

## ASSESSING THE ROLE OF NABARD IN THE RURAL DEVELOPMENT

**\* Dr. Sachin D. Bansode**

*\* Associate Professor, Department of Commerce, P.D. Lions College, Malad- W, Mumbai- 64.*

### Abstract:

*The National Bank for Agriculture and Rural Development (NABARD) was set up in the year 1982 as an apex and specialized institution to solve the needs of agriculture and rural economy. The major objectives of this development bank were to develop the rural credit system, rural infrastructure, promote financial inclusion, rural entrepreneurs, etc.*

*Present research attempts to assess the role of NABARD in the Rural Development of country.*

*The research revealed that NABARD has taken up various multifaceted activities in the field of agriculture. These include the creation of rural infrastructure (road, bridges, irrigation projects, storage facilities, cold chain, market yard, health & education) direct & indirect finance to regional rural banks & co-operatives, monitoring credit system, farmers support & development, financial inclusion, technology & innovation and so on.*

*NABARD balance sheet has reached the level of Rs 9.10 lakh crore which is a testimony of its diverse activities. It has brought core banking solutions to Co-operatives, Regional Rural Banks, State Co-operatives, District Central Co-operative Banks & so on.*

*There is a significant impact of NABARD working on agriculture & rural development. It has resulted in an increase in rural households' income, expenditure as well as savings. The NABARD scheme of the Rural Infrastructure Development Fund has transformed the rural economy by creating irrigation facilities, rural roads, bridges which have multiplier effect on rural income & employment.*

**Keywords:** Rural Infrastructure, Co-operatives, Self Help Groups (SHGs), Financial Inclusion, New

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### Introduction:

National Bank for Agriculture and Rural Development (NABARD) was set up in year 1982 as apex financial institution for agriculture and rural development. Major reasons for establishing NABARD were to strengthen

rural banking system (especially co-operatives & regional rural banks), build infrastructure, help farmers, promote financial inclusion & regulatory body in rural financing.

NABARD undertakes much diversified activities in development of rural areas. These include:

Sr. No.	Areas	Description
1	Rural Infrastructure Development	<ul style="list-style-type: none"> <li>• Financing construction of road, bridges, Irrigation projects</li> <li>• Storage Facilities, cold chain, market yard</li> <li>• Rural water supply, sanitation, water harvesting &amp; soil conservation projects</li> <li>• Rural health &amp; education infrastructure</li> </ul>
2	Credit Support	<ul style="list-style-type: none"> <li>• Support to RRB &amp; Co-operative banks</li> </ul>

		<ul style="list-style-type: none"> <li>• Support to rural industries</li> <li>• Priority sector lending to marginal farmers</li> <li>• Monitoring &amp; improving credit delivery system</li> </ul>
3	Farmer's Support & Development	<ul style="list-style-type: none"> <li>• Kissan credit card</li> <li>• Promotion of farmer's producer organisations</li> <li>• Training &amp; Development</li> <li>• Finance for diversification like dairy, fisheries, horticulture</li> </ul>
4	Micro Finance & Financial Inclusion	<ul style="list-style-type: none"> <li>• Support to SHG</li> <li>• Micro entrepreneurs</li> <li>• Financial services like mobile banking, digital banking</li> </ul>
5	Technology & Innovation	<ul style="list-style-type: none"> <li>• Mechanization of Agriculture</li> <li>• Digital adoption in rural banking</li> <li>• Agricultural Research &amp; Innovation</li> <li>• e-marketing platform</li> </ul>
6	Social Sector Development	<ul style="list-style-type: none"> <li>• Rural health infrastructure</li> <li>• Vocational training</li> <li>• Skill development for rural youth</li> <li>• Tribal &amp; backward community development programme</li> <li>• Grameen housing</li> </ul>

### Objectives of the Research:

Major objectives of this research are as under:

1. To ascertain the major activities being undertaken by NABARD for rural development.
2. To analyse the major financing for various activities by the Bank.
3. To assess the impact of NABARD on the rural development in the country.
4. To find out the major challenges faced by NABARD in the accomplishment of its goals.

