CONSORTIUM OF INDIAN FARMERS ASSOCIATIONS (CIFA)

AIMS & OBJECTIVES

- To bring unity amongst all farmers associations, women groups, Panchayat Raj Institutions, Water User Associations (WUA), Commodity Associations, and act as a cohesive and functional organization.
- To act as representative to all categories of Farmers and assist them in articulating their views with Central and State Governments, Financial Institutions, Research, CACP, CII, IFAP, World Bank, FAO & others.
- To create awareness amongst intellectuals, Media & Industralists on role of agriculture and small farmers as a key sector for National Economic and Social Development.
- Establish Forums of MPs, MLAs to support the cause of farmers.

PROGRAMS

- Networking Farmers as commodity wise vertical and area wise parallel organizations.
- Build global competitiveness through technologies upgradation, organic farming, research, Mechanisation and other means.
- To assist in establishing Processing, Market Yards, Retail Chains, Contract Farming & Commodity Trading.
- To facilitate domestic and International Farmers Exchange.
- Sensitization on social issues of women rights, child marriage, dowry, alcoholism, suicide prevention etc.,

ASSOCIATE INSTITUTIONS

- Parliament Members Farmers Forum (PMFF)
- International Federation of Agriculture Producers (IFAP) & BCI
- CII - BARC - ICRISAT

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CONSORTIUM OF INDIAN FARMERS ASSOCIATIONS (CIFA)

FARMER LOOKING UP IN VAIN FOR CREDIT !

WATERING DOWN PRIORITY SECTORS ADVANCES

- DEPRIVING CREDIT DUE TO SMALL FARMERS AND TENANT FARMERS

102,760 crore. These shortfalls in lendings to Agriculture, Weaker Sections and SME segments all together add up to a whopping sum of about Rs 180,000 crore - roughly 8% of non-food credit outstanding as at the end of March 2008.

Category	**Percentage**	**Of**	**Net**	**Bank Credit**
	2004	2005	2006	2007
Small&Marginal Farmers	2.5	3.4	3.3	3.1
Micro Enterprises (Invest Upto Rs.5 lakh)	2.1	1.6	1.4	1.2
Total Weaker Sections	6.49	7.52	6.50	6.02

Of net bank credit, credit extended to small & marginal farmers was only 3.1% and credit to micro enterprises a mere 1.2%.

v) The recovery of loans advanced to weaker sections at 95% is excellent. By March 2009, banks have to extend loans to weaker sections to the tune of Rs 2,20,000 crore. If the present trend continues, there will a be huge shortfall of Rs 50.000 crore in financing weaker sections resulting in loss of income generation, to the economically most vulnerable people, estimated at Rs 20,000 crore. The Policy change recently announced by the RBI to deposit the default amount in RIDF makes it easy to avoid lending to weaker sections by banks thus the defeating the purpose of the scheme.

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foreword....

In view of paucity of own funds by farmers due to non-generation of surplus from sale of produce, Public investment in Agriculture and credit from banks for investment and production purposes are the two main channels which can pump funds facilitating agricultural development. Unfortunately, public investment was allowed to peter out since 1990s.

Credit by Banks to Agriculture also started declining during the same period. The National Commission on Farmers, headed by Dr M.S. Swaminathan, has rightly pointed out that 'removal of the lending facilities and concessions of banks during the post-reform period have accelerated the crisis in agriculture.'

Policy decisions of the RBI in watering down the spirit of priority sector lendings by Banks by expanding the definition of agricultural advances and allowing indirect finance to agriculture as part of agri credit, resulted in decline in small loans and increase in big loans defeating the very purpose of helping small farmers. As a consequence, agriculture production stagnated and small farmers and tenants were forced to take loans from money lenders at usurious rates of interest.

This booklet vividly brings out in bold relief, how the dilution has taken place and explains in detail, adverse effects of such dilution.

CIFA demands that the original spirit of extending credit to small farmers and tenants be restored immediately and help farmers in increasing production to ensure the much needed Food Security. Presently only a quarter of the farmers are given credit by banks. Let us aim to work towards achieving the twin objectives of every farmer getting adequate and timely credit from banks at 4% interest and farmers getting remunerative prices for their produce. For this, co-ordination, collaboration and collective action by all the Farmers' Organisations is called for.

