

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5847
ANSWERED ON:30.04.2010
INTEREST RATES ON AGRICULTURAL LOANS
Rane Dr. Nilesh Narayan

Will the Minister of FINANCE be pleased to state:

- (a) whether there is no uniformity in the rate of interest on the agricultural loans being charged by Nationalized Banks, Co-operative Banks and National Bank for Agriculture and Rural Development (NABARD) from the farmers;
- (b) if so, the details thereof and the reasons therefor; and
- (c) the action taken/proposed to be taken by the Union Government to bring transparency and formulate a uniform policy in this regard?

Answer

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

(a) to (c): 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 deregulated.

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.