

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4737
ANSWERED ON:23.04.2010
LOAN AT CONCESSIONAL RATES
Joshi Shri Mahesh

Will the Minister of FINANCE be pleased to state:

- (a) whether Cooperative Banks are getting loan at concessional rates from National Agriculture and Rural Development Bank (NABARD);
- (b) if so, the details thereof, bank-wise;
- (c) whether the interest on loan in addition to the penalty interest on outstanding amount being charged by Cooperative Banks from farmers is higher than the interest rate charged by Commercial Banks;
- (d) if so, the reasons therefor; and
- (e) the steps taken to ensure availability of loan to farmers by the Cooperative banks at lower interest rate?

Answer

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

(a) to (e): Yes, Sir. All Cooperative Banks are eligible for National Bank for Agriculture and Rural Development (NABARD) refinance for short term crop loan financing if they are providing the crop loan upto Rs. 3 lakh to farmers at 7% p.a. 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 Medium Term (MT)/Long Term (LT) loans, cooperative banks are being provided refinance by NABARD at concessional rates of interest i.e. 25 basis points to 50 basis points lower than that being provided to the Commercial banks.

The Government of India is providing an Interest Subvention to all lending institutions 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.

NABARD has reported that on crop loans upto Rs. 3.00 lakhs, the Short Term Cooperative NABRD has reported that on crop loans upto Rs.3.00 lakhs, the Short Term Cooperative Structure and the other Banks (Public Sector Banks/Regional Rural Banks) are mostly charging interest @ 7% p.a. or less. The concessional rate of interest by Primary Agriculture Cooperative Society/Coop Bank on crop loans to the farmer is applicable only upto the due date. In terms of RBI guidelines, bank may charge normal rate of interest (apart from the penal interest) on the crop loans which are not repaid by farmers by due date. As the system/procedure followed by each bank in such manners is different, no generalized conclusions can be drawn.