RURAL DEVELOPMENT THROUGH COOPERATIVES IN MEGHALAYA

A CASE STUDY OF THE ROLE OF
THE MEGHALAYA COOPERATIVE APEX BANK LTD.

CHAPTER - III

INSTITUTIONALISATION OF AGRICULTURAL AND RURAL CREDIT
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AND RURAL CREDIT

OVERVIEW OF AGRICULTURE & ALLIED SECTOR

In India, agriculture and allied activities constitute the single largest contributor of our Gross Domestic Product (GDP) and they account for almost 26.8 percent of the total GDP. They are very vital to the national economy as they provide livelihood for almost two-third of our workforce and basic raw materials to important segments of our industries. With more than 70 percent of our population still living in the rural area and the agriculture providing livelihood to majority of them, increasing the farm productivity and the rural income are important not only from the economic development point of view but also for human development. For an accelerated growth of agriculture, a substantial increase in short-term production credit as well as investment credit is essential.

Timely and adequate supply of credit to farmers and cultivators are very important in increasing the productivity and production in farming activity. The World Bank had opined long
ago - "Credit is often a key element in the modernisation of agriculture. Not only can credit remove financial constraints, but also it may accelerate the adoption of new technologies. Credit facilities are also an integral part of the process of commercialisation of the rural economy".

As per 2001 census, out of the total workers of 402.5 millions in the country, the number of cultivators and agricultural labourers taken together was 235.1 millions constituting 58.4 percent of the total workforce. Out of the total operational holdings about 72 percent are cultivated by the small and marginal farmers who do not have access to requisite financial resources to improve the productivity and also they cannot afford the improved technology and other inputs. It is borne by experience that availability of credit has been scare for the poor who have little to offer as collaterals.

The issue of rural credit has been the focus of policy intervention in developing countries. Many Governments supported by multilateral and bi-lateral aid agencies have devoted considerable resources for providing credit at a nominal cost to farmers through institutional innovations as an alternative to moneylenders. But the experiences have proved that the importance of moneylenders could not be reduced in the rural credit market. This is mainly due to various imperfections in
the rural credit market. Further, the high rate of defaults has curtailed the viability of self-financing institutions.

**Problems of Agricultural Finance**

Since time immemorial, the main problems of agricultural financing are lack of formal or recognised form of credit institutions, absence of State Policies for provision of timely and adequate facile credit, defaults in loan repayment by farmers. All India Rural Credit Survey Committee 1951 observed — "Agricultural credit is a problem when it cannot be obtained; it is also a problem when it can be had but in such a form that on the whole it does more harm than good. It may be said that, in India, it is this two-fold problem of inadequacy and unsuitability that is perennially presented by the agricultural credit. Undoubtedly, an Indian farmer is not able to make the minimum use of his time, labour and productive capacity of his land because of the lack of adequate financial facilities".

**Requisites of Credit**

According to All India Rural Credit Survey Committee, the rural credit structure should satisfy the following requisites:

1. It should be associated with the policies of the State.
(ii) It should be an effective alternative to the private agencies of credit.

(iii) It should have the strength of adequate resources and of well-trained personnel.

(iv) It should lend not merely on security of land and other usual forms of security but on the security of anticipated crops.

(v) It should do such that it helps in the effective growth and development from the village upwards of the cooperative form of association.

(vi) It should effectively supervise the use of credit and constantly bear in mind the borrowers' legitimate needs and interests.

(vii) The type of security should be such that as large as a number of solvent producers as possible can avail themselves of credit on the basis of such security.

(viii) The period and the rate of interest of different type of loan should be related to the purposes for which they are borrowed.

(ix) While providing adequately for essential items of consumption, its main concern should be with loans for production.
Need for Agricultural Credit

The Indian agriculture, particularly after the independence has passed through a stage of transitions from semi-feudal oriented and subsistence farming to a market oriented farming. The improved and mechanised form of cultivation necessitated the use of non traditional approach to agriculture such as use of chemical fertilizer, insecticides, improved seeds, etc. to increase farm production. To acquire these external inputs, the farmer required capital. The requirement of capital increased with the increase in prices of various external inputs, wages for labour and marketing costs, etc. Farmers by themselves cannot manage the capital or finance required for the purpose. In order to maintain continued production in every season, the investments are also required to be made accordingly. Credit plays an important role in increasing farm production on commercial basis. Therefore, the need for depending on external financial resources becomes inevitable. As the money lenders who used to supply this crucial input to an extent had already weaved a vicious circle among the small and marginal farmers, this source of external financial assistance was developing to be a social evil rather than an alternative mechanism to supply timely and adequate credit. There arose the need for potential,
well-organised, well-operated and viable source of finance to feed the ever-increasing demand for finance in the agriculture and allied sector.

