

RBI/ 2004-2005/240

RPCD. PLFS. BC. No. 47 /05.05.13/2004-05

October 26,2004

The Chairman / Managing Director/
Chief Executive Officer
Indian Scheduled Commercial Banks
(Excluding Regional Rural Banks)

Dear Sir,

Lending to small and marginal farmers

Please refer to paragraph No. 79 of the Governor's Statement on Mid-Term Review of the Annual Policy for the year 2004-05 (copy of paragraph enclosed). As recommended by the Advisory Committee on Flow of Credit to Agriculture and Related Activities from the Banking System (Vyas Committee), in order to improve flow of credit to small and marginal farmers, the banks should make efforts to increase their disbursements to small and marginal farmers to 40 per cent of their direct advances under Special Agricultural Credit Plans (SACP) by March 2007.

2. You are, therefore, requested to take necessary steps for improving flow of credit to the small and marginal farmers under the SACP mechanism. Data in respect of lending to small and marginal farmers should be furnished separately in the half-yearly statements on disbursements under SACP.

3. Please acknowledge receipt.

Yours faithfully,

(G.Srinivasan)
Chief General Manager
Encl : As above

Priority Sector Lending

Enhanced Lending to Small and Marginal Farmers

79. As recommended by the Vyas Committee, in order to improve flow of credit to small and marginal farmers, it is proposed that:

- Banks should make efforts to increase their disbursements to small and marginal farmers to 40 per cent of their direct advances under special agricultural credit plans (SACP) by March 2007.