

Role of NABARD in Strengthening Rural Credit Delivery and Financial Inclusion in India: a Post-Liberalization Analysis

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Abstract:

A critical look at the National Bank for Agriculture and Rural Development (NABARD) and its role in the development of rural credit delivery and financial inclusion in post-liberalization India, with particular emphasis on the post-2014 digital transformation phase. Despite the massive growth in institutional credit following the 1991 financial reforms, structural inequalities, rooted in social hierarchies, institutional weaknesses, and regional disparities, remain in place that prevent equitable access to formal finance. Based on Financial Intermediation Theory and Institutional Theory, the paper posits NABARD as both a systemic intermediary to reduce market friction and an institutional architect that develops governance, norms, and capacities in rural financial systems. NABARD is analysed in three stages: (i) the SHG-driven social intermediation phase (1991-2005), (ii) the institutional consolidation phase of cooperative and RRB reforms (2005-2014), and (iii) the digital integration phase (fintech adoption, PACS digitization, and e-Shakti). However, while NABARD has significantly developed the framework of financial inclusion, its outcomes have been uneven, with last-mile exclusion, regional imbalances, and ever-growing digital divides keeping the quality of the outcomes very uneven. Also, the research underscores the growing importance of climate-resilient finance as a new frontier in rural development policy. NABARD has made a transition from supply-based credit delivery to ecosystem-based inclusion, but meaningful financial inclusion must be based on less access and more context-based, resilience-driven development frameworks to make it possible.

1. Introduction:

Rural credit has been part and parcel of India's development for decades but the problem is still not resolved. In rural India, the need to access timely and affordable institutional credit is critical for agricultural productivity, livelihood diversification, consumption smoothing, risk management, and asset development. However, a "credit gap" still exists in the rural sector: the structural mismatch between the credit requirements of rural households, small producers, and micro-enterprises and the volume, timing, terms, and access to formal finance available to them. This gap is not just in terms of quantifiable data, but also social, spatial, and institutional. Small and marginal farmers, tenant cultivators, landless labourers, women, tribal communities, and rural micro-entrepreneurs do not have access to formal loans, and more often rely on informal lenders, even though the state has intervened and banking has expanded in the country for decades. This gap remains prevalent in the post-1991 era. India's economic liberalization led to a series of financial reforms in the banking sector to enhance efficiency, competitiveness, prudential regulation, and market orientation in the banking industry. These reforms helped build a modern financial system and expanded it, but they also altered the institutional incentives for rural finance. Directed credit mechanisms were gradually reformed, banking operations became financially profitable, and rural branch expansion lost much of the policy momentum of the previous decades. In this new context, financial viability and development became more pressing. While institutional credit to agriculture increased in aggregate terms after liberalization, a large body of evidence suggests that the gains were unevenly distributed, with better-off regions, larger farmers, and more bankable borrowers benefiting disproportionately. So the post-liberalization period did not eradicate rural credit exclusion; it just reconfigured it.

In this changing policy and institutional setting, NABARD has become an important institution and is also crucial in these times. The National Bank for Agriculture and Rural Development (NABARD) was formed in 1982 and is the leading development financial institution of India. Since then it has developed beyond refinancing to do policy planning, institutional development, coordination of cooperative banks and regional rural banks (RRBs), financial inclusion of rural producers who are farmers, producer organizations, and infrastructure financing. NABARD has served as a vital middle ground between the government, the formal financial institutions, and the rural producers in order to strengthen the structure of rural credit delivery and build up the capacity that is the foundation of rural credit and the development of rural banks. As the institution has evolved from simply facilitating refinance to banks, the development of the national institutions and rural financial intermediation is not only a process of improving and developing rural credit but also the development of rural credit.

This development is even more pronounced in the current era. The JAM Trinity—Jan Dhan accounts, Aadhaar, mobile connections—and the Digital India initiative have brought a big shift in India's policy approach towards digital and inclusion-oriented state capacity since 2014. These shifts have transformed the way rural finance works through the provision of direct benefit transfers, digital identity verification, welfare delivery through mobile services, e-KYC systems, data-driven targeting, and so on. These changes in the meaning of financial inclusion have shifted the emphasis from simply having access to a bank branch to the integration into a digital financial ecosystem. In this context, NABARD has no longer only been a refinance agency or an institution that plans for credit. Its contemporary significance is growing as it expands digital rural finance infrastructure, enhances financial literacy and last-mile institutions, encourages self-help groups (SHGs), farmer producer organizations (FPOs), and rural businesses, and adapts traditional developmental finance mechanisms to a platform-based inclusion regime.

Despite the wide body of literature on rural credit, agricultural finance, and NABARD's role in self-help group-bank linkage, refinance, and rural infrastructure development, there is a significant research gap in the field. Most of the literature is either limited to the pre-liberalization and early reform phases or focuses on NABARD in terms of refinance disbursement, cooperative reform, or microfinance outreach. Few studies are systematic enough to provide a systematic view of NABARD post-2014 in relation to the digital public infrastructure, platform governance, and focused financial inclusion. The relation between the old development and the new digital financial infrastructure of rural finance is something we have not yet seen. It is important to examine whether NABARD has changed over time just administratively or has changed a lot in its nature from being the provider and enabler of rural credit to being a more institutional architect of digital financial intermediation, inclusion ecosystems, and last-mile development infrastructure. There are at least three reasons that this gap is important. First, digital financial inclusion is often portrayed in policy discourse as positively empowering, and so accessing credit accounts or digital identities is not necessarily a guarantee of credit access, productive investment, or poverty reduction. Second, rural poor people face multiple barriers in terms of digital literacy, poor connectivity, exclusionary land records, informal tenurial arrangements, weak market integration, and gendered constraints that can hinder the development of digital finance. Third, NABARD has a unique position at the crossroads of finance, development, and state capacity, and so it is a particular case to consider in the digital age in what can be said about how legacy development finance institutions are being reformed.

So this study examines NABARD's capacity to enhance rural credit delivery and foster financial inclusion in post-liberalization India in a more holistic manner, especially after 2014. It examines how the mechanisms of NABARD have moved from a supply-driven model of refinance and branch-based institutional delivery to an ecosystem-based model of digital infrastructure, financial inclusion architecture, and technology-enabled rural intermediation. It also looks at the role of this change in deepening and reducing rural poverty—directly via improved access to credit and lower transaction costs and indirectly through improved livelihood opportunities, resilience, and integration into formal financial systems.