Without enough food production, food security can not be ensured

Without adequate bank credit, production of enough food can not be ensured

Hence adequate Bank credit is needed to assure National food security

P. Che. 2.

P. Chengal Reddy
Secretary General
New Delhi 18th Nov 2009
Consortium of Indian Farmers Associations

WATERING DOWN PRIORITY SECTOR ADVANCES - DEPRIVING CREDIT DUE TO SMALL FARMERS AND TENANT FARMERS

K. Ramasubba Reddy

Abstract: Banks are directed to extend mandatory 40% of net bank credit to priority sectors which was initially focused on hitherto needy and neglected sections especially to small land holders and small enterprises. Ever-since reforms have started in 90s the definitions of priority sectors have been periodically widened to include other sections with relatively high credit worthiness and deepened to include big loans. Thus the coverage under priority sector lending has increasingly been diluted, crowding out small borrowers and opening gates for big borrowers. The present paper details how the initial objective has been diluted and defeated over a period. CIFA urges that the original objective of giving priority to small loans be restored by doing away with the concept of indirect finance, and to fix sub-targets for small farmers and small enterprises so as to sub-serve the original objective.

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Introduction

1 (a) With a view to extend credit to hitherto neglected sectors with higher employment elasticity and potential, it was decided in 1985 that Banks should extend credit to an extent of 40% of net bank credit to priority sectors like agriculture and Small Scale Industries. Sub-targets were also fixed details of which are given below.

	Domestic banks (both public sector and private sector banks)	**Foreign banks operating in India**
Total Priority Sector advances	40 percent of NBC	32 percent of NBC
Total agricultural advances	18 percent of NBC	No target
SSI advances	No target	10 percent of NBC
Export credit	Export credit does not form part of priority sector	12 percent of NBC
Advances to weaker sections	10 percent of NBC	No target

{note: NBC denotes net bank credit}

Priority sectors initially comprised of:

(i) Agriculture (Direct and Indirect finance)

(ii) Small Enterprises (Direct and Indirect Finance)

(iii) Retail Trade

(iv) Micro Credit :

1 (b) Subsequently, relatively high credit worthy activities like housing, education, transportation and loans to professionals have been included in the priority sector diluting the spirit of financing hitherto neglected and needy sectors for productive purposes.

1. Widening definition of indirect Agri finance 1990s further diluting the scheme:

From the 1990s onwards, the definition of what constitutes indirect finance to agriculture has been widened and diluted drastically by the RBI. This enabled banks to show higher level of growth of indirect finance from the mid-1990s. The major changes introduced in the definition of indirect finance are as follows:

Up to 1993, only direct finance to agriculture was considered as a part of the priority sector target of 18 per cent for agriculture and allied activities. From October 1993, direct and indirect finances have been added in the priority sector target. It was stipulated that indirect finance to agriculture only up to one-fourth of the total agricultural advances would be considered while meeting the priority sector target of 18 per cent for agriculture. However, the indirect finance over and above one-fourth of total agricultural advances was allowed to be reckoned while meeting the overall target of 40 per cent for priority sector advances.

2. Observations in the XI Plan Document

"At present direct finance to agriculture under priority sector lending includes credit for the purchase of trucks, mini-trucks, jeeps, pick-up vans, bullock carts, and other transport equipment to assist the transport of agricultural inputs and farm produce.

Direct finance also includes credit for the construction and running of cold storage facilities, warehouses and godowns. As alternate formal sources of finance are available for these activities, their inclusion under direct finance for agriculture needs to be reconsidered."

3. Arjun Sengupta Commission Report made trenchant observations:

A close look at RBI guide lines/directives to banks, reveal that apathy either deliberately or by mistake also exists at the top and policy planning level…as the credit system operating under the existing guidelines of RBI. It emerges that small borrowers are competing with large and strong borrowers. The coverage under priority sector lending has increasingly been diluted, enabling big borrower loans at the direct expense of small borrower loans.

