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STANDING COMMITTEE ON FINANCE

(2009-10)

FIFTEENTH LOK SABHA

Ministry of Finance (Department of Financial Services)

*[Action taken by the Government on the recommendations contained in 78<sup>th</sup>  
Report (14<sup>th</sup> Lok Sabha) on 'Flow of Credit to Agriculture Sector']*

NINTH REPORT



**LOK SABHA SECRETARIAT  
NEW DELHI**

**March, 2010/ Phalguna, 1931 (Saka)**

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*[Action taken by the Government on the recommendations contained in 78<sup>th</sup>  
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***Presented to Lok Sabha on 12 March, 2010***  
***Laid in Rajya Sabha on 12 March, 2010***



**LOK SABHA SECRETARIAT**  
**NEW DELHI**

**March, 2010/ Phalguna, 1931 (Saka)**

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## **COMPOSITION OF STANDING COMMITTEE ON FINANCE – 2009-2010**

Dr. Murli Manohar Joshi - Chairman

### **MEMBERS**

#### **LOK SABHA**

2. Dr. Baliram (Lalganj)
3. Shri Sudip Bandyopadhyay
4. Shri C.M. Chang
5. Shri Harishchandra Chavan
6. Shri Bhakta Charan Das
7. Shri Gurudas Dasgupta
8. Shri Khagen Das
9. Shri Nishikant Dubey
10. Smt. Jayaprada
11. Shri Bhartruhari Mahtab
12. Shri Mangani Lal Mandal
13. Shri Rayapati Sambasiva Rao
14. Shri M. Sreenivasulu Reddy
15. Shri Y.S. Jagan Mohan Reddy
16. Shri N. Dharam Singh
17. Shri Sarvey Sathyanarayana
18. Shri Manicka Tagore
19. Dr. M. Thambidurai
20. Shri Anjankumar M. Yadav
21. Shri G.M. Siddeshwara\*

#### **RAJYA SABHA**

22. Shri Raashid Alvi
23. Dr. K.V.P. Ramachandra Rao
24. Shri Vijay Jawaharlal Darda
25. Shri S.S. Ahluwalia
26. Shri Moinul Hassan
27. Shri Mahendra Mohan
28. Shri S. Anbalagan
29. Dr. Mahendra Prasad
30. Shri Y.P. Trivedi
31. Shri Rajeev Chandrasekhar

### **SECRETARIAT**

1. Shri A.K. Singh - Joint Secretary
2. Shri T.G. Chandrasekhar - Additional Director

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\* Nominated to this Committee w.e.f. 09.03.2010 vice Shri Gopinath Munde, MP

## INTRODUCTION

I, the Chairman of the Standing Committee on Finance, having been authorised by the Committee, present this Ninth Report on action taken by Government on the recommendations contained in the Seventy-eighth Report of the Committee (Fourteenth Lok Sabha) on the subject "Flow of Credit to Agriculture Sector".

2. The Seventy-eighth Report ( 14<sup>th</sup> Lok Sabha) was presented to Lok Sabha/laid in Rajya Sabha on 18 December, 2008. Replies indicating action taken on all the recommendations contained in the Report were furnished by the Government on 17 July, 2009.

3. The Committee considered and adopted this report at their sitting held on 10 March, 2010.

4. An analysis of action taken by Government on the recommendations contained in the Seventy-eighth Report of the Committee is given in the Appendix.

5. For facility of reference, observations/recommendations of the Committee have been printed in thick type in the body of the Report.

**New Delhi**  
**10 March, 2010**  
**19 Phalguna 1931 (Saka)**

**DR. MURLI MANOHAR JOSHI,**  
**Chairman,**  
**Standing Committee on Finance.**

## CHAPTER I

### REPORT

This report of the Standing Committee on Finance (Fourteenth Lok Sabha) deals with action taken by the Government on the recommendations/observations contained in their Seventy-Eight Report on the subject 'Flow of Credit to Agriculture Sector' of the Ministry of Finance (Department of Financial Services) which was presented to Lok Sabha and laid in Rajya Sabha on 18 December, 2008.

2. The Report contained 13 recommendations. Action taken notes have been received from the Government in respect of all the recommendations contained in the report. These have been categorised as follows:

- (i) Recommendations/Observations that have been accepted by the Government:

Recommendation Nos. 3, 4, 5, 6, 7, 8 and 10

(Total 7)

(Chapter II)

- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:

(Total Nil)

(Chapter III)

- (iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee:

Recommendation Nos. 1, 2, 9, 11, 12 and 13

(Total 6)

(Chapter IV)

- (iv) Recommendations/Observations in respect of which final reply of the Government is still awaited:

(Total Nil)

(Chapter V)

3. **The Committee desire that the replies to the comments contained in Chapter I be furnished to them expeditiously.**

4. The Committee will now deal with the action taken by the Government on some of their recommendations.

## Recommendation No. 1

### **Credit accessibility of farmers**

5. The Committee were dismayed to note that though numerous measures have been taken by the Government from time to time to address the problems of credit availability, on the basis of the recommendations of various Expert groups and Committees, even now vast majority of farmer households did not have access to institutional credit. Since vast majority of farmers take loans from non-institutional sources, like money lenders at high rates of interest due to non-availability of institutional credit, the Committee urged that as recommended by the Committee on Financial Inclusion, headed by Dr. C. Rangarajan, at least 50% (55.77 million) of the excluded cultivator and non-cultivator households should be provided access to credit through commercial banks and RRBs by the year 2012 and the remaining households by the year 2015. The Committee desired to be informed of the specific steps taken by the Government to implement these recommendations and details of annual targets, fixed in this regard.

6. In their action taken reply, the Ministry have stated as follows:

“On 18<sup>th</sup> June, 2004, the Government announced a package for doubling the flow of credit to agriculture and allied activities in a period of three years commencing from 2004-05 over the amount disbursed during the year 2003-04. This goal was achieved in just two years.

