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Role of NABARD in the Development of Rural Infrastructure

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Abstract: The rural Infrastructure Development Fund (RIDF) was set up by NABARD in the year 1995-96 to provide finance for rural infrastructure projects. Loans under RIDF are sanctioned by NABARD. The objective of the study is to analyse the financing provided by NABARD for rural infrastructure projects. Secondary data has been collected from the annual report of NABARD. Bar charts and Pie charts have been utilised for the purpose of the study. The present study finds that during the financial year 2021-22, the highest money under the RIDF was sanctioned for social infrastructure sector and distributed for agricultural and allied activities. Gujarat got more financial assistance and Puducherry got less financial assistance by NABARD.

Index Terms -NABARD, Rural Infrastructure Financing, RIDF, Rural Infrastructure Development

I. Introduction

The village economy is the foundation of the Indian economy, as stated by Gandhiji, "True India lives in villages." The objectives of economic growth cannot be achieved without the growth of the rural economy (Eswaran & Prema, 2019). NABARD plays an important role in financing Rural Infrastructure. NABARD (National Bank for Agriculture and Rural Development) was established on 12 July, 1982 on the recommendation of the Shivaraman committee. Rural Infrastructure includes rural roads, bridges, irrigation schemes, water supplies, schools, health centers etc. Rural infrastructure is crucial for the development of rural areas. RIDF is a part of Rural Infrastructure Financing. The Rural Infrastructure Development Fund (RIDF) was formed in the budget 1995-1996 to provide a seamless flow of cash for the development of infrastructure in rural India. Through NABARD, the Reserve Bank of India (RBI) oversees this fund. There are many funds which come under Rural Infrastructure Financing like "Rural Infrastructure Development Fund" (RIDF), "Long Term Irrigation Fund" (LTIF), and "NABARD Infrastructure Development Assistance" (NIDA) etc. The highest amount (i.e. ₹46,073 Cr.) has been sanctioned by NABARD under Rural Infrastructure Financing to "Rural Infrastructure Development Fund" (RIDF) and highest disbursement (i.e. ₹33,883 Cr.) also take place under RIDF in the financial year 2021-22 (NABARD Annual Report-2021-22). Loans under RIDF are sanctioned by NABARD. There are 39 activities that come under RIDF and these activities are broadly categorised as Agriculture and related activities, Irrigation, Social infrastructure and Rural Connectivity.

II. Literature Review

Shah & Soni (2022) analysed the contribution of NABARD in the priorities of the credit sector. They concluded that NABARD plays an important role in providing financial assistance to rural India. Jayalakshmi & Selvarani (2014) analysed the role of NABARD in the rural development. The findings of their study shows that Tamilnadu got more short-term financial assistance by NABARD for rural development. Anitha (2020) examined the significance of the financial initiative taken by NABARD. The study concluded that NABARD supports the country's underprivileged people financially and promotes new employment prospects. The foundation for the current and future expansion of the rural economy is NABARD. It is anticipated that the NABARD's financial activities in rural India will have a substantial impact on the development of the Indian economy. Bhat & Yadav (2016) studied the role of the Small Industries Development Bank of India (SIDBI) and the National Bank for Agriculture and Rural Development (NABARD) in Indian microfinance. They discovered that the SIDBI and NABARD are two model institutions for reducing poverty and for ensuring access in rural areas of India, where there are limited options for financial services. Goyal (2015) examined the contribution of NABARD in agriculture and rural development. The goal of NABARD is to promote rural India on all fronts. The amount of financial aid that NABARD has approved and has disbursed each year is rising. In a nutshell, NABARD offers comprehensive support to rural India. Mirza (2022) examined various financial measures taken by NABARD for agriculture and rural development for the year 2020-21. The study found that NABARD's policies emphasised on simple terms for agricultural loans, capital formation, numerous programmes for women's empowerment and livelihood, quicker digital financial inclusion, increased SHG connection, and tribal development funding. Rajeev (2008) critically analysed a few of the problems that occur when the fund is used by various Indian states. According to their study, many projects are still incomplete even after obtaining funds from the RIDF, and specific steps must be taken to ensure optimum utilization of funds and to reduce rural-urban disparities in India. T (2019) investigated NABARD's involvement in refinancing agricultural credit in India. NABARD has served as a leading institution for development and refinancing in the field of rural development and in the distribution of bank loans to the rural sector, it is playing a crucial role. Several innovations have been successfully implemented by NABARD in the rural credit domains. Eswaran & Prema (2019) found that the development of rural infrastructure is a field in which NABARD is actively

engaged. It works well to make sure that state and institution coordination—which is challenging in rural development—is efficient and goal-oriented.

