

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:7289

ANSWERED ON:13.05.2005

RE- FINANCE THROUGH NABARD

Adhalrao Patil Shri Shivaji;Adsul Shri Anandrao Vithoba;Verma Shri Ravi Prakash

Will the Minister of FINANCE be pleased to state:

- (a) whether the co-operative banks are charging a rate of interest as high as 12 per cent when the re-finance available through NABARD could reach the farmer at 8 per cent;
- (b) whether the co-operative banks do not comply with the Banking Regulation Act; and
- (c) if so, the steps taken by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM):

(a) NABARD has been providing refinance at concessional rates to Cooperative Banks, and rate of interest charged by NABARD on refinance to Cooperative Banks (Short Term-Seasonal Agriculture Operations) ranges from 5.5% to 5.75% depending upon level of Non-Performing Assets (NPAs) of the concerned banks. NABARD, on its part, has impressed upon Cooperative Banks to review their structure of interest rates. Some banks have responded positively by reducing their lending rates and some banks could not do so on account of the high cost of funds, high level of NPAs, multi-tier structure etc. Moreover, the interest rate regime has been completely deregulated.

(b) and (c) Statutory inspections conducted by NABARD/RBI reveals such Cooperative Banks which are not complying with the provisions of the Banking Regulation Act, 1949 (AACS). Action is taken against those banks as per the provisions of the said Act.