**Recommendation of All India Rural Credit Survey Committee**

In a manner echoing the sentiments of the 'Royal Commission of Agriculture' (1928), the Rural Credit Survey Committee constituted by the RBI in 1951 (also known as Gorwala Committee) made first comprehensive enquiry into the problems of rural credit after independence. The Cooperative Credit System, which was already 50 years old by that time, came under strict scrutiny of the Committee. The Survey Committee with its all wisdom summed up its findings after a detailed examination of the entire gamut of issues connected with the problem including the social ethos of the rural society, in the celebrated dictum that 'Cooperation has failed, but cooperation must succeed'.

The Committee diagnosed the failures of cooperative in purveying agricultural credit as under:

(i) It felt short of the right quantity, related as it was to the value of land taken as security and limited by shortage of available funds with societies.
(ii) It was not of the right type unrelated as it was to any specific period determined by the repaying capacity of the borrower.

(iii) It did not serve the right purpose unrelated as it was to any production purpose materialising in the annual harvest.

(iv) It failed to reach the right people as credit was granted to those persons only who could offer land as security but not to others who really needed it.

Along with pointing at the deficiencies, the Committee also prescribed corrective measures in this regard, which are as follows: -

(i) State partnership through contributions by the State Governments to the share capital of cooperatives.

(ii) Effective integration of credit with marketing and processing.

(iii) Management through adequately trained personnel responsive to the needs of the rural population.

The Survey Committee further recommended the conversion of the then Imperial Bank of India into State Bank of India with a view that the new State Bank of India with its subsidiaries as a largest state owned Commercial Bank would supplement the efforts of the cooperatives in providing the needed credit support for the commercial transactions such as
marketing, processing, warehousing, etc. of cooperatives. The Committee as part of various others measures to strengthen the formal rural credit system also recommended that RBI must constitute a National Agricultural Credit (Long Term Operations) Fund to enable the bank to provide long term loans to State Governments for subscribing to the share capital of the cooperatives. The Committee felt that with a larger equity base the cooperatives would become commercially viable and will be able to mobilise rural savings to enable themselves to meet the major portions of the credit requirements of the agriculture and rural sector.

Other institutional measures recommended by the Committee included the establishment of National Coop. Development Corporation (NCDC) under the aegis of the Central Government to extend the support for processing, marketing and storage facilities in the cooperative sector, Central and State Warehousing Corporation, National Agricultural Credit (Stabilisation) Fund in the RBI to provide medium term loans for the purpose of rescheduling the short term loans in the event of crop failures on account of natural calamities and setting up of a national network of training institutions to train the personnel working in the cooperatives.
Massive efforts were made to implement the recommendations of the 'Rural Credit Survey Committee'. However in the review undertaken by the 'All India Rural Credit Review Committee' (1969) set up by the RBI it was found that in spite of the massive efforts made in implementing the various recommendations of the Rural Credit Survey Committee, the performances of the cooperative credit sector had not measured up to the expectations either in mobilizing deposit or retailing credit. The impediments such as mounting overdues, lack of trained personnel, etc. continued to operate against the sector and it was found that the gap between the supply and demand of credit was widening suggesting scope for more players in the agriculture and rural credit sector. However, the Review Committee came to a conclusion that without abandoning the hope to upgrade the cooperatives there was need for supplementing its efforts of cooperatives so that the agricultural production did not suffer. Thus, in recommending a larger role for commercial banks in the provision of agricultural credit and a multi agency approach to rural credit so as to plug the gaps in the credit system, the Committee recommended
that it was necessary to ensure that the cooperative structure
was not in any way damaged. In this regard, the review
Committee recommended a series of measures to reorganize
and strengthen the cooperative credit structure as a part of an
integrated approach to multi-agency system. Some of the
recommendations are briefly mentioned below:

1) Cooperatives need to win the confidence and patronage of
the people by improving their position, image and appearances of
the offices.
2) Cooperative Banks need to provide banking services
attuned to the needs, preferences and conveniences of the
prospective depositors.
3) Cooperative Bank needs to extend their coverage and
launch branch expansion programmes seeking help from RBI in
potential and growth centers under a Master Plan.
4) Staff of the Cooperative Bank should be qualified, trained
and competent possessing necessary degree of initiative and
drive.
5) State Cooperative Bank and District Central Cooperative
Banks need to be placed at par with the State Bank of India in
parking deposits of local bodies and statutory authorities to
enhance their deposit resource position.
6) Cooperative Societies Act need to be amended by the State Governments to enable the Cooperative Banks to bring their deposits under the purview of the Deposit Insurance Scheme.

