

NABARD'S Role in Financing and Development of Microfinance in India

Gautam Kumar Roy

Asst. Professor, Department of Education, Manikpur Anchalik College, Manikpur,
Dist-Bongaigaon (Assam) India

ABSTRACT: India is considered to host around one-third of world's rural population. The official estimates range between 25-50% percent of the total population. It is stated that around 80% of the rural house holds don't have access to credit. The demand for micro credit has been around \$30 billion (3000 crores), however, the supply is less than \$2.2 billion (220 Crores) as combined by all involved in the sector. In India to meet the credit needs of the poor rural population, an alternative financial services delivery mechanism started emerging in the villages and small towns of the country named as Microfinance Institution.

Microfinance is the form of services such as saving and uncollateralised credit extended to the poor. It has been lauded as a powerful vehicle for reducing poverty and empowering rural people. Today Microfinance becomes an important instrument in rural economic development.

One of the key players of Microfinance is NABARD. It is an apex bank, accredited with all matters concerning policy, planning and operations in the fields of credit for agriculture and other economic activities in rural areas in India. The Micro Finance program of NABARD, which began in 1992 with formation of 500 self help groups (S. H. Gs) has emerged as the largest Micro Finance program in the world. The important roles played by NABARD in field of Micro Finance are- (i) to provide refinance to the lending institution in rural India, (ii) promoting institutional development, (iii) evaluation, monitoring and incepting the client bank.

In Assam, NABARD has played a vital role by extending grant assistance to 358.06 Lakhs to 199 NGOs for promotion of 14249 SHGs up to 31st Oct, 2010. With the help of secondary data, we have endeavoured to explain the role of NABARD in promoting microfinance in India.

KEYWORD: Microfinance, Rural, Development, Promotion.

Introduction:

Micro Finance:

In response to the inadequacy of the formal financial institutions to meet the credit needs of the poor and non-availability of other financial services, an alternative financial services delivery mechanism started emerging in the villages and small towns of the country named as Micro Finance Institute. Micro Finance is the form of service such as savings and uncollateralized credit extended to the poor. According to the International Labour Organization (ILO), Micro Finance is defined as "an economic development approach that involves providing financial services through institutions to low income clients."

The National Micro Finance Taskforce, 1999 states that "it is the provision of thrift, credit and financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improves living standards."

Micro Finance refers to the stipulation of financial services for both credit and deposit that are provided to the people who are living in poverty. The aim of the micro finance is to provide credit, usually in small amounts for short period of time.

Micro Finance Institutes Activities in Micro Finance

Micro credit : This is a system where small amount of money is loaned to a client by an institution or a bank. Micro credit is offered without collateral to a group or an individual.

Micro Savings: These are specific deposit and saving services to allow the individual to save money for the future.

Micro Insurance: There is risk involved in this type of micro finance. Access to this type of insurance enable entrepreneurs to concentrate on developing their business.

Remittances : This is transfer of funds to the people from one place to the other. This service often may involved transferring of funds across borders.

SELF HELP GROUPS

Self help group is a concept evolved from Grameen Bank of Bangladesh, founded in 1975 by Prof. Mohammed Yunus. In India, it was initiated by NABARD in 1986-87. In India, an SHG is a small democratically formed group of about 20 persons from a homogeneous class, who come together voluntarily to attain certain collective goals, social or economic. In the other words self help group is a method of organizing the poor people and the marginalized to come together to solve their individual problem. The 9th five year plan of the Government of India had given due reorganization on the importance and the relevance of the self help group method to implement the developmental schemes at the grass roots level.

NABARD: The report of the committee to review the arrangement for Institutional credit for agriculture and rural development as made a number of recommendations for improving the structural and operational capacities of credit Institutions serving the rural sector. The establishment of a National Bank for Agriculture and Rural Development (NABARD) had been recommended by CRAFTCARD even in International Report submitted in November, 1979. Consequently, the Lok Sabha passed a Bill on November 30, 1981, providing for the establishment of a National Bank for Agriculture and Rural development. Thus, the NABARD Act has been passed and Bank has been established on July12, 1982.

