UNIT 6 VILLAGE AND COTTAGE INDUSTRIES

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6.0 OBJECTIVES

After studying this unit, you should be able to:

- define the Village and Cottage Industries;
- appreciate the management aspect of Village & Cottage Industry;
- estimate the funding requirement of Village & Cottage Industry unit;
  and
- identify the objectives, features and schemes promoted by funding institutions.
6.1 INTRODUCTION

The basics of Agripreneurship, its significance and how to start an agri enterprise have been studied and understood in the previous units. We learned the types of enterprise and entrepreneurial skills needed for the purpose. We have also understood the steps to establish an agri start-up and best practices to run the enterprise successfully.

In this unit, we will study the meaning, concept, and types of Village and cottage industries which are also a form of agri enterprises. Here we will also learn to manage and fund such industries with the help of various Government Institutions. The role of the Agri Infrastructure Fund and NABARD has also been discussed.

6.2 CONCEPT OF VILLAGE AND COTTAGE INDUSTRY

Cottage Industry is a small unit initiated and managed by a family to carry a traditional or contemporary and need-based business. The entrepreneur and their family members either carry on the traditional work started by their forefathers, generations ago or start a new business to cater to the new requirements of society.

Based on the nature of business, cottage industries can be bifurcated into two parts.

i) Traditional Cottage Industries: These have been working for ages and generally produce all kinds of handicrafts & handloom products, jewellery, pottery, leather products, etc.

ii) Contemporary Cottage Industries: These are making the products as per the current situation. During coronavirus times we saw that a lot of units started making ‘Covid testing swabs’, ‘sanitizers’, and ready Kadamix for patients. Also, new food processing businesses are emerging with changes in tastes. Noodles have taken the place of vermicelli. Pasta has emerged in place of ‘Sargunde’ (a Maharashtrian dish, similar to pasta) etc. The basic classification of Cottage Industries can be understood from Figure 6.1:

![Fig. 6.1: Classification of Cottage Industries](image_url)
6.2.1 Features of Village & Cottage Industry

**Micro and small units:** The size of Village and cottage industries are quite small in size. They can start at a small level and can grow gradually with the passing of time. The features of these industries are:

i) Small Investment

ii) Managed by a family

iii) Carry on the traditional work

iv) Use of Local raw materials

v) Employ local skills

vi) Wide market

6.2.2 Significance of Village & Cottage Industry

Village and cottage industries play a significant role in the development of the country. Its significance can be understood with the help of the following points:

i) **Employment to rural population:** The cottage industry provides ample employment opportunities, resulting in employed youth, reduced poverty and happy villages

ii) **Low capital Requirement:** Village and cottage industry units start with a small size and grow gradually. During the initial years, the capital requirement is also quite low. Either that capital can be generated from the owners’ funds or from small self-help groups (SHG). So interest cost does not burden the new business.

iii) **Utilisation of Local resources:** To run a cottage or village industry, local raw materials and local skills are utilised. This also adds to an increase in local business and overall uplifts the surrounding community.

iv) **Support to small & Medium Industries:** It provides allied services and raw materials to medium-sized industries like small tools, spare parts, spices for the food industry, Cotton fabric for garments units etc.

v) **Women Empowerment:** It promotes women empowerment, due to their significant role in the working of cottage and village units.

vi) **Balanced Regional Development:** Cottage & village industries play an effective role in the balanced development of the region by utilising local resources and giving back to the adjacent society.
vii) **Eco-friendly:** The cottage industry is energy efficient and eco-friendly due to its low level of emissions.

viii) **Export Potential:** Products produced in village and cottage industries have high export potential due to their traditional aesthetics, eco-friendliness and low carbon footprints.

