HIGH LEVEL STANDING COMMITTEE TO REVIEW THE FLOW OF INSTITUTIONAL CREDIT FOR RURAL SECTOR AND OTHER RELATED MATTERS.

FIRST MEETING ON
24 January 1986

AGENDA NOTES

1985

RESERVE BANK OF INDIA
RURAL PLANNING AND CREDIT DEPARTMENT
CENTRAL OFFICE
BOMBAY.

HIGH LEVEL STANDING COMMITTEE TO REVIEW THE FLOW OF INSTITUTIONAL CREDIT FOR RURAL SECTOR AND OTHER RELATED MATTERS.

FIRST MEETING

Date	:	24 January, 1986
Time	:	11 A.M.
Venue	:	Conference Room No. 2, Floor 15 New Central Office Building Reserve Bank of India Shahid Bhagat Singh Road Bombay 400 023.

AGENDA

1. Review of arrangements for supply of institutional credit to rural sector.

2. Review of progress in flow of institutional credit for poverty alleviation programmes.

3. Review of operation of Lead Bank Scheme.

4. Consideration of measures necessary for improving recovery position of agricultural advances.

5. Focus on North Eastern Region in respect of Agricultural Growth : Seventh Five Year Plan : Action Needed.

6. Any other matter with the permission of the Chair.

RESERVE BANK OF INDIA
CENTRAL OFFICE
BOMBAY

15 November 1985

MEMORANDUM

The Reserve Bank of India appoints a High Level Standing Committee to review the flow of institutional credit for rural sector and other related matters and to suggest measures for improving the credit delivery system for the greater benefit of farmers, artisans, landless labourers and other weaker sections, particularly scheduled castes and scheduled tribes.

The composition and terms of reference of the Committee will be as under :

Composition

1.	Dr. P.D. Ojha Deputy Governor Reserve Bank of India Central Office BOMBAY 400 023.	Chairman
2.	Shri R.K. Kaul Chairman National Bank for Agriculture & Rural Development Sterling Centre (1st floor) Dr. Annie Besant Road Worli P.B. No.6552 BOMBAY 400 018.	Member
3.	Shri M. Subramanian Secretary (A & C) Ministry of Agriculture & Rural Development Department of Agriculture & Cooperation Government of India Krishi Bhavan NEW DELHI 110 001.	Member
4.	Shri D. Bandyopadhay Secretary Ministry of Agriculture & Rural Development Department of Rural Development Government of India Krishi Bhavan NEW DELHI 110 001.	Member

5.	Shri M.N. Goiporia Chairman Indian Banks' Association Stadium House Veer Nariman Road BOMBAY 400 020.	Member
6.	Shri D.N. Ghosh Chairman State Bank of India Central Office New Administrative Building Nariman Point Post Box No.12 BOMBAY 400 021.	Member
7.	Shri S.M. Kelkar Additional Secretary Department of Economic Affairs (Banking Division) Ministry of Finance Government of India 'Jeevan Deep' Parliament Street NEW DELHI 110 001.	Member
8.	Managing Director Agricultural Finance Corporation Ltd. Dhanraj Mahal, I Floor Shivaji Marg BOMBAY 400 039.	Member
9.	Adviser (Agriculture) Planning Commission Yojana Bhavan Parliament Street NEW DELHI 110 001.	Member
10.	Agricultural Production Commissioners from State Governments (one from each Region by rotation)	Members (6)
11.	Chairman National Federation of State Cooperative Banks Ltd. 'Shivshakti' B.G. Kher Road Worli Post Box No.9921 BOMBAY 400 018.	Member
12.	Chairman National Cooperative Land Development Banks Federation Ltd. 'Shivshakti' B.G. Kher Road Worli BOMBAY 400 018.	Member

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13.	Dr. N.S. Randhawa Director General Indian Council of Agricultural Research Krishi Bhavan Rajendra Prasad Road NEW DELHI 110 001.	Member
14.	Director-in-Charge Application of Science & Technology to Rural Areas (ASTRA) Indian Institute of Science BANGALORE 560 012.	Member
15.	Vice Chancellor Punjab Agricultural University Ludhiana PUNJAB	Member
16.	Managing Director National Cooperative Development Corporation 4, Siri Institutional Area Hauz Khas NEW DELHI 110 016.	Member
17.	Chairman Khadi & Village Industries Commission Irla Road Vile Parle (West) BOMBAY 400 056.	Member
18.	Director Indian Agricultural Research Institute Pusa Road NEW DELHI 110 012.	Member
19.	Shri R.P. Satpute Chief Officer Rural Planning & Credit Department Reserve Bank of India Central Office BOMBAY 400 023.	Member-Secretary

Terms of reference

The terms of reference of the Committee will be -

(i) to review and assess the requirements and availability of institutional credit for agriculture and rural development;

(ii) to identify operational shortcomings which inhibit effective delivery of institutional credit to intended beneficiaries of various programmes and activities and suggest remedial measures;

(iii) to examine the progress made in correcting regional imbalances in the matter of agricultural credit and related facilities and recommend appropriate steps to improve the position;

(iv) to suggest measures so that cooperative banks and land development banks at state and district levels become effective agencies to facilitate the flow of rural credit;

(v) to review the progress of flow of credit and complementary inputs to weaker sections of society and recommend measures to improve the position in this behalf;

(vi) to recommend measures for improving the effectiveness of co-ordination between credit institutions and various State Government agencies at or below the district level including District Rural Development Agencies, District Industries Centres, development blocks, extension services and Government departments concerned with agriculture, rural development and small scale and village industries;

(vii) to suggest improvements in needed infrastructural support and packages of complementary inputs, including technological support, with a view to making rural credit more effective;

(viii) to identify factors which adversely affect the timely recovery of rural credit and suggest ways and means of improving recycling of funds of credit institutions;

(ix) to promote co-ordination at the National and State level among credit institutions and other agencies concerned with institutional credit for agricultural and rural development.

The Committee may meet at least twice a year. The Committee may invite such other persons whose participation in any meeting is considered necessary.

The Secretariat of the Committee will be provided by the Rural Planning and Credit Department, Reserve Bank of India, Central Office, Bombay.

R.N. Malhotra
Governor

High Level Standing Committee on Rural Credit

24 January 1986

Agenda Item 1

Review of arrangements for supply of institutional credit for rural sector

In the planned process of growth initiated after independence, priority has all along been given to the upliftment of rural population, a large number of which is poor. Emphasis has been laid in the successive Five Year Plans on development of agriculture and allied activities and total development of the rural sector. In pursuance of this broad policy approach, land reforms and land ceiling legislations were passed which made it possible for millions of cultivators to have ownership/ occupying rights in land. Provision of increased irrigation facilities, emergence of modern techniques of cultivation, availability of improved seeds, fertilisers, etc. have resulted in inducing farmers to undertake larger investment in agriculture than before. The overall impact of all these factors has led to tremendous rise in demand for credit from institutional agencies. During the first three Five Year Plans, co-operatives were the main, if not the sole, agencies dispensing credit to the agricultural sector, since in terms of their rural base and the infra-structural facilities enjoyed by them they were recognised as most suitable agencies for the purpose. However, progress of co-operative credit failed to keep pace with increasing demand for credit leaving large credit gaps.

The commercial banks which were inducted in agricultural sector particularly after their nationalisation undertook direct financing of agriculture and also indirect financing through primary agricultural credit societies in areas of weak central co-operative banks. However, the latter experiment did not succeed for various reasons and the commercial banks were not able to make any commendable progress in financing small and marginal farmers. Regional Rural Banks then came to be organised to cater to the needs of small/marginal farmers, agricultural labourers and rural artisans. With a multi-agency credit structure the Sixth Plan envisaged a higher rate of growth of rural credit and aimed at an increase in disbursement of agricultural credit both short-term and term loan through the institutional agencies from the base level of Rs 2550 crores in 1979-80 to Rs 5415 crores by 1984-85. The actual disbursement of credit in 1984-85 is reported to be Rs 5810 crores and thus the targets set can be said to have been achieved.

2. The Seventh Plan aims at raising food production in the country from the current level of 150 million tonnes to about 183 million tonnes by 1989-90. There would be major emphasis on dryland farming and cultivation of pulses and oilseeds. The Seventh Plan, therefore, envisages a much larger credit support at Rs 12570 crores - Rs 8040 crores for short-term and Rs 4530 crores term credit in the terminal year. A further dimension to this estimation is given by the recommendations of the Committee on Agricultural Productivity in Eastern India under the chairmanship of

Dr. Sen. In the context of increasing agricultural production in Eastern Region, the Committee has made a number of recommendations which if fully implemented will push up the agricultural credit required in this region above Rs 3160 crores under short-term and Rs 1635 crores under medium-term in the Seventh Plan.

3. On the non-farm side too the demand for credit from village and small industries is expected to increase. This sector constitutes an important segment of economy in terms of employment, output and exports. The products of this sector have been accepted on an increasing scale in foreign markets and as ancillary items to large scale units in the country. In terms of value, production of traditional industries is reported to have increased from Rs 4447 crores in 1979-80 to Rs 7726 crores in 1984-85 and exports from Rs 1231 crores to Rs 2208 crores. In terms of employment, the number of persons engaged in these industries is estimated at 164.95 lakhs at the end of 1984-85. The overall output at 1984-85 prices in this sector is targeted to increase to Rs 11760 crores by the terminal year 1989-90 of the 7th Plan, registering an annual growth rate of 8.8 per cent. Such a growth calls for, inter alia, adequate credit. The question of impediments in the flow of bank finance has been gone into by a Committee set up by the Planning Commission under the chairmanship of Shri Khusro and its recommendations are being examined by the Government of India.

4. The rural credit requirements in Seventh and subsequent Plans are, therefore, likely to grow faster than hitherto and it is necessary that the institutional credit structure not only gears itself to provide rural credit as required but is also in a position to monitor, supervise and review the flow, take corrective steps where necessary and ensure that credit flows into priority sectors for generating more production which can help to maintain price stability, increase incomes, reduce poverty and provide gainful employment. A review of the institutional structure for rural credit at this stage, therefore, seems to be most opportune.

Co-operatives

5. In the institutional set up for rural credit the co-operatives have the largest spread over the country. Data available upto the end of June 1984 indicate that there were 92,496 primary agricultural credit societies (pacs), 349 district central co-operative banks (ccbs) and 28 state co-operative banks (scbs) supplying short-term and medium-term credit and 19 state land development banks (sldbs) and 873 primary land development banks (pldbs) supplying long-term credit. Annexure I gives financial particulars of scbs, ccbs, pacs and sldbs.

6. The pacs had a total membership of 6.7 crores giving an average membership of 720 per society. The borrowing membership stood at 2.3 crores constituting 33.7% of total membership. On an average, therefore, a society had a borrowing membership of 246. Total loans outstanding amounted to Rs 3498 crores which gives an average loan business of Rs 3.8 lakhs per society. As many as 51878

societies had worked at profit and 34121 at loss with 7363 societies making neither profit nor loss (1983). As many as 68224 societies had full time paid secretaries which is one of the criteria for deciding whether a society is viable. The Working Group on Co-operation in the Fifth Five Year Plan had observed that a primary agricultural credit society could become viable only if it had a minimum credit business of Rs 2 lakhs. This was expected to be achieved by financing a grossed cropped area of 2,000 hectares. Further, it was expected that when the reorganisation of societies so as to make them viable units is completed by amalgamation, the total number of pacs which stood at 2.10 lakhs at the end of 1963-64 would come down to 90,000. Since the number of pacs at the end of 1983-84 has come down to 92496, it can be assumed that the number need not be reduced further but the existing societies should be strengthened as nearly 40 per cent of them are working at losses. The CRAFICARD had stressed that in the context of integrated rural development, it was important to transform every reorganised society into a single contact point not only for providing all types of credit needed by agriculturists and other rural producers but also for offering package of services like supplies of inputs and marketing of produce. In pursuance of this recommendation, Nabard had formulated broad guidelines in November 1982 for implementing the programme of transformation of about 5000 societies by 1983-84. Till the end of June 1985, 4399 pacs in 16 states/union territories were selected. The Nabard is yet to report on progress made in the transformation.

7. The deposits of scbs and ccbs together amounted to Rs 6321.4 crores as at the end of June 1984. The growth rate of deposits of scbs had declined to 17% during 1980-81, 13% during 1981-82 and further to 11% during 1982-83. However, it picked up during 1983-84 and rose to 20.7%. In the case of ccbs, the growth rate in deposits at 14% during 1981-82 was much less as compared to the growth rate of 22% during the previous year. However, the deposit growth during 1982-83 for ccbs registered an increase to 15% and further to 18.2% during 1983-84. Co-operative banks continued to receive refinance from Nabard in respect of their short-term and medium-term agricultural loans as well as loans to 22 groups of small-scale industries. Refinance for short-term agricultural loans increased from Rs 892 crores in 1981-82 to Rs 1233 crores in 1984-85. With a view to enabling Nabard to grant refinance facilities for short-term purposes to co-operative banks and rrbs, the Reserve Bank sanctions to the former a general line of credit which amounted to Rs 1200 crores in 1982-83 and was raised to Rs 1300 crores for 1983-84. It has been continued at that

level for 1984-85 and 1985-86. The Nabard follows the disciplines earlier evolved in the Reserve Bank of India in sanctioning limits to co-operative banks. The refinance facility is not provided if the central co-operative bank has adequate resources to meet its realistic lending programme. Again, credit limit is not sanctioned if a central co-operative bank's overdues exceed 60 per cent. Thus, during 1984-85, 26 central co-operative banks were not sanctioned credit limits on account of their having adequate resources and 49 central co-operative banks were not sanctioned credit limits on account of overdues exceeding 60 per cent. Further, from the year 1985-86, state co-operative banks and central co-operative banks are required to involve a minimum of 25 per cent and 40 per cent respectively, of their internal lendable resources in short-term agricultural loans. But if a bank is not in a position to do so, a period of 3 to 5 years will be given to reach the level in a phased programme. In the case of regional rural banks, a minimum involvement of 15 to 30 per cent has been prescribed by the Nabard.

8. The table below shows statewise number of weak central co-operative banks under rehabilitation during last 4 years:

Sr. No.	Name of the State	Total No.	Weak CCBs as on 30 June 1981	1982	1983	1984	No.of CCBs which reached cut off date at end of 1984@
1.	Andhra Pradesh	27	9	5	10(5)	10	4
2.	Assam	1	-	-	-	-	-
3.	Bihar	34	27	28	33(27)	33	27
4.	Gujarat	18	8	8	7	6	-
5.	Haryana	13	1	1	1	1	-
6.	Himachal Pradesh	2	1	1	1(1)	1	1
7.	Jammu & Kashmir	3	3	3	3(3)	3	3
8.	Karnataka	19	11	11	12(6)	14	6
9.	Kerala	12	-	-	-	-	-
10.	Madhya Pradesh	45	13	10	8(4)	9	5
11.	Maharashtra	28	12	8	7	7	5
12.	Orissa	17	1	-	-	-	-
13.	Punjab	15	7	7	5(3)	6	5
14.	Rajasthan	25	3	5	6(3)	7	1
15.	Tamil Nadu	17	1	4	2	5	-
16.	Uttar Pradesh	56	22	19	26(16)	28	6
17.	West Bengal	17	8	8	13(12)	13	-
		349	127	118	134(80)	143	63

The figures of 1983 have been repeated for 1984 in respect of Bihar and West Bengal.

@ Banks which have been under rehabilitation programme for more than five years (from the date of its first inclusion in the 'list of weak banks' or from 30-6-1977 whichever is later) are considered to have reached cut-off date.

Figures within bracket indicate the banks which had been approved by the Government of India for assistance under the Central Sector Plan Scheme (since discontinued from 1st April 1980).

Apart from Assam where there is only 1 ccb, Kerala and Orissa were the only states where not a single ccb was weak. On the other hand, almost all ccbs in Bihar and a comparatively large number in Andhra Pradesh, Karnataka, Uttar Pradesh and West Bengal were weak. The scbs in Assam, Chandigarh (for union territory), Delhi, Manipur, Meghalaya, Nagaland, Pondicherry and Tripura where there are no ccbs are also weak. The rehabilitation programme is being pursued with them.

9. The long-term credit disbursed by sldbs during 1983-84 was of the order of Rs 439 crores and the loans outstanding as on 30 June 1984 stood at Rs.2236 crores. The lending programme for the financial year 1984-85 was fixed at Rs 550 crores comprising Rs 452 crores under Nabard aided schemes and Rs 98 crores under ordinary lending programmes. An important feature of the lending activities of sldbs is that a major portion of the loans granted by them is for the purpose of minor irrigation, followed by loans for plantation/ horticulture and farm mechanisation. Of the total refinance assistance at Rs 3631 crores from Nabard availed of by sldbs upto 30 June 1985, the finance for minor irrigation accounted for 66 per cent of the total. Six sldbs have been identified as 'weak' banks and are under rehabilitation which include, inter alia, blocking of chronic overdues and their recovery over a period of 5 years. Shortfall in cash recoveries every year in the blocked accounts is to be made good by the concerned State Governments but State Governments of Bihar and Madhya Pradesh have failed to meet their commitments.

10. In the last few years management of many scbs, ccbs, pacs and sldbs had been superseded. Available information indicates that 9 state co-operative banks and 5 sldbs have nominated boards. Similarly, 117 out of 276 central co-operative banks in 12 States, have nominated boards/ administrators. It is further observed that 16 out of 22 scbs and 10 out of 13 sldbs have government officers as chief executives. As many as 79 out of 151 ccbs have government officers as chief executives.

Commercial Banks

11. There are 28 banks in the public sector accounting for over 90 per cent of banking business and 52 private sector banks including 21 foreign banks accounting for the rest. All of them excluding foreign banks are involved in giving rural credit. This has become possible through implementation of policies requiring them to play active role in rural areas. Firstly, there has been a rapid expansion of branches bringing all-India average population per branch in rural and semi-urban areas to 16,300. Secondly targets have been fixed for commercial banks for financing priority sectors such as agriculture and small-scale industry. Thirdly, they have been given guidelines for financing rural sector, which include concessions in regard to margin, security and rate of interest and their procedures such as application forms, execution of loan documents etc. have been simplified.

12. The process of expanding banking infrastructure was vigorously pursued after the nationalisation of 14 major

commercial banks in July 1969. The twin objectives of the branch expansion programme are improving banking facilities in the rural/semi-urban areas and reducing inter-regional and inter-state disparities in banking development. The aim of branch licensing policy during the Sixth Plan period was to achieve a coverage of 17000 population (1981 Census) per bank office in the rural and semi-urban areas of each district. The total number of bank branches increased to 51385 by June 1985, the number of rural branches went up to 30177 i.e. 59% of total and the average population covered came down to 15,400. Inter-regional disparities in banking facilities have also been reduced substantially. For instance, in Assam where the population per bank office was 35000 in June 1982 came down to 25000 by the end-February 1985. In Bihar the population coverage came down from 25000 to 19000. During the Seventh Plan period the emphasis will be on consolidation of offices but at the same time filling in spatial gaps.

13. Commercial banks are required to finance priority sectors upto 40 per cent of their net bank credit. All the banks have reached this percentage by September 1985 and the national average is 42.1 per cent (vide Annexure II). The banks have to comply following other stipulations:

(a) Attain a level of 16 per cent of total advances for direct finance to agriculture by March 1987.

(b) Attain a credit-deposit ratio of 60 per cent in rural and semi-urban branches separately.

(c) Attain a level of 25 per cent of priority sector credit or 10 per cent of total bank credit in respect of weaker sections which include small and marginal farmers, tenant cultivators, share-croppers, agricultural labourers, artisans, scheduled castes and scheduled tribes and beneficiaries of special programmes like Integrated Rural Development programme.

14. Advances to agriculture have gone up sharply from Rs 188 crores in June 1969 to Rs 7,983 crores at the end of September 1985. A break-up of agricultural advances into direct and indirect at the end of September 1985 is given below:

(No.of a/cs. in lakhs)
(Amount in Rs. crores)

	No.of Accounts	Balance outstanding	Percent
Direct finance	141.64	6,647	83.00
Indirect finance	9.72	1,336	17.00
Total :	151.36	7,983	100.00

Direct finance to agriculture which includes short-term production loans, medium/long-term loans for development and loans for allied activities, constituted 83% of total agricultural advances and 14.7 per cent of net bank credit. Indirect finance includes loans for distribution of fertilisers and other inputs, loans to electricity boards, for irrigation of wells, and loans for construction of market-yards and godowns. Medium and long-term loans constituted over 50 per cent of total direct agricultural loans as on 30.6.1984. Purposewise classification of term loans reveals that loans for purchase of tractors and agricultural implements and machinery at 51%

of total term loans constitute the most important single purpose. Since Rabi 1983-4, the banks have been specifically advised by the RBI to increase their crop loans particularly in areas where the co-operative credit structure is weak. Further recognising the need for increasing production of rice, they have been asked to pay special attention to financing rice production programme in Eastern Region. They have been also advised to increase the flow of their credit for cultivation of pulses and oilseeds.

15. Commercial banks' advances to weaker sections are required to constitute 10% of net bank credit. One of the main segments of weaker sections is small and marginal farmers. The advances to weaker sections amounted to Rs 4343 crores and constituted 9.6 per cent of net bank credit at the end of September 1985. Out of total advances of Rs 3892 crores to weaker sections as on 31 December 1984, small and marginal farmers accounted for Rs 2406 crores constituting 62 per cent of the total advances to weaker sections.

16. The all-India credit deposit ratio of rural branches of commercial banks at the end of June 1984 was 62.5% but Statewise the ratio was below 40% in rural branches of 9 States/Union Territories. Apart from ~~this~~ the District Level Consultative Committees and State Level Bankers' Committees which are seized of the problem of increasing credit deposit ratio, Task Forces comprising senior officials of commercial banks and State Governments have been constituted in Bihar and West Bengal to specifically look into the problem.

17. Important measures taken to simplify the procedures of sanctioning loans to priority sectors include adoption of simple loan application forms in regional languages, nil margin or no security other than charge on the asset created out of loan for loans upto Rs 5000 and disposal of loan application within a fortnight.

18. The massive expansion in banks' branches have brought in its wake certain attendant problems affecting operational efficiency. Banks have been facing difficulties in recruiting, training and placement of staff. There is also paucity of experienced staff with requisite skill and expertise. The banks have therefore been finding it difficult to effectively function. The RBI has advised banks that there should be at least one Agricultural Field Officer (AFO) qualified or trained in agricultural finance at each rural branch. The available data show that roughly one-third of the rural branches of commercial banks have an Agricultural Field Officer.

