

RAJYA SABHA

*Tuesday, the 3rd September, 1996/
12th Bhadra, 1918 (Saka)*

The House met at Eleven of the Clock,
Mr Chairman in the Chair

ORAL ANSWERS TO QUESTIONS

MR. CHAIRMAN: We will take up Question Nos. 441 and 445 together because they are on the same subject.

Performance of Nationalised banks in Agricultural sector in Andhra Pradesh

*441. SHRI YERRA NARAYANA SWAMY: Will the Minister of FINANCE be pleased to state:

(a) whether Government will monitor the functioning of nationalised banks and their performance in the agricultural sector in Andhra Pradesh;

(b) whether there is a specific machinery which monitors the work of banks in farm sector in Andhra Pradesh; and

(c) if so, the details of such an official monitoring machinery?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) to (c) A Statement is laid on the Table of the House.

Statement

(a) to (c) Loans to agriculture form a part of the priority sector lending by all commercial banks other than foreign banks and they are required to deploy at least 18% of the outstanding net bank credit towards agriculture. The performance of banks in extending loans to agriculture in various States, including Andhra Pradesh, is reviewed in various fora like the Block Level Bankers Committee, the District Consultative Committee and the State Level Bankers Committee. In addition, the Reserve Bank of India (RBI) periodically reviews the performance of public sector banks with regard to lending to agriculture. The priority sector lending by public sector banks, including lending to agriculture, is monitored by Government.

R.B.I.'s Decision to Advance More Loans to Agriculture Sector

*454. SHRI SOLIPETA RAMA-CHANDRA REDDY:
SHRIMATI JAYANTI PATNAIK:

Will the Minister of FINANCE be pleased to refer to the answer to Unstarred Question 260 given in the Rajya Sabha on 16th July, 1996, and state:

(a) whether RBI has taken any decision to advance more loans to agriculture section;

(b) if so, the details thereof;

(c) the steps taken in this regard; and

(d) target fixed to advance loans to agriculture sector by banks for 1995-96 and achievements made?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) to (d): A Statement is laid on the Table of the House.

Statement

(a) to (d) All banks (except foreign banks) are required to deploy at least 18% of their outstanding net bank credit towards agriculture. In order to augment the flow of credit to agriculture, Reserve Bank of India (RBI) has advised the public sector banks to prepare Special Agricultural Credit Plans (SACPs). Such plans are being prepared since 1994-95. RBI has reported that the Public sector banks disbursed Rs. 8,255 crores in 1994-95 under these plans against the projection of Rs. 9,531 crores. In 1995-96 the disbursements were Rs. 10,172 crores against the projection of Rs. 12,121 crores.

While reviewing the flow of credit under SACP recently, RBI has urged the public sector banks to achieve a 25% growth in disbursements under SACPs in 1996-97 over those of 1995-96.

SHRI YERRA NARAYANASWAMY: Mr. Chairman, Sir, the Government of India and the Reserve Bank of India have set priority sector targets for agriculture in different States. In Andhra Pradesh there is a feeling that agriculture is being ignored and even the lower targets set for agriculture are not being fulfilled by the banks. This has been admitted earlier

by the Government in various fora. Moreover farmers are feeling that their credit needs are not being met. Every farmer gets a maximum crop loan of Rs. 15,000. This limit was fixed many years ago when prices were much lower, when input prices were lower and when the land value was lower. I feel that this should be revised upwards. Sir, my first supplementary is: I would like to know from the Minister whether he would ensure that adequate loans are given to farmers. I would also like to know from the Minister what penal action would be taken against the banks who do not comply targets set for agricultural loans.

SHRI P. CHIDAMBARAM: Sir, I have said in my main reply that there is monitoring at several levels, right up to the level of the Reserve Bank of India.

So far as Andhra Pradesh is concerned, the hon. Member ought not to have any grievance because the performance of Andhra Pradesh is, in my view, extremely good. If you look at the targets that were set for Andhra Pradesh and what has been achieved in Andhra Pradesh, advances to priority sector in Andhra Pradesh are 52 per cent of net bank credit as against the target of 40 per cent. Advances to agriculture are 31 per cent of net bank credit against the targeted 18 per cent. Advances to weaker sections are 12.8 per cent of net bank credit, as against the targeted 10 per cent. Under the annual credit plan in Andhra Pradesh, in 1995-96 against the targeted crop loan of Rs. 2,063 crores, the achievement is Rs. 2,143 crores. That is 104 per cent of the target. In agricultural term loans the achievement is 82 per cent. Taking all advances together against the annual credit plan of Rs. 3,790 crores, the achievement is Rs. 3,853 crores, an achievement of 102 per cent. For the current year, 1996-97, the total outlay under the annual credit plan is Rs. 4,421 crores out of which production credit for agriculture will be Rs. 2,424 crores. The investment credit for agriculture will be Rs. 804 crores. In my view and in the view of the Banking Division, the performance in Andhra Pradesh is very good.

