

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:865
ANSWERED ON:12.11.2010
INTEREST SUBVENTION ON FARM LOAN
Choudhry Smt. Shruti

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has allowed an interest subvention of 2 per cent on timely repayment of short term crop loans;
- (b) if so, the details thereof;
- (c) whether the Government has received a strong demand from the farmers for extending the said interest subvention on long term crop loans;
- (d) if so, the details thereof;
- (e) whether such interest subvention has been reduced to 2 per cent from 3 per cent; and
- (f) if so, the details thereof and reasons therefor alongwith 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 (f): 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.