

RURAL DEVELOPMENT: NABARD

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Abstract

NABARD plays a vital role in providing rural finance to alleviate poverty and rural development. Reducing poverty is the biggest task for the Indian policy makers. To reduce the poverty NABARD plays a vital role through Self Help Groups in rural development. The study is confined only to the specific area like loans and deposits made by the NABARD especially for the rural development for the five years starting from 2018 to 2022. Time series analysis and Pearson's correlation analysis have been used to illustrate the data in the study. The researcher has used to analyze the variables between the samples at 1 percent and 5 percent significant level at two tailed test using partial Correlation analysis in SPSS 20.0 packages. The variables are Rural Infrastructure Development Fund, Long Term Irrigation Fund, Dairy Processing and Infrastructure Development Fund, Warehouse Infrastructure Fund, NABARD Infrastructure Development Assistance, Food Processing Fund, Micro-Irrigation Fund, Fisheries and Aquaculture Infrastructure Fund, Green Climate Fund. Infrastructure Funds are in the upward trend during the study period from 2018 to 2022. But in the Long term credit fund has in the upward trend till 2020 but 2021 and 2022 its falls downward. NABARD has given importance to Self Help Groups. During the year 2018 it was very high and gradually, the investment started diminishing since 2021.

Keywords: Self Help Group, Rural development, Infrastructure, Green climate and Rural Credit.

1. Introduction

India is a country based on primary sector. Agricultural sector is the predominance in national economies. The development strategies of the rural areas are based on the role of agriculture and allied activities (Awudu Abdulai, 1996) (Awudu Abdulai and Peter B.R. Hazell 1996). In developing countries, like Sub-Saharan Africa, agriculture plays a vital role in sustainable economic development. In a paradoxical statement that agriculture is the engine of economic development (Awudu Abdulai, 1996) (Awudu Abdulai and Peter B.R. Hazell 1996). Though many banks are providing loans to agriculturist but NABARD gives loans for agriculture and rural development at large. Financial schemes of NABARD for rural upliftment are quite beneficial in improving living standards of rural farmers to some extent but need improvements (Piyush Mehta, n.d.) (Aditi Chauhan et al., 2017). NABARD plays a vital role in providing rural finance to alleviate poverty and rural development. In that Microfinance is playing a significant role in developing the empowering the rural women through self help groups. Micro finance helps to improve the women living standards and economic independence. (M. Saravanan, n.d.) (M. Saravanan 2016). Infrastructure development in rural area is very important one to check the migration of labour from rural to urban areas. Hence, NABARD is concentration more on the development of infrastructure in farm and off farm sectors to create employment opportunities (Aminul Islam, 2011). (Aminul Islam 2011).

2. Literature Review

(Piyush Mehta, n.d.) addressed farmers appraisal regarding the NABARD financial support to rural India. Kisan Credit reduced the financial crisis and improve the financial situation Though many banks are providing loans to agriculturist but NABARD gives loans for agriculture and rural development at large.

(Awudu Abdulai, 1996). explains that agriculture sector is the basis for sustainable economic growth in Africa. Government policies are based on the development of agriculture for achieving sustainable economic growth. This paper identified that agriculture is the engine of economic growth.

(M. Saravanan, n.d.) identifies that social development of the rural women can happen not only their economic needs but also through self supportive life. The study strongly recommended that in rural sector the only sources of economic and social development can happened through Micro Finance for women entrepreneurship via Self Help Group.

(B. Vijaya, Veerendrakumar, 2013) discussed on poverty alleviation and rural development. This is possible only through Micro Finance. Micro Finance institution is the one can fill the gap between demand and supply of the finance in the rural areas. Most of the user of Micro finance institutions are women through SHGs.

(Saghir Ahmad Ansari, 2013) explains that SHGs are informal groups. The members of the institutions are pool savings and re-lend within the group on rotation basis. The members use the money for the small business to develop their socio economic development. The study has identified that SHGs are functioning in a successful one. Since, the loan recovery rate is 94 percent.

