

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1472
ANSWERED ON:04.03.2011
SIMPLIFICATION OF LOAN PROCEDURE
Choudhary Shri Harish;Jaiswal Shri Gorakh Prasad

Will the Minister of FINANCE be pleased to state:

- (a): whether the Government has taken steps to simplify the loan process for farmers;
- (b) if so, the details thereof;
- (c) if not, the reasons therefor; and
- (d) the reaction of the Government thereto?

Answer

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

(a) to (d): The Government of India and Reserve Bank of India (RBI) have taken several measures in order to facilitate the availability of credit to farmers through banks. These include:

(i) banks have been advised to dispense with the requirement of "no dues" certificates for small loans up to Rs 50,000 to small and marginal farmers, share-croppers and the like and instead obtain a self-declaration from the borrower.

(ii) banks (including RRBs), being advised that wherever there are difficulties in getting certification from the local administration/panchayati raj institutions regarding the cultivation of crops, etc., they may accept an affidavit submitted by landless labourers, share croppers and oral lessees giving the occupational status (i.e., details of land tilled/crop grown) for loans up to Rs 50,000.

(iii) RBI has advised banks to waive margin/security requirements for agricultural loans upto Rs 1,00,000.

(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. Banks were advised that the credit card should normally be valid for 3 years subject to an annual review. The scheme aims at providing adequate and timely credit for the comprehensive credit requirements of farmers under single window, with flexible and simplified procedure, adopting whole farm approach, including the short-term credit needs, term loan and a reasonable component for consumption needs, through Kisan Credit Card.

(v) General Credit Cards (GCC) : In December, 2005, banks were advised to consider introduction of a General Purpose Credit Card (GCC) facility up to Rs.25,000/- at their rural and semi-urban branches. The credit facility is in the nature of revolving credit entitling the holder to withdraw up to the limit sanctioned. Based on assessment of household cash flows, the limits are sanctioned without insistence on security or purpose. Interest rate on the facility is completely deregulated.

(vi) Relaxed KYC norms: the Know Your Customer(KYC) requirements for opening bank accounts have been relaxed since August 2005 and simplified for accounts with balances not exceeding Rs.50,000/- and aggregate credits in the accounts not exceeding Rs. one lakh a year. Introduction by an account holder who has been subjected to full KYC drill would suffice for opening such accounts or the bank can take any evidence as to the identity and address of the customer to the satisfaction of the bank.

(vii) No-frills accounts: Basic banking `no-frills` account with `nil` or very low minimum balances as well as charges that make such accounts accessible to vast sections of the population were introduced as per RBI directive in 2005.

(viii) the benefits of the Interest Subvention Scheme @ 7% per annum for short term crop loans upto Rs.3 lakhs is also available per member to the small farmers who are members of Joint Liability Groups (JLG).