The National Bank for Agriculture and Rural Development is set up as a statutory corporation to be owned by Government and the Reserve Bank of India jointly. The Bank has been set up by amalgamating a part of Agricultural credit Department (ACD) of the Reserve Bank of India and which of ARDC (Agricultural Refinance and Development Corporation) it is now neither ACD nor ARDC

NABARD as the apex institution is concerned with all policy planning and operations in the field of credit for Agriculture and other economic activities in the rural areas.

NABARD extends credit support by way of refinance to eligible institutions such as state co-operative agricultural and rural development Banks (SCARDBS), state co-operative banks, commercial bank, Regional Rural Bank, and Scheduled primary co-operative banks for farm and non farm sectors.

OBJECTIVE OF THE PAPER

The main objective of this paper is to find works of NABARD in the field of Microfinance Promotion and Development in India.

LIMITATIONS OF THE PAPER

This paper is based on the secondary data published in various journals and the data published by NABARD.

Problems of Microfinance in India:

- (1) Lack of professional enterprise to run the MFI operation successfully and profitably.
- (2) Lack of usage of technologically advance IT tool and efficient management information system for the MFI operation and maintenance.
- (3) Lack of funding sources for MFIs at a lower rate of interest.
- (4) Lack of appropriate training program for the microfinance official, loan officers and capacity building program of the MFI as a whole.
- (5) Lack of sample regulatory environment and the difficulties to mobilize resources.
- (6) Lack of awareness level of microfinance among the poor.
- (7) Lack of local effective capacity building infrastructures.
- (8) Lack of SHG and JLG federation.
- (9) Lack of distribution channels for better delivery of microfinance services
- (10) Lack of saving driven microfinance environment which provides the cheapest source of finance.

Role of NABARD in Micro Finance

The Inverting "the pyramid study estimates" that demand for microfinance in India is to the tune of US \$ 72bn. As a supplier of microfinance NABARD in the year 1992 took the initiative for financing the SHG and at present attain the status of creating the largest number of SHG in the world. The SHG bank linkage programme by NABARD started in the country with modest beginning by financing 255 SHGs during 1992-93. After this program NABARD become keys player in the microfinance. NABARD plays the following role in the field of Microfinance.

- (i) NABARD serves as a apex financing agency for the institutes (i.e. MFI) providing investment and production credit for promoting the various development activities in rural areas.
- (ii) It takes measures towards institution building for improving absorptive capacity of the credit delivery system, including monitoring formulation of rehabilitations schemes, training of personnel etc.
- (iii) NABARD co-ordinates the rural financing activities of all intuitions, engaged in development work of the field level and maintains liaisons with Government of India, State Government, RBI and other national level institutions concerned with this policy formulation.
- (iv) Undertakes monitoring and evaluation of projects refinance.
- (v) NABARD refinance the financial institutions which finance the rural sector.
- (vi) The institution which help the rural economy, NABARD helps develop.
- (vii) NABARD also keeps a check on its clients institutes
- (viii) It regulates the institution which provides financial help to the rural.
- (ix) It provides training facilities to the intuitions working the field of rural upliftment
- (x) It regulates the co-operative banks and the Regional rural bank and manages talent acquisition through

IBPS CWE.

MICROFINANCE AND NABARD

(1) NABARD as microfinance Facilitator:

NABARD continued with its role as the main facilitator and mentor of microfinance initiatives in the country, particularly the SHG-BLP initiative. Its focus was on bringing in various stake holders on a common platform and build capacity among bank to take the SHG-BLP movement forward while extending 100% refinance to all banks participating in the program. A large number of seminar, workshops and training programs were organized to create awareness about the microfinance program among all the stakeholders the bankers, Govt. agencies, NGO partners and more importantly SHG members themselves. The NGO sector which played the key role of organizing and nurturing the SHG as the self help promoting institutions- later joined by many others including the rural financial institutions, farmer's clubs, SHG Federation etc. were encourage with training and promotional grant assistance by NABARD for SHG promotion. The phenomenal growth of SHG-Bank linkage program during the last 20 years promotional efforts actively supported by NABARD. NABARD is in the process of redefining the role of SHG-BLP as an effective financial tool by helping the financial institutions to extend their out reach to SHG while at the same time helping the SHG to actively involve itself in promoting livelihood activities for the rural poor.

