

CHAPTER 30

INSTITUTIONAL FINANCE

30.1 New economic policy and reforms process has effected all segments of the economy. The reforms include major policy changes such as delicensing of large number of industries, opening of various sectors for private investment and changes in export import regime. The State Government is required to play a major role in catalysing investment in diverse areas. The State Government's endeavour 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. Despite various policy initiatives taken by the State Government for facilitating the flow of credit, the support of financial institutions has been found to be sub-optimal.

30.2 With the liberalised economic scenario, the financial institutions have vital role to play in accelerating pace of development and for providing resources for generating additional economic activity as an additional support to the plan investment. Rising expectations cannot be met with meager resources of the State alone and that among others, the flow of institutional finance and credit needs to be harnessed effectively. Position of credit available from the financial institutions during the Ninth Five Year Plan has been given in brief as under :-

Flow of credit from the Commercial Banks; position during Ninth Five Year Plan and efforts made for improving the same

30.3 The Commercial Banks have extended credit to the priority sector, particularly under the Government sponsored credit based schemes. However, the credit deposit ratio, has shown a declining trend during the last 20 years. Deposits mobilised by the banks in Rajasthan were far larger compared to the credit advanced. In view of the relative backwardness of Rajasthan, the RBI set up a Task Force to identify the causes of low C.D. Ratio and to recommend remedial measures. Despite the suggestions made by the RBI the flow of credit from the Commercial Banks have not been upto the desired extent. For example as on September, 2001 Bank credit provided was Rs.12430.55 crores which was 2.26% of the total credit provided in the country.

30.4 This was despite regular efforts and constant pursuation with the Commercial Banks and the RBI at the State level. The present CDR of the Commercial Banks is 46.18% in September, 2001 which should be 60% as per RBI stipulations.

Flow of credit from the All India Financial Institutions

30.5 Rajasthan has 10% of the total land mass of the country and 5.5% of the total population of the country. However the State has not been able to avail the financial assistance from the All India Financial Institutions like LIC, IDBI, IFCI etc. to the desired extent. Financial assistance availed by the State during the last 5 years was as low as about 4% of the total financial assistance provided by them in the country. The quantum of assistance needs to be enhanced keeping in view the liberalised economic scenario, ample investment opportunities and new policy

initiatives taken by the State Government

Regional Rural Banks and NABARD Refinance

30.6 Regional Rural Banks have shown a steady growth in total deposits from Rs.1031.52 crores in March, 1997 to Rs. 2481.46 crores in Sept. 2001. The RRBs have also achieved better growth rate under advances portfolio. The advances have increased from 418.08 crores in March,1997 to 980.78 crores in Sept, 2001. However, the CD ratio of RRBs is also reflecting downward trend which declined from 40.53% in March, 97 to 39.52% in Sept., 2001. It is expected that the restructuring programme being implemented by the Government of India for RRBs will improve their financial health as well as the working performance.

30.7 Besides RRBs, NABARD is also catering to the requirements of Rural credit by providing adequate refinance support for production credit, crop loans as well as for term loans. During Ninth Five Year Plan NABARD provided financial support for production credit for crop loan as well as term loans (MT & LT). Against ground level flow of credit under farm and non-farm sectors.

30.8 Being predominantly an agrarian State, more flow of credit is required for production and investment purposes under Agriculture and non-farm sector activities.

Rural Infrastructure Development Fund

30.9 Government of India has also created a fund under the aegis of NABARD as Rural Infrastructure Development Fund to provide loan assistance to the State Governments for completing the ongoing rural infrastructure projects. The main aim is to provide financial assistance for completing the rural infrastructure projects. During Ninth Five Year Plan 264 projects under RIDF Phase III, 47 projects under RIDF phase IV, 512 projects under RIDF phase V and 5640 projects under RIDF phase VI were got sanctioned from NABARD for providing financial assistance of Rs. 11150.88 lakh, Rs. 1512.94 lakh, Rs. 5357.70 lakh, Rs. 9211.93 lakh respectively as on December 2000. NABARD has also sanctioned Rs. 19585.72 lakh for 829 projects under RIDF phase VII.

Perspective For The Tenth Five Year Plan

Requirement of credit from the banking community

30.10 The State Government has prepared an ambitious Tenth Five Year Plan of Rs.31831.75 crores which will open more avenues of investment under all the sectors of the economy. All possible measures have been taken to ensure that the impediments in faster growth of the State's economy are removed. Satisfactory implementation of the Ninth Five Year Plan has manifested State's ability to usher in a path of faster development. The banks are also required to contribute to this effort by increasing the flow of credit for generating additional economic activity in the State as an additional support to plan investment.

30.11 Keeping in view the investment of Rs.31831.75 crores during Tenth Five Year Plan, the credit flow of about Rs.60480 crores would be required during this period as bank credit to reduce the gap in the per capita income in the State and national level and to push the State's economy on the path of self sustained

economic growth.

Requirement of funds from the All India Financial Institutions

30.12 As already stated that the financial assistance availed by the State from the All India Financial Institutions was much below the desired level previous Plan period. During the Ninth Five Year Plan it was ranging about 4% of the total financial assistance provided by them in the country.

Strategy for more flow of credit during Tenth Five Year Plan

- Reinforcement and strengthening of banking network.
- Support to rural and semi-urban employment generation by providing more credit for generating economic activity.
- To achieve the target of 60% CD Ratio by the banks by providing credit in potential areas.
- Promotion of agro-based industries.
- More crop loans, production and investment credit under Agriculture and non-farm sector activities by NABARD, Commercial Banks and Cooperative Credit Institutions.
- More credit for service sector activities.
- More credit for housing activities.
- Sufficient flow of credit to meet the working capital requirements of SSI and industrial units.
- More credit for export-oriented industries.
- More credit for infrastructure development activities like Power, MI Works, Roads, Bridges and Bye-passes etc.
- More credit for development of tourism, women's development, wool processing, expansion of medical facilities, leather based industries, dairy development, breed improvement and for poverty alleviation schemes.
- Preparation of bankable projects by the departments for reducing dependence on budgetary resources.

30.13 The Tenth Five Year Plan aims at faster growth, reduction in poverty and regional disparities, generation of larger employment opportunities, provision of basic minimum facilities and greater people's involvement. The pace of development will have to be further accelerated to reduce gap in the levels of development in the State vis-a-vis the national averages for which required mobilisation of credit has to be ensured as an additional support to plan investment.