

Agricultural credit

8.22 The total credit flow to agriculture in the Ninth Plan (1997-2002) amounted to Rs.2,29,956 crore. A substantial jump in the credit flow to agriculture is envisaged in the Tenth Plan (2002-07) which is projected at Rs 7,36,570 crore, almost three times the Ninth Plan achievement. Although there was a substantial increase in the agriculture credit in the first two years of the Tenth Plan, the increase was not commensurate with the plan projection (Table 8.12).

8.23 In view of the dissatisfaction expressed by the farming community about the benefit of falling interest rate regime not reaching them, the public sector banks have been advised to reduce their lending rate for agriculture to a rate not exceeding 9 per cent per annum on loans up to Rs.50, 000. The banks were also advised to ensure that the volume of credit to the agriculture sector does not decline because of the reduction in interest rate. According to an announcement made by the Government on June 18, 2004, the flow of institutional credit would be enhanced by 30 per cent to about Rs. 105,000 crore in 2004-05 from Rs. 80,000 crore in 2003-04.

Kisan credit card scheme

8.24 The Kisan Credit Card Scheme, introduced in 1998-99, has become very popular

among the farmers. A total of 413.79 lakh Kisan Credit Cards were issued and cumulative credits amounting to Rs.97,710 crore were sanctioned up to March 2004 (Table 8.13).

Self-help group bank linkage programme

8.25 The focus under the Self-help Group (SHG) Bank Linkage Programme is largely on those rural poor who have no sustainable access to the formal banking system. The target groups, therefore, broadly comprise small and marginal farmers, agricultural and non-agricultural labourers, artisans and craftsmen and other poor engaged in small businesses like vending, and hawking.

8.26 By March 2004, over 1.7 crore rural poor families accessed financial services of savings and credit through 10.79 lakh credit-linked SHGs. Around 90 per cent of these SHGs are exclusive women SHGs. More than 30,000 branches and 500 banks which participate in the Programme have extended loans amounting to Rs. 3,904 crore by March 31, 2004, backed by refinance support of Rs.2,124 crore from NABARD (Table 8.14).

Rural Infrastructure Development Fund (RIDF)

8.27 Rural Infrastructure Development Fund (RIDF) set up in 1995-96 with the NABARD,

Table 8.12 : Flow of institutional credit to agriculture

(Rs crore)

Institutions	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04 (Estimated)
Co-operative Banks	14,085	15,957	18,363	20,801	23,604	24,296	30080
Share (%)	44	43	40	39	38	34	38
Short-term	10,895	12,571	14,845	16,583	18,828	20,247	23920
Medium/Long-term	3,190	3,386	3,518	4,218	4,776	4,049	6160
Regional Rural Banks	2,040	2,460	3,172	4,219	4,854	5,467	6080
Share (%)	6	7	7	8	8	8	8
Short-term	1,396	1,710	2,423	3,245	3,777	4,156	4680
Medium/Long-term	644	750	749	974	1,077	1,311	1400
Commercial Banks	15,831	18,443	24,733	27,807	33,587	41,047	43840
Share (%)	50	50	53	53	54	58	55
Short-term	8,349	9,622	11,697	13,486	17,904	21,878	23400
Medium/Long-term	7,482	8,821	13,036	14,321	15,683	19,169	20440
Total	31,956	36,860	46,268	52,827	62,045	70,810	80000
Per cent increase	21	15	26	14	17	14	13

Source : NABARD.

received an increased allocation of Rs.5,500 crore in 2002-03 towards RIDF-VIII, of which an amount of Rs.500 crore was earmarked for projects to be implemented by PRIs/SHGs/NGOs or similar other organizations, and Rs.600 crore for States in the North-Eastern Region. As announced in the Union Budget 2002-03, sanction of loans under RIDF VIII was to be linked to reforms in agriculture and rural sectors. The reforms linked sanctions were further taken ahead in 2003-04 under RIDF IX. Incentives in the form of higher

allocation/sanction of loans were made available to States, which are rated higher for initiating reforms in agriculture and rural development. The RIDF came to an end with the commencement of the Lok Nayak Jai Prakash Narayan Fund in February 2004. Financing would be arranged for the Lok Nayak Jai Prakash Narayan Fund initially from the banks having shortfall in mandatory agricultural lending at the same rate of interest as applicable to the last RIDF (6 per cent or less) (Box 8.1).

Table 8.13 : Number of Kisan Credit Cards and amount sanctioned

Agency	2000-2001		2001-2002		2002-2003		2003-2004		Cumulative progress	
	No. of cards issued (lakh no.)	Amt. sanc. (Rs cr)	No. of cards issued (lakh no.)	Amt. sanc. (Rs cr)	No. of cards issued (lakh no.)	Amt. sanc. (Rs cr)	No. of cards issued (lakh no.)	Amt. sanc. (Rs cr)	No. of cards issued (lakh no.)	Amt. sanc. (Rs cr)
Coop. Banks	56.14	9412	54.36	15952	45.79	15841	48.78	9855	242.58	55492
RRBs	6.48	1400	8.33	2382	9.64	2955	12.74	2599	38.99	9753
Comm. Banks	23.90	5615	30.71	7524	27.00	7481	30.73	6835	132.22	32465
Total	86.52	16427	93.41	25858	82.43	26278	92.25	19289	413.79	97710

Source : NABARD.

Table 8.14 : SHG bank linkage programme

Year	Number of SHGs financed	Growth (%)	Cumulative Number of SHGs	Bank Loan (Rs. crore)		
				Amount	Growth (%)	Cumulative
1992-1999	32,995	-	32,995	57	-	57
1999-2000	81,780	148	114,775	136	138	193
2000-2001	149,050	82	263,825	288	112	481
2001-2002	197,653	33	461,478	545	89	1026
2002-2003	255,882	29	717,360	1022	87	2049
2003-2004	361,731	41	1,079,091	1855	81	3904

Source : NABARD.

Box 8.1 : Lok Nayak Jai Prakash Narayan Fund (Agriculture Infrastructure and Credit Fund)

Finance Minister in his interim Budget speech (February 2004) announced creation of a fund known as Lok Nayak Jai Prakash Narayan Fund, which will replace the existing RIDF. Activities such as rural connectivity, primary health center, major irrigation and medium irrigation which are currently covered under RIDF will not be included under the new fund at this stage. The fund was operationalised on February 17, 2004.

NABARD has prepared the scheme broadly with the following three components:

- A. Finance for infrastructure through State Governments (Rs. 30000 crore).
Eligible clients are State Governments, State undertakings and corporations, Panchayati Raj Institutions, other local bodies etc.
Activities include minor irrigation, rainfed agriculture, flood control, public sector cold storage facilities etc.
- B. Finance for investments in agriculture and commercial infrastructure through banking system (Rs. 18,000 crore).
Eligible clients are corporates, NGOs, individuals etc.
Activities include priority areas like micro irrigation, rainfed agriculture, post-harvest related support, agriculture marketing, investment credit etc.
- C. Development measures and Risk Management Mechanism (Rs. 2000 crore)

In the first year of operation (2004-05), funds required are around Rs. 12,000 crore, which would be available from the commercial banks' contribution to the funds on account of their shortfall in mandatory agricultural lending. Additional funds required for this purpose in the subsequent years would be raised through market borrowings by the NABARD.

Since the NABARD would be receiving funds with a rate of interest around 6 to 6.5 per cent, it would be possible to provide funds to the borrowers at an interest rate of 2 per cent below the PLR.