2. Literature Review:

The literature on rural finance in India has undergone a significant change in policy thinking and practice. It moved from the state-led social banking model (based on distributive justice and branch expansion) to a more comprehensive financial inclusion model based on access, usage, technology and ecosystem-based delivery. This change has not been linear and it has not solved the structural obstacles to rural credit. It has transformed the way we engage in inclusion, putting NABARD at the heart of a changing development finance structure. A thematic analysis of the literature suggests three interrelated strands that are very relevant to this research: the shift from social banking to financial inclusion, the institutional constraints in the rural credit system and the growing role of digital technology and fintech in rural financial intermediation.

2.1 The Paradigm Shift: From Social Banking to Financial Inclusion

Rural credit scholarship in India initially emerged in the context of social banking which emerged in 1969 after bank nationalization and was supported by priority sector lending, license for branch lending, differential interest policies and targeted credit programs. The literature in this tradition viewed institutional finance as a developmental tool to remedy market failures, relieve rural households from reliance on informal lenders and open up banking to those who are underprivileged and the poor. Rural branch expansion and lending to agriculture and specialized institutions were seen as key to democratizing access to formal finance. But the literature also highlighted the limitations of social banking. As the branch expansion increased the geographical reach of formal finance, it did not necessarily mean fair and effective credit delivery. Some studies highlighted problems in targeting, political interference, poor repayment discipline, weak monitoring and capture of institutional credit by rural elites. Small and marginal farmers, tenant cultivators and landless households often remained outside the effective reach of formal finance and were only nominal beneficiaries of developmental banking. In this way, the social banking model broadened supply but did not entirely overcome social and institutional exclusion. The post-1991 reform literature is a clear conceptual change. Financial liberalization brought prudential norms, deregulation and more emphasis on viability, efficiency and competition in the banking system. These changes have been argued so far to weaken the previous social obligations system and make directed branch expansion less important as a way of inclusion. Meanwhile financial inclusion gradually replaced the social banking language. Financial inclusion was defined as much more widespread and inclusive than it had ever been before: access to credit, savings, payments, insurance, remittances, and more recently digital financial services. In general, the literature suggests that inclusion was less about state-directed lending and more about integrating excluded populations into the formal financial system through banking reform, technological innovation, institutional diversification, and targeted public policy.

A large body of literature has also noted that the shift from social banking to financial inclusion is a much more fundamental shift in the philosophy of development finance that is not only terminological but deeper. Social banking was based on the notion that the state has to directly pick the people who would benefit from the credit system, or the better off are. Financial inclusion, on the other hand, focuses on creating enabling architectures (accounts, identities, payment rails, business correspondents, credit scoring systems, and digital interfaces) to enable people to access financial services. Some scholars see this change positively and say that the inclusion model is broader, more approachable, and more relevant to present day financial systems. Others are less enthusiastic, saying that financial inclusion can help to depoliticize the conversation around rural inequality with access-based instead of structural power relations in land, markets and institutions.

NABARD is a different place in this debate. It is well known from previous work that NABARD was born in the social banking era but survived and adapted to the financial inclusion period. So its role has been interpreted as one of bridging two poles: keeping in mind a developmental orientation while also operating in a market-compatible, institution-building and inclusion-oriented way. However, the literature does not seem to fully answer the question if NABARD's evolution can be said to represent continuity with the social banking objectives in a new institutional form or to be a more fundamental shift towards enabling governance in rural finance. This question is at the heart of the present study.

2.2 Structural Challenges in Rural Credit Delivery: PACS, RRBs, and Cooperative Banks:

A second major strand of literature focuses on the institutional architecture of rural credit and the structural frameworks which are still restricting access to formal financial services. The rural credit system in India is still deeply interdependent, with cooperative institutions, Regional Rural Banks (RRBs), commercial banks and more recently self-help groups, microfinance institutions, business correspondents and digital platforms. Despite repeated reforms, institutional fragmentation and uneven capacity remain persistent features of the system. The literature on Primary Agricultural Credit Societies (PACS) characterizes them as the most localized and potentially accessible component of the cooperative credit system. PACS have long been seen as vital for last-mile rural lending, given their proximity to members, local knowledge, and community-dependent nature. And in principle they provide advantages that conventional formal institutions often lack: less information asymmetries and greater social legitimacy in village settings. However, the empirical literature also identifies major weaknesses: poor capitalization, poor governance, delayed auditing, political capture, poor professional management, dependency on higher-tier cooperatives and a diverse landscape of viability in some states. As such, PACS continue to be institutionally important as well as in practice, but have often been limited in their capacity to be a credible tool for inclusive credit delivery. There is a growing literature on their digitization and diversification into multi-service centres but a comprehensive examination of whether they can overcome legacy governance challenges is lacking.

The scholarship around Regional Rural Banks (RRBs) is also mixed. Created to bridge commercial banking and local rural credit needs, RRBs were created by combining regional focus with institutional backing from commercial banks. There has been a large body of research that suggests RRBs have contributed to growing rural branch presence and reaching out to the weaker demographics and regions that commercial banks cannot serve. However, over time there was a concern about low profitability, high transaction costs, limited product diversification and operational inefficiency. Reform-oriented research has focused on recapitalization, merger, technological and governance reform as ways of strengthening RRBs in the post-liberalization period. Some research has claimed that these reforms have enhanced operational sustainability, while others have indicated that consolidation can dilute the local orientation that originally justified RRBs. The literature remains consistent that RRBs are still essential to rural financial inclusion but are also very much a matter of institutional renewal and policy support. The literature on cooperative banks, short-term rural cooperative credit institutions in particular, is more complex. Cooperative banking has always been an important part of agricultural finance but there are structural problems, such as dual regulation, poor recovery rates, politicization, loss of member ownership and regional concentration of performance. In states with a stronger cooperative culture and better governance, cooperatives have been able to provide credit. But in many others, they have been in limbo and institutional fragility. Rural credit reformers and others that debate how to reform rural credit institutions frequently state that without a major governance change, capital strengthening, professionalization and digitalization, the institutions will continue to operate very poorly. But there is also a counter current in the literature that formal inclusion strategies cannot bypass cooperatives completely because they remain embedded in the social and economic fabric of rural India in ways that larger commercial institutions often are not.

