CHAPTER - II

AGRICULTURAL FINANCING PATTERN BY COMMERCIAL BANKS

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2.1 INTRODUCTION

Modern commercial banking, in its present form, is of recent origin. Though bank is considers being an ancient institution just like money. It's evolution can be traced in the functions of money lender, the goldsmiths and the merchants (Unit 1: An Introduction to Banking, Pp.1-2)[1].

The development of 'Banking' is evolutionary in nature (Rakshit, 2006)[2]. There seem so be no uniformity amongst the economist about the origin of the word 'Bank'. It has been believed that the word 'Bank' has been derived from the German word 'Bank' which means joint stock of firm or from the Italian word 'Banco' which means a heap or mound. In India the ancient Hindu scriptures refers to the money - lending activities in Vedic period. They performed most of those functions which banks perform in modern times. During Ramayana and Mahabharata eras also banking had become a full-fledged business activity. In other words the development of commercial banking in ancient times was closely associated with the business of money changing. In simple words, bank refers to an institution that deals in money. This institution accepts deposits from the people and gives loans to those who are in need. Besides dealing in money, bank these days perform various other functions, such as credit creation, agency job and general service. Bank, therefore is such an institution which accepts deposits from the people, gives loans, creates credit and undertakes agency work.

DEFINITIONS OF BANK

1. Indian Banking Companies Act - "Banking Company is one which transacts the business of banking which means the accepting for the purpose of lending or investment of deposits money from the public repayable on demand or otherwise and withdraw able by cheque, draft, order or otherwise".

2. Dictionary meaning of the Word 'Bank' -The oxford dictionary defines a bank as "an establishment for custody of money received from or on behalf of its customers. Its essential duty is to pay their drafts on it. It's profits arises from the use of the money left employed by them".

3. The Webster's Dictionary Defines a bank as "an institution which trades in money, establishment for the deposit, custody and issue of money, as also for making loans and discounts and facilitating the transmission of remittances from one place to another".

4. According to Prof. Kinley, "A bank is an establishment which makes to individuals such advances of money as may be required and safely made, and to which individuals entrust money when it required by them for use" (Unit 1: An Introduction to Banking, Pp.1-2)[3].

2.2 HISTORICAL PERSPECTIVE IN THE DEVELOPMENT OF BANKING IN INDIA

Banking in India has been vogue since time immemorial. The origin of banking in India can be traced back to as early as 500 B.C. Our Vedas and Smrities bear a good testimony to the existence and working of the banking system in India. In the Smriti period, the business of banking was carried out by Vaish community (Narasaiah and Veerachari, 2009, Pp.41)[4].

The practice of providing loan by a person or state (king) to another person or people is very old. In Manusmriti, which is the first written codification of Indian society, there is a detailed illustration of laws and regulations relating to moneylending. Illustrations pertaining to the rates of interest changed by moneylenders are also mentioned. Caste there is the basis of rate of interest. From the period of Manusmriti to date, the system of lending was always and is still prevailing (Singh, 2000, Pp.1-2)[5].

During the Muslim period indigenous banking which had fairly developed at that time received a great setback as the Muslim rulers believed in ***Quran*** injunctions which regard taking of byza or interest as a great sin (haram). Instable political situation adversely affected the development of banking during the Muslim period. But during the reign of Jahangir and Shajahan, banking prospered without any interruption and large banking houses were established at important trade centres in the country (Narasaiah and Veerachari, 2009, Pp. 42)[6].

The expanding commerce in Mughal India was served by a complex and elaborates structure of credit (Singh, 2000, Pp. 2)[7]. It appears from the writings of Muslim historians that during the Mughal period hundis or indigenous bills of exchange came into existence. Hundi business played a prominent role in lending money, financing internal and external trade and providing financial assistance to rulers during the time of crisis. During this period indigenous banks assumed an immense importance as many of them wielded great influence over the economy of the nation (Narasaiah and Veerachari, 2009, Pp. 42)[8].

2.2.1 DEVELOPMENT OF BANKING DURING THE BRITISH PERIOD:

With the arrival of Britishers in India, a revolutionary change took place in all the facets of Indian life, viz., social, economic and political. The banking system too did not remain immune from this radical change. In fact with the establishment of East India Company the downfall of Indian banking system began as the shahukars could not make necessary changes in the methods of their working to suit the changed economic conditions of India. Industrial revolution in England had a great impact on Indian economy can also be attributed as one of the most important factors responsible for the worse position of the banking system in India. It brought employment opportunities to Indian people in the factories which made Indian people less dependent on shahukars or *seths*. At the same time *shahukars* too were reluctant to make changes in their methods of work in the changed environment. Thus it leads to break down in pre-existing banking system and arises need for the modern banking system (Narasaiah and Veerachari, 2009, Pp. 42-43)[9].

The seeds of modern commercial banking in India on British pattern were sown during the time of East India Company. Among the first banks were the Bank of Hindustan, which was established in 1770 and liquidated in 1829-32; and the General Bank of India, established 1785 but failed in 1791. In the beginning of nineteenth century, special efforts were made to develop modern banking institutions (Narasaiah and Veerachari, 2009, Pp. 43)[10]. The East India Company established The Bank of Bengal/Calcutta (1809), Bank of Bombay (1840) and Bank of Madras (1843). The next bank was Bank of Hindustan which was established in 1870. These three individual units (Bank of Calcutta, Bank of

Bombay, and Bank of Madras) were called as Presidency Banks. These three banks were amalgamated in1921 and the Imperial Bank of India, which started as private shareholders banks, was established with mostly European shareholders (Chapter 1, An overview of the Banking Sector, Section – I: Banking System in India, Pp. 21-22)[11].

The Allahabad Bank, is the oldest joint stock bank in India and still functioning today and Alliance Bank of Simla were established in 1865and 1875 respectively. Both the banks were established under the European Management. The Oudh Commercial Bank started in 1881 was the first bank of limited liability managed by Indians. It was followed by the Punjab National Bank was set up in 1894 with head quarters at Lahore. The Swadeshi Movement started in 1903 gave an immense stimulus to banking and during this period the number of banks established in different parts of the country. Some of the prosperous banks of the present time like The Bank of India, Central Bank of India, The Bank of Baroda, Canara Bank, The Indian Bank of Madras, and The Bank of Mysore were set up during the Swadeshi Movement period. The need for the creation of a Central Bank was felt as early as the beginning of the twentieth century and in 1920 it was intended to develop Imperial Bank of India, as a full fledged Central Bank. However, the Hilton Young Currency Mission recommended in 1926 for the location of a separate Bank to be called the Reserve Bank of India. This bank besides acting as a Central Bank would leave the imperial bank free; not only to continue but also to extend commercial banking activities the need for which was greatly felt throughout the country at that time. Consequently the Reserve Bank of India was inaugurated with a share capital of Rs 5 crores in April 1935 (Narasaiah and Veerachari, 2009, Pp. 45-48)[12].

2.2.2 BANKING IN POST-INDEPENDENCE YEARS

The partition of India in 1947 adversely impacted the economies of Punjab and West Bengal, paralysing banking activities for months. India's independence marked the end of a regime of the Laissez-faire for the Indian banking. The Government of India initiated measures to play an active role in the economic life of the nation, and the Industrial Policy Resolution adopted by the government in 1948 envisaged a mixed economy. This resulted into greater involvement of the state in different segments of the economy including banking and finance. The major steps to regulate banking included:

- The Reserve Bank of India, India's central banking authority, was established in April 1935, but was nationalised on 1 January 1949 under the terms of the Reserve Bank of India (Transfer to Public Ownership) Act, 1948 (RBI, 2005b).
- In 1949, the Banking Regulation Act was enacted which empowered the Reserve Bank of India (RBI) "to regulate, control, and inspect the banks in India".
- The Banking Regulation Act also provided that no new bank or branch of an existing bank could be opened without a license from the RBI, and no two banks could have common directors (Banking in India)[13].

Following Independence, the development of rural India was given a high priority. The government took major steps in the Indian Banking Sector Reforms after independence. In 1955, it nationalized the Imperial Bank of India (the State Bank of India Act) with extensive banking facilities on a large scale, especially in rural and semi-urban areas as the first phase of nationalization. It formed the State Bank of India (SBI) to as the principal agent of RBI and to handle banking transactions of the Union and the State Governments of the Country (An overview of the Banking Sector, Section – I: Banking System in India, Pp. 22)[14]. Subsequently in 1959, the State Bank of India (Subsidiary Bank) Act was passed, enabling the SBI to take over eight former State associate banks as its subsidiaries (later named associates). This marked a significant step in the launch of a state controlled banking system in India. Social control of bank credit flows, with priority sector lending as a major aspect, was an important objective of bank nationalisation. It introduced restrictions on advances by banking companies in order to ensure that bank advances were confined not only to large scale industries and big business houses, but also, in due proportion, to important sectors such as agriculture, small scale industries and exports since 1969. There has been a significant spread of the banking habit in the economy with banks that are able to mobilize a large amount of savings (Narasaiah and Veerachari, 2009, Pp. 50-51)[15].

Nationalisation of Commercial Banks is said to be a major development in the Indian banking system. The Government of India issued an ordinance ('Banking Companies (Acquisition and Transfer of Undertakings) Ordinance, 1969') and nationalised the 14 largest commercial banks as a major process of nationalization due to the effort of then Prime Minister Mrs. Indira Gandhi with effect from the midnight of 19 July 1969. These banks contained 85 percent of bank deposits in the country. Jayaprakash Narayan, a national leader of India, described the step as a *"masterstroke of political sagacity."* Within two weeks of the issue of the ordinance, the Parliament passed the Banking Companies (Acquisition and Transfer of Undertaking) Bill, and it received the presidential approval on 9 August 1969. A second step of nationalisation of 6 more commercial banks followed in 1980. The stated reason for the nationalisation was to give the government more control of credit delivery. With the second step of nationalisation, the Government of India controlled around 91% of the banking business of India. Later on, in the year 1993, the government merged New Bank of India with Punjab National Bank. It was the only merger between nationalised banks and resulted in the reduction of the number of nationalised banks from 20 to 19. After this, until the 1990s, the nationalised banks grew at a pace of around 4%, closer to the average growth rate of the Indian economy (An overview of the Banking Sector, Section – I: Banking System in India, Pp. 23)[16].

The major responsibilities of the nationalised banks are to mobilize the rural savings from the small pockets of the rural masses and to divert them into the productive outlets so that they may contribute towards the betterment, progress and prosperity of rural sector. After the nationalisation, the tempo of the branch opening with emphasis to covering the rural areas with banking services gained momentum (Narasaiah and Veerachari, 2009, Pp. 55)[17].

2.2.3 LIBERALIZATION IN THE 1990s

In the early 1990s, the then government embarked on a policy of liberalization, licensing a small number of private banks. These came to be known as *New Generation tech-savvy banks*, and included Global Trust Bank (the first of such new generation banks to be set up), which later amalgamated with Oriental Bank of

Commerce, UTI Bank (since renamed Axis Bank), ICICI Bank and HDFC Bank. This move, along with the rapid growth in the economy of India, revitalised the banking sector in India, which has seen rapid growth with strong contribution from all the three sectors of banks, namely, government banks, private banks and foreign banks.

The next stage for the Indian banking has been set up with the proposed relaxation in the norms for foreign direct investment, where all foreign investors in banks may be given voting rights which could exceed the present cap of 10% at present. It has gone up to 74% with some restrictions.

The new policy shook the Banking sector in India completely. Bankers, till this time, were used to the 4–6–4 method (borrow at 4%; lend at 6%; go home at 4) of functioning. The new wave ushered in a modern outlook and tech-savvy methods of working for traditional banks. All this led to the retail boom in India. People demanded more from their banks and received more. Currently (2007), banking in India is generally fairly mature in terms of supply, product range and reach-even though reach in rural India still remains a challenge for the private sector and foreign banks (An overview of the Banking Sector, Section – I: Banking System in India, Pp. 23-24)[18].

2.3 STRUCTURE OF THE ORGANISED BANKING SECTOR IN INDIA

The Indian banking sector is broadly classified into scheduled banks and non-scheduled banks. The scheduled banks are those which are included under the 2nd Schedule of the Reserve Bank of India Act, 1934. The scheduled banks are further classified into: nationalised banks; State Bank of India and its associates; Regional Rural Banks (RRBs); foreign banks; and other Indian private sector banks. The term commercial bank refers to both scheduled and non-scheduled commercial banks which are regulated under the Banking Regulation Act, 1949 (Banking in India)[19].

