

Government of India
Ministry of Finance
Department of Financial Services
LOK SABHA
Unstarred Question No. 1152
To be answered on Friday, February 09, 2018/Magha 20, 1939 (Saka)

Loan by NABARD on Concessional Rate

1152. SHRI DEVUSINH CHAUHAN.

Will the Minister of FINANCE be pleased to state:

(a) whether the National Bank for Agriculture and Rural Development (NABARD) provide refinance for Short Term (Seasonal Agricultural Operations) production purposes at concessional rate of 7 per cent for a loan of Rs. 3 lakh to the farmers through Primary Agriculture Cooperative Credit Societies;

(b) if so, the details thereof along with the salient features of the same;

(c) the reasons for reducing the eligible quantum of refinance from 50 per cent to 40 per cent of Realistic Lending Programme (RLP) for the year 2015-16;

(d) whether the refinance limit of Rs. 5027 crore applied for by the Gujarat State Co-operative Banks has been reduced to Rs. 3100 crore during 2015-16 and from Rs. 4579 crore during 2016-17 to Rs. 2930 crore thereby putting District Central Banks of the State under pressure in order to meet financial requirement of the farmers, if so, the details thereof;

(e) whether the NABARD has deprived 40 per cent of the eligible farmers of Gujarat from applying for a cheap short term agricultural loan of Rs. 3 lakh at 7 per cent, if so, the details thereof; and

(f) the action taken/being taken by the Government in this regard to mitigate the fund requirement of Co-operative Banks of the State?

Answer

The Minister of State in the Ministry of Finance
(Shri Shiv Pratap Shukla)

(a) to (f): The Short Term Cooperative Rural Credit (Refinance) Fund (STCRC) was set up in National Bank for Agriculture and Rural Development (NABARD) in 2008-09 with an initial corpus of Rs. 5,000 crore to provide short term refinance to Cooperative Banks for their short term crop loan requirements. The fund is sustained through contributions by scheduled commercial banks out of their shortfall in achievement of priority sector lending targets.

Out of STCRC Fund, NABARD provides refinance to eligible Cooperative banks at an interest rate of 4.5% per annum for crop loans upto Rs.3.00 lakh disbursed directly by Cooperative banks or through Primary Agricultural Credit Societies (PACS) at an interest rate of 7% per annum to the ultimate borrower.

The refinance is provided to State Cooperative Banks (StCBs) on behalf of all the eligible District Central Cooperative Banks (DCCBs). The eligibility for sanction of credit limit depends upon DCCBs complying with Capital to Risk Asset Ratio (CRAR) criteria stipulated by Reserve Bank of India (RBI), completion of audit and Non Performing Asset (NPA) norms.

The quantum of refinance for Cooperative Banks depends on the corpus of STCRC Fund made out of the shortfall in priority sector lending targets by scheduled commercial banks. Based on the allocation of STCRC Fund, the quantum of refinance that should be given worked out to 40% during 2016-17.

As reported by NABARD, during 2015-16 the limit sanctioned under STCRC to Gujarat StCB was Rs. 3,700 crore. In 2016-17 the initial sanctioned limit to Gujarat StCB was Rs. 2,930 crore, which was later enhanced to Rs. 6,000 crore due to raising of funds by NABARD for refinance to Cooperative Banks, post demonetization.

Further, under the Interest Subvention Scheme, Banks are eligible for 2% interest subvention on crop loans to farmers upto Rs.3 lakh given from their own funds, thus reducing their cost of funds, to encourage them to meet crop loan requirement of all the eligible farmers affiliated to DCCBs/ PACS.

Post demonetisation, the Government has taken the following measures relating to recovery of agriculture loans:

i. The Government decided that an additional grace period of 60 days for prompt repayment incentive @ 3% will be provided to such of the farmers whose crop loans dues fell due between 01/11/2016 to 31/12/2016 and if such farmers repaid the same within 60 days from their due date in this period.

ii. The Government also decided to grant interest waiver for two months (November and December, 2016) for all short term crop loan availed from Cooperative Banks between 01.04.2016 to 30.09.2016 and upfront deposit of the same in the accounts of the concerned farmers.

iii. NABARD raised market borrowing for short term borrowings at prevailing market rate of interest for Rs. 17,880.78 crore and disbursed the same borrowing under refinance for on-lending to Cooperative Banks at 4.5% rate of interest during 2016-17.