REPORT OF THE WORKING GROUP ON THE ROLE OF BANKS IN IMPLEMENTATION OF NEW 20-POINT PROGRAMME

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RESERVE BANK OF INDIA

CENTRAL OFFICE

Department of Banking Operations and Development

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CHAPTER I

INTRODUCTORY

Background

1.1 At the meeting with the Chief Executives of the public sector banks held on the 15th February 1982 at Delhi, the Finance Minister, referring to the New 20-Point Programme announced by the Prime Minister, desired quick action in identifying the points directly or indirectly concerning the banks and in working out specific measures to be taken by the banking system in support of the Programme. He suggested that the Reserve Bank might constitute a small Working Group to identify the beneficiaries of the 20-Point Programme and make recommendations about the manner in which banks should extend credit support to them. The Finance Minister also emphasised the need to have a second look at the various targets that had been set before the public sector banks in their lendings to priority sector.

Terms of reference

1.2 Accordingly, the Reserve Bank set up a Working Group under the Chairmanship of Shri A. Ghosh, Deputy Governor, Reserve Bank of India (comprising representatives of the Government of India, public sector banks, Reserve Bank of India, Agricultural Refinance and Development Corporation and Agricultural Finance Corporation as members), with the following terms of reference:

(a) to identify the tasks for the banking system for effective implementation of the New 20-Point Programme,

(b) to review the present targets and sub-targets within the priority sector with special reference to the needs of the weaker sections,

(c) to examine the scope for modifications in the definitions of priority sector,

(d) to review the present reporting and monitoring system regarding the flow of credit to the New 20-Point Programme with a view to simplifying and expediting the flow of information and making evaluation more effective, and

(e) to make any other recommendations which are incidental or related to the above terms of reference.

A copy of the Memorandum setting up the Working Group is given in Annexure I.

2.3 Consistent with the social objectives placed before the banking system, the aspects of the 20-Point Programme listed above have a special relevance to it. The banking system has to play an important role in assisting the fulfilment of the aims and objectives of the programme by so orienting its credit policy as to provide one of the essential input necessary, namely, credit, for the successful implementation of the various programmes.

The concept of priority sector lending has been evolved to ensure that assistance from the banking system flows in an increasiing measure to certain vital sectors of the economy and according to national planning priorities. This concept has been reviewed from time to time with a view to ensuring that necessary changes are brought about by banks in their credit deployment policy.

Against this background, the Group addressed itself to the task of identifying the elements of the 20-Point Programme where banking system could render assistance either under the concept of priority sector lending or otherwise. In this context, the Group notes that there are several items in the Programme involving flow of assistance from Central and State Plans.

Similarly, there are items in the nature of social welfare schemes for which the required assistance has to come from budgetary sources. There are, however, several aspects of the various points of the Programme where bank assistance in conjunction with the funds provided by the Central or State Governments will be necessary or schemes which banks themselves could take up for financing as viable propositions. The Group has mainly confined itself to those aspects of the Programme where bank assistance will be feasible. Of the 20-Points in the New Programme, 12 Points have direct relevance to the banking system. The implications of these points from the point of view of bank assistance, taking into account the explanatory notes on each of the Points given by the Government and further information furnished by the various Ministries of the Central Government are commented below. The type of assistance that may be rendered by banks and the beneficiaries requiring assistance have also been identified.

Increase irrigation potential and develop and disseminate technologies and inputs for dry land agriculture (Point No. 1)

2.4 The point relates to increasing the irrigation potential and development and dissemination of technologies and inputs for dry land agriculture. The irrigation potential by 1980-81 was estimated at 56.6 million hectares, of which 26.6 million hectares were covered by major and medium irrigation works and 30 million hectares by minor irrigation. It is proposed to create additional irrigation potential of 3 million hectares in each of the remaining years of the Sixth Five Year Plan. The strategy to be adopted for the purpose will have five components, namely (1) conservation of rain water in farm ponds, (2) utilising ground water potential, (3) harnessing surface water resources, (4) utilising surplus water in rivers and (5) intensifying R & D efforts, particularly in solar desalination.

In several irrigation projects, a wide gap exists between the development and utilisation of irrigation potential. Therefore, the highest priority will be accorded to generation of optimum benefits from the areas where irrigation potential is created.

The earlier 20-Point Programme had more or less a similar point, namely, "Five million more hectares to be brought under irrigation; national programme for utilising ground water" (Point No.7). Bank assistance in relation to major and medium irrigation projects will be by way of meeting the credit requirements for programmes of land development on the holdings of farmers coming under the command area of these projects. As for minor irrigation schemes, the beneficiaries who normally undertake such investment will be individual farmers, co-operative societies and corporate entities installing lift irrigation units, deep tube wells, augmentation tube wells, etc. The credit requirements for this purpose will be of medium and long-term nature. The farmers in all such areas also need short-term credit for seasonal agricultural operations for switching over to irrigated farming. The Sixth Plan Document envisages institutional credit support of Rs.1,700 crores for minor irrigation development. A substantial part of the resources for the purpose is likely to come from ARDC by way of refinance.

It will be necessary for State Governments to identify precisely the areas in which the above programmes are feasible in terms of potential and devise appropriate strategy for development in such areas. It will also be necessary to strengthen the State Groundwater Directorates for giving clearance for the programmes formulated by banks expeditiously. At present, capital subsidy is available from Government of India or State Governments to support minor irrigation investments in a restricted way, as part of IRDP/Special Component Plan, etc. Unless capital subsidy is made available in general to all small and marginal farmers, they may not be able to take up these investments, as such investments may not be financially viable otherwise. Banks will have to (i) formulate specific schemes in the areas identified in terms of potential, (ii) strengthen the staff at branches where such programmes are being or are proposed to be undertaken and (iii) provide investment and production credit to borrowers availing of various irrigation facilities. The share of medium-term advance of scheduled commercial banks for minor irrigation purposes is rather low at present. There is scope for increasing such advances in keeping with the objective of increasing irrigation potential.

The other aspect of the point is the development and dissemination of technologies and provision of inputs for dry land agriculture. Over 70 per cent of the cultivated area still depends on rainfall. An urgent task, therefore, is to bring about higher productivity in rainfed areas. According to the tentative programme drawn up by the Ministry of Agriculture, attention will be paid to reclamation of fallow land other than current fallows and reclamation of alkaline/saline soils. It is stated that there are about 9.5 million hectares of fallow land other than current fallows in the country. These lands have been lying fallow for more than a year and are mainly privately owned. These lands can be easily reclaimed by taking up suitable land improvement measures. It is stated that incentives will have to be provided to the owners of such lands in the shape of long-term and short-term loans on easy terms and subsidised inputs. It is also stated that on marginal lands afforestation or fodder development programmes can be taken up. As regards reclamation of alkaline/saline soils, the problem of salt affected soils afflicts vast tracts in the country to the extent of 7 million hectares. Of these about 2.5 million hectares affected by alkalinity found in the Indo-Gangetic

Basin, are mainly spread in three States, namely, Uttar Pradesh, Punjab and Haryana. The saline soils are found mainly in the arid and semi-arid regions of Rajasthan and some coastal saline areas. A Centrally sponsored scheme for reclamation and management of alkaline soils has been formulated. It is desirable that the State Governments associate ARDC/NABARD and banks in the preparation of specific schemes of reclamation so that a clear idea of bank assistance required for the purpose emerges and suitable tie-up arrangements are made.

As regards dry land/rain-fed agricultural development, the strategy evolved envisages that during a year intensive dry farming programme would be taken up so as to cover 2000 hectares to 3000 hectares of compact water shed area in each block. This will mean a total coverage of about 10 to 15 million hectares in a year in the country. Besides identifying these compact blocks, input and credit requirements of these areas will have to be worked out and adequate supply ensured in time. It has been suggested that in every block, there should be a Dry Land Farming Committee for co-ordination and reviewing the progress in the selected water shed of that block. The Committee will not only identify the watershed but also ensure co-ordinated efforts by all the departments and funding of agriculture, horticulture, forestry, animal husbandry, fertilisers, pest control, irrigation, etc., through the ongoing State and Centrally-sponsored schemes. It has also been suggested that targets for agricultural credit, among other things, would be fixed and continuously reviewed at the block/district and State levels. For effective contribution by banks, it will be necessary to have district-wise information regarding the various schemes being evolved for the purpose in each State. At the State Level, the representatives of banks should be associated with the formulation of the schemes, so that they can have a clear perception of their role in the implementation of the schemes.

Thus, bank assistance, for implementation of the point will be by way of (i) investment credit for programmes of land development on holdings coming under the command area of major and medium irrigation projects and for undertaking minor irrigation schemes by individual farmers, co-operative societies and corporate entities installing lift irrigation units, deep tube wells, augmentation tube wells, etc. (ii) production credit for seasonal agricultural operations to farmers for switching over to irrigated farming and (iii) production/investment credit to farmers for dry land/rain-fed agricultural operations.

Make special efforts to increase production of pulses and oil seeds (Point No. 2)

2.5 The Point deals with increase in production of pulses and oil seeds. The Sixth Plan aims at producing 14.5 million tonnes of pulses and 13 million tonnes of oil seeds by 1984-85. The production strategy, will include (1) introduction of pulses and oil seeds in all irrigated crop rotations, (2) improvement in the productivity of pulses and oilseeds in the rain-fed conditions, (3) improvement in the management of pulses and oilseeds grown in mixed cropping system, (4) improvement in the productivity of perennial and annual oilseeds like coconut, oil palm, oil yielding trees like neem, karang, mahua, sal, etc., and annual oilseeds like groundnut, rape and mustard, sunflower, castor and linseed, etc. Another objective under this head is to encourage the organisation of production, processing and marketing increasingly on co-operative lines. The Ministry of Agriculture has evolved an overall strategy for improving oilseeds production. This strategy aims at maximisation of yield with an optimum blend of cash and non-cash inputs, greater emphasis on the development of non-traditional oilseeds like soyabean and sunflower, increase in irrigated area under oilseed crops, increased use of good quality seeds and fertilisers and other nutrients, intensive plant protection measures, price support operations, etc. As regards strategy for increasing pulses production, attention is to be devoted to yield maximisation, multiplication and use of improved seeds of pulse crops, adoption of plant protection measures, increase in irrigated area under certain varieties of pulses and adoption of appropriate package of agricultural practices, etc.

The role of banks in implementation of this Programme will be to extend credit (a) to farmers engaged in production of pulses, and oilseeds and (b) to assist in the production processing and marketing of the above items. The most important credit requirement would be short-term in character, though in certain areas, where oilseeds are proposed to be grown in irrigated conditions, investment credit may also be needed. It appears that in certain areas selected for oil seeds production, the entire needs of the Programme are being fully funded by Government of India/State Governments, in which case the participation of the banking system may not arise. It will be necessary to know such areas. In other areas, the question of (i) identification of beneficiaries, (ii) identification of improved technology to be adopted so that cultivation of oil seeds and pulses becomes remunerative compared to other cash/food crops and (iii) preparation of suitable schemes, will arise. The pattern of bank assistance will depend on the specific programmes to be drawn up by the State Governments. For this purpose, it will be necessary for the State Governments to identify the programmes to be taken up, district-wise and involve the banks and the ARDC/NABARD in preparation of such schemes so that the banks will have a clear perception of the assistance expected from them. Thus, the beneficiaries under the programme will be farmers undertaking production of oilseeds and pulses, under the schemes evolved by the State Governments. The assistance will be mainly by way of granting production credit. Investment credit may be required to some extent in cases where oilseeds are proposed to be grown in irrigated conditions.

Strengthen and expand coverage of Integrated Rural Development and National Rural Employment Programme (Point No.3)

2.6 The activities under the IRDP have been given the special status of a separate point in the New 20-Point Programme. There was no corresponding specific point in the earlier Programme. IRDP which has been extended to all the blocks of the country from the 2nd October 1980, is one of the major instruments for raising the income of some of the poorest segments of the rural population. The objective is to provide assistance to identified families for raising their income to a level which will take them above poverty line. The target group consists of Scheduled Castes/Scheduled Tribes, rural artisans and craftsmen, agricultural labourers, small and marginal farmers and others who are now living below poverty line. Families with annual incomes below Rs.3,500 are considered eligible for assistance under the programme. It is intended to provide such families assistance in the form of subsidies and loans to enable them to take up viable economic activities which would generate adequate incremental income. The target is to assist on an average 600 families per year, or 3000 families during the Sixth Plan period in each block. The programme extends to all the 5000 blocks in the country. The Sixth Plan target is to assist 15 million families through this programme to attain a standard of living above poverty line. Besides a total subsidy of Rs.1,500 crores shared equally between the Central and State Governments, institutional finance of the order of Rs.3,000 crores is expected to be provided to the beneficiaries under the programme during the Sixth Plan period. The beneficiaries will be assisted to acquire productive assets with the subsidies and loans and engage themselves in various land-based and non-land-based activities like minor irrigation, land development, dairy, poultry, piggery, sericulture, fisheries, village and cottage industries and trades and services through integrated support by way of credit, technical assistance, including training, supply of inputs and marketing facilities. Beneficiaries under other points of the 20-Point Programme such as released bonded labour, members of Scheduled Castes/Scheduled Tribes, allottees of surplus land, etc., would also be covered under the IRD Programme. It is expected that at least 30 per cent of all the families assisted under the IRDP would be drawn from Scheduled Castes/Scheduled Tribes families. Most of the activities under the Programme are covered under one or the other segments of the priority sector, like agriculture and allied activities, SSI, including artisans, village and cottage industries, small business, retail trade, etc. Detailed guidelines have been issued by the RBI as well as the ARDC on the role of banks in assisting the beneficiaries of the Programme. More specifically, the lead banks have been advised to ensure that all villages and families identified under the Programme for 1981-82 are allocated to specific branches of the participating banks and that lending under the Programme is not hampered for want of suitable discretionary powers at the branch level. Necessary mechanism for co-ordination, as also monitoring of the performance of banks, has also been evolved. The Government of India have also advised the State Governments indicating in detail the action to be taken by the district and block level functionaries so that the Programme could be implemented smoothly. Thus, a firm basis has been established for bank assistance under the Programme as part of District Credit Plan and Annual Action Plan.

The Programme is multi-dimensional and covers varied landbased and non-landbased activities in the primary, secondary and tertiary sectors. The selection of schemes has to be realistic keeping in view the local resources and linkages available. Programmes like animal husbandry have to be formulated taking into account limitations regarding availability of quality animals, fodder and market outlets. The inexperience and lack of skills of the beneficiaries have also to be taken note of. In this context, it is necessary that the State Governments undertake appropriate studies to determine the potential for such investment in each district and also initiate measures to ensure linkages such as availability of inputs and infrastructure, cattle breeding programme for augmenting the supply of animals, drive for upgrading local stock, provision of health cover and assured marketing facilities for milk.

Implement agricultural land ceilings, distribute surplus land and complete computations of land records by removing all administrative and legal obstacles (Point No. 4)

2.7 The Point deals with the implementation of agricultural land ceilings, distribution of surplus land, etc. This is similar to the Point No. 2 in the earlier Programme. Land ceiling legislation relating to private land holdings exists throughout the country. Upto July 1981, it is reported that nearly 1.3 million landless persons had been allotted 7.3 lakh hectares of ceiling surplus land. About 8 lakh hectares of land declared surplus remains to be taken possession of and distributed. This is expected to be completed by March 1985. As stated in the Krishnaswamy Working Group report, under the various land reform measures including the fixation of ceiling on existing land holdings and the conferment of occupancy rights on the tenants, a large number of new small holders having occupancy rights in land will come into being. This would mean that additional small farmers would need to be assisted when the remaining surplus land is also distributed. Such farmers belong to poorer groups and to a large extent to backward classes. While they would be allotted the important asset of land, they might lack other means of production and would need credit for both production and acquisition of capital assets. As indicated in the Krishnaswamy Working Group report, the three main aspects of bank assistance to the allottees are – (i) Identification of such beneficiaries; (ii) Preparation of bankable schemes for the beneficiaries not only for agriculture but also for allied activities like dairy, poultry, etc., and (iii) Availability of inputs and marketing support.