(B.B. Mansuri, 2010) identified that SHGs women are borrowing loans from micro finance institutions and producing nonfarm activities. The study analyzed that the loan which is borrowed by women entrepreneurs are not able to yield the rate of profit necessary to pay the rate of interest to pay the loans.

(Usef Mosbah Ali Masoud & Devaraj Badugu, 2015) explained about financial analysis of the banks' situation in short and long term. The study also explained that the NABARD is the only bank can provide loans for rural infrastructure development and agriculture sector.

(NIMESH G. PUNJ, n.d.) discussed that NABARD plays a significant role to provide various financial assistance to infrastructural development. This infrastructure development of farm sector and non farm sector improves the living and socio economic standard of the rural artisans. Further it creates the employment opportunities and leads to develop the Gross Domestic Product of the country.

(Aminul Islam, 2011) identified that rural infrastructure and agriculture are the most important one in West Bengal state. At the same time research is explained that a well infrastructure is important one for the productivity of labour and capital. In developing countries infrastructure development I the important one but to create infrastructure, capital is scarce in nature. Hence, NABARD is the only organization provides fund for infrastructure and rural development.

(BIKASH DUTTA, 2015) examined the role of SHGs in rural areas. It explores the result of informal credit system with the financial resources of the formal Nationalized banks. Further the study identified that in India only one best tool for eradication of poverty and rural development is Self Help Groups.

3. Objectives of the Study

The study is carried out through the following objectives.

1. To analyze the loan provided to the infrastructure development in the rural area through NABARD schemes.
2. To analyze the employment opportunities provided in the rural areas through NABARD schemes under Social Sector Investments.
3. To analyze the infrastructure development through NABARD under deposit schemes.

4. Research Design

The present study is diagnostic and exploratory use of secondary data. The relevant secondary data have been collected from the data base of NABARAD. The paper is analyzing finance to the infrastructure and rural development in the country and it role played by the SHGs and NABARD. The study is confined only to the specific area like loans and deposits made by the NABARD especially for the rural development for the five years starting form 2018 to 2022. Time series analysis and Pearson’s correlation analysis have been used to illustrate the data in the study. The researcher has used to analyze the variables between the samples at 1 percent and 5 percent significant level at two tailed test using partial Correlation analysis in SPSS 20.0 packages.

5. Analysis of the Study

The study is analyzed under three important heads. First one is deposits of NABARD, investment to create infrastructure and rural developments and the last one is loans provided by NABARD for rural development under the heads of social sector investment. Let us analysis one by one.

Table 5.1

Deposits of NABARD by Own Fund for Infrastructure Development (Amount in ₹ crore as on 31 March)

DEPOSITS	2022	2021	2020	2019	2018
Rural Infrastructure Development Fund deposits	1,47,227	1,36,227	1,30,442	1,19,763	116314
Warehouse Infrastructure Fund	5380	5,540	5,940	5,971	4671
Long Term Rural Credit Fund	44,541	44,826	44,930	43000	38001

Source: NABARD Annual Report.