The Government has been committed, during the last five years, towards availability of timely and affordable credit for rural/farm sector. Agriculture credit disbursement increased nearly three and a half times from Rs. 86,981 crore in 2003-04 to Rs. 2,87,149.19 crore in 2008-09 (provisional figures), which is also, in fact, 102.55% of the target of Rs. 2,80,000 crore set for the year. During the years 2007-08 and 2008-09, the agricultural loans were disbursed to a total of 4.39 crore and 4.56 crore farmer accounts respectively, which shows the commitment of banks in disbursing to this sector. A comparison of agency-wise achievements vis-a-vis the annual targets during the current year viz-a-viz that of 2007-08, is given below:

Sl. No.	Agency	2007-08 Amount (in Rs. Crore)		2008-09 Amount (in Rs. Crore)	
		Target	Achievement	Target	Achievement
1.	Comm. Banks				
i.	Public Sector Comm. Bank	1,50,000	1,33,225.61	1,95,000	1,64,350.10
ii.	Private Sector Comm. Bank		47,862.00		59,312.92
	<u>Sub-total for Comm. Bank</u>		<u>1,81,087.61</u>		<u>2,23,663.02</u>
2.	Coop. Banks	52,000	48,258.19	55,000	36,761.99
3.	RRBs	23,000	25,311.65	30,000	26,724.18
	<b>Grand Total</b>	<b>2,25,000</b>	<b>2,54,657.45</b>	<b>2,80,000</b>	<b>2,87,149.19</b>

The Government of India (GoI) has taken the following steps to ensure availability of timely and affordable credit for rural/farm sector:

- The GoI has implemented the Agricultural Debt Waiver and Debt Relief Scheme for farmers covering nearly 3.68 crore farmers(provisional figures), thus declogging the line of credit and making these farmers eligible for fresh credit from the lending institutions.
- The GoI is providing interest subvention to banks since Kharif 2006-07 to ensure Short Term crop loans upto Rs.3 lakh to famers at interest rate of @ 7% per annum at the ground level.
- Commercial Banks, Regional Rural Banks and Cooperative Banks have been successful in financing more than 80 lakhs new farmers during each of the last three year.
- Banks have simplified the procedure for documentation for agricultural loans. Loans upto Rs.50,000/- have been made collateral and margin free and the requirement of 'No Dues Certificate' has been dispensed with.
- Banks have been advised to provide all eligible farmers with Kisan Credit Cards.
- Norms for opening 'no frills' account, has been simplified.
- Banks have been advised to make available a basic banking 'no frills' account either with 'nil' or very low minimum balances.
- Regional Rural Banks have been advised to allow limited overdraft facilities in 'no frills' accounts, without any collateral.
- Small borrowers with loans settled under the one time settlement scheme have been made eligible to access fresh credit.
- Banks have been advised to issue General Credit Cards to eligible beneficiaries without insistence on security, purpose or end use of credit.
- Banks have been permitted to utilise the services of Non-Governmental Organisations, Self Help Groups, Micro Finance Institutions and other Civil Society Organisation as intermediaries in providing financial and banking services.
- All State Level Bankers' Committee convener banks have been advised to initiate action for identifying at least one district in their States/Union Territories for 100% financial inclusion. In many states, SLBCs have identified and taken steps to cover a larger number of districts for 100% financial inclusion. Banks have been urged to scale up IT initiatives for financial inclusion."



7. It was upon noting with serious concern that a vast majority of farmer households continue to remain outside the ambit of institutional financial system despite the numerous measures taken by the Government that the Committee had desired to know the details of the specific steps initiated for implementing the recommendations of the Dr. C. Rangarajan Committee on Financial Inclusion on providing access to institutional credit to at least 50% (55.77 million) of the excluded cultivator and non-cultivator households by the year 2012 and the remaining households by the year 2015. Instead of spelling out the policy stance and measures initiated or contemplated in implementing the recommendations of the Dr. C. Rangarajan Committee, the Government have chosen to furnish details of the agency-wise distribution of agricultural credit in the years 2007-08 and 2008-09. The Committee can not help deploring the casual and indifferent approach adopted by the Government in furnishing the action taken note on this issue of serious concern. The Committee, therefore expect to be apprised of the specific details of the action plan formulated or contemplated in implementing the Dr. C. Rangarajan Committee's recommendations on bringing the vast multitude of excluded cultivator households within the ambit of institutional finance along-with the annual targets fixed for this purpose within one month of the presentation of this report to Parliament.

8. From the data on agriculture credit flow furnished in the action taken note, the Committee also note that Co-operative Banks and Regional Rural Banks (RRBs), which are mandated to become the prime sources of institutional financing for rural credit have failed in achieving the annual credit

disbursement targets. This being a matter of serious concern, the Committee desire that the reasons for the dwindling share of Cooperative and Regional Rural Banks in agriculture credit disbursement are analyzed in detail for formulating appropriate remedial measures. The Committee desire to be apprised of the action taken in this regard along-with the details of the action plan initiated or contemplated by the Government for brining the excluded farmer households within the ambit of institutional credit disbursement.

## Recommendation No. 2

### **Shortfall in agricultural lending by banks**

9. The Committee were concerned to note that commercial banks, despite having a vast chain of branches in rural areas had continued to fail to reach the mandated level of disbursing 18% credit to agriculture. The lower disbursements to agriculture were attributed to non-completion of formalities by borrowers, lack of co-ordination between 39 banks and sponsoring agencies, bunching of applications, etc. The Committee felt that these were the matters which could be managed by a proper co-ordination mechanism and awareness campaigns by banks. The Committee urged that suitable measures be taken to address these problems and to ensure that the targeted level of credit reaches farmers.

10. In their action taken reply, the Ministry have stated inter-alia as follows:

“Agriculture credit disbursement increased nearly three and a half times from Rs. 86,981 crore in 2003-04 to Rs. 2,87,149.19 crore in 2008-09 (provisional figures) while the outstanding credit to agriculture by public sector banks has gone up from Rs.70,501 crore in March 2004 to Rs.2,43,570 crore in March 2007 (figures provisional), showing a robust compounded annual rate of growth of over 30 per cent. Lending to agriculture as a percentage of net bank credit has also improved from 14.5 per cent to 15.4 per cent during the same period. However, it has been lower than the target of 18% of net bank credit prescribed by Reserve Bank. This is partly due to a comparatively lower growth rate of agriculture sector compared to industry and services sectors...

...Besides above, from April 30, 2007, the base on which the priority sector target is calculated has been modified. Accordingly, banks are now required to lend to priority sector at 40% of adjusted net bank credit (ANBC) (ANBC represents net bank credit plus investments made by banks in non-Statutory Liquidity Ratio (SLR) bonds under Held to Maturity category or credit equivalent amount of Off-Balance Sheet Exposures (OBE), whichever is higher, as on March 31 of the preceding accounting year. This change may increase the priority sector lending obligations of banks in absolute terms.

