

Credit Delivery System

3.33 Loans and advances accounted for 40.6 per cent of the total assets of SCBs as on March 31, 2001 as compared with 40.2 per cent as on March 31, 2000. Investments accounted for 38.0 per cent and 37.3 per cent respectively as on the same dates. The credit-deposit ratio declined marginally from 53.6 per cent as on March 24, 2000 to 53.1 per cent as on March 23, 2001. The investment-deposit ratio increased from 38.0 per cent to 38.5 per cent during this period.

Sectoral Deployment of Credit

3.34 The proportion of food credit in the flow of gross bank credit increased from 15.1 per cent in 1999-00 to 20.9 per cent in 2000-01. The corresponding proportion during April-October 2001 was as much as 37.7 per cent compared with 23.6 per cent in the corresponding previous period. While 41.8 per cent of the non-food gross bank credit flowed to the priority sectors in 2000-01, 28.7 per cent flowed to industry (medium & large). The corresponding figure for 1999-2000 was lower at 34.5 per cent in the case of priority sectors while it was higher at 33.7 per cent in respect of the industry sector. The flow of credit to the wholesale trade (excluding food procurement) was lower at 1.9 per cent in 2000-01 than that at 5.7 per cent in 1999-2000. The share of non-food credit flowing to medium and large industry and wholesale trade during April-October in the current financial year was lower at 23.0 per cent and 0.3 per cent than the level of 46.2 per cent and 3.6 per cent, respectively, in the corresponding period of the previous year. As regards other sectors, the flow of credit to housing and consumer durables during this period exceeded that in the corresponding previous period. The details are shown in Table 3.9. These data reflect the slowing down of the economy in the current year, and the increasing share of food credit due to burgeoning food stocks.

Export Credit

3.35 The interest rate structure on rupee export credit was changed with effect from May 5, 2001 by prescribing ceiling rates linked to the PLRs of banks. This has been done to induce greater

competition among banks in the provision of services to exporters. Responding to the implications of international developments in September 2001, the Reserve Bank effected a reduction in the ceiling rate on export credit by one percentage point for a period of six months ending March 31, 2002. As regards export credit refinance limit, the refinance limit increased from Rs.7,350 crore in April 2001 to Rs.9,297 crore as on November 30, 2001 during the current financial year compared with a decline from Rs.11,278 crore to Rs.6,470 crore in the corresponding period last year.

Priority Sector Lending

3.36 SCBs have been assigned targets and sub-targets under the system of priority sector lending in order to ensure timely flow of credit to vital sectors like agriculture and SSI, and to cater to the credit requirements of the weaker sections. In the case of domestic banks (public and private), aggregate advances to the priority sector should constitute 40 per cent of the total net bank credit (NBC). The sub-target in respect of agriculture is 18 per cent of NBC, while that in respect of weaker sections is 10 per cent. Though there is no separate sub-target for SSI, the total credit flow to SSI sector needs to conform to the stipulated distribution within SSI based on size of investment in plant and machinery. Over the years, a number of sectors/activities have been added to the priority sector in response to the changing structure of the Indian economy. The additions include housing, credit to Non-Bank Financial Companies (NBFCs) for on-lending to small road and water transport operators for purchase of trucks, software units and venture capital. In the case of foreign banks, the priority sector stipulation is only 32 per cent of NBC with a sub-target of 12 per cent of NBC for exports and 10 per cent for SSI.

3.37 As on the last reporting Friday of March 2001, the total priority sector advances by public sector banks accounted for 43.0 per cent of their net bank credit (NBC), similar to the figure of 43.5 per cent as on the last reporting Friday of March, 2000. Advances to priority sector by

private sector banks constituted 38.2 per cent of NBC on the last reporting Friday of March 2001 compared with 38.7 per cent in the previous year. Within the priority sector, the outstanding credit to agriculture from PSBs accounted for 15.7 per cent of net bank credit on the last Friday of March 2001 compared with 15.8 per cent as on the corresponding date in the previous year. The corresponding figures for private sector banks were much lower at 9.6 per cent and 9.1

case of foreign banks. The outstanding credit from PSBs to other priority sectors comprising various activities/sectors including small scale business, retail trade, etc., had increased over time from 0.7 per cent at the time of nationalisation to 11.8 per cent on the last reporting Friday of March 2001. Advances to other priority sectors from private sector banks was 14.2 per cent on the last reporting Friday of March in 2001. On the last reporting Friday of March 2001, export