As part of the so-called process of" aligning bank credit to the changing needs of the society", the scope and definition of the priority sector, once dominated by small farm related loans ,were fine-tuned by

including new items and enhancing credit limits of constituent sub-sectors to more than Rs.40 lakh. **Over the years particularly after the mid-nineties, relatively high credit worthy activities like housing, education, transportation and loans to professionals have been included in the priority sector. This has affected unfavourably the credit flow to the needy sector.**

4. The National Commission on Farmers, headed by Dr M.S. Swaminathan, also pointed out that **removal of the lending facilities and concessions of banks during the post-reform period have accelerated the crisis in agriculture.**

5. How the dilution and denial of credit to the poor is done?

In 2004, the Finance Minister announced that extension of agricultural credit was neglected in the past and declared that farm credit will now be doubled in three years.

Doubling of credit in three years since 2004 is achieved quantitatively but **without any increase in credit to small farmers and tenant farmers.** Up to 1993, only direct finance to agriculture was considered as a part of the priority sector target of 18 per cent for agriculture and allied activities. From October 1993, direct and indirect finances have been considered together for meeting the priority sector target. About one-third of the increase in credit flow to agriculture between 2000 and 2008 was on account of the increase in indirect finance. The sharp growth in indirect finance in the 2000s was mostly a result of changes in definitions effected since late 1990s. These changes broadly involved:

(a) The addition of new forms of financing commercial, export-oriented and capital-intensive agriculture; and

(b) Raising the credit limit of many existing forms of indirect financing. Indeed, meeting the task of doubling agricultural credit appears to have become much easier for banks as a result of these definitional changes.

The entire growth of indirect finance to agriculture in the 2000s originated from a major expansion of loans with a credit limit of more than Rs 10 crore, and particularly, more than Rs 25 crore. In the year 2000, **indirect finance with credit limit above Rs 25 crore accounted for less than one-third of the total indirect advances to agriculture. However, in 2008, indirect finance with credit limit above Rs 25 crore accounted for nearly 55% per cent of the total indirect advances to agriculture.**

c. There was a major rise in the share of direct advances with a credit limit of more than Rs 1 crore between 2000 and 2008. **The amount of direct advances with a credit limit of more than Rs 1 crore formed 5 per cent of total direct advances in 2000; the share more than doubled by 2008 at 11 per cent. The share of direct advances with credit limits "between Rs 10 crore and Rs 25 crore" as well as "above Rs 25 crore" more than doubled between 2000 and 2008.**

d. Further, the most important beneficiaries of the increase in direct advances since the late 1990s were the big borrowers. The share of number of loans outstanding to big borrowers under direct finance increased between the mid-1990s and 2007-08, and the loan per account increased phenomenally since the late 1990s.All this happened at the cost of reducing credit to small farmers.

6. ADVERSE IMPACT ON CREDIT TO POOR FARMERS

These changes in definition which either widened or hiked the limits of loans, made it easy for banks to show that there is big hike in loaning since 2004 and the task of banks to follow the government's directive in 2004 to double agricultural credit in three years is made easier.

a) **Percentage of non-institutional credit (Mostly from money lenders), with very high rate of interest, is taken more by Marginal and Small Farmers** than by other farmers with larger land holdings whose share in institutional credit, with normal interest, is more.

Size of land holding (Ha)

Sources of loans	Less than 0.4	0.41-1.00	1.01-2.00	Above 2.00
Institutional	42.4	52.8	57.6	66.8
Non-Institutional	57.6	47.2	42.4	33.2

b) RICH FAMERS ARE PREFERRED AGAINST POOR FARMERS - FINANCE AND AGRICULTURE DECLINING TREND EVER SINCE REFORMS ARE INITIATED FROM 1990s

b(i) Continuous decline in the share in amount of small Agri. loans (Rs.25,000 and less) from 59% in 1990 to 10% in 2008.

Year	1985	1990	1995	2003	2006	2008
Share in Agri credit %	49.60	58.70	52.00	23.60	13.30	10

About 80% Small and marginal farmers own 40% of land but small loans account for on 10% of the total agri advances.

b(ii) Yet, share of Agri advances of Rs.1 Crore and above increased by 5 times (500%) Amount of agri loans (Rs.in Crores) (Accounts ,000s)

Agri Loans	M2006 Accounts	M2008 Accounts	M2006 Amount	M2008 Amount
Small loans up to Rs 25,000	1,78,00	1,96,20	22,979	27,987
Loans One crore and above	7	10.4	50.969	73,331

Source: RBI-BSR

B(iii) Decline in loan accounts of credit limits of Rs 25,000 and less.

