

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:143

ANSWERED ON:19.11.2010

FARMERS INDEBTEDNES

Badal Harsimrat Kaur;Panda Shri Prabodh

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has conducted any survey to quantify loans taken by the farmers from the private moneylenders;
- (b) if so, the details thereof and if not the reasons therefor;
- (c) whether the Government has any schemes/programmes/statutory debt relief commission aimed at bailing out the debt ridden farmers and saving them from the clutches of the private moneylenders;
- (d) if so, the details thereof; and
- (e) the other steps taken/being taken by the Government to improve banking services in the rural areas?

Answer

THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE)

(a) to (e): A Statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (e) of Lok Sabha Starred Question No. 143 to be answered on 19 November, 2010 regarding Farmers Indebtedness tabled by Shrimati Harsimrat Kaur Badal and Shri Prabodh Panda.

(a) to (e): The Report on the 'Indebtedness of Farmer Households' (NSS 59th Round) released by the National Sample Survey Organization (NSSO) in May 2005 states that of the 89.35 million farmer households, 43.42 million farmer households (48.6%) were indebted to either formal or informal or both sources of credit.

The Government of India, in the Ministry of Agriculture had constituted a Task Force under the chairmanship of Chairman, NABARD to look into the issue of a large number of farmers, who had taken loans from private money lenders, not being covered under the loan waiver scheme. The Terms of Reference of the Task Force, inter alia, included suggesting measures for covering all categories of farmers more particularly small and marginal farmers, tenant farmers, share croppers and oral lessees within the institutional credit fold to meet their credit requirements in order to reduce their dependence on informal sources and examine and suggest measures for improving effectiveness of Kisan Credit Card (KCC) scheme. The Task Force had submitted its report to Government of India on June 30, 2010.

Further, in order to help indebted farmers, and to de-log the lines of credit to them the Finance Minister, in his Budget Speech for 2008-2009, announced a Debt Waiver and Debt Relief Scheme for farmers. As per the Agricultural Debt Waiver and Debt Relief Scheme (ADWDRS) 2008, those direct agricultural loans extended to 'marginal and small farmers' (cultivating up to 2 ha, or 5 acres of land) and 'other farmers' (cultivating more than 2 ha. or 5 acres of land) by Scheduled Commercial Banks, Regional Rural Banks, Cooperative Credit Institutions (including Urban Cooperative Banks) and Local Area Banks and which fulfill all the three conditions, i.e., (a) disbursed between March 31, 1997 and March 31, 2007, (b) overdue on December 31, 2007, and (c) remaining unpaid until February 29, 2008 were eligible for debt waiver/debt relief under the Scheme. In the case of a small or marginal farmer, the entire 'eligible amount' was waived. In the case of 'other farmers', there was one time settlement (OTS) Scheme under which the farmer were to be given a rebate of 25 per cent of the 'eligible amount' subject to the condition that the farmer pays the balance of 75 per cent of the 'eligible amount'. The debt waiver portion of the Scheme closed on June 30, 2008 and the debt relief portion of the Scheme closed on June 30, 2010. As per reports received so far 2.44 crore small and marginal farmers and 31.27 lakh other farmers were benefited under the ADWDRS, 2008 to the extent of Rs 49889.60 crore. The Government of India has also taken several measures to provide relief to the farmers. These include:

- (i) Interest Subvention for crop loans upto Rs. 3 lakhs to reduce the effective rate of interest for farmers to 7% per annum since 2006-07, in 2010-11 an additional subvention of 2% is available for timely re-paying farmers. Thus, the rate for such farmers is 5% p.a. in 2010-11;
- (ii) Debt Swap Scheme to reduce interest burden by enabling the farmers to switch over from high cost loans from private money lenders to low cost institutional loans;
- (iii) Crop Insurance schemes for notified crops;

(iv) Kisan Credit Card (KCC) as an innovative credit delivery system, which benefits the farmers, especially small and marginal farmers in reducing the transaction cost in availing timely credit;

(v) Encouraging banks to take up Financial Inclusion efforts to extend the reach of institutional bank credit to farmers not covered so far.