

made more remunerative through the new dry land technologies and the development of infrastructure.

Traditional water harvesting structures such as tanks have become virtually defunct. The Government has announced a scheme to repair, renovate and restore all the water bodies that are directly linked to agriculture. This is important as many small and marginal farmers benefit from the programme.

5. Agricultural Credit: The nationalization of banks in 1969 and subsequent development led to expansion of the geographical and functional reach by commercial banks, regional rural banks (RRBs) and co-operative credit institutions. Public policy is aimed at 'social' and 'development banking' in the form of meeting rural credit needs and reducing the role of informal sector credit.

It is being increasingly recognized that addressing credit expansion requires a holistic approach addressing both, supply and demand side aspects. Although there has been significant expansion in banking in the last few decades, there are many supply side problems for commercial banks, RRBs and co-operative banks. Some of the criticisms on the trends in rural credit are

- a. narrowing of the branch network in rural areas
- b. fall in credit-deposit ratios in rural areas
- c. disproportionate decline in agriculture credit to small and marginal farmers
- d. worsening of regional inequalities in rural banking
- e. crippling RRBs – political interference including loan waiver and write offs resulting in unavailability and sickness in some of the formal rural credit institutions.
 - Kisan Credit Scheme aimed at providing adequate and timely support to the farmers from the banking system in a flexible and cost-effective manner, does not seem to be working well because of various restrictions.
 - The main problem has been that the focus is on meeting the quantitative targets and the government is not taking initiatives on the distributional issues such as regional disparities and access to credit by small and marginal farmers.
 - On demand side, some of the constraining factors for credit in rural and urban areas are low productivity and risk and vulnerability of small and marginal farmers, low skill and poor market linkages for rural non farm and urban workers, vulnerability to risk for rural landless and urban poor, inadequate awareness, and low financial literacy. Ultimately, the credit expansion programme is successful only if the productivity of the small and marginal farmers improves.

6. Research and Extension : It is known that India spends only 0.5 percent of GDP on agricultural research as compared to more than 1 percent by other developing countries. A review of the research and development activities of the Indian Council of Agricultural Research (ICAR) system revealed several weaknesses. Some of these are

- a. there is inadequate emphasis on the needs of rainfed areas, which account for over 60 percent of cultivated area
- b. crop bias with major focus on rice and wheat
- c. proliferation of programmes resulting in resources being spread thinly and lack of focus in areas of relevance and opportunity