

Agricultural Credit

Flow of institutional Credit to Agriculture

8.47 The 'Farm Credit Package' announced in June 2004 stipulated doubling the flow of institutional credit for agriculture in the ensuing three years. The target of 30 per cent growth in agricultural credit in 2004-05 was surpassed by the actual growth of 44 per cent in overall credit by all agencies to Rs.1,25,309 crore in 2004-05 (Table 8.14). Based on this encouraging performance, the target for flow of institutional credit for agriculture and allied activities for 2005-06 was raised to Rs. 1,41,000 crore, which again was surpassed by the actual achievement of Rs.1,80,486 crore (provisional). The target for such credit for 2006-07 was fixed at Rs.1,75,000 crore, of which 85 per cent (Rs. 1,49,343 crore) was achieved by December 31, 2006.

Kisan Credit Card Scheme

8.48 To provide adequate and timely support from the banking system to the farmers for their cultivation needs, including purchase of all inputs in a flexible and cost effective manner, a model Kisan Credit Card Scheme (KCC) was introduced in August 1998. NABARD had advised banks for extensive coverage through expanding its outreach by lending to more farmers including non-willful defaulters, oral lessees, tenant farmers, share-croppers, who may have been outside the fold of the scheme, for whatever reasons, as also new farmers. The co-operative banks and RRBs were advised to cover all farmers under KCC by end-March

2007 and to make the renewal process of KCCs more user friendly.

8.49 The KCC scheme made rapid progress with cumulatively more than 645 lakh cards issued up to October, 2006. The scheme has also been extended to the borrowers of the long-term cooperative credit structure to address all the loan requirements of borrowers of State Cooperative Agriculture Rural Development Banks (SCARDBs) under KCC Scheme.

8.50 Government has decided that from Kharif 2006-07, farmers would receive crop loans up to a principal amount of Rs. 3 lakh at 7 per cent rate of interest. This year, the Government of India is providing interest subvention of 2 per cent per annum to Public Sector Banks, Regional Rural Banks (RRBs) and Cooperative Banks on amount of short term agriculture credit disbursed out of their own resources. Concessional refinance to Cooperative Banks at 2.5 per cent per annum and to RRBs at 4.5 per cent per annum will also be provided through NABARD for this purpose. Further, in order to provide relief to the farmers who have availed of crop loans from Commercial Banks, RRBs and Primary Agriculture Cooperatives (PACs) for kharif and rabi 2005-06, an amount equal to two percentage points of the borrower's interest liability on principal amount up to Rs. one lakh has been credited to his/her bank account.

8.51 In January, 2006, Government announced the package for revival of Short-Term Rural Cooperative Credit Structure involving financial assistance of Rs.13,596

Table 8.14 : Agency-wise Ground Level Credit Flow for Agriculture and Allied Activities

(Rs. crore)

Agency	2002-03	2003-04	2004-05	2005-06	2006-07*
Cooperative Banks	23,716	26,959	31,424	39,404	33,174
RRB's	6,070	7,581	12,404	15,223	15,170
Commercial Banks	39,774	52,441	81,481	1,25,859	1,00,999
Total	69,560	86,981	1,25,309	1,80,486	1,49,343

* Upto December 31, 2006

Source : NABARD.

crore. NABARD has been designated as the implementing agency for the purpose. States are required to sign memorandum of understanding (MOU) with NABARD, committing to implement the legal, institutional and other reforms as envisaged in the revival package. So far 8 states, namely Andhra Pradesh, Maharashtra, Madhya Pradesh, Rajasthan, Orissa, Uttarakhand, Uttar

Pradesh and Gujarat, have signed MOU with GOI and NABARD.

8.52 The self-help group (SHG) Bank Linkage Programme has emerged as the major micro-finance programme in the country. Since inception of the scheme (upto December 31, 2006) 24.8 lakh. SHGs have been provided credit aggregating Rs.13,512 crore by the banking system.