

Role of NABARD – A Sustainable Development with Respect to Silk Industry in Murshidabad District of West Bengal

Abstract

Once upon a time Murshidabad, a famous district of West Bengal, was the capital of Bangla, Bihar and Orissa and was important for trade and commerce all over the world. This district has favourable atmosphere for growing sericulture and silk industry. The huge production of silk, availability of skilled labours, expertise of rearers, reelers and weavers are very conducive for healthy growth of silk industry in the district. But due to lack of sufficient capital and financial assistance, the farmers, reelers and weavers are not able to utilize the full capacity of the available resources necessary for the development of silk industry of the district. The institutional financing or more appropriately bank financing to this industry is yet to make much progress. Though the district has enormous potential for growth of silk industry, the involvement of bank financing to this sector is rather negligible.

Keywords: Potential, Co-Operative, Integrated, Refinance, Monitoring, Acquisition, Twisting, Investment, Moneylender, Accelerate.

Introduction

National Bank for Agriculture and Rural Development (NABARD) came into being in July, 1982, through an Act of parliament on the basis of the recommendations of the committee to Review Arrangements for Industrial Credit for Agriculture and Rural Development (CRAFICARD) set up by the Reserve Bank of India. It was established, in terms of the preamble to the Act “for providing credit for the promotion of agriculture, small scale industries, handicrafts and other rural crafts and other allied economic activities in rural areas with a view to promoting integrated rural development and securing prosperity of rural areas and for matter connected therewith or incidental thereto”.

This apex institution is accredited with all matters concerning policy, planning and operation in the field of credit for agriculture and other economic activities in rural areas.

In view of the enormous importance attached to the cottage and village industries for integrated development of rural areas, the erstwhile ARDC has, even before the National Bank was set up, initiated action by convening a meeting of the agencies concerned with such industries to consider ways and means of assisting them by NABARD after it was actually set up. At this meeting held in April 1982, a decision was taken to set up few ‘Task Forces’ one each on Handlooms, Handicrafts, coir, sericulture, Khadi and Village Industries, Organization of Marketing Essentials and Tiny Industries in rural areas in order to study the problems faced by these industries particularly in regard to institutional credit arrangements and formulate guidelines for NABARD financial assistance to these activities. The Task Force on sericulture was constituted in September 1982 under the chairmanship of the Member Secretary of the Central Silk Board.

It is noticed that the erstwhile ARDC has played a significant role in financing sericultural activities in all the important mulberry growing states. NABARD, while continuing the policy of financing sericultural activities broadly on the basis of recommendations of the Task Force on Sericulture, decided to extend refinance facilities to the mulberry sectors like Murshidabad for undertaking rearing, reeling and weaving activities.



Ratan Das

Assistant Professor,
Deptt.of Commerce,
Goenka College of Commerce &
Business Administration,
Kolkata

Review of Literature

In 1986 Khan conducted a study on "Strategy for Farm Planning and Agricultural Credit for Rural Development". He analysed in his study the credit needs for agro-based industries to generate rural employment for small farmers. In 2003 B. Barman focused the impact of the institutional credit on social and economic status of the rural populace. The researcher had found that there was a credit gap between demand for and supply of funds in the agricultural and other sectors and suggested to increase the flow of credit through NABARD. In 2005 NABARD made a study on "Development in Co-operative Banking" for evaluating the financial performance of urban co-operative banks and rural co-operative credit institutions. It has been playing an important role in the development of rural economy as well as national economy. It has taken several initiatives for facilitating the flow of credit to the agricultural and other sectors. K. G. Karmakar (2008) made a study on "Rural finance and initiatives taken by NABARD during the post reform period". He observed the impact on the rural credit and economic growth of rural sector.

Aim of the Study

The objective of this article is to discuss the role of NABARD in respect of silk industry in Murshidabad of West Bengal.

Functions of NABARD

It is to perform the following functions for rural development –

1. To provide attention to the credit problems arising out of an integrated approach to rural development;
2. To ensure the training facilities for the bank staff engaged in rural areas;
3. To provide credit for promotion of agriculture, sericulture, small scale industries for promoting integrated rural development and securing properties to rural areas;
4. To provide help for agricultural and rural development and for the entire rural credit system at the national level;

5. To arrange for investment to agricultural, sericultural and small industries, village and cottage industries, artisans, farmers, reelers and weavers;
6. To improve the social and economic positions of the farmers of agriculture and sericulture and the artisans of village and cottage industries;
7. To provide refinance facilities to State Land Development Banks, State Co-operative Banks, Regional Rural Banks and Commercial Banks for all round rural development and to co-ordinate their workings at the national level by inspecting, monitoring and evaluating their performances.

At present the credit facilities operated by NABARD are as follows:

Financing of Working Capital Requirements

Under the provisions of the scheme for financing working capital requirements, co-operative societies engaged in processing activities such as rearing, reeling and weaving, can avail of concessional refinance from NABARD through the State / Central Co-operative Bank for their working capital requirements as in the case of other industrial Co-operative Societies. They help the farmers, reelers and weavers of the silk industry of the district in procuring raw materials, payment of wages and other expenses.

Investment Credit

Under this scheme credit facilitates now being operated by NABARD for minor irrigation development for cultivation of mulberry new planting / replanting of mulberry, construction of rearing houses, setting up of grainage units etc.

Financing is also available from NABARD scheme for acquisition of machinery and equipments for rearing, reeling and twisting activities in mulberry sector such as rearing equipments, improved charkas, cottage basins, semi-automatic reeling machines, twisting machines etc.

