Rural Development in India: What roles do NABARD & RRBs play?

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Abstract
India is a country of villages. According to Census of India’s 2011 Provisional Population, out of 121 crore Indians, 83.3 crore live in rural areas while 37.7 crore stay in urban areas. There are about 6 lakhs villages in our country. Around 70% of the population of India lives in villages i.e. rural areas. So the rural areas need to be developed. NABARD plays a significant role in developing rural economy. NABARD, being an apex Development Bank, facilitates credit flow for promotion and development of agriculture, small-scale industries, cottage and village industries, handicrafts and other rural crafts. It also supports all other allied economic activities in rural areas. Regional Rural Banks (RRBs) in India were established in October 2, 1975. Since its inception, these banks have been playing a key role in the economic development of rural India. The main motto of establishing this bank in India was to provide credit to the rural people (people living in poverty and not economically sound) and to inculcate banking habits among rural masses. So NABARD and RRBs have been playing a catalyst role for the development of rural areas. These two are committed to promoting rural development. The first one i.e. NABARD has effectively brought in a number of innovations in the rural credit domains. Some innovations for the development of rural India are (a) Formation & Linkage of SHGs, (b) Farmers Club, (c) District Rural Industries Project, (d) Kisan Credit Card (KCC), (e) Rural Infrastructure Development Fund (RIDF), (f) Watershed Development and many more. These schemes/programmes/policies have helped develop rural economy. Sustainable economic growth is the mantra of our government’s development policy. It cannot be gainsaid that development and transformation of rural economy needs rapid expansion of employment and income opportunities. It is possible if rural economy is developed through economic betterment of people as well as greater social transformation. The policies and programmes undertaken by our government are designed with the aim of alleviation of rural poverty, which has been one of the primary objectives of planned development in India. In this backdrop, an attempt has been made in this paper to analyze and evaluate various policies/programmes/schemes undertaken by NABARD & RRBs for rural development.

Keywords: KCC, NABARD, RIDF, RRB, Social Transformation and Sustainable Economic Growth.

Introduction
India is a country of village and farmers. More than 65% of the country’s population lives in rural areas. Poverty is mainly a rural problem. To eradicate poverty and develop rural economy, it is imperative to develop rural areas. Development minus rural India becomes lopsided and unsustainable. Rural development means a structural change in the socio-economic situation to achieve improved living standard of low income population residing in rural areas and making the process of their development self sustaining. Rural development implies both the economic betterment of people as well as greater social transformation. In order to provide the rural people with better prospects for economic development, increased participation of people in the rural development programmes, decentralization of planning, better enforcement of land reforms and greater access to credit are envisaged. Different policies and programmes have been undertaken by the Government of India for developing rural economy.

Objectives of the Study
The study aims at:

b) Discussing about National Bank for Agriculture and Rural Development (NABARD) and Regional Rural Banks (RRBs) in short;

c) Studying the schemes/programmes undertaken by NABARD;

d) Analyzing and evaluating the schemes/programmes that contribute to rural development of our country and

e) Making concluding remarks.

Methodology
The study is based on secondary sources of data/information. Different books, journals, newspapers and relevant websites have been consulted in order to make the study an effective one.

Rural Development: Government’s Initiatives
Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)
National Rural Employment Guarantee Act was enacted on 5th September, 2005 and came into force w.e.f. 2nd February, 2006. On 31st December, 2009, the Act was renamed by an Amendment as the Mahatma Gandhi Na-
ational Rural Employment Guarantee Act. This programme directly touches lives of the poor and promotes inclusive growth. The Act aims at enhancing livelihood security of households in rural areas of the country by providing at least 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work.

Bharat Nirman
Government’s initiatives towards the development of rural economy need no description. Our government has taken a number of initiatives for the development of rural people living in rural areas. Bharat Nirman is one of such initiatives, which aims at upgrading rural infrastructure in a time-bound manner. The Government of India launched it in 2005-06. It is an important initiative for reducing the gap between rural and urban areas and improving the quality of life of people in rural areas. Bharat Nirman programme launched by the Government of India identified six core infrastructure sectors in rural areas. This has been shown in a tabular form.

