

STUDY MATERIALS FOR BA SUBSIDIARY ECONOMICS

PART – 2

Paper – SUBSIDIARY

TOPIC – NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT

INTRODUCTION

As the name suggests NABARD is a development bank focussing primarily on the rural sector of the country. It is, in fact, India's apex development bank. It is one of the most important institutions in the country. NABARD is responsible for the development of the small industries, cottage industries, and any other such village or rural projects.

Established on 12th July 1982, it had an initial capital of 100 crores. The bank is under the supervision of a Board of Directors which the Government of India will appoint. The headquarters of NABARD is in Mumbai but it has many branches and regional divisions.

NABARD is instrumental in the development and efficiency of the current rural credit system. Over half the credit in the rural region comes from Co-operative banks and Regional Rural Banks. NABARD is responsible for regulating and supervising the functioning of such banks. Over the years NABARD has been pushing for development in the credit schemes for rural populations to meet their new credit requirements.

FUNCTION OF NABARAD

It basically performs three kinds of roles, i.e. credit functions, development functions, and supervisory functions.

- 1- Frames the policy for rural credit in the country for all financing institutions
- 2- National Bank for Agriculture and Rural Development will itself provide finance and refinancing facilities to the banks and rural regional banks

- 3- Identification of credit potential and preparation of the credit plans for all districts
- 4- It also helps all regional banks and institutes under its governance with the preparation of their own credit plans and policies
- 5- Helps Regional Rural Banks establish an agreement with State Governments and other Co-op Banks and institutions
- 6- It will also monitor the implementation of such plans and track their progress
- 7- Helps banks improve their MIS system, modernize their technology, develop human resources etc.
- 8- As per the banking Regulation Act 1949, NABARD has to conduct the inspection of Regional Rural Banks and other Co-op banks
- 9- It communicates and consults the RBI in matters such as issuing of licenses for new banks, the opening of branches of Rural Banks etc.

From time to time it will also inspect the investment portfolios of Regional Rural Banks and other State Co-op Banks