

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:512
ANSWERED ON:09.07.2004
MICRO FINANCE AND MICRO CREDIT
Maken Shri Ajay

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has any plan to improve micro-finance and micro-credit in the agriculture sector and for rural poor;
- (b) if so, the details thereof;
- (c) whether the Government intends to take services of NGOs for this purpose;
- (d) if so, the details thereof;
- (e) whether the Government is planning to increase the share of rural poor and agriculture sector in Government Bank lending;
- (f) if so, the details thereof;
- (g) whether the Government intends to resolve the issue of collateral security for farmers;
- (h) if so, the details thereof;
- (i) whether the Government proposes to give any special discounts for small and marginal farmers; and
- (j) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRIS. S. PALANIMANICKAM)

(a)&(b): The National Bank for Agriculture and Rural Development (NABARD) has been evolving various strategies and policies to promote micro-finance and micro-credit schemes since 1992. Reserve Bank of India (RBI) has also been taking measures to give a fillip to the micro finance initiative through creating an enabling environment for fostering the growth of micro-finance in all sectors including agriculture. As a result, 10, 79,091 Self Help Groups (SHGs) were linked with various banks as on 31st March, 2004. Some of the recent initiatives taken by NABARD/RBI to improve the coverage and out reach of micro- finance and micro- credit include:

- (i) Identification of 13 states as priority states to scale-up the SHG programme in view of the slow progress and high incidence of poverty in these states;
- (ii) Enlisting the support of banks at the corporate level;
- (iii) Increasing the participation of cooperative banks;
- (iv) Associating village communities, people's institutions, rural volunteers or individuals to participate in the programme as SHG promoters;
- (v) Increasing the effectiveness of existing SHGs by propagating 'Self-rating' toote;
- (vi) Financing of Self Help Groups (SHGs) as part of banks' lending to priority sector/ weaker sections.

(c) & (d) The programme on micro-credit and micro-finance has been implemented by NABARD mostly Non-Government Organizations (NGOs). NABARD has supported 785 NGOs, which have formed 72290 SGs- (e) & (f) A plan of action has been prepared to increase the Ground Level Credit Flow from coirrier banks, RRBs and Cooperative Banks by 30% during the current year. All commercial bank-1 have Iso been asked to enhance their credit flow to weaker sections from the present 6.7% to the reqvdhvel of 10%. RBI on 18 May, 2004 has advised banks to waive the margin/security requirement for apiculture loans upto Rs 50,000 and in case of agro business and agro clinics for loans upto Rs 5 lakh. (g) & (h): As per the monetary policy announced by reserve Bank of India for thtf year 2004-2005, agricultural loans upto Rs.50,000/- are exempted from collateral securities, (i) & (j): RBI and NABARD have issued guidelines to all banks envisaging relief measures for distressed farmers including formulation of One Time Settlement (OTS) Scheme for small and marginal farmers who have been declared as defaulters till 24 June, 2004 and have become ineligible for fresh credit. Banks have been advised to complete the exercise of notifying defaulters latest by 30 September, 2004 and to

process applications received from such defaulters within one month of their receipt. Banks have also been advised to ensure that settlement is done without discrimination and in a transparent manner so that farmers can access fresh credit. Management of banks has also been advised to review the caes where credit has been denied on the sole ground that a loan account was settled through compromise or write-off.