### 6.2.3 Types of Village & Cottage Industry

India is known for its diversified culture represented through its magnificent cottage industries. Major types of cottage industries are:

i) **Cotton weaving:** The cotton weaving business is an important industry in India and dates back to ancient times. Cotton clothing is famous for its rich colour, classic design and patterns created using handlooms by skilled weavers. Tamil Nadu, Maharashtra and Gujarat have the most cotton production.

ii) **Silk weaving:** Silk weaving is a well-known cottage industry in India. Silk is a key product produced in India and exported across the globe. Karnataka is the top silk producer state, accounting for around 70% of the silk weaving industry. Tussore, Mulberry and Muga silks are produced across the country.

iii) **Carpet weaving:** The carpet weaving industry was introduced to India during the Mughal period. The Kashmiri carpets are famous for their unique texture and quality. Similarly, coir and durries carpets are also preferred. The carpet industry is spread across the country, with most of them situated in Rajasthan, Kashmir, Uttar Pradesh, Punjab and Andhra Pradesh. The Government has also established the Carpet Export Council to promote the export of knotted rugs from India.

iv) **Leather production:** India is a major producer of high-quality leather and leather goods. It caters to approximately 10% of global demand. The leather sector employs around 2.5 million people and is one of the largest export earners. West Bengal, Tamil Nadu and Uttar Pradesh are the top states to have this business.

v) **Metalworks:** In India, metal is utilised to create utensils, sculptures, jewellery and other items. India’s metal handicrafts are well-known worldwide and contribute substantially to the country’s economy. Metal handicrafts are made with hand-operated tools and without using high-tech equipment. [https://cleartax.in/s/cottage-industries-in-india#h2]

**Check Your Progress 6.1**

**Note:**  

a) Use the spaces given below for your answers.

b) Check your answer with those given at the end of the unit.
1. Which city is famous for its carpets in Uttar Pradesh?

2. Which city was known as Manchester of India and why?

3. Which Ministry governs the Village and Cottage Industries?

6.2.4 Governing Body of Village & Cottage Industry

Khadi and Village Industries Commission (KVIC) is a statutory organization that promotes village industries and also helps cottage industries. It is a statutory body formed in April 1957 by the Government of India, under the Act of Parliament, 'Khadi and Village Industries Commission Act of 1956'. It is an apex organisation under the Ministry of Micro, Small and Medium Enterprises, with regard to khadi and village industries within India.

The major mission of KVIC is to - "plan, promote, facilitate, organise and assist in the establishment and development of khadi and village industries in the rural areas in coordination with other agencies engaged in rural development wherever necessary."

In April 1957, it took over the work of the former All India Khadi and Village Industries Board. Its head office is in Mumbai, whereas it has six zonal offices in Delhi, Bhopal, Bengaluru, Kolkata, Mumbai and Guwahati. Other than these six zonal offices, it has offices in 28 states for the implementation of its various programs. [Wikipedia]

a. Objectives

The commission has three main objectives; those guide its functioning. These are:

i) The Social Objective - Providing employment in rural areas.

ii) The Economic Objective - Providing saleable articles.
iii) The Wider Objective - Creating self-reliance amongst people and building up a strong rural community spirit.

The commission seeks to achieve these objectives by implementing and monitoring various schemes and programs.

b. Schemes and Programs

i) Prime Ministers Employment Generation Program (PMEGP)

ii) Interest Subsidy Eligibility Certification Scheme (ISEC)

iii) Rebate Scheme

c. Budgetary Support to the Commission

The Union Government through the Ministry of Micro, Small and Medium Enterprises, provides funds to the Commission. The Khadi and Village Industries Commission then uses these funds to implement its programs either directly - Through its state offices, by directly funding Khadi and Village institutions and co-operatives, or indirectly through 33 Khadi and Village Industries Boards, which are statutory bodies formed by the state governments within India, set up to promote Khadi and Village Industries in their respective states. The Khadi and Village Industries Boards, in turn, fund Khadi and Village Institutions/Co-operatives/Entrepreneurs.

At present the developmental programs of the commission are executed through, 5,600 registered institutions, 30,138 Cooperative societies and about 95 lakh people.

Check Your Progress 6.2

Note:  
   a) Use the spaces given below for your answers.
   b) Check your answer with those given at the end of the unit.

1. Which Ministry governs the Khadi& Village Industries Commission?

2. Where from KVIC get its financial support?
3. Name 2 schemes run by KVIC.

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Activity 6.1:
Identify and list 5 cottage units in your village/locality.

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<th>Nature of Business</th>
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6.3 MANAGEMENT OF VILLAGE & COTTAGE INDUSTRY UNITS

As per noted management expert Peter F Drucker, “Management is a distinct process of planning, organizing, acting and controlling, performed to determine and accomplish stated objectives with the use of human beings and other resources”.