Figure 5.1

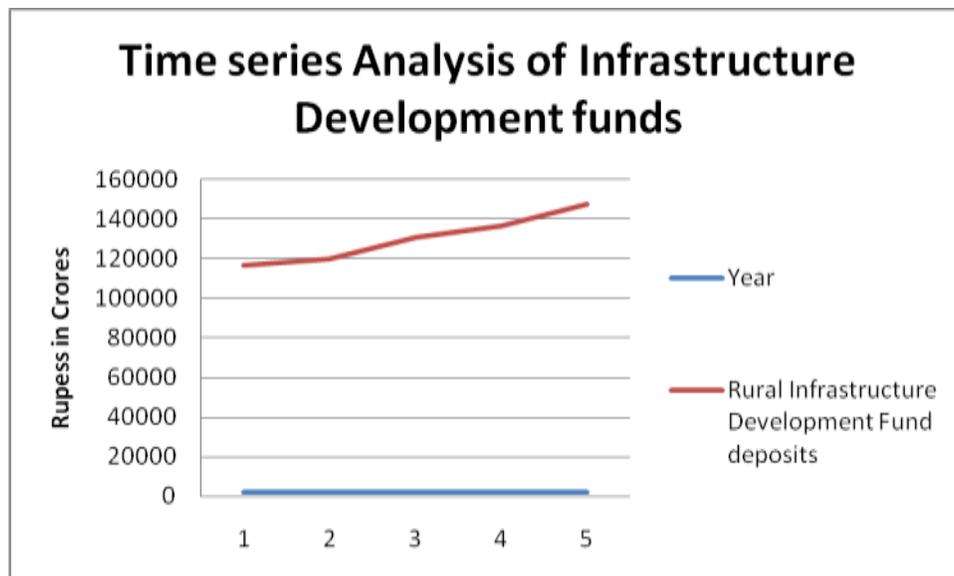


Figure 5.2

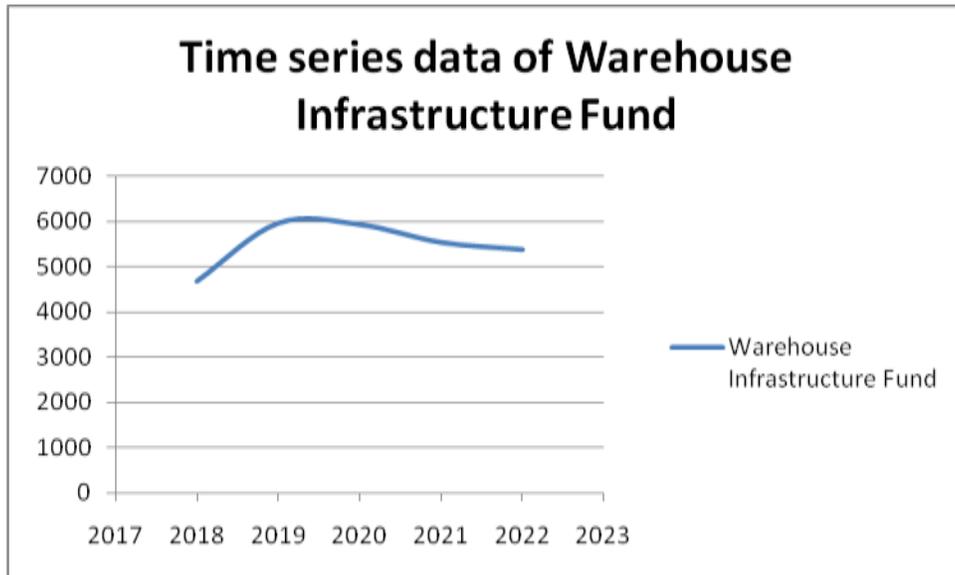
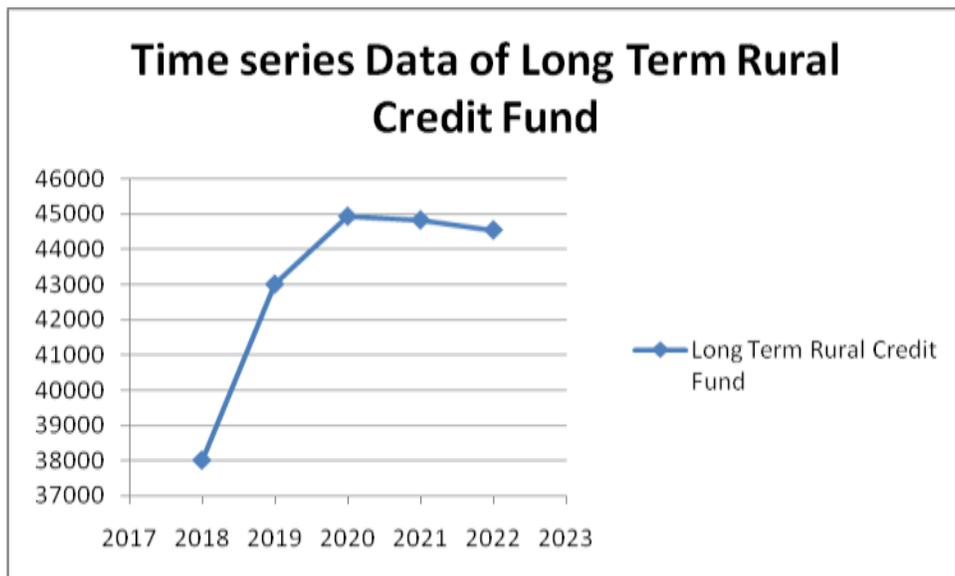


