

**GOVERNMENT OF INDIA
AGRICULTURE
LOK SABHA**

STARRED QUESTION NO:550

ANSWERED ON:14.05.2007

INSTITUTIONAL CREDIT TO FARMERS

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Will the Minister of AGRICULTURE be pleased to state:

- (a) whether majority of credit requirement of the farmers are met through informal/non- institutional sources like money-lenders and traders who charge very high rate of interest;
- (b) if so, whether despite several recommendations by numerous high level committees for providing institutional finance to the farmers the Government could not ensure regular flow of institutional credit;
- (c) if so, the reasons therefor; and
- (d) the steps taken/proposed to be taken to provide the institutional credit at low rate of interest to the farmers during the Eleventh Plan Period?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF AGRICULTURE (SHRI SHARAD PAWAR)

(a) to (d): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF LOK SABHA STARRED QUESTION NO. 550 DUE FOR REPLY ON 14TH MAY, 2007.

(a): As reported in the National Sample Survey Organization Report No. 498 on `Indebtedness of Farmer Households`, 57.7% of the outstanding loan of indebted farmers was sourced from formal/institutional sources consisting of banks, cooperative society and the Government. The remaining 42.3% of the outstanding loan were sourced from informal/non- institutional sources consisting of agriculture/professional moneylenders, trader, relatives & friends, doctor, lawyer etc. and others.

(b)&(c): Do not arise.

(d): Government of India has decided that effective from Kharif 2006-07, farmers would receive crop loan at 7 per cent, with an upper limit of Rs.3 lakh on the principal amount and the Government of India would provide necessary interest subvention to the banks and National Bank for Agriculture and Rural Development (NABARD) for this purpose. Accordingly, Government of India is providing 2% interest subvention to Commercial Banks, Cooperative Banks and Regional Rural Banks (RRBs) for their own funds in providing crop loan to farmers at 7% rate of interest. In addition, the Government is also providing subvention to NABARD in respect of the concessional refinance given to the cooperative banks and RRBs. As per the announcement made in the Union Budget 2007-08, the 2% interest subvention scheme for short- term crop loans will continue during 2007-08.