<table>
<thead>
<tr>
<th>Components</th>
<th>Scheme</th>
<th>Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roads</td>
<td>Pradhan Mantri Gram Sadak Yojana (PMGSY)</td>
<td>Every habitation over 1000 population and above (500 in hilly and tribal areas) to be provided an all-weather road</td>
</tr>
<tr>
<td>Electricity</td>
<td>Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)</td>
<td>Every village to be provided electricity</td>
</tr>
<tr>
<td>Drinking water</td>
<td>Accelerated Rural Water Supply Programme (ARWSP)</td>
<td>Every habitation to have a safe source of drinking water</td>
</tr>
<tr>
<td>Telecommunication</td>
<td>Village Public Telephones (VPT)</td>
<td>Every village to be connected by telephone</td>
</tr>
<tr>
<td>Irrigation</td>
<td>Accelerated Irrigation Benefit Programme (AIBP)</td>
<td>Irrigation facilities to be extended</td>
</tr>
<tr>
<td>Housing</td>
<td>Indira Awaas Yojana (IAI)</td>
<td>Houses to be constructed for the rural poor</td>
</tr>
</tbody>
</table>

It is expected that the investments in rural infrastructure will unlock the growth potential of rural India. The schemes mentioned above are discussed hereunder.

A. Pradhan Mantri Gram Sadak Yojana (PMGSY)
The primary objective of the PMGSY is to provide all-weather road connectivity to all eligible unconnected habitations in the rural areas having population of 500 persons and above. A habitation which was earlier provided all-weather road connectivity would not be eligible even if the present condition of the road is bad. It shall cover only the rural areas. Urban roads are excluded from the purview of this programme. An all-weather road is one which is negotiable in all seasons of the year.

B. Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)
Ministry of Power launched Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) as one of its flagship programme in March 2005 with the objective of electrifying over 1 lakh un-electrified villages and to provide free electricity connections to 2.34 crore rural BPL households.

C. Accelerated Rural Water Supply Programme (ARWSP)
Providing rural areas with safe drinking water facilities was one of the key objectives of the plan.

D. Village Public Telephones (VPT)
Telephone connectivity constitutes an important part of the effort to upgrade the rural infrastructure. It aims at increasing the rural telecommunication facilities by 40%. It also aims to supply broadband and Bharat Nirman Seva Kendras in 2.5 lakh panchayats. According to this plan, the government of India will connect each and every village by telecommunication facilities.

E. Accelerated Irrigation Benefit Programme (AIBP)
The irrigation component of Bharat Nirman aimed at creation of irrigation potential of 10 million hectare during 4 years i.e. from 2005-06 to 2008-09. The target for creation of irrigation potential was proposed to be met through completion of on-going major and medium irrigation projects, extension, renovation and modernization of major and medium irrigation projects etc. Emphasis was also laid on repair, renovation and restoration of water bodies.

F. Indira Awaas Yojana
IAY is one of the very popular schemes of the Ministry of Rural Development and has caught the attention of the rural people. It is a rural housing project for the poor. It has been in operation since 1985-86. The objective of the IAY is to provide financial assistance for construction/upgradation of houses to BPL rural households belonging to SCs, STs, freed bonded labourers, non-SC/ST
rural households, widows and physically handicapped persons living in rural areas.

**Provision of Urban Amenities in Rural Areas (PURA)**
The primary objective of the scheme is the provision of livelihood opportunities and urban amenities in rural areas to bridge the rural-urban divide.

**National Bank for Agriculture and Rural Development (NABARD) and Regional Rural Banks (RRBs): A Look**
NABARD is set up as an apex Development Bank with a mandate for facilitating credit flow for promotion and development of agriculture, small scale industries, cottage and village industries, handicrafts and other rural crafts. It also has the mandate to support all other allied economic activities in rural areas, promote integrated and sustainable rural development and secure prosperity of rural areas. In discharging its role as a facilitator for rural prosperity, NABARD is entrusted with providing refinance to lending institutions in rural areas, bringing about or promoting institutional development and evaluating, monitoring and inspecting the client banks. NABARD has effectively brought in a number of innovations in the rural credit domains. Some of these innovations are: Formation and linkage of SHGs, Farmers Club, Rural Infrastructure Development Fund, Watershed Development, Kisan Credit Card, District Rural Industries Project.

