CHAPTER VII

POLICY INITIATIVES

7.1 INITIATIVES BY GOVERNMENT OF INDIA

7.2 POLICY INITIATIVES BY GOVERNMENT OF MAHARASHTRA

7.3 INITIATIVES BY NABARD AND RESERVE BANK OF INDIA
The Government of India, Government of Maharashtra, Reserve Bank of India and National Bank have taken a number of policy initiatives for Agriculture and Rural Development in the recent past for the development of agriculture and allied agriculture and rural sectors in the country as well as in the State of Maharashtra. The salient features of the initiatives are given below:

7.1 INITIATIVES BY GOVERNMENT OF INDIA

While announcing the Union Budget proposals for 1996-1997, Government of India envisaged the following broad objectives relating to agriculture and infrastructure sectors.

i) Board based growth agriculture, industry and services to achieve high employment.

ii) Enhanced investment in infrastructure sectors.

To achieve these objectives, the Common Minimum Programme has given emphasis on Board based agricultural development and doubling the credit flow to agriculture and agro-industries, particularly to small and marginal farmers, within five years. (Reserve Bank of India has since issued instructions to commercial banks to increase the credit flow to agriculture by 25%).

Finance would be made available through Rural Infrastructure Development Fund for development of rural infrastructure.

The following would be initiative in this regard have been taken by Government of India.
7.1(i) Accelerated irrigation benefit programme.

An allocation of Rs. 800 crore has been made available for providing loans to State Government for completing selected large irrigation projects where the project cost exceeds Rs.1000 crore and is beyond the resource capacity of the State.

7.1 (ii) Completion of on going irrigation projects.

An allocation of Rs. 100 crore has been made in the budget for 1996-97 for completion of those irrigation projects which are in advanced stage of projects could be completed, this is expected to credit one lakh hectare additional irrigation potential.

7.1 (iii) State Agro-Finance Corporation

To promote investment in commercial and hi-tech technology to agriculture and allied activities such as horticulture, floriculture and agro-processing, State level agricultural finance institution would be set-up with National Bank for Agriculture and Rural Development as Chief Promoter.

7.1(iii) Setting up private local area banks

New private local area banks with jurisdiction over two to three contiguous districts would be set-up to map-up rural savings and make investments in rural/local areas.

7.1 (iv) Increase in subsidies for phosphoric and potassic fertilizers.

In order to restore the balance in use of Nitrogenous, Phosphatic and potash fertilizers, subsidies for phosphate and potassic fertilizers have been increase.

7.1 (v) Subsidy for power-tillers and small tractors

Subsidy would be extended under integrated cereal development Rice Programme for power tillers @ Rs. 3000 or 50% of the cost of each power
tiller subsidy scheme for small tractors (1800cc) at the rate of Rs. 3000 per tractor would be extended to all farmers.

**7.1 (vi) Increased subsidy for drip and sprinkler irrigation.**

Subsidy for drip and sprinkler irrigation has been raised from 50% to 70% of the cost of system subject to a ceiling of Rs. 25000 per hectare. In respect of small and marginal farmers, women and schedule caste/ Schedule Tribe, the subsidy limit would be 90% of the cost of the system.

**7.1(vii) Deposit with NABARD and Small Industries Development Bank of India**

All schedule private banks will keep deposits with NABARD and Small Industries Development Bank of India @ 8% per annum for one year equivalent to the 50% of their shortfall in priority sector advances.

**7.1(viii) Strengthening Small Scale Industry**

Small Industries Development Bank of India would refinance State Financial Corporations and Commercial Banks for modernization programme of Small Scale Industries upto Rs. 50 lakhs. Single Window Scheme for loans to State Finance Corporation upto Rs. one lakh has been introduced Small Industries Development Bank of India would participate in venture capital funds set up by public institutions as well as private companies.

**7.1(ix) Recovery Tribunals**

With a view to have improve recycling of rural credit and ultimately the credit flow to agriculture and rural sectors. Recovery Tribunals have been set-up for speedy disposal of recovery cases involving loans above Rs. 10 lakhs.
7.2 POLICY INITIATIVES BY GOVERNMENT OF MAHARASHTRA

The following initiatives have been taken by Government of Maharashtra in regard to Agriculture and Rural Development Sector.

