

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2519
ANSWERED ON:04.12.2009
RATES OF INTERESTS ON AGRICULTURAL LOANS
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Will the Minister of FINANCE be pleased to state:

- (a) whether there is no uniformity in the rate of interest as well as penal interest in the agricultural loans being charged by Nationalised Banks, Cooperative Banks and NABARD from the farmers;
- (b) if so, the details thereof, and the reasons therefor; and
- (c) the steps taken by the Union Government to bring transparency and formulate a uniform policy in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) to (c): As per the interest rate policy of the Reserve Bank of India, interest rates on loans (including agricultural loans) given by commercial banks are deregulated except that the interest rate on loans upto Rs. 2 lakh should not exceed the Benchmark Prime Lending Rate (BPLR). Commercial banks, therefore, are free to decide their lending rates on loans above Rs. 2 lakh subject to the announcement of BPLR. Banks are free to lend at sub-BPLR rates to creditworthy borrowers based on an objective and transparent policy, subject to the approval of their Board.

Further, the Union Finance Minister in the Budget Speech for 2009-10 has announced the continuation of the interest subvention scheme for short term crop loans to farmers for loan upto Rs 3 lakhs per farmer. This will ensure that the farmer will receive short term credit at 7 percent rate of interest.

In terms of Reserve Bank's extant guidelines on lending to priority sector, no penal interest is to be charged by the commercial banks for loans under priority sector (including farm sector loans) upto Rs. 25,000. However, the banks are free to levy penal interest for loans under priority sector exceeding Rs. 25,000.