

**GOVERNMENT OF INDIA
AGRICULTURE
LOK SABHA**

UNSTARRED QUESTION NO:3788

ANSWERED ON:17.08.2010

INDEBTEDNESS OF FARMERS

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Will the Minister of AGRICULTURE be pleased to state:

- (a) whether a large number of farmers are reported to be indebted to money lenders due to high interest rate charged by them;
- (b) if so, the details thereof and the reaction of the Government thereto;and
- (c) the manner in which the Government is likely to assist such farmers?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF AGRICULTURE AND MINISTER OF THE STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (PROF. K.V. THOMAS)

(a) & (b): As per the report on the `Indebtedness of Farmer Households` (NSS 59th Round) released by National Sample Survey Organization (NSSO) in May, 2005, of the 89.35 million farmer households, 43.42 million farmer households (48.6%) were reported to be indebted to either formal or informal or both sources of credit. As per this report, the most important source of loan in terms of percentage of outstanding loan amount was banks (36%), followed by moneylenders (26%).

Farmers are indebted to both institutional and non-institutional sources of credit and borrowing from non-institutional sources is the major reason for debt related farmers` distress. In order to reduce the dependence of farmers on non-institutional sources of credit, the Government has taken several initiatives for improving agricultural credit flow through institutional sources and bringing down the rate of interest on farm loans.

(c): To reduce the dependence of farmers on private moneylenders for meeting their credit needs and for providing relief to the indebted farmers, the Government has taken several measures. Some of the important measures are:

(i). A decision was taken by the Government in June, 2004 to double the flow of agriculture credit in three years with reference to base year 2003-04. The flow of agriculture credit since 2003-04 has consistently exceeded the target. Agriculture credit flow has increased from Rs.86981 crore in 2003-04 to Rs.301908 crore in 2008-09. Against the credit flow target Rs.3,25,000 crore during 2009-10, the achievement as on 31 March, 2010 (as per provisional figures) is Rs.366919 crore. Target of agricultural credit flow for the year 2010-11 is Rs. 375000 crore.

(ii). From Kharif 2006-07, farmers are receiving crop loans upto a principal amount of Rs. 3 lakh at 7% rate of interest. During 2009-10, Government provided an additional 1 % interest subvention as incentive to those farmers who repay short term crop loans as per schedule. The Government has proposed to raise this subvention for timely repayment of crop loans from 1 % to 2% from the year 2010-11. Thus the effective rate of interest for such farmers will be 5 % p.a in the year 2010-11.

(iii). The limit of collateral free farm loan has been increased from Rs.50,000 to Rs.1,00,000.

(iv). To relieve the burden of overdues the Government has implemented Agricultural Debt Waiver and Debt Relief Scheme, 2008. As per provisional figures, a total of about 3.69 Crore farmers have benefited from this scheme involving an amount of Rs. 65,318.33 crore. These farmers are now eligible to avail fresh credit from the banking system.

(v). The Government is implementing revival package for strengthening .of Short- term Rural Cooperative Credit Structure involving financial outlay of Rs. 13,596 crore.

(vi). Banks have been advised to finance the farmers for redeeming their loans taken from private money lenders.

(vii). Reserve Bank of India has issued comprehensive guidelines to the banks for providing debt relief to farmers affected by natural calamities including floods, droughts etc. These relief measures include, inter alia, restructuring of loans by way of conversion/ rescheduling of loans, provision of fresh crop loans for affected farmers, treatment of converted/ rescheduled agriculture loans as `current dues` and not to charge penal interest in respect of current dues in default, relaxed security and margin norms etc.