

RAJYA SABHA

Unstarred Question No. 547

Answered on Tuesday, July 25, 2023/ Sravana 3, 1945 (Saka)

USURIOUS INTEREST RATES CHARGED BY MICROFINANCERS

547. SHRI MASTHAN RAO BEEDA:

Will the Minister of FINANCE be pleased to state:

- (a) Whether Government has taken any measures to improve the stressed condition of farmers due to usurious interest rates by microfinancers;
- (b) if so, the details thereof and if not, the reasons therefor;
- (c) Whether Government is taking any steps to ensure quick, cheap and accessible credit to farmers; and
- (d) If so, the details thereof and if not, the reasons therefor?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(DR. BHAGWAT KARAD)

- (a) to (d): The Government of India has *inter-alia*, taken the following measures to ensure quick, cheap and accessible credit for farmers:
 - i. The Priority Sector Lending (PSL) directions of RBI mandate all Domestic Scheduled Commercial Banks to lend 18% of the Adjusted Net Bank Credit (ANBC) or Credit Equivalent to Off-Balance Sheet Exposure (CEOBE), whichever is higher, towards agriculture, out of which a sub-target of 10% is prescribed for lending to small and marginal farmers for the Financial Year 2023-24. Loan to distressed farmers indebted to non-institutional lenders is an eligible category of farm credit under the PSL as per directions issued by RBI.
 - ii. The Government introduced the Kisan Credit Card (KCC) Scheme, which aims at providing adequate and timely credit support from the banking system under a single window with flexible and simplified procedure to the farmers (individual/joint borrowers who are owner cultivators), tenant farmers, oral lessees, share croppers, self help groups or joint liability groups of farmers including tenant farmers and share croppers etc. The benefits of KCC have been further extended to animal husbandry and fisheries farmers for their working capital requirements.
 - iii. With a view to ensure availability of agriculture credit at a reduced interest rate of 7% p.a. to the farmers, the Government of India, Department of Agriculture Cooperation and Farmers' Welfare (DAC&FW) implements an interest subvention scheme for short term crop loans up to Rs. 3.00 lakh. The scheme provides interest subvention of 1.5% per annum to Banks on use of their own resources. Besides, additional 3% incentive is given to the farmers for prompt repayment of the loan, thereby reducing the effective rate of interest to 4%. To enhance coverage of small and marginal farmers in the formal credit system, RBI has decided to raise the limit for collateral-free agriculture loans from Rs. 1 lakh to Rs. 1.6 lakh.
 - iv. The Banks have been advised by RBI to dispense with the requirement of 'no dues' certificate for small loans up to Rs. 50,000/- to small and marginal farmers, share-croppers and the like and, instead, obtain self-declaration from the borrower. Further, banks have been advised to accept cultivation certificates from local administration/ panchayati raj institutions as proof of identity for loans to landless labourers, share-croppers and oral lessees. Alternatively, individuals are also allowed to submit an affidavit explaining their identity and status for loans up to a certain amount (say, Rs. 50,000/-).