

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3896
ANSWERED ON:22.08.2003
LENDING RATE FOR AGRICULTURE
RAMA PILOT

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government propose to have a separate agriculture lending rate on the pattern of prime lending rate available to certain other categories in order to increase investment in agriculture sector;
- (b) if so, the details thereof; and
- (c) the fresh steps taken by the Government to provide adequate capital to farmers at reasonable rate of interest so that productivity of our agricultural holdings can increase to the level of developed countries?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRIANANDRAO V. ADSUL)

(a), (b) & (c): As per the extant guidelines of the Reserve Bank of India (RBI), commercial banks announce a single Prime Lending Rate (PLR) incorporating all cost elements and reasonable profit margin to serve as a benchmark for lending rate. The interest rate on individual borrowers/sectors would be fixed linked to PLR taking into account risk premia, etc. Consequent on the statement made while presenting Union Budget on 28 February, 2003 regarding the need for passing on the benefits of lower rates of interest to agriculture, the Indian Banks' Association (IBA) has advised all its member banks on 5 March, 2003 to take appropriate action in the matter of introduction of interest rate band of 2% above and below its PLR for secured advances. Subsequently the IBA on 12.7.2003 advised all public sector banks that the rate of interest on crop loans upto Rs.50,000/- should not exceed 9%.