

NABARD – History, Functions and Organization structure (Part 1)



NABARD



NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT

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“Chase the vision, not the money. The money will end up following you.” – Tony Hsieh

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The importance of institutional credit in boosting rural economy has been clear to the Government of India right from its early stages of planning.

Therefore, the Reserve Bank of India (RBI) at the insistence of the Government of India, constituted a Committee to Review the Arrangements For Institutional Credit for Agriculture and Rural Development (CRAFICARD) to look into these very critical aspects.

The Committee was formed on 30 March 1979, under the Chairmanship of Shri B. Sivaraman, former member of Planning Commission, Government of India.

The Committee's interim report, submitted on 28 November 1979, outlined the need for a new organisational device for providing undivided attention, forceful direction and pointed focus to credit related issues linked with rural development.

Its recommendation was formation of a unique development financial institution which would address these aspirations and formation of National Bank for Agriculture and Rural Development (NABARD) was approved by the Parliament through Act 61 of 1981.

NABARD came into existence on 12 July 1982 by transferring the agricultural credit functions of RBI and refinance functions of the then Agricultural Refinance and Development Corporation (ARDC).

It was dedicated to the service of the nation by the late Prime Minister Smt. Indira Gandhi on 05 November 1982. Set up with an initial capital of Rs.100 crore, its' paid up capital stood at Rs.10,580 crore as on 31 March 2018.

Consequent to the revision in the composition of share capital between Government of India and RBI, NABARD today is fully owned by Government of India.

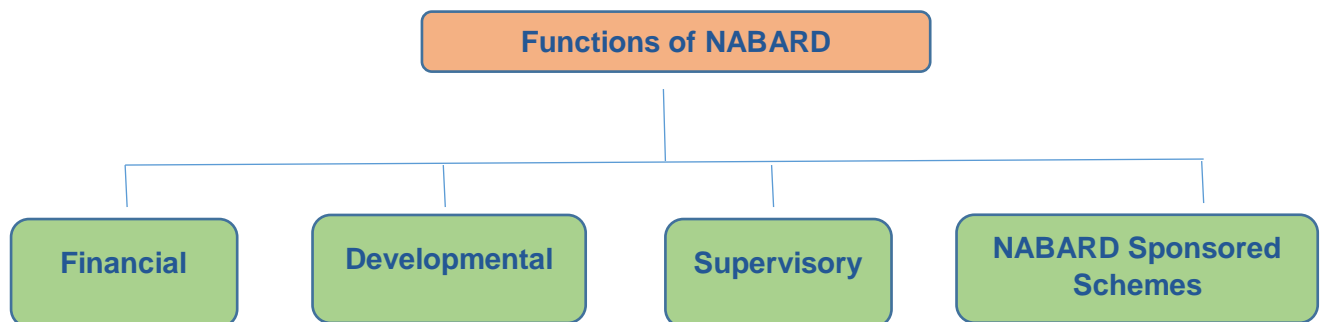
VISION

Development Bank of the Nation for Fostering Rural Prosperity.

MISSION

Promote sustainable and equitable agriculture and rural development through participative financial and non-financial interventions, innovations, technology and institutional development for securing prosperity.

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Financial

1. Direct Finance
2. Refinance

1. Direct Finance

A. Loans for Food Parks and Food Processing Units in Designated Food Parks

Development of food processing industry in the country is accorded top priority by the Government of India as it is one of the most critical links in the agri value chain. Taking this agenda further, the Hon'ble Finance Ministry, in 2014, announced setting up of a Special Fund of Rs.2,000 crore in NABARD for providing direct term loans at affordable rates of interest to Designated Food Parks (DFPs) and food processing units in the DFPs.

The objectives of the Fund are:

- To provide impetus to development of the food processing sector on a cluster basis in the country
- To reduce wastage of agricultural produce
- To create employment opportunities especially in rural areas.

Scope of Financing from the Fund

The Fund provides Term loans for:

- Development/establishment of all infrastructure required in the DFPs
- Augmentation/modernization/creation of additional infrastructure in the DFPs
- Setting up of individual food processing units or any other unit that is established for supporting the operations of the food processing units within the DFPs; and

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- Modernization of existing processing units in the DFPs resulting in process technology upgradation, automation, increased efficiency, improvement in product quality, reduction in costs, etc.

Eligible Borrowers

- State Governments
- Entities promoted by State Governments or Government of India
- Joint Ventures
- Special Purpose Vehicles (SPVs)
- Cooperatives
- Federations of Cooperatives
- Farmers' Producer Organizations
- Corporates
- Companies
- Entrepreneurs etc

B. Loans to Warehouses, Cold Storage and Cold Chain Infrastructure

Consequent to the announcement of an allocation of Rs. 5,000 crore to NABARD in 2013- 14 and 2014-15 budget for supporting creation of infrastructure for storage of agricultural commodities, Reserve Bank of India (RBI) issued guidelines for creation of Warehouse Infrastructure Fund (WIF 2013- 14 and 2014 -15) in NABARD.