Considering the amount of shortfall in lending to priority sector (including agriculture), four additional funds were created after announcement in the Budget Speech 2008-09. These funds, which are to be governed by the general guidelines that are now applicable to RIDF with some modifications, are as under:

- i) A Short Term Cooperative Rural Credit (SRCRC) Fund of Rs.5,000 crore with National Bank for Agriculture and Rural Development

- (NABARD) to enhance its refinance operations to Short Term Cooperative Credit Institutions.
- ii) Two funds of Rs.4,600 crore have been created in Small Industries Development Bank of India (SIDBI) – one for risk capital financing (Rs. 1,000 crore) and other for enhancing refinance capability (Rs. 3,600 crore) to the Micro, Small and Medium Enterprises (MSME) sector.
  - iii) A Rural Housing Fund of Rs.2,000 crore with National Housing Bank (NHB) to enhance its refinance operations in the rural housing sector.

Besides above, for the year 2009-10, it has been proposed to allocate Rs. 14,000 crore for RIDF, Rs. 4,500 crore for separate window under RIDF for rural roads component of Bharat Nirman, Rs. 4,000 crore for SIDBI to lend to MSME sector by refinancing and Rs. 2,000 crore for Rural Housing Fund in NHB. With the constitution of these Funds, the banks with shortfall in lending to priority sector, including agriculture and weaker section, would have to contribute higher amounts. In fact for the years 2008-09 and 2009-10, almost the total amount (near 100%) of shortfall has been utilized, thus causing a huge penalty to such banks.”

11. The Committee feel constrained to note that the Government have chosen not to touch upon the remedial action/measures initiated or being taken for overcoming the problems such as inadequacies in the co-ordination mechanism among banks and sponsoring agencies, non completion of formalities by borrowers, bunching of applications etc. which, as highlighted in the report, and as also admitted by the Government, are factors attributable to the low disbursement of bank credit to the agriculture sector. Instead of detailing the policy measures for addressing these impediments, the Government have chosen to list out the measures already in place, or initiated, for deterring, or penalising Banks for incurring shortfall in meeting the 18% target of agricultural lending i.e. the Rural Infrastructure Development Fund (RIDF) put in place many years ago and the four additional funds created for enabling utilization of the amount of shortfall of banks in agricultural lending (Short Term Cooperative Rural Credit -SRCRC with NABARD, two funds with SIDBI and a Rural Housing Fund with National Housing Bank). The failure of RIDF in serving as an effective deterrent against the lethargy or indifference of scheduled commercial banks in meeting the mandated level of agricultural lending being more than obvious, the effectiveness of the additional funds to serve as a persuasive measure on banks to increase agriculture lending would remain doubtful. Formulating concrete remedial measures to resolve the problems impeding agricultural credit flow from banks, and improving the mechanism of co-ordination among banks and sponsoring agencies being an imminent necessity, the Committee reiterate the necessity on the part of the Government/Reserve Bank of India in taking suitable measures to address these

**problems. The Committee expect to be apprised of the concrete steps taken in this direction within one month of presentation of this report to Parliament.**

Recommendation Nos. 9, 11 & 12  
**Kisan Credit Card (KCC) Scheme**

12. The Committee regretted to note that though the Kisan Credit Card (KCC) scheme had been extended to cover all categories of loans viz. short and long term loans and productive and non-productive loans, the loans sanctioned under the scheme had declined from Rs. 47,601 crore in 2005-06 to 40,300 crore in 2006-07. Ineligibility to avail fresh loans by defaulters was stated to be the main reason in this regard. Consequently, as many as 40% of KCC holders were ineligible for getting credit from the institutional sources and were driven to money lenders. It appeared that the scheme had led to unintended consequences. The Committee felt that the scheme should be critically reviewed with a view to plugging the short comings and to ensure that non-wilful defaulters were not put to any difficulty in accessing institutional credit.

13. The Committee found it surprising to note that the data reporting system of the nodal agency (NABARD) for implementation of the KCC Scheme did not include information on total amount of credit availed by KCC holders and recovery performance under the scheme. The Committee, therefore, desired that the data reporting system of NABARD should be geared up to include this information of vital importance to enable assessment of the successfulness of the KCC Scheme.

14. The Committee found that a number of shortcomings and weaknesses have been identified in the KCC scheme by the study undertaken by National Council of Applied Economic Research (NCAER). The Committee hoped that the Government would take necessary action to implement the recommendations of the Expert Group on Agricultural Indebtedness particularly the one relating to making the KCC all inclusive by incorporating therein information on the credit history of the card holder.

15. The Ministry, in their action taken reply on recommendation no. 9 on the problems of Kisan Credit Card (KCC) holders, have submitted as under:

“During 2006-07, in fact, Rs.46,729 crore has been sanctioned under KCC scheme by all banks as against the loan amount of Rs.47,601 crore sanctioned under KCC during 2005-06 by all banks.

The banks have been advised that all in-operative accounts may be reviewed periodically by them to ascertain the reasons for accounts being inoperative and wherever possible the willing farmers may be allowed to operate the account subject to banking norms. Further, the banks have been also advised to ensure that KCCs are renewed in a hassle free manner and direct their efforts towards ensuring 'quality in operations' on the KCCs. Cooperative Banks and RRBs have also been advised to cover all eligible borrowers and have at least 150 new KCCs in each year in each branch.

Regarding revisiting the scheme, NABARD has conducted study on implementation of KCC focusing on operation of account, rate of interest charged, the process of revisiting the credit limits, coverage of KCC borrowers under Personal Accident Insurance Scheme (PAIS) and difficulties in settlement of insurance claims. The study findings are being compiled.”

16. In the action taken note on recommendation no. 11 on ‘Collection of data in respect of Kisan Credit Card Scheme’, the Ministry have stated as follows:

“Presently, all banks are providing short term finance to farmers through KCC only. KCC is a scheme in which credit limit is sanctioned to farmers for a period of 3 years. During the period of operations, farmers are free to make drawals and repayments any number of times. While assessing the finance made under KCC, maximum outstanding is reckoned for the purpose of loans and advances made during the year.

The Credit flow to agriculture sector is compiled by NABARD on a monthly basis. Data in respect of Commercial Banks are provided by Indian Banks’ Association (IBA) and data in respect of Cooperative Banks and RRBs are collected through Regional Offices of NABARD. Presently MIS does not capture the data on recoveries. However, the details of Limits sanctioned, outstanding and recovery there against are available with NABARD Regional Offices in respect of Cooperatives and RRBs. As such NABARD is in a position to furnish such information in respect of Cooperative Banks and RRBs.”

17. The action taken note on recommendation no. 12 pertaining to the ‘Lacunae in Kisan Credit Card Scheme’ reads as follows:

“The major findings of the National Council of Applied Economic Research (NCAER) study have already been circulated by NABARD vide its Circular dated 06 November 2004 to all Banks advising them to take appropriate remedial action on the findings of the study and remove the bottle-necks in the implementation of the Scheme. This is expected to facilitate farmers in providing adequate, timely and hassle free credit as envisaged under the scheme.



