

Research Paper



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ROLE OF NABARD IN RAJASTHAN ECONOMY: AN EVALUATION

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ABSTRACT

The prominent question to debate in current scenario is role and impact of agricultural sector in a developing economy. Indian Economy is a developing economy where most of the people live in rural area and depend on agriculture and other related activity. Rajasthan is the largest state in country with a geographical area of 3.42 lakh sq. km after the partition of Madhya Pradesh. Rajasthan is a predominantly agrarian state and economy of Rajasthan is agriculture based economy. There is abundant natural and human resources available in the state but due to lack of capital, lack of technical knowledge, administrative inefficiency and lack of proper planning, they have not been fully absorbed. So the general public did not get full advantage of it. In order to provide adequate credibility on time for agriculture and non-agricultural activities in rural areas, NABARD is playing an important role in strengthening the economy. Under this research study to discuss the role of NABARD in agriculture and primary sector of Rajasthan the impact of credit facility provided by NABARD on agricultural productivity, employment, income generation capacity, assets creation and living standard have been considered.

KEY WORDS- NABARD, Rajasthan Economy, Refinance, Credit Facility.

1.INTRODUCTION

Indian Economy is a developing economy where majority of the population live in rural areas. Most of the people depend on agriculture and other related activities for their livelihood. There are many problems of poverty, unemployment and socio-economic inequalities. After attainment of independence, efforts have been made to develop agriculture and primary sector under various Panchayat schemes but not expected success. So, the need for a separate body for a separate organization for agriculture and rural development was realized. And for this, on July 12, 1982, after the merger of agricultural refinancing and development corporation and rural credit scheme, NABARD was formed.

Rajasthan's economy is developing economy. It is based on agriculture, animal husbandry and rural industries. Based on the economy Rajasthan is the 8th largest state in the country, its gross domestic product is 11.5 billion US dollars. Agriculture accounts for 22.5 percent of Rajasthan's economy. There are approximately 20 million hectares of agricultural land in the state, of which only 20 percent is irrigated. Similarly, the share of industries in the economy is 32.5 percent. In the state, cotton textiles, woolen industry, vegetable industry, oil, color, cement industry, copper, zinc, and salt industry are the major ones. Rajasthan came in its present form, on 1 November 1956 after the integration of 19 princely states and 3 feudal states. Of the total 29 states in India, 11 special category and 18 states are of non-specific category. Rajasthan has been involved in non-specific



state. Rajasthan has an area of about 3.42 lakh square kilometers, which is 10.41 percent of the country's area and 5.67 percent of the national population resides here.

There is abundant natural and human resources available in the state but due to lack of capital, lack of technical knowledge, administrative inefficiency and lack of proper planning, they have not been fully absorbed. So the general public did not get full advantage of it. Although, due to the government efforts and planned development, the state has achieved partial success in solving the problems of agriculture, poverty, unemployment, price rise etc. However, there are many areas where there is a lot to be done, such as roads, irrigation, water- Solutions for power projects, marketing, insurance, agricultural finance etc. are expected.

NABARD is the highest institution for financing agricultural and rural development which provides refinance and direct finance through state co-operative banks, regional rural banks, commercial banks etc. Therefore, continuous research is needed to analyze the role of NABARD in the economic development of Rajasthan. Under this research study, information related to NABARD activities and various projects were received from various state co-operative banks, regional rural banks and commercial banks and by contacting NABARD's office, along with other persons benefited from different projects and loan facilities of NABARD. NABARD's progress has been evaluated and presented in the context of Rajasthan economy.

2. NABARD

In March 1979, the Reserve Bank of India constituted a committee under the chairmanship of Shri V. Shivaraman, who submitted its report on November 26, 1979. The Committee advised the Agriculture Rehabilitation and Development Corporation to set up National Agricultural and Rural Development Bank, with the failure of the rural credit and finance system. On July 12, 1982, the Government of India passed a bill to set up the National Agricultural and Rural Development Bank (NABARD).

NABARD works as a unified agency to meet all types of credit requirements in the field of agriculture and rural development in the country. At the same time, it also works for the establishment of regional rural banks, management of refinancing and inspection of their work. NABARD is playing an important role in strengthening the cooperative structure in the national economy since its inception.

In order to provide adequate credibility on time for agriculture and non-agricultural activities in rural

areas, NABARD gives instructions regarding different types of services for the purpose of rural credit institutions. Various types of schemes are being operated and executed to provide refinance to banks for the purpose of agricultural facilities, agricultural mechanization, animal husbandry, horticulture etc. in rural areas by NABARD.