Rehabilitate bonded labour (Point No. 6)

2.8 Suitable legislations were enacted for abolition of bonded labour in 1976. Efforts were thereafter initiated for identification, freeing and rehabilitation of bonded labour in different States. The main responsibility for this task lies with the State Governments. Of the identified and freed bonded labourers totalling about 1.22 lakhs, about 1.09 lakhs are reported to have been rehabilitated by the end of 1980-81. Provision for rehabilitating the remaining 13000 freed bonded labourers had been made in the annual Plan for 1981-82. The provision for matching grant assistance to the State Governments for implementing the scheme had also been made.

The report of the Working Group on the Development of Scheduled Castes (1980-85) gives an indication of the dimension of the problem of rehabilitation of bonded labour. The report points out that, according to a recent national survey, Scheduled Castes form 66% of the estimated number of bonded labourers while Scheduled Tribes constitute another 18%. Though the bonded labour system has been constitutionally and legally abolished and all the bonded labour in the country already stand released under the law, in practice the system still continues to exist in different parts of the country. This illegal practice receives its sustenance from the extreme poverty, especially of the agricultural labourers. Most of the released bonded labour and many more who remain unidentified are devoid of any assets of their own. Even for bare subsistence they have to fall back upon the land owner or the money lender who often is the same individual. The Group has, inter alia, recommended that suitable schemes for proper rehabilitation of bonded labour should be drawn up and formulated so that they do not have to fall back upon the land owners or money lenders and are enabled to acquire suitable income generating assets and skills. Assistance to released labour through bank loans would require innovative approach. By now, banks have considerable experience in helping the village households directly or through functional societies in taking up appropriate economically viable activities. Such assistance would have to be on an integrated basis with proper linkages for supply of inputs and marketing of outputs, which require close collaboration between banks and other promotional agencies. This would call for considerable spade work on the part of the district and block level functionaries in identifying such labour and in preparation of bankable schemes for assistance to these beneficiaries. In this context, the Group suggests that the State Governments may take steps to bring the released bonded labourers, under the IRD Programme so that they are assisted in a systematic manner to improve their living standard.

2.9 The point aims at accelerating the programmes for development of Scheduled

Castes and Scheduled Tribes. The States have been assigned a special role so far as Scheduled Castes and Scheduled Tribes are concerned. The major share of development assistance would come from State plans. Flow from the State plans to the Scheduled Caste Component Plan during the Sixth Plan is estimated to be more than Rs.4,000 crores including the backward classes sector. In addition, a provision of Rs.600 crores of Special Central assistance has been made for the Special Component Plan in the current Plan period. The report of the Working Group on the Development of Scheduled Castes (1980-85) has grouped the Scheduled Castes under the following categories for the purpose of economic development:

Accelerate programmes for the development of Scheduled Castes and Scheduled Tribes (Point No. 7)

i) Landless agricultural labourers

They form the largest occupational category of Scheduled Castes in the country as a whole and in most States. Bonded labour is a special category and represents the extreme situation among the landless agricultural labourers.

ii) Cultivators

This is the second largest occupational category among the Scheduled Castes in the country as a whole and in most States. Scheduled Caste cultivators are overwhelmingly marginal farmers and share croppers.

iii) Traditional artisans

(a) Leather workers

This is the largest category among traditional artisans.

(b) Weavers

In certain States like Gujarat, Haryana, Himachal Pradesh, J & K (Jammu), Punjab and Rajasthan, most of the weavers belong to Scheduled Castes. In Madhya Pradesh, nearly half the weavers are of the Scheduled Castes.

(c) Other artisans

A large number of artisans in other cottage and village industries belongs to Scheduled Castes. Many of them are engaged in the manufacture of products based on cane and bamboo, palm and other leaves, grass, reeds, fibres, in which the incomes are disproportionately low compared to the skill and labour inputs involved in them. In the hilly districts of Uttar Pradesh, metal-based artisans belong to Scheduled Castes.

iv) Fishermen

Almost all the fishermen in certain States like West Bengal, Assam and Tripura belong to Scheduled Castes.

v) Civic and sanitation workers and traditional dais

These groups account for a large number of women workers.

vi) Urban labour

This includes rickshaw pullers, cart pullers, headload workers and a variety of other workers who provide important services in urban areas.

vii) Educated

The educated among Scheduled Castes are relatively a small category.

Keeping in mind the occupational pattern of the Scheduled Castes in the country, the report has identified the following sectors as specially important for their economic development:

(a) Animal husbandry, including dairy, sheep and goat development, poultry etc.;
(b) Land development and agricultural production;
(c) Leather;
(d) Weaving;
(e) Other cottage and village industries including sericulture;
(f) Fisheries; and
(g) Small scale and tiny sector industries.

The report has also highlighted the development programmes needed by each of the targeted groups and has indicated the action required to be initiated by the State Governments for economic development of these groups.

The majority of the tribal population is concentrated in Eastern, Central and Western parts of the country and about 25% are dispersed in small pockets in the Southern Zone. The main instrument for tribal development is the Tribal Sub-Plan in each State which envisages developmental effort in identified areas with resources pooled from outlays from State Plans, investments from Central Ministries, Special Central Assistance and Institutional Finance. The programme content of the Tribal Sub-Plan aims at increasing the productive level of agriculture, horticulture, animal husbandry, forestry, small and village industries and marketing. It is proposed that LAMPS would be improved to provide credit and marketing facilities. Bank assistance will be required for schemes covering agricultural operations, horticulture, sericulture, animal husbandry, small irrigation, forestry, cottage and small industry. In the context of the recognition that consumption credit, no less than production credit, has come to occupy a crucial position in the gamut of measures for promotion of tribal economy, there will be need for providing some consumption credit also to tribals.

In the Sixth Plan, the approach is to enable 50% of the Scheduled Castes and Scheduled Tribes families to cross the poverty line. The approach will be a family oriented one through the creation of durable assets which will result in adequate income generation. This will mean assistance to 10 million families in the case of Scheduled Castes and 5 million families in the case of Scheduled Tribes. The IRDP is expected to cover a minimum of 3 million Scheduled Castes and 1.5 million Scheduled Tribes families. This would leave 7 million Scheduled Caste families and 3.5 million Scheduled Tribes families for assistance outside the IRDP.

The question of bank assistance to Scheduled Castes and Scheduled Tribes has been reviewed from time to time and banks have been advised to take several measures. They are i) Credit planning should take into account the needs of Scheduled Castes/Scheduled Tribes. ii) Loan applications of Scheduled Castes/Scheduled Tribes should be considered sympathetically and expeditiously. iii) While adopting villages for intensive lending, villages with sizeable population of these communities (Scheduled Caste/Scheduled Tribe) may be specially chosen. Alternatively, adopting specific localities (bastis) in the concerned villages which have a concentration of these communities may also be considered. iv) Special efforts should be made to evolve suitable bankable schemes for these communities. v) Periodical review should be made by the Head Offices of banks of the credit extended to Scheduled Castes/Scheduled Tribes on the basis of returns and other data, received from the branches. vi) 40% of the DRI advances should be extended to Scheduled Castes/Scheduled Tribes. vii) Banks have been instructed to participate in the specific programmes drawn up by the State agencies for the upliftment of Scheduled Castes/Scheduled Tribes.

The Group recognises the importance of credit as a key input in a programme of self-employment and creation of productive assets for Scheduled Castes/Scheduled Tribes. The target groups identified come within the concept of priority sector and would also fall within the definition of "weaker sections". These are in the sub-sectors which enjoy the maximum concession and for whom separate sub-targets have been fixed. There will, however, be need for considerable assistance from the State/district/block level agencies in extending assistance to Scheduled Castes/Scheduled Tribes. There must be clear indication of the schemes taken up by different agencies in each state for the benefit of Scheduled Castes/Scheduled Tribes. The scheme will have to be disaggregated district-wise to enable the incorporation of such programmes in the District Credit Plans. This will facilitate flow of bank assistance to these sectors.

Allot house sites to rural families and expand programmes for construction assistance to them (Point No. 9)

2.10 A Scheme for provision of house sites to landless agricultural workers was introduced in 1972-73 under the Centrally sponsored programme of special assistance. During the Fifth Plan, the Scheme was transferred to the State Sector and included as a part of the minimum needs programme. The Scheme was extended to cover all landless rural workers. It is estimated that the number of eligible families needing sites and housing assistance would be around 14.5 million. Of this, 7.7 million families are reported to have been provided with house sites and 0.56 million have built houses on such sites by March 1980. Some 6.8 million families are to be provided with house sites and 13.9 million families with construction assistance by March 1985.

This is similar to Point No.3 in the earlier Programme. Housing loans to weaker sections have already been included in the priority sector. These loans upto Rs.5,000/- for construction of houses on sites allotted to Scheduled Castes/Scheduled Tribes and to the weaker sections of the society are treated as priority sector advances. Further, assistance to any Governmental agency for the purpose of constructing houses exclusively for the benefit of Scheduled Castes/ScheduledTribes and low income groups and where the loan component does not exceed Rs.5,000/- per unit as well as assistance to any Governmental agency for slum clearance and rehabilitation of slum dwellers (subject to the other conditions indicated above) are treated as indirect finance under the head housing loans in the priority sector.

As indicated by Krishnaswamy Working Group, housing loans do not generate any income for repayment of such loans and as such banks will have to ensure that such loans are granted in conjunction with loans for some viable productive activities unless the borrowers already have adequate repaying capacity. The Group would emphasise that banks should treat grant of housing loans to the individual beneficiaries as part of the overall programme of financing the borrower for engaging himself in a gainful occupation.

The overall quantum of funds to be provided by the banking system during 1981 has been placed at Rs.100 crores under the category "Housing Finance". Within this amount, an amount of Rs.75 crores has been earmarked for subscription to guaranteed bonds and debentures of HUDCO and State Housing Boards. Next in priority is the extension of direct finance to individuals/groups of individuals belonging to Scheduled Castes/Scheduled Tribes and economically weaker sections of the society for whom an amount of Rs.15 crores is set apart. This is to be provided mainly in rural and semi-urban areas. It would be possible for the banking system to meet credit requirements for implementation of this point only to a limited extent. This is mainly because the demands on the banking system for financing productive activities are quite large and naturally priority will have to be given to assisting such activities, particularly those in rural areas. It may, therefore, be necessary to have some sort of selectivity and phasing of the programme in view of the limited availability of bank assistance for the purpose.

Improve the environment of slums, implement programmes of house building for economically weaker sections etc. (Point No.10)

2.11 The Point aims at improving the environment of slums, implementing programmes of house building for econimically weaker sections and taking measures to arrest unwarranted increase in land prices. The facilities that will be provided under the scheme are water supply, storm water drainage, paving of streets, street lighting and provision of community latrines. The Sixth Plan envisages direct public sector assistance for housing the economically weaker sections of the population. The strategy is to provide 'sites and services' scheme with enough funds for a minimum structure, the beneficiaries being given loans upto Rs.3,000/- per unit repayable over a period of 20-25 years at concessional rates of interest. Assistance from banks for the implementation of the programmme can normally take the shape of only loans for construction of houses on the lines indicated in para 2.10 above. As mentioned therein, support from the banking system will be quite limited. Bank assistance will be more by way of assisting individual slum dwellers, etc., in engaging themselves in some gainful occupation.

Maximise power generation, improve functioning of electricity authorities and electrify all villages (Point No. 11)

2.12 The Point aims at maximising power generation, improving the functioning of electricity authorities and electrification of villages. The Sixth Plan envisages a generation target of 191 billion units by the end of the Plan period. The effort will be to augment significantly the utilisation of existing capacity and timely completion of planned additional capacities.

This is corresponding to Point No. 8 in the earlier Programme. Assistance from the banking system for the Programme will be partly under the category of priority sector and partly outside it. Banking system has been participating in financing energisation of agricultural pumpsets under SPA Programme in association with REC and ARDC. This comes under priority sector. The assistance from banks in this regard was Rs.102.81 crores, out of total project cost of Rs.308.40 crores, during the period 1978-79 to 1981-82. Such assistance is expected to be of the order of Rs.210 crores during the period 1982-83 to 1984-85, the balance of Rs.420 crores coming from REC/ARDC. Banks also meet part of the working capital requirements of Electricity Boards/electricity companies for the purpose of financing their inventory/receivables or gaps in receipts and payments, besides interim assistance by way of bridge loans. In addition, banks provide finance to industrial units for purchase of generating equipments. The above support is exclusive of subscription to bonds of Electricty Boards.

Pursue vigorously programmes of afforestation, social and farm forestry and development of bio-gas and other alternative energy sources (Point No.12)

2.13 The Point deals with vigorous implementation of programmes for afforestation, social and farm forestry and development of bio-gas and other alternative energy sources. To induce the States to take up social forestry programme, two Centrally-sponsored schemes were introduced during the Fifth Plan, namely, (i) mixed plantations on common lands and (ii) reforestation on degraded forests and raising of shelter belts. The Centrally-sponsored social forestry schemes were transferred to the State sector from 1979-80. A new Centrally-sponsored scheme known as social forestry including rural fuelwood plantation has been undertaken in 100 districts in the Sixth Five Year Plan at a total cost of Rs.100 crores. Under the bio-gas scheme, a national bio-gas development project has been launched under the Sixth Plan, in which 10 lakh family-size bio-gas plants and 100 community bio-gas plants are contemplated. The programme is to be executed by State Government agencies and by corporate bodies such as KVIC/KVIB, State agro-industries corporations, etc.

The strategy for overall forestry development in the country as designed by the Government envisages not only making a major thrust in the production forestry sector but also ushering in an energetic and viable social forestry programme in order to meet the ever increasing demand for fuelwood, manure, fodder, etc., in the country. Production forestry envisages raising of industrial plantations on a large scale for commercial exploitation with the objective of meeting the industrial raw material requirements which can be undertaken by organisations specially set up for the purpose. Social forestry programme is mainly intended to be a people's movement. The Central Board of Foresty has made a conceptual difference between production forestry and social forestry. The social forestry programme as contemplated by the Government and being implemented in various States includes the following, viz., (i) Farm forestry – raising of trees in private agricultural land; (ii) Extension forestry – raising of trees in village common land owned by panchayats, etc., and afforestation programme along canal banks and railway tracks; (iii) Rehabilitation of degraded forests for providing timber, fuelwood, fodder and other usufructs; and (iv) Recreation forestry covering wild life protection and provision of parks and gardens for recreational purposes.

The ARDC is supporting the programme for production forestry. Out of the several components of the social forestry programme of the Government, it may be possible for the ARDC to bring under the purview of the banking system mainly the farm forestry segment. Under this programme, the ARDC may support any scheme which is formulated with the objective of meeting the needs of farmers for fuel, fodder, small timber and manure. The ARDC is formulating a detailed scheme for the purpose. The Group suggests that the banking system may consider drawing up suitable schemes with the active assistance of ARDC.

As regards bio-gas, the Government have launched a national bio-gas project for installation of 4 lakh bio-gas units in different parts of the country. For the purpose, 100 districts have been identified in various states for intensive implementation of the above programme. For the year 1982-83, 75,000 units are proposed to be installed. A project approach has been adopted in this regard and necessary infrastructural support is being created in various States for the speedy implementation of the Programme. The banking system is already participating in the programme. The Group would suggest that suitable banking plans may be prepared for the purpose and included under the Annual Action Plans.

As regards other sources of renewable energy, ARDC is understood to be formulating a scheme for extending refinance facilities for setting up of windmills for minor irrigation. The banking system could take up financing under the scheme in co-ordination with ARDC.

On the general issue of bank assistance for development and utilisation of renewable sources of energy, the RBI has, in December 1981 advised banks to accord priority in assisting manufacturers and users of equipments based on such technologies. The manner in which such assistance can be rendered has also been indicated.

Expansion of public distribution system (Point No. 17)

2.14 The Point aims at expansion of the public distribution system through more fair price shops including mobile shops in far-flung areas, shops to cater to industrial workers, students' hostels and making available to students text books and exercise books on a priority basis. At present, essential commodities like foodgrains, levy sugar, kerosene, edible oils, soft coke and controlled cloth are being distributed through fair price shops. In certain States, the public distribution system also covers certain other commodities such as pulses, mustard oil, soaps, etc. At present, there are about 2.98 lakh fair price shops in the country. These are proposed to be increased to 3.5 lakhs by March 1983.

