

## Agricultural credit

### Flow of institutional credit to agriculture

8.28 There has been a steady increase in the flow of institutional credit to agriculture over the years (Table 8.12). If the credit flow till

December 2004 of the current year 2004-05 is any guide (the credit flow till December 2004 being only marginally less than the same for the whole of 2003-04), the institutional credit given by the banks to the agriculture sector in 2004-05 may substantially exceed the last

<b>Institutions</b>	<b>1999-00</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05*</b>
Co-operative Banks	18,363	20,801	23,604	24,296	26,959	24,471
Share (per cent)	40	39	38	34	31	28
Regional Rural Banks	3,172	4,219	4,854	5,467	7,581	9,176
Share (per cent)	7	8	8	8	9	11
Commercial Banks	24,733	27,807	33,587	41,047	52,441	52,038
Share (per cent)	53	53	54	58	60	61
Total	46,268	52,827	62,045	70,810	86,981	85,686
Per cent increase	26	14	17	14	22	
<b>* Upto December 2004.</b>						
<b>Source : NABARD.</b>						

year's level. The agency-wise share of credit flow to agriculture shows that the Commercial Banks accounted for the major share (61 per cent), followed by Cooperative Banks (28 per cent) and Regional Rural Bank (11 per cent). However, there is a declining trend in the share of co-operative banks in the flow of institutional credit over the years, which is indicative of the need for restructuring and reforming these banks.

8.29 Realizing the need to enhance credit flow to agriculture, the Government, in consultation with the Reserve Bank of India (RBI), NABARD and commercial banks, announced on June 18, 2004, a credit package for the agriculture sector, which envisaged doubling of agriculture credit over three years (Box-8.5) (See Chapter 3). The Reserve Bank of India had also set up an Advisory Committee on the flow of credit to agriculture and related activities under the

Chairmanship of Prof. V.S. Vyas, which submitted its report to the Government on June 30, 2004. Several recommendations of the Committee have been accepted and communicated to the banks for implementation. These include waiving of margin / security requirements up to Rs 50,000/ for crop loans and up to Rs. 5 lakh for loans to agri- business and agri-clinics; dispensing with the restrictive provisions of Services Area Approach; and aligning NPA norms for direct agricultural advances to the cropping seasons of short duration and long duration crops.

#### *Kisan Credit Card Scheme (KCC)*

8.30 The Kisan Credit Card Scheme, which was introduced in 1998-99, has made rapid progress with the banking system issuing more than 435 lakh cards with cumulative credit of Rs 1,11,459 crore sanctioned up to

#### **Box 8.5 : Initiatives taken in June 2004 to enhance credit flow to agriculture**

- To step up agricultural credit from all lending institutions, estimated at Rs.80,000 crore during the 2003-04, by 30 per cent to around Rs.1,05,000 crore during 2004-05.
- The share of various agencies shall be as under:-
 

Commercial Banks	Rs.57,000 crore
Regional Rural Banks(RRBs)	Rs. 8,500 crore
Cooperative Banks(CBs)	Rs.39,000 crore
- The branches of CBs and RRBs will be energized to enhance the flow of agricultural credit."
- Under special agricultural credit plan, at least 100 new farmers should be financed at each rural and semi-urban branch during the current year, resulting in enrolment of about 50 lakh new borrowers."
- Financing of at least 2 to 3 new investment projects by each branch in plantation and horticulture, fisheries, organic farming, etc."
- Financing at least 10 Agro Clinics in each district during the current year."
- Providing credit to tenant farmers and oral lessees."
- Revisiting of scales of finance and re-aligning the same to meet the realistic needs of the farmers, especially capital-intensive agricultural operations."
- Special packages to promote technological upgradation in agriculture, agro-processing and agri-biotech.
- Debt restructuring as opposed to debt writes off In the following forms:
  - (a) Relief to farmers in distress by restructuring/rescheduling of their loans and making them eligible for fresh loans.
  - (b) Rescheduling of the debts of farmers in arrears and making them eligible for fresh loans.
  - (c) One Time Settlement (OTS) for small and marginal farmers and consider them eligible for fresh loans.
  - (d) Redemption of past debts from non-institutional lenders.

**Table 8.13 : Number of Kisan Credit Cards and amount sanctioned**

Agency	2001-02		2002-03		2003-04		2004-05 (up to September 30, 2004)		Total	
	No. of cards issued (Lakh No.)	Amount sanc- tioned (Rs crore)	No. of cards issued (Lakh No.)	Amount sanc- tioned (Rs crore)	No. of cards issued (Lakh No.)	Amount sanc- tioned (Rs crore)	No. of cards issued (Lakh No.)	Amount sanc- tioned (Rs crore)	No. of cards issued (Lakh No.)	Amount sanc- tioned (Rs crore)
Coop.Banks	54.36	15952	45.79	15841	48.78	9855	16	9741	258.6	5,233
RRBs	8.34	2382	9.64	2955	12.74	2599	5.6	1513	44.6	11,265
Comm.*Banks	30.71	7524	26.81	7387	31.00	9331	NA	NA	132.4	34,961
Total	93.41	25858	82.24	26183	92.50	21785	21.6	11,254	435.6	1,11,459
* Commercial Banks up to March 2004.		Source: NABARD.								

September 30, 2004 (Table 8.13). (See also Chapter 3). Besides the existing facilities of providing crop loan, the scope of KCC scheme has been enlarged to include term loans for agriculture and allied activities and a reasonable component to meet the consumption needs. Further, to provide adequate and timely credit support from the banking system to the farmers for their cultivation needs and to improve farmers' accessibility to bank credit for production purposes, the credit delivery mechanism is being simplified and more flexibility in the use of credit Kisan Credit Card (KCC) is being introduced.

#### *Self - Help Group (SHG) bank linkages programme*

8.31 The SHG- bank linkages programme has emerged as the major micro finance programme in the country. While 563 districts in all the States/ UTs have been covered under this programme, 560 banks including 48 commercial banks, 196 RRBs and 316 co-operative banks along with 3024 NGOs are now associated with this programme. The number of SHGs linked to the banks aggregated 1,276, 035 as on December 30, 2004. Cumulative disbursement of bank loan to these SHGs stood at Rs. 5,038 crore as on the same date.