Regional Rural Banks

19. Regional Rural Banks (RRBs) are the outcome of the recommendations of a Working Group (Shri M.Narasimham - Chairman) appointed by Government of India in 1975 to review the flow of institutional credit specially to the weaker sections of the rural community. Taking note of the deficiencies in the working of the co-operative credit structure and the commercial banks, RRBs were conceived by the Group as a viable new credit agency which would combine the local feel of rural problems found in co-operatives with business organisation, ability to mobilise deposits and

modernised outlook of commercial banks. The major objective of the RRBs is to provide credit facilities to small and marginal farmers, agricultural labourers, artisans and small entrepreneurs to enable them to be effective partners in the development of agriculture, trade, commerce and industry in rural areas.

20. All RRBs except four have been sponsored by public sector banks; one RRB has been sponsored by the U.P.State Co-operative Bank Ltd. and three by non-nationalised commercial banks. Each RRB has paid-up share capital of Rs 25 lakhs contributed by the Government of India, the concerned State Government and the sponsor bank in the proportion of 50, 15 and 35 per cent respectively. The sponsor banks are required to provide managerial and financial assistance to the RRBs for the first five years and the chairman of the Board of Directors consisting of 8 directors is an officer of the sponsor bank appointed by the Government of India. The Central Government nominates 3 directors; State Government nominates 2 directors while the sponsor bank nominates 3 directors. Out of 3 directors nominated by the Government of India, one director is an officer from RBI and another officer from NABARD.

21. Certain concessions have been extended to the RRBs similar to those enjoyed by co-operative banks such as lower level of liquidity requirement at 3 per cent cash reserve and 25% as liquid assets of liabilities as against 9% and 37% respectively in case of commercial banks; permission to pay interest at 1/2% more on deposits with

maturity not exceeding 3 years; refinance from Nabard upto 50% of outstanding eligible loans at 3% below the Bank Rate; 30 to 35% of outstanding loans as refinance from sponsor bank at concessional rate of 8.5 per cent; and payment of interest by sponsor banks to rrbs on current account balances maintained with former at 1/2% below their borrowing rate. RRBs are also exempted from income-tax.

22. Since 2 October 1975 when the first 5 RRBs were set up there has been a substantial expansion in the number of RRBs. At the end of November 1985, there were 187 RRBs covering 332 districts in the country. The largest number of RRBs (39) have been set up in Uttar Pradesh followed by 23 in Madhya Pradesh, 22 in Bihar, 14 each in Rajasthan, and Andhra Pradesh, 13 in Karnataka and 9 each in Gujarat, Maharashtra, Orissa and West Bengal. It may also be mentioned that out of 115 districts with tribal population in the country as many as 89 districts have been covered by RRBs. Normally a RRB covers one district but in certain cases the coverage has been extended to more than one district to ensure viable operations. The number of branches of RRBs have risen from 11 in 1975 to about 12,000 at the end of June 1985. Most of these branches (90%) have been opened at hitherto unbanked rural centres. The average number of branches per RRB works out to 65 and average number of branches per district is 37.

23. The deposits of RRBs aggregated Rs 982 crores at the end of March 1985. The RRBs had 137.98 lakh deposit

accounts giving an average of Rs 712 per account. The average deposit of a RRB is Rs 537 lakhs and the average deposit of a RRB branch is Rs 8.26 lakhs. Advances of RRBs aggregated Rs 1143 crores at the end of March 1985 under 60.79 lakh borrowal accounts. A purposewise break-up of the advances of RRBs is given below:

(Rs in crores)

	Category purpose	Loans and advances at the end of March 1985	Percentage to total loans and advances
i)	Short-term (crop loans)	198.91	17.40
ii)	Agricultural Term Loans	271.49	23.75
iii)	Allied agricultural activities	202.69	17.73
iv)	Rural artisans/village and cottage industries	66.30	5.80
v)	Retail trade, small business and self-employment	282.56	24.72
vi)	Consumption loans	7.91	0.69
vii)	Others	81.72	7.15
viii)	Indirect advances	31.53	2.76
		1143.11	100.00

RRBs have extended about 60% of their advances to the agricultural sector. The average size of the loan is Rs 1880 per borrowal account. Statewise average was the lowest at Rs 1476 per account in West Bengal followed by Orissa at 1490 per account. The RRBs in under-developed states mainly in North-Eastern States and Eastern States comprising of Bihar, West Bengal and Orissa including

Eastern U.P., besides M.P., Rajasthan and Jammu & Kashmir have accounted for 64% of the total outstanding advances. Out of Rs 3080 crores disbursed to IRDP beneficiaries during the Sixth Plan, the share of RRBs was roughly 33%.

24. The total outstandings under the limits sanctioned by NABARD to the RRBs at the end of December 1984 aggregated Rs 459.37 crores and constituted 42.5% of the total outstanding advances of RRBs. The NABARD was sanctioning to RRBs composite limits which include medium-term loans till the end of 1983-84. Separate medium-term limits are now sanctioned to the RRBs by NABARD which are in existence for more than 5 years. The limits so sanctioned for 1984-5 aggregated Rs 41 crores (non-schematic) while the short-term limits sanctioned to RRBs aggregated Rs 202 crores.

25. A majority of RRBs has been working at a loss. At the end of December 1984 out of 173 RRBs, as many as 130 RRBs were working at loss. The accumulated losses of 49 RRBs had eaten up their entire share capital (Rs 25 lakhs each) and had also eroded deposits for amounts varying from Rs 1 lakh to Rs 113 lakhs and in the case of another 30 RRBs half of their share capital was eroded. The Government of India has set up a High Level Working Group under the chairmanship of an Additional Secretary (Banking) to consider all aspects of the working of RRBs including their financial viability. The group is expected to submit its report soon.

26. The multi-agency institutional system consisting of commercial banks, co-operative banks and regional rural banks for providing credit for rural development has not only developed out of compulsions to meet the needs as they arose from time to time but has been designed in the form it exists by the credit policy makers as the most appropriate to suit the rural conditions in our country. The system has, no doubt, its weaknesses but it has its strengths also. The weaknesses may be summarised as lack of attitudinal approach to rural conditions on the part of commercial banks, not so strong democratic character of co-operatives coupled with absence of selfless workers and culmination of weaknesses of both commercial banks and co-operatives in regional rural banks. The result has been that commercial banks have tended to serve the needs of agricultural investment such as purchase of tractors, minor irrigation and so on. The co-operative banks have been ridden with overdues a major portion of which has been considered as wilful default. They have also become the arena for testing political strength when one looks at the way the elections to the boards of directors wherever they exist are fought. The regional rural banks continue to be the appendages of commercial banks but without the latter's full involvement. At the same time, all these institutions have come to stabilise themselves in rural areas and have been accepted by them if one considers the amount of deposits that have been flowing in despite competitive avenues available in the form of non-banking institutions, non-

financial institutions and private trade offering them lucrative terms.

27. The second aspect which needs to be kept in view is that the system of credit planning, monitoring and supervision under Lead Bank Scheme as explained in the subsequent agenda note has been playing a very useful role in ensuring that various proposals of rural development receive credit support. The fact that annual action plans for 433 districts are prepared at the commencement of the year with a co-ordinated effort on the part of banks, other financial institutions, government agencies and non-officials and put into operation and also that the achievements are not far off the mark from targets except where major changes have occurred in developmental programmes or strength of the institutions has suddenly gone down (as in the co-operatives), is itself an indication of strength for the banking system.

28. Thirdly banks are only an instrument of change and have to be appropriately made use of. Unless the developmental plans are prepared for districts and blocks with specified targets, infrastructure facilities made available, backward and forward linkages in the form of availability of inputs, marketing, processing and storage arrangements where necessary are provided, credit support by itself cannot induce cultivators and artisans to borrow and increase production. These efforts have to be further supported by making available technical knowledge, market expertise, etc. through large scale extension efforts. The benefit of

research carried out in the Agricultural Universities, research laboratories and similarly placed institutions has to be effectively transferred to the field, to bring about not only an increase in production but to change its quality to serve domestic market and also sell competitively in foreign markets.

29. There is, however, no doubt that the efforts as envisaged above on the part of Government and other agencies have to be matched by organisational strength on the part of credit institutions. The availability of short-term agricultural credit, for instance, is suffering because the commercial banking structure as it exists and with its high cost is not organisationally suited to provide this credit. The co-operative structure which must share a major part of this credit is languishing in many States. Urgent attention will have to be paid by all concerned to developing the strength of co-operative structure to meet the short-term agricultural credit requirements.

30. The Committee may kindly consider the strength and weaknesses of banking structures in relation to their role in rural development and offer guidance for further policy formulations.

State/Central Co-operative Banks and Primary Agricultural [redacted]
and State Land Development Banks – All India

(Rs. in crores)

Item	State Cooperative Banks				Central Cooperatve Banks				Primary Agricultural Credit Societies				State Land Development Banks			
	1980-81	1981-82	1982-83	1983-84	1980-81	1981-82	1982-83	1983-84	1980-81	1981-82	1982-83	1983-84	1980-81	1981-82	1982-83	1983-84
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1. Number (Actual)	27	27	28	28	337	338	340	349	94066	94270	94089	92496	19	19	19	19.
2. Number of offices(actual)	428	459	474	NA	7622	7960	8396	NA	-	-	-	-	1066⊕	1072⊕	1165⊕	NA
3. Paid up capital	97.8	136.9	120.8	130.2	359.2	387.2	422.3	450.7	566.7	621.1	661.6	720.8	154.2	153.7	164.8	174.3
Of which Govt.contribution.	27.7	27.5	27.3	27.6	99.9	104.7	110.1	115.0	93.5	101.8	109.7	117.3	48.2	51.8	45.8	45.7
4. Reserves	246.8	290.7	352.4	414.0	310.1	345.5	403.1	449.1	186.9	203.1	218.4	235.8	110.4	163.0	187.2	204.3
5. Owned funds	344.6	397.6	473.2	544.2	669.3	732.7	825.4	899.8	753.6	824.2	880.0	956.6	264.5	326.7	351.8	378.6
6. Deposits	1675.2	1893.7	2116.9	2555.9	2419.0	2767.7	3183.7	3765.5	289.3	313.8	381.5	463.9	29.1	28.3	29.6	30.5
2. Growth rate over previous (%)	+ 17.6	+ 13.0	+ 11.8	+ 20.7	+ 11.3	+ 14.4	+ 15.0	+ 18.2	+ 15.9	+ 8.4	+ 21.6	+ 21.8				
7. Borrowings	608.7	930.9	1166.0	1183.8	1186.7	1517.8	1877.1	2052.6	2432.6	2741.8	2858.5	3163.7	2027.2	2181.3	2388.9	~~2572.8~~ 2417.8
8. Working Capital	2750.1	3356.4	3894.9	4493.6	4571.6	5327.4	6240.6	7154.8	4006.3	4470.9	4841.2	5416.8	2543.8	2636.7	2845.3	3144.7
9. Loans and advances issued	2869.6	3803.8	4139.8	4444.3	3210.7	4059.5	4507.7	5110.3	1746.1	2109.7	2291.1	2499.4	£363.1	£369.3	£425.8	£438.7
22. Of which (a) S.T.	2709.9	3390.9	3764.5	4143.3	2889.2	3665.5	3982.7	4602.9	1518.9	1795.9	1908.1	2157.9				
(b) M.T.	159.7	412.9	425.3	301.0	321.5	394.0	525.0	507.4	227.2	313.8	383.0	341.5				
10. Loans & advances recovered	1872.3	2412.7	3015.8	1783.0	2247.8	2652.5	2964.1	2294.0	1599.8	1759.0	1964.1	2073.49				
Of which (a) S.T.	1718.4	2206.1	2828.2	NA	1970.3	2351.8	2638.9	NA	1353.1	1523.2	1702.7	NA				
(b) M.T.	153.9	206.6	187.6	NA	277.5	300.7	325.2	NA	246.7	235.8	261.4	NA				
11. Loans & advances outstanding	1836.6	2512.2	2906.3	29164.4	2986.5	3682.6	4305.0	4707.2	2607.9	2966.3	3107.6	3498.2	£1697.1	£1854.7	£2047.4	2236.4
Of which (a) S.T.	1420.0	2009.5	2245.0	2180.2	2163.7	2777.7	3196.1	3474.2	1907.7	2148.7	2225.2	2554.3				
(b) M.T.	416.6	502.7	661.3	736.2	822.9	904.9	1108.9	1233.0	700.2	817.5	882.4	943.9				
12. Loans overdues	161.8	165.3	183.0	178.0	939.7	1093.8	1329.7	1567.4	1099.1	1205.2	1308.5	1574.6	$239.1	$236.5	$284.7	$283.4
Of which (a) S.T.	110.3	117.9	121.4	NA	706.0	838.2	1038.2	NA	847.9	928.2	9[illegible].9	1238.2				
(b) M.T.	51.5	47.4	61.6	NA	233.7	255.6	291.5	NA	251.2	277.0	323.6	336.4				
13. Total demand	1379.7	1733.8	2091.1	1774.2	2424.4	2895.1	3330.6	3781.7	2653.7	2937.5	3277.2	3648.0	604.4	595.5	649.0	643.6
14. Percentage of overdues to demand	9.8	8.7	7.4	10.0	37.0	35.8	37.8	41.4	41.4	41.0	39.9	43.1	47.8	39.7	43.9	44.0
15. No.of PACS(actual) working at Profit									52108	52320	51878					
Loss									36636	34056	34121					
without profit or loss									6042	7154	7363					
16. Borrowing members(in 000)									19934	20402	22839					
17. No.of PACS having full-time Paid Secretaries(actual)									67017	68069	68224					

⊕ Data relate to number of regional offices/branches £ Long-term loans $ Include interest

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(Provisional)
(No. of A/cs. in lakhs)
(Amount in Rs. crores)

Sr. No.	Name of the Bank	Total Advances (Net Bank Cr.)	Total Priority Sector Advances: No. of A/cs.	Total Priority Sector Advances: Balance O/s.	Of which to SC/ST: No.of A/cs.	Of which to SC/ST: Balance O/s.	% P.S. Advances to total advances (Target 40%)	Agriculture – Direct Finance: No.of A/cs.	Direct Finance: Balance O/s.	Direct Finance – Of which to SC/ST: No.of A/cs.	Direct Finance – Of which to SC/ST: Bal. O/s.	Indirect Finance: No.of A/cs.	Indirect Finance: Bal. O/s.	Indirect Finance – Of which to SC/ST: No.of A/cs.	Indirect Finance – Of which to SC/ST: Balance O/s.	% of Direct Agriculture advances to total advances (Target 15%)
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	17.
1.	State Bank of India	11932.00 £	61.73 £	5013.55 £	15.80 £	481.81 £	42.0	46.48 £	2020.17 £	11.09 £	232.44 £	0.49 £	230.58 £	013 £	24.88 £	16.9
2.	S.B.of Bikaner & Jaipur	598.35 £	2.48	260.53	0.86	27.00	43.5	1.51	98.45	0.56	21.00	0.01	50.31	-	-	16.5
3.	S.B. of Hyderabad	593.13	5.18	275.85	1.23	29.68	46.5	2.37	103.94	0.70	16.07	1.33	41.25	0.21	6.45	17.5
4.	S.B. of Indore	271.79	1.38	116.55	0.44	11.73	42.9	0.80	36.02	0.29	8.87	0.01	7.23	-	0.32	13.3
5.	S.B. of Mysore	474.63 £	2.53 £	203.80 £	0.62 £	10.22 £	42.9	1.60 £	76.64 £	0.40 £	7.45 £	0.04 £	21.01 £	0.04 £	0.72 £	16.1
6.	S.B. of Patiala	497.46	1.81	217.03	0.44	10.45	43.6	1.36	94.00	0.36	6.89	-	32.87	-	1.62	18.9
7.	S.B. of Saurashtra	336.85	1.47	151.83	0.23	5.20	45.1	0.57	43.25	0.04	1.34	0.32	13.01	-	-	12.8
8.	S.B. Travancore	576.22	5.31	261.00	0.53	6.79	45.3	3.85	107.60	0.28	3.87	-	3.97	-	-	18.7
	TOTAL 'A'	15280.43	81.89	6500.14	20.15	582.88	42.5	58.54	2580.07	13.72	297.93	2.20	400.23	0.38	33.99	
1.	Allahabad Bank	905.09	4.32	381.61	1.26	27.01	42.2	1.87	140.36	0.61	13.99	0.21	52.10	0.04	0.43	15.5
2.	Andhra Bank	841.33	6.13	354.73	1.16	19.50	42.2	4.41	166.62	0.71	14.38	0.06	31.21	0.01	0.23	19.8
3.	Bank of Baroda	2635.20 £	11.66 £	1038.30 £	3.18 £	60.15 £	39.4	6.44 £	327.66 £	1.96 £	38.56 £	0.34 £	95.06 £	0.03 £	1.66 £	12.4
4.	Bank of India	2627.00	10.50	1058.00	3.00	55.00	40.3	6.20	319.00	2.00	34.00	0.40	77.00	0.10	3.00	12.1
5.	Bank of Maharashtra	928.32	3.36	390.77	0.89	23.76	42.1	1.71	101.01	0.44	12.55	0.10	28.30	0.01	0.58	10.9
6.	Canara Bank	3047.60	17.17	1290.25	2.81	53.75	42.3	10.95	427.95	1.87	35.16	0.49	55.04	0.06	1.09	14.0
7.	Central Bank of India	3077.49	16.10	1316.67	4.46	89.25	42.8	8.86	399.05	2.40	47.80	1.39	142.01	0.60	6.00	13.0
8.	Corporation Bank	418.51	1.84	184.68	0.29	6.11	44.1	1.12	66.97	0.16	3.96	0.02	6. 20		0.04	16.0
9.	Dena Bank	897.57	3.40	376.39	0.60	18.50	41.9	1.40	82.26	-	-	0.20	30.61	-	-	9.2
10.	Indian Bank	1223.58	6.45	524.34	3.92	28.71	42.9	4.22	152.84	3.71	16.08	0.02	30.76	0.01	0.08	12.5
11.	Indian Overseas Bank	1470.80	9.82	625.49	1.76	34.90	42.5	7.26	230.26	1.35	24.60	0.02	34.41	-	1.60	15.7
12.	New Bank of India	509.06 £	0.96 £	220.27 £	0.22 £	6.23 £	43.3	0.47 £	44.47 £	0.14 £	3.41 £	0.01 £	34.56 £	-	-	8.7
13.	Oriental Bank of Commerce	492.93	1.17	224.85	0.28	8.20	45.6	0.72	78.70	0.17	4.95	-	14.30	-	-	16.0
14.	Punjab National Bank	2797.00	10.69	1142.60	3.24	75.80	40.9	5.32	401.00	1.91	43.00	0.89	85.00	0.10	1.10	14.3
15.	Punjab & Sind Bank	661.91	1.56	271.45	0.44	12.74	41.0	0.97	104.18	0.28	7.80	0.01	23.25	-	0.07	15.7
16.	Syndicate Bank	2065.00 £	13.21 £	890.00 £	2.55 £	58.00 £	43.1	6.29 £	322.00 £	1.32 £	33.00 £	0.73 £	47.00 £	0.19 £	3.00 £	15.6 £
17.	Union Bank of India	1698.45	8.40	747.96	2.11	43.09	44.0	4.58	252.07	1.23	24.97	0.26	55.82	0.04	0.71	14.8
18.	United Bank of India	1498.00	8.86	610.00	2.54	41.59	40.7	4.33	187.00	0.83	18.23	1.75	35.00	1.18	7.08	12.5
19.	United Commercial Bank	1438.00 £	7.57 £	600.00 £	1.81 £	40.30 £	41.7	4.31 £	179.50 £	0.98 £	21.60 £	0.56 £	55.60 £	0.14 £	3.20 £	12.5
20.	Vijaya Bank	553.02	2.70	232.05	0.24 *	5.80 *	42.0	1.67	83.94	0.16 *	2.79 *	0.01	2.99	-	0.10 *	15.2
	TOTAL 'B'	29785.86	145.87	12400.41	36.76	698.89	41.9	83.10	4066.84	22.23	400.83	7.52	936.22	2.51	29.97	13.7
	TOTAL 'A' & 'B'	45066.29	227.76	18900.55	56.91	1281.77	42.1	141.64	6646.91	35.95	698.76	9.72	1336.45	2.89	63.96	14.7