7) Cooperative Banks to offer higher interest rates to attract deposits from rural areas.

8) RBI Act need to be amended to provide for constitution of an Agricultural Credit Board within the Bank to advice it on issues of detailed implementation of policy and to provide a forum for representatives of State Governments and Cooperative Institutions to put across their views and problems.

9) RBI needs to sanction separate credit limits for seasonal agricultural operations and marketing of crops.

10) The provisions of Banking regulation Act need to be extended to selected agricultural credit societies.

11) Efforts should be made to encourage evolution of a structural pattern for long term cooperative credit under which independent unit will function at the primary level though a qualified and trained staff drawn from a cadre to be constituted by the Central land Development Banks.

12) The Land Development Banks should be encouraged to mobilise savings in the rural areas and issue rural saving certificates to the potential depositors.
13) Lending Policies of the Land Development Banks need to be rationalised to take care of the problem of small farmers.

14) Cooperative Credit Institutions need to recognize the importance of training of their staff and take necessary initiative to depute them for training on regular basis besides organising specific courses for them.

15) There should be minimum interference from the Government in the internal affairs of the Cooperative Institutions.

**Working Group on Regional Rural Banks (RRBs)**

Later in 1975, the Working Group on Regional Rural Banks briefly reviewed the participation of commercial banks in agriculture credit. The working group noted that with the expansion of the branch network, the quantum of credit disbursed in the rural areas has substantially increased. However, the demand for agricultural credit also has substantially increased leaving a wide credit gap between the requirement of the sector and their actual supply. The selective record of progress had in fact contributed to widening regional disparities and the credit often failed to reach all strata of
cultivators. The expansion of commercial banks in rural areas was a high cost operation.

The Working Group felt that there was a need for an institution which shared the local feel and low cost profile of the cooperatives combined with the degree of business organization, ability to mobilise deposits, access to central money markets and modern outlook which the commercial banks possessed. The Working Group recommended the setting up of state sponsored, regionally based and rural oriented commercial banks to be known as Regional Rural Banks. The Working Group further stressed that the role of the new institution would be to supplement and not to supplant other agencies in the field. However, the Group strongly felt that with increased involvement of Commercial Banks and creation of Regional Rural banks, though the channels for rural credit would substantially increase, the capacity created would not be sufficient to reach all the villages and the villagers. In this regard, the Group highlighted the need for a revitalized and strengthened base level cooperative system.
Weaknesses & deficiencies in Agricultural Credit.

The cooperatives have been the sole purveyors of rural and agricultural credit till 1967 and the blame for all the ills and ailments of rural credit have been squarely laid on the shoulders of cooperatives so long. The experiences of the later period and mainly during the last three decades have shown that the RRBs as well as Commercial Banks also have faced the similar difficulties in financing the rural credit requirements. The weaknesses, which are considered endemic to the cooperative system, have in fact not been the weaknesses of the cooperative system itself, but the ones associated with the clientele whom they had been exclusively serving in the past and a host of other factors. In fact, the weaknesses arise from the deficiencies as those relating to the structure of agricultural production, productivity, processing, value addition, marketability of produces and products, etc.

The development plans of the Government over the years have focused largely on these areas and the welfare and upliftment of the poorer classes of our society comprising landless labourers, share croppers, artisans, disadvantageous class of people such as scheduled caste and scheduled tribes and other backward class sections of our society. The Rural
Credit Review Committee had given a timely warning to the future development strategies of our country by saying that 'if the fruits of development continues to be denied to a large extent of community while prosperity accrues to some, the resulting tension, social and economic, may not only upset but even frustrate the national efforts to step up agricultural production'.