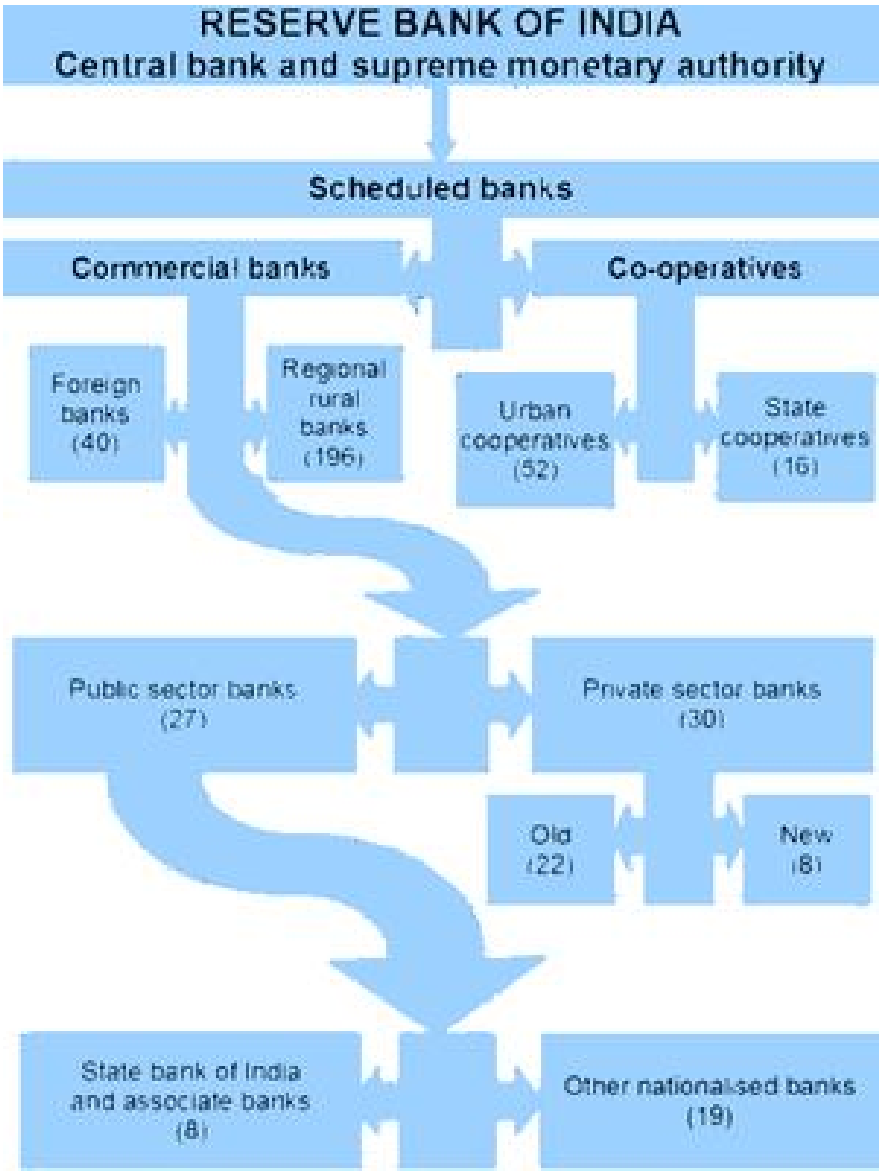
Banks in India can broadly be classified as Regional Rural Banks (RRBs), Scheduled Commercial Banks (SCBs) and Co-operative Banks. The Scheduled

Commercial Banks (SCBs) for the purpose can be classified in the following categories.

- Public Sector Banks (PSBs) State Bank of India (SBI) and its associates and nationalised banks which are the major banks
- Private sector banks (old and new) and
- Foreign banks.

Chart 2.1: Structure of the organised banking sector in India

(Number of banks are in brackets)



Source: https://en.wikipedia.org/wiki/Banking_in_India

Since the mid-1990s the competitive nature of the banking sector has witnessed significant changes largely due to the presence of new domestic private sector and foreign banks.

Summing up, the trends in the structure of the banking industry convey the following:

- A growing concentration in the banking industry with five major players controlling nearly one –half of assets held by all banks.
- A gradual but steady erosion of public sector / nationalised banks.
- State Bank of India (SBI) and its associates are still major players in asset market.
- New Private Banks are in a position to expand business, often at the cost of other nationalised as well as old private banks (Narasaiah and Veerachari, 2009, Pp. 51-53)[20].

2.4 EVOLUTION OF FORMAL CREDIT INSTITUTIONS IN THE AGRICULTURAL SECTOR

From the initial stage the state has performing a significant role in advancing rural credit for the development of the economy. The beginning of institutional finance for agriculture in India dates back to 1793 when the system of taccavi loans was introduced. In India, the State has always played an important role in rural finance particularly agricultural finance. At the time of independence, finance was advanced to the farmers by government through departments in the form of loans and grants and also through co-operative system. In the pre-Independence period, agricultural credit to farmers was exclusively provided by the co-operative banking system with the exception of financing to the plantations by the commercial banks and taccavi loans by the governments. Such credit had no explicit relationship with input supply or farm investment and was really seen as an alternative to the village money lenders. Co-operative institutions were regarded as an important instrument for economic development of the country during the time of independence period. The British Government based on its European experience turned its attention to the co-operatives as a long- term solution to the problems of access to credit by the farmers. For meeting short, medium and long term credit, a set of structure was promoted under the initiatives of co-operative credit system in India. The co-operatives developed three-tier agencies of State Co-operative Banks (SCBS), District Central Co-operative Banks (DCCBS) and the Primary Agricultural Credit Societies (PACS) for financing the short and medium term loans (Narasaiah and Veerachari, 2009, Pp. 5-6)[21].

Various committees has been set up by the Indian Government for improving the rural credit scenario of the economy because the co-operatives suffered with the huge number of difficulties in agricultural lending process and there was an urgent need of alternatives for the provision of agricultural and rural credit. The Rural Credit Survey Committee (1954) has made the historical statement “the Co-operatives have failed but the co-operation must succeed” (March, 2005, Pp. 1224-1225)[22].

The State Co-operative Agriculture and Rural Development Banks (SCARDBS) then called the ‘land mortgage banks’ were intended to help the farmers by providing long term loans to repay the old debts and loans to the moneylenders. The introduction of production-oriented system and the promotion of Green Revolution indicated necessity of high agricultural credit which the co-operatives would not be able to meet the entire requirements of agricultural credit (Narasaiah and Veerachari, 2009, Pp. 7)[23].

In this aspect, the decision of the Indian Government regarding the issue of nationalisation of commercial banks was very impressive incident in the history of Indian banking system. The beginning of commercial banking in India was made in the seventeenth century when the British promoted agency houses in the country (Dhar, 2008, Pp. 223)[24]. An important argument in support of bank nationalisation was that commercial banks had kept themselves aloof from the problems of agriculture and had remained largely indifferent to the credit needs of farmers for agricultural operations and land improvement (Datt and Sundharam, 1999, Pp. 563)[25].

In order to change this situation the Government of India passed an act known as Banking Laws (Amendment) Act, 1968 to confer more powers to Reserve Bank for promoting social and economic objectives of planning. It was popularly known as social control of banks. The performance under this act was not very encouraging. Thus on July, 19, 1969, the Government of India nationalised 14 scheduled commercial banks are working as independent units and the Government is determining their credit policy by proclaiming an ordinance. Again on April 15, 1980, the Government of India nationalised six more commercial banks (Dhar, 2008, Pp. 229-230)[26].

The nationalisation of commercial banks was a historic step in the Indian banking system. From that ground the banking system of the country moved from class banking to mass banking. This influenced the nationalised banks reformed the banking system through branch expansion programmes particularly in unbanked and under-banked areas for supplementing the priority sectors by advancing credit. Commercial banks were nationalised with the objectives of “identifying bank operations with national policy objectives like increased production, diffusion of economic power, reduction of inequalities and removal of poverty through expansion of branch network, mobilisation of deposits, meeting the credit needs of neglected sectors, reduction of regional and sectoral imbalances, growth of new entrepreneurs and improving the management efficiency of the banks”. (Narasaiah and Veerachari, 2009, Pp. 7and 55)[27].

In spite of the commendable performance of commercial banks in expanding credit facilities in the country, a Working Group presented by the RBI to assess the extent of rural finance requirement reported that the performance of the commercial banks is unsatisfactory and the benefits of co-operatives have not been extended to small and marginal farmers (Soni, 2006, Pp. 371)[28]. The main reasons for setting up of Regional Rural Banks (RRBs) in 1975 were to gave emphasis on the promotion of the weaker sections of the rural society specially small and marginal farmers, agricultural labourers, artisans and small entrepreneurs for development agriculture, trade, commerce and other productive activities through spreading the formal lending networking in the rural areas. The Regional Rural Banks are State sponsored and partnered, rural-oriented commercial banks. These banks were expected to establish a low cost banking system with local feel and a high degree of efficiency with the commercial banks (Narasaiah and Veerachari, 2009, Pp. 7)[29]. Initially, five regional rural banks were set up on October 2, 1975 at Moradabad and Gorkhpur in Uttar Pradesh, Bhiwani in Haryana, Jaipur in Rajasthan and Malda in West Bengal (Narasaiah, 2004, Pp. 4)[30]. The share capital of the regional rural bank was subscribed by the Central Government (50%), the State Government concerned (15%), and the sponsoring commercial bank (35%). Though the regional rural banks are scheduled commercial banks distinct on the following grounds:

- The functioning of regional rural banks is restricted to a specified region comprising one or more districts of a State.
- The regional rural banks supplementing the direct loans only to the weaker sections of the rural areas for promoting their economic situations.
- For effective functioning in the rural areas, the sponsoring banks and the Reserve Bank of India provide many subsidies and concessions to RRBs. In any particular state, the lending rates of the regional rural banks should be higher than the prevailing lending rates of co-operative societies (Datt and Sundharam, 1999, Pp. 570)[31].

2.4.1 LEAD BANK SCHEME

After nationalisation of commercial banking system, the commercial banks have transferred their emphasis from profitability to welfare motive led to promote “Lead Bank Scheme” for expanding credit network to the rural areas through the scheme of rapid branch expansion. The National Credit Council Study Group under the chairmanship of Prof. D.R.Gadgil first recommended the “area approach” to nationalised banks. The Committee of Bankers (known as the Nariman Committee) appointed by the Reserve Bank of India in 1969 accepted the “area approach” and presented it under the title “Lead Bank Scheme” in December 1969 (Datt and Sundharam, 1999, Pp. 566 -567)[32]. Under the scheme, the RBI play its promotional role by providing adequate banking facilities in the under banked districts of the country through implementing the District Credit Plan (DCP) and Annual Action Plan (AAP). Under this co-ordination programme, all the 336 districts in India, with the exception of the metropolitan areas of Mumbai, Kolkata, Chennai and the Union Territories of Chandigarh, Delhi and Goa were distributed among the major scheduled banks included State Bank Group (SBI and its 7 subsidiaries), nationalised banks and other major banks, to play a lead role for promoting developmental activities (Dhar, 2008, Pp. 232)[33]. The allotment of districts of the various banks was based on some criteria like the size of banks, the adequacy of it resources for operating the volume of work, contiguity of the districts to accomplish a cluster of lead districts, the regional orientation of the banks, the desirability for each state to maintain more than one lead bank operating in its territory and, to the extent possible, for each bank to operate in more than one state (Datt and Sundharam, 1999, Pp. 567)[34].

2.4.2 NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (NABARD)

Genesis

In March, 1979, the Reserve Bank of India appointed a committee called the "Committee to Review Arrangements for Institutional Credit for Agriculture Rural Development (CRAFICARD)" to suggest improvements in the existing arrangements for institutional credit for agriculture and rural development. The committee recommended that a new apex bank called National Bank for Agriculture and Rural Development (NABARD), be set up for 'providing undivided attention, forceful direction and pointed focus' to the credit problems arising out of the integrated approach to rural development (Singh, 2000, Pp. 12)[35]. National Bank for Agriculture and Rural Development (NABARD) was established on 12 July 1982 by an Act of Parliament, has a command of "contributing and regulating credit and other facilities for the promotion and development of agriculture and allied activities in rural areas with a view to promoting integrated rural development" (Narasaiah and Veerachari, 2009, Pp. 8)[36]. In 1963, Reserve Bank of India (RBI) set up the Agriculture Refinance Development Corporation (ARDC) for meeting the long-term credit requirement of rural areas. But after the formation of NABARD, it took over all the agricultural credit activities of RBI and the refinance functions of ARDC after its merge with NABARD (Datt and Sundharam, 1999, Pp. 573)[37].

Mandate

NABARD was set up by the Government of India (GoI) as Development Bank with the mandate for facilitating credit flow for promotion and development of agriculture, small-scale industries, cottage and village industries, handicrafts and other rural crafts. It also has the mandate to support all other allied economic activities in rural areas, promote integrated and sustainable rural development and secure prosperity of rural areas, as also for matters connected therewith and incidental thereto.

Role

• Facilitating credit flow for agriculture, rural infrastructure and rural development,

• Promoting and supporting policies, practices and innovations conducive to rural development,

• Strengthening rural credit delivery system through institutional development,

• Supervising Rural Financial Institutions (Cooperative Banks and Regional Rural Banks).

Corporate Mission

Promote sustainable and equitable agriculture and rural prosperity through effective credit support, related services, institutional development and other innovative initiatives.

Share Capital

The paid up capital of NABARD is Rs.2000 crore, subscribed by the GoI (Rs.550 crore) and the RBI (Rs.1450 crore).

Functions in Brief

Its three main important functions are development, credit and supervision. Development includes activities which ultimately enhance credit absorption capacity, build awareness and allow policy advocacy for various causes. Credit primarily covers refinancing of co-operatives, RRBs and commercial banks and finance for rural infrastructure. Successful development initiatives translate into credit demand. Supervision taken up primarily on behalf of Reserve Bank of India includes site inspection and off site surveillance of co-operatives and RRBs. It is thus a development financial institution (Narasaiah and Veerachari, 2009, Pp. 8)[38].

