development of agriculture but also allied, industrial and tertiary activities. After the NABARD was established, it set up six task forces to suggest policies in the non-farm sector. Almost all the six task forces came to the conclusion that whatever little institutional assistance is available to the artisan-based rural industrial sector is mostly channelized through the cooperatives which, in turn, covers only a small proportion of the activities undertaken in this important sector of the economy. The task forces have therefore suggested the financing of individual artisans by village cooperatives, providing financial assistance for artisan complexes and common facility centres to apex bodies of artisans within as well as outside the cooperative framework. It is also felt that if the NABARD has to play its role effectively in the rural credit delivery system for

non-farm activities, it will require to tie up the loose ends and coordinate the efforts of various agencies in addition to credit dispensation. Since its inception, the NABARD has taken several steps in improving credit flow to the weakest of the weaker sections engaged in the non-farm activities in the rural areas. Capabilities of the Indian artisans and rural entrepreneurs are vast but at present, are hidden and are lying dormant. What is urgently needed is the necessary cooperation and coordination amongst the plethora of promotional and developmental agencies working in the field, where credit could play a catalyst role in harnessing the rural manpower and skills for triggering the fission of rural prosperity.

The NABARD has undoubtedly played an important role in the refinancing of a number of agricultural investment projects. It has also conducted many ex-post evaluation studies of these projects and has come across an important and common conclusion of these studies i.e. the poor impact of several projects is amply evident. This is mainly due to the following reasons: (i) Scant attention paid to the technical aspects of investments. (ii) Failure to perceive the total credit needs of farmers at the time of project financing. (iii) Serious, underfinancing leading to incomplete investment works, sometimes forcing the beneficiaries to borrow supplementary loans from the informal moneylenders. (iv) Mistiming of loans for some investments like dugwells.

(v) Undue delay in the energization of irrigation pumps.

(vi) Poor supervision by the implementing bank branches. The crucial point which emerges is: What steps are necessary to enhance the productivity of agricultural credit so as to optimize its impact on agricultural development? The following remedies are suggested: (i) A shift in the emphasis from quantity of loans alone to both quality and quantity. (ii) A more meaningful formulation of the District Credit Plan, taking note of the resource endowment of a district and its blocks. (iii) A better relationship between the formulation and implementation of District Credit Plans. (iv) A stronger infrastructural support for credit, particularly from agricultural extension. (v) A monitoring system focusing on physical achievements in addition to financial achievements. (vi) A better recovery of past loans to facilitate recycling of funds.

Another important problem which the NABARD had to contend with, has been the inadequate post-loan follow-up and support from the block administration. This is partly due to the poor staffing in bank branches and partly because of lack of awareness that end-use of credit is important for observing whether the credit has been properly used or not. The bank officials have to have continual dialogue with the borrowers so that the necessary remedial measures can be adopted depending on what the situation warrants.

The NABARD, as mentioned earlier, has laid much

emphasis on the Integrated Rural Development Programme (IRDP) in its 20-Point programme, as it considers the programme as an 'harbinger of better life' to the rural poor. The programme, indisputably, is sound in concept and possesses immense potential to bring hope to the vast number of poorest among the poor families. A closer look at the implementation and consequent impact of the programme shows varying degrees of success, much depending on the Block Development Officer, who is the kingpin of the programme. Need for well-planned specialized courses for block development officers and strengthening of the Rural development administration at the block level, has been advocated for the effective implementation of the programme. Further, mere provision of assets for the beneficiaries or help to set up a rural industry or enterprise is not sufficient, unless the activity is properly backed with adequate infrastructural facilities like marketing, processing and storage. The 'integration' aspect of IRDP would not be complete without the beneficiaries being exposed to other social and educational programmes like universal elementary education, nutrition education, adult education, and health and family welfare programmes.

It has been suggested that identification of prospective beneficiaries should preferably be done by teams comprising block and village functionaries. This will improve the quality of identification and contribute to reducing the rate of rejection of applications by the financing banks.

