

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2458  
ANSWERED ON:10.03.2000  
COMPOUND INTEREST ON AGRICULTURAL LOAN  
SHRIPAD YESSO NAIK

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Government propose to abolish the system of charging compound interest on agricultural loan;
- (b) if so, the details thereof; and
- (c) the time by which the final decision is likely to be taken in this regard?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATEIL):

(a) to (c) Policy guidelines for charging interest on loans to agriculture are laid down by Reserve Bank of India (RBI). As per the extant guidelines of RBI, the scheduled commercial banks are advised to charge simple interest on loans to agriculture and compound interest only when it is not repaid to the bank on due date which is the date fixed taking into consideration the fluidity with borrower and harvesting/marketing season.