Credit Planning and Monitoring

• Preparation of district-wise annual credit plans indicating exploitable potential available for development through bank credit under agriculture, allied activities, rural non-farm sector, etc.,

• Preparation of State Focus Paper based on Potential Linked Credit Plans (PLPs),

• Formulation of policies and operational guidelines for Rural Financial Institutions (RFIs),

• Monitoring the flow of ground level credit.

Financial Services

• Refinancing RFIs for financing investment and production purposes in rural areas,

• Loans to State Governments for strengthening cooperatives and also developing critical infrastructure including social infrastructure in rural areas,

• Support for micro-credit innovations of Non- Governmental Organisations (NGOs) and other non- formal agencies,

• Monitoring and Evaluation of financed projects.

Promotion and Development

• Institutional development of client organizations,

• Capacity building of partner institutions,

• Support experimentation with new models and practices in development and credit delivery,

• Dissemination of innovative products and ideas,

• Supporting Research and Development (R & D),

• Assisting RBI/GoI in formulation of policies relating to rural credit,

• Promotion of Rural Non-Farm Sector (RNFS),

• Promotion of Kisan Credit Card (KCC),

• Promotion of Farmers' Clubs, Joint Liability Groups & Tenant Farmers,

• Promotion of micro-credit innovations,

• Consultancy Services.

Supervision

• On-site inspection of Cooperative Banks (Coops) and Regional Rural Banks (RRBs),

• Off-site surveillance of the health of Cooperative Banks and RRBs.

CREDIT PLANNING OF NABARD

District Level Planning

It has been constant endeavour of NABARD to facilitate hassle free access to institutional credit by each and every rural household to meet their genuine credit requirements. As a part of this endeavour, NABARD has been preparing the Potential Linked Credit Plan (PLP) since the year 1989 for each district of the state, which forms the basis of preparing the Annual Credit Plan by banks. The objective of PLP is intended to provide insight into the exploitable potential for development in different sectors of the rural economy, a road map to banks for extending credit to important sectors/ sub-sectors/ activities in the district for overall development. With the objective of making a meaningful link between development planning and the credit planning process, leading to action planning, the PLP has been redesigned to cover the period co-terminus with the XIIth Five Year Plan. While estimating the credit potential, the growth potential, stage of development, infrastructure and linkage support available and planned, gaps in infrastructure which need to be bridged, absorption capacity, etc., are taken into account.

State Level Planning

NABARD prepares State Focus Paper for each State, which presents, inter alia, a comprehensive picture of the potential available in the State for development of agriculture & allied sectors and also critical gaps in infrastructure and support services. It is used by the bankers, State Government and other agencies for preparing their plans for investment in these sectors, besides providing a road map for exploiting the opportunities available for further investments.

NATIONAL LEVEL PLANNING

NABARD facilitates GoI, RBI and State Governments in undertaking policy decisions regarding credit flow to agriculture and rural development.

Seasonal Agricultural Operations (SAO)

In order to ensure availability of timely credit to farmers, banks follow production-oriented system of lending covering various agricultural operations based on area under different crops and crop wise scales of finance. Refinance is provided by way of credit limits for financing such agricultural operations at concessional rates of interest to State Cooperative Banks (SCBs), District Central Cooperative Banks (DCCBs) and Regional Rural Banks (RRBs).

More Functions of NABARD

NABARD, being an apex body does not deal directly with farmers and rural people. NABARD has played an important role in the rural areas by promoting different development activities. The important functions of NABARD are presented below in a suitable manner:

- To act as an apex body for meeting the credit requirements of the rural sector in the form of production and investment credit to agricultural, small scale and village industries.
- The National Bank supplied credit to state co-operative banks, RRBs, land development banks for its investment in agricultural and other allied sectors.

- Provision of long-term financial assistance to State Governments (up to 20 years) for subscribing to the share capital of co-operative credit institutions.
- The bank has the responsibility of inspecting state co-operative banks and RRBs through its Agricultural Credit Department.
- To maintain and strengthen a Research Development Fund under the considerations for developing research in agriculture and rural development, and also to implement the different projects and programmes in order to advancing backward regions.

2.5 GROWTH OF SCHEDULED COMMERCIAL BANKS IN INDIA AND ASSAM

Banks are playing an important role in sustaining economic development by mobilizing deposits and credits.

The following table shows the number of Scheduled Commercial Bank Offices in Assam as well as in India and the trend of deposits and credit over the period of past ten years.

Table No. 2.1: Growth of Scheduled Commercial Banks in India and Assam

(As on March)

Year	Number of Offices*		Deposits (Rs. in Crore)		Credit (Rs. in Crore)	
	Assam	India	Assam	India	Assam	India
2004	1256	68645	14507	1511273	4612	880312
2005	1272	69969	17782	1746814	6271	1152468
2006	1234	68681	20872	2093042	8763	1517497
2007	1262	70711	25757	2598823	11154	1949567
2008	1317	74326	31666	3228817	13057	2394566
2009	1369	79058	39427	3937336	15115	168977
2010	1434	83997	49545	4601926	18311	3345619
2011	1504	89110	59101	5426510	21053	4076868
2012	1574	96059	67455	6174147	25171	4821527
2013	1682	104647	77730	7051332	28576	5506496

*Reporting Offices only.

Source: Economic Survey, Assam (2013-14) Pp. 191, Directorate of Economics and Statistics, Planning and Development Department, Government of Assam.

With the objective to bring as many as people within the bank coverage, the banking network has been increased by opening new branches in the State. As a result, the number of reporting Bank Offices of all Scheduled Commercial Banks in Assam has been increased to 1682 as on March 2013 from 1262 as on March 2007. With the increase in the bank networking, the dependence per bank offices in Assam has been considerably decreased over the years and reduced from 62.15 Sq.km as on March 2007 to 46.63 Sq.km as on March 2013. However, according to the "Quarterly Statistics of deposits and credit of Scheduled Commercial Banks of Reserve Bank of India, March 2013" the average population covered per bank branch office in Assam was 18.6 thousand (based on Population Census 2011) compared to All India average of 12.0 thousand during the same period (Economic Survey of Assam, 2013-14, Pp. 191)[39].

2.5.1 GROWTH OF DEPOSITS AND CREDIT

The expansion of banking facilities in the state of Assam over the years augmented not only in respect of volume of deposits but also in respect of disbursement of credit. The aggregate deposit with Scheduled Commercial Banks in Assam, which was Rs.31666 crore in March 2008, has increased to Rs.77730 crore in March 2013. The volume of deposits has been increased by 145 percent in March 2013 over March 2008. The per capita deposit in the State has also been increased from Rs.10808 in March 2008 to Rs.24913 in March 2013. Thus, the per capita deposit in the State has recorded more than 130 percent increase during the last six years. Like deposits, disbursement of credit by Scheduled Commercial Banks also recorded an impressive growth in Assam. The total volume of credit disbursed by the banks has been increased to Rs.28576 crore in March 2013 from Rs.13057 crore in March 2008 thereby recorded a growth of 119.0 percent during the last six years period. The credit disbursement by the Scheduled Commercial banks in Assam shared only 0.52 percent of the total credit disbursement in the country as a whole during March 2013. The per capita credit has been increased to Rs.9159 in March 2013 compared to Rs.4456 in March, 2008 (Economic Survey of Assam, 2013-14, Pp. 192-193)[40].

2.5.2 CREDIT – DEPOSIT RATIO

The following table shows the Credit - Deposit ratio of all scheduled commercial banks in Assam and India.

Table no. 2.2: Credit Deposit Ratio of All Schedules Commercial Banks in Assam and India

(As on March)

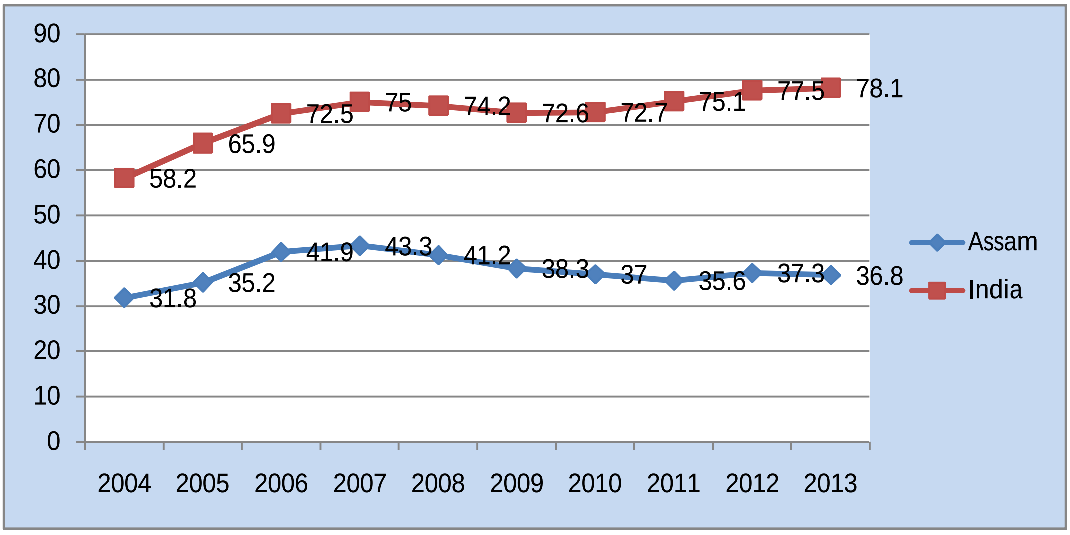
Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
ASSAM	31.8	35.2	41.9	43.3	41.2	38.3	37.0	35.6	37.3	36.8
INDIA	58.2	65.9	72.5	75.0	74.2	72.6	72.7	75.1	77.5	78.1

Source: Economic Survey, Assam (2013-14) Pp. 193, Directorate of Economics and Statistics, Planning and Development Department, Government of Assam.

The Credit-Deposit ratio of all Scheduled Commercial Banks in Assam remained slightly lower with 36.8 percent during the year 2012-13 compared to 37.3 percent as on March 2012. The credit-deposit ratio of all Scheduled Commercial banks was highest with 43.3 percent in 2006-07. The Credit –Deposit Ratio of all Scheduled Commercial Banks in Assam however remained far below during the last 10 years when compared with the All India ratio. During the year 2012-13, the Credit – Deposit ratio of all Scheduled Commercial Banks in India was 78.1 percent (Economic Survey of Assam, 2013-14, Pp. 193)[41].

Following graph shows the percentages of credit deposit ratio of All Schedules Commercial Banks in Assam and India level.

Chart 2.2: Percentages of Credit Deposit Ratio of All Schedules Commercial Banks in Assam and India Level



2.6 DEVELOPMENT OF COMMERCIAL BANKING IN AGRICULTURE SECTOR IN INDIA

"Institutional credit is a powerful instrument in accelerating developmental programmes, because credit is the basic support around which the economy tends to grow. Financial institutions like commercial banks play an important role in the development of a country. A sound, progressive and dynamic banking system is a basic requirement for well planned economic development. Providing affordable credit to the socially and economically backward sections of the society has been an important component of the development strategy of the Governments. The concept of priority sector lending was envisaged to ensure that credit was channelled to various sectors of the economy in accordance with the national planning priorities. It is mainly intended to ensure that assistance from the banking system flows in an increasing measure to the sectors of the economy which accounts for a significant proportion of the national product, and have not received adequate support of institutional finance in the past. Commercial banks should design their lending policies in such a way, as to ensure sufficient credit to the neglected sectors of the economy which can bring down the inter-regional, inter-sectoral and inter-personal disparities" (Panicker, 2010, Pp. 25)[42].

2.6.1 GROWTH OF INSTITUTIONAL AGRICULTURAL FINANCE IN INDIA: AGENCY-WISE

Policy on agriculture credit aims at progressive institutionalization of credit agencies for providing credit to farmers for raising agricultural production and productivity. Agricultural credit is disbursed through a multiagency network consisting of Co-Operatives, Commercial Banks and Regional Rural Banks (RRBs) (Singh, 2007, Pp. 35)[43]. The banking system of the country has given much concentration to the agriculture sector for the overall development. Moreover, the banking network of the country has gradually increased the amount of institutional credit.

Commercial banks are the major delivery channel, taking almost 75 per cent share in the ground level credit. The co-operative banks' share is around 15 per cent, while that of RRBs is around 10 percent. The continuous loss in the share of co-operative banks over the years is pertinent as conventionally, small and marginal farmers are their major clients. In their interest, it is essential that the co-operative banks stabilise. (Annual Report of NABARD, 2012-13, Pp. 8-9)[44.]

The following table represented the growth of institutional credit to agriculture and allied activities in India from the period of 1991-92 to 2014-15.