RRBs in India are an integral part of the rural credit structure of the country. The Government of India set up Regional Rural Banks (RRBs) on October 2, 1975. Initially, 5 RRBs were set up on October 2, 1975, which were sponsored by Syndicate Bank, SBI, Punjab National Bank, United Commercial Bank, and United Bank of India. Capital sharing being 50% by the central government, 15% by the state government and 35% by the sponsored bank i.e. NABARD. The objective of the bank is to develop rural economy by providing credit and deposit facilities for agriculture and other productive activities of all kinds in rural areas. It also provides facilities to small and marginal farmers, agricultural labourers, rural artisans and other small entrepreneurs in rural areas. So the RRBs have been playing a catalyst role in the development of rural areas. They have been playing a significant role in financing the weaker section of the community in the rural areas and also in inculcating banking habits among the rural masses.

**Schemes/Programmes of NABARD: A Glance**
a) **Self-help Group (SHG) Bank Linkage Programme:** The SHG-Bank Linkage Programme is a major plank of the strategy for delivering financial services to the poor in a sustainable manner. It was started as an Action Research Project in 1989, which was the offshoot of a NABARD initiative during 1987 through sanctioning Rs.10 lakh to MYRADA as seed money assistance for experimenting Credit Management Groups. The experiences of these early efforts led to the approval of a pilot project by NABARD in 1992. The pilot project was designed as a partnership model between 3 agencies viz., the SHGs, banks and NGOs.

b) **Kishan Credit Card (KCC):** KCC Scheme was introduced in 1998-99. It was launched to provide timely and adequate supply of Short Term (ST) credit from the banking system to the farmers to meet their crop production requirements in a flexible, hassle free and cost effective manner. The objective was to provide an instrument, which would allow farmers to purchase agricultural inputs such as seeds, fertilizers, and pesticides and also withdraw some cash for meeting their production-related requirements.

c) **Farmers’ Club:** The programme aims to organize farmers to facilitate accessing credit, extension services, technology and markets. NABARD encourages banks to promote Farmers’ Club in rural areas under the Farmers’ Club Programme, earlier known as “Vikas Volunteer Vahini (VVV) Programme”. Farmers’ Club are grass root level informal forums of farmers. Such clubs are organized by rural branches of banks with the support and financial assistance of NABARD for the mutual benefit of the banks concerned and the village farming community/rural people.

d) **District Rural Industries Project:** NABARD on a pilot basis had launched an integrated area-based credit intensification programme in collaboration with Government, Banks and other development strategies with focus on district known as District Rural Industries Project during 1993-94 with a view to evolving a role model for rural industrialization.

e) **Rural Infrastructure Development Fund (RIDF):** RIDF is a major source of fund for the development of infrastructure in the rural areas of the State.

f) **Watershed Development:** The objective of developing watersheds is to significantly mitigate the drought induced distress of farmers in the area. NABARD anchors 4 types of watershed development programmes in the country. These programmes are: Indo-German Watershed Develop-
ment Programmes, Participatory Watershed Development Programme, Prime Minister’s Package in 4 states and Integrated Watershed Development programme.

Schemes/Programmes Of NABARD: An Analysis And Evaluation

A.) SHG-Bank Linkage Programme:
The SHG-bank linkage programme continued to be the main micro-finance model by which the formal banking system reaches the micro entrepreneurs (including farmers). To provide the rural poor accessibility to credit from the banking system and for alleviating poverty, NABARD in 1992 had started a programme of linking SHGs of the rural poor with banks. The SHG-Bank linkage programme implemented by commercial banks, RRBs and cooperative banks has emerged as the major micro-finance programme in the country. There are 3 models of credit linkage of SHGs with banks – (a) SHGs formed and financed by banks, (b) SHGs formed by formal agencies other than banks but financed by banks and (c) SHGs financed by banks using NGOs and other agencies as financial intermediaries.

With the passage of time, SHGs are increasing in numbers and contributing a lot for women empowerment and poverty alleviation. The progress of SHGs-Bank linkage programme during the period from 1992-99 to 2009-10 is shown in Table-1.

