

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:7070

ANSWERED ON:08.05.2015

INTEREST RATE ON AGRICULTURAL LOANS

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

(a) the details of norms laid down by the Government/Reserve Bank of India (RBI) for disbursement of agricultural loan by Public Sector Banks (PSBs), Cooperative Banks and National Bank for Agriculture and Rural Development (NABARD) along with the amount of loan disbursed by them for agriculture during each of the last three years, bank-wise;

(b) whether the interest rate on agricultural loan disbursed to the farmers by the PSBs, Cooperative banks and NABARD is not uniform;

(c) if so, the details thereof including the rate of interests charged by these banks, bank-wise and the reasons therefor; and

(d) the action taken/proposed to be taken by the Government/RBI to make uniform rate of interest on agricultural loan and in the disbursement of loans to the farmers?

**Answer**

The Minister of State in the Ministry of Finance (Shri Jayant Sinha)

(a): As per Reserve Bank of India (RBI)'s extant guidelines on Priority Sector Lending (PSL), all domestic Scheduled Commercial Banks (SCBs) have been mandated to earmark 18% of their Adjusted Net Bank Credit (ANBC) or Credit Equivalent amount of Off-Balance Sheet Exposure (OBE), whichever is higher, for lending to Agriculture. Within the 18 percent target for agriculture, a target of 8 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher is prescribed for Small & Marginal Farmers, to be achieved in a phased manner i.e. 7 per cent by March, 2016 and 8 per cent by March 2017.

Besides, Government of India has been setting an annual target for the flow of credit to the agriculture sector. The agriculture credit target fixed by the Government for the last three years and current year are as under:

Year	Target for Agriculture Credit (Rs. Crore)
2012-13	5,75,000
2013-14	7,00,000
2014-15	8,00,000
2015-16	8,50,000

The loans disbursed by Commercial Banks, Cooperative Banks and Regional Rural Banks (RRBs) for agriculture during the last 3 years are as under:

(Rs. Crore)			
Year	Commercial Banks	Cooperative Banks	RRBs
2012-13	4,32,490.93	1,11,203.30	63,681.39
2013-14#	5,09,004.96	1,19,963.79	82,652.72
2014-15#	3,59,906.87#	1,36,976.47	1,00,969.45

# Provisional Data #Upto 31.12.2014 (Data for Public Sector Banks only) Source : IBA/PSBs/NABARD/RBI

The National Bank for Agriculture & Rural Development (NABARD) does not provide loans directly to farmers.

(b) to (d): The interest rates on loans have been deregulated by Reserve Bank of India (RBI) and it is now based on the Base Rate fixed by the banks.

However, with a view to ensuring availability of short term agriculture credit at a reasonable cost, the Government provides interest subvention to make available the short-term crop loans upto Rs. 3 lakhs for a period of one year at the interest rate of 7% per annum and in case of prompt repayment, the same gets reduced to 4%.

In addition, in order to ensure that all eligible farmers are provided with hassle-free and timely credit for their agricultural operations by banks including Public Sector Banks (PSBs), the Government has introduced the Kisan Credit Card (KCC) Scheme, which enables them to purchase agricultural inputs such as seeds, fertilisers, pesticides, etc. and draw cash to satisfy their consumption needs. The KCC Scheme has since been simplified and converted into ATM-enabled debit card with, inter alia, facilities of one-time documentation and built-in cost escalation in the limit, etc.