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## Finance For Rural Infrastructure To Achieve Balanced Growth With Special Reference To NABARD

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### ABSTRACT

The Indian economy is based on the farming industry, and the actual India is found in its villages. Rural economic development is required to achieve economic planning objectives. As a result, banks along with other financial firms are thought to play an important role in rural Indian economic expansion. NABARD contributes significantly to rural India's prosperity. A developing nation, such as India, should provide an excellent setting for microfinance projects aimed at reaching the underprivileged and achieving financial sustainability. Microfinance is seen as a key poverty reduction method, as well as a means of generating growth in the economy and creating jobs for small, micro, and medium-sized companies (SMMEs). A sophisticated collection of successful models, an association with engaged members, coordinated assistance for rural people, and active assistance from banks and NABARD in the country have arisen to sustain a vibrant business. Farmers can obtain bank credit in the form of short-term lending for crops and livestock, as well as medium- term/long-term financing via debt for capital expenditures in crops and associated operations such as land, including buying land for small irrigation, farm mechanization, program development, poultry and other domestic animals, fishing, cultivation, and the gardening industry. Funds are available for preserving, transforming, and trading agricultural goods in today's market. The National Bank For Agriculture and Rural Development (NABARD) also provides long-term and short-term financing to these organizations. This is a development of farming financing. This article attempts to clarify the notion of rural banking in India, NABARD's participation in credit sector priorities and numerous plans developed by NABARD for the sustained growth of rural India. This research is solely based on secondary data sourced from NABARD and RBI journals and accounting records.

**KEYWORDS:** NABARD, Rural Infrastructure, Rural Development Infrastructure Index.

## INTRODUCTION

### NABARD MISSION

**Encourage sustainable and egalitarian agriculture and rural prosperity is achieved by effective loan assistance, related services, institutional development, and other creative activities.**

The main motto (NABARD) of the National Bank for Agriculture and Rural Development is to promote the Circulation of credit in rural and agricultural sectors and enhance their overall development. One of the most crucial roles played by the NABARD is the channelization of institutional credit to various rural entities, farmers, rural entrepreneurs, and cooperatives.

In its 75th year of independence, India, Asia's fifth biggest economy, it is rising as an enormous global force, fast accomplishing, its ambition of rapid economic development supported by powerful infrastructure that promotes sustainable production and revenue generation. The Government of India (GOI) plans to invest ₹111 lakh crore in the National Infrastructure Pipeline (NIP) between 2020 and 2025, recognizing the impact of development of infrastructure on economic growth. The NIP, which keeps track at the most rigorous levels for timely fulfillment and intended outcomes, provides a complete assessment of the country's advancement in infrastructure.

The Shiva Raman Committee's Rural Credit proposal served as the groundwork for NABARD. The commission formed in 1979 to administer the implementation of India's rural financial system. The former chairperson of the Reserve Bank of India oversaw this entity. Grounded on the recommendations put forward by the committee, the Indian government sponsored the National Bank for Agriculture and Rural Development Bill in Parliament in 1981. The law aimed to create NABARD as the country's premier development bank for rural development and agriculture. The banking organization founded as a separate organization with its headquarters in Mumbai, Maharashtra. The activity follows the RBI framework and Ministry of Finance norms.

As time progressed, NABARD grew into a significant organization in India's rural development and agriculture environment. It has effectively implemented a variety of projects, schemes, and programs aimed at channeling institutional loans, developing infrastructure for rural areas, and providing technical support.

**INFRASTRUCTURE:** According to World Bank, Infrastructure encompasses public utilities like power, broadcastings, supply of water, sanitation, disposal of waste, and gas, as well as public works like roads, dams, and canals for irrigation and drainage. It also includes transportation systems like railways, ports, and airports.

#### **NABARD:**

NABARD's Rural Infrastructure Development Fund (RIDF) now covers a wider range of qualifying initiatives. Currently, 37 activities are categorized as (i) irrigation, (ii) agriculture and related sectors, (iii) rural connectivity (roads and bridges), and (iv) social sector (projects such as drinking water provisioning, rural education institutions, public health institutions, toilet construction, Anganwadi centers, sanitation infrastructure, and rural industrial estates).