The Fund envisages extension of loans to Public and Private sectors for construction of warehouses, silos, cold storages and other cold chain infrastructure.

Activities Covered

Loans will be provided for projects involving creation of storage infrastructure with a minimum aggregate capacity of 5000 metric tons (MT) for agricultural and allied produce, including construction of:

- Warehouses
- Silos
- Cold storage, Controlled Atmosphere (CA) Stores, other Cold Chain Infrastructure Activities like Pack Houses/ Integrated Pack Houses, Reefer Vans, Bulk Coolers, Individually Quick Frozen Units, Chilling/ Freezing Infrastructure, etc.
- Construction/ Modernisation/ Upgradation of Marketing Infrastructure Facilities of Agricultural Produce Marketing Committee (APMC).

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- Modernization/ Improvement of the existing storage infrastructure projects will be considered on merit of each proposal provided it leads to Scientific/ Additional storage capacity.
- There's no minimum capacity for projects of Governments/ Government owned corporations.
- Eligible Institutions/Entities
- State Governments
- State/ Central Government Owned/ Assisted entities, Cooperatives, Federations of Cooperatives, Farmers' Producers' Organizations (FPOs), Federations of Farmers' Collectives, SPVs set up under PPP mode, etc.
- Primary Agricultural Credit Societies (PACS)/ Cooperative Marketing Societies (CMS) or similar institutions
- Corporates/ Companies/ Individual Entrepreneurs etc.
- Agricultural Produce Marketing Committees (APMCs)

C. Credit Facilities to Marketing Federations

Marketing federations and cooperatives are playing a very important role in agribusiness and value/supply chain management of the various agricultural commodities. Major activities undertaken by these institutions are:

- Procurement of agricultural commodities including milk
- Aggregation, storage and value addition in few select commodities like milk etc.
- Marketing

Large number of farmers, producers' organizations, and primary societies depend upon these institutions for marketing of their produce and for value-added services like input supply, value addition and storage facilities. The marketing operations by these federations and cooperatives require seasonal and timely short-term credit facility to support their day-to-day operations.

Eligible Institutions

- State/Central Govt. Agricultural Marketing Federations, Corporations
- Dairy Co-operatives/Federations
- Agriculture Marketing Co-operatives/Federations
- Registered Companies

Nature of Loan

Short-term credit facility (less than 12 months) for meeting working capital requirement. The limit can be operated for 12 months and the outstanding at the end of 12th month is required to be repaid.

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Eligible Activities

- Procurement and marketing of agricultural commodities
- Processing and marketing of agricultural commodities
- Procurement, processing and marketing of milk
- Supply of Agricultural inputs including animal feed

D. Rural Infrastructure Development Fund

Government of India created the RIDF in NABARD in 1995-96, with an initial corpus of Rs.2,000 crore. With the allocation of Rs.28,000 crore for 2018-19 under RIDF XXIV, the cumulative allocation has reached Rs.3,20,500 crore, including Rs. 18,500 crore under Bharat Nirman.

Eligible Activities

At present, there are 37 eligible activities under RIDF as approved by Gol. (Annexure I). The eligible activities are classified under three broad categories i.e.

- Agriculture and related sector
- Social sector
- Rural connectivity

Eligible Institutions

- State Governments / Union Territories
- State Owned Corporations / State Govt. Undertakings
- State Govt. Sponsored / Supported Organisations
- Panchayat Raj Institutions/Self Help Groups (SHGs)/ NGOs (provided the projects are submitted through the nodal department of State Government, i.e Finance

Mode of Finance

- NABARD releases the sanctioned amount on reimbursement basis except for the initial mobilisation advance @30% to North Eastern & Hilly States and 20% for other states.

Quantum of Loan and Margin/Borrower Contribution

- The project for rural connectivity, social and agri-related sector, are eligible for loans from 80 to 95% of project cost. Cost escalation proposals for certain genuine reasons are considered within two years of sanction.

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Rate of interest:

- With effect from 01 April 2012, the interest rates payable to banks on deposits placed with NABARD and loans disbursed by NABARD from RIDF have been linked to the Bank Rate prevailing at that point of time.

Repayment period:

- Loan to be repaid in equal annual installments within seven years from the date of disbursement, including a grace period of two years. The interest shall be paid at the end of each quarter i.e. 31 March, 30 June, 30 September and 31 December every year, including grace period.

E. Direct Refinance Assistance to Co-operative Banks

Need for Direct Refinance Assistance to Co-operative Banks

Implementation of the Government of India's Revival Package of Short Term Co-operative Credit Structure (STCCS) as per Vaidyanathan Committee recommendations enabled District Central Co-operative Banks (DCCBs) to borrow funds directly from any financial institution regulated/approved by RBI.