**Agricultural Credit Review Committee (ACRC) and its findings.**

The Reserve Bank of India in consultation with the Government of India and the World Bank constituted a Committee under the Chairmanship of Prof. A.M. Khusro on 1st August 1986 to undertake, among others, a review of the rural financial system to assess the credit requirements of the agricultural sector during the next decade. The Committee set a 15-year time frame beginning with the year 1990.

The Committee popularly called Agricultural Credit Review Committee viewed that –

(a) The banks and banking of tomorrows must move away from the administered system perpetually subjected to guidelines and directions of the Government in power to freer commercial and...
development banks. It has to vibrate effectively to the market conditions and supply and demand theology.

(b) Credit system to be market based, commercially oriented, cost minimising and reasonably profitable. It should assist effectively to lift backwardness and loss sectors like agriculture and also lift the poor from the poverty zone - speedily and effectively.

(c) Bringing low-income farmers, weaker sections, etc. of rural people to the credit fold would benefit them by inculcating discipline and offering production opportunity and convert them into profit making functionaries of the productive system of the country than to make them dependents of concessionary finance and subsidies.

(d) Creation of two categories of allocating credit in the total credit system – one the larger category functioning with a development logic, cost effectiveness, efficiency, raising productivity, surplus generation and market orientation and the other, relatively smaller category of well specified low income segments and socially weaker sections of the community qualifying for anti poverty treatment and help them to graduate away from the poverty zone to non poverty zone.

(e) The banking system should be freed from the administered price mechanism and should be allowed to decide for themselves
the rates of interest, depending on the demand and supply, cost and prices, except in the cases of mandatory programmes of the Governments focused on the weaker sections.

(f) The mandatory and concessionary programmes and interest rates would not be administered with populist motives, but should lead to productive endeavour, financial discipline and risk taking leading to self reliance, higher income and better life.

(g) The economic environment and the banking system mutually act and react on each other. The improvement in economic environment requires appropriate development of adequate infrastructure facilities. The banking system cannot provide these infrastructures and it needs to come from the Government. But the banking system moves in a real sense to development banking bearing certain responsibilities such as cost of mobilisation, canvassing, propagating, field work and development work besides the normal costs of its commercial operations. The banking system should not be called upon to bear the cost of burden of items, which are normally in the areas of responsibility of the Government.

The ACRC also examined the structural deficiencies in the credit system and suggested various measures to over come the same in order to ensure an appropriate credit delivery system for the agriculture and allied sector.
Task Force - Capoor Committee, 1999

The Government of India appointed a Task Force in May 1999 under the Chairmanship of Dr. Jagdish Capoor, then Deputy Governor of RBI to study the Cooperative Credit Structure and suggest various measures for its strengthening. The Capoor Committee submitted its report in July 2000 and made invaluable recommendations for rehabilitation and strengthening of the Structure. Major recommendations of the Committee are as follows:
1. Cooperatives to function as member-driven autonomous democratic organisation and free from Government interferences.
2. Abolition of duality of control. Redefining of the role of State Governments, Registrar of Cooperative Societies, RBI, NABARD and SCB.
3. Resource mobilisation and increase in recovery percentages.
4. Professionalisation and human resource development.
5. Business diversification and re-engineering.
6. Conduct of audit by Chartered Accountants.
7. Revitalisation packages for weak Cooperative Banks.
8. Amendment of Cooperative Societies Act on the line of Model Act.

EXPERT COMMITTEE ON RURAL CREDIT (ECRC) - 2000

The National bank for Agriculture and Rural Development appointed an Expert Committee in August 2000 to review the emerging scenario in rural credit and to prepare a comprehensive workable action plan for effective rural credit delivery system. The Committee submitted its report on 23 July 2001. According to ECRC - "Rural Credit Policy in India has aimed at expanding the coverage of rural financial institutions (RFI) - cooperatives as well as commercial banks, including regional rural banks - and using credit as a means of poverty removal. RFI network is unique in its reach and diversity, with an outlet for a population of under 5,000 on an average. The system has contributed significantly to both, the sustained growth of Indian agriculture and poverty alleviation and employment programmes".

The core recommendations of the ECRC are as follows:
1) A collapse of the cooperative credit system will leave an unreachable gap in credit availability in rural areas. Cooperatives need to be revitalised at the earliest, as delays would be
detrimental to the interests of the rural population. Central and State Governments need to provide the required resources.

2) Cooperatives need to function as autonomous member driven democratic organisation free from Government interferences and to manage professionally.