One common theme across this institutional literature is that rural exclusion is not a consequence of low credit volume but the weakness of intermediary institutions. Formal banking can be enlarged in aggregate while still not meeting the needs of intended borrowers if last-mile institutions are undercapitalized, poorly managed, or technologically slow. This is particularly relevant to the study of NABARD, as much of its role previously has been not in the lending of direct retail banks, but in strengthening, refinancing, supervision and modernization of these intermediary institutions. From the literature, it is clear to see that any evaluation of NABARD's role in rural finance needs to be based on the organizational capacities and limitations of PACS, RRBs and cooperative banks.

2.3 The Digital Pivot: Fintech Integration in Rural Finance:

The latest literature is on the digital transformation of financial services and its implications for rural inclusion. This scholarship has developed rapidly in India since 2014 with Jan Dhan account expansion, Aadhaar-enabled authentication, mobile connectivity, uniform digital payment systems, direct benefit transfers and the

overall architecture of digital public infrastructure. In general, it is widely held that digitization has changed rural financial delivery by making the process cheaper, more accurate, and easier to verify identity, enabling remote transactions, and by enabling formal systems to move beyond physical branch networks.

One group of studies focuses on digital financial inclusion and highlights the benefits of account ownership, direct transfers, mobile-enabled payments, and less leakage in welfare delivery. These studies indicate that digital systems can lower barriers to formal entry for previously excluded populations and can improve state capacity in targeting and transferring funds. Digital platforms are especially valuable in rural areas where branch density is low and transaction costs are high. Digital payment ecosystems can enhance savings formalization and transparency and create transactional histories which can later support access to credit, according to some evidence.

In addition, there is a second class of literature to consider fintech and rural credit. This article covers digital lending models, data-driven credit assessment, mobile-based interfaces, platform-based loans and collaboration between banks, non-banks and technology firms. Fintech proponents say that it can solve classic rural credit frictions, such as information asymmetry, documentation gaps and transaction costs from a distance. With data analytics, remote onboarding and digital monitoring tools for small borrowers, fintech can make small borrowers' lives better. But the literature also raises a number of issues. Digital credit scoring can replicate existing inequalities if data systems do not consider informal workers, women, tenants, or populations with weak digital footprints. Plus, digital access is often hampered by poor connectivity, low literacy, language barriers, cybersecurity risks and reliance on local intermediaries.

A third strand of research investigates the social limits of digital inclusion. These studies challenge overly optimistic narratives that equate digital penetration with substantive empowerment. They contend that account ownership does not lead to account use, that digital infrastructure usually requires human involvement, and that marginalized groups may face new forms of exclusion from technology-mediated systems. The gender disparity in mobile phone ownership, uneven biometric reliability, reliance on banking correspondents, and lack of digital confidence among elderly or low-literacy populations can undermine the transformative promise of fintech-led inclusion. So, the literature is increasingly distinguishing between nominal inclusion, functional inclusion and developmental inclusion.

In the context of our study, the newly emerging literature on digital pivot is particularly important because it provides a new perspective on NABARD's role. Although studies on NABARD mainly focus on refinance, SHG promotion and infrastructure finance, this new context raises a larger question: how does development finance enable rural communities to build and govern digital ecosystems? There is not much research on NABARD's relationship with fintech integration but scattered studies and policy analyses indicate that NABARD is supporting digitalization of cooperatives, technology-based self-help groups, financial literacy programmes, rural innovation funds, producer collectivization and digital strengthening of grassroots institutions. The concept of this space is still far from being fully understood.

3. Theoretical Framework:

A serious analysis of NABARD's contribution to rural credit delivery and financial inclusion in post-liberalization India requires a theoretical framework that captures its economic and institutional functions. NABARD is not only a funding agency or policy tool; it is also at the intersection of development finance, regulatory coordination, organizational capacity-building and systemic inclusion. This study draws on two complementary theoretical lenses of Financial Intermediation Theory and Institutional Theory to better understand NABARD's role as an apex intermediary that reduces frictions in rural credit markets and connects formal finance to underserved borrowers through layers of delivery. The second explains how NABARD sets the institutional framework in which rural cooperative banks, Regional Rural Banks (RRBs), self-help groups and other rural financial actors function through the definition of norms, incentives, governance structures and developmental priorities. Combined, these models can provide a robust basis to understand NABARD's evolving position in a post-liberalisation and increasingly digital rural finance ecosystem.

3.1 Financial Intermediation Theory:

In its classical form, is the basis for how savers and borrowers create specialised institutions in the face of high transaction costs, information asymmetries, risk, and imperfect markets. As a result, direct finance is often inefficient since lenders may not have sufficient information about borrowers' repayment capacity, project quality, or risk profile. Intermediaries reduce these frictions by screening borrowers, pooling risks, monitoring loans, mobilizing funds, and allocating capital more efficiently than atomized market exchange would. These functions are more important in rural finance because rural borrowers tend to be geographically spread, have seasonal income distribution, fluctuating production conditions, low collateral, poor documentation and are highly vulnerable to shocks. These features make commercial lending expensive and often unattractive and thus lead to persistent under-supply of formal credit.

In this context, NABARD is a development-focused apex financial intermediary. Unlike retail banks that directly interact with end borrowers, NABARD operates through a layered intermediation process, which provides refinance and development resources to cooperative banks, RRBs, commercial banks, self-help group networks, producer organizations and other eligible institutions. This helps reduce the liquidity burden of rural credit institutions, encourages longer-term lending and makes formal financial channels more effective in addressing sectors that can otherwise be credit-starved. So its intermediation role is not only financial in terms of money movement but also systemic, in that formal financial channels are better able to meet the needs in the community and the society that are socially and geographically excluded.

The relevance of Financial Intermediation Theory to NABARD lies in at least four dimensions.

First, NABARD alleviates information asymmetry in rural credit delivery through institutions with local knowledge and embeddedness. Rural borrowers often lack formal income records, audited accounts, collateralizable assets, or standardized credit histories. By giving refinance to cooperative banks, RRBs, and SHG-linked networks, NABARD helps intermediaries to assess borrower credibility by being more familiar with them and by having relational lending mechanisms. In this way, NABARD adds a level of integration to formal finance by providing institutions with the confidence to be able to make it through in the absence of market-based screening. Second, NABARD reduces transaction costs in rural finance. Small-value loans to geographically dispersed borrowers are costly to originate and service for conventional financial institutions. By offering refinance windows, promotional schemes, institution-building support, and system-wide models like SHG-bank linkage, NABARD helps to improve economies of scale and lower delivery costs. The idea here is not that NABARD takes all costs away, but that it makes inclusion economically feasible for downstream institutions as it offers liquidity support, technical assistance and developmental incentives.