Management is the essence of the business irrespective of its size i.e. micro, small, medium or large; a, age i.e. new or established; and nature of business i.e. manufacturing, trading, services etc.

At the most fundamental level, management is a discipline that consists of a set of six general functions: planning, organizing, staffing, directing, coordinating and controlling. These Six functions are part of a body of practices and theories of successful management.

The volume of village and cottage industries begins with a micro or small unit, but still, it needs to be managed by adopting basic fundamentals of management as follows:

Planning is the beginning of any activity. As for anything we think of doing we need to plan whether it is any event, party, picnic or business, planning is the essence. So is for Cottage and village industries. At the outset, we need to plan for the business activity. Let us take an example of starting a unit for the processing of spices. We need to consider and plan the following aspects:
i) Which spices are available in the vicinity?

ii) What kind of processing will be required?

iii) What is the resource requirement i.e. manpower, machines & money?

iv) How the utilities like water, electricity, steam, etc. will be arranged?

v) What will be the expected cost?

vi) Who will be the end customer and what will be the probable demand for the product?

After getting answers to all these questions, one can start working on the details. Then the stage of organising starts with a question of how all these aspects will be organised. Then we need to arrange for manpower requirements. Then the function of directing, coordinating and controlling begins.

All these functions are continuous and go on simultaneously. To manage Village and cottage units, entrepreneurs should be aware of these fundamentals and capable of applying them on a day-to-day basis for management decision-making.

### 6.4 FUNDING OF VILLAGE & COTTAGE INDUSTRY UNITS

Finance is the lifeblood of any business. No business can start or grow without appropriate financing. The same is true for small cottage and village industry units. There are many options for small cottage and village industry units to get financing. The most common are loans under the Prime Minister Employment Generation Program (PMEGP). It has certain limitations but a loan can be given for any kind of activity. Small units including individual farmers, FPC, cooperative societies etc., related to the agriculture business have some other opportunities. They can approach NABARD, SFAC, Agri Infrastructure Fund etc. In this unit, we will understand the organisation, its objectives, its role in agricultural financing and prevailing schemes for agriculture-based cottage and village enterprises.

### 6.5 AGRI INFRASTRUCTURE FUNDS

The Agriculture Infrastructure Fund Scheme is a financing facility to provide all-around financial support to farmers, Agri-entrepreneurs, farmer groups like Farmer Producer Organisations (FPOs), Self Help Groups (SHGs), Joint Liability Groups (JLGs) etc along with all other available state and central government schemes. Any grant or subsidy available under any present or future scheme of the Central/State government can be availed for projects in addition to this financing facility.
6.5.1 Features

Agriculture Infrastructure Funds (AGRI) are financial schemes or programs aimed at improving and modernizing agricultural infrastructure to boost agricultural productivity, enhance farm income, and promote overall agricultural development. These funds can be initiated by governments, financial institutions, or international organizations and can vary in their specific features. However, some common features of AGRI infrastructure funds are as follows:

i) The scheme provides medium to long-term term debt financing facilities for investment in viable projects for post-harvest management infrastructure and community farming assets through interest subvention and financial support/credit guarantee.

ii) The scheme helps in reducing post-harvest losses by creating and modernising agriculture infrastructure, which includes primary processing centres for vegetables, hi-tech hubs for the rental of agricultural machinery, storage facilities, post-harvest agriculture infrastructure etc.

iii) These facilities should help farmers get a higher price for their produce as they will be able to reduce wastage, store, process and add value addition to their products.

iv) The scheme will continue till 2032-33.

v) Under this scheme, banks and financial institutions provide loans with an interest subvention of 3% per annum for a maximum period of 7 years.

vi) The scheme also entails providing credit guarantee coverage under the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) for loans up to ₹ 2 Crore.

vii) Convergence of this scheme with all other schemes of central or state government is allowed.

viii) Online single window facility is available in collaboration with participating lending institutions.

ix) NABARD will steer this initiative in association with the Ministry of Agriculture and Farmers’ Welfare.

x) For APMCs, interest subvention for a loan up to ₹ 2 crores will be provided for each project of different infrastructure types e.g. cold storage, sorting, grading and assaying units, silos, etc. within the same market yard.

xi) There is a maximum limit on lending rate so that the benefit of interest subsidy reaches the beneficiary and services to farmers remain affordable.
xii) Multiple lending institutions are assisting in the scheme these include Commercial Banks, Cooperative Banks, RRBs, Small Finance Banks, NCDC, NBFCs etc.