Conversion / reschedulement of loan is also permissible under the KCC scheme, in case of damage to cultivated crops on account of natural calamities. Crop loans disbursed under the scheme for notified crops are covered under Rashtriya Krishi Bima Yojna (National Crop Insurance Scheme) to ensure hassle free credit for borrowers while a better recovery mechanism for banks as well.

Few pilots have been started with grant support from Financial Inclusion Technology Fund (FITF), in Andhra Pradesh, Tripura etc. Based on the results the banks would be advised to upscale process.”

18. It was upon noting with serious concern the unintended consequences the implementation of the KCC scheme had led to whereby 40% of the KCC holders had become ineligible for getting institutional credit with the loans sanctioned under the scheme also witnessing a trend of decline that the Committee had recommended a critical review of the Scheme. The progress in regard to compilation of the findings of the study conducted by NABARD on the implementation of the KCC Scheme for formulating remedial measures with a view to overcoming the shortcomings in the scheme remain to be communicated to the Committee. Also, while Co-operative Banks and Regional Rural Banks have reportedly been instructed to issue atleast 150 new KCCs per branch in a year, the action taken note is silent on the progress made in this direction, and in bringing non-wilful defaulters back in the fold of institutional credit. Persistence of serious lacunae in implementing the KCC Scheme being clearly evident, the Committee once again emphasise on ensuring that the Government is not found lacking in overcoming the shortcomings. The Committee, therefore, expect that concrete measures are formulated for overcoming the shortcomings on the basis of the study conducted by NABARD, and in enabling non-wilful defaulters in accessing institutional credit. The Committee expect to be apprised of the specific measures initiated by the Government in this regard and their effectiveness within one month of the presentation of this report to Parliament.

19. The Committee also note from the action taken note that no specific measures appear to have been initiated for overcoming the shortcomings in the data reporting system of NABARD to include information on the total amount of credit availed by the KCC holders. Maintaining a centralized data base on the

total amount of credit availed by KCC holders and recovery performance under the scheme being a necessity in assessing the performance of the scheme, the Committee reiterate the need for ensuring that the Management Information System of NABARD is geared up and enabled for maintaining this information.

20. With reference to the KCC Scheme, the Committee also note that while the Expert Group on Agricultural Indebtedness had inter-alia recommended making the KCC all inclusive by incorporating therein information on the credit profile of the Card holder, no information has been furnished on the action taken in this regard. This only betrays the indifference of the Government to the Committee's recommendation as well as the report of the Expert Committee. The Committee expect to be apprised of the policy stance of the Government on the recommendations of the Expert Group on Agricultural Indebtedness as well as the details of the upscaling process in regard to KCC Scheme which is reportedly being implemented by banks on the basis of pilot projects undertaken in some States with support from the Financial Inclusion Technology Fund.

## **Creation of Money Lenders Debt Redemption Fund**

### **Recommendation No. 13**

21. The Committee noted that the Expert Group on Agricultural Indebtedness had also recommended the creation of a Money Lenders Debt Redemption Fund with a corpus of Rs. 100 crore contributed by Central and State Governments. In view of the continued and increasing dependence of the rural households on money lenders for meeting credit requirements, as evident from the NSSO's survey data on rural indebtedness, the Committee expected the Government to implement the recommendation of the Expert Group without delay and create the proposed fund, which would facilitate in the swapping of debt.

22. The Government in their action taken reply stated as under:

“In the Budget Speech 2009-10, it has been announced to set up a Taskforce to examine the matter relating to loans availed from private money lenders in greater detail and suggest the future course of action.”

**23. While the emphasis made in the Committee's recommendation has been on setting up a Money Lenders Debt Redemption Fund as recommended by the Expert Group on Agricultural Indebtedness, the Government have merely chosen to inform about the proposed constitution of a Taskforce to examine the matter relating to loans availed from private money lenders. It is obvious from the action taken note that the Government have chosen to be evasive in regard to the emphasis made by the Committee on taking measures, as suggested by the Expert Committee for addressing the problem of the continued dependence of the rural households on money lenders for meeting credit requirements. Perpetuation of private money lending being a big hurdle in bringing all the farmers under the ambit of institutional financing, the Committee reiterate their earlier recommendation on the need for pursuing for implementation, the recommendation of the Expert Group on creating a Money Lenders Debt Redemption Fund with a corpus of Rs. 100 crore. The Committee desire to be apprised of the specific action taken in this regard.**

## CHAPTER II

### **Recommendations/Observations that have been accepted by the Government**

#### **Recommendation (Para No. 3)**

The Expert Group (headed by Prof. R. Radha Krishna) which submitted its report on 3 July, 2007 had highlighted that farmers in States which recorded the highest rates of suicide borrowed money for productive purposes *i.e.* to buy seeds, fertilizers, pesticides, etc. As brought out in a succeeding paragraph, farmers were debarred from availing institutional credit if they defaulted under the Kisan Credit Card Scheme. The Ministry of Finance had stated that the debt waiver and debt relief scheme announced in the budget, 2008 was expected to de-clog the line of credit to farmers by bringing a sizable number of indebted farmers to access fresh institutional loans, and strengthen the rural financial institutions. The Committee felt that concerted efforts and result oriented strategies were needed to address the root cause of the malady of deep rooted indebtedness in the agrarian society. The Committee wished to be apprised of the specific measures evolved in this regard and also details of the extent to which implementation of the debt waiver and debt relief scheme had contributed in helping the debarred farmers in accessing institutional credit and in strengthening the rural credit delivery system.

#### **Reply of the Government**

A total of 3.68 crore farm loan accounts (provisional figures) have been benefited and total eligible waiver/relief amounted to the tune of Rs. 65,318.33 crore under Agriculture Debt Waiver and Debt Relief (ADWDR) Scheme, 2008. The lending institutions were specifically instructed by RBI/NABARD to provide fresh finance both production and investment credit to the beneficiaries covered by ADWDR Scheme. As per the reports submitted by banks, 4.56 crore farmer accounts were disbursed agriculture credit during the year 2008-09 amounting to

Rs. 2,87,149 crore. In respect of Cooperative Banks and RRBs, a fresh finance to the tune of Rs. 5,426 crore have been extended by Cooperatives and RRBs in respect of 26.08 lakh farmers as at the end of 31 March 2009.