3. REVIEW OF LITERATURE

Patel R.H., (1987), examined the purposes and utilisation of credit among different categories of farmers. According to them, on an average about 70 percent of the available credit was used for productive purposes and about 30 percent was diverted to non-productive uses. The extent of use for unproductive purposes was the highest among large farmers and lowest in case of small farmers. They further added that among the productive purposes, crop loan, which accounted for the highest percentage of the total credit, was most dominant, whereas among the non-productive purposes, family expenses had the highest share in the total advances for all the cases except for the small farmers.

A study by Sidhu, M.S. (1985) evaluated the impact of bank lending on the standard of living of agricultural labourers, marginal farmers and small farmers. They stated that loans brought about a qualitative change in the relative contribution of different sources of gross household income of sample beneficiaries and level of income of the loanees rose. The study revealed that there has been a considerable improvement in the consumption pattern of beneficiaries.

Mohana Rao, L.K., (1985) examined the impact of bank finance on income and cropping pattern. They found that changes in the cropping pattern not only depended on the availability of loan but also other factors like irrigation, soil type, relative profitability of the competing crops.

A study carried out by Yadav, A.K, and Singh, B.N., (1996) on the impact of institutional credit on the levels of investment, income and employment on different groups of farms. The study indicated that income and employment levels were found to have increased with the increase in investment levels in farms. The overall average income and employment came to Rs.4120.10 and 138.85 days on borrower farms and Rs, 3571.91 and 129.52 days on non-borrower farms, respectively.

According to Kewal Kumar, (1987) Agricultural credit is a nucleus of the system of farm operation. Adequate and timely credit to the farmers is, therefore, vital and indispensable for the rehabilitation and

progress of agriculture. Credit of the right quantity and of the right kind immensely contributes to agricultural development—once the match-stick of credit ignites the flame better managerial skill sustain it and a holy process of one inducing the other and covering all comes into effect. Thus, the role of credit consist in laying foundation stone of farm revolution and maintaining structure built upon it.

Lalthia N. and Dayanandan R. (Jan 2005): stressed in his study on “NABARD and rural transformation” that the mission of NABARD is to promote sustainable and equitable agriculture and rural development through effective credit support, related services institutions building and other innovative initiative.

An inter-district analysis of ‘Institutional credit and agricultural Growth in Rajasthan’, conducted by Mehrotra (1987), pointed out that the rate of growth of institutional credit, agricultural and food grain output, have been high in the green revolution period. Further the reliance of small fanners for their production credit needs on private agencies in all the regions of the state is much more as compared to that of the medium and large fanners.

Dr. Vandana Tyagi (2012) stressed in her study on some issue and prospects like decline productivity and increased variability, decline in capital formation, inadequate credit delivery, decline in credit to small borrowers, low availability of farm electric power etc. which are challenges for growth and development of India’s agriculture in current scenario.

According to Agrawal A.N., (1986) agriculture is the most vital sector of the Indian economy. The agriculture sector forms the backbone of the national economy. Though, in the last four decades the industrialization has received the pace but even today agriculture occupies the place of pride. It is the largest industry in country and is the source of livelihood for over 70 percent of the population.

4. RESEARCH METHODOLOGY

This research has been conducted on the basis of following points-

a. Objectives- The following objectives are considered under this study,

- i. To present an overview of Agricultural and allied activities in Rajasthan.
- ii. To analyze refinance police of NABARD in context of Economy of Rajasthan.
- iii. To present the various level of utilization of loan.

- iv. To explore the feedback of beneficiary of NABARD.
- v. To discuss and evaluate NABARD’s contribution towards Rajasthan Economy.

b. Hypothesis- The following hypothesis are taken under this research,

HO¹ There is no significant association between agricultural productivity and level of utilization of loan.

Ha¹ There is a significant association between agricultural productivity and level of utilization of loan.

HO² There is no significant association between earning capacity and level of utilization of loan.

Ha² There is a significant association between earning capacity and level of utilization of loan.

HO³ There is no significant association between creation of capital assets and level of utilization of loan.

Ha³ There is a significant association between creation of capital assets and level of utilization of loan.

HO⁴ There is no significant association between effect on living status and level of utilization of loan.

Ha⁴ There is a significant association between effect on living status and level of utilization of loan.

c. Data Collection- This research study is based on secondary as well as primary data. Secondary data were collected out of statistical report published by NABARD and for the collection of primary data an opinion survey was conducted through questionnaire among the 300 customers of commercial banks, cooperative banks and regional rural banks.

d. Research Technique- Under this research study Chi-square test (χ^2) has been applied for analysis of data/feedback received from respondents.

5. DATA ANALYSIS AND DISCUSSION

As it has already been discussed that the main purpose of the establishment of NABARD is to provide refinance for the fulfillment of all types of credit requirements for agricultural and allied sectors, small industries, cottage industries and rural industries, handicrafts and other rural craft and related economic activities in the rural areas so that agriculture and rural Growth can be promoted.

