

Agricultural Credit

8.50 Flow of institutional credit to agriculture has been under constant focus. Commercial banks are mandated to earmark 18 per cent of total annual lending to agricultural sector as part of priority sector lending. Providing better access to institutional credit for small

and marginal farmers and other weaker sections to enable them to adopt modern technology and improved agricultural practices, has been one of the major objectives of the Government (Box 8.2). The flow of institutional credit for agriculture and allied activities has increased from Rs.18744 crore in 1994-95 to Rs. 36897 crore in 1998-

BOX 8.2

Kisan Credit Card Scheme

Kisan Credit Card Scheme was introduced in 1998-1999 to facilitate access to credit from Commercial Banks and Regional Rural Banks. The salient features of the Scheme are as given below:

- (a) Farmers eligible for production credit of Rs.5000 or more are eligible for issue of Kisan Credit Card.
- (b) Eligible farmers to be provided with a Kisan Card and pass book or card-cum-pass book.
- (c) Provision of revolving cash credit facility involving any number of drawals and repayments within the limit.
- (d) Entire production credit needs for full year plus ancillary activities related to crop production considered while fixing limit. In due course, all activities and non-farm credit needs may also be covered.
- (e) Limit to be fixed on the basis of operational land holding, cropping pattern and scale of finance.
- (f) Sub-limits may be fixed at discretion of banks.
- (g) Card valid for 3 years subject to annual review.
- (h) Each drawal to be repaid within 12 months.
- (i) Conversion/reschedulement of loans also permissible in case of damage to crops due to natural calamities.
- (j) As incentive for good performance, credit limits could be enhanced to take care of increase in costs, change in cropping pattern etc.
- (k) Security, margin, rate of interest as per RBI norms.
- (l) Operations may be through issuing branch or at the discretion of bank, through other designated branches.
- (m) Withdrawals through slips/cheques accompanied by card and passbook.

The implementation of the Scheme has been taken up by 27 Commercial banks, 183 Central Coperative Banks and 144 Regional Rural banks. Number of Kisan Credit cards issued by Public Sector Banks upto December 1999 was 9.08 lakhs as against the target of 20 lakhs. Renewed efforts are required to reach the target expeditiously.

TABLE 8.22

Flow of Institutional Credit to Agriculture

(Rs. crore)

Institutions	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000 [@]
Co-operative Banks	9,406	10,479	11,944	14,085	15,916	20,665
Short-term	7250	8331	9328	10,895	12,320	15,619
Medium/Long-term	2156	2148	2616	3,190	3,596	5,046
Regional Rural Banks	1,083	1,381	1,684	2,040	2,538	3,443
Short-term	688	849	1121	1,396	1,691	2,025
Medium/Long-term	395	532	563	644	847	1,418
Commercial Banks	8,255	10,172	12,783	15,831	18,443	20,567
Short-term	N.A.	5345	6549	8,349	9,622	9,566
Medium/Long-term	8265	4827	6234	7,482	8,821	11,001
Total	18,744	22,032	26,411	31,956	36,897	44,675
Per cent increase	14	18	20	21	15	21
[@] Target.						

99. The total credit flow from all agencies is expected to go up to Rs. 44675 crore by 1999-2000. Agencywise disbursement of Agricultural Credit from 1994-95 to 1999-2000 is shown in Table 8.22.

8.51 Apart from substantial expansion in the flow of credit by commercial banks and Regional Rural Banks (RRBs), the Co-operative credit institutions continue to be important institutional agencies for providing credit support and services for agricultural and rural development. Co-operatives account for 43 per cent share in the credit flow for agriculture. Government has constituted a Task Force under the Chairmanship of Dy. Governor, Reserve Bank of India to study the functioning of the Co-operative Banks and to suggest a package

for their revival/re-structuring. It is examining in detail the functioning of the Co-operative Banks in the country.

8.52 The situation with regard to recovery in rural/agricultural areas allows considerable scope for improvement (Table 8.23).

TABLE 8.23				
Agricultural Advances – Recovery				
<i>(Per cent)</i>				
Institution	1994-95	1995-96	1996-97	1997-98
Commercial Banks	57.0	62.0	62.8	66.7
District Central Cooperative Banks	70.0	69.0	70.0	70.0
Regional Rural Banks	51.0	56.0	57.0	61.0