(2) Refinance of Books

NABARD has been extending 100% refinance to banks for their lending to SHGs since the SHG-BLP was launched. Initially, this was intended at concessional rates to encourage the banks to activity participate in the program. As the banks gained confidence in lending to SHG and extending micro credit through SHGs they have deploying their own funds. SHGs had been instrumental in bringing in more business for the financing banks by way of a rural banking. They also helped in extending other financial service like housing, insurance etc. The gap between the total loans issued by banks to SHGs and the refinance extended by NABARD for such loans started widening (showing Table). The refinance support from NABARD, however continues to supplement the resources for the lending institutions. During 2012-13, NABARD extended refinance to the extent of Rs.3917 crore againts Rs.3073 crore disbursed during 2011-12. Cumulative disbursement of refinance by NABARD for SHG lending now stands at rupees 22,396 crore.

(3) Micro-Finance Development and Equity Fund

The micro-finance Development and Equity fund continued to be utilized for promotion of various micro-finance activities. During 2012-2013, Rs.33.50 crore was utilized for various promotional activities like promotion, capacity building and other intervention with large number of on-going promotional partners, NABARD has committed expenses ruling in the range of Rs.200 crore.

(4) Support for training and capacity building of micro finance clients

NABARD has been continuously supporting training and capacity building of different stakeholders of SHG Bank linked programme such as bankers, NGOs, govt officials, SHG members and trainers during 2012-13, close to 6000 training and supportive intervention covering 1.85 lake participants of various stakeholder thus, cumulatively over 30.34 lacs stakeholder have been trained.

(5) Grand support to partner agencies for promotion and nurturing of SHGs

Even since the SHG- BLP was launched by NABARD, the self help promoting agencies such as NGOs, banks, farmer's clubs and Individual Rural volunteers are being extended grant support to organize and nurture SHGs to the poor.

(6) Micro Enterprise Development programme

NABARD has been supporting need based skill development programmes for matured SHGS which already have access to finance from banks often the requirements of skill development or refinance of skill sets of the SHG members in a felt need which supports through appropriate resource NGOs and other support organization locally nearly 9000 skill up gradation training programmes have been conducted under these members of matured SHGs. Most of the trained SHG members have since started their entrepreneurs by availing loans from their SHGS.

(7) Scheme for promotion of women SHGs in backward districts of India

With the object of scaling up SHG promotion activities in "Left Wing Extremism" affected and backward districts in the country, a special initiative was commenced by NABARD with the govt. of India. The programme entails promoting "Women" self Help Groups in 150 districts with the assistance of anchor NGOs and support organization identified for the purpose. NABARD support the anchor NGOs with capacity building and promotional grant assistance. During the year 2012-2013, an amount of Rs. 16.94 crore has been utilised towards promotional grant assistance to anchor NGOs and for training and capacity building of stake holders from women SHG Development and Fund maintained with NABARD and Contributed fully by Govt. of India.

(8) Training Programmes By NABARD

(a) SHG Programme- Revisiting the training modules

NABARD has been supporting and organizing training programmes On SHG-BLP for various stake holders for quite sometime. Keeping in view the need for ensuring continued relevance of the training module to the first changing environment in which the programme operates and to broad base the content of this programmes for increasing number of stake holders; NABARD undertook a comprehensive training need Assessment of all stake holders with the assistance of German Technical corporation. The result of the "Comprehensive Training need Assessment" a revised Hand book on training Module for SHG-BLP Stakeholders was prepared and distributed to all stake holders. This hand book is expected to improve the quality training being imported under the programme

(b) Exposure Programme on "SHG members as Business correspondents or Business Facilitators for Financial institution

NABARD Supported bank Vidarbha Konkan Gramin Bank" has been successful in effectively leveraging local community members of SHGs to act as Business Facilitators/ Business correspondents for the bank to enhance its business and to insure a sustainable inclusive growth. This model has been recognized as highly successful and scalable model by other Fis. NABARD therefore arranged Exposure Visit to VKGB model of official of various commercial Banks and RRBs. More than 100 officers from commercial banks and RRB, were given exposure under this programme during this year.

