

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1632
ANSWERED ON:19.11.2010
INTEREST SUBSIDY TO BANKS
Ponnam Shri Prabhakar

Will the Minister of FINANCE be pleased to state:

(a): whether the Government has cut interest subsidy offered to banks for providing short-term loans to farmers at low rates affecting the profitability of the lenders due to recent increase in deposit rates; and

(b) if so, the details thereof and the reasons therefor alongwith the response received from different quarters in this regard?

Answer

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

(a) & (b): The Government of India has since 2006-07 been subsidizing short term crop loans to farmers in order to ensure the availability of crop loans to farmers for loans up to Rs. 3.00 lakh, at 7% p.a. This Interest Subvention Scheme has been further continued for 2010-11 for Public Sector Banks, Regional Rural Banks and Cooperative Banks. This year an additional subvention of 2% is available to farmers, who repay on time. Thus, the effective rate of interest for such farmers will be five per cent per annum for 2010-11.

The Interest Subvention Scheme of the Government of India is available only for short term crop loans. The Scheme ensures the provision of short term crop loans to farmers upto Rs. 3 lakh at 7% per annum. The Interest Subvention required to be provided by Government of India to banks to ensure this rate of 7% p.a. changes from year to year depending upon the cost of fund of banks.