

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4071
ANSWERED ON:03.12.2010
INTEREST FREE LOANS TO DORUGHT HIT AREAS
Sarvey Shri Sathyanarayana

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has provided loans free of cost to help drought hit areas;
- (b) if so, the details thereof, State-wise including Andhra Pradesh during the last three years and the current financial year;
- (c) the details of the benefits to the BPL families at the same time alongwith the financial allocations made in this regard during the said period, State-wise including Andhra Pradesh; and
- (d) the other 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): 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.

Reserve Bank of India has issued comprehensive guidelines on relief measures to be extended by banks in areas affected by natural calamities, including floods, droughts etc., so that the required relief is provided by the banks without any loss of time to not only existing borrowers but also other eligible borrowers. The relief measures include, inter alia, the following:

- (i) Conversion of the principal amount outstanding in the crop loans and agriculture term loans as well as accrued interest thereon into term loans;
- (ii) conversion/rescheduling of loans and the interest accrued thereon for periods ranging from 3 to 10 years depending upon the frequency of crop failures/intensity of damage to crops;
- (iii) fresh crop loans for affected farmers;
- (iv) treatment of converted/rescheduled agri-loans as `current dues`,
- (v) non-compounding of interest in respect of loans converted/rescheduled etc;
- (vi) relaxed security and margin norms;
- (vii) provision of consumption loans to agriculturists whose crops have been damaged; and
- (viii) moratorium period of at least one year, while restructuring.