£ June 1985 data
* March 1985 data

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Annexure II

Sr. No.	Name of the Bank	Total Agricultural Credit: No. of A/cs.	Total Agricultural Credit: Balance O/s.	Of which to SC/ST: No. of A/cs.	Of which to SC/ST: Balance O/s.	Small Scale Industries: No. of A/cs.	Small Scale Industries: Balance O/s.	Of which to SC/ST: No. of A/cs.	Of which to SC/ST: Balance O/s.	Other Priority Sectors: No. of A/cs.	Other Priority Sectors: Balance O/s.	Of which to SC/ST: No. of A/cs.	Of which to SC/ST: Balance O/s.
		18.	19.	20.	21.	22.	23.	24.	25.	26.	27.	28.	29.
1.	State Bank of India	46.97 £	2250.75 £	11.22 £	257.32 £	4.93 £	1872.18 £	1.38 £	66.59 £	9.83 £	890.62 £	3.20 £	157.90 £
2.	S.B. of Bikaner & Jaipur	1.52	148.76	0.56	21.00	0.39	68.84	0.15	3.00	0.57	42.93	0.15	3.00
3.	S.B. of Hyderabad	3.70	145.19	0.91	22.52	0.51	88.24	0.11	1.66	0.97	42.42	0.21	5.50
4.	S.B. of Indore	0.81	43.25	0.29	9.19	0.19	43.71	0.07	1.05	0.38	29.59	0.08	1.49
5.	S.B. of Mysore	1.64 £	97.65 £	0.44 £	8.17 £	0.21 £	75.83 £	0.04 £	0.66 £	0.66 £	30.32 £	0.14 £	1.19 £
6.	S.B. of Patiala	1.36	126.87	0.36	8.51	0.15	59.64	0.03	0.71	0.30	30.52	0.05	1.23
7.	S.B. of Saurashtra	0.89	56.26	0.04	1.34	0.08	72.82	0.09	2.47	0.50	22.75	0.10	1.39
8.	S.B. of Travancore	3.85	111.57	0.25	2.87	0.25	73.47	0.06	0.66	1.11	75.96	0.19	2.26
	TOTAL 'A'	60.74	2980.30	14.10	331.92	6.81	2354.73	1.93	77.00	14.34	1165.11	4.12	173.96
1.	Allahabad Bank	2.08	192.46	0.65	14.42	0.43	116.40	0.12	2.78	1.81	72.75	0.49	9.81
2.	Andhra Bank	4.47	197.83	0.72	14.61	0.12	109.93	0.01	0.55	1.54	46.97	0.43	4.34
3.	Bank of Baroda	6.78 £	422.72 £	1.99 £	40.22 £	0.55 £	383.10 £	0.17 £	2.50 £	4.33 £	232.48 £	1.02 £	17.43 £
4.	Bank of India	6.60	396.00	2.10	37.00	0.60	391.00	0.10	2.00	3.30	271.00	0.80	16.00
5.	Bank of Maharashtra	1.81	129.31	0.45	13.13	0.22	160.70	0.06	2.91	1.33	100.76	0.38	7.72
6.	Canara Bank	11.44	482.99	1.93	36.25	0.88	487.74	0.10	3.00	4.85	319.52	0.78	14.50
7.	Central Bank of India	10.25	541.06	3.00	53.80	0.68	417.24	0.16	6.80	5.17	358.37	1.30	28.65
8.	Corporation Bank	1.14	73.17	0.16	4.00	0.07	61.83	0.01	0.26	0.63	49.68	0.12	1.85
9.	Dena Bank	1.60	112.87			0.30	166.47	0.10	1.50	1.50	95.05	0.50	7.50
10.	Indian Bank	4.24	183.60	3.72	16.16	0.35	221.06	0.06	3.79	1.86	119.68	0.14	8.76
11.	Indian Overseas Bank	7.28	264.67	1.35	26.20	0.32	225.15	0.03	1.05	2.22	105.67	0.38	7.65
12.	New Bank of India	0.48 £	79.03 £	0.14 £	3.41 £	0.08 £	84.86 £	0.01 £	- £	0.40 £	56.38 £	0.07 £	2.82 £
13.	Oriental Bank of Commerce	0.72	93.00	0.17	4.95	0.07	85.38	0.01	0.26	0.28	46.47	0.10	2.99
14.	Punjab National Bank	6.21	486.00	2.01	44.10	1.04	447.70	0.21	7.90	3.44	208.90	1.02	23.80
15.	Punjab & Sind Bank	0.98	127.43	0.28	7.87	0.07 £	75.06 £	0.01 £	0.51 £	0.51	68.96	0.15	4.36
16.	Syndicate Bank	7.07 £	369.00 £	1.51 £	36.00 £	0.66 £	275.00 £	0.09 £	5.00 £	5.48 £	246.00 £	0.95 £	17.00 £
17.	Union Bank of India	4.64	307.89	1.27	25.68	0.43	251.80	0.09	2.69	3.13	168.27	0.75	14.72
18.	United Bank of India	6.09	222.00	2.01	25.31	0.71	185.00	0.12	3.11	2.07	203.00	0.41	13.17
19.	United Commercial Bank	4.87 £	235.10 £	1.12 £	24.80 £	0.25 £	153.70 £	0.03 £	1.50 £	2.45 £	211.20 £	0.66 £	14.00 £
20.	Vijayam Bank	1.68	86.93	0.16*	2.89*	0.11	75.00	0.01*	0.61*	0.91	70.12	0.07*	2.30*
	TOTAL 'B'	90.62	5003.06	24.74	430.60	7.94	4406.12	1.50	48.72	47.31	3071.23	10.52	219.37
	TOTAL 'A' & 'B'	151.36	7983.36	38.84	762.72	14.75	6760.85	3.43	125.72	61.65	4236.34	14.64	393.33

£ June 1985

* March 1985

Sr. No.	Name of the Bank	Weaker Section in Priority Sector: No. of A/cs.	Weaker Section in Priority Sector: Balance O/s.	O/s. of Weaker Section to P/S advances (Target 25%)	% of Weaker Section to total advances (Target 10%)	Advance under DRI Scheme: No. of A/cs.	Advance under DRI Scheme: Balance O/s.	Total Advances December 1984	O/s of DRI advances to previous year's O/s. advances (Target 1%)	DRI advances of which to SC/ST: No. of A/cs.	DRI advances of which to SC/ST: Balance O/s.	O/s advances to SC/ST to DRI advances (Target 40%)	20 Point Programme September 1985: No. of A/cs.	20 Point Programme September 1985: Balance O/s.
		30.	31.	32.	33.	34.	35.	36.	37.	38.	39.	40.	41.	42.
1.	State Bank of India	46.06£	1245.86£	24.8£	10.4£	14.29£	140.95£	11711.00£	1.2£	6.71£	65.20£	46.3£	47.78£	1297.67£
2.	S.B. of Bikaner & Jaipur	2.26	65.00	24.9	10.9	0.41	6.00	571.94	1.0	0.26	4.10	68.3	1.89	130.80
3.	S.B. of Hyderabad	3.66	96.65	35.0	16.3	0.81	5.45	535.24	1.0	0.39	2.49	45.7	2.05	71.10
4.	S.B. of Indore	0.87	22.75	19.5	8.4	0.34	4.34	247.06	1.8	0.19	2.56	59.0	1.16	51.62
5.	S.B. of Mysore	0.16£	1.20£	0.6£	0.3£	0.54£	4.66£	423.14£	1.1	0.23£	1.88£	40.2£	1.13£	73.95£
6.	S.B. of Patiala	1.04	50.25	23.2	10.1	0.23	4.84	518.27	0.9	0.16	3.97	82.0	1.41	127.23
7.	S.B. of Saurashtra	0.70	29.35	19.3	8.7	0.38	4.47	312.95	1.4	0.14	2.11	47.2	1.22	46.63
8.	S.B. of Travancore	3.88	105.06	40.3	18.2	0.65	5.09	549.80	0.9	0.33	2.85	56.0	2.34	50.37
	TOTAL 'A'	58.63	1616.14	24.9	10.6	17.65	175.82	14869.40	1.2	8.41	85.16	48.4	58.98	1849.37
1.	Allahabad Bank	3.19	95.54	25.0	10.6	0.73	8.62	870.00	1.0	0.42	4.39	50.9	2.85	157.90
2.	Andhra Bank	4.31	114.98	32.4	13.7	0.78	5.66	800.09	0.7	0.35	2.46	43.8	2.79	192.00
3.	Bank of Baroda	7.53£	182.16£	17.5£	6.9£	2.24£	25.82£	2509.22£	1.0£	1.34£	14.65£	56.7£	5.70£	302.22£
4.	Bank of India	10.00	210.00	19.8	8.0	2.40	22.66	2497.00	0.9	1.16	12.97	57.2	6.00	215.00
5.	Bank of Maharashtra	2.17	54.15	13.9	5.8	0.58	7.42	872.32	0.9	0.33	4.12	55.5	1.99	79.70
6.	Canara Bank	11.66	310.16	24.0	10.2	2.41	26.75	2734.74	1.0	1.12	11.83	44.2	5.09	435.11
7.	Central Bank of India	10.34	327.00	24.8	10.6	3.40	31.30	2863.70	1.1	1.75	16.15	52.0	7.65	455.00
8.	Corporation Bank	1.26	40.40	21.9	9.7	0.35	4.91	400.37	1.2	0.14	1.80	36.7	0.60	20.00
9.	Dena Bank	2.70	62.00	16.5	6.9	0.83	8.10	845.00	1.0	0.51	5.35	66.0	1.95	150.00
10.	Indian Bank	4.19	125.41	23.9	10.2	0.78	9.42	1096.86	0.9	0.45	5.49	58.3	2.85	133.52
11.	Indian Overseas Bank	6.50	160.00	25.6	10.9	1.53	16.29	1405.30	1.2	0.68	7.00	43.0	3.00	175.50
12.	New Bank of India	0.64£	19.06£	8.7£	3.7£	0.20£	3.69£	502.45£	0.7£	0.05£	1.00£	27.1£	0.43£	37.63£
13.	Oriental Bank of Commerce	0.66	31.63	14.1	6.4	0.14	2.90	402.22	0.7	0.08	1.55	53.4	0.49	30.08
14.	Punjab National Bank	7.45	242.80	21.3	8.7	1.86	26.80	2707.00	1.0	1.19	17.60	65.7	6.68	442.80
15.	Punjab & Sind Bank	1.09£	49.36£	18.2	7.5	0.22	5.08	615.49	0.8	0.11	2.46	48.4	0.79£	51.86£
16.	Syndicate Bank	7.90£	246.00£	27.6£	11.9£	1.95£	22.00£	1060.00£	1.2£	0.88£	11.00£	50.0£	8.60£	372.00£
17.	Union Bank of India	6.25	169.63	22.7	10.0	1.82	21.35	1663.00	1.3	0.86	12.11	56.7	4.88	194.82
18.	United Bank of India	6.47	116.00	19.0	7.7	1.20	11.00	1270.00	0.9	0.51	5.00	45.5	3.06	91.00
19.	United XX Commercial Bank	4.21£	115.10£	19.2£	8.0£	1.80£	22.50£	1415.00£	1.6£	0.80£	10.10£	44.9£	4.15£	235.49£
20.	Vijaya Bank	1.74	55.36	23.9	10.0	0.43	6.70	487.21	1.4	0.15	2.35	35.1	0.97	41.23
	TOTAL 'B'	100.29	2726.74	21.6	9.2	25.65	290.21	27816.97	1.0	12.88	149.40	51.5	72.52	3812.86
	TOTAL 'A' & 'B'	158.92	4342.88	22.9	9.6	43.30	466.03	42686.37	1.1	21.29	234.56	50.3	131.50	5662.23

£ June 1985 data.

* March 1985 data.

High Level Standing Committee on
Rural Credit - 24 January 1986

Agenda Item 2

Review of progress in flow of
institutional credit for poverty
alleviation programmes

Introduction

With a view to mitigating the incidence of poverty particularly in the rural areas of the country the Government of India has introduced, apart from normal programmes of developing agriculture and small scale industry, special programmes like Integrated Rural Development Programme, Self Employment Scheme for Educated Unemployed Youth, etc. In this connection the Seventh Plan document states as under:

> ".... While the present strategy of direct attack on poverty through specific poverty alleviation programmes is justified on account of insufficient percolation of benefits to the poor from overall economic growth, it should be appreciated that the strategy of direct attack on poverty cannot be sustained and would not yield the desired results, if the overall growth of the economy itself is slow and the benefits of such growth are inequitably distributed. For one thing, the resources and the capabilities needed for running such programmes cannot be generated in the system unless the economy itself is buoyant and there is a sustained increase in output. Secondly, the demand for goods and services produced by the poorer household enterprises rises significantly in response to the overall increase in incomes in the country so that the viability of these household enterprises depends critically on the sustained increase in national income.

....2/-

> Further, it is necessary to ensure that the pattern of overall economic growth itself is such as to generate adequate incomes for the poorer sections through its greater impact on employment generation and on the development of the less developed regions. The programmes for poverty alleviation should thus be regarded as supplementing the basic plan for overall economic growth, in terms of generating productive assets and skills as well as incomes for the poor". (Page - 50 - Para 2.1 - Seventh Five Year Plan Vol.II).

Integrated Rural
Development Programme

2. A major programme of poverty alleviation in rural areas is the Integrated Rural Development Programme which was launched in 1978-79 initially in 2300 selected blocks in the country. It was extended to all 5011 blocks from 2 October 1980. The programme aims at helping families below poverty line and identified for receiving financial support to rise above the poverty line by enabling them to acquire productive assets with institutional credit and subsidy so that additional income can be generated for the family. During the Sixth Plan period, 15 million rural families (@ 600 families per block per year) were sought to be helped under this programme. Allocation of funds towards subsidy by the Government (Centre and States on a 50 : 50 basis) was estimated at about Rs.1500 crores for the Sixth Plan period. This was to be matched by institutional credit, the quantum of which was estimated at about Rs.3000 crores over the 5 year period (Rs.600 crores per year).

Other salient features of the programme are

(i) Income from all sources of the family to be assisted should not exceed Rs.3500 per annum.

(ii) Atleast 200 of the 600 beneficiaries in each block should be given assistance for taking up activities under industry and tertiary sector.

(iii) Not less than 30% of beneficiaries should belong to scheduled castes and scheduled tribes and at least 30% of assistance (loan and subsidy) should be received by them.

(iv) While normally subsidy would be equal to 25% of outlay it could increase to 50% for Scheduled Tribe beneficiaries and the ceilings on subsidy amount per family would be Rs.3000 for small farmers, marginal farmers, agricultural labourers, etc., Rs.4000 in DPAP areas and Rs.5000 for scheduled tribes.

3. The following table shows the progress made under the Programme during Sixth Plan period:

(Amounts in crores of rupees)

Year	No.of beneficiaries to be assisted (@ 600 per block (in million)	No.of beneficiaries actually assisted (in million)	Subsidy Allocation Rs.	Subsidy Utilisation Rs.	Term Credit provided Rs.
1.	2.	3.	4.	5.	6.
1980-81	3.0	2.72	300.66	158.64	289.05
1981-82	3.0	2.71	250.55	264.65	467.59
1982-83	3.0	3.46	400.88	359.59	713.98
1983-84	3.0	3.69	407.36	406.09	773.51
1984-85	3.0	3.98	407.36	472.20	857.48
Total	15.0	16.56	1766.81	1661.17	3101.61

(Source : Seventh Five Year Plan Document)

It will be seen that actual achievements in terms of number of families and disbursement of subsidy and credit are a little more than the relative targets. The share of commercial banks, RRBs and co-operatives in the total credit provided was roughly 49%, 33% and 18 % respectively.

Findings of field level studies

4. While the overall targets of the programme have been achieved as indicated above, major variations including its misuse have been reported in various areas. Thus, there have been reports that many beneficiaries that is, those above the poverty line including affluent sections have been given the benefits, inadequate loans have been sanctioned; terms and conditions do not follow the norms prescribed by NABARD in relation to gestation period and total period of loan; there have been delays in sanction and disbursement of loans and subsidy amounts; assets have not been acquired; and at times with the connivance of authorities there have been large defaults in repayment of loans. In the context of such complaints and as a part of monitoring the programme, the Reserve Bank, NABARD, the Planning Commission and a few other institutions and banks have carried out sample studies of the programme. Their important findings are summarised in the table given at Annexure I to this note. Briefly, the following major deficiencies were noticed.

....5/-

RBI Study

5. (i) About 15 per cent of families which had received assistance were already above poverty line; (ii) block plans for IRDP were not prepared satisfactorily by DRDAs; (iii) field level staff both in the block and district administration was inadequate; (iv) co-ordination was lacking between DRDAs and district offices of departments of agriculture and animal husbandry and also electricity board; (v) infrastructural facilities and linkages were not adequate; and (vi) investments were not viable. Despite these shortcomings 50 per cent of families were able to increase their annual incomes and 17 per cent were able to cross the poverty line.

NABARD

6. (i) Low per-capita loan and subsidy was not adequate to raise economic status of assisted families; (ii) there was inadequate staff with banks for supervision of loans; (iii) infrastructural support for IRDP activities was inadequate; and (iv) assets supplied to beneficiaries were of poor quality. More than 43 per cent of beneficiaries were irregular in repayment of loan and 17 per cent had not repaid their loan instalments. About 22 per cent of assisted families were able to cross the poverty line.

....6/-

Planning Commission

7. (i) DRDAs did not have requisite capability for planning and formulation of viable schemes; (ii) technical staff functioned under their respective "line" departments and inter-departmental co-ordination was unsatisfactory; (iii) undue emphasis was laid on provision of credit whereas technical and extension aspects were not given adequate attention; (iv) several deficiencies such as improper identification, improper selection of schemes, non-availability of good quality assets, lack of marketing facilities, etc., had adversely affected implementation of programme; (v) 25.8% of beneficiaries were not eligible for benefits as their annual family income was already above poverty line; (vi) average assistance per beneficiary was inadequate to provide income sufficient to cross poverty line; (vii) the involvement of cooperatives in financing under the programme was not satisfactory; and (viii) overdues were high at 50 to 60 per cent. While 88% families had received additional income only 49.4% were able to cross the poverty line.

8. Deficiencies as noticed above are proposed to be corrected in the Seventh Plan which states "many shortcomings of IRDP appeared to stem from the fact that a programme of massive dimensions, having a multiplicity of critical parameters and functioning

in a highly diverse environment, was launched with what can be called very little preparation." (Para 2.22 - Seventh Five Year Plan - Vol. II). In the Seventh Plan therefore thrust is to improve on the weakness noticed so as to make the programme an effective instrument of poverty alleviation. Supplementary assistance is to be made available to those beneficiaries who could not cross the poverty line provided they are not defaulters and have maintained their assets in good use. However, exception will be made in case of borrowers who are defaulters on account of losses due to calamities like flood, drought and fire or who become defaulters because banks did not follow prescribed norms of unit cost, number of units, repayment period, gestation period, etc. Guidelines for provision of supplementary assistance have been issued by the Government of India and the Reserve Bank of India to State Governments and banks respectively. A copy of these guidelines is enclosed to this note as Annexure II. The Seventh Plan also envisages that in view of limited credit absorptive capacity of poorest households group-oriented activities through co-operatives, registered societies, informal groups etc. may be encouraged.

9. Apart from old beneficiaries who are to be assisted new beneficiaries are also to be identified and assisted, the aggregate target of two together being placed at 20 million in Seventh Plan.

....8/-

The level of family income for the purpose of defining poverty line is placed at Rs.6400 at 1984 price level but families with annual income of Rs.4800 or less are to be selected for assistance and to ensure that their income after assistance increases beyond Rs.6400. The Seventh Plan also envisages that in view of the limited credit absorptive capacity of the poorest households, group-oriented activities through co-operatives, registered societies, informal groups etc. may be encouraged so that economies of scale inherent in some activities in services sector could be fully realised and beneficiaries can also be protected from adverse operation of market forces. Voluntary agencies are to be increasingly involved in formulation and implementation of poverty alleviation programmes.

10. Adoption of total household approach is another aspect of the strategy in Seventh Plan. More than one scheme is to be extended to members of same household so that capacity for absorption of credit and generation of self-sustaining income can become possible.

11. Within the above broad framework, due emphasis would be given to augmenting productivity through IRDP by taking up land-based activities such as minor irrigation, dry farming, horticulture and even farm forestry. Land distribution under land reforms, grant of ownership rights to sharecroppers and

....9/-

tenants and development of distributed land through NREP and RLEGP would be taken up. Activities under ISB sector of IRDP will be stepped up through preparation of realistic project profiles of household enterprises and group enterprises, in areas of traditional skills. Sectoral district plan is required to spell out provision of support of backward and forward linkages. District supply and marketing societies are to be set up to ensure provision of raw materials and input requirement as also marketing facilities.

12. The banking sector is to play a major role in providing credit support to the programme to the tune of Rs.4000 crores. Banking infrastructure in the North-Eastern Region is to be expanded and strengthened with a view to extending credit in all areas as, in some of these States the programme is carried out on the basis of subsidy only to the extent it is available.

13. A frequent complaint about implementation of the programme is that the beneficiaries are exploited by various intermediaries. With a view to overseeing this problem a few steps have been taken. The banks have been advised by the Reserve Bank that it is necessary that officials dealing with the programme should have proper attitude and approach. In the case of branches which are found to be adopting undesirable practices, there should be no hestitation in fixing staff accountability and taking prompt and stringent action.

They have been further advised that rural branches should earmark specific dates for disbursement of loans under priority sector so that borrowers are not required to visit the branches again and again. The dates are to be fixed after taking into consideration needs and customs, days of local market etc. and all branches in an area are to observe same days for disbursement of loans. Senior officers from controlling offices of banks have to conduct surprise verification of loan disbursements at the branch level.

14. Another suggestion has been that loan amounts may be disbursed to beneficiaries in cash so that they can purchase assets of their choice and would have the bargaining power vis-a-vis the seller. This suggestion has been examined by a Study Group set up by the RBI under the Chairmanship of Shri R.K. Kaul, Deputy Governor and Chairman, NABARD which, in its interim report, has suggested that assistance upto Rs.3000 may be provided in cash to a beneficiary depending on type of asset to be acquired, its availability, assured infrastructure facilities, scope for business etc. This step is expected to eliminate the chance of leakages but the group has also suggested effective follow-up and supervision so that the tendency to use the amount of IRDP assistance for consumption expenditure of

a pressing nature can be curbed. The proposal is recommended to be tried on an experimental basis in a few blocks before extending its application to all districts.

Points for consideration

15. The IRD Programme which was a major programme in the Sixth Plan specifically directed towards alleviation of rural poverty did not succeed to the desired extent as about 60 per cent of those who received assistance did not cross the poverty line. It is also a fact that beneficiaries included some who were already above or near the poverty line. But the sample studies have also indicated that in a large number of cases excluding those where loans were misutilised, there was perceptible increase in incomes which could have been much more had the implementing agencies taken care to ensure that various pre-requisites for success were made available. The responsibility for providing the more important of these pre-requisites appear to rest with the Governmental agencies, for banks are only instruments of change which have to be used effectively by all concerned. This does not mean that banks have no responsibility for failures. There are areas such as timely and adequate availability of credit with all concessions imposed keeping in view the needs of the target group which have got to be scrupulously taken care of by banks. But these cannot be effective unless

necessary infrastructural support is available for various activities financed under the programme. In the Seventh Plan it is proposed to set up District Supply and Marketing Societies to take care of raw materials/input requirements and marketing. However, balancing infrastructure at the local level viz., communication/ transport, power, water etc., will have to be provided by the State Governments. Their progress in this regard has not kept pace with the coverage of beneficiaries under the programme.

16. For the Seventh Plan period the outlay under IRDP has been fixed at Rs.1889 crores of subsidy and about Rs.4000 crores of institutional credit. However, the Ministry of Rural Development seems to be considering revision of estimated assistance to Rs.9800 crores for the entire Seventh Plan period and subsidy allocation, Rs.6100 crores. Reserve Bank had earlier suggested to Government of India that the size of the IRD Programme during the Seventh Plan should not be larger than a lending programme of Rs.6000 crores i.e., Rs.1200 crores a year which will be twice the size of the programme in the Sixth Plan. The present proposal envisages an increase of more than three times.

17. Another aspect of the programme which seems to need consideration is the concept of family in relation to the proposedinvestment and generation of income out of it so as to maintain the family effectively and not notionally above the poverty line. At present

all persons connected by blood and marriage and normally living together are reckoned as part of the same family for the purpose of IRDP. Since the Government of India have not so far indicated any ceiling on the number of projects per family, the implementing agencies will be faced with the task of providing schemes/activities to all the members of the household which may at times become too large to be sustained by a single or two projects only. On the other hand if more than two projects are given to the same family it may lead to concentration of IRDP projects in a few families within the total amount of assistance provided for the programme as a whole. It, therefore, seems necessary to define a family keeping in view the effectiveness of the programme.

18. Yet another point which assumes great significance in the context of the strategy outlined in the Seventh Plan document is the provision of group-oriented activities for IRDP beneficiaries during the Plan. Hitherto, the emphasis was on achievement of physical and financial targets with very little attention being paid to other aspects such as provision of infrastructure and good quality assets, marketing and inputs, imparting technical skill and purposeful follow up of the beneficiaries assisted. This had resulted in the household approach which was originally envisaged under IRDP, to be diluted. There has so far been no conscious attempt to provide group-oriented activities

to IRDP beneficiaries. Having regard to the socio-economic characterstic of our rural society, it may be difficult to provide a wide range of group-oriented activities except those which can be taken up by members of same family as a group.

