

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:6017
ANSWERED ON:03.05.2013
DELIVERY MECHANISM OF FARM CREDIT TO FARMER
Shivanagouda Shri Shivaramagouda

Will the Minister of FINANCE be pleased to state:

- (a) the existing delivery mechanism of farm credit to farmers in the country;
- (b) whether the existing credit delivery mechanism is not farmer friendly particularly to the small and marginal farmers;
- (c) if so, the details thereof and the reaction of the Government thereto; and
- (d) the steps being taken by the Government to make the delivery mechanism of farm credit more efficient and farmer friendly?

Answer

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

(a) to (d): India has adopted a multi-agency approach for institutional farm credit delivery. The three main agencies through which farm credit is purveyed is commercial banks (public and private sector), cooperative banks and regional rural banks.

As per Reserve Bank of India (RBI) extant guidelines on Priority Sector Lending (PSL), all domestic Scheduled Commercial Banks(SCBs), have been mandated to earmark 40 per cent of their Adjusted Net Bank Credit(ANBC) or Credit Equivalent amount of Off-Balance Sheet Exposures (OBE), whichever is higher, as on March 31 of the previous year, for lending to priority sector. It also includes a sub-target of 18% for lending to agriculture sector. Foreign banks with 20 or more branches are required to meet this target in a phased manner over a maximum period of 5 years starting April 1, 2013 to March 31, 2018.

Further, Government has been setting target for flow of credit to agriculture every year. The Government is also providing 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 an additional subvention. The additional subvention was 1% in 2009-10, 2% in 2010-11 and 3% in 2011-12 and 2012-13. Thus, the farmers who repay their short-term crop loans on time are now able to get credit at 4% per annum.

As a result of the steps taken by the Government, the flow of credit to agriculture has increased from Rs. 3,84,514 crore in 2009-10 to Rs. 5,11,029 crore (provisional) in 2011-12. The number of crop loan accounts have also increased from 482.30 lakhs in 2009-10 to 646.57 lakh in 2011-12, registering an increase of 34%. The share of small and marginal farmers in the number of accounts financed by the banks has improved during the last three years i.e. 59% in 2009-10 to 63% in 2011-12.