7.2(i) Macro Economic Review

The National Grass Domestic Product at constant 1993-94 prices is expected to grow by 6 percent in the year 2000-2001 as against 6.6 percent in the previous year. The Gross State Domestic Product of Maharashtra went up by 9.1 percent during the year 1999-2000. It is expected to increase by 4.6 percent in the 2000-2001. The lower growth rate this year is mainly due to the state which has adversely affected the production of food grains and has resulted in a sharp reduction in the production levels of the agriculture and allied activities sector.

7.2(ii) Minimum Support price

The prices of food grains dropped sharply in the previous year due to which the farmers in the State felt insecure and unprotected. To give cover to these farmers, the government immediately intervened and opened a number of purchase centers for agriculture produce and procured 3.2 lakh quintals of paddy, one lakh quintal of Bajara, 1.5 quintals of maize and 15 lakh quintals of Jowar at the minimum support price, at a total cost of Rs. 100 crore during 2000-2001.


The Government has set up the Water Conservation Corporation with headquarters at Aurangabad. This Corporation will prove to be a boon to the agriculturists in the drought prone areas where there is a constant need for undertaken water conservation works, Government has provided
an equally contribution of Rs. 5 crore and has raised Rs. 80.43 crore by way of Government Guaranteed Bonds.

Watershed Development Programme would be implemented to develop selected watersheds in an integrated manner.

7.2(iv) **Employment Guarantee Scheme**

Under massive Horticulture Development Programme with 100% subsidy assistance, implemented under employment Guarantee Scheme, the area under horticulture would be increased from 2 lakh hectare in 1990-91 to 12 lakh hectare by 2000 A.D.

Horticulture Development and construction of Jawahar Wells are two important individual beneficiary schemes undertaken under this scheme. Measures such as exemption from land revenue, 33.33% rebate in the electricity bill of eligible farmers, examination fee exemption to the eligible students of the scarcity area and conversion of loans are undertaken to combat scarcity situation in this State Horticulture crop-wise mapping would be done to identify.

7.2(v) **Irrigation potential and Irrigation Development Corporation**

An amount of Rs. 1950 crore is proposed to be raised through bonds by five irrigation development corporation. Apart from this a budgetary provision of Rs. 298.81 crore has been proposed for major and medium irrigation projects and Rs. 80.90 crore for minor irrigation projects.

50% subsidy would be provided to farmers for drip irrigation on sugarcane crops to bring 2.5% lakhs hectare under drip irrigation.

25% subsidy would be provided for lift irrigation schemes implemented by co-operative societies.
7.2(vi) Agriculture parks would be set up for grapes and other fruits to encourage integrated development center, cold storage, pre-cooling center, air conditioned vans besides center for auction and sale.

7.2(vii) **Khar Land Development Programme.**

Khar Land Development Programme is being implemented to increase productivity of coastal land 21,201 hectare of land has been reclaimed under this programme upto December 2000. About 96% of the villages in the state have been linked by roads. However, from the development point of view it is necessary to link all villages with a population of 500 or more in hilly tribal areas, loan assistance from the NABARD will be availed for this purpose and a provision of Rs. 245 crore has proposed.

7.2(viii) **New policy on employment and self employment**

The Government has undertaken to private gainful employment to rural unskilled labour through the Employment Guarantee Scheme. However, there is a significant number of educated unemployed youth in both rural and urban areas for whose education the government has made large investments. Government feels it is necessary to create a suitable environment for their employment and self-Employment. The government has therefore chalked out a comprehensive policy to empower and enable the educated unemployed in both rural and urban areas to avail themselves of opportunities of self–employment.

The highlights of this policy are village-wise, survey of viable micro enterprises, a review of existing employment programmes, appropriate modification of technical and vocational courses, assistance in the selection of village projects/enterprises and the provision of credit at suitable rates with the help of financial institutions.
7.2(ix) Women policy and component plan:

Government is of the view that women should have greater participation in decision making different organization and in the implementation of programmes for women. In order to achieve this objective, the government has decided to start a separate Women Component Plan on the lines of the trial sub plan and the Special Component Plan. This will make available the required funds to the women programmes and ensure their effective implementation. The required the budgetary provision will be consolidated for this purpose and this plan will be implemented in consultation with the

7.2(x) Women and Child Development Department.

