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A Study on Role of NABARD in Socio-Economic Development of Chhattisgarh

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Abstract

One of the important segments of Indian Economy is rural sector which amounts to be 70% of Indian Population[1]. The growth and development of rural economy is a key to overall growth and inclusive development of the country. The rural people are poor and need financial support to earn their livelihood. In this regard, microfinancing policy in India was adopted in the fifties and expanded in the sixties and seventies, culminated in the establishment of an apex institution at the national level in 1982 under the name National Bank for Agriculture and Rural Development (NABARD). Since NABARD is on the verge of completing two decades of existence, it is pertinent to assess its role in promoting rural development.

Various studies have proved the role microfinancing programme of the NABARD has done extremely well in rural India in terms of its outreach, generating income, reducing poverty levels and empowering people both economically and socially. This study examines the impact of role of NABARD for its various services like microfinancing, development & supervision on socio-economic development of rural people of the state of Chhattisgarh carried out for ten years i.e. for the period from 2008 to 2017. The role of NABARD was assessed by its physical performance for its functions whereas the socio-economic development can be assessed by the development of its beneficiaries. Predictors of physical performance of NABARD was identified with the help of NABARD annual reports which includes microfinance, supervision & development functions whereas the predictors of socio-economic development was identified through Human Development Index Report (2010) which includes Education, Health & Income Index. The analysis of the study is based on the primary data collected from 402 beneficiaries of NABARD regarding their socio-economic development, whereas data for physical performance of NABARD was collected from its annual report. The findings of the study indicate that Chhattisgarh has developed economically as far as beneficieries of NABARD is concerned due to the significant services of microfinancing.

Keywords: Microfinance, Human Development Index, Economic Development, Socio-Economic Development, Chhattisgarh, NABARD

[1] https://en.wikipedia.org/wiki/2011_Census_of_India

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Introduction

With financial inclusion emerging as a major policy objective in India, the abolition of the rural – urban divide and the inclusive growth of citizens of India can be achieved by providing finance to people when they require it. Among the policies related to poverty reduction, microfinance and microcredit programmes occupy a central position. Rural microfinance has occupied center stage as a channel for extending financial services to unbanked segments of the population.

Among the policies related to poverty alleviation, microfinance and microcredit programs occupy a central position. Microfinance institutions basically cater to the need of the people who are in the lower strata of economic system. Rural microfinance has occupied center stage as a channel for extending financial services to unbanked segments of the population.

Microfinance in India can trace its origins back to the early 1970s when the Self Employed Women's Association ("SEWA") of the state of Gujarat formed an urban cooperative bank, called the Shri Mahila SEWA Sahakari Bank, with the objective of providing banking services to poor women employed in the unorganized sector in Ahmadabad City, Gujarat. In India, microfinance operates through two channels, that is the Self Help Group (SHG)- Bank Linkage Program (SBPL) and the Microfinance Institutions (MFI).

The NABARD initiated SHG-Bank linkage project initially with just 225 SHG with bank loan of Rs. 0.29 crore in 1992-93 (Jha, 2000) & which subsequently rose to 1864742 as on 2014. Their number increased to 2305513 as on 2015, recording a growth of 23.64%.[2]

NABARD is an apex Development Bank authorized for providing and regulating credit and other facilities for the promotion and development of agriculture, small-scale industries, cottage and village industries, handicrafts and other rural crafts and other allied economic activities in rural areas with a view to promote integrated rural development and prosperity and for matters connected therewith.

[2] https://data.gov.in/catalog/physical-and-financial-progress-under-national-rural-livelihoods-mission-nrlm

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Reserve Bank of India (RBI), constituted a committee (Shivaraman committee) to review the arrangements for institutional credit for agriculture and rural development (CRAFICARD) on 30 March 1979, under the Chairmanship of Shri B.Sivaraman, former member of Planning Commission, Government of India to review the arrangements for institutional credit for agriculture and rural development. NABARD was established with an initial capital of 100 cr., on 12 July 1982 by a special act of parliament 1981, by transferring the agricultural credit functions of RBI and refinance functions of the then Agricultural Refinance and Development Corporation (ARDC). NABARD replaced the Agricultural Credit Department (ACD) and Rural Planning and Credit Cell (RPCC) of Reserve Bank of India, and Agricultural Refinance and Development Corporation (ARDC)

NABARD's activities are governed by a Board of Directors. The Board of Directors are appointed by the Government of India in harmony with NABARD Act 1981. It has its headquarters in Mumbai. Government of India holds 99% stake and RBI holds 1% (initially 72.5%) stake in NABARD.