Further, the banks have been advised to identify and bring into the fold of Kisan Credit Card (KCC), such farmers including defaulters, oral lessees, tenant farmers & share-croppers who may have been left outside the fold of the scheme, for some reasons or others as also new farmers. The banks were also advised that all in-operative accounts may be reviewed periodically by them to ascertain the reasons for accounts being inoperative and wherever possible the willing farmers may be allowed to operate the account subject to banking norms. Further, the banks were also advised to ensure that KCCs are renewed in a hassle free manner and direct their efforts towards ensuring 'quality in operations' on the KCCs.

#### **Recommendation (Para No. 4)**

The Committee found that the Rural Infrastructure Development Fund (RIDF) set up in 1995-96, for banks to deposit to the Fund in compensation for shortfall in lending to priority sector had failed to serve as an effective disincentive. From the data made available, the Committee were surprised to note that while the corpus under RIDF tranches X to XIII (2004-05 to 2007-08) totaled to Rs. 46,000 crore, the amounts deposited by banks upto 31.01.2008 added upto only Rs. 13,896.69 crore, with the gap in utilization being to the extent of as much as Rs. 32,103.31 crore. The Committee had been informed that four more funds were being created requiring banks to deposit the whole amount of shortfall in priority sector lending, in pursuance of the recommendations of the Expert Group on Agricultural Indebtedness. The Committee found that the corpus of all the new four funds added up to just Rs. 10,200 crore whereas the total shortfall of the banks under the priority sector lending during the year 2007- 08 alone was of the order of Rs. 22,000 crore. In order to address this situation, the Committee felt that an effective mechanism should be evolved to ensure that banks reached out

to the farmers and met the agricultural lending targets. The Committee suggested that it might be considered whether it would be desirable to introduce any punitive measures in this regard.

#### **Reply of the Government**

A Reply has already been given at recommendation –2 above.

#### **Recommendation (Para No. 5)**

Government provided interest subvention of 2% to public sector banks, Regional Rural Banks and Cooperative Banks to enable them to extend short-term production credit to farmers at 7% interest. The Committee agreed with the National Commission on Farmers that inefficiencies of the delivery system should not be loaded on the interest charged. The Committee recommended that in order to make credit affordable and as proposed by the National Commission on Farmers and as stressed by the Committee in their 51st report (14th Lok Sabha), interest rates on agricultural credit should be brought down to 4% if necessary by extending the scheme of interest subvention. This would improve further credit absorption by farmers. The Committee also desired to know the cost cutting measures introduced by banks, the extent of their implementation, adoption of new modes of delivery viz. banking facilitators/banking correspondents, etc. and impact of these measures on interest rates and further deepening the credit absorption by farmers.

#### **Reply of the Government**

Since Kharif 2006-07, the farmers are being provided with short term/crop loans upto a principal amount of Rs. 3 lakh @ 7% per annum rate of interest. For this, the Government is providing interest subvention @ 2% per annum (3% per annum during 2008-09) to the Public Sector Banks, Regional Rural Banks (RRBs) and Cooperative Credit Institutions (CCIs) on their own involvement of funds and concessional refinance is being extended by National



Bank for Agriculture and Rural Development (NABARD) to RRBs and CCIs for this purpose. It has been announced in the Union Budget Speech 2009-10 to continue this Scheme for the year 2009-10 as well with an additional interest subvention @ 1% to prompt paying farmers. Thus, the prompt paying farmers would avail short term crop loans @ 6% per annum.

Under the umbrella of the policies formulated by RBI, efforts are being made to reduce the transaction cost for the banks and simultaneously extending the financial services to the excluded population particularly in North Eastern Region, Eastern Region, Hilly and other highly excluded region identified by Dr. Rangarajan Committee Report. Most significant of it being the adoption of technology for this purpose and implementation thereof through Business Correspondent (BC)/Business Facilitator (BF) models. Various Technology Providers have also floated Section 25 non-profit companies to work as BC for Banks. The Section 25 companies have appointed CSP for manning the point of sale devices which is operated through bio-metric smart card authentication, voice driven communication technology, smart card/number card driven mobile technology etc. The projects initiated in this respect are as under:

- i. Smart card based pilot project in Tirunelveli District of Tamil Nadu to help Pandyan Grama Bank (PGB) and NGOs in registration, loaning process and micro financing to SHGs. The project covers 500 Self Help Groups (SHGs) – 6000 customers.
- ii. Project on smart cards in three districts viz., Medak, Mahbubnagar and Warangal districts of Andhra Pradesh to facilitate payments to the beneficiaries of NREGS and Social Security Pensioners and opening of 'No Frill Accounts' of other rural households by Andhra Pradesh Grameen Vikas Bank (APGVB). Services are being extended through Business Correspondent Model with the help of a biometric card and Mobile device. The project would cover 1288396 beneficiaries in 1115 villages.

iii. Pilot project for capacity building of the Farmers' Clubs for providing services as Business Facilitators (BFs) by Tripura Gramin Bank (TGB). 25 Farmers' Clubs of three districts viz., West Tripura District, South Tripura District and North Tripura District will be covered in the pilot, to generate new accounts and business for TGB.

iv. It has been observed that various banks are employing the support of SHG members to act as BC / BF for extending financial services to the poor.

### **Recommendation (Para No. 6)**

The Committee were disappointed to note that credit growth by the co-operatives to the agricultural sector had declined from 25% in 2005-06 to 8% in 2006-07. The number of accounts financed by cooperatives had also declined from 225 lakh in 2004-05 to 189 lakh in 2006-07. Co-operative societies were most potent means for widening and deepening access to institutional credit to farmers. Their revitalization was therefore vital. Though the Government had taken up measures for recapitalizing cooperative credit institutions in accordance with the suggestions of Task Force on Revival of Rural Cooperative Credit Institution, it was not clear as to by when this exercise was expected to be completed. The Task Force had recommended amendments to State Co-operative Societies Act with a view to restoring the autonomous character of credit co-operatives. Two States (Andhra Pradesh and Haryana) had so far amended their respective Cooperative Societies Acts. The Committee were, of the view that in order to make cooperative institutions a more effective channel of disbursing rural credit, it was necessary to pursue a time bound approach for reviving them. More importantly, State Governments must be persuaded to bring in legislations amending their respective Cooperative Societies Act without further delay.

### **Reply of the Government**

Twenty five States have signed the MoU to implement the Government of India (GoI) Revival package for Short Term Cooperative Credit Structure (STCCS). The states of Himachal Pradesh, Goa and Kerala not signed the MoU.

