

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:370
ANSWERED ON:11.07.2014
NABARD INTEREST RATE
Pradhan Shri Nagendra Kumar

Will the Minister of FINANCE be pleased to state:

- (a) whether the National Bank for Agriculture and Rural Development (NABARD) has reduced the interest on long term refinance facility to banks in the recent past;
- (b) if so, the details thereof along with the terms and conditions/objectives of such refinance;
- (c) whether the NABARD has any mechanism in place to monitor and regulate the reduced rate of interest by banks; and
- (d) if so, the details thereof?

Answer

The Minister of State in the Ministry of Finance (Smt. Nirmala Sitharaman)

(a) & (b) : Yes, Sir. The National Bank for Agriculture and Rural Development (NABARD) has informed that it has reduced the interest rates on long-term refinance by 0.20% p.a. with effect from 9th June, 2014.

NABARD has further informed that it has recently introduced a scheme of providing refinance at concessional rate for specific activities under Plantation and Horticulture viz. Production of exotic/high value vegetables under controlled conditions, cut-flowers for up-markets, Establishment of hi-tech/export oriented horticultural projects, Financing of fruit crops like banana, pine-apple, papaya, etc., Cultivation and extraction of essential oils etc. as also for area based schemes for which banking plan has been prepared by banks. The rate of interest on these specific activities will be 0.5% less than the applicable rate of interest on refinance charged by NABARD from time to time.

NABARD has also reported that it provides refinance assistance to the banks against their ground level loan disbursements for eligible activities under Priority Sector. Objective of such refinance is to boost capital formation in agriculture and rural economy, which leads to enhancement in ground level credit for agriculture.

(c) & (d) : As regards mechanism for monitoring and regulating the rate of interest, NABARD has stated that the ground level interest rates are fixed by respective banks since interest rates on loans have been deregulated by Reserve Bank of India.