AGRICULTURE

No. of year	A/C in lakhs A/Cs
1992-93	267
2005-06	178
2007-08	196**

***** Decline by 1/4th (27%) over 92-93***

C(i) DECLINING RURAL CREDIT/DEPOSIT RATIO

C-D ratio of All Scheduled Commercial Banks in metropolitan centres was the highest (87per cent), followed distantly **by rural centres (57 per cent)** and urban centres (56 per cent). The semi-urban centres recorded the lowest CD ratio at 50 per cent. As of Mar 09, the credit-deposit (C-D) ratio of All Scheduled Commercial Banks stood at 73 per cent.

During the FY 2009, the growth of deposits and advances in metro areas was the same rate at about 20%. In rural areas growth rate of deposits growth was 21%. Advances grew by only 14%. In semi-urban areas while deposits grew by 24%, and advances growth rate was only 16% and in urban areas while deposits grew by 25%, advances grew by only 20%.

Percentage of credit given out of deposits collected from rural and semi-Urban areas continues to be less than the percentage of credit deployed, indicating continued diversion of deposits from rural and semi-urban areas for giving credit in Metro areas.

C(ii) Regional Disparities

Western and southern Regions top the list with C/D Ratio of over 85%. North-Eastern, Eastern and Central Regions are having low C/D Ratio of less than 50%.

N1.Regon-wise Credit/Deposit Ratio as per Sanction- As on March 09-(%)

All India	72.6
Northern Region	68.5
North-Eastern Region	35.8
Eastern Region	48.9
Central Region	44.8
Western Region	85.2
Southern Region	88.4

Source: RBI-TPB March 2009

There seems to be correlation between State Credit/Deposit Ratio and State Per capita Income as the figures in the table below indicate.

N2.State-wise variations in Bank Credit and Per Capita Income

S.No.	State	*C/D Ratio %	Per capita Income Rs. @	% Share in credit*
1	Bihar	27	11,000	0.8
2	Jharkhand	32	19,000	0.6
3	N.E States	36	21,000	0.8
4	U P	42	16.000	3.9
5	Orissa	51	23.000	1.3
6	Chattisgargh	53	23,000	0.7
7	M P	57	18,000	2.0
8	W B	61	32,000	4.9
9	Kerala	60	42,000	2.9
10	Gujarat	63	38,000	4.0
11	Haryana	66	59,000	1.9
12	Punjab	66	45,000	2.8
13	Karnataka	77	36,000	6.9
14	Rajasthan	80	23,000	2.6
15	Maharastra	91	47,000	31.9
16	A P	98	34,000	7.4
17	T N	109	41,000	9.4

* Data as on March 09, @Data as on March 08
Sources: RBI Qtly Dep Credit, CSO NAS 2009

7. DIVERSION OF RURAL DEPOSITS TO METROS

As of Mar 09, rural deposits were Rs 3.65 lakh crore where as credit extended was only Rs 2.09 lakh crore. If the same Metro C/D ratio of 87% C/D ratio were maintained in rural branches, the rural advances would have been Rs 3.18 lakh crore instead of Rs 2.09 lakh crore. **Thus a huge chunk of rural deposits to the extent of over Rs 1 lakh crore was diverted rural area to give loans in metro areas.** Deposits from semi urban areas were Rs 5.32 lakh crore where as credit extended was only Rs 2.66 lakh crore (53% of deposits). If the average C/D ratio of 73% were to be maintained credit in semi-urban areas would have been Rs 3.88 lakh crore instead of Rs 2.66 lakh crore and an additional amount of **Rs 1.22 lakh crore could have been extended in semi-urban areas for agriculture and micro and small enterprises which have higher employment potential than big enterprises and trade.**

This trend has been continuing for decades. This is inequitable and rural advances should be at least in the same C/D ratio of Metros. The farmers could have been saved from the clutches of the moneylenders charging high interest rate of 24% to 36% per annum. The additional Rs 1 lakh crore loans that could have been given for farming and running rural enterprises would have generated twice the income and more employment opportunities than when the same loan amount given to traders, realtors and NBFCs in Metros.

