

A STUDY ON PERFORMANCE EVALUATION OF REFINANCE OPERATION OF NABARD IN SIVAGANGAI DISTRICT, TAMIL NADU

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Abstract

The rural credit system in India has undergone radical changes in respect of focus, basic philosophy, structure and approach over time. The rural credit policy in India, 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). The present study has been carried out to evaluate the performance of NABARD holistically, including its refinance activities, development, innovative and co-coordinating activities in Sivagangai district. Data and information required for the present study have been gathered with pre-tested interview schedule and Statistical tools like percentage, standard deviation, 't' test, correlation, compound growth rate, regression analysis, compound growth rate and Co-efficient of variation have been applied for analysis and interpretation of data. The policy initiatives of NABARD are mainly geared to increase the credit dispensation for improving production and productivity in rural areas. The finding of the study shows that the performance of NABARD is found to be in line with its objectives. Sivagangai District occupies 16th place in absorbing the refinance facilities of NABARD in Tamil Nadu. It is observed that the money-lenders are still popular source of finance because of high transaction cost. It is suggested that the credit delivery system at ground level could be improved. It is also suggested that the study would go a long way in further improving the operations of NABARD and realizing the objectives of National Bank namely gearing up credit dispensation for improving production and productivity in rural areas. Though the study is restricted to Sivagangai District of Tamil Nadu, its conclusion of the study will be relevant to all districts with similar agro-climate and socio-economic conditions.

Keywords: NABARD, Refinance operations, credit delivery system

Introduction

Concern for poverty in India has always been universal but after colonial rules, interest in poverty got momentum at first. The establishment of NABARD is a milestone in the history of banking in India which is set up to accelerate the process of development of agriculture, rural industries and allied activities and more particularly rural development slowly and then by leaps and bounds. This was due to the realization that there was nothing divine about poverty, that it was man made. This realization acted like a catalyst and fused the aspirations of masses (poor and non-poor) into a definite programme of actions against poverty. The functioning of NABARD can therefore be viewed as a national level apex refinancing institution in the field of rural credit and as Bank responsible for institution building in the field of rural credit and rural banking in the country. The NABARD is an apex institution for rural finance just as IDBI is an apex institution for industrial finance. NABARD provides by way of refinance to banks all kinds of production and investment credit to agriculture, small scale industries, artisans, cottage and village industries, handicrafts and other economic activities in an integrated manner.

In order to evaluate the impact of refinance lending operations of Commercial Banks (CBs), Sivagangai District Co-operative Central Bank branches (SDCCBs) and Pandiyan Grama Bank branches (PGBs), an empirical analysis is made on the data collected through structured schedule.

Importance of the Study

Finance is the a critical input in the development process of the farm and non farm sectors in rural India. NABARD being the apex institution with mandate to ensure timely and adequate

flow of finance into agriculture and rural development, has devised many schematic lending programme to banks which assist in turn the farming and non farming operations of the country.

In this context an assessment of the schemes of refinance, the trend in refinance of NABARD is needed to take stock of achievements, strength and challenges. Based on the findings suitable suggestions for improvement could be evolved. Hence the importance of the study

Statement of the Problem

The objectives of refinance facilities provided by NABARD are increasing the credit flow to agricultural and rural development activities, ensuring credit outreach to the rural poor for whom access to credit is difficult, supplementing the resources of banks as their own resource mobilization is not normally adequate, and upgrading the quality of appraisal and monitoring of loans by the banks through sound technical and financial pre-conditions for project sanction. The agencies eligible for refinance are Commercial Banks (CBs), Regional Rural Banks (RRBs) State Cooperative Banks (SCBs), District Cooperative Banks, State Cooperative Agriculture and Rural Development Banks (SCARDBs)/Primary Cooperative Agriculture and Rural Development Banks (PCARDBs). The personnel policies of banks need reorientation. There are many constraints in extending the refinance to financial institutions. The personnel policies should be evolved so that there is considerable pool of expert rural bankers who can be considered for posting in rural branches for longer period with incentives. Perhaps the banks may have to consider evolving rural cadre of officers with certain incentives having a separate channel of promotions for such officers. Evaluation of NABARD schemes by outside agencies should encouraged. The funding of such studies will help NABARD to learn useful lessons from the experience of development schemes and to make necessary changes in operational policy and procedure with a view to improving the over all performance and impact of schemes. In this context this study assumes a greater significance.

Methodology

Method of Data Collection

Primary Data

This study fully depends on both primary and secondary data. Primary data were collected through interview schedule.