SHRI YERRA NARAYANASWAMY: Sir, secondly. I would like to know whether there is any proposal to enhance the crop loan which is being given now at the rate of 15,000 rupees

to each farmer. I would also like to know whether the Government is working on a scheme to ensure that farmers get money at 12 per cent rate of interest. Has the Finance Minister made any such commitment in a recent interview to *The Economic Times* dated 30th of August, 1996? If so, will a pilot scheme be implemented in Andhra Pradesh.

SHRI P. CHIDAMBARAM: What is the second part of your question?

SHRI YERRA NARAYANASWAMY: I asked whether the Government is working on a scheme to ensure that farmers get finance at 12 per cent rate of interest, whether the Finance Minister made any such commitment in a recent interview to *The Economic Times* dated 30th August, 1996; if he did, whether a pilot scheme will be implemented in Andhra Pradesh.

SHRI P. CHIDAMBARAM: Sir, the scale of finance for crop loan is determined by the district level technical committee. It would be quite inappropriate for me standing here to decide what the size of the crop loan would be. This would depend upon the land, the size of the holding, the kind of crop that is being raised, the assured irrigation that is available and so on. So, I don't think I should make a statement about the size of the crop loan. This was decided by the district level technical committee. From the second part of the question, I am a little puzzled. What I remember having told the newspaper was that in rural areas, in our judgment, what farmers require really is access to credit. It is not so much the subsidy that they require. They also require subsidy. But it is not so much the subsidy they require. But it is really the availability of credit because if credit is not available at the time when they need credit, they are forced to go to the village money lender who anyway charges 36 per cent and 48 per cent. What I said in my interview was that a farmer would be quite happy to get credit at, say, 12 per cent rate of interest or so, if timely credit is given to him, rather than a delayed credit at subsidised rates. That is what I remember having told *The Economic Times*. And I also said that when the credit is available at a very low interest rate of 4 per cent or so, then the psychology is to think that this is

virtually a grant and one does not have to repay. That is a view which I expressed. I don't think it has any bearing on the present pattern of lending that is being followed by the banks under the guidelines laid down by the Reserve Bank.

SHRI SOLIPETA RAMACHANDRA REDDY: Sir, the agricultural sector is contributing about 35 per cent to the GDP. In view of that, why is the Government not enhancing the total percentage? It used to be 18 per cent. It should be much more than this. This is what I am trying to ask of the hon. Minister. Another think is, previously, the public sector banks disbursed Rs. 8,250 crores in 1994-95 as against the projection of Rs. 9,531 crores. In 1995-96 also, the disbursement was Rs. 10,172 crores against the projection of Rs. 12,121 crores which was very less. But the hon. Minister said in his reply that the RBI is periodically reviewing the performance of the public sector banks with regard to lending for agriculture. He also said that the Government is monitoring this thing. But, what is the result? The hon. Minister did not throw light on that. I would like to know from the hon. Minister what result has been achieved by the monitoring or by the review carried so far. What stringent steps are going to be taken by the Government to enhance loans to the agricultural sector and also to see that the scheme is properly implemented and cent per cent results are achieved?

SHRI P. CHIDAMBARAM: Sir, as far as fixing of a target of 18 per cent is concerned, that is done by the Reserve Bank, and I am sure that the Reserve Bank keeps in view the suggestions made by the hon. Member and others that one must raise this limit. I don't think that it is appropriate for the Government to direct the Reserve Bank or the banks to lend at a particular percentage. These are matters which have to be decided by the Reserve Bank in consultation with the banks, and they would decide. I have set for them a target of 14 per cent lending to the priority sector. Within that, 18 per cent has to go to the agriculture sector. I think, I should leave it to the Reserve Bank, but I would certainly review this, from time to

time, with the Governor, Reserve Bank, to see that the agriculture gets more credit. For example, last year, we lent about Rs. 10,000 crores. This year the Governor, RBI, has already instructed the banks that the total flow of credit to agriculture should be Rs. 12,500 crores. This was being communicated on the 3rd of August, 1996 and I think that Rs. 12,500 crores, which the Governor has decided, would be adequate credit to the agriculture sector. Besides, NABARD, under RIDF II, will lend this year Rs. 2,500 crores. If this is not adequate, I am sure, the Governor will, at an appropriate time, direct the banks to lend more, but, Sir, I think that this is adequate.