3) The Cadre Secretary Scheme of PACS need to be scrapped and the selection of staff need be left to the Management Committees of PACS.

4) PACS need to be guided and supervised by DCCBs and SCBs and their staff recruitment rules be framed prescribing minimum qualification, experience, etc.

5) Cooperatives need to encourage and take initiative to form and nurture SHGs.

6) RRBs as supplementary agency for rural credit need to be strengthened by the sponsored banks and the State Governments. They need strong regional oriented Management and larger capital flow.

7) CEOs of Cooperatives should be professionally adequately powered and ex-officio board members. Similarly, Chairmen and General Managers of RRBs should be selected from open market in place of deputationists from sponsored banks.
8) NABARD need to play more pro-active, promotional and development role for the cooperatives, RRBs and other rural financing institutions.

9) State Governments need to discharge a special responsibility towards cooperatives and RRBs particularly in respect of dispensation of rural credit, use of rural credit, recovery of rural credit and provide necessary help and support to the rural credit institutions in due discharge of their functions.

**Institutional Channel of Rural Credit**

The formal or institutional agencies for dispensation of agricultural and rural credit as emerged in the Country over the years are broadly as follows:

1) Cooperative Credit Institutions

2) Commercial Banks

3) Regional Rural Banks

4) National Bank for Agriculture and Rural Development Banks

5) Reserve Bank of India.
COOPERATIVE CREDIT STRUCTURE AND AGRICULTURAL FINANCE.

The Cooperative Credit Structure consists of two structures, namely, Short Term Credit Structure and Long term Credit Structure. The Short Term Credit Structure deals with the short and medium term credit need of agriculture and it is federal in structure with State Cooperative Banks (SCBs) at the State level, District Cooperative Banks (DCCBs) at the District or Taluka level and Primary Agril Cooperative Societies (PACS) at the base/village level. The Long term Credit i.e. Land Development Banks cater to the investment credit requirements of agriculture, allied agriculture and other rural credit needs. The Long Term Credit Structure is not uniform throughout the country. In major States, the structure is federal i.e. State Cooperative Agril & Rural Development Banks (SCARDBS) at the State level and Primary Cooperative Agril & Rural Development Banks (PCARDBS) at the District or Taluka level, while in smaller States, the structure is unitary which means the Branches of the SCARDBS cater the investment credit needs of the people at the District or Taluka level.

The Cooperatives account for about 43% share in agricultural credit, 31% of rural deposits and small farmers constitute 42% of their membership. The coverage of villages in
the Country by PACS in the ratio of 7:1 with a membership of over 10.07 crores of which borrowing members constitute 44%. The Membership of the Long term Cooperative Credit Structure is around 0.91 crores and constituted 70%. The flow of credit from Short Term and Long Term Cooperative Credit Institutions to agricultural sector increased from Rs. 11944 crores in 1996-97 to Rs. 18429 crores in 1999-2000. About 50% of the loans have gone to small and marginal farmers of weaker sections.

**Commercial Banks**

The Commercial Banks were assigned the role of purveying credit to agricultural sector from late Sixties more particularly after the nationalisation of 14 major Commercial Banks in 1969, as the Cooperatives were not able to meet the vast requirements of rural credit. In 1969, the rural branches of Commercial Banks which were only 5175 increased to 32917 in 2000 and their out reach to rural areas is about 64% of the total Branch network. The credit flow of Commercial banks also increased from Rs. 12.783 crores in 1966-67 to Rs. 22.854 crores in 1999-2000.
Regional Rural Banks (RRBS)

The RRBs were established in the year 1975 as per recommendation of the Working Group on Regional Rural banks for strengthening the multi-agency rural credit delivery system in the country. The RRBs were sponsored by the Commercial Banks as region based and rural oriented Banks to accelerate the flow of institutional credit for rural development. At the end of March 2000, there were 196 RRBs functioning in 476 District (out of total 577 Districts) in the country with 14498 Branches and their involvement in rural credit stood at Rs. 3329 crores in 1999-2000 with a C D Ratio of 41%. The RRBs have a total branch network of 14498 and their share in rural deposits was 18.3%.

