

Rural infrastructure development fund (RIDF)

3.40 RIDF was set up in National Bank for Agriculture and Rural Development (NABARD) in 1995-96 to provide loans to State Governments and State owned corporations for expeditious completion of on-going rural infrastructure projects. Under the scheme, domestic commercial banks contribute to the Fund on the basis of their shortfall in their lending to the priority sectors/agriculture. The corpus of RIDF I-VIII amounted to Rs. 28,500 crore as on March 31, 2002. With a view to enhancing the flow of funds to the agricultural sector, the Union Budget for 2002-03 had announced an increase in the allocation of funds for RIDF VIII from Rs. 5,000 crore to Rs. 5,500 crore. The Budget has also proposed linking loans to States to reforms in the agriculture and rural sectors. Accordingly, out of the corpus of Rs. 5,500 allocated to RIDF VIII in 2002-03, an amount of Rs. 1,100 crore was earmarked for loans linked to reforms in marketing of agricultural produce, irrigation, electricity supply and tribal welfare. Cumulative sanctions and disbursements (up to January 3, 2003) under RIDF amounted to Rs. 25,976 crore and Rs. 15,128 crore respectively.

3.41 The shortfall in disbursements of RIDF funds as compared with sanctions is a matter of concern. The Government has taken a number of steps to address this problem. The steps include making Panchayati institutions eligible to implement RIDF projects and an increase in the scope of projects eligible for funding under RIDF. The Union Budget for 2002-03 has reduced the rate of interest on advances from RIDF from 10.5 percent to 8.5 percent. The Budget also proposed fixing the lending rates at the prevailing Bank Rate plus 2 percent henceforth.

Kisan credit cards (KCCs)

3.42 The kisan credit card scheme (KCC) introduced in 1998-99 has increased farmers' access to short term credit. The objective of the scheme is to provide adequate and timely support from the banking system to the farmers for their cultivation needs including purchases of inputs in a flexible and cost effective manner. The scheme is being operated by cooperative banks, regional rural

banks (RRBs) and SCBs throughout the country. Loans disbursed under KCC are now covered under Rashtriya Krishi Beema Yojna of the General Insurance Corporation. KCC holders are being provided personal accident insurance cover of Rs. 50,000 for accidental death and Rs. 25,000 for permanent disability. Till the end of September, 2002 total KCCs issued were 285.0 lakh of which cooperative banks issued 175.9 lakh cards followed by PSBs (87.9 lakh) and RRBs (21.2 lakh). The RBI in its Annual Policy Statement had indicated that a survey would be conducted to assess the impact of the scheme on the beneficiaries. Accordingly, preparatory work has been initiated to conduct the survey with the help of an outside agency.

Regional rural banks (RRBs)

3.43 During the year 2001-02, outstanding deposits mobilised by RRBs increased by 16.3 percent to Rs. 44,539 crore as compared with an increase of 19.0 percent in the previous year. Advances by RRBs also registered a lower growth of 17.6 percent in 2001-02 as compared with 20.0 percent in the previous year. For RRBs, advances extended to the agricultural sector amounted to 45.1 percent of all advances as on March 31, 2002 as compared with 45.6 percent on the corresponding date of the previous year.

Micro finance

3.44 Micro credit has emerged as a viable alternative credit channel to the poor as their access to conventional credit channels is constrained by the requirement of collateral and high transaction cost. Micro finance is routed through self-help groups (SHGs). During 2001-02, nearly two lakh new SHGs were extended loans as compared with the target of one lakh SHGs. The amount of loan disbursed was Rs.545 crore, much higher than the amount of Rs.288 crore disbursed in 2000-01. The cumulative amount of bank loans disbursed to the SHGs was Rs. 1,026 crore with a refinance support of Rs. 796 crore from NABARD as on March 31, 2002. Over 2,100 NGOs and other agencies were associated in this effort. The Budget for 2002-03 indicated a target of 1.25 lakh additional SHGs to be covered under micro finance.