Secondary Data

Secondary data were collected from published journals, IOB Lead Bank, Sivagangai and Office of the Zonal Manager, NABARD, Sivagangai and related websites

Sampling Design

Survey method is adopted for the study by using the random sampling frame. All the Two Revenue Divisions of the District (Sivagangai and Devakottai) are covered for selecting the bank branches refinanced by NABARD and the beneficiaries of sample branches. From Sivagangai, relatively bigger divisions over the rest of the one division, four Commercial Bank Branches, Sivagangai District Central Cooperative Bank Branches and Six Pandian Grama Bank branches have been chosen at random from the list of bank branches prepared alphabetically. The sample works out at 25 percent to the total number of branches in each division.

In the second stage, 203 beneficiaries from a total of 1280 have been chosen from Commercial Bank Branches, 150 out of 1007 from Central Cooperative Bank Branches and 237 out of 1422 from Pandian Grama Bank Branches, at the rate of 6 percent sample, were chosen for the purpose of study. Thus, the bank sample constitutes 36 Commercial Bank branches, 12 Sivagangai District Cooperative Central Bank branches and 30 Pandian Grama Bank branches (Total 78) with 203, 156 and 237 beneficiaries (Total 590) respectively for the present study

Data Analysis and Discussions

Commercial Banks (CBs), Pandiyan Grama Banks (PGBs) and Sivagangai District Central Co-operative Banks (CDCCBs) have been directed to extend credit through their widespread branch network to priority sectors which include agriculture and its allied activities, village and cottage industries, small scale industries, self-employed persons, retail traders and small business for achieving agriculture and rural development. The impact of NABARD's refinances on the occupation, income and financial status of sample beneficiaries of select bank branches are discussed as in the following sections

Agency-Wise Refinance

Table 1 presents agency-wise schematic refinanced by NABARD in Sivagangai district during 2005-2012. Out of the total of Rs.7898.862 lakhs of refinance provided by NABARD during 2011-16, Rs.3788.82 lakhs or 48 percent was allocated to APCCADB followed by 31 percent to CBs and 21 percent to PGBs. Out of the total refinance to all agencies put together, the highest amount of refinance, Rs.62346.62 lakhs was in 2011-12 and the lowest was Rs.909.394 lakhs in 2012.13

The LGRs of schematic refinance by NABARD to CBs, PGBs and TNSCAB in Sivagangai District during 2012-13 is not significant at 5 percent level and the corresponding 'F' value of 't' statistic was recorded as 0.2620, 0.5953 and 0.1683 respectively.

Table 1 Agency-wise Schematic Refinance by NABARD in Sivagangai District During 2011-2016 (Rs. in Lakhs)

Year	CBs	PGBs	RRBs	SSDCCBs	Total
2011-12	559.708	302.096	1129.816	6.355	62346.62
2012-13	352.986	390.710	157.760	7.938	909.394
2013-14	506.062	320.912	707.940	8.832	1543.746
2014-15	530.478	282.080	943.604	9.212	1765.374
2015-16	509.006	314.112	849.700	9.555	1682.373
Total	2458.240	1609.910	3788.82	41.892	7898.862
Percentage	64.58	8.96	16.94	9.52	100
LGRs	1.547611	-2.62741	2.977338		
't' values	0.262023 ^{NS}	-0.59530 ^{NS}	0.168347 ^{NS}		

Source: Primary data

NABARD Refinance: CBs

Table 2 presents year- and scheme-wise credit refinance received from NABARD select commercial banks in Sivagangai district during 2009-16. The highest percentage of increase in 2015-16 over the initial year 2011-12 was recorded at 144.22 for MI and the lowest being 82.02 for FM, indicating that the major of refinance received from NABARD was towards MI for the period under study.

Table- 2 Year- and Scheme-wise Refinance Received from NABARD by select Commercial Banks during 2009-2016 (Rs. in Lakhs)

Year	MI	FM	IRDIP	Scap, Stap & Others	Total
2009-10	65.1	41.5	48.52	58.5	213.62
2010-11	80.56	44.14	60.08	68.04	252.82
2011-12	86.14	51.5	67.06	75.66	280.36
2012-13	101.7	54.66	70.5	85.38	312.24
2013-14	115.94	60.78	86.76	77.28	360.76
2014-15	118.04	66.56	96.02	108.26	419.28
2015-16	139.46	75.54	96.02	108.26	419.28
Percentage	(114.22)	(82.02)	(97.89)	(85.05)	(94.99)

Source: Primary data

Recovery of Loans: CBs

Table 3 depicts the year-wise loan amounts sanctioned, recovered and outstanding for the period 2009-16. The amounts sanctioned and recovered during the period of study rose twice and the percentage of increases was higher at 113.87 in the case of amounts recovered than amounts sanctioned at 103.45 indicating better recoveries except in two years during 2011-12

It is heartening to note that both linear and compound growth rates were the highest in amounts recovered compared to those of loans sanctioned and outstanding. Instability in recovery performance was more as indicated by high CV values. It can be seen from the analysis that amount sanctioned, and recovered show significant growth at 1% level.

