

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1111

ANSWERED ON:05.08.2011

LOSSES OF COOPERATIVE BANKS

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Will the Minister of FINANCE be pleased to state:

- (a) whether the Cooperative Banks have suffered losses on account of disbursement of short-term loans at concessional rates to the farmers;
- (b) if so, the details thereof for the last three years and the current financial year, State-wise;
- (c) whether the Government proposes to make good the losses of the said banks during the same period;
- (d) if so, the details thereof and if not, the reasons therefor;
- (e) whether the Government proposes to provide seventy five per cent of interest subvention as interest free revolving fund to the Cooperative Banks; and
- (f) if so, the details thereof alongwith the other corrective 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 Interest Subvention Scheme is being implemented by the Government of India since 2006-07 to make short-term crop loans upto Rs.3 lakh for a period of one year available to farmers at the interest rate of 7 percent per annum. The Government of India has since 2009-10 been providing additional interest subvention to prompt payees 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.

Cooperative Banks are being refinanced at concessional rates for implementation of Interest Subvention Scheme. The rate of Interest Subvention to the Banks including the Cooperative Banks is decided keeping in view the cost of funds. The Government is also giving subvention to National Bank for Agriculture and Rural Development (NABARD) for providing concessional refinance to Cooperative Banks. The rate of refinance to Cooperative Banks for short term crop loans was 2.5%, 3%, 3.5%, 4% and 4% during 2006-07, 2007-08, 2008-09, 2009-10 and 2010-11 respectively.

The revival package for the short term cooperative structure (Vaidyanathan-I) is under implementation in 25 States. An amount of Rs. 8992.36 crore has been released as Government of India (GoI) share to 53026 eligible Primary Agriculture Cooperative Societies (PACS) in 16 states. Measures such as training of staff, Board of Directors and Secretaries of PACS, Branch Managers of State Cooperative Banks (SCBs) and District Central Cooperative Banks (DCCBs), Master Trainers, Auditors, Supervisors, Inspectors, etc, and Business Development Programme for increased profitability and diversification have been rolled out and are under implementation.