Credit Delivery System

3.32 Loans and advances account for about 40 per cent of the total assets of SCBs while investments also account for nearly the same proportion. The credit-deposit ratio declined from 54.1 per cent as on March 27,1998 to 51.7 per cent as on March 27,1999 but improved to 53.6 per cent as on March 24,2000. The investment-deposit ratio declined from 36.5 per cent to 35.7 per cent but increased to 38.0 per cent respectively as on these dates. Since the bulk of banks' investment is in Government securities, which appears under the category other banks' credit to Government on the side of sources of M3 growth, it is desirable to look at the ratio of the sum of credit and investment to deposits. This ratio declined from 90.7 per cent as on March 27,1998 to 87.3 per cent as on March 26,1999 but improved to 91.6 per cent as on March 24, 2000.The substantial share of Government securities in SCBs' portfolio reflects not only their preference for default risk-free assets but also the large Government borrowing requirement. Despite this, the flow of non-food credit from SCBs to the commercial sector registered a growth of 11.9 per cent till January 12, 2001 in the current financial year compared with 10.5 per cent in the corresponding period last year.

Sectoral Deployment of Credit

3.33 Table 3.8 shows sectoral deployment of credit. The proportion of incremental credit going as food credit increased from 10.4 per cent in 1998-99 to 15.1 per cent in 1999-2000. As a result, the proportion of non-food credit declined from 89.6 per cent to 84.9 per cent during this period. However, due to the higher growth in credit (17.2 per cent) in 1999-2000 than in 1998-99 (13.9 per cent) the absolute amount of food credit as well as non-food credit in 1999-2000 was much higher than that in 1998-99. As against an incremental non-food credit growth of 4.3 per cent during March 26,1999 to October 22, 1999, the corresponding period in the current financial year (March 24, 2000 to October 20, 2000) witnessed a higher growth of 7.6 per cent. Of the total non-food credit flow of Rs. 28,510 crore during March 24, 2000 to October 20, 2000, 34.7 per cent went to the priority sector, 45.4 per cent to industry (medium & large) sector and 16.3 per cent to other sectors comprising items/activities like housing, consumer durables, NBFCs, loans

TABLE 3.8

Sectoral Deployment of Gross Bank Credit

Variations during[1]

Items			April-October				April-October	
	1998-99	1999-2000	1999-00	2000-01	1998-99	1999-2000	1999-00	2000-01
	(Rs.crore)				(Per cent)			
I. Gross bank credit	41729	58806	18672	36664	13.9	17.2	5.5	9.1
1. Public food procurement	4331	8875	4588	8154	34.7	52.8	27.3	31.7
2. Gross non-food credit	37398	49931	14084	28510	13.0	15.4	4.3	7.6
(a) Priority sector (i+ii+iii)	15104	17216	5677	9901	15.2	15.0	5	7.5
(i) Agriculture	4765	4747	1533	3737	13.7	12.0	3.9	8.4
(ii) Small scale industry	4975	4331	176	-275	11.4	8.9	0.4	-0.5
(iii) Other priority sectors	5364	8138	3968	6439	25.4	30.7	15	18.6
(b) Medium and large industries	12986	16803	1995	12935	11.0	12.9	1.5	8.8
(c) Wholesale trade (excluding food procurement)	747	2854	1235	1022	5.7	20.4	8.8	6.1
(d) Other sectors	8561	13058	5177	4652	14.9	19.8	7.8	5.9
II. Export credit[2]	1944	3227	-644	1013	5.7	9.0	-1.8	2.6

1 As on the last reporting Friday of the period.

2 Also included in non-food credit.

Note : All figures are provisional. Data relate to 50 scheduled commercial banks which account for 90-95 per cent of the bank credit of all scheduled commercial banks. Gross bank credit data include bills rediscounted with RBI, IDBI, Exim Bank and other approved financial institutions.

to individuals, and tourism. Industry-wise analysis of the credit flow to small, medium and large industries revealed that the share of six industries (petroleum, infrastructure, chemicals, gems and jewellery, electricity, and textiles) which accounted for 51.0 per cent of the incremental credit flow to medium and large industries in 1998-99 increased to 62 per cent in 1999-2000 but declined to 59.3 per cent during March 24, 2000 to October 20, 2000. As regards Petroleum sector alone, the flow of non-food credit registered a lower growth of 9.3 per cent during this period compared with 38.1 per cent in the corresponding previous period.

Export Credit

3.34 During 1999-2000, export credit refinance limits of SCBs increased from Rs. 7,269 crore in March 1999 to Rs. 10,579 crore in March 2000 .The average utilisation of export credit refinance by SCBs ranged from 37.2 per cent and 95.7 per cent in 1999-2000. SCBs are required to lend a minimum12 per cent of their advances as export credit. During April-October, 2001 export credit registered a growth of 2.6 per cent compared with a decline of 1.8 per cent in the corresponding previous period.

Lending to Sensitive Sectors

3.35 Advances from SCBs to the sensitive sectors comprising capital market, real estate and commodities constituted only 4.4 per cent of the total advances of SCBs as on March 24,2000.This per centage was higher at 16.0 per cent in respect of the new private sector banks. The corresponding figures in respect of old private sector banks and foreign banks were 8.1 per cent and 7.2 per cent respectively. Of the total advances to sensitive sectors amounting to Rs.3551 crore extended by new private sector banks in 1999-2000, 62 per cent flowed to the capital market.