It's important to note that the specific features of AGRI infrastructure funds can vary from one program to another, and they are often tailored to the specific needs and objectives of the region or country where they are implemented. The ultimate goal of these funds is to support sustainable agricultural development and improve the livelihoods of those involved in the agriculture sector.

6.5.2 Scheme Beneficiaries

The beneficiaries of a scheme or program can vary widely depending on the nature and objectives of the scheme. The term "beneficiary" typically refers to individuals, groups, or entities that receive some form of advantage, assistance, or benefit from the scheme. Here are some common categories of scheme beneficiaries:

i) Primary Agricultural Credit Society (PACS),
ii) Farmer Producer Organization (FPO) & Federation of FPOs,
iii) Marketing Cooperative Societies,
iv) Joint Liability Groups (JLG),
v) Self-Help Groups (SHGs) & Federation of SHGs,
vii) Multipurpose Cooperative Societies,
viii) Startups,
ix) Agri entrepreneurs,

6.5.3 Objectives

The primary objective of the scheme is to provide financial support for agriculture entrepreneurs to improve agriculture infrastructure in India. Increase value realization by allowing farmers to sell directly to a larger base of consumers because of improved marketing infrastructure. This facility has numerous objectives for all the stakeholders in the agriculture ecosystem.

A. Farmers (including FPOs, PACS, Marketing Cooperative Societies & Multipurpose cooperative societies)

i) Improved marketing infrastructure to allow farmers to sell directly to a larger base of consumers and hence, increase value realization for the farmers. This will enhance the overall income of farmers.
ii) Investments in logistics infrastructure will provide a larger market with reduced post-harvest losses and a smaller number of intermediaries. This will make farmers independent and improve access to the market.

iii) With easy access to modern packaging and cold storage systems, farmers will be able to further decide when to sell in the market and improve realization.

iv) Community farming assets for improved productivity and optimization of inputs will result in substantial savings for farmers.

B. Government

i) Due to improvements in post-harvest infrastructure, the government will further be able to reduce national food wastage percentage thereby enabling the agriculture sector to become competitive with current global levels.

ii) Central/State Government Agencies or local bodies will be able to structure viable PPP projects for attracting investment in agriculture infrastructure.

C. Agri entrepreneurs and start-ups

With a dedicated source of funding, entrepreneurs will push for innovation in the agriculture sector by leveraging new-age technologies including the Internet of Things & Artificial Intelligence.

D. Consumers

With reduced inefficiencies in the post-harvest ecosystem, the key benefit for consumers will be a larger share of the produce reaching the market and hence, better quality and prices.

6.5.4 Management of Fund

The management of funds under an AGRI is a complex and multifaceted process that involves various stakeholders working together to achieve the fund's objectives of improving agricultural infrastructure, enhancing productivity, and supporting the well-being of the agricultural community. It requires efficient financial management, rigorous project selection and monitoring, and compliance with regulatory requirements to ensure the effective use of resources.

i) The fund will be managed and monitored through an online Management Information System (MIS) platform. It will enable all the qualified entities to apply for loans under the Fund.

ii) The National, State and District level monitoring committees will be set up to ensure real-time monitoring and effective feedback.
Check Your Progress 6.3

Note:  a) Use the spaces given below for your answers.

b) Check your answer with those given at the end of the unit.

1. Mention 3 benefits under the AIF.

2. List 5 Beneficiaries of AIF.

6.6 NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (NABARD)

The importance of institutional credit in boosting the rural economy has been clear to the Government of India right from its early stages of planning. Therefore, the Reserve Bank of India (RBI) at the instance of the Government of India, constituted a Committee to Review the Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) to look into these very critical aspects. The Committee was formed, a report was submitted, stating the need for a new organisational device for providing undivided attention, forceful direction and focus on credit-related issues linked with rural development. The Committee recommended for formation of a unique development financial institution that would address these aspirations and the idea of the National Bank for Agriculture and Rural Development (NABARD) was evolved with the approval of Parliament through Act 61 of 1981.