Third, NABARD serves the role of risk sharing and risk mitigation. Rural lending is inherently exposed to covariate risks (crop failure, climate shocks, market volatility, health emergencies). In such an environment, risk aversion in formal lenders can lead to credit rationing in the face of high demand. In doing so, NABARD contributes to the reduction of risk in the hands of the individual institutions, in addition to supporting watershed and livelihood projects and cultivating diversified rural enterprises. This can be understood as developmental risk management.

Fourth, NABARD facilitates maturity transformation and developmental investment. Many rural investments, such as irrigation, land development, warehousing, allied activities and rural infrastructure, need long-term finance that local institutions may not be able to provide on their own balance sheets. NABARD's refinancing operations and funds like the Rural Infrastructure Development Fund (RIDF) bridge this maturity mismatch by facilitating long-gestation developmental lending in sectors that are critical to rural transformation. It extends the scope of financial intermediation to more than short-term crop loans and more asset generation and livelihood enhancement.

NABARD, in theory, is different from most market intermediaries in the sense that the aim is not just allocative efficiency but developmental intermediation. It is not only the intermediary between savers and borrowers but also between state policy and rural institutions, between formal finance and economically and socially excluded communities, and increasingly between traditional credit channels and digital financial

systems. This is particularly relevant in the post-2014 period. As India's digital public infrastructure grew, the problem of intermediation changed: the problem no longer just came down to how to move money through rural institutions but how to connect rural people to account-based, authenticated, data-driven financial systems. To get to the point of economic and social literacy, financial literacy and access to the grassroots of the economy and rural producers on a formal platform, we see NABARD as an alternative to traditional credit intermediation to ecosystem intermediation. Financial Intermediation Theory provides the foundation for understanding NABARD as the link between formal banking structures and the rural unbanked, whilst also recognizing that the intermediary now has digital and institutional layers.

3.2 Institutional Theory:

Financial Intermediation Theory has given the economic rationale for the role of NABARD, but it is not enough to explain how rural finance systems form, stabilize and change over time. Rural credit markets are not a vacuum but rather they are institutional structures that are governed by rules, norms, governance structures, historical legacies, state intervention and so on. Institutional theory complements this analysis by analyzing how firms behave in rule-bound environments, and how the "rules of the game" which govern collective action are created, reproduced or altered by institutional actors.

In general, Institutional Theory argues that organizational outcomes are determined not just by market incentives or technical efficiency but also by formal regulations, informal norms, cognitive frameworks and legitimacy structures. These institutions define what is appropriate behaviour, who can access resources, how accountable to whom they are and which forms of organizational structures become durable or dysfunctional. In the context of rural credit, institutional arrangements are especially important because lending decision making, repayment discipline, community member involvement, cooperative governance, state support and inclusion outcomes are all shaped by formal and informal institutions. Rural financial institutions are thus not just a result of capital flows but a result of the institutional nature of the organizations where they flow.

A role of NABARD in Institutional Theory is to be seen as an institution builder and institution-shaping actor. It is not just a provider of funds to rural financial institutions, but also one that drives their behaviour through standards, policy development, development programs, digitization, governance systems and an institutional culture of inclusion and viability. This is especially evident in the context of Rural Cooperative Banks and similar institutions, like PACS. These institutions have historical weaknesses (politicization, governance, weak capitalization and operational inefficiency) that have restricted credit delivery. In these cases, NABARD is more than a lender or supervisor; it is a catalyst for institutional change. In three dimensions, this institutional role can be understood. NABARD first helps to build up formal institutional rules. On refinance eligibility criteria, prudential advice, capacity building programs, inspection and supervisory functions, policy support and reform-led funding, NABARD affects how rural cooperative banks develop their business structures, keep records, manage portfolios, and fit with broader financial sector objectives. It also helps to create procedural and governance conditions in which these institutions function. And then, NABARD serves to provide resources and organizational motivation.

Second, NABARD helps create normative expectations around rural development finance. Institutional Theory states that organizations desire legitimacy as much as efficiency. NABARD has historically played a normative role by advocating for the development of rural finance through poverty reduction, women's empowerment, livelihood development and inclusive development. Programs like the SHG-Bank Linkage Programme, producer organization development, watershed projects and financial literacy programs are not only operational policies but more explicitly normative projects that make a significant difference in rural financial institutions' practices. For cooperative banks and related businesses, NABARD helps ensure a developmental logic alongside the pressures of commercialization and prudential compliance.

Third, NABARD is involved in institutional adaptation and path transformation. Rural financial institutions in India are influenced by historical path dependencies, particularly those of the cooperative movement and social banking era. Many of these institutions were not conceived of as being suited for a technology-oriented economy, competitive and compliance-based world. NABARD's interventions in computerization, core

banking, governance reforms, business diversification and digital linkage can be viewed as efforts to assist legacy institutions in responding to changing systems without forgetting their inclusion mandate. From an institutional perspective, this is a process of guided organizational transformation that an apex institution helps reconcile inherited structures with changing needs. Institutional Theory is particularly helpful in explaining NABARD's role in relation to Rural Cooperative Banks because these banks are intimately embedded in local political economies and could not be understood by efficiency-based models alone. Their success depends on member participation, local power structures, regulatory overlaps, state support and shared norms of collective finance. NABARD's role in this domain is to change institutional incentives, reform governance processes, professionalize management and ultimately to open up the way for modernization. In that sense, NABARD also helps to set the "rules of the game" of cooperative banking by defining what is legitimate, feasible and desirable in rural credit delivery.

At the same time, Institutional Theory allows for a critical reading. Institutional change is slow, contested and uneven. Formal rules can be broken without serious compliance; digitization can happen without governance reform and inclusion norms can exist alongside exclusionary practices. So even if NABARD is an institutional entrepreneur, its intervention does not lead to transformation. It is a framework for assessing how NABARD's interventions have changed institutional behaviour in meaningful ways, especially after liberalization and digitalization.

3.3 Integrating the Two Theories:

To do so, the integration of Financial Intermediation Theory and Institutional Theory is particularly appropriate for this study as NABARD's role cannot be adequately explained through either framework in isolation. Financial Intermediation Theory explains why an apex development bank is necessary in a high-friction, underbanked and risk-prone rural economy. It shows how NABARD connects formal financial resources to borrowers who would otherwise be excluded through multi-tiered channels of lending, refinancing and risk-sharing. Institutional Theory, by contrast, explains how NABARD structures the organizational and regulatory environment in which these channels operate, especially in terms of the governance and legitimacy of rural cooperative banks and related institutions.

