

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:402

ANSWERED ON:04.05.2012

RURAL CREDIT POLICY

Ganpatrao Shri Jadhav Prataprao; Rama Devi Smt.

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has framed rural credit policy particularly in the wake of the increasing number of reported cases of suicide being committed by the farmers due to the failure to repay such loans;

(b) if so, the details thereof ;

(c) whether the efficacy of the policy has been reviewed in the recent past;

(d) if so, the details thereof ;and

(e) the further measures being contemplated to address the issue in a more effective manner ?

Answer

THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE)

(a) to (e): A Statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (e) of Lok Sabha Starred Question No. +402 to be answered on 4th May, 2012 regarding rural credit policy, tabled by Shrimati Rama Devi and Shri Prataprao Ganpatrao Jadhao

(a) & (b): The Government has taken several policy measures from time to time to increase the availability of credit to the rural areas in general and farmers in particular. These inter-alia include the following:

In terms of Reserve Bank's extant guidelines on lending to priority sector, a target of 40 percent of Adjusted Net Bank Credit (ANBC) or Credit Equivalent amount of Off-Balance Sheet Exposures (OBE), whichever is higher, as on March 31 of the previous year, has been mandated for lending to the priority sector by domestic scheduled commercial banks, both in the public and private sector. Within this, a sub-target of 18 per cent of ANBC or Credit Equivalent amount of OBE, whichever is higher, as on March 31 of the previous year, has been mandated for lending to agriculture sector.

The Government has been setting an annual target for the flow of credit to the agriculture sector. The agriculture target for 2012-13 is fixed at Rs 5,75,000 crore against the target of Rs 4,75,000 crore in 2011-12.

The Interest Subvention Scheme is being implemented by the Government of India since 2006-07 to make short-term crop loans upto Rs. 3 lakh for a period of one year available to farmers at the interest rate of 7 percent per annum. The Government of India has since 2009-10 been providing additional interest subvention to prompt payee farmers. The additional subvention was 1% in 2009-10, 2% in 2010-11 and 3% in 2011-12. The Government has in the Budget speech of 2012-13 announced continuation of the scheme in 2012-13.

RBI has also advised banks to waive margin/security requirements for agricultural loans upto Rs 1,00,000.

The Agricultural Debt Waiver and Debt Relief Scheme (ADWDRS), 2008 was implemented by the Govt. This Scheme has de-clogged the lines of credit that were clogged due to the debt burden on the farmers and make the farmers eligible for fresh loans. Under the scheme Rs 52,275.55 crore has been released by the Govt. through RBI and NABARD to give benefit to 3.45 crore farmers.

Banks have been advised to issue Kisan Credit Cards (KCC) to all eligible farmers and General Credit Cards (GCC) to non-farmers. A new scheme for KCC has been circulated by NABARD which provides for KCC as an ATM card which can be used at ATM/ Point of sale (POS) terminals.

In order to extend the reach of banking to hitherto unserved areas, the Government in the budget for 2010-11 announced the plan to extend banking services to villages of 2000 and above population by March 2012 through a combination of business correspondent and other models with appropriate technology back up. Out of the 74,398 such habitations identified, banking services have been extended to 74,194 habitations through opening of new branches, business correspondents, mobile banking, etc and over 3.16 crore

new accounts have been opened by 31st March, 2012.

General permission has been granted to domestic Scheduled Commercial Banks (other than RRBs) to open branches/mobile branches/Administrative Offices/CPCs (Service Branches),(i) in Tier 2 to Tier 6 centres (with population upto 99,999) and (ii) in rural, semi urban and urban centres of the North- Eastern States and Sikkim, subject to reporting. RBI has advised banks that while preparing their Annual Branch Expansion Plan (ABEP), the Banks should allocate at least 25 percent of the total number of branches proposed to be opened during a year in unbanked rural (Tier 5 and Tier 6) centres. (population below 10,000)

(c) to (e): The efficacy of the policy is reviewed by the Govt. and the RBI on an ongoing basis and suitable measures are taken to enhance flow of credit to rural areas. The flow of credit to the agricultural sector has increased from Rs 1,80,486 crore in 2005-06 to Rs 4,68,177 crore in 2010-11. In order to further extend the reach of banking services, the Govt. has in the budget speech 2012-13 announced extension of the financial inclusion plan to habitations with population of more than 1000 in North-Eastern and hilly States and to other habitations which have crossed population of 2000 by census 2011.