19. Besides the above, there are certain aspects of the programme such as (i) roles of different agencies and functionaries from identification to distribution of loans, (ii) associating bank officials right from the identification stage so that sanction of loans will be automatic and there will be no rejection of applications, and (iii) provision of assistance to group-oriented activities in the Seventh Plan period and the most suitable methods therefor. These issues are being considered by a Study Group constituted by the Reserve Bank of India under the Chairmanship of Shri R.K. Kaul, Deputy Governor and Chairman of NABARD. The final report of the Study Group is expected to be submitted shortly.

Scheme for self-employment for educated unemployed youth

20. Government of India formulated in consultation with the Reserve Bank, a scheme for providing self-employment to the educated unemployed youth, in the age group of 18-35 years. The scheme which was launched in September 1983 envisaged provision of bank credit to 2.5 lakh educated unemployed youth during 1983-84 to undertake self-employment ventures in industry, services and business. The scheme was repeated for the years 1984-5 and 1985-6 with same annual target of 2.5 lakhs beneficiaries. It is operative in all areas of the country excepting cities with more than one million population as per 1981 census. State-wise targets are fixed by the Ministry of Industry and these are disaggregated into district-wise targets by the State Governments. The district target is allocated among different banks in the District Consultative Committees. The maximum financial assistance to be provided under the scheme in the form of a composite loan and subsidy is not to exceed Rs.25,000/- per beneficiary. The maximum amount of subsidy is 25 per cent of the value of total assistance that is Rs.6250. Concessional rates of interest of 10 per cent in backward areas and 12 per cent in other areas are to be charged by banks on loan amount. Advances granted under the scheme were eligible for inclusion under priority sector advances.

21. The District Industries Centres function as nodal agencies for implementing the scheme. The selection of beneficiaries is to be done by a Task Force set up by the District Industries Centre

which includes a representatives of the Lead Bank and two major banks functioning in the district, a representative of the concerned Small Industries Service Institute, the District Employment Officer and the General Manager of the DIC as its Chairman. The scheme is implemented through all Indian (public and private sector) scheduled commercial banks. The subsidy is claimed by the banks from the Reserve Bank of India which is authorised by the Government of India from time to time to release funds.

22. Data on implementation of the scheme during 1983-84 and 1984-85 are given below :

	Year	
	1983-84	1984-85
Physical Target	2.50 lakhs	2.50 lakhs
Number of beneficiaries actually assisted	2.42 "	2.26 "
Loans sanctioned (in crores of Rs.)	401.54	369.72

Subsidy released by the Government of India to the financing banks through the RBI amounted to Rs.5.5 crores in 1983-4, Rs.99.83 crores in 1984-5 and Rs.64.27 crores in 1985-6 upto 31 December 1985.

The Reserve Bank of India carried out a sample check of a few advances granted under the Scheme in 1984 which brought out certain undesirable features such as (a) extension of assistance to affluent sections and ineligible persons, (b) a number of proposals being sanctioned for trading activities instead of for creation of productive assets, (c) financing a number of borrowers for the same activity in the area and, (d) assets for which loans were given not being acquired. The deficiencies observed were brought to the notice of the banks and they were asked to ensure that such irregularities did not recur and that greater care was exercised in the matter of selection of beneficiaries and the type of activities to be financed, appraisal, supervision, follow up and recovery of loans granted under the scheme.

23. A second study was undertaken by the RBI in 1985 with a view to finding out the eligibility of the persons assisted, utilisation of assistance and the impact on the income of the beneficiary. The study covered approximately 1100 beneficiaries spread over 54 districts in 16 states and one union territory. The data collected through the survey are being processed. Following features have been noticed from the survey schedules :

i) Persons already having a source of employment either in business or trade as also those who are from the relatively affluent sections of the society (e.g. those whose husband, wife, father, etc. are employed) have managed to secure the benefits of the scheme to a significant extent.

ii) Cases in which the loans have not been utilised for the purpose for which it was granted form a not inconsiderable percentage of the sample studied.

iii) In many cases where the loan has been utilised properly, it was too early to come to a conclusion regarding the earning of a regular income from the ventures.

iv) There has been concentration on a particular type of activity in certain districts with the result that the viability of the scheme was doubtful (e.g. gas-welding, cycle shops, Kirana shops).

24. At the instance of the Government of India, State Governments have recently conducted a survey of all loans granted in one district each to ascertain whether the loans have been utilised properly. The study is expected to throw light on the deficiencies in the implementation of the scheme for taking appropriate action. The Lead District Officers from regional offices of the department were associating with the survey.

25. Some of the deficiencies observed in the actual implementation of the scheme are indicated below :

(i) There was considerable delay in the announcement of the scheme and of its continuation in the subsequent years after the beginning of the financial year. This had effectively reduced the time available for implementing the scheme and achieving the target fixed.

(ii) Applications under the scheme are invited by the DICs through advertisements. The response is overwhelming and the number of applications received is many times the target fixed. Consequently, the scrutiny of applications at the DIC level gets delayed. As the continuance of the scheme is also announced somewhere in the middle of the financial year, applications are forwarded to banks in large numbers towards the close of the financial year. Bank branches are thus put to avoidable pressure in scrutinising and sanctioning the loans within the very short time available before the close of the financial year.

(iii) The DIC Task Forces are required to meet regularly, scrutinise the applications in detail for economic viability, technical feasibility, availability of infrastructure etc., hold interviews with the prospective beneficiaries and send the applications thereafter to the concerned bank branches. However, it has been reported that the Task Force meetings are not held regularly and the quality of scrutiny made by the Task Forces is not adequate to prevent rejection of the applications subsequently by the financing branches. This results in high incidence of rejection of applications.

(iv) Delay in disposal of applications at the branch level is also reported. Bunching of applications towards the end of the financial year and the lack of proper scrutiny by the DIC Task Force adds to the delay at the branch level.

(v) Advisory Committees of the DIC are required to be set up by the State Governments. In some districts these Advisory Committees have reportedly not met.

(vi) Although norms have been laid down in respect of the proportion of beneficiaries to be assisted under industries, business etc., it is observed that in the case of loans for business ventures, viability, linkages etc., are not ensured.

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26. The Government of India have, therefore, been advised that the DICs should carry out detailed scrutiny of applications from the point of economic viability, technical feasibility, infrastructure availability etc., and that they should not sponsor to banks applications far in excess of the targets fixed. They have also been requested to ensure that bunching of applications is avoided through proper planning. In order to prevent, to the extent possible, the cornering of the benefits under the scheme, we have suggested that income ceilings may be prescribed and that an affidavit could be obtained by the DIC from the beneficiary to the effect that he/she is not gainfully employed and is within the income criterion.

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High Level Standing Committee on Rural Credit - 24 January 1986

Annexure I to note on Agenda item No.2

IRDP- Important deficiencies pointed out by various evaluation studies

Features	RPCD I study	NABARD	RPCD II study
1. Preparation of Block - Plans	The plans prepared by 13 districts out of 16 districts covered under the study contained undernoted deficiencies : a) The baseline survey for preparing the inventories of material/human resources was not carried out properly and as such the credit schemes prepared did not have much relevance to the local resource potential. b) Guidelines covering formulation of clusters and allotment of beneficiaries to specified bank branches etc. had not been followed in 5 districts. c) Inadequencies of field level staff at the block and district administration. Co-ordination between the block level officials and district authorities was found to be inadequate. Similarly, co-operation among DRDA officials	Project approach to lending has not been adopted effectively while drawing up of the annual block plans. It is necessary for the banks and the district administration to interact mutually in greater detail in fixing the physical No. of units in each activity for each block in the districts taking full note of the constraints arising from lack of potential, absence of infrastructural facilities and other factors so that the investments identified and assisted prove viable.	The preparation of separate plans by DRDA and lead banks had resulted in some problems because the banks prepared their plans for the calendar year and the DRDA, plans were for the financial year. Although in financial terms in the aggregate, the targets and achievement did not show wide variations, sectorally and scheme-wise there was very little co-relation between the plan estimates and actual lending This had been due mainly to the fact that the actual financing pattern did not conform to either of two plans i.e. those prepared by DRDA and by banks. It was thus evident that the exercise of preparation of plans for IRDP lending by banks and their incorporation in the Annual Action Plans prepared under the lead bank scheme had not served any useful purpose.

...2.

Features	RPCD I Study	NABARD	RPCD II Study
	and the various Government officials/Quasi Government organisations such as Department of Agriculture, Animal Husbandry, Electricity Board etc. was not forthcoming to the extent required.		

Features	RPCD I Study	NABARD	RPCD II Study
2. Identification of beneficiaries	The process of identification of beneficiaries for the year 1981-82 and 1982-83 disclosed that income criterion was not strictly adered to as only 202 of 802 beneficiaries contacted for sample study belonged to the lowest income level (upto Rs.1500) while as many as 139 were not eligible under the programme.	The sample study indicated cases of wrong identification to the extent of 15% of the total beneficiaries as they were above poverty line. This occurred because of non inclusion of income of all the members of the family. Wrong identification resulted mainly from excessive concern to fulfil targets and inadequate ground work done to determine the precise No.of families below poverty line. Another deficiency in implementation is the lack of involvement of banks in the process of identification of beneficiaries.	The process of identification of beneficiaries revealed that poorest among the poor were selected in 18.7 per cent cases though a major portion of beneficiaries selected belonged to the intermediate group with income level between Rs.1500/- and Rs.2500/-. The percentage of families who were above the poverty line and were thus wrongly selected was 3.7% in the present survey. ~~Thus the importance of selection of beneficiaries from cluster and involving them in pre-planned economically viable schemes was not realistic, with the [illegible]~~. Beneficiaries were recommended a sporadically, largely from higher income groups though below the poverty line presumably with an eye on fulfilling targets.

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Features	RPCD I Study	NABARD	RPCD II Study
3. Preparation of credit schemes.	a) The credit schemes were not based on the available infrastructural facilities and linkages so as to make them viable and bring out the effectiveness of the investment activities. b) Unduly large No.of beneficiaries were identified for one or two activities like animal husbandry in each block to the extent of affecting their viability. c) The process of selection of credit schemes contained deficiancies affecting bankability of the schemes and resulted in rejections in number of cases.	In the selection of activities adequate consideration did not seem to have been given to infrastructural availability and in some cases to compatibility with the ecological conditions.	

Features	RPCD I Study	NABARD	RPCD II Study
4. Disposal of loan applications.	The time-lag between the date of receipt of loan applications and the relative date of sanction could not be ascertained in respect of 568 out of 869 loan applications examined during the study (65.4%). As many as 315 out of 56b applications did not bear any dates to indicate as to wh n they were prepared or received at the branches; remaining 253 applications had the same date shown against date of application sanctioned and disbursement. This was mainly due to the practice obtaining in the branches of examining the prospective borrowers informally and obtaining applications only after the decision to sanction has been taken by the branch Manager. In respect of 311 applications where the delay in sanction could be established, 119 were on account of the delay in processing at the branch level and 74 were because of	Because of paucity of staff banks have not been involved in the identification of beneficiaries. Consequently banks relied on the identified lists in the screening and selection of eligible beneficiaries. This resulted in bunching of applications towards the last two quarters of the year. The proportion of application rejected was high at 17 to 20% in respect of commercial banks and RRBs. Identification of ineligible persons in certain cases, location specific factors like reluctance of tribal beneficiaries to avail of loan facilities seem to have contributed to high rate of rejection of applications.	In 46% of the cases loans were sanctioned within two weeks from the date of receipt as stipulated and in another 12.5% cases sanctions were issued in 4 weeks. However, in 31.7% cases it took more than 4 and upto 12 weeks for sanction and in another 9.6% cases more than 12 weeks. The procedural delays at the branch level a..ounted for the largest number of cases namely 335 out of 681 i.e. 49.2%. Bunching of applications accounted for next largest at 26.6% of delayed cases. Reasons such as borrowers not turning up in time and incomplete applications accounted for 15.7% and 8.4% cases respectively. The delay due to inadequate discretionary powers of branch managers had been insignificant at 0.1%. A common complaint of banks was that application were received from DRDAs in large lots towards the fag end of the financial year. The study revealed that loans were generally disbursed within 4 weeks from the dates of sanction. However, delay

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Features	RPCD I Study	NABARD	RPCD II Study
	borrowers did not turn up. Delay was also due to lack of discretionary powers of branch Managers which constituted 16% of cases.		exceeding 4 weeks was noticed in 377 (29.8%) cases. It was further revealed that in 142 out of 377 cases disbursements were delayed because of non-receipt of subsidy from DRDAs.

Features	RPCD I Study	NABARD	RPCD II Study
5. Insistance on additional security.	Despite clear instructions given to the commercial banks by RBI and GOI regarding strict adherence to the liberalised security norms in respect of small loans the banks continue to obtain additional security in respect of loans upto Rs.5000/-. The study has revealed that out of 869 cases examined in as many as 615 cases additional security had been obtained.	The branches of the financing banks taken together had been taking hypothecation of assets as security in 88% of the cases financed by 20 banks taken for sample study. The sureties were taken as additional security in 36% of the cases financed which is in contravention of the stipulation in this regard. Land mortgage was taken as security only in 12% of the cases of which about 10% were financed by Co-operative banks (mainly LDBs)	Although clear instructions were issued to commercial banks by the RBI that for loans upto Rs. 5000/- given under IRDP only hypothecation of assets acquired with the help of the loan is to be obtained as security and no security such as mortgage or third party guarantee is to be taken it was observed that branch Managers insisted upon ~~diffs~~ additional security for small loans. In more than 50% cases selected for study, additional security in one form or another was taken. A further analysis indicated that in only 7 out of 64 selected branches of banks additional security had not been insisted upon. All branches of SBI selected for study had insisted upon additional security. In nationalised banks all branches except two had insisted upon additional security. Since the SBI and the nationalised banks have accepted as a matter of principle that additional security will not be insisted upon for IRDP loans there was obviously, a communication gap between the head office/controlling offices and the branches.

Feature	RPCD I Study	NABARD	RPCD II Study
6. Procedure adopted for release and adjustment of subsidy.	The study has revealed that in 9 out of 16 districts covered under the current study the revised procedures prescribed for ensuring proper assessment by DRDAs of the quantum of subsidy required by the bank/branches and from adjustment thereof to the loan accounts of the borrowers had not been implemented resulting in substantial subsidy amount remaining unadjusted with the banks.	50% of sample beneficiaries financed for minor irrigation found the amount of loan and subsidy received inadequate to cover the actual investment cost. About 30% of the beneficiaries financed for animal husbandry indicated that they were under financed despite the large scale financing reportedly of poor quality animals.	Only in 43.6% of cases the subsidy adjustment was done promptly. Delay upto 4 weeks was noticed in 14.3% cases; in another 20.7% cases delay was between 4 to 12 weeks, and in 12.8% cases it was between 12 to 24 weeks. Further, there were as many as 104 cases forming 8.2% of the sample where delay was more than 24 weeks.

Feature.	RPCD I Study	NABARD	RPCD II Study
7. Physical verification of assets.	A physical verification of assets carried out has revealed that while in respect of 32% of the sample beneficiaries the relative assets could not be located, in another 7% cases they were not found in productive condition. The majority of these beneficiaries have reported that the animals financed by banks had died and their claims under the cattle insurance scheme were pending for long periods.	Deficiency was observed in the follow-up and supervision over the end use of credit of the total No. of non-functional units in the farm sector investment, in 13% of cases the loans had been misutilised and in the case of another 40%, the assets had been sold off. In the ISB sector, the problem was found to be more serious.	The present study revealed that in 872 i.e. 68.9% of total cases studied assets were purchased and were also in use, in 157 i.e. 12.4% cases, assets were not in use and in 236 i.e. 18.7% cases assets were not in existence. The last two categories together accounted for 31.1% total sample. The absence of assets would largely indicate misuse of loan and subsidy though it is not unlikely that in some cases the assets could have been sold and the loan repaid.

Features	RPCD I Study	NABARD	RPCD II Study
8. Infrastructural support.	-	Infrastructural support for activities financed under IRDP was found to be very inadequate in several districts and the deficiency was more pronounced in the case of animal husbandry programmes and ISB sector activities.	-

Features	RPCD I Study	NABARD	RPCD II Study
9. Impact of the programme on the economic status of the beneficiaries.	The assistance provided under the programme has resulted in a progressive shift in real income in respect of 50% of the sample beneficiaries. Among the beneficiaries whose incomes have registered an increase, 17% have been able to cross the poverty line. The study has also revealed an increase of 30% in the value of assets at current prices.	As a result of several deficiencies in the implementation of the programme, the objective of raising the assisted families above the poverty line has only been partially achieved. The proportion of sample beneficiaries enabled to cross the poverty line as a result of IRDP assistance worked out af to 47% for all the States taken together. The states with low average incremental income were by and large found to be those which had placed relatively greater emphasis on financing animal husbandry activities particularly dairy schemes. Income generation was decidely better in the case of minor irrigation financing in all the states. The ISB activities showed greater promise in a few states like West Bengal and Gujarat.	--

Features	RPCD I Study	NABARD	RPCD II Study
10. Occupational distribution	-	-	Agricultural labourers consituted the largest group of beneficiaries accounting for 37.3% of the sample study. Surprisingly, the artisans formed the smallest group at 6% only. In some of the districts the category "others" which included barbers, tailors, etc. covered large percentage of selected beneficiaries.

High Level Standing Committee on Rural Credit - 24 January 1986

Annexure I to note on Agenda item No.2 (...contd.)

IRDP

Important deficiencies pointed out by various evaluation studies

Features	PEO of Planning Commission	NIRD	Gokhale Institute	SBI
1. Preparation of Block Plans	In most of the DRDAs the requisite planning teams had not been organised and efforts did not seem to have been made to develop the capability for planning and formulation of viable schemes with the result that the resource surveys could not be taken up and perspective plans were not prepared as prescribed under the guidelines. As regards preparation of Five Year Perspective plans, more than half of the states studied had not attempted such an exercise for the respective districts. Out of 33 districts selected for the study, 16 DRDAs had not prepared the perspective plans for their respective districts.			Five-Year Prespective plans based on resource-base and infrastructure availability in the Block had not been prepared for the blocks taken up for study till the beginning of 1983 and the various under IRDP were financed without any guidance being available from the perspective plan. From 1983 onwards, the lead bank had been preparing district credit plans and annual action plans on a calendar year basis for individual blocks, which also included an IRDP Component.

PEO of Planning Commission	NIRD	Gokhale Institute	SBI
The five year perspective plans had not been attempted by the DRDAS based on family and cluster plans. There was not a single instance where cluster plans had aggregated into block level plans as per guidelines.			

Features	PEO of Planning Commission	NIRD	Gokhale Institute	SBI
2. Identification of beneficiaries	None of the State Governments followed the guidelines uniformly for final selection of families on the basis of a comprehensive household survey to ascertain their income and economic conditions, also their preference for viable activities and coverage of the families in the lowest income group first. Only in 4 states the household survey was conducted in the selected clusters of each block. In 7 of the 16 selected states such an exercise had not been undertaken. In 3 states, the household surveys were initiated one to two years after the introduction of the IRD programme. In the	Involvement of credit institutions in the identification of beneficiaries is still not streamlined. In some blocks, the BDO is solely responsible for identifying the beneficiaries and recommending them to credit institutions. A suitable mechanism for joint identification has yet to emerge. Adequate preparations for organising credit camps to identify beneficiaries is lacking. Gram Sabha meetings were tried in some blocks. Listing of beneficiaries as per SFDA norms was further vitiated by the practice of locally influential persons trying to impose on the BDO relatively.	A number of evaluation studies of IRDP show wide variation, in the mis-classification of the households as poor. On the whole it would not be improper to suggest that at least 15 per cent of those identified as por and helped under IRDP did not really belong to the category of the poor. Once the block level official agency (DRDs) classifies a household to be por on the basis of the prescribed survey and recommends its case for loan assistance for a specific enterprise, the bankdoes not verify	Household surveys for assessing the family incomes of the poor had been completed in most of the districts. Identification of the beneficiaries was as per the laid down norms in respect of 79.4 per cent of the cases, for all the 10 districts taken for study. The percentage of correctly identified beneficiaries, however, varied in a wide range from 32 in Chamoli to 99 in Gulbarga. Common instances of in appropriate identification were family income being in excess of the income norm and land holding being in excess of the prescribed limit.

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Features	PED of Planning Commission	NIRD	Gokhale Institute	SRI
	meantime the families were selected from the list of households maintained under SFDA/MFAL/Antyodaya programmes. 22.5% of the families assisted belonged to Scheduled Castes and another 9.2% to Scheduled Tribes. Nearly 81 per cent of the beneficiaries actually assisted were covered under the primary sector schemes, about 8 per cent in the secondary sector and the remaining 11 per cent through tertiary sector schemes.	...off persons as beneficiaries. Organisational set-up necessary for proper identification of beneficiaries under IRDP is not uniform and defective resulting in wrong identification of beneficiaries. Wrong identification is reported to have reached 40-50% in U.P. 15-20% in Karnataka 10-16% in M.P. Confusion in matching schemes with beneficiaries. No fixed agency.	its present and expected income position which it would otherwise normally do.	One of the important reasons for improper identification was that no meeting of the Gram Sabha for confirming the identification of beneficiaries had been convened in the districts taken up for study.

Features	PEO of Planning Commission	NIRD	Gokhale Institute	SBI
		Survey of family income was not undertaken properly as a result, large number of underving persons were listed as beneficiaries. Non-involvement of Gram Sabha or the local leadership in the process of identification and the existing practice of identification under the same old principles of SFDA programme and its influence on the present process also contributed to wrong identification. In such situation the iedntification by B.D.O. turned out to be arbitrary in nature. The methods used for identification of beneficiaries have nowhere, so far, been fool-proof. Family income survey, though technically a sound approach, was handicapped by lack of technical staff.		

