

MCQ Question · mcqquestion.com

NABARD: India’s Apex Bank for Rural Credit

Free · Share

NABARD: India’s Apex Bank for Rural Credit

Practice: 6 MCQs
NABARD is the apex bank for rural credit in India.

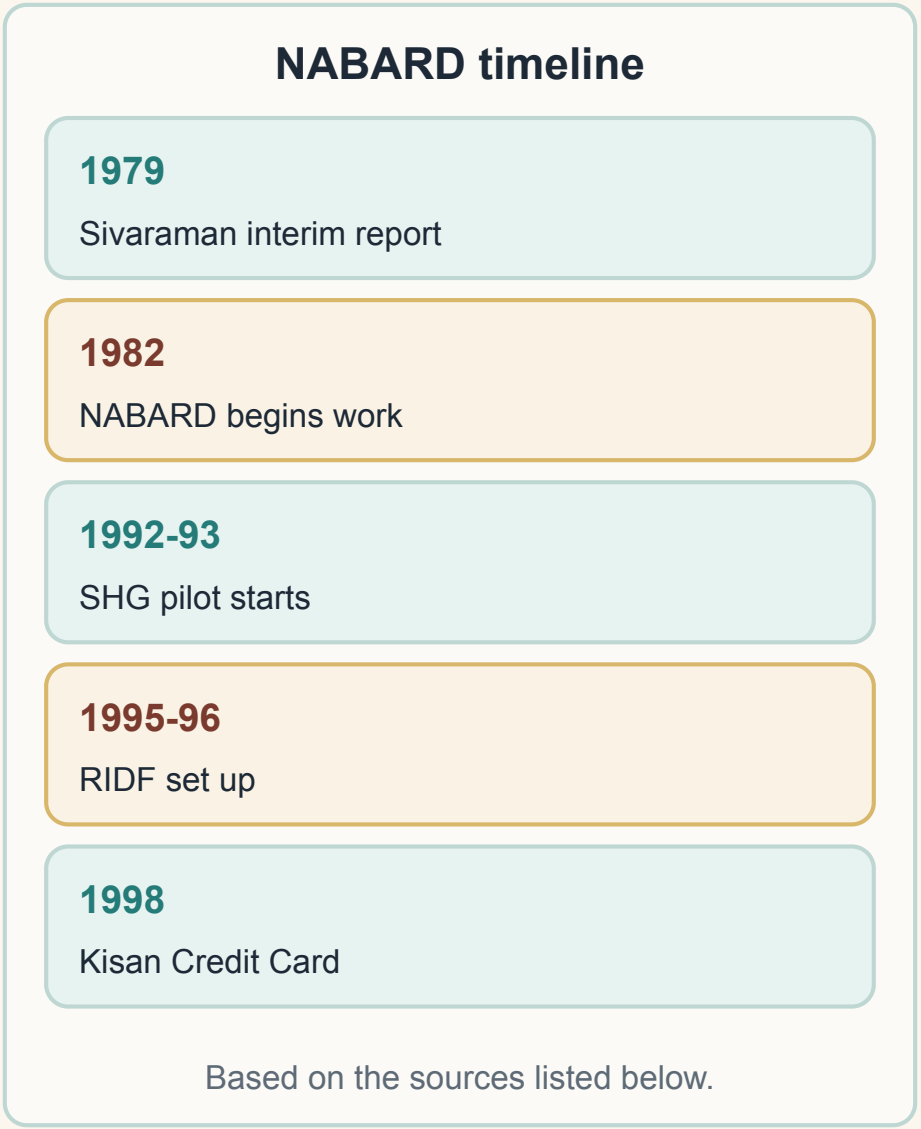
This page covers how it began, what it does, its main schemes, and the traps that exams set.

- **Started:** 12 July 1982, under the NABARD Act, 1981.
- **Owner:** wholly the Government of India.
- **Main tool:** refinance to banks and cooperatives.
- **SHG programme:** NABARD pilot, 1992-93.
- **RIDF:** from the 1995-96 Budget; **KCC:** August 1998.

Contents

1. India’s apex rural bank
2. What NABARD does
3. Flagship schemes
4. Exam traps
5. Previous-year question
6. 4 understanding checks
7. Related Articles
8. 6 practice MCQs

1. India’s Apex Rural Bank



Key dates in NABARD's story. Original explanatory diagram.

1.1 Why was NABARD set up?

By the late 1970s, rural credit needed one bank that could give it full attention. The Reserve Bank formed a committee in 1979 to study the problem. It is called CRAFICARD.

The committee was chaired by B. Sivaraman. Its interim report is dated 28 November 1979. It asked for a new institution focused on rural credit.

