

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2603
ANSWERED ON:08.08.2003
NABARD LENDING TO DISTRICT COOPERATIVE BANKS
AMBATI BRAHMANAIAH

Will the Minister of FINANCE be pleased to state:

- (a) whether National Bank for Agricultural and Rural Development is considering a proposal to extend direct refinance to district cooperative banks;
- (b) if so, the present system followed by NABARD with regard to re-financing credit extended to farmers;
- (c) to what extent direct re-finance by NABARD to district cooperative banks is likely to help the farmers; and
- (d) the service charges and other expenses likely to be taken by NABARD thereon?

Answer

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

- (a) A proposal is under consideration to amend the National Bank for Agriculture and Rural Development (NABARD) Act, 1981 to enable NABARD to provide refinance to District Central Co-operative Banks (DCCBs) directly.
- (b) Under the existing system, NABARD provides refinance to State Co-operative Banks (SCBs) which is routed to through DCCBs and Primary Agricultural Credit Societies (PACS) to the farmers.
- (c) in the existing arrangement NABARD's refinance funds passes through several tiers of the cooperative system, and at each of these tiers transaction costs get added which ultimately have to be borne by the farmers. Direct refinance by NABARD to DCCBs is, therefore, expected to bring down the interest rates charged on crop loans by the PACS.
- (d) The details of the interest to be charged will be finalised after the amendment of the NABARD Act.