8. DECLINE IN RURAL BRANCHES RATIO

As of Mar 09, number of Rural Branches was 31,489, semi-urban 18,764, urban 15,325, Metro 13.478 and total number of branches 79,056. Percentage of rural branches to total branches declined from 58% in1991 to 40% by Mar 09. Had at least 50% of the branches are opened in rural areas, the number of rural branches would have been 39,500; about 8,000 more branches would have been catering to the banking needs of the rural people.

All the above data reveals that agricultural credit for poor farmers is neglected even since 2004 also. The claim that farm credit has doubled in three years since 2004 is also proved to be qualitatively wrong as credit to poor farmers and rural artisans has dwindled.

9. ADVERSE EFFECTS OF RBI DISCRIMINATORY RURAL CREDIT POLICY

The metro areas account for 57 per cent of total deposits as against just 9 per cent from the rural areas. As for the distribution of credit, metropolitan group gets 57 per cent of bank credit. Combined with the 16 per cent for the urban sector, this means that 83 per cent of bank credit goes to miniscule metro/urban borrowers with the rural borrowers getting just 7 per cent. The regional distribution of bank centres is no better with seven north-eastern States together (Assam included) trailing a single State, Uttar Pradesh, by nearly a fourth.

One example starving credit to rural and semi-urban areas is given below.

Deposits and Credit of Scheduled Commercial Banks- MAHARASTRA STATE- March 2009 (Rs. in crore)

	No. of Offices	% share in the total	Credit-Amount	% share in the total
Rural	2118	29%	14 301	1.56%
Semi-Urban	1397	19%	18 599	2.04%
Uraban/Metro	3879	52%	879 468	96.40%
Total	7494	100	912,368	100

Source: RBI -Qtly Dep -Credit-Mar 09-Computed

NOTE: Major chunk of credit to the extent of 96% of the total credit in the State is given in Metro/urban agglomerations. A megre 4 % of the total credit is given in the rest of the vast track of Maharastra.

The inevitable conclusion is that all wealth and prosperity is concentrated in metro. Other areas of Maharastra State are starved of credit and are left HIGH AND DRY.

The vast rural belt has only 29% of the bank branches, compared to All India average of 40% rural branches in total branches. Metro has more than 50% of the total branches.

Regional Disparities in Credit Dispensation are given in the Note at the bottom.

10. CIFA's observations: In post reform era, there has been studied indifference of financing priority sectors. Neither the Government nor the RBI, bothered to reverse the trend. The RBI also very silently re-defined definition of priority sectors and allowed loans given to big borrowers also to be included under this category. It is very clear that during the decade commencing from 1993, the successive governments neglected loaning to agriculture sector, the RBI was a party to this, wittingly or unwittingly, and banks took cue from this and decelerated the small loans to priority sectors.

SUGGESTIONS: Provide 10% of total credit to small farmers and tenant farmers

i) The recommendations of NCEUS that 10% of bank credit should be given to poor farmers should be implemented forthwith to better the lot of Marginal and Small Farmers, who constitute 84% of all the farmers. Presently their share in agri credit is only 4%.

ii) Indirect finance should not be included in 18% target for agricultural credit. Finance to the extent of 18% of bank credit should be made available as direct agricultural finance for production and investment purposes as was the position obtaining up to 1993. Credit limits not exceeding Rs 25 lakh should be reckoned under this category.

Higher credit limits exceeding Rs 25 lakh should be categorised as agri business loans and extended as part of other business loans.

iii) Constant effective monitoring of agricultural credit should be made by the RBI to ensure that mandated 18% of net bank credit does reach the farmers.

iv) As of March 2009, while Statutory Liquidity Ratio requirement is only 24%, Investment-Deposit Ratio was 28%. Thus a whopping sum of Rs 1.70 lakh crore is excessively invested in government securities, instead of lending to agriculture and small enterprises which so far received only half the mandatory credit. This shows that all the money recently released by reducing CRR/SLR is invested in govt securities, thus defeating the purpose of infusing additional liquidity of nearly Rs1.70 lakh crore. This money should be used to enhance credit to priority sectors and industry.