NABARD came into existence on 12 July 1982 by transferring the agricultural credit functions of RBI and refinance functions of the then Agricultural Refinance and Development Corporation (ARDC). It was dedicated to the service of the nation by the late Prime Minister Smt. Indira Gandhi on 05 November 1982. NABARD today is fully owned by the Government of India.

Vision

Development Bank of the Nation for Fostering Rural Prosperity.

Mission

Promote sustainable and equitable agriculture and rural development through participative financial and non-financial interventions, innovations, technology and institutional development for securing prosperity.
6.6.1 Major Functions

Initiatives of NABARD are aimed at building an empowered and financially inclusive rural India through specific goal-oriented departments which can be categorized broadly into three heads:

i. Financial,
ii. Developmental, and
iii. Supervision

Through these initiatives almost every aspect of the rural economy is covered, from providing refinance support to building rural infrastructure; from preparing district-level credit plans to guiding and motivating the banking industry in achieving these targets; from supervising Cooperative Banks and Regional Rural Banks (RRBs) to helping them develop sound banking practices and onboarding them to the CBS platform; from designing new development schemes to the implementation of Government of India’s development schemes; from training handicraft artisans to providing them with a marketing platform for selling these articles.

Over the years NABARD initiatives have touched the lives of millions of rural habitants across the country. Their milestone achievements have been India’s achievements as well. The SHG Bank Linkage Project launched by NABARD in 1992 has blossomed into the world’s largest microfinance project. Kisan Credit Card, designed by NABARD has become a source of comfort for millions of farmers. It has financed one-fifth of India’s total rural infrastructure. It pioneered the watershed development project as a tool for sustainable climate-proofing. There is a long list, but to have a basic understanding we can look at Figure 6.2:

Fig. 6.2: Functions of NABARD
Check Your Progress 6.4

Note:  
a) Use the spaces given below for your answers.

b) Check your answer with those given at the end of the unit.

1. What is the main objective of NABARD?

2. Mention 3 major functions of NABARD.

3. List 4 Developmental functions of NABARD.

6.6.2 NABARD Schemes

The primary objective of NABARD is to promote sustainable and equitable agriculture and rural development through institutional development, credit support, and other related services. To meet these objectives NABARD has launched various schemes to support various activities of a large number of beneficiaries from different segments of rural backgrounds. These schemes can be broadly classified into 4 segments as shown in Figure 6.3 below:

![Fig. 6.3: NABARD Schemes Classification](image-url)
A. Farm Sector Schemes

Farm sector schemes are government-sponsored initiatives and programs designed to support and promote the agricultural sector. These schemes aim to enhance agricultural productivity, increase farmers' income, improve rural livelihoods, and address various challenges in the agricultural sector. Farm sector schemes can encompass a wide range of activities and initiatives. Farm sector schemes basically consist of various programs for:

i. Producers Organisation Development Fund

ii. Watershed Development Program

iii. Tribal Development Program

These programs are detailed below:

i. Producers Organisation Development Fund (PODF)

NABARD has taken the initiative to support producer organizations (POs), adopting a flexible approach to meet the needs of producers. Beneficiaries include registered Producer Organisation viz. FPOs (Farmer Producer Companies), Producers Cooperatives, registered Farmer Federations, MACS (Mutually Aided Cooperative Society), industrial cooperative societies, PACS (Primary Agricultural Cooperative Societies) etc. Support under PODF is provided as follows:

a) Loan-linked grant support is available to the FPOs for promotion, capacity building & market interventions.

b) Grant assistance to eligible agencies for conducting workshops, meetings, round table meetings, special studies, IT-based interventions, etc. is also available without linking to availing institutional loan.

ii. Watershed Development Program

Watershed Development Fund (WDF) was created in 1999-00 with broad objectives of unification of a multiplicity of watershed development programmes into a single national initiative through the involvement of village-level institutions and Project Facilitating Agencies (PFAs). A midterm evaluation of the programme is carried out in various states. Certain improvements reported are as follows:

a) increased farming activities,

b) decrease in soil erosion,

c) increase in soil moisture,

d) increase in the water table,

e) decrease in seasonal migration,
f) The quality of life has improved with better availability of drinking water,

g) Improvement in groundwater recharge, and

h) Increase in cropping intensity.

iii. Tribal Development Program

The Tribal Development Fund (TDF) was created in the year 2003-04 with a special emphasis on providing support for the holistic development of tribal communities. As of 31 March 2020, 791 Tribal Development Projects are being implemented with a cumulative sanction of Rs.2302.29 crore. These projects are implemented across 29 States and Union Territories, covering 5.53 lakh tribal families spread over 4.54 acres of land.