This is similar to Point Nos. 1, 18 and 19 of the earlier programme. Apart from bank assistance to State level agencies concerned with the procurement and distribution of essential commodities, the other areas of assistance from banks are, financing of fair price shops/consumer co-operatives, individuals and co-operatives for distribution of controlled cloth, books and stationery stores run by colleges, etc. These can be financed by banks under 'retail trade'.

2.15 As part of the programme, it is expected that all facilities will be given to handicrafts, handlooms, small and village industries to grow and update their technology. It is expected that special attention will be given to sericulture, carpet weaving, etc., revival of sick industrial units, setting up of National Handloom Development Corporation and co-operative spinning mills, anciliarisation and 'nucleus' plants programme. The handloom sector is covered by Point No.9 of the earlier Programme. Banks at present give assistance to SSI units which include artisans, village and cottage industries, etc. The assistance to these sectors is being given by banks under the head 'small scale industries' within the priority sector. With a view to ensuring that adequate attention is paid to the needs of the decentralised sector, viz., artisans, village and cottage industries, banks have been advised that advances to the weaker sections in SSI (units with credit limits of Rs.25,000/- or less) should form not less than 12.5% of the advances to SSI sector. Thus, the need to augment bank assistance to this sub-sector has been recognised. The Group feels that for proper development of this sub-sector, it is necessary that specific roles are assigned to the State Governments, KVIC/KVIB, the State Handloom Corporations and other special bodies like the Sericulture Board, Handicrafts Board, etc. The RBI has set-up an Inter-Disciplinary Group. This Group, apart from acting as the apex co-ordinating and monitoring group for adequate flow of institutional credit to SSI sector (especially in rural and semi-urban areas), was also to consider issues relating to adoption of the approach for providing integrated marketing assistance. This Group consists of representatives of banks as also the KVIC, Handloom Board, etc. It was envisaged that the Group, apart from identifying the reasons which inhibit the flow of credit to this sub-sector and devising steps to remove such hurdles, would also examine specific schemes to be formulated by the various agencies like KVIC and Handloom Board for an integrated approach to production and marketing. No specific schemes have, however, been drawn up so far. The Group suggests that the Inter-Disciplinary Group may be activated and it may function as a high-powered body to give suitable guidance to banks in the matter of extending assistance to the decentralised sector. With the active representation of KVIC/KVIB, Handlooms/Handicrafts Board, etc., it should be possible to devise suitable bankable schemes, area-specific or activity-specific. The Group notes that the composite loan scheme was specifically formulated for the purpose of rendering assistance to the decentralised sector. The lendings under the scheme have, however, not been quite satisfactory and the benefits of the scheme have not accrued to the rural artisans, etc., for whom it was intended. The Group suggests that the Inter-Disciplinary Group may go into the operation of the composite loan scheme and see how best this scheme can be made operational for ensuring increased flow of assistance to the decentralised sector.

Industrial policy (Point No. 18)

2.16 The Group has, in the foregoing paragraphs, analysed the elements of the 20-Point Programme where the banking system could render assistance. The relative assistance will, to a large extent, be under the concept of priority sector lending. In the light of the detailed analysis, the Group has prepared a statement listing the various items of the 20-Point Programme, nature of bank assistance and the persons or the organisations to be benefited under each item (vide Annexure III).

CHAPTER III

DEFINITIONS OF PRIORITY SECTOR

3.1 The terms of reference include a review of the present targets and sub-targets within the priority sector with special reference to the needs of the weaker sections and examination of the scope for modification in the definitions of priority sector. It is felt that it will be more advantageous to examine the scope for modification in the definitions of priority sector before taking a view on the targets and sub-targets.

The Sixth Five Year Plan places a very high priority on alleviation of poverty. Almost all elements of the New 20-Point Programme are taken from the Sixth Plan and a large number of Points relevant from the point of view of bank assistance relates to programmes aimed at upliftment of the poorer sections of the society. A view often expressed is that large advances such as advances for acquiring a number of trucks and advances to small scale industries beyond a limit could be taken out of priority sector. Another view is that only advances to units in the SSI sector situated in rural/semi-urban areas might be included in the priority sector. The thrust is, thus, evident that priority sector lending should get greater orientation towards meeting the needs of the weaker sections of the community.

The description of the priority sector was first formalised in 1972 on the basis of the report submitted by the Informal Study Group on Statistics relating to Advances to Priority Sector constituted by RBI in May 1971. RBI then introduced a revised system of reporting of priority sector advances and certain guidelines were issued to banks indicating the scope of the items to be included under the various categories of priority sector. A more detailed examination of various categories and sub-categories of borrowers now being classified as priority sector was undertaken by Krishnaswamy Working Group. That Group, after examining the practices followed by banks, came to the conclusion that there was still some lack of uniformity in such classification and that finance extended by banks to the more affluent sectors within the priority sector were also included in these categories which was not any more justified. They, therefore, felt that a new direction had to be given to banks so that advances under priority sector were given increasingly to the comparatively weaker and more under-previleged sections. In this context, the Group evolved the concept of weaker sections within the two main segments of priority sector, namely, agriculture and small scale industries. The Group linked the definitions with the availability of DICGC cover and/or refinance in certain cases like transport operators. The definition of professionals and self-employed persons was related to quantum of finance and certain ceilings were placed on the aggregate credit to individual beneficiaries for being classified as priority sector. Certain items like housing loans to weaker sections up-to Rs.5000/- in individual cases and pure consumption loans not exceeding Rs.500/- in aggregate were also brought within priority sector. Subsequently there were two changes in the definition of priority sector advances, namely, (i) the amount of original investment in plant and machinery for SSI units/ancillary units was increased to Rs.20 lakhs/Rs.25 lakhs and (ii) advances to State sponsored Corporations/agencies engaged in the development of decentralised sector for certain purposes were included.

At present, priority sector broadly includes –

(i) Agriculture
(ii) Small Scale Industry
(iii) Industrial estates
(iv) Road and water transport operators
(v) Retail trade and small business
(vi) Professionals and self-employed persons
(vii) Education
(viii) Housing loans to weaker sections
(ix) Pure consumption loans

A detailed list indicating the various items included under the above broad heads is given in the Annexure IV.

Concept of priority sector and need for modification

3.2 In assessing whether the existing scope of priority sector needs any modification, it is necessary to go into the origin of the concept of "priority sector". One of the objectives of social control over banks and subsequent nationalisation of major banks was to ensure that banks so re-orient their lending policies that credit flows to certain sectors of the economy in accordance with the national planning priorities. This, inter alia, implied flow of credit to sectors which had no easy access to the banking system at that time. The inclusion of any item in priority sector has two advantages, namely, (i) priority in allocation of credit and (ii) concessions in terms and conditions, including rate of interest. To a large extent, concession in rate of interest is now available only to smaller borrowers in the various segments and/or borrowers situated in backward areas. Agriculture and small scale industry constitute the two important segments of priority sector. Their share in total bank credit has been quite substantial over the years. As at the end of December 1981, the advances of public sector banks to agriculture formed 17% of the total advances, while those to small scale industries constituted 14% of the total advances. Thus, the two sectors together accounted for 31% of total credit or 80.7% of total priority sector advances of these banks on that date. Viewed in this context, it cannot be said that these sectors have no access to bank credit. That these two sectors should continue to receive adequate assistance from the banking system has also been well recognised. Agriculture continues to account for a substantial share in the gross national product. The Sixth Five Year Plan mentions that though the growth of credit through different credit institutions has been fairly rapid in the past few years, they have still a long way to go to meet the credit needs for modernising and expanding agriculture and allied activities. The main objective of institutional credit policy under the Sixth Plan is to, inter alia, secure an increase in the volume of institutional credit for agriculture and rural development. Similarly, the contribution of small scale industry to total industrial production is also substantial and the need to foster the growth of small scale industrial units continues to receive importance in the planning process. While the first two Points of the New 20-Point Programme relate directly to agriculture, Point 18 specifically mentions about development of handicrafts, handlooms and small and village industries. A number of beneficiaries under other points, viz., IRDP beneficiaries, allottees of surplus land, released bonded labour and Scheduled Caste/Scheduled Tribe families will need to be financed for agricultural operations or allied activities or under the SSI segment, more particularly the decentralised sector. The other segments of priority sector advances have together accounted for less than 20% of priority sector advances and to a large extent, they all go to benefit directly or indirectly the less affluent and weaker sections of the society. The Group has, therefore, come to the conclusion that while there is no need for any change in the overall composition of the priority sector advances, modifications to the extent possible may be considered under individual items, with a view to ensuring that the thrust is towards financing the really needy.

3.3 Subject to the overall approach, as indicated above, modifications of the individual items included in the different segments of priority sector are examined in the following sub-paragraphs:

Items included in various segments of priority sector

Agriculture and allied activities

(i) The two broad divisions of the items in this category are (1) direct finance and (2) indirect finance. The other classifications are (1) production loans and (2) investment loans. The Group has considered the question of excluding advances to large farmers and for purposes like purchase of tractors required for transport of agricultural inputs and farm products, installation of sprinkler irrigation system etc. In view of the importance of agriculture in the economy of the country and the need to sustain and improve agricultural production, the Group does not consider it necessary to place any general ceilings on landholdings or individual credit limits for being included under direct agricultural finance in priority sector. The purpose of ensuring that more and more credit under agriculture flows to the weaker sections or to more desired purposes can be achieved by suitably modifying the sub-targets. This aspect has been dealt with in the succeeding Chapter. The Group would, however, suggest that finance given to farmers for acquiring only one tractor might be included as priority sector advance. Custom service units will not be subject to this limitation. As regards items included under indirect finance, several of the purposes are supportive activities for agricultural production and the Group does not consider it necessary to make any modifications therein. Similarly, it is not considered necessary to make any change in the definition of allied activities.

Small scale industries

(ii) At present, small scale industrial units are those engaged in manufacture, processing or preservation of goods and whose investment in plant and machinery (at original cost) does not exceed Rs.20 lakhs. Thesewould, inter alia, include units engaged in mining, quarrying, servicing and repairing of machinery. In case of ancillary units, the investment in plant and machinery should not exceed Rs.25 lakhs. This sector includes on the one hand very small artisans and on the other modern small scale industries with substantial turnover. The following table indicates break-up of SSI advances on the basis of credit limits as at the end of June 1980:

Credit limits	Amount of limits (Rs: in crores)
1. Rs.10,000 and less	87.41 (3.5)
2. Above Rs.10,000 and upto Rs.1 lakh	644.25 (25.4)
3. Above Rs.1 lakh and upto Rs.5 lakhs	958.04 (37.8)
4. Above Rs.5 lakhs and upto Rs.10 lakhs	382.39 (15.1)

Credit limits	Amount of limits (Rs. in crores)
5. Above Rs.10 lakhs and upto Rs.25 lakhs	320.91 (12.7)
6. Above Rs.25 lakhs and upto Rs.50 lakhs	109.64 (4.3)
7. Above Rs.50 lakhs	31.45 (1.2)

(Figures in brackets indicate percentage to total SSI advances)

The Group considered the question whether any modification in the existing definition of SSI is necessary, by way of fixing a ceiling on individual credit limit or by restricting it to Units in rural/semi urban areas. This would, however, mean two different definitions, one for Government of India and the other for RBI and banks. Further, a strong plea has been made that small scale industry, including the bigger among such units, suffer from certain handicaps vis-a-vis large scale industry and the Government increased the investment limit keeping in view the vital importance of this sector in the national economy. The borrowing units with credit limits of large order account for less than 20% of the total small scale industry advances. Banks have already been advised by RBI to ensure proper discipline on the part of borrowing units with such larger credit limits. Considering all factors, the Group has not considered it necessary to suggest any change in the definition of SSI units.

Industrial Estates

(iii) As industrial estates constitute an essential infrastructure for development of Small Scale industry, the Group has not considered it necessary to make any change regarding its inclusion in priority sector.

Small road and water transport operators

(iv) At present advances to small road and water transport operators with a fleet not exceeding 6 vehicles could be classified as priority sector. The IDBI scheme of refinance is also related to this. The basic idea in including this under the priority sector is that the borrowers should be enabled to have a gainful occupation. In other words,the borrowers could become self-employed persons. On this basis there is a case in the Group's view to modify the definition so as to include only single vehicle operators in this category.

Retail trade

(v) The definition of retail trade was narrowed down by Krishnaswamy Working Group to include only private retail traders in fertilisers and mineral oils with annual turnover not exceeding Rs.10 lakhs and other retail traders with annual turnover not exceeding Rs.4 lakhs. These are eligible for the DICGC cover. The available statistics (which may include retail trade not classified as priority sector) indicate that borrowerswith credit limits of Rs.10,000 or less accounted for 36.4% of the aggregate credit to this sector. Those enjoying credit limits of over Rs.10,000 and up to Rs.1 lakh accounted for 41.3% of the aggregate credit. Since it is the intention that bank finance under this should be available to persons for setting up small retail shops and thus engage themselves in a gainful occupation, the Group is of the view that the definition can be further narrowed down. All advances given for distribution of fertilisers may be treated as indirect finance for agriculture. Distribution of mineral oil involves use of equipment and may, therefore, be appropriately classified under small business. Private retail traders dealing in essential commodities (fair price shops) and consumers' co-operative stores will form part of retail trade under priority sector. Any other private retail traders with credit limits not exceeding Rs.25,000/- alone may be covered under priority sector retail trade. The Group would suggest that consistent with the above recommendation, the DICGC might review the existing scheme of covering retail trade borrowers.

Small business

(vi) The Group does not consider any change necessary in the present definition of small business which provides that the original cost of equipments should not exceed Rs.2 lakhs. The Group is of the view that only such borrowers in this category with working capital limits of Rs.1 lakh or less may be included under Priority Sector.

Professional and self-employed persons

(vii) This category at present includes, inter alia, medical practitioners including dentists, chartered accountants, cost accountants, lawyers, solicitors, engineers, architects, surveyors, construction contractors and management consultants. Krishnaswamy Working Group narrowed down the definition to include only those professional and self-employed persons, whose borrowal limits do not exceed Rs.2 lakhs and who are eligible for DICGC cover. The Group is of the view that there is scope for further narrowing down of the definition. Accordingly, the Group suggests that the ceiling placed on credit limit may be reduced to Rs.1 lakh. Preference may be given by banks to financing professionals like doctors, etc., who are carrying on their profession in rural or semi-urban areas.

Education

(viii) This forms a very insignificant portion of the total priority sector advances and the Group does not recommend any change in the definition. It will, however, emphasise that banks should ensure that the bulk of the advances in this category goes to poor and indigent students.

Funds lent to RRBs

3.4 Krishnaswamy Working Group considered the question whether funds made available by sponsor banks to RRBs for onward lending may be reckoned for the purpose of priority sector lending by such sponsor banks and felt that it was not necessary to include such advances to RRBs in the priority sector lending of sponsor banks but that the matter may be reviewed when such indirect lendings reach a large proportion. They have agreed that advances under DRI Scheme routed through RRBs may be included in the priority sector lending of sponsor banks.

As at the end of December 1981 there were 107 RRBs with outstanding advances of the order of Rs.407 crores. It is proposed to set up in all 170 RRBs by the end of March 1985 covering 270 districts in all. The Branch Licensing Policy formulated by RBI for the period 1982-1985 envisages preferential treatment to RRBs in the matter of opening of branches in their respective areas. The branches of RRBs are expected to increase from 4795 as at the end of December 1981 to about 9,000 by March 1985. The credit for priority sector deployed through RRBs is thus expected to record a substantial growth by the end of March 1985 and sponsor banks would be required to make available a substantial part of the funds for the purpose. It will, therefore, be appropriate that the net amount of funds laid out by sponsor banks for the purpose of onward lending by RRBs is reckoned as priority sector advances of sponsor banks. The net funds for this purpose would mean the amount of refinance made available as its share by sponsor banks, less the amount of funds kept by RRBs with sponsor banks towards cash reserve and liquid assets. Advances given through LAMPS, PACS, FSS, etc., are already treated as priority sector advances of the concerned banks.