III. Research Methodology

The annual report of NABARD has been utilized for the collection of secondary data which is collected from the website of NABARD for FY 2018-19, 2019-20, 2020-21 and 2021-22.(Annual-Report-2018-19; Annual-Report-2019-20;Annual-Report-2020-21; Annual-Report-2021-22).Bar charts and pie charts have used for data analysis.

IV. Data Analysis and Interpretation

NABARD plays a very significant role in financing for rural infrastructure. It can be understand by the following tables and figures.

Table 1: Sanctions under the Rural Infrastructure Development Fund (RIDF) by SECTOR

Sectors	2018-19(₹)	2019-20(₹)	2020-21(₹)	2021-22(₹)
Agriculture and related activities (other than irrigation)	3,320 Cr.	3,080Cr.	3,055 Cr.	6,363 Cr.
Irrigation	9,811 Cr.	9,828 Cr.	12,671 Cr.	11,008 Cr.
Rural connectivity	10,553 Cr.	9,164 Cr.	9,440 Cr.	13,665 Cr.
Social infrastructure	6,801 Cr.	8,270 Cr.	9,664 Cr.	15,037 Cr.
Total	30,485 Cr.	30,342 Cr.	34,830 Cr.	46,073 Cr.

Source:(NABARDAnnual-Report)