Table-1

<table>
<thead>
<tr>
<th>Year</th>
<th>SHGs financed by Banks (Number in lakh)</th>
<th>Bank Loan** (Rs. Crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>During the year</td>
<td>Cumulative</td>
</tr>
<tr>
<td>1992-99</td>
<td>0.33</td>
<td>0.33</td>
</tr>
<tr>
<td>1999-00</td>
<td>0.82</td>
<td>1.15</td>
</tr>
<tr>
<td>2000-01</td>
<td>1.49</td>
<td>2.64</td>
</tr>
<tr>
<td>2001-02</td>
<td>1.98</td>
<td>4.61</td>
</tr>
<tr>
<td>2002-03</td>
<td>2.56</td>
<td>7.17</td>
</tr>
<tr>
<td>2003-04</td>
<td>3.62</td>
<td>10.79</td>
</tr>
<tr>
<td>2004-05</td>
<td>5.39</td>
<td>16.18</td>
</tr>
<tr>
<td>2005-06</td>
<td>6.20</td>
<td>22.39</td>
</tr>
<tr>
<td>2006-07</td>
<td>11.06*</td>
<td>28.95@</td>
</tr>
<tr>
<td>2007-08</td>
<td>12.28*</td>
<td>36.26</td>
</tr>
<tr>
<td>2008-09</td>
<td>16.09</td>
<td>42.24</td>
</tr>
<tr>
<td>2009-10</td>
<td>15.87</td>
<td>48.52</td>
</tr>
</tbody>
</table>

Source: Data compiled from Economic Survey- 2002-03 to 2010-11 and NABARD
* Include existing SHGs also, which were provided repeat bank loan
** Includes repeat loans to existing SHGs
@ From 2006-07 onwards, data in respect of number of SHGs financed by banks and bank loans are inclusive of SHGs financed under the Swarnajayanti Gram Swarozgar Yojana (SGSY) and the existing groups receiving repeat loans. Owing to this change, NABARD discontinued compilation of data on cumulative basis from 2006-07. As such data from 2006-07 onwards are not comparable with the data of the previous years.
$ Represents outstanding

Table-1 manifests the increasing trend of the number of SHGs financed by banks during the period from 1999-00 to 2009-10. The programme of micro finance has been making rapid strides. During the year 1999-00, 0.82 lakh SHGs were linked with banks against 0.33 lakh SHGs during 1992-99. In 2009-10, the numbers of SHGs have substantially increased to 15.87 lakh as compared to 0.33 lakh in 1992-99. The amount of loan disbursed increased accordingly. The notable features of the programme are the active participation of women and timely loan repayment.

As on 31st March 2011, there were more than 74.62 lakh savings linked SHG and more than 47.87 lakh credit-linked SHGs covering 9.7 crore poor households under the micro-finance programme. The SHG-Bank Linkage Programme was given a renewed thrust with the launch of SHG-2.

B.) Kishan Credit Card (KCC):
The KCC scheme, introduced in 1998-99, has been very popular among the farmers. The implementation of KCC scheme has been taken up by 27 commercial banks, 378 District Central Cooperative Banks/ State Cooperative Banks and 196 Regional Rural Banks (RRB) throughout
the country. Kishan Credit Cards issued and amount sanctioned by the Cooperative Banks (CB), Regional Rural Banks (RRB) and Public Sector Commercial Banks (PSCB) during the period from 1998-99 to 2009-10 have been displayed in Table-2.

### Table-2
Agency-wise KCC issued (Number- In lakh) and the sanctioned amount (INR: In Crore) (1998-99 to 2009-10)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cooperative Banks</th>
<th>Regional Rural Banks</th>
<th>Public Sector Commercial Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number (In Lakh)</td>
<td>Sanctioned Amount (In Crore)</td>
<td>Number (In Lakh)</td>
</tr>
<tr>
<td>1998-99</td>
<td>1.56</td>
<td>826</td>
<td>0.06</td>
</tr>
<tr>
<td>1999-2000</td>
<td>35.95</td>
<td>3606</td>
<td>1.73</td>
</tr>
<tr>
<td>2000-01</td>
<td>56.14</td>
<td>9412</td>
<td>6.48</td>
</tr>
<tr>
<td>2001-02</td>
<td>54.36</td>
<td>15952</td>
<td>8.33</td>
</tr>
<tr>
<td>2002-03</td>
<td>45.79</td>
<td>15841</td>
<td>9.64</td>
</tr>
<tr>
<td>2003-04</td>
<td>48.78</td>
<td>9855</td>
<td>12.74</td>
</tr>
<tr>
<td>2004-05</td>
<td>35.56</td>
<td>15597</td>
<td>17.29</td>
</tr>
<tr>
<td>2005-06</td>
<td>25.98</td>
<td>20339</td>
<td>12.49</td>
</tr>
<tr>
<td>2006-07</td>
<td>22.97</td>
<td>13141</td>
<td>14.06</td>
</tr>
<tr>
<td>2007-08</td>
<td>20.91</td>
<td>19991</td>
<td>17.73</td>
</tr>
<tr>
<td>2008-09</td>
<td>13.44</td>
<td>8428</td>
<td>14.15</td>
</tr>
<tr>
<td>2009-10</td>
<td>17.43</td>
<td>7606</td>
<td>19.49</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>378.87</strong></td>
<td><strong>140594</strong></td>
<td><strong>134.19</strong></td>
</tr>
</tbody>
</table>