The GoI, after announcing the Revival Package for STCCS provided two years time frame to the States to accept the same. This period was further extended by 6 months up to July 2008. The package was a uniform for all the States. However, these three States had sought for certain modifications in the package, which was not found acceptable to the GoI. The period of implementation is 3 years from the date of signing of MoU. Of these, 8 States (Andhra Pradesh, Gujarat, M.P., Maharashtra, Orissa, Rajasthan, U.P., Uttarakhand) will be completing the implementation period of three years by December 2009, 5 States (Arunachal Pradesh, Bihar, Chhattisgarh, Haryana and West Bengal) by October 2010 and remaining 12 States (Assam, J&K, Jharkhand, Karnataka, Manipur, Meghalaya, Mizoram, Nagaland, Punjab, Sikkim, Tamilnadu, Tripura) by July 2011.

Ten States have, hitherto, amended their respective State Cooperative Societies Act through Legislative Process, viz., Andhra Pradesh, Bihar, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Meghalaya, Orissa, Tamilnadu and Uttar Pradesh. The Government of Meghalaya had amended the Act before vetting by NABARD. The amended Act has been examined by NABARD and forwarded to the State Government for further amendment. As the earlier Bills on amendments to erstwhile State Cooperative Societies Acts are awaiting Presidential assent. the State Governments of Chhattisgarh and West Bengal have taken a Cabinet decision approving the amendments in respect to the reform measures.

Draft amendments to Cooperative Societies Act in respect of Arunachal Pradesh, Assam, Jammu & Kashmir, Karnataka, Punjab, Rajasthan, Tripura, Uttarakhand and Sikkim have been vetted by NABARD and are under consideration of the respective State Governments.

The revival package for STCCS includes a financial outlay estimated at Rs.13,596 crores to be shared by Central Government, State Governments and the Cooperative Credit Structure in the ratio of 68:28:4 respectively for the country as a whole. Central Government has already released Rs.7,430.63 crore

for implementation of the package to NABARD. Of this, Rs. 6.072.71 crore has already been released to the STCCS for their capitalisation.

### **Recommendation (Para No. 7)**

The Committee observed that out of 96 Regional Rural Banks (RRBs) as on 31 March, 2007, 15 were incurring losses. The poor performance of RRBs was attributed to poor recoveries, low earning capacity, hike in expenditure on account of higher wages and salaries and competition from sponsoring banks in the area of operation. With a view to improving the performance of RRBs, a number of measures had reportedly been taken, which included, amalgamation of RRBs, infusion of funds to strengthen the capital base and allowing these banks to tap deposits from new sources and to enter into new business areas. It had been stated that there were 27 RRBs having negative net worth of Rs. 1795 crore and Rs. 897.98 crore were being provided to recapitalise these banks. The Committee expected that as indicated by the Secretary, Department of Financial Services, RRBs would improve their operational and financial performance in the current year.

### **Reply of the Government**

The position of RRBs has improved over the years. As on 31 March 2009, the number of loss making RRBs has come down to 5.

All 27 RRBs, with negative net worth, have received the recapitalisation support of Rs. 1795.97 crore.

### **Recommendation (Para No. 8)**

The operating network of RRBs as on 31st March, 2007 was stated to be 14,520 branches covering 534 districts in 26 States. According to the Ministry of Finance (Department of Financial Services), the number of uncovered districts by

RRBs had now been reduced to 37. The Committee urged that RRBs network should be expanded to cover the remaining districts at the earliest.

### **Reply of the Government**

The branch network of RRBs has improved during the last 2 years. As on 31 March 2008, there were 14761 branches. It is reported that the number has further increased to 15241 (provisional) as on 31 March 2009.

591 of the 622 districts have already been covered by the RRBs. Of the 31 uncovered districts, 23 are in Union Territories/ smaller States where RRBs have not been established. RRBs would be persuaded to open branches in the 8 districts viz. J&K - 5, Maharashtra - 2, Mumbai Urban and Rural) and Tamilnadu 1 in Chennai.

### **Recommendation (Para No. 10)**

The Committee found that the progress in implementation of KCC Scheme was tardy in Goa, Himachal Pradesh, Jammu & Kashmir, Sikkim and North Eastern States, which were still under-banked. Action needed to be taken to remedy the situation in these States.

### **Reply of the Government**

The progress is tardy in the above States because of their topography. In order to encourage the Cooperatives Banks and RRBs to increase their credit flow in these States, NABARD has been providing enhanced refinance facility to Co-operative Banks and RRBs in these regions with relaxation in Net NPA norms.

**CHAPTER III**  
**RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT**  
**DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES**

**Nil**

**CHAPTER IV**  
**RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES**  
**OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE**

**Recommendation (Para No. 1)**

Credit is an essential requirement for revitalizing agriculture. Various Committees and Expert Groups had gone into the problems of rural credit and non-availability of institutional credit to farmers. Though numerous measures had been taken by the Government from time to time to address these problems on the basis of the recommendations of these Committees, the Committee were dismayed to note that even now vast majority of farmer households did not have access to institutional credit. According to the recent report of the Committee on Financial Inclusion, headed by Dr. C. Rangarajan, 64.95 million (73%), out of 89.3 million farmer households and 46.6 million (78.2%) out of 59.6 million non-cultivator households (Agricultural labourers, artisans and others) did not have access to formal sources of credit. The Committee hardly needed to point out that interest burden becomes a heavy liability to farmers, vast majority of whom take loans from non-institutional sources, like money lenders at high rates of interest due to non-availability of institutional credit. The Committee therefore, urged that as recommended by the Committee on Financial Inclusion, at least 50% (55.77 million) of the excluded cultivator and non-cultivator households should be provided access to credit through commercial banks and RRBs by the year 2012 and the remaining households by the year 2015. The Committee would like to be informed of the specific steps taken by the Government to implement these recommendations and details of annual targets, fixed in this regard.

**Reply of the Government**

On 18<sup>th</sup> June, 2004, the Government announced a package for doubling the flow of credit to agriculture and allied activities in a period of three years

commencing from 2004-05 over the amount disbursed during the year 2003-04. This goal was achieved in just two years.