Features	PEO of Planning Commission	NIRD	Gokhale Institute	SBI
3. Preparation of credit schemes	The State Governments had not made any attempt to prepare a shelf of bankable schemes suitable for different areas in their states. The functionaries at the DRDA and the block levels were not familier with the economics of various schemes for which NABARD had issued detailed guidelines. The functionaries in many areas had not ascertained regarding the availability of inputs and good quality assets marketing facilities etc. and the potentiality of the schemes in the area. They had not worked out the income generating potentialities of specific schemes. The provision of one time benefit of milch animal alone did not help the beneficiaries	Identification of schemes for the beneficiaries, though often not a problem, is sometimes carried out with arbitrariness, the guiding principles for the administration being one of meeting the targets. Schemes not preferred by the beneficiaries are thrust on them in this process. Also, very often little effort is made to examine the suitability of the scheme to the beneficiary, or the viability and feasibility of the scheme in given context of infrastructural facilities. Often the right type of assets are not locally available. supply of sub standard assets at manipulated prices. For large areas	The major type of asset creation for which loans (and subsidies) have been given is livestock including dairy animals, goats, sheep, as well as for bullock and bullock carts and camels and camel carts. Information from the available surveys shows that IRDP assistance under dairy as well as under goat and sheep scheme had very limited impact on the poor.	Selection of the activities for the identified beneficiaries was not necessarily need-based or skill based. Generally speaking, only one member of the family had been financed. Training under TRYSEM remained one of the most neglected aspects of the implementation of IRDP. For example, in Gulbarga, none of the beneficiaries interviewed had been imparted any training for updating the skills for the activities financed. Out of the 1000 sample beneficiaries covered in the 10 districts, 375 (37.5%) were financed for allied agricultural activities, followed by 345 (34.5%) for agriculture 235 (23.5%) for tertiary

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Features	PEO of Planning Commission	NIRD	Gokhale Institute	SBI
	to cross the poverty line. The quality of milch cattle provided to the beneficiaries was also not upto the mark in view of the demand. A few cases had come to the notice where the same animal had changed hands more than once. There were also complaints regarding inadequate veterinary support in terms of necessary supply of medicines and timely attention to the animals. After the delivery of assets there was no follow-up regarding their maintenance. Due to lack of knowledge on the part of the beneficiaries to look after the varieties, there were many cases where animals/birds had died. The cost of various benefit schemes, their economics and the loans and subsidies available under the rules were unrealistic considering the rise in prices. Non-availability of good	of the country ground water survey report are not insisted upon for schemes like irrigation, dug wells etc. Grounding of schemes calls for a fine degree of coordination of the activities of the ∠ agency is to forget about the applicant once the forms are passed on to the credit agencies. ∠ agencies and departments involved but the tendency of the block		sector and 45(4.5%) for village and cottage industries. In some of the districts at the time of identification, the beneficiaries had been advised, that there were only two schemes available under IRDP, viz., dairy and those beneficiaries who possessed skills in industrial activities, such as carpentry blacksmithy, etc. were forced to take up activities under allied agricultural sector. In general, therefore, undue stress on animal husbandry activities was witnessed with relatively lower emphasis on village and cottage industries and tertiary sectors for which there was good potential in the districts.

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Features	PEO of Planning Commission	NIRD	Gokhale Institute	SBI
	quality assets was another problem faced by the beneficiaries. There was also an urgent need for a proper follow-up including the physical verfication of assets in respect of the beneficiaries who had earlier received assistance.			

Features	PEO of Planning Commission	NIRD	Gokhale Institue	SRI
4. Disposal of loan applications	In respect of the time lag between the sanction and actual provision of benefit schemes it was observed that the delivery of assets to nearly 83 per cent of the sample beneficiaries was made within a period of one month of the sanction. Another 12 per cent of the beneficiary households received the assets within a period of three months. Only 5 per cent of them had to wait for more than three months from the date of sanction for obtaining the assets. The important reasons for the delay of more than one months were : (i) cumbersome procedure followed by the authorities (25 percent), (ii) Lack of support from bank officials(22 per-cent); (iii) non-availability of assets in the local areas/markets(17 per cent). About 12 per cent of the reporting households conceded that the delay in their case was due to the lack of interest on their part in getting	The duplication of work in the preparation and scrutiny of applications at the block level and at credit institutions level is one major reason for delay in the disposal of the applications. In Jaora block in M.P. 75% of applications were delayed beyond ten weeks. This was mainly due to the time required to clarify the dues position with other credit institutions. Reasons for delay were i) Incomplete applications or applications with wrong information, ii) Failure of beneficiaries themselves to turn up for the loan, iii) Lack of feasibility certificates from geologists and electricity department, iv) Bunching of applications by the BDO and consequent delay in processing, v) Insistance on 'no due' certificates, personal		

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Features	PEO of Planning Commission	NIRD	Gokhale Institute	SBI
	their applications expedited. In case of 10 percent of the households, the sanction was not communicated to them in time which had led to the delay in obtaining the assets. The Project Officers in a number of cases had reported that a large number of loans applications were rejected on filmsy grounds. In a few cases the banks even refused to assign the reasons for the rejection of applications. In one of the districts selected, the rejection rate was reported to be as high as 70 per cent.	security, mortgage of land agreement relating to terms of loans etc. even for loans not exceeding Rs. 5000/-.		

Features	PEO of Planning Commission	NIRD	Gokhale Institute	State Bank of Indi
5. Insistance on addit-ional security	For loans upto Rs.5000/- the commercial banks were not supposed to demand any addition security from the beneficiaries other than the hypothecation of the asset created out of the loan. A few banks branches were reported to be insisting on security from the benefi-ciaries even in the case of loans upto Rs. 1000/-.	Reports from Jaora block, M.P. pointed out that all the banks except the CBI, insisted on personal security/mortgage of land etc. even for loans not exceeding Rs. 5000/-.		

Features	PEO of Planning Commission	N I R D	Gokhale Institute	State Bank of India
6. Procedure adopted for release and adjustment of subsidy	In some areas it was reported that the subsidy amount was not adjusted immediately after providing assets to the beneficiaries with the result that the beneficiaries had to pay interest even on the subsidy portion of the cost of the assets. In one of the tribal districts the adjustment of subsidy had taken almost a year. There were also reports of some cases of misappropriation of the subsidy amount with the connivance of the banks and block officials.	The DRDA is to maintain adequate amount in S|B A/c. for meeting the subsidy claims and there should be weekly reconsiliation of the accounts to avoid locking up of funds and at the same time facilitate regular and quick adjustment of subsidy. However this is yet to be adopted in all the study areas. Though the subsidy was being released by DRDAs to the financing institutions / were taking time to adjust the amount sanctioned to loan sanctioned. The beneficiaries were required to pay interest on the whole loan amount during the period. DRDAs, Bijapur indicated that some financing institutions regard subsidy as some kind of deposit and tend to cling to it, thus delaying adjustments. In some cases loans were only sanctioned but not disbursed and the credit institution was given the subsidy amount.		The procedure prescribed by the Government of India and the RBI in the matter of subsidy administration is being generally followed in most of the districts though in Palamau (Bihar) and Bastar (Madhya Pradesh) districts, problems still persist in this behalf, due to late release of subsidies.

Features	PEO of Planning Commission	N I R D	Gokhale Institute	State Bank of India
7. Physical verification of assets.	The study shows that in many states the verification of assets had not been attempted. However, some of the States like Gujarat and Rajasthan had taken positive action in this direction. It is suggested that other State Governments may adopt the pattern followed by these two States in regard to the verification of assets.		The State Bank of Hyderabad's survey in sample states showed that the leakage was as high as 32 percent in respect of beneficiaries for milch cattle, sheep, goat, bullock with or without carts. These people just collected subsidy by showing their existing assets as being fresh purchases. In case of loans for minor irrigation leakage was as high as 50 percent; wells were either not sunk or only a pit dug and subsidy collected. The Canara Bank study in 2 Tamil Nadu districts shows that 72 percent of the beneficiaries had either sold the animals or replaced their earlier animals with these. The Jaipur study (Ahuja) shows that 45.7% of the recipients of loans for the animal husbandry purpose were left with the asset at the end of 2 years; the others had either sold it or the animal was dead. A survey by the State Bank of Bikaner district showed that most of the beneficiaries, who were mainly landless, had acquired camel carts, cows	In 85 percent of the cases, the assets created with IRDP assistance were found to be intact and in possession of the beneficiaries, the percentage of assets-possession ranging from 61 in Govalkhpur to 100 in Gulbarga. In some cases, the beneficiaries had disposed of the assets and started a new activity with the proceeds. Where beneficiaries were not found to be in possession of assets, in 54.2 percent cases, assets had been sold away, in 26.5 percent of the cases, animals had died, in 7.7 percent of the cases assets were of poor quality and hence disposed of to reduce the liability and in 11.6 percent of the cases there were other factors.

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Features	PEO of Planning Commission	N I R D	Gokhale Institute	State Bank of India
			(Contd.) or buffaloes or sheep and goats. However, a large proportion was without these at the time of survey; 28 per cent had sold the assets or these were dead, and another 22 per cent were unwilling to show the as assets, leading to suspicion of non-existance. The survey by PNB in Alwar district showed that 30 per cent of the Milch cattle and 64 percent of the camels with cart had been sold or dead.	

Features	PEO of Planning Commissioner	N I R D	Gokhale Institute	State Bank of India
9. Infrastructural support.			Many reviews as well as enquiries refer to the inadequate provision of infrastructure. They point to the poor quality of animals purchased under the scheme, the poor veterinary facilities, the poor facility for marketing of the product, the inadequate and uncertain supply of fodder and feed, the very small size of holdings, the absence of consolidation of small holdings, the poor extension agency and non-availability of infrastructure like Milk Collection Centres.	

Features	PEO of Planning Commission	N I R D	Gokhale Institute	State Bank of India
9. Impact of the programme on the economic status of the beneficiaries	Nearly 90 percent of the selected sample beneficiaries felt that they had benefited from the IRD Programme, about 9.5 per cent reported that they had not benefited 90.7% of 1163 beneficiaries expressed the view that as a result of IRDP their family employment had increased. About 88 percent of the 1163 households reported that as a result of their coverage in the IRDP, their ~~xxxxxxx~~ income had increased. Again about 77 percent of the selected households reported that their consumption level had increased. A significant majority of the		None of the surveys had deducted the annual repayment instalment as cost. If this legitimate expense is taken into account, the percentage of beneficiaries who might have crossed the poverty line will come down very considerably. From this evidence it is clear that the IRDP has come no where near its object of raising atleast a third of the rural poor above poverty. By the end of the Sixth Plan period, some 17 to 18 million rural households would have been covered by IRDP. Atleast 15 percent of these would not belong to the category of the poor. Therefore, one can say that at most 14.5 to 15 ~~mili~~ million poor households in	On an average, the number of mandays generated, taking both the principal as well as subsidiary occupations together, increased by 78 in all the districts taken together, under the IRD Programme. In six districts, viz., Koraput, Bastar, Gulbarga, Chamoli, Palamau and Badgam, however, the increase in employment in terms of average mandays was lower than 60 days. The insignificant increase in the employment generation was due to large scale disposal of assets in Koraput, inability of the beneficiaries to fully utilise the assets provided and inability of the beneficiaries to fully utilise the assets provided and inability of the asset to provide continuous employment. Out of the 1000 beneficiaries studied, as many as

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Features	PEO of Planning Commissioner	N I R D	Gokhale Institute	State Bank of India
	(Contd.) total sample households (about 64 percent) also felt that their overall status in the village society had been elevated as a consequence of their coverage under IRDP. About 36 percent, however, did not notice any change in this respect.		rural India would be covered by IRDP, by March 1985. These constitute one-third of the estimated number of poor households in rural India 1981.	503 (50.3%) recorded an increase of over Rs. 1000/- in their annual family income. In the case of 217, i.e. 21.7 percent of the beneficiaries, the increase recorded was more than Rs. 2000/-. This may be generally considered as adequate for poverty alleviation even for the poorest strata of the society. Excepting agriculture, all sectors viz. the allied agricultural sector (37.5%), tertiary sector (23.5%), village and cottage industries sector (4.5%) showed reasonably satisfactory income generation.

High Level Standing Committee on Rural Credit - 24 January 1986

Annexure II to note on Agenda item No.2

TELEGRAMS :"RESERVBANK"
TELEPHONE: 295602-04

TELEX : 011-2455
011-2318

RESERVE BANK OF INDIA
RURAL PLANNING AND CREDIT DEPARTMENT
CENTRAL OFFICE
NEW CENTRAL OFFICE BUILDING
BOMBAY - 400 023.

Reference RPCD.No.SP.BC. 16 /C.568A-85/86

September 9, 1985
Bhadra 18, 1907 (Saka)

To All Scheduled Commercial Banks

Dear Sir

IRDP - Provision of a preliminary dose of assistance during the Seventh Five Year Plan - Guidelines

We enclose a copy of the D.O. letter No.M.14013/3/85-IRD-III dated 16 August 1985 of Shri Inderjit Khanna, Joint Secretary, Rural Development Department, Government of India forwarding a set of guidelines issued by the Government of India to State Governments for recommending beneficiaries to banks for supplementary assistance under Integrated Rural Development Programme. As stated in the above letter the guidelines have been prepared in consultation with the Reserve Bank of India and the NABARD. The scheme of supplementary assistance is to help borrowers under the programme who have not been able to cross the poverty line with the help of the initial assistance provided they are not defaulters except due to external factors as explained in the guidelines. It is presumed that the State Governments would have already carried out comprehensive survey of beneficiaries to facilitate decision in respect of those to be given supplementary assistance. The enclosed guidelines will have to be followed in deciding about beneficiaries who can receive supplementary assistance. It will be necessary for banks to ensure that the terms of sanction of the original loan are modified wherever such a step is

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called for. The banks should also scrupulously follow the instructions in para 3 of the guidelines regarding availability of infrastructure facilities and backward and forward linkages. We shall be glad if you will please take immediate steps to communicate to your controlling offices and branches the guidelines for supplementary assistance and the concept behind this assistance as mentioned above. A copy of the instructions issued may please be sent to us for record.

Please acknowledge receipt.

Yours faithfully

(R.P. Satpute)
Chief Officer

Encls: As above.

bgr.

Inderjit Khanna,
Joint Secretary(IRD)

JT. SECRETARY
DEPTT.OF RURAL DEVELOPMENT
GOVERNMENT OF INDIA
KRISHI BHAVAN, NEW DELHI 110001.

D.O.No.M.14013/3/85-IRD.III

August 16, 1985

Dear Shri

I am sure that the survey of beneficiaries for supplementary dose of assistance would now have been completed by you. We are awaiting the report of the survey along with a statement giving stratified information of income levels achieved by these beneficiaries, district-wise as per the prescribed proforma, as requested in my D.O. letter of even number dated the 23rd April, 1985. It is hoped that we will receive this soon.

2. In the meantime, the Government have, in consultation with the Reserve Bank of India and the National Bank for Agriculture and Rural Development framed the guidelines for provision of supplementary assistance, a copy of which is enclosed. The cases for supplementary dose of assistance may be processed in the light of these guidelines.

3. However, the following points are stressed:

i) the second asset need not be repetitive of the first one. The second asset may be selected keeping in view the objective of helping the family to cross the poverty line;

ii) the family will be the unit. Any member of the family may be selected for supplementary assistance. While selecting the members, the need for covering as many women beneficiaries as possible may be kept in view;

iii) at para 4 of the guidelines it has been suggested that a committee comprising the BDO, Bank Manager and DRDA official and chaired by the Sub-Divisional Officer should examine the extent and nature of supplementary assistance. The committee can, however, coopt any other member considered useful for this purpose particularly the elected representatives of Panchayati Raj Institutions at the block level or any other technical officer who can help in assessing the viability of the project;

iv) above all, it should be ensured that with the supplementary dose of assistance the family is able to cross the poverty line;

v) the progress of providing supplementary assistance should be reviewed periodically in the meetings of the coordination committee at State, District and Block levels. Urgent meetings at all three levels may be convened to explain the guidelines to the officials and bankers so that implementation at the field level is smooth.

A copy of these is also being sent to the Managing Director of all nationalised banks and also to the Project Directors of DRDAs.

With regards,

Yours sincerely,

(Inderjit Khanna)

bgk.

Guidelines to State Governments for recommending beneficiaries for supplementary assistance under Integrated Rural Development Programme

It has been estimated that 16 million beneficiaries have already received assistance under IRDP during the Sixth Five-Year Plan period. However, the evaluation studies on the implementation of IRDP have revealed a number of deficiencies in the actual execution of the programme. For instance, it has been observed that identification of beneficiaries in most cases was not based on any surveys or regional plans; ineligible persons having annual family income of over Rs.3,500 were selected as beneficiaries; activities financed were not supported by adequate infrastructural facilities and marketing support; a number of beneficiaries were provided assistance for activities like animal husbandry and dairy development without ensuring availability of supporting facilities; and norms prescribed by NABARD/RBI regarding gestation period, total period of loan, provision of working capital and minimum size of unit were not followed. Consequently, a large proportion of beneficiaries have not yet been able to cross the poverty line. One of the main tasks under IRDP in the first 3 years of the Seventh Plan would, therefore, be to help consolidate the achievements in the Sixth Plan period through proper remedial steps for correcting the deficiencies which have adversely affected the implementation of IRDP in the past.

D.O.NO. K.14011/4/85-IRD-III dt.2.4.1985.
D.O.No.K.14011/4/85-IRD-III dt.23.4.85.
D.O.NO.14011/1/85-IRD-III dt.13.5.85.

2. In communications noted in the margin, we have brought to your notice the broad strategy to be followed under IRDP during the Seventh Plan and in 1985-86. Instructions regarding the survey, physical and financial targets have also been indicated therein. In particular, attention should be given for providing infrastructural facilities and the forward and backward linkages, provision of good quality assets,

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at the block as well as district levels. The strategy envisages provision of a supplementary dose of assistance to certain eligible categories of beneficiaries of the Sixth Plan who are still below the poverty line so that they will be enabled to raise their income above the poverty line. GOI have, with the concurrence of the Rural Planning and Credit Department, Reserve Bank and the National Bank for Agriculture and Rural Development, accordingly approved the following guidelines for the identification of beneficiary families for supplementary assistance :

1. A systematic survey is to be conducted as advised in this Ministry's letter dated 23rd April 1985. On the basis of the data available after the survey, the assisted families can be categorised as (i) those not eligible for further assistance; and (ii) those who can be considered for a supplementary dose of assistance.

(i) Categories not eligible

In the category of those who will not be eligible are the following :

(a) Those who were wrongly identified at the time of first assistance (family income prior to assistance exceeding Rs.3,500/- per annum).

(b) Those who have crossed the poverty line after receiving assistance under IRDP.

(c) Defaulters who have benefited from the scheme and had adequate repaying capacity but failed to repay the bank dues.

(d) Those who have misutilised the loan by not acquiring the asset at all or by disposing of the asset after acquisition.

(ii) Categories which can be considered

Families which can be considered for supplementary assistance will be -

(a) those who have maintained their assets acquired under the programme in good condition and are not defaulters to the bank but are still below the poverty line. In these cases also, a further scrutiny may be made to decide whether supplementary assistance (subsidy and loan) will enable them to rise above the poverty line.

(b) beneficiaries in whose cases the norms prescribed by NABARD/RBI were not followed in determining the gestation period/repayment period which resulted in default to the bank. In these cases, the repayment of instalments in the first instance may be rescheduled and on this basis if the borrowers loan account reveals that he would not have been a defaulter (i.e. had the norms been followed) he may be considered for supplementary assistance.

(c) beneficiaries who did not receive adequate working capital. In such cases the beneficiary will be deemed as eligible for adequate working capital and keeping in view the norms laid down by RBI/NABARD this would be sanctioned as a term loan.

(d) cases where minimum size/number of units of asset as prescribed by NABARD was not given. In such cases also, the beneficiaries will be eligible for supplementary assistance to the extent of the shortfalls in the assistance provided taking into account the eligibility on the basis of the norms laid down by NABARD as regards viability of investment. The supplementary assistance is, however, to be given only if viability of the additional input together with the previously financed asset is demonstrated and necessary facilities for maintenance of asset on a day-to-day basis and assured arrangements for marketing of produce are available.

(v) cases where assets acquired by the beneficiaries were destroyed by natural calamity or death of animal (in the case of loans for dairy/animal husbandry) or accident by fire and the rescheduling of the outstanding loan and replacement of asset with the help of supplementary assistance will enable the family to cross the poverty line.

2. In all the above cases the terms of sanction of the original loan might need modification to rehabilitate the existing unit and to make the investment viable. It would also have to be ensured that the balance outstanding in the existing loan together with the proposed second loan would be within the repaying capacity of the beneficiary.

3. In recommending supplementary assistance in cases which satisfy the eligibility criteria, it must be ensured that adequate infrastructural facilities and backward and forward linkages such as availability of raw materials, marketing facilities, etc., are available so that the investment does not become infructuous.

4. In order to determine the eligibility of the beneficiaries for supplementary assistance it will be necessary to undertake a case by case analysis. A committee comprising the BDO, Bank Manager and DRDA official and chaired by the Sub-Divisional Officer should examine such cases with reference to the data thrown up by the survey, determine the causes of unsatisfactory progress in each case and recommend on merits of each case whether the family should be given further assistance and if so, with what kind of complementary support. The committee should keep in view the following points :

a) Supplementary assistance should be adequate to assist the family to cross the poverty line.

b) The subsidy for supplementary assistance together with the earlier subsidy provided should not exceed the total ceiling of subsidy viz. Rs.3000/4000/5000 as the case may be per family.

c) In cases where supplementary assistance is to be given, the banks would have to consider rescheduling of previous loan to make the family eligible for a second loan.

d) Special attention should be given to evolve integrated viable schemes with necessary support facilities in marketing to ensure that with the credit made available, a family is able to cross the poverty line.

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High Level Standing Committee on Rural Credit

24 January 1986

Agenda Item 3

Review of Operation of
Lead Bank Scheme

The Lead Bank Scheme (LBS) which was introduced as an organizational framework for the implementation of the social objectives, based on the recommendations of the Gadgil Study Group (1969) has come to be recognised as an effective forum for planning the credit supplied to various programmes of rural development covered under priority sector financing by banks including those which have been specifically launched by Govt. of India for eradication of poverty. The forum is partnered by entire banking system consisting of private and public sector commercial banks, regional rural banks, and co-operative banks, financing institutions like state financial corporations, SC/ST Development Corporations, departments and agencies of State Government concerned with priority sectors and national institutions like, Nabard and IDBI. The Reserve Bank of India as the Central Bank of the country has also involved itself directly in the Lead Bank Scheme both at district and state levels. The LBS concerns itself with that portion of loanable resources of banks which are deployed for priority sectors and almost entire credit portfolio of regional rural banks and co-operative banks. Its functions encompass all phases from credit planning, ensuring physical retail points for its disbursement, overseeing the implementation of the plans, monitoring, review and evaluation. It has been introduced in all 433 districts in the country including Sikkim.

2. A comprehensive review of the working of the LBS was made by a Working Group appointed in November 1981 by the RBI. The Group submitted its report in 1983. Most of the recommendations were accepted by the RBI and are being implemented by various agencies concerned. The RBI has also constituted a High Power Committee with the Deputy Governor of the Bank in-charge of the RPCD as Chairman. The HPC is expected to provide necessary guidance in various matters relating to the LBS. The Committee has met 13 times so far.

Forums of Coordination

3. The LBS mainly operates through the lead bank, its Lead Bank Officer, and the district consultative committee with its standing committee. In this task it is assisted by the Lead District Officer of the Reserve Bank of India and the district coordinators of banks wherever appointed. At the state level the progress of priority sector lending is reviewed and problems discussed by the State Level Bankers' Committee. In a few states, ad-hoc committees have been created at block level such as recovery review committee but there is no regular set up as such at that level to monitor and review the priority sector lendings.