The scan of Table-2 manifests the fluctuating trend of issuance of Kishan Credit Cards by CBs, RRBs and PSCBs. It is also observed that PSCBs issued maximum numbers of cards (423.51 lakh) during 1998-99 to 2009-10 as compared to CBs (378.87 lakh) and RRBs (134.19 lakh). If the sanctioned amount is taken into consideration, it is also noticed that the amount sanctioned by PSCBs is much more than that of CBs and RRBs. Moreover, it may state that the banking institutions are playing a pivotal role with regard to issuance of Kishan Credit Cards. The fluctuating trend of issuing cards and the sanctioned amount may be due to the ignorance of farmers about the scheme, and the nonchalant attitude of the implementing authority.

### C. Farmers’ Club:
During 2010-11, 21,903 Farmers’ Club were launched, taking the total number of clubs to 76,708 as on 31st March 2011. Agency-wise, NGO promoted maximum number of clubs (13,599), followed by cooperative banks (2,922), commercial banks (2,733), and RRB (2,215). During the year (2011-12), 25,238 Farmers’ Clubs were launched by different agencies with NABARD support, taking the total number of such clubs to around 1,01,946.

### D. District Rural Industries Project (DRIP):
NABARD launched DRIP in collaboration with government, banks and other development agencies with district specific focus. It was introduced with the objective of creating sustainable employment opportunities in 106 districts all over the country.

### E. Rural Infrastructure Development Fund (RIDF):
Another all-time high was achieved by NABARD under Rural Infrastructure Development Fund (RIDF) by disbursing Rs.14,970 crore during 2011-12, which was Rs.2,900 crore or 24% more than the disbursements made to state governments during 2010-11. Sanctions given by NABARD under the RIDF also increased to Rs.21,460 crore, which was over Rs.3,000 crore more than the sanctions during the previous year (growth of 17%). These loans are used by State Governments to create infrastructure in agriculture and allied sectors including irrigation and power, rural connectivity through rural roads and bridges, health, education, rural drinking water supply etc.

### F. Watershed Development:
NABARD’s total commitment under watershed development programme rose to Rs.1,600 crore, covering an area of about 1.78 million ha. Disbursement of Rs.272 crore under Watershed Development programmes an-
hored by NABARD was made during 2011-12, register-
ing a positive growth of 19% over the previous year.

NABARD has facilitated 100% Core Banking Solution
in 80 RRBs to integrate them with NEFT and RTGS and
improve better customer service and operational effi-
ciency. Refinance assistance provided by NABARD to
cooporative banks and RRBs during 2011-12 to disburse
crop loans to farmers touched an all-time high of
Rs.48,000 crore, registering an increase of Rs.14,000
crore or 41% growth over the previous year.

Concluding Remarks
Rural development in India is very much needed for the
growth of Indian economy. Different approaches, strate-
gies and programmes have been taken for the uplift of
rural development. The Prime Minister, Dr. Manmohan
Singh, launched the ambitious Bharat Nirman initiative,
which aimed at strengthening the country’s rural infra-
structure. The initiatives taken by the Government of
India for rural housing deserve appreciation. The home-
less people are reaping the benefits from this scheme.
NABARD’s role with regard to rural development needs
no description. Farmers’ Club, RIDF, KCC and SHG-
Bank Linkage Programme etc. have helped a lot for the
development of economy. The introduction of KCC
scheme is a bold step taken by the GOI to mitigate the
problems of the farmers. The said scheme has eased the
flow of credit to farmers. So effective implementation of
the schemes may result in overall development of rural
areas that may improve the quality of life of rural people.
The Government needs to pay strict vigil on the proper
implementation of the programmes. An awareness pro-
gramme should be arranged for the beneficiaries so that
they can know the ins and outs of different schemes. If
they are in dark, the ultimate goal will be defeated.

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