

**GOVERNMENT OF INDIA
AGRICULTURE
LOK SABHA**

UNSTARRED QUESTION NO:3730
ANSWERED ON:16.08.2001
INSTITUTIONAL CREDIT TO SMALL AND MARGINAL FARMERS
PRABHUNATH SINGH;RAGHUNATH JHA

Will the Minister of AGRICULTURE be pleased to state:

- (a) whether the Government are aware that due to lack of adequate institutional credit to small and marginal farmers, they are driven to borrow funds at a very high rate from usuries which in turn results in debt trap for small and marginal farmers;
- (b) if so, whether some farmers in the country had committed suicide in the past for not being able to repay the loans; and
- (c) if so, the steps proposed to be taken to institutionalise the credit system to ensure easy, adequate and timely availability of funds to the farmers?

Answer

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE (SHRI SHRIPAD Y. NAIK)

- (a): Yes, Sir.
- (b): Yes, Sir. Some such incidents have been reported from some parts of the country.
- (c): With a view to providing timely and adequate credit to the farmers, various measures/initiatives have been taken for strengthening the institutional credit system in the agricultural and allied sector. These include the following:
 - (i). Banks should not insist on margin money for crop loans term loans granted to farmers upto Rs.10,000/-
 - (ii). Banks should not insist upon collateral security/third party guarantee for crop loans upto Rs.10,000/- Hypothecation of crops can be taken as security.
 - (iii). As regards loans above Rs.10,000/- banks have discretion in the matters relating to margin security.
 - (iv). Payment of interest should be insisted upon only at the time of repayment of loan/instalments fixed.
 - (v). Banks should not compound interest on current dues in respect of long duration crop loans and instalments not falling due in respect term loans.
 - (vi). Total interest debited to the account of small and marginal farmers should not exceed the principal amount in respect of short-term advances.