TABLE 3.9
Sectoral Deployment of Gross Bank Credit
Variations during¹

Items	1999-2000	April-October		1999-00		April-October		2001-02	
		2000-01	2000-01	2000-01	2000-01	2000-01	2001-02		
		<i>(Rs. crore)</i>				<i>(Per cent)</i>			
I. Gross bank credit	58,806	68,335	36,664	27,298	17.2	17.0	9.1	5.8	
1. Public food procurement	8,875	14,300	8,648	10,289	52.8	55.7	33.7	25.7	
2. Gross non-food credit	49,931	54,035	28,016	17,009	15.4	14.4	7.5	4.0	
(a) Priority sectors (i+ii+iii) ²	17,216	22,587	9,901	6,590	15.0	17.1	7.5	4.3	
(i) Agriculture ³	4,747	7,541	3,737	3,201	12.0	17.0	8.4	6.2	
(ii) Small scale industry	4,331	3,188	-275	-1,686	8.9	6.0	-0.5	-3.0	
(iii) Other priority sectors	8,138	11,858	6,439	5,075	30.7	34.2	18.6	10.9	
(b) Medium and large industries	16,803	15,518	12,935	3,915	12.9	10.5	8.8	2.4	
(c) Wholesale trade (excluding food procurement)	2,854	1,027	1,022	50	20.4	6.1	6.1	0.3	
(d) Other sectors	13,058	14,903	4,158	6,454	19.8	18.8	5.3	6.9	
II. Export credit⁴	3,227	4,203	1,013	-3,665	9.0	10.7	2.6	-8.5	

1 As on the last reporting Friday of the period.
2 Excluding investments in eligible securities.
3 Indirect finance not included.
4 Included under gross non-food credit.
Note: All figures are provisional. Data relate to 50 scheduled commercial banks (49 banks since March, 2001) 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.

per cent respectively, on the last reporting Friday of March 2001 and 2000. Advances from PSBs to the SSI sector accounted for 14.2 percent of NBC on the last reporting Friday of March 2001 compared with 15.6 per cent on the last reporting Friday of March in the previous year. The outstanding credit to the SSI sector was 14.4 per cent in respect of private sector banks on the last reporting Friday of March 2001 while it was 11.0 per cent in the case of foreign banks. The corresponding figure on the last reporting Friday of March in the previous year was higher at 15.7 per cent in the case of private sector banks, while it was lower at 10.2 per cent in the

credit by foreign banks accounted for 20.0 per cent of NBC while the total priority sector advances comprising both export and small-scale industry was 34.0 per cent. The corresponding figures on the last reporting Friday of March 2000 were 23.0 per cent and 35.0 per cent respectively.

Rural Infrastructure Development Fund (RIDF)

3.38 RIDF was set up in 1995-96 in the National Bank for Agriculture and Rural Development (NABARD) to assist State Governments and State owned corporations fund quick completion

of ongoing projects relating to rural infrastructure. Successive Union Budgets have enhanced allocations to the RIDF corpus and extended the scope of the Fund. The Union Budget for 2001-02 announced the setting up of RIDF VII with a corpus of Rs. 5,000 crore. At the end of November 2001, the total corpus of RIDF under tranches I to VII amounted to Rs. 23,000 crore. The contribution to RIDF is received by NABARD from Indian scheduled commercial banks against their shortfall in priority sector/agricultural lending during the preceding year. Total sanctions and disbursements under various tranches of RIDF amounted to Rs. 20,344 crore and Rs. 10,409 crore, respectively as on November 30, 2001.

Small Scale Industries (SSI)

3.39 Public sector banks have been advised by the Reserve Bank to operationalise at least one specialised SSI branch in every district and centres with a cluster of SSI units. The convenor of State Level Bankers Committee (SLBC) in each State has been asked to monitor the progress in this regard. There were 390 specialised SSI branches at the end of March 2001. A Standing Advisory Committee set up in the RBI under the

Chairmanship of a Deputy Governor is expected to make recommendations for bringing about improvement in the credit delivery system for the SSI sector.

Kisan Credit Card (KCC) Scheme

3.40 Cooperative banks, Regional Rural Banks, and commercial banks together issued 14.4 million KCCs till the end of March 2001. The corresponding amount sanctioned was Rs.26,058 crore. The Union Budget for the current financial year had assigned a target of 10 million KCCs. Till the end of November 2001, 6.0 million KCCs have been issued, involving a sanctioned amount of Rs. 17,333 crore. The cumulative number of KCCs issued till the end of November 2001 is 20.4 million KCCs involving a sanctioned amount of Rs.43,391 crore. Cooperative banks accounted for the maximum share in the cumulative total issue of KCCs (66.2 per cent), followed by SCBs (27.0 per cent) and RRBs (6.8 per cent). The average amount sanctioned per card issued till the end of November 2001 amounted to Rs.21,253. The corresponding amount was the highest for SCBs at Rs. 24,934, followed by RRBs at Rs.23,989 and the cooperative banks at Rs.19,470.