

CHAPTER - 30

INSTITUTIONAL FINANCE

30.1 Planning in States, as also at the national level is an exercise of optimising maximum gains with scarce resources. The financial resources being limited, they have to be utilised 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.

30.2 With the liberalised economic scenario, the financial institutions have a 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.

30.3 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.

30.4 The comparative position of bank offices, their deposits and credits allowed in Rajasthan viz-a-viz at national level on March, 2002 and June, 2006 is presented in the table given below: -

S. No.	Item	Rajasthan		India	
		March 2002	June 2006	March 2002	June 2006
1.	Regional Rural Banks				
	(a) No. of Offices	1040	1007	14486	14369
	(b) Deposits (Rs. in lakhs)	272644	444400	4432781	6983200
	(c) Credit (Rs. in lakhs)	114024	251500	1858697	3982000

S. No.	Item	Rajasthan		India	
		March 2002	June 2006	March 2002	June 2006
2.	State Bank of India & its Associates & Nationalized Banks				
(A)	(a) No. of Offices	2026	2110	46316	47950
	(b) Deposits (Rs. in lakhs)	2470702	3863700	84675995	155040300
	(c) Credit (Rs. in lakhs)	1265015	3216200	49542898	109303800
(B)	Foreign Banks				
	(a) No. of Offices	01	03	184	242
	(b) Deposits (Rs. in lakhs)	2191	20400	5605561	11835800
	(c) Credit (Rs. in lakhs)	52	16900	4973145	10698800
3.	Other Scheduled Commercial Banks				
	(a) No. of Offices	262	321	5290	6543
	(b) Deposits (Rs. in lakhs)	378530	754800	14990543	43348300
	(c) Credit (Rs. in lakhs)	148713	430100	11984328	31609000
4.	Total (All Scheduled Commercial Banks)				
	(a) No. of Offices	3329	3441	66276	69104
	(b) Deposits (Rs. in lakhs)	3124067	5083300	10970488 1	217207600
	(c) Credit (Rs. in lakhs)	1527805	3914700	68359069	155593600
	Credit Deposit Ratio	48.90	77.01	62.31	71.63

30.5 From the table it is evident that deposits and credits have increased in the state during 2006, (up to June 2006) over the period March, 2002 by 62.71% and 156.23% respectively while the corresponding increase at all India level is 97.99% and 127.61%. The credit deposit ratio in June, 2006 for Rajasthan and all India level was 77.01% and 71.63% respectively whereas during March 2002 the credit deposit ratio for Rajasthan and all India level was 48.90% and 62.31% respectively. It shows that credit deposit ratio was comparatively more at all India level during March 2002 in comparison of the State while during June, 2006 credit deposit ratio is more for Rajasthan in comparison to all India level. Also bank credit provided to state on March 2002 against all India level was 2.23% while it was 2.52% as on June, 2006.

Regional Rural Banks and NABARD Refinance

30.6 It also transpires from the above table that total deposit and credit in the state have increased during 2006 (up to June 2006) over the March 2002 by 62.99% and 120.57% respectively, while the increase on deposit and credit at all India level as on June 2006 over March 2002 is respectively 57.54% and 114.24%.

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 Tenth Plan, NABARD provided financial support for production credit for crop loan as well as term loans (MT & LT,) non-farm sector and other priority sector.

30.8 The total loan disbursed by Commercial Banks, State Cooperative Banks/ Central Cooperative Banks, SCARDB, Regional Rural Banks and Other Agencies are as under: -

(Rs. in lakhs)

S. No.	Purpose	2002-03	2003-04	2004-05
1.	Crop Loan	202548.96	231526.64	395433.42
2.	Term Loan (MT+LT)	72232.01	63434.40	104656.79
3.	Total Agriculture Credit (1+2)	274780.97	294961.04	500090.21
4.	Non-farm Sector	51354.5	74637.72	101131.97
5.	Other Priority Sector	137559.67	186597.38	226953.43
	Grand Total (3+4+5)	463695.14	556196.14	828175.61

Flow of credit from the All India Financial Institutions

30.9 Rajasthan has 10% of the total landmass of the country and 5.5% of the total population of the country. The loan assistance availed by the state from LIC, NCDC and NABARD during the period 2002-03 to 2006-07 (up to November 06) is Rs. 207924.87 lakhs.

Rural Infrastructure Development Fund (RIDF)

30.10 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.

30.11 The corpus fund of RIDF has increased over the years from Rs. 2000 crores in 1995-96 to Rs. 10000 crores in 2006-07.

30.12 In Rajasthan, NABARD has sanctioned loan assistance for irrigation, flood protection, rural road and bridges, rural drinking water supply, CAD projects, village knowledge centers and infrastructure for rural education institutions. Under RIDF I to XI up to 2005-06, 16668 projects have been sanctioned, with the total loan assistance of Rs. 2767.94 crores. The total reimbursement from NABARD is Rs. 1779.67 crores, under RIDF I to XI up to 31-03-06. 10,000 projects have been completed during this period. During 2006-07, RIDF XII has been started and up to December 2006, 2394 projects of irrigation, rural roads and infrastructure in schools costings Rs.964.76 crores with the loan amount of Rs. 568.13 crores have been sanctioned. During 2006-07, 1386 projects have been completed up to December, 2006.

30.13 Projects/loan sanctioned under RIDF VIII to XII during Tenth Plan are as under: -

(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	2394	568.13
		Total	10897	2016.54

30.14 Year wise reimbursement received during Tenth Plan on RIDF project is as under :-

(Rs. In Crores)

Year	Amount Reimbursed
2002-03	296.40
2003-04	178.55
2004-05	163.93
2005-06	315.42
2006-07 (up to November 06)	183.09
Total	1137.39

30.15 It is expected that in the Eleventh Plan period Rs. 500.00 crores per year will be received from NABARD under RIDF projects.

Strategy for more flow of credit during Eleventh Five Year Plan

30.16 An amount of Rs. 68422.16 crores for Eleventh Plan and Rs. 11568.86 crores for Annual Plan has been proposed. But in order to fulfill the aspiration of the people, this amount is not sufficient. Therefore the financial institutions have to play important role in accelerating the pace of development and to bridge the various socio-economic gaps in the society. For more flow of credit during Eleventh Plan following strategy needs to be adopted.

- Reinforcement and strengthening of banking network.
- Support to rural and semi-urban employment generation by providing more credit for generating economic activity.
- 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 Institution.
- 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.