

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4843

ANSWERED ON:24.08.2001

INTEREST RATES ON FARMERS LOAN

GOWDAR MALLIKARJUNAPPA;IQBAL AHMED SARADGI;RADHIKA RANJAN PRAMANIK;SURESH KURUP

Will the Minister of FINANCE be pleased to state:

- (a) whether the State Governments of Karnataka and Chhattisgarh have demanded waiver of interest on farmers loans;
- (b) if so, whether some other States have also demanded that the Union Government should waive the loans of farmers where drought and floods have occurred;
- (c) whether any final decision has been considered by the Union Government in this regard; and
- (d) if so, to what extent the Government are considering to provide help and assistance or increase the period of recovery of loans?

Answer

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

(a) and (b) No, Sir.

(c) Does not arise in view of above.

(d) Reserve Bank of India (RBI) had issued standing guidelines to banks in August 1984 to be followed by them for providing relief in areas affected by natural calamities such as floods, droughts, cyclones, etc. without waiting for instructions from RBI each time. These guidelines have been issued to enable banks to take uniform and concerted action expeditiously, particularly to provide the financial assistance to agriculturists, small-scale industrial units, artisans, small business and trading establishments affected by natural calamities. These guidelines envisage, inter-alia, conversion of short-term production loans into medium-term loans; rescheduling/postponement of existing term loan instalments; provision of additional need-based crop loans/working capital, relaxation in security and margin norms, etc. These guidelines were further modified in June 1998 with a view to allow more discretion to banks to decide upon the quantum of relief assistance to be provided to the affected farmers. The modified guidelines, inter-alia, permit banks to convert/reschedule loans from 3 to 9 years depending upon the successive crop failure/ intensity of damage to crops; grant fresh crop loans to affected farmers; convert principal as well as interest due on the existing loans; grant consumption loans; not to treat portion of converted/ rescheduled loans as Non-Performing Assets; not to compound interest in respect of loans converted/rescheduled, etc.