

**GOVERNMENT OF INDIA  
AGRICULTURE  
LOK SABHA**

STARRED QUESTION NO:504

ANSWERED ON:02.05.2005

DECLINING TREND IN INVESTMENT IN AGRICULTURE SECTOR

Adsul Shri Anandrao Vithoba;Singh Shri Sugrib

**Will the Minister of AGRICULTURE be pleased to state:**

(a) whether the Government proposes to reverse the declining trend in investment in agriculture sector by increasing funds for agriculture research and extension and stepping up credit flow to farmers;

(b) if so, the details thereof;

(c) the steps taken by the Government to encourage investments in agriculture sector and step up credit flow to farmers during 2004-05 and 2005-06; and

(d) the details of the credit related relief to farmers announced by the Government along with details of the funds earmarked and funds utilized till March 31, 2005, State-wise?

**Answer**

THE MINISTER OF AGRICULTURE AND MINISTER OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (SHRI SHARAD PAWAR):

(a) to (c) Yes, Sir. The plan outlay for agricultural research and education, including extension, has been raised by 15 per cent from Rs. 1,000 crore in 2004-05 to Rs. 1,150 crore in 2005-06. Though investment in agriculture, including allied sectors, measured in terms of Gross Capital Formation (GCF), increased in real terms (at 1993-94 prices) from 15,249 crore in 1993-94 to Rs. 24,186 crore in 2003-04, GCF in relation to Gross Domestic Product (GDP) declined from 1.8 per cent to 1.6 per cent during the same period. It may be noted in this context that the entire outlay for the Department of Agricultural Research and Education is categorised under the revenue component, which is not counted as part of investment measured in terms of the statistics of GCF compiled by the Central Statistical Organisation. Since the decline in GCF referred to above is almost entirely on account of the decline in public investment in agriculture, which is essentially investment in irrigation, for increasing investment in agriculture, the immediate need is to raise public investment. In keeping with this need, the outlay on the Accelerated Irrigation Benefit Programme (AIBP) has been raised from Rs. 2,800 crore in 2004-05 to Rs. 4,800 crore in 2005-06. Similarly, a sum of Rs. 400 crore has been provided in the Union Budget, 2005-06, for promoting micro irrigation. As regards credit, the flow of credit to agriculture and allied sectors by all agencies amounted to Rs. 1,15,243 crore as on 31st March, 2005, forming about 110 per cent of the targeted credit flow of Rs. 1,05,000 crore to agriculture sector. There has been a growth of 32 per cent in credit flow in 2004-05 over the actual disbursement of Rs. 86,981 crore during 2003-04. Around 66.32 lakh new farmers have been financed by commercial banks and RRBs as against a target of 50 lakh farmers. Besides, around 12.52 lakh new farmers have been financed by Cooperative Banks. Private Sector Commercial banks have financed 2.24 lakh new farmers. As mentioned in the Union Budget for 2005-06, the banking sector is required to increase the credit flow by 30 per cent in 2005-06 over the credit disbursed in 2004-05.

(d) A comprehensive credit policy was announced by the Government on 18th June, 2004 containing measures for doubling of agriculture credit flow in next three years and provision of debt relief to the farmers affected by natural calamities. The target of agriculture credit flow for the year 2004-05 was fixed at Rs. 1,05,000 crore and the achievement as on March, 2005 is Rs. 1,15,242.81 crore. Several policy initiatives like broadening the scope of Kisan Credit Cards and revision in the norms for fixing scale of finance have been taken to meet the realistic credit needs of farmers. A package providing for restructuring of debts of farmers in distress and in arrears have been put into operation which provides for rescheduling of outstanding loans over a period of five years including moratorium of two years. The banks have been advised to implement a special One Time Settlement scheme for settling the old and chronic loan accounts of small and marginal farmers and also to redeem the loan taken by the farmers from private moneylenders. Steps have also been taken to reduce the rate of interest on agricultural loans. Pegging of the interest rate at 9% per annum on crop loans up to Rs. 50,000 from the Commercial Banks has to be seen as a positive step in this direction. Government has been impressing upon RBI and NABARD to take measures for ensuring adequate credit flow to farmers at affordable rate of interest in hassle free manner. In order to reduce the hassles in making available loans to the farmers, RBI has advised all the banks to waive margin/security requirements for agricultural loans up to Rs. 50,000 and agri-business and agri-clinics loans up to Rs. 5 lakh. Under the programme of restructuring of loans to farmers in distress/arrears, commercial banks, cooperative banks and regional rural banks together allowed rescheduling/conversion of loans amounting to Rs. 10,953.61 crore during the year 2004-05. Similarly, these banks together have settled an amount of Rs. 756.83 crore under the one-time settlement schema, during 2004-05. Commercial banks have extended loans to 16,758 farmers indebted to informal sources like moneylenders to redeem their debts with them and provided about Rs. 57 crore upto 31st March, 2005.

As regards details of the credit disbursement in agriculture sector, only agency-wise performance on credit disbursement is available

for 2004-05 which is given in the enclosed statement-I. State-wise figures of credit disburse:during 2003-04 are given in enclosed statement-II