Figure 5.3



The above table 5.1 explains with the help of time series analysis. There study is carried out under three important heads of NABARD bank by deposits in Rural Infrastructure developments. The analysis shows that Rural Infrastructure Development Fund deposits and Warehouse Infrastructure Fund are in the upward trend during the study period from 2018 to 2022. But in the Long term credit fund has in the upward trend till 2020 but 2021 and 2022 its falls downward.

Loans Provided by NABARD to Create Infrastructure and Rural Development

Table 5.2 (Amount in ₹ crore as on 31 March)

Infrastructure creation loans	2022	2021	2020	2019	2018
Rural Infrastructure Development Fund	1,42,526	1,32,724	130442	1,20,163	110062
Long Term Irrigation Fund	53,283	51,713	44687	34,249	20447
Dairy processing and Infrastructure Development Fund	925	956	1010	432	0
Warehouse Infrastructure Fund	4,777	5,155	5940	4,984	4296
NABARD Infrastructure Development Assistance	23,319	17,999	11751	4,984	7241
Food Processing Fund	304	293	279	276	239
Micro-Irrigation Fund	2,084	2,084	279	276	0
Fisheries and Aquaculture Infrastructure Fund	366	194	0	0	0
Green Climate Fund	320	344	344	344	0

Source: NABARD Annual Report.

The above table explains about loans provided by NABARD to create infrastructure and rural development in India. Under the infrastructure heads Rural Infrastructure Development Fund, Long Term Irrigation Fund, Dairy processing and Infrastructure Development Fund, Warehouse Infrastructure Fund, NABARD Infrastructure Development Assistance, NABARD Infrastructure Development Assistance, Food Processing Fund, Micro-Irrigation Fund, Fisheries and Aquaculture Infrastructure Fund, and Green Climate Fund.

The main purpose of creating NABARD is to develop infrastructure in the rural areas. Because, nationalized, private and co-operative banks are operating in the profit motive. Hence, the Central Government has developed the Apex bank called it us NABARD to give loans to develop the infrastructure in the rural areas in Indian Economy. In the same way, NABARD gives loans to agriculture, infrastructure and rural employment opportunities.

Loans Provided by NABARD for Rural Development under the Heads of Social Sector Investment

Table 5.3

(Amount in ₹ crore as on 31 March)

Social sector investments	2022	2021	2020	2019	2018
Pradhan Mantri Awaas Yojana– Gramin	48,819	48,819	28819	18,008	7,329
Swachh Bharat Mission–Gramin	12,298	12,298	12298	8,698	0
Self Help Groups	27,8100	37,1500	44,7500	51,26,82	74,1739

Source: NABARD Annual Report.

In Social sector Investments, NABARD gives more funds under different heads. Due to the limitation and short period of the study, the research is carried out under three important heads. The main areas are Pradhan Mantri Awaas Yojana– Gramin, Swachh Bharat Mission–Gramin and Self Help Group (SHGs). During the study period, NABARD invests more money on Pradhan Mantri Awaas Yojana– Gramin. Since, it gives more importance to employment opportunities in rural areas through infrastructure development. Next, NABARD has given importance to Self Help Groups.

During the year 2018 it was very high and gradually, the investment started diminishing since 2021. The reason behind was the non performance of women entrepreneurs in the rural areas.