National Bank for Agriculture and Rural Development (NABARD)

NABARD was set up on 12 July 1982 under the Act of Parliament by merging Agricultural Refinance & Development Corporation (ARDC) and the Agricultural Credit Department (ACD) of RBI for giving undivided attention to rural credit and rural development with organic link with the Reserve Bank. Since then NABARD has been working as the Country's Apex
Development Bank for supporting and promoting agriculture and rural development. It also laid stress on the development of artisans and agro based industries for generating employment opportunities in the rural areas and stop migration of rural population to urban areas. NABARD provides mostly refinance facilities to SCBs, SCARDBs, RRBs and Commercial Banks for Agril., Allied Agriculture and Rural Development activities including Processing, Marketing, Farm Machinery, Handlooms, Power loom, Handicrafts, Village & Cottage Industries, etc. NABARD acts as regulator of SCBs, SCARDBs and RRBs and conduct their Statutory Inspections periodically and provides necessary guidance and supervision for their functioning on sound banking lines and maintenance of proper health. NABARD has also promoted Self Help Groups (SHGs) and it has been guiding them for development as micro credit channel in rural areas.

 Reserve Bank of India (RBI)

The RBI was established on 1st April 1935 under the RBI Act of 1934. Originally, it started as a Shareholders’ Bank with a paid up Share Capital of Rs. 5.00 crores. The RBI was nationalised in the year 1948 and since then it has been
functioning as the Central Bank of the Country. The RBI Act envisages an important role to the Reserve Bank for rural development of the Country in addition to its basic function as the Central Bank.

The Expert Committee on Rural Credit, 2000, in its core recommendations suggested that RBI need to develop the following obligations as development bank for rural India:

- Announce rural credit policy and review achievements in the year past, at an Annual Rural Credit Conference, with NABARD monitoring progress on decisions taken;

- Advocate revitalization of co-operatives;

- Advocate extension of B R Act to co-operative banks;

- Ensure greater involvement of commercial banks in rural credit, through cuts in RIDF interest rates and removal of ceiling on interest rate in small borrower accounts;

- Monitor lead bank performance actively in consultation with NABARD, monitoring by SLBC convener bank. RBI/NABARD must secure commitments to action within a given time frame from concerned government agencies and banks;

- Include information on co-operative banks in banking statistics;
Extend greater credit support to NABARD, with an increase of 10 to 15 per cent annually in its General Line of Credit to NABARD for another five years and allow it access to National Industrial Credit.

**Self Help Groups (SHG)**

Self Help Group is a micro credit organisation. Homogeneous group or class of people forms it. A lot of initiative was taken by the NABARD and RBI to promote SHG and a Pilot Project was started in the Country in the year 1992 to help formulation of SHG as an additional channel for dispensation of ground level credit. The Self Help Group Members are to inculcate savings and thrift habits among them and address to their common problems together. The ideal size of the group is 10 to 15 members and the motto of the Group is 'savings first and credit later'. Generally, the savings mobilized by the Group are to be used as loans for their needy members and the purpose, amount, interest rate, repayment period, etc. are to be decided by the group itself. The RBI in 1996 issued a Circular to the Commercial Banks to mainstream the SHG linkage programme under the priority sector. The NABARD has also taken special initiative for promoting SHG, spreading the
concept and approach of SHG among the rural masses, associating village communities, people's institution, rural volunteers and individuals to participate in the programme for promoting SHG. Cooperative Banks are also advised to participate in SHG increasingly.

Comparative position of SHG-Bank linkage Programme for three years from March 2002 to March 2004 is tabulated below:

(Rs. Million)

<table>
<thead>
<tr>
<th>Sl No</th>
<th>Items</th>
<th>March 2002</th>
<th>March 2003</th>
<th>March 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>No. of SHGs provided with bank loan</td>
<td>4,61,478</td>
<td>7,17,360</td>
<td>10,79,091</td>
</tr>
<tr>
<td></td>
<td>(cumulative)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>% Of women groups</td>
<td>90</td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td>3.</td>
<td>No. Of participating banks</td>
<td>444</td>
<td>505</td>
<td>560</td>
</tr>
<tr>
<td></td>
<td>i. Commercial Banks</td>
<td>44</td>
<td>48</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>ii. Regional Rural Banks</td>
<td>191</td>
<td>192</td>
<td>196</td>
</tr>
<tr>
<td></td>
<td>iii. Co-operative Banks</td>
<td>209</td>
<td>265</td>
<td>316</td>
</tr>
<tr>
<td></td>
<td>No. Of States/Uts</td>
<td>30</td>
<td>30</td>
<td>31</td>
</tr>
<tr>
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</tr>
<tr>
<td>4.</td>
<td></td>
<td>30</td>
<td>30</td>
<td>31</td>
</tr>
<tr>
<td>5.</td>
<td>Number of Districts covered</td>
<td>488</td>
<td>502</td>
<td>563</td>
</tr>
<tr>
<td>6.</td>
<td>No. Of NGOs</td>
<td>2,155</td>
<td>2,800</td>
<td>3,024</td>
</tr>
<tr>
<td>7.</td>
<td>Bank Loan (cumulative)</td>
<td>10,263</td>
<td>20,487</td>
<td>39,042</td>
</tr>
<tr>
<td>8.</td>
<td>No. Of families assisted (in million)</td>
<td>7.8</td>
<td>11.6</td>
<td>16.7</td>
</tr>
<tr>
<td>9.</td>
<td>Average Loan/SHG (Rs.)</td>
<td>22,240</td>
<td>28,559</td>
<td>36,179</td>
</tr>
</tbody>
</table>