B. Off Farm Sector Schemes

Off Farm Sector Schemes are promoted to reduce over-dependence of rural India on agriculture by providing alternate livelihood options and thereby curbing large-scale migration of small and marginal farmers and agricultural labourers to urban areas. These schemes include marketing support for non-farm products, skill development, innovation, housing and sanitation for the rural population. Details of these schemes are as below:

i. Marketing Initiatives

To enable the artisans not only to sell the products in marketing events but to market their products and benefit directly from the market feedback for better value realization in future, financial assistance by way of grant is provided on a selective basis.

ii. Exhibition/Melas

NABARD supports and provides a marketing platform to rural artisans and producers to exhibit their traditional art crafts, produce and products through exhibitions and melas which facilitate the artisans in not only utilizing their expertise as a source of livelihood but also help them in enhancing their income.

iii. Rural Haats/Rural Marts

To enable the artisans not only to sell the products in marketing events but to market their products and benefit directly from the market feedback for better value realization in future, NABARD extends financial assistance by way of grants for the setting up of Rural Haats and Rural Marts.

iv. Skill development RUDSETI / RUDSETI Type of Institutions / RSETIs

As an effort to institutionalize the Entrepreneurship and Skill Development initiatives, NABARD provides support to specialised institutions viz., RUDSETI (Rural Development and Employment Training Institute)
Village and Cottage Industries

/RUDSETI type of Institutions, which provide entrepreneurship development training to rural youth/women on various skills, which can generate better livelihood options. Assistance is provided to these institutions, which comply with the criteria stipulated by NABARD.

In order to broaden the skill initiatives, in addition to RSETI/RUDSETI, a new set of partner agencies i.e. training institutes affiliated with NSDC (National Skill Development Corporation), Government agencies, Corporates under CSR, NGOs, Trusts and other voluntary agencies etc. have been included so as to cover the skill requirements of different segments of society.

v. Rural Innovation Fund (RIF)

Rural Innovation Fund (RIF) is a fund designed to support innovative, risk-friendly, unconventional experiments in farm, off-farm and microfinance sectors that would have the potential to promote livelihood opportunities and employment in rural areas.

Support available under RIF can be in the form of loan/grant/ incubation fund support, or a mix of all the three components. The support is designed to be need-based, cost-effective and dependent on the requirement of the project, also taking into account some financial involvement by the proposer. This is decided on a case-to-case basis. “On completion of the tenure of RIF on 30 September 2014, the fund ceased to exist. However, NABARD continues to support rural innovations”.

vi. Support to Rural Housing and Rural Sanitation

NABARD is extending financial assistance for rural housing and sanitation to eligible institutions.

C. Micro Finance Sector

NABARD, through its’ Micro Credit Innovations Department has continued its role as the facilitator and mentor of microfinance initiatives in the country. The overall vision of the department is to facilitate sustained access to financial services for the unreached poor in rural areas through various microfinance innovations cost-effectively and sustainably.

i. Support for training and capacity building of clients for SHG-BL PROGRAM

Giving due recognition to training and capacity building of various stakeholders such as bankers, NGOs, Government officials, SHG members and trainers, NABARD has trained around 44.42 lakh participants from the Financial Inclusion Fund till 31 March 2022, in the process giving shape to a strong backup team for implementation of the program.

ii. Micro Enterprise Development Programme (MEDPs)

NABARD since 2006 has been supporting need-based skill development programs (MEDPs) for matured SHGs that already have access to finance
from Banks. MEDPs are on-location skill development training programs that attempt to bridge the skill deficits or facilitate the optimization of production activities already pursued by the SHG members. Grant is provided to eligible training institutions and SHPIs to provide skill development training in farm/off-farm/service sector activities leading to the establishment of micro-enterprises either on an individual basis or on a group basis. Over the years around 5.47 lakh SHG members have been covered through 19,203 MEDPs as of 31 March 2022 with a total grant support of ₹44.46 crore.

iii. Livelihood and Enterprise Development Programs (LEDPs)

