

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

UNSTARRED QUESTION NO:663  
ANSWERED ON:21.02.2003  
INTEREST RATES ON AGRICULTURAL LOANS  
BIKRAM SARKAR

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

(a) whether agriculture being a priority sector, the rate of interest for agricultural loans are higher as compared to interest rate of other sectors of economy; and

(b) if so, the steps being taken to reduce the rate of interest in agriculture sector to reasonable and affordable level and also to simplify the procedure of lending to the farmer to make agriculture credit easily available?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL):

(a) and (b) Currently the lending rates have been deregulated and the banks are free to set their Prime Lending Rates (PLR), which would be minimum rate charged by banks for credit limits over Rs. 2 lakhs. Effective from April 29, 1998, it has been stipulated that the lending rates for credit limits of Rs. 2 lacs and below should not exceed the PLR. A substantial portion of the agriculture credit accounts will be covered under credit limits up to Rs. 2 lacs. RBI has taken several steps to simplify the procedure for lending to agriculture in pursuance to the recommendations made by High Level (R.V. Gupta) Committee on agricultural credit through commercial banks. Banks were advised to implement its recommendations regarding simplification of procedures/forms in respect of applications, agreements, etc. rationalization of internal returns of banks, delegation of more powers to branch managers, introduction of composite cash credit limit to agriculturists, introduction of new loan products with savings components, cash disbursement of loans dispensation of 'No Dues Certificate' discretion to banks on matters relating to margin/security requirements for agricultural loans above Rs. 10,000/- etc. These measures are expected to facilitate easy access to credit by farmers from banks, quicken the pace of flow of credit to agriculture sector. In addition RBI has also advised banks to take several steps like formulating Special Agricultural Credit Plans (SACPs) by public sector banks, opening of Specialised Agricultural Finance Branches, introduction of Kisan Credit Cards (KCCs) and issue of KCCs against specific targets issued every year assistance to States under Rural Infrastructure Development Fund (RIDF) maintained with National Bank for Agriculture and Rural Development (NABARD), introduction of microcredit delivery system etc.