Source: Progress of SHG-Bank Linkage in India 2003-2004 NABARD.

**Performance of Agricultural Financing Institutions**

From the Table below, it would be observed that the flow of credit for agril and allied agricultural activities had increased substantially from Rs. 26,411 crores in 1996-97 to Rs. 51,460 crores in 200-01 and agency-wise position is indicated as follows:
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Commercial Banks</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-Term</td>
<td>6549</td>
<td>7482</td>
<td>9822</td>
<td>11967</td>
</tr>
<tr>
<td>Medium/Long Term</td>
<td>6234</td>
<td>7482</td>
<td>8821</td>
<td>11157</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>12783</td>
<td>15831</td>
<td>18443</td>
<td>22854</td>
</tr>
<tr>
<td>Cooperatives</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-Term</td>
<td>9328</td>
<td>10895</td>
<td>12571</td>
<td>14648</td>
</tr>
<tr>
<td>Medium/Long Term</td>
<td>2616</td>
<td>3190</td>
<td>3386</td>
<td>3781</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>11944</td>
<td>14085</td>
<td>15957</td>
<td>18429</td>
</tr>
<tr>
<td>Regional Rural Banks</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Short-Term</td>
<td>1121</td>
<td>1396</td>
<td>1710</td>
<td>2517</td>
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<td>Medium/Long Term</td>
<td>563</td>
<td>644</td>
<td>750</td>
<td>812</td>
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<td>Sub-Total</td>
<td>1684</td>
<td>2040</td>
<td>2460</td>
<td>3329</td>
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<td>Grand Total</td>
<td>26411</td>
<td>31956</td>
<td>36860</td>
<td>44612</td>
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<tr>
<td>Growth rate</td>
<td>20%</td>
<td>21%</td>
<td>15%</td>
<td>21%</td>
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Working Group on Agricultural Credit, Cooperation, and Crop Insurance for Tenth Five Year Plan headed by Dr. S.S. Sisodia (in July 2001) observed as under:

"Credit is a key factor in agricultural development. In the context of technological up gradation and commercialisation of agriculture, which is envisaged in the coming years, it is necessary that credit support to agricultural sector be stepped up considerably. There is a close relationship between the credit and agricultural productivity".

The working group Report also pointed out that "the ratio of inputs to outputs in agriculture has been a constant 0.25 over the last six years from 1990-91. Bank credit to agriculture was 15.6 %, 15.6% and 15.2% of gross bank credit as at the last day of March 1998, 1999 and 2000 respectively, while the contribution of agriculture to GDP has been of the order of 29.0 %, 29.0 % and 27.5% respectively. A comparison with the flow of credit to industry shows that substantially large flows to the manufacturing, mining and industrial sector and an inherent bias towards financing industry due perhaps to the perceived high risks associated with agriculture".
A Statement showing relationship between food grains productivity, net irrigated area credit and Govt. expenditure on agriculture and allied activities is placed below:

<table>
<thead>
<tr>
<th>Sr No</th>
<th>States</th>
<th>Food grains Production (000 tonnes) 1998-99</th>
<th>Food-grains Productivity Kgms/ per ha. 1998-99</th>
<th>Net Irrigated Area 1996-97 as % to Net Sown Area 1996-97</th>
<th>Agri-cultural credit per ha. Of NSA 1999-2000 (Rs.)</th>
<th>Expenditure on Agriculture per ha. of NSA (Rs.)</th>
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<td>1</td>
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