**The NABARD offers a wide range of credit for the improvement of the rural infrastructure as follows:**

**1. RIDF (Rural Infrastructure Development Fund) -** The Rural Infrastructure Development Fund (RIDF) was established in 1995-96 by NABARD. In his 1995-

96-budget address, the then-Union Finance Minister stated, "Inadequate public funding in agricultural sectors is today a matter of nationwide worry." States bear accountability for this region. However, several states have forgotten to invest in agricultural infrastructure. Many regional infrastructure projects have begun but have to be accomplished due to a lack of resources. They represent a significant loss of potential revenue and jobs for the rural inhabitants." On the contrary, there was an issue with recurrent shortfalls in agricultural loans, primarily due to infrastructural constraints or commercial banks' conservatism lending policies and practices. In the 1995-96 Union budget, Government of India established a Rural Infrastructure Development Fund (RIDF) with funding from Scheduled Commercial Banks to cover agricultural lending shortfalls, up to a maximum of 1.5% of net bank credit. The investment for rural infrastructure was strategically aligned with commercial banks' lending needs.

**2.RIPF (Rural Infrastructure Promotional Fund)** – NABARD established the (RIPF) Rural Infrastructure Promotion Fund' to assist projects promoting infrastructure in rural areas, thereby aiding agricultural and rural development. The RIPF has a corpus of Rs. 25 Crore. NABARD contributes from its own window under RIDF to support the rural roads component of Bharat Nirman through the National Rural Roads Development Agency (NRRDA).

**3.LTIF (Long Term Irrigation Fund)** - Throughout the 2016-17 Budget Speech, the Union Finance Minister announced the establishment of a dedicated Long Term Irrigation Fund (LTIF) at NABARD. The fund that was established would have a preliminary capital of rs. 20, 000 crore to support and expedite the execution of unfinished big and medium irrigation schemes. The Department of the Ministry of Water Resources, River Development, and Ganga Cleansing has created a Mission to oversee the scheme's administration. The Long Term Irrigation Fund (LTIF) intends to bridge resource gaps and complete projects between 2016 and 2020. Priority-I projects will be completed by 2016-17, priority-II projects by 2017-18, and priority-III projects by 2019-2020.

**4.NIF (National Innovation Foundation)** - The National Innovation Foundation-India (NIF), founded on the Honey Bee Network principle, began operations in March 2000 as India's national drive to enhance grassroots technical breakthroughs and exceptional conventional wisdom. Its objective is to assist India transform into an innovative and knowledge-based society by providing policy and institutional space for grassroots technological innovators. NIF is devoted to seeking out knowledge- rich, economically disadvantaged persons in the country who have made technical advancements in any sector of human existence without the assistance of others. Satish Chaudhary of Satpakhali in Kamrup district received the Dinanath Pandey Smart Idea Innovation Award, 2024, for his solar ere spinning machine on Friday at the Regional Science Centre in Khanapara, Guwahati.

**5.NIDA (NABARD Infrastructure Development Assistance)** - NIDA, which is a form of financing assistance, announced by NABARD in 2011, funds remote infrastructure projects. NIDA funds both federal and state entities to improve rural infrastructure, including communication, irrigation, social infrastructure, and credit absorption. NIDA assists State Governments with rural growth in infrastructure beyond RIDF borrowing. For other State Owned Organizations, NIDA provides direct finance based on project risk assessment.

**6.WIF (Warehouse Infrastructure Fund)** - Following the declaration of a 5000 crore contribution to NABARD in the 2013-14 budget to promote the building of the infrastructure for agricultural commodity storage, the Reserve Bank of India (RBI) released instructions for the establishment of a Warehouse Infrastructure Fund (WIF) at NABARD. To operationalize WIF, NABARD has developed a program known as the NABARD Warehousing program 2013-14 (NWS), which envisages extending loans to the public and private sectors for the building of warehouses, silos, cold storages, and other cold chain infrastructure. The Government of India has authorized the Scheme.