Priority Sector Lending

3.36 As on the last reporting Friday of March, 2000, the total priority sector advances by public sector banks accounted for 43.6 per cent of their net bank credit (NBC) compared with 43.5 per cent on the last reporting Friday of March, 1999. Advances to priority sector by private sector banks constituted 38.7 per cent of NBC as on the last Friday of March 2000 compared with 41.4 per cent in the previous year. Within the priority sector, the flow of credit to agriculture from PSBs accounted for 15.8 per cent in 2000 as against 16.3 per cent last year. The corresponding figures in respect of private sector banks were much lower at 9.1 per cent and 9.5 per cent, respectively in 2000 and 1999. There is no sub-target assigned for small-scale industries except that the credit flow to SSI should be as per the stipulated pattern based on investment in plant and machinery. Advances from PSBs to SSI accounted for 15.6 per cent of NBC as on the last reporting Friday of March 2000. The corresponding proportion was 15.7 per cent in respect of private sector banks while it was 10.2 per cent in the case of foreign banks. The credit flow from PSBs to other priority sectors comprising various activities/sectors including software and NBFCs, has increased over time from 0.7 per cent at the time of nationalisation to 11.0 per cent in 2000. The corresponding proportion in respect of private sector banks was 13.9 per cent in 2000. In the case of foreign banks, the only priority sector stipulation is 32 per cent of net bank credit, with a sub-target of 10 per cent of NBC in respect of export credit. As on the last reporting Friday of March 2000, export credit in their case accounted for 22.5 per cent of net bank credit while the total priority sector advances comprising both export and small-scale industry was 34.5 per cent.

Rural Credit

3.37 The National Bank for Agriculture and Rural Development (NABARD) has been playing a vital role in extending finance for rural development In December 2000, the NABARD Act,1981 was amended, enlarging functional area and providing greater autonomy to NABARD. The authorised capital has been raised from Rs.500 crore to Rs.5000 crore. The representation of the State Governments on the Board of Directors of NABARD has also been increased. These amendments, which have been made effective from February 1, 2001, are expected to further strengthen the NABARD in its activities aimed at promoting rural development. The Rural Infrastructure Development Fund (RIDF) assumes significance in this context. RIDF was set up in 1995-96 in the NABARD. The contribution to RIDF is received by the NABARD from Indian scheduled commercial banks against their shortfall in priority sector lending. Under RIDF-V the scope of the scheme was widened to facilitate financing of rural infrastructure projects to be implemented by ground level institutions like SHGs, NGOs, etc. Earlier, only State Governments were implementing projects financed under RIDF. The repayment period under RIDF-V was also liberalised from 5 years to 7 years. The Union Budget 2000-2001 has announced a further allocation of Rs. 4500 crore to the fund for the RIDF-VI tranche, taking the aggregate allocation to Rs. 18,000 crore. On-going/new projects with short-term gestation period of 2 to 3 years continue to receive priority. Rural roads and bridges for improving rural connectivity accounted for 52 per cent of the amount sanctioned under RIDF in 1999-2000; irrigation accounted for 42.7 per cent. The remaining share was accounted for by soil conservation, water shed development, drainage improvement, rural market yards, forest management, etc. Specific requirements of some States like J & K and Kerala for inland waterways and rural market yards were also considered.

3.38 RIDF can play a crucial role in the removal of inter-regional/rural/urban/inter - state disparities. Unfortunately, the utilisation level under RIDF has been far from satisfactory. As against a total corpus of Rs.18,000 crore, cumulative sanctions and disbursements amounted to Rs. 15,886 crore and Rs. 6,999 crore till the end of October 2000. There have been wide inter-State variations in the utilisation of assistance under RIDF, which are attributed to a wide range of factors like lack of budgetary support, difficulties/delays in finalisation of projects, etc. RIDF also assumes critical importance in the realisation of the objectives envisaged under the National Agricultural Policy over the next two decades like a growth rate in excess of 4 per cent per annum, efficient use of resources and conservation of soil, water and bio-diversity, demand driven growth catering to domestic markets, and maximising benefits from exports of agricultural products in the face of challenges arising from economic liberalisation and globalisation.

Small-Scale Industries (SSI)

3.39 Several efforts have been made to enhance the flow of credit to SSI. SSI credit constitutes a part of the priority sector credit of commercial banks. SIDBI, which is the apex financial institution, provides refinance for various types of activities. In response to the Union Budget proposal, RBI has raised the loan limit for the tiny sector from Rs. 1 lakh to Rs. 5 lakh for which no collateral is required. A policy package for development of SSI was announced by Prime Minister on 30th August, 2000. Consequently, the composite loan limit has been raised from Rs. 10 lakh to Rs. 25 lakh. Maximum investment limit of industry related service and business enterprises was raised from Rs. 5 lakh to Rs. 10 lakh for qualifying for priority sector lending. Public sector banks have been advised to accelerate their programme of SSI branches to ensure that every district and SSI clusters in the districts are served by at least one SSI specialised bank branch.

Kisan Credit Card (KCC) Scheme

3.40 This scheme was introduced in 1998-99 w ith a view to facilitating the flow of timely and adequate short-term credit to the farmers. Co-operative banks, Regional Rural Banks, and commercial banks together issued about 59 lakh KCCs till the end of March 2000. These agencies have been asked to redouble their promotional efforts so as to issue an additional 75 lakh KCCs by March 2001. The KCC Scheme is an on-going scheme, which is envisaged to gradually replace the traditional system and procedures in the issue of short-term crop loan. Loans disbursed under the KCC Scheme have also been brought under the Krishi Bima Yojana of the General Insurance Corporation. Further, the earlier model KCC Scheme has since been liberalised so as to facilitate issue of KCCs to eligible farmers for amounts below Rs. 5000 per card. During April-October, 2000, the public sector banks issued 11.54 lakh cards involving a sanctioned amount of Rs.2969.7 crore. The sanctioned amount per card worked out to Rs.25,744 per card issued by public sector banks during April-October 2000.