

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1685
ANSWERED ON:19.11.2010
INTEREST FREE LOAN TO FARMERS
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Cooperative Banks have disbursed interest free loan to Paddy Farmers;
- (b) if so, the details thereof;
- (c) whether the Government has received any proposal from the Government of Kerala to extend the Interest Free Credit Facility to small and marginal farmers through the Nationalized Banks;
- (d) if so, the details thereof; and
- (e) the policy of Government in this regard

Answer

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

- (a) & (b) National Bank for Agriculture and Rural Development Bank (NABARD) has reported that it has no information in this regard.
- (c) to (e) There is no such proposal under consideration of the Government. 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% to farmers, who repay on time has been provided. 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. This 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.