**7.FPF (Food Processing Fund)** - The Government of India (GOI) places a high priority on the development of the country's food processing industry, and in response to the General Budget debate in LOK Sabha on July 18, 2014, the Finance Minister declared the creation of a Special Fund of Rs. 2000 crore in NABARD to provide affordable credit to agricultural processing components created as food parks. The RBI established the Fund at NABARD. Financial assistance from this Fund, designated as the Food Processing Fund - 2014-15, would be provide by NABARD either directly or through consortium agreements with other financing organizations.

**8.DIDF (Dairy processing and Infrastructure Development Fund)** - According to the Budget of the Union for 2017-18 release, the Dairy Processing & Infrastructure Development Fund has been launched with a capital of Rs. 8,004 crore at the National Bank for Agriculture and Rural Development (NABARD). In its meeting on September 12, 2017, the CCEA authorized the program, which aims to provide subsidized loans at 6.5% to capital-stressed milk cooperatives principally for the replacement of decades old chilling and processing plants and the construction of value-added product factories. The project aims to generate an effective milk procurement system by establishing processing and chilling infrastructure, In addition, computerized milk adulteration detection machinery will be installed in each town.

**9. FIDF (Fisheries and Agriculture Infrastructure Development Fund)** - The Union Cabinet, led by Hon'ble Prime Minister Shri Narendra Modi, agreed an extension of the Fisheries Infrastructure Development Fund (FIDF) for another three years, till 2025-26, within the already approved fund amount of Rs 7,522.48 crore and financial assistance of Rs 939.48 crore. The Indian government also provides financial guarantees to enterprises, individual farmers, and cooperatives through the Infrastructure Development Fund of the Department of Animal Husbandry and Dairying. For the purpose of to achieve infrastructural essentials of the fisheries industry, the union government established the Fisheries and Aquaculture infrastructural Development Fund (FIDF) in 2018-19 with a total fund amount of Rs 7,522.48 Crore.

**10. SBM-G (Swachh Bharat Mission – Grameen)** - The leader of the nation of India began the Swachh Bharat Mission, the world's most ambitious sanitation campaign, in 2014 with the goal of making India open defecation-free by October 2, 2019, as a memorial to Mahatma Gandhi. The campaign resulted in the building of almost 10 crore family toilets, increasing sanitation coverage from 39% in 2014 to 100% in 2019, when about 6 lakh villages proclaimed themselves Open Defecation Free (ODF). While studies show that the SBM-G campaign had a substantial social, environmental, and well-being impact, particularly on the empowerment of females, it also resulted in the attainment of SDG 6.2 (Sanitation and Hygiene) 11 years earlier than expected.

**11. RIAS (Rural Infrastructure Assistance to State Government)** - NABARD recently introduced a new product, Rural Infrastructure Assistance to State Governments (RIAS), with a first corpus of ₹ 15000 crore. The goal is to provide monetary support to State Legislatures in the Eastern Region for creating the infrastructure that supports rural livelihoods, based on the 5-J approach - Jan (human being), Jal (water), Jameen (land), Janwar (livestock), and Jungle (forest). In other words, RIAS will subsidize any initiatives that promote "Atmanirbharata" (self-reliance) and the "circular economy," which reduces waste and encourages the continuous use of valuable resources.

## CHALLENGES FACED IN RURAL INFRASTRUCTURE DEVELOPMENT

- Agriculture is the main source of employment in the communities, but a lack of adequate means of transportation proved a significant barrier. There was no roadway connecting the villages of Palalang and Mathala. The agricultural produce had to be transport to the roadway for marketing/selling, either manually by locals or by ponies.
- Lack of awareness about cashless transactions
- The percentage of families that utilize financial services is just 50.3%
- Several pastoral groups lack access to conventional banking services due to the concentration of branches and ATMs in metropolitan areas.

