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Role of NABARD: As an Institution for Financial and Social Welfare

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For the rural populace, the unofficial rural finance system has long been a grave source of exploitation. The main cause of the never-ending debt traps that many small farmers find impossible to escape is the problem of moneylenders taking advantage of them with outrageously high interest rates. Furthermore, there has always been a lack of agricultural loan availability and poor economic development for the rural population. Since over 70% of Indians live in rural areas, it is crucial to have a rural institutional financing system that effectively meets people's credit and developmental needs. This would help to create an effective policy framework for economic growth and development.

The informal rural credit system has always been a severe form of exploitation for the rural masses. The issue of moneylenders exploiting poor farmers with exorbitantly high rates of interest has been the foremost reason behind the never-ending debt-traps that many small farmers find impossible to escape from. In addition to this, the rural population has always been subjected to low economic development and insufficient agricultural credit availability. With around 70% of the Indian population living in rural areas, it becomes utmost important to have a rural institutional financing system that efficiently caters to developmental and credit needs of people and thus help to build effective policy framework for economic development and growth.

Keeping in mind the development of the rural-agrarian sector and its financial needs, the National Bank for Agriculture and Rural Development (NABARD) was established on July 1982. It was set up on the recommendations of the Shivaraman Committee which was entrusted with the task of reviewing institutional credit for agriculture and rural development. Thus, the NABARD was initiated as the apex Development Bank with an objective to facilitate sufficient credit flow in order to promote and develop agriculture, small-scale industries, village and cottage industries, handicrafts, etc. It provides finance and also refinance for rural credit to Cooperative Banks, Regional Rural Banks and to other rural credit institution (Goyal, 2015). It is also involved in coordinating and advising these institutions. With such grass-root objectives and functions, NABARD has become the most important institution in India in terms of microfinance, aiming to promote integrated development in rural India.

In the context of refinance by NABARD and its role in microfinance, there are certain significant trends observed in a study by Mukesh Singh. One of the important functions of NABARD includes its SHG (Self-Help Groups) bank linkage programme through which it encourages credit assistance to be provided to self-help groups. Singh (2018) observed that although the amounts of bank loans extended to SHGs have kept increasing, but the amount refinanced by the NABARD has been falling gradually and forming lesser in consecutive years proportionally. Nevertheless, one interesting point made by Singh is that grants given by NABARD to the financial agencies have seen a surge in annual sanctions and releases when Partner Agencies are acting SHPIs (Self-

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Help Group Promoting Institutions). Thus, there has been a significant growth of SHG-Bank linkage programme during the last 20 years which is because of the promotional efforts actively supported by NABARD.

Along with providing credit and finance assistance, NABARD also extends support for training and capacity building of microfinance clients. Every year NABARD conducts, and also sponsors, many training programmes with the aim of ensuring efficiency and effectiveness in the field of microfinance. Singh noted both the number of programmes conducted in the years 2014-15, 2015-16 and 2016-17 to be 5555, 5100 and 4700 respectively, and the number of participants to be 1.95 lakh, 1.81 lakh and 1.75 lakh respectively. Here again it was found that there has been a declining trend both in terms of the number of programmes conducted and in terms of participation.

Apart from such internal nuances of technicalities, it is also important to look into the role of NABARD as an institution having objectives for social welfare and how far it has been effective in ensuring affordable financial services to the masses.

