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Title: Need to take measures to facilitate availability of farm credit @ 7% to farmers in Gujarat.

SHRI KASHIRAM RANA (SURAT): Government of India has announced an interest subvention scheme that aims at providing farm credit at 7%. The idea of making credit available to farmers at 7% is most welcome. But some practical difficulties have prevented its implementation in Gujarat. However, at present out of 18 Dist. Central Co-operative Banks only 5 to 6 Dist. Central Co-operative Banks are providing farm credit to the farmers at the rate of 7%. The DCCBs will be eligible for concessional refinancing only if they also lend a concessional rate out of their own funds. In Gujarat the refinance from NABARD is limited to only 16.8% of the total credit disbursement. The remaining finance comes from own funds of the State Cooperative Bank and the DCCBs. The cost of their own funds is as high as 10 to 12% which includes cost of deposit mobilization management cost and risk cost. Thus the cooperative institutions will not be in a position to lend at the rate of 7% to the farmers. If they try to do so, the losses will be of the order of Rs. 175 crores. This has to be understood in the context that in the second and third year the concessional rate of refinance by NABARD will be increased to 3% and 3.5% respectively leading to still bigger losses in the subsequent years. The Government of India right now giving 2% interest subvention in reference to this scheme. Refinance from NABARD is average 15 to 20% to DCCBs. If finance from their own funds at 7% is made available then all DCCBs of the State may incur losses. Government of India is requested to provide reasonable interest subvention to Dist. Central Co-operative Banks and refinance to the extent of 85% of the total lending.