3.5 As representations are repeatedly made regarding inclusion of export credit in the priority sector, the Group has also considered this question. Already advances given to small scale industrial units, including handicrafts, handlooms and other village industries for export purposes are covered under priority sector. The benefits linked to inclusion in priority sector, namely, adequate availability of credit on soft terms and conditions including rate of interest, are already available to the export sector, including large-sized industrial units and merchant exporters. RBI has repeatedly emphasised the importance of extending adequate and timely credit to the export sector and also laid down the ceilings on rate of interest. With the availability of various guarantees from ECGC or DICGC, the terms and conditions governing grant of export credit by banks are also quite liberal. It cannot be said that export is a sector without access to bank finance, in the same manner as agriculture, small industry, small business, etc. Taking into account all these aspects, the Group has come to the conclusion that there is no additional benefit in including export under priority sector as such. All the same, it would like to emphasise that banks should extend credit to the export sector on par with priority sector advances.

3.6 On the basis of the above, the definition of certain segments of the priority sector will stand modified as under:–

Category	**Present position**	**Proposed change**
(i) Agriculture	**There is at present no ceiling on the number of tractors to be financed.**	Finance to farmers for purchase of only one tractor may be included in the priority sector. There will be no such limitation on custom service units.
(ii) Road and Water Transport Operators.	**Transport Operators owning a fleet of not more than six vehicles.**	Only single vehicle operators.
(iii) Retail Trade	**(i) Retail traders in fertiliser and mineral oils with an annual turnover not exceeding Rs.10 lakhs.**	(i) Retail traders in fertiliser will form part of indirect finance for agriculture. Retail traders of mineral oils will come under small business.
	(ii) Other retail traders with annual turnover not exceeding Rs.4 lakhs.	(ii) Private retail traders dealing in essential commodities (fair price shops) and consumer co-operative stores. Other private retail traders with credit limits not exceeding Rs.25,000/-.

Category	Present position	Proposed change
(iv) Small business.	**Individuals or firms managing a business enterprise established mainly for the purpose of providing any service other than professional service and where the cost of equipment does not exceed Rs.2 lakhs**	Small business with working Capital limits not exceeding Rs.1 lakh (including house boats and other tourist accommodation)
(v) Professionals and self-employed.	**Advances up to Rs.2 lakhs to individual or firm who or every one of whose partners is trained in any art or craft and holds either a degree or diploma or is considered to be technically qualified and skilled in his line and is rendering professional services.**	Professional and self-employed with credit limits not exceeding Rs.1 lakh.
(vi) Indirect advances through Regional Rural Banks.	—	Net funds made available to RRBs be reckoned as priority sector advances of sponsor banks.

CHAPTER IV

TARGETS AND SUB-TARGETS

4.1 The Group has reviewed the present targets and sub-targets within priority sector with special reference to the needs of the weaker sections. The targets now prescribed for the banking system are as under:

A. *Main targets*

(i) Banks should aim at raising the proportion of their advances to priority sector to 40% by 1985.

(ii) Within the overall target, a significant proportion would be allocated to the beneficiaries of the 20-Point Programme.

(iii) Out of the advances to priority sector, at least 40% should be extended to agricultural sector. This would mean that the advances to the agricultural sector would be at least 16% of total advances by 1985.

B. *Sub-targets*

(i) Direct advances to weaker sections in agriculture should reach a level of at least 50% of the total direct lendings to agriculture, including allied activities, by 1983. The weaker section in agriculture has been identified as –

(a) Small and marginal farmers with landholdings of 5 acres or less and landless labourers.

(b) Persons engaged in other allied activities where borrowal limits for such activities do not exceed Rs.10,000/-.

(ii) Advances to the weaker sections in SSI should constitute 12.5% of the total advanc s to small scale industries by 1985. All small scale industrial units with limits upto and inclusive of Rs.25,000/- are to be treated as weaker section in this category.

C. *Other targets*

Certain other targets fixed for the banking system are as under:

(i) The credit-deposit ratio of banks at their rural and semi-urban branches separately should be not less than 60%.

(ii) A target of 1% of the outstanding advances as at the end of the previous year has been fixed for DRI advances. Within this, not less than 40% of the advances should be given to Scheduled Castes/Scheduled Tribes and not less than two-thirds of the advances should be routed through rural and semi-urban branches.

The position of compliance with the targets is analysed in the following paragraphs:

Overall target

4.2 The position of the overall priority sector lendings of public sector banks is indicated in Table 1:

Table 1: Total priority sector advances of public sector banks

(Amounts in crores of Rs.)
(No. of A/cs. – 000s omitted)

	December 1980		December 1981	
	No.of A/cs.	Amount out-standing	No.of A/cs.	Amount out-standing
1. Agriculture	9257	3435	10540	4507
Direct finance	8154	2709	9802	3482
Indirect finance	1103	726	738	1025
2. Small Scale Industry	774	2975	914	3703
3. Others	2883	1478	3536	1958
a) Setting up Industrial Estates	(175)	35	3	44
b) Road & Water Transport Operators	277	615	345	901
c) Retail Trade	995	475	1201	558
d) Small Business	738	165	794	190
e) Professional & Self-employed persons	831	117	934	219
f) Education	42	11	59	28
g) Housing & Consumption Loans	*	*	200	18
Total Priority Sector Advances	12914	7888	14990	10168
Percentage to total advances		36.3		38.4

* *(Figures of housing loans and consumption credit are not readily available.)*

The banking system is well set to achieve the target of 40% by 1985. The Group has suggested in the previous Chapter certain modifications in the definition of some of the categories of priority sector. At the same time, it has suggested that net funds laid out by sponsor banks through RRBs may be, reckoned as priority sector advances. The changes taken together would mean that the volume of priority sector advances of banks would more or less continue at the same level. In addition to advances classified under priority sector as such, export credit is also to be given preferential treatment in view of the importance of augmenting exports. As at the end of September 1981, advances of public sector banks to export sector amounted to Rs.1604 crores and constituted 6.6% of their total advances. At present export credit to small scale industries is taken into account for the purpose of the target of 40%. Considering the demand for bank credit from all other productive sectors, the Group is of the view that there is no need to alter the overall target of 40% of total bank credit set for priority sector advances.

Advances to agriculture and allied activities

4.3 A break up of public sector banks advances to agriculture and allied activities is given in the following table:

Table 2: Public sector banks' advances to agriculture

(Amounts in crores of Rs.)
(No. of A/cs. – 000s omitted)

	December '78		December '79		December '80		December '81	
	No. of A/cs.	*Amount out-standing*	*No. of A/cs.*	*Amount out-standing*	*No. of A/cs.*	*Amount out-standing*	*No. of A/cs.*	*Amount out-standing*
Total advances to agriculture	6242	2010	7904	2583	9257	3435	10540	4507
% to total advances		13.3		14.6		15.8		17.0
Direct finance	5441	1525	6857	2015	8154	2709	9802	3482
% to total advances		10.1		11.5		12.5		13.2
Direct finance to farmers for agricultural operations	4089	1218	5465	1636	6364	2164	7382	2749
% to total direct agriculture advances		79.9		81.2		79.9		78.8
Direct finance for allied activities	1352	307	1392	379	1790	545	2420	733
% to total direct agricultural advances		20.1		18.8		20.1		21.2
Indirect finance	801	485	1047	568	1103	726	738	1025
% to total advances		3.2		3.1		3.3		3.8

Note: Figure for 1981 are provisional.

The public sector banks have exceeded the target of 16% fixed for advances to agriculture and allied activities. In the Sixth Plan document, the availability of institutional credit has been projected to expand from the base level of Rs.2,550 crores in 1979-80 to Rs.5,415 crores in the terminal year (1984-85) of the Sixth Plan. An almost four-fold step-up is projected in the commercial banks' short-term loans. The first two points of the New 20-Point Programme relate to agriculture. The beneficiaries under other points like IRDP, Scheduled Caste/Scheduled Tribe families, allottees of surplus land and released bonded labour have to be financed largely for agricultural operations and allied activities. In this context, the Group considered the proposal that the existing target for agricultural finance of 16% of total credit may be set as the target for direct finance under agriculture. While the total agricultural finance reached a level of 17% of total credit as at the end of December 1981 against a target of 16%, direct finance constituted 13.2% of total credit. Achieving a level of 16% for direct agricultural finance means that nearly 24% of the envisaged total incremental credit during 1982-85 will have to be deployed for the purpose, which may be difficult of achievement. However, the Group recognises the need for increasingly financing agricultural operations and suggests that a target of 14% of total credit may be fixed for direct finance to agriculture. On this basis, the scheduled commercial banks' direct finance to agriculture is projected to reach a level of about Rs.6,400 crores by March 1985. An average increase of Rs.1,000 crores per year in the outstanding advances during 1982-85, may be considered feasible in the light of past performance and the credit needs arising out of IRDP, increase in irrigation potential, dry land agriculture, increase in production of pulses and oilseeds, etc. In view of the importance of indirect finance for agriculture, such advances may be expected to continue at a level of around 4% of total credit. On this basis, the aggregate credit to agriculture will reach a level of not less than 18% of the total advances by March 1985. Regarding the composition of the direct finance, viz., finance for agricultural operations and finance for allied activities, it is observed that on an average, about 80% of the direct finance has gone towards financing agricultural operations and 20% for allied activities. This situation is likely to continue. It is, therefore, not considered necessary to fix any separate sub-targets for direct finance for agricultural operations and for allied activities.

On an analysis of the direct finance to farmers for agricultural operations, it is observed that medium-term loans constituted about 58% whereas short-term loans formed only 42%. This does not, however, appear to be disproportionate and the Group does not consider it necessary to fix any sub-targets for production credit and investment credit. The following Table indicates the composition of the term loans to farmers for agricultural operations purpose-wise:

Table 3: Analysis of term loans to agriculture by public sector bank (as at the end of March 1980)

(Amount in crores of Rs.)

	No. of A/cs.	*Balance outstanding*
(a) Sinking and deepening wells and tube wells	225538	101.18 (10.0)
(b) Pumpsets/oil engines	375313	159.31 (15.8)
(c) Composite minor irrigation schemes	101182	64.42 (6.4)
(d) Tractors, agricultural implements and machinery	174425	431.05 (42.7)
(e) Plough animals	212754	36.28 (3.6)
(f) Reclamation and land development schemes	67367	27.50 (2.7)
(g) Construction of godowns and cold storage	7603	25.63 (2.5)
(h) Plantations	30578	46.09 (4.6)
(i) Other term loans	244336	118.49 (11.7)
	1439096	**1009.95**

(Figures in brackets indicate percentage to total).

It may be seen from the above Table that finance for purchase of tractors, agricultural implements and machinery, etc. forms a substantial portion of the total advances under this category. The Group has already recommended that advances for only one tractor per farmer may be treated as priority sector credit. The banking system will need to augment the credit flow for minor irrigation and land development purposes, particularly in the context of the new 20-Point Programme. The Group is of the view that this can be done by means of suitable direction to the banks rather than by fixing any sub-targets as such. The Group, therefore, recommends that banks should take steps to increase the share of the advances for minor irrigation and land development purposes substantially.

Sub-targets-advances to weaker sections-Review of performance

4.4 The data relating to all banks' advances to weaker sections in agriculture (i.e.small and marginal farmers and borrowers for allied activities with credit limits of Rs.10,000/- or less) has not yet become available. According to the available data for 24 public sector banks, the advances to weaker sections in agriculture amounted to Rs.1123.42 crores and constituted 35.2% of the total direct advances to agriculture and allied activities at Rs.3190.65 crores, as at the end of December 1981. The advances of banks to small and marginal farmers as at the end of March 1980 stood at Rs.679.45 crores covering 40.48 lakh accounts and constituted 39.0% of the direct finance foragricultural operations as on that date. The short-term loans to small and marginal farmers constituted 58.6% of total short-term direct advances to agriculture, while the share of such farmers in term loans was 24.9%. The sub-target relating to weaker sections is dealt with later.

(b) Advances to weaker sections in SSI

The weaker sections under SSI have been identified as units with credit limits upto and inclusive of Rs.25,000/-. This was expected to cover almost all the artisans as well as village and cottage industries. It was also expected that a portion of the tiny sector would come under the said definition. It was further felt that practically most of the borrowers in this category identified under the earlier 20-Point Programme would fall under this group. It was stipulated that advances to weaker sections in SSI should constitute not less than 12.5% of the total advances to SSI by the end of 1985.

No data have as yet become available regarding bank credit to weaker sections in SSI. The available data indicate that advances to weaker sections in SSI of 26 public sector banks amounted to Rs.309.15 crores and constituted 8.7% of the total advances to SSI sector at Rs.3539.20 crores, as at the end of December 1981.

4.5 Before considering the question of modification in the sub-targets it would be useful to have an idea regarding the likely trend of priority sector advances in the next few years. A tentative projection of deposits, advances and priority sector credit of the banking system till the end of the Sixth Plan period may be seen from the following table –

Table – Projections of deposits, advances, etc., of scheduled commercial banks.

(Rs. in crores)

	March 1982	March 1983	March 1984	March 1985
Deposits	44,000	51,000	59,000	68,000
Advances	29,600	34,500	40,000	46,000
Advances to priority sector	10,950	13,100	15,000	18,400

It may be noticed that the level of priority sector credit is likely to increase by about Rs.7,500 crores during the rest of the Plan period.

Review of definition of weaker sections and sub-targets

4.6 The Group has, in the context of the beneficiaries identified under the New 20-Point Programme, reviewed the present definition of the weaker sections in priority sector and the sub-targets fixed for advances to such sections. The Krishnaswamy Working Group had considered that the weaker sections in priority sector would mean the under-privileged sections of the society. Their weakness may be due to either economic or social causes. The socially weaker sections of the society are also as a class financially weak. The weaker sections were then identified as small and marginal farmers, landless labourers, etc., and borrowers for allied activities with credit limits upto Rs.10,000/-. Similarly, in the SSI Sector units/borrowers with credit limits upto Rs.25,000/- were treated as weaker sections. While agreeing broadly with the above approach, the Group feels that the concept of weaker sections may be widened, particularly to include all priority sector advances to Scheduled Castes and Scheduled Tribes. Accordingly, the weaker sections may comprise the following:

(i) Small and marginal farmers as defined now, landless labourers, tenant farmers and share croppers;

(ii) Artisans, village and cottage industry;

(iii) IRDP beneficiaries;

(iv) Scheduled Castes and Scheduled Tribes;

(v) DRI beneficiaries.

The Group recognises that the above categories may be overlapping and are not mutually exclusive. These categories of borrowers are the main beneficiaries of the New 20-Point Programme. Keeping in view the emphasis under the Twenty-Point Programme to promote rural employment and alleviation of the conditions of the poorest strata of the society, including Scheduled Castes and Scheduled Tribes, the Group has confined the concept of weaker sections to the poor and the rural areas.

The Group considered the question whether the present definition of small and marginal farmers, i.e., those with landholdings of 5 acres or less and landless labourers, should be changed to correspond to the definition of ARDC. While adoption of the ARDC definition which is based on income criteria may be more appropriate, the present definition has certain definite advantages, namely, proper understanding at the operational level and convenience for reporting purposes. The Group notes that the Conference on CRAFICARD (March 1982) arrived at the consensus that it was not necessary to undertake another exercise for evolving a uniform definition in this regard. The Group, therefore, suggests that the present definition of small and marginal farmers as given above may continue. As defined by Tambe Group, village industry means artisans, irrespective of location, or small industrial activities (manufacturing, processing, preservation and servicing) in villages and small towns with a population not exceeding 50,000 involving utilisation of locally available industrial resources and/or human skills, where individual credit limits do not exceed Rs.25,000/-. The revised concept of finance to weaker sections includes all advances in priority sector to Scheduled Castes and Scheduled Tribes. Further, under allied activities, only advances given to small and marginal farmers, landless labourers, etc., to IRDP beneficiaries and to Scheduled Castes and Scheduled Tribes will be reckoned as advances to weaker sections. The Group has suggested in the preceding Chapter that net funds made available to RRBs by sponsor banks may be reckoned as priority advances of sponsor banks. Since RRBs mainly lend to the weaker sections in the priority sector, the net funds made available to RRBs may be treated as advances to weaker sections by sponsor banks. Further, advances to State-sponsored corporations and agencies or functional societies for the purpose of on-lending to the weaker sections as identified by the Group will also be reckoned as advances to weaker sections for the purpose of compliance with the target.