NABARD has also been extending refinance facilities to the banks for development of sericulture under the Integrated Rural Development Programme.

Table No. 1
Terms and Conditions Relating To NABARD Refinance to Sericulture Schemes

Scheme	Rate of interest charged by NABARD (% p.a.)	Period of Loan	Extent of Refinance
Applicable to Co-Operative Banks			
Working Capital Credit:			
1. Processing activities like rearing, reeling, twisting, weaving etc.	9%	Cash Credit limit for financial year	50% of anticipated production (80% for silk co-operative societies subject to fulfillment of certain conditions)
b) Investment Credit:			
1. Minor Irrigation development for cultivation of mulberry, rearing equipments, rearing houses, grainage units	For Small farmers 6.5%, others 10%	3 to 15 years depending upon the purpose	Upto 50% depending upon the category of farmers, purpose & financing banks
2. Rearing and reeling activities in non-mulberry sector	-do-	3 years for rearing, 5 years for reeling	80 to 95% depending upon the category of farmers, reelers, purpose & financing banks
3. Acquisition of machinery and	9%	Charkas upto 3	Upto 60%

equipments for reeling and twisting activities in mulberry sector such as improved charkas, cottage basins, semi-automatic reeling machines, twisting machines etc.		years, Cottage basins upto 7 years, twisting units upto 7 years	
---	--	---	--

Source: Information obtained from office of National Bank for Agricultural and Rural Development, Berhampore, Murshidabad.

The above table shows that the terms and conditions relating to NABARD refinance to sericultural schemes are applicable to co-operative banks in respect to their working capital credit and investment credit. 50% of anticipated production (80% for silk co-operative societies subject to fulfillment of certain conditions) would be refinanced at 9% interest for working capital credit in respect of processing activities like rearing, reeling, twisting, weaving etc. The beneficiaries of the district fulfill the conditions and receive the loans for their sericultural work, but the amount of loan is not sufficient to satisfy the completion of whole sericultural process in the district. Investment credit as shown in table no.1 in respect of minor irrigation development for cultivation of mulberry, rearing equipments, rearing houses, grainage units, etc. requires 6.5% interest for small farmers and 10% for others and allows upto 50% loan depending upon the category of farmers, purpose and financing banks. For rearing and reeling in non-mulberry sector, the percentage of loan is 80 to 95%. In respect of acquisition of machinery and equipments for reeling and twisting activities in mulberry sector, the amount of loan is upto 60% of the anticipated cost at 9% interest. But these are not up to the level of satisfaction. The poor farmers cannot perform the whole process of rearing, reeling and weaving due to lack of sufficient amount of funds and they have to go to the moneylenders for funds at higher rate of interest for finishing the production.

Conclusion

In view of improvement and expansion of silk industry in the district, NABARD is trying to the best in spite of some problems like infrastructural facilities, modern technological equipments, huge amount of funds etc. for rapid economic development and growth of the district. The institutional credit available from NABARD is not sufficient and is not proportional to all regions, sectors and sections. It has been seen that the attempt made by the NABARD to increase the financial capability of the silk industry is flourishing with the expansion of rural bank branches and banking facilities for the purpose of rural development as well as economic growth of the district. The huge production of silk may greatly accelerate the economic development of the district if NABARD pays more attention to this agro-based industry. It should take steps to increase the rural credit so that each and every rural family will be benefited. There will be a better society in the district if the problems mentioned above are solved with the improvement in the infrastructural facilities, modern technological equipments, life style of the sericultural rearers, reelers and weavers of the district.

References

1. Basu Priya, 2005, *Microfinance and Rural Credit Access for the poor in India*

2. Chandesan, E., "Indian Economy" Cosmos Bookhive(p) Ltd. 1995
3. Duggal B, Singhal A, *Extending Banking To The Poor In India*, Social Initiatives Group, ICICI Bank, 2002
4. Dutt & Sundadharam, "Indian Economy", Chand & Company Ltd, New Delhi, 2011
5. Jain, Gopal Lal, "Rural Development", Mangal Deep Publication, 1997
6. Jingan, M.L., "Money Banking and International Trade", Vrinda Publications, 1997
7. Kar, Samit and Mukhopadhyay, Malay Kr., "Financing Rural Development: A Case Study", 2001
8. Lalitha, N., and B.S. Nagarajan, "Self Help groups in Rural Development", 2002
9. Mukhopadhyay, A.K., "Rural Credit in India in Rural Development in India some Facets", 1998
10. Manoria, C.B., "Agricultural Problems of India", 1999
11. Maheshwari, S.N., "Banking Law & Practice", 1999
12. Machiraju, H.B., "Indian Financial System", 2002
13. Mohan, R., *Agriculture Credit in India: Status, Issues and Future Agenda*, 2006
14. Ojha, R. K., "Self Help Group and Rural Employment", 2001
15. Patel, A. R., "Rural Credit Need For Bank's Initiatives", 2000
16. Saravanel, P., "Modern Banking India and Abroad", 1988
17. Satya Sundaram, I., "NABARD- An Evaluation", *Indian Banking Today and Tomorrow*, 1991
18. Suneja, Rajesh., "NABARD needs Revamping for Rural Development", *The Banker*, 1997
19. Satya Sundaram, I., "Rural Development", Himalaya Publishing House, 1999
20. Satya Sundaram, I., "Strengthening Farmers' Service Societies", 2006
21. Singh, Gurmeet., "Microfinance – An Innovation in Rural Credit System", 2009