

RRBs surpass lending target to Small & Marginal Farmers: MoS

By TIOL News Service

NEW DELHI, NOV 30, 2021: REGIONAL

Rural Banks (RRBs) have been playing an important role in purveying agricultural credit, particularly to Small and Marginal Farmers and weaker sections of the society. This was stated by the Union Minister of State for Finance Dr Bhagwat Kisanrao Karad in written reply to a question in Lok Sabha yesterday.

The Minister stated that in terms of the revised guidelines on Priority Sector Lending (PSL) issued by RBI, in respect of RRBs, a target of 18 per cent of Adjusted Net Bank Credit (ANBC) or Credit Equivalent of Off- Balance Sheet Exposure (CEOBE), whichever is higher, is prescribed for lending to Agriculture, out of which a target of 9 per cent is for Small and Marginal Farmers (SMFs). PSL guidelines also prescribe a target of 15% of ANBC or CEOBE for lending to Weaker Sections, which, inter-alia, includes SMFs and SCs/STs, the Minister further stated.

Giving more details, the Minister said the RRBs have surpassed the prescribed target of lending to the SMFs & Weaker Sections during the years 2018-2019 to 2020-21 as can be seen in the table below:

(Amount in Rs. crore)

As on	Loans Outstanding of RRBs				
	Total Loans Outstanding	Small & Marginal Farmers		Weaker Sections	
		Amount	Share (%)	Amount	Share (%)
31 Mar 2019	2,80,755	1,26,958	45.2	1,58,627	56.5
31 Mar 2020	2,98,214	1,43,103	48.0	1,78,659	59.9
31 Mar 2021	3,34,171	1,56,106	46.7	1,94,315	58.1

Source: NABARD

Listing out the measures taken by the Government and RBI to facilitate the ease of credit flow from RRBs to agriculture sector and SMFs including SC/ST farmers, the Minister stated:

The Master Directions on Priority Sector Lending (PSL) issued by RBI prescribe an enhanced target of 75% for RRBs for lending to the priority sector, as against the target of 40% applicable to Commercial Banks.

Target for SMF is to be raised from 8% to 10% between 2020-21 and 2023-24 in a phased manner.

Government of India implements an interest subvention scheme under which short term crop loans up to Rs.3.00 lakh are provided to farmers at a reduced interest rate of 7% p.a. The scheme provides interest subvention of 2% per annum to Banks on use of their own resources. Besides, additional 3% incentive is given to the farmers for prompt repayment of the loan, thereby reducing the effective rate of interest to 4%.

The Kisan Credit Card (KCC) scheme was introduced in 1998 for issue of KCC to farmers. The scheme aims at providing adequate and timely credit support from the banking system under a single window with flexible and simplified procedure to the farmers to meet their short term credit requirements for cultivation of crops, investment credit requirement for agriculture and

allied activities and other needs.

To enhance coverage of small and marginal farmers in the formal credit system, RBI has decided to raise the limit for collateral-free agriculture loans from Rs.1 lakh to Rs.1.6 lakh.

A new scheme for KCC to Animal husbandry and Fisheries farmers has also been introduced through Banks, including RRBs, to meet their working capital requirement. The benefits of KCC along with interest subvention have been extended to Animal Husbandry and Fisheries farmers.

The requirement of 'no dues' certificate has also been dispensed with in respect of small loans up to Rs.50,000 availed by small and marginal farmers, share-croppers and the like and, instead, only a self-declaration from the borrower is required.

Small, marginal, tenant farmers, oral lessees, etc. are to be brought into the fold of institutional credit, Joint Liability Groups (JLGs) promoted by banks.

NABARD extends refinance at concessional rate of interest to RRBs for supplementing their resources for short-term and long-term lending. Refinance is expected to increase ground level credit and boost capital formation in agriculture.

During 2020-21, NABARD disbursed total refinance of Rs.44,975 crore to RRBs, which included Long Term refinance of Rs.15,157 crore and Short-Term refinance of Rs.29,818 crore.