Table no. 2.3: Flow of Institutional Credit to Agriculture and Allied Activities in India

Year	Institutions							
	Cooperative Banks (Rs. in Crores)	Share (%)	RRBs (Rs. in Crores)	Share (%)	Commercial Banks (Rs. In Crores)	Share (%)	Total	Percent Increase
1991-92	5,800	52	596	5	4,806	43	11,202	27
1992-93	9,378	62	831	5	4,960	33	15,169	35
1993-94	10,117	61	997	6	5,400	33	16,494	9
1994-95	9,406	50	1,083	6	8,255	44	18,744	14
1995-96	10,479	48	1,381	6	10,172	46	22,032	18
1996-97	11,944	45	1,684	6	12,783	48	26,411	20
1997-98	14,085	44	2,040	6	15,831	50	31,956	21
1998-99	15,916	43	2,538	7	18,441	50	36,897	15
1999-00	18,363	40	3,172	7	24,733	53	46,268	25
2000-01	20,801	39	4,219	8	27,807	53	52,827	14
2001-02	23,604	38	4,854	8	33,587	54	62,045	17
2002-03	23,716	34	6,070	9	39,774	57	69,560	12
2003-04	26,959	31	7,581	9	52,441	60	86,981	25
2004-05	31,424	25	12,404	10	81,481	65	1,25,309	44
2005-06	39,404	22	15,223	8	1,25,859	70	1,80,486	44
2006-07	42,480	18	20,435	9	1,66,485	73	2,29,400	27
2007-08	48,258	19	25,312	10	1,81,088	71	2,54,658	11
2008-09	45,966	15	26,765	9	2,28,951	76	3,01,908@	19
2009-10	63,497	17	35,217	9	2,85,800	74	3,84,514	27
2010-11	78,007	17	44,293	9	3,45,877	74	4,68,291@	22
2011-12	87,963	17	54,450	11	3,68,616	72	5,11,029	9
2012-13	1,11,203	18	63,681	10	4,32,491	71	6,07,375	19
2013-14	1,19,963	16	82,652	11	5,09,004	72	7,11,621	17
2014-15*	1,38,469	16	1,02,483	12	5,99,691	71	8,40,643	18

Note: Commercial Banks and RRBs were clubbed together up to 1990-91. @: includes Rs. 226 crore and Rs. 114 crore by other agencies in the year 2008-09 and 2010-11 respectively. *: provisional data for 2014-15.

Source: Economic Survey and Annual Reports of NABARD (2008-09, 2012-13).

This above table signifies the highly importance of institutional credit in the primary sector of our country. In 1991-92, the performance of the co-operative banks was very satisfactory and covering 52 per cent of the total share of institutional credit. Commercial banks and RRBs were sharing only 43 per cent and 5 per cent respectively in the period of 1991-92. Only 27 per cent of the institutional credit has increased during the time period of 1991-92.

It has been found that the commercial banks play an important role in the disbursement of institutional credit in the field of agriculture sector and allied activities in India. Total institutional credit to agriculture, during the period 2000-01 to 2002-03 had grown an annual compound rate of 14 per cent but this improved to 25 per cent during 2003-04 and 44 per cent during 2004-05 and 2005-06. The commercial banks was disbursed the total amount of loan of Rs. 52,441 crore which occupies 60 per cent of the formal credit where co-operative banks and RRBs distributed Rs. 26,959 crore and Rs. 7,581 crore respectively in the period of 2003-04. Co-operatives and commercial bank had almost equal share in total credit disbursement in 1997 at around 45 per cent. However the share of commercial banks has increased to 65 per cent in 2004-05 while the share of co-operatives in total disbursement dropped to 25 per cent. The share of RRBs which was hovering at around 6-8 per cent increased to 10 per cent during 2004-05.

Agricultural credit in itself is not an input but it helps in creating environment for the adoption of modern production technology and encouraging private investments on the farms. Recognising the importance of credit (Sidhu and Gill, 2006, Pp.11)[45], the Government of India has recently announced the ‘Farm Credit Package’ in June 2004 stipulated doubling the flow of institutional credit for agriculture in the ensuring 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. 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 gain was surpassed by the actual achievement of Rs. 1,80,486 crore. The target for such credit for 2006-07 was fixed at Rs. 1,75,000 crore, which gain was surpassed by the actual achievement of Rs. 2,29,400 crore. The union budget 2007-08 focussed on agriculture and rural development in line with Government effort to impart growth with equity and social justice (Singh, 2007, Pp. 35-36)[46].

The share of commercial banks in the disbursement of institutional credit to the agriculture sector and allied activities in India is more than 60 per cent from 2003-04. It has been noticed that the share of commercial banks in the disbursement of institutional credit to the agriculture sector has increased from 43 per cent to 71 per cent from the period of 1991-92 to 2014-15. Agricultural credit flow has increased consistently and it reached Rs.5,11,029 crore against target of Rs.4,75,000 crore during 2011-12 forming 108% of the target and in 2012-13 at Rs.6,07,375 crore against target of Rs.5,75,000 crore forming 106% of the target (Annual Report of 2013-14, Government of India, Pp.141)[47].

As against the target of Rs. 7,00,000 crore of credit flow to agriculture sector for 2013-14, the banking system has disbursed Rs.7,23,225 crore (provisional) as on 31 March 2014, achieving 103 per cent of the target. Commercial Banks, Co-operative Banks and Regional Rural Banks (RRBs) disbursed Rs. 5,21,496 crore, Rs. 1,18,422 crore and Rs.83,307 crore against their respective targets of Rs. 4,75,000 crore, Rs. 1,25,000 crore and Rs. 1,00,000 crore. The achievements in respect of Commercial Banks, Co-operative Banks and RRBs were in the order of 110 per cent, 95 per cent and 83 per cent, respectively (Annual Report of NABARD, 2013-14, Pp. 9-10)[48].

Commercial banks, who now take the major load of agricultural credit, show a tendency to prefer “deepening” over “widening”. This aspect also has implications for inclusive growth. The steep rise in per account disbursement of large farmer accounts shows that the credit growth seems to be taking place more, on account of credit deepening. Land size-wise per account loan disbursed by commercial banks shows widening gap in the per account disbursements among the three categories of farmers (Annual Report of NABARD, 2012-13, Pp. 9)[49].

2.6.2 GROUND LEVEL CREDIT DISBURSEMENT FOR AGRICULTURE & ALLIED ACTIVITIES IN INDIA: SECTOR-WISE

Agriculture credit has emerged as a major strategy for accelerating investments in agriculture. Increasing volumes however do not increase the comfort as many issues and concerns are emerging. Though growth in agricultural credit is very high in nominal terms, in real terms, it looks 'modest'- especially for the later period 2007-08 to 2010-11. This is true for both long term as well as short term credit. Obviously, the later period inflation has taken off some of the sheen in the credit growth (Annual Report of NABARD, 2012-13, Pp. 8)[50].

Even though credit flow has increased over the years, the long term credit in agriculture or investment credit has showed a declining trend over the years. The share of long term credit in overall ground level credit flow reduced from 40 per cent in 2006-07 to 22 per cent in 2012-13. Since investment credit is the major driver of private sector capital formation in agriculture, the persistent decline in its share raises concern about the agricultural production and productivity (Annual Report of NABARD, 2013-14, Pp. 11)[51].

The following table displays the credit disbursement for agriculture and allied activities in India showing increasing growth of institutional credit.

Table no. 2.4: Ground Level Credit Disbursement for Agriculture and Allied Activities in India: Sub Sector wise (In Rs. crore)

Sl No	Sector / Sub- Sector	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15**
I	Crop Loan (ST-Production Credit)	54,977	76,062	1,05,350	1,38,455	1,81,393	2,10,461	2,76,656	3,35,550	3,96,158	4,73,500	5,73,001	6,36,099
ii	Term Loans	32,004	49,247	75,136	90,945	73,265	91,447	1,07,858	1,32,741	1,14,871	1,33,875	1,38,620	2,04,544
iii	Minor Irrigation	2,730	4,186	8,663	8,566	2,840	3,180	5,197	4,363	1,522*	-	-	-
iv	Land Development	579	840	1,749	2,285	2,553	2,887	3,669	3,615	1,216*	-	-	-
v	Farm Mechanisation	3,986	4,555	9,695	10,113	8,303	8,334	10,211	12,800	2,084*	-	-	-
vi	Plantation & Horticulture	1,436	1,720	4,481	5,266	5,910	6,045	6,407	6,610	867*	-	-	-
vii	Animal Husbandry#	2,928	3,097	7,341	8,045	9,034	10,398	10,260	12,773	2,798*	-	-	-
viii	Fisheries	1,142	1,301	1,019	1,424	1,248	1,281	1,854	1,931	143*	-	-	-
ix	Hi-tech agriculture	4,017	6,648	9,737	21,498	33,325	41,694	50,797	82,774	0*	-	-	-
x	Others $	15,186	26,900	32,451	33,748	10,052	17,628	19,463	7,875	4,553*	-	-	-
xi	Total Term Loans (MT & LT Investment Credit)	32,004	49,247	75,136	90,945	73,265	91,447	107,858	1,32,741	1,14,871@	1,33,875	1,38,620	2,04,544
xii	Total (I+II)	86,981	1,25,309	1,80,486	2,29,400	2,54,658	3,01,908	3,84,514	4,68,291	5,11,029	6,07,375	7,11,621	8,40,643

#: Animal Husbandry includes Dairy Development, Poultry Farming and Sheep/Goat/ Piggery

$: "Others" include Storage/Market Yards, Forestry/Waste Land Development, Bullock and Bullock Carts, Bio-gas, etc.

Note: 2011-12 data is under compilation. SACP data awaited from RBI.

* : Data in respect of Co-op Banks and RRBs only. Commercial Banks data not received from RBI

@ : Amount includes Term loan of `1,01,688 crore in respect of Commercial Banks.

**: provisional data.

Source: Different Annual Reports of NABARD from 2008-09 to 2013-14.

During the year of 2003-04, Rs. 54,977 crore and Rs. 32,004 crore were disbursed under both types of loan namely crop loan- (Short Term) production credit and term loans- (medium term and long term) investment credit respectively for agriculture and allied activities in the country and in aggregate the amount of credit flow in the agriculture and allied activities was Rs. 86,981 crore. The amount of credit disbursed under production credit and investment credit is gradually growing up and in the year of 2012-13, the aggregate amount of credit were disbursed Rs. 6,07,375 crore. The compound annual growth rate of total institutional credit disbursement in the agriculture sector in India is 21.45 per cent. In the year of 2013-14, Rs. 7,11,621 crore has been disbursed in the country through the banking agencies for the development and promoting of agriculture and allied activities while Rs. 8,40,643 crore has been disbursed as a crop loan and term loan for agriculture and allied activities in the country in the year of 2014-15.

2.6.3 SECTORAL GROWTH RATES IN INDIA:

The continued high growth of agriculture is essential to meet the food and nutritional security requirements of the people and provide livelihood and income in rural areas. Agriculture will continue to have the pride of place in national policies and plans, since the nation's food security depends on the performance of the agricultural sector (Annual Report of GoI, 2009-2010, Pp.1)[52].

The following table shows the sectoral growth rates of Real GDP of the country.

Table No. 2.5: Sectoral Growth Rates of Real GDP

Sector	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13 1RE	2013-14 AE
Agri & Allied	- (20.8)	5.8 (19.9)	3.7 (17.2)	4.7 (16.4)	-0.1 (15.7)	1.0 (14.7)	7.9 (14.5)	5.0 (14.4)	1.4 (13.7)	4.7 (13.9)
Indus-try #	9.8 (26.0)	9.6 (26.1)	12.7 (28.7)	9.5 (28.8)	4.4 (28.1)	8.4 (28.1)	9.2 (28.2)	7.8 (28.2)	1.0 (27.3)	0.7 (26.2)
Services	9.6 (53.2)	9.8 (54.0)	10.2 (54.2)	10.5 (54.8)	9.4 (56.2)	10.5 (57.2)	10.2 (57.3)	6.6 (57.4)	7.0 59.0)	7.0 (59.9)
GDP (at Factor Cost)	7.5 (100.0)	9.4 (100.0)	9.7 (100.0)	9.2 (100.0)	6.7 (100.0)	6.7 (100.0)	9.3 (100.0)	6.7 (100.0)	4.5 (100.0)	4.7 (100.0)

Note: Figures in parentheses indicate percentage shares in GDP; #: Includes mining & quarrying, manufacturing, electricity, gas and water supply and construction
1 RE: 1st Revised Estimates; AE: Advanced Estimates
Source: Different Annual Reports of NABARD from 2008-09 to 2013-14.

2.6.4 THE SECTORAL COMPOSITION IN ASSAM

The State Domestic Product (SDP) is the most effective indicator to scale the progress of economic development of the State. The estimate of State Domestic Product over a period of time also indicates the extent and direction of changes in the level of economic development of the State (Economic Survey of Assam, 2011-12, Pp.18)[53].

The annual average growth rate of Eleventh Five Year Plan Period (2007-12) of the State of Assam is estimated at 6.78 percent by the Directorate of Economics and Statistics, Assam which indicates a favourable status of the State economy when compared with the growth rate of 5.33 percent accredited during Tenth Five Year Plan Period (2002-07) (Economic Survey of Assam, 2013-14, Pp. 29)[54].

ADVANCE ESTIMATES OF GROSS STATE DOMESTIC PRODUCT (GSDP) AND NET STATE DOMESTIC PRODUCT (NSDP) FOR THE YEAR 2013-14

The GSDP at constant (2004-05) prices for the year 2011-12 (Advance Estimates) is estimated at Rs. 80,465.15 crore as against Rs. 74,214.94 crore for 2010-11 (quick Estimates) reflecting a growth of 8.42 percent. The estimated growth of 7.34 percent in GSDP of the State for 2010-11 comprises of a growth of 6.49 percent in Agriculture and Allied sector, 4.78 percent in Industry sector and 8.76 percent in Services sector (Economic Survey of Assam, 2011-12, Pp.18)[55].