Together these theories provide a more complete picture: NABARD not only helps rural credit delivery through financial intermediation, but also the institutional arrangements through which such resources can reach the economically and socially excluded rural populations. This is particularly important in the post-2014 era because digitalization of rural finance has brought both dimensions together. Digitally enabled inclusion requires effective intermediation in new technological modes but institutional restructuring, rule-setting and capacity-building among traditional rural institutions. NABARD's current role is therefore at a crossroads between financial intermediation and institutional governance.

4. Analysis: The Post-Liberalization Trajectory of NABARD:

The post-liberalisation approach of NABARD is indicative of an institutional evolution that has been driven by the rapid change in political economy and development priorities and the transformation of India's rural financial system since the country became liberalized. NABARD's initial mandate as the central development bank for agriculture and rural development has not changed but the way it has pursued that mandate has changed drastically. We can categorize this development process into three phases: the pre-digital phase (1991-2005), that started with the launch and scaling of the Self-Help Group-Bank Linkage Programme (SHG-BLP); the consolidation and institutional restructuring phase (2005-2014), where cooperative institutions are reorganized and Regional Rural Banks (RRBs) are recapitalized to ensure their health and financial health is maintained; and the post-2014 fintech integration phase, where NABARD is getting involved in digital infrastructure, data-based inclusion, grassroots digitization and technology-enabled rural financial services.

This periodization is useful not only for descriptive purposes, but also to better understand a change in the institutional logic of rural credit. In the first phase, NABARD was mainly concerned with exclusion by developing new social mechanisms for credit intermediation. In the second phase it wanted to strengthen and stabilize the institutional architecture of rural finance. And in the third phase it has been increasingly focused

on developing digitally enabled financial ecosystems. In all three sets of phases, the main problem was how to connect formal finance to the rural poor in a world of high transaction costs, institutional fragmentation and uneven state capacities. The mode of intervention changed, however.

4.1 Phase 1: Pre-Digital Era (1991–2005):

SHG-Bank Linkage Programme as a Developmental Innovation

The first phase of the democratization process coincided with a great change in the Indian financial system. Economic reforms after 1991 were based on deregulation, prudential discipline and operational efficiency in banking. Rural finance faces significant challenges now. Commercial banks were under increasing pressure to be profitable and lower the cost of small, dispersed lending. The social banking model, based on the need to have universal coverage and branch-based outreach, lost some of its momentum. In this context, we were concerned that the rural poor—especially women, landless labourers, marginal farmers and informal workers—would be even more vulnerable to financial exclusion.

It is in this framework that NABARD's Self-Help Group-Bank Linkage Programme (SHG-BLP) has emerged as one of the most significant institutional innovations in global microfinance. The program was initially proposed in the early 1990s and became popular in the subsequent years as a way to connect low-income rural households with the formal banking system through collective organization rather than sole collateral-based lending. The logic was simple and transformational: poor households (women in particular) could form savings groups and their members could build financial discipline internally and banks could put money in them as a group to curb information asymmetry and screening costs and default.

The significance of SHG-BLP is in its departure from conventional credit delivery models. Instead of treating the rural poor as single, non-bankable persons, social capital, peer monitoring, and group discipline were used to create a viable link between formal finance and the excluded. This was particularly important in a post-liberalization world where banks were more risk-conscious and cost-sensitive. From a development finance point of view, SHG-BLP was a means of reconciling inclusion with sustainability. It did not require banks to carry all the responsibility for identifying and monitoring borrowers for the first time; instead of banking's own enforcement, these functions were partly socialized by local groups and civil society intermediation.

The literature has often referred to SHG-BLP as the gold standard in microfinance and with good reason. Unlike many commercially driven microfinance models which would later come to dominate in other contexts, the NABARD-led model was based on savings discipline, gradual credit graduation, local capacity building and women empowerment. It focused on relationship banking rather than loan expansion. The model's larger developmental impacts were widely recognized in the literature: better access to credit, better savings behaviour, greater bargaining power of women, support for household consumption smoothing and in many cases a move from informal to formal or semi-formal financial dependence. The program also created institutional externalities by forcing the formal banking system to think about how "creditworthiness" was to be socially constructed rather than narrowly articulated.

From the perspective of NABARD's evolving role, the SHG-BLP phase is especially important because it shows that NABARD did not respond to liberalization with retreat but by developing a new way of inclusive intermediation. However, it is not in the business of giving credit directly but in designing an alternative architecture through which credit could flow to those not in the formal system. This was a big institutional shift: NABARD evolved from a refinance-based apex body to one of the architects of social intermediation in rural finance.

At the same time, however, there are also limitations. Regional concentration remained a problem, with southern states having higher penetration of SHGs than many northern and eastern regions. Group quality was variable, linkage intensity different among banks, and not all SHGs led to productive asset creation. And as the program grew, there were concerns about uneven capacity-building and the possibility of target-driven expansion. Yet even these limitations do not diminish the significance of the first phase. NABARD's greatest achievement was to prove that inclusion could be achieved through institutional innovation, rather than simply administrative mandates. This was significant in the post-liberalisation era.

4.2 Phase 2: Consolidation and Expansion (2005–2014)

Strengthening the Cooperative Framework and RRB Recapitalization:

This second phase was less about social innovation but more about institutional consolidation. By the mid-2000s, it was clear that group-based approaches such as SHG-BLP were important but they could not be the substitute for the systemic condition of rural credit architecture. Cooperative banks, Primary Agricultural Credit Societies (PACS) and Regional Rural Banks were still essential for agricultural lending, local financial intermediation and rural branch-level access. But these institutions were in a state of continuing weaknesses: poor governance, inadequate capitalization, low recovery rates, obsolete systems, regional imbalance, dual regulatory control and, in many cases, decreasing viability.

In this context NABARD's role shifted to strengthening the institutional bases of rural finance. One of the key areas was the revival of the cooperative credit system. NABARD was involved in policy design, diagnostics, capacity building, and reform support to enhance the operational health of short-term rural cooperative institutions. The cooperative framework was in many ways seen as potentially powerful due to its local embeddedness and member-based structure but also one of the most fragile parts of the rural financial system. Reform efforts were now focused on recapitalization, governance reform, professionalization, auditing and structural improvement. This was not just financial for NABARD; it was also about the coordination of reform frameworks, institutional assessments, and support for functional restructuring.

