

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1940
ANSWERED ON:24.08.2007
DIVESTING RBI STAKE FROM NABARD
Acharia Shri Basudeb

Will the Minister of FINANCE be pleased to state:

- (a) the current average cost of fund for National Bank for Agriculture and Rural Development:
- (b) whether NABARD was advised recently to revise its interest rates due to rising cost of fund;
- (c) if so, the details thereof;
- (d) whether the Reserve bank of India has firmed-up a plan to divest its stake in NABARD
- (e) if so, the details thereof and the reasons therefor;
- (f) whether after having divested its stake RBI is likely to lose its right in the Board of Directors of NABARD ; and
- (g) if so, the steps taken/proposed to be taken to safeguard the interests of the farmesrs who are in a serious financial crisis?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) : The average cost of fund for National Bank for Agriculture and Rural Development (NABARD) for the years 2006-07 and 2007-08 (till 21st August 2007) is 8.69% and 9.66% respectively.

(b) : No, Sir,

(c) : Does not arise.

(d) & (e) : As per the recommendations of the Narsimham Committee, the Reserve Bank o (RBI) is to divest its holdings iti banks and Financial Institutions (FIs), which, inter-alia, include NABARD. This recommendation is with a view to prevent the conflict of interest being faced by RBI in view of its ownership in the regulated entities.

(f) & (g) : No, Sir. Even after the divestment of its stake in NABARD, RBI will continue to have its representative on the Board. The Government has taken a number of steps to increase the credit flow to agriculture sector. The Government announced a Farm Credit Package on 18.06.2004 which, inter-alia, includes doubling the Farm Credit within three years. The credit flow to this sector in the country during the year 2006-07 has been Rs.2,03,297 crore as against the credit flow of Rs.86,981 crore during 2003-04. Further, to ensure that fanners receive Short Term Production Credit at 7% per annum upto the upper limit of Rs.3 lacs on the principal amount, the Government is implementing a. scheme since Kharif 2006, and is providing interest subvention of 2% per annum to Public Sector Banks, Regional Rural Banks(RRBs) and Cooperative Banks on their lending from their own resources and refinance at concessional rates to cooperative banks and RRBs on their borrowings from NABARD.

Besides, Banks have been instructed to achieve financial outreach through provision of a General Credit Card to households, opening `No Frills` accounts with limited overdraft facilities, to extend financial outreach by utilizing services of Civil Society Organisation like Farmers Clubs, NGOs, Post Offices as Business Facilitator/Business Correspondent Model, etc.