

CHAPTER – 9

INSTITUTIONAL FINANCE

9.1 The State Government is implementing Five Year Plans and Annual Plans for the socio-economic development of the State in general and weaker sections in particular. Efforts are being made to mobilise maximum resources for development. Planning in States, as also at the National level is an exercise of optimizing maximum gains with scarce resources. Financial resources being limited, 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 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.

9.2 The financial institutions are playing an important role in economic development by mobilization of deposits and credit disbursement to various sectors. The Government has increasingly begun to tap institutional finance from banks and other term lending institutions for financing various developmental programmes in the State in view of the need to supplement plan financing. However, credit should be utilized in prudent manner to maximize returns and spread the benefit over a wider section of the population.

9.3 Credit through bank is an important source of investment and development in the State. Various credit-based programmes like Swarn Jayanti Gram Swarozgar Yojana, Swarn Jayanti Shahari Rojgar Yojana, Prime Minister Employment Generation Programme and schemes for development of SC/ST and other poverty alleviation programmes are being implemented for the development of the weaker sections of the society with the active involvement of banks. The banks including 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 enlistment of the weaker sections living below the poverty line.

9.4 The comparative data of bank offices, their deposits and credits in Rajasthan vis-a-vis at national level as on March 2007 and June 2011 is presented in the table given below:

Table No. 9.1

S. No.	Item	RAJASTHAN		INDIA	
		March 07	June 11	March 07	June 11
1.	Regional Rural Banks				
	(a) No. of Offices	1010	1048	14422	15698
	(b) Deposits (Rs. in Crore)	4962	9548	82058	158568
	(c) Credit (Rs. in Crore)	3180	6845	48168	97806
2.	SBI & its Associates				
	(a) No. of Offices	880	1093	14001	18050
	(b) Deposits (Rs. in Crore)	19801	47188	578382	1184663
	(c) Credit (Rs. in Crore))	15771	29589	452221	907548
3	Nationalized Banks				
	(a) No. of Offices	1280	1706	35224	44557
	(b) Deposits (Rs. in Crore)	23709	52590	1258038	2830080
	(c) Credit (Rs. in Crore))	23311	66617	925266	2089107
4	Foreign Banks				
	(a) No. of Offices	5	6	252	300
	[b) Deposits (Rs. in Crore)	248	439	145933	244158
	(c) Credit (Rs. in Crore)	294	652	127713	207332
5	Other Scheduled Commercial Banks				
	(a) No. of Offices	362	561	6812	11542
	(b) Deposits (Rs. in Crore)	10253	18372	534411	953199
	(c) Credit (Rs. in Crore)	6101	12595	396198	736518
	Total (All Scheduled Commercial Banks)				
	(a) No. of Offices	3537	4414	70711	90147
	(b) Deposits (Rs. in Crore)	58973	128138	2598823	5370669
	(c) Credit (Rs. in Crore)	48656	116297	1949567	4038310
	Credit Deposit Ratio (%)	82.51	90.76	75.02	75.19

9.5 It is evident from the above table that that deposits and credits have increased in the State up to June, 2011 over the period March, 2007 by 117.28 % and 139.02 % respectively while the corresponding increase at all India level is 106.66 % and 107.14 %. The credit deposit

ratio in June, 2011 for Rajasthan and all India level was 90.76 % and 75.19 % respectively whereas during March, 2007 the credit deposit ratio for Rajasthan and all India level was 82.51 % and 75.02 % respectively. It shows that credit deposit ratio was comparatively more for Rajasthan during March, 2007 and June, 2011 in comparison to all India level. Also, bank credit provided to the State on March, 2007 against all India level was 2.50 % while it was 2.88 % as on June, 2011.

Regional Rural Banks (RRBs) and NABARD Refinance

9.6 It also transpires from the above table that total deposit and credit in the RRBs of the State have increased during 2011 (upto June, 2011) over the March, 2007 by 92.42 % and 115.25 % respectively, while the increase on deposit and credit at all India level as on June, 2011 over March, 2007 is respectively 93.24 % and 103.05 %.