## LITERATURE REVIEW

**Miss. Rimjhim Bordoloi, Mr. Bhoirab Jyoti Konch (2019) – “Rural Infrastructure Development Fund (RIDF): Contribution for Rural Development in North-East Region”** The RIDF offers several schemes and grants to improve rural communities, as previously discussed. However, insufficient functioning of NGOs, PRIs, and SHGs in the North - East area hinders appropriate application of RIDF benefits owing to budgetary constraints. The report highlights the need of building infrastructure in rural regions to accomplish national development goals across all sectors.

**Sathisha, Medhavini S Katti (2023) – “Examine the Rural Infrastructure Development Fund (RIDF) in Karnataka”** The Rural Infrastructure Development Fund has significantly aided Karnataka's rural areas by giving financial support to the state government.



**S. K. Sen, S. Guha & N. Chakraborty (2013) – “A Study on Regional Disparity of Devolution of Rural Infrastructure Development Fund - Evidence for India** “The report suggests that NABARD's fund devolution criteria for RIDF schemes should be revised to reduce disparities in per capita RIDF sanctioning, which can lead to rural disparities across states.

**Dr. Renu Sharma (2014) – “Performance Review of “NIDA” (NABARD Infrastructure Development Assistance) Scheme and “NABCON” A NABARD Subsidiary”** The study concludes that NABARD is a successful model for agricultural and rural development of infrastructure. NABARD's governance approach serves as a model for other developmental agencies in India.

**Bhumit Shah, Rajkumari Soni (2022) – “A Study on Role of NABARD and Financial Initiatives taken in Promoting Rural Finance in India”** The study explores the notion of rural finance in India, the role of NABARD in credit sector priorities, and NABARD's programs for rural development. The research might identify the strengths and limitations of rural finance in India.

**Dr. D. Jebaselvi Anitha (2020) – “A Study on Financial Initiatives Taken by NABARD to Empower Rural Economy”** This paper examines the NABARD's financial efforts in rural areas.

**Rita Jain (2018) – “An Analytical Study of Role of Micro Finance of NABARD (with Special Reference to Rajasthan”** This research analyzes the impact of NABARD's microfinance in Rajasthan.

**YAGNASWAMI SUNDARA RAJAN – “Shaping the National Innovation System: The Indian Perspective”** Despite limitations, India's innovation system has potential to become a global hub and develop into an innovation-driven economy by using its Current resources. To succeed in this endeavor, the government must implement appropriate institutional, industrial, and regulatory changes.

**Dr. Vrajlal Sapovadia (2007) – “Evaluating Effectiveness among Cooperatives vis-à-vis other Social Institutes – A case study of NABARD’s Rural Innovation Fund & Other Schemes”** The development agencies should promote innovation in farm, non-farm sector which contribute overall rural & agricultural development. The innovation may be about system, managerial, business process or technical related issues. The credit should be extend on commercial basis, but should build program that enhance capacity of the participating members.

**MR. NIMESH G. PUNJANI (2022) – “A STUDY OF GOVERNMENT SPONSORED SCHEMES TAKEN BY NABARD TO EMPOWER OFF FARM SECTOR”** The purpose of this study is to comprehend the government- sponsored initiatives implemented by NABARD.

**Vivek Sharma (2013) – “ROLE OF NABARD IN RAJASTHAN ECONOMY: AN EVALUATION”** According to the report, agriculture and the primary sector play a significant role in the Rajasthan economy, generating jobs, revenue, assets, and improving living standards.

**Taral Patel, Nisarg Shah (2016) – “A STUDY ON PERFORMANCE EVALUATION OF RRBS OF INDIA”** This study assessed the financial outcomes of RRBs after and before merger using the variance ratio, burden ratio, and profitability ratio. The figure above shows a significant rise in spread ratio due to lending in priority sectors and increasing deposits

**Parvesh Kumar Goyal (2015) – “THE ROLE OF NABARD IN AGRICULTURE AND RURAL DEVELOPMENT: AN OVERVIEW ”**

NABARD aims to promote holistic development in rural India, as discussed above. NABARD receives and disburses growing amounts of financial support each year. **Dr. Anish Yadav, Dr. Sunil (2024) – “A STUDY ON THE ROLE OF SOCIAL INFRASTRUCTURE ON ECONOMIC DEVELOPMENT”** Social infrastructure might include physical structures, transportation systems, institutions, human needs, and facilities. Economic infrastructure encourages expansion, while social infrastructure promotes human development.

