

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4076

ANSWERED ON:26.08.2011

INTEREST RATE ON AGRICULTURAL LOANS

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Will the Minister of FINANCE be pleased to state:

- (a) whether the Short-term and Long-terms crop loans are disbursed to the farmers at different rates of interest;
- (b) if so, the details thereof and the reasons therefor;
- (c) whether the Government has any proposal to disburse both the Long-term and Short-term crop loans at the same rate of interest and to provide interest subvention on both the crop loans as available for short-term crop loans only;
- (d) if so, the details thereof and if not, the reasons therefor; and
- (e) the other steps taken/being taken by the Government in this direction?

Answer

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

(a) & (b): The rate of interest for term loan is decided on the basis of technical feasibility and financial viability of the investments. Rate of interest on loans have been deregulated by Reserve Bank of India (RBI).

(c) to (e): The Interest Subvention Scheme of the Government of India is being implemented by Public Sector Banks, Regional Rural Banks and Cooperative Banks since 2006-07 to provide short-term crop loans upto Rs. 3 lakh for a period of one year available to farmers at the interest rate of 7 per cent per annum. The Government of India has since 2009-10 been providing additional interest subvention to prompt payee farmers; i.e. those who repay their loan in time. The additional subvention was 1% in 2009-10 and 2% in 2010-11. This is being increased to 3% in 2011-12. Hence, the prompt payee farmers will get the short term crop loan upto Rs. 3 lakh at the rate of 4% p.a. in 2011-12.