District Consultative Committee (DCC)

4. The district consultative committees (DCC) were originally constituted in pursuance of the recommendation of the Banking Commission that such a committee would facilitate consultation among, and coordination between financial institutions and concerned government departments at the district level. The Working Group on LBS had expressed the view that the functioning of these committees left much to be desired on account of unwieldy size, representation by junior level officials, lack of proper attitudinal orientation

on the part of participants, unsatisfactory follow-up and inadequate secretarial support to the Lead Bank Officer who acts as convenor of the committee. The DCCs were, therefore, advised to be reconstituted by excluding some of the smaller commercial banks and a few government departments as the interests of smaller banks could be taken care of by the lead banks. The DCCs have been accordingly re-constituted but the desired results have not been achieved because many banks represented on the committee have not appointed district coordinators as recommended by the Working Group. A senior branch manager without full knowledge of his bank's position in the district attends the meetings of the committee in place of district coordinator and is, therefore, not in a position to present coordinated picture of his bank's operations in the district. As regards frequency of the meetings there have been no complaints and the meetings are held quarterly. However, due to preoccupation of Collector/Deputy Commissioner with various jobs there are occasions where meetings have to be postponed at short notices. The DCC generally reviews progress of all important programmes under agriculture and allied activities, small-scale industry, bio gas and special programmes like IRDP and SEEYU. The DCC is particularly entrusted with the task of formulating the district credit plan and the annual action plan, allocation of shares among banks and reviewing the progress in implementation from time to time. Details of this aspect are discussed in later paragraphs. The operation of the lead bank scheme both at district and state levels has come to be the responsibility of the lead bank with the result that not only the desired level of involvement of all members is not achieved but even essential data do not become available for a meaningful review.

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Standing Committee of DCCs

5. The standing committees of DCCs have been constituted in most districts in pursuance of the recommendations of the Working Group on LBS. Normally, they are expected to meet once a month but some of them are not regular particularly because committees are to be chaired by the District Collectors and due to their preoccupation, the LBOs are at times unable to convene the meetings. The Committees follow up operational problems raised in the DCCs with various agencies for getting them resolved.

State Level Bankers' Committee

6. The State Level Bankers' Committees were formed on the basis of the advice issued by the Govt. of India in April 1977. These Committees were expected to be a purely bankers' forum but later on as a concommittance of linkage of priority sector credit programmes with development programmes of State Govts., the committees preferred to include representatives of state governments so as to facilitate a meaningful discussion and solution to problems faced by bankers vis-a-vis the Govts. In course of time the SLBCs have come to function more or less like apex of the DCCs and the characteristics of the constitution of DCC have got reflected in that of the SLBC also. The growth in the set up of SLBCs has made them somewhat unwieldy in size. All commercial banks, irrespective of their number of branches and proportionate share in credit dispensed in the state are members of the SLBC. The meeting of the SLBC is presided over by the Chairman of the public sector bank designated as convenor and major banks are represented by their senior officers in the State such as Chief General Managers or Zonal Managers. But smaller banks are generally represented by branch managers or other junior officers which creates problems

in maintaining levels of discussions as also importance of subjects raised for discussion. As the SLBCs have been inviting government representatives on their own initiative, there is no uniform pattern for government participation. In some states, all important government departments and agencies are represented whereas in others the Directors of Institutional Finance and a few other major interests alone are invited for SLBC meetings. The focal point and coordinating character of Director of Institutional Finance loses its significance for the bankers when every department is present and answerable in the highest level forum of SLBC. The Working Group on LBS had stated in its report that "the SLBC should be a forum of financial institutions". But it had also ensured that SLBCs would review the assistance required and provided by government agencies and ensure arrangements for the training of both bank and government staff. By virtue of such functional coverage government involvement in SLBCs has become necessary. A clarity about the role of SLBC is expected to be looked into by the Study Group appointed by the Govt. of India under the Chairmanship of Joint Secretary, Banking.

7. In some States SLBCs have set up Standing Committees/Steering Committees to follow up their decisions with Govt. agencies. In addition, SLBCs have been constituting whenever necessary, Sub-Committees/Sub-groups to attend to specific functions or look into specific matters. Such sub-committees/sub-groups are wound up as and when the work is over.

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State Level Consultative Committees (SLCC)

8. The State Governments had, in the mid-seventies, constituted State Level Coordination Committees for bank finance. The Committees are presided over by Chief Ministers or Chief Secretaries and attended by all major government secretaries and Heads of operational departments concerned. Bankers including RBI, NABARD, and IDBI are members of this Committee. These Committees are not quite regular in their meetings. With the SLBCs including government functionaries in their meetings, they and SLCCs have come to have more or less identical coverage and membership, except that in SLCC the government participation is larger and at higher levels. The overlapping and duplication of functions are all the more apparent when one meeting closely follows the other.

District Level Review Committee (DLRC)

9. Earlier one meeting of the District Consultative Committee, held in the last quarter of the year was held as a District Level Review Meeting for (a) evaluating the progress made in the implementation of the District Credit Plans and Annual Action Plans (till the end of third quarter of the concerned year for a nearest previous date for which data are available), (b) considering the draft Annual Action Plans for the ensuing year, and (c) identifying problem areas and devising suitable remedial steps so that the plans could be implemented smoothly. These meetings were attended by representatives of the financing institutions as well as the State Govt. departments and development agencies. The Working Group on Lead Bank Scheme had examined the role played by these meetings and observed that they served as useful forums for bringing together the various organisations participating in the Lead Bank

Scheme and had evolved into forums for a general review of the performance under the credit plans. The Group recommended that these committees should be designated as District Level Review Committees and could include one or two representative non-officials. The Group further recommended that the DLRC should meet half-yearly. The first meeting would make a mid-term review of the performance under the running plans as well as of the discharging of the related obligations by the non-financing institutions. Wherever necessary, the DLRCs could suggest mid-year corrections in the plans taking into account subsequent developments after the plans were formulated. These Committees meet more or less regularly in all the districts.

State Level Review
Committees (SLRC)

10. At the State level the convenors of the State Level Bankers' Committees were advised to organise State Level Review Committee meetings on the pattern of the District Level Review Committee meetings at the district level. SLRC meetings are held once a year, generally in the first quarter of the calendar year after the Annual Action Plans were launched in all the districts of the States. Both the DLRCs and SLRCs play quite useful roles, particularly in finalising the sectoral and sub-sectoral outlays under the credit plans after detailed discussions in separate sector-wise group meetings.

Lead Banks and Lead
Bank Officers

11. The strength of the lead bank scheme depends to a large extent on its Chairman but more on the lead bank officer, who acts as the convenor because the Chairman being busy with various jobs. Hence certain minimum requirements are envisaged for the Lead Bank Officer such as his status and experience in rural financing.

He is also expected to have office and staff for secretarial work. It is, however, generally observed that lead banks have not paid adequate attention to these requirements. The status of Lead Bank Officer in many districts is very junior. He is made responsible for work other than that connected with Lead Bank Scheme and has no separate staff to assist him.

District Credit Plans
and Annual Action Plans

12. The concept of credit planning for bankable schemes at district level was derived from the 'area approach' recommended by the Gadgil Committee. However, it was only after the establishment of a net-work of branches of commercial banks that the formulation and implementation of district credit plans covering all activities in the priority sectors become meaningful. The RBI issued comprehensive guidelines for preparation of district credit plans designed to be coterminous with the national five year plans. The guidelines were also intended to bring about a large amount of uniformity in the formulation, presentation and implementation of district credit plans (DCPs) and the operative annual action plans (AAPs). But due to non-availability of district development plans and the inability of Lead Banks to get from the various governmental agencies and departments necessary background data as set out in the RBI guidelines - a large degree of adhocism has come to exist in the district credit plans. The third round of district credit plans and annual action plans covering the years 1983 to 1985 have been prepared so far and the annual action plans for 1986 are expected to be ready for all districts before the end of January 1986. Pending the finalisation of the Seventh Plan which took place only in November 1985, the

lead banks were advised by the Reserve Bank of India in August 1985 to prepare annual action plans only without a District Credit Plan. The next round of DCPs are expected to be prepared as soon as the Seventh Plan details are known for the period of Seventh Plan commencing from calendar year 1987.

13. Apart from the absence of district development plans and consequent inadequate data base the operative efficiency of District Credit Plan and the Annual Action Plan is impeded by other reasons also. The system of integrating AAP with performance budgeting of the banks for the area is not working satisfactorily. The regional rural banks and the co-operative banks in their anxiety to show better performance than earlier year accept higher targets and if their eligibility to get refinance from NABARD goes down for any reason they have been incapable of carrying out their obligations and achieving the targets. In a few districts where commercial banks have more or less reached their level of financing priority sector or credit deposit ratio, there is reluctance to accept a share in the annual action plan proprtionate to those in the earlier plans. This has been creating problems for both lead bank and the lead district officer of the Reserve Bank. It also throws higher burden on co-operative banks or other commercial banks disproportionate to their capacity. The credit-deposit ratio is used by the state governments and others as criterion for assessing the performance of the commercial banks in distributing credit even in the districts. The Ghosh Working Group on the Role of Banks in implementation of the New 20-Point Economic Programme had relevantly mentioned that the credit-deposit ratio should be considered only as a rough yardstick to ensure that deposits

mobilised in rural and semi-urban areas were not deployed elsewhere but were used to finance local economic activity. The credit-deposit ratio of an individual bank should be the background data for allocation to and acceptance by the commercial banks of shares under the AAPs. Such planned allocation among banks is expected to take into account all viable schemes feasible in the district and thus active participation of commercial banks in assisting within rural development programme of the district was assured. Thereafter the LBS forum as well as State Govt. need be concerned with the implementation of the plans only.

14. The ad-hocism in the AAPs is partly accounted for by the problem of integrating special programmes in the AAPs. The latter depends on government policy formulations and subsidy fund allocations. Unless these are decided in advance of the AAP formulation they cannot be fitted adequately into the latter. This results in two-sets of parallel plans and all the banks are compelled to push to the background the AAP allocations to give way to activities under special programmes. The High Power Committee on Lead Bank Scheme and the Working Group on Lead Bank Scheme had examined the question of shifting the period of DCPs/AAPs to the financial year. The Working Group on Lead Bank Scheme has concluded that such a shifting would not serve the purpose for which it was intended. The Group, on the other hand, was of the view that it was necessary to have a uniform period for AAPs and the performance budgets of banks, which should be the calendar year. On the other hand, it is possible for the state governments to indicate firm allocations of funds and disaggregations of departmental plans only after the budget sessions are concluded and the Lead Banks will be able to get data

and other support from the state government departments in the first quarter of the financial year. Any proper integration will be possible only if the AAPs are prepared during this quarter after collecting these data and, in that case, the AAPs can be effective for July-June period but this they cannot be detailed in the performance budgets of banks which are for the calendar year.

Monitoring and
Information System

15. The monitoring of the implementation of priority sector credit programmes presupposes availability of data relating to the physical and financial achievements under the targets set for the various financial institutions in respect of various sectors and schemes. Information about carrying out obligations in respect of infrastructure and supporting services is to be made available by non-financial institutions. The data are to be collected and presented by the LBOs and Convenors of SLBCs respectively to the DCCs and SLBCs for reviewing the performance. But the data base and regularity of such monitoring and review continue to be far from satisfactory. The formats required for collection of data were rationalised by the Reserve Bank of India and with a view to avoiding multiplicity of returns and duplication of work issued instructions to the bank in May 1984 for collecting and furnishing data to the DCC and the RBI. The first return under the revised data relates to the quarter ended March 1985. It was also decided to entrust to the Lead Bank Officers concerned with the work of collecting data from individual institutions and compiling them and presenting the same to the DCCs but this process is yet to stabilise in all districts since state governments have

however started calling for additional data from the banks for monitoring every special scheme and specific programme independently. This has led to multiplicity of reporting and duplication of work at the levels of branches of banks and compiling offices. The SLBC convenor banks are also calling for data in their own formats. When separate data are furnished to the different forums, the RIS schedules get relegated to the background. Again, the data presented under ad-hoc compilation are found to suffer from correctness and ~~would~~ can not be mutually reconciled, thereby impairing the quality of review and conclusions.

16. Despite the RBI impressing upon the state governments at the highest level the need for regular periodical feedback to the DCCs by the concerned government departments and agencies in carrying out of the obligations identified for later such feedback is not available in most of the states. Credit being only an aid for development unless the development and extension service departments and agencies simultaneously report about the role played by them, review becomes one-sided and wrong conclusions can be arrived at. The Chairman of the DCC who as Collector is the head of the District Administration may have to build up a focal point under him corresponding to the LBO for assembling all information to be furnished by the government departments and agencies. On the other hand, there is a predominance of interests connected with special programmes like IRDP for which agencies like DRDA and the District Collector himself are accountable and hence data on these programmes are monitored with more response. It may be pointed out here that important as these programmes are they account for not more than 15 to 20 per cent of total priority sector financing under AAP

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and the residual portion which is major gets a disproportionately low level of attention in monitoring and review, in the absence of regular flow of information and involvement by concerned government departments and agencies.

Reserve Bank of India and
Lead District Officers

17. The need for closer involvement of RBI in monitoring both the preparation and implementation of the district credit plans was realised while introducing the guidelines for the second round of the district credit plans launched from January 1980. To achieve ¥¥ this, RBI designated its officers as Lead District Officers for groups of districts. Apart from attending DCC and Standing Committee meetings, LDOs are required to explain and clarify policy and operational guidelines and circulars issued by RBI and GOI in regard to priority sector financing and specific poverty-amelioration programmes; help and guide participants of LBS forums in reviewing various data for monitoring credit plans, undertake special studies, investigate into complaints relating to priority sector lending; and visit branches of financing institutions and beneficiaries of credit for on the spot feedback to be given to the bank.

Training

18. The need for a proper understanding of the concepts underlying the lead bank scheme was recognised from initial stages and appropriat training arrangements were made and gradually strengthened in the last four years. Apart from the various programmes conducted in the RBI Colleges at Bombay and Pune covering all aspects of priority sector financing for officers of commercial and co-operative banks, specific training programmes were organised to train the LDOs, LBOs and DRDA Project Officers to equip them for the preparation of the District Credit Plans. The RBI and NIBM together organised

orientation workshops for the trainers consisting of in-charges of Development Wing of DBOD/Regional Offices of RPCD in RBI and selected officers of Lead Banks who in turn conducted the training programmes for the LDOs, LBOs and POs of DRDAs. A series of regional seminars of 3 days' duration were organised during 1983 for groups of 3 to 4 districts. These seminars were organised for the benefit of the field functionaries of banks and government departments involved in the process of preparation of DCPs and AAPs. Such workshops will be organised again before taking up the work of preparation of new DCCPs for the Seventh Plan.

19. The Lead Bank Scheme has emerged as a useful instrument for credit planning at the district level, for giving guidance to the participating institutions for proper implementation of the plans, for coordinating the activities of banks with the development agencies, for monitoring various credit schemes including anti-poverty programmes, for reviewing of the performance of the financial institutions individually and sectorwise, and also for evaluating the overall results of the implementation of the credit plans in the districts. There is no other forum at the district or state levels for giving guidance to as well as handling the work of preparation of district credit plans for the development of the priority sector. Not only the banks, but the state government departments look to these forums for ventillating the problems of development financing and seeking solutions. This speaks of the recognition accorded to the LBs by all concerned. While there are handicaps for preparation of credit plans in a realistic manner in the absence of district development plans for individual districts their utility does not get diminished because there is gradually increasing coordination between financial institutions and developmental and extensional agencies. The statement enclosed indicating the statewise position

of targets and achievements under the Annual Action Plans for the year 1984 will show that the achievements were by and large satisfactory, if viewed against the context of the infrastructural and other inadequacies obtaining in the various districts.

20. The credit plans are at present prepared with reference to the broad blockwise assessment but on a district basis. At the block level, there is no properly structured forum corresponding to the District Consultative Committees at the district level. In some States, Block Level Consultative Committees have been formed. These Committees have been given the function of coordinating the activities of the branches of the financing banks, on the one hand, and the block level officials, on the other. The block level forums were not envisaged originally in the Lead Bank Scheme and, the High Power Committee had decided that banks need not act as convenor of such forums. The meetings of these committees where they exist are convened by block level officials. The Working Group constituted by the GOI under Joint Secretary, Banking has been specifically asked to look into the role of Coordination/Consultative/Advisory Committee at State/Districts/Block levels and to suggest a more rationalised frame of such three tier committees.

Sr. No.	State/Union Territory	Agriculture			S.S.I.			Services			Total		
		T.	A.	%	T.	A.	%	T.	A.	%	T.	A.	%
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.
NORTHERN REGION													
1.	Haryana	260	284	109.2	43	66	153.5	37	55	148.7	340	405	119.1
2.	Himachal Pradesh	19	23	121	9	12	133.3	17	21	123.5	45	56	124.4
3.	Jammu & Kashmir	28	21	75	5	10	200	8	12	150	41	43	105.0
4.	Punjab	502	324	64.5	57	105	184.2	49	45	91.8	608	474	77.9
5.	Rajasthan	284	249	87.7	81	72	88.8	62	71	114.5	427	392	91.8
6.	Chandigarh	0.26	0.49	186.5	0.17	0.41	241.2	0.59	0.83	140.7	1.02	1.73	169.6
7.	Delhi	2	3	150	2	2	100	4	5	125	8	10	125
NORTH EASTERN REGION													
1.	Assam	17.48	22.99	131.6	10.06	15.91	158.2	17.90	41.86	233.8	45.44	80.76	177.8
2.	Manipur	1.05	5.76	543.4	0.70	1.64	234.3	1.55	11.94	770.3	3.31	19.34	584.3
3.	Meghalaya	2.97	1.90	63.92	0.69	0.36	51.33	3.67	3.71	101.05	7.33	5.97	81.31
4.	Nagaland	1.15	0.42	36.12	0.35	1.21	347.48	1.08	0.79	73.65	2.58	2.42	93.78
12.	Sikkim												
13.	Tripura	7.52	3.77	50.1	2.09	0.67	32.2	3.68	3.92	106.4	13.29	8.36	62.8
14.	Arunachal Pradesh	0.43	0.20	45.25	0.28	0.17	61.53	0.93	1.52	151.19	1.64	1.89	115.19
15.	Mizoram	0.34	0.04	13.70	0.04	0.14	381.18	0.35	0.62	174.76	0.73	0.80	110.70
EASTERN REGION													
16.	Bihar	139	98	70.5	42	31	73.8	46	78	169.6	227	207	91.2
17.	Orissa	266	152	57.1	51	52	102.0	37	55	104.9	~~355~~ 357	259	73.0
18.	West Bengal	140	82	58.6	49	39	79.6	38	51	134.2	227	172	75.8
19.	Andaman & Nicobar Islands.	0.20	0.20	100.0	0.31	0.20	64.5	0.39	0.71	182	0.90	1.11	123.3
CENTRAL REGION													
20.	Madhya Pradesh	315.0	305.0	96.8	36	43	119.4	47	90	191.5	398	438	110.1
21.	Uttar Pradesh	535	510	95.4	103	110	106.8	115	184	160.5	753	805	106.9
WESTERN REGION													
22.	Gujarat	291.60	338.02	115.92	70.10	84.60	120.68	61.48	69.25	112.44	423.18	491.87	116.23
23.	Maharashtra	537	547	102	91	88	98	87	100	206	715	815	114
24.	Goa, Dadra & Nagar Haveli	6	-	-	8	-	-	9	-	-	23	-	-
25.	Daman & Diu	0.36	0.25	69.44	0.84	1.01	120.24	0.29	0.49	168.93	1.49	1.75	117.45
SOUTHERN REGION													
26.	Andhra Pradesh	672	786	117	99	149	150	62	110	174	833	1045	125
27.	Karnataka	351	419	118.9	76	90	117.2	89	127	142.2	516	635	123.1
28.	Kerala	270	300	111.1	65	55	84.6	102	163	159.8	437	518	118.5
29.	Tamil Nadu	400.77	488.92	122	93.45	122.0	131	71.60	142.56	199	565.82	753.48	134
30.	Lakshadweep	0.22	0.07	31.8	0.03	0.01	33.3	0.24	0.16	70.8	0.49	0.24	49.0
31.	Pondicherry	12.70	7.92	63	4.73	8.89	188	2.21	3.53	160	19.64	20.34	104.
		5063.06	4972.55		1000.84	1161.22		1033.96 974.96	1628.89		~~7039.86~~ ~~7034.56~~ 7038.86	7664.06	

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High Level Standing Committee on Rural Credit

24 January 1986

Agenda Item 4

Consideration of measures necessary for improving recovery position of agricultural advances

A matter of concern to all connected with development of rural economy and banking system in particular is the level of overdues in respect of agricultural advances. In the case of commercial banks, the level of overdues at the end of the year, as the following table will show, is above 50 per cent of the demand for the year for last 5 years.

(Rs. crores)

Year ended June	Total demand	Recoveries	Overdues	Percentage of recoveries to demand
1980	1233	641	592	52.0
1981	1501	791	710	52.7
1982	1827	953	874	52.2
1983	2223	1182	1041	53.2
1984	2725	1406	1319	51.6

The demand includes crop loans issued during the year and due for repayment after harvest and marketing and instalments of term loans due during the year. The latter are for periods normally ranging from 3 years and 10 years and therefore only 1/3 to 1/10 of

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the amount borrowed is due every year together with interest. ~~While break up of overdues under short-term and term loans is not available as banks do not maintain data in this form~~ It will be seen from the table below that in the case of commercial banks the proportion of medium-term loans to crop loans is quite large.

(Rs. crores)

At the end of	Direct agricultural advances outstanding under	
	crop loan	term loan
June 1983	1350	2793
June 1984	1635	3615

It is therefore obvious that position of overdues in commercial banks at about 50 per cent calls for a much more serious view.

State-wise recovery position

2. Annexure I to this note shows the state-wise position of recovery performance of public sector banks in respect of their direct agricultural advances during the past 3 years viz., 1982, 1983 and 1984. It will be seen that the overall performance in Northern Region was more than 60% in the years 1982 and 1983. However, it came down to 55.6% as at the end of June 1984 on account of disturbed conditions in Punjab. In North Eastern Region though it is showing increasing trend from 32.9% in 1982, 34.1% in 1983 to 38.5% in June 1984, the performance does not compare favourably with the all India average of around 52-53% in respective

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years. In Eastern Region, recovery performance of public sector banks has been stagnating around 35-36%, in Central Region about 50%, in Western Region about 46% and in Southern Region about 56%.