Correlation Analysis

Table 5.4

Correlations										
		Rural Infrastructure Development Fund	Long Term Irrigation Fund	Dairy processing and Infrastructure Development Fund	Warehouse Infrastructure Fund	NABARD Infrastructure Development Assistance	Food Processing Fund	Micro-Irrigation Fund	Fisheries and Aquaculture Infrastructure Fund	Green Climate Fund
Rural Infrastructure Development Fund	Pearson Correlation	1								
	Sig. (2-tailed)									
	N	5								
Long Term Irrigation Fund	Pearson Correlation	.969**	1							
	Sig. (2-tailed)	0.006								
	N	5	5							
Dairy processing and Infrastructure Development Fund	Pearson Correlation	.906*	.953*	1						
	Sig. (2-tailed)	0.034	0.012							
	N	5	5	5						

Warehouse Infrastructure Fund	Pearson Correlation	0.423	0.516	0.743	1					
	Sig. (2-tailed)	0.478	0.373	0.150						
	N	5	5	5	5					
NABARD Infrastructure Development Assistance	Pearson Correlation	.892*	0.839	0.707	0.081	1				
	Sig. (2-tailed)	0.042	0.076	0.182	0.897					
	N	5	5	5	5	5				
Food Processing Fund	Pearson Correlation	.952*	.965**	0.877	0.420	0.779	1			
	Sig. (2-tailed)	0.012	0.008	0.051	0.481	0.120				
	N	5	5	5	5	5	5			
Micro-Irrigation Fund	Pearson Correlation	0.816	0.834	0.645	-0.011	.916*	0.817	1		
	Sig. (2-tailed)	0.092	0.079	0.240	0.986	0.029	0.091			
	N	5	5	5	5	5	5	5		
Fisheries and Aquaculture Infrastructure	Pearson Correlation	0.815	0.737	0.525	-0.173	.941*	0.758	.924*	1	
	Sig. (2-tailed)	0.093	0.156	0.363	0.781	0.017	0.138	0.025		
	N	5	5	5	5	5	5	5	5	

ure Fund	N	5	5	5	5	5	5	5	5	
Green Climate Fund	Pearson Correlation	0.732	0.812	0.837	0.709	0.382	0.862	0.469	0.324	1
	Sig. (2-tailed)	0.159	0.095	0.077	0.180	0.526	0.060	0.425	0.594	
	N	5	5	5	5	5	5	5	5	5
**. Correlation is significant at the 0.01 level (2-tailed).										
*. Correlation is significant at the 0.05 level (2-tailed).										

Source: NABARD Annual Report.

Bivariate correlation is also called Pearson correlation, which can help to describe the smaller relationship between the variables. The relationship between the variables is the measure of the strength and direction of a linear relationship between two or more variables' effects (Schneider et al., n.d.). Here the variables are Rural Infrastructure Development Fund, Long Term Irrigation Fund, Dairy Processing and Infrastructure Development Fund, Warehouse Infrastructure Fund, NABARD Infrastructure Development Assistance, Food Processing Fund, Micro-Irrigation Fund, Fisheries and Aquaculture Infrastructure Fund, Green Climate Fund. Whereas, the correlation between Rural Infrastructure Development Fund with Long Term Irrigation Fund (0.969), Dairy processing and Infrastructure Development Fund (0.906), NABARD Infrastructure Development Assistance (0.892), Food Processing Fund (0.952), is having positive relationship and it significant at 1% level.

The correlation among “Dairy processing and Infrastructure Development Fund” with “Long Term Irrigation Fund” (0.953), and Food Processing Fund with Long Term Irrigation Fund” (0.965) have positive relationship and it significant at 5% level.

The correlation between “Micro-Irrigation Fund with NABARD Infrastructure Development Assistance (0.916), and Fisheries and Aquaculture Infrastructure Fund with NABARD Infrastructure Development Assistance (0.941), Micro-Irrigation Fund (0.924) shows positive relationship and it significant at 1% level.

6. Findings and Conclusion

NABARD was operated in an extremely uncertain economic situation even during the COVID 19 period. During the study period to give the employment opportunity in the rural areas working and function has appreciated during the crisis period. When the world economy had stumped during the COVID period, GDP and Inflation of the Indian economy under control. Even though several reasons behind also. The study has not neglect the importance of NABARD and its allocation of funds in the rural areas.

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