

**GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA**

STARRED QUESTION NO:165
ANSWERED ON:29.11.2002
CREDIT LIMIT FOR AGRICULTURAL SECTOR
AMBATI BRAHMANIAH

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

- (a) whether RBI has enhanced credit limits for some segments of the agricultural sector;
- (b) if so, the details thereof;
- (c) whether RBI has also enhanced the credit limit to dealers of sprinkler systems/drip irrigation systems all over the country;
- (d) if so, the impact of the increased credit limits to such segments of the agricultural sector;
- (e) whether loans will be given to this priority sector at a lower rate; and
- (f) the other steps taken by RBI to provide easy credit to the sprinkler irrigation system in the country?

Answer

THE MINISTER OF FINANCE AND COMPANY AFFAIRS (SHRI JASWANT SINGH):

(a) to (f) A Statement is placed on the Table of the House.

Statement

(a) to (c) Reserve Bank of India (RBI) has reported that it has enhanced credit limits for some segments of the agricultural sector. The Details are given below:

(i) Ceiling of loans granted for financing distribution of inputs for the allied activities such as cattle feed, poultry fee, etc. has been raised from Rs. 15 lakh to Rs. 25 lakh for inclusion under priority sector as indirect finance to agriculture;

(ii) In order to further improve credit delivery to the priority sector, particularly to agriculture, and help the farmers in marketing their products, the credit limit to farmers against pledge/hypothecation of agricultural produce (including warehouse receipts) has been increased to Rs. 5 lakh (from Rs. 1 lakh) for inclusion under priority sector as direct finance to agriculture. The repayment schedule for such credit has also been enhanced to `not exceeding twelve months` (from six months);

(iii) The limit on advances granted to dealers in drip irrigation/sprinkler irrigation system/agricultural machinery, located in rural/semi-urban areas has been increased from Rs. 10 lakh to Rs. 20 lakh under priority sector lending for agriculture.

(d) RBI has reported that as the limits have only recently been raised, the impact of the measure on overall credit to agriculture would be known only later. However, the outstanding agricultural advances of public sector banks has increased from Rs. 53,685 crore as at the end of March 2001 to Rs. 63,083 crore in March 2002.

(e) and (f) As further reported by RBI, the interest rates charged by banks are governed by its directives. Effective April 1998, it has been stipulated that the lending rates for credit limits upto Rs. 2 lakh should not exceed the prime lending rate (PLR). The banks are free to determine the interest rates for loans above Rs. 2 lakhs.