The main objective of NABARD is to provide refinance or credit facility for agriculture and allied activities and rural development so a critical evaluation of the credit available by NABARD becomes necessary

therefore, in order to know the impact of NABARD on the Rajasthan economy this study has been divided in two parts.

First part shows the credit/refinance provided by NABARD in the state, and under the another part of study the effect of credit facility provided by NABARD depends on level of utilization of loan/credit has been discussed which is shown as under.

5.1 Refinance/Credit provided by NABARD- The following refinance facility provided by NABARD through various agencies like State Co-operative Bank, Regional Rural Banks, Commercial Banks etc.

5.1.1 Short-term and Med-term debt- At present, modern farming is done, which is different from traditional agriculture. Modern agriculture requires high quality seeds, fertilizers, agricultural equipment. In such a situation, credit should be coupled with productivity and other services in the debt system. Hence, crop loan

system and production oriented system have been developed for the distribution of scale of production loan for this purpose. NABARD provides refinance to the State Co-operative Banks, Regional Rural Banks on concessional interest rate through approval of loan limit for seasonal agriculture operations. This short-term loan is repaid within 12 months of the withdrawal. In addition to this, the farmers whose crops have been damaged due to natural calamities, NABARD has provided facilities to convert their existing short term agricultural loans into mid-term loans and re-recapitalization of the current mid-term loan and re-scheduling the repayment period of the loan. For which, the consolidated limits are sanctioned to the State Cooperative Banks in relation to the regional rural banks and eligible district intermediate co-operative banks. Credit sanctioned and utilized through State Co-operative Bank and Regional Rural Banks is discussed in table no. -01.

Table No. - 01
Short term credit distribution of in Rajasthan

Year	State Co-operative Bank			Regional Rural Banks		
	Sanctioned	Distributed	% of Distribution	Sanctioned	Distributed	% of Distribution
2006-07	117000	100000	85.5	19666	19666	100
2007-08	120458	120458	100	27726	27175	98.0
2008-09	119867	113560	94.71	38556	31958	82.9
2009-10	133107	133107	100	82300	82300	100
2010-11	246541	246541	100	117459	117459	100
2011-12	330000	330000	100	157500	157500	100

Source- Statistical Reports issued by NABARD

On the basis of above table -01 we find that 100% credit distributed of sanctioned credit through State Co-operative Bank and Regional Rural Banks during the period from 2009-10 to 2011-12.

5.1.2 Long term debt- The main objective of long-term debt is to build capital while creating assets through various activities. This leads to an increase in

production, productivity and incremental income of farmers and entrepreneurs. These long term loans are usually given for 3 to 15 years. Loan provided by NABARD through various agencies like State Co-Operative Agricultural and Development Bank, State Co-operative Bank, Regional Rural Banks, Commercial Banks has been discussed in table no.02.

Table No. - 02 Agency wise distribution of loan in Rajasthan
(in lakh)

Year	S.C.A.D.B	Commercial Bank	S.C.B.	R.R.B.	Total
2007-2008	21999	19201	2886	3833	47919
2008-2009	20310	23611	4353	8634	56908
2009-2010	20310	29824	4017	13920	68071
2010-2011	20310	18522	4000	10000	52832
2011-2012	19360	47302	2432	6505	75599

Source- Statistical Reports issued by NABARD

5.2 Impact of Utilisation of Credit facility over the economy- An analytical study has been conducted on the basis of credit provided by NABARD and feedback received from respondents regarding level of utilization and their result is discussed as under-

5.2.1 Effect on Agricultural Productivity- An attempt was made to ascertain the condition of the change in the productivity of the beneficiary families on the basis of usage level of the loan, to evaluate the effectiveness of the benefits available to the beneficiary families by the bank. The effect of credit facility provided by NABARD on agricultural productivity has been discussed in Table No. 1.

Table No. 3
Effect of use of credit on agricultural productivity

Utilisation of Loan	Increase in Productivity		Total
	Yes	No	
Fully Utilised	85	68	153
Partially Utilised	48	72	120
Not Utilised	12	15	27
Total	145	155	300

Source- Primary Data

For studying the effectiveness of the use of credit usage the statistical test Chi-Square χ^2 was applied on the basis of following hypothesis-

H_0^1 There is no significant association between agricultural productivity and level of utilization of loan.

H_a^1 There is a significant association between agricultural productivity and level of utilization of loan.

Table-4 Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.696 ^a	2	.035
Likelihood Ratio	6.726	2	.035
Linear-by-Linear Association	4.598	1	.032
N of Valid Cases	300		

a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is 1.30.

Result- According to the above mentioned table, the value of Pearson's Chi-Square χ^2 is 0.035, which is less than 0.05 at the 5 level of significance, therefore the null hypothesis is rejected, In other words, the beneficiaries have the effect of the use of loans on the productivity of the family.