As skill upgradation training alone has a limited impact on livelihood creation among the SHG members, it was thought prudent to create sustainable livelihoods among SHG members and to attain optimum benefit out of skill upgradation and a new scheme titled Livelihood and Enterprise Development Program (LEDP) was launched in December 2015. It envisages the conduct of livelihood promotion programs in clusters covering 15 to 30 SHGs in a cluster of contiguous villages where SHG members may be selected. LEDP has been mainstreamed in May 2017. Cumulatively, 1.83 lakh SHG members have been supported through 1641 LEDPs as of March 31, 2022, with total grant support of ₹77.14 crore.

iv. Scheme for promotion of Women SHGs (WSHGs) in backward & LWE districts of India

The scheme aims at saturating the districts with viable and self-sustainable WSHGs by involving anchor agencies who shall promote & facilitate credit linkage of these groups with Banks, provide continuous handholding support, enable their journey to livelihoods and also take responsibility for loan repayments. Under the Scheme, in addition to working as an SHPI, the anchor agencies are also expected to serve as a banking/business facilitator for the nodal implementing banks.

v. Collaboration with NRLM

NABARD continues close coordination with all stakeholders in the SHGBLP sector. Collaboration with NRLM (National Rural Livelihood Mission) is a poverty alleviation project implemented by the Ministry of Rural Development, Government of India. is being regularly maintained and enhanced for the support of SHG BLP. Coordinated efforts like the conduct of National-level seminars and workshops, mutual dialogues and capacity building of stakeholders on SHG BLP have now become very regular.

D. Research and Development

Established by the Bank, in accordance with the provisions of the NABARD Act 1981, the Research and Development (R&D) Fund aims at acquiring new insights into the problems of agricultural and rural development through in-depth studies and applied research and trying out innovative approaches backed up by technical and economic studies.
The R&D Fund is utilised for formulating policies on matters of importance to agricultural operations and rural development, including facilities for training, dissemination of information and promotion of research by undertaking techno-economic studies and other surveys in the fields of agriculture, rural banking and rural development.

Check Your Progress 6.5

Note:  a) Use the spaces given below for your answers.
       b) Check your answer with those given at the end of the unit.

1. Mention 4 segments of NABARD schemes.

2. What do you mean by Self Help Group?

3. What is the Rural Innovation Fund?

6.7 LET US SUM UP

In this unit, you have already learnt the following:

- In current times, when farmers are taking centre stage and are being recognised as food growers for the nation, agripreneurship has also become equally relevant.

- With the help of high productivity in agriculture and the growth of agri enterprises, the dream of doubling the farmers’ income can be manifested.

- Finance has a major role in the evolution, survival and growth of any enterprise.
MSMEs for Agribusiness

- Being the major source of agri finance, NABARD and the Agriculture Infrastructure Fund have a key role to play.
- We studied these two institutions and their role in financing the agriculture sector in particular and nation-building at large.
- In the next unit we will study about the Agri based Micro and small enterprises.

6.8 KEYWORDS

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<tr>
<td>APMC</td>
<td>Agricultural Produce &amp; Livestock Market Committee. It is a system operating under the State Government since agricultural marketing is a state subject.</td>
</tr>
<tr>
<td>Assaying Units</td>
<td>Assaying will help the buyer know the contents of the product such as protein, grain weight, fibre strength, etc. besides its moisture content.</td>
</tr>
<tr>
<td>Khadi</td>
<td>Refers to hand-spun and hand-woven cloth. The raw materials may be cotton, silk, or wool, which are spun into threads on a charkha (a traditional spinning implement).</td>
</tr>
<tr>
<td>NBFCs</td>
<td>Non-Banking Finance Companies. It is a company that is registered under the Companies Act, 1956 and is involved in the lending business, hire-purchase, leasing, insurance business, receiving deposits in some cases, chit funds, stocks, shares acquisition, etc.</td>
</tr>
<tr>
<td>NCDC</td>
<td>National Cooperative Development Corporation. The National Cooperative Development Corporation (NCDC) is a statutory corporation set up under an Act of the Indian Parliament on 13 March 1963. The objectives of NCDC are planning and promoting programmes for the production, processing, marketing, storage, export and import of agricultural produce, foodstuffs, industrial goods, livestock and certain other notified commodities and services on cooperative principles and for matters concerned therewith or incidental thereto.</td>
</tr>
<tr>
<td>RRB</td>
<td>Regional Rural Bank. Regional Rural Banks are government-owned scheduled commercial banks of India that operate at the regional level in different states of India. These banks are under the ownership of the Ministry of Finance, Government of India.</td>
</tr>
</tbody>
</table>
Silos : A silo is a structure for storing bulk materials.