The Government has been committed, during the last five years, towards availability of timely and affordable credit for rural/farm sector. Agriculture credit disbursement increased nearly three and a half times from Rs. 86,981 crore in 2003-04 to Rs. 2,87,149.19 crore in 2008-09 (provisional figures), which is also, in fact, 102.55% of the target of Rs. 2,80,000 crore set for the year. During the years 2007-08 and 2008-09, the agricultural loans were disbursed to a total of 4.39 crore and 4.56 crore farmer accounts respectively, which shows the commitment of banks in disbursing to this sector. A comparison of agency-wise achievements vis-a-vis the annual targets during the current year viz-a-viz that of 2007-08, is given below:

Sl. No.	Agency	2007-08 Amount (in Rs. Crore)		2008-09 Amount (in Rs. Crore)	
		Target	Achievement	Target	Achievement
1.	Comm. Banks				
i.	Public Sector Comm. Bank	1,50,000	1,33,225.61	1,95,000	1,64,350.10
ii.	Private Sector Comm. Bank		47,862.00		59,312.92
	<u>Sub-total for Comm. Bank</u>		<u>1,81,087.61</u>		<u>2,23,663.02</u>
2.	Coop. Banks	52,000	48,258.19	55,000	36,761.99
3.	RRBs	23,000	25,311.65	30,000	26,724.18
	<b>Grand Total</b>	<b>2,25,000</b>	<b>2,54,657.45</b>	<b>2,80,000</b>	<b>2,87,149.19</b>

The Government of India (GoI) has taken the following steps to ensure availability of timely and affordable credit for rural/farm sector:

- The GoI has implemented the Agricultural Debt Waiver and Debt Relief Scheme for farmers covering nearly 3.68 crore farmers (provisional figures), thus declogging the line of credit and making these farmers eligible for fresh credit from the lending institutions.
- The GoI is providing interest subvention to banks since Kharif 2006-07 to ensure Short Term crop loans upto Rs.3 lakh to farmers at interest rate of @ 7% per annum at the ground level.
- Commercial Banks, Regional Rural Banks and Cooperative Banks have been successful in financing more than 80 lakhs new farmers during each of the last three years.



- Banks have simplified the procedure for documentation for agricultural loans. Loans upto Rs.50,000/- have been made collateral and margin free and the requirement of 'No Dues Certificate' has been dispensed with.
- Banks have been advised to provide all eligible farmers with Kisan Credit Cards.
- Norms for opening 'no frills' account, has been simplified.
- Banks have been advised to make available a basic banking 'no frills' account either with 'nil' or very low minimum balances.
- Regional Rural Banks have been advised to allow limited overdraft facilities in 'no frills' accounts, without any collateral.
- Small borrowers with loans settled under the one time settlement scheme have been made eligible to access fresh credit.
- Banks have been advised to issue General Credit Cards to eligible beneficiaries without insistence on security, purpose or end use of credit.
- Banks have been permitted to utilise the services of Non-Governmental Organisations, Self Help Groups, Micro Finance Institutions and other Civil Society Organisation as intermediaries in providing financial and banking services.
- All State Level Bankers' Committee convener banks have been advised to initiate action for identifying at least one district in their States/Union Territories for 100% financial inclusion. In many states, SLBCs have identified and taken steps to cover a larger number of districts for 100% financial inclusion. Banks have been urged to scale up IT initiatives for financial inclusion.

### **Recommendation (Para No. 2)**

The Committee regreted to note that commercial banks, despite having a vast chain of branches in rural areas had continued to fail to reach the mandated level of disbursing 18% credit to agriculture. The shortfall in bank lending to agriculture in the year, 2007-08 was to the tune of as much as Rs. 21,818 crore. More disturbing was the fact that banks appeared to be averse to disburse credit to farmers despite the fact that the recovery of direct agricultural advances had been impressive and had been improving from 74.5% in 2004 to 78.6% in 2005 and to 80.1% in 2006 in the case of public sector banks. The lower disbursements to agriculture were attributed to non completion of formalities by borrowers, lack of co-ordination between 39 banks and sponsoring agencies, bunching of applications, etc. The Committee felt that these were matters which could be managed by a proper co-ordination mechanism and awareness

campaigns by banks. The Committee urged that suitable measures be taken to address these problems and to ensure that the targeted level of credit reached farmers.

### **Reply of the Government**

Agriculture credit disbursement increased nearly three and a half times from Rs. 86,981 crore in 2003-04 to Rs. 2,87,149.19 crore in 2008-09 (provisional figures) while the outstanding credit to agriculture by public sector banks has gone up from Rs.70,501 crore in March 2004 to Rs.2,43,570 crore in March 2007 (figures provisional), showing a robust compounded annual rate of growth of over 30 per cent. Lending to agriculture as a percentage of net bank credit has also improved from 14.5 per cent to 15.4 per cent during the same period. However, it has been lower than the target of 18% of net bank credit prescribed by Reserve Bank. This is partly due to a comparatively lower growth rate of agriculture sector compared to industry and services sectors...

...Besides above, from April 30, 2007, the base on which the priority sector target is calculated has been modified. Accordingly, banks are now required to lend to priority sector at 40% of adjusted net bank credit (ANBC) (ANBC represents net bank credit plus investments made by banks in non-Statutory Liquidity Ratio (SLR) bonds under Held to Maturity category or credit equivalent amount of Off-Balance Sheet Exposures (OBE), whichever is higher, as on March 31 of the preceding accounting year. This change may increase the priority sector lending obligations of banks in absolute terms.

Considering the amount of shortfall in lending to priority sector (including agriculture), four additional funds were created after announcement in the Budget Speech 2008-09. These funds, which are to be governed by the general guidelines that are now applicable to RIDF with some modifications, are as under:

- iv) A Short Term Cooperative Rural Credit (SRCRC) Fund of Rs.5,000 crore with National Bank for Agriculture and Rural Development (NABARD) to enhance its refinance operations to Short Term Cooperative Credit Institutions.
- v) Two funds of Rs.4,600 crore have been created in Small Industries Development Bank of India (SIDBI) – one for risk capital financing (Rs.

- 1,000 crore) and other for enhancing refinance capability (Rs. 3,600 crore) to the Micro, Small and Medium Enterprises (MSME) sector.
- vi) A Rural Housing Fund of Rs.2,000 crore with National Housing Bank (NHB) to enhance its refinance operations in the rural housing sector.

Besides above, for the year 2009-10, it has been proposed to allocate Rs. 14,000 crore for RIDF, Rs. 4,500 crore for separate window under RIDF for rural roads component of Bharat Nirman, Rs. 4,000 crore for SIDBI to lend to MSME sector by refinancing and Rs. 2,000 crore for Rural Housing Fund in NHB. With the constitution of these Funds, the banks with shortfall in lending to priority sector, including agriculture and weaker section, would have to contribute higher amounts. In fact for the years 2008-09 and 2009-10, almost the total amount (near 100%) of shortfall has been utilized, thus causing a huge penalty to such banks.