NOTES: N3.Regional Disparities in Credit Dispensation-March 2009.

STATE	Overall C/D Ratio %	Rural CDR %	Semi-Urban CDR %	% share in total credit
UTTARAKHAND	26	37	49	0.41
BIHAR	27	36	26	0.83
JHARKHAND	32	25	26	0.62
N.E. STATES	36	44	36	0.79
HIMACHAL PRADESH	39	36	46	0.32
ORISSA	51	56	38	1.25
CHATTISGARH	53	35	41	0.74
MADYA PRADESH	57	72	57	2.03
WEST BENGAL	61	37	29	4.86
JAMMU & KASHMIR	46	36	46	0.48
**Data as on March 2008 Sources: RBI & CSO*				

PRIVATE BANKS FALTER IN PROVIDING CREDIT TO WEAKER SECTIONS

K. Ramasubba Reddy

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5. **GOVERNMENT AND THE RBI SHOULD MAKE BANKS DISBURSE SHORTFALL IN LENDINGS**
6. **Shortfall in extending credit support for weaker sections by Private sector banks over Rs 25,000 crore**

1. A target of 18% of net bank credit (NBC) is set for agriculture and 10% for weaker sections. RBI data have revealed that 14 out of 28 public sector banks and 17 out of 23 private sector banks have not achieved the 18% target as at the end of March 2008; likewise, as many as 15 public sector banks and all the 23 private sector banks have not achieved the 10% target of lendings to Weaker Sections. Taking these data into account, an estimate of the possible shortfalls in agricultural and weaker section loans is given in the table below:

Shortfalls in Agricultural and Weaker Section Loans: By Bank Groups (in Rs crore)

1.Agricultural Advances	**32,206**
Public Sector Banks	**21,893**
Private Sector Banks	**10,313**
2.Weaker Section Loans	**45,335**
Pub.Sector Banks	**19,981**
Pvt. Sector Banks	**25,354**
Aggregate Short Fall (1+2)	**77,541**
Source: RBI (2008): Trend and Progress of Banking in India 2007-08 (EPW 240209)	

These estimated shortfalls of about Rs 77,500 crore pertain to only agriculture and weaker section loans.

2. **Small and micro enterprises too are neglected in dispensing credit.** The National Commission for Enterprises in the Unorganised Sector (NCEUS) has recommended that loans to Small and Micro Enterprises (SME) should be enhanced to 10%. Presently the actual achievement is a mere 4.5% of NBC.

3. The shortfall works out to a huge amount of Rs 102,760 crore. These shortfalls in lendings to Agriculture, Weaker Sections and SME segment together add up to a whopping sum of about Rs 180,000 crore - roughly 8% of non-food credit outstanding as at the end of March 2008.

4. Recovery of Agri advances is excellent. The NPAs of Public Sector Banks in Agri segment declined from Rs 8,020 Crore as on March 2008 to Rs5,262Crore as on Dec 2008(-34%). Agri NPA component to total NPAs has decreased from 3.2% to just 2% during the same period. Recovery of Weaker section loans is also excellent as overdoes are just about 5%. So there is no earthly reason why there should be a huge shortfall in lending to these sectors.

This amount of bank credit disbursed amongst the labour intensive unorganised sectors will greatly help to widen the demand base of the economy as such sectors account for the employment and livelihood of over 80% of the country's population. This can be achieved only if public policies are consciously directed towards it.

5. HIGH TIME FOR GOVERNMENT AND THE RBI TO MAKE BANKS DISBURSE THIS SHORTFALL IN LENDINGS OF Rs 1,80,000 CRORE TO PRIORITY PRODUCTIVE SECTORS

WHICH WILL GENERATE GREATER EMPLOYMENT AND INCOME WHICH IN TURN WILL PROVIDE STIMULUS FOR ECONOMIC GROWTH. ADDITIONAL EMPLOYMENT GENERATION IS THE NEED OF THE HOUR. CREDIT OF Rs 1,80,000 CRORE EXTENDED TO LABOUR INTENSIVE PRODUCTIVE SECTORS GENERATES MORE EMPLOYMENT AND INCOME TO INDIVIDUALS THAN THE SAME AMOUNT GIVEN FOR CREDIT CARDS, REAL ESTATE, SERVICE SEGMENTS AND CAPITAL INTENSIVE BIG INDUSTIES. LET THE PRIORITIES FOR CREDIT DISPENSATION BE RIGHT. RIGHT PRIORITY IS GIVING CREDIT TO PRIORITY SECTORS.