This phase also saw RRB recapitalization and restructuring in a big way. Regional Rural Banks were originally created to cover the gap between commercial banking and rural lending but many of them were not profitable and had high operating costs. These weaknesses were a serious problem for rural financial inclusion in the decades to come, particularly in the rural regions where they were often the most visible formal institutions. During this period, amalgamation, recapitalization and technology adoption, and managerial reforms were among the policy responses and were often linked to the development and supervisory work of NABARD. NABARD's involvement in the development of RRBs was an important recognition: Rural credit without a viable entity at the local level could not be achieved.

This second phase is NABARD's transformation from innovator of alternative delivery models to stabilizer of rural financial institutions. The analytical significance of this shift is that rural credit exclusion is not only a function of household demand constraints in the form of the channels of delivery, but also that rural credit exclusion comes from institutional weakness. If in Phase 1 inclusion was addressed by social organization, in Phase 2 it was done through structural repair. NABARD's activities in cooperative strengthening and RRB support indicate a more systemic orientation: it was not just about credit outreach but also the quality, resilience and governance of institutions that serve to bridge rural finance.

Another important aspect of this period was inclusion and prudential discipline. Post-liberalization reforms made financial viability an inevitable problem. NABARD's challenge was to help rural institutions to become more sustainable without abandoning their developmental role. It was not an easy balance. Good governance often came with political interference and legacy inefficiencies; recapitalization without reform could cause moral hazard; and viability pressures would reduce the motivation to serve more difficult customers. The literature on this period indicates that NABARD's contribution was important but uneven: while many reforms improved institutional functioning, the depth of transformation varied considerably between states and institutional types.

But this period laid the groundwork for the digital era to come. With emphasis on capitalization, governance, systems improvement and structural rationalization, NABARD laid the foundation for the minimum institutional conditions under which later digitization would be meaningful. Digital finance cannot function effectively without deeply dysfunctional institutions. So, the consolidation phase should be viewed as a bridge between earlier social intermediation and later technological integration.

4.3 Phase 3: Fintech Integration (2014–Present)

Digitizing PACS, e-Shakti, and Rural Digital Literacy :

The third phase is perhaps the most significant redefinition of NABARD's role in the post-liberalization period. After 2014, India witnessed an unprecedented expansion of digital public infrastructure through the JAM Trinity, direct benefit transfer systems, Aadhaar-enabled authentication, mobile-based interfaces, and a broader policy focus on Digital India. Financial inclusion took on new forms as digital identity, bank account ownership, payment systems, and platform-based service delivery became key components of state and market interaction in this new context. NABARD's relevance in this context was more about whether it could translate its developmental mandate into a digital inclusion strategy grounded in rural realities.

One of the most significant interventions has been the digitization of PACS and cooperative institutions. PACS are still among the closest institutions to rural households, especially in agricultural communities. But their long-standing flaws (manual records, poor data systems, lack of transparency, and poor integration with mainstream banking technologies) have undermined their effectiveness and credibility. As a result, NABARD's support for PACS digitization is not only a technological advancement but also a transformation of institutions. Digitization allows for better record keeping, member database management, loan tracking, a variety of services, and even integration to more global financial networks. It can shorten delays, increase transparency, increase accountability, and thus produce data that can help better credit planning and oversight. From an institutional point of view, it is a step towards making local cooperative institutions more accessible, interoperable, and governed in a digital financial system. Another major intervention at this stage is the e-Shakti project, and it is a relationship that connects NABARD's existing SHG-based inclusion strategy with the digital transition in financial governance. e-Shakti aims at digitizing SHGs and recording digital data of group functioning, savings, internal lending, and credit history. Social capital is transferred into data capital in theory and practice. In the earlier SHG model, creditworthiness was established by community trust, savings discipline, and local group processes. These group-based financial behaviours are now digitally documented and can be more easily defined in formal financial institutions through e-Shakti. This can help build the credibility of SHGs, enable quick bank connections, enhance monitoring, and improve credit deepening. More broadly, e-Shakti is the result of NABARD's bid to make sure that earlier inclusion progress is not lost in a digital financial system that is increasingly data-driven and traceable. The digitization of SHGs also has gender implications. Looking at the mass participation of rural women in SHGs, digital documentation and formal visibility may help to bring women more into mainstream finance. But the literature also warns against getting too confident. Digital visibility does not necessarily translate into autonomous control, especially in areas where literacy is low, devices are scarce, or women are still dependent on male or external intermediaries. NABARD's interventions are most effective when digitalization is coupled with capacity building and local institutional support.

It brings us to the third crucial aspect of Phase 3: rural digital literacy and grassroots capability building. Increasingly, research on digital inclusion shows that technology adoption is conditioned by human capacity, trust, and local support systems. Digital financial infrastructure is not enough if rural households are not informed of it, suspect fraud, lack linguistic access, or need to use intermediaries for every transaction. As such, NABARD's role to improve financial literacy and digital awareness in SHGs, farmers, rural youth, and grassroots institutions is crucial for understanding the current process of digitalization. In this stage, NABARD is not just digitizing institutions but also envisioning the social and cognitive conditions in which digitization can move from exclusionary to inclusionary in terms of access, social, and cognitive conditions. In the light of this analysis, Phase 3 is NABARD's move to ecosystem-based digital intermediation. It is no longer enough to refinance or build institutions in isolation. NABARD is now in a financial system where inclusion is all about identity systems, digital records, payment interfaces, local institutions, financial literacy, and access to platforms. And so it is in that context that traditional rural institutions can work to be part of digital ecosystems and make data of community organizations visible and to give rural people access to digitalized finance. This transition is not complete and is uneven in the literature and policy landscape. Digitization can exacerbate exclusion in areas with poor connectivity, devices that are inaccessible, management of institutions that is poorly trained, or digital systems that are added to systems of governance that are bad. PACS digitization could be beneficial to the data but has not stopped political capture. e-Shakti

can increase traceability while not necessarily promoting good credit uptake. Digital literacy programs can raise awareness, but their long-term impact will depend on ecosystem continuity. Phase 3 should not be romanticized as a technological solution to rural financial exclusion. Rather, it is an entirely new landscape on which longstanding structural inequalities are being renegotiated.

2. Discussion: Critical Challenges:

Despite NABARD's major contributions in rural credit delivery and financial inclusion during post-liberalization, structural and emerging challenges still limit its scope, equity and developmental impact. The literature and policy evidence is on the rise that the aggregate growth in institutional credit, inclusion and digital engagement levels can conceivably hide deep distributive and territorial inequities. Three major issues to address for a high-level analysis: the last-mile problem, the regional disparity in rural credit delivery, and the ever more important role of climate finance as a developmental model for NABARD. Taken together, these challenges show that the future of rural credit in India does not depend on institutional improvement or digital enhancement but on whether these are able to tackle the unique vulnerabilities of rural people and regions.