1.2 When and how did it begin?

Parliament passed the NABARD Act as Act 61 of 1981. The bank began work on 12 July 1982.

It took over the agricultural credit functions of the RBI. It also took over the refinance functions of the Agricultural Refinance and Development Corporation (ARDC).

Prime Minister Indira Gandhi dedicated it to the nation on 5 November 1982. Its first capital was ₹100 crore.

1.3 Who owns it, and where is it based?

At first the capital was shared between the Government of India and the RBI. The shares were later revised. Today the Government of India owns NABARD fully.

The head office is in Mumbai.



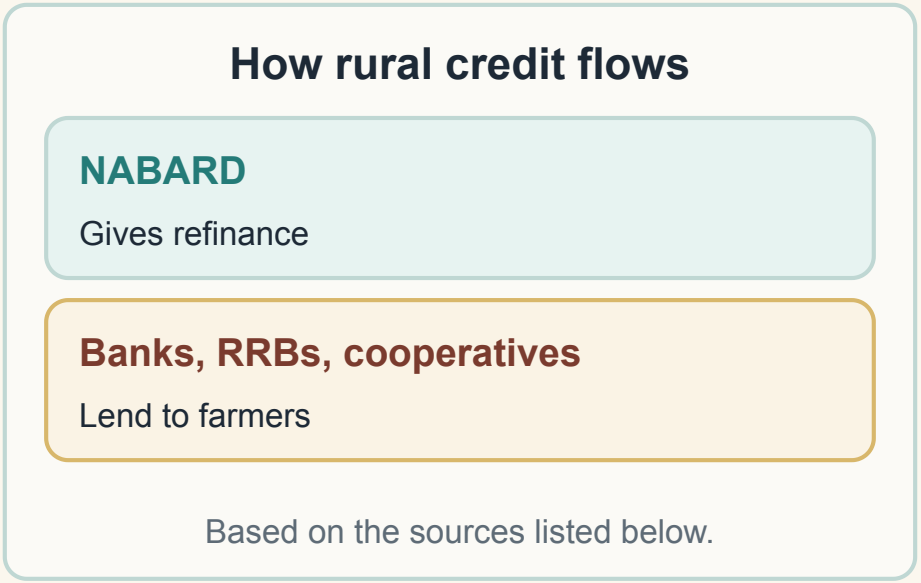
A farmer receives a loan sanction letter at a rural credit camp. Photo: Government of India, GODL-India, via Wikimedia Commons.

Sources:

- Ministry of Finance: NABARD
- NABARD: Citizen’s Charter

True or false: NABARD began work in 1981, the year of its Act.

2. What NABARD Does



The refinance flow in one line. Original explanatory diagram.

2.1 What are its main jobs?

NABARD is a development bank for agriculture and rural India. Its law lets it provide and regulate credit for farming, small industries, cottage industries and handicrafts.

Its major functions are promotion and development, refinancing, financing, planning, monitoring and supervision.

2.2 Does NABARD lend to farmers directly?

Mostly no. Its main credit tool is refinance. It gives money to rural financial institutions, and they lend to farmers.

It does lend directly to some bodies. These include cooperatives and producer organisations. So “never lends directly” is too strong.

2.3 Whom does it inspect?

NABARD does statutory inspection of Regional Rural Banks (RRBs), State Cooperative Banks and District Central Cooperative Banks.

It does voluntary inspection of State Cooperative Agriculture and Rural Development Banks.

Sources:

- NABARD: Citizen's Charter (section 2)

True or false: NABARD never lends directly to anyone.

Think it through: why does a bank want refinance from NABARD?

A bank that lends to farmers can run short of money. Refinance gives it fresh funds, so it can lend more.

3. Flagship Schemes

3.1 What is the SHG-Bank Linkage Programme?

A Self-Help Group (SHG) is a small group of poor people who save together. The programme connects such groups to banks.

It began as a pilot to link about 500 SHGs in 1992-93. NABARD says it is now the largest microfinance programme in the world by client base and outreach.

Under the pilot, the RBI let banks lend directly to SHGs. NABARD gave refinance and promotional support.

3.2 What is the RIDF?

The Rural Infrastructure Development Fund (RIDF) was set up in NABARD from the 1995-96 Union Budget. It gave low-cost funds to State governments for rural projects.

Banks that missed their farm-lending targets had to pay into it. So their shortfall became money for rural roads, bridges and irrigation.

At first it financed unfinished irrigation and watershed projects as a “last mile” push. Today it covers a wide range of 37 activities.

3.3 What is the Kisan Credit Card?

The 1998-99 Budget speech said NABARD would prepare a model Kisan Credit Card scheme. Banks would use it to give farmers credit based on their land holdings.

The cards were launched in August 1998. Farmers use them to buy seeds, fertiliser and pesticides, and to draw cash.