The beneficiaries under the IRDP and Scheduled Castes and Scheduled Tribes families have to be assisted for agricultural operations and allied activities, as also under the SSI sector and for other self-employment purposes. Further, IRDP contemplates that one-third of the assistance would be made available towards non-land-based activities. The setting up of NABARD is also expected to give fillip to financing of non-land-based activities in rural areas. Financing by banks also depends upon the areas in which they are functioning and the availability of bankable opportunities in land-based or non-land-based activities in such areas. From the point of view of assisting the upliftment of weaker sections, both land-based and non-land-based activities in such areas. From the point of view of assisting the upliftment of weaker sections, both land-based and non-land-based activities are important. Taking all these aspects into account, the Group feels that there is no need to fix separate targets for the weaker sections under different sub-sectors of priority sector and that a composite target in this regard would do. It will also impart flexibility in financing weaker sections.

According to available data, advances to weaker sections under agriculture and small scale industry constitute approximately 6% of total credit and 15% of priority sector advances. The Group recommends that a target of 25% of priority sector advances or 10% of total bank credit, to be reached by the end of March 1985, may be set for the banking system in respect of advances to weaker sections, as identified above. This would imply that the advances to weaker sections as identified above would reach a level of about Rs.4,500 crores by March 1985, the increase envisaged during the period 1982-85 being of the order of Rs.3,000 crores. This will be in consonance with the thrust of the New 20-Point Programme which aims at alleviating the conditions of the poorer sections of the society, mainly in rural areas. A number of points in the Programme, like IRDP, assistance to Scheduled Castes/Scheduled Tribes families, allottees of surplus lands and released bonded labour, are multi-dimensional in character embracing a variety of land-based and non-land-based activities. Advances under IRDP during the Sixth Five Year Plan are expected to be of the order of Rs.3,000 crores and it is envisaged that during the rest of the Plan period dispensation of credit under the Programme will be of the order of Rs.2,600 crores. Commercial banks, co-operative banks and regional rural banks are all committed to lend full support to the Programme and finance all viable bankable schemes identified. To achieve the estimated increase in the level of outstanding credit to the weaker sections by 1985, the Group recognises that conscientious and sustained efforts will be called for on the part of the banking system. The banking system has to gear up its field-level machinery to achieve the task. It has not only to see that the systems and procedures are suitably simplified, keeping in view the type of beneficiaries to be catered to but also ensure that they are effectively implemented at the field level. Simultaneously, to enable the banks to lend institutional support to the various schemes, as contemplated, the State Governments and their developmental agencies have a variety of responsibilities to perform like systematic identification of schemes and beneficiaries, provision of extension services, linkages and infrastructural facilities, monitoring and ensuring the ground level implementation of schemes and assisting in timely recovery of loans. The Group would like to emphasise that the achievement of the much higher targets for assisting weaker sections would depend considerably upon co-ordinated and effective performance of their respective roles by banks as well as Governmental agencies.

4.7 The Group considered the question of fixing targets for the various items of the 20-Point Programme. A number of points in the Programme are multi-dimensional embracing primary, secondary and tertiary activities, e.g., allottees of surplus land, released bonded labour, Scheduled Castes/Scheduled Tribes families and IRDP. While the points relating to increased irrigation, dryland agriculture, increased production of pulses and vegetables and social and farm forestry relate to agriculture, the points relating to handicrafts, handlooms and small and village industries and public distribution system relate to small industry and service activities. Development of bio-gas and other alternate energy sources relate to both agriculture and small industry. Maximisation of power generation relates to infrastructure. In view of the variegated nature of the activities covered, the Group felt that it would be neither necessary nor feasible to fix targets for each of the individual points or the 20-Point Programme as a whole. It has, therefore, addressed itself to redefinition of the concept of weaker sections so as to ensure that the beneficiaries of the 20-Point Programme are covered under it. While an increase of the order of Rs.7,500 crores is envisaged under priority sector lending in the 3 years 1982-85, the incremental advances to the weaker sections would be of the order of Rs.3,000 crores. As a result of the revision of the target for direct finance to agriculture, an additional Rs.3,000 crores will flow from the banking system towards direct financing of agriculture. Quite a few of the beneficiaries undertaking land-based or non-land-based activities may also be financed outside the weaker section concept. As the incremental amounts mentioned here are with reference to outstandings, the cumulative advances would be much larger. The Group is convinced that within the framework evolved, the beneficiaries coming under the 20-Point Programme would be adequately taken care of by the banking system. Further, the Group has also suggested that **the banks should take steps to ensure that all viable/bankable schemes drawn up** under the 20-Point Programme are financed by the banking system comprising commercial banks, co-operative banks and regional rural banks. The DCPs and AAPs constitute the mechanism through which the various bankable schemes on a district-wise basis are formulated and taken up for co-ordinated financing by the banking system with the active involvement of Governmental/Developmental agencies. The implementation of the various elements of the 20-Point Programme and the achievement of the targets would depend critically upon the effective co-ordination between banks and Governmental agencies.

DRI advances

4.8 The progress made by the public sector banks in lending under the DRI Scheme may be seen from the following table:

Table 4: DRI advances

(Amounts in crores of rupees)
(No. of accounts – 000s omitted)

As at the end of	*No. of accounts*	*Amount outstanding*	*Percentage to total advances*
December 1977	1392	67.99	0.6
December 1978	1620	90.00	0.7
December 1979	2076	139.80	0.9
December 1980	2510	193.56	1.1

Thus, the public sector banks have already achieved the target fixed for the DRI advances. In fact, several of the individual banks have exceeded the target substantially. There has been persistent demand that the target of 1% should be raised. The Group, inter alia, looked into this question. There are certain operational problems at the field level inasmuch as commercial banks are the only agencies which lend under the scheme; the RRBs also lend under the scheme, but only as either agents of sponsor banks or on a refinance basis from sponsor banks. Further, the number of persons expecting to come under the Scheme is so large that the banking system cannot meet the credit needs of all such beneficiaries even with the doubling of the target. A substantial portion of the priority sector advances of banks carries a concessional rate of interest. Further, the export credit and the food credit also carry a concessional rate of interest. Considering the effect of all these on the profitability of banks, it is not considered possible for the banking system to lend at a low rate of 4% to any significant extent. Taking these aspects into account, the Group is of the view that there is no scope for raising the target. Within the target, there is, however, need to ensure that the benefit of the DRI lending goes towards the weakest among the eligible borrowers. While the present definition of the eligible beneficiaries needs no change, there seems to be a clear case for a more precise means of identifying the beneficiaries. The Group has noted that the National Institute of Bank Management has made a detailed study of DRI Scheme and that further action will be taken by the Government and the RBI on the basis of the study. The recovery position in respect of the DRI advances is not satisfactory. Unless funds are re-cycled, by better recovery, the scope for further assistance under the scheme will be limited. Apart from action on the part of banks to improve the recovery, supportive action will be required on the part of the State Governments and other agencies as well.

4.9 The credit-deposit ratio of scheduled commercial banks, population group-wise, may be seen from the following table:

Credit-deposit ratio of rural and semi-urban branches

Table 5

	December 1978	*December 1979*	*December 1980*
Rural	56.5	57.0	57.2
Semi-urban	49.3	48.5	48.9
Urban	59.9	58.8	59.7
Metropolitan	89.9	87.9	85.0

While the banking system can more or less be expected to achieve the target of 60% in respect of their rural branches, the credit-deposit ratio of the semi-urban branches has remained stagnant around 49%. With the emphasis on lending under the IRDP, as also the beneficiaries under the 20-Point Programme, bank lendings in rural and semi-urban areas are expected to increase. The Group is of the view that the credit-deposit ratio is not a sound basis for judging the performance of banks. The more important criterion will be to see how far banks have been able to meet the credit requirements in rural and semi-urban areas. With the planned allocation of credit under the DCPs and AAPs, which are expected to take into account all viable schemes feasible in a district, the active participation of commercial banks in assisting rural development is ensured. The credit-deposit ratio could be considered only as a rough yardstick to ensure that deposits mobilised in rural and semi-urban areas are not deployed elsewhere, but are used to finance local economic activity. The Group does not consider it necessary to make any change in the existing target, at the same time emphasising that the credit-deposit ratio on area-wise basis is not a perfect guide to measure the performance of banks.

Inter-State position of lending to priority sectors

4.10 An analysis of the performance of banks in lending to priority sector reveals that while in certain States the proportion of such lending is quite low as compared to the target of 40%, in other States the target has been exceeded substantially. While the performance of banks in States with lower ratio has been criticised, there have been demands on the other hand from the other States that a higher target should be fixed for such states. Somewhat similiar position holds good in respect of State-wise credit-deposit ratio or in lending under DRI Scheme. The targets laid down for banking system are to be achieved for the country as a whole by each bank. The banks have been advised to ensure that there is no wide disparity in credit dispensation between different areas of the country. Keeping in view the diverse geographical features, credit absorption capacity of the regions, credit requirements of industry and trade and need for development of backward areas, it may not be possible to achieve a uniform target in each State, nor would it be practicable to stipulate different targets on state-wise basis. In the Group's view, the more important consideration is whether the banking system continues to meet the credit requirements of the weaker sections, particularly under the various schemes for such sections. The very idea of preparation of DCPs and AAPs is to achieve this and in the Group's view there is no case for fixing any State-wise targets.

CHAPTER V

ROLE OF CO-OPERATIVES AND REGIONAL RURAL BANKS

5.1 In the earlier Chapters, the Group had essentially dealt with the role of commercial banks in implementing the 20-Point Programme, targets and sub-targets for priority sector lending by commercial banks, etc. Alongside commercial banks, RRBs and co-operatives have an important role to play in financing agricultural and non-agricultural activities in rural areas. While RRBs are set up to finance mainly the weaker sections of the society, a very large part of financing by co-operatives including DCBs, PLDBs or branches of SLDBs, PACSs, FSSs, LAMPSs, weavers' co-operative societies and industrial societies goes to priority sector. There is need for effective co-ordination between commercial banks, RRBs and co-operatives in implementing the District Credit Plans, which cover mainly priority sector lending.

5.2 The important steps taken to facilitate larger participation by co-operatives in priority sector lending and assisting 20-Point Programme are given below:

(i) In the 3 years ending 1979-80, co-operatives advanced Rs.588 crores towards minor irrigation purposes.

(ii) Co-operatives are required to earmark 40% of their total agricultural advances for easily identifiable productive purposes, of which minor irrigation schemes constitute a major component.

(iii) Long-term loans to marginal and small farmers for investment purposes may be allowed even if there is a deficit in the value of land given as security.

(iv) Besides production credit for pulses and oilseeds, steps are being taken to encourage marketing and processing of oilseeds increasingly on co-operative lines with refinance facility from RBI.

(v) LDBs are permitted to extend loans to landless labourers for purchase of tenancy/ownership rights, discharge of prior debts on lands, etc., upto 10% of their total loans.

(vi) Co-operative banks have been advised to provide production finance to share-croppers and oral lessees on the basis of an indication of the survey number of land and satisfactory evidence regarding cultivating possession, on the basis of a certificate from Revenue Department, village level worker or village panchayat against charge on crops or surety of one or two solvent members.

(vii) PACSs are encouraged to finance artisans, including released bonded labour, for undertaking any of the activities covered under weavers and 22 other broad groups of cottage and small scale industries identified by RBI, for which refinance is available. This is done to facilitate assistance to small groups of artisans who cannot

be formed into viable occupational co-operative societies.

(viii) To bring SCs/STs and other weaker sections within the co-operative fold, provisions for universal/automatic membership have been incorporated in the Co-operative Societies Acts as also for appeal in case of refusal.

(ix) Large-sized Multipurpose Societies (LAMPSs) are being organised in tribal/hilly areas for catering to the credit and other needs of the tribals. As on the 30th June 1980, there were 2160 LAMPSs in seventeen States. Of the total loans of Rs.42 crores advanced by them in 1979-80, Rs.14 crores were given for SCs/STs.

(x) Central co-operative banks and urban co-operative banks are allowed to provide finance for various housing schemes of weaker sections or towards long term loans for investment purposes in cottage and small industries upto 15% of their long term resources or 5% of total deposit resources, whichever is more.

(xi) Co-operative banks provide working capital finance to consumer co-operatives and their federations with reduced margins and the funds so lent are taken into account for the purpose of sanctioning higher credit limits for short term agricultural purposes.

(xii) PACSs, FSSs and LAMPSs undertaking distribution of consumer articles in rural areas are provided additional Government share capital contribution with assistance from NAC (LTO) Fund.

(xiii) 40 lakh weavers (40%) are in the co-operative fold.

(xiv) In 1978-79, co-operative banks provided loans of the order of Rs.152 crores to industrial co-operatives.

(xv) Co-operative banks have been advised to provide necessary credit support to IRDP. As participating banks under district credit planning, both the short-term and long-term wings of co-operative credit system would ensure that the IRD Programme does not suffer for want of credit. Banking plans drawn up covering investment credit for IRDP purposes are refinanced by ARDC.

Action regarding co-operatives

5.3 Action on the following lines has to be taken to ensure effective participation of co-operatives in priority sector lending and assisting the 20-Point Programme:

(a) For ensuring effective participation of various co-operatives in assisting implementation of the 20-Point Programme, the State Governments will have to implement a time-bound programme for reorganisation and re-vitalisation of weak co-operative banks, primary agricultural societies and industrial societies.

(b) In areas, where there are sufficiently large number of artisans or persons engaged in rural industries, the possibility of organising separate functional societies may be explored and quick action taken. Effective steps may also be taken for

enrolment of adequate number of Scheduled Caste/Scheduled Tribe persons as members of PACSs. Steps may be taken for enrolling more weavers into the co-operatives fold.

(c) Adequate trained personnel will have to be provided in various co-operative societies and necessary training programmes for the co-operative personnel as well as non-official members will have to be taken up.

(d) Preference may be given to the PACSs in the matter of distribution of essential commodities.

(e) The Co-operative Department at the district level and the District Co-operative Bank should set up separate Monitoring Cells to review the performance of co-operatives in the matter of implementation of the 20-Point Programme.

(f) Weakening of financial institutions, particularly co-operatives, as a result of accumulation of overdues and consequent non-recycling of funds should be considered as a matter of concern not only to the financing institutions but also to the State Governments and developmental agencies concerned. Concerted efforts should, therefore, be made all round to promote a healthy recovery atmosphere and ethics.

Advances to weaker sections

5.4 As the co-operative credit structure is required particularly to look after the credit needs of small farmers and other weaker sections, the Group expects that the share of these weaker sections will not be less than half of the total credit advanced by the co-operatives during the year. The Steering Group on Formulation of Sixth Five Year Plan relating to Agriculture and Allied sectors, has also made a suggestion on similar lines. The Group therefore, suggests that the co-operative banks should achieve this and the performance in this regard may be monitored by concerned banks as well as the Co-operative Department.

Regional rural banks

5.5 RRBs are set up primarily to extend financial assistance to the weaker sections. There is no need to set any specific target to them for financing the weaker sections as most of their advances go to such beneficiaries. RRBs should draw up plans to ensure sizeable participation by them in financing the 20-Point Programme. The proposal of the Group to treat the net funds made available by sponsor banks to RRBs as priority sector lending of sponsor banks will augment the availability of funds for financing through RRBs.

CHAPTER VI

ROLE OF STATE GOVERNMENTS AND CO-ORDINATION

6.1 In Chapter II the Group has identified the elements of the New 20-Point Programme having relevance to the banking system, the beneficiaries under each point and the type of assistance which banks can render to them. The bulk of assistance will be under the primary sector, i.e., agriculture and allied activities and the secondary sector i.e., artisans, village and cottage industries. A part of the assistance will also be in the services sector i.e., to enable the beneficiaries to take up small business activities under other segments of priority sector, viz., small business, transport operators, self-employed, retail trade, etc. The beneficiaries will largely be located in rural and semi-urban areas and bank assistance has to flow to them through their rural and semi-urban branches. It is also noted that the number of beneficiaries requiring assistance will be very large. Under the IRDP alone, the coverage will be around 3 million families a year. It is also estimated that about 10 million families belonging to Scheduled Castes and Scheduled Tribes will be requiring assistance outside the IRDP. Similarly, the number of beneficiaries under the other points like allottees of surplus land, allottees of house sites, released bonded labour, etc., will be substantial. The problems of rendering assistance to them will vary from State to State and even between the different parts of a State. In each State there will be several Departments of the Government and their agencies as also certain Central agencies like the KVIC, Handloom Board, Sericulture Board, etc., charged with the responsibility of devising suitable schemes for upliftment of the rural poor. The sheer number of the beneficiaries to be assisted, the varied purposes and co-ordination among several agencies, pose a real challenge to the banking system as well as the State Governments.

