



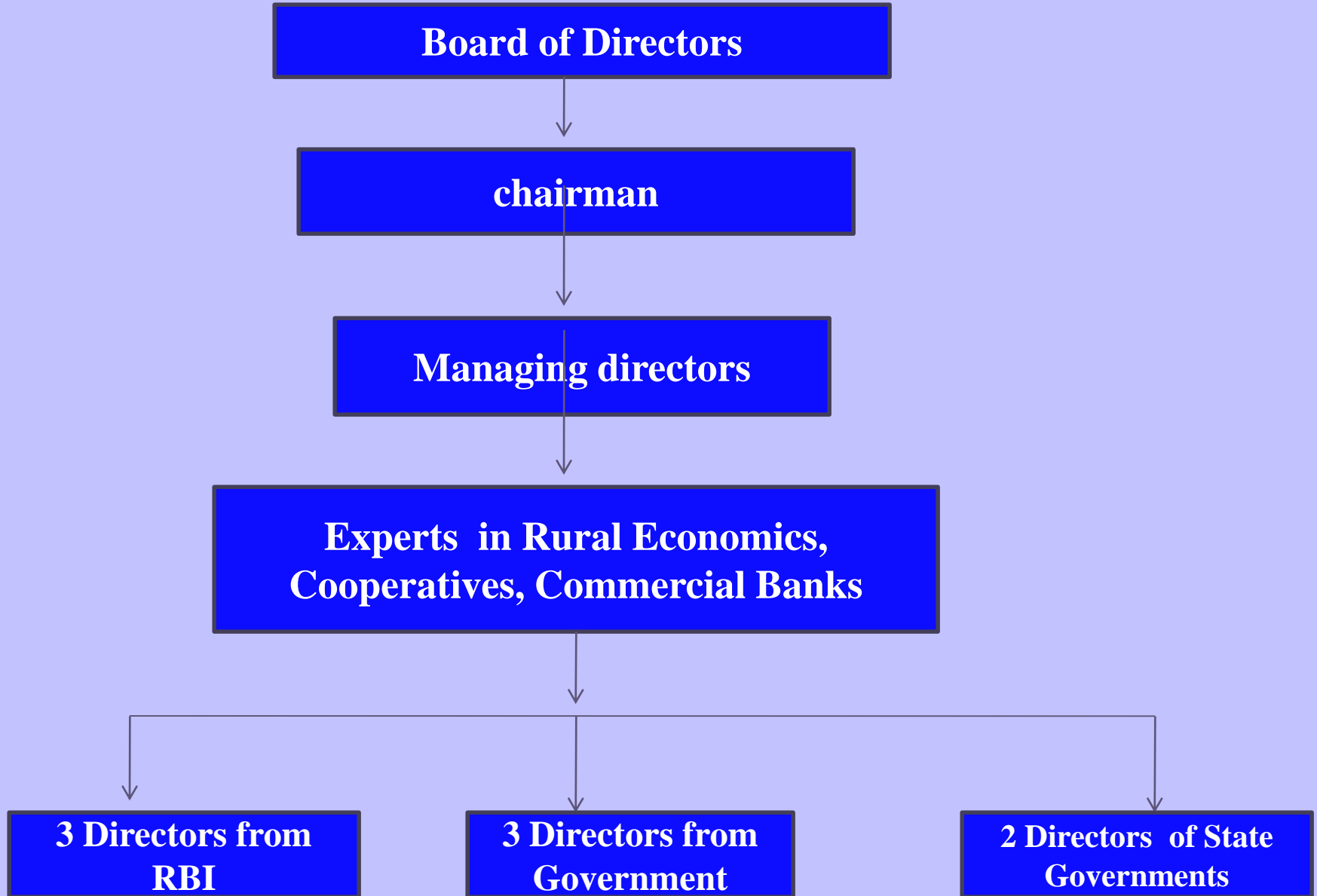
# Department of Economics Poornaprajna College Udupi

National Bank For Agriculture  
And Rural Development

NABARD

- In 1963 RBI set up Agricultural Refinance Development Corporation (ARDC)
- NABARD was established on 12<sup>th</sup> July 1982 on recommendations of M.R. Shivaraman committee (1979)
- NABARD was established to take over the functions (refinance) of RBI and ARDC
- Headquarters in Mumbai and other branches all over the country.