**RESEARCH METHODOLOGY**

There are several data sources and a triangulation approach. Data was gather from several sources, including websites, NABARD yearly reports, publications, and an e-book. The study's objectives will be studied using both exploratory and analytical methodologies.

**OBJECTIVES**

- 1.To study the wide range of credit provided by NABARD for the rural development.
- 2.To examine the growth and progress of funding by NABARD for the rural infrastructure.
- 3.To identify the common challenges faced in rural infrastructure.

**SCOPE OF THE STUDY**

This study is grounded on the working of various credit provided by NABARD for the rural infrastructure. It tells us about the growth of funding by NABARD. It also guides the progress of sustainability aspect of NABARD in rural development areas. It also shows us about the development of the NABARD.

**DATA ANALYSIS AND INTREPRETATION****Table-1: Credit Facilities To Rural Infrastructure****(In Crores)**

<b>Financing Rural Infrastructure</b>	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-2023</b>
<b>RIDF</b>	<b>1,10,062</b>	<b>1,20,163</b>	<b>1,25,647</b>	<b>1,32,724</b>	<b>1,42,526</b>	<b>1,54,070</b>
<b>LTIF</b>	<b>20,447</b>	<b>34,249</b>	<b>44,687</b>	<b>51,713</b>	<b>53,283</b>	<b>53,966</b>
<b>DIDF</b>	<b>0</b>	<b>432</b>	<b>1010</b>	<b>956</b>	<b>925</b>	<b>1500</b>
<b>WIF</b>	<b>4,296</b>	<b>4,984</b>	<b>5,165</b>	<b>5,155</b>	<b>4,777</b>	<b>4,091</b>
<b>NIDA</b>	<b>7,241</b>	<b>9,126</b>	<b>11,751</b>	<b>17,999</b>	<b>23,319</b>	<b>27,890</b>
<b>FPF</b>	<b>239</b>	<b>276</b>	<b>279</b>	<b>293</b>	<b>422</b>	<b>304</b>
<b>MIF</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,827</b>	<b>2,084</b>	<b>2,516</b>
<b>FIDF</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>194</b>	<b>366</b>	<b>562</b>
<b>SBM-G</b>	<b>0</b>	<b>8,698</b>	<b>12,298</b>	<b>12,298</b>	<b>12,298</b>	<b>12,298</b>

Source: Nabard Annual Report (2018-2023)