As a corollary to this enabling provision, NABARD developed a progressive product titled 'Short Term Multipurpose Credit Product' (STMPCP) to provide financial assistance to Co-operative Banks (StCBs/DCCBs). The primary objective here was to expand their lendable resources and enable their diversification into a variety of business operations.

Purposes covered under STMPCP

Short Term Multipurpose Credit Product

- Working capital requirements
- Repair and maintenance of farm equipment and other productive assets
- Storage/grading/packaging of produce
- Marketing activities
- Crop loan (if the requirement is more than Rs.3.0 lakh)
- Redemption of old debts and other socio-economic needs
- In addition to the above, all purposes which are covered under Section 21(1)(i) to (v) of NABARD Act, 1981 are also eligible for refinance under this product

Assistance to Co-operative Banks for on-lending to sugar factories

- The refinance assistance would be provided to Co-operative Banks for on-lending to sugar factories (co-operative & private) for prompt payment to farmers towards procurement of sugarcane and also

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to meet out their internal expenditure. Terms and conditions of sanction, eligibility of the banks, interest rate and security are same as that of STMPCP.

F. Financing and supporting Producer Organisations

In an initiative which aims to bring real time empowerment to farming communities across the country, NABARD set up “Producers Organization Development Fund” (PODF) in 2011 with an initial corpus of Rs. 50 crore.

The Fund supports formation and financing producer organizations by adopting a flexible approach to meet the needs of producers. Any registered Producers Organization viz, Producers Company (as defined under Sec 581 A in part IXA of Company's Act 1956), Producers Cooperatives, registered Farmer Federations, MACS (Mutually aided cooperative society), industrial cooperative societies, other registered federations, PACS, etc. set up by producers are eligible under the fund.

The following types of support are provided under PODF:

- Credit Support in the form of grant, loans, or a combination of these for capacity building & market interventions.
- Credit Support for contribution to share capital. This has been allowed since most of the Producers Organisations are having low capital base.

G. More Direct Finance

i. NABARD Infrastructure Development Assistance (NIDA)

Traditionally, NABARD has been funding various rural infrastructure initiatives through Rural Infrastructure Development Fund (RIDF), working closely with State Governments. However, this channel of funding was facing some technical issues, thereby limiting the contribution of NABARD towards rural infrastructure development.

To address this issue, NABARD launched a new line of credit, named NABARD Infrastructure Development Assistance (NIDA.)

NIDA is a new line of credit support for funding rural infrastructure projects. NIDA is available for state governments and other state-owned organizations, such as corporations.

For state governments, NIDA provides assistance for rural infrastructure development, outside of RIDF borrowing. And for other state-owned organizations, NIDA offers direct financing based upon risk appraisal of every specific project.

A key feature of NIDA is it offers customized terms based on the requirements of the borrower, nature of the project, and risk profile of the borrower. The assistance provided under NIDA is available on flexible interest terms.

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Type of Loan: Term loan

Tenure: Up to 15 years (with a repayment holiday of 2-4 years)

Interest Rate: Variable (based on the project and the risk profile of the borrower). Interest rates will be linked to market borrowings of NABARD. Presently, NIDA products offer fixed interest rate over the entire tenure of the loan.

Moratorium: Moratorium of up to 2-4 years can be considered, based on the type of project and risk profile of the borrower.+2-2

ii. Financing and developing PACS

Primary Agricultural Credit Societies (PACS), being registered cooperative societies, have been providing credit and other services to their members. PACS generally provide the following facilities to their members:

- i. Input facilities in form of cash or kind component
- ii. Agriculture implements on hiring basis
- iii. Storage facility

In order to enable PACS to provide more services to their members and generate income for themselves, an initiative has been taken to develop PACS as Multi Service Centers. This will enable PACS to provide ancillary services to their members and diversify their activities. Assistance under Producers Organization Development Fund (PODF) is available to StCooperative Banks/Central Cooperative Banks and PACS for this purpose.

The Scheme has the following components:

1. Agro-Storage centre
2. Agro-service Centre
3. Agro-processing centre
 - Primary Processing: Sorting, grading unit, waxing/ polishing unit, pre-cooling chambers, etc.
 - Secondary Processing: Value addition to produce e.g. Mini rice mill, atta chaki, horticulture produce processing etc.
4. Agri -information centre
5. Agri Transportation & Marketing Facilities

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iii. Umbrella Programme for Natural Resource Management

NABARD has been implementing Natural Resource Management projects (Watershed Development and Wadi Development Programmes) for the past 20 years under Indo-German collaboration with support from KfW and GIZ.

The long standing development cooperation between NABARD and German Development Corporation (GDC) has been a key contributor in NABARD emerging as an innovator in natural resource management, influencing policy at national level and improving lives at the grass root level.