# Organization



# Role

- Providing refinance to lending institutions in rural areas
- Evaluating, monitoring and inspecting the client banks
- Acts as coordinator in operations of rural areas

- Extends assistance to government, RBI, and other organizations relating to rural development.
- Offers training and research facilities for banks, cooperatives
- Helps state governments to provide assistance to agriculture and rural development

# Financial sources of NABARD

## (i) Share Capital

- Initially authorised capital was 500 cr and paid up capital was 100 cr. Paid up capital was contributed equally by Central government and RBI.
- In 1996-97 share of capital was raised to 1000cr (400cr RBI, 100 GOVT)
- In 1997-98 share of capital was raised to 1500cr

(ii) Borrowing from the Central Government

(iii) Borrowing from the world bank

(iv) Raising funds from the market

(v) Transfer of funds

(vi) Borrowing from RBI



# Functions of NABARD

## 1. Credit functions

- ✓ Short term credit to state cooperatives, RRBs other financial institutions approved by RBI.
- ✓ Medium term loans to state cooperatives banks and RRBs for a period of minimum 18 months and for maximum of 7 years.
- ✓ long term loans to state cooperatives, RRBs, LDB, and Commercial banks not exceeding 25 years
- ✓ Assistance to state governments not exceeding 20 years.

## 2 Regulatory functions

- ✓ Inspection of cooperative societies and RRBs
- ✓ Any regional rural bank or cooperative society seeking permission to open a bank is required to forward its application to RBI through NABARD.
- ✓ Empowered to call for any information or statement from the cooperative banks and RRBs.
- ✓ Advises Government relating to financial credit.

### 3) Developmental functions

- ✓ The Research and Development Department of NABARD assists in formulating development programmes to suit the requirement of various regions in the country.
- ✓ Undertakes training programmes to upgrade technical skills

Export-Import Bank Of  
India

(EXIM Bank)

- Set up by an act of parliament (Export-Import Bank of India Act) 1981.
- Commenced operations from march 1982
- Wholly owned by Government of India
- Apex financial institution

- It facilitates, finances and promoting India's foreign trade.
- It co-ordinates the activities of various institutions engaged in financing export and import trade of India.
- Extends Lines Of Credit (LOC) to overseas financial institutions, regional development banks and foreign governments

# Organization

Bank can have a maximum of 16 directors on its Board.

Including Chairman and Managing Director, the Bank's Board constitutes of 13 directors who are appointed by the Government of India, they are five top level Government of India functionaries, three directors from scheduled commercial banks and four directors who are industry/trade experts. Three other directors are nominated by the Reserve Bank of India (RBI), Industrial Development Bank of India (IDBI) and Export Credit Guarantee Corporation of India Ltd.

# Capital

The authorized capital of the EXIM Bank is Rs. 200 crore and paid up capital is Rs. 100 crore, wholly subscribed by the Central Government. In march 1998 authorised capital increased to 1000 cr and paid up capital; to 500 cr

The bank can raise additional resources through

- (i) Loans/grants from Central Government and Reserve Bank of India
- (ii) Borrowing from foreign countries
- (iii) Funds raised from Euro Currency markets
- (iv) Bonds issued in India.



# Objectives

- Provide financial assistance to exporters and importers
- Assist and support establishment of institutions for providing finance
- Provide re-finance to commercial banks and other institutions
- Carry out research, surveys and studies for promoting and development of foreign trade
- Provides technical and administrative assistance
- Collects market and credit information

# Functions of EXIM Bank

- Financing of exports and imports of goods and services , of India and of third world countries
- Financing of exports and imports machinery and equipment on lease basis
- Financing joint ventures in foreign countries
- Undertake limited functions of merchant banking such as underwriting of stocks, shares, bonds of Indian companies engaged in trade

# Non- Bank Financial Institutions

(NBFI's)

- NBFIs are broadly defined as institutions other than banks that offer financial services.
- A **non-bank financial institution (NBFI)** is a financial institution that does not have a full banking license or is not supervised by a national or international banking regulatory agency. NBFIs facilitate bank-related financial services, such as investment, risk pooling, contractual savings, and market brokering. Examples of these include insurance firms, currency exchanges.

