

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3620
ANSWERED ON:16.04.2010
RATE OF REFINANCING
Meghwal Shri Bharat Ram

Will the Minister of FINANCE be pleased to state:

- (a) the rates at which loans are provided to the farmers since 2006 through the Co-operative banks including rate of refinancing;
- (b) the reasons for increasing the rates of refinancing by the National Bank for Agriculture and Rural Development (NABARD) by half percent every year;
- (c) whether the Union Government proposes to provide complete interest free grant to short-term co-operative credit society/banks for providing loans to the farmers on the subsidised rates of interest; and
- (d) if so, the details thereof and if not, the reasons therefor?

Answer

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

(a) & (b): The Government of India in 2006 introduced the Interest Subvention Scheme for short term crop loans to farmers upto Rs 3 lakh to ensure that farmers receive short term credit at 7% per annum. This Interest Subvention Scheme has continued since 2006-07. Further, the Government provides an interest subvention to the National Bank for Rural and Agriculture Development (NABARD) for the refinance provided by NABARD to the Regional Rural Banks (RRBs) and Cooperative banks on their short term agricultural lending at 7% (with an upper limit of Rs.3 lakh on the principal amount) to farmers.

NABARD's rate of refinance to Cooperative Banks for short term crop loans was 2.5%, 3%, 3.5% and 4% during 2006-07, 2007-08, 2008-09 and 2009-10 respectively.

As regards NABARD's refinance for the medium and long term loans to farmers by Co-operative Banks and RRBs, there is no subvention provided by Government to NABARD. NABARD decides the rate of refinance after considering several variables while giving due consideration to keeping the rates as low as possible.

(c) & (d): The Government of India is providing an Interest Subvention to all lending institution for short term crop loans upto Rs.3 lakh, so as to ensure that short term agriculture credit is available at 7% to farmers. In 2009-10, an additional 1% incentive subvention was given to prompt payee farmers. The Budget 2010-11 provides an additional 2% interest subvention to those farmers, who repay their short-term crop loans as per schedule. Thus, the short-term credit will be available to prompt paying farmers @ 5% p.a. for loans upto Rs.3 lakh.