5.1 The “Last Mile” Problem

Inclusion for Whom?

One of the central questions in any analysis of rural credit policy is whether the benefits of institutional finance are being delivered to those most in need or are disproportionately delivered to relatively better-off rural groups. This is the classic last mile problem that exists between formal inclusion on a system level and actual access at the most vulnerable rural households. For rural India in particular, this is especially relevant when landholding, caste, gender, tenancy status, social capital and regional development are stratified. So institutional credit is seldom neutral; it is mediated by the ability to meet formal criteria, navigate institutions, produce documentation, absorb risk and engage with increasingly digitized systems. Rural credit literature shows that small and marginal farmers, tenant cultivators, oral lessees, landless labourers and women farmers are structurally disadvantaged in accessing formal credit. As the overall agricultural credit in India has increased, those with stronger land titles, better banking connections, larger asset bases and political visibility are often able to secure the highest share. That leads to a crucial distinction between credit expansion and credit democratization. The former is the rise in total institutional lending while the latter is the fair transfer of finance to those who can't access it. Much of the problem in rural India is that expansion is not necessarily democratization.

NABARD may be finding this problem more difficult because it is mainly mediated through institutions and not direct retail lending. If institutions downstream—cooperative banks, RRBs, commercial banks, PACS, SHG networks—control the bias toward borrowers with clearer collateral or lower transaction risk, NABARD's developmental intent will be diluted before it reaches the intended beneficiary. That is why the last-mile problem cannot be reduced to lack of funds alone. It's the problem of institutional filtering, of how the benefits are affected by local power structures, documentation regimes and organizational incentives. The problem is at its worst for the landless and even almost-landless rural poor. Agricultural credit systems in India still are heavily dependent on land as a basis for borrower identification, collateral and eligibility. Tenant farmers, sharecroppers and oral lessees are often not legally recognized as producers and are therefore excluded from mainstream banking systems. In the same vein, rural labor households may need credit for consumption smoothing, livestock, petty trade or non-farm enterprise but formal institutions tend to identify these borrowers as high-risk or administratively difficult. NABARD's initial focus on SHGs was a short-term solution in the area of collateral avoidance through group-based social connections. But even in the larger institutional credit structure, land-based biases are still relevant.

There is also an important elite capture concern. In local institutions, especially when cooperative structures are weakly governed, better-connected farmers or rural elites may exercise disproportionate control over credit flows, membership decisions and institutional priorities. Digitization can enhance transparency, but does not totally eliminate the power asymmetries embedded in it. In some cases, technological reforms layered on unequal local structures may even reinforce exclusion if the already-connected are better positioned to benefit

from new systems. Thus a critical assessment of NABARD needs to consider who gets credit channels, and how they are used.

To be sure, NABARD has tried to address last-mile exclusion through SHG promotion, livelihood support, producer collectivization, financial literacy and targeted developmental interventions. However, the continued vulnerability of landless and marginal groups means that inclusion remains unevenly substantive. To have a high impact analytical perspective, we need to go beyond celebratory narratives of outreach and ask whether the distribution of NABARD-supported finance is in line with the social direction of rural transformation. The issue is not access in the abstract but access for the structurally excluded.

5.2 Regional Disparity

North-East versus Southern States:

Another additional challenge is the huge regional disparity in rural credit delivery and financial inclusion. India's rural financial structure has never been shared across space. A wide range of agrarian and state capacity, literacy, infrastructure, cooperative traditions, civil society mobilization, banking density and administrative effectiveness has created particularly uneven geographical areas of institutional finance, and this has a direct impact on NABARD's work in terms of its role because national-level assessment can mask deep regional disparities in institutional strength and development results. The similarities and differences between the Southern states and the North-Eastern regions are particularly stark. The Southern states (Andhra Pradesh/Telangana, Tamil Nadu, Karnataka, Kerala) have historically performed better in terms of rural finance indicators like denser banking networks, stronger SHG movements, higher levels of local institutional mobilization (that are more likely in some instances), more robust administrative capacity and better interconnection between civil society and financial inclusion programs. These characteristics of the SHG-Bank Linkage Programme helped NABARD to have a bigger impact on the scaling of the SHG-Bank Linkage Programme. In fact, a lot of the success of the SHG-BLP occurred in the South, where NGOs, banks and state agencies have a better capacity to establish the support ecosystem. So NABARD's success was accentuated where those structural complementarities were already present. In contrast, the North-Eastern states have a very different structure. It is a region with a challenging geography, low settlement patterns, poor banking penetration, weak physical connectivity, low institutional density in some areas, complex land tenure systems and a wide range of administrative and political barriers. These conditions make it hard to deliver formal credit, and traditional branch-based banking structures are not easy to sustain, collateral structures may not be consistent with common land deals, and local economic activities might not be easily integrated into formal financial models. As a result, the credit requirements of the region are poorly understood and conventional policies tend to produce worse results. For NABARD, such regional differences matter because the model of a cooperative organization depends on its absorptive capacity and institutional readiness of the local delivery structure. When cooperative institutions are stronger, social mobilization is deeper and banking systems are more responsive, refinance and development initiatives can be more substantial. Where institutions are sparse or fragile, the same intervention can be limited. This means that NABARD's effectiveness is not geographically uniform but context-dependent. The regional disparity also points to a larger puzzle in financial inclusion policy: the reliance on nationally standardized frameworks in a highly heterogeneous federal context. In the South, inclusion is often based on institutional environments that are denser and more settled. In the North-East, inclusion is more flexible and context dependent: tenure systems, community institutions, digital infrastructure and acknowledgment of regional logistical problems are more likely to be a part of the equation. A one-size-fits-all credit architecture risks reproducing territorial exclusion even as national indicators improve. So the comparative lens complicates the narrative of NABARD-led inclusion. On one hand, NABARD has been instrumental in expanding rural finance nationwide. On the other hand, its interventions are geographically dispersed, reflecting existing inequalities in infrastructure and institutional development. In addition to efficiency in implementation of interventions, we face structural problems as space is what drives access to credit. This is critical for a publication in analytical literature: regional inequality is, in fact, not only about rural finance but is a part of how it is. The North-East/South contrast is also more prominent in the digital age. Southern states are more likely to embrace fintech-based inclusion because of better connectivity, literacy, institutional support and administrative systems. In the North-East, digital inclusion may be hampered by infrastructure gaps, terrain-based obstacles and weak last-mile support. So the

digital turn may narrow some distances and increase others depending on the ecosystem. And the future relevance of NABARD could depend on whether it can move from a nationally uniform developmental model to a regionally unique strategy for inclusion.