# Types of NBFIs

- ❖ Deposit taking institutions
- ❖ Risk-pooling institutions
- ❖ Contractual saving institutions
- ❖ Market makers
- ❖ Specialized sectoral financiers
- ❖ Financial service providers

# Role and functions of NBFIs

1. Financial intermediation
2. Economic basis of Financial intermediation
  - Law of large numbers
  - Economies of scale
3. Inducement to save
4. Mobilisation of saving
5. Investment of funds

State Bank Of India

- **State Bank of India (SBI)** is a multinational banking and financial service company based in India.
- On recommendations of All-India Rural Credit Survey Committee, the Imperial Bank of India was nationalised and changed into State Bank of India on 1<sup>st</sup> July 1955 under State Bank of India act of 1955.
- It is a government- owned corporation with its headquarters in Mumbai.



# Developmental role played by SBI

## 1. Personal banking services

- 24 hour ATM facility
- SBI term deposits
- SBI loan for pensioners
- SBI recurring deposits
- Loan against shares and debentures
- SBI car loan

- Rent plus scheme
- SBI education loan
- Medi-plus scheme
- SBI personal loan

## 2. Agricultural Banking

- ❖ Leader of Agricultural finance in country
- ❖ Caters needs of agriculturists and landless labours through 8750 rural and semi-urban branches
- ❖ 428 ADB branches

### 3. Micro credit provision

- ❑ Actively participated in SHG-Bank credit linkage programme
- ❑ SBI share approx 23% of total SHGs financed by commercial banks (march 2012)

### 4. Promotes RRBs

- Sponsored 17 RRBs, which operate in 124 districts of 17 States with a network of 2,651 branches (31/3/2010)

## 5. Heads the State level Banker's committee

- ✓ SLBC is an inter- institutional forum for coordination of joint implementation of developmental programmes and policies by all the financial institutions operating in the state

## 6. Financial Inclusion

- Financial services at low rate of interest to priority sectors like agriculture, poultry, dairy, bee keeping ,piggery etc.

# Regional Rural Banks

RRBs

- Regional rural banks were established on 2 oct 1975 under Narasimhan committee
- Today the share of capital of a regional rural bank these bank are in ratio of 60,20 and 20 by central govt, state govt and sponsoring bank respectively
- . It provides loans to rural areas, under the supervision of NABARD
- Focus on Agriculture and small industries. They provide personal banking services as banking, loan, education loan, housing loan,

- The main goal of establishing regional rural banks in India was to provide credit to the rural people who are not economically strong enough, especially the small and marginal farmers, artisans, agricultural labours, and even small entrepreneurs.

# Objectives of RRBs

- Provide cheap and liberal credit facilities to small and marginal farmers, agriculture labourers, artisans, small entrepreneurs and other weaker sections
- Save the rural poor from money lenders
- Cultivate banking habits among rural people and mobilise savings for economic development of rural areas



- Increase employment opportunities by encouraging trade and commerce in rural areas.
- Encourage rural entrepreneurship
- Fulfil the needs of backward areas which are not covered by other efforts of government
- Develop under developed regions ,remove economic disparity between regions, accelerate economic growth in particular region.

# Functions of RRBs

1. Grant loans and advances to small farmers and agricultural labourers to start their own farming activities
2. Provides banking services at door step of rural people
3. Charges lower rate of interest
4. Provide loan and other financial assistance to entrepreneurs in villages, sub-urban areas and small towns
5. Loans to artisans
6. Encourage saving habit among rural and semi-urban population

# Globalisation

v/s

# Financial markets

# Reason for globalisation of financial markets

- ✓ **Technological factors**
- ✓ **Growth of MNCs**
- ✓ **Growth of global trading blocks**
- ✓ **Reduced tariff barriers**

# Reason for globalisation of financial markets

- ✓ **Global nature of financial system**
- ✓ **Improved flow of capital**
- ✓ **Increased mobility of labour**
- ✓ **Changes in government policy**

# Reason for globalisation of financial markets

- ✓ **Profit urge**
- ✓ **Economic growth and prudent macro economic management**
- ✓ **Privatization**
- ✓ **Financial innovations**

# • Benefits of Globalisation

- Significant reduction in cost of capital
- Speed and ease of access
- Free movement of capital
- International trade
- Increase in GDP
- Advancement of technology

# • Risks involved in Globalisation of financial markets

- ❖ Transmission of shocks
- ❖ Problem of liquidity to domestic firms
- ❖ Beneficial to large markets
- ❖ Loss of hold in domestic operations
- ❖ Problem for macro economic management.
- ❖ Problems with tracking capital flows