6.2 The quantum of assistance expected from the banking system is also of a substantial magnitude. The Sixth Five Year Plan document envisages a four-fold increase in banks' short-term credit to agriculture. The institutional assistance for investment credit in agriculture is placed at Rs.1700 crores during the Plan period. Assistance under the IRDP is estimated at Rs.3,000 crores. The requirements of Scheduled Castes/Scheduled Tribe families outside the IRDP have been estimated at about Rs.7500 crores. Taking into account the assistance required under the other points of the New 20-Point Programme, the demand on the banking system is expected to be of a substantial magnitude. As mentioned in the earlier Chapter, priority sector credit of the banking system is expected to increase by about Rs.7500 crores in the 3 years ending March 1985 and of it nearly Rs.3000 crores is expected to flow to the weaker sections, as identified now. While a significant proportion of the additional credit will flow to the beneficiaries of the New 20-Point Programme, the banking system's capacity to meet the credit needs will be conditioned by the effective demand generated for additional credit from the various segments of priority sector, and particularly the two major segments viz., agriculture and small scale industry. As such, there has to be a proper planning and phasing of the programmes and schemes under each of the points and also fixation of priorities by the State Governments. The Group would suggest that schemes which will provide immediate benefits and for which necessary linkages are readily available may be taken up initially. Additional credit flow will also depend on the return flow of funds, for which adequate support from the State Governments will be necessary.

6.3 Detailed guidelines have been issued to banks by the RBI for preparation of District Credit Plans (Third round), in February 1982. The new DCPs lay stress on promoting optimum use of land, labour and financial resources for promoting productivity and production. In order to achieve this, it is necessary to further improve co-ordination arrangements between Government development programmes and bank lendings and promote availability of institutional credit assistance for (i) increasing productivity, production and employment opportunities in different sectors in rural areas, especially among the weaker sections to enable them to move above the poverty line; and (ii) promoting balanced development of different districts/blocks within districts. In line with these, there is much greater need for extending financial assistance under DCPs on the basis of bankable programmes/ schemes so that increased production and incomes are generated and proper recycling of available resources is ensured to promote further production and employment opportunities in the rural sector. The third round DCPs are thus intended to improve the capability of lead banks in formulation of area specific bankable schemes and thereby improve the credit absorptive capacity of the rural sector, especially of capital deficit areas/weaker sections. While corporate plans of banks relate to their entire financing operations, DCPs/AAPs mainly relate to lending to priority sector and sub-sectors within priority sector. DCPs are envisaged as a means of establishing meaningful linkages between (a) banks' lendings for priority sector activities on the one hand and Government subsidy programme for such activities on the other (b) banks' lendings under DCPs independently of Government subsidy Programme on the one hand and their overall commitments for priority sector/sub-sector lending as part of their corporate plan on the other, and (c) Government programmes for providing extension and infrastructural support on the one hand and bank lendings which require such support for ensuring their viability on the other. Banks have also been advised that DCPs (1983-85) would include, inter-alia, all the programmes/ schemes for providing institutional credit support under 20-Point Programme, IRDP, Special Programmes for Scheduled Castes/Scheduled Tribes, etc. The new DCPs, it is envisaged, would attempt a more precise estimate of the credit needs of the various programmes/schemes included in them. The Group is of the view that within the above frame-work and with the assistance of the State Government authorities, particularly at the District/Block level, the banks should integrate assistance to the 20-Point Programme beneficiaries as detailed in Chapter II, under the DCPs/AAPs. The Delhi Conference on CRAFICARD recommendations agreed that the programmes for bank assistance should be for economic activity and that the loans advanced should be repaid to the institutions within a given period, which would imply that the assisted programmes generate adequate incremental income and that the borrower is trustworthy. In financing the various programmes under the 20-Point Programme, as part of DCP/AAP, adequate attention has to be paid to ensure that the schemes are viable and help the beneficiary in improving his economic lot and repaying the loans as scheduled.

Integration of assistance to 20-Point beneficiaries with DCPs/AAPs

6.4 The Krishnaswamy Working Group had emphasised that supportive action on the part of the State Governments is essential to facilitate bank assistance to the beneficiaries under the earlier 20-Point Programme. The Group had listed the areas calling for assistance from the State Governments and their agencies. These relate to: (a) Identification of beneficiaries; (b) Provision of infrastructural facilities; (c) Technical support in preparation and

State Government support

implementation of bankable schemes and/or techno-economic surveys; (d) Provision of necessary inputs and assistance in marketing of products; (e) Assistance for recovery of overdue loans; and (f) Arrangements for imparting training to the beneficiaries. Under the revised 20-Point Programme as well, similar assistance from the State Governments will be required for ensuring smooth flow of bank assistance to the beneficiaries, more particularly allottees of house sites, released bonded labour, Scheduled Castes and Scheduled Tribes, small and marginal farmers, rural artisans and village and cottage industries, etc.

Co-ordination machinery

6.5 From the experience of bank lendings to the weaker and poorer sections of the society, it has been increasingly realised that unless credit is provided in an integrated manner with other developmental agencies providing support by way of extension work, inputs, marketing, infrastructure, etc., the result is generally infructuous lending. Closer and effective co-ordination between the financing agencies and the State Governments, their agencies and other developmental functionaries at the district and State Levels has been attempted to be brought through the machinery of DCCs, SLBCs, SLCCs and RCCs, respectively, at the district, State and regional levels. Detailed guidelines have been issued by the RBI to ensure that the DCCs become effective instruments of co-ordination between banks and State Government Departments/agencies. In view of the large number of beneficiaries to be assisted under the 20-Point Programme, the Group stresses the urgent need for implementing these guidelines by the State Governments and the banks.

While the DCCs have more or less stabilised as an effective forum, the experience in regard to co-ordination machinery at the State level shows that there is considerable scope for improvement in their working. The SLBC, which is essentially a bankers' forum convened by a specified banker, functions on the basis of detailed guidelines issued by Government of India in April 1977 as a co-ordination forum between bankers and Government. By and large, SLBCs consist of representatives of commercial banks, regional rural banks, State Co-operative and Land Development banks, State Financial Corporations, etc. RBI and ARDC are usually represented at the meetings by invitation. In some States, IDBI representative as also the Director of Institutional Finance attend as invitees. The SLBC discusses matters of common interest to banks including review of branch expansion, implementation of DCPs/AAPs, inter-bank differences which have remained unresolved at DCC level, problems faced by banks in lending to priority sector, more specifically in areas where support is called for from State Governments and their functionaries. In certain States, Sub-Groups of the SLBC are constituted to look into specific problems.

The SLCC which started functioning around the mid-70s was envisaged as the main machinery for co-ordination between Government and bankers and as a State level forum to review the performance of banks and the concerned developmental agencies in implementation of various programmes in the State. It is, however, noticed that there is no uniformity and regularity in its constitution and working. In some States, it is presided over by the Chief Minister/Finance Minister of the State and in others by the Chief Secretary. In January 1978, Government of India had advised the State Governments to re-activate the working of this forum. However, in actual practice, the SLCCs seem to have not been activated adequately and their meetings continued to be infrequent, save a few exceptions. The meetings, when held, had not resulted in adequately meaningful discussions and decision-making. Large forums like SLCC do not facilitate discussions on specific issues in depth. There is very little attention paid to important matters like qualitative aspects of lending, availability of required Government support, evaluation of actual benefits to target groups under the schemes financed, phasing of schemes in relation to linkages, etc.

The Group is of the view that necessary steps should be taken to make the SLCC an effective instrument for co-ordination. This forum should be utilised to discuss the various developmental programmes contemplated in the State, with districtwise distribution, so that the institutional financing arrangements are properly integrated with them. The SLCC can consider the various aspects of specific plans/schemes including provision/availability of necessary inputs, infrastructural facilities, marketing support and phasing of the schemes, both area-wise and activity-wise. The schemes should be launched after detailed consideration of the various aspects by SLCC. It should also periodically evaluate the implementation of the specific schemes with a view to identifying the bottlenecks and removing the same. The Group notes that the RBI has set up a Working Group to review the 'Lead Bank Scheme'. This Group is looking into the various aspects of co-ordination, including at State level, in greater detail.

Training of Governmental and bank staff

6.6 The Krishnaswamy Working Group had expressed the view that the State Government officials, particularly at the district and the block level involved in the preparation of bankable schemes should have a better appreciation of and training in preparation of such proposals and in financial cost/benefit analysis.

The RBI had considered the matter and it was felt that

(a) such training need not be confined to preparation and appraisal of schemes but should extend to their implementation and monitoring as well.

(b) Training will have to be imparted to State Government officials at district and block level.

(c) The primary responsibility for imparting such training will be that of the State Government.

(d) The State Government may have a machinery/cell to co-ordinate such training.

(e) The training can either form part of the existing training programmes of the State Government for its officials or specific capsule programmes can be devised for the purpose.

(f) Preferably such training could be imparted to a combined group of branch level officials of banks and Government officials.

(g) The three industrial level institutions – NIBM, BTC and CAB – along with the

training staff from banks can render assistance in the matter of organising such training, particularly in respect of training content, faculty, etc.

The Group notes that the Reserve Bank, in collaboration with NIBM, organised State level training programmes jointly for Government and bank officials in preparing the third round DCPs. The State Level Co-ordination Committee should consider making adequate arrangements for on-going training of Government and bank officials so as to bring about required orientation in them for purposeful extension of institutional credit support to the beneficiaries of the 20-Point Programme and other weaker sections.

Recruitment and training of bank staff

6.7 The Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) has gone in detail into the approaches and strategies for reaching rural poor. The Committee in Part II of its report has outlined the action necessary on the part of commercial banks to be an effective instrument in lending in rural areas. In particular, the Committee has stressed the need for a proper staffing pattern with adequate technical support for the branches, revamping of the working hours of the rural branches and attitudinal changes in the staff of the rural branches. The Group endorses the recommendations of the CRAFICARD and emphasises the need for their implementation. It has been brought to the notice of the Group that delays in recruitment of staff could be a problem. It suggests that the Government, in consultation with the various Recruitment Boards, may take steps to expedite the process of recruitment. Regarding training of banks staff, it is understood that ARDC and CAB, Pune, are considering the question of augmenting the facilities available for training of staff of banks at senior and middle management levels. The Kasbekar Group on Training in Banks has made a number of recommendations regarding training arrangements. Banks may review their existing training facilities, particularly in respect of staff posted to rural/semi-urban areas and take necessary steps to augment them to the required level.

Formation of State Govt. Corporations and agencies as well as functional groups

6.8 The Krishnaswamy Working Group had touched upon some of the policy issues relating to financing of weaker sections in priority sector by commercial banks. The most essential point is that small and marginal farmers, landless labourers, artisans and craftsmen engaged in cottage and village industries, individually constitute such miniscule units of production that their ability to withstand any adverse external developments whether they are vagaries of weather, interruption in supply of essential inputs or deterioration in market condition, is at the best, marginal. Their market strength is also extremely weak. The weaknesses mentioned above are sought to be remedied by setting up State-owned corporations/agencies for routing credit to target groups of weaker sections,besides direct financing by banks. Despite the growth in bank branches, a number of weaker section beneficiaries are likely to remain outside the reach of bank branches. It seems that very little progress has been made in the matter of setting up such State sponsored Corporations/agencies. The Delhi Conference on CRAFICARD recommendations has agreed that setting up of Corporations for financing of specific target Groups could be an advantage provided such Corporations are also equipped to provide infrastructural support, technical assistance, etc., and recommended that they should be at State level. To ensure additional credit flow in an organised manner to the weaker sections situated in the rural and semi-urban areas, the State Governments may actively consider the question of setting up suitable intermediary organizations with appropriate back up facilities at the field level for distribution of credit to weaker sections.

Apart from organising State Government Corporations and agencies, as above, it will be useful if weaker section beneficiaries are organised into homogenous functional groups, wherever the number is viable enough to form such a group. The organisational form may be co-operatives or registered societies. Organisation of such groups would result in not only more meaningful extension of institutional credit but also the required support from developmental agencies at the district/State level in matters like technical assistance, input supply and marketing. Better supervision and impact in improving the economic life of the target groups will also be possible. The block level functionaries would do well to encourage formation of such groups, wherever possible, and render active assistance to them.

CHAPTER VII

EVALUATION, MONITORING AND REPORTING

Present reporting system

7.1 One of the terms of reference of the Group is to review the present reporting and monitoring system regarding flow of credit to the New 20-Point Programme beneficiaries with a view to simplifying and expediting the flow of information and making evaluation more effective. The Group had a look at the present reporting system in respect of bank lending to priority sector and lending to the beneficiaries under the earlier 20-Point Programme. A regular system of reporting of priority sector advances was instituted by the RBI in 1972. Under this, banks report quarterly, their advances to broad segment of priority sector. In addition, there is detailed reporting on a half-yearly basis regarding agricultural advances and reporting of recovery position in respect of agricultural advances on an annual basis. Subsequently in 1980, a monitoring system was evolved under the Lead Bank Scheme for the purpose of assessing the progress of the implementation of the DCPs (New Information System). Under this, data regarding advances to priority sector on a district-wise basis is to be reported every quarter in a detailed manner. As regards reporting of advances to the beneficiaries of the 20-Point Programme, this was integrated with the New Information System (NIS) by prescribing certain additional Schedules, TPP 1 to 4. Since the NIS had not stabilised, RBI also introduced a system of quarterly reporting by Head Offices of banks regarding lending to beneficiaries of the 20-Point Programme, commmencing from the quarter ended December 1980. As the reporting system under the Lead Bank Scheme is still to stabilise, the overall performance of bank lending to the priority sector continues to be monitored on the basis of the earlier returns submitted by banks to RBI. Although this reporting has stabilised, there continues to be considerable delay in the receipt of returns with the result that there is still a delay of over a year in getting the consolidated position of the priority sector lending of banks. Regarding lending to beneficiaries of the 20-Point Programme also, banks have not been able to submit the quarterly returns prescribed by RBI in time. RBI has initiated certain steps to ensure that the New Information System stabilises. This includes the setting up of a Group to look into book-keeping and record maintenance at branch level and suggest necessary changes for easy compilation of data. The report of the Group has been submitted.

7.2 Having had a quick review of the present reporting system, the Group considered the question whether any modification in the system was necessary. The basic source of data for priority sector lending should be the NIS under the Lead Bank Scheme, which is expected to stabilise soon. It is necessary for a review of the progress in implementation of DCP/AAP which is the main instrument for integrated lending in rural and semi-urban areas. Further, as already suggested by the Group, bank assistance to the beneficiaries of the 20-Point Programme will be integrated with DCPs/AAPs and the NIS will, therefore, enable a district-wise review of the progress in lending to these beneficiaries. Such assistance will be under the different segments/sub-segments of the priority sector and a substantial number of the beneficiaries will fall under the weaker sections as defined by the Group. The progress in lending to the beneficiaries of the 20-Point Programme can, therefore, be assessed from Schedules 1A, 1B, 2A, 2B, 3 & 4 prescribed under the NIS. The Group recognises that it will be necessary for the banks, the RBI and Government to have quick data relating to bank assistance under the various points of the 20-Point Programme. For this purpose, a quarterly statement indicating the assistance under each of the points, on a State-wise basis, may be called for from each bank commencing from the quarter ended March 1982. The quarterly statements need contain only essential particulars. A format of the statement is given in Annexure V. The Schedules TPP. 1.4 prescribed under the NIS for reporting the assistance to beneficiaries of the 20-Point Programme could be dispensed with. Incidentally, the Group is of the view that there is scope to rationalise and simplify the basic Schedules prescribed under the NIS (i.e. Schedules 1A, 1B, 2A, 2B, 3 & 4). For example, the reporting of assistance to SSI sector under 14 heads like cotton ginning and processing factories, handlooms, powerlooms, etc., may not be necessary (Schedule 1B). It may be sufficient to call for the break-up of assistance to village and cottage industries and rural artisans under three broad heads, viz, handlooms, handicrafts and others. The Group would suggest that the RBI may look into the formats of the Schedules under NIS and consider their simplification and rationalisation. Suitable changes to monitor effectively the performance of banks in priority sector lending and the sub-sectors thereunder, without double counting, in view of their overlapping nature, may also be introduced.