i) Model Village Scheme would be implemented with the involvement of Non-Government Organizations to being about all-round development of selected villages on the lines of Ralegaon Siddhi in Ahmednagar district.

ii) Agriculture Parks would be set-up for grapes and other fruits to encourage integrated development center, cold storage, pre-cooling centre, air conditional vans besides center for auction and sale.

iii) Self Help Groups would be formed in watershed areas and interest free revolving funds would be provided to them.

iv) Wasteland Development Programme with 100% subsidy support would be taken up to bringing large private wastelands under production by involving owners of this wasteland in its management.

v) Cottage industrial estate would be set up for providing necessary infrastructure to rural artisans.
7.3 INITIATIVES BY NABARD AND RESERVE BANK OF INDIA.

7.3(i) Liberalization in definition of Rural Area

As per the revised definition of rural area, any village (irrespective population) or a town with a population not exceeding 50000 can be considered a “rural area” for the purpose of NABARD act.

The policy initiatives by the NABARD focused on the augmenting and smoothening the flow of ground level credit for rural development. The NABARD introduced regiments in its policies for extension of short term refinance besides fine tuning the refinance policy for investment sub sector of agriculture.

i) Important policy changes in financing Seasonal Agricultural Operations included certain relaxation’s in sanction of credit limits to District Central Co-operative Banks not complying with section 11(1) of Banking Regulations Act 1949 (AACS), Enhancement of quantum of credit limits to District Central Co-operative Banks references to multiplies of their own funds, certain relaxation with reference to stipulation of minimum involvement norms etc.

ii) In tune with the National Agriculture Policy, the National Bank Liberalized the existing scheme of financing the marketing of agricultural produce covering even non-borrowing members of Primary Agriculture Credit Societies.

iii) The existing guidelines for provision of relief by the short term co-operative credit structure and the Regional Rural Banks to farmers affected by natural calamities have been revised in tune with the guidelines issued by Reserve Bank of India to the scheduled commercial banks.
iv) The other policy initiatives included rationalization of clean cash credit limits by State Co-operative Banks District Central Co-operative Banks to co-operative sugar factories for payment of bonus to workers, permitting State Co-operative Banks /District Central Co-operative Banks to finance activities in service sector etc.

v) The refinance policy for farm mechanization was further liberalized and special impetus was given for financing power tillers. The interest rate on refinance for investment credit has been rationalized effective from 1st May 2000.

vi) The quantum of refinance for investment credit has also rationalized bringing the State Co-operative Banks, Regional Rural Banks and Commercial Banks on par.

vii) The policy changes in non-farm sector refinance included expansion on service sector, regrouping and rationalization of schemes, enhancing limit of composite loan, liberalizing small Road and Water Transport Finance Schemes, introducing incentives under Rural Entrepreneurship Development Programmes etc.

viii) The National banks has brought the scheduled primary (urban) Cooperative Banks within the orbit of refinance facilities under section 25 of the NABARD Act.

ix) Scheme for setting up Agri-clinics and Agri-Business Centers by agricultural graduates with support of NABARD refinance is introduced banks will provide loan on attractive terms for setting up these centers with refinance from NABARD.
The Government of India has been according considerable importance to the housing sector, both in urban and rural areas. With a view to supplement the efforts of Government of India, State Government, National Housing Banks and banking sector in augmenting the resources for the rural housing segment, NABARD has decided to include rural housing as eligible activity of refinance to the eligible banks w.e.f. 1st April 2001.

7.3(ii) Development of Schedule Caste/Schedule Tribe

a) A special line of Short Term Seasonal Agriculture operations credit limit is being sanctioned to Central Co-operative Banks and Regional Rural Banks to meet credit requirement of tribal.

b) A special banking plan for refinancing banks is being sanctioned to increase credit flow to Schedule Caste/Schedule Tribe beneficiaries for term loans for agriculture and allied activities,

7.3(iii) Development of Women –women development cell

A new scheme for extending financial assistance for setting up “women Development Cells” in Regional Rural Banks and co-operative banks has been introduced by NABARD. The scheme aims at focusing attention on promotion of women and gender planning for credit flow. NABARD would meet 50% of the salary of key personnel to be appointed in such cells and 10% thereof for supporting services by Regional Rural Banks/ co-operative for a period of 3 years subject to a minimum of Rs. 75000 per cells, per annum.