### Review of Literature:

The coverage of literature review is described as below:

1. **Dr Ishwar Sharma (2023)** analyzed the role of NABARD in the establishment of infrastructure in rural areas. It has contributed significantly to the development of irrigation, rural connectivity and social infrastructure. In the case of irrigation projects NABARD has sanctioned Rs 11008 crore in the year 2021-22. In case of rural connectivity, it

has sanctioned Rs 136651 crore and for social infrastructure it has sanctioned fund of Rs 15037 crore. In the case of agriculture, it has sanctioned Rs 6363 crore in 2021-22. Thus, NABARD has contributed significantly to the creation of rural infrastructure which in turn contributes to rural development.

2. **Ramesh Chand (2022)** elaborated on the agricultural challenges for the 21<sup>st</sup> century. These include over exploitation of water resources, loss of crop diversity, low efficiency, regional imbalance, wasteful investment, technological dissemination, food safety, health and so on.
3. **C V Geetha (2022)** investigated the role of NABARD in economic prosperity of rural areas. The need to establish NABARD was to focus on the credit needs of agriculture & rural sector. It is an apex financial institution for agriculture. NABARD has taken up different development schemes such as

Kissan Credit Card for farmers, Ru Pay Kissan Card. There are 31.98 lakh Kissan credit card holders in the country as in 2016. Thus, NABARD has contributed much more to the development of Indian agriculture.

4. **Dr D R Bajwa (2020)** reviews the role and functions of NABARD in development of rural India. Major functions of NABARD include providing finance, refinance for agriculture, coordinating with institutions engaged in rural credit and promoting research in agriculture.

NABARD has disbursed credit for various purposes such as minor irrigation projects, mechanization of cultivation, plantation, horticulture, fisheries, wasteland development, self-help groups (SHG), soil conservation, storage, market yard. NABARD has contributed significantly to the development of agriculture & rural development. Size of balance sheet of NABARD has reached Rs 9.10 lakh crore is indicative of its diversified activities.

5. **Dr. Vineeta Agarwal (2019)** analyzed the progress of NABARD supported Self Help Groups in the country. There is rapid expansion in the number of SHGs. It increased from 79.60 lakh in 2011-12 to 87 lakh in 2017-18. Amount of loan disbursed to SHGs increased from Rs 36340 crore in 2011-12 to Rs 75598 crore in 2017-18. Total deposits of this group rose from Rs 6551 crore to Rs 19500 crore. Thus, there is significant development of micro finance in the country. Some of the challenges faced by SHG include lack of co-ordination & effective marketing, high interest rate, borrowing from multiple sources.
6. **M. Krishnappa (2016)** analyzed the contribution of NABARD in the rural development of the country. It is an apex development bank for the promotion of agriculture, small scale industries, rural development. One of the major roles is to provide credit support to agriculture, regional rural banks

and co-operative banks by way of refinancing, enhancing their lending activities. NABARD rural infrastructure development fund is helpful in establishing rural infrastructure such as roads, bridges, irrigation, health care, education etc. It is useful in improving agricultural productivity. NABARD also supports the promotion of micro finance and financial inclusion. This has a positive impact on the rural population. NABARD is pivotal to reduce rural poverty, enhance sustainable economic development.

### Research Methodology:

Research methodology adopted in present research are as below:

1. **Research Design:** The present research design is descriptive research in nature as it is used to describe the present status of the role of NABARD in the rural development of the country in a much simplified and easy manner.
2. **Sources of Data:** The research has been based only on the available secondary data or the published reports on the subject of research. NABARD annual report provides greater depth of information on the subject.
3. **Data Analysis:** The data analysis is based on the data provided in the annual reports of NABARD. The data has been analyzed in terms of percentage growth rate. The data has been presented with suitable charts & diagrams. Inferences are drawn for each table.
4. **Limitations of the Research:** Some of the limitations of the research are:
  1. The research has focused on the quantitative data and not on the qualitative data.
  2. Research has taken only the secondary data in analysis and primary data has not been collected.
  3. Only selected secondary data has been analyzed due to the constraint on limitation of words to be covered in the research paper.