The implementation of the programme with regard to the ISB component has not been satisfactory. This has been mainly due to absence of many viable project profiles. Setting up of mini-industrial estates for a group of villages which may provide training as well as gainful industrial activities under one roof is being considered. The role of banks in the implementation of the IRDP programme is sought to be improved and banks are being urged to make the staff at the branch level aware of all the concessional terms and conditions governing assistance to the IRDP beneficiaries.

One of the major problems affecting agricultural credit has been the increasing level of overdues and consequent poor recoveries of agricultural loans. Inadequate recovery of claims impairs the banking system's ability to recycle funds, prevents optimum use of resources and erodes profitability. Factors like occurrence of natural calamities, defective appraisal of loan applications, wilful default and weaknesses in loaning and recovery procedures, are important to note. Various measures for tackling overdues have been taken such as standardization of unit costs to avoid under-financing of investments, better project formulation, reduction in the number of accounts to be handled per supervisor and drawing up of rehabilitation programme for weak banks in the cooperative sector.

Another field in which the NABARD has taken a significant step has been in the formulation of the pilot project.

The pilot project is basically a development project and is primarily intended for strengthening the credit delivery system. The goals of the project have been increasing the volume and diversification of credit, improving the quality of lending, and ensuring the recycling of funds.

An evaluation of the pilot project has indicated that a better understanding and coordination has developed amongst bankers themselves, which is a result of the opportunities provided to field functionaries of different banks to meet in a common forum to discuss their problems. This has facilitated exchange of credit information, gaining improved perceptions of the needs of the borrowers and development of competitive enthusiasm to provide improved service.

The project has also brought about fruitful coordination between the field functionaries of banks and district level representatives of Government Departments like Agriculture, Cooperation, Animal Husbandry, etc. The increased awareness brought about through these contacts elicited better response from government agencies to the issues posed to them. For example, in Aurangabad District, the State Electricity Board expedited energization of minor irrigation works.

A question, however, is being debated frequently at various forums, and which refers to the cost effectiveness of the pilot project. It can be said that if there is no recycling of funds, the consequences to the banking system

and to the economy at large would be worse. It is suggested that if the costs of the pilot project is high and the banking system cannot sustain them, then the nation at large, will have to bear them.

To sum up, the pilot project has succeeded in providing, quantitatively as well as qualitatively, the necessary inputs, and these have assisted in bringing about improvements in credit disbursement and recovery performance. It is, however, difficult to say at this stage, whether the improvements observed represent a basic trend which could be sustained in the subsequent years. A firm assessment can be made only after four to five years of the functioning of the project.

The National Bank for Agriculture and Rural Development has, no doubt, played a pivotal role in the realm of rural credit. It has devised policy initiatives, which can be understood as efforts in the right direction and has formulated such agricultural projects which aim at fulfilment of desired objectives. However, this does not mean that the NABARD is the perfect solution to the problems of rural credit neither is it to be understood as having many strong points. Although the NABARD is dedicated to the task of promoting rural development and has evolved several policy measures, yet proper follow-up actions based on ex-post evaluation studies of projects assumes paramount importance. After a retrospective analysis of the projects effects and

its impact, suitable follow-up measures must be suggested taking into consideration the future progress prospects of the project.

Further, the NABARD must instill a considerable measure of financial discipline in the functioning of banks, which are recipients of its refinancing facility. This can only serve to facilitate the fulfilment of the rural growth objective. Further, the rural administration at the Block level needs to be strengthened if the NABARD is to witness fruitful results from the implementation of its programmes.

The NABARD has a herculean task ahead in the realm of agricultural credit. Its contribution in the farm sector is noticeable and considerable progress has been done in the field. In the non-farm sector, much is desired to be accomplished. The success of the NABARD's operations, in totality, will be visible in the years ahead.

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