Table 3 Year-wise Recovery of Loans Sanctioned under NABARD Scheme by Commercial Banks During 2009-2016

Year	Amount Sanctioned (Rs.)	Amount Recovered (Rs.)	Amount Outstanding (Rs.)	Percentage of recoveries
2009-10	498.96	331.3	167.66	66.4
2010-11	588.34	360.64	227.7	61.3
2011-12	657.6	353.12	304.48	53.7
2012-13	719.44	392.08	327.36	54.5
2013-14	864.96	548.38	316.58	63.4
2014-15	893.2	591.28	300.58	66.2
2015-16	1015.16	708.58	306.58	69.8
Percentage	(103.45)	(113.87)	(82.85)	-
LGRs	16.89 (18.95)	19.19 (6.24)	12.12 (2.59)	
CGRs	12.25 (18.53)	14.14 (7.03)	8.90 (2.59)	
CVs	22.73	28.87	19.35	

Source: Primary data

Note: 1) Figures in parentheses are percentages of increase in 2011-12 over 2005-06.

2) Figures in parentheses in LGRs and CGRs rows indicate the calculated values of 't' statistics.

3) * - Significant at 5% level

4) ** - Significant at 1% level

Nabard's Refinance: PGBs

Table 4 depicts the year and scheme-wise refinance received from NABARD by select PGB branches in Sivagangai district during 2009-16. The highest and the lowest increase in terms of percentage in refinance were recorded at 171.98 in SCAP, STAP and others and 77.85 in MI respectively. The total amount of refinance received also raised from Rs.243.94 lakhs to Rs.591.6 lakhs i.e. an increase of two and a half times in a period of 7 years.

The highest and the lowest LGRs registered during 2009-16 were 32.67 percent in total advances and 12.11 percent in MI respectively. The same rank order was witnessed in the case of CGR and MI showed more stability as per the values of CV.

Table 4 Year and Purpose-wise Credit Refinance Received from NABARD by Select Pandian Grama Bank Branches during 2009-16 (Rs. in Lakhs)

Year	MI	FM	IRDP	Scap, Stap & Others	Total
2009-10	45.96	13.18	138.32	46.48	243.94
2010-11	48.52	17.82	184.56	96.00	356.9
2011-12	31.62	20.18	176.96	71.2	299.96
2012-13	42.08	25.44	242.44	83.52	393.48
2013-14	52.34	32.12	321.28	124.8	530.54
2014-15	62.98	26.82	322.08	126.14	538.02

2015-16	81.74	35.14	348.3	126.42	591.6
Percentage	(77.85)	(166.61)	(151.80)	(171.98)	(142.51)
LGRs	12.11 (2.52) ^{NS}	23.98 (5.61) ^{**}	26.66 (7.94) ^{**}	27.33 (4.01) [*]	32.67 (5.56) ^{**}
CGRs	10.25 (2.25) ^{NS}	15.52 (6.02) ^{**}	16.96 (7.21) ^{**}	15.81 (3.59) [*]	19.2 (6.94) ^{**}
CVs	28.63	29.42	30.75	29.90	38.16

Note: 1) Figures in parentheses are percentages of increase in 2015-16 over 2009-10
 2) Figures in parentheses in LGRs and CGRs rows indicate the calculated values of 't' statistics.
 3) ** - Significant at 1% level. * - Significant at 5% level, NS - Not Significant at 5% level.
 Source: Primary data

NABARD' Refinance: SDCCBs

Table 5 presents year- and scheme-wise refinance received from NABARD by select Sivagangai District Cooperative Central Bank (SDCCB) branches during 2009-16. The highest percentage of increase in credit refinance received in 2015-16 over 2009-10 was recorded at 472.69 for FM followed by IRDP at 451.26, MI at 443.11 and for others at 333.02. The total amount of refinance received from NABARD by SDCCBs rose from Rs.115 lakhs in initial year, 2009-10, to Rs.610.08 lakhs in terminal year, 2015-16 registering an average six fold increase in the operation. MI received more amount of refinance in absolute terms than 'SCAP, STAP and others' type of operations during the period under review. The highest and lowest LGRs recorded were for MI at 107.61 percent, and others at 74.11 percent respectively. The same rank order was maintained in the case of CGRs. As per CV farm mechanism showed more consistency. It indicates that there is significant growth of the entire variable under study.

