



# DEPARTMENT OF ECONOMICS

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Poornaprajna College, Udupi



# NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT

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# NABARD

# INTRODUCTION



- 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

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(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



- A maximum of 16 directors on its Board.
- Chairman and Managing Director
- Board constitutes of 13 directors appointed by the Government of India
- three from scheduled commercial banks
- four directors who are industry/trade experts.
- Three other nominated by the RBI, IDBI and ECGC



# 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 crs and paid up capital; to 500 crs

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
- Provide technical, administrative and financial assistance for exporters and importers



# GLOBALISATION V/S FINANCIAL MARKETS

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# REASON FOR GLOBALISATION OF FINANCIAL MARKETS



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



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



- ✓ 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



- ❖ 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