

## CHAPTER - 24

### INSTITUTIONAL FINANCE

24.1 Planning in States, as also at the National level is an exercise of optimizing maximum gains with scarce resources. The financial resources being limited, they have to be utilized in such a manner that maximum gains could be derived from them. Apart from the resources of the State, resources from institutional financing agencies play a very important part in successful implementation of the plan programmes. At the State level, it has to be admitted that dovetailing of resources from institutional financing agencies with the plan programmes is basically a need based exercise. The State Government's endeavor has been towards ensuring that the impediments in faster growth of State's economy are removed so that there is greater private participation in the development process.

24.2 Credit through bank is an important source of investment and development in the State. Various credit-based programmes like Swarn Jayanti Shahari Rojgar Yojana. Prime Minister Rozgar Yojana and schemes for development of SC/ST and other poverty alleviation programme are being implemented for the development of the weaker sections of the society with the active involvement of banks. The banks, particularly, the Regional Rural Banks, have helped in execution of various rural development schemes by providing credit support and thus they are fulfilling the national objective of upliftment of the weaker sections living below the poverty line.

24.3 The comparative position of bank offices, their deposits and credits allowed in Rajasthan viz-a-viz at national level on June, 2007 is presented in the table given below: -

Table No. 24.1

S. No.	Item	RAJASTHAN		INDIA	
		March 2007	June 2007	March 2007	June 2007
1.	Regional Rural Banks				
	(a) No. of Offices	1010	1011	14422	14435
	(b) Deposits (Rs. in lakhs)	4962	5126	82058	80212
	(c) Credit (Rs. in lakhs)	3180	3215	48168	48484
2.	State Bank of India & its Associates & Nationalized Banks				
	(a) No. of Offices	2160	2178	49225	49814
	(b) Deposits (Rs. in lakhs)	43510	44533	1836420	1877717
	(c) Credit (Rs. in lakhs)	39082	39424	1377487	1351859
3	Foreign Banks				
	(a) No. of Offices	5	5	252	254

S. No.	Item	RAJASTHAN		INDIA	
		March 2007	June 2007	March 2007	June 2007
	(b) Deposits (Rs. in lakhs)	248	272	145933	157824
	(c) Credit (Rs. in lakhs)	294	291	127713	128813
4	Other Scheduled Commercial Banks				
	(a) No. of Offices	362	375	6812	6994
	(b) Deposits (Rs. in lakhs)	10253	10103	534411	567765
	(c) Credit (Rs. in lakhs)	6101	6475	396198	397543
5.	Total (All Scheduled Commercial Banks)				
	(a) No. of Offices	3537	3569	70711	71497
	(b) Deposits (Rs. in lakhs)	58973	60034	2598823	2683517
	(c) Credit (Rs. in lakhs)	48656	49405	1949567	1926699
	Credit Deposit Ratio	82.51	82.30	75.02	71.80

24.4 From the table it is evident that the credit deposit ratio for all scheduled commercial banks was 82.30% in Rajasthan and 71.80% at All India level as on June,2007 also the Credit Ratio of Regional Rural Banks was 62.72% in Rajasthan and 60.44% at all India level.

### **Financial Inclusion**

24.5 Financial Inclusion is the process of ensuring access of timely and adequate credit and financial services to disadvantaged group at on reasonable cost, with dignity and in time when people need them. More than 70% of rural households are yet to be brought under banking.

24.6 Reserve Bank of India has placed a lot of emphasis on financial inclusion. With a view to enhance financial inclusion, as a proactive measure, the RBI in its Annual Policy statement of the year 2005-06, urged banks to review their existing practices to align them with the objective of financial inclusion.

24.7 In the Mid Term Review of the Policy (2005-06), RBI advised banks to achieve greater financial inclusion, to make available a basic banking 'no frills' account either with 'NIL' or very minimum balances as well as charges that would make Banking channel accessible to vast sections of the population/society. The nature and number of transactions in such accounts would be restricted and made known to customers in advance in a transparent manner. All Banks have been urged to give wide publicity to the facility of such 'no frills' account, so as to ensure greater financial inclusion.

24.8 The financial inclusion project in the state of Rajasthan was launched on 25.08.2006 at Rajsamand with the following modalities.

- a) House hold survey for identification by the respective bank / branches is to be completed by 31<sup>st</sup> December 2006.

- b) Villages were allotted to the respective Bank branches as per their erstwhile service area approach.
- c) It was proposed to complete the task of 100% financial inclusion latest by 31.03.2007.
- d) To convene Block Level Bankers Committee (BLBC) Meeting up to 20<sup>th</sup> September 2006 by lead District Manager.

24.9 The highlights of the pilot project are as under:-

1. The project was co-ordinated by the Lead Bank Manager of SBBJ at Rajsamand.
2. Every Bank's branch was advised to submit weekly progress report to Lead District Office in the prescribed proforma through the coordinator of the participating banks.
3. Controlling authorities of the participating banks were advised to monitor the progress on monthly basis and visit the branches frequently.
4. Branches were advised to open No Frill Accounts as per Reserve Bank of India guidelines.
5. Minimum one account per household was the target as per the voter list.
6. Records of families who migrated to other places or refused to open the account have been prepared, duly authenticated by sarpanch/ government authorities.
7. The task was completed as scheduled with 100 percent coverage.

24.10 Bank of Baroda as part of their centenary celebration, had identified Dungarpur District for integrated development with 100% financial inclusion. Likewise other banks as indicated hereunder, have expressed desire to adopt few districts.