The GSDP at constant (2004-05) prices for the year 2013-14 (Advance Estimates) is estimated at Rs. 88537.17 crores as against Rs. 83630.23 crores for 2012-13 (Quick Estimates) reflecting a growth of 5.87 per cent which is lower than the growth of 6.06 per cent estimated in 2012-13(Quick Estimates) . The expectation of growth of 5.87 per cent in GSDP of the State for 2013-14 comprises of the estimated growth of 4.59 per cent in Agriculture and Allied sector, 4.28 per cent in Industry sector and 6.95 per cent in Services sector.

The Net State Domestic Product (NSDP), also known as State Income, at 2004-05 prices is expected to grow at a same level by 5.88 per cent as per Advance

Estimates for the year 2013-14 as compared to 5.86 per cent achieved during 2012-13. In terms of growth rate, per capita income is increased by 7.24 percent at constant (2004-05) prices and 10.0 percent at current prices in 2011-12 over the previous year (Economic Survey of Assam, 2013-14, Pp. 29-30)[56].

The sectoral growth of State Domestic Product is presented in the following table:

Table no. 2.6: Sectoral Growth Rates of GSDP at Constant (2004-05) prices

Sector	Percentage change over previous year				
	2009-10	2010-11 (Q)	2011-12 (Adv)	2012-13 (Q)	2013-14 (Adv)
Agriculture	5.89	7.55	6.64	4.35	4.45
Agriculture and Allied Services	6.39	6.49	6.43	4.33	4.59
Industry	2.70	4.78	7.19	3.34	4.28
Services	11.07	8.76	9.74	7.81	6.95
Gross State Domestic Product (GSDP)	7.98	7.34	8.42	6.06	5.87

Source: Economic survey of Assam, 2011-12, (Pp. 19) and 2013-14, (Pp. 30).
Note: Q represents Quick Estimates and Adv represents Advance Estimates.

An analysis of sectoral percentage contribution to GSDP at constant (2004-05) prices from 2004-05 to 2013-14 indicate that other than Service sector, the percentage contribution of Agriculture and Allied activities and Industry sector recorded steady decline. In respect of Agriculture and allied activities the contribution is expected to decrease from the level of 25.5 percent in 2004-05 to 21.3 percent level in 2013-14. The "Agriculture sector" although the major contributor of Agriculture and Allied activities, the percentage contribution of this sector towards the State economy has been declining steadily and expected to reach the level of 17.8 percent in 2013-14 from 21.7 percent in 2004-05.

The expectation of growth of 5.87 per cent in GSDP of the State for 2013-14 comprises of the estimated growth of 4.59 per cent in Agriculture and Allied sector, 4.28 per cent in Industry sector and 6.95 per cent in Services sector (Economic Survey of Assam, 2013-14, Pp. 1)[57].

In respect of Agriculture and Allied sector, the growth of 'Agriculture' sector is also expected nominally higher growth of 4.45 in 2013-14 against 4.35 in 2012-13 and therefore, all together Agriculture and allied sector is expected to attain a growth rate of 4.59 per cent estimated in 2013-14 as compared to the previous year's growth of 4.33 percent.

The Net State Domestic Product (NSDP), also known as State Income, at 2004-05 prices is expected to grow at a same level by 5.88 per cent as per Advance Estimates for the year 2013-14 as compared to 5.86 per cent achieved during 2012-13 (Economic Survey of Assam, 2013-14, Pp. 30)[58].

SECTORAL COMPOSITION OF GROSS STATE DOMESTIC INCOME (GSDP)

Sectoral composition of State Domestic Product (SDP) gives an idea of the relative comparable position of different sectors in the economy over a period of time which not only indicates the real structural changes taking place in the economy but also facilitates formulation of plans & various programmes for overall economic development of the State.

The changes of sectoral contribution to GDP over the years are shown in the following table.

Table no. 2.7: Sectoral Contribution to Gross State Domestic Product at Constant (2004-05) prices

Sector/ Year	Agriculture and Allied	Industry	Services	Total GSDP
2004-05	25.6	27.5	46.9	100
2005-06	25.4	25.7	48.9	100
2006-07	24.7	24.5	50.8	100
2007-08	24.2	23.6	52.2	100
2008-09	23.4	23.8	52.8	100
2009-10	23.0	22.7	54.3	100
2010-11	22.8	22.1	55.0	100
2011-12	22.4	21.9	55.7	100
2012-13	N.A	N.A	N.A	N.A
2013-14	21	21	58	100

Source: Economic survey of Assam, 2011-12, (Pp.20) and 2013-14, (Pp. 33).

The share of 'Agriculture and Allied' sector in the GSDP has declined from 26% in 2004-05 (Base Year Estimates) to 21% in 2013-14 (Advance Estimates). The

Services Sector has shown an encouraging trend in the State economy which has increased from 47 per cent in 2004-05 to 58 percent in 2013-14. Moreover, it has also been reveals that the share contribution of Agriculture & Allied sector and Industry sector to GSDP has been remained more or less equal since last few years. The State Economy however experienced a picturesque change over the periods as the primary sector witnessed a shift to service sector and the service sector has flourished very rapidly in the State's economy (Economic survey of Assam, 2013-14, Pp. 33-34)[59].

GROWTH OF ECONOMY DURING TENTH FIVE YEAR PLAN PERIOD (2002-2007) AND ELEVENTH PLAN PERIOD (2007-2012)

The following table presents the growth of GDP of Assam and India during Tenth Five Year Plan Period and Eleventh Five Year Plan Period sector wise:

Table no. 2.8: The Growth of GDP of Assam and India during Tenth Five Year Plan Period and Eleventh Five Year Plan Period

Item	10th plan period Year (2002-07)		11th plan period** Year (2007-12)	
	Assam*	India**	Assam	India
Average Annual Growth rate of GDP	5.33	8.74	6.41	8.0
Agriculture	0.63	4.50	3.86	3.7
Industry	7.90	9.82	4.27	7.2
Service	7.20	9.86	8.51	9.7

*Base year 1999-2000/** Base year 2004-05
Source: Economic Survey, Assam, 2013-14, Pp. 34.

The State has achieved an annual average growth rate of GSDP at 6.41 per cent during 11th plan period against 5.33 percent annual average growth achieved during 10th plan period (2002-2007). The growth trend of Agriculture sector during 11th plan period has been steadily increasing as compared to the 10th plan period. The Agriculture and Allied sector of the State has improved considerably during the 11th Plan Period as compared to the 10th Plan Period and has achieved annual growth rate of 3.86 per cent during the eleventh plan period. The growth rate of Industry sector has shown a slowdown during the 11th plan period and pegged at 4.27 per cent, compared to 7.90 percent annual average growth achieved during the 10th five year plan period. The present scenario of Service sector is very encouraging. The annual average growth of Service sector in the 11th plan period was 8.51 percent against 7.20 per cent experienced by the economy during 10th plan period (Economic Survey, Assam, 2013-14, Pp. 34)[60].

2.7 PRIORITY SECTOR ADVANCES IN ASSAM

The following table displays the advances outstanding under priority sectors in the state of Assam.

Table no. 2.9: Advances Outstanding under Priority Sectors in Assam

(Rupees in Crore)

Sectors	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Aggregate Advances	6497.59	9811.15	12989.44	16081.43	17750.99	20910.97	23843.62	30363.22	32825.11
Total Priority Sector Advance	3119.99 [48.02]	4248.21 [43.30]	6148.70 [47.34]	8322.25 [51.75]	10705.50 [60.31]	11314.92 [54.11]	13242.59 [55.54]	16080.72 [55.83]	19429.10 [59.19]
Agriculture & Allied Activities	616.15 [9.48]	1212.84 [12.36]	1596.74 [12.29]	2158.80 [13.42]	2345.86 [13.22]	3868.37 [18.50]	4557.40 [19.11]	5733.91 [19.91]	6614.39 [20.15]
Industries	515.87 [7.94]	685.52 [6.99]	1018.13 [7.84]	1281.63 [7.97]	1460.25 [8.23]	2054.15 [9.82]	2490.30 [10.44]	2819.38 [9.79]	4326.50 [13.18]

* Figure within bracket indicates percentage share to Aggregate Advances.

Source: Economic Survey, Assam (2013-14) Pp. 194, Directorate of Economics and Statistics, Planning and Development Department, Government of Assam.

The Total Priority Sector Advances have achieved, according to the State Level Bankers' Committee reports, 133.46 percent growth during the period 2012-13 over 2007-08 compared to 104.14 percent growth of Aggregate Advances during the same period. The growth of Total Priority Sector Advance was recorded at 523.0 percent in 2012-13 when compared with the credit extended to the priority sector during the year 2004-05. The volume of aggregate advances under priority sector increased from Rs.8322.25 crore in 2007-08 to Rs.13242.59 crore in 2010-11 and further increased to Rs.19429.10 crore in 2012-13. During the period from 2004-05 to 2012-13, the priority sector advances have been above the bench-mark of 40 percent of net bank credit. The percentage share of priority sector loans extended to agriculture & allied activities achieved all India bench mark of 18 percent during the year 2009-10 in the State and surpassed the benchmark in subsequent years. The disbursement of advances to agriculture and allied activities has steadily increased from Rs.616.15 crore (9.48%) in 2004-05 to Rs.3868.37 crore (18.50%) in 2009-10 and further to Rs.4557.40 crore (19.11%) in 2010-11. The disbursement of advances to agriculture & allied activities was Rs.6614.39 crore (20.15%) of the total priority sector advance during 2012-13 (Economic Survey of Assam, 2013-14, Pp. 193 and 194)[61].

2.8 CREDIT FLOW TO AGRICULTURE AND ALLIED ACTIVITIES IN ASSAM

The following table shows the credit flow to agriculture and allied activities and also share of percentages of crop loan to total agricultural advances under Annual Credit Plan in Assam.

Table no. 2.10: Credit Flow to Agriculture and Allied Activities under Annual Credit Plan in Assam

Year	Advance to Agriculture and Allied Activities (Rs. in Crore)	Crop Loans (Rs. in Crore)	% share of crop loan to Total Agricultural Advances	Per capita crop loan (Rupee)
2003-04	100.81	43.82	43	16.44
2004-05	243.76	79.46	33	29.81
2005-06	331.89	84.31	25	31.63
2006-07	468.91	79.44	17	29.80
2007-08	566.71	121.61	21	45.62
2008-09	523.38	203.12	39	76. 20
2009-10	814.69	359.39	44	134.82
2010-11	876.76	373.63	43	139.94
2011-12	2002.47	1082.03	54	346.80
2012-13	1851.01	908.28	49	292.05
(%) Growth 2012-13 over 2011-12	(-)7.56	(-)16.06	-	(-)15.79

@CAGR: Compound Annual Growth Rate.

Source: Economic Survey, Assam (2013-14) Pp. 196, Directorate of Economics and Statistics, Planning and Development Department, Government of Assam.

Credit is an essential requirement for revitalizing agriculture sector. Within the priority sector, the share of agriculture advances in the State was the highest with 34.04 percent as on March 2013 compared to 35.66 percent as on March 2012.

During the period as on March 2011, the share of agriculture advances in the State was 34.41 percent of the total priority sector credit. On the other hand, the agricultural credit constitutes 20.15 percent to the total bank credit as on March 2013 according to the figures published by the State Level Bankers' Committee, Assam. The agricultural credit, thus, remain above the All India Bench Mark level of 18.0 percent for four consecutive years since 2009-10 to 2012-13 in Assam. According to the State Level Bankers' Committee Report, banks operating in the State have disbursed agricultural credit of Rs.1851.01 crore during the year 2012-13 as against the annual commitment of Rs.3765.89 crore which was 49.0 percent of the targeted amount. During the year 2011-12, total agricultural credit disbursed in the State was `Rs. 2002.47 crore against the annual commitment of Rs. 2123.18 crore which was 94.0 percent of the targeted amount. The annual achievement of disbursement of agricultural credit was 67.0 percent of the targeted amount during the year 2010-11. However, the annual growth of advances to agriculture & allied activities during the year 2012-13 was (-)7.56 percent over 2011-12. The growth of crop loans also recorded (-)16.06 percent during the same period (Economic Survey of Assam, 2013-14, Pp. 195 and 196)[62].

2.9 PROGRESS OF KISAN CREDIT CARD SCHEME IN INDIA: AGENCY-WISE AND YEAR-WISE:

The Kisan Credit Card (KCC) scheme has been effective for extending agriculture credit. The following table represented the total number of Kisan Credit Cards issued and total amount of loan disbursed by the banking system in the country from the year of 1998-99 to 2012-13. From this table it is clear that commercial banks play a prominent role for implementing this scheme throughout the country rather than other two agencies of the country.

The following table highlights the progress of Kisan Credit Card Scheme in India from the inception of the scheme to 2012-13.

