

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:5821  
ANSWERED ON:11.05.2012  
RURAL PROJECTS  
Roy Shri Arjun;Yadav Shri Dinesh Chandra

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the rate of interest on loans for construction of rural projects under Rural Infrastructure Development Fund Scheme has been increased;
- (b) if so, the details thereof;
- (c) whether the cost of construction of rural projects is likely to go up as a result thereof;
- (d) if so, whether most of the State Government in the country have refused to avail loan at the increased rate of interest;
- (e) if so, the details thereof; and
- (f) other steps 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 Reserve Bank of India, vide its circular dated March 16, 2012, revised the interest rates applicable to Rural Infrastructure Development Fund (RIDF) and other similar funds with the Small Industries Development Bank of India (SIDBI) and the National Housing Bank (NHB). As per the circular of RBI, the interest rates payable on such loans has been fixed at bank rate minus 1.5 percentage points with effect from 1st April, 2012. RBI has reported that the cost of borrowing of State Governments is in the bracket of 9.02% to 9.04% on 10 years loans, which are 100 basis points higher than what has been decided for RIDF loans (8%). Moreover, the recent downward revision of Bank Rate, by 50 basis points, w.e.f. April 17, 2012, would lower interest on RIDF loans to 7.5%