Need for mechanisation

7.3 The Group notes that at present bank branches have to compile a variety of returns not only for the purpose of Head Office/Controlling offices of banks but also for RBI and Government. The difficulties in generating data for compiling varied and voluminous information as well as processing and consolidating the same on a manual basis have become insurmountable. The sheer size of operations of banks and the growing needs of timely and comprehensive information make it essential to introduce mechanisation on an urgent basis. The Group notes that the Working Group to look into the book-keeping and record maintenance at branch level has considered this issue and has made certain recommendations in this regard. RBI and Government may consider the suggestions for further action.

Monitoring and Evaluation of Credit Scheme

7.4 The Krishnaswamy Working Group had gone in detail into the modalities of evaluation of bank lending to priority sector. The main recommendations made by it are recapitulated below:

(1) The need for a comprehensive evaluation of performance of banks in priority sector lending at bank level as well as RBI level is recognised. The various criteria to be taken into account for such evaluation should be (i) compliance with targets, sub-targets, (ii) number of additional beneficiaries, (iii) extent of lending to 'weaker section', (iv) performance of the banks on the basis of disbursement, and (v) quality and recovery position of advances (Para 5.2).

(2) Individual banks need to make studies of the specific schemes financed by them. It is also necessary that study of bank financing in specific areas covering all schemes in the area is made on a continuous basis by multi-institutional teams. The findings of the studies made by the individual banks could be usefully shared with other banks through RBI. Training of the required personnel on methodology, etc., for conducting such studies may be organised by NIBM, BTC or CAB (para 5.3).

(3) The recommendations made by various Committees/Working Groups for exercising proper supervision and control over the advances to priority sector need to be implemented by banks as quickly as possible. It would be in the interests of banks to ensure that a strong machinery at all levels of organisation, with experts and technical staff support, is built up to monitor such advances (para 5.4).

(4) Mechanism for monitoring the progress of priority sector lending, including assistance under the 20-Point Programme, will be through budgeting/review, returns, on the spot study and reporting to various forums and the Board (para 5.5).

(5) At the district level, the DCCs and at the State level the SLCCs may review banks' performance in lending to priority sector, including assistance to beneficiaries under the 20-Point Programme (para 5.6).

The Group would like to suggest that effective action should be taken to implement the above recommendations and to ensure monitoring of the priority sector lending and assistance under the 20-Point Programme, not only from the quantitative aspect but also qualitative aspect, including support from Governmental agencies for the various schemes. The review should be done at the district and State levels by DCCs and SLCCs, respectively. Each bank should also review the performance periodically and submit a report to its Board of Directors. A review of the performance of the banking system as a whole is being done by RBI but there are considerable delays due to lags in flow of information from the banks. Banks have to ensure prompt submission of data so that the reviews for the banking system as a whole are available with least delay.

The Group notes that RBI has set up a Standing Forum to evaluate the impact of bank finance on economic activities in specific areas. Besides undertaking evaluation studies at the RBI level, the Standing Forum may also consider issuing guidelines regarding the setting up of permanent arrangements in each banks and at the State level for undertaking such evaluation studies – area specific, activity specific or organisation specific, as appropriate. A review of all such evaluation studies may be published annually by RBI.

CHAPTER VIII

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

1. Of the 20-Points in the New Programme, 12 points have direct relevance to the banking system. The implications of these points from the point of view of bank assistance, the type of assistance that may be rendered by banks and the beneficiaries requiring assistance have been indicated in paragraphs 2.4 to 2.15. A statement listing the various items of the 20-Point Programme, nature of bank assistance and persons or organisations who would be benefited under each item has been appended to the report (Annexure III). The State Governments, in close collaboration with banks and/or ARDC/NABARD, should draw up specific schemes/plans of action under the various points in a co-ordinated manner, taking into account the various development programmes in the States, so that a clear picture of the bank assistance to be provided emerges and suitable tie-up arrangements are made (Para 2.4 to 2.16).

2. The Inter-Disciplinary Group set up by RBI in connection with bank assistance to decentralised sector may be activated (Para 2.15).

3. While no change is considered necessary in the overall composition of priority sector, modifications are proposed in the definitions of some components of the priority sector, with a view to ensuring that the thrust is towards financing the smaller borrowers. The modifications suggested are: (i) advances for acquisition of only one tractor under agriculture, (ii) advances for purchasing only one vehicle under road and water transport operators, (iii) besides fair price shops dealing in essential commodities and consumers' co-operative stores, any other retail traders with credit limits not exceeding Rs.25,000/– under retail trade, (iv) small business with working capital limits not exceeding Rs.1 lakh, and (v) professionals and self-employed persons with credit limits not exceeding Rs.1 lakh (Paras 3.2 and 3.3).

4. The net funds made available to RRBs by sponsor banks may be treated as priority sector advances of sponsor banks. This should ensure that sponsor banks evince greater interest and enable RRBs to play a greater role in financing priority sector and 20-Point beneficiaries (Para 3.4).

5. There is no need to alter the overall target of 40% of total bank credit, set for priority sector advances (Para 4.2).

6. A target of 14% of total bank credit has been suggested for direct finance to agriculture and allied activities against the present target of 16% for both direct and indirect finance to agriculture and allied activities (Para 4.3).

7. Banks should take steps to increase the share of advances for minor irrigation and land development purposes substantially (Para 4.3).

8. The definition of weaker sections in priority sector should correspond to the beneficiaries under the 20-Point Programme which is aimed at improving the living standard of the weakest sections of the society. Accordingly, it is proposed that the weaker sections in priority sector may comprise (i) small and marginal farmers as defined now, landless labourers, tenant farmers and sharecroppers, (ii) artisans, village and cottage industries, (iii) IRDP beneficiaries, (iv) Scheduled Castes/Scheduled Tribes, and (v) DRI beneficiaries. Net funds made available by sponsor banks to RRBs may also be treated under this category as advances by RRBs are given almost entirely to beneficiaries identified as weaker sections (Para 4.6).

9. The advances to the weaker sections as identified above should reach a level of 25% of priority sector advances or 10% of total bank credit by the end of March 1985. (Para 4.6).

10. Sustained efforts are called for on the part of the banking system to achieve the estimated increase in the level of outstanding credit to weaker sections. The field level machinery has to be geared up to achieve this task. The systems and procedures have to be suitably simplified keeping in view the type of beneficiaries to be financed and the same should be implemented effectively at the field level (Para 4.6).

11. The State Government and their agencies have a variety of responsibilities like systematic identification of schemes and beneficiaries, provision of extension services, linkages and infrastructural facilities, provision of necessary inputs and assistance in marketing end products, technical support in preparation and implementation of schemes, monitoring and ensuring at ground level proper implementation of schemes, conducting techno-economic studies, assisting the timely recovery of loans and arrangements for imparting training to beneficiaries. The achievement of the targets for assisting the weaker sections would depend critically upon the co-ordinated and effective performance of their respective roles by banks as well as Governmental agencies (Para 4.6, 4.7 and 6.4).

12. There is no scope for raising the target of 1% prescribed for DRI advances. There is, however, need for more precise means of identifying the beneficiaries under the DRI Scheme. The Government and Reserve Bank may consider this on the basis of the findings of the study carried out by NIBM (Para 4.8).

13. It is not considered necessary to make any change in the existing target for credit-deposit ratio of rural and semi-urban branches. The credit-deposit ratio on an area-wise basis is not a perfect guide to measure the performance of banks (Para 4.9).

14. It may not be feasible to achieve the target of 40% set for priority sector advances uniformly in all states. It will not also be practicable to fix different targets on a State-wise basis (Para 4.10).

15. The co-operatives and RRBs have an important role to play in the implementation of the New 20-Point Programme..In this context, there is need for effective co-

ordination between commercial banks, RRBs, and co-operatives in implementing DCPs (Para 5.1).

16. For ensuring effective participation of the co-operatives, it is necessary to take certain steps such as (i) implementing a time-bound programme for re-organisation and re-vitalisation of weak co-operative banks, primary agricultural societies and industrial societies, (ii) provision of adequate trained personnel, (iii) setting up of separate monitoring cells in the Co-operative Departments and District Co-operative Banks to review the performance of co-operatives in the matter of implementation of the 20-Point Programme etc (Para 5.3).

17. Weakening of financial institutions, particularly co-operatives, as a result of accumulation of overdues and consequent non-recycling of funds should be considered as a matter of concern not only to the financial institutions but also to State Governments and developmental agencies concerned. Concerted efforts should, therefore, be made all round to promote a healthy recovery atmosphere and ethics. (Para 5.3).

18. Co-operative banks may ensure that the share of the weaker sections is not less than half of the total credit advanced by co-operatives during a year (Para 5.4).

19. RRBs should draw up plans to ensure sizeable participation by them in financing the 20-Point Programme (Para 5.5).

20. There has to be a proper phasing of the programmes and schemes under each of the points and also fixation of priorities by the State Governments. Schemes which will provide immediate benefits and for which necessary linkages are readily available may be taken up initially (Para 6.2).

21. Banks should integrate assistance to 20-Point beneficiaries under DCPs/AAPs by including all viable/bankable schemes drawn up under the Programme (Para 6.3).

22. The guidelines issued by RBI for making the DCC an effective instrument of co-ordination need to be implemented by banks and State Governments. Similarly, the SLCC should also be made an effective instrument of co-ordination at the State level (Para 6.5).

23. The question of setting up suitable intermediary organisations, with appropriate back-up facilities, may be considered by State Governments to facilitate credit flows in an organised manner to the weaker sections as well as assistance regarding input supply and Marketing (Para 6.8).

24. The question of training of Government officials, particularly at the District/ block level in preparation and implementation of bankable scheme, etc., needs to be pursued. Adequate arrangements should be made for on-going training of Govern-

ment and bank officials so as to bring about required orientation in them for purposeful extension of institutional credit support to the beneficiaries of the 20-Point Programme and other weaker sections. Banks may review the training facilities for staff posted to rural and semi-urban branches and take steps to augment them to the required level (Para 6.6 and 6.7).

25. The recommendations made by CRAFICARD for making commercial banks an effective instrument in lending in rural areas, more particularly relating to staffing pattern with adequate technical support and attitudinal changes in the staff of the rural branches should be implemented on an urgent basis. The process of recruitment through Regional Recruitment Board needs to be expedited (Para 6.7).

26. The weaker section beneficiaries need to be organised into homogenous functional groups, preferably in the form of co-operatives or registered societies with support from developmental agencies at the district/State level in matters like technical advice, input supply and marketing (Para 6.9).

27. A quarterly return of advances under each of points of the 20-Point Programme, with State-wise data, may be obtained. The Schedules now prescribed under the NIS for reporting assistance to 20-Point beneficiaries may be dispensed with. The question of simplifying the NIS may also be considered (Para 7.2).

28. There is an urgent necessity to mechanise data processing and consolidation in banks. The RBI and Government may consider this, taking into account the recommendations of the Working Group on Accounting System at Bank Branches (Para7.3).

29. Effective action should be taken to institute a regular mechanism for monitoring the progress of priority sector lending including assistance under the 20-Point Programme by each bank through budgeting, returns, review, on the spot study, reporting to Board, etc. State-wise/District-wise review of the performance may be made through the DCCs and SLCCs. The performance of the banking system including the RRBs and the co-operatives, may be continuously monitored by the RBI. Apart from evaluation studies by banks, arrangements for having a permanent machinery at State level for undertaking such studies, area-specific, activity specific or organisation specific, as appropriate may be considered. RBI may consider publishing a review of all such studies annually (Para 7.4).

Sd/-
A. Ghosh
(Chairman)

Sd/- R.K. Kaul (Member)	Sd/- P.C.D. Nambiar (Member)	Sd/- B.V. Sonalkar (Member)
Sd/- S.L. Baluja (Member)	Sd/- B.K Chatterji (Member)	Sd/- R. Raghupathy (Member)

Sd/- N. Vaghul (Member)	Sd/- Ghulam Ghouse (Member)	Sd/- Sant Dass (Member)
Sd/- H.B. Shivamaggi (Member)	Sd/- V.K. Dikshit (Member)	Sd/- P.G. Muralidharan (Member)
	Sd/- U.K. Sharma (Member-Secretary)	

Bombay,
June 17, 1982.

ANNEXURE I

RESERVE BANK OF INDIA
CENTRAL OFFICE
BOMBAY

March 11, 1982
Phalguna 20, 1903 (Saka)

MEMORANDUM

At the meeting of the Finance Minister with the Chief Executives of public sector banks held on the 15th February 1982, it was decided that the banks should actively participate in the implementation of the new 20-Point Programme and that for this purpose Reserve Bank of India would set up a Working Group. In pursuance of this decision, the Reserve Bank of India appoints the following Working Group.

1. Shri A. Ghosh, Deputy Governor, Reserve Bank of India, Central Office, Bombay.	–	Chairman
2. Shri P.C.D. Nambiar, Chairman, State Bank of India, Central Office, Bombay.	–	Member
3. Shri B.V. Sonalkar, Chairman, Central Bank of India, Bombay.	–	-do-
4. Shri S.L. Baluja, Chairman, Punjab National Bank, New Delhi.	–	-do-
5. Shri B.K. Chatterji, Chairman, United Commercial Bank, Calcutta.	–	-do-
6. Shri R. Raghupathy, Chairman, Syndicate Bank, Manipal.	–	-do-
7. Shri. R.K. Kaul, Additional Secretary, Government of India, Ministry of Finance, Department of Economic Affairs, (Banking Division) New Delhi.	–	-do-

8. Shri V.K. Dikshit, Joint Secretary, Government of India, Ministry of Finance, Department of Economic Affairs, (Banking Division) New Delhi.	–	Member
9. Shri. P.G. Muralidharan, Joint Secretary, Ministry of Rural Development, Government of India, New Delhi.	–	-do-
10. Shri Sant Dass, Managing Director, Agricultural Refinance and Development Corporation, Bombay.	–	-do-
11. Shri Ghulam Ghouse, Managing Director, Agricultural Finance Corporation, Bombay.	–	-do-
12. Shri N. Vaghul, Chairman, Bank of India, Bombay.	–	Member (since co-opted)
13. Dr. H.B. Shivamaggi, Executive Director, Reserve Bank of India, Central Office, Bombay.	–	-do- (since co-opted)
14. Shri U.K. Sarma, Chief Officer, Department of Banking, Operations & Development, Reserve Bank of India, Central Office, Bombay 400-005	–	Member–Secretary

2. The terms of reference of the Working Group are as follows:

1. To identify the tasks for the banking system for effective implementation of the New 20-Point Programme,
2. to review the present targets and sub-targets within the priority sector with special reference to the needs of the weaker sections,
3. to examine the scope for modifications in the definitions of the priority sector,
4. to review the present reporting and monitoring system regarding the flow of credit to the New 20-Point Programme with a view to simplifying and

expediting the flow of information and making evaluation more effective, and

5. to make any other recommendations which are incidental or related to the above terms of reference.

3. The Working Group is expected to submit its report within a period of two months.

4. The Secretariat of the Working Group will be provided by Department of Banking Operations and Development of the Reserve Bank of India.