Table no. 2.11: Progress of Kisan Credit Card Scheme in India: Agency-wise and Year-wise

Year	Cooperative Banks		Regional Rural Banks		Commercial Banks		Total	
	Number of Cards issued (in '000)	Amount (in Rs. crore)	Number of Cards issued (in '000)	Amount (in Rs. crore)	Number of Cards issued (in '000)	Amount (in Rs. crore)	Number of Cards issued (in '000)	Amount (in Rs. crore)
1998-99	1,55,353	826	6,421	11	6,22,391	1,473	7,84,165	2,310
1999-00	35,94,869	3,606	1,73,301	405	13,65,911	3,537	51,34,081	7,548
2000-01	56,14,445	9,412	6,48,324	1,400	23,89,588	5,615	86,52,357	16,427
2001-02	54,35,859	15,952	8,33,629	2,382	30,71,046	7,524	93,40,534	25,858
2002-03	45,78,923	15,841	9,63,950	2,955	26,99,883	7,481	82,42,756	26,277
2003-04	48,78,236	9,855	12,74,289	2,599	30,94,108	9,331	92,46,633	21,785
2004-05	35,55,783	15,597	17,29,027	3,833	43,95,564	14,756	96,80,374	34,186
2005-06	25,98,226	20,339	12,49,474	8,483	41,64,551	18,779	80,12,251	47,601
2006-07	22,97,640	13,141	14,05,874	7,373	48,07,964	26,215	85,11,478	46,729
2007-08	20,91,329	19,991	17,72,498	8,743	46,05,775	59,530	84,69,602	88,264
2008-09	13,43,845	8,428	14,14,647	5,648	58,33,981	39,009	85,92,473	53,085
2009-10	17,43,253	7,606	19,49,785	10,132	53,13,085	39,940	90,06,123	57,678
2010-11	28,12,000	10,719	17,74,000	11,468	55,82,000	50,438	101,69,000	72,625
2011-12	29,61,000	10,640	19,95,000	11,520	68,04,000	69,510	117,60,000	91,680
2012-13	26,91,000	11,920	20,48,000	13,260	82,43,000	101,090	129,82,000	126,280
Total	46,351,761	1,73,873	19,238,219	90,212	62,992,847	4,54,228	12,8583,827	7,18,333
Percentage share in Total	36.0	24.2	15.0	12.6	49.0	63.2	100.0	100.0
CAGR (%)	20.94%	19.48%	46.86%	60.48%	18.80%	32.57%	20.58%	30.57%

Source: Different Reports on Trend and Progress of Banking in India, RBI.

In the country, the total number of KCC holders was 12,85,83,827 and total credit flow was Rs. 7,18,333 crore during the time period of last 15 years i.e., from 1998-99 to 2012-13. Most important fact that, among the Co-operative banks, Commercial banks and RRBs, largest number of Kisan Credit Cards were issued by the Commercial banks (49%) followed by Co-operative banks (36.0%) and RRB (15.0%) in the country from the inception of this scheme. During the last 15 years, Commercial banks, Co-operative banks and RRBs were sharing 63.2 per cent, 24.2 per cent and 12.6 per cent respectively of the total credit flow through the KCC schemes. The Commercial banks were issued 62,992,847 cards through which Rs. 4,54,228 crore were disbursed in the country from the period of 1998-99 to 2012-13. The Co-operative banks and Regional Rural Banks were issued 46,351,761 cards through which Rs.1,73,873 crore were disbursed from the inception of this scheme to 2012-13 in the country. During this period, The Regional Rural Banks were issued 19,238,219 cards through which Rs.90,212 crore were disbursed in the country. The aggregate percentage of compound annual growth rate of issuing KCC's from the inception of this scheme is 20.58 per cent while in the case of disbursement of loan under this scheme is 30.57 per cent.

The following table represents the progress of Kisan Credit Card scheme in India during the ten years research study period i.e., from 2003-04 to 2012-13.

Table no. 2.12: Progress of Kisan Credit Card Scheme in India from 2003-04 to 2012-13 : Agency-wise and Year-wise

(Numbers in millions)

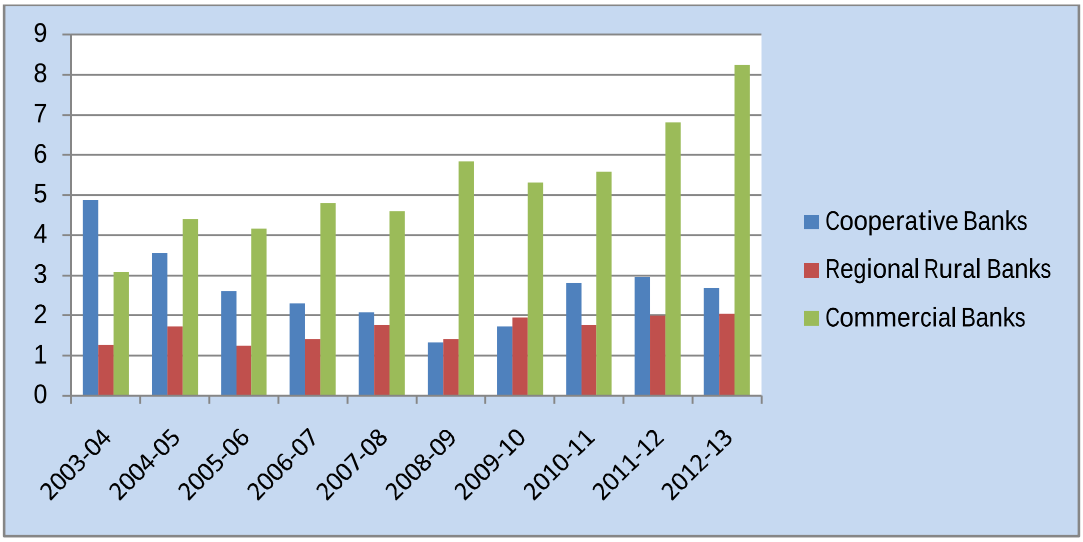
Year	Cooperative Banks	Regional Rural Banks	Commercial Banks	Total
2003-04	4.88	1.27	3.09	9.25
2004-05	3.56	1.73	4.40	9.68
2005-06	2.60	1.25	4.16	8.01
2006-07	2.30	1.41	4.81	8.51
2007-08	2.09	1.77	4.60	8.47
2008-09	1.34	1.41	5.83	8.59
2009-10	1.74	1.95	5.31	9.00
2010-11	2.81	1.77	5.58	10.17
2011-12	2.96	2.00	6.80	11.76
2012-13	2.69	2.05	8.24	12.98
Total	26.97	16.61	52.82	96.4
Percentage share in Total	27.98	17.23	54.79	100.0
CAGR (%)	-5.78%	4.90%	10.31%	3.45%

Source: Different Reports on Trend and Progress of Banking in India, RBI.

At the time of introduction of Kisan Credit Cards in the year 1998-99, 0.78 million of KCC's were issued and it has reached to 128.58 million at the end of the year 2012-13 by the Commercial banks, Co-operative banks and RRBs. In the year 2003-04, 9.25 million of KCC's were issued and it has increased to 12.98 million during the year 2012-13. Out of this Co-operative banks issued 2.69 million cards, RRB issued 2.05 million cards and Commercial banks issued 8.24 million cards respectively.

During the study period of 10 years from 2003-04 to 2012-13, Commercial banks accounted for the largest share 54.79 percent in issuing Kisan Credit Cards followed by Cooperative banks (27.98%) and RRBs (17.23%) respectively. The aggregate percentage of compound annual growth rate of issuing KCC's from the year 2003-04 to 2012-13is 3.45 per cent consists of Commercial banks (10.31%) followed by Cooperative banks (4.90%) and RRBs (-5.78%). During the study period, highest number of KCC's were issued in the year of 2012-13 (12.98 million) followed by (11.76 million) in the year of 2011-12.

Chart 2.3: Agency -wise Growth of Kisan Credit Cards in India from 2003-04 to 2012-13



The following table depicts the growth of Kisan Credit Cards in India agency -wise from 2003-04 to 2012-13:

Table no. 2.13: Agency -wise growth of Kisan Credit Cards in India (2003-04 to 2012-13)

Banks	N	Minimum	Maximum	Mean	Median	Std. Deviation
Cooperative Banks	10	1.34	4.88	2.6970	2.645	0.993591
Regional Rural Banks	10	1.25	2.05	1.6610	1.75	0.302965
Commercial Banks	10	3.09	8.24	5.282	5.06	1.451955
Total banks	10	8.01	12.98	9.6400	9.125	1.595109

In the respect of growth of issuing KCCs in India during the study period from 2003-04 to 2012-13, mean value of Cooperative banks were 2.6970, of which a minimum of 1.34 and a maximum of 4.88 with the standard deviation of 0.993591. Mean value of Regional Rural Banks were 1.6610, of which a minimum of 1.25 and a maximum of 2.05 with the standard deviation of 0.302965. Mean value of Commercial banks were 5.282, of which a minimum of 3.09 and a maximum of 8.24 with the standard deviation of 1.451955.

2.10 FINANCING UNDER KISAN CREDIT CARD SCHEME IN ASSAM

Like other states of the Country, the banks operating in Assam have been extending timely, cost effective and hassle free credit support to the farmers of the State through Kisan Credit Card (KCC) Scheme which was introduced in 1998-99 (Economic Survey of Assam, 2013-14, Pp. 196)[63]. The Ministry of Agriculture categorised Assam among the 'Highest Ranked State' for production of food grains and Assam also bagged the Krishi Karman Award for record production of pulses.

The following table depicts the performance of Kisan Credit Card Scheme in the state of Assam from the study period 2003-04 to 2012-13.

Table no. 2.14: Advances under Kisan Credit Card Scheme in Assam

(Rupees in lakh)

Year	Annual Achievement		Cumulative Achievement	
	Card Issued (No.)	Amount	Card Issued (No.)	Amount
2003-04	94377	9728.64	-	-
2004-05	86822	9382.86	172965	22202.28
2005-06	70238	9677.79	339750	38839.94
2006-07	50067	7862.03	359395	40580.52
2007-08	62132	16365.83	329932	67908.97
2008-09	103361	37589.23	480393	104682.06
2009-10	149822	43055.94	630070	158372.04
2010-11	163063	50495.87	793801	209071.23
2011-12	371474	130329.35	967220	307834.01
2012-13	265797	93219.58	1329203	393538.41
CAGR (%)	10.91%	25.36%		

Source: Economic Survey, Assam (2013-14) Pp. 196, Directorate of Economics and Statistics, Planning and Development Department, Government of Assam.

During the year 2012-13, 265797 numbers of KCC were issued to the farmers of the State and sanctioned Rs.932.20 crore compared to 371474 numbers of KCCs were issued and Rs.1303.29 crore was sanctioned by the banks in 2011-12. During the year 2010-11, the number of KCCs issued and amount sanctioned in the State was 163063 numbers and Rs.504.96 crore respectively. Cumulatively about 13.29 lakh KCCs have been issued in the State up to March 2013 since introduction of the scheme. The Scheme, thus, covered around 49.0 percent of the total farmer family (there are 27.20 lakh farmer families as per Agriculture Census 2010-11) of the State (Economic Survey of Assam, 2013-14, Pp. 196)[64].

During the year 2003-04, the number of KCC card issued in Assam were 94377 and sanctioned Rs. 97.5 crore. The growth of issuing KCC cards and sanctioning loan under KCC scheme is extending in Assam because in 2012-13, the number of KCC card were issued 265797 and Rs. 932.20 crore were sanctioned under the KCC scheme. The Compound Annual Growth Rate of issuing KCC cards and sanctioning KCC loan are 10.91 per cent and 25.36 per cent respectively.

2.11 BOTTLENECKS OF RURAL CREDIT IN INDIA

From the time of Independence period, the Government of India took various attempts to increase the flow of institutional credit in the agriculture sector through enriching the formal credit structure in India. The co-operative sector, commercial banks and regional rural banks are trying to meet the financial demand of the farmers. But still, there are some common difficulties around the agricultural credit in the country.

1. **Insufficiency:** In spite of expansion of formal credit networking system in the country, the volume of institutional credit is still unsatisfactory rather raising the prices of agricultural inputs.

2. **Inadequate amount of granting loan for the poor farmers:** Rural formal credit institutions are sanctioning less amount of loan for the small and marginal farmers and led them under the fold of moneylenders.

3. **Complicated Procedures of lending:** Due to illiteracy, the farmers are unable to meet the formalities of the formal credit agencies. The process of getting the loan from the institutional agencies required more time compared than the non-institutional credit agencies.

4. **Inadequate branch expansion programme in the rural areas:** Lack of institutional branch facilities in the rural areas resulted in wastage of time and money forced the farmers to borrow the loan from informal credit sources at a high rate of interest.

5. **Absence of co-ordination:** Due to lack of co-ordination and integrity among the formal credit agencies on the basis of credit planning resulted overlapping in the rural areas and areas of low credit availability remains deprived.

6. **High over dues:** The important problem regarding the advancing rural finance is the growing over dues in the agricultural sector due to poor repaying capacity of the farmers specially small and marginal farmers in the country. As a result, the formal credit agencies gave less attention for supplementing the rural credit in the agricultural sector though various initiatives have been taken by the Government for promoting the agricultural sector.

7. **Mis-utilisation of finance:** Due to large time gap between the credit requirement and disbursement in the agriculture sector, the most of the small and marginal farmers misutilised their granted loans for unproductive purposes.

8. **No provision of consumption loans:** The institutional credit agencies do not providing credit both for production purpose and consumption needs of the family. Due to the seasonal nature of farm incomes, farmers have less intensity to save the money.

For the effective modernisation of agricultural sector and also to stimulate its growth pattern a broad based and simplified rural credit structure is very much desired and important.