**DATA ANALYSIS:** The details of the data analysis can be described as below.

**1. Refinance To Enhance Ground Level Credit for Rural Production & Investment:** The details can be seen from the following table

**Table No. 1**

Refinance To Enhance Ground Level Credit for Rural Production & Investment (Rs/crore)

No	Description	2023	2024
1	Production & Marketing Credit	140913	158706
2	Medium & long-term project loan	252039	268248
3	Direct Refinance to central co-operative banks	13956	20504
4	Producer's Organisation Development	06	01
5	Credit facilities to Federations	17355	20583
6	Green Climate Fund	373	552
	Total	424642	468593

Source: NABARD Annual Report 2023 – 24

**Inferences:** It can be seen from the above table that the refinance for rural production and investment which was Rs 4.24 lakh crore in 2023 increased to Rs 4.68 lakh crore. The growth rate was 10.40%. Maximum growth was observed in direct refinance to District Central Co-Operative Banks from Rs 1.3 lakh crore to Rs 2.0 lakh crore, an increase of 46.9%. There was a decline in producer organisation development funds from Rs 6 crore to Rs 1 crore.

**2. Infrastructure Creation Fund:** Details of infrastructure creation fund can be seen below:

**Table No 2**

Infrastructure creation Fund (Rs/crore)

No	Description	2023	2024
1	Rural Infrastructure Development Fund	154070	170007
2	Long Term Irrigation Fund	53617	53966
3	Dairy Processing & Infrastructure Development Fund	1500	1508
4	Warehouse Infrastructure Development Fund	4091	3386
5	NABARD Infrastructure Development Assistance	27890	32404
6	Food Processing Fund	422	431
7	Micro Irrigation Fund	2516	3037
8	Fisheries & Aquaculture Infrastructure Development Fund	562	802
	Total	245017	265192

Source: NABARD Annual Report 2023-24

**Inferences:** It can be seen from the above table that Infrastructure Development Funds have increased from Rs 2.45 lakh crore in 2023 to Rs 2.65 lakh crore in 2024 it rose by 8.20%. Rural Infrastructure Development Fund increased from Rs 1.54 lakh crore to Rs. 1.70 lakh crore (9.3%), Long Term Irrigation Fund declined marginally from Rs 53966 crore to Rs. 53617 crores. (decline by 0.60%), Warehouse Infrastructure Fund declined from Rs 4091 crore to Rs. 3386

crore (by 17.20%), NABARD Infrastructure Development Assistance Fund increased from Rs. 27890 crores to Rs 32404 crore (by 16.2%). Micro Irrigation Fund rose from Rs. 2516 core to Rs. 3037 crores (an increase of 20.7%), Fisheries and Aquaculture Infrastructure Development Fund rose from Rs 562 crore to Rs. 802 crore (rise by 42.70%)

**3. Selected Rural Development Milestone:** The following table gives some of the selected rural development milestone of NABARD. The researcher has chosen few to highlight the impact of NABARD on the rural economy. This can be seen from the following table:

**Table No 3**  
**Selected Rural Development Milestone**

No.	Parameters	Achievements
1.	NABARD Balance Sheet in 2024	Rs 9.10 lakh crore 13.60%. Growth rate
2.	Cumulative Sanction for National Rural Infrastructure financing	Rs 8.20 lakh crore
3.	Core Banking Solution in Co-operatives (Adoption of New Technology such as BHIM & UPI etc).	<ul style="list-style-type: none"> <li>• 201 Regional Co-op Banks</li> <li>• 14 State Co-op Banks</li> <li>• 187 District Central Co-operative Banks</li> <li>• 6953 branches covering 16 states and 03 union territories</li> </ul>
4.	Rural landscape creating <ul style="list-style-type: none"> <li>• Irrigation Potential</li> <li>• Rural Road</li> <li>• Rural Bridges</li> </ul>	<ul style="list-style-type: none"> <li>• 422.2 lakh ha.</li> <li>• 5.6 lakh km</li> <li>• 14.1 lakh Meters</li> </ul>
5	Digitization (5 yrs)	63000 Primary Agricultural Credit Societies
6.	Promotion of Farmers' Producer Organisation	7355 with 25 lakh members & 82% belong to small & marginal farmers
7.	Self Help Groups	<ul style="list-style-type: none"> <li>• 1.44 Crore SHGs</li> <li>• Rs 77.40 lakh savings</li> <li>• Rs 650.89 crore Deposits</li> <li>• Rs 2.59 lakh crore outstanding</li> </ul>
8.	Climate Change Projects	40 Rs 1971 crore
9.	Covid-19 Response	Rs 25000 crore emergency credit to rural banks and co-operatives
10.	Impact on the Households	
	Income	From Rs 8059 in 2016-17 to Rs 12698 in 2021-22

	Expenditure	From Rs 6646 in 2016-17 to Rs 11262 in 2021-22
	Savings	From Rs 9104 in 2016-17 to Rs 13209 in 2021-22

Source: NABARD Annual Report

**Inferences:** It can be seen from the above table that NABARD balance sheet has reached Rs 9.10 lakh crore in the year 2024. Similarly, the cumulative sanction for National Rural Infrastructure financing has reached Rs 8.20 lakh crore in 2024. This is indicative of significant role NABARD is playing in the rural credit and agricultural financing & infrastructure development. This can accelerate rural development & through multipliers can create higher income, employment & higher economic growth.

1. NABARD has played an important role in developing core banking solutions among co-operatives banks through the adoption of technology such as BHIM, UPI etc. It has covered 201 Regional Co-operative Banks, 14 State Co-operative Banks, 187 District central co-operative bank with 6953 branches in 16 states & 03 union territories.
2. NABARD has developed rural landscape in creating irrigation potential on 422.2 lakh ha, rural road of 5.6 lakh kilometer, rural bridges of 14.1 lakh meter.
3. Another development is digitization of 63000 Primary Agricultural Credit Societies.
4. NABARD has promoted 7355 Farmers Producers' Organizations with 25 lakh members & 82% belonging to small & marginal farmers.
5. NABARD has supported 1.44 crore SHGs with savings of Rs 77.40 lakh & deposit of Rs 650.89 crore.
6. NABARD has positively impacted household income, expenditure & savings over the period of time.

### Summary and Conclusion:

From this research following conclusion can draw:

1. NABARD was established in year 1982 as an apex institution catering the needs of agriculture & rural economy. NABARD has diversified its activities in areas of credit support, infrastructure development, capacity building, institutional development, government schemes, research & development, financial inclusion & innovation.
2. NABARD's balance sheet reaching size of Rs 9.10 lakh crore and its aggregate sanction for national rural infrastructure funding of Rs 8.20 lakh crore reflects an expanding role in rural infrastructure & agricultural financing. It resulted in increased financial support to cooperatives & regional rural banks leading to higher credit for farmers & rural enterprises.
3. NABARD financial strength shows that it is well-capitalized & efficiently managed institution helping transformation of agriculture & rural economy.
4. NABARD functioning has resulted in significant increases in rural households' income, expenditure as well as savings. The rising household income & expenditure is an indication of the higher quality of living in rural areas. This in turn will have a multiplier effect on village economy, contributing to higher productivity, income & employment.
5. Some of the challenges faced by NABARD include ensuring equitable distribution of finance, credit across the entire country (all states & union territories), problem of non-performing assets due to crop failure, dependency on monsoon, economic slowdown, higher cost of borrowing funds from market sources, problem of lack of coordination with multiple stakeholders, limited access to technology.



6. Thus, NABARD is the important pillar of rural transformation, improving livelihood & making inclusive growth. Holistic approach of NABARD has empowered rural India and become key driver of socio-economic progress.

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