(c) Training to Partner NGOs as SHPIs by Resource

NABARD has initiated a special short term training (com attachment) programme for such partner NGOs with resource NGOs at the state level. This programme with focus on practical training on SHG formation and nurturing by Resource NGOs to the selected Volunteers of smaller partner NGOs.

(d) Engaging Resource NGOs for training stakeholders in SHG-BPL

In order to ensure the quality of trainings, organizations having adequate professional trainers and possessing quality training materials be selected as resource NGOS in the states. The financial banks are also being persuaded to organize bank specific training programmes for their functionaries with the help of these resource trainers

(9) Up scaling of tablet PC based accounting for SHGs

A web based com Tablet PC based book-keeping solution for SHGs named Tablet PC based accounting for SHGs' was successfully piloted in Nandurbar district of Maharashtra. It is used by field staff and even by SHGs themselves to feed their data and meeting resolutions from which different financial reports can be generated by themselves and also by a person sitting at other place from the Internet The pilot is being upscale to cover 50,000 SHGS. NABARD will be providing a grant support up to Rs 60.00 Lakh to enable the SHGs to migrate to the system. It will be implemented in various states with our technology partner and other partner SHPIs.

Findings

1. During the year 2012-13, NABARD extended refinance to bank Rs.3917 Crore as against Rs 2545.36 Crore disbursed during the year 2010-11.
2. During the year 2012-13, Rs. 33.50 Crore was utilized for various promotional activities like promotion, capacity building and other intervention micro-finance development and equity fund.
3. For training and capacity building of micro-finance, NABARD organized 6000 training camps and cover 1.85 participants.
4. In the field of joint liability groups, during 2012-13 NABARD refinanced support to bank Rs. 1837 Crores as against Rs. 1700 Crore 2011-12. The growth of JLGs in the country is less skewed than SHG.
5. Nearly 9000 skill upgradation training programs have been conducted under micro-enterprise development programme covering about 2.41 lakh members of matured SHGs.
6. To promote women-SHG in backward districts in India, NABARD supported grant assistance of Rs.6.94 crore for capacity building and training.

Conclusion

In India around 70% people are living in rural areas. In these areas the banking services availability is not sound. People face different problems in their livelihood and vicious circle of poverty arise in this area. So to break this problems the Government of India takes different policies for the development of the rural people. One of these policies is microfinance policy to poor. By this policy, Government wants to develop finance to the rural poor. At present in India microfinance is making headway in the effort for reducing poverty and empowering rural poor. Microfinance through the network of cooperatives, banks, RRB, NABARD and NGO has been largely supply driven to finance the most vulnerable, microfinance institutions are engaged in the provision of financial services to the poor. Many microfinance models and schemes were launched from time to time and SHGs movement made a significant progress in India. The NABARD in the year 1992 took the initiative for financing the SHGs and at present attain the status of creating the largest number of SHGs in the world. At present under the SHG bank linkage programme cover 103 million rural households have now access to regular savings through 7.96 million SHGs linked to banks (NABARD Report 2012)

In Assam, NABARD has played a vital role by extending grand assistance to 358.06 lakh to 199 NGO for promotion of 14249 SHGs up to 31st Oct, 2010

BIBLIOGRAPHY

Books

1. Dr. B.P. Tyagi. Agricultural Economics and Rural Development.

331	ISSN 2690-9626 (online), Published by "Global Research Network LLC" under Volume: 2 Issue: 10 in December-2021 https://grnjournals.us/index.php/AJSHR
	Copyright (c) 2021 Author (s). This is an open-access article distributed under the terms of Creative Commons Attribution License (CC BY).To view a copy of this license, visit https://creativecommons.org/licenses/by/4.0/

2. Gautam Purkayasta. A concise book of Indian economy and North-East Economy. C.K. Prahalad. The Fortune at the Bottom of the pyramid.
3. Dr.B.S. Suran. Printed and Published. Status of Micro fiancé in India. 2012-13
4. A Journal on Rural Development-Kurukshetra Vol.61, Vol.62
5. A Development monthly Yojana

Information Retrieved from the Websites

www.microfinanceindia.org

www.microfianceinsight.com

www.investopedia.com

www.infmr.ac.in