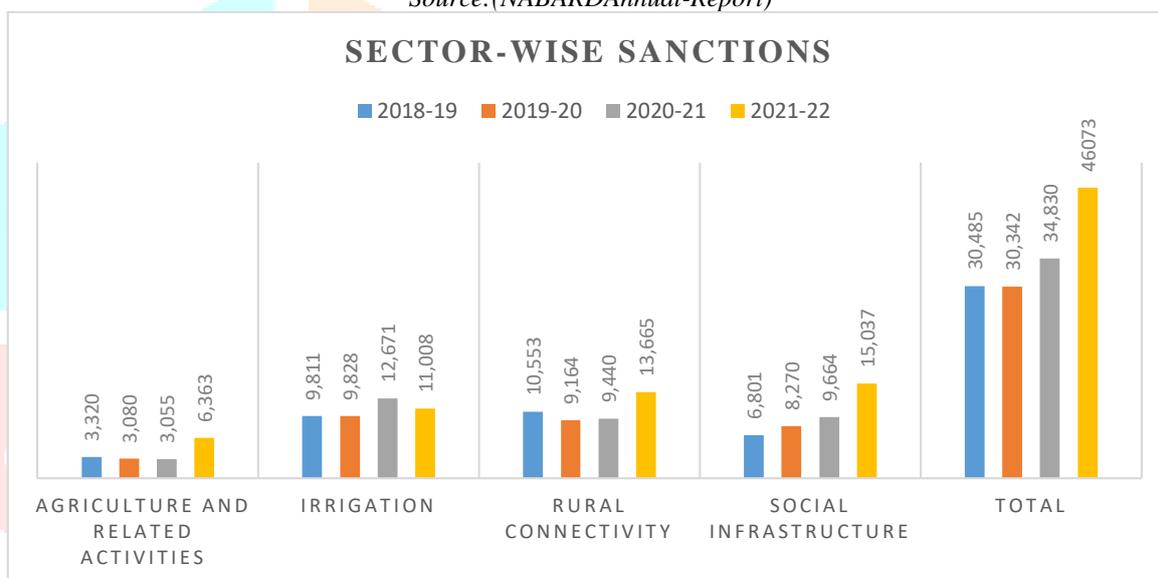


Figure 1 Sector wise Sanctions under RIDF

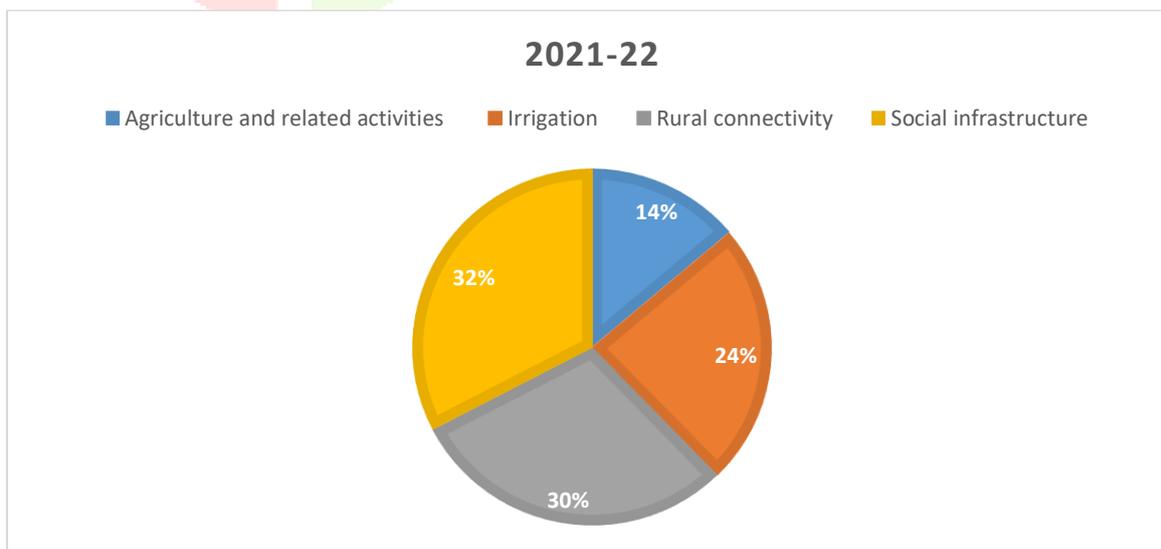


Figure 2 Sector wise Sanctions during 2021-22

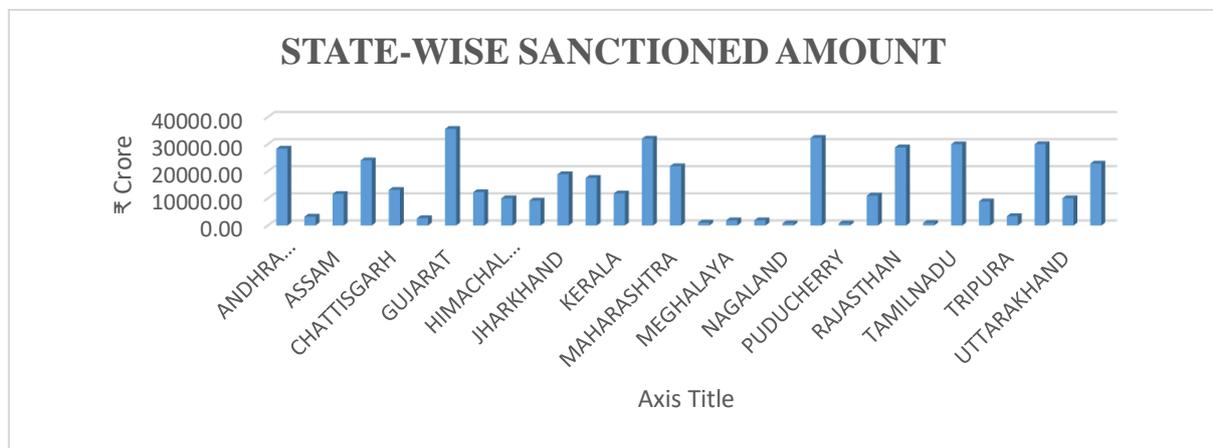


Figure 3 State-wise Sanctions during 2021-22

Table 1 shows the Sector-wise sanctions under the Rural Infrastructure Development Fund (RIDF) by NABARD for FY 2018-19, 2019-20, 2020-21 and 2021-22 and Fig. 1 is the graphical representation of it. Total amount sanctioned by NABARD has been increased from ₹30,485 Cr.in FY 2018-19 to ₹46,073 Cr. in FY 2021-22. Fig. 2 is the graphical representation of sanctioned amount by NABARD to different sectors for financial year 2021-22. It is showing that highest amount has been sanctioned to social infrastructure which is 32% (i.e. ₹15,037 Cr.), second highest amount has been sanctioned for rural connectivity which is 30% (i.e. ₹13,665 Cr.), 24% amount (i.e. ₹11,008 Cr.) has been sanctioned for irrigation and lowest amount which is 14% (i.e. ₹6,363 Cr.) has been sanctioned for agriculture and related activities in the financial year 2021-22. Fig. 3 is the graphical representation of sanctioned amount by NABARD to different states for financial year 2021-22. The highest amount (i.e. ₹35618.61 Cr.) has been sanctioned to Gujarat and lowest amount (i.e. ₹740.85 Cr.) has been sanctioned to Puducherry.

