

Agricultural credit

3.67 During the Tenth Five Year Plan period, up to December 31, 2006, total flow of bank credit for agriculture and allied activities is Rs. 611,678.66 crore. Over the period (2002-03 to 2006-07), the share of commercial banks in total credit flow to agriculture and allied activities has increased, with significant increases from 2004-05 onwards.

3.68 As per the 'farm credit package' announced by the Government of India on June 18, 2004, for doubling the flow of credit to agriculture in the following three years, the target for institutional credit for agriculture by all agencies was fixed by ensuring a 30 per

cent growth during 2004-05 over the previous year's achievement. With institutional credit flow to agriculture at Rs.125,309 crore in 2004-05, registering a growth of 44 per cent, it exceeded the target set by a wide margin (Table 3.8). The target for such credit flow was fixed at Rs.141,000 crore for 2005-06 on the basis of performance of the various agencies during 2004-05. With growth of 44 per cent, such credit of Rs. 180,485.57 crore again surpassed the target for 2005-06. During 2006-07 (up to December 31, 2006), the total flow of institutional credit at Rs.149,343.16 crore (provisional) constituted 85 per cent of the annual target of Rs.175,000 crore for the year.

Table 3.8 : Flow of institutional credit to Agriculture

	Rs. crore				
Agencies	2002-03	2003-04	2004-05	2005-06	2006-07*
Co-operative Banks	23,716.38	26,958.79	31,424.23	39403.77	33,174.32
RRBs	6,069.79	7,581.15	12,404.00	15222.90	15,170.03
Commercial Banks	39,773.60	52,440.85	81,481.14	125858.90	1,00,998.81
Grand Total (1+2+3)	69,559.77	86,980.79	1,25,309.37	1,80,485.57	1,49,343.16
<i>* Upto 31 December 2006</i>					

Kisan credit card scheme

3.69 With a total of 642.49 lakh Kisan Credit Cards (KCCs) issued by the banking system as on December 31, 2006, the KCC Scheme introduced in August 1998 appears to have become a widely accepted mechanism for credit delivery to farmers (Table 3.9).

3.70 With a view to making KCC more user-friendly and comprehensive in its coverage of credit needs of the farmers through a single window, NABARD has further enlarged the scope of the KCC scheme to cover long-term loans for agriculture and allied activities as well. So far, the coverage of credit thereunder was restricted to short-term and medium-term loans. However, taking into consideration the nature of requirement of the clientele of State Co-operative Agriculture and Rural Development Bank (SCARDBs), the benefits of KCC scheme have been extended to the long-term borrowers of the co-operative credit structure too. This is also expected to pave the way for acceptance of KCC as a single window for comprehensive rural credit delivery.

3.71 Keeping in view the directive of the Government of India for doubling the flow of credit to agriculture sector, NABARD advised the co-operative banks and RRBs to identify and bring into their fold, such farmers,

including defaulters, oral lessees, tenant farmers, share-croppers, etc., who may have been outside the fold of the scheme, for any reasons, as also new farmers. The co-operative banks and RRBs were advised to set realistic targets and cover all farmers under KCC by March 31, 2007.

3.72 Further, the banks have to ensure that KCCs continue to get renewed in a hassle-free manner and direct their efforts towards ensuring 'quality in operations' on the KCCs. More importantly, banks have also to ensure that, henceforth, crop loans are routed only through KCCs.

Micro-finance

3.73 NABARD has been making continuous efforts through its micro-finance programme for improving the access of the rural poor to formal institutional credit. The Self Help Group (SHG) -Bank Linkage Programme was introduced in 1992 as a mechanism to provide the poor in rural areas, at their doorstep, easy and self-managed access to formal financial services on a sustainable basis by enabling them to gain access to banking services in a cost-effective manner. In all, 547 banks (47 commercial banks, 158 RRBs and 342 co-operative banks) are now actively involved in the operation of this programme. As on March 31, 2006, bank loans of Rs.11,398 crore were availed of by 2,238,565 SHGs from the banking system (Table 3.10). As on March 31, 2006 the average bank loan per SHG was around Rs.50,917; the programme has enabled nearly 329 lakh poor families in the country to gain access to micro-finance facilities from the formal banking system. During 2006-07, as against the target of 3.85 lakh new SHGs, as on December 31, 2006, as many as 2.38 lakh SHGs were credit-linked and bank loans of Rs.13,511.86 crore were disbursed.

Table 3.9 : Agency-wise KCCs Issued

(Lakhs)

Year	Co-operative Banks	PRBs	Comercial Banks	Total
1998-99	1.56	0.06	6.22	7.84
1999-00	35.95	1.73	13.66	51.34
2000-01	56.14	6.48	23.90	86.52
2001-02	54.36	8.34	30.71	93.41
2002-03	45.79	9.64	27.00	82.43
2003-04	48.78	12.75	30.94	92.47
2004-05	35.56	17.29	43.95	96.80
2005-06	25.98	12.49	41.65	80.12
2006-07#	15.48	10.4	25.68*	51.56
Total	319.6	79.18	243.71	642.49
% Share	49.75	12.32	37.93	100.00
* Upto 30 June 2006 # upto December 31, 2006.				

Table 3.10 : Progress of SHG-Bank linkage

Year	New SHG financed by banks			Bank loan** (Rs. crore)		
	During the year		Cumulative	During the year		Cumulative
	No.	Growth (%)	No.	Amount	Growth (%)	Amount
2002-03	255,882	29	717,360	1,022.34	87	2,048.68
2003-04	361,731	41	1,079,091	1,855.53	81	3,904.21
2004-05	539,365	49	1,618,456	2,994.25	62	6,898.46
2005-06	620,109	15	2,238,565	4,499.09	50	11,397.55
2006-07#	237,927		2,476,492	2,114.31		13,511.86

** Includes repeat loans to existing SHGs.
As on 31.12.2006.