Subsidy : Money that the government, etc. pays to help an organization or to keep the cost of a service low.

### 6.9 SUGGESTED FURTHER READINGS/REFERENCES

Web Link:
- [https://cleartax.in/s/cottage-industries-in-india#h2](https://cleartax.in/s/cottage-industries-in-india#h2)

### 6.10 ANSWERS TO CHECK YOUR PROGRESS

**Check Your Progress 6.1**

1. Bhadohi, also known as the carpet city, is a small hamlet about 16 km away from the city of Varanasi. Known for its colourful, handmade carpets, Bhadohi is home to one of the largest hand-knit and handwoven carpet industries in South Asia.

2. Ahmedabad is known as the “Manchester of India” because of its similarity with the well-known cotton textile centre of Manchester, Great Britain for following reasons:
   i. Climatic conditions are also appropriate for spinning and weaving fine thread.
   ii. Cotton textile products of this region have a good demand inside and outside India.
   iii. The flat terrain and easy availability of land are suitable for setting up the mills.

3. The Ministry of Micro, Small & Medium Enterprises (M/o MSME) envision a vibrant MSME sector by promoting growth and development of the MSME Sector, including Khadi, Village and Coir Industries, in cooperation with concerned Ministries/Departments, State Governments and other Stakeholders, through providing support to existing enterprises and encouraging the creation of new enterprises.

**Check Your Progress 6.2**

1. The Ministry of Micro, Small & Medium Enterprises (M/o MSME) envision a vibrant MSME sector by promoting growth and development of the MSME Sector, including Khadi, Village and Coir Industries, in cooperation with concerned Ministries/Departments, State Governments and other Stakeholders, through providing support to existing enterprises and encouraging the creation of new enterprises.
2. The Union Government through the Ministry of Micro, Small and Medium Enterprises, provides funds to the Commission.

3. Schemes run by KVIC are:
   i. Prime Minister's Employment Generation Program (PMEGP)
   ii. Interest Subsidy Eligibility Certification Scheme (ISEC)

Check Your Progress 6.3

1. The benefits under the AIF are mentioned below:
   i. Interest subvention
   ii. Credit Guarantee
   iii. Moratorium for repayment

2. Beneficiaries of AIF are:
   i. Primary Agricultural Credit Society (PACS),
   ii. Farmer Producer Organisations (FPOs),
   iii. Marketing Cooperative Societies,
   iv. Joint Liability Groups (JLG), and
   v. Self-Help Groups (SHGs).

Check Your Progress 6.4

1. NABARD is a Development Bank with a mandate for providing and regulating credit and other facilities for the promotion and development of agriculture, small-scale industries, cottage and village 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 matters connected therewith or incidental thereto.

2. Major functions of NABARD are:
   i. Financial,
   ii. Developmental, and
   iii. Supervision.

3. Developmental functions of NABARD:
   i. Help cooperative banks and Regional Rural Banks to prepare development action plans for themselves.
ii. Help Regional Rural Banks and the sponsor banks to enter into MoUs with state governments and cooperative banks to improve the affairs of the Regional Rural Banks.

iii. Monitor the implementation of development action plans of banks.

iv. Provide financial support for the training institutes of cooperative banks, commercial banks and Regional Rural Banks.

Check Your Progress 6.5

1. NABARD schemes can be broadly classified into 4 segments. These are:
   i. Farm Sector,
   ii. Off Farm Sector,
   iii. Micro Finance Sector, and
   iv. Research & Development.

2. Self-help groups are informal groups of people who come together to address their common problems. While self-help might imply a focus on the individual, one important characteristic of self-help groups is the idea of mutual support – people helping each other.

3. Rural Innovation Fund (RIF) is a fund designed to support innovative, risk friendly, unconventional experiments in farm, off-farm and micro finance sectors that would have the potential to promote livelihood opportunities and employment in rural areas. Support available under RIF can be in the form of loan / grant/ incubation fund support, or a mix of all the three components.