SHRIMATI JAYANTI PATNAIK: Sir, the percentage of loans to agriculture sector from the banks in the eastern region is very low compared to the agriculture advance tax. In fact, providing no agriculture credit input is one of the main reasons for low productivity. The credit deposit is also generally low in the States of this region. What steps is the Government taking to ensure that the loan to the agriculture sector from the banks in this region is increased at least—I am particularly asking—on a par with the all-India average? Sir, may I ask the second part of my supplementary?

MR. CHAIRMAN: Make it one question.

SHRIMATI JAYANTI PATNAIK: Okay, Sir, I have mentioned about Unstarred Question 260, dated 16th July, 1996, to which the Minister had replied: "Adequate steps have been taken to ensure enhanced flow of credit." And one of these additional steps was "Banks have been asked to draw up special agricultural credit plans." So, he did not say that they were being drawn up. But here in the reply of the present question, he has stated: "Such plans are being prepared since 1994-95." As mentioned in the reply to a question, they have already been told to draw up the plans. Sir, in the previous question I wanted to know whether the plans were drawn up or not. Now they have been drawn up. Regarding these plans the hon. Member has pointed out that there is a shortfall in the projections made. So, what more steps are you going to take to reach the targeted projections? The Minister may kindly reply to it.

SHRI P. CHIDAMBARAM: Sir, a number of steps are being taken to improve the flow of credit to agriculture sector. I can read out the various steps that have been taken, but the fact is that as a result of these steps, there has been an improvement in the flow of credit to agriculture; there are some issues relating to agricultural lending; I am not unaware of them, and I am also in agreement with the hon. Member that one must review this periodically to ensure that the flow of credit is not interrupted or it does not slow down. For example, just to give an overview, the flow of ground level of credit in agriculture in 1992-93 was Rs. 11,202 crores or, say, Rs. 11,000 crores. In 1995-96 this has increased to Rs. 26,450 crores. In a matter of about three years it is virtually doubled, and it is our commitment in the CMP that in this period of five years we will double once again the flow of credit to agriculture and the Governor, RBI, with whom I had talks, has assured me that it is possible to achieve the target of doubling the credit to agriculture. Out of this credit-Sir, look at the credit structure....

SHRI ASHOK MITRA: The question was specific with respect to the eastern zone.

SHRI P. CHIDAMBARAM: I am aware of that. Thanks for reminding me. The bulk of the short-term credit is through cooperative banks. Sixty two per cent of the short-term production credit is through cooperative banks.

Commercial banks really provide the major share of the medium-term and long-term credits. That accounts for 68% of the medium-term and long-term credits.

Now we come to the eastern zone. There is a special agricultural credit plan and under that plan in 1995-96 the target for the eastern zone was Rs. 1,116 crores. Against that, the achievement was only Rs. 767 crores. The achievement was only 68.7%. This is a cause of worry. But there are some other zones which are not even doing as well, for example, the north-eastern zone, which has done even more poorly. I am concerned about it. Therefore, we will look into this. I concede that the achievement against the target is not satisfactory in the eastern zone.

SHRI SOM PAL: Mr. Chairman, Sir, I would like to contend what the hon. Finance Minister has said, that the flow of rural credit to agricultural sector has improved. For the past several years the target has been set at 18% by the Reserve Bank. The Finance Minister says that the Reserve Bank fixes it and the Finance Ministry has nothing to do with it.

SHRI P. CHIDAMBARAM: I didn't say that.

SHRI SOM PAL: The questions are always put to the Finance Minister. The Reserve Bank doesn't come here before the House to answer the questions. There is a continuous slippage and even the current percentage of flow of credit to the agricultural sector is 13 as against 18. My pointed question is this. The hon. Finance Minister says that the Reserve Bank has issued instructions. But they are not followed by the banks. What are the Government and the Reserve Bank doing to discipline the banks and to compel them, to force them to make 18% credit flow to the agricultural sector? What specific measures have they taken or do they propose to take on that count?