Sd/-
(I.G. Patel)
GOVERNOR

ANNEXURE II

NEW 20-POINT PROGRAMME

1. Increase irrigation potential, develop and disseminate technologies and inputs for dry land agriculture.
2. Make special efforts to increase production of pulses and vegetable oil seeds.
3. Strengthen and expand coverage of Integrated Rural Development and National Rural Employment Programmes.
4. Implement agricultural land ceilings, distribute surplus land and complete compilation of land records by removing all administrative and legal obstacles.
5. Review and effectively enforce minimum wages for agricultural labour.
6. Rehabilitate bonded labour.
7. Accelerate programmes for the development of Scheduled Castes and Tribes.
8. Supply drinking water to all problem villages.
9. Allot house sites to rural families who are without them and expand programmes for construction assistance to them.
10. Improve the environment of slums, implement programmes of house building for economically weaker sections, and take measures to arrest unwarranted increase in land prices.
11. Maximise power generation, improve the functioning of electricity authorities and electrify all villages.
12. Pursue vigorously programmes of afforestation, social and farm forestry and the development of bio-gas and other alternative energy sources.
13. Promote family planning on a voluntary basis as a people's movement.
14. Substantially augment universal primary health care facilities, and control of leprosy, T.B. and blindness.
15. Accelerate programmes of welfare for women and children and nutrition programmes for pregnant women, nursing mothers and children, specially in tribal, hill and backward areas.
16. Spread universal elementary education for the age-group 6-14 with special emphasis on girls, and simultaneously involve students and voluntary agencies in programmes for the removal of adult illiteracy.
17. Expand the public distribution system through more fair price shops, including mobile shops in far-flung areas and shops to cater to industrial workers, students' hostels, and make available to students for textbooks and exercise books on a priority basis and to promote a strong consumer protection movement.
18. Liberalise investment procedures and streamline industrial policies to ensure

timely completion of projects. Give handicrafts, handlooms, small and village industries all facilities to grow and to update their technology.

19. Continue strict action against smugglers, hoarders and tax evaders and check black money.

20. Improve the working of the public enterprises by increasing efficiency, capacity utilisation and the generation of internal resources.

ANNEXURE III

LIST OF BENEFICIARIES TO BE ASSISTED UNDER THE NEW 20-POINT PROGRAMME

Point No.	Beneficiary under the New 20-Point	Nature of assistance/activities covered	Category of priority sector
1	2	3	4
1 (Increase in irrigation potential and improvement in dry land agriculture)	i) Individual farmers ii) co-operative societies iii) Corporate entities/State Government agencies	a) Investment credit for programmes of land development on holdings coming under the area of major/medium irrigation project.	Agriculture (Direct/Indirect)
		b) Investment credit for minor irrigation schemes including installation of lift irrigation units, deep tube wells, augmentation tube wells etc.	
		c) Production credit for seasonal agricultural operations for switching over to irrigated farming	
		d) Production/investment credit for dry land/rainfed agricultural operations	
2 (Increase in production of pulses and oilseeds)	i) Farmers engaged in production of pulses and oilseeds	a) Production/investment credit	Agriculture (Direct)
	ii) Units engaged in production, processing and marketing of pulses and oil seeds	b) Financing co-operatives or other organisations of farmers engaged in production, processing and marketing of oilseeds and oils	SSI

3 (IRDP)	i) Individual farmers	a) Production/investment credit for agriculture and allied activities	Agriculture
	ii) Artisans, persons engaged in village and cottage industries	b) Finance for fixed and working capital and composite loans	SSI
	iii) Persons engaged in retail trade, small business, etc.	c) Finance for fixed and working capital	Retail trade/small business
4 (Distribution of surplus lands)	Small farmers and others who have been allotted surplus land, sharecroppers, etc., given recorded rights in land.	a) Production/investment credit for agriculture and allied activities	Agriculture
		b) Finance for carrying on small business activities to supplement income from agriculture and allied activities	Small business
		c) Finance for setting up village industry	SSI
6 (Rehabilitation of bonded labour)	Identified and released bonded labour	a) Production/investment credit for agriculture and allied activities	Agriculture
		b) Finance for setting up village industry	SSI
		c) Finance for engaging in small business activities or retail trade	Small business/retail trade
		d) Pure consumption loans	Consumption loan
7 (Development of SC/ST)	i) Cultivators belonging to SC/ST	a) Production/investment credit for agriculture and allied activities	Agriculture
	ii) Members belonging to SC and ST undertaking traditional occupation, such as leather work, weaving, tiny cottage and village industries and under various self-employment programmes	b) Finance for fixed and working capital, as well as assistance to corporations/co-operatives or other groups set up exclusively for the benefit of the members of these communities	SSI
		c) Finance for engaging in small business activities or retail trade, acquisition of cycle rickshaws, handcarts, etc.	Small business/retail trade/transport operators

9 (Allotment of house sites)	Allottees of house sites	a) Finance for construction of dwelling places	Housing Finance (Direct)
		b) Assistance given to any Governmental agency for the purpose of constructing houses exclusively for the benefit of SC & ST and low income groups and where the loan component does not exceed Rs.5,000/- per unit.	Housing Finance (Direct)
10 (Improvement of slums)	Slum dwellers	Assistance to any Government agency for slum clearance and rehabilitation of slum dwellers subject to other conditions specified above.	Housing Finance (Indirect)
11 (Power generation and electrification of Villages)	Farmers for energisation of pumpsets under the Rural Electrification Schemes	a) Loan assistance to farmers under the Rural Electrification Programmes	Agriculture (Indirect)
		b) Assistance to Electricity Boards by way of subscription to loans/debentures as well as working capital	
12 (Afforestation, development of bio-gas and other alternate energy sources)	i) Organisations engaged in raising industrial plantations for commercial exploitation with the objective of meeting the industrial raw material requirements.	a) Finance to such organisations under ARDC schemes	Agriculture (Allied activities)
	ii) Individual farmers or farmers' organisations engaged in farm forestry.	b) do	do
	iii) Manufacturers of bio-gas and other renewable sources of energy equipments (To the extent they fall within SSI)	c) Assistance for manufacture and setting up of bio-gas plants, including community gobar gas plants.	SSI

	iv) Users of bio-gas plants and other renewable energy equipments (to the extent the beneficiaries fall within priority sector)	d) Assistance to farmers using windmills e) Assistance for setting up bio-gas plants and other equipments.	Agriculture Agriculture/SSI
	v) Manufacturers of windmills (if an SSI unit)	f) Finance for manufacture and setting up windmills	SSI
17 (Public Distribution of essential commodities, supply of books, etc.)	Fair price shops, including mobile shops in far flung areas, shops to cater to industrial workers, consumer co-operatives, including those at educational institutions, etc.	Assistance for distribution and supply of essential commodities and other retail trade	Retail trade
18 (Development for Handicrafts, handlooms, village/cottage industries)	Persons engaged in making handicrafts sericulture, handloom and carpet weavers, small and village/cottage industries	a) Finance for fixed and working capital to individual artisans, and units	SSI
		b) Assistance to promotional bodies and marketing organisations for decentralised sector such as KVIC, KVIB, etc.	SSI (Indirect)
		e) Financing through the State sponsored corporations engaged in assisting handloom weavers, artisans, village and cottage industries	SSI (Indirect)

ANNEXURE IV

List of items included in different segments of priority sector

(1) AGRICULTURE

I. Direct finance to farmers for agricultural purposes

(i) Short-term loans for raising crops: i.e. for crop loans. In addition, advances upto Rs.5,000/- to farmers against pledge/hypothecation of agricultural produce for a period not exceeding 3 months, where the farmers were given crop loans for raising the produce.

(ii) Medium and long-term loans:
(Provided directly to farmers for financing production and development needs).

(A) Purchase of agricultural implements and machinery

(i) Purchase of agricultural implements: Iron ploughs, harrows, hose, land-levellers, bundformers, handtools, sprayers, dusters, hay-press, sugarcane crushers, thresher machines, etc.

(ii) Purchase of farm machinery: tractors, drillers, power tillers, tractor accessories, viz., disc ploughs, etc.

(iii) Purchase of trucks, bullock carts and other transport equipments, etc., to assist the transport of agricultural inputs and farm products.

(iv) Purchase of plough animals.

(B) Development of irrigation potential through:

(i) Construction of shallow and deep tube wells, tanks, etc. and purchase of drilling units.

(ii) Constructing, deepening, clearing of surface wells, boring of wells, electrification of wells, purchase of oil engines and installation of electric motor and pumps.

(iii) Purchase and installation of turbine pumps, construction of field channels (open as well as underground), etc.

(iv) Construction of lift irrigation project.

(v) Installation of sprinkler irrigation system.

(C) Reclamation and Land Development Schemes:

Bunding of farm lands, levelling of land, terracing, conversion of dry paddy lands into wet irrigable paddy lands, development of farm drainage, reclamation of soil lands and prevention of salinisation, reclamation of ravine lands, purchase of bulldozers, etc.

(D) *Construction of farm buildings and structures etc.:*
Bullock sheds, implement sheds, tractor and truck sheds, farm stores, etc.

(E) *Construction and running of storage facilities:*
Construction and running of warehouses, godowns, silos and cold storages.

(F) *Production and processing of hybrid seeds of crops*

(G) *Payment of irrigation charges etc.:*

Charges for hired water from wells and tubewells, canal water charges, maintenance and upkeep of oil engines and electric motors, payment of labour charges, electricity charges, marketing charges, service charges to Custom Service Units, payment of development cess, etc.

II. OTHER TYPES OF DIRECT FINANCE TO FARMERS:

(i) Short term loans

(a) To non-traditional plantations and horticulture

(b) For allied activities such as dairying, fishery, piggery, poultry, bee-keeping, etc.

(ii) Medium and long term loans

(a) Development loans to all plantations, horticulture, forestry etc.

(b) Development loans for allied activities:

(1) Development of dairying and animal husbandry in all its aspects.

(2) Development of fisheries in all its aspects: from fish catching to stage of export, financing of equipment necessary for deep sea fishing, rehabilitation of tanks (fresh water fishing), fish breeding, etc.

(3) Development of poultry, piggery etc., in all its aspects including erection of poultry houses, pig houses, bee-keeping, etc.

(4) Development and maintenance of stud farms, sericulture, etc. However, breeding of race horses cannot be classified here.

INDIRECT FINANCE TO AGRICULTURE

(1) Credit for financing the distribution of fertilisers, pesticides, seeds, etc. (However, under the New Information System, the guidelines for classification state that only credit for financing the distribution of fertilisers, pesticides and seeds through co-operatives and other State-sponsored organisations, irrespective of credit limits should come under "Distribution of fertilisers and other inputs". Advances granted to private retail traders (subject to credit limits) should be reported under Retail Trade).

(2) Loans to Electricity Boards for reimbursing the expenditure already incurred by them for providing low tension connections from step down point to individual farmers for energising their wells.

(3) Loans to farmers through PACS, FSS and LAMPS.

(4) Other types of indirect finance such as, (i) Finance for hire-purchase schemes for distribution of agricultural machinery and implements. (ii) Loans for construction and running of storage facilities (warehouse, godown silos and cold storages*) in the producing areas. *If the loans to the cold storages are covered by the guarantee of the DICGC, they should be classified under SSI advances. (iii) Advances to Custom Service Units managed by individuals, institutions or organisations who maintain a fleet of tractors, bulldozers, well-boring equipment, threshers, combines, etc. and undertake work from farmers on contract basis. (iv) Loans to individuals, institutions or organisations who undertake spraying operations. (v) Loans to co-operative marketing societies, co-operative banks for relending to co-operative marketing societies (provided a certificate from the State Co-operative Bank in favour of such loans is produced). (vi) Loans to co-operative banks of producers (e.g. Aarey Milk Colony Co-operative Bank, consisting of licensed cattle owners). (vii) Financing the farmers indirectly through the co-operative system (otherwise than by subscription to bonds and debentures issues) provided a certificate from the State Co-operative Bank in favour of such loans is produced. (viii) Loans to Agro-Industries Corporations. (ix) Loans to State-sponsored-Agricultural Credit Corporations. (x) Advances to the Agricultural Finance Corporation. (xi) Advances to State-sponsored Corporations for onward lending to weaker sections.

2. SMALL SCALE INDUSTRIES

Small-scale industrial units are those engaged in the manufacture, processing or preservation of goods and whose investment in plant and machinery (original cost) does not exceed Rs.20 lakhs. These would, inter alia, include units engaged in mining or quarrying, serving and repairing of machinery. In the case of ancillary units the investment in plant and machinery (original cost) should not exceed Rs.25 lakhs to be classified under small-scale industry.

Indirect finance in the small-scale industrial sector will include credit to –

(i) agencies involved in assisting the decentralised sector in the supply of inputs and marketing of ouputs of artisans, village and cottage industries, and

(ii) Government-sponsored Corporations/organisations providing funds to the weaker sections in the priority sector.

INDUSTRIAL ESTATES

Loans for setting up industrial estates.

3. SMALL ROAD AND WATER TRANSPORT OPERATORS

Advances to small road and water transport operators owning a fleet of vehicles not exceeding six vehicles, including the one proposed to be financed.

4. RETAIL TRADE

Advances granted to (i) private retail traders in fertilisers and mineral oils with annual turnover not exceeding Rs.10 lakhs and (ii) other retail traders with annual turnover not exceeding Rs.4 lakhs and which are eligible for DICGC cover.

5. SMALL BUSINESS

Small business would include individuals and firms managing a business enterprise established mainly for the purpose of providing any service other than professional services whose original cost price of the equipment used for the purpose of business does not exceed Rs.2 lakhs and who are eligible for DICGC cover. Advances for acquisition, construction, renovation of house boats and other tourist accommodation will be included here.

6. PROFESSIONAL AND SELF-EMPLOYED PERSONS

Loans to professional and self-employed persons include loans for the purpose of purchasing equipment, repairing or renovating existing equipment and/or acquiring and repairing business premises or for purchasing tools and/or for working capital requirements to medical practitioners including Dentists, Chartered Accountants, Cost Accountants, Lawyers or Solicitors, Engineers, Architects, Surveyors, Construction Contractors or Management Consultants or to a person trained in any other art or craft who holds either a degree or diploma from any institution established, aided or recognised by Government or to a person who is considered by the bank as technically qualified or skilled in the field in which he is employed. The term also includes firms and joint ventures of such professional and self-employed persons. This category will include all advances granted by the bank under special schemes, if any, introduced for the purpose. Only such professionals and self-employed persons whose borrowings (limits) do not exceed Rs.2 lakhs and who are eligible for DICGC cover should be covered here.

7. EDUCATION

Educational loans should include only loans and advances granted to individuals for educational purposes and not those granted to institutions and will include all advances granted by banks under special schemes, if any, introduced for the purpose

8. HOUSING

(a) Direct finance

Loans up to Rs.5,000/- for construction of houses granted to Scheduled Castes/Scheduled Tribes and the weaker sections of the society irrespective of DICGC coverage.

(b) Indirect finance

(i) Assistance given to any governmental agency for the purpose of constructing houses exclusively for the benefit of Scheduled Castes/Scheduled Tribes and low-income groups and where loan component does not exceed Rs.5,000/- per unit. (ii) Assistance to any governmental agency for slum clearance and rehabilitation of slum dwellers subject to other conditions specified above.

9. CONSUMPTION

Pure consumption loans granted under the Consumption Credit Scheme should be included in this item.

ANNEXURE V

20-POINT PROGRAMME

Return as at the end of March/June/Sept./Dec. 198 ____ **(Amount 000's omitted)**

Point No.	Description	Outstanding at the end of the previous quarter		Disbursements during the current quarter		Outstanding at the end of the current quarter	
		No. of accounts	Balance outstanding	No. of accounts	Amount disbursed	No. of accounts	Balance outstanding
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Increase in irrigation potential, inputs for dry land agriculture.						
2.	Increase in production of pulses and vegetable oilseeds.						
3.	Integrated Rural Development Programme.						
4.	Distribution of surplus land.						
6.	Rehabilitation of bonded labour.						
7.	Programmes for development of SCs/STs.						
9.	House sites to rural families.						
10.	Assistance for house-building scheme in slums.						
11.	Maximisation of power generation.						
12.	Development of bio-gas, social and farm forestry.						
17.	Expansion of public distribution system, supply of text-books, etc. to students.						
18.	Facilities to handicrafts, handlooms, small and village industries.						

Note: 1) Computation of disbursements will be on the same basis as in schedules 1B and 2B under the New Information System.

2) The statement should be prepared State-wise with a consolidated statement for the bank as a whole.