Bank-wise recovery performance
(Annexure II)

3. Based on the latest information received from 24 out of 28 public sector banks, the percentage of recovery to demand as on 30 June 1985 was above all India average for last 5 years in 10 banks and below that average in 14 banks as shown below:

Name of the Bank	Percentage of recovery to demand
1. State Bank of India	55.3
2. State Bank of Patiala	65.6
3. State Bank of Travancore	56.1
4. Canara Bank	63.0
5. Corporation Bank	54.6
6. Indian Overseas Bank	66.7
7. Oriental Bank of Commerce	73.8
8. Punjab National Bank	58.4
9. Punjab & Sindh Bank	68.1
10. Union Bank of India	57.4

Name of the Bank	Percentage of recovery to demand
1. State Bank of Hyderabad	37.3
2. State Bank of Mysore	43.1
3. State Bank of Saurashtra	48.3
4. State Bank of Bikaner & Jaipur	45.1
5. State Bank of Indore	40.0
6. Allahabad Bank	38.7
7. United Bank of India	29.0
8. Dena Bank	46.3
9. Bank of Maharashtra	45.0
10. Central Bank of India	43.1
11. Bank of India	51.5
12. Vijaya Bank	43.4
13. New Bank of India	51.2
14. Bank of Baroda	50.0

(Data have not been received from remaining 4 banks viz., Indian Bank, Syndicate Bank, United Commercial Bank, Andhra Bank).

Recovery performance of Regional Rural Banks

4. The position of overdues of RRBs is as under:

(Rs. in crores)

Year ended	Demand	Recoveries	Percentage of recoveries to demand
June 1983	367	191	52.0
June 1984	485	243	50.1

Recovery performance of
Co-operative Credit Institutions

5. Recovery position of Co-operative Credit Institutions is given below:

(Rs. in crores)

	Loans overdue at the end of			Percentage of overdues to demand for the year		
	1981-82	1982-83	1983-84	1981-82	1982-83	1983-84
	(1)	(2)	(3)	(4)	(5)	(6)
ate Co-op. nks	163.74	190.23	162.57	4.0	7.0	7.6
ntral Co-op. nks	1064.53	1299.29	1417.86	40.0	41.0	40.6
imary Agri- ltural edit cieties	1198.33	1320.86	1574.65	40.0	40.0	(Not available)
nd velopment nks	221.83	264.38	289.52 (tentative)	38.6	41.4	42.1

At the end of June 1984 there was no state where the percentage of overdues to demand in the central co-operative banks taken together had exceeded 60 per cent. But individually there were 55 ccbs where overdues exceeded 60 per cent. Further, in the case of the state co-operative banks which functioned as central co-operative banks the percentage of overdues to demand exceeded 60 per cent at the end of June 1984 in Tripura (89 per cent), Meghalaya (87.4 per cent), Assam (87.3 per cent), Arunachal Pradesh (78.9 per cent), Goa, Daman & Diu (76.1 per cent), Nagaland (70.9 per cent) and Andaman & Nicobar (62.3 per cent). Again in 7 States the percentage of overdues to demand at the central banks' level was between 60 and 40. These were Bihar (58 per cent), West Bengal (57.4 per cent), Karnataka (50.71 per cent), Uttar Pradesh (50.5 per cent), Maharashtra (47.6 per cent), Rajasthan (44.5 per cent) and Tamil Nadu (42.5 per cent). At the level of primary agricultural credit societies overdues were considerably high in 4 States at the end of 1982-3, (Data for subsequent years are yet to become available) and these were Bihar (74.8), Orissa (85.5), Meghalaya (93.2) and Delhi (98.5). In the case of land development banks the overdues were more than 50 per cent of demand in Assam (63 per cent), Bihar (58 per cent), Delhi (53.77 per cent), Goa, Daman & Diu (72.47 per cent), Pondicherry (52.07 per cent) and Tripura (79.89 per cent).

6. The more important reasons for poor recovery of agricultural advances irrespective of the lending institutions being commercial banks or co-operative banks or regional rural banks may be broadly summarised as a defective assessment made with regard to yield, input cost and quantity and value of output while sanctioning loan proposals; misutilisation of loan amounts and diversion of income generated out of investments to purposes other than repayment of loan; lack of integrated approach in lending; credit is only one of the

inputs and to be effective, it has to be supported by arrangements for supply of other inputs, technological support and extension services; unsatisfactory marketing arrangements resulting in borrowers getting lower than the expected prices for their produce; lack of suitable/adequate staff for efficient supervision and recovery of agricultural loans at branch level; defaults in repayments in pursuance of politically and other misdirected propoganda; failure on the part of banking institutions to initiate timely recovery efforts that is after harvesting and marketing seasons of major crops; and effects of calamities such as drought, flood, fire etc. reducing the capacity of the borrower to repay fully loans raised. Various suggestions have been made to banks for improving their recovery performance. They have been advised by the Reserve Bank of India to ensure that scales of crop finance are fixed on the advice of technical committees that may be constituted at the district level. As regards investment credit the banks have been advised to follow norms suggested by NABARD which have been based on studies of technical feasibility and economic viability of projects.
The banks have been also told that finance for inputs like seeds and fertilisers should be made available at appropriate time, otherwise it cannot be used and funds will get diverted. Similarly, capital investment in agriculture has to be made when the assets are

available and can be put to use immediately.

7. Agricultural credit has been considered to be supervised credit where not only the end use has to be watched but the borrower has to be guided and assisted in maximisation of output by adoption of improved techniques of production. With this end in view the Reserve Bank has advised banks to appoint Agricultural Field Officers at the rate of one per rural branch. But this advice has not been followed as a number of branches do not have these officers nor are their services available for even a group of branches. In many cases officers are not agricultural graduates and cannot do justice to their jobs. The scheme of integrated rural credit which was particularly introduced for co-operatives and which aims at linking credit with marketing and processing has not been effectively implemented except for sugarcane, cotton and milk. Though storage facilities have been created, there are no facilities for driage. Market intervention by co-operative marketing federations has not been very effective due to their organisational and financial weaknesses. The NABARD has organised Vikas Volunteer Vahinis to propogate use of credit for development and timely repayment of loans. However, political climate and influential opinion continues to nullify such efforts. The result is that the position of recoveries continues to be disturbing.

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8. Apart from advising the banks on measures for improving recovery, the RBI in the past when it was providing refinance to co-operative banks and now NABARD has been regulating support to agricultural lending programmes of co-operative banks by linking refinance to recovery performance. As stated in the earlier note central co-operative banks with overdues exceeding 60 per cent of demand for the year are not eligible for refinance from NABARD. This discipline is, however, not applicable to primary agricultural credit societies as that would affect their non-defaulting members. Moreover in the areas of ineligible central co-operative banks, the needs of societies for non-defaulting members are expected to be taken care of by state co-operative banks which are sanctioned correspondingly higher limits on behalf of eligible central co-operative banks.

9. The lending programmes of land development banks a large portion of which is refinanced by NABARD by floating special debentures and for which NABARD also arranges support by financial institutions like LIC, commercial banks, etc. to long-term debentures are regulated on the basis of recovery performance at the level of primary land development banks or their branches or branches of central land development banks depending on the structural pattern in the State.

...10/-

10. As regards commercial banks and regional rural banks NABARD has issued with the approval of Government of India and in consultation with CALCOB instructions regarding their eligibility criteria for availing of refinance facilities. These are linked with recovery performance of their participating branches in the lending programme. The NABARD also scrutinises overdues position of agricultural advances of branches of commercial banks participating in scheme proposals sent to it and in case overdues exceed 50 per cent of demand under term loans, NABARD insists for an action plan for improvement of recoveries to its satisfaction before it sanctions refinance in respect of programmes proposed for implementation by such branches.

11. With a view to expediting recovery of agricultural dues Talwar Committee had recommended enactment of suitable legislation by the State Governments. Although more than a decade has passed since the suggestion was made Andhra Pradesh, Kerala, Tamil Nadu, Nagaland, Jammu and Kashmir and Sikkim ~~as also the Union Territories~~ have not so far enacted the legislation. The State Governments have also not created adequate machinery to dispose of suit-filed and decretal cases preferred by banks. Some of the State Governments have been suggesting to the bankers to contribute to the cost of recovery staff a small percentage of overdue loans recovered without debiting this cost to the borrowers' accounts.

...11/-

However, the banks have indicated, through Indian Banks Association, to which a reference was made by the RBI, their unwillingness to accept the suggestion.

12. The Union Finance Minister had written to the Chief Ministers of all States in October 1984 indicating that the banks would be able to sustain a big lending programme for rural development only if effective steps are taken by the State Governments for improving the recovery position in the banking system. The Finance Minister also emphasized the need for special recovery drive to be launched by the State Governments, particularly in the context of favourable weather conditions so that overdues are brought down to a reasonable level and facilitating formulation of larger size programme for bank credit in the agriculture/rural development sectors. He had also mentioned that it would be inadvisable for any commercial bank to lock up its funds in States which are unwilling to help in the recovery process. The RBI has brought the observations of the Finance Minister to the notice of all banks. The banks have been further advised that where overdues exceed 50 per cent of demand and agricultural advances are sizeable, they should create separate 'Recovery Cells' for clusters of branches for continuous and effective supervision and recovery.

...12/-

13. With a view to providing financial support to farmers in the event of crop failure as a result of natural calamities like drought, floods, hailstorms, etc. assistance is extended by NABARD to the co-operative banks for the conversion of short-term agricultural loans into medium-term loans and extension of the repayment period by one year in the case of long term loans. Similar facilities are provided by commercial banks from their own resources in terms of guidelines issued to them by the RBI on 2 August 1984. Further, a comprehensive scheme of crop insurance has been formulated by the Government of India in consultation with GIC and RBI. The latter has advised all Indian scheduled commercial banks and co-operative banks to successfully implement the scheme from Kharif 1985 season and accordingly the scheme has come into force since Kharif 1985 season. Rice, wheat, millets, oilseeds and pulses are the crops covered under the schemes. The scheme is compulsory for all farmers availing themselves of loans for the above crops in the notified areas from co-operative banks, Commercial banks and regional rural banks. The sum insured is equal to 150 per cent of the amount of crop loan and premium is payable at 2 per cent of the sum insured for rice, wheat and millets and 1 per cent for oilseeds and pulses. The insurance premium is payable by banks by debiting the same to loan account. Small and marginal farmers are eligible for subsidy upto 50 per cent of premium amount which is to be borne

equally by the Government of India and the State Government. If the actual average yield per hectare of the insured crop for the defined area (on the basis of crop cutting experiments in the insured season) falls short of 80% of the specified threshold yield, because of natural calamities each of the insured farmers growing that crop in the defined area will be eligible for indemnity as per the formula decided. Claims will be met by the General Insurance Corporation of India and the State Governments in the proportion of 2:1. For this purpose GIC is required to set up a Central Crop Insurance Fund and the State Governments have to set up State Crop Insurance Fund.

14. It may be worthwhile to refer here to the extensive study on 'overdues of co-operative credit institutions' conducted by a study team appointed by RBI under the Chairmanship of late Dr. C.D. Datey, then Executive Director in December 1972. After analysing the available data, the Committee came to the conclusion that the problem of overdues in agricultural loans should be traced to the ultimate borrowers and tackled primarily at that level. The team observed that lack of will and discipline among cultivators to repay was the principal factor responsible for the prevalence of overdues in the co-operatives. The team felt that defaults were by and large wilful. Keeping in view the fact

that co-operatives were organisation of their members who elected their managing committees the Datey Committee had made following recommendations:

> The primary responsibility for the recovery of loans is that of the non-official managements of the co-operatives, who should be aided in this task by the executive and supervisory staff of the institutions concerned. Recourse to coercive action for recovery should be really only as a last resort and that too in extreme cases of recalcitrance. The co-operative principles of mutual knowledge and supervision when effectively practised especially by those in charge of management of the institutions should to a large extent solve the problem of recovery.
>
> The managing committee of a primary credit society or the board of directors of a central bank should have the right to stay in office only if they collectively wield influence over and enjoy the confidence of the majority of members. A suitable provision should, therefore, be incorporated in the Co-operative Societies Acts of all the states and union territories in terms of which the entire board of directors or managing committee should stand automatically disqualified if the amount of default and/or the number of defaulters exceeded 60 per cent of the total demand and/or the total number of indebted societies in the case of central banks and 70 per cent of the total demand and/or total number of indebted members in the case of primary credit societies, for a continuous period of 2 years.

The Study Team was, however, definite about the role of Government administration also when it observed as under :

> A consequential provision should also be made for appointing a special officer by the Registrar of Co-operative Societies, who should be charged with the responsibility for managing the affairs of such central bank/society as long as is necessary, but not exceeding two years. The officer

appointed in the central co-operative bank should be vested with summary powers for directly proceeding against individual defaulters at the primary level for the recovery of overdues.

If the position of overdues of the institution whose management is entrusted to the special officer does not improve even after his tenure of two years, the management of the institution should not be restored to the elected representatives but alternative institutional arrangements for the disbursement of agricultural credit in the area should be thought of. For initiating necessary action in this behalf the tenure of office of the special officer may be extended by one year. In the case of a primary credit society, such an arrangement may be the liquidation of the society and extension of the area of an adjoining viable society so as to enable the latter to meet the credit needs of non-defaulters and new members from the areas or the central bank may by-pass the society and undertake to finance the cultivators directly through its branch, if necessary, newly opened for the purpose. In the case of a central bank, it may be amalgamated with the state co-operative bank and the latter may take up financing of primary credit societies in the district through branches or alternatively good societies in the area may be ceded for financing to commercial banks operating in the district.

These recommendations were not fully implemented.

15. The Committee is requested to consider various issues raised and offer its expert guidance in the matter.

Annexure I

State-wise recovery position of direct agricultural advances of Public Sector Banks

Name of State/Union Territory	Percentage of recovery to demand		
	June 1982	June 1983	June 1984
I. NORTHERN REGION	62.2	63.7	55.6
Haryana	55.9	59.9	57.3
Himachal Pradesh	41.9	48.0	50.7
Jammu & Kashmir	48.9	40.9	36.3
Punjab	73.1	74.1	61.3
Rajasthan	46.4	48.0	47.3
Chandigarh	59.7	43.5	14.8
Delhi	46.1	44.2	46.8
II. NORTH EASTERN REGION	32.9	34.1	38.5
Assam	26.9	29.0	34.2
Manipur	24.4	23.9	19.9
Meghalaya	26.0	33.0	46.6
Nagaland	49.8	46.9	66.7
Tripura	49.2	45.3	33.5
Arunachal Pradesh	34.4	31.3	42.1
Mizoram	54.1	62.2	38.6
Sikkim	-	62.2	78.7
III. EASTERN REGION	35.1	35.0	36.1
Bihar	39.5	38.9	38.2
Orissa	40.6	38.8	36.4
West Bengal	27;3	28.3	33.8
Andaman & Nicobar Islands	41.9	45.9	23.2
IV. CENTRAL REGION	48.6	50.9	50.4
Madhya Pradesh	42.7	44.3	42.1
Uttar Pradesh	51.5	53.9	53.9
V. WESTERN REGION	47.5	46.3	46.0
Gujarat	53.4	52.6	52.8
Maharashtra	44.2	42.3	41.9
Goa, Daman & Diu	39.2	40.2	39.4
Dadra & Nagar Haveli	66.7	63.0	66.2
VI. SOUTHERN REGION	55.2	55.9	56.0
Andhra Pradesh	54.0	55.3	55.9
Karnataka	51.1	51.4	48.4
Kerala	65.9	66.0	68.1
Tamil Nadu	57.2	56.9	58.3
Lakshadweep	70.4	84.7	75.5
Pondicherry	59.0	65.2	63.6
ALL INDIA	52.2	53.2	51.6

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Annexure II

Bank - wise position of Public Sector Banks in direct agricultural advances

Name of Bank	Percentage of recovery to demand June 1982	June 1983	June 1984	June 1985
A. STATE BANK GROUP	54.7	54.3	52.0	-
1. State Bank of India	54.5	54.5	53.0	55.3
2. State Bank of Bikaner & Jaipur	48.4	52.1	45.8	45.1
3. State Bank of Hyderabad	41.8	59.5	38.6	37.3
4. State Bank of Indore	43.2	43.6	45.1	40.0
5. State Bank of Mysore	46.6	47.4	40.5	43.1
6. State Bank of Patiala	72.4	56.3	55.9	65.6
7. State Bank of Saurashtra	62.0	-	53.3	48.3
8. State Bank of Travancore	66.7	54.4	65.7	56.1
B. NATIONALISED BANKS	50.8	52.8	51.4	-
1. Allahabad Bank	39.5	39.9	36.1	38.7
2. Andhra Bank	59.7	59.6	59.9	-
3. Bank of Baroda	48.5	51.4	49.8	50.0
4. Bank of India	49.5	52.0	49.2	51.5
5. Bank of Maharashtra	39.7	41.5	40.8	45.0
6. Canara Bank	59.6	52.9	59.4	63.0
7. Central Bank of India	40.5	50.3	38.8	43.1
8. Corporation Bank	60.5	50.5	50.7	54.6
9. Dena Bank	46.4	46.9	44.4	46.3
10. Indian Bank	44.8	47.0	44.1	-
11. Indian Overseas Bank	62.1	66.4	65.8	66.7
12. New Bank of India	63.4	50.2	48.1	51.2
13. Oriental Bank of Commerce	67.8	59.9	51.6	73.8
14. Punjab National Bank	40.1	52.6	53.3	58.4
15. Punjab & Sind Bank	77.7	73.1	57.5	68.1
16. Syndicate Bank	64.8	63.0	62.2	-
17. Union Bank of India	57.3	57.3	57.7	51.5
18. United Bank of India	28.2	27.7	23.7	29.0
19. United Commercial Bank	45.8	41.5	43.9	-
20. Vijaya Bank	55.7	41.8	42.6	43.4
C. ALL PUBLIC SECTOR BANKS	52.2	53.2	51.6	-

High Level Standing Committee on Rural Credit

24 January 1986

Agenda Item 5

Focus on North-Eastern Region in respect of agricultural growth - Seventh Five Year Plan - Action needed

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Introductory

1. The North-Eastern Region consisting of five States of Assam, Meghalaya, Tripura, Manipur and Nagaland, and two Union Territories of Arunachal Pradesh and Mizoram is the largest under-developed region of the country from the point of agriculture despite the fact that 77 per cent of its population is dependent on agriculture as a means of livelihood. A major cause for this position is that out of total area of the region of 2.2 lakh sq.kms, net sown area is only 0.36 lakh sq. kms. and an area of 1.07 lakh sq. kms. is under forest. About 34 lakh hectares were under food crops during 1981-82 and total foodgrain production was around 34.90 lakh tonnes. Annexure I to this note shows details of foodgrain production in different States in the region from 1979-80 to 1983-84, share of such crops to national production (1981-82) and revenue earnings through agriculture in 1983-84. It will be observed that percentage of food grains production in this region to All-India production is about 3.7. ~~per cent~~ Assam accounts for the largest share of 1.8 per cent followed by Tripura(0.3%), Manipur (0.2%), ~~and~~ Meghalaya (0.1%) and Nagaland (0.06%). Revenue earnings through agriculture in 1983-4 in the North Eastern region accounted for around 4.3 per cent of All-India agricultural revenue and domestic product of the region (1979-80) accounted

for 2.95 per cent of country's net national product.

2. Three principal plantation crops in the North-Eastern region are tea, coffee and rubber - former two in hill areas and last one in plains. Area under tea plantations was 195 thousand hectares in Assam and 58 thousand hectares in Tripura. The plantation of coffee and rubber has been taken on in about 2000 hectares and 4200 hectares respectively. A scheme for development of Coffee (4080 ha.) and rubber (4100 ha.) involving financial assistance of Rs.10 crores by banks and refinance from NABARD to the extent of Rs.6 crores was sanctioned by the latter to the Assam Plantation Crops Development Corporation but due to internal problems, the Corporation had not been able to implement the scheme. NABARD had also released refinance to the extent of Rs.386.06 lakhs for financing production of plantation crops in 1984-85 against Rs.374.06 lakhs in the previous year, showing an increase of about 3%. The Sixth

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Plan target was 3.68 lakh hectares and achievements were 4.09 lakh hectares; NABARD had refinanced minor irrigation schemes for Rs.370.95 lakhs in 1984.

Other economic activities in the region comprise horticulture, animal husbandry, handloom-weaving, sericulture and handicrafts and to a small extent small-scale industrial activities. Fruit production is fairly widespread in the region and covers 71,000 hectares. Animal husbandry mainly consists of rearing of pigs, cattle, sheep and goat and maintenance of poultry which provide alternative employment. In the traditio non-farm sectors, handloom-weaving and sericulture play predominan part. The region with its vast forests has sal, teak and

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bamboos with high economic value. The region is also rich in mineral resources consisting mainly of crude oil and natural gas. Industrial development in the region is very low. Difficult communication is a major obstacle in the region's internal contacts and those with the rest of the nation.

The known deficiencies in regard to institutional credit support to agriculture and allied activities in the region are (a) inadequate knowledge on the part of beneficiaries about improved agricultural practices and credit support available from banks and (b) absence of adequate marketing facilities and weak co-operative credit structure.

Agricultural growth in 7th Plan

3. In the 7th Plan, special emphasis has been laid on increasing productivity of rice in Eastern States including Assam and on development of dry land agriculture. The plan also lays considerable stress on enhancing the productivity and income of small and marginal farmers. The State-wise and cropwise break-up of production targets in the North-Eastern region of the major crops under the Seventh Plan is furnished in Annexure II. Total foodgrains production for the region in the Seventh Plan has been targetted at 5.34 million tonnes as against production level at 3.7 million tonnes during 1983-84. Target for sugarcane has been fixed at 2.50 million tonnes and for jute at 1.45 million bales (180 kgs. each). It will be observed that a very large share of these targets is given to Assam with other States having small share mostly in food grains. The special Rice Production Programme proposed to be launched in Assam will cover 20 per cent of total number of

blocks and emphasis will be on removing basic infrastructural constraints, both physical and institutional, through the development of irrigation, improvement in land tenure and development of credit and marketing inputs. For the purpose of achieving increase in agricultural production, the development of allied programmes such as soil and water conservation, crop husbandry, supply of inputs, marketing, storage and warehousing facilities, etc. are equally important. With its hilly terrain and adverse climatic conditions, the problem of soil and water conservation is very acute in the North Eastern Region. The Seventh Plan target for minor irrigation in the region is 7.46 lakh hectares and for major irrigation 3.54 lakh hectares. For supplementing the efforts of the States, the centrally sponsored schemes of Integrated Water Management in the catchments of 8 flood-prone rivers in the Indo-Gangetic basin will be intensified. An allocation of Rs.77.10 crores has been made under this head in the Seventh Plan for the North Eastern Region. New varieties of rice and appropriate cropping systems will be introduced to suit agro-climatic conditions. The management of community lands in some of the States like Nagaland and Meghalaya and Mizoram comes in the way of development of land resources in the region. In North-Eastern Region farmers generally do not develop their own seeds because of agro-climatic condition. The replacement rate for certified seeds will be about 10% in Seventh Plan. The North-Eastern States have low utilisation of fertilisers and efforts are afoot to improve infrastructure and initiate a package of measures to increase consumption of fertilisers upto 1.71 lakh tonnes by the end of the Seventh Plan. For building additional storage capacity of 10 million tonnes a sum of Rs.3.65 crores has been provided for. For strengthening the marketing system, a sum of Rs.10.35 crores has been allocated. The North-Eastern Council which covers all States and Union Territories in the region functions under the Chairmanship of Governor of Assam and Meghalaya and provides a forum for joint consultation with regard to inter-state transport and communication, power and flood control projects and other projects affecting/benefitting more than one State/ Union Territory. The Council has agreed to a suggestion made by the National Bank for Agriculture and Rural Development that development programmes such as watershed development relating to agriculture and allied activities should be linked with institutional finance to ensure a continuing support for creating permanent benefits to the concerned beneficiaries.

