

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1410  
ANSWERED ON:27.11.2009  
INTEREST SUBVENTIONS  
Semmalai Shri S.

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Government proposes to reduce the interest rate to 4 per cent on farm loans of marginal and small farmers as recommended by Dr. Swaminathan Committee;
- (b) if so, the details thereof;
- (c) whether the Government has formulated any plan to reduce the interest rate to 4 per cent instead of the present system of subverting interest rate on farm loans depending on the exigencies of the schedule; and
- (d) if so, the details thereof?

**Answer**

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

(a) to (d): No, Sir. However, in terms of the Budget Announcement for 2009-10, the Government of India has approved the Interest Subvention Scheme for Short Term Crop Loans to farmers for 2009-10 with the following stipulation:

(i) Interest subvention of 2% per annum is applicable to Public Sector Banks (PSBs), Cooperative Banks and Regional Rural Banks (RRBs) on their own funds used for short term crop loans upto Rs. 3,00,000/- per farmer provided the lending institutions lend such loans @ 7% per annum.

(ii) An additional interest subvention @ 1% has been given to those prompt paying farmers who repay their short term crop loans within the period of interest subvention i.e. within one year of disbursement of such loans. This also implies that the prompt paying farmers would now get short term crop loans @ 6% per annum during the year 2009-10. This benefit would not accrue to those farmers who repay after one year of availing such loans.

(iii) Interest subvention is available to farmers from the date of disbursement till the date of repayment, subject to a maximum period of one year.