Table 2: Disbursement under the Rural Infrastructure Development Fund (RIDF) by **SECTOR**

Sectors	2018-19(₹)	2019-20 (₹)	2020-21 (₹)	2021-22 (₹)
Agriculture and related activities (other than irrigation)	2,695 Cr.	2,404 Cr.	2,568 Cr.	11,405 Cr.
Irrigation	9,697 Cr.	9,402 Cr.	9,959 Cr.	10,898 Cr.
Social infrastructure	6,020 Cr.	5,928 Cr.	7,902 Cr.	2,408 Cr.
Rural connectivity	9,211 Cr.	8,532 Cr.	8,764 Cr.	9,172 Cr.
Total	27,623 Cr.	26,266 Cr.	29,193 Cr.	33,883 Cr.

Source:(NABARD Annual-Report)

Note: Disbursements may pertain to phasing of projects from previous FYs

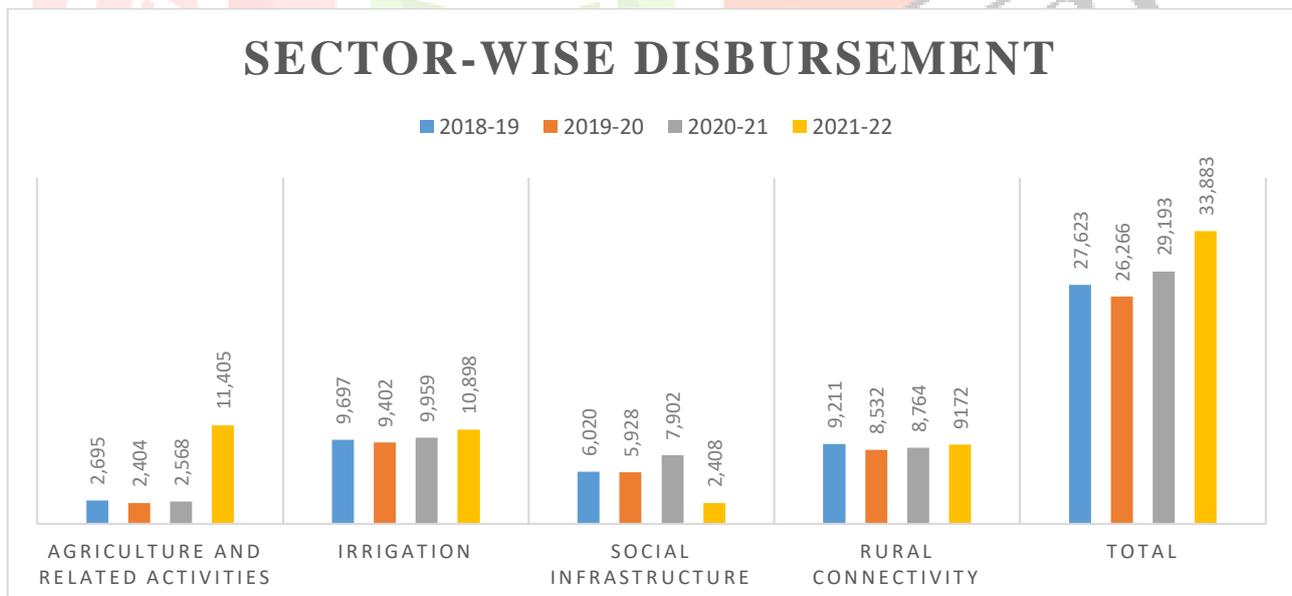


Figure 4 Sector wise Disbursement under RIDF

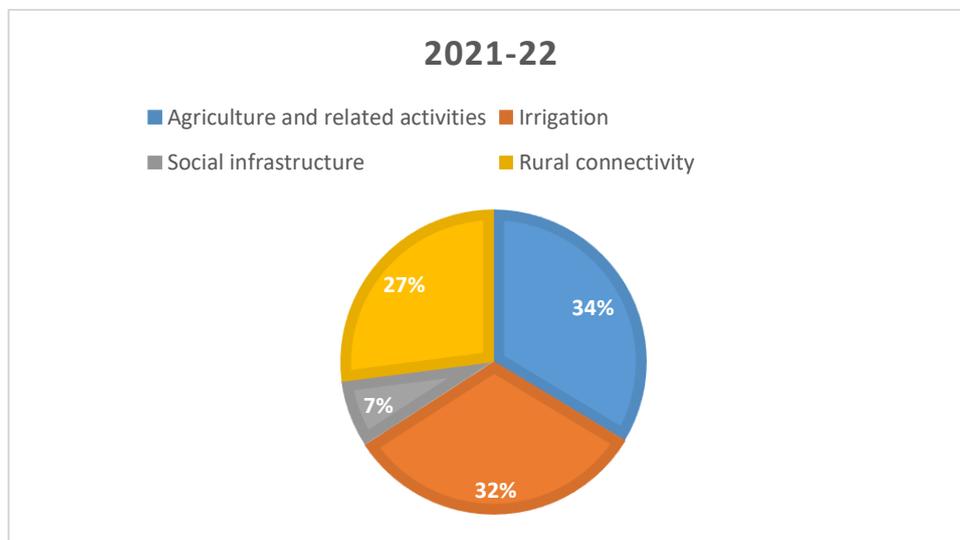


Figure 5 Sector wise Disbursement during 2021-22

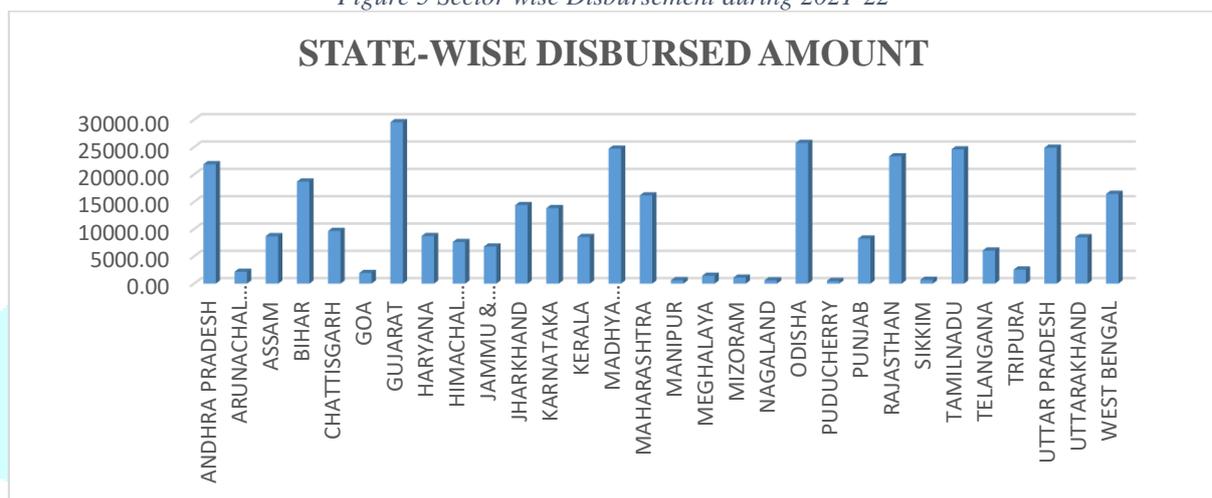


Figure 6 State-wise Disbursement during 2021-22

Table 2 shows the Sector-wise disbursement under the Rural Infrastructure Development Fund (RIDF) by NABARD for Financial Year 2018-19, 2019-20, 2020-21 and 2021-22 and Fig. 4 is the graphical representation of it. Total amount disbursed by NABARD has been increased from ₹27,623Cr. in FY 2018-19 to ₹33,883 Cr.in FY 2021-22. Fig. 5 shows the graphical representation of disbursed amount by NABARD to different sectors in financial year 2021-22. It is showing that highest amount has been disbursed to agriculture and related activities which is 34% (i.e. ₹11,405 Cr.), second highest amount has been disbursed for Irrigation which is 32% (i.e. ₹10,898 Cr.), 27% amount (i.e. ₹9,172 Cr.) has been disbursed for Rural connectivity and lowest amount which is 7% (i.e. ₹2,408 Cr.) has been disbursed for social infrastructure in the financial year 2021-22. Fig. 6 is the graphical representation of amount disbursed by NABARD to different states for financial year 2021-22. The highest amount (i.e. ₹29551.63 Cr.) has been disbursed to Gujarat and lowest amount (i.e. ₹487.26 Cr.) has been disbursed to Puducherry.

V. Conclusion

Rural infrastructure is crucial for the development of rural areas and NABARD plays a significant role in the rural infrastructure. It contributes in the rural development by providing infrastructure financing in rural areas under RIDF. Highest amount has been sanctioned for social infrastructure and disbursed for agriculture and related activities under RIDF during Financial Year 2021-22. Highest amount has been sanctioned and disbursed to Gujarat and lowest amount has been sanctioned and disbursed to Puducherry.

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