

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4145

ANSWERED ON:04.05.2007

LOAN TO FARMERS

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Will the Minister of FINANCE be pleased to state:

- (a) the amount of loans provided to the farmers during the last three years, State- wise;
- (b) the rate at which the said loans have been provided to the farmers;
- (c) whether the Government proposes to provide loans to farmers at lower rates; and
- (d) if so, the details thereof?

Answer

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

(a) : The State-wise list of amount of loans provided to the farmers between 2003-04 to 2005-06 is Annexed.

(b) to (d): The Government had announced on July 16, 2003 a reduction in lending rate for agriculture with a view to extending the full benefit of declining interest rates to agriculture sector particularly to small and marginal farmers. Subsequently, all public sector banks were advised to reduce their lending rate to not more than 9% p.a. on crop loans upto a ceiling of Rs.50,000/-. Similar appropriate instructions were also issued by NABARD to Cooperative Banks and Regional Rural Banks.

Thereafter, Reserve Bank of India deregulated the interest rates on loans given by commercial banks except that the interest rate on loans up to Rs 2 lakh should not exceed the Benchmark Prime Lending Rate (BPLR) of the banks concerned.

To reduce the burden of interest on Crop Loans availed by farmers for Kharif and Rabi 2005-06, an amount equal to two percentage points of the borrower's liability on the principal amount upto Rs. 1,00,000/- was credited to their account. Thereafter, from Kharif 2006, to ensure that the farmer receives Short-Term Production Credit at 7% with an upper limit of Rs.3 lacs on the principal amount, the Government 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.