

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2652

ANSWERED ON:12.03.2010

INTEREST RATE ON LOANS TO FARMERS

Bairwa Shri Khiladi Lal;Dashmunsi Deepa ;Mishra Shri Govind Prasad

Will the Minister of FINANCE be pleased to state:

- (a) the details of interest rate is being charged by the scheduled commercial banks from the farmers on the loan disbursed to them;
- (b) whether farmers are being given such loans at the concessional rate of interest;
- (c) if so, the details thereof and if not, the reasons therefore;
- (d) whether loans are being disbursed by the scheduled commercial banks at high rate of interest in the rural areas and the rural people are unable to repay their loans due to such high rate of interest;
- (e) if so, the details thereof and the reasons therefore alongwith the policy formulated by the Government in this regard and the status of such policy;
- (f) whether the Government is contemplating to bring any legislation in this regard; and
- (g) if so, the details thereof and the time by which such legislation is likely to be enacted and the Government's reaction thereto?

Answer

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

(a) to (e): As per the interest rate policy of Reserve Bank of India, interest rates on loans given by commercial banks (including loans granted to farm sector) have been deregulated since October 1994, except that the interest rate on loans upto Rs. 2 lakh should not exceed the Benchmark Prime Lending Rate(BPLR) of the banks concerned.Commercial banks are, therefore, free to decide their lending rates on loans above Rs. 2 lakh subject to the announcement of BPLR. Banks are also free to lend at sub-BPLR rates to creditworthy borrowers based on an objective and transparent policy, subject to the approval of their Boards.As regards Regional Rural Banks (RRBs) and Co-operative Banks, the interest rates on loans have been completely deregulated.

In order to make credit available at a reasonable cost to the farmers, the Government has announced interest subvention scheme from the year 2006-07 to ensure that the farmer receive short term credit at an interest rate of 7 per cent per annum, with an upper limit of Rs. 3,00,000/ on the principal amount. This policy has come into force with effect from Kharif 2006-07. Accordingly, Reserve Bank has advised all Public Sector Banks and RRBs to implement this policy immediately. This Scheme has been continued by Government of India.

For the year 2009-10, the Government has decided to pay an additional subvention of 1 per cent as an incentive to those farmers who repay their short term crop loans on schedule.Thus,the effective interest rate for such farmers has come down to 6 per cent per annum.

For the year 2010-11 it has been announced in the Budget Speech to provide an additional interest subvention of 2% to the prompt paying farmers. This will reduce the effective interest rate charged to such farmers to 5% p.a.

(f): No Sir.

(g): Does not arise.