

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:737
ANSWERED ON:12.11.2010
NABARD'S RATE OF FINANCING
Choudhry Smt. Shruti

Will the Minister of FINANCE be pleased to state:

- (a) the rates of financing and re-financing on long term and short term charged by the National Bank for Agriculture and Rural Development (NABARD) from Co-operative Banks and others during the last three years;
- (b) whether changes are proposed to be effected in the same;
- (c) if so, the details thereof and the reasons therefor; and
- (d) the steps taken/being taken by the Government in this regard?

Answer

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

(a) to (d) : National Bank of Agriculture and Rural Development (NABARD) has reported that the rate of Refinance on short term credit sanctioned by it to State Cooperative banks and Regional Rural banks during the last three years as under :

Name of Agency	Particulars	2008-09	2009-10	2010-11
----------------	-------------	---------	---------	---------

State Cooperative Banks	Short term-Seasonal	3.5%	4.0%	4.0%
-------------------------	---------------------	------	------	------

	Short term - Other lines of credit including Loans to State Government for Share capital contribution of Cooperative Credit Institutions	8.75%-9.5%	7.5%-8.0 %	7.5%-8.0 %
--	--	------------	------------	------------

Regional Rural Banks	Short term-Seasonal	4.5%	4.5%	4.5%
----------------------	---------------------	------	------	------

	Short term-Other lines of credit	9.00 %	8.00 %	8 %
--	----------------------------------	--------	--------	-----

State Cooperative Banks	Loans to State Government for Government Share capital contribution of Cooperative Credit Institutions	9.5 %	8.50%	8.5%
-------------------------	--	-------	-------	------

NABARD also provides long term financial assistance through direct finance (cofinance) and refinance. The rates of interest are as under:

Arrangement Rate of Interest

Cofinance i) 01 April 2007 to 23 August 2007: Rate of Interest was as per the prevailing rate of interest of the Cofinancing Partner

ii) 24 August 2007 to 26 September 2010: 12.5% p.a.

iii) Base rate of 10.00 % p.a. (w.e.f 27 Sept 2010)

NABARD decides its rate of interest on refinance based on the macro economic condition and cost of funds, however, with due consideration to keep them at the lowest rate possible.

The rate of interest charged by Public Sector Banks, Cooperative Banks and Regional Rural Banks at the ground level for short term crop loans upto Rs.3,00,000/- is at 7% p.a. under the Government of India's Interest Subvention Scheme, 2010-11. Farmers who repay these loans upto Rs 3 lakhs timely in 2010-11 shall get this credit at 5% p.a. in 2010-11. As regards other loans the rate of interest varies, as RBI has deregulated the interest rates.