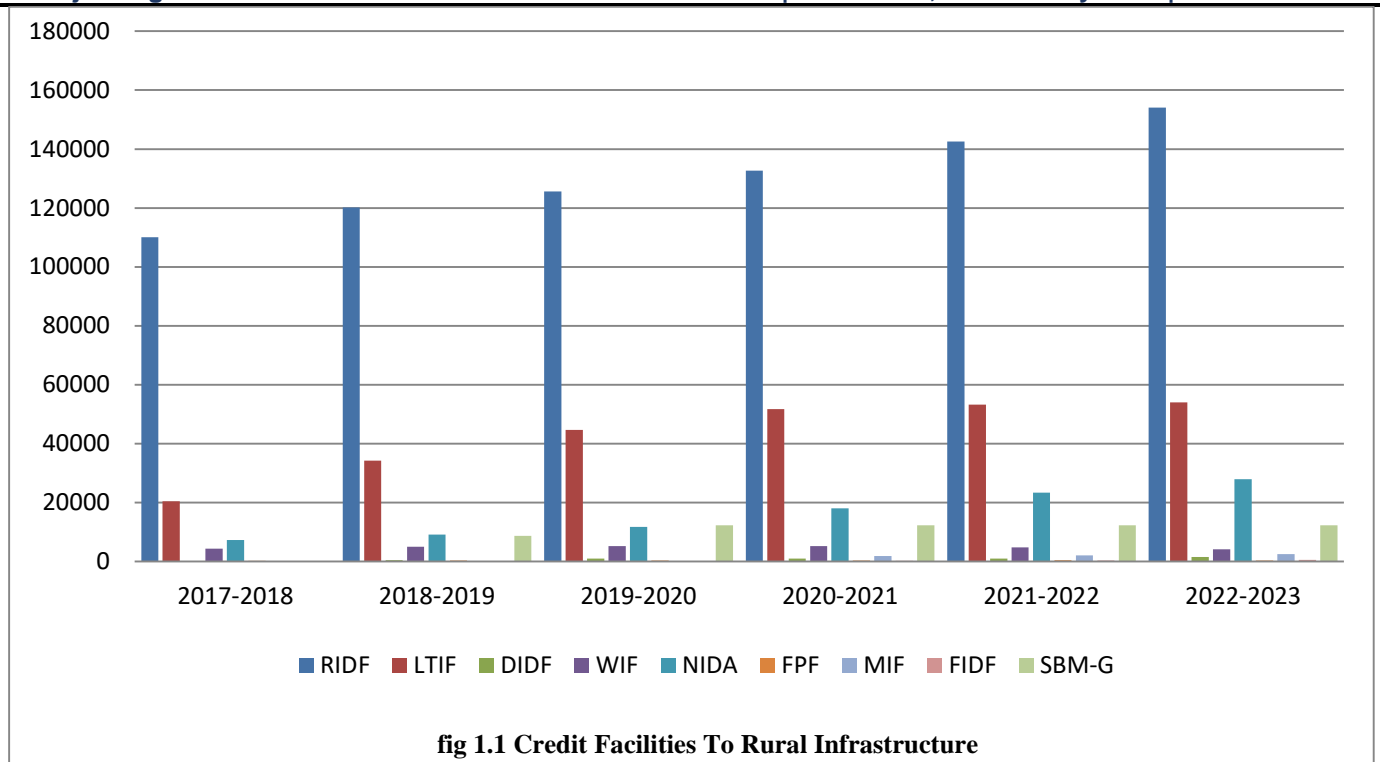
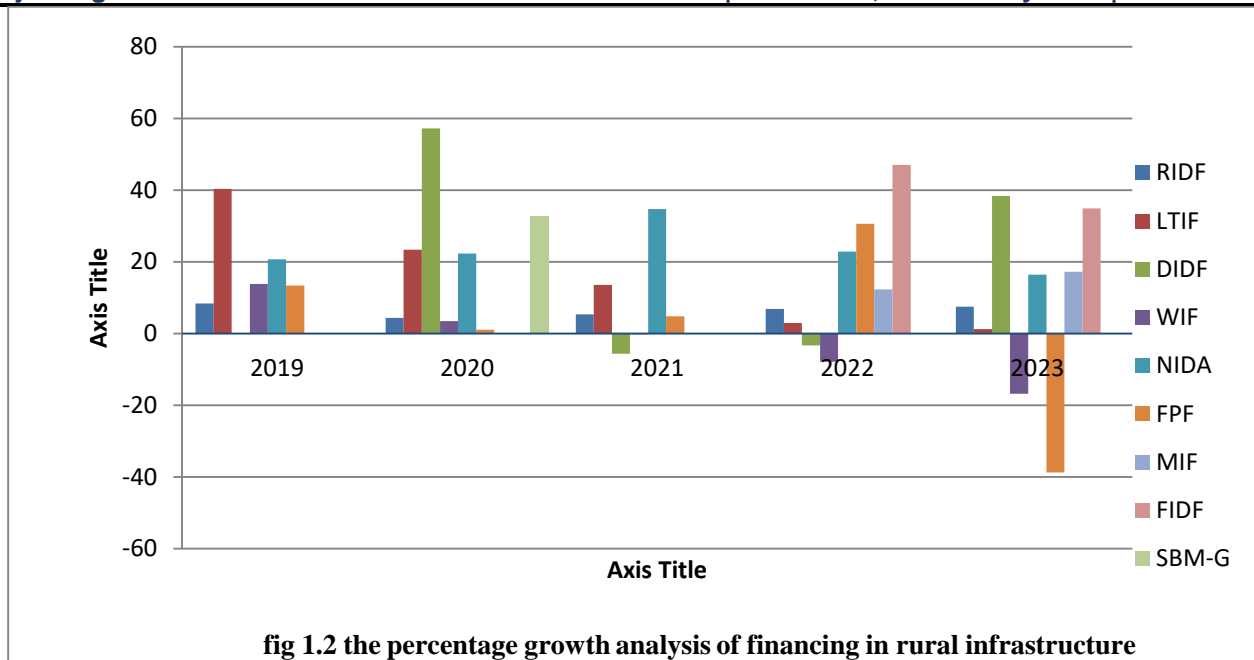