NABARD and GDC launched the Umbrella Programme on Natural Resources Management (UPNRM) in order to further upscale and integrate NABARD's existing and future Indo-German NRM efforts into one streamlined approach of participatory NRM related interventions.

UPNRM integrates NABARD's existing and future Indo-German NRM efforts into one streamlined approach of participatory NRM related interventions.

The programme objective is to contribute to mainstreaming of holistic, participatory and financially sustainable livelihood solutions into public NRM policies and financial instruments for improving the livelihoods of the rural poor based on the sustainable use and management of natural resources.

The programme aims at funding community-managed, sustainable NRM-based rural livelihood projects.

H. Alternative Investment Funds (AIFs)

Objectives

- To complement and broad base the existing Refinance and Co-finance products and other developmental initiatives of NABARD.
- To encourage entrepreneurship in existing or new activities leading to agricultural and rural development.
- To facilitate development of model units for emulation by rural people.
- To encourage investment in innovative, high-risk, sunrise activities in agriculture and rural development sectors.
- To assist units which are unable to scale up their operations for want of equity support.
- To support units that would lead to infrastructure development and/or generate, directly or indirectly, employment in rural areas.

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I. Long Term Irrigation Fund

The Hon'ble Union Finance Minister, during his Budget Speech 2016-17, has announced creation of a dedicated Long Term Irrigation Fund (LTIF) in NABARD with an initial corpus of ₹20,000 crore for funding and fast tracking the implementation of incomplete major and medium irrigation projects.

A Mission has been established in the Ministry of Water Resources, River Development and Ganga Rejuvenation (MoWR, RD & GR) for overall implementation of the scheme.

The Long Term Irrigation Fund (LTIF) aims to bridge the resource gap and facilitate completion of these projects during 2016-2020.

23 projects (priority-I) have been identified to be completed by 2016-17, 31 projects (priority –II) have been identified to be completed by 2017-18 and balance 45 projects (priority – III) have been identified to be completed by 2019-20.

For Central share, National Water Development Agency (NWDA), a society registered under Societies Registration Act 1860 and functioning under Ministry of Water Resources (MoWR), Government of India would borrow resources from LTIF. The State Governments can borrow funds directly from NABARD under LTIF to meet the state share in the projects or to deploy their own resources.

All the projects to be funded under LTIF shall be appraised at the field level jointly by CWC and State Government. Regional Offices of CWC will also monitor the physical progress of the projects once in six months.

LTIF loans to NWDA and State Governments would be sanctioned by NABARD on a program mode, based on the appraisal of individual projects by Central Water Commission (CWC), recommended by Technical Advisory Committee (TAC) and accorded investment clearance by the Planning Commission/Gol.

As approved by the Union Cabinet, the Ministry of Finance shall allow NABARD for cost free funds of appropriate amount each year from 2016–17 to 2019-20 so that rate of interest on lending under LTIF is maintained at around 6%. Loan assistance under the fund shall be for a period of upto 15 years with a moratorium period of 03 years.

The scheme is proposed to be completed in a mission mode and following structure for decision making and project approval has been proposed by MoWR, RD & GR, Gol.

- High Level Empowered Committee – For new projects costing above ₹2000 crore each - comprising of Finance Minister, Minister (WR, RD & GR), Minister of Agriculture, Co-operation and farmer Welfare, Minister of Rural Development, Deputy Chairman, Niti Aayog.

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- Council – For new projects costing above Rs 1000 crore and upto `2000 crore each – comprising of CEO, Niti Aayog, Secretary (WR, RD & GR), Secretary (A&C0), Secretary (RD), Secretary (Finance) and Chairman, NABARD.
- Mission – For new projects costing upto ` 1000 crore each and Central Assistance (CA) release for all the ongoing projects and 2 National projects – Additional Secretary / Special Secretary, MoWR, RD & GR may be the Mission Director.

J. Pradhan Mantri Aawas Yojana - Grameen (PMAY-G)

PMAY-G aims at providing a pucca house, with basic amenities, to all houseless households and those households living in kutcha and dilapidated house, by 2022.

The implementation of PMAY-G is being done by the Ministry of Rural Development (MoRD), Government of India (GoI). Around 2.95 crore houses are to be constructed under PMAY-G by 2022 in a phased manner, out of which one crore houses are expected to be completed by March 2019.

Out of the total financial requirement of Rs.81,975 crore for construction of one crore houses in a period of 3 years (2016-17 to 2018-19), an amount of Rs.60,000 crore are expected to be met from budgetary sources and the balance financial requirement of Rs.21,975 crore are proposed to be met through borrowings from NABARD.

During 2017-18, an amount of Rs.9,000 crore was sanctioned by NABARD to NRIDA for funding central share under PMAY-G against which an aggregate amount of Rs.7329.43 crore was availed during the year.