More than 50% of the rural credit is disbursed by the Co-operative Banks and Regional Rural Banks. NABARD is responsible for regulating and supervising the functions of Co-operative banks and RRBs. NABARD works towards providing a strong and efficient rural credit delivery system, capable of taking care of the expanding and diverse credit needs of agriculture and rural development.

Research Methodology

Objectives of the Study

1) To understand the role of NABARD in the development of rural area in State of Chhattisgarh.
2) To analyze the role of NABARD on the socio-economic development of rural people in State of Chhattisgarh.

Research Variables

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Contribution of NABARD in the Economic Development of the Chhattisgarh State can be explained by Physical Performance of NABARD and its impact on economic development of its beneficiaries. On the basis of MSME Annual Report (2013-14), three indicators of physical performance identified were Micro Finance, development and supervision as mentioned in table 1. Economic development can be assessed through three indicators of human development index i.e. life expectancy, education and gross per capita income (GDP) identified from Human Development Report (2010) as mentioned in table 2.

Three indicators of physical performance have been identified through literature review as shown in the table 2.

Table 1: Indicators of Physical Performance		
Indicators	**Source**	**Dependent Variable**
Micro financing	MSME Annual Report, 2013-14	Physical Performance
Development		
Supervision		

Whereas, three indicators of human development index were identified to assess the economic development as shown in table 3.

Table 2: Indicators of Economic Development			
Antecedent	**Indicators**	**Source**	**Dependent Variable**
Life Expectancy Index (LEI)	Human Development Index (HDI)	Human Development Report, 2010	Economic Development
Education Index (EI)			
Income Index (GDPI)			

The independent variable and dependent variable of the study are physical performance and economic development respectively which will help to determine the impact of physical performance

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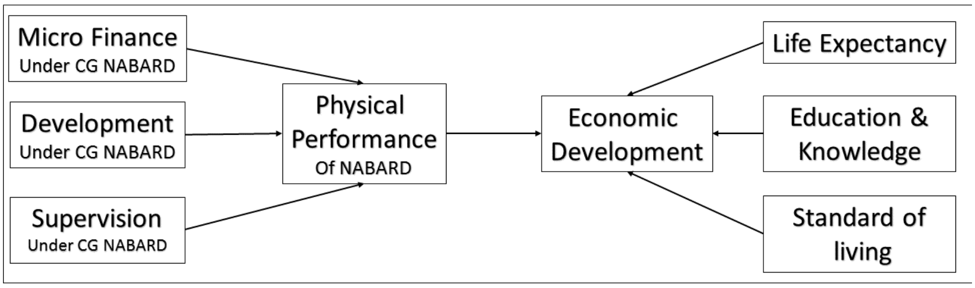
of NABARD on the economic development of the Chattiagrh state wrt to the beneficieres of NABARD as mentioned in table 3.

Table 3: Independent and Dependent Variable

Independent Variables	Source	Dependent Variable
Physical Performance	NABARD	Economic Development

Research Model

The following research model is proposed indicating the independent and dependent variables along with their indicators as shown in figure 2.



Source: Authors Own

Figure 2: Research Model

The following instruments were formulated for collection of data to calculate the human development index for NABARD of Chhattisgarh.

Table 4: Research Instrument

Independent Variable	Indicators		Antecedent	Scale	Source
Life Expectancy	Life Expectancy Index (LEI)		Life Expectancy Value (LEV)	The Average life of people (in years)	Human Development Report, 2010
Education and Knowledge	Education Index (EI)	Mean years of schooling Index (MYSI)	Mean years of schooling (MYSV)	Average number of years of education	

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				received by people ages 25 and older	
		Expected years of schooling Index (EYSI)	Expected years of schooling (EYSV)	Number of years of schooling that a child of school entrance age can expect to receive	
Standard of Living	Income Index (GDPI)		GNI per capita (GNIpc)	Monthly per capita income from all ources	

Hypothesis

The following hypothesis has been formulated and to be tested in the light of microfinance made to the rural people and its impact on their socio-economic development. The main hypothesis is to be examined in the present study is that microfinance has its stimulating impact on the socio-economic development of the rural people. The hypothesis testing with the help of mathematical and statistical methods will determine the validity of the assumptions made under the proposed study. The following hypothesis is adapted to carrying out the work

Research Hypothesis - H_1: There is a significant contribution of NABAD in the Economic Development of the Chhattisgarh State.