### **Recommendation (Para No. 9)**

The Committee regreted to note that though the Kisan Credit Card (KCC) scheme had been extended to cover all categories of loans *viz.* short and long term loans and productive and nonproductive loans, the loans sanctioned under the scheme had declined from Rs. 47,601 crore in 2005-06 to 40,300 crore in 2006-07. Similarly, it was observed that out of 685 lakh KCC holders, only about 397 lakh farmers (60%) had availed agricultural credit during 2006-07. Ineligibility to avail fresh loans by defaulters was stated to be the main reason in this regard. Consequently, as many as 40% of KCC holders were ineligible for getting credit from the institutional sources and were driven to money lenders. It appeared that the scheme had led to unintended consequences. The Committee felt that it was high time, the scheme was critically reviewed with a view to plugging the short comings and to ensure that non-wilful defaulters were not put to any difficulty in accessing institutional credit.

### **Reply of the Government**

During 2006-07, in fact, Rs.46,729 crore has been sanctioned under KCC scheme by all banks as against the loan amount of Rs.47,601 crore sanctioned under KCC during 2005-06 by all banks.

The banks have been advised that all in-operative accounts may be reviewed periodically by them to ascertain the reasons for accounts being inoperative and wherever possible the willing farmers may be allowed to operate the account subject to banking norms. Further, the banks have been also advised to ensure that KCCs are renewed in a hassle free manner and direct their efforts towards ensuring 'quality in operations' on the KCCs. Cooperative Banks and RRBs have also been advised to cover all eligible borrowers and have at least 150 new KCCs in each year in each branch.

Regarding revisiting the scheme, NABARD has conducted study on implementation of KCC focusing on operation of account, rate of interest charged, the process of revisiting the credit limits, coverage of KCC borrowers under Personal Accident Insurance Scheme (PAIS) and difficulties in settlement of insurance claims. The study findings are being compiled.

### **Recommendation (Para No. 11)**

The Committee found it surprising to note that the data reporting system of the nodal agency (NABARD) for implementation of the KCC Scheme did not include information on total amount of credit availed by KCC holders and recovery performance under the scheme. Such information was vital to assess the performance of the scheme and to overcome its weaknesses/shortcomings. The Committee, therefore, desired that the data reporting system of NABARD was geared up to include this information of vital importance to enable assessment of the successfulness of the KCC Scheme.

### **Reply of the Government**

Presently, all banks are providing short term finance to farmers through KCC only. KCC is a scheme in which credit limit is sanctioned to farmers for a period

of 3 years. During the period of operations, farmers are free to make drawals and repayments any number of times. While assessing the finance made under KCC, maximum outstanding is reckoned for the purpose of loans and advances made during the year.

The Credit flow to agriculture sector is compiled by NABARD on a monthly basis. Data in respect of Commercial Banks are provided by Indian Banks' Association (IBA) and data in respect of Cooperative Banks and RRBs are collected through Regional Offices of NABARD. Presently MIS does not capture the data on recoveries. However, the details of Limits sanctioned, outstanding and recovery there against are available with NABARD Regional Offices in respect of Cooperatives and RRBs. As such NABARD is in a position to furnish such information in respect of Cooperative Banks and RRBs.

### **Recommendation (Para No. 12)**

The Committee found that a number of shortcomings and weaknesses had been identified in the KCC scheme by the study undertaken by National Council of Applied Economic Research (NCAER). The weaknesses included, issuing of KCCs only to pensioners by some banks, inadequacy of credit limits in many cases, fixing of minimum credit limit by some banks and variations in service charges. The Committee desired that remedial action should be taken immediately to remove the weaknesses in order to ensure that the scheme served as an effective means of meeting the credit requirements of farmers. The Committee hoped that the Government would also take necessary action to implement the recommendations of the Expert Group on Agricultural Indebtedness particularly the one relating to making the KCC all inclusive by incorporating therein information on the credit history of the card holder.

### **Reply of the Government**

The major findings of the National Council of Applied Economic Research (NCAER) study have already been circulated by NABARD vide its Circular dated

06 November 2004 to all Banks advising them to take appropriate remedial action on the findings of the study and remove the bottle-necks in the implementation of the Scheme. This is expected to facilitate farmers in providing adequate, timely and hassle free credit as envisaged under the scheme.

Conversion / reschedulement of loan is also permissible under the KCC scheme, in case of damage to cultivated crops on account of natural calamities. Crop loans disbursed under the scheme for notified crops are covered under Rashtriya Krishi Bima Yojna (National Crop Insurance Scheme) to ensure hassle free credit for borrowers while a better recovery mechanism for banks as well.

Few pilots have been started with grant support from Financial Inclusion Technology Fund (FITF), in Andhra Pradesh, Tripura etc. Based on the results the banks would be advised to upscale process.

### **Recommendation (Para No. 13)**

The Committee noted that the Expert Group on Agricultural Indebtedness had also recommended the creation of a Money Lenders Debt Redemption Fund with a corpus of Rs. 100 crore contributed by Central and State Governments. In view of the continued and increasing dependence of the rural households on money lenders for meeting credit requirements, as evident from the NSSO's survey data on rural indebtedness, the Committee expected the Government to implement the recommendation of the Expert Group without delay and create the proposed fund, which would facilitate in the swapping of debt.

### **Reply of the Government**

In the Budget Speech 2009-10, it has been announced to set up a Taskforce to examine the matter relating to loans availed from private money lenders in greater detail and suggest the future course of action.

**CHAPTER V**  
**RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH**  
**FINAL REPLY OF THE GOVERNMENT IS STILL AWAITED**

**-NIL-**

**New Delhi:**

**10 March, 2010**  
**19 Phalguna 1931 (Saka)**

**DR. MURLI MANOHAR JOSHI,**  
**Chairman,**  
**Standing Committee on Finance.**

## APPENDIX

(Vide Para 4 of the Introduction)

### ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE SEVENTY- EIGHTH REPORT OF THE STANDING COMMITTEE ON FINANCE (FOURTEENTH LOK SABHA) ON 'FLOW OF CREDIT TO AGRICULTURE SECTOR' OF THE MINISTRY OF FINANCE (DEPARTMENT OF FINANCIAL SERVICES)

	Total	% of total
(i) Total number of Recommendations	13	
(ii) Recommendations/observations which have been accepted by the Government (Vide Recommendation Nos. 3, 4,5,6, 7, 8 and10)	7	53.85%
(iii) Recommendations/observations which the Committee do not desire to pursue in view of the Government's replies (Nil)		00.00%
(iv) Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee (Vide Recommendation Nos. 1, 2, 9,11,12 & 13)	6	46.15%
(v) (Recommendation/observation in respect of which final reply of the Government is still awaited (Nil)		00.00%