5.2.2 Effect on Earning capacity- For evaluating the usefulness of credit provided by the bank study becomes necessary to analyze the impact on the income generating capacity of beneficiary families so efforts have been made to know the status of change in earning capacity of the beneficiary families based on the utilization level of the loan which is shown under table-5.

Table No.5
Effect of use of credit on Earning capacity

Utilisation of Loan	Increase in Productivity		Total
	Yes	No	
Fully Utilised	90	63	153
Partially Utilised	55	65	120
Not Utilised	10	17	27
Total	155	145	300

Source- Primary Data

For studying the effectiveness of the use of credit usage on earning capacity the Chi-Square (χ^2) was applied on the basis of following hypothesis-

H0³ There is no significant association between earning capacity and level of utilization of loan.

Ha³ There is a significant association between earning capacity and level of utilization of loan.

Table-6 Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.087 ^a	2	.029
Likelihood Ratio	7.126	2	.029
Linear-by-Linear Association	6.972	1	.008
N of Valid Cases	300		

a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is 1.30.

Result- According to the above mentioned table, the value of Pearson’s Chi-Square (χ^2) is 0.029, which is less than 0.05 at the 5 level of significance, therefore the null hypothesis is rejected, In other words, the earning capacity of the beneficiaries have been effected after the use of loan.

5.2.3 Effect on creation of capital assets- A study has been done for evaluation of the status of changes in the capital assets of the beneficiary families on the basis of usage level of the loan, to evaluate the impact of the capital adequacy of the benefits available to the beneficiary families by the bank, has been shown, which is shown under table-7.

Table No.7

Effect of use of credit on creation of capital assets

Utilisation of Loan	Increase in Productivity		Total
	Yes	No	
Fully Utilised	88	65	153
Partially Utilised	66	54	120
Not Utilised	08	19	27
Total	162	138	300

Source- Primary Data

For studying the effectiveness of the use of credit usage on creation of capital assets, the Chi-Square (χ^2) was applied on the basis of following hypothesis-

H0⁴ There is no significant association between creation of capital assets and level of utilization of loan.

Ha⁴ There is no significant association between creation of capital assets and level of utilization of loan.

Table-8 Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.265 ^a	2	.026
Likelihood Ratio	7.365	2	.025
Linear-by-Linear Association	4.516	1	.034
N of Valid Cases	300		

a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is 1.30.

Result- According to the above mentioned table, the value of Pearson’s Chi-Square (χ^2) is 0.026, which is less than 0.05 at the 5 level of significance, therefore the null hypothesis is rejected, In other words, the capital assets of the beneficiaries have been effected after the use of loan.

5.2.4 Effect on living standard- The main objective of credit and credit available by NABARD is agriculture and rural development so that the quality of life of the people residing in rural areas improves and attempts to know the impact of the benefits available to the beneficiaries on the living standard of the families provided by the bank during the research work. This has been shown under table-9.

Table No.9
Effect of use of credit on living standard

Utilisation of Loan	Increase in Productivity		Total
	Yes	No	
Fully Utilised	79	74	153
Partially Utilised	71	49	120
Not Utilised	09	18	27
Total	159	141	300

Source- Primary Data

For studying the effectiveness of the use of credit usage on earning capacity the Chi-Square (χ^2) was applied on the basis of following hypothesis-

H₀⁵ There is no significant association between effect on living status and level of utilization of loan.

H_a⁵ There is no significant association between effect on living status and level of utilization of loan.

Table-10 Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.139 ^a	2	.046
Likelihood Ratio	6.197	2	.045
Linear-by-Linear Association	.326	1	.568
N of Valid Cases	300		

a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is 1.30.

Result- According to the above mentioned table, the value of Pearson's Chi-Square (χ^2) is 0.046, which is less than 0.05 at the 5 level of significance, therefore the null hypothesis is rejected, In other words, the living standard of the beneficiaries have been effected after the use of loan.

5. FINDING AND CONCLUSION

To discuss the role of NABARD in agriculture and primary sector of Rajasthan this research paper includes the impact of credit facility provided by nabard on agricultural productivity, employment, income generation capacity, assets creation and living standard.

For this purpose data have been collected from respondents to whom credit facility was provided by nabard through commercial banks, co-operative banks and regional rural banks.

As per above study we can conclude that agriculture and primary sector occupies a prominent position in Rajasthan economy because this sector make prominent contribution to employment, income generation capacity, assets creation and living standard.

Thus on the basis of above study we find out that level of utilization of loan has a significant impact on agricultural productivity of beneficiary whereas employment level was not significantly affected. Further we find that level of utilization of credit also positively affected the income generation capacity, creation of capital assets and living standard.

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