

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:5196  
ANSWERED ON:26.04.2013  
DIFFERENT RATES OF INTEREST ON FARMERS LOAN  
Mahendrasinh Shri Chauhan

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

- (a) whether the Government has taken note of different rates of interest on farmer loans being charged by various banks across the country;
- (b) if so, the details of present rates of interest being charged on farmer loans by different banks, bank-wise;
- (c) whether the banks impose penalties at different rates on the farmers in the case of default and if so, the details thereof;
- (d) whether the Reserve Bank of India (RBI) has framed any uniform policy on interest rates being charged on farmers loan; and
- (e) if so, the details thereof along with the steps taken/proposed to be taken by the Government to offer cheaper interest rates to farmers?

**Answer**

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

(a) & (b): The Reserve Bank of India(RBI), has advised the banks that with effect from 1st July, 2010 all categories of loans should be priced only with reference to the Base Rate. Banks may determine their actual lending rates on loans and advances with reference to the Base Rate and by including such other customer specific charges as considered appropriate. There can be only one Base Rate for each bank. Banks have also been given the freedom to choose any benchmark to arrive at a single Base Rate which should be disclosed transparently. At present, the Base Rate for lending ranges between 9.7% to 10.25%.

(c): Banks have been permitted to formulate a transparent policy for charging penal interest. However, in the case of loans to borrowers under Priority Sector, no penal interest is to be charged for loans upto Rs. 25,000/-. Penal interest can be levied for reasons such as default in repayment, non-submission of financial statements, etc. However, banks have been, inter alia, advised to ensure that the policy on penal interest should be governed by well-accepted principles of transparency, fairness, incentive to service the debt and due regard to genuine difficulties of customers.

(d) & (e): With the objective of making credit available to farmers, Government has been setting target for flow of credit to agriculture. This has been increased from Rs.1,05,000 crore in 2004-05 to Rs. 700,000 crore in 2013-14.

The Government is also providing the Interest Subvention 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% per annum.

Further, since 2009-10, farmers who repay their short-term crop loans in time are given a further subvention. The additional subvention was 1% in 2009-10, 2% in 2010-11 and 3% in 2011-12 and 2012-13. Farmers who repay their short-term crop loan on time are now able to get credit at 4% per annum.