2.12 THE PROBLEM OF RURAL INDEBTEDNESS IN INDIA

The mounting burden of rural debt hindered the progress of the Indian economy. It becomes working like as a threat to economic, social and political life of the rural people in India. It influences the rural farmers revolving in the vicious circle of poverty and be in under the fold of chronic agricultural indebtedness stagnant the economic position of the rural agriculturists. Sir M.L. Darling rightly observed the economic situation of the Indian farmers and quoted that "Indian farmer is born in debt, lives in debt and dies in debt" (Dhar, 1999, Pp. 276)[65].

2.12.1 EXTENT OF RURAL FINANCIAL REQUIREMENTS

Many experts, authorities and committees have been made some estimates regarding the issue of financial requirements of the farmers since India's pre-independence period. But, to assess the actual situation on the aspect of rural indebtedness is very difficult. The following table represents some of those important estimates of rural indebtedness in India.

Table no. 2.15: Extent of Rural Indebtedness in India

Estimators	Year	Credit (Rs. crore)
1. The Deccan Ryots Commission	1875	371
2. Sir Edward Maclagan	1911	300
3. Sir M.L.Darling	1925	600
4. The Central Banking Enquiry Committee	1931	990
5. Dr. P.J.Thomas	1933	2,200
6. Dr. Radha Kamal Mukerji	1935	1,200
7. The Reserve Bank of India	1937	1,800
8. Dr. B.V.Narayanaswamy Naidu	1938	1,100
9. Shri Menon	1938	1,800
10. All India Rural Credit Survey Committee	1951-52	750
11. National Income Committee	1954	913
12. S.Thirumalai	1956	1,800
13. Ministry of Finance	1962	2,762
14. All India Rural Credit and Investment Survey	1972	4,000
15. Rural Credit Survey Report	1981	6,193

Source: Leki, R.K. and Singh, Joginder (1996): "Agricultural Economics", New Delhi, Kalyani Publications, pp. no. 236 to 246 and Dhar, P.K (1999): "Indian Economy", New Delhi, Kalyani Publications, 13th enlarged edition, pp. no. 277.

2.13 DIFFERENT REPORTS AND RECOMMENDATIONS OF DIFFERENT COMMITTEES RELATED TO AGRICULTURE SECTOR IN INDIA

For the development of agriculture and rural sectors and accelerating economic growth, agricultural growth, standard of living and credit flow to agriculture sector, the Government of India has been set up different committees for recommendations time to time. The different committees report has been highlighted below:

RECOMMENDATION OF ALL INDIA RURAL CREDIT SURVEY COMMITTEE (1954)

In 1951, the Committee of Directions, All India Rural Credit Survey was set up by RBI (Chairman: A.D. Gorwala) to plan, organise, and supervise survey regarding the facilities available in the rural area for providing agricultural credit (Singh, 2000, Pp. 37)[66]. All India Rural Credit Survey Committee (AIRCSE, 1954) examined the various credit agencies, private as well as state or state associated. It assessed the past performance and drew a suitable programme for future. The survey found that non-institutional agencies had occupied dominant position sharing 93 per cent of rural credit market. The committee found that the contribution of commercial banks was hardly one per cent of the total requirements of agriculture in 1951-52. The committee came to the conclusion that "co-operatives had failed but they must succeed (Narasaiah and Veerachari, 2009, Pp. 8 -9)[67]. The committee has made some recommendations on the basis of performance of Co-operatives societies for promoting the functions of Co-operatives societies. The main suggestions are as under:

- State partnership in the share capital of co-operative societies at all levels and developing the simple lending to warehousing, marketing and processing of agricultural produce.
- Linking of co-operative credit with Co-operative marketing.
- Nationalisation of the Imperial banks.

- Setting up of a National Co-operative Development and Warehousing Board for the promotion of storage and warehousing.
- Creation of three special funds one under the Ministry of Food and Agriculture and the other two under the Reserve Bank of India, namely, the Long-term National Agricultural Credit Fund and the Short-term National Agricultural Credit Fund.
- Making arrangements of personnel training programmes for co-operative societies.
- Re-organisation of co-operative movement.

In this way, the Rural Credit Survey recommended an integrated credit scheme to create healthy atmosphere of cooperatives was based on three principles of "State partnership at different levels; full co-ordination between credit and other economic activities, especially marketing and processing; and administration through adequately trained and efficient personnel, responsive to the needs of the rural population". The Government of India has agreed with the view of committee and implemented major recommendations of the committee through nationalisation of the Imperial Bank of India and setting up of the State Bank of India (Leki and Singh, 1996, Pp. 261)[68].

RECOMMENDATION OF ALL INDIA RURAL CREDIT REVIEW COMMITTEE (1969)

The All India Rural Credit Review Committee, 1969 (Chairmanship: B. Venkatappiah) was set up by RBI to suggest measures for the reorganisation of rural credit. The main tasks of the committee were the establishment of an Agricultural Credit Board, setting up of Small Farmers Development Agencies in selected districts throughout the country, creation of a Rural Electrification Corporation, the extension of the activities and role of the Agricultural Refinance Corporation, and to suggest measures for the adequate and timely supply of agricultural credit through cooperatives and commercial banks. It observed, "The requirements of the agricultural sector are so large and diverse that both commercial and cooperative banks cannot play a mutually complementary role without getting into conflict with each other". The emergence of following three new factors in the field of credit were noted: (i) a phenomenal increase in the demand for credit; (ii) a shift towards long-term credit; and (iii) the need for meeting the requirement of small farmers (Singh, 2000, Pp. 42)[69]. All India Rural Credit Review Committee (1969) analysed the performance made by the formal credit agencies in respect of short-term credit, medium-term credit and long-term credit. It examined the implementation of the integrated credit scheme which was recommended by the All India Rural Credit Survey Committee, (1954). The committee after taking into account the nature and dimensions of the demand for agricultural credit, and recommended that co-operative societies alone cannot meet the requirements in the agriculture and need for commercial banks to face the challenges of agriculture (Narasaiah and Veerachari, 2009, Pp. 9)[70].

REPORT OF THE COMMITTEE ON CO-OPERATIVE CREDIT (1959)

The Committee on Co-operative Credit under the chairmanship of Mr. V.L.Mehta, the 'Committee on Cooperative Credit, (1959) has presented various suggestions in their report for the improvement of co-operative credit in the country which includes:

- The co-operative institutions should be developed on the basis of village community.
- The share capital of primary agricultural societies with the State partnership should be consider to the maximum contribution ordinarily limited to Rs. 5,000 and only in exceptional situations, it should be extend to Rs. 10,000.
- Open membership to all classes of farmers and lending the loan on the basis of production need and repaying capacity of cultivators.
- All short-term and medium term loans should be disbursed without mortgage of the landed property.

- The Co-operative societies must spread their networking on the basis of range of credit and distribution operations.

- Proper arrangements of programmes for the reorganisation and revitalisation of primary credit societies to enable them profitable units.

- To follow the liberalisation of lending policy by the Reserve Bank of India, to central co-operative banks to get larger funds (Leki and Singh, 1996, Pp. 262)[71] and (Singh, 2000, Pp. 40-41)[72].

NATIONAL COMMISSION ON AGRICULTURE (1976)

National Commission on Agriculture known as NCA, (1976) in its report assessed the progress of institutional financial system for agriculture in India. NCA mainly looked into the recommendations, along with their implementation, of National Development Council (NDC) and different committees constituted by the Government of India (GOI) and the Reserve Bank of India (RBI) from time to time. The commission covered the new strategy of agricultural development including production, marketing, and transport and processing. According to NCA, the progress of commercial Banks regarding agricultural credit is inadequate. NCA suggested that what is needed is a national network for integrated credit service for extensive modernisation of agriculture, fully utilising the experience, talent and resources already available with the co-operatives and commercial banking system. The commission also suggested that greater weightage should be given to the needs of the small and marginal farmers, credit be provided to them on preferential terms in respect of both interest rates and quantum of advances to enable them to modernize agriculture sector (Narasaiah and Veerachari, 2009, Pp. 13)[73] and (Singh, 2000, Pp. 45-46)[74].

COMMITTEE TO REVIEW THE ARRANGEMENTS FOR INSTITUTIONAL CREDIT FOR AGRICULTURE AND RURAL DEVELOPMENT (CRAFICARD), (1981)

The important work in the series of studies by the Reserve Bank of India and the Government of India is the report of ‘The Committee for Reviewing Arrangements for Financing Institutional Credit for Agriculture and Rural Development', known as CRAFICARD (1981). The committee noted that problems of agricultural credit had not only grown in complexity and size but had also merged with the larger task of rural development. The report of the Committee to Review the Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) recommended to the Government to set up a new apex bank- the National Bank of Agriculture and Rural Development (NABARD), providing undivided attention, forceful direction, and pointed focus on the credit problems arising out of the integrated approach to rural development. The implementation of this recommendation resulted into the setting up of NABARD in July 1982. The committee also reviewed the arguments of earlier committees, the Administrative Reforms Committee, the Banking Commission (1972) and the National Commission of Agriculture (1976). The committee preferred to have more than one organisation to integrate the different credit structures (Narasaiah and Veerachari, 2009, Pp. 12)[75] and (Singh, 2000, Pp. 46-47)[76].

RESERVE BANK OF INDIA REVIEW COMMITTEE (1981)

The Reserve Bank of India Review Committee (1981) reviewed that the aggregate study of institution for agricultural credit during the Fifth Five –year Plan has been evaluated in the two publications of Reserve Bank of India. In this aspect, the committee commented that the primary agricultural credit agencies had almost achieved the level of total lending expected to be achieved by 1979 by the end of June 1977 itself and judging from the progress made by the commercial banks in the last five years, they could be expected to achieve the target (Narasaiah and Veerachari, 2009, Pp. 14)[77].

REPORT OF THE AGRICULTURAL CREDIT REVIEW COMMITTEE (1989)

The report of the "Agricultural Credit Review Committee", known as Khusro Committee, 1989, is one of the latest comprehensive studies undertaken by the RBI in the field of agricultural credit (Singh, 2000, Pp. 47)[78]. The committee analysed the shortcomings in the system of rural finance and prescribed suggestions regarding the problem. The main recommendations of this committee are given below:

- The commercial banks as well as the co-operative banks are over-controlled, over-regulated and over-managed by the Central Government. The main reasons for the declining profitability of the banks has been their involvement in providing ‘mandatory credit’ producing ‘rigid target setting’ in pursuance of the policy directives of the Government. The banks also suffered the problem of less profitability because of Government’s direction to simply credit at concessional rates.

- Increasing interference of the political leaders into the matter of lending credit to the agricultural farmers hampers the real progress of rural credit institutions for serving the actual cultivators. The influenced of politicalisation has been greatly realised in Loan Melas, where sometimes without security or proper applications loans have been advanced by the rural institutions.

- Interest rates charged by the credit institutions are no longer determined by the market forces. The committee recommended that an administered interest rate structure should be framed in the country so that the sufficient funds available to the agricultural sectors. The committee also suggested that small and marginal famers need credit at a concessional rate and interest rate charged in such a way for the other sections of the society so that financial viability of the credit institutions would not suffered.

- The performance of different credit agencies in respect of recovery of loans was very unsatisfactory. The Committee recommended that besides developing the existing legal framework for effecting recoveries, the credit institutions should preferably grant loans to groups or associations of farmers rather than to individuals influence less misuse of loans. Reckless extension of cheap credit or promises for waiving of loans, for achieving short term populist objectives must be avoided.

- The committee expressed that the commercial banks have been playing a very active role in the field of rural finance during the last two decades. The networks of the commercial banks through the rural branch expansion programme have increased eleven times from June, 1969 to December, 1986. Due to high cost of sanctioning and supervising small loans; low rate of recovery etc. resulted unsatisfactory performance of the commercial banks in the different regions of the country.

- The committee has suggested that through the merge RRBs with the sponsor banks will help to overcome the problems faced by the RRBs.

- The committee recommended that efforts to mop up the growing rural savings should be intensified, and the political and official interference in the working of the co-operative institutions should be stopped. The central co-operative banks should be allowed to advance loans to non-members at remunerative rates of interest and the primary agricultural co-operatives credit societies should be allowed to extend loans even for consumption purposes to its members.

- To supervise and co-ordinate the functions of various state co-operative credit institutions and optimum use of resources, the committee has suggested the setting up of an apex bank to be called " The National Co-operative Bank of India".

- The committee recommended that the existing apex institution for rural finance namely National Bank for Agriculture and Rural Development (NABARD) has not been successful in developing and strengthening the rural finance institutions. Through the different measures like steps for better project identification, its preparation and monitoring; extension of branches to the district level etc. makes the apex bank more effective.

- The Agricultural Credit Review Committee prescribed the setting up of a Crop Insurance Corporation for supervising the crop insurance scheme and also has made argued that the credit institutions should give attention interest margins to remain viable (Soni, 2006, Pp. 379-381)[79].

REPORT OF THE COMMITTEE ON FINANCIAL SYSTEM (1991)

The committee on financial system (1991), commonly known as Narasimham Committee has made some observations and recommendations about many aspects of agricultural and priority sector financing by the commercial banks to make financial sector more competitive, efficient, productive, profitable and transparent. These recommendations are in line with the policy of globalisation, liberalisation, and privatisation (Singh, 2000, Pp. 48-49)[80]. Some of the important recommendations are given below:

- The total amount of loans advanced by the commercial banks to the agricultural sector has now surpassed those extended by the co-operatives.
- Greater emphasis on the fixation of targets for advances to the agricultural sector influenced in the increase in the quantity of credit rather than the quality of lending. The profitability of the banks has declined due to high over dues and excessive operational cost due to branch expansion programme in the rural areas.
- The concessional loans should be advanced only to the small and marginal farmers. In general, there is no need to extend concessional finance to the priority sector. The committee has suggested that the 'directed credit' programmes should be promoted throughout the country.
- The committee recommended that for distributive justice, the Government should concentrate more on fiscal measures, than on advance distribution.
- The committee also suggested that provision of timely and adequate supply of credit to the farmers (i.e., the quality of credit) is more important for the farmers than a mere reduction in the rate of interest. Even when there is no reduction in the rate of interest, the institutional finance proves cheaper than the non-institutional finance.

