

Government of India  
Ministry of Finance  
Department of Financial Services  
LOK SABHA

Starred Question No. †\*262

To be answered on Friday, January 05, 2018/Pausha 15, 1939 (Saka)

**Farm Loan Waiver**

†\*262 SHRI J.C. DIVAKAR REDDY:  
SHRI KONAKALLA NARAYANA RAO:

Will the Minister of FINANCE be pleased to state:

(a) whether the farm loan waiver is not a good practice for economic or credit culture which ultimately cannot be justified in the long run according to former Governors of the Reserve Bank of India;

(b) if so, the details thereof;

(c) whether the Government proposes to offer farmers a longer window to pay off their loans and if so, the details thereof; and

(d) the financial assistance provided/ being provided to each State by the Government for the purpose during the last three years and the current year?

Answer  
The Minister of Finance  
(Shri Arun Jaitley)

(a) to (d) : A Statement is laid on the Table of the House

Statement referred to in reply to parts (a) to (d) of Lok Sabha Starred Question No. †\*262 to be answered on 05.01.2018 regarding Farm Loan Waiver by SHRI J.C. DIVAKAR REDDY and SHRI KONAKALLA NARAYANA RAO:

(a) & (b): Reserve Bank of India (RBI) has informed that a former Governor of RBI in his letter to the Chief Election Commissioner had mentioned the risk of promising loan waivers by political parties at election time as beneficiaries stop making payment even if they are financially in a position to make them and that this affects the banking sector as well as the state finances. RBI has also informed that the ex Governor, while addressing a conference organized jointly by National Bank for Agriculture and Rural Development (NABARD) and Small Industries Development Bank of India (SIDBI), had also stated that the loan waivers and subsidies distort the credit discipline.

(c): RBI has issued directions for Relief Measures to be provided by respective lending institutions in areas affected by natural calamities which, inter alia, include, restructuring/rescheduling of existing crop loans and term loans. The benchmark for initiating relief measures by banks has also been reduced to 33% crop loss in line with the National Disaster Management Framework. As per RBI's directions, all short-term loans, except those overdue at the time of natural calamity, are eligible for restructuring. RBI has advised the banks that the principal amount as well as the interest due for repayment in the year of occurrence of natural calamity may be converted into term loan. If the loss is between 33% and 50% maximum period of repayment is upto 2 years (including moratorium period of 1 year) and in case the loss is 50% or more maximum period of repayment is upto 5 years (including moratorium period of 1 year).

(d): No financial assistance for loan waiver has been provided to States by Union Government during the last three years and the current year.