5.3 Climate Finance

NABARD's Emerging Role in Resilient Agriculture:

The third and more immediate challenge is the integration of climate resilience into rural credit and development finance. Climate change is changing the risk profile for agriculture and rural livelihoods with more frequent droughts, floods, erratic rainfall, heat stress, pest outbreaks and resource depletion. As such, these changes have a direct impact on the viability of rural credit systems and make them vulnerable to production volatility, repayment uncertainty and livelihood vulnerability. Climate change is not just external to rural finance; it is one of its key structural conditions.

This is a challenge and opportunity for institutions like NABARD. Rural credit policy in India has traditionally been based on productivity, inclusion, and infrastructure. But now it needs to incorporate resilience, adaptation, and sustainability. NABARD's growing role in climate finance—especially related to climate adaptation, watershed development, natural resource management, and climate-resilient agriculture—is a big step in expanding its development mandate. It is the Climate Adaptation Fund and related interventions that link rural finance to ecological risk management.

The role of climate finance in the NABARD context is several-fold. First, climate finance takes into account risk externalities that are adversely impactful in conventional agricultural loans. If climate shocks continue to erode incomes and assets, credit access does not make livelihoods sustainable; rather, it may increase indebtedness. Adaptation-based programs—drought-proofing, water conservation, resilient crop systems, soil management, and diversified livelihoods—can enable rural borrowers to make use of credit in an economically sustainable way. Climate adaptation is on the same footing as financial inclusion, and not in isolation.

Second, NABARD's climate-oriented initiatives are a significant step in that direction from financing rural production to financing rural resilience. This is critically important because it expands the horizon of developmental banking. Rather than just the number of credit cards or inclusion numbers, a resilience-based model considers whether financial institutions are enhancing the resilience of vulnerable rural communities to shocks and recovery. This is very important for small and marginal farmers who are very exposed to environmental risk and have limited coping mechanisms.

Third, climate finance also raises questions of justice and targeting. The groups most vulnerable to climate disruption are often the ones that find themselves excluded from formal finance: smallholders, tribal communities, rainfed farmers, women farmers, and ecologically fragile regions. If NABARD is to play a positive role in climate adaptation, it needs to make sure that its interventions are inclusion-sensitive. Climate finance must not follow the same distributional pattern as traditional rural finance, where better-off and better-organized actors gain a larger share of support.

The literature on climate-resilient rural development is increasingly focusing on integrated models that combine credit, insurance, infrastructure, natural resource management, and community institutions. NABARD has a great advantage in this regard, as it plays a role in many relevant areas—refinance, institutional development, infrastructure help, promotion of producer organization, and development projects. It's a role that is ideally suited as a bridge between climate policy, local implementation systems, and rural finance architecture. These roles could grow even more significant as climate adaptation financing becomes more extensive and agriculture increasingly relies on blended public-developmental models rather than commercial credit models.

At the same time, NABARD's climate role is still emerging and has clear limits. Adaptation finance is often project-based, fragmented, and difficult to scale. Since resilience is multidimensional, measuring impact is

difficult because it is interdependent and will evolve over time. When it comes to mainstream rural credit systems, it is also difficult to integrate climate goals and policy goals, which requires institutional knowledge, technical training, local knowledge, and a long-term commitment. So, while NABARD's involvement in climate-resilient agriculture and adaptation funds is a new initiative and a good start, it should be seen as a process and not a whole.

6. Conclusion:

The study has also examined the development of NABARD in rural credit delivery and financial inclusion in post-liberalization India and more specifically digital transformation post 2014. This shows that NABARD's route is not one of structural continuity, but of a substantial transformation from a refinance-focused apex body to a multidimensional development institution at the crossroads of finance, governance and digital ecosystems. At a structural level, the research shows that rural credit exclusion in India is not just institutional— it is an institutional problem that is rooted in social hierarchies, regional disparities and governance mismanagement. NABARD's interventions, from the SHG-Bank Linkage Programme to cooperative restructuring and more recently, the use of digital platforms such as PACS digitization and e-Shakti have greatly expanded the space for inclusion. Yet, the research indicates that inclusion has been uneven and mediated by institutional capacities, and that marginalized groups such as landless labourers, tenant farmers, and women still face barriers to access to formal finance. The synthesis of Financial Intermediation Theory and Institutional Theory provides the analytical tools to understand NABARD's duality. On one hand, NABARD helps to reduce the frictions in the market (in terms of information asymmetry, transaction cost and risk) through layers of intermediation, and on the other hand, it helps in shaping governance and capacity building and development for rural financial institutions in terms of the institutional environment. This double-duty is particularly important in the digital age when technological infrastructure and institutional preparedness is vital to financial inclusion. The study also shows that such digital transformation of rural finance is not necessarily inclusive and while promising and potentially inclusive, not inclusive. It is the transition from access-based inclusion to ecosystem-based inclusion that brings challenges for digital literacy, infrastructural gaps and data-based exclusion. NABARD's role in bridging this gulf— from grassroots capacity building, digital literacy programs, and institutional digitization— has been important, yet progress is still slow and uneven in all parts and social spheres. In addition to that, the “last mile” problem, the persistence of regional inequality and the challenge of climate resilience are altering the landscape of rural credit policy. Our findings suggest NABARD's actions must be expanded and its interventions to address structural and spatial issues to address these structural and spatial asymmetries. In particular, climate finance's adoption is a catalyst for resilience-oriented development and it extends rural finance beyond the sphere of economic development and sustainable development to sustainability and risk management in nature. In the end, NABARD's evolution is indicative of a wider change in India's development finance landscape from a state-driven social banking system to one of financial inclusion (and a multidimensional, multi-faceted system) to the digital and institutional domain to be integrated into the development finance ecosystem. There has been significant progress but the research says that true financial inclusion needs to move beyond quantifiable expansion to meaningful and equitable access in rural areas. This is the case in policy and research; rural finance projects can only be inclusive, regionally and resilient if they are done in a way that is inclusive and regionally based in nature. Only then can NABARD be a catalyst for inclusive and sustainable rural change in post-liberalization India.

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