

Institutional Finance for Agricultural Credit

48. Institutional funding of the farm sector is mainly by commercial banks, regional rural banks and co-operative banks. Agricultural credit provided by various agencies rose from Rs. 16,494 crore in 1993-94 to Rs. 30,976 crore in 1997-98. In 1998-99 it is likely to rise to Rs. 38,054 crore. Disbursement of Agricultural credit for the period 1993-94 to 1997-98 is listed in Table 8.19. The measures to improve flow of credit to agriculture is listed in Box 8.1.

49. Share of commercial banks in total institutional credit to agriculture is almost 48 per cent followed by cooperative banks with a share of 46 per cent. Regional Rural Banks account for just about 6 per cent of total credit disbursement. It is important to highlight the continued importance of short-term credit which accounts for two third of the total institutional lending to agriculture (Table 8.20).

TABLE 8.21
Recovery of Agricultural Advances
(Per cent)

Institutions	1993-94	1994-95	1995-96	1996-97	1997-98
Commercial Banks	56	58	60	62	63
Co-operative Banks					
SCARDBs *	57	62	61	61	60
PCARDBs **	59	67	61	61	56
State Co-operative Banks	89	90	90	86	81
District Central Co-operative Banks	64	73	69	69	66
Regional Rural Banks @	46	51	55	57	NA

@ RRBs recovery percentage pertains to the period ended June 1993 to June 1997.
* SCARDBs - State Co-operative Agriculture and Rural Development Banks.
** PCARDBs - Primary Co-operative Agriculture and Rural Development Banks.

50. The problem of overdues in agricultural credit continues to be an area of concern. However, there has been some improvement in the recovery in 1997-98 (Table 8.21).

BOX 8.1

Measures Taken in 1998-99 to Improve Credit Flow to Agriculture

- Procedural simplification for credit delivery (following R.V. Gupta Committee Report) through rationalisation of internal returns of banks.
- Delegation of more powers to branch managers.
- Introduction of composite cash credit limit to farmers, introduction of new loan products with saving components, cash disbursement of loans, dispensation of 'no due certificate' and discretion to banks on matters relating to margin security requirements for agricultural loans above Rs. 10,000.
- Introduction of at least one specialised agricultural bank in each state to cater to the needs of high-tech agriculture.
- Introduction of cash credit facility.
- Issue of Kisan Credit Cards to farmers to draw cash for their production needs on the basis of the model scheme prepared by NABARD.
- Hassle-free settlement of disputed cases of over dues.
- Augmenting Rural Infrastructure Development Fund (RIDF) with a corpus of Rs. 10,000 crore with NABARD to finance rural infrastructure development projects by States.

TABLE 8.20
Flow of Institutional Credit to Agriculture
(Rs. crore)

Year	Short term		Medium and Long term	
	Amount	Percent	Amount	Percent
1993-94	11,271	68.4	5,223	31.6
1994-95	7,938	42.3	10,806	57.7
1995-96	14,525	65.9	7,507	34.1
1996-97	16,998	64.4	9,413	35.6
1997-98*	19,875	64.2	11,101	35.8
1997-99\$	23,577	62.0	14,477	38.0
* Estimated	\$ Target			

TABLE 8.19
Disbursement of Agricultural credit

Institutions	1993-94	1994-95	1995-96	1996-97	1997-98*	1998-99@
Co-operative Banks	10,117	9,406	10,479	11,944	14,339	16,987
Regional Rural Banks	977	1,083	1,381	1,684	2,175	2,989
Commercial Banks	5,400	8,255	10,172	12,783	14,808	18,078
Total	16,494	18,744	22,032	26,411	30,976	38,054
Growth Rate(%)	9	14	18	20	17	23
* Estimated	@ Target					