

RURAL INFRASTRUCTURE DEVELOPMENT FUND

5.17 The scope of RIDF established with NABARD in April 1995 to assist State Governments/ State-owned corporations for quick completion of projects relating to minor and medium irrigation, soil conservation, watershed management and other forms of rural infrastructure (such as rural roads and bridges, market yards, etc.) was widened to include gram panchayats, self-help groups (SHGs), projects in social sector covering primary education, health and drinking water, and other eligible organizations for implementing village level infrastructure projects. Starting RIDF-X, other activities, such as minor irrigation projects/micro irrigation, flood protection, watershed development/ reclamation of waterlogged areas, drainage, forest development, market yard/godown, Apna Mandi, rural haats and other marketing infrastructure, cold storage, seed/agriculture/horticulture farms, plantation and horticulture, grading and certifying mechanisms such as testing and certifying laboratories, etc., community wells for irrigation purposes for the village as a whole, fishing harbour/jetties, riverine fisheries, animal husbandry, modern abattoir, etc., have been added to the list of eligible activities. Some more activities such as mini hydel projects; construction of toilet blocks in existing schools, where necessary, specially for girl students; "pay & use" toilets in rural areas; major irrigation projects (only those projects already sanctioned and under execution); village knowledge centres; desalination plants in coastal areas; small hydel projects (up to 10 MW); infrastructure for information technology in rural areas; and construction of anganwadi centres have been added to the list of eligible activities with effect from RIDF-XII.

5.18 The domestic SCBs, both in the public and private sector, which fail to achieve the priority sector and/ or agriculture lending targets are required to deposit into RIDF such amounts as may be allocated to them by the Reserve Bank of India. Pursuant to the announcement made by the Union Finance Minister in the budget speech for the year 2007-08, RIDF-XIII was set up with NABARD with a corpus of Rs. 12,000 crore along with a separate window with a corpus of Rs. 4,000 crore for the rural roads component of the Bharat Nirman Programme, with contributions from domestic banks, which had not achieved their target in lending to the priority sector and/ or agriculture as on the last reporting Friday of March 2007.

5.19 The Union Finance Minister had announced in the budget speech for the year 2008-09 the setting up of RIDF-XIV (with NABARD), with a corpus of Rs. 14,000 crore, and a separate window under RIDF-XIV for rural roads component under Bharat Nirman, with a corpus of Rs. 4,000 crore. It was also announced that certain other funds will be set up with NABARD: Short-Term Cooperative Rural Credit (STCRC) (Refinance) Fund with a corpus of Rs. 5,000 crore; SIDBI (corpus of Rs. 2,000 crore each for Micro Small and Medium Enterprises (Refinance) Fund; and MSME (Risk Capital) Fund; NHB (Rural Housing Fund with a corpus of Rs. 1,200 crore) from contributions by SCBs which failed to achieve their obligation to lend to the priority sector. These funds were set up with the concerned agencies, with contributions from domestic banks which had not achieved their target in lending to the priority sector and/ or agriculture as on the last reporting Friday of March 2008, in June 2008 and the bank-wise allocations for depositing in these Funds were revised in August 2008. The revised corpus allocations were: Rs. 10,000 crore for RIDF-XIV, Rs. 4,000 crore for the separate window under RIDF-XIV for rural roads component of Bharat Nirman Programme and Rs. 5,000 crore for Short-Term Cooperative Rural Credit (STCRC) (Refinance) Fund with NABARD; Rs. 1,600 crore for Micro, Small and Medium Enterprises (MSME) (Refinance) Fund and Rs. 1,000 crore for MSME (Risk Capital) Fund with SIDBI; and Rs. 1,000 crore for Rural Housing Fund with NHB. The balance portion (Rs. 4,000 crore) of the corpus of RIDF-XIV shall be allocated to SCBs on the basis of shortfall in achievement of priority sector lending target/sub-targets as on the last reporting Friday of March 2009.

5.20 Since its inception, the total allocation under RIDF (I to XIV), including separate windows under RIDF for rural roads component under Bharat Nirman was of the order of Rs. 98,000 crore (Rs. 86,000 crore to states and Rs. 12,000 crore under Bharat Nirman). Cumulative sanctions to State Governments and National Rural Roads Development Agency (NRRDA) under various tranches of RIDF (I to XIV) stood at Rs. 88,385.56 crore and Rs. 12,000 crore respectively as on February 28, 2009. The cumulative disbursements to various State Governments under various tranches of RIDF (RIDF I to XIV) stood at Rs. 53,775.18 crore, as on the same date. In addition, a loan of Rs. 12,000 crore has so far been disbursed to NRRDA for funding rural roads component of Bharat Nirman. During 2008-09 (up to February 28, 2009), various State Governments were sanctioned loans aggregating Rs. 14,699.29 crore, which

included Rs. 1,542.86 crore sanctioned to the distressed districts of four States viz. Andhra Pradesh, Kerala, Karnataka and Maharashtra. The disbursements under various tranches of RIDF during the year 2008-09 (up to February 28, 2009) amounted to Rs. 8180.38 crore.

5.21 Various banks had represented for either phasing the contribution to these funds over a longer period or exempting them from placements of deposits in these funds. The main contention by banks was that the allotment amount for the year 2008-09 for them was very high compared to previous years and that a large amount placed as deposit in these funds at a very low rate of interest would affect their profitability. Taking this into account, and keeping in view that the changeover to a new system would be a one-time event, the rate of interest in respect of deposits placed/ to be placed by banks in the above funds has been kept at the bank rate (6 per cent at present) uniformly for all banks, irrespective of any percentage of shortfall in achievement of priority sector lending target/ sub-targets as on the last reporting Friday of March 2008. (instead of varying rate of interest between bank rate and bank rate minus 3 percentage points).

5.22 The Annual Policy Statement of RBI (April 2008) mentioned that the shortfall in achievement of 10 per cent sub-target for lending to weaker sections by domestic SCBs would also be taken into account for the purpose of allocating amounts for contribution to RIDF maintained with NABARD or funds with other financial institutions, as specified by the Reserve Bank with effect from April 2009.

5.23 As a follow-up on the announcement made in the Union Budget 2008-09, several funds were set up such as:

- STCRC (Refinance) Fund with the NABARD with a corpus of Rs. 5,000 crore;
- MSME (Refinance) Fund and MSME (Risk Capital) Fund with SIDBI with corpus of Rs.1,600 crore and Rs.1,000 crore; and
- Rural Housing Fund with the National Housing Bank (NHB) with corpus of Rs.1,000 crore.

5.24 Consequent upon the announcement of measures by the Reserve Bank on November 15, 2008 to sustain the growth momentum in the employment-intensive sectors of micro and small enterprises and housing, the corpus of MSME (Refinance) Fund and Rural Housing Fund was enhanced by Rs. 2,000 crore (to Rs. 3,600 crore) and by Rs. 1,000 crore (to Rs. 2,000 crore) respectively. As on March 31, 2009 various SCBs have placed deposits of Rs. 4,622 crore in STCRC (Refinance) Fund, Rs. 3,326 crore in MSME (Refinance) Fund, Rs. 250 crore in MSME (Risk Capital) Fund and Rs. 1,760 crore in Rural Housing Fund.

5.25 The Interim Budget 2009-10 announced the continuation of financing of rural infrastructure projects for 2009-10 by way of RIDF-XV to be set up with NABARD with a corpus of Rs. 14,000 crore, and a separate window under RIDF-XV for rural roads component of Bharat Nirman Programme with a corpus of Rs. 4,000 crore.