It is well known that capital and the market plays a significant role in influencing the conditions of people in rural India. However, in most parts of the country, the capital required to purchase the modern inputs is still not easily available to a majority of people and thus, they rely heavily on the credit system. This is where the role of institutional credit agencies like NABARD acquires utmost significance for the rural people. In a study conducted by A.R Vasavi (1999) in rural Karnataka, she used the reports of NABARD to analyse the viability of the credit system operational in rural areas. This study provides a useful aid in trying to understand the scenario of the rural and agrarian credit system after around fifteen years of establishing NABARD, and thereby analyse the vision of rural development that it had sought to achieve. Vasavi revealed that the NABARD report for the Bidar district of Karnataka in 1997-98 indicate that only large landowners are considered to be credit worthy and that most institutional credit system cater largely to their requirements only. On the other hand, most small and marginal cultivators, including sharecroppers, are considered as 'credit-unworthy' and are therefore disregarded by institutional credit agencies. Vasavi also pointed out that there is a general lack of credit availability to rural and agricultural credit institutions as a result of which a credit crunch has occurred in agricultural institutions that typically meet 67% of short term loans and 37% of long term loans in rural areas. This was a consequence of the fact that RBI has reduced credit availability to agricultural sectors from 19.1% in 1987 to 11.7% in 1992. Moreover, the NABARD report for Bidar (1997-98) indicates that the loan recovery rates in the district are so poor that it stands between only 24% for cooperative banks and between 27 and 30% for commercial banks. Such low loan recovery rates further discourage the entry of more credit into the region and make the issue of unavailability of credit more acute, leading to make the distinction between the creditworthy and credit-unworthy more prominent and antagonistic. This distinction largely illustrates the differential access to banking in terms of the class location of people.

The lack of credit availability in the institutional credit agencies highlight the relative failure of NABARD and as a consequence, force the small and marginal farmers to search for alternative options. As a result, Vasavi's study reveals that there had been a mushrooming of non-institutional credit sources in Bidar, indicating a dangerous legitimisation of the older forms of exploitative moneylending by the landowning classes that dominated the rural market and its entire economy. Members of these local non-institutional credit agencies are often those who have access to land, capital and advanced technologies, and have been the prime beneficiaries of commercial agriculture resulting in a surplus capital that could be used as usury. Vasavi also noted that often this surplus capital is also combined with urban remittances, giving them enough monetary confidence to call themselves as 'financial corporation'. As compared to the average of 17% to 23% of lending rates of most institutional credit agencies in Bidar, these so-called financial corporations have a much higher lending rate between 40% and 50% per annum. Such high lending rates of the 'financial corporations' and their very existence itself pose as an indicator of the disappointing performance of NABARD in terms of providing efficient credit assistance to the poor and marginalised.

Vasavi's study throw light on another fatalistic aftermath of the failure of institutional credit system like NABARD in ensuring sufficient credit availability in the rural agrarian sector. This failure of institutional credit is seized as an opportunity by agents of private agri-input manufacturing industries who link the sales of input items with credit. Such a strategy to ensure availability of inputs on credit induces many small and marginal farmers to purchase these items. However, in order to clear their debt, these poor farmers are often left with no option but to sell their produce to these agents at prices much below the market rates. In this context, Vasavi points out the lack of state regulation and supervision as many agents and distributors in Bidar are not licensed. Such lapse on part of the state often cost a lot for poor farmers who might end up using harmful chemicals on their crops, leading to crop loss and further distress.

The NABARD was established as a microfinance institution with the aim of ensuring financial and credit assistance to the large and diverse rural population. Accordingly, the small and marginal farmers should have reaped the maximum benefits of this institution as it promised liberation from the exploitation of older rural credit forms and from the problem of indebtedness which seemed like an endless pit. Then how is it that after around fifteen years since its inception, between December 1997 and May 1998, around 23 cases of suicides due to agricultural distress was reported from Karnataka districts of Bidar and Gulbarga alone? For the entire country, there were around 9,000 farmer suicides were recorded in 1998, which has steadily increased to 12,360 farmer suicides in 2014. While the reasons are complex and multiple, indebtedness was reported to account for 20.6 per cent of the farmer suicide (Marshall and Randhawa, 2017). Such a rampant phenomenon of farmers suicide due to financial reasons raise severe questions on the credibility of microfinance institutions like NABARD who were supposed to reduce financial distress for the rural population and promote positive growth and development.

As a microfinance institution NABARD has a lot to offer to the financial well-being of the people of rural India which constitutes the major section of the population. The trends pointed out by Singh illustrate some of the technical slack of the NABARD and these trends should be taken into account and more efforts are required in order to improve the level of efficiency. However, the phenomena of increasing farmers' suicide highlighted the failure of NABARD as an institution meant for larger social welfare in rural-agrarian sector. The viability of the vision of agriculture and rural development, that its very name entails, seems to be in need of serious reconsideration on account of the grave picture of rural India where a large number of farmers still resort to suicide as the last option.

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