Table No. 24.2

Banks	District
Bank of Baroda	Dungarpur
Punjab National Bank	Dholpur
Oriental Bank of Commerce	Sriganganagar*
UCO Bank & Jaipur Thar Gramin Bank	Dausa
Central Bank of India	Jhalawar

❖ A minority-concentrated district of the state.

24.11 The concerned Banks will come out with the time bound plan indicating specific time-frames for implementation of different stages to achieve 100% financial inclusion in their respected area. The State Government is extending full cooperation for financial inclusion.

24.12 A meeting to discuss greater financial inclusion specially to BPL Families in the State has been convened in December 26, 2007 under the Chairmanship of Hon'ble Chief Minister which was attended by Deputy Governor, RBI, Senior Officials of the State Govt., leading banks and NABARD.

24.13 The Chief minister constituted a Financial Inclusion Task Force for Rajasthan (FITF) mandated with the task of making financial inclusion feasible in the coming month in Rajasthan. The Task Force shall be headed by Principal Secretary, Rural Development & Panchayati Raj and shall comprise of senior representatives of State Government, Reserve Bank of India, NABARD and leading commercial banks.

24.14 The Chief Minister called for increase efforts towards 100% financial inclusion in rural areas following the Rajasthan experience where 100% financial inclusion was achieved earlier in the year. Deputy Governor, RBI highlighted the importance RBI places on financial inclusion to ensure access to timely and adequate credit and financial services to disadvantaged groups at reasonable cost.

24.15 The state proposes to cover 21.42 lakhs BPL families under the policy of financial inclusion. The Bankers agreed to extend cooperation for opening No frills accounts either with nil or very minimum balances as well as non lien accounts with provision for Rs. 500 overdrafts, where IT enabled access will be assured.

### **Rural Infrastructure Development Fund (RIDF)**

24.16 In 1995-96, Government of India created a fund under the agency of NABARD as Rural Infrastructure Development Fund to provide loan assistance to the State Government for completing the rural infrastructure projects. The main aim of RIDF is to provide adequate resources for infrastructure projects to the State Government. The fund is to be utilized on capital formation in agriculture and rural sector by supporting infrastructure investment in rural roads, rural bridges, medium/minor irrigation works, soil conservation, flood protection, watershed development, drinking water, infrastructure for rural education, plantation, horticulture, etc.

24.17 In Rajasthan under RIDF I to XI up to 2005-06, 16668 projects have been sanctioned with a total loan assistance of Rs.2767.94 crores against which total reimbursement is of Rs.1779.67 crores. During 2006-07, 2772 projects of irrigation, rural roads, rural drinking water supply and infrastructure in schools costing Rs.1209.67 crores with the loan amount of Rs.767.00 crores have been sanctioned under RIDF XII. During 2007-08 (up to December, 07) 777 projects of irrigation, rural roads, rural drinking water supply and infrastructure in school costing Rs.777.93 crores as loan amount have been sanctioned under RIDF XIII.

24.18 Position of projects/ loan sanctioned under RIDF VIII to XIII is as under:-

Table No. 24.3

(Rs. in Crores)

S.No.	RIDF Tranches	Year of Sanction	No. of Project sanctioned	Loan amount sanctioned
1	VIII	2002-03	2230	346.75
2	IX	2003-04	3	140.27
3	X	2004-05	2953	356.26
4	XI	2005-06	3317	605.13
5	XII	2006-07	2772	767.00
6	XIII	2007-08	777	777.93

24.19 Year wise reimbursement received on RIDF project is as under:-

Table No. 24.4

(Rs. in Crores)

Year	Amount Reimbursed
2002-03	293.40
2003-04	178.55
2004-05	163.93
2005-06	315.42
2006-07	350.75
2007-08 (Up to November, 2007)	203.50

24.20 Povision for 2007-08 for RIDF project is as under:-

Table No. 24.5

(Rs. is Crores)

S. No.	Department	Budgeted outlay 2007-08	Additional Authorization during 2007-08	Total provision for 2007-08
1.	Water Resources	216.15	20.68	236.83
2.	PWD	280.13	119.75	399.88
3.	PHED	16.01	200.00	216.01
4.	Education	30.00	-	30.00
5	Total	<b>542.29</b>	<b>340.43</b>	<b>882.72</b>

## **Constitution of Sub-group of SLBC for Government Sponsored Programmes**

24.21 A sub group of State level Banking Committee (SLBC) has been constituted for improving performance under Government Sponsored Programmes under the Chairmanship of the Secretary Plan. Concerning head of the department of the government sponsored programmes , General Manager Bank of Baroda, Dy. General Manager (RPCD) Reserve Bank of India, Asstt. Vice President II The Bank of Rajasthan Ltd. Jaipur & Chairman Thar Gramin Bank Jaipur are its members and Deputy General Manager (PS & RRBs ) SBBJ is its member Secretary.

24.22 The sub group is envisaged to provide coordination support to SLBC for effective implementations of Government Sponsored Programmes with following terms of reference:-

1. To monitor the performance under various Government Sponsored Programmes.
2. To ensure that bottlenecks are properly identified and suitable measures are put in place to overcome them.
3. To ensure that applications are sponsored timely and in accordance with the stipulated norms of Reserve Bank of India.
4. To evolve a mechanism for implementation of these schemes in a phased manner so that last minute rush at the fag end can be avoided and proportionate performance can be achieved in each quarter.