9.7 Beside 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 the Eleventh Plan, NABARD provided financial support for production credit for crop loan as well as term loans, non-farm sector and other priority sector.

9.8 The total loan disbursed by Commercial Banks, State Cooperative Banks/Central Cooperative Banks, State Co-operative Agriculture and Rural Development Bank (SCARDB), Regional Rural Banks and Other Agencies are as under: -

Table No. 9.2

(Rs. in crore)

S. No.	Purpose	2007-08	2008-09	2009-10	2010-11
1.	Crop Loan	8910.62	9693.66	12666.04	17859.82
2.	Agriculture & allied term loan	2823.94	2862.21	4387.96	4353.86
3.	Total Agriculture Credit (1+2)	11734.56	12555.88	17054.00	22213.68
4.	Non-farm Sector	2053.79	2611.76	4699.80	4790.02
5.	Other Priority Sector	3355.11	4302.18	5231.02	5224.63
Grand Total (3+4+5)		17143.45	19469.83	26984.82	32228.33

Flow of credit from the All India Financial Institutions

9.9 The loan assistance availed by the State from National Co-operative Development Corporation (NCDL) and NABARD during the period 2007-08 to 2011-12 (up to December, 2011) is Rs. 3792.81 crore.

Rural Infrastructure Development Fund (RIDF)

9.10 NABARD has been providing loan assistance to State Government through the Rural Infrastructure Development Fund for completing the rural infrastructure projects since 1995-96. The fund is being utilized on

capital formation in agriculture and rural sector by supporting infrastructure investment in rural roads, rural bridges, medium/minor irrigation works, information technology, Aaganwaris, flood management, watershed development, drinking water, infrastructure for rural education, plantation, etc.

9.11 The corpus fund of RIDF has increased over the years from Rs. 2,000 crore in 1995-96 to Rs. 18,000 crore in 2011-12 of which Rs. 2,000 crore is exclusively for creation of warehousing facilities.

9.12 In Rajasthan, 27444 projects under RIDF tranches I to XVII up to December, 2011 have been sanctioned with a total loan assistance of Rs. 8712.23 crore, against which total reimbursement of Rs. 5704.65 crore has been claimed upto 31st December, 2011. During 2011-12 (up to December, 2011), 1276 projects of rural roads, Water Harvesting Structure (WHS) and rural drinking water supply costing Rs. 2141.90 crore with the loan amount of Rs. 1000.17 crore have been sanctioned under RIDF XVII.

9.13 Position of projects and loan sanctioned by NABARD under RIDF XIII to XVII (up to December, 2011) during Eleventh Plan is as under:-

Table No. 9.3

(Rs. in crore)

S. No.	RIDF Tranches	Year of Sanction	No. of Project sanctioned	Loan amount sanctioned
1	XIII	2007-08	2402	824.97
2	XIV	2008-09	957	1099.71
3	XV	2009-10	1752	1015.39
4	XVI	2010-11	2670	1300.24
5	XVII	2011-12 (Up to Dec., 11)	1276	1000.17
Total			9057	5240.48

9.14 Year-wise reimbursement received during Eleventh Plan on RIDF project is as under:-

Table No. 9.4

(Rs. in crore)

Year	Amount Reimbursed
2007-08	500.00
2008-09	700.00
2009-10	850.00
2010-11	1000.00
2011-12 (Up to Dec., 11)	507.25
Total	3557.25

9.15 It is expected that in the Twelfth Plan period Rs. 1500 crore per year will be received from NABARD under RIDF projects.

Strategy for more flow of credit during Twelfth Five Year Plan

9.16 An amount of Rs. 194283.44 crore for Twelfth Plan (2012-17) and Rs. 33128 crore for Annual Plan (2012-13) is proposed. In order to fulfill the aspiration of the people along with the government spending, financial institutions have also 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 Twelfth 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.