Coverage of Study: The present study related to the performing role of the NABARD in Rural transformation. The study covers various types of the refinance facilities provided by the NABARD in rural areas last 10 years (2008-2018).

P**eriod of Study:** A study of last 10 years i.e. from 2008 to 2018 will provide a good knowledge about its working, fulfilled targets and target still to achieve.

Sources of Data: The secondary data will be collected from various annual reports of NABARD, such as reserve bank of India bulletin, report on currency and finance report on trends and progress of banking in India, economic survey and report of various commissions and committee set up the government of India. The primary data is collected from the beneficiaries of NABARD from three districts of the State of Chhattisgarh i.e. Raipur, Durg & Bilaspur.

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Sample Size: The data from 250 beneficiaries of NABARD were collected and considered as sample size in this study to prove the hypothesis.

Data Analysis

For the purpose of this study, two types of data were collected. Firstly, secondary data for physical performance of NABARD was collected for 10 yrs (2008 – 2018) through NABARD annual reports on 3 parameters of physical performance i.e. microfinancing, development & supervision.

Secondly, primary data for economic development was through questionnaire from 250 beneficiaries of NABARD i.e. rural people who gets the benefits from NABARD in terms of credits on 3 parameters of economic development i.e. for health, education and income.

The data gathered for parameters of physical performance is mentioned below. Table 5 shows 10 years data for microfinancing for both SHG & MFI-Bank Linkage**.**

Table 5: Micro financing (Rs in crore)

year	SHG			MFI-Bank Linkage		
	Saving	Disbursed	Outstanding	Saving	Disbursed	Outstanding
2008-09	5545.62	12253.51	22679.84	3785.39	8849.26	16999.91
2009-10	6198.71	14453.3	28038.28	5545.62	12253.51	22679.84
2010-11	7016.3	14547.73	31221.17	6198.71	14453.3	28038.28
2011-12	6551.41	16534.77	36340	7016.3	14547.73	31221.17
2012-13	8217.25	20585.36	39375.3	6551.41	16534.77	36340
2013-14	9897.42	24017.36	42927.52	8217.25	20585.36	39373.3
2014-15	110590.84	27582.31	51545.46	9897.42	24017.36	429627.52
2015-16	13691.39	37286.9	57119.23	1159.84	27582.31	51545.46
2016-17	1611423	38781.16	61581.3	13691.39	37286.9	57119.23
2017-18	19592.12	47185.88	75598.45	16114.23	38781.16	61581.3

Table 6 mentions the data for kishan credit issued during each year which shows the developmental function of NABARD.

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Table 6: Agency wise kishan credit issued during the year (In lakh)							
Year	KCC Cards Issued (lakhs)				% share in total no of cards issued		
	Coop	RRBs	Comm Banks	Total	Coop	RRBs	Comm Banks
2008-09	13.44	14.14	58.3	85.88	15.65	16.46	67.89
2009-10	17.5	19.5	53.1	90.1	19.42	21.64	58.93
2010-11	28.1	17.7	55.8	101.6	27.66	17.42	54.92
2011-12	29.95	19.96	68.04	117.95	25.18	16.93	57.89
2012-13	26.79	20.3	82.43	129.52	18.2	15.67	63.65
2013-14	26.89	21.35	85.56	133.8	20.35	18.25	59.31
2014-15	17.32	24.96	87.25	129.53	22.64	19.25	55.36
2015-16	18.25	25.65	90.55	134.45	19.25	20.36	58.35
2016-17	20.26	24.68	91.25	136.19	21.55	21.5	57.25
2017-18	21.36	23.65	92.36	137.37	24.56	22.36	54.25

Table 7 mentions the data for overall progress under SHG- Bank Linkage program which shows the supervisory function of NABARD.

Table 7: Overall progress under SHG-Bank Linkage program (Rs in lakh)						
year	total SGH's			out of which SGHY		
	Saving	Disbursed	Outstanding	Saving	Disbursed	Outstanding
2008-09	61.21	16.10	42.24	15.06	2.65	9.77
2009-10	69.53	15.87	48.51	16.94	2.67	12.45
2010-11	74.62	11.96	47.87	20.23	2.41	12.86
2011-12	79.6	11.48	43.54	21.23	2.1	12.16
2012-13	73.18	12.2	44.51	20.47	1.81	11.93
2013-14	74.3	13.66	41.97	22.62	2.26	13.07
2014-15	76.97	16.26	44.68	30.52	6.43	18.46
2015-16	79.03	18.32	46.73	34.57	8.36	21.91
2016-17	85.77	18.98	48.48	37.44	8.86	24.91
2017-18	87.44	22.61	50.2	41.84	12.7	27.93

Hence, to understand the physical performance of NABARD through 3 parameters, compound annual growth rate (CAGR) is calculated. For microfinancing CAGR is mentioned in table 8.

