

Agricultural credit

3.47 During 2004-05, with an aggregate disbursement of Rs.1,25,309 crore to the agricultural sector, the target of Rs. 1,05,000 crore was exceeded by 19.3 per cent. The Union Budget 2005-06 proposed to increase the flow of credit by commercial banks, regional rural banks (RRBs) and co-operative banks by another 30 per cent in the current financial year 2005-06. Further, PSBs were advised to increase the number of borrowers by another 50 lakh, and also to make efforts to increase their disbursements to small and marginal farmers to 40 per cent of their direct advances under Special Agricultural Credit Plan (SACP) by March 2007. Banks were allowed to waive margin/security requirements for agricultural loans up to Rs.50,000 and, in the case of agribusiness and agri-clinics, for loans up to Rs. 5 lakh.

3.48 Continuing its endeavour to enhance the flow of credit to agriculture by removing delivery bottlenecks, the RBI, together with NABARD, implemented most of the recommendations of the Advisory Committee on Flow of Credit to Agriculture and Related Activities from the Banking System

(Chairman: Prof. V.S.Vyas). Out of 99 recommendations made by the Committee, 33 were accepted and implemented by October 2005. These related to: procedural modifications and rationalisation of systems and procedures; tie-ups with related farm machinery manufacturers by banks; use of a flexible revolving credit limit to small borrowers of production or investment loans for meeting temporary shortfalls in family cash flows; co-opting joint liability group (JLG) and self-help group (SHG) approaches in addressing issues relating to financing oral lessees; addressing delays/refusal in opening savings bank accounts of SHGs; improving staffing in the rural areas to promote retail lending to agriculture, use of individual volunteers, farmers' clubs or NGOs/SHGs as direct selling agents; building synergy between good working primary agricultural credit societies and commercial banks; use of IT in rural branches; working out appropriate incentive structure for prompt repayment; making the rates of interest on small loans reasonable; and improving the efficiency of credit delivery to small borrowers and association with contract farming. Furthermore, some of the recommendations, viz., stepping up credit for

marketing and introduction of negotiable warehousing receipt system, support of State Governments for collecting dues, reduction of stamp duty on agricultural loans, legal amendments to Agricultural Produce Marketing Committee (APMC) Act by the State Governments, amendment to NABARD Act for operational autonomy, which were referred to the Government of India for examination, have been accepted.

3.49 As per the 'farm credit package' announced by Government of India on June 18, 2004, the flow of credit for agriculture would be doubled in the ensuing three years. The target for institutional credit for agriculture by all agencies was fixed at Rs.1,05,000 crore for the year 2004-05, ensuring 30 per cent growth over the previous year's achievement. The overall achievement by all agencies during 2004-05 was Rs.1,15,243 crore, equivalent to 44.1 per cent growth over the previous year's achievement (Table 3.8). While the commercial banks and RRBs over performed vis-à-vis their targets of Rs.57,000 crore and Rs.8,500 crore, respectively, there was a shortfall of over Rs. 8,000 crore by cooperative banks vis-à-vis their target of Rs.39,000 crore. Against the target of Rs.1,41,000 crore for flow of institutional credit for agriculture and allied activities in 2005-06, achievement up to December 31, 2005 was Rs.1,17,899 crore, equivalent to 83.6 per cent of the target.

Kisan credit card

3.50 With an overwhelming response from the farmers as well as the bankers to the Kisan Credit Card (KCC) scheme, introduced

in August 1998, the number of cards issued up to November 30, 2005 was 555.85 lakh. The growing popularity of the KCC scheme reflects its effectiveness in ensuring hassle-free and timely operations as also availability of credit with minimum transaction cost and documentation.

3.51 In order to safeguard the interests of the KCC holders for coverage under Personal Accident Insurance Scheme (PAIS) on an ongoing basis on competitive terms, NABARD has allowed discretion to the banks to opt for "any insurance company of their choice". This facilitates personal accident insurance coverage on an ongoing basis, at competitive rates/terms. With a view to meet credit needs of the farmers through a single window, NABARD has enlarged the scope of the KCC, beyond the existing facility of providing crop loan limit, to cover term loans for agriculture and allied activities, including a reasonable component of consumption needs.

3.52 With the enlarged coverage of 50 lakh new farmers under KCC scheme by the PSBs during 2005-06, NABARD has advised the co-operative banks and RRBs also to arrive at realistic targets for issue of KCCs to new farmers during the year. Banks have been advised to identify and enlarge the coverage by bringing in the farmers including defaulters, oral lessees, tenant farmers who may be outside the fold of the KCC scheme, as also new farmers. Co-operative banks and RRBs have accordingly set targets of issuing 34 lakh and 16 lakh KCCs, respectively, during the year. Further, banks have been advised to ensure that KCCs continue to be renewed in

Table 3.8 : Flow of institutional credit to Agriculture

	Rs. crore			
Agencies	2002-03	2003-04	2004-05	2005-06*
1.Cooperative banks	23,716	26,959	31,231	28,947
2.RRBs	6,070	7,581	12,597	11,146
3.Commercial banks	39,774	52,441	81,481	77,806
Total (1+2+3)	69,560	86,981	1,25,309	1,17,899
Source : NABARD.		*Up to December 31, 2005		

a hassle-free manner and to direct their efforts towards ensuring 'quality in operations' of the KCCs and, more importantly, that crop loans are routed only through KCCs.

Micro-finance

3.53 To provide the rural poor accessibility to credit from the banking system and for alleviating poverty, NABARD in 1992 had started a programme of linking SHGs of the rural poor with banks. Over the years, the SHG-Bank linkage programme has emerged as the major micro-finance programme in the country. In all 554 banks (47 commercial banks, 177 RRBs and 330 co-operative banks) are now actively involved in the operation of this programme.

3.54 The 5,39,365 new SHGs credit-linked during 2004-05 represent an increase of 49 per cent over the previous year (Table 3.9). As on 31 March, 2005, the total of 16.18 lakh SHGs credit-linked by banks covered an estimated 242 lakh poor families, with an average loan disbursement per family of Rs. 3,044. Refinance support extended by NABARD amounted to Rs.3,082 crore. A highlight of the programme was that about 90 per cent of the groups linked with banks were exclusively women groups. As against the target of linking 3 lakh SHGs for the whole year 2005-06, until December, 2005, 2.11 lakh new SHGs were added.

Table 3.9: Progress of SHG-Bank linkage programme

Year	SHG financed by banks (No.)		Bank loan (Rs. crore)	
	During the year	Cumulative	During the year	Cumulative
1992-99	32995	32995	57.07	57.07
1999-00	81780	114775	135.91	192.98
2000-01	149050	263825	287.89	480.87
2001-02	197653	461478	545.47	1026.34
2002-03	255882	717360	1022.34	2048.68
2003-04	361731	1079091	1855.53	3904.21
2004-05	539365	1618456	2994.25	6898.46
2005-06#	211391	1829847	1420.67	8319.13

Up to December 31, 2005.