Table - 1 presents a full summary of NABARD's budget allocation to rural infrastructure from 2018-2019 to 2022-2023. NABARD financing began at Rs. 2,000 Crore in 1996, however according to the chart, in 2018, NABARD investment in RIDF was 1, 10, 062 Crore, and this money is expected to expand to 1,54,070 crore each year by 2023. The LTIF was established with an initial capital of Rs. 20,000 crore in 2016-17, but by 2018, the sum had increased to 20,447 crore, and it is still expanding year after year, albeit just little. NIDA is a kind of finance support to both federal and state institutions to build infrastructure in rural areas. NABARD financing under NIDA was 7,241 crore in 2018 and is expect to expand to 27,890 crore in 2019. MIF has no funds in 2018, 2019, or 2020 due to the debut in 2019- 2020. MIF, with an initial total capital of Rs. 5000 crore, was put into operation at NABARD in 2019-20 to assist state governments and this is increasing per year. SBM-G (Swachh Bharat Mission - Garmin) sanctioned and disbursed ₹ 15,000 crore and ₹ 12,298.20 crore, respectively, in 2019 and 2020, with the same amount each year.

**TABLE-2: THE PERCENTAGE GROWTH ANALYSIS OF FINANCING IN RURAL INFRASTRUCTURE**

(In percentage)

FINANCING RURAL INFRASTRUCTURE	2019	2020	2021	2022	2023
RIDF	8.40	4.36	5.33	6.88	7.49
LTIF	40.30	23.36	13.59	2.94	1.26
DIDF	0	57.23	-5.65	-3.35	38.33
WIF	13.80	3.50	-0.19	-7.91	-16.77
NIDA	20.65	22.34	34.71	22.81	16.39
FPF	13.40	1.07	4.77	30.57	-38.81
MIF	0	0	0	12.33	17.17
FIDF	0	0	0	46.99	34.87
SBM-G	0	32.71	0	0	0



According to Table 2, the RIDF rate of growth is 8.14% in 2019, 4.36% in 2020, and 5.33% in 2021, with a rise afterward. NABARD funded LTIF at a rate of 40.30% in 2019, however, in 2020 they funded just half of the preceding fund, resulting in a growth rate of 23.38% in 2020, but declining to 1.26% in 2023. The FPF growth rate in 2019 is 13.40, however the investment amount in 2020 and 2021 is quite low, but it then improves to 30.57% in 2022 and declines to 38.81% in 2023. NABARD aid to rural infrastructure by SBM-G with a starting sum of 12,298 crore, and this amount is invested year, hence there is no growth rate. According to the above table, WIF's growth rate is 13.80%, although it increases from 3.50% in 2020 to -16.77% in 2023.

## CONCLUSION

Infrastructure refers to the essential services needed for production, such as transportation, irrigation, energy, education, health, and medical facilities. It is also known as "social overhead capital". Integrating both digital and physical infrastructure is vital for the country's economic story. For the past 30 years, NABARD has prioritized sustainable, resilient, and inclusive infrastructure initiatives. Boosting the rural sector's economy requires both new and improved infrastructure. NABARD provides financial assistance to state governments through RIDF, NIDA, and Rural Infrastructure programs. The expansion of development in rural infrastructure will be achieved shortly thanks to NABARD's activities.

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