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Table 8: Physical Performance (CAGR) of NABARD in Microfinancing		
	SHG (%)	MFI-Bank Linkage (%)
Saving	0.1345226	0.1558724
Disbursed	0.1443402	0.15923473
Outstanding	0.1279434	0.13736595

Table 9 depicts the physical performance of NABARD in terms of CAGR in developmental function.

Table 9: Physical Performance (CAGR) of NABARD in Development			
	Coop	RRBs	Comm Banks
KCC Cards Issued	0.0474	0.0528	0.0471
% share in total no of cards issued	0.0461	0.0311	-0.0222

Table 10 depicts the physical performance of NABARD in terms of CAGR in supervisory function.

Table 10: Physical Performance (CAGR) of NABARD in Supervision	
	SHG (%)
Saving	3.63053%
Disbursed	3.45670%
Outstanding	1.74065%

The mean for the data collected for HDI indicators of economic development were calculated which is mentioned in table 11.

Table 11: Mean of HDI Indicators				
	Life Expectancy (LE) (yrs)	Mean Years of Schooling (MYS) (yrs)	Expected Years of Schooling (EYS) (yrs)	Gross Per Capita Income (GNIpp) (Rs)
NABARD	72.4	4.5	12.5	6,450

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1. **Life Expectancy Index (LEI):** The life expectancy index is calculated by the formula given below

Life Expectancy Index (LEI) =LEV-20/(83.2-20)

Therefore, LEI = 72.40 -20/83.2-20 = 52.4/ 63.2 = 0.829

2. **Education Index (EI):** The education index is calculated with the help of mean years of schooling index (MYSI) and expected years of schooling index (EYSI) as per the formula given below.

Mean Years of Schooling Index (MYSI) = MYS-0/13.2-0

= 4.5 – 0/13.2 – 0 = 0.34

Expected Years of Schooling Index (EYSI) = EYS-0/20.6-0

12.5 – 0/20.6 – 0 = 0.60

Hence the formula for calculating education index is:

Education Index = $(\text{MYSI X EYSI})^{1/2}$ – 0/ 0.951 – 0

= $(0.34 \text{ X } 0.60)^{1/2}$ – 0/ 0.951 – 0 = 0.474

3. **Income Index (GDPI):** The income index is calculated by the formula given below

Income Index = Log (GNIpc) – Log ($163) / Log ($108,211) – Log ($163)

= Log (6450) – Log ($163) / Log ($108,211) – Log ($163)

=3.809-2.212/5.034-2.212 = 1.597/2.822 = 0.565

4. **Human Development Index (HDI):** The income index is calculated by the formula given below.

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$$\text{Human Development Index (HDI)} = (\text{Life Expectancy Index X Education Index X Income Index})^{1/3}$$

$$= (0.829\text{X } 0.474\text{X } 0.565)^{1/3}$$

$$= 0.636$$

Hence, table 12 depicts the economic development in terms of indicators of HDI and overall HDI for the beneficiaries of NABARD.

Table 12: Human Development Index of Chhattisgarh

	Life Expectancy Index (LEI)	Education Index (EI)	Income Index (GDPI)	Human Development Index (HDI)
NABARD	0.829	0.474	0.565	0.636

Result and Discussion

Firstly, a close analysis of the physical performance on the basis of three indicators i.e. Micro financing, Development and Supervision was conducted for NABARD of Chhattisgarh to know the percentage increase in three indicators for a span of 10 years from 2008-09 to 2017-18. Secondly, economic development of NABARD of Chhattisgarh was analysed through human development index on the basis of three indictators i.e. life expectancy index, education index and income index. Hence, the role of NABARD through physical performance on the economic development of Chhattisgarh has been understood in this study.

The overall physical performance of NABARD for Micro financing, Development and Supervision has been calculated. The percentage increase or decrease in Micro financing, Development and Supervision is also calculated. All the figures show positive increase in percentage for Micro financing, Development and Supervision

The physical performance of NABARD in terms of compound annual growth rate (CAGR) for Micro financing, Development and Supervision has been calculated.