4. The institutional credit structure in the region includes 23 commercial banks with their 878 branches, 7 State and 1 central cooperative banks supported by 3,716 primary agricultural credit societies, 2 central land development banks and 11 regional rural banks with 430 branches as on 31 March 1985.

5. Unlike in other states there are only state cooperative banks in 7 states and union territories in the region except Assam where there is one central cooperative bank. In this State there were central cooperative banks but all of them except one in Sibsagar district were, due to their very weak position, merged with the state cooperative bank which now operates through its branches. A statement each showing the financial position of state cooperative banks and primary

agricultural credit societies is given as Annexures IV & V to this note. It will be seen that the number of pacs in the region as on 30.6.1984 stood at 3,716 and their aggregate membership was 26.89 lakhs giving an average membership of 723 per pac. The borrowing membership was 4.69 lakhs which formed 17.4 per cent of rural families in this region. Statewise, the percentage of borrowing membership of pacs to total rural families was highest in Manipur at 64.1 and lowest in Tripura at 3.5. The resources of pacs comprised paid-up capital and reserves at Rs.13.89 crores, deposits at Rs.1.32 crores and borrowings at Rs.16.67 crores. Short-term loans and advances sanctioned during the year 1983-84 amounted to Rs.3.36 crores and medium term loans at Rs.1.69 crores. Overdue loans amounted to Rs.15.02 crores (1983-84) and thus 83.1 percentage of loans outstanding were overdue. While the percentage of overdues to demand at the level of state cooperative banks had come down substantially in Assam from 81.8 in 1982-83 to 45.4 in 1983-84, it went up in other States of the region to 85 to 90 per cent. A statement showing the position of overdues over the last 3 years is given as Annexure VI to this note. It will be seen that even in Assam the percentage was quite high in pacs at 91.3 in 1983-84. Overdues of land development banks in Assam and Tripura formed 63.3% and 85% of respective demand in 1983-84 as against all-India position of 44%.

Regional Rural Banks

6. As at the end of March 1985, there were 11 RRBs in the North-Eastern Region having a network of 430 branches in 39 districts. Their deposits as on the above date aggregated Rs.41.60 crores

and advances stood at Rs.36.08 crores of which agricultural advances amounted to Rs.14.32 crores while non-agricultural advances stood at Rs.21.76 crores. Unlike ~~other~~ states in other regions, where credit-deposit ratio is more than 101 per cent, in North Eastern region the credit-deposit ratio of RRBs was around 87% indicating that there is no absorption capacity. Excepting the regional rural banks at Tripura and ~~as well as~~ at Arunachal Pradesh, all the remaining 9 RRBs incurred losses as at the end of December 1984.

7. As at the end of March 1985, there were 1274 branches of commercial banks (including RRBs) in the North Eastern region as under:

State/Union Territories	No. of branches
Assam	840
Manipur	57
Meghalaya	122
Nagaland	64
Tripura	104
Arunachal Pradesh	46
Mizoram	41
	1274

Another 498 authorisations for opening branches were pending with banks on 31 August 1985. Deposits of scheduled commercial banks in the region increased from Rs.802 crores as at the end of December 1982 to Rs.1178 crores as at the end of December 1984, showing an increase of 46.9% during the period as compared to all-India growth rate of 37.8% during the same perio The growth rate of advances during the corresponding period at

67.8% was higher than the national average of 38.8% (from Rs.329 crores to Rs.552 crores). Despite the growth in advances the credit-deposit ratio in the region at 46.9% was lower than the all-India average of 68.8%. Advances to priority sector by public sector banks in the region amounted to Rs.268.59 crores at the end of December 1984 and formed 48.6% of bank credit at Rs.552.13 crores in the region as against the national norm of 40%. The public sector banks' direct agricultural advances amounted to Rs.48.16 crores at the end of December 1984 and formed 8.7% of total bank credit in the region.

The state-wise data relating to direct agricultural advances in North-Eastern States/Union Territories as at the end of December 1984 is as under:

(In lakhs of rupees)

State/Union Territories		Amount
Assam		3052.83
Manipur		153.62
Meghalaya		476.50
Nagaland		407.74
Tripura		641.13
Arunachal Pradesh		45.23
Mizoram		38.50
	Total	4815.55
All-India		597035.75

The percentage of recovery to demand in respect of direct agricultural advances of public sector banks in the North-Eastern region as at the end of June 1984 was 38.5 as against all-India average of 51.6. Advances to weaker sections by the public sector banks in the region at the end of December 1984 stood at Rs.59.36 crores, forming 22.1% of the total priority sector credit at Rs.268.59 crores; the relative percentage was less than the national target of 25%. Credit support to scheduled castes/scheduled tribes for the corresponding period amounted to Rs.43.51 crores, forming 16.2% of the total priority sector advances.

8. The progress in implementation of the Integrated Rural Development Programme in the region, during Sixth Plan period is shown in Annexure III. Since IRDP in North Eastern region was largely subsidy oriented particularly in Meghalaya, Arunachal Pradesh and Mizoram, ~~ax~~ meeting was convened by the Secretary, Ministry of Rural Development at Shillong on 12 February 1985 to consider the difficulties in linking IRDP totally with institutional credit. A decision was taken that the programme would be linked to institutional credit from 1985-86. Problems discussed at the meeting pertained to, inadequate number of branches of banks operating in the area, large area of operation per branch, security, training etc. The Reserve Bank has advised commercial banks to complete the branch expansion as already approved in order to ensure average of all block head quarters as also other places and that if loans are sanctioned on a cluster basis, and adequate supervision can be arranged, coverage of areas/villages beyond stipulated distance of 16 kms. radius from branch headquarters but within a reasonable limit should be considered.

9. The Lead Bank Scheme is in operation in the region and 57 districts in the region (including Sikkim) have been allocated to State Bank of India (31 districts), United Bank of India (18) and United Commercial Bank (8). Achievements in agricultural sector ~~fall~~ under Annual Action Plan 1984 are shown below:

(Rs. in lakhs)

State/Union Territories	Agriculture		
	Target	Achievement	Percentage
Assam	1747.64	2299.44	131.6
Meghalaya	296.87	189.76	63.9
Tripura	752.30	376.62	50.1
Manipur	106.00	576.00	543.4
Nagaland	115.50	41.73	36.1
Arunachal Pradesh(UT)	43.69	19.77	45.3

AAP 1985 was launched in all 52 districts of the region (excepting 1 district in Assam and 4 districts in Sikkim). Reserve Bank of India has recently issued guidelines for AAP 1986. Performance data under AAP 1985 so far received are incomplete.

Concluding observations

10. The North-Eastern region may be said to have by and large subsistence economy oriented largely towards domestic consumption. The development programmes in the region are therefore oriented towards changing agricultural pattern, introducing improved agricultural practices and allied programmes like animal husbandry, tapping potential for horticulture, plantation and forestry, promotion of sericulture, commercialising cottage industries including handlooms etc. These call for

infrastructure and man power development and improvement in communication facilities. Credit has certainly to be an important input for the development programmes but can grow only correspondingly. In the agricultural sector for example arrangements have to be ensured for supply of inputs like improved seeds, chemical fertilisers and pesticides, technical knowledge of utilisation, marketing support etc. The banking structure in the shape of branches of commercial banks, cooperative banks and the regional rural banks are already available to provide the necessary credit support and the Lead Bank Scheme with its structural set up of district consultative committees is active in preparing credit plans and monitoring their follow up. The weak link is the primary agricultural credit society and full attention of concerned State Governments will have to be given to their revitalisation.

ANNEXURE I

A - Production of foodgrains in the North-Eastern Region

(Figures in '000 tonnes)

State/Year	Rice	Wheat	Coarse Cereals	Total Cereals	Total Pulses	Total foodgrains State-wise	Total foodgrains All-India	% share of State to All-India (% of 7 to 8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1. ASSAM								
1979-80	1880.8	92.3	17.6	1990.7	41.0	2031.7	109700.4	1.8
1980-81	2522.8	118.3	17.5	2658.6	47.1	2705.7	129588.5	2.1
1981-82	2235.6	115.6	15.7	2366.9	52.2	2419.1	133294.8	1.8
1982-83	2583.3	121.0	16.2	2720.5	52.8	2773.8	129518.7	2.1
1983-84	2540.0	121.0	14.9	2675.9	50.7	2726.6	151542.9	1.8
1984-85@	2418.5	127.9	18.2	2564.6	59.5	2624.1	146224.3	1.8
2. MANIPUR								
1979-80	227.5	..	10.6	238.1	2.4	240.5	109700.4	0.2
1980-81	273.0	..	17.8	290.8	1.1	291.9	129588.5	0.2
1981-82	253.1	..	9.2	262.3	1.6	263.9	133294.8	0.2
1982-83	219.5	..	9.0	228.5	1.6	230.1	129518.7	0.2
1983-84	255.1	..	10.4	265.5	1.6	267.1	151542.9	0.2

@ Provisional.

....2.

ANNEXURE I (Contd.)

(1)		(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
3.	MEGHALAYA								
	1979-80	121.7	3.4	14.1	139.2	1.5	140.7	109700.4	0.1
	1980-81	132.6	4.1	16.7	153.4	1.5	154.9	129588.5	0.1
	1981-82	125.1	4.9	23.1	153.1	1.6	154.7	133294.8	0.1
	1982-83	123.0	4.6	24.0	151.6	2.0	153.6	129518.7	0.1
	1983-84	131.2	4.6	25.3	161.1	2.1	163.2	151542.9	0.1
4.	TRIPURA								
	1979-80	301.0	9.0	..	310.0	2.0	312.0	109700.4	0.3
	1980-81	390.0	10.3	..	400.3	2.3	402.6	129588.5	0.3
	1981-82	350.0	8.1	..	358.1	1.9	360.0	133294.8	0.3
	1982-83	419.7	6.0	..	425.7	2.4	428.1	129518.7	0.3
	1983-84	399.7	6.0	..	405.7	2.5	408.2	151542.9	0.3
5.	NAGALAND								
	1979-80	51.2	..	11.5	62.7	2.1	64.8	109700.4	0.06
	1980-81	91.4	..	11.8	103.0	2.3	105.3	129588.5	0.08
	1981-82	99.1	..	12.4	111.5	1.8	113.3	133294.8	0.08
	1982-83	108.4	..	13.0	121.4	1.2	122.6	129518.7	0.09
	1983-84	128.0	..	14.6	142.6	1.9	144.5	151542.9	0.09
	Total foodgrains production in the region (1983-84) (million tonnes)						3.71		

Data not available for the Union Territories in the North Eastern Region.

ANNEXURE I (Contd.)

B. Production of principal crops in 1981-82

(000 tonnes)

	State/Union Territory	Sugarcane	Jute
1.	Assam	200.0	834.0
2.	Manipur	7.5	-
3.	Meghalaya	0.9	40.0
4.	Nagaland	13.7	0.5
5.	Tripura	7.1	30.5
	Total - North Eastern Region	229.2	905.0
	All-India	18,727.1	6,816.7

C. Relative share of States (North Eastern Region) in the production of principal crops in 1981-82

(Per cent)

State/Union Territory	Rice	Jowar	Bajra	Maize	Ragi	Wheat	Barley	Gram	Total food-grains	Groundnut	Total Oil-seeds	Cotton	Jute	Sugar-cane
1. Assam	4.4	-	-	0.2	-	0.3	-	-	1.8	-	1.2	-	14.2	1.1
2. Manipur	0.5	-	-	0.2	-	-	-	-	0.2	-	-	-	-	-
3. Meghalaya	0.3	-	-	0.2	-	-	-	-	0.1	-	0.1	-	0.6	-
4. Nagaland	0.2	-	-	0.2	-	-	-	-	0.06	-	-	-	-	0.1
5. Tripura	0.7	-	-	-	-	-	-	-	0.3	-	-	-	0.5	-
All-India	100.0	-	-	100.0	-	100.0	-	-	100.0	-	100.0	-	100.0	100.0

ANNEXURE I (Contd.)

D. Revenue through Agriculture in 1983-84 (Budget Estimates)

(In Rs. lakhs)

State/Union Territory	Total Revenue	Land Revenue	Agricultural Income-tax
1. Assam	47,158	297	1,200
2. Manipur	11,627	30	-
3. Meghalaya	12,315	12	-
4. Nagaland	15,108	5	-
5. Tripura	13,245	17	6
6. Total (North Eastern Region)	99,453	361	1,206
7. Total (All-India)	23,28,993	20,598	3,931
8. % of (6) to (7)	4.3		

E. Contribution of the North-Eastern Region to the National Economy - 1979-80

(In Rs. crores)

1. State Domestic Product	2,574
2. Net National product at current prices	87,253
3. % of (1) to (2)	2.95

ANNEXURE II

North Eastern Region - Seventh Plan Targets/Outlays under major heads

	Assam	Manipur	Meghalaya	Naga-land	Tripura	Arunachal Pradesh	Mizoram	Total
I. Targets								
a) Crop productions								
Foodgrains (million tonnes)	4.00	0.50	0.20	0.17	0.47	+	+	5.34
Jute & mesta (million bales of 180 kgs each)	1.20	-	0.10	-	0.15	+	+	1.45
Sugarcane (million tonnes)	2.50	-	-	-	-	-	-	2.50
Oil Seeds (million tonnes)	0.20	-	-	-	-	-	-	0.20
B) Fertilizer consumption (1000 tonnes)	140	13	7	2	9	+	+	171
c) Milk production (1000 tonnes)	710.00	90.00	82.00	5.50	31.00	43.00	4.25	965.75
d) Fish production (000 tonnes)	95.	12	6	2	15	1	4	135
e) Eggs production (million)	477	63	52	24	42	35	13	706
II. Seventh Plan Outlays under Agriculture & Allied Programmes (Rs. lakhs)								
Research & Education	2800	251	100	200	100	60	15	3526
Crop husbandry	11675	1448	1600	2390	2205	2000	1400	22718
Soil & Water conservation	1200	1060	1250	1000	700	1600	900	7710
Animal husbandry	1950	530	650	1200	1000	700	800	6830
Dairy development	800	80	100	100	200	100	45	1425
Fisheries	1000	465	180	300	600	250	100	2895
Investment in Agri-Finance Institutions	150	20	5	-	75	-	-	250
Marketing	350	10	140	25	300	150	60	1035
Storage & Warehousing	150	55	25	35	100	-	-	365
Co-operation	3500	300	545	250	600	550	220	5965
Forestry	7000	1441	2900	1800	1500	3000	1500	19141
Total	30575	5660	7495	7300	7380	8410	5040	71860

+ not separately available.

ANNEXURE III (IRDP)

State/Union Territory	Physical target (No. of benefici-aries)	Achievement of physical target (No. of benefici-aries	Achievement of physical target (% of achievement to target)	Subsidy sanctioned (in crores of rupees)	Subsidy disbursed (in crores of rupees)	% of utilis-ation of subsidy to target	Credit (Rs. crores)	Average beneficiary assistance (Rs.)
1	2	3	4	5	6	7	8	9
Assam	402000	291950	72.6	46.90	41.23	87.9	59.95	3466
Manipur	78000	43267	55.5	9.10	4.13	45.4	0.21	1003
Meghalaya	79200	23845	30.1	7.44	2.62	35.2	N.A.	1099
Nagaland	63000	47893	76.0	7.35	7.42	100.0	N.A.	1549
Mizoram	60000	12493	20.8	7.50	4.10	54.7	0.07	3338
Arunachal Pradesh	144000	43988	30.5	16.80	7.03	41.8	N.A.	1598
Tripura	51000	47129	92.4	5.95	5.52	92.8	9.67	3223

N.A. - Figures not available.

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ANNEXURE IV

State Co-operative Banks - Data as on 30 June 1984

(Amount in Rs lakhs)

State/Union Territory	Membership		Paid-up Capital		Reserves	Deposits			Borrowings	Working Capital	Loans and advances issued 1983-84	Loans out-standing
	Societies	Indivi-duals	Total	Of which Govt.		Total	Indivi-duals	Others				
1	2	3	4	5	6	7	8	9	10	11	12	13
Assam	1,598	3,407	1,63	1,21	10,27	56,34	43,54	12,80	1,68	74,66	58,27	29,13
Manipur	1,996	213	90	49	21	2,78	1,65	1,13	1,63	6,44	1,03	4,43
Meghalaya	399	36	1,11	72	64	14,58	13,13	1,45	35	17,20	3,61	7,11
Nagaland	378	191	58	30	82	6,21	6,21	-	16	8,86	61	4,11
Tripura	693	13	64	37	1,72	7,33	4,76	2,57	1,67	11,46	3,99	6,45
Arunachal Pradesh	51	1	41	34	1,02	1,60	52	1,08	-	3,17	1,60	1,04
Mizoram	65	1	20	19	3	1,25	1,20	5	2	1,58	30	20
T o t a l :	51,80	38,62	5,47	3,62	14,71	90,09	71,01	19,08	5,51	1,23,37	69,41	52,47

ANNEXURE V

Primary Agricultural Credit Societies

Data as on 30 June 1984.

(Amount in Rs. lakhs)

State/Union Territory	No. of PACS	Membership*	Paid-up Capital		Reserves	Deposits	Borrowings	Working Capital	No. of borrowers *	Loans/Advances Issued during 1983-84		Loans outstanding as on 30 June 1984	
			Total	Of which Govt.						Short Term	Medium Term	Short Term	Medium Term
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Assam	2,232	22,18	6,91	3,99	2,04	70	11,95	26,90	3,02	2,31	1,28	6,63	2,09
Manipur	685	1,81	82	39	6	7	40	5,37	1,16	37	3	2,75	96
Meghalaya	180	72	58	31	36	15	35	3,23	44	25	3 +	1,62	41
Nagaland @	229	12	15	3	5	8	7	64	$	1	3	£	9 +
Tripura	373	2,00	1,74	88	86	32	3,59	7,27	7	40	25	3,01	76
Arunachal Pradesh	17	6	27	22	5	-	31	2,27	$	2	7	3	9
Mizoram	-	-	-	-	-	-	-	-	-	-	-	-	-
Total :	37,16	26,89	10,47	5,82	3,42	1,32	16,67	45,68	4,69	3,36	1,69	14,04	4,40

* In 000s

@ Data relate to 1981-82

\+ Including long term loans

$ Less than 500 members

£ Less than Rs 50,000

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ANNEXURE VI

Overdues position in the Co-operative Sector of the North-Eastern Region

A. State Co-operative Banks

(Amount in Rs lakhs)

State/ Union Territory	1981-82			1982-83			1983-84		
	Demand	Over-dues *	% of (3) to (2) @	Demand	Over-dues *	% of (6) to (5) @	Demand	Over-dues *	% of (9) to (8)
1	2	3	4	5	6	7	8	9	10
Assam	14,96	18,36	74.7	11,65	19,54	81.8	20,43	9,27	45.4
Manipur	2,69	1,84	68.4	4,17	3,88	76.3	3,67	3,32	90.5
Meghalaya	2,41	1,54	62.7	1,89	1,61	83.5	2,15	1,93	89.8
Nagaland	1,33	1,81	73.7	1,33	1,81	73.7	1,51	1,04	68.9
Tripura	2,72	2,54	83.8	3,05	2,84	83.9	5,54	4,74	85.5
Arunachal Pradesh	32	8	15.5	42	5	11.9	15	9	60.0
Mizoram	-	-	-	-	-	-	10	1	10.0
Total Rs	24,43	26,17	107.1	22,51	29,73	132.1	33,55	20,40	60.8

B. Primary Agricultural Credit Societies

(Amount in Rs lakhs)

State/ Union Territory	1981-82			1982-83			1983-84 $		
	Demand	Over-dues	% of (12) to (11)	Demand	Over-dues	% of (15) to (14)	Demand	Over-dues	% of (18) to (17)
	11	12	13	14	15	16	17	18	19
Assam	6,67	5,96	89.4	7,37	7,03	95.4	7,14	6,52	91.3
Manipur	2,58	2,04	79.1	2,58	2,04	79.1	3,78	3,59	95.0
Meghalaya	2,18	1,50	68.8	1,62	1,51	93.2	2,33	1,53	65.7
Nagaland	2	£	25.3+	2	£	25.3+	2	1	50.0
Tripura	1,85	1,75	94.5	2,67	2,35	88.0	3,77	3,37	89.4
Arunachal Pradesh	-	-	-	-	-	-	-	-	-
Mizoram	-	-	-	-	-	-	-	-	-
Total $	13,30	11,25	84.6	14,26	12,93	90.7	17,04	15,02	88.1

* Includes unrenewed cash credits and overdrafts.

@ Relates to term loans only - short term and medium term and excludes cash credit, overdrafts and extensions granted for repayment of loans

£ Less than Rs 50,000/-

\+ Based on data in 000s of rupees

$ Includes LAMPS & FSS

Source : 1981-82 } 1982-83 } Important items of data on State/CCBs/SLDBs/PACs - 1982-83 published by NABARD

1983-84 Important items of data on State/CCBs/SLDBs/PACs - 1983-84 published by NABARD

ANNEXURE VI (Contd..)

C. Overdues position of Central Land Development Banks

(Amount in Rs. lakhs)

State/Union Territory	1981-82			1982-83			1983-84		
	Demand	Over-dues	% of (3) to (2)	Demand	Over-dues	% of (6) to (5)	Demand	Over-dues	% of (9) to (8)
1	2	3	4	5	6	7	8	9	10
Assam	86	59	68.5	105	89	84.8	172	1,09	63.3
Tripura	29	17	58.6	47	35	74.5	40	34	85.0
Totals	1,15	76	66.1	1,52	1,24	81.6	2,12	1,43	67.5

Source : 1981-82 }
1982-83 } Important items of data on State/CCBs/SLDBs/PACs - 1982-83 published by NABARD

1983-84 - do - 1983-84 - do -