

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:4675  
ANSWERED ON:23.04.2010  
INTEREST RATES ON AGRICULTURAL LOANS  
Reddy Shri Magunta Srinivasulu

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

- (a) whether the farmers are raising loans from the non-institutional sources on the exorbitant rate of interest;
- (b) if so, the details thereof and the reasons therefor; and
- (c) the steps taken/being taken by the Government to increase the farmers accessibility to the institutional credit?

**Answer**

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

(a) & (b) As per National Sample Survey Organisation Report on Indebtedness of Farmer Households No.498,59th Round, January-December 2003, 43.42 million farmer households, constituting 48.6 per cent, of the total 89.35 million farmer households were reported to be indebted to either formal or informal or both sources of credit. Of the total 43.42 million farmer households, 23.3 million (54%) were indebted to formal sources. The report also states that a fairly high proportion of total amount of cash debt funded by the institutional agencies (about 64%) in the rural area were provided at 15% or less interest rates. On the other hand, the non-institutional agencies provided a significant amount (40%) of its total loans to rural households at an interest rate as high as 30% or above.

As per the Report of the Technical Group to Review Legislation on Moneylending the reasons for continued dependence of farmers on moneylenders include:

- (i) Limited outreach of formal credit institutions;
  - (ii) Moneylenders do business at `doorstep` and respect privacy;
  - (iii) Moneylenders lend for consumption purposes without hesitation; unlike banks.
- (c) The Government has taken several steps to ensure the proper availability of credit to farmers through banks. These include:
- (a) Introduction of the Kisan Credit Card (KCC) Scheme to address the credit needs of the farmers in a more holistic manner;
  - (b) Simplification of procedural aspects of farm credit and thereby encouraging the farmers to approach the institutional sources for credit;
  - (c) Introduction of the Agricultural Debt Waiver and Debt Relief Scheme (ADWDRS), 2008 for farmers for easing the flow of institutional credit to agriculture, which had become clogged due to the debt burden on the farmers;
  - (d) Banks being advised to dispense with the requirement of "no due" certificate for small loans up to Rs.50,000 to small and marginal farmers, share-croppers and the like and instead obtain a self-declaration from the borrower;
  - (e) Banks being advised to accept certificates provided by local administration/panchayati raj institutions regarding the cultivation of crops in case of loans to landless labourers, share-croppers and oral lessees;
  - (f) Banks (including RRBs), being advised that wherever there are difficulties in getting certification from the local administration/panchayati raj institutions regarding the cultivation of crops, etc., they may accept an affidavit submitted by landless labourers, share croppers and oral lessees giving the occupational status (i.e., details of land tilled/crop grown) for loans up to Rs.50,000.