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Hence, the NABARD in Chhattisgarh is performing significantly in the form of sales for generating income to the beneficiaries and also through providing employment to the rural people to earn a livelihood. The role of NABARD on the economic development of Chhattisgarh state can be understood by analyzing the impact of physical performance of NABARD on the socio-economic development of the beneficiaries of the NABARD of Chhattisgarh. Therefore, if the NABARD sector is performing well, it must impact the economic development in positive manner and hence, the people will show good level of social-economic development in the form of HDI.

The life expectancy index for NABARD sector in Chhattisgarh is 0.829 The education index amounts to 0.474 for NABARD sector. The income index for NABARD sector amounts to 0.474 The mean life expectancy index for NABARD in Chhattisgarh is 72.4. The human development index (HDI) for NABARD in Chhattisgarh is 0.636.

The HDI attempts to rank the economic development on a scale of 0 (lowest human development) to 1 (highest human development) based on three goals or end products of development. The range of human development is categorized under three levels as low human development ranges from 0.0 to 0.50, medium human development ranges from 0.51 to 0.79, and high human development ranges from 0.80 to 1.0.

Moreover, the HDI for NABARD of Chhattisgarh is 0.636, which is again under the medium human development. Hence, it indicates that Chhattisgarh has developed economically as far as beneficieries of NABARD of Chhattiagarh is concerned due to the significant physical performance of the NABARD. The result of the study is in accordance with the study of Dollar, Hallward-Driemeier and Mengistae (2005), which indicates that physical performance significantly impact the economic development.

So, now it has been proved that NABARD of Chhattisgarh state is performing well and it has substiancially developed the rural people both socially and economically, it is the right time to realize the importance of the contribution of NABARD and to formulate and implement the workable strategy for NABARD in order to sustain the objectives of NABARD which Ghandi has thought of. One of the most essential strategies is globalization of NABARD. The relaxation in the policies of FDI in the markets of the developing economies like India has given more advantage to developed countries to

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capture the developing economies market. The modern technology, hidden subsidies given by their countries and updated marketing skills help them to conquer Indian markets. Further the developed worlds impose restrictions on the areas where developing countries have an edge over them. Therefore, in order to safeguard the rural programs, Indian government, has to provide suitable safety nets for NABARD. Proactively protecting the rural India from the negative externalities of globalization is the only immediate solution. But the sceaniro is not favourable. Government is gradually cutting its subsidies obeying to the pressures of developed countries under trade distortion clause of WTO. The major portion of the budgetary support given to the NABARD is for disbursement of rebates on retail sales of NABARD and to subsidy on village industries. In the past the working fund given to NABARD industry was interest free. But at present 4 to 6 % of interest is charged on the working fund also. Earlier Government gave loans from plan provisions, but of late, plan provision has depleted and the NABARD sector is being financed by the consortium of banks (CBC) which expects working fund to be repaid in installments, along with interest. The government of India should not forget that NABARD is not mere cloth. It is a process of social-economic reconstruction of our rural India, which amounts to be around 70%. As long as the government continues to proclaim that their primary objective is the welfare of the people, it has to continue to support to NABARD and village industries.

Conclusion

The NABARD in Chhattisgarh have grown substiancally in terms of Micro financing, Development and Supervision and have considerably contributed in the economic development of Chhattigarh. Moreover, it holds great potential for generating gainful employment opportunities for the rural poor, arresting migration of rural workers to urban areas and for promoting the strategy of sustainable development. However, this potential cannot be realised without addressing some basic weaknesses with regard to the design and implementation of the programme and without making it fiscally sustainable. It may be necessary to constitute a committee to examine the feasibility of the various programmes being designed and implemented by NABARDB and to suggest suitable measures for restructuring of NABARDB and its various activities, so that the primary objective of the scheme is realised with justifiable level of fiscal support.

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The Chhattisgarh NABARD Board is playing a vital role in generating employment for rural poor, unemployed youth and down-trodden artisans of the state by providing financial and technical assistance for setting up of micro and small industrial production units. The growth rates of NABARD sector in terms of Micro financing, Development and Supervision are substantial.

NABARD as a part of its commitment to rural industrialisation has been assessing rural resources, augmenting deficient resources and formulating plans, programs and schemes for effective and balanced utilisation of these parameters and determining priorities. From a highly centralised urban planning system, the Indian economy is gradually moving towards the rural sector and it is here that the NABARD concerns itself with the building of a long-term strategic vision of the future rural strategy and decide on priorities of the rural sector. NABARD has been working out sectoral strategies for providing promotional stimulus to the rural economy to grow in the desired direction

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