- The committee recommended that the priority sector should be redefined and the commercial banks should play an important role in advancing the loan to the target group with the other banking business (Soni, 2006, Pp. 381-383)[81].

ADVISORY COMMITTEE ON FLOW OF CREDIT TO AGRICULTURE AND RELATED ACTIVITIES FROM THE BANKING SYSTEM (2004)

The Central Government in June 2004 announced to double the flow of credit to agriculture in three years, the Union Budget, 2005-06 proposed to increase the flow of credit to agriculture by 30 per cent during the year. It has been the endeavour of the Reserve Bank of India to enhance the credit flow to agriculture by removing bottlenecks in credit delivery. Most of the recommendations of the Advisory Committee on Flow of Credit to Agriculture Banking System under the Chairmanship of Prof. V.S. Vyas have been implemented by the Reserve Bank and NABARD by October 2005. These related to: (i) procedural modifications and rationalisation of systems and procedures; (ii) tie ups with related farm machinery manufacturers by banks; (iii) use of a flexible revolving credit limit to small borrowers of production or investment loans for meeting temporary shortfalls in family cash flows; (iv) co-opting joint liability group (JLG) and self-help group (SHG) approaches in addressing issues relating to financing oral lessees; (v) addressing delays/ refusal in opening savings bank accounts of SHGs; (vi) improving staffing in the rural areas to promote retail lending to agriculture, use of individual volunteers, farmers' clubs or NGOs/SHGs as direct selling agents; (vii) building synergy between good working primary agricultural credit societies and commercial banks; (viii) use of IT in rural branches; (ix) working out appropriate incentive structure for prompt repayment; (x) making the rates of interest on small loans reasonable; and (xi) improving the efficiency of credit delivery to small borrowers and association with contract farming. Furthermore, stepping up credit for marketing and introduction of negotiable warehousing receipt system, support of State Governments for collecting dues reduction of stamp duty on agricultural loans, legal amendments to Agricultural Produce Marketing Committee (APMC) Act by the State Governments, amendment to NABARD Act for operational autonomy, which were referred to the Government of India for examination, have been accepted.

REPORT OF THE EXPERT GROUP ON INVESTMENT CREDIT (2005)

The Reserve Bank of India (RBI) constitutes an Expert Group on Investment Credit in Agriculture under the chairmanship of Dr. Y.S.P. Thorat for formulate a strategy for increasing the flow of investment credit in agriculture. The Expert Group submitted its final report in June 2005 on the basis of following objectives:

- To analyse the trends in investment credit in the agriculture sector over the last decade in terms of flow of credit for different purposes, land holding groups and also study state-wise trends in this aspect.
- To scrutinise recent innovations in investment credit involving new technologies in natural resources management including soil, water, energy, etc. with a view to replicating such examples.
- To study the changing nature of Indian agriculture and suggest a road map for increasing the investment credit in a time bound manner.
- To review the reports of earlier Committees and incorporate the action points those are still relevant into the road map proposed by the Expert Group.

The Group identified several factors which constrain growth in investment in agriculture. These include meagre growth in minor irrigation and farm mechanisation; declining public sector investment; limited credit absorptive capacity; lack of effective mechanism for technology transfer and poor extension services; inadequate extension services; limited infrastructure for agro processing, storage, warehousing, value addition and marketing; restrictions on purchases outside the *mandis;* weather aberrations and output price fluctuations; inadequate risk mitigation mechanism; and non-availability of land records. The Group emphasised the need to accelerate investment in agriculture in order to achieve the desired level of growth. It also highlighted the need for investments to be appropriately structured, timed and well implemented in order to attain maximum effectiveness.

The Expert Group reviewed the recommendations relating to investment credit and related issues made by the following Committees and the status of their implementation.

- Agricultural Credit Review Committee (ACRC) (Prof. A.M. Khusro, 1989),
- High Level Committee on Agricultural Credit through Commercial Banks (R.V. Gupta, 1997),
- Expert Committee on Rural Credit (ECRC) (Prof. V.S. Vyas, 2001),
- Advisory Committee on Flow of Credit to Agriculture and Related Activities from the Banking System (Prof. V.S.Vyas, 2004) and
- Expert Group on Credit Deposit Ratio (Shri Y.S.P.Thorat, 2005).

The major recommendations of the committee relating to investment in agriculture are summarised below:

- To facilitate capital formation in agriculture sector and to upgrading the slow growth rate, the Group emphasized that banks should doubling of agriculture credit during 2005-06 to 2006-07.
- Due to the changes in the agricultural scenario from the various grounds like traditional on-farm activities, diversified and new on-farm activities, new off farm-activity and general trends impacting rural space, the Group highlighted broad thrust areas for increasing investment and flow of investment credit in agriculture are as under:

    1. Apart emphasis to be laid on traditional investments such as land development, irrigation and farm mechanization and integration of small and marginal farmers in the mainstream in the case of marketing and exports;

2. Focus of investment must be on the entire value chain of agricultural products;

3. In particular, reform of agricultural markets and investments in enabling competitive markets deserves priority;

4. Public investment in agricultural infrastructure should get a greater priority especially in poorer states, viz., Eastern and North Eastern regions for facilitating greater private investment.

- State Governments need to lay emphasis on legal provisions/ computerisation of land records, legal support for recovery, reforms in agricultural marketing, improving credit absorptive capacity through supporting infrastructure, strengthening infrastructure, improving extension network and developing marketing links.

The committee argued that total institutional credit to agriculture (direct and indirect) during the period 1995-96 to 2002-03, has rapidly increased at an annual compound rate of 18.2 per cent. The share of term credit in total credit is constant around 35 per cent. The farmers choose to borrow short-term credit due to necessary control over resources through continued liquidity. On the contrary, the suppliers prefer advancing short-term credit due to relatively lower lending and risk costs, less supervision and monitoring costs and a better asset liability management. Regional disparities have also been noticed in advancement of institutional credit to small and marginal farmers. The present trend highlights the fact that existence of the structural weakness of cooperative banks and the limited functioning capacity of RRBs, Commercial Banks has been increasing their supporting hand for extending the private investment in the agricultural sector. The committee also recommended that co-operative banks would need to be well structured and management.

The committee identified some major obstacles in the respect of limited growth in investment in the agricultural sector include: (i) Insufficient growth in minor irrigation and farm mechanization; (ii) Declining public sector investment; (iii)

Limited credit absorptive capacity; (iv) Lack of effective mechanism for technology transfer and poor extension services; (v) Inadequate extension services; (vi) Limited infrastructure for agro-processing storage, warehousing, value addition and marketing; (vii) Restrictions on purchases outside the mandis; (viii) Weather aberrations and output price fluctuations; (ix) Inadequate risk mitigation mechanism; and (x) Non-availability of land records.

To extending credit in agriculture sector, the following factors should be considered by the banking institutions include: (i) High transaction costs; (ii) Structural deficiencies in rural credit delivery system resulting in limited outreach; (iii) Issues related to credit worthiness: Collateral- for low asset base farmers; (iv) Low volume of loans associated with high risk; (v) High manpower requirement/branch centric.

The committee has been suggested that the action plans should be followed up on the aspect of- legal provisions computerisation of land records, legal support for recovery, reforms in agricultural marketing, improving credit absorption capacity, designing appropriate products for financing rural infrastructure, water management for improving productivity, investments in water conservation, participatory community investments and strengthening infrastructure.

REPORT OF THE TASK FORCE ON CREDIT RELATED ISSUES OF FARMERS (2010)[82]

The Ministry of Agriculture, Government of India constituted a Task Force on 6 October 2009 to look closely the problem of indebtedness of the most vulnerable of farmers to the moneylender, and their lack of access to institutional credit under the chairmanship of Umesh Chandrs Sarangi for formulate a strategy to ensure that the smallest of farmers can access credit at reasonable rates and on reasonable terms. To reduce farmer dependence on moneylenders, and to bring the most vulnerable farmer into the institutional credit fold, the committee proposes a list of measures. The measures suggested include simple but crucial changes to money lending laws; the repackaging of agricultural credit products to meet the needs of large numbers of farmers who do not follow external input intensive agriculture; changes in the designing and implementation of the Kisan Credit Card; the mobilising of farmers in mission mode through joint liability groups and their own financial services cooperatives, to access bank credit as also to establish easily accessible and self-managed vibrant alternate systems; computerisation of land records and easy access to such records for both farmers and bankers; functioning management information systems to capture better data related to priority sector lending to ensure that credit indeed reaches tenant farmers, oral lessees, sharecroppers and other small and marginal farmers.

The Task Force recommendations will result in the moneylender becoming one of many players in the rural financial market, and in the farmer having the option to choose from multiple players including farmers' own organisation. More importantly, its recommendations strike at the very causes that lead a farmer to seeking credit under duress, and to becoming caught in a debt trap difficult to overcome.

The observations and recommendations of the Task Force are laid out under the following issues:

a. Farmers who were not covered by the Agricultural Debt Waiver and Debt Relief Scheme, 2008 (ADWDRS);

b. Policy measures for addressing the issues of farmer indebtedness to moneylenders and on measures to provide relief to such farmers;

c. Various measures including the Kisan Credit Card (KCC) scheme to ensure coverage of small and marginal farmers, tenant farmers, share croppers, and oral lessees by the institutional credit fold, to reduce their dependence on informal sources; and

d. Legislation regulating loans from private moneylenders.

Policy measures on relief from farmer indebtedness to moneylenders have introduced in this report. Some important facts mentioned below:

a. Several state governments had attempted to reduce the debt and interest burden on farmers by offering rebates on interest, for timely repayments. This was perceived as a measure to encourage farmers to come into and stay in the banking fold and avoid going to moneylenders. In reality, however, these measures had not increased the numbers of farmers covered by the banking system. The low rates of interest appeared also to have had some influence on borrower behaviour, with, for example, farmers drawing out their entire credit limit on KCC at once.

b. Some farmers who had benefited from the KCC schemes, but who had not borrowed again from the banks- either because the banks were not forthcoming enough or because the farmers chose not to return to the banking fold.

c. The farmers who least benefited from the schemes and who, therefore, were perhaps most dependent on moneylenders, were those who did not have land title deeds in their names. These included tenant farmers, oral lessees, sharecroppers, and those who had inherited land, with the records yet to take note of the changed circumstances.

d. Crop insurance schemes had blocks as their base units, and that gave only partial relief as it was based on the average loss for the entire block, and the resultant compensation proved to be unhelpful to farmers who had suffered significant losses. Farmers stressed that without appropriate insurance schemes, crop failure would continue to result in default and a return to moneylenders for further financing.

KISAN CREDIT CARD SCHEME: Some important recommendations regarding Kisan Credit Card scheme mentioned below:

a. Farmers tended to access the credit limit either in 2-3 pre-determined instalments fixed by the financing bank, or all at once-banks appeared to continue to perceive these as ‘normal’ agricultural credit loans with amounts to be drawn at different times, for different phases of farming operations, or for different crops; similarly, farmers appeared to withdraw the entire amount at once either because they were required to do so by the bank, or because the loans were cheap, given the various interest reducing schemes; and

b. Farmers did not realise that they were covered by KCC and this may have been due to the fact that the KCC was, in fact, not a card, but a pass book, and farmers had such pass books even prior to KCC issuance.

c. To enhance coverage by banks of small and marginal farmers, especially tenant and other vulnerable farmers, banking sector agencies may organise financial literacy and counselling campaigns to increase awareness among farmers on KCC scheme; banks be encouraged to educate their rural branch staff about the KCC scheme; banks may use farmers’ cooperatives and SHG federations as banking correspondents to increase outreach; the coverage of new farmers in the command areas of bank branches and new areas be ensured through meaningful and purposeful conduct of gram sabhas and Kisan Credit camps at regular intervals; bankers who have already been advised by RBI to lend without any collateral, up to Rs. 1 lakh per farmer, put such advice into more widespread practice through Joint Liability Group (JLGs) of tenant farmers, share croppers and oral lessees.

d. State governments may exempt stamp duty on agricultural loan agreements

e. The KCC be technology enabled, including the conversion to a smart card with withdrawals and remittances enabled at ATMs, points of scale, and through hand held machines-banks need to have core banking solutions in place at the earliest, to enable technology to benefit the farmer.

f. The KCC limit be fixed for five years, based on the bankers assessment of total credit needs of the farmer for a full year, and that the limit be operated by the borrower as and when needed, with no sub limits for kharif and rabi, or for stages of cultivation.

g. Each withdrawal under KCC is allowed to be liquidated in twelve months without the need to bring the debit balances in the account to zero at any point of time.

h. There be automatic renewal and annual increase on credit limit linked to inflation rate.

i. An increase in limit at farmer request be based on bank review for which the presence of the farmer may be sought

j. Once issued, banks will review only for the purpose of cancellation of the card.