

**ADVISORY COMMITTEE ON FLOW OF CREDIT TO AGRICULTURE
AND RELATED ACTIVITIES FROM THE BANKING SYSTEM**

As announced earlier in the [Mid Term Review of Monetary and Credit Policy for the year 2003-04](#), the Reserve Bank has constituted an [Advisory Committee on flow of credit to agriculture and related activities](#) from the banking system under the chairmanship of noted economist, Prof. V.S. Vyas. The list of other members of the committee is given in the Annexure. The Terms of Reference of the Committee are as under :

1. To assess the progress made in implementation of the recommendations of the Expert Committee on Rural Credit (Vyas Committee) appointed by NABARD in August 2000.
2. To suggest measures to reduce the rate of interest on agriculture credit given by Commercial, Cooperative and Regional Rural Banks;
3. To examine the role of NABARD as the apex institution for providing and regulating credit for the promotion and development of agriculture and the role of Regional Rural Banks (RRBs) in purveying agricultural credit and suggest measures for improving the same without sacrificing overall viability considerations;
4. To study the role and effectiveness of the RIDF mechanism and suggest ways to improve the same, or to suggest alternatives, with a view to increase direct agriculture lending;
5. To identify the impediments in the flow of credit to the disadvantaged sections such as small and marginal farmers, tenant farmers, oral lessees and landless labourers and suggest measures to be taken by banks for providing financial assistance to them;
6. To suggest short-term and medium-term measures to improve the flow of credit to agriculture, with particular emphasis on
 - (a) direct financing of farmers based on linkages for supply of inputs and sale of outputs and institutional and procedural arrangements required therefor;
 - (b) scope for involving innovative location-specific catalytic agents to bridge the gap between the demand and supply of timely credit in rural areas;

- (c) the problems faced by banks in extending their outreach;
 - (d) the need to modify the Service Area Approach; and
 - (e) feasibility for harnessing new technological developments in smoothening the process of credit delivery to the rural and agricultural sector.
7. To study the role of micro finance in poverty alleviation and adoption of the Self Help Group (SHG) approach in extending banks' outreach to the disadvantaged sectors.
 8. To examine the need to regulate micro finance institutions and to suggest appropriate regulatory model.
 9. To examine the norms relating to NPAs in cases of crop failure where seasonality and uncertainty are not captured.

The Committee is required to submit its report by April 2004.

Comments and suggestions, if any, relating to the issues covered in the terms of Reference of the Committee may please be forwarded to the Chief General Manager-in-Charge, Reserve Bank of India, Rural Planning and Credit Department, Central Office, Mumbai - 400001, so as to reach him latest by the 20th February, 2004.

ANNEXURE

Other members of the Committee

1. Shri J.N.L. Srivastava, IAS (Retd.)
2. Dr. N. Mohan Kumaran, Former Director of Research, Kerala Agriculture University
3. Dr. Sardar Singh Johl, Former Vice Chancellor, Punjab Agriculture University
4. Shri P.S. Shenoy, Chairman and Managing Director, Bank of Baroda
5. Shri K.R. Ramamoorthy, former Chairman and Managing Director, Corporation Bank

Smt. Ranjana Kumar, Chairperson, NABARD and Shri Vepa Kamesam, former Deputy Governor of Reserve Bank of India are Permanent Invitees to the Committee's meetings.