Part (b) of my question is this. This is a question which I have been putting in every session. This is such a thing on which I become emotional. For the past six years in every session this has been raised almost continuously without any compliance. Where do we do? What does the hon. Finance Minister do in this respect? Even the hon. Prime Minister is on record saying that because of the loss the target should be raised to 20%. But I would request the Finance Minister at least to fulfil the 18% target which has been set after considerable discussion and deliberation. It is not being followed. So, what steps does he propose to take at least to force them to comply with this target? This is my question.

SHRI P. CHIDAMBARAM: Sir, I share the hon. Member's concern that we must achieve the target of 18%. I didn't say quite what the hon. Member attributed to me. I didn't say that

I had nothing to do with it. All that I have said is that these are matters where we should keep in close touch with the Reserve Bank and the Reserve Bank must decide what the proportion of credit to any sector should be. It is not that I am abdicating my responsibility or giving up my powers in the matter. Now the overall achievement against the target has been 14% to 15%. In fact, there was a small slippage.

SHRI SOM PAL: It was less than that. Even this is wrong. It is less than 14%. I can say it on my own.

SHRI P. CHIDAMBARAM: Sir, the hon. Member gets some pleasure in disputing what I say. He is entitled to that pleasure.

SHRI SOM PAL: The hon. Finance Minister ought to be correct when he gives a figure.

MR. CHAIRMAN: Let the Minister answer.

SHRI SOM PAL: I have the right to contest, if wrong information is given to the House or you refuse it.

MR. CHAIRMAN: Let the Minister explain.

SHRI P. CHIDAMBARAM: Now the hon. Member, who has admitted that he gets emotional over these matters.....
(Interruptions)...

SHRI SOM PAL: Yes, Sir, I do get emotional over these matters.

SHRI P. CHIDAMBARAM: Why don't you let me speak now?

SHRI ASHOK MITRA: I object! Getting emotional is the prerogative of the economists!

SHRI P. CHIDAMBARAM: As I said, Sir, the target achievement was between 14% and 15% and there was some slippage. It is at that stage the hon. Member interrupted me. There was some slippage in 1994-95. It went down just below 14% or 13.91%. But in 1995-96 it recovered to 14.29%.

Therefore, for the year, 1995-96 the achievement against the target is 14.29 per cent.

My statement that it is between 14 and 15 per cent is correct. For the year ending 1994, it was 15.05 per cent. It slipped to 13.91 per cent. It recovered to 14.29 per cent. These are the figures. We must achieve 18 per cent. We are taking a number of steps and the Reserve Bank is taking a number of steps to achieve this. It is my intention to achieve 18 per cent. I am not sure whether we will be able to do it in 1996-97 because there is a gap of about 3/1/2 or 3.75 per cent which we will have to make up in one year. But I think I know what needs to be done and I will ensure that we achieve the target of 18 per cent. How do we penalise the Banks? As far as public sector banks are concerned, we penalise them in the following manner. We require them to deposit the shortfall, not exceeding 1.5 per cent of the net bank credit into NABARD at an interest rate of 11 per cent for a period of five years. NABARD, through the RRDF-I, this year through the RRDF-II, will lend it to the same sector, namely, agricultural sector. As far as private sector banks are concerned, we penalise them in the following manner. They have to deposit 50 per cent of the shortfall at an interest rate of 8 per cent only. That again will be lent by NABARD to the agricultural sector. If these penalties do not turn out to be sufficiently deterrent...(Interruptions)...

SHRI GURUDAS DAS GUPTA: What about foreign banks?

SHRI P. CHIDAMBARAM: This is not applied to foreign banks. They are in the urban areas.

If these penalties are not sufficiently deterrent, surely in consultation with the Reserve Bank, we will think of taking further deterrent steps. But I am confident that with the emphasis on agriculture and with the emphasis on improving agricultural infrastructure and with tighter monitoring, we will be able to achieve the target of 18 per cent. I am not promising that it will be done in 1996-97. But it is my intention to do it over a period of two to three years.

