

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4627
ANSWERED ON:23.04.2010
FARM LOAN DEFAULTS
Dharmshi Shri Babar Gajanan

Will the Minister of FINANCE be pleased to state:

- (a) the details of the existing mechanism for dealing with the cases of farm loans defaults;
- (b) whether it is proposed to view the fundamental defects responsible for such defaults on the lines of cases referred to the Board for Industrial & Financial Reconstruction (BIFR) in respect of the industry; and
- (c) 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) Crop loans upto a certain limit (as prescribed by Reserve Bank of India from time to time) are given without creating a charge on agricultural land but against creating a charge on standing crops. For crop loans availed by a farmer above the prescribed limit, a charge is created in favour of the bank on financing the agricultural land of farmers.

In case of default in payments for crop loans availed by the farmers (non payment of dues principal/interest by due date), the defaulter is required to pay additional penal interest for the period of default on the entire amount of crop loan availed by him. The practice differs from banks to bank/institutions.

- (b) No such proposal is under consideration of Government .
- (c) Does not arise.