7.3(iv) Weavers Finance

a) The assessment of working capital in respect of apex/Regional Weavers Co-operative Societies can now be made upto 50% of sales or value or production instead of 50% as hitherto.
b) Refinance facilities to commercial banks also have been made available for working capital finance to be provided by them to Primary Handloom Weavers Co-operative Societies.
c) The ceiling on number of looms per beneficiary for power loom finance has been removed.

7.3(v) Money Transfer (Non –Schematic)
a) The stipulation that 40% of Money Transfer (non-schematic) by Central Co-operative Banks should be for easily identifiable purpose has been withdrawn.
b) To encourage Regional Rural Banks to Switchover to project of Money Transfer (non-schematic) lending has been reduced to Rs 50 lakhs.

7.3(vi) Inclusion of new activities under various Refinance Schemes of NABARD

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| iii) Commercial nurseries under Integrate Rural Development Programme | -- | -- |
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7.3(viii) Relaxation is security norms-sericulture

The security norms of obtaining Mortgage of land/shed for loans upto Rs. 20000 for sericulture has been waived and now hypothecation of assets acquired out of loan can be considered as adequate security by banks.

7.3(viii) Loans for housing by Regional Rural Banks

To improve the viability of Regional Rural Banks, they have been permitted to extend loans to individuals falling under lower, middle income group, in their area of operation, for construction of houses with a ceiling of Rs. one lakh per individual.


Based on the recommendation of the D.K. Mehta Committee on Integrated Rural Development Programme various changes have been made in the implementation of IRDP to make it more effective. The major recommendations takes up for implementation are as under.

a) Switch over to black and system of subsidy to avoid mis-utilization of funds.

b) Construction of technical group at the direct level for identifying investment opportunities. Encourage group loaning.
c) Associating voluntary organizations and Self Help Groups in the implementation of Integrated Rural Development Programme.
d) Appointment recovery officers at District Rural Development Agency.

7.3 (ix) Project Appraisal Report

NABARD has extended the facility of apprising projects and making available project appraisal reports to banks an entrepreneur on payment of fees to facility sanction of such projects by banks even without availing refinance from, NABARD.

7.3(x) Lift Irrigation Scheme:

The evaluation studies conducted by NABARD on Lift Irrigation Schemes have revealed that the water requirements of different crops recommended by State Government do not match with agro-climatic and soil conditions of the area and the over designing of the schemes has resulted in high cost and water logging and soil salinity in some areas. It has decided that, hence forth, field studies would be carried out to assess cost and benefits realistically before sanctioning lift irrigation scheme.

7.3 (xi) Rural Industrialization Initiatives

a) Area plan for Rural Industrialization

The programme is implemented by NABARD social centre, working as a nodal agency in shirirampur and Parnar blocks in Ahmednagar districts, to experiment and standardize policy prescriptions for accelerated rural area industrialization. As on date, 48 units with a total loan of Rs. 96.83 lakh in the project areas.

b) Government of India Scheme for intensive development rural industries

NABARD has been monitoring and channeling the subsidy assistance under the scheme formulated by the ministry of Rural Industry. Department
of Small Scale Industry, for promoting rural enterprises with the involvement and assistance of selected voluntary agencies/Non-Government Organizations.

c) Credit to Khadi Village Industry Sector

A system of consortium landing by commercial banks has been introduced for assisting KVIB which turn will lend to viable Khadi Village industry units, either directly or through State KVIB.

7.3(xii) Institution Development /Viability

a) Deregulation of Interest rates on loans and advances

Consequent to deregulation of interest rates by Reserve Bank of India, both on deposits and loans and advances, District Central Co-operative Banks and Primary Agriculture Credit Societies have been given freedom to fix their own lending rates, subject to a minimum lending rate 12% per annum. The District Central Co-operative Bank has taken advantage of the deregulation by increasing their lending rates on short term (Seasonal Agriculture operation) other term loans. The deregulation has provided an opportunity to co-operatives to plan their resource mobilization and price their credit with greater degree of flexibility.