डा. वाई लक्ष्मी प्रसाद: सभापति महोदय, सहकारी समितियों तथा क्षेत्रीय ग्रामीण बैंकों के अल्पकालीन ऋण के लिए नॉबार्ड से पुनः वित्त प्राप्त करने की सुविधा है। वाणिज्य बैंकों के लिए ऐसी कोई सुविधा उपलब्ध नहीं है। दुर्भाग्य की बात यह है कि हम सब किसानों के बारे में लंबे-लंबे भाषण देते हैं और अपनी तमाम प्रणालियों में भी किसान को अन्नदाता कह कर हम स्तुति करते हैं। लेकिन वह धन के लिए भटक-भटक रहा है। यह देश के लिए दुर्भाग्य की बात है। इसलिए मैं आपके माध्यम से मंत्री महोदय से यह पूछना चाहता हूँ कि जो उपलब्ध नॉबार्ड की, इसको पुनः वित्त प्राप्त जो ग्रामीण क्षेत्रों के सहकारी बैंकों को देते हैं, वह यह कमर्शियल बैंक्स को भी देने का क्या कोई प्लान आप के पास है?

SHRI P. CHIDAMBARAM: The question is regarding NABARD and I will require notice.

श्री मोहम्मद सलीम: सभापति जी, मंत्री महोदय ने फार्मर्स एक्सिस टू क्रेडिट यह बताया, मेरा सवाल है डाइरेक्टली और इंडाइरेक्टली प्रायरीटी सैक्टर का कंसैप्ट है इसलिए कि वीकर सैक्शंस, नीडी, पुअरजुं उसे यह कैसे क्रेडिट एक्सिस मिले, लेकिन जिस तरह से कार्पोरेट सैक्टर हमारे एग्रीकल्चर में उनका एंट्री पिछले कई वर्षों से हो रहा है और मंत्री महोदय फिगर से बता रहे हैं क्योंकि एग्रीकल्चर में जो फूलो है वह भी बढ़ रहा है। मेरा सवाल है कितना डाइरेक्टली टू द फार्मर्स यह क्रेडिट एक्सिस दिया गया है और कितना थ्रू दिस कार्पोरेट सैक्टर या कंपनीज इन्क्लूडिंग मल्टी-नेशनलज् पार्टिकुलरली आन्ध्र प्रदेश, जैसे मल्टी-नेशनलज् लाइक आईटीसी इंडियन टैबैको कंपनी, उनको भी एग्रीकल्चर सैक्टर का लोन मिलता है और उसके बाद वह देते हैं, क्या यह सच नहीं है कि उसके बाद वह फार्मर्स को मिलता है? तो फार्मर्स एक्सिस टू क्रेडिट कहाँ तक है? क्या ऐसा कोई डाटा आपके पास है, कितना डाइरेक्टली फार्मर्स को क्रेडिट दिया गया और कितना थ्रू कंपनीज, थ्रू कार्पोरेट सैक्टर? दूसरी बात यह है कि अगर यह डाटा नहीं है तो हमने यह एनपीए जब विचार कर रहे थे दूसरी जगह पर तो यह देखें कि बहुत से ऐसे कंपनी हैं जो एग्रीकल्चर सैक्टर में लोन ले करके और उनका नान प्रोफोमिंग एसेट कितना है? तो मंत्री महोदय क्या यह विचार करेंगे कि आप जिसको लोन देना चाह रहे हैं और फिगरज् में जिसको दिखा रहे हैं और लोन किसी और को मिल रहा है, इस बारे में तथ्य हमारे सदन में रखेंगे?

SHRI P. CHIDAMBARAM: Sir, I have the list of items which are included in different segments of the priority sector. These include direct finance to farmers for agricultural purposes, purchase of agricultural implements and machinery, development of irrigation potential through construction of shallow and deep tube wells, tanks, etc., reclamation and land development schemes, construction of bullock sheds and implement, 'sheds, construction and running of storage facilities, payment of irrigation charges, short-term loans for plantation and horticulture and medium and long-term loans for plantation and horticulture. It is quite possible - I don't have the figures now - that under loans to plantation and horticulture, some corporates may have received loans which have been counted as priority. I am not in a position to say 'Yes' or 'No' to it. I will find out if any corporate loans are covered under this 18 per cent target which we have fixed. But, apart from this plantation and horticulture, I don't think that any of the other items would be of interest to the corporates.

Interest waivers and loan reduction by nationalised banks

*442. **SHRI K. RAHMAN KHAN:** Will the Minister of FINANCE be pleased to state:

(a) the total amount of interest waivers and loan reduction given by the nationalised banks during the last three years, bank-wise; and

(b) out of which how many are due to the direction of BIFR?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) and (b) A statement is laid on the Table of the House.

Statement

(a) and (b) As per information furnished by Reserve Bank of India, total amount of interest waiver and loan reduction given by nationalised banks, as also the reduction on account of BIFR directions, for the last 3 years, bank-wise, is given in statement I to III.