6. Shortfall in extending credit support for weaker sections by Private sector banks

i) Financing of weaker section is at less than mandated credit. Private sector banks are the laggards details of which are given below. Banks are required to extend credit to weaker sections unto 10% of their net bank credit. Weaker sections comprise of SCs/STs, Small and Marginal farmers, Tenant Farmers, Agri. Labourers, Rural artisans, etc.

ii) Financing of Weaker Sections (Rs in Crore) Figures in brackets-loans given as % to net bank credit

Year	**Pub Loans**	**Sector shortfall**	**Pvt Loans**	**Sector shortfall**	**Total Loans**	**Total shortfall**
2004	41,589 (7.44%)	14,310	1,495 (1.34%)	9.661	43,084 (6.49%)	23,971
2005	63,492 (8.85%)	8,250	1,914 (1.20%)	14,036	65.406 (7.52%)	22,286
2006	78,374 (7.70%)	23,410	3,909 (1.60%)	20,522	82,283 (6.50%)	43,932
2007	94,285 (7.20%)	36,666	5,229 (1.55%)	28,506	99,514 (6.02%)	38,060
2008	1,26,934 (9.3%)	9,554	7,228 (2.10%)	27,191	1,34,162	36,745

Public sector banks have increased their lendings over a period to about 9% by 2008 from about 7% in 2004. Still as many as 12 out of 28 banks have lent less than 9%. IDBI Bank lendings were at a very low of 0.4% with a shortfall of Rs 5,200 crore. Private sector banks lendings continue to be very low at 2% with a very huge shortfall of Rs 27,000 crore. Out of 23 private Banks, as many as 7 banks lent even less than 2%.

For example ICICI Bank which is the second biggest bank after SBI, the lendings work out to a mere 0.72%,with a whopping shortfall of Rs 11,870 crore. ICICI Bank and IDBI Bank together account for a huge shortfall of Rs 17,000 crore, more than one third of the aggregate shortfall of Rs 46,000 crore. **The same trend continued in FY March 2009 also with these two banks accounting for a huge shortfall in extending credit to weaker sections of Rs 18,000 crore.**

iii) Aggregate shortfall of all banks, taking each bank's shortfall into account, works out to about Rs46,000 crore. Finance provided for weaker sections up to March 2008 was only about Rs 1,34.000 crore against a requirement of Rs1,80,000 crore. As many as 15 out of 28 public sector banks and **none of the Private sector banks** achieved the norm of 10% lending to weaker sections and the loaning by Private sector banks was megre at 2%. As many as 14 out of 28 public sector banks and 17 out of 23 private sector banks have not achieved the 18% target of agri credit. Shortfalls in both Agricultural and Weaker Section Loans are estimated at Rs 77,000 crore.

Similar trend continued in FY March 2009 also.

RBI has provided an escape route for such laggard banks by enabling such banks to deposit the shortfall in lending to weaker sections in the safe haven of RIDF or funds with other financial institutions as specified by the Reserve Bank, with effect from April 2009.

Adverse impact:

This concession enables banks to avoid lending to weaker sections by conveniently transferring the default amount to RIDF which will not directly benefit weaker sections by any stretch of imagination. This leads to avoiding purposive duty to finance weaker sections and this easy facility of transfer to RIDF should not be allowed. This unfair concession should be with drawn forth with.

iv) Small and micro enterprises are neglected too in dispensing credit. The National Commission for Enterprises in the Unorganised Sector (NCEUS) has recommended that loans to Small and Micro Enterprises (SME) should be enhanced to 10%. Presently the actual achievement is a mere 4.5% of NBC. The shortfall works out to a huge amount of Rs