In the case of Regional Rural Banks, interest rate of loans and advances has been deregulated with effect from August 1996.

b) Restructuring of Regional Rural Banks

As a part of restructuring the Regional Rural Banks, two Regional Rural Banks viz. Thane and Aurangabad Regional Rural banks were identified in the first phase another two Regional Rural Banks viz. Yavatmal and Buldhana, Regional Rural Banks in the second phase.
c) Development Action Plan /Memorandum of Understanding – Central Co-operative Banks, State Co-operative Banks, Regional Rural Banks and Government

National Bank has initiated several steps to make the rural credit institutions in the co-operative sector financially viable and organizationally strong so as to enable them to provide adequate and timely credit for agriculture and rural development. For this purpose, Development Action Plan has been prepared by each District Central Co-operative Bank and State Co-operative Banks and Memorandum of Understanding has been signed with NABARD, by the District Central co-operative Banks and State Co-operative Banks and State Government to bring about improvement in the co-operative institutions by implementation of District Action Plans. Similarly RRB have also prepared bank specific District Action Plans to achieve current and sustainable viability.

d) Freedom to Agriculture Rural Development Bank fixes interest rates on deposits under the scheme of mobilization of deposits.

The Agriculture Rural Development has been permitted to fix their own interest rates on deposits.

e) Application of Income Recognition/Prudential norms.

With a view to reflect the actual financial health of banks in their annual financial statements, RBI has made applicable has made applicable the prudential norms relating to asset classification, income recognition and provisioning to State Co-operative Banks and District Central Co-operative Bank also, with suitable modifications. These norms are required to be implemented by State Co-operative Bank and DCCBs from the accounting year 1996-97. Necessary guidelines have been issued by NABARD in this regard to State Co-operative Banks and District Cental Co-operative Banks.
7.3(xiii) Rural Infrastructure Development Fund

In pursuance to Government of India announcement, a Rural Infrastructure development Fund has been established in NABARD providing loans to State Government, State Owned Corporations for completion of ongoing projects relating to medium and minor irrigation, soil conservation and management and other forms of rural infrastructure. All schedule commercial banks (other than foreign banks) which have not achieved the sub-target of agricultural lending at 18% of net bank credit would be required to make contribution to this fund upto a maximum of 1% of the shortfall in achieving the sub-target.

Under Rural Infrastructure Development Fund, two minor/irrigation projects have been assisted to the tune of Rs. 153.00 lakhs in the district.

7.3(xiv) Dry land Farming

To promote credit support for development of dry land acres various initiatives have been taken by NABARD

a) Refinance for credit purveyed for watershed based dry land projects.

b) Considering that watershed development is a comprehensive area development approach NABARD has provided concessions for financing to deflators falling within the watersheds. In addition eligibility criteria for bank branches to avail refinance has also been relaxed to help unhindered flow of credit.

c) Extending necessary training.

7.3(xv) Indo-German (KfW) Watershed Development Programme

NABARD is implementing a grant based programme with financial assistance from KfW of Federal Republic of Germany to develop micro watershed in an integrated and comprehensive manner for achieving and supporting sustainable production system.
7.3(xvi) **International Fund for Agriculture Development Assisted Maharashtra Rural Credit Project**

Internal Fund for Agriculture Development assisted Maharashtra Rural Credit Project is under implementation in Chandrapur, Nanded, Pune and Yavatmal districts of the State. The project envisages upgrading the capability of commercial banks to lend efficiently to small/target group borrowers, the demonstrate the impact of improved procedures, practices and performance on banks profitability, to enable Self Help Groups to improve credit reception and to act as financial intermediaries between the banks and the borrowers. As on 30th September 1996 financial assistance to the extent of Rs. 315.82 lakh have been sanctioned by banks Rs. 93.60 lakh released and refinance to the tune of Rs. 93.60 lakh availed from NABARD by banks in the Nanded district.

7.3 (xviii) **Self Help Groups**

The pilot project on linking SHGs with banks, launched by NABARD in 1991, has evoked with positive and encouraging response. A definite shift in the loaning pattern, from non income generating activities to production activities, near cent percent recovery, significant reduction in transaction costs, both for banks and borrowers and gradual increase in the income of Self Help Group members, have been observed.

Reserve Bank of India has instructed banks to consider loaning to SHGs as a part of their mainstream credit operations.

As on 30th September 1996, 153 numbers of SHGs have been linked with banks of which 20 SHGs have availed financial assistance to the tune of Rs. 1.97 lakhs.