Table - 5 Year and Scheme-wise Credit Refinance received from NABARD by select Sivagangai District Cooperative Central Bank Branches during 2009-2016 (Rs. in lakhs)

Year	MI	FM	IRDP	Scap, Stap & Others	Total
2009-10	46.2	37.8	7.14	23.86	115
2010-11	58.5	49.5	9.64	24.78	143.42
2011-12	77.08	73.8	13.32	24.62	188.82
2012-13	119.6	98.04	18.66	51.6	287.9
2013-14	251.1	195.28	39.04	100.4	585.84
2015-16	250.92	216.48	39.36	103.32	610.08
Percentage	(443.11)	(472.69)	(451.26)	(333.02)	(430.50)
LGRs	107.61 (4.25) ^{**}	92.67 (7.61) ^{**}	88.39 (5.17) ^{**}	74.11 (4.95) ^{**}	94.83 (5.31) ^{**}
CGRs	42.08 (6.63) ^{**}	38.42 (9.48) ^{**}	37.99 (7.23) ^{**}	37.06 (5.42) ^{**}	39.90 (7.49) ^{**}
CVs	67.15	57.86	60.59	60.99	62.49

Note: 1) Figures in parentheses are percentages of increase in 2011-12 over 2005-06, the initial year.
 2) Figures in parentheses in LGRs and CGRs rows indicate the calculated values of 't' statistics.
 3) ** - Significant at 1% level.
 Source: Primary data

Recovery of Loans: SDCCBs

Table 6 presents the year-wise loan sanctions and recoveries under NABARD schemes by select DCC bank branches during 2009-16. The highest percentage of increase was recorded at 582.20 in respect of outstanding amount followed by amount sanctioned at 342.99 and amount recovered at 206.67. The percentage of loan recoveries has been slowly decreasing year after year. The highest and the lowest LGRs were recorded in loan outstanding amounts at 115.83 percent and the loan amounts recovered 45.77 percent respectively. The CGRs registered were in the same

rank order. Amounts recovered showed more consistency as per CV. It can be observed from the analysis that the growth rates are highly significant at 1% level.

Table 6 Year-wise recovery and loan sanctioned under NABARD schemes by select Sivagangai District Cooperative Central Bank Branches during 2009-2016 (Rs. in Lakhs)

Year	Amount Sanctioned (Rs.)	Amount Recovered (Rs.)	Amount Outstanding (Rs.)	Percentage of recoveries
2009-10	167.82	106.9	60.92	63.7
2010-11	192.66	116.16	76.5	60.3
2011-12	229.9	133.8	96.1	58.2
2012-13	326.18	180.36	145.82	55.3
2013-14	633.46	326.86	306.6	51.6
2014-15	794.06	383.52	410.54	48.3
2015-16	743.44	327.84	415.6	44.1
Percentage	(342.99)	(206.67)	(582.20)	
LGRs	70.88 (6.29)	45.77 (5.14)	115.83 (7.02)	
CGRs	34.57 (8.18)	26.61 (6.38)	44.67 (10.3)	
CVs	57.33	47.94	67.63	

Notes: 1. Figures in parenthesis are percentages of increase in 2011-12 over 2005-06

2. Figures in parenthesis in LGRs and CGRs rows indicate calculated values of 't' statistics

Source: Primary data

Findings

- The findings of the paper are summarized as follows
- It is observed that the major of refinance received from NABARD was towards MI for the period under study.
- It is found that NABARDs' refinance towards SDCCBs, MI received more amount of refinance in absolute terms than 'SCAP, STAP and others' type of operations during the period under review.
- It can be seen from the analysis that amount sanctioned, and recovered show significant growth at 1% level under recovery of loan towards CBs
- In the agency-wise credit flows of NABARD's refinance CB's had predominant share.

Suggestions

- The participating banks should submit periodic returns to the NABARD so that it can monitor the schemes effectively.
- NABARD should take special care in bringing better functional co-ordination between state Governments, client banks
- Provide marketing facilities for agriculture crops to improve their income generation and also eliminate non-marketing crops.
- Conduct awareness campus among the borrowers on ethics for loan repayment and income generation method
- NABARD should pay much attention while designing and implementing schemes / programmes for the benefit of the backward are like Sivagangai District
- It can be suggested that the NABARD should bestow more attention on long-term loans and initiate necessary steps for a better recovery of them.

Conclusion

The overall performance of NABARD can be said to be satisfactory and the prospects are bright. But what is more needed is paying proper attention to some of the problems that emerged recently like mounting over dues, undue political interference, wilful defaults and declining efficiency of financing institutions and lack of information in rural areas. Without initiating measures explained earlier all other efforts including pumping money through banks by NABARD can not create any significant impact either on the development of district economy or on the beneficiaries.

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