A financial inclusion camp offering rural credit schemes. Credit: Government of India (GODL-India), via Wikimedia Commons.

Sources:

- NABARD: SHG-Bank Linkage
- World Bank: SBLP
- NABARD: RIDF Handbook
- TNAU: RIDF note
- TNAU: Kisan Credit Card note

True or false: the SHG-Bank Linkage Programme was started by the State Bank of India.

Think it through: why use bank shortfalls to fund rural roads and irrigation?

The banks missed their farm-lending targets. The shortfall then pays for projects that help farming.

4. Exam Traps

4.1 Who started the SHG programme?

UPSC CSP 2023 tested this. A statement said the State Bank of India started the SHG programme. It is false.

The SHG-Bank Linkage Programme was started by NABARD in 1992.

4.2 What other traps appear?

- **Year:** NABARD began in 1982, but the Act is of 1981.
- **Owner:** NABARD is wholly owned by the Government of India, not the RBI.
- **Direct lending:** the main tool is refinance, but some direct lending exists.
- **Committee:** the spelling in official text is Sivaraman.

Sources:

- NABARD: SHG-Bank Linkage (section 4)
- UPSC CSP 2023 paper page
- Ministry of Finance: NABARD (section 4)
- NABARD: Citizen’s Charter (section 4)

True or false: the RIDF is funded by the shortfall of banks in farm lending.

5. Which previous-year question tests NABARD?

The answer is (b). Statements 2 and 3 are correct.

Statement 1 is false. The SHG-Bank Linkage Programme was started by NABARD in 1992, not by the State Bank of India.

Your understanding checks

Your 4 quick checks Answered 0 of 4 · Correct 0
This score resets when the page reloads.

Practice: 6 MCQs

Practice MCQs

1. On which date did NABARD begin work?

A. 12 July 1982

B. 12 July 1981

C. 5 November 1982

D. 30 March 1979

See answer ↓

2. Who owns NABARD today?

A. The World Bank

B. The State Bank of India

C. The Government of India

D. The Reserve Bank of India

See answer ↓

3. What is NABARD's main credit tool?

A. Direct loans to every farmer

B. Refinance to banks and cooperatives

C. Printing currency

D. Fixing the repo rate

See answer ↓

4. When did the SHG-Bank Linkage Programme begin as a pilot?

A. 1995-96

B. 1998-99

C. 1992-93

D. 1982-83

See answer ↓

5. How is the Rural Infrastructure Development Fund (RIDF) funded?

A. By banks' shortfall in farm-lending targets

B. By foreign aid only

C. By RBI profits

D. By income tax on farmers

See answer ↓

6. Which body prepared the model Kisan Credit Card scheme?

A. NITI Aayog

B. NABARD

C. SBI

D. SIDBI

See answer ↓

Answer Key

1. **A.** The answer is **12 July 1982**. The NABARD Act is of 1981, but the bank began work in 1982. Why the others fail: 1981 is only the year of the Act. 5 November 1982 is the day it was dedicated to the nation. 1979 is when the study committee was formed. Memory hook: Act in 1981, bank in 1982. ↑ Q1
2. **C.** The answer is the **Government of India**. At first the capital was shared with the RBI, but the shares were later revised. Why the others fail: the RBI no longer holds the capital. The SBI and the World Bank never owned it. Memory hook: RBI helped start it, the Government owns it. ↑ Q2
3. **B.** The answer is **refinance**. NABARD gives money to rural financial institutions, and they lend to farmers. Why the others fail: it does lend directly to some bodies, but not to every farmer. Currency and the repo rate belong to the RBI. Memory hook: NABARD funds the lenders. ↑ Q3
4. **C.** The answer is **1992-93**. NABARD began it as a pilot to link about 500 SHGs to banks. Why the others fail: 1982 is when NABARD began. 1995-96 is the RIDF. 1998-99 is the Kisan Credit Card Budget. Memory hook: SHG 1992, RIDF 1995, KCC 1998. ↑ Q4
5. **A.** The answer is **the shortfall of banks in farm lending**. Banks that missed their targets paid into the fund. Why the others fail: farmers pay no special tax for it, and it is not funded by RBI profits or aid alone. Memory hook: a missed target becomes a rural road. ↑ Q5
6. **B.** The answer is **NABARD**. The 1998-99 Budget speech said it would prepare the model scheme. The cards were launched in August 1998. Why the others fail: banks issue the cards, but NABARD drew up the model. Memory hook: banks issue, NABARD designs. ↑ Q6

Curated by Arsalan Zuberi · mcqquestion